

# Facing the future

## Employment prospects for young people after Coronavirus

March 2021



**Prince's Trust**



**HSBC UK**

**Learning and Work Institute**

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## About Learning and Work Institute

Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

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## About the Prince's Trust

The Prince's Trust helps young people all over the UK to build their confidence and skills and supports them into jobs, education and training. 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. Many of the young people helped by The Trust's youth support workers and mentors are in or leaving care, facing issues such as homelessness, mental health problems, or have been in trouble with the law. The courses offered by The Trust give 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. The Trust has helped over a million young people to date.

Further information about The Prince's Trust is available at [princes-trust.org.uk](https://princes-trust.org.uk) or on 0800 842 842.

## About HSBC UK

This report is supported by HSBC UK. In partnership with the Prince's Trust since 2012, they have helped more than 50,000 young people access skills-training and employment opportunities, including in key sectors such as digital and the green economy.

HSBC UK serves around 14.5 million customers in the UK and employs approximately 32,000 people. HSBC UK offers a complete range of personal, premier and private banking services including bank accounts and mortgages. It also provides commercial banking for small to medium businesses and large corporates. HSBC UK is a wholly owned subsidiary of HSBC Holdings plc.

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## FOREWORD: The Prince's Trust

Throughout the coronavirus pandemic, it is young people who have shouldered the worst of the unemployment crisis. For young people just entering the labour market, the events of the last year have added barriers that can seem insurmountable, onto what is already a very daunting time.

The findings of this report show in stark detail the significant and long-term damage the pandemic has caused to young people's employment prospects, and warns that youth unemployment may continue to rise, even as the rest of the economy begins to recover.

During times of economic crisis, there is a great risk that young people will be left out of the job market. This report warns of the negative impact on young people and predicts that climbing youth unemployment will have substantial economic and fiscal consequences for the UK as a whole.

In parallel with the economic impact, the report reveals worrying signs that the pandemic has, and will continue to, exacerbate pre-existing inequalities among different groups of young people.

We are at a pivotal moment in our economic recovery and simply cannot afford to neglect our young talent. We need to give them the opportunities they deserve and unlock the potential they offer our country.

At The Prince's Trust we know that, by working together, government, employers and charities can enable young people to upskill, retrain and access job opportunities. This can change young lives and have positive repercussions for families and communities for generations to come.

Through initiatives like the Government's Kickstart scheme, The Trust is working with businesses to provide young people with quality employability support to create routes into apprenticeships and jobs. However, there is much more to do, and failing to take action risks not only harming young people's futures, but the future of our economy as a whole.

We are grateful to both the Learning and Work Institute for carrying out this important piece of research, and to HSBC UK for their continued support of young people's employability and future skills.

**Jonathan Townsend, UK Chief Executive of The Prince's Trust**

# EXECUTIVE SUMMARY

## Context and aims

The coronavirus pandemic has triggered a labour market crisis which is hitting young people hard. Young people are over-represented in 'shutdown' sectors that have been most affected by social distancing restrictions and more likely to have been furloughed. In addition to this, young people account for around two thirds of the total fall in employment since the start of the pandemic, and youth unemployment is almost four times higher than the rest of the working-age population.

Whilst progress with the rollout of the Covid-19 vaccine programme presents an optimistic picture for the re-opening of the economy, there is a real risk that the pandemic will have a long-lasting impact on the labour market and on opportunities for young people for years to come.

This report explores the impact of the pandemic on young people's employment, their future job prospects, and the cost of higher youth unemployment. It is based on analysis of labour market data, economic modelling, a survey of 1,280 employers, a survey of 2,092 young people aged 16-24, and two focus groups with young people aged 17-27.

## Key Findings

**Not only do young people face a greater risk of unemployment during the pandemic; the longer-term structural changes in the labour market are likely to reduce their future employment opportunities.**

Modelling of future employment demand forecasts that jobs in most sectors and occupations will fall in the short term before recovering. In the longer term, although many are projected to recover to and surpass their pre-pandemic demand, for others demand is likely to remain at reduced levels.

**Worryingly, the outlook for young people's employment is worse compared to the outlook for older workers.** In addition to being overrepresented in the sectors hit hardest by the pandemic, young people also tend to be overrepresented in the sectors that are forecast to see a slower recovery and lower employment in the long term, and underrepresented in occupations which are likely to see the strongest job growth. **This means that young people will increasingly bear the brunt of the unemployment crisis.**

This view is also held by employers, with over four in ten employers believing that the pandemic will continue to have a negative impact on the employment prospects of young people in their sector over the next three to five years. The unique sectoral impact of the economic downturn is evident – there are significant differences between employers, with those in hospitality and leisure being the most likely to predict a continuing negative impact.

In addition to the impact on young people themselves, **new economic modelling highlights the significant impact of youth unemployment on the wider economy, and on public finances:**

- The **economic cost** of higher youth unemployment in terms of lost national output is forecast to be £5.9bn in 2021, peaking at £6.9bn in 2022 and falling to £2.1bn in 2025;
- The **fiscal cost** of higher youth unemployment in the form of lower tax revenue and higher benefit spending is forecast to be £2.5bn in 2021, peaking at £2.9bn in 2022 and falling to £0.9bn in 2025;
- The **long-running scarring cost** for young people entering the labour market in 2021 alone is forecast to be £14.4bn over the next 7 years. This relates to the impact on employment and earnings they are likely to suffer due to entering the labour market at a time of higher unemployment.

There are also **substantial disparities in terms of the impact of the crisis on different groups of young people, with the risk that the pandemic has and will continue to exacerbate pre-existing inequalities.** Our analysis shows that the decline in working hours for young people with no qualifications (34%) has been five times higher than the decline for those with a degree level qualification (7%). Alongside this, the decline in working hours among Black young people (49%) was three times larger than the decline for White young people (16%).

The fact that demand for employees with lower level qualifications is projected to fall in the short, medium and long-term also raises **concerns about the employment prospects of young people who lack higher level qualifications.** It highlights the importance of coherent and high-quality education options, particularly at levels 2 and 3,<sup>1</sup> which provide pathways to higher level skills and jobs.

Learning and Work Institute have developed recommendations in response to these findings – please see the [Appendix](#).

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<sup>1</sup> Level 2 qualifications include GCSEs (grades A\*-C or 9-4) or equivalent. Level 3 qualifications include A levels, T levels or equivalent.

## INTRODUCTION

The coronavirus pandemic has triggered a labour market crisis which is hitting young people hard. Latest Office for National Statistics data for October-December 2020 starkly highlights the trend of rising youth unemployment, which is likely to have significant consequences for years to come. Unemployment among young people aged 16-24 is almost four times the overall unemployment rate and young people now account for around two thirds of the total fall in employment since the start of the pandemic.

Whilst young people have been disproportionately impacted by the economic crisis, compared to other age groups, the picture is not clear or simple. Some groups of young people are being hit harder than others, compounding the labour market inequalities that existed prior to the pandemic. Given the greater employment risks that young people face, alongside significant disruption to their education, there is likely to be a long-term scarring impact on individual young people which will affect their chances of being in work, their wage levels and their wider life chances for many years.

The economic crisis is also having a unique impact on different sectors and regions. Prior to the pandemic, young people were over-represented in 'shutdown' sectors most affected by social distancing restrictions, such as food and hospitality, care, leisure and retail. This has resulted in high numbers of young people being furloughed – 47% of all young workers were furloughed during the first lockdown. Whilst many young people returned to work, often on flexible furlough arrangements when restrictions were eased in the summer, furlough claims for young employees doubled between October and December 2020, when new restrictions were introduced. Whilst progress with the rollout of the Covid-19 vaccine programme presents an optimistic picture for re-opening many of the sectors that have been hardest hit, there is a real risk that many businesses will be permanently affected, resulting in closure or reduced operating capacity and staffing.

The Government has introduced a raft of initiatives to mitigate the economic impact of the crisis. Efficiency in processing new Universal Credit (UC) claims at the start of the pandemic, alongside the launch, extension and flexibility of the Coronavirus Job Retention Scheme, and grants for businesses, has reduced job losses and protected individuals and employers. Alongside these measures, the Government has invested in several new programmes, including Kickstart, which creates temporary, subsidised job opportunities that are ring-fenced for young people on Universal Credit and at risk of long-term unemployment; Restart, which provides support for UC claimants who have been unemployed for twelve months or more; Youth Hubs, which provide local and targeted employment support for young people; and additional incentives for employers who take on young people as apprentices, alongside the expansion and increased investment in traineeships.



## Aim of this report

This report from L&W, in collaboration with The Prince's Trust and supported by HSBC UK, has sought to investigate the impact of the coronavirus pandemic on the employment prospects of young people.

This report begins by setting out the characteristics of youth employment prior to the pandemic. It then explores the immediate economic impact of the pandemic and its unequal effect across different groups of young people. We then set out forecasts for future labour demand in the economy across the short, medium and long term, and explore perceptions of young people's future employment prospects. It concludes by estimating the economic and fiscal cost of higher youth unemployment to the nation.

While many reports have highlighted the scale and nature of the employment impact on young people, for the first time this report seeks to forecast future employment prospects for young people, and to quantify the cost to our economy and public finances of higher youth unemployment as a result of the crisis.

## Methods

This report has been informed by four main research activities:

**Secondary data analysis** focused on a range of aspects of young people's employment – including sector, skills, job movement and demographics<sup>2</sup> – and **economic modelling** to forecast labour demand and the cost of youth unemployment over the short, medium and long term.<sup>3</sup>

An **online survey of 1,280 employers**, undertaken in January 2021, explored their views on young people's employment prospects and how the Coronavirus pandemic had impacted their employment of young people.<sup>4</sup>

An **online survey of 2,092 young people** aged 16-24, undertaken in Jan-Feb 2021, explored how the Coronavirus pandemic had impacted their employment and explored their future career plans.

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<sup>2</sup> For the purposes of the analysis, young people have been defined as aged between 16 and 29. This is to match the definition on the key ONS productivity dataset, that has informed a substantial component of the analysis. This age range therefore means that our definition of young people includes those in education, those immediately post-education and those in their early careers.

<sup>3</sup> The analysis and modelling encompassed a wide range of national datasets, including Labour Force Survey, Working Futures, Office for National Statistics (ONS) productivity data, Business Impact of Covid Survey and (ONS-published) Adzuna vacancy data. Full methods for the estimation of youth unemployment costs are included in Appendix A.

<sup>4</sup> This included HR decision makers, from a range of sectors and geographic regions.

Two **focus groups**, conducted in January 2021, with ten young people aged 17-27.<sup>5</sup> Focus groups explored the impacts of the pandemic on young people's current employment and their perceptions of their future employment prospects.

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<sup>5</sup> An additional two young people provided written responses as an alternative. Young people were from a range of backgrounds, and included those who were studying (either further or higher education), unemployed or working part-time (either employed or self-employed).

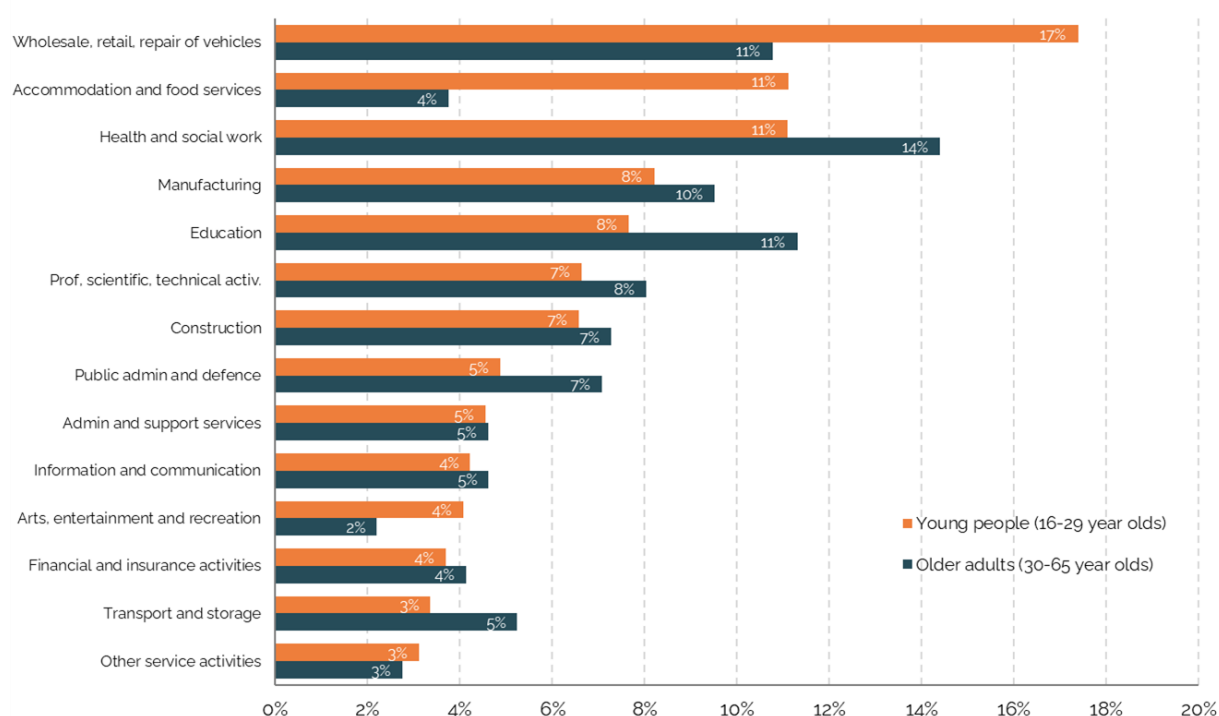
# SECTION 1 - CHARACTERISTICS OF PRE-PANDEMIC YOUTH EMPLOYMENT

This section of the report sets out the characteristics of youth employment prior to the pandemic.

## Sector

Young people (aged 16-29) are most likely to be employed in the wholesale and retail (17%), accommodation and food services (11%) and health and social work sectors (11%) (see Figure 1). Young people are more likely than older workers (aged 30-65) to work in wholesale and retail and accommodation and food services, but are less likely to work in health and social work. To a lesser extent, young people are also more likely than older workers to be employed in the arts, entertainment and recreation – although this sector accounts for a relatively small proportion of their jobs overall (4%).

