

YOUTH UNEMPLOYMENT: LESSONS TO LEARN

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The views and opinions expressed in this report are those of the author and do not necessarily state or reflect those of the Gatsby Charitable Foundation.

EXECUTIVE SUMMARY

This report looks at lessons that can be drawn from previous economic shocks to suggest how we can tackle youth unemployment.

It looks particularly at experiences of the 2008 financial crisis in Greece, Italy, and Switzerland, as well as the impact of German unification on Eastern Germany, and the responses to recessions in the 1980s and late 2000s in the UK.

The key recommendations following the Covid-19 crisis are as follows:

- More flexibility for part-time and credit-based higher education, rather than increasing numbers for a three-year full-time undergraduate model
- Longer courses for 16-18-year-olds, especially pre-apprenticeship programmes
- Explicit support for self-employment, building on the creativity of our young people, and give them the training and financial support they need.

I INTRODUCTION

The current Covid-19 crisis is unprecedented, which makes it hard to predict exactly how it will play out. However, it seems almost certain that there will be a significant increase in youth unemployment at a time when jobs in general will be scarce. Studies on the impact of high unemployment show that there is a scarring effect on the careers of young people which continues beyond the immediate crisis. This report uses evidence about the success of past initiatives to develop some creative suggestions for what might be done to mitigate the effects of the Covid-19 pandemic on youth unemployment.

This report is based on a literature review of publicly-available UK and international literature, including webinars and podcasts. It looks at different potential solutions for the looming youth unemployment crisis, specifically focusing on:

- Higher Education
- Self-employment
- Apprenticeships and work experience
- Experience of different sectors

Sectors which have been shut down during the crisis generally employ more young people, so it is clear that youth unemployment is going to be a very big issue. Analysis from the Institute for Fiscal Studies (Joyce, R. and Xu, X., 2020) shows that 30% of employees in shut-down sectors were under 25.

There are generally two standard responses to shocks in youth unemployment. The first is to keep young people in education for longer; a solution which is relatively easy to achieve in higher education. The expectation that full-time, face-to-face teaching will be difficult in the short term means universities are anticipating fewer international students, and so will be looking to fill those places with home students.

The second standard solution is to create more jobs, typically by paying employers to take on young people. The Future Jobs Fund is the model here. However, the pandemic has affected some sectors more than others, and it may be more difficult to create new jobs or provide work experience when there are fewer jobs and fewer businesses able to operate at full capacity.

The report provides conclusions based on the evidence, considering both successful and unsuccessful strategies. (Evidence sources are listed under References below.) It also considers how action taken now could help the economy in the long term.

2 HIGHER EDUCATION

Reports on youth unemployment typically suggest that the easiest way to reduce youth unemployment is to keep people in education, usually by encouraging them to go to university. The logic is that the young person will gain useful skills which will help them get a job in the long term, and meanwhile they will be in education rather than unemployed. This chapter considers both the option to encourage more young people to go to university for a traditional three-year undergraduate degree, and more flexible solutions combining work and study.

Skills mismatches

Skills mismatches can occur when policies to encourage young people to stay in specific kinds of education for longer do not relate to the skills demanded by the economy, and often result in youth unemployment.

Italy experienced two specific reforms in the early 2000s which meant that the 2008 financial crisis caused very high levels of unemployment. The first was the expansion of university education, leading to much higher levels of young graduates. The labour market had not changed significantly which created a skills mismatch. The college premium in Italy for 25-34 year olds was already amongst the lowest in Europe at 16% (Leonardi and Pica, 2015), and it declined further following the university reforms, as there wasn't an equivalent increase in demand for high-skilled workers. The effect of this was to increase unemployment of young graduates and to reduce starting salaries for those young graduates who do find work. The second specific reform related to a higher pension age which kept older workers in the labour force for longer, thus reducing the available jobs for young people, and this arguably exacerbated the issues of high graduate unemployment.

Youth unemployment is very high in Greece starting at 21% in the second quarter of 2008 before the financial crisis hit, and increasing to a peak of 60.8% in February 2013 (Matsaganis, 2015). One of the causes is considered to be skills mismatches between the education of young Greeks and the skills demanded by the Greek economy. In Greece, the low status of vocational education has become a self-fulfilling prophesy: only those without other options go into vocational education, and despite funding increases, the quality of that vocational education is in doubt as there are limited quality measures. Higher education is the aspiration for parents and young people in Greece but it tends not to develop the skills needed for employment, to the point that the unemployment rate for 25-29 year olds in Greece in 2013 was 37.4%. This delays independence for young people, with only half of 31.5-year-old men in Greece having left the family home. The skills mismatches occur in Greece partly because it has an exceptionally high number of small firms, and in 2014 almost half of all jobs were in micro-businesses (2-9 employees) or self-employment. These firms typically have limited potential for growth, as they tend to be low-tech and focus on the domestic market. Young people in Greece have addressed the youth

unemployment problem over the past decade or more by emigrating, but youth unemployment still remains high.

A similar kind of 'job mismatch' occurs across the OECD, where data from the Skills for Jobs database¹ was used to show both overqualification and underqualification in a 2018 report. In terms of skills demand, the report suggests the UK has nearly 50% of high demand for labour in 'high skilled' jobs, around 10% in 'low skilled jobs' and 42% in 'middle skilled jobs' (OECD, 2018a). These proportions are broadly similar to the OECD average² although the UK has relatively low demand for high-skilled labour and high demand for low-skilled labour in comparison to countries like Finland, Germany, and France. The figures from the UK suggest that very little has changed in terms of skills demand over the past ten years, in contrast to other countries like Finland and France where there is a greater mismatch than in 2010.

The OECD's Education at a Glance report from 2018 suggests that England has a higher level of overqualification than most other OECD countries. More than 25% of workers in England reported being overqualified for their job, while the OECD average is 15%.

The 2017 Employer Skills Survey also notes that underutilisation of the workforce in the UK was prevalent in general but also in specific sectors:

Over a third of employers (35%) reported that they had underutilised employees (a 5 percentage point increase from 2015), with 2.5 million workers underutilised in this way (8.7% of the workforce, up from 7.1% in 2015). The prevalence of staff underutilisation was highest in the Hotels and Restaurants sector where 16% of the workforce were described by their employer as having qualifications and skills at a higher level than is needed for their role. (DfE, 2018a)

These two reports show that over a quarter of the English workforce felt they were overqualified for their job, while more than a third of UK employers reported that they were not effectively using all the skills of their staff. This suggests that the UK has an issue of skills mismatches, and encouraging more young people to pursue full-time undergraduate degrees may exacerbate an existing problem.

