

A Lifeboat

For The

Lost Generation

**Tackling the Challenge of Youth
Unemployment**

September 2009

Executive Summary

The recession is driving up unemployment, particularly among our young people. We need to turn this situation around before millions of people become trapped by long-term unemployment; we must maintain and improve the skills of young people so that they do not become the lost generation of this recession.

There is a stark choice to make between giving people a few pence off shopping on the high street or offering a lifeline to the hundreds of thousands of unemployed young people. The Government remains wedded to the temporary cut in VAT despite the dismal impact on consumer spending. The Liberal Democrats opposed the VAT cut when Labour introduced it and remain opposed today. It would be much better for our economy to use the £28million that will be spent on the VAT cut every day until the New Year tackling youth unemployment. Experts have identified the rise in youth unemployment as a national crisis. We agree which is why the impotent VAT cut should be scrapped immediately and the money spent on avoiding the consequences of unemployment that will blight a generation.

The numbers clearly show that young people are being hit the hardest by the shrinking jobs market; 40% of unemployment is now accounted for by young people aged 16 to 24. The unemployment rate of 18-24 year olds is 17.2%, compared with 7.8% amongst the total population. Those with low skills are at a particularly high risk of being unemployed; 35% of people under 24 with no qualifications are unemployed compared to 10% among those with a degree¹.

Without action unemployment among 16-24 years olds could climb as high as 1.18million by the end of 2011. The longer these young people are locked out of work, the greater the risk that they will be trapped in long-term unemployment.

Labour isn't working for young people

Labour came to power promising to end unemployment for young people, with its "New Deal". But Labour has not delivered on its promise; this Government is failing the unemployed – particularly the young.

In spite of the various 'schemes' and 'initiatives' announced by Gordon Brown, there are real problems preventing people from getting the skills and help they need:

- **Too few places in higher education** and a lack of alternative options in our colleges – more young people than ever are expected to be turned away from higher education this summer, at a time when job prospects are very poor.
- **Too many young people with poor skills and no qualifications.** Almost 10,000 16year-olds left school with no qualifications in 2008; employers cite poor qualifications as the primary reason they do not employ young people².

¹ Not seasonally adjusted, taken from Labour Force Survey.

² CIPD Labour Market Outlook, August 2010, http://www.cipd.co.uk/NR/rdonlyres/B825A8B2-7022-4D8A-B321-1AB38F1999B2/0/Labour_Market_Outlook_summer_09.pdf

- **Too little, too late** – 18-24 year-olds claiming Jobseekers Allowance (JSA) stay unemployed for one year before they can get specialist help and support.
- **Too few opportunities** in the workplace to gain crucial experience and skills.
- **Too many inflexible rules** – for example, young people on JSA have to wait six months before they can take part in full-time training and then for just eight weeks.

Liberal Democrat Objectives

We want to:

- **Reduce the youth unemployment rate** to the same level as the rest of the population if not lower, creating up to 900,000 new opportunities in education, training and the work place.
- **Ensure that no one aged under 24 claims Jobseekers Allowance beyond 3 months** without a right of access to training, apprenticeships, work experience or specialist back to work support.

Liberal Democrat Policies

We will meet these objectives by:

- Funding 10,000 more university places and 50,000 more college based foundation degree places this year
- Introducing a new “90-day promise” after three months unemployment, instead of ten months, to make available a place in work, training or education or an internship.
- Introducing a new “Paid Internship” scheme until the end of 2010 with up to 800,000 places, where young people would be able to work for up to three months with any employer, without cost to the employer. Each intern would be paid a new “Training Allowance” of £55 per week. Employers would be required to give employees help with writing their CVs, and time off for job searching.
- Fully funding adult apprenticeships to make it easier for employers to take on more apprentices and give these young people access to vocational training in the workplace and improve their skills.

Where we are now

The recession is driving up unemployment, particularly among our young people. Hundreds of thousands of people have already been laid off and struggling to find work. We may be seeing the first signs of economic recovery but unemployment will keep rising for many months. We need to turn this situation around before millions of people become trapped by long term unemployment; we need to maintain and improve the skills of the workforce so the British economy can not only recover but support sustainable growth for years to come.

