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Lost in Transition?

*The changing labour market and young people not
in employment, education or training*

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private**equity**foundation
Empowering young people to reach their full potential

The Work Foundation

- Part of Lancaster University
- 3 departments- Socioeconomic, Big Innovation Centre, Centre for Workforce Effectiveness
- Socioeconomic- labour market disadvantage; Bottom Ten Million, Missing Million
- www.theworkfoundation.com
- Twitter: @WorkFoundation
- <http://biginnovationcentre.com/>

Outline

- Introduction
- The growing NEET problem
- Who are NEETs?
- The changing labour market for young people
- Policy for NEETs
- Conclusions and recommendations
- Questions and discussion



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Introduction

NEETs: an overview

- NEET figure in England 1 million in 2011
- Consequences- wage scarring, reduced employability, poorer well-being, self-confidence. Wider economic costs.
- Difficult labour market
 - Public sector cuts
 - Youth services
 - Changing incentives around education
 - Recession

But, NEETs are a diverse group

- Problematic term
 - diverse group of young people facing different issues
- Durations NEET vary considerably

Research questions

- Three central questions:
 - 1) How have the characteristics of young people who are NEET changed over time?
 - 2) How has the changing labour market affected the school to work transition and young people who are NEET?
 - 3) What are the policy implications of these changes?

Methodology

- Labour Force Survey
 - Yearly averages- 2001, 2007, 2011
 - Longitudinal LFS- evidence of NEET flows and NEET durations
 - Analysis for England only
- Ages 16-24