Flexible higher education

The Edge Foundation's plan for Higher Education, published in 2017, argues for a different kind of higher education, making more space for part-time study, and for technical Level 4 and Level 5 qualifications that are more common in other developed countries. Their report quotes data from the IFS that three-quarters of 2017 university leavers will never pay off their student debt. The number of part-time students has more than halved since 2009/10, and the number of learners on Level 4 and 5 qualifications is vanishingly small (Edge, 2017). The report argues that the UK has high levels of graduate underemployment, where only 55-60% of graduates enter high-skilled employment. Analysis of the Longitudinal Education Outcomes data for the report showed that 25% of graduates, ten years after graduating, were not earning £20,000 pa in 2017. For such a high proportion of graduates to be earning relatively low wages suggests that there may be a better

1 www.oecdskillsforjobsdatabase.org/

2 Albeit demand for middle-skilled labour is slightly higher in the UK, while demand for high-skilled labour and low-skilled labour is slightly higher in the OECD on average.

way of organising our education system. It certainly suggests that making more places for young people at university as a route to reducing an increase in youth unemployment would create more problems in the long run.

Part-time higher education has been a particular casualty of the UK fee regime that began in the 2010s. The number of students studying part-time undergraduate courses at UK universities between 2010/11 and 2016/17 fell by 47% (UUK, 2018a). Research by Universities UK in 2018 suggests that the financial crisis reduced the ability both of individuals to self-fund part-time study, and of employers to fund part-time study for their staff. Many universities have since used the flexibilities of degree apprenticeships to boost the numbers of part-time learners, but these courses are only available through an employer – not for those wishing to study to change career. The Universities UK survey of 'lost learners' found that the most common reason for wanting to participate in part-time higher education was to change career, cited by 43% of those who responded, and was even more common amongst younger age groups. The survey focused on those who wanted to engage in part-time higher education but had not been able to. Financial factors, either around tuition fees (44%) or cost of living whilst studying (42%) were the most cited reasons for not enrolling in a course (UUK, 2018a). When asked what would encourage study in the future, alongside cheaper tuition fees (cited by 59%), more funding for living costs was mentioned by over a third of respondents (37%) and being able to use government loans to pay for short courses (29%) as well access to government loans for living costs (27%) were key priorities (UUK, 2018a).

The Augar Review (2019) recognised the need to support part-time higher education learners, whether they were studying at Level 4, 5 or 6. It highlights the need for more support for individuals to undertake flexible credit-based qualifications. However there are significant challenges to providing more flexible courses, not least financial, as highlighted by Universities UK in 2018 (UUK, 2018b). The Augar Review seeks to address these, both with transfer requirements by institutions so learners can build up credit from courses at different institutions, and with a lifelong learning loan allowance so learners can study flexibly. Full-time students can access student support and yet still work part-time, but those studying part-time have not previously had access to maintenance loans unless they are unemployed or earning below a strict earnings threshold. Providing access to maintenance support, ideally as grants but potentially as loans, to learners who are studying part-time and working part-time, as a form of lifelong learning allowance would make a significant difference.

The recommendations of the Augar review should be enacted as part of the government's response to the global pandemic, and alongside part-time or short-term work, be part of a solution not just to youth unemployment but unemployment in general.

Vocational higher education

This is a specific kind of vocational higher education in Switzerland which is useful to consider as a longer-term solution to youth unemployment and skills mismatches. In Switzerland, the financial crisis of 2008 hit the country relatively lightly. Youth unemployment in Switzerland only increased from 7% to 8.5% during the crisis, staying well below half of the rate of the EU at 20% in 2009 (Pellizzari and Tabasso, 2015). In Switzerland, when GDP fell by 1%, the corresponding rise in youth unemployment was 0.47%, while a 1% fall in GDP across the EU led to a 0.86% increase in youth unemployment (Pellizzari and Tabasso, 2015).

Switzerland scores highly in innovation rankings, but has low levels of university graduates (approximately 20%) in comparison to many other developed countries (Backes-Gellner, 2019). However, there is a different understanding of the notion of 'highly skilled' with many of those on vocational routes being considered 'highly skilled' but not some university graduates. Switzerland has a comprehensive vocational education system where employers co-design apprenticeship programmes and regularly ensure all programmes are up to date. As a result, apprenticeship and vocational programmes are intensive and include significant elements of both theoretical and practical learning.

In Switzerland, when vocational and university graduates meet in the workplace, they have skills at similar levels but in different areas. As they learn to work together, they make the best of each others' skills. Innovation in companies can often be hampered if, as in the UK, highly-skilled graduates work with relatively low-skilled vocational learners. So if both parties operate at similar levels but have different skills and are able to work together, this is where innovation can thrive. Teuber and Backes-Gellner argue both that 'the better the Vocational Education and Training (VET) system and thus the more skilled the employees in production are, the fewer supervisors should be necessary for supporting and monitoring them' and 'better-qualified employees need less monitoring; also because they can perform more demanding and interesting jobs and are thus more motivated' (Teuber and Backes-Gellner, 2013). If there is a large skills gap between supervisors and staff, then supervisors may be less likely to pay attention to requests for change or innovation from the shop floor.

In Switzerland, there are Universities of Applied Sciences and Innovation that explicitly provide high-level learning for vocational graduates. Research from Backes-Gellner and team (2019) suggests that these types of universities explicitly drive innovation in Switzerland. They also enable those with apprenticeships to move into tertiary education, and are supported by firms so although some young people could move straight onto a course at a University of Applied Sciences and Innovation, they may be more likely to work at a company then return to learning with company support.

Vocational higher education in the UK exists as full-time or part-time education in universities and colleges, but also as higher-level apprenticeships. Degree apprenticeships are a relatively new part of the apprenticeship system. They are often offered to those already employed at a company – the situation for 62% of apprentices according to the last report (DfE, 2018b), although the figure is

only 42% for those on Level 2 and 3 apprenticeships. It is not clear how long the apprentice had worked for the company before taking on an apprenticeship. For higher-level apprenticeships, we might expect some young people to start at a lower level and then progress, or even get a job and then be admitted onto an apprenticeship. In the UK, the new Institutes of Technology are designed to provide flexible higher education, particularly at Levels 4 and 5; ensuring these are built sustainably and with employer support throughout may create a similar structure to the Swiss Universities of Applied Sciences and Innovation. These new models for higher-level vocational education in the UK could be a part of the solution to youth unemployment and, if appropriately targeted, could help drive innovation in the UK in the long term.

