

The National Assembly for Wales

Enterprise & Business Committee Inquiry - Assisting young people into work

Response from the UK Commission for Employment and Skills

4th November 2014

1 The UK Commission for Employment and Skills

1.1 The UK Commission for Employment and Skills (UKCES) is a publicly funded, industry-led non-departmental public body that aims to shape the debate on skills and employment across the four nations of the UK. We are a social partnership led by 29 Commissioners, appointed by Ministers, who are leaders of large and small enterprises, trade unions, further and higher education institutions and include representatives of Wales, Scotland and Northern Ireland.

2 Terms of our response

2.1 UKCES welcomes the opportunity to respond to the committee's inquiry. Our response will cover the following items only.

- The problems that prevent young people from finding work.
- The main barriers that face young people trying to enter the labour market and the types of support that are most effective.
- Ready-for-work skills.

3 Summary

- Young people fare much worse in the jobs market than the adult population yet those employers that do recruit young people generally regard them as well prepared for work.
- Wales suffers from a skills shortage with **1 in 5** vacancies being attributable to skills deficit in the labour market. UKCES believes employer leadership is key to meeting this deficit.
- The Welsh Government's Skills Implementation Plan is responding through its evidence-backed expansion of higher apprenticeships.
- Employers and education institutions should engage closely in order to create programmes of high quality work experience and co-designed vocational qualifications that more closely match the needs of business.

4 Labour Market, Recruitment and the Skills Challenge

- 4.1 Across the UK, 16-24 year olds are 4 times as likely to be unemployed as those aged 25 and over. The unemployment rate for Welsh 16-24 year olds is **21.3%**. Around **41,000** young people (16-24)¹ in Wales are in receipt of out of work benefits including **19,000** receiving Job Seeker's Allowance, **11,000** receiving Income Support and **11,000** receiving Employment Support Allowance.
- 4.2 Lack of experience is one of the main barriers for young people looking to enter work yet less than a quarter of Welsh employers offer work experience to school aged young people. The structure of the labour market demands more non-graduate routes into higher level occupations and yet only **15%**² of employers offer apprenticeships.
- 4.3 According to the UKCES's Employer Skills Survey (ESS) 2013, only **25%** of Wales based employers had recruited a young person (under 25) directly out of education in the preceding 12 months.
- 4.4 **53%** of employers to which a young person had unsuccessfully applied for a position said older candidates for the job had been better placed which emphasises the Catch-22 situation for some younger people whereby they find it difficult to get a job because they don't have experience but can't get that experience without getting a job.
- 4.5 The industries most likely to have recruited a young person straight from education in Wales in the preceding 12 months were hotels and restaurants (**17%** of hotel/restaurant employers had recruited a young person) whereas public administration (**3%**), financial services (**2%**) and agriculture (**2%**) employers were least likely to have done so.
- 4.6 The ESS also found that **1 in 5** of all vacancies in the Welsh economy is vacant as a result of a skills shortage. This means that these vacancies are difficult to fill because applicants with the requisite skills are not available in the labour market.
- 4.7 In North Wales the figures are lowest with **14%** of vacancies being due to a skills shortage. The area with the highest density of skill shortage vacancies is South East Wales at **23%**; these shortages are particularly evident in skilled trades, machine operation and caring roles.

5 Employer Ownership

- 5.1 The UKCES believes that employers must be at the centre of approaches to meeting our skills challenge linking the public and the privately funded skills market, focused mainly on meeting business need.
- 5.2 Following this direction of travel the role for government should be to provide the right conditions, incentives and direct interventions to allow greater employer ownership of the skills agenda and to engage employers more closely with sector-specific skills requirements.

¹ DWP Statistics Feb 2014

² UKCES Employer Skills Survey 2013

- 5.4 Employers should be incentivised to offer opportunities for young people, including work experience and apprenticeships, with further consideration being given to the benefits of employer routed funding.
- 5.6 Employers must also be challenged to involve themselves more closely with the design and operation of further education courses that are key to their industry.