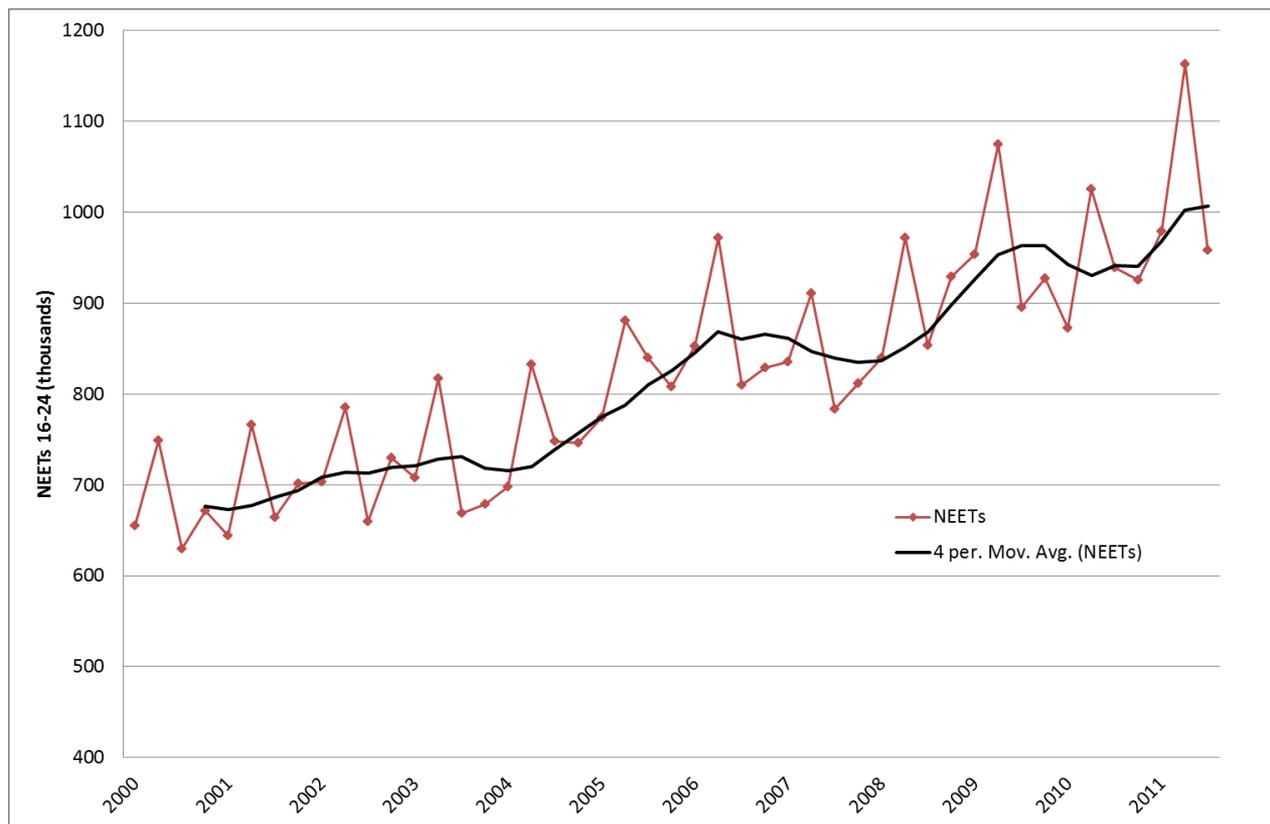


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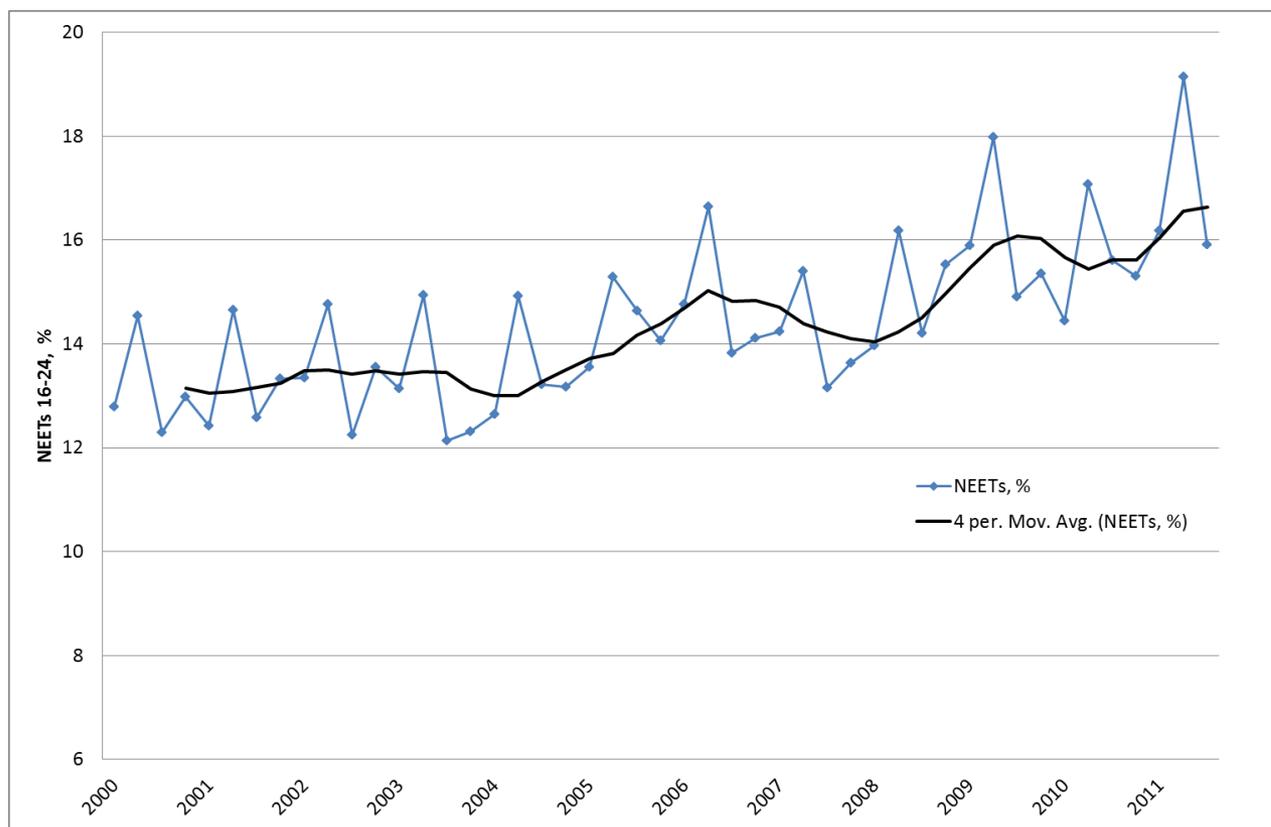
The growing NEET problem