**Figure 1: Sector profile of employed young people pre-pandemic**



Source: Labour Force Survey (2019)

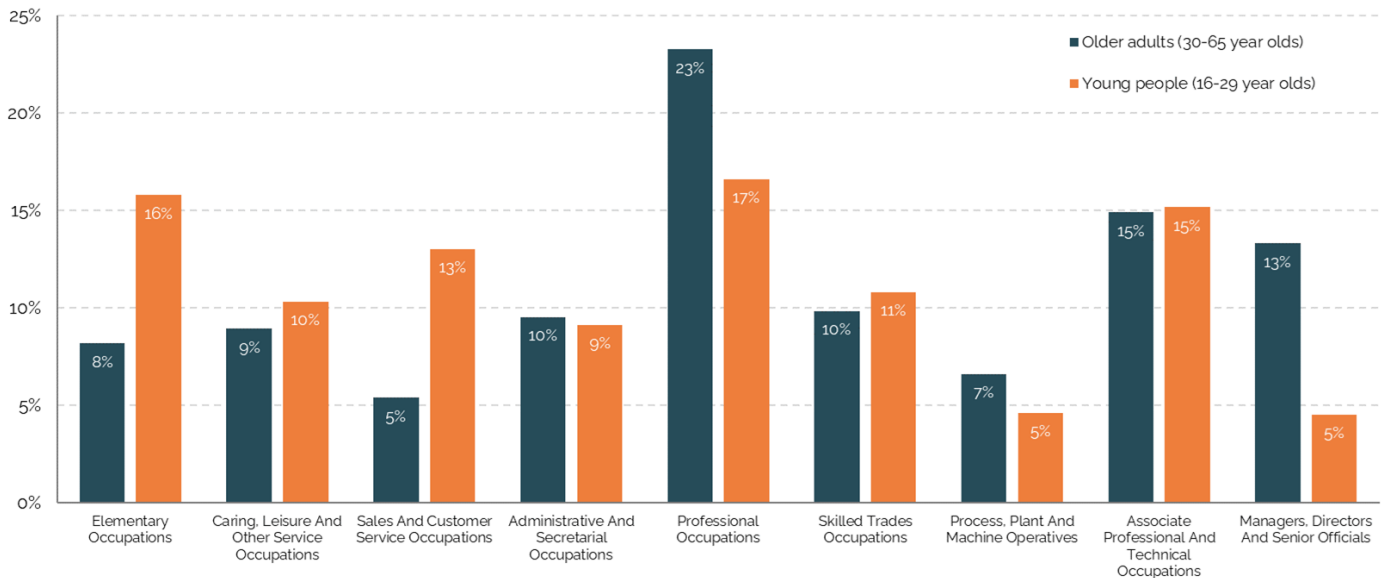
## Occupation

Compared to older workers, young people are more likely to work in elementary occupations<sup>6</sup> (16% and 8% respectively) and sales and customer service occupations (13% and 5%). They are less likely to work in professional occupations (17% and 23%) or

<sup>6</sup> Such as waiting staff or kitchen porters

in a managerial role (5% and 13%), although this will at least be in part due to young people being at the start of their careers.

**Figure 2: Occupational profile of employed young people pre-pandemic**



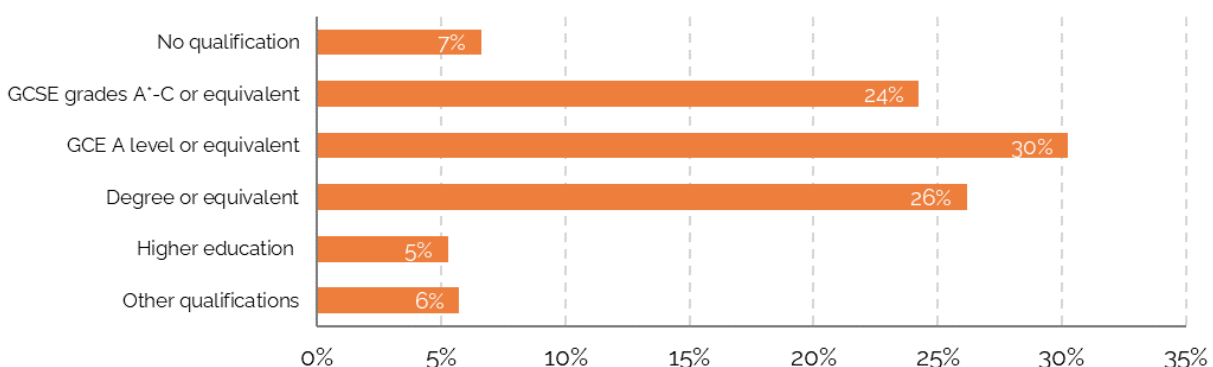
Source: Labour Force Survey (2019)

### Qualifications

Roughly a quarter of young people in employment (24%) are qualified to level 2 (see Figure 3). Another 30% are qualified to level 3, while around a quarter (26%) are qualified to degree level. In total, 7% have no qualifications.<sup>7</sup>

Whilst some of these young people have not finished their initial education and will gain higher level qualifications over time, others will not and will remain disadvantaged in the labour market.

**Figure 3: Qualification profile of employed young people pre-pandemic**



Source: Labour Force Survey (2019)

<sup>7</sup> Level 2 qualifications include GCSEs (grades A\*-C or 9-4) or equivalent. Level 3 qualifications include A levels, T levels or equivalent.

## SECTION 2 - IMMEDIATE IMPACT OF THE PANDEMIC

This section of the report explores the immediate economic impact of the pandemic on young people, and its unequal effect across different groups. It then assesses the ways in which young people have adapted their job search activities in response to a more challenging labour market. The section concludes with an analysis of the short term bounce back of different sectors of the economy, and the implications of this for youth employment.

### Overall impact

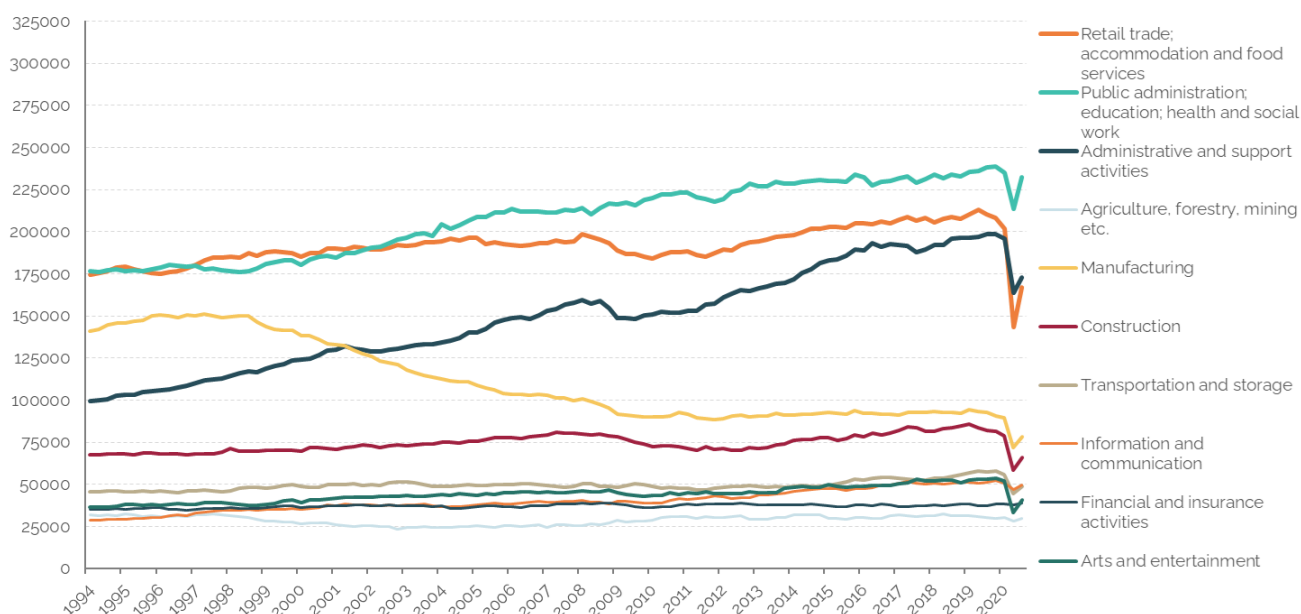
#### Impact on employment

##### *Hours worked*

The coronavirus pandemic has had a huge impact on the economy overall. However, the scale of the impact has varied significantly between sectors, and sectors in which young people were concentrated on the eve of the pandemic have been hit hardest.

As Figure 4 below shows, the retail and accommodation and food services sectors have seen the largest drop in working hours of any sectors (29% by October 2020). These sectors are the top two employers of young people, and both have a disproportionate number of young people compared to the workforce as a whole.

**Figure 4: Impact of the pandemic on hours worked**



Source: ONS Productivity Data, derived from quarterly Labour Force Survey data (1994-2020)

The differential impact across sectors is also visible in the drop in hours worked among young people specifically. Young people (aged 16-29) employed in accommodation and hospitality saw the biggest drop in the working hours (41%). Wholesale and retail also saw a substantial drop of 19%, whereas health and social work saw a drop of only 3%. There are also substantial differences amongst occupations. For example, young people in skilled trades occupations saw a drop of 37% in hours, compared to 1% for professional occupations.

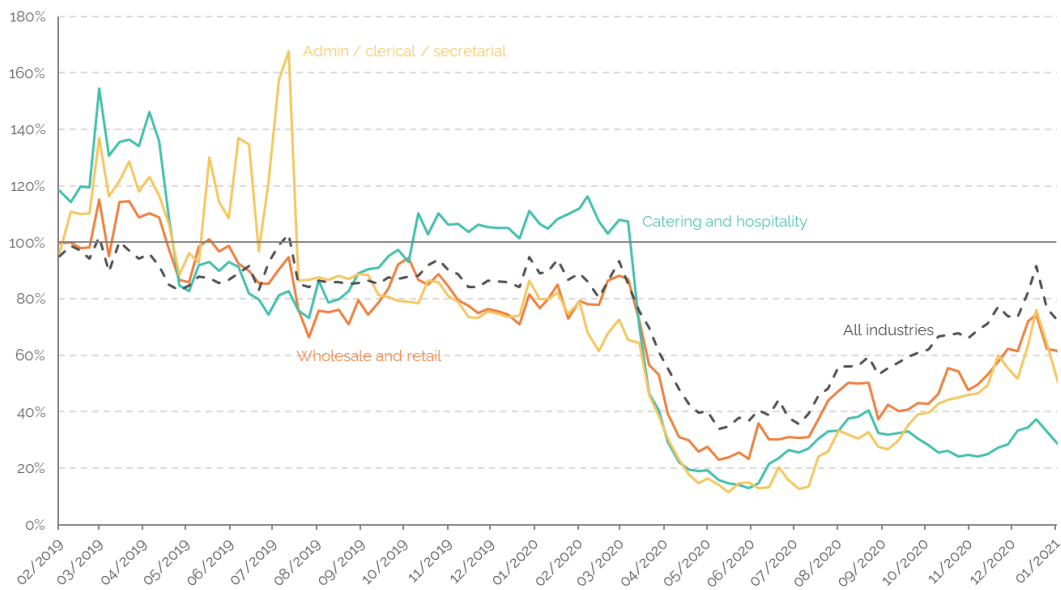
### ***Job vacancies***

Online job vacancy figures paint a similar picture, with the sectors employing a larger proportion of young people ahead of the pandemic having been hit hardest by its impact.

In the first few months of the pandemic there was a dramatic fall in job vacancies overall, and a particularly sharp decline 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 sectors. Reductions in vacancies for these sectors has severely reduced the opportunities for young people to find employment. Although vacancies in wholesale and retail had begun to slowly return to pre-pandemic levels, there was a further dip at the end of 2020 with a continuing decline in the new year, associated with the re-introduction of lockdown measures. Vacancies for catering and hospitality have continued to remain well below their pre-pandemic levels.

There has been substantial regional variation in the recovery of job vacancy levels. Northern Ireland, the North East and the East Midlands have shown the strongest recovery in job vacancies, with a steady recovery to near pre-pandemic levels by early 2021. In contrast, job vacancies in London remain far below their pre-pandemic levels, driven by the significant impact on the central London economy from the decline in commuters.

**Figure 5: Job vacancies by sector group**

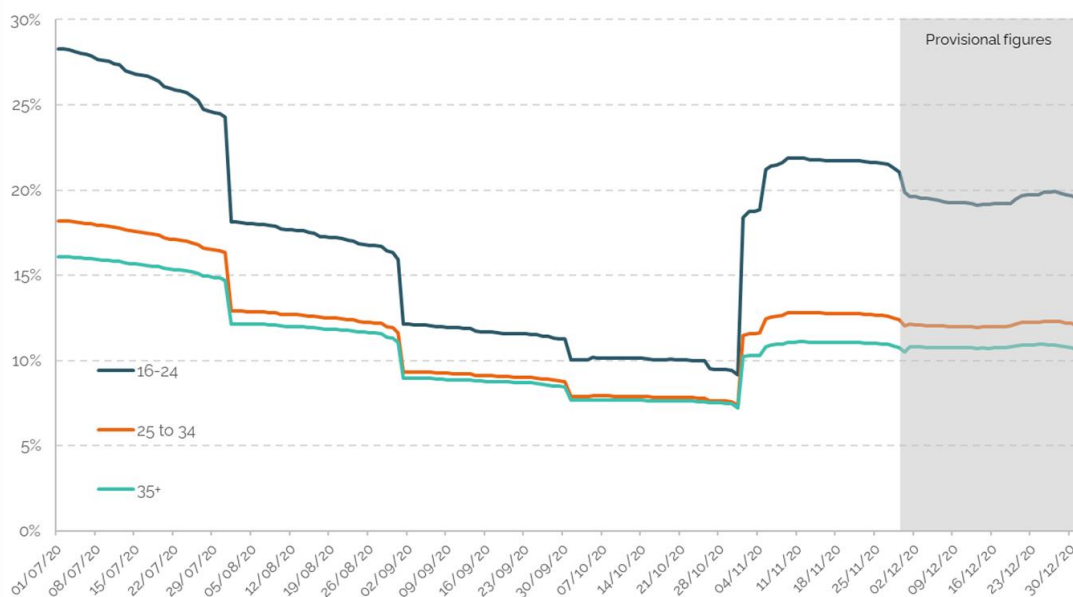


Source: ONS Adzuna Vacancy Data (February 2019 to February 2021)

### ***Furlough and unemployment***

Figure 6 below shows that young workers' jobs have been hit particularly hard by the pandemic, with younger workers much more likely to be placed on furlough through the Coronavirus Job Retention Scheme than older age groups. 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.