Liberal Democrats are committed to offering people real help through the recession; we don't want to tinker with the existing system that has failed so many over the past 20 years. Before the financial crisis millions of people were stuck on out-of-work benefits with little real help to retrain and get back to work. We don't believe that people should have to wait months before having the chance to improve their skills or learn a new trade.

Young people are being hit the hardest by the shrinking jobs market; graduates and school leavers can't find jobs and young people are generally the first to be made redundant. We cannot afford to turn our backs on a generation. Labour has failed young people; prior to the recession 16 to 24 years-olds were the only age group that experienced growing unemployment under Labour and employment among young, unskilled people actually declined during the boom years.

In the last twelve months the unemployment rate amongst this age group has increased to 17.2% - compared to 7.8% for the whole population. Four in 10 unemployed people are aged between 16 and 24-years-old. If current trends continue one in four of our young people will be unemployed by the end of the year.

Experts have noted that the last recession created an enduring legacy of long-term unemployment - people were shut out of the labour market for so long they found it almost impossible to find a route back to work. People must not be failed like this again. Liberal Democrats believe that during this time young people need encouragement, support and practical help to improve their skills and enhance their work readiness.

Sadly 950,000 young people were recently found to be NEET³, (not in employment, education or training); a huge pool of untapped talent and potential going to waste. Worse, a quarter of these young people have no qualifications, which will likely leave them at the back of the queue when the number of jobs in the economy begins to grow again.

We must ensure that young people have the skills they need to get a good job. Young people finding themselves out of work need help to learn new skills so they can start working again. The Government should be supporting our young people, but instead it's making life difficult for them. Graduates who can't find work are expected to wait a year until they get the help they need to get a job.

Meanwhile the Government is restricting the availability of places in higher education which means that many young people who want to choose education instead of unemployment are being denied the choice.

Employers want to take on extra apprentices and interns and benefit from having new talent in their business. The CBI has called for further Government funding of apprenticeships to encourage employers to take on apprentices but the Government expects them to pay apprentices' training costs which is simply too difficult for those businesses already struggling to meet their costs. We need to help businesses get the best from talented young people desperate to learn new skills.

³ <http://www.dcsf.gov.uk/rsgateway/DB/STR/d000870/NEETQuarterlyBriefQ22009.pdf>

Why Labour isn't working for young people

Labour came to power promising to end unemployment for young people, with its 'New Deal'. But Labour has not delivered on its promise; this Government is failing the unemployed – particularly the young.

In spite of the various 'schemes' and 'initiatives' announced by Gordon Brown, there are real problems preventing people from getting the skills and help they need;

- Too few places in higher and further education – more young people than ever are being turned away from higher and further education this year.
- Too many young people with poor skills and no qualifications. It is estimated that more than 800,000 or 11% of young people aged 16-24 have no qualifications⁴.
- Too little, too late – 18-24 year olds claiming Jobseekers Allowance have to be unemployed for a year before they can get specialist help and support. It used to be the case that young people were helped after six months but Labour have pushed this back to 10 months. This is too long.
- Too few opportunities in the workplace; employers who want to give young people opportunities to gain valuable work experience are held back by lack of funds to cover an allowance or expenses. Labour has not done enough to support employers to bring young people into working environments and gain valuable experience.
- Too many inflexible rules – for example, young people on JSA have to wait six months before they can take part in full-time training and then for just eight weeks. The rules also dictate that young people cannot complete internships or work experience while claiming JSA which means those on very low or no income cannot improve their job readiness and are left to languish on JSA.

Liberal Democrat Objectives

We want to:

- Reduce the youth unemployment rate to the same level as the rest of the population, creating up to 900,000 places in education, training, the work place and back to work programmes.
- Ensure that no one aged under 24 claims Jobseekers Allowance beyond three months without a right of access to training, apprenticeships, work experience or specialist support.