Short-term and part-time work

There are advantages and disadvantages associated with increasing the extent of short-term and part-time work in order to provide work experience, and with combining work with training programmes. The most effective 'learn and earn' programmes are apprenticeships, but in other sectors or for different kinds of learning, it should also be possible to engage in short-term and part-time work alongside higher education.

There are diverging experiences of the benefits of short-term and part-time work across developed countries. Switzerland, for example, was more resilient to the 2008 financial crisis in part because of the high levels of part-time work – around 18% of young people worked part-time in the period 2000-13. There are generally higher levels of part-time work in Switzerland, particularly amongst women where 59.4% worked part-time in 2018 (Swiss Federal Statistical Office, 2019). While this may result in some gender inequality – Switzerland has similar levels of female managers and political representation as well as a similar gender pay gap to the UK – it does mean there are more women in the labour market than in other countries.

In Greece, there are high levels of short-time and part-time work for young people, as well as high levels of undeclared work, but this is often involuntary (Coquet, 2014). The lack of high-quality work for young people in Greece is one explanation for high levels of emigration amongst young Greeks (Matsaganis, 2015).

Short-term or part-time work alongside higher education could help young people gain useful work experience whilst also building their skills. In areas like film production, where workers train for short periods in between short-term contracts working on specific films, this kind of working life has been normal. It creates some challenges of course, and bursaries from Screen Skills³ help; however it could be useful in the short term. For example, furloughed workers going back to work part-time could take on short-term training courses to move up in their career or change careers. Particularly where individuals are part-time not by choice, access to loans for a short course will help build skills for the future. Similarly, part-time work experience for young people on pre-apprenticeships or other programmes, as detailed below, can be valuable when even less work experience is available than in a 'normal' recession.

3 www.screenskills.com/training-courses/search/#/

Conclusion

A different approach to higher education from increasing the numbers of traditional three-year full-time undergraduates could help reduce youth unemployment in the short term, and help drive the economy in the longer term. A more flexible higher education offer could include a lifelong learning allowance, as set out in the Augar Review. Such an allowance would provide maintenance support, alongside an understanding that short-term and part-time work is likely to be undertaken during periods of study, enabling work and learning concurrently. Other forms of higher education, including degree apprenticeships and the new Institutes of Technology, should be actively supported and provided with additional funding in order to take on more young people. The objective will be to ensure that young people are trained in areas both that they are interested in and that will benefit the economy by supporting them into sustained employment, and will not be subject to financial hardship to the extent that it would put them off studying.

3 SELF-EMPLOYMENT WITH TRAINING

Cultural change is making self-employment and entrepreneurship more popular amongst young people. In addition, a lack of likely work experience for young people due to social distancing means that self-employment with training is an area worth exploring. Some countries find it difficult to grow entrepreneurship, often for reasons related to skills mismatches. This section considers some of these issues, and how a programme to support self-employment amongst young people might work.

Self-employment programmes

In 1994, the World Bank produced a report looking at self-employment programmes in developed countries. The starting position of the report was that, in general, less than 5% of the unemployed would chose to become self-employed, but that only one in four of the businesses created would exist without the programmes (World Bank, 1994). The 'deadweight' effect of the one in every four businesses increases if there is rigid screening, suggesting that those who want to engage should be allowed and encouraged to do so. Many of these programmes were designed for anyone who wanted to apply, and often more stringent rules both increased 'deadweight' and also rejected those who would have benefitted from specific support and mentoring.

A review of different self-employment programmes, including the Enterprise Allowance and then the Small Business Scheme run in the UK in the 1980s and early 1990s (House of Commons, 2019), suggests that the most successful recipients of the scheme were men aged around 35. Very few young people joined the scheme. Reports from Hansard in 1984⁴ suggest there was significant demand for the Enterprise Allowance Scheme from the start, with a waiting-time of around 24 weeks in some areas to be admitted. The scheme paid between almost a quarter to almost a half more per week than unemployment benefit (Beckett, 2015) and was very popular. As the scheme rolled out in 1983, it started to attract a few more women and, even in the pilot phase, over half were under 30 (Beckett, 2015). Over its lifetime from 1983-1991, the Enterprise Allowance Scheme had 565,700 participants, peaking in 1987 with 106,300 (World Bank, 1994), and is

4 <https://api.parliament.uk/historic-hansard/commons/1984/apr/13/enterprise-allowance-scheme> accessed 24 May 2020

credited for increasing the number of business in the UK from 2.4 million in 1980 to 3.6 million in 1989 (FSB, 2013).

The current rules for the New Enterprise Allowance involve some mentoring support and the equivalent of Job Seeker's Allowance (JSA) but no more (DWP, 2018). There are start-up loans up to £25k, but these have to be repaid within 5 years with interest, and have seen limited take-up. A qualitative process evaluation of the New Enterprise Allowance by the Department for Work and Pensions (DWP) in 2013 suggest that the programme would benefit from being more locally organised, and more flexibility around business plans would widen the reach. If the programme were to include young people, it would need to provide specific training and mentoring directly targeted to them.

Care should be taken in developing any kind of entrepreneurship programme, as a large programme without clear local links can also drive the development of businesses and work for which there is limited demand. The 2014 report of the European Commission reviewing the Youth Guarantee Scheme in Greece suggests that significant amounts of resource were allocated to an entrepreneurship programme, but that the government found it difficult to set up programmes and spend the money. They also suggested that high levels of specific subsidy could end up creating businesses that work 'against the market' (Coquet, 2014). One of the recommendations in their report was to split the funding into smaller, more focused programmes rather than one large scheme.

Cultural change

Beckett argues that the original Enterprise Allowance Scheme mostly built self-employment, as the businesses that survived for three years created only an average of one job each, but that the change was cultural. Beckett cites a 1986 government report where over 50% of those surveyed gave their reasons for applying for the scheme as 'independence', 'self-actualisation' or the 'desire for control' (Beckett, 2015). Culturally, the UK has already changed as self-employment has grown over the past 20 years from 12% of total employment in 2001 to 15.1% in 2020 (ONS, 2018 and 2020). Self-employment accounted for a third of total employment growth between 2007 and 2016 (ONS, 2018). However, most of the growth was individuals setting up on their own or with their partners, with stagnation in those reporting self-employment having employees.