**Figure 6: Proportion of eligible employments furloughed by age group**



Source: HMRC Furlough data (July to December 2020)

The CJRS has helped to mitigate the impact of the pandemic on the labour market, and the potential increase in youth unemployment that we might otherwise have seen. However, despite the protection provided by the furlough scheme, there has been an increase in youth unemployment, which has been larger amongst younger adults. The unemployment rate for young people rose by 1.3 percentage points at the peak of the pandemic, compared to 0.5 percentage points for older people. Youth unemployment now stands at 14.3%, compared to an unemployment rate of just 3.8% for adults aged 24 and over.

Our survey of over 2,000 young people (aged 16-24) showed that by January 2021, only 16% had not had their employment impacted by the pandemic. One in five<sup>8</sup> (20%) had been furloughed at some point during the pandemic. In addition to being furloughed, the pandemic has had a wide range of employment-related impact on young people; 17% of survey respondents had their working hours reduced and 17% had been unable to find paid employment. Alongside this, 10% reported being made redundant or losing their job or apprenticeship, 7% had a job offer withdrawn a graduate scheme, internship or training programme postponed.

### **Unequal impact**

While young people overall have been hit hard, some groups of young people have been hit harder still, and there is a risk that the pandemic will exacerbate pre-existing inequalities.

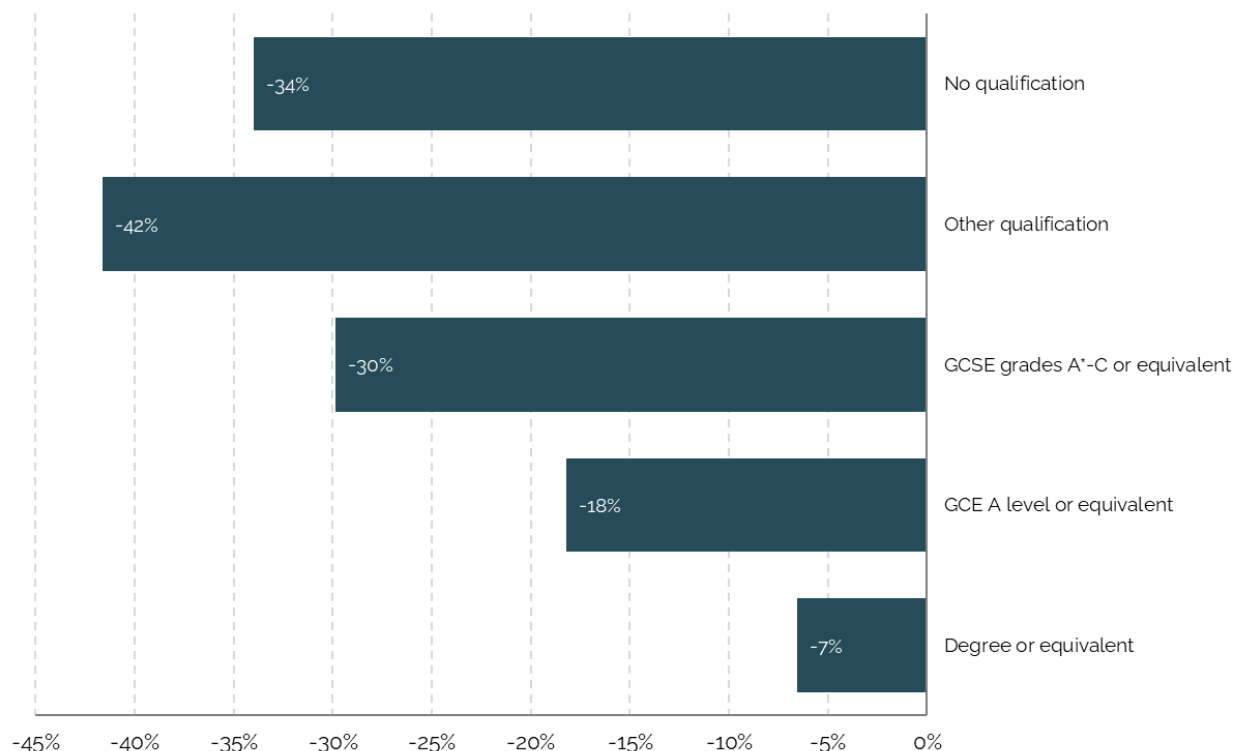
Young people (aged 16-29) with lower **qualification** levels experienced a particularly large drop in working hours. There was a 34% drop in hours worked for those with no qualifications compared to only a 7% drop for those qualified to degree level. This raises concerns that the employment gap that existed pre-pandemic between young people with higher levels of qualifications and their less well qualified peers will grow.

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<sup>8</sup> The sample included young people both in and not in employment



**Figure 7: Decrease in hours worked by young workers, by qualification level**



Source: Labour Force Survey (2019-2020)

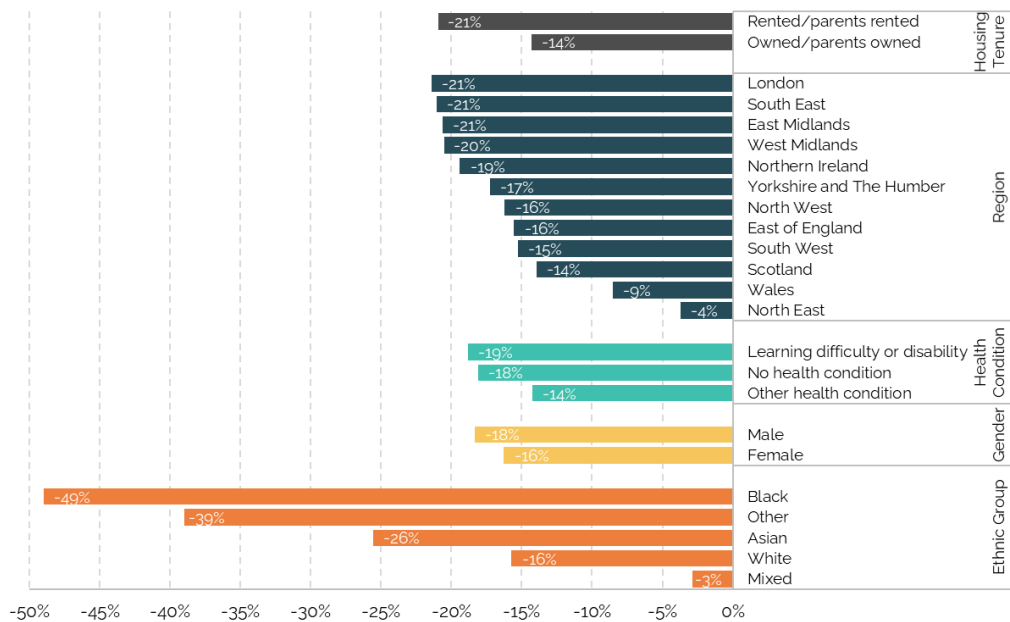
There were also stark disparities by **ethnicity**. Black young people had a 49% drop in hours compared to 39% for young people from an 'Other' ethnic group, 26% for Asian young people and 16% for White young people. Again, this raises concerns that pre-pandemic labour market inequalities may deepen as a result of the crisis.

There have also been some substantial **regional** differences. Young people in London, the South East and the East Midlands have seen the largest drop in hours (21% each). In contrast, young people in the North East have seen only a 4% drop in hours and in Wales only a 9% drop.

In addition, a breakdown of results by **housing tenure** (used as a proxy for socioeconomic background) shows a bigger drop for young people in rented housing compared to those in private housing (21% and 14% respectively).<sup>9</sup> These findings show bigger impacts amongst groups with lower pre-pandemic employment levels, deepening pre-existing inequalities amongst young people.

<sup>9</sup> It should be noted that housing tenure can only be a rough proxy for socioeconomic status, given the wide range of young people's circumstances. For example, some better off young people will live in private rented accommodation.

**Figure 8: Decrease in hours worked by young workers, by demographic characteristics**



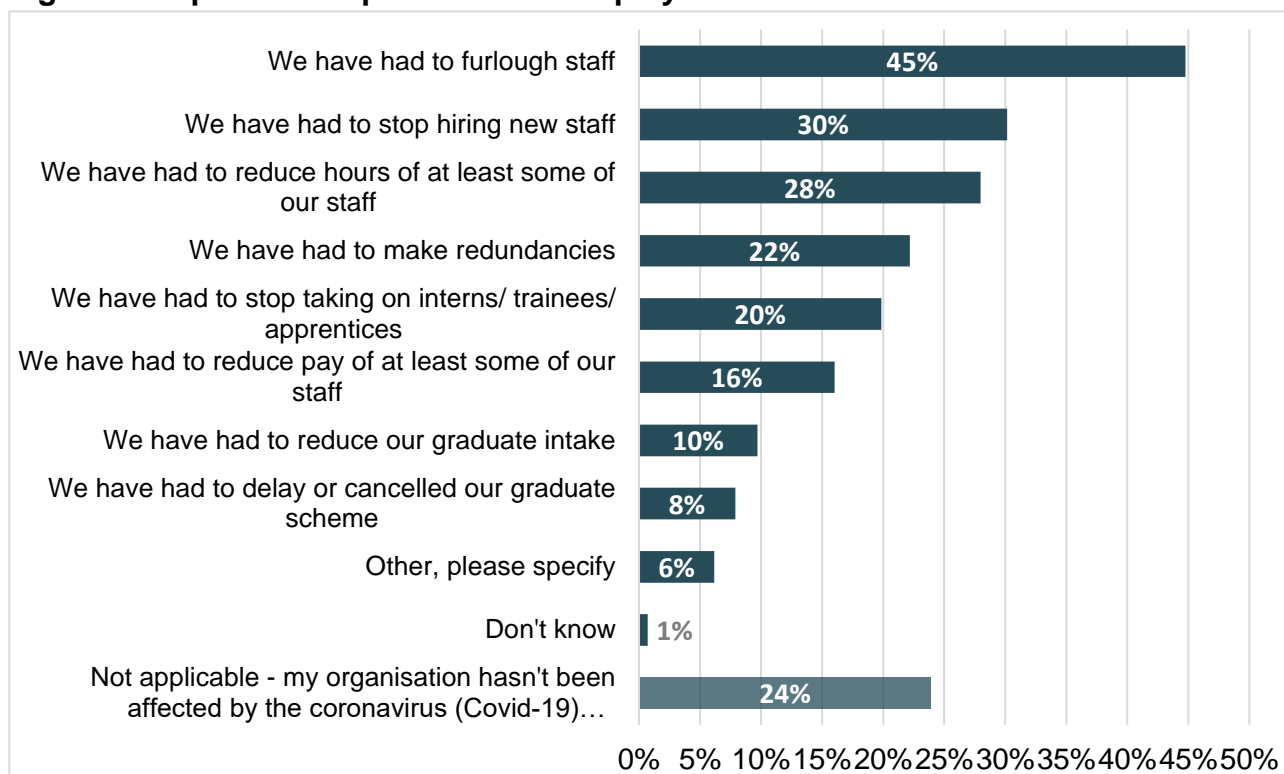
Source: Labour Force Survey (2019-2020)

### Impact on employers

We conducted a survey of 1,280 employers, to understand how they responded to the pandemic. Nearly half (45%) of employers had furloughed staff, while nearly one in three (30%) have stopped hiring new staff. One in five (22%) employers had made redundancies or stopped taking on interns, trainees or apprentices (20%).

Whilst many of these responses do not impact solely on young people, they are likely to have a disproportionate effect on young people given their more recent entry to the labour market, and their more regular job-to-job moves.

**Figure 9: Impact of the pandemic on employers**



Source: Employer survey, base all respondents: (1,280)

There were significant variations by sector too. Private sector employers were significantly more likely to have experienced negative impacts when compared to those in the public sector. Employers in the hospitality and leisure industry – which employs a disproportionate number of young people – were most likely to have furloughed staff (75%), stopped hiring (64%) and made redundancies (38%).

Employers based in London were significantly more likely to have experienced most of the impacts listed, although less likely to have furloughed staff (35%).