Liberal Democrat Policies

The Liberal Democrats believe that a bolder approach is necessary to ensure that long term unemployment does not blight an entire generation of young people. We need to

⁴ Annual Population Survey, Nomis

use businesses, the education and welfare systems to help them through the recession and get on the career ladder as quickly as possible.

We will deliver on our objectives outlined above by:

- Funding 10,000 more university places and 50,000 more college-based foundation degree places this year and providing more financial support for young people on low incomes to study for their level two and three qualifications.
- Introducing a new “90 day promise” after three months’ unemployment, instead of 12 months, to make available a place in work, training or education, or an internship for young people.
- Introducing a new “Paid Internship” scheme – until the end of 2010 - with up to 800,000 places, where young people would be able to work for up to three months with any employer, without cost to the employer. Each intern would be paid a new “Training Allowance” of £55 per week. Employers would be required to give interns time off for job searching.
- Fully funding apprenticeships. Employers get a raw deal, having to pay the college costs of their apprentices. There is little incentive to take on adult apprentices – particularly when businesses are already struggling to make money. Businesses should be encouraged to take on adults who are keen to re-skill in a workplace. We will expand the number of adult apprentices and fully fund them, easing the burden on employers.

More university and foundation degree places

This year, an additional 50,000 people have already applied for a university place, compared with last year. But only 20,000 additional higher education places have been allocated by the Government. However half of these are reserved for STEM subjects only and the funding won't cover additional teaching costs.

Although applications from 18-year-olds have increased, those from 21 to 24 have increased by 17%⁵. As a result, a record number of applicants are expected to be turned away this year.

We will fund an additional 10,000 places for 18-24-year-olds, ensuring more bright young people can secure a university place.

These additional places will only cover those people starting their course in 2009-10 as in the longer term, as the economy recovers, we believe that there is a need to reconsider the number of young people heading to university and look at other options which may be more suitable. However as a short-term measure to ensure that these young people are given the opportunity to gain better qualifications to help them through the recession, these extra places are now essential.

Too often the debate around higher education qualifications is focused on traditional degrees. For many people, more suited to a vocational style of learning, foundation

⁵ http://www.ucas.ac.uk/website/news/media_releases/2009/2009-07-09

degrees, combining study with work places learning, are a better option and we would fund an additional 50,000 places on these courses.

Foundation degrees focus on a particular job or profession. They are intended to increase the professional and technical skills of current or potential staff within a profession, or intending to go into that profession.

A foundation degree is the equivalent of two thirds of a full honours degree and is a fully flexible qualification allowing students to study part-time or full-time to fit their lifestyle⁶.

In 2007/08 there were 71,915 enrolments on foundation degrees. We estimate that there were around 82,000 in 2008/09.

We will fund an additional 50,000 places in 2009/10 so that more youngsters can get a good qualification coupled with real work experience preparing them with the skills they'll need in the future.

We will put further education colleges at the forefront in providing higher education opportunities. They will be able to make direct bids for funding from HEFCE⁷ for all higher education that they offer. This will mean that HEFCE will have to revise its funding of modules to include HE delivered in further education colleges in order to ensure that funding is awarded quickly allowing colleges to support the needs of people needing to re-skill as a result of the recession.

We agree with the Association of Colleges and believe it is necessary to make it easier for FE colleges to gain foundation degree awarding powers by streamlining and simplifying the process. The current system is complex and time consuming and is proving to be a disincentive to many colleges. FE colleges should also be able to reduce the expense of acquiring foundation degree awarding powers by allowing them to form consortia, perhaps amounting to a national awarding body, or alternatively to franchise their foundation degrees.

We will increase the Adult Learning Grant by £15 a week to support young people who want to go to college and study for their level two and three qualifications⁸.

The 90 day promise

Research shows that prolonged periods out of work are detrimental to a person's chances of getting a job yet all the Government's attempts to help young people leave them claiming Jobseekers Allowance for a year; this is too long.

We are making a commitment that no young person will spend more than three months unemployed without getting financial support to access training, education, work experience or specialist professional help to improve their chances of getting a job.