A culture of entrepreneurship can often be the problem, as reported in South Korea where despite a desire by government to encourage new businesses, young people often lack the information or motivation to set up new businesses (Haein, 2019). However, for young people, and particularly for women, the growth of 'side hustles' has become culturally normal. Research from Henley Business School in 2018 suggesting that one in four adults was running at least one business project alongside their full-time job (Henley Business School, 2018).

For millennials, magazines like *Cosmopolitan*⁵, *Stylist* and online magazine *Refinery29*⁶ produce countless articles about how to manage side hustles alongside full-time work. These are a long way from the traditional self-employment of skilled trade

5 www.cosmopolitan.com/uk/worklife/careers/a26713959/side-hustle-experience/ accessed 24 May 2020

6 www.refinery29.com/en-gb/balance-full-time-job-side-hustle accessed 24 May 2020

people (more on that below), and mostly revolve around online sales (e.g. Etsy), as well as digital marketing, PR, blogging, 'influencing' and creative content. An example is the growth of the app TikTok during lockdown around the world as a creative outlet for young people and others, and an encouragement to young people to think about they might monetise their content.⁷ Of course, there are dangers in internet businesses that rise and fall quickly, but the skills that young people learn in using platforms, and then considering how to transition from fun into work, provide them with useful work experience at a time when traditional work experience is difficult.

Youth enterprise programmes

In order to make their work profitable, young people benefit from the training and support offered by specialist providers, universities, and voluntary organisations like the Princes Trust. The Prince's Trust offers a specific enterprise programme for young people aged 18-30 to set up their own businesses, and has seen increased demand since lockdown. In 2018/19, their enterprise programme provided 13,274 young people with support (The Prince's Trust, 2019). Their approach mostly uses mentors and financial support following an initial workshop session, and some people benefit from expansion and signposting to more in-depth qualifications or support.

Organisations like the National Association of College and University Entrepreneurs and Young Enterprise support young people and educators to think about and become entrepreneurs. They provide digital resources and engage with young people thinking about setting up their own businesses. Universities and Colleges may also provide specific training and support for young people in self-employment or setting up a business. Many universities have their own innovation hubs or organisations to help researchers and inventors set up spin-off companies – Queen Mary Innovation Ltd, part of Queen Mary College at the University of London is an example.⁸ The National College for Entrepreneurship in Education, founded by government in 2004 and now funded by universities themselves, conducted research in 2018 that found 64% of university students were interested in entrepreneurship, the majority (60%) of whom were interested because they wanted to be independent (NCEE, 2018). The National College for Entrepreneurship in Education run specific courses for Heads of Departments as well as for senior leaders in universities to build capacity in entrepreneurship, with the Heads in particular being able to support students in the universities.

Conclusion

If the aim was to tackle youth unemployment, simply creating a large scale self-employment or enterprise programme without local links, and without targeting young people specifically, would likely achieve little. However, funding smaller, local programmes that provide effective mentoring and support for young people, alongside a national entitlement to financial support whilst participating in a local programme, could do much to enable young people to set up businesses and help to tackle youth unemployment.

7 www.theguardian.com/technology/2020/apr/26/how-coronavirus-helped-tiktok-find-its-voice accessed 24 May 2020

8 www.qminnovation.co.uk/

Where programmes like the one from the Princes Trust already exist, more resources could be made available. Where colleges, universities, and private training providers could provide specific, local programmes for entrepreneurs that include training on being self-employed or setting up a business, monetising creative work and selling online, as well as personalised mentoring for young people and networking both amongst themselves and with local business communities, funding could be made available to facilitate this. A national provision in terms of an enterprise allowance for the individual, above the rate of Job Seeker's Allowance and enabling participants to retain any early revenue from their business on top of their allowance, could be made conditional on participation in a locally-run or voluntary sector-run scheme. This could avoid the quality concerns that often result from new large programmes, and enable the use of existing expertise to support local economies as well as national objectives to reduce youth unemployment.

4 APPRENTICESHIPS AND WORK EXPERIENCE

Subsidised work and work experience rely on employers being able to take on additional staff. The current situation makes that incredibly difficult, so it is worth considering different ways that work experience and work, especially in the form of apprenticeships, might be undertaken in the short to medium term. This chapter considers different types of training courses and job creation schemes from the past, and asks what we can learn from them.

Job creation schemes

The Future Jobs Fund, established by the Labour government in response to the 2008 financial crisis, was considered a successful way to tackle youth unemployment, although it was scrapped by the incoming Coalition government in 2010. The fund allowed for the creation of new additional jobs subsidised by government for six months. Most of the jobs were created in the public sector and voluntary sector, and involved very little formal training. A rigorous evaluation (DWP, 2012) showed that the Future Jobs Fund was successful in moving young people closer to the labour market. Specifically, participation in the Future Jobs Fund increased the time spent in unsubsidised employment by 12 days over two years from the initial date of starting a Future Jobs Fund job. There is a 'lock-in' effect for every job creation scheme, because during the course of the scheme, the individual isn't available for other work while those in the comparator group will be. To overcome the 'lock-in' effect of six months over the remaining eighteen months is impressive for this kind of programme, and the evaluation shows the 'lock-in' effect was overcome 89 weeks after the start of participation. The evaluation estimated that over three years, the programme would have increased unsubsidised employment by 51 days, and over four years by 90 days (DWP, 2012).

Thinking specifically about whether the programme was effective for individuals with different levels of skills and qualifications proves difficult. Although the evaluation was rigorous, it relied on existing data from HMRC and collected by Job Centre Plus. Despite there being a box to identify whether the participant was 'low-skilled',⁹ this data field was unknown for 75% of participants and 76% of the comparator group. Of those where data was recorded, 23% of participants were considered to be 'low

⁹ Note: there is no definition of 'low-skilled' given in the evaluation

skilled' compared with 20% of the comparator group (DWP, 2012). In general, a series of factors considered suggested that young people engaged in the Future Jobs Fund programme were further from the labour market, and had spent more time on Job Seekers Allowance than those in the comparator group. Despite this 'harder to reach' group, the programme had a positive impact. The evaluation only covered the main job creation part of the programme, and not any of the related training. The programme that replaced the Future Jobs Fund, the Work Programme, was open to all ages, and was designed to include some limited training. The 2014 DWP evaluation of the Work Programme suggests that training was neither a significant nor a particularly effective part of the programme, mostly because the training was short-term and not tailored to the individual (DWP, 2014).