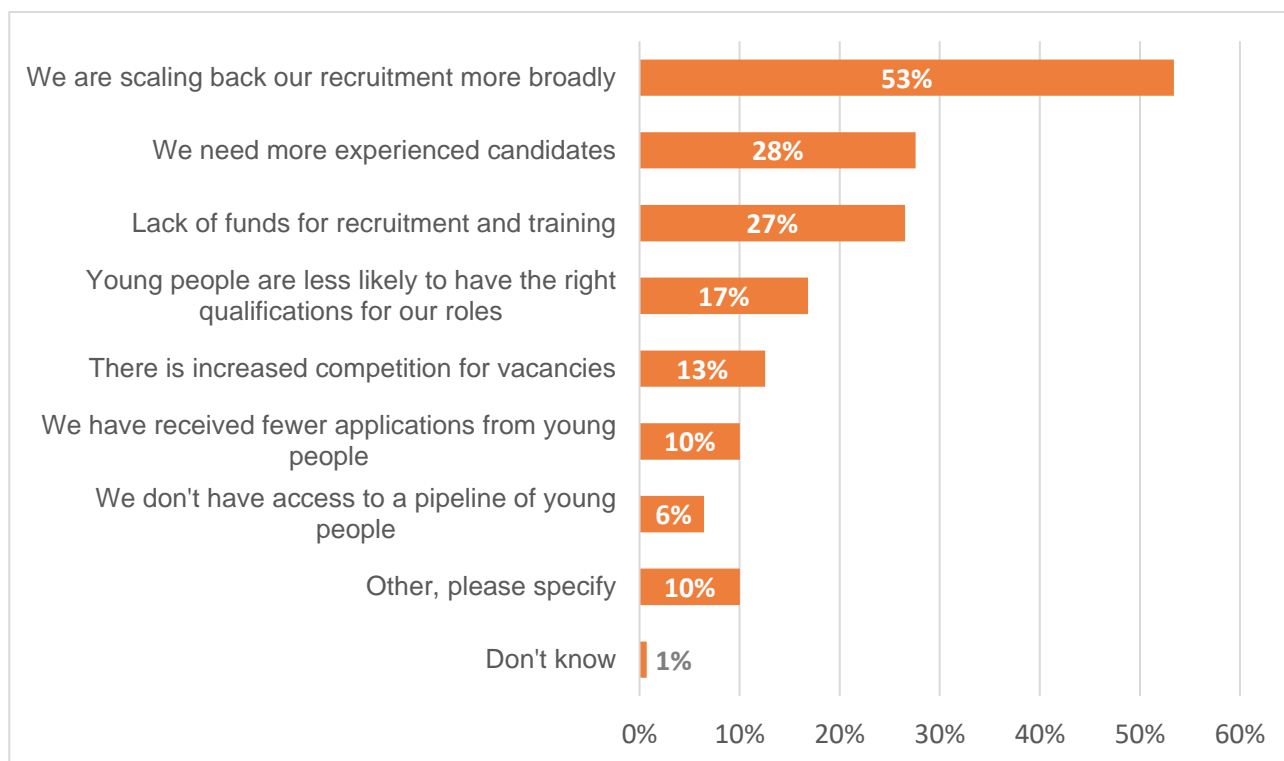
### **Recruitment of young people**

Recruitment of young people has been disproportionately impacted by the pandemic; 22% of surveyed employers reported that a lower proportion of their recruits had been young people during the pandemic, while just 13% have been recruiting a higher proportion. Employers who had suffered negative impacts as a result of the pandemic (see Figure 9) were more likely to say that they had hired a lower proportion of young people.

Amongst those who reported employing a lower proportion of young people during the pandemic, most (53%) said that this was because they were scaling back their recruitment more broadly (see Figure 10). However, concerns about the qualifications and experience of younger candidates were also raised: over a quarter said that they needed more experienced candidates (28%) or that they lacked the funds for recruitment or training

(27%), while 17% felt that young people were less likely to hold the right qualifications for their roles.

**Figure 10: Reasons for lower recruitment of young people**



Source: Employer survey, base: all who had recruited a lower proportion of young people (279)

### **Specific challenges for young people**

In addition to the wider labour market impacts, focus groups identified a number of specific challenges for young people during the pandemic.

#### ***Employment***

Several young people voiced concerns about a lack of available job opportunities. There was uncertainty about how to secure work in the current environment, and frustration that having relevant skills was not sufficient to find a job or that planned interviews had been cancelled due to restrictions.

*'Young people are trying to work out what they will need to do to get employment, when the future of work and availability of jobs/type of jobs is very uncertain'. (Unemployed young person)*

Most of the young people in education discussed the need for part-time employment to fund their studies. However, three such young people mentioned that they were currently out of work. Two had been working but had stopped doing so as a result of pandemic restrictions; the third participant was applying for work without any success.

The type of part-time work that young people were looking for had also been affected. Several young people discussed that they had originally hoped to find part-time work which would give them work experience relevant to their education, or prepare them for the sector that they planned to work in. However, this had not been possible.

Finally, several young people expressed concern that their achievements would be viewed less favourably by employers because of the timing of their courses.

*'I'm worried there might be a bit of an attachment, a stigma attached to 2020, 2021 or however long this goes on for, those specific years. Everyone's going to remember that year and if they ask for your graduation certificates, they might see it and get put off'.*

(Undergraduate student)

### **Education**

All of the young people in education discussed the challenges of studying in lockdown because of the remote delivery of courses. These included:

- Lack of pedagogical support and social connections to make the most of their learning;
- Working online all of the time can be physically and mentally demanding;
- Lack of (or limited opportunities) to undertake practical elements/placements;
- A loss of support for learners with special educational needs;
- Online health and wellbeing services at education providers are overwhelmed.

### **Mental health issues**

Participants who were unemployed, or who were uncertain about their current employment, noted that the pandemic had had a particular impact on their mental health. Other young people discussed the stress of working part-time during the pandemic at the same time as studying. This could be due to the insecurity of their employment during the pandemic, or to working in a front line role.

*'It was quite a big stress because they [hospital] were asking us to work 5,6 days a week and then I had to write a dissertation ... It was a lot of pressure and they didn't really understand our situation with the university ... 'We're in a pandemic, we really need you; it's a really important time'.* (University student)

For young people in education, the mental health challenges as a result of studying in lockdown and remotely online were significant and discussed by all of the young people. They noted an increase in problems for those with existing physical and mental health difficulties, and that new or exacerbated mental health problems are now commonplace.

## Adaptations

Young people are ‘casting a wide net’ in search of jobs, with a substantial increase in the proportion using multiple job search methods.<sup>10</sup> The biggest increase has been for individuals with lower qualification levels – with the Labour Force Survey showing 100% of young jobseekers (aged 16-29) with no qualifications using multiple methods compared to 79% before the pandemic, and equivalent figures of 87% and 76% for those with level 2 qualifications. Only young people with degrees have not been more likely to use multiple job search methods. This is perhaps unsurprising, since young people with lower qualification levels have been disproportionately impacted by the pandemic.

The focus groups similarly show young people to be conscious of the need to expand their jobsearch methods.

*‘I’ve started emailing companies, emailing different people, and I’ve also started to [use] Indeed [online job search company] ... I’m venturing out just as far and wide as I can and emailing and that. So, I’m asking people if they have any vacancies in their workplace, because right now, it’s all about who you know, because online, you just have one vacancy to hundred people applying for it. What are the chances that the HR departments are actually going to see your CV?’ (Self-employed young person)*

Others discussed their increased use of social media platforms, such as LinkedIn, to search for work.

The pandemic may also lead more young people to consider self-employment. Two young people who participated in the focus groups were currently self-employed on a part-time basis. Although one had been so prior to the pandemic, the other had set up her own company during it.

*‘I wanted to start my own business and, because of the pandemic, opening a small business during this pandemic is the best thing ever. You’re working from home, everything is at home’. (Self-employed young person)*

## Bounce back

### **Business turnover**

Analysis of business turnover after the first wave of the pandemic<sup>11</sup> shows that the sectors in which young people are heavily overrepresented experienced a greater reduction in

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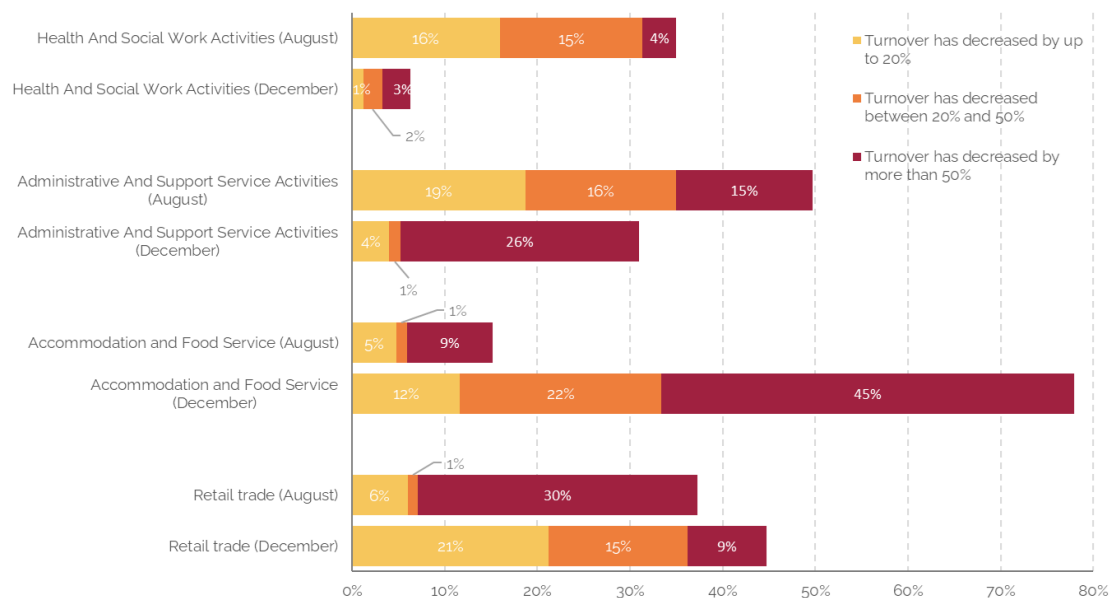
<sup>10</sup> Multiple methods is defined as a combination of one or more of the following methods (as recorded in the Labour Force Survey): Jobcentre, careers office, job club, private employment agency, newspaper/journal adverts (advertising or replying to adverts), approaching employers, searching online, approaching friends and family, looking for premises or equipment.

<sup>11</sup> Assessed through analysis of Business Impact of Covid survey responses in August and December 2020, focused on sectors that employ large numbers of young people. Although this time period does not allow a full assessment of the recovery of different sectors – especially given the reintroduction of restrictions in the

turnover. In August, 37% of retail businesses reported a reduction in turnover; this increased to 45% by December. Only 14% of accommodation and food service businesses reported a reduction in turnover in August (likely due to a combination of the easing of restrictions, the VAT cut and the ‘Eat Out to Help Out’ scheme), rising to a massive 79% in December (likely due to the tightening of restrictions during their busiest time of year).

Of the sectors which employ large numbers of young people, only the health and social work sector had experienced a substantial recovery – with 35% of businesses reporting a reduction in August turnover dropping to 6% of businesses in December. Administrative and support services experienced a smaller recovery, with 40% of businesses experiencing reduced turnover in August dropping to 31% in December.

**Figure 11: Reduction in business turnover by sector**



Source: Business Impact of COVID-19 Survey (August to December 2020)

### ***Recent hiring of young people***

Hiring of different groups of young people (aged 16-29)<sup>12</sup> after the first wave of the pandemic was unequal; White young people were more likely than other ethnic groups to have been recently hired. Compared to the previous year, there has been a 28% drop in hiring for White young people, compared to a 55% drop for young people from the ‘Other’

second and third waves of the pandemics – it does give an indication of the ability of different sectors to bounce back once restrictions are eased.

<sup>12</sup> To analyse recovery of young peoples’ employment, “employed at current job for six months or less” at October 2020 was used as a proxy. To mitigate for underlying trends, this “reemployment” was compared to a control period prior to the pandemic. It should be noted that we expect figures of reemployment to be lower across the board, as an effect of the pandemic. The analysis therefore focused on the differences between demographics, with smaller falls indicating better recovery.

ethnic group and a 52% drop for Asian young people and young people from Mixed ethnic groups.

In addition, young people with higher qualifications were in general more likely to have been recently hired. For example, individuals with no qualifications had a 40% drop in hiring compared to a 32% drop for those at degree level.

There were also substantial regional differences. Young people from the North East were the only group more likely to be recently hired than the previous year (increase of 15%<sup>13</sup>). In contrast, young people from Yorkshire and the Humber were 45% less likely to have been recently hired, and young people from the South West 42% less likely.

## Summary

Young people have been disproportionately impacted by the economic effects of the pandemic.

The pandemic has had a greater impact on sectors in which young people were heavily overrepresented, such as wholesale and retail and accommodation and food services. In addition to the differential impact by sector, many employers say that they are now hiring less young people as a proportion of their new recruits.

This has meant that young people are substantially more likely to have seen a reduction in their working hours, to have been furloughed, and to have lost their jobs.

There are substantial disparities in the impact of the pandemic on different groups of young people. Young people with low or no qualifications and Black young people have seen a far greater impact in terms of reduction in hours worked.

Although some sectors experienced an initial bounce back after the first wave of the pandemic, job vacancy and business turnover data suggest a limited recovery for sectors key for youth employment.

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<sup>13</sup> This is likely to be due to the relative dominance of particular employment sectors in some parts of the country.



## SECTION 3 - FUTURE EMPLOYMENT PROSPECTS

Having explored the immediate impact of the pandemic on young people, this section focuses on the potential future employment prospects of young workers. It is based on surveys of both employers and young people, and on modelling of future employment demand for young people.