Change in the number of NEETs, 2000-2011



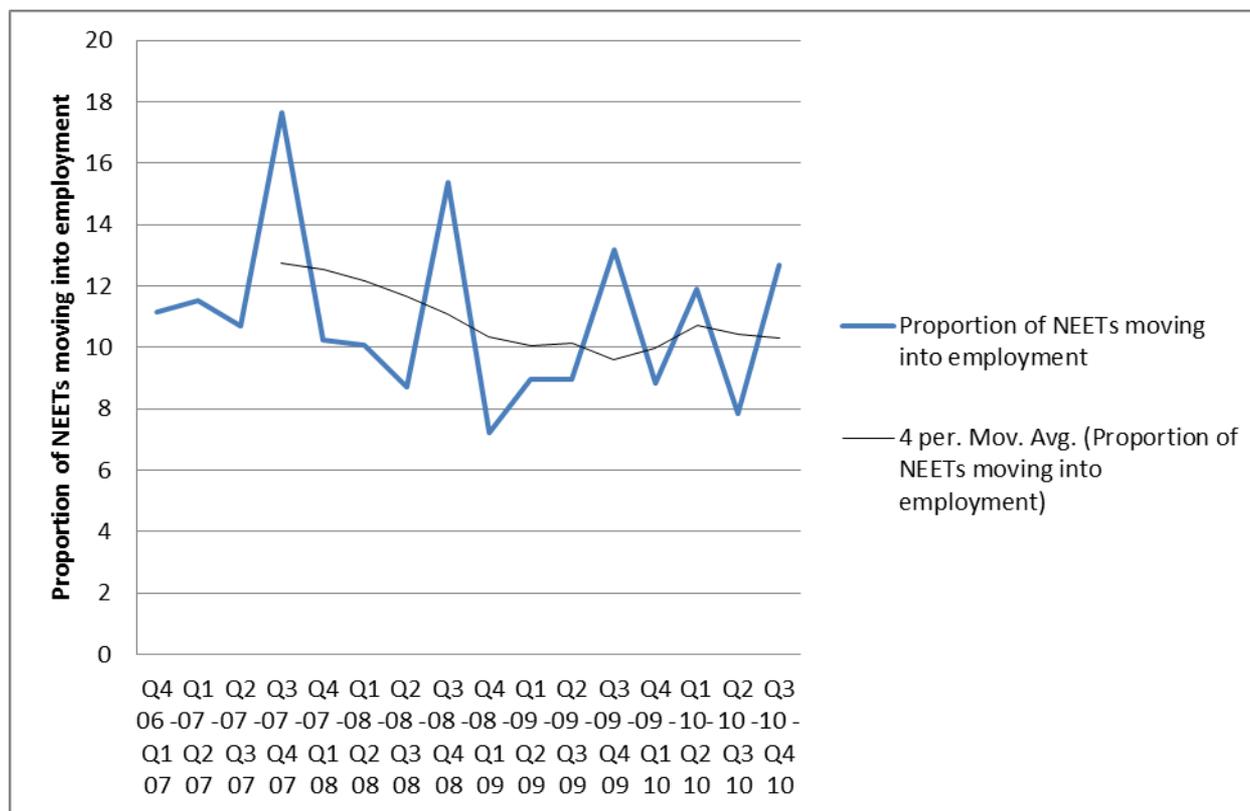
(Source: Labour Force Survey: Department for Education. England only)