Young people under 25 will receive financial support to go back to college to get their level two or three qualifications, vocational qualifications, complete a Foundation Degree,

⁶ <http://fd.ucas.com/FoundationDegree/About.aspx>

⁷ HEFCE – Higher Education Funding Council for England

⁸ <http://alg.lsc.gov.uk/eligibility/>

take part in an internship or work experience or enter into the Flexible New Deal nine months early.

Paid Internships

Young people often lack work experience which places them at a disadvantage when applying for jobs. They don't have first-hand experience of a workplace and cannot demonstrate the communication skills and discipline needed for a job to a potential employer.

The poorest young people are held back from taking part in unpaid work experience or internships as it is not allowed under Jobseekers Allowance rules; claimants have to be available for work and cannot receive modest expenses without losing their benefits. This is counterproductive; those from disadvantaged backgrounds miss out on gaining valuable experience and employers don't want to invest time and resources in someone that cannot commit to more than a week at a time. At the same time, employers are often prevented from offering work experience to young people as they cannot afford to the minimum wage or even expenses.

Our proposal to support young people to complete three month internships or work experience at no cost to employers will help up to 800,000 young people improve their skills and enhance their CV while enabling employers to give back to their local communities and invest in young people.

Employers will give interns time off for job search and meetings with Jobcentre staff to improve their CVs. Young people will gain valuable experience and have a reference for future job applications as well as picking up new skills.

Fully funded apprenticeships

Too few young people are getting the chance to learn a trade on the job, alongside experienced professionals. Repeated employer surveys have shown that they are put off by the costs associated with taking on apprentices but not the commitment required to train them.

The Government only part funds apprenticeships and expects employers to pay the off-the-job training costs of their apprentices, which has limited the number available and squandered an important chance to give thousands of young people a valuable trade. Our proposal to fully fund apprenticeships will remove the most important barrier to employers offering these life changing opportunities. Business groups such as the CBI have recognised that extra funding will have positive impact on the number of apprenticeships that employers will offer, even during a recession; employers have a vested interest in training the next generation of skilled workers.

The Costs

Our proposals are crisis measures, a lifeboat for a lost generation, and as such aimed to take effect immediately and run through 2010. The proposals will cost approximately £1.1bn pounds. The approximate costs of each initiative are shown below.

	Net Costs (£ millions)
Internships (net cost of Training Allowance)	40
Higher Education Places	90
Further Education Places	390
Adult Learning Grants (50% increase in take up)	50
Back-to-Work Programmes (early admission)	510
Total	1,080

The VAT cut is scheduled to remain in place until 31st December. The cost of keeping the cut in place for October, November and December is approximately £2.6bn⁹. The Government must end the VAT cut on 30th September and redirect spending towards helping the hundreds of thousands of young people looking for work.

Our proposals to fully fund adult apprenticeships would be paid for by diverting funding from 'Train to Gain'.

Acting now

It is vital that we act now to ease the unemployment crisis before it gets worse; this summer hundreds of thousands of young people flooded the job market after leaving school, college or university, not to mention the hundreds of thousands who were already looking for work.

We believe that Government and business should be taking the initiative to involve this generation in the workplace to ensure they are not condemned to a vicious cycle of unemployment, benefit dependency and even poverty.

The whole economy has a vested interest in nurturing the talent of young people and preparing them for work so we can recover quickly from the recession and build a better future for Britain. The older generation are largely to blame for the recession and yet it is the younger generation who are suffering the most; they feel cheated and burdened with mistakes that were nothing to do with them. We believe that we should and must intervene to restore the opportunities they were promised while they were at school, university or at work before the recession began.

Our plans will ensure that no young person is abandoned when they are unemployed; everyone will have the chance to improve their skills and job readiness. They will not be left on benefits for 12 months with no help. We will do things differently to ensure that young people have a better future that involves a gratifying work life not benefit dependency.

⁹ Table A2, page 154 of Budget 2009.

ANNEX 1