### Forecasting future labour demand

In order to understand future employment prospects for young people, we modelled potential future demand for labour across the economy by sector, by qualification level and by occupation in the short (2021), medium (2023) and long term (2025). This allows us to understand how the shape of employer demand for labour in the recovery may impact on employment opportunities for young people. The modelling is based on the government's Working Futures forecasts, adapted to take account of the impact of the coronavirus pandemic, and the Office for Budget Responsibility (OBR)'s most recent forecast for employment.<sup>14</sup>

It is important to note that forecasts are of net employer demand and do not include replacement demand. Replacement demand for jobs occurs from the outflows of workers into retirement, mortality, emigration, and because of occupational mobility. We have excluded replacement demand in our analysis, both for brevity, and to focus on structural changes in the economy. Therefore, there will remain an underlying level of replacement demand across all sectors, qualifications and occupations regardless of the forecasts for net demand. For example, it is forecast that 20% of administrative and secretarial jobs and 24% of managers, directors and senior officials jobs will need replacement workers by 2025.<sup>15</sup>

### Sector

Based on our forecasts for changes in employment by sector, 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. Demand for both retail (-5%) and arts and entertainment (-0.2%), where young people are substantially overrepresented, 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. Health and social work is set to see employment growth of 9% by 2025 compared

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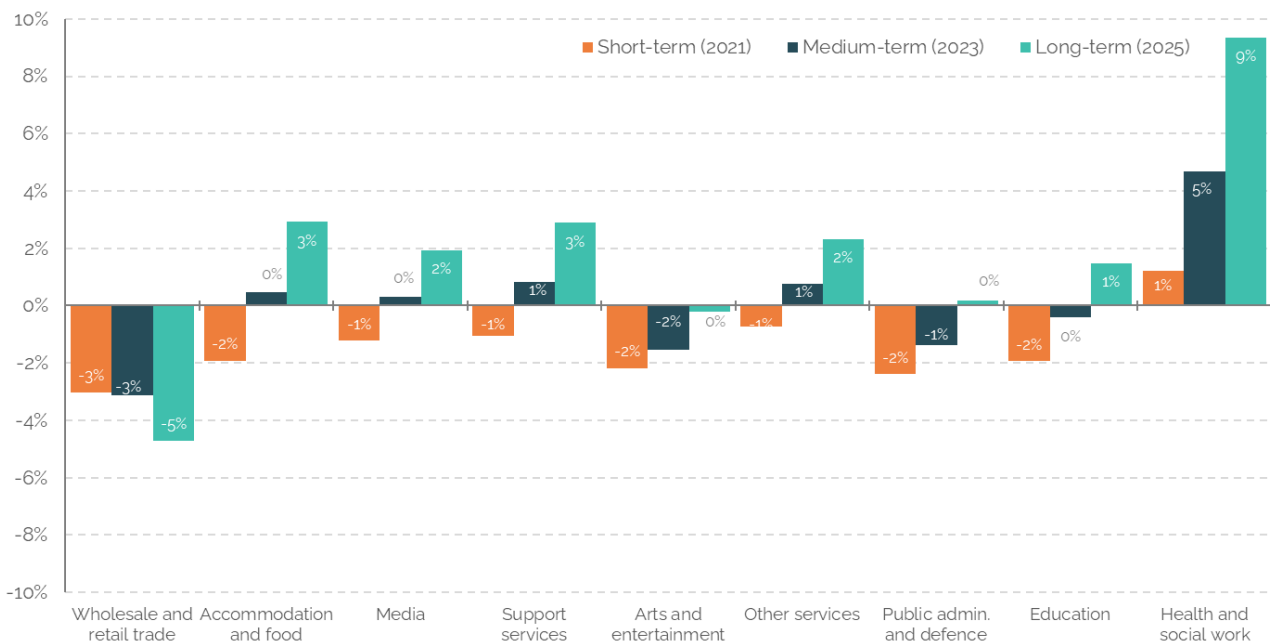
<sup>14</sup> The modelling focuses on the future of employment demand (i.e. jobs demanded by employers) for jobs across sectors, qualification levels and occupations. Working Futures data has been updated using 2019 ONS workforce data, to act as the pre-pandemic baseline. Projections using the Working Futures data have been adjusted to reflect the effects of the pandemic where relevant, using methods that utilise multiple business surveys, including the Business Impacts of Covid Survey (BICS). Projections have been constrained to match the March 2021 Office for Budget Responsibility (OBR) forecast.

<sup>15</sup> L&W calculations based on Working Futures projections. Compared to jobs in 2019.

to 2019; although this sector employs large numbers of young people, they are heavily underrepresented compared to workers aged 30 and over.

This suggests that beyond the negative short term impact of the pandemic on young people, the long-term prospects for employment for young people will be worse relative to that of those aged 30 and over.

**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

## Occupation

In the short term, demand for jobs is forecast to either remain level or fall across all occupations. The largest falls are projected to be in administrative and secretarial occupations (5% fall compared to 2019), process, plant and machine operatives (4%) and skilled trades (4%).

In the longer term, many occupations are projected to continue to have reduced demand compared to 2019, whereas others are projected to experience substantial increases in employer demand. The largest fall in demand is projected to be in administrative occupations (11%), followed by process plant and machine operatives (6%), skilled trades occupations (6%) and sales and customer service (2%). The largest increase is for caring occupations (8%), followed by professional occupations (7%) and managers, directors and senior officials (7%).

Again, the forecast changes in employment by occupation suggest the long term employment prospects for young people are worse than for people aged 30 and over.

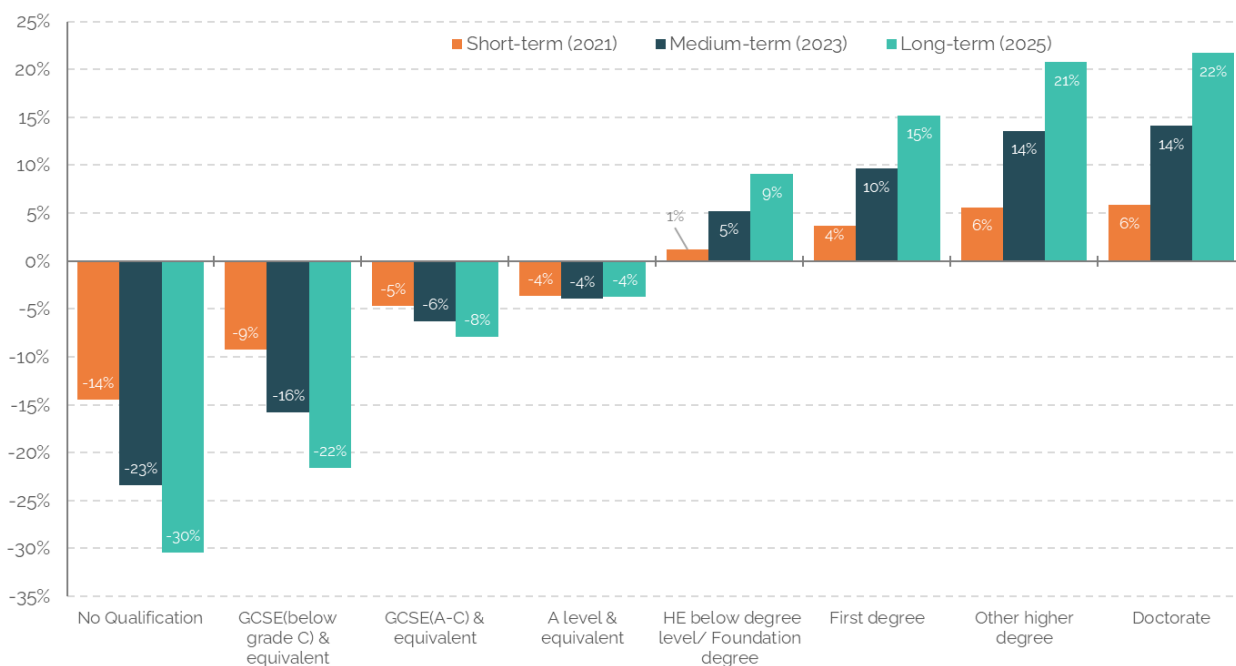
Young people are heavily under-represented in two of the three occupations (professional occupations and managers, directors and senior officials) where we are likely to see the strongest jobs growth in the coming years.

### Qualification levels

Our analysis indicates an increase in jobs requiring higher level qualifications. Whilst this is a positive sign, it raises concerns about the employment prospects of young people who do not achieve the higher level qualifications required to access these jobs. There is already a significant disparity in the employment rates of young people by qualification, with those with no or low qualifications being much less likely to be in work, and those with low qualifications who are in work much more likely to be low paid.

In the short, medium and long term, demand for jobs that require low or no qualifications is forecast to fall (see Figure 13). While the number of jobs for that require a level 3 qualification is forecast to stabilise at slightly below 2019 levels, the number requiring a level 2 qualification, below level 2, and no qualifications is forecast to continue to decline in both the medium and long term.<sup>16</sup> The largest fall is for jobs requiring no qualifications, where demand is projected to fall 14% in the short term, 23% in the medium term and 30% in the long term. By contrast, the number of jobs requiring a degree-level qualification is expected to increase in the short, medium and long term.

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



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

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

## Employment of young people

### Impact of the pandemic

Overall, four in ten employers (41%) in our survey felt that the pandemic would have a negative impact for young people in their sector over the next three to five years. By contrast, just 22% of employers believed that the impact would be positive. Figure 14 breaks down these views by employer characteristics. The figures in bold show the net impact.<sup>17</sup>

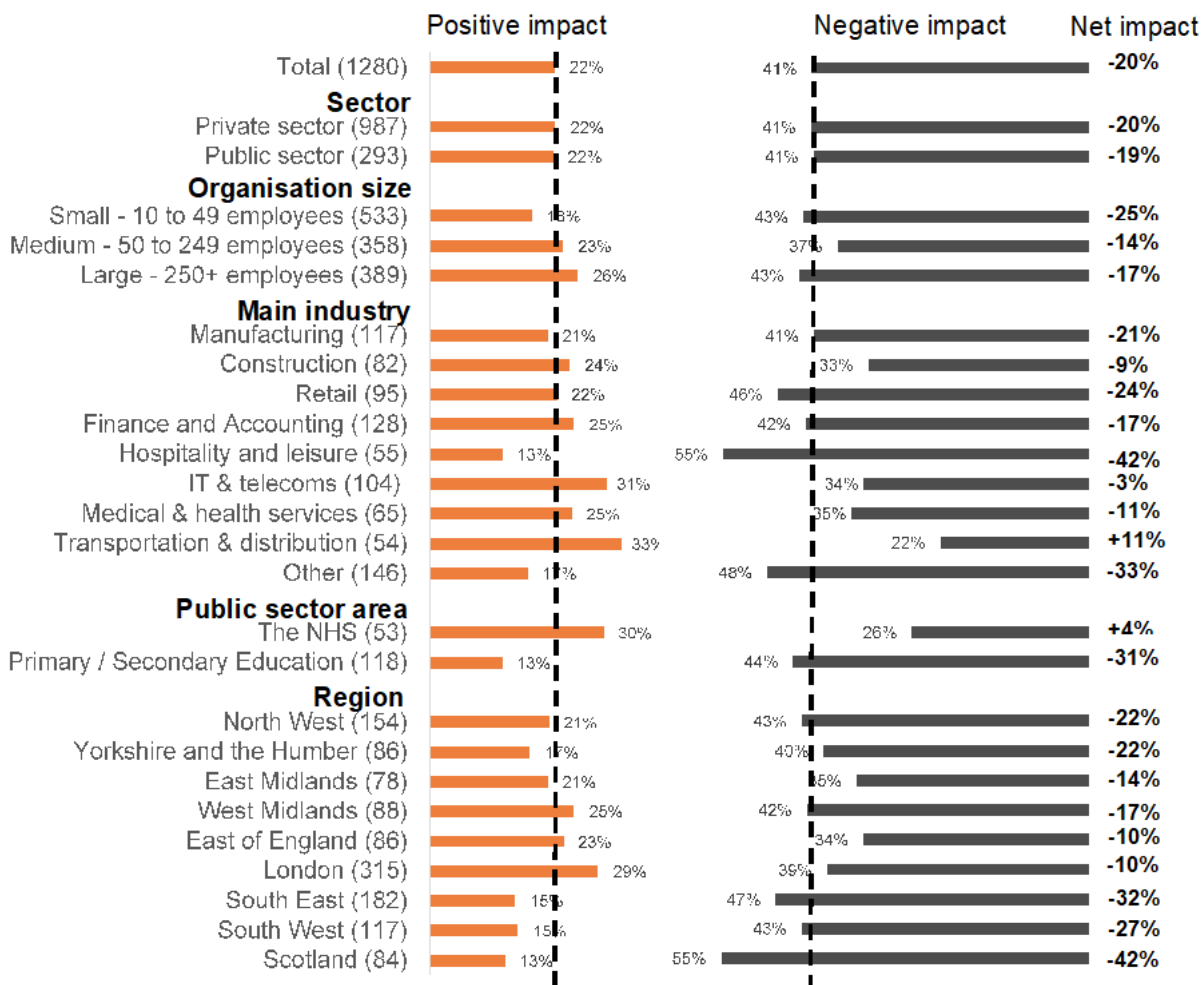
The only sectors where more employers thought the impact of the pandemic on young people's employment prospects would be positive, rather than negative, were transport and distribution (+11%) and the NHS (+4%). Those in the hospitality and leisure sector predicted the strongest negative impacts -55% of employers in this sector predicted negative medium-term impacts, with the overall net impact score being -42%. The net score was also strongly negative for the primary and secondary education sector (-31%).

By region, employers in London were significantly more likely to feel that the pandemic would have a positive impact on young people's medium-term employment prospects (29%), although the net score for this region was still negative overall (-10%). Those in the South East (-32%), South West (-27%) and Scotland (-42%) gave the most negative net scores, with over half of employers based in Scotland (55%) thinking that the pandemic would have a negative impact on the medium term employment prospects of young people in their sectors.

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<sup>17</sup> Percent likely minus percent unlikely

**Figure 14: Impact of the pandemic on medium term employment prospects of young people**



Source: Employer survey, base: all respondents (1,280)

Our young person survey shows a high degree of uncertainty amongst young people (aged 16-24) about their future employment prospects. Almost two-thirds of young people (64%) felt that the pandemic would continue to impact their job prospects over the next 6 months. However, this declines to 58% over the next year, 37% over the next 2-3 years, and 26% over the next 4-5 years.

### Net Zero commitment

The transition of the UK economy to Net Zero carbon emissions has the potential to provide a wide range of employment and skills opportunities for young people. Over a third of respondents to our employer survey believed that it would help to create jobs in their sector (35%) – although most believed this to be fairly (26%) rather than very (9%) likely.

Figure 15 breaks down these views by employer characteristics. The figures in bold show the net likelihood.<sup>18</sup>

By industry, over half of those working in construction (56%) and IT & telecoms (51%) believed that the Net Zero commitment would be likely to create jobs for young people in their sector. These are the only sectors for which the net likelihood is positive (+24% and +16% respectively). Those in the hospitality and leisure sector show the most negative net likelihood score (-44%), with 67% of these respondents saying that the Government's Net Zero commitment is unlikely to create jobs in their sector. The Net Zero commitment also appears to be less relevant for public sector employers such as those in the NHS and education.