Change in the NEET rate, 2000-2011



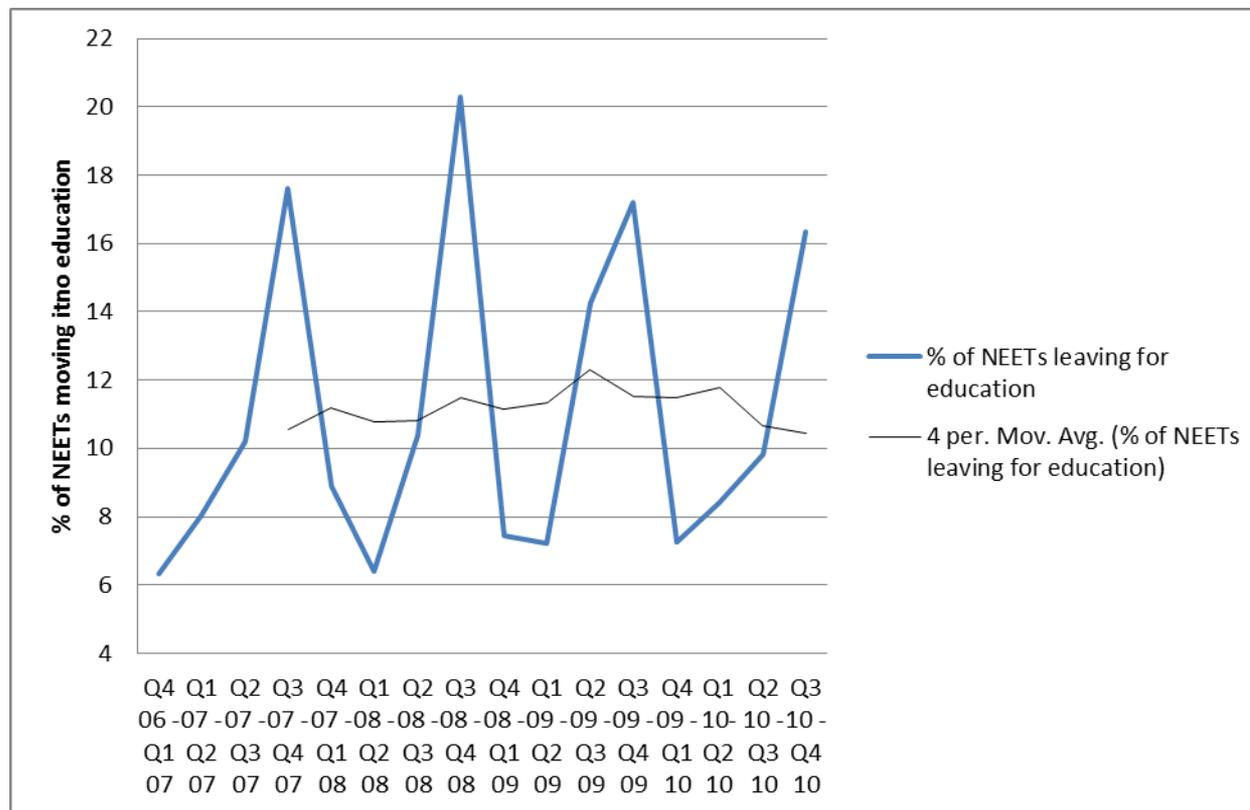
(Source: Labour Force Survey: Department for Education. England only)

Outflows from NEET into employment, 2006-2010



(Source: Labour Force Survey: two-quarter longitudinal dataset)