Preparedness for Work

- 6.1 UKCES's Employer Skills Survey 2013 found that employers generally regarded young people as well prepared for the world of work;
- **55%** of Wales-based employers feel 16 year old school leavers are either well prepared or very well prepared for the world of work.
 - **65%** felt the same of 17/18 year old school leavers.
 - **73%** felt the same of 17/18 year old further education leavers
 - **82%** felt the same of higher education or university leavers.
- 6.2 Although over a quarter of Wales based employers said that 16 year old school leavers lacked life experience or maturity, only **1 in 10** said they lacked skills required to do the job in question and only **1 in 20** said they lacked the necessary literacy or numeracy skills necessary for the world of work.
- 6.3 Interestingly, the most common reason employers gave for not having employed a young person in the preceding twelve months was because none had applied. UKCES research has also found that word of mouth/personal recommendation is the recruitment method most commonly used by employers which may go some way towards explaining the apparent lack of applications as young people are likely to have more poorly formed networks and contacts than older people.

7 University-Employer Collaboration

- 7.1 By 2022 there are projected to be an additional 2 million jobs in occupations that require higher level skills, such as managers, professionals and associate professionals, with the total employment share increasing from **42%** to **46%** of all those in employment.
- 7.2 Particularly in industries where a skills shortage has been identified, universities and employers must work together to drive the creation of new pathways to higher level skills and share responsibility for linking higher skills development with higher skills use.
- 7.3 The partnership between the University of South Wales and British Airways identified in UKCES's *Forging Futures* report is one such example of a university-employer partnership working together to tackle an industry specific skills shortage. The co-designed course offers participants the chance to achieve a BSc degree in Aircraft Maintenance Engineering as well as hands-on industry standard training awarded under a British Airways Licence.
- 7.4 The UKCES Employer Skills Survey 2013 found that **48%** of businesses reported skills under-utilisation. Under-utilisation of skills is related not only to inefficient management practices, but also to the relevance of skills developed through the education and training system.

7.5 If there is a mismatch between the higher level skills people develop through formal education and the higher level skills employers need, this results in under-utilisation of skills. The more traditional model of three-year undergraduate university study meets many skills needs, but not all. Employers often value broader subject knowledge as well as work experience and specific technical or practical skills, which are often best developed in the workplace.

8 Reinventing Work Experience

8.1 Young people who take part in 4 or more work experience-type activities are **5 times** less likely to go on to be NEET³ yet less than a quarter of Welsh employers offer work experience to school aged young people.

8.2 The education system across the UK increasingly recognises the value of work experience. The Welsh Baccalaureate contains the facility for participants to engage with employers as part of work-related education.

8.3 A challenge remains to ensure that schools are able and encouraged to offer a range of work-related activities to young people and that employers are fully engaged and recognise the recruitment opportunities of offering a greater range of work-related experiences.

8.4 UKCES's report *Not Just Making Tea* envisages a reimagining of work experience where employers are engaged and encouraged to offer not just a fortnight's office experience but to become more involved in things like mentoring, mock interviews and school visits.

8.3 **20%** of employers who don't offer work experience put this down to a lack of approach from local schools, colleges or universities. Capitalising on this potential for an expansion in work experience type activities require both employers and schools to act proactively and for both to recognise the benefits that good quality work experience-type activities can bring.

9 Apprenticeships

9.1 Earning and learning should be the gold standard of vocational education with apprenticeships and other 'earn while you learn' routes being the normal way in which businesses recruit and develop talent. The Welsh Government's Skills Implementation Plan recognises the importance of employer leadership and the importance of more advanced types of apprenticeships to provide the skills that employers need.

9.2 Only **15%**⁴ of Welsh employers currently offer apprenticeships. With the expected future growth of high skilled employment roles and the ongoing high levels of unemployment among those young people who do not enter university, the continued expansion of apprenticeships offers a potential solution to both our skills shortage and our youth unemployment problem.

9.3 UKCES believes that engagement with employers and the development of genuine employer leadership of apprenticeships is of importance if Wales is to meet its skills challenges.

³ UKCES, *Not Just Making the Tea – Reinventing Work Experience*, 2014

⁴ UKCES Employer Perspectives Survey