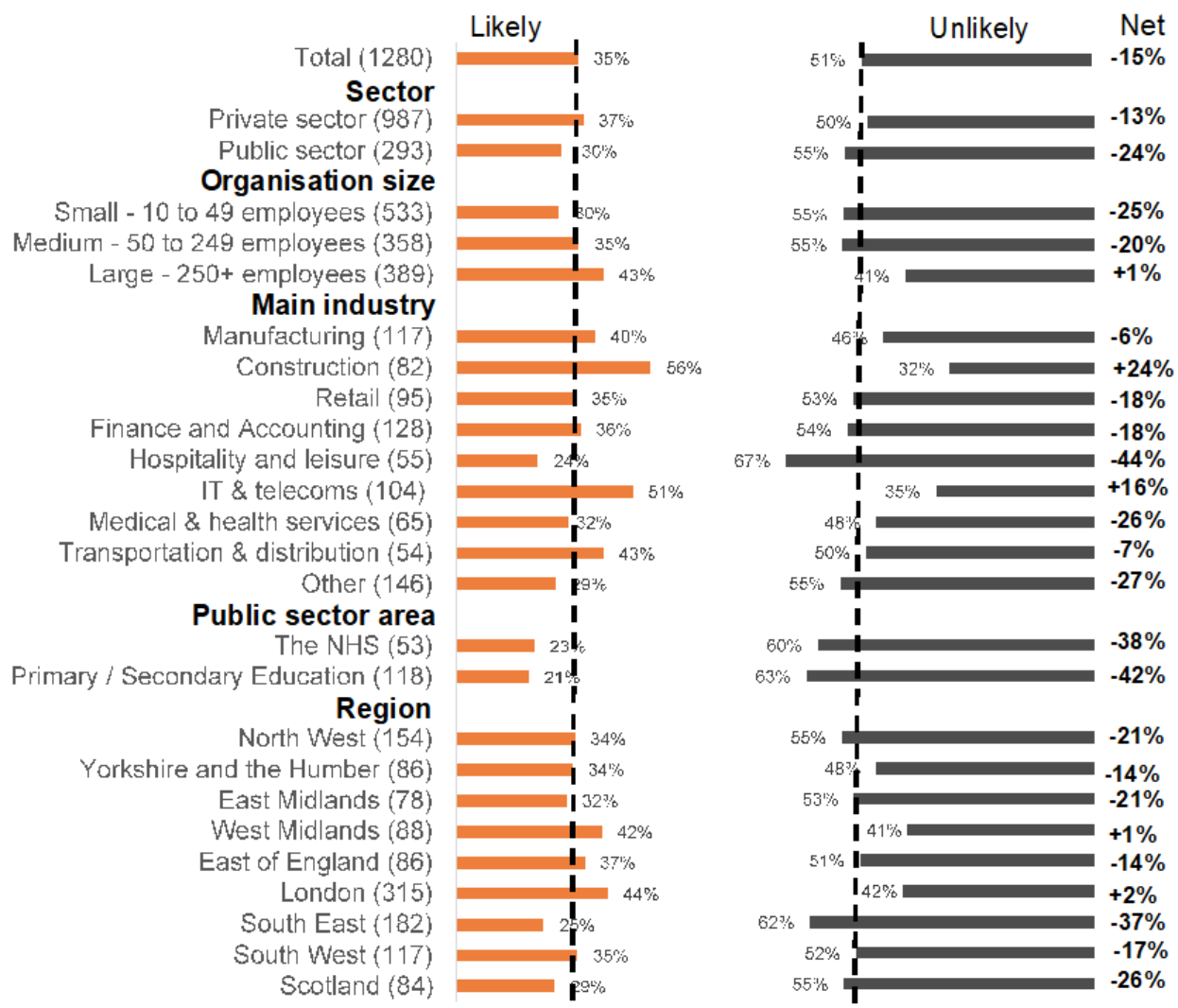
By region, employers based in the West Midlands (42%) and London (44%) were most likely to feel that the Net Zero commitment could create jobs in their sector, with the net score being slightly positive for both of these regions (+1% and +2% respectively). A higher-than-average proportion of respondents from the West Midlands work in manufacturing or transport and distribution, which may go some way towards explaining this finding. Those in the South East show the most negative net score (-37%) with 62% of employers in this region feeling that the Net Zero commitment would be unlikely to create jobs.

These findings highlight both the potential for the Net Zero commitment to create employment opportunities for young people, but also the risk that many sectors, regions and individuals may miss out. It will therefore be important for national and local government, sector bodies and employer organisations to consider how the Net Zero commitment can contribute to economic growth across the UK, and how it could potentially support the levelling up agenda, rather than reinforcing the unequal impact of the pandemic. To benefit from the employment opportunities that the Net Zero commitment may bring, young people will require clear and effective information, advice and guidance.

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<sup>18</sup> Percent likely minus percent unlikely

**Figure 15: Likelihood of Net Zero commitment to create jobs for young people**



Source: Employer survey, base: all respondents (1,280)

## Employers' views of young people

When asked about the top three attributes that they would like to see in young job candidates, employers were most likely to say communication skills (18%) and attitude and enthusiasm (15%). Flexibility and adaptability (12%) and an ability and willingness to learn (9%) were also considered important. Fewer employers mentioned qualifications (5%) and relevant skills (5%).

When asked a similar question,<sup>19</sup> young people were most likely to think that employers would value enthusiasm and motivation (56%) and general workplace skills such as time management (51%). Interestingly, fewer young people felt that relevant qualifications

<sup>19</sup> Young people were asked to select from a pre-defined list. Therefore the proportion who selected each answer is generally higher than the equivalent question in the employer survey.



(37%), skills (25%) and experience (15%) should be important – instead, they were more likely to prioritise willingness to take part in training for the role (44%).

There is some alignment between the perspectives of the two groups – both employers and young people highlighted the need for enthusiasm, a willingness to learn, and transferable or soft skills over specific technical skills and qualifications. A key difference between young peoples' and employers' responses is that employers were less inclined to mention workplace skills such as timekeeping, punctuality and leadership, instead being more concerned about flexibility, adaptability and interpersonal skills. This indicates that employers do not necessarily expect young recruits to be experienced or used to the world of work, instead preferring candidates who are flexible and adaptable to new roles.

### ***Willingness of young people to change jobs***

Pre-pandemic, young people were much more likely to change jobs compared to older people (see Figure 16). For example, in 2017 to 2018 28% of employed 16 to 20 year olds and 26% of 21 to 24 year olds changed jobs compared to 9% of 35 to 49 year olds and 6% of 50 to 64 year olds.

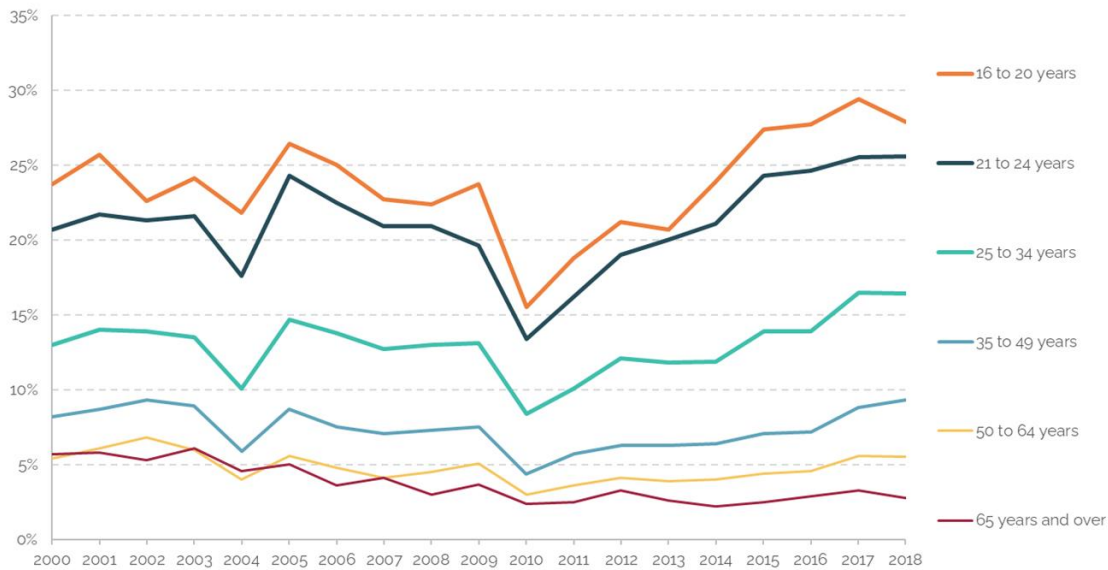
Most people who change jobs stay within the same sector, although young people are more likely to change jobs in order to move sector than older people.<sup>20</sup> Economic downturns are often associated with reductions in the number of people changing jobs, due to reductions in vacancies and reticence about leaving a job during an uncertain period. This raises concerns that many young people who are working in sectors which have been substantially impacted by the pandemic may struggle to switch sectors in the future.

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<sup>20</sup> Analysis of the Labour Force Survey shows that two of the most common reasons for young people (aged 16-29) changing jobs are in order to change occupation (24%) or to change sector (18%). These figures are substantially higher than the respective figures for older adults (13% and 9%), aged 30 and over.



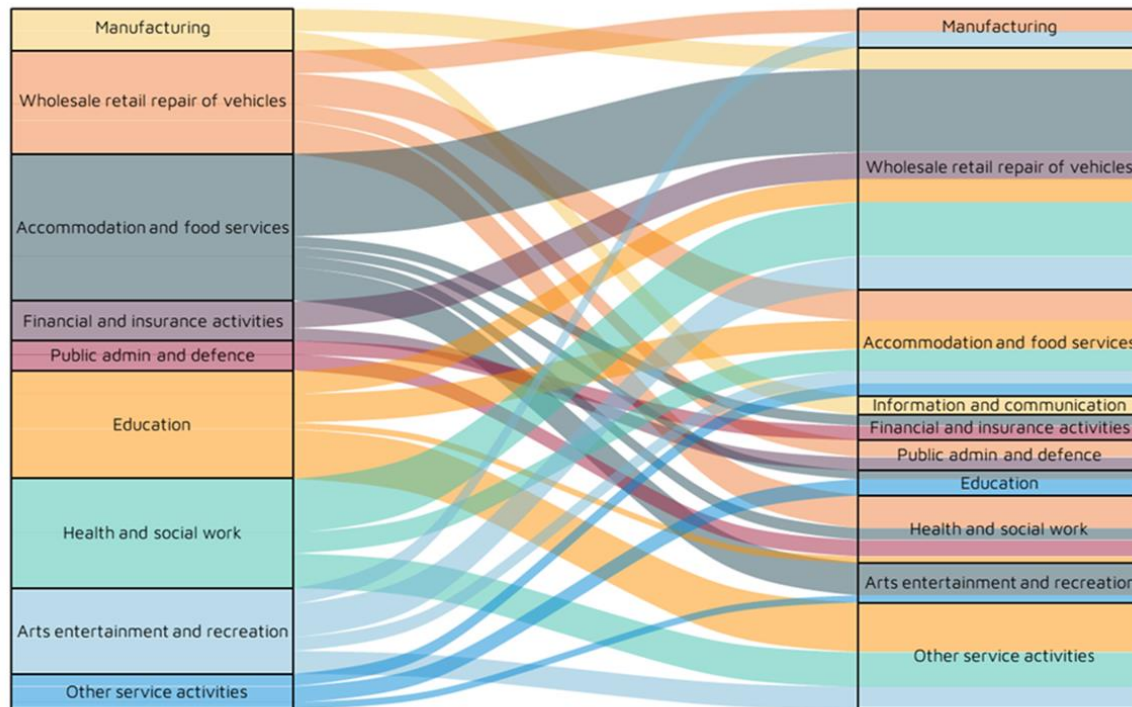
**Figure 16: Percentage of working adults who changed jobs each year, by age group**



Source: Annual Survey of Hours and Earnings (2000-18)

Analysis of employment flows across the year prior to the pandemic (January 2019 to March 2020) found that (out of those changing jobs), the overwhelming majority (94%) remained in the same sector. Although only a small number of young people who changed jobs moved sector, those that did were able to move into a wide range of different destinations and there are no substantial patterns between sectors (see Figure 17). These findings illustrate the potential flexibility between sectors for young people who are just starting out in their careers.

**Figure 17: Sector flows of young people prior to the pandemic**

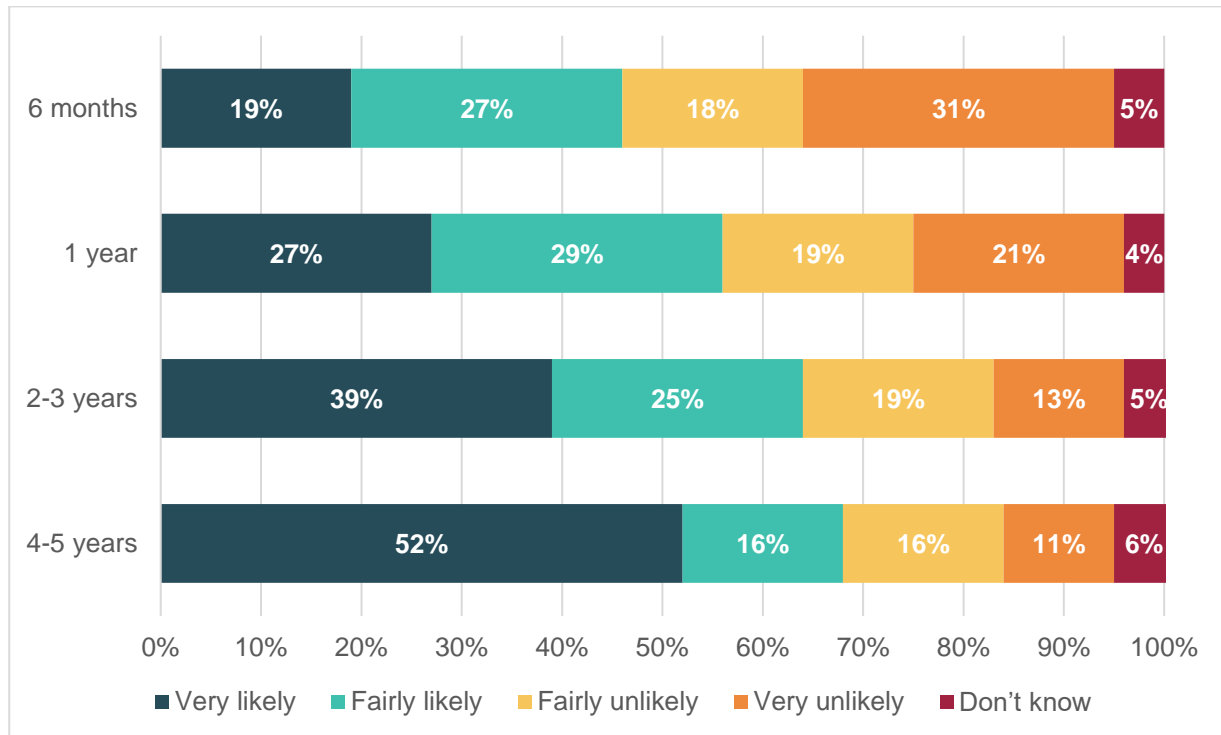


Source: Labour Force Survey Longitudinal Data (2019-2020)

Looking ahead, almost half of the young people (aged 16-24) surveyed (46%) said that they would be either very or fairly likely to consider changing profession or sector in the next 6 months. This rises to 56% in the next year, 64% in the next 2-3 years, and 68% in the next 4-5 years (see Figure 18).