Outflows from NEET into education, 2006-2010



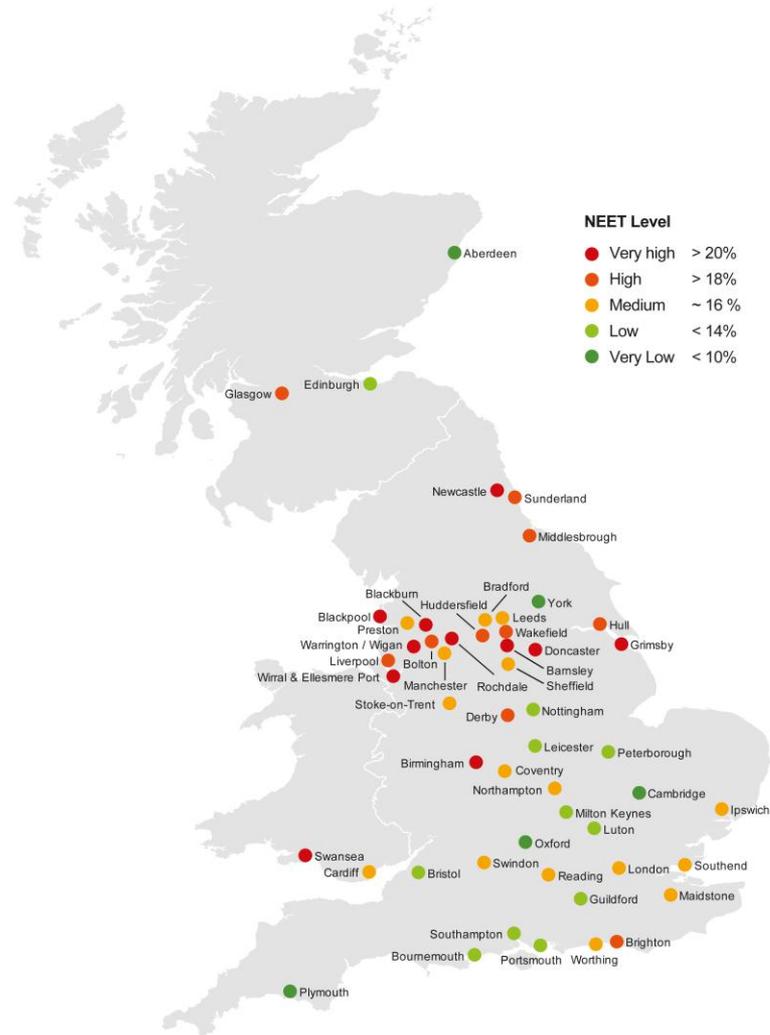
(Source: Labour Force Survey: two-quarter longitudinal dataset)

Long-term NEETs

- Around a quarter of NEETs enter employment, education or training every quarter – high turnover
- But on average, before the recession, around **half of all NEETs remained outside employment, education or training for a year or longer**

Geography of NEETs

- The NEET group is not evenly spread
- High proportion in some inner city London Boroughs and some northern towns and cities which have suffered from deindustrialisation



Source: The Work Foundation analysis using LFS 2009 / 2010

Great Britain urban average: 16.1%



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Who are NEETs?

Characteristics: economic activity

Economic activity	2001	2007	2011
Unemployed	41	44	51
Inactive – looking after home/family	33	26	21
Inactive – long-term sick/disabled	6	8	6
<i>Inactive and seeking</i>	3	2	2
<i>Inactive – not seeking would like</i>	21	16	14
<i>Inactive – not seeking, not like</i>	36	37	33

(Source: Labour Force Survey)