The Future Jobs Fund was significantly more successful than the earlier Youth Opportunities Programme, established in 1978 to provide work experience for young people during a period of high youth unemployment. The Youth Opportunities Programme failed to properly address the high levels of youth unemployment in the 1980s and, despite an initial period where 70% of those participating went into employment following their participation in the scheme, by the early 1980s this had fallen to 30% (Keep, 1986). Many of the jobs in the Youth Opportunities Programme simply used young people as cheap labour and replaced other jobs. There were few quality checks (Tusting and Barton, 2007) as well as limited training opportunities, making it difficult for young people to find work once their participation in the programme had ended. It was replaced by the Youth Training Scheme as discussed below. However, the Future Jobs Fund learnt from the Youth Opportunities Programme and ensured that jobs were truly additional; it also established proper quality checks so young people had useful work experience that helped them move into sustained employment.

The key to any kind of job creation programme relies on additional jobs being created in existing industries and businesses. The 'shut down' sectors of hospitality, creative sectors and retail would therefore struggle to provide many of these jobs, even if they were explicitly 'additional'. The Future Jobs Fund provided jobs mostly in the public sector, where we would reasonably expect growth as a result of the response to the Covid-19 crisis, and also in the voluntary sector, currently struggling while many of its retail and fundraising activities are unavailable. The Local Government Association has put forward proposals to enable local councils to invest in jobs that will help local areas achieve a net zero carbon future. Many of these jobs are related to retrofitting homes and offices, and local councils already have plans in place if funding is made available (LGA, 2020). These kind of 'shovel-ready' projects would be ideal for a short-term job creation scheme and would help deliver the kind of action the country needs to tackle climate change. This kind of work, using information about the future labour market, could help us decide where short-term training opportunities alongside work might be most useful, and where longer-term training programmes may be more effective.

Longer training courses

Although there are examples of countries dealing with recessions and high levels of unemployment, there are very few examples of such profound and deep unemployment. One economic major shock that may provide some lessons is the unification of Germany in 1990 and the actions taken in the east. In 1989, East Germany had low productivity despite a highly skilled workforce. It had more gender equality in work than West Germany, and better provision of childcare. It had full employment but relatively low wages and a comparatively poor standard of living. The shock of unification brought many changes; the biggest was political, and the sudden economic shock irrevocably changed the entire country. The privatisation of industry and the establishment of a welfare state changed work completely. The sudden shock of a global pandemic is completely different from the demise of a political ideology, but the need to change quickly and adapt to the 'new normal' is a parallel.

The biggest change, and the one that arguably kept young people in the east, was an increase in wages (Burda and Hunt, 2001). As companies were taken over, mostly by West Germany firms, trade unions expanded quickly into the east and negotiated for equivalence on pay. The low levels of productivity in the east were mostly related to old and outdated capital, and as investment in new plant and machinery came on stream, the (fewer) workers who remained were paid more. They were trained on the new equipment, and productivity in the east slowly began to rise. Older workers were encouraged by the new welfare state to take early retirement. So despite high levels of unemployment (15% by 1992), far fewer young people moved to the east to work than expected. Wages were relatively high even for lower-skilled workers, but the really good wages were for higher-skilled workers. Given an incentive to study more and stay in the east, young people bargained on getting a higher paid job and staying put.

After unification, the new German government provided a retraining scheme for those in the east. This vocational training scheme was well-funded to the tune of DM26bn and easily available, with very few applicants being rejected from 1990-1993, albeit with some question marks over the quality of training. In 1993, the budget was reduced and it was restricted to those unemployed or very likely to soon become unemployed, alongside better quality controls. This training scheme was distinct from more traditional schemes because it took individuals with a range of skill levels, particularly those with high skills and more women. As many international studies show, notably PIAAC, those who more education to start with tend to demand more education and therefore are potentially more likely to apply to a retraining scheme. The training on offer was much longer than we are now used to – with 12 months being the average length – and participants were paid up to 73% of their previous salary to participate as well as the training costs being covered by the state. Training was either to increase a person's skills within their current occupation, or to help them learn a new occupation. When compared with those with explicitly similar characteristics (rather than a random sample), the training scheme did show a positive, significant impact in job position even in the first year after the training had been completed (Lechner, 1999).

Thinking about the UK situation, a retraining scheme could operate that offered significant, lengthy training while participants were paid the majority of their previous salary or at least a grant or loan equivalent to that offered to students. Pre-apprenticeships would be a route for young learners at lower levels, while a mix of work and training, either through self-employment or flexible higher level qualifications alongside short-term or part-time work, would all help to reduce youth unemployment.

Pre-apprenticeships

Providing targeted support for young people not yet ready or able to access an apprenticeship or T-level or other Level 3 qualification is also important. Germany has typically been held up as the best example of vocational education and training, mainly as a result of its dual system. However, there is a third track to the German vocational system, and arguably this is the one which helped to keep youth unemployment low during the financial crisis. Some argue that ‘as the third track of the vocational training system takes care of youths without alternative options, it directly prevents unemployment’ (Riphahn, 2015). The third track is a pre-apprenticeship one – it provides general schooling, occupation-specific skills, or even special vocational schools. The majority of students who complete the training move on to an apprenticeship. On average, one in three graduates from low and intermediate secondary schools went on to the third track and were on this form of pre-apprenticeship training for 17 months (Riphahn, 2015). The programme is considered to improve employment outcomes for young people (Carcillo et al., 2013). Longer training programmes in general are a feature of the German system, and proved particularly effective following unification as discussed below. For this specific group, providing a long programme which mostly leads to an apprenticeship is effective in reducing youth unemployment.