Excluding respondents who are still at school, the results show that young people who hadn't been through higher education were less likely than those who had (students or graduates) to be considering switching sector in the short term (with respective figures of 34% and 50% in the next 6 months).

**Figure 18: Likelihood of changing sector or profession in the next six months to five years**



Source: Young person survey, base: all employed young people (1,104)

The most common reason given by young people<sup>21</sup> for considering working in a different sector or job role was that they had always had other career plans, with almost two-thirds (65%) saying this. Reasons directly related to the pandemic were less common, although 16% said that their sector had been badly affected by the pandemic, and 13% that they were struggling to find work. These findings demonstrate the range of reasons that young people may have for moving sectors or profession, and further indicate that for most young people this is an expected occurrence.

Young people from lower socioeconomic groups (C2DE) were significantly more likely to say that they had always had other career plans, with a figure of 75% compared to 59% of the ABC1 group. This is possibly due to a higher number of young people from lower socioeconomic backgrounds needing to take 'stop-gap' jobs before starting their long-term career.

The majority of young people who said that they were unlikely to consider working in another sector or profession did so for positive reasons – they were happy in their current sector (36%) or felt secure in their current sector (33%) (see Figure 19). However, some also referenced barriers to switching sectors – 19% said they were concerned that they would not be hired due to lack of experience, 17% that there was a lack of interesting

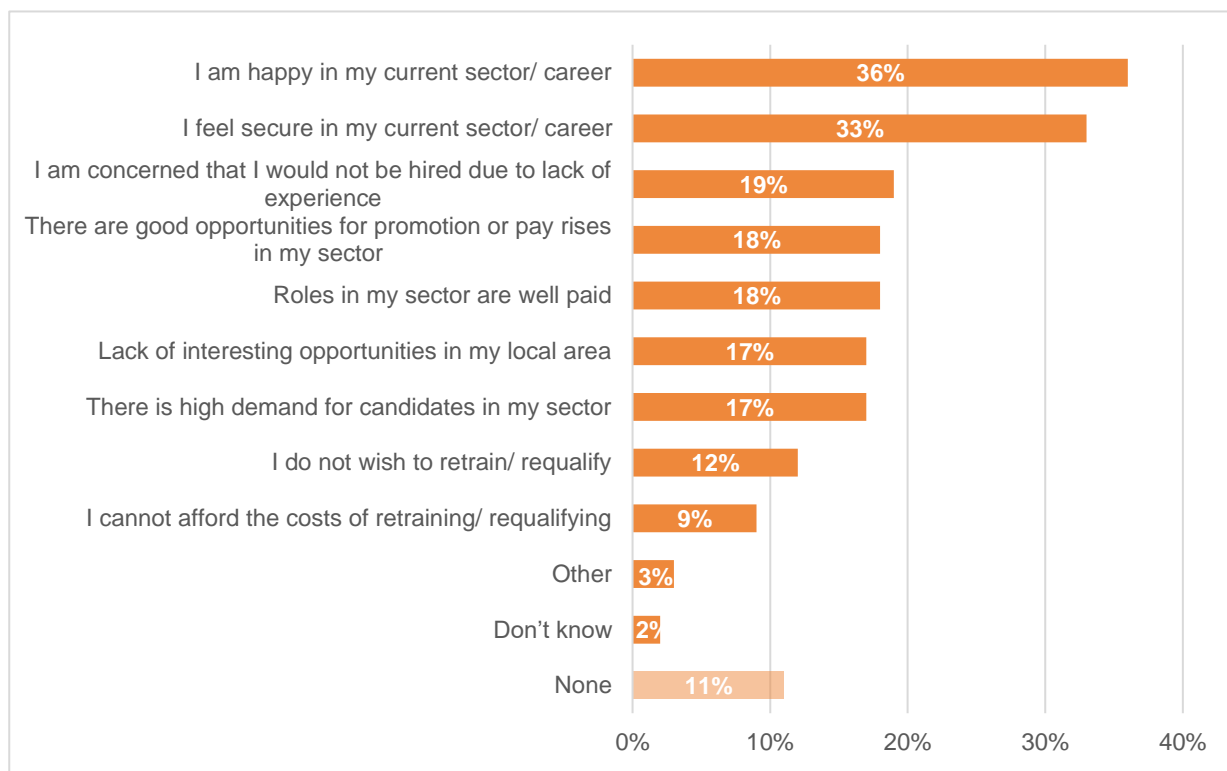
<sup>21</sup> Responses were selected from a preconceived list

opportunities in their area, 12% that they didn't wish to retrain or requalify, and 9% that they couldn't afford the costs of retraining or requalifying.

There was a clear disparity between young people who had been through higher education (students or graduates) and those who hadn't, with those who had been through higher education much more likely to give positive reasons for not switching sector.

These results suggest a lower level of satisfaction with employment conditions amongst young people who have not been through higher education.

**Figure 19: Reasons for being unlikely to change sector or profession**



Source: Young person survey, base: all who considered it unlikely that they would change sector or profession (715)

### ***Barriers to moving sector***

Young people (aged 16-24) report a range of perceived barriers to moving sector or profession. Half of the respondents to our young person survey (50%) believed that employers would be unwilling to hire inexperienced candidates (see Figure 20). In the employer survey, just 18% of respondents said that they would be unwilling to hire 'career switchers' with no prior experience in their industry, indicating that this concern amongst young people may be somewhat misplaced.

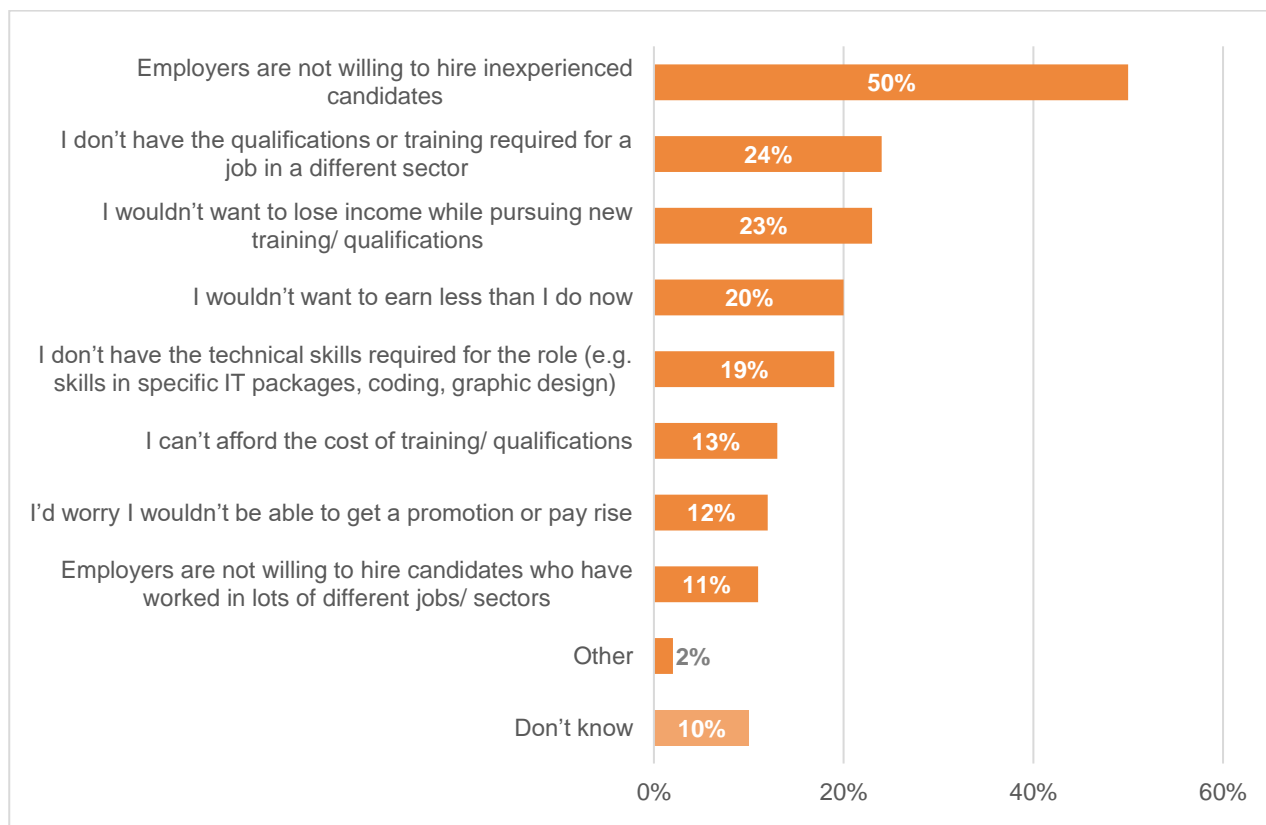
Around a quarter of young people felt that they did not have the qualifications or training required for a job in a different sector (24%) or that they wouldn't want to lose income

while pursuing new training or qualifications (23%). Two in ten were concerned about earning less than they do currently (20%) or a lack of technical skills (19%).

There were also some differences between groups of young people. Perhaps unsurprisingly, those aged 22 to 24 were significantly more concerned than the those aged 16 to 21 about losing income while pursuing new training or qualifications (30%), earning less than they do now (28%), and being unable to afford further training or qualifications (19%). They were also most likely to be concerned about pay and promotion prospects (15%). This indicates that perceived financial barriers to moving sector or profession can increase as individuals become older.

In addition, individuals from lower socioeconomic groups (C2DE) were significantly more likely to feel that they wouldn't have the correct qualifications or training to move sectors (28%, cf. 22% in the ABC1 group) and that employers would not hire inexperienced candidates (56%, cf. 47% of respondents in the ABC1 group). This highlights the additional barriers that young people from poorer backgrounds may face when changing sectors.

**Figure 20: Perceived barriers to entering a new sector or profession**



Source: Young person survey, base: all respondents (2,092)

## Support required to move sector

The vast majority (89%) of young people recognise that they would require some support to move sector or occupation. At least a third of young people (aged 16-24) who responded to our survey felt they would benefit from general information and careers guidance (37%), financial support to undertake training (36%), specific information about opportunities in their local area (34%), and support from their current employer, for example flexibility with hours to undertake training (33%) (see Figure 21). Just under a quarter of young people (23%) felt they would benefit from financial support to compensate for loss of income, while 2 in 10 believed that dedicated ‘career switcher’ training programmes would be useful.

**Figure 21: Support needed to enter a new sector or profession**



Source: Young person survey, base: all respondents (2,092)

## Summary

Our modelling of future employment demand suggests that while overall employment will recover in the medium- to long-term, young people will continue to face significant labour market disadvantage. Young people tend to be under-represented in the sectors and occupations that will recover rapidly, and over-represented in the sectors and occupations that will recover more slowly or not at all. Over four in ten employers say the pandemic will continue to have a negative impact on the employment prospects of young people in their sector over the next three to five years, with employers in sectors employing a large proportion of young people being particularly likely to agree.

This suggests that in addition to the greater risk of unemployment for young people during the pandemic, the longer-term structural changes in the labour market may reduce employment opportunities for young people.

While job opportunities that require higher level qualifications will recover rapidly, the number of opportunities for young people with low or no qualifications will continue to decline. This raises concerns for the employment prospects of young people who lack higher level qualifications.

Many employers have positive views about recruiting young people. There was a relationship between this and the impact on the proportion of young people hired during the pandemic; generally, employers with a more favourable view were more likely to have hired more young people during the pandemic.

Young people are more likely to change jobs than older adults, and those who change jobs are more likely to do so in order to change sector or occupation. Most young people expect to change their sector or profession over the next few years, with a large proportion stating that this had always been their intention. The most common barrier to changing sector identified by young people was a belief that employers would be unwilling to hire inexperienced candidates; however just one in five (18%) employers said that they would be unwilling to hire 'career switchers' with no prior experience in their industry. In terms of support needed to move sector; the most common types were information and careers guidance (37%) and financial support for retraining (36%).



## SECTION 4 - IMPACT OF HIGHER YOUTH UNEMPLOYMENT

In addition to the impact on young people themselves, new economic modelling highlights the significant impact of youth unemployment on the wider economy and public finances.

Three types of costs flowing from higher levels of youth unemployment have been calculated for the 2021 to 2025 period. These are:

- The **economic costs** – the immediate economic output that is lost because more young people are unemployed rather than being in work;
- The **fiscal costs** – the impact on public finances through lower tax receipts and additional social security benefits that are paid out as a consequence of more young people being unemployed;
- The **long run scarring costs** – the future impacts in subsequent years, due to the scarring impact that a period in unemployment has on individuals' subsequent employment and earnings.<sup>22</sup>

The results of these calculations are set out in Table 1.<sup>23</sup> Based on projected increases in youth unemployment consistent with the OBR's March 2021 projections (see Table 2), and without further government interventions not already announced, higher youth unemployment is expected to lead to an immediate **economic impact, with a hit to national output of £5.9bn in 2021, peaking at £6.9bn in 2022 and falling to £2.1bn in 2025 – a total of £21.6 bn over five years.**

Higher youth unemployment is also expected to have a significant impact on public finances in the years to come in the form of lower tax revenue, and higher benefit spending. **This fiscal impact is forecast to be £2.5bn in 2021, peaking at £2.9bn in 2022 and falling to £0.9bn in 2025 – a total of £9.3 bn over five years.**

In addition to the immediate impact on the economy and on the Treasury, there are expected to be long-run scarring costs from higher youth unemployment. Young people who face a period of unemployment can see a lasting impact on their chances of being in paid work and their wages for years to come. **The long-run scarring costs for young people entering the labour market in 2021 are expected to total £14.4bn over the next 7 years.** Similarly with youth unemployment set to remain higher for years to come, the long running scarring costs for those entering the labour market in 2023 are expected to total £10.4bn, with the scarring costs for those entering the labour market in 2025 totalling £5.4bn.