Characteristics: demographics and health

Demographics

- Majority aged 20 or older
- Increasingly balanced between the sexes

Health

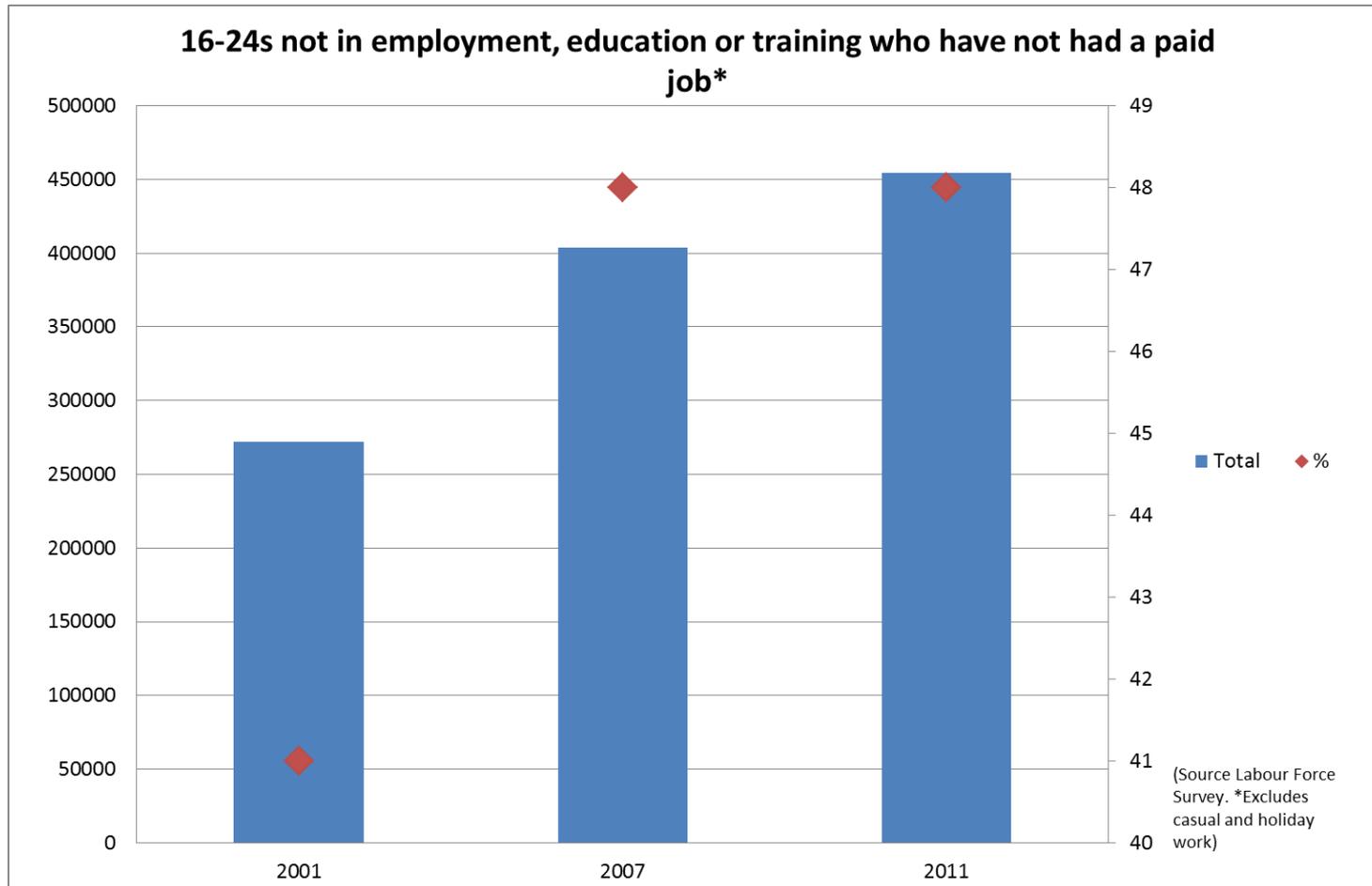
- Some 20% of NEETs report having a disability; compared to 9% of young people in EET
- Increasing incidence of mental health problems. Proportion reporting depression/bad nerves rose from 8% in 2001 to 15% in 2011.