Large-scale vocational training courses for those at lower levels in the UK have a challenging history, most notably a result of the Youth Training Scheme in the 1980s. This programme sought partly to replace the Youth Opportunities Programme, established in 1978, which provided work experience for young people, as discussed above. The Youth Training Scheme was a one-year programme for 16-17-year-olds with a mix of vocational training and experience, designed to create transferable or general skills (Tustings and Barton, 2007). It came into being at a difficult time, as the longstanding Industry Training Boards were being closed by a government which believed that market forces should be set free (Keep, 1986). The scheme involved work experience, much like the Youth Opportunities Programme, but also training from new training organisations and had a number of related challenges from the beginning. As Keep states:

At a time when much of the manufacturing industry was making redundant large sections of its workforce, laying off apprentices and decimating its training and personnel function, the prospect of attempting to introduce a high quality, high volume, general vocational traineeship programme into the workplace looked less than appealing. (Keep, 1986)

Alongside issues with employers, the government in the 1980s and its agencies were unprepared to develop a year-long vocational programme including work experience, and gave themselves only a few months to produce agreed plans. The time constraints also led to difficulty in establishing effective monitoring mechanisms, and as a result many of the programmes were of poor quality. While attempts were made to develop something akin to the then West German dual-system, there were few strong local bodies able to support and facilitate these kinds of links between new training organisations and local employers. The speed at which the programme was planned, the lack of ability to think about the content and quality checks, as well as significant other changes in vocational education and training happening concurrently, give us some clear lessons for today.

Thinking about the current situation, it should be possible to avoid similar mistakes by ensuring use of the education and training system already in place, as well as local structures of Local Enterprise Partnerships working with local Higher Education and Further Education providers. Quality assurance of existing providers, particularly in Further Education through Ofsted and a network of quality processes followed by awarding organisations for specific qualifications, as well as colleges' own assurance for study programmes, could also be expanded rather than creating a new process. For the vast majority of young people in Further Education colleges or independent training providers, their programme of study already involves a substantial learning activity alongside core areas like English and maths, as well as significant work experience. T-levels take this further in terms of the depth of the programme and work experience element. Expanding this to include more work experience will be challenging, and it needs time to design and develop a new and different scheme for the group of young people working towards Level 2 qualifications.

In the UK, we have a traineeship programme to support young people into work, full-time training or an apprenticeship, and there is a transition year programme in development to support young people towards T-levels. The traineeship programme is listed in the government guidance on back-to-work schemes (DWP, 2018) as a training and work placement which can last up to 6 months, but most last around 3 months. The latest government data reports that the number of traineeship starts in the first two quarters of 2019/20 are slightly down on the equivalent figures for 2018/19 (8400 down from 8800), and just over 80% of those starting a traineeship are under 19 (DfE, 2020). The most recent evaluation of the traineeship programme (DfE, 2019) suggests that the programme has a positive impact, particularly on 16-18-year-olds, but it may reduce the likelihood of study at Level 3 and above - possibly because the programme is more likely to encourage individuals into work or an apprenticeship.

The proposed transition year programme is much more extensive, being a full year programme of study and work experience, with a significant portion of time spent

on understanding the career pathways and implications of taking different routes. In 2016, the Institute for Public Policy Research proposed a more comprehensive Level 2 programme for young learners to ensure they have the skills to explicitly progress to a Level 3 course (Pullen and Dromey, 2016). This research found that, even in 2016, young learners at Level 2 were often being failed: only 39% of 17-year-old Level 2 students moved onto a Level 3 course a year later. This is critical, because only 70% of young people leaving education with only a Level 2 qualification were employed, compared with 90% of those who left education with a Level 3 qualification or higher education. The jobs those young people with Level 2 qualifications were moving onto are more likely to be in shutdown sectors, and so a longer programme, which provides them with both more extensive training and work experience, increases their ability to move into sustained employment or progress to a Level 3 qualification or apprenticeship.

Conclusion

Combining work experience and training, particularly for young people working towards an apprenticeship, work or a Level 3 qualification, is valuable in ensuring progression. Given the evidence from Germany of the impact of a longer-term programme in reducing youth unemployment, and the difficulty in providing work experience at the moment, a longer programme may be more effective than simply expanding the traineeship programme. That programme, much like a current study programme, should contain vocational training, basic skills where needed, particularly English, maths and digital learning, and an element of work experience. The programme should build on the experiences of high-quality providers working with local employers, and crucially developing a specific programme to meet the needs of each young person. This longer, more personalised programme, would require significant additional funding but is crucial to support young people.

5 SECTORS

Sectors that were shut down as a result of the Covid-19 crisis have been described by the IFS (Joyce, R. and Xu, X., 2020) as including non-food retail, restaurants and hotels, passenger transport, personal services and arts and leisure services. These sectors predominantly employ women, younger people and those with lower skills. They have higher levels of zero hours contracts, and many businesses in this group pay low wages. There are ways to create much better jobs in these sectors – the retailers Mercadona, Costco, QuikTrip and Trader Joe's are all given as examples in Zeynep Ton's 2014 book *The Good Jobs Strategy*. The secret to these good jobs was to provide training for employees, develop a culture of using expertise and initiative at all levels, encouraging staff to work together, and often, restricting the choice of goods on the shelves (Ton, 2014).

Clearly, training in shutdown or reduced sectors will be challenging, as there can be limited work and work experience. Sectors permitted to open earlier and might see future growth would be areas in which to invest. Skilled trades are a key area – see below. Also, there may be different kinds of work in future. Any support for young people would need to take both the short- and longer-term implications of the Covid-19 crisis into account.

Short-term - Skilled trades

The Resolution Foundation has categorised skilled trades into four different groups: the shutdown sectors, those where working from home is possible, those working outside the home, and key workers. In the short to medium term, those working outside the home in sectors like construction, manufacturing and repairs saw a return to work more quickly than shutdown sectors, and therefore may offer better opportunities for work experience and training. These sectors have been traditionally male-dominated, but may now attract a more diverse workforce.