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<sup>22</sup> Full methods for the calculation of these costs are given in the Technical Report

<sup>23</sup> It should be emphasised that these different types of costs cannot be added together. As they relate to different concepts then adding them together would make no logical sense and would not constitute any sort of total cost of youth unemployment.



**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

## CONCLUSIONS

Young people have been disproportionately impacted by the economic effects of the pandemic, due in large part to their concentration in the sectors which have suffered the most significant disruption. Some groups of young people, including those with low or no qualifications, and Black young people have been hit particularly hard.

While overall employment is set to recover in subsequent years, the outlook for young people's employment is worse relative to other workers. Although some sectors have already seen some recovery, job vacancy and business turnover data suggests that the recovery has been slower in the sectors that are key for youth employment. Over four in ten employers believe that the pandemic will continue to have a negative impact on the employment prospects of young people in their sector over the next three to five years. Modelling of future employment demand suggests that young people are over-represented in the sectors and occupations that will see a slower recovery or no recovery at all. This suggests that in addition to the greater risk of unemployment for young people during the pandemic, the longer-term structural changes in the labour market are likely to reduce employment opportunities for young people. Prospects for young people who lack higher level qualifications are expected to be particularly challenging in the medium and long term.

In addition to the impact on young people themselves, new economic modelling highlights the significant impact of youth unemployment on the wider economy and public finances. Higher youth unemployment is expected to lead to an immediate economic impact, with a hit to national output of £5.9bn in 2021, peaking at £6.9bn in 2022 and falling to £2.1bn in 2025. Higher youth unemployment will also have a significant impact on public finances in the years to come in the form of lower tax revenue, and higher benefit spending. This is forecast to be £2.5bn in 2021, peaking at £2.9bn in 2022 and falling to £0.9bn in 2025. Finally, young people who face a period of unemployment will see an impact on their chances of being in paid work and their wages for years to come. This long-run scarring cost for those entering the labour market in 2021 alone will total £14.4bn over the next 7 years.

Learning and Work Institute have developed recommendations in response to these findings – please see the [Appendix](#).

## APPENDIX – RECOMMENDATIONS FROM LEARNING AND WORK INSTITUTE

Limiting the increase in long-term youth unemployment must be a government priority in the months and years to come. Learning and Work Institute recommends<sup>24</sup> that the Government should set an ambitious goal of eradicating long-term youth unemployment. This should be delivered through a three-part plan:

### 1. Protecting jobs as we emerge from the pandemic

First, if we are to limit the rise in long-term youth unemployment, and the damage this will cause to young people and the economy, we need to protect jobs in the short term.

#### Ongoing support from the Coronavirus Job Retention Scheme

The CJRS has been crucial in protecting jobs through the crisis, and the extension of the programme to September 2021 is welcome. One in five (18%) young people aged 18-24 in eligible jobs were furloughed at the end of December 2020, compared to one in eight (13%) of all employees. At the end of January, 855,000 young people were furloughed.<sup>25</sup>

As the Government's roadmap is implemented and restrictions are lifted many of these workers will be able to return to work as the economy re-opens, however there is a risk that thousands of furloughed young workers will become unemployed when the scheme ends in September.

Support for jobs and businesses should last as long as restrictions on the economy. In order to prevent a further wave of job losses hitting young people, the CJRS should be extended if substantial restrictions on the economy are necessary beyond September. If we see a future resurgence of the virus later this year, which requires a re-introduction of economic restrictions, the CJRS should be re-introduced.

#### Prompt support for furloughed young workers

The Restart scheme is being introduced later this year to tackle long-term unemployment. The scheme will provide support for Universal Credit claimants who have been unemployed for 12 months or more.

The Government should ensure that **the Restart scheme provides prompt support for young people who need it most**. Time spent on full furlough should count towards eligibility, so that young people coming off a long period of furlough do not have to wait a year for support. Similarly, the Government should ensure that young people who have spent a long period fully furloughed also get early access to Kickstart opportunities.

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<sup>24</sup> The Prince's Trust will endeavour to work in partnership with government and employers to progress these recommendations, where appropriate.

<sup>25</sup> Gov.uk (2021). [Coronavirus Job Retention Scheme statistics: February 2021](#).

## 2. Delivering a Youth Guarantee

The class of 2021 face a double whammy of disrupted education and a challenging labour market. These young people need proactive engagement and support to ensure that they don't fall through the gaps. In addition, there are significant numbers of young people who were out of work and education before the pandemic, as well as a substantial rise in youth unemployment during 2020.

Over the last year, the Government has announced a series of measures to attempt to limit the rise in youth unemployment. While many of these measures are welcome, there is a need for a more coherent overall approach.

The Government should introduce a **Youth Guarantee** in order to prevent long-term youth unemployment. This clear and simple offer would ensure that all young people who are unemployed and not in education are able to access a job, an apprenticeship, or an education or training place.<sup>26</sup> The Youth Guarantee should be underpinned by a Job Guarantee for those unable to find work (see below).

The Youth Guarantee should apply to all young people aged 16-24, not just those on benefits and should be underpinned by high quality information, advice and guidance to ensure that all young people can make informed decisions and follow the pathway that is right for them.

### Support young people to stay on in education

Fewer young people stay in full-time education in this country than in many comparator countries. As a result, one in three 19 year olds do not have a level 3 qualification. Improving this would help young people to gain the skills they need for their future careers. Increasing the numbers staying in full-time education would also help limit the rise in youth unemployment in the current circumstances. The number of young people staying in education has increased over the last year: we should look to support more of the class of 2021 to stay in high quality, full-time education.

To do this, the Government should allow young people to undertake a further fully-funded level 2 or 3 qualification to encourage more young people to stay in education. For the next two years, this would entitle all young people leaving education at 18 the opportunity to take an additional year long accredited course at an FE college, university, or other provider. Assuming an additional 100,000 young people stay on in education for an additional year, this would cost an additional **£0.5 billion per year**.

### Expand and extend Kickstart

The Kickstart Scheme aims to create temporary, subsidised job opportunities that are ring-fenced for young people on Universal Credit, and at risk of long-term unemployment.

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<sup>26</sup> Learning and Work Institute (2020). [Youth commission](#).

Announced in July 2020, the first Kickstart placements were created in September. The Department for Work and Pensions claim that by 25 January 2021 the scheme had created 120,000 job opportunities for young people.<sup>27</sup> However, by 4<sup>th</sup> February just 2,000 young people had started a Kickstart role.<sup>28</sup>

The last Kickstart placements are due to commence in December 2021. Long-term unemployment is likely to peak in Q2 2022, after the scheme has already closed.<sup>29</sup>

First, the Government should **expand eligibility for Kickstart**, so that young people who are unemployed but not on Universal Credit are able to access the opportunities. JCP should have discretion to accept referrals from local partners, including local government and careers advice services, if an assessment is made that Kickstart could help prevent them from becoming long term unemployed. This would particularly benefit significant numbers of 16 and 17 year olds who are out of work, but not on benefits, as they are not eligible for Universal Credit.

Second, the Government should **extend Kickstart for at least 12 months**. Long term youth unemployment is likely to be far higher in December 2021 – when the scheme is due to end for new starts – than it is today, and it will remain high for years to come.

Alongside these changes, the Government should ensure that Kickstart placements<sup>30</sup> are high quality and focus on supporting young people to develop their skills. In addition, the Government should ensure young people completing the Kickstart scheme are able to access high quality information, advice and guidance about their next steps, and that there are clear progression routes to apprenticeships and jobs.<sup>31</sup>

Assuming 200,000 young people are supported onto Kickstart placements in 2022, the scheme would cost an additional **£1.3bn for a year, some of which could be funded from 2020/21 and 2021/22 underspend**.

### **Increase and extend apprenticeship subsidy**

The number of apprenticeship starts for young people has declined in recent years. This has in part been driven by the introduction of the apprenticeship levy and other policy changes. Many employers have used much of their funds to invest in apprenticeships for over 25s, for existing workers, and for the already well-qualified, rather than for younger workers, new recruits, and those with low or no qualifications.

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<sup>27</sup> Gov.uk (2021). [Kickstart moves up a gear with over 120,000 jobs created so far and government making it even simpler for employers to join.](#)

<sup>28</sup> UK Parliament (2021). [Kickstart scheme: question for Department for Work and Pensions.](#)

<sup>29</sup> Learning and Work Institute (2021). [Recovery and renewal: tackling long-term unemployment.](#)

<sup>30</sup> Learning and Work Institute (2020). [Making sure Kickstart works.](#)

<sup>31</sup> Learning and Work Institute (2020). [Kickstart must focus on quality of placements to tackle doubling of youth unemployment.](#)

In order to boost apprenticeship starts, the Government introduced a hiring incentive. Employers taking on new apprentices between 1 August 2020 and 31 March 2021 are eligible for a hiring incentive of £2,000 for young people aged 16-24, and £1,500 for apprentices aged 25 and over. Between 1 August 2020 and the end of January 2021, just 25,420 apprenticeships had been claimed for under the scheme, with 20,670 of these having been for apprentices aged 16-24.<sup>32</sup> The Treasury had budgeted for up to 100,000 starts on the scheme. At the recent budget, the Chancellor announced changes to the hiring incentive that mean that (accounting for all available grants) employers would receive £4,000 for apprentices aged 16-18 and £3,000 for apprentices aged 19 and over, and that the scheme would be extended to the end of September 2021.

The Government should **extend the hiring incentive for apprentices aged 16-24 for a further year, up until the end of September 2022, and increase the payment to employers to £5,000**. This could support over 80,000 apprenticeship starts for young people, at a cost of **£0.4 billion**.<sup>33</sup> The incentive could be funded from the underspend of the 2020/21 apprenticeship hiring subsidy funding, and unspent apprenticeship levy funds.<sup>34</sup>

In the medium term, the Government should consider adjusting the incentives within the apprenticeship levy to encourage more employers to invest in apprenticeships for younger workers, rather than older employees. This could include ring-fencing some of the levy for younger people, or requiring additional contributions from outside of the levy for some apprenticeships for older workers.

## **Job Guarantee**

The Government should introduce **a Job Guarantee** as a backstop to prevent long-term youth unemployment.<sup>35</sup> The Job Guarantee should create paid employment opportunities, ring-fenced for young people who have been unemployed for 12 months, or who have been referred by their work coach or a local partner.

The jobs should be paid at least the National Minimum Wage. As with Kickstart placements, the roles should be at least 25 hours a week, for 6 months, which would leave some time for off-the job study and job-search. However, unlike Kickstart public sector jobs should be created to fulfil the Job Guarantee if required.

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<sup>32</sup> Gov.uk. [Apprenticeships and traineeships](#).

<sup>33</sup> We have assumed that eligible apprenticeship starts per month double compared to the period between August 2020 and January 2021, driven both by the increased incentive, and the removal of economic restrictions.

<sup>34</sup> There was reportedly an underspend in the apprenticeship budget of £330m in 2019/20, with this funding handed back to the Treasury by Department for Education.

<sup>35</sup> Learning and Work Institute (2020). [Risk of lost pandemic generation as young people hardest hit by coronavirus crisis](#).

Employers who offer placements through the Job Guarantee should be entitled to a payment to cover wage costs up to 25 hours at the National Minimum Wage, associated costs such as employer National Insurance Contributions and minimum pension contributions. Employers should also receive £1,500 for wraparound support and training.

Young people who are supported through the Job Guarantee should continue to get support from their Jobcentre Plus work coach, who can support them in searching for and applying for a new job to follow their placement, and accessing training.

Assuming that 100,000 young people take up the Job Guarantee in 2021/22, the cost would be **£0.65 billion**.

### **Youth Employment and Skills Service and local leadership**

In addition to boosting opportunities for young people, we need to improve access to high-quality information, advice and guidance to ensure that young people access the right opportunity for them.

A **Youth Employment and Skills Service** should be developed to provide high-quality information, advice and guidance to young people. The service should expand the network of Youth Hubs, which aim to bring together organisations to provide services to young people in one location. Building on the evidence of what works, Youth Hubs should bring together staff from various organisations to provide a holistic service, they should seek to engage all young people at risk of long-term unemployment including those not on Universal Credit, and they should build in co-design so that the support meets the needs and ambitions of young people.<sup>36</sup>

The Youth Employment and Skills Services should be funded by DWP, but delivered in partnership with local authorities. In the medium-term, there should be further employment and skills devolution, in order to allow local areas a greater role in providing leadership and joining up support locally. This should involve central government setting out an overarching long-term strategy, and then working with local areas to put in place outcome agreements, whereby powers and funding are devolved in order to enable local areas to deliver on agreed ambitions.<sup>37</sup>

### **3. Supporting employment growth for young people**

We need to promote job creation and ensure young people are able to access new employment opportunities as they arise.

#### **Harnessing job creation**

The Government has announced a range of measures to create jobs, including investment in infrastructure and green growth. It should ensure that a proportion of jobs created

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<sup>36</sup> Youth Futures Foundation (2020). [Youth Hubs – what works?](#)

<sup>37</sup> Learning and Work Institute (2021). [Recovery and renewal: tackling long-term unemployment.](#)



through this investment are ring-fenced for apprenticeships and those out-of-work, including young people.

### **Wage subsidy for employers**

To boost job opportunities for young people across the labour market, the Government should consider introducing a hiring subsidy of £3,000 for employers who take on a young person who has been unemployed for more than 6 months and on Universal Credit, alongside all young people on Restart or the Work and Health Programme. This would be payable after 6 months of employment to ensure job sustainability. The subsidy should be in place until September 2022, and extended further if economic conditions require it.