Characteristics: qualifications

Highest level of qualification	2001	2007	2011
Degree or equivalent	6	7	8
Higher education	1	2	2
A levels or equivalent	12	13	19
GCSEs A-C or equivalent	33	34	34
Other qualifications	18	18	16
No qualifications	29	26	18

(Source: Labour Force Survey)

Characteristics: labour market experience





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The changing labour market for young people

Labour market change

- Globalisation and technological change
- Shift from routine production to services
- Growth in knowledge-intensive services. High skill, high wage professional and managerial occupations have grown significantly
- Growth in lower wage service occupations
- Reduction in middle-wage occupations- 'hollowing out' of the labour market

Longer-term labour market change: industry

Main industry: 16-24 year olds	1981	2011
Primary industries	2%	1%
Energy and water	7%	1%
Manufacturing	24%	8%
Construction	7%	7%
Distribution, hotels and restaurants	24%	39%
Transport and communications	5%	5%
Banking and finance	11%	13%
Other services	19%	27%

(Source: Labour Force Survey)

Occupations, 2011

Main occupation: 16-24 year olds	2011, %
Managers, directors and Senior Officials	3
Professional Occupations	7
Associate Professional and Technical Occupations	10
Administrative and Secretarial Occupations	10
Skilled Trades Occupations	11
Caring, Leisure and Other Service Occupations	12
Sales and Customer Service Occupations	22
Process, Plant and Machine Operatives	4
Elementary Occupations	22

(Source: Labour Force Survey)

Impact of change in the labour market on the education to work transition

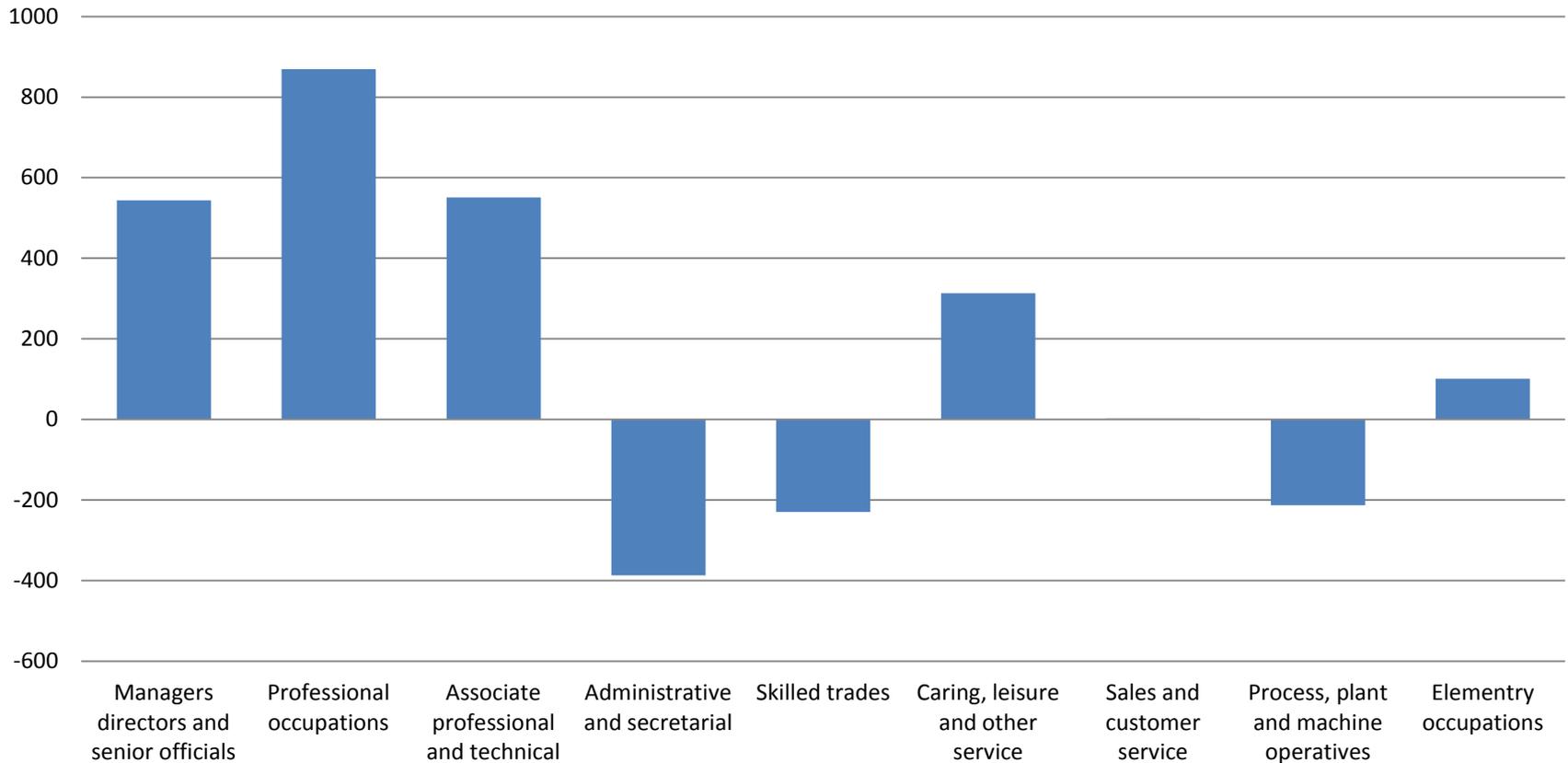
- Less demand for physical skills and more demand for soft skills
 - Customer facing skills increasingly in demand
 - Difficult to obtain/demonstrate soft skills without experience
- Qualifications
 - Even more important
 - Significant wage premium for graduates
 - Large employment penalty for those with no qualifications
- Concerns about limited progression
 - Lack of effective career ladders