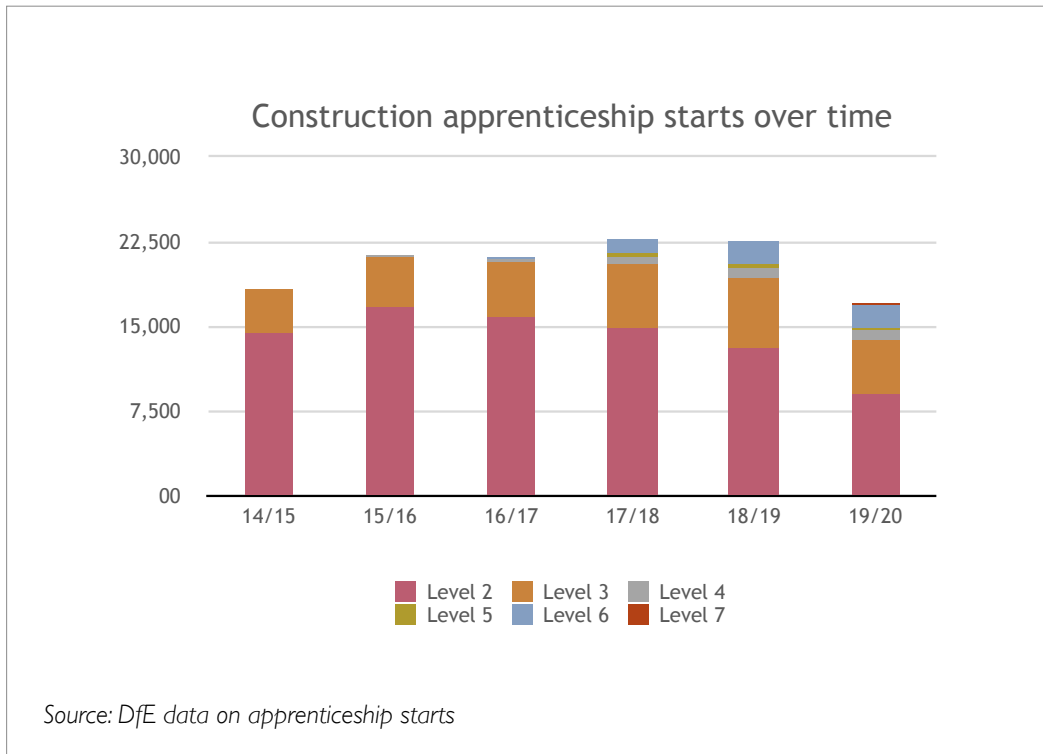
In the 1970s there was a shortage of skilled workers and high adult unemployment, and the government established the Training Opportunities Programme. It provided year-long training courses for unemployed adults, focusing on meeting local labour market needs through training in vocational areas, usually trades, as well as providing some adult basic skills (Tusting and Barton, 2007). This programme changed its focus and at times provided programmes which were too short or not geared to local needs, but there were successful local programmes providing year-long training in skilled trades (Tusting and Barton, 2007).

Today, skilled trades is again an area to focus on. As mentioned above, the LGA have argued for more investment in jobs which will help councils reach net zero carbon by 2030 (LGA, 2020). Green technologies and the impact of climate change is a global concern, and as a result cuts across a range of jobs and sectors. There may be significant manufacturing growth in green technologies and innovation, and the existing labour force may need re-training. Meanwhile the need to retrofit and 'green' buildings is already part of construction training.

In the relatively short-term, there appears to be growth in skilled trades positions, and according to the 2017 Employer Skills Survey,

By occupation, employers were most likely to have experienced skills-related difficulties when recruiting for Skilled Trades positions (such as chefs, electricians, and vehicle technicians). Around two in every five Skilled Trades vacancies were proving hard to fill for skills-related reasons (42%). This occupation has had the highest density of skill-shortage vacancies in all previous iterations of the ESS series. (DfE, 2018a)

Currently, many skilled trades have a range of apprenticeship standards approved. With additional support from government, such apprenticeships may be the easiest route to help train the workforce we need now while also reducing youth unemployment. For example, considering only Level 2 and 3 apprenticeship standards, there are currently 79 approved standards in construction (IfATE, 2020). Despite a small increase over the past five years, construction apprenticeships have been falling through 2017/18 and 2018/19, despite a big increase in individuals taking a Level 6 apprenticeship in construction as shown below.



Note: 2019/20 data is provisional and only covers Aug 2019 – Jan 2020 starts, as recorded in March 2020. Figures for standards and frameworks.

This chart shows a big drop in the number of Level 2 apprenticeships in construction, while there is a large increase in those starting Level 6 apprenticeships. The change in apprenticeship levels over time reflects a broader trend amongst apprenticeships, as the impact of the levy has been to increase the number of higher-level apprenticeships and reduce those available for young people at Level 2. Government support could increase the number of apprenticeships for young people, for example through explicit grants to employers for recruiting 16-18-year-olds. It is also important to enable young people to progress to higher-level apprenticeships, so funding should be additional rather than repurposed. In future, government contracts could require apprenticeship delivery.

Long-term

Increasing capacity in sectors likely to see significant future demand addresses youth unemployment now. Training and support should also develop skills the economy will need in future. The Future of Skills Report (Bakhshi et al., 2017) used a mix of experts and machine learning to estimate what employment in 2030 might look like in the UK and USA. The authors were unconcerned about automation, considering that the ageing population in developed countries meant that the risk of automation wouldn't create unemployment per se. However, there were concerns about the extent to which automation might squeeze the middle class and create greater inequality. The economist Adair Turner has suggested¹⁰ that the Covid-19 crisis will lead to greater labour costs as a result of the need for social distancing, and that this will increase automation efforts. In the UK, relative labour costs have been low, so there has been less of an incentive to invest in technology

¹⁰ www.youtube.com/watch?v=CjJKcsNT4fY Royal Economic Society webinar 14 May 2020

and automation, but this crisis creates an additional barrier to the use of labour. Although automation may reduce low-skilled labour requirements, it could increase the need for high-skilled labour in manufacturing and production.

Protectionism, which may well be exacerbated by the current Covid-19 crisis, was considered a key factor in the Future of Skills report (Bakhshi et al., 2017). The authors argued that while globalisation had generally reduced wages in industries exposed to import competition, especially manufacturing, slow growth since the financial crisis and an increase in protectionism from governments in the UK and USA suggested that globalisation has 'peaked'. This is one of the factors driving a refocus towards local businesses and differentiation of goods and services. The other factor driving this refocus is the consumption preferences of millennials (the oldest of whom are now 40), which is driving growth in food preparation, hospitality, trades and other related service occupations (Bakhshi et al., 2017).