Likely patterns in the future (Working Futures)

- Continuation of existing trends in net employment, with evidence of a polarising labour market
 - strong employment growth at the top, some employment growth at the bottom, and a contraction in the middle
- Strongest growth projected in professional and managerial jobs
- Fairly strong growth projected in caring, leisure and other service occupations
- Considerable demand for all occupations through replacement demand

Future employment trends?

Projected employment change by occupation: 2010-2020 (000s)



(Source: Working Futures)



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Policy for NEETs

Government policy

- Successive governments have sought both to *prevent* and *reduce* the number of NEETs through
 - Early intervention
 - IAG
 - Employment programmes

But-

- Lack of coordination- tendency to divide learning and employment programmes
- Service provision often patchy and inconsistent

Current NEET policy

- Spans three departments DfE, BIS, DWP
- 16-24 Participation Strategy- 5 strategic priorities
 1. Raising educational attainment (e.g. Wolf Review)
 2. Helping local partners to provide effective and coordinated services
 3. Encouraging and incentivising employers
 4. Ensuring work pays
 5. A new 'Youth Contract'

What policy works for NEETs

- Integrated and holistic approaches
- Strong voice for young people
- Early identification of those likely to become NEET
- Follow-up of progress
- Integrated approach at a local level



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Conclusions and recommendations

Conclusions

- The number of young people who are NEET is a large and growing problem
- The NEET cohort is a diverse group
 - Young people become NEET at different points
 - Differences in economic activity and durations spent NEET
- Skills demands have changed in a way that makes it more difficult for some young people to access the labour market.
- Increasing numbers of young people are struggling to get an initial foothold in the labour market

Policy implications for future prevention

- Raising qualification levels *and* support during transition period can help more young people access employment
- Early intervention and intensive work with those most likely to struggle
- Policy needs to reflect changes in the labour market
- Support routes into growing occupations, combined with work to establish better progression opportunities within these
- Requires effective, coordinated partnership working – nationally and particularly locally



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Questions and discussion