The current crisis has exacerbated this as individuals are supporting local, specialised businesses. One example of a 'craft' industry, in terms of growth over the past decade is craft beer. Gordon Brown, then Chancellor, was responsible for the Progressive Beer Duty in 2002,¹¹ which significantly brought down the cost of entering the beer industry by cutting taxes on small producers. The years following 2002 have seen a massive increase in craft beer production and businesses. The number of businesses grew at an annual rate of 10% between 2000 and 2013 (Danson et al., 2015). These kinds of businesses are often locally focused and provide a kind of community, particularly when pubs are closing. It is these kinds of locally focused, craft-oriented and differentiated businesses that would benefit from the self-employment support mentioned above. As small businesses, craft breweries have a demand for skills and, with support from government and training providers, can be encouraged to take on apprentices. For example, in 2015 Brewdog took on twenty Modern Apprentices with support from Skills Development Scotland, and has since used the opportunity to support one member of staff in a degree apprenticeship.¹² Like any other small business with the right support and training provider, apprenticeships, short courses and provision of work experience can all be important in linking the business to the local community and helping it to grow.

This report identifies that alongside local and differentiated services, growth in the next decade will be in the public sector, especially health and education, while creative, digital, design and engineering sectors are also likely to see more jobs being created (Bakhshi, 2017). Although that report was written well before the current global pandemic, it is clear that we are seeing an increase in these trends as a result of the current crisis. As a result, enabling training and thinking about creative ways to encourage young people to move into these sectors would help the UK economy both now and in the future.

¹¹ <https://www.beerhawk.co.uk/blog/post/is-gordon-brown-the-hero-of-britain%E2%80%99s-craft-beer-revolution> accessed 26 May 2020

¹² <https://www.skillsdevelopmentscotland.co.uk/a-human-future-strategic-plan/strategic-plan-case-studies/brewdog-investing-in-workforce-development/>

Conclusion

This chapter highlights a sector ripe for current investment to help it develop: there is current and future growth potential, and social distancing is possible, but businesses need additional support to provide more apprenticeships. In the longer term, investing in more craft and differentiated goods and services could both grow entire industries as can be seen with craft beer, and also reflect changing consumption patterns and demand. Specific ways to promote these kinds of industries by explicitly cutting taxes on small producers could also support local communities. One example could be cutting business rates for smaller businesses on high streets, and incentivising the provision of work experience and apprenticeships. Local high streets were in trouble before the crisis, but current plans to promote walking and cycling as well as consumption trends that focus on the local area could change things. If businesses were being built now, using the ideas of young people or the experiences of young people working with existing businesses seeking to diversify, they would be ready for the future.

6 CONCLUSIONS

Thinking back to the two standard responses to youth unemployment – either to keep young people in education, or to provide them with subsidised (ideally 'additional') work – it seems clear that we need to be a bit more creative in this Covid-19 crisis. Encouraging young people to go to university may simply create the kind of graduate skills mismatches and resulting unemployment seen in Italy and South Korea. Creating subsidised jobs with poor quality or no training could see a return to the Youth Training Scheme of the 1980s.

Fortunately, there are different options which could be developed both from past models and from existing policies. These options centre around a personalised view of the whole young person, taking into account both their needs and the short and longer term needs of the (local) economy.

The Augar Review explicitly recommended additional support for individuals wanting to study part-time at Levels 4 and 5 as well as 6, and for more credit-based modules so individuals can study flexibly if and when it is appropriate. One solution to youth unemployment would be enabling more student finance for these kinds of courses, helping universities and colleges (particularly those skilled in providing part-time higher education and already delivering Levels 4 and 5) to develop new courses and expand existing ones in key areas. Allowing individuals to take on short-term or part-time work, and to create a permeability between vocational and academic routes, using the new Institutes of Technology and delivering digitally, would help people grow their careers at their pace. Lifelong learning, rather than a one-shot approach to education, should be a fundamental shift following this crisis.

Longer training courses, developed for young people, are key to developing the future workforce and ensuring no young person is left behind. In East Germany, training courses for the unemployed were usually a year long, while currently UK traineeships last on average 3 months. For those who are further from the labour market, longer courses that include both work experience and substantial training are critical. The German third track takes young people for an average of 17

months before they mostly move on to an apprenticeship. A UK pre-apprenticeship programme delivered by colleges should last longer than a year. The transition year programme can be used as a basis here – a pre-Level 3 programme explicitly designed to lead young people into a T-level. Properly resourced, other Level 2 programmes lasting two years, as suggested by IPPR (Pullen and Dromey, 2016), would benefit young people and help guide them into sectors of growth and future need. The FE sector in particular has seen significant cuts over the past decade, and would require generous funding to deliver this, and if any investment is to be made, it should be here.

Self-employment schemes should be a part of tackling youth unemployment. When the Enterprise Allowance Scheme was established in the early 1980s, part of the reason was to spark an enterprise culture in the UK. Now, for good or bad, culturally, young people are much more interested in the idea of setting up a business or working freelance than they have been in the past. This is because of the growth of the notion of a ‘side hustle’ amongst millennials, and the shift in consumption preferences towards differentiated craft and artisan goods and services. Self-employment, particularly for individuals, has grown steadily over the past few years, and is culturally much more ‘normal’ than it has been in the past. However, the education system currently doesn’t provide much formal education in this area, particularly to those who are not graduates. Creating a scheme, building on existing informal programmes and local demand, which helped young people set up their own business, alongside specific training and business mentoring, with a guaranteed income, could all help tackle youth unemployment. It should be considered partly an attempt to provide useful and productive work experience, so although success measures could include setting up a businesses, the main aim is to provide opportunities for young people in the world of work.

Lastly, it is clear than any programme should focus on the needs of economy both now and in the future. Growing skilled trades right now, particularly with incentives for construction companies in terms of their use of the levy or government contracts, would help the industry to become greener and employ young people. Incentivising or requiring businesses with public contracts in this industry to take on especially 16-18 year-old apprentices should be considered. Growing sectors where distinctiveness through craft, artisan and creative elements, particularly through self-employment schemes and more flexible short-term or part-time work alongside study would help. Similarly, tax incentives to develop and grow businesses, especially those that function from a local high street, could be provided. Options might include reduced business rates for high street businesses or additional support for those taking on apprentices.

Alongside these thoughts, any attempts to reduce unemployment should take into account the words taken from the report *The Future of Skills: Employment in 2030*:

Our analysis points to the opportunities for boosting growth, though with one important caveat – that our education and training systems are agile enough to respond appropriately. History is a reminder that investments in skills must be at the centre of any long-term strategy for adjusting to structural change. A precondition for this is access to good information on skills needs – without which policymakers risk flying blind. (Bakhshi et al., 2017)

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