

**Response by the Government to the House of Lords
European Union Committee Report on Youth
Unemployment in the EU – A Scarred Generation**

Contents

| | |
|--|----|
| Introduction | 3 |
| Responses to: | |
| Chapter 2 - Youth Unemployment in the EU | 3 |
| Chapter 3 - EU measures to address youth unemployment) | 4 |
| Chapter 4 - The use of EU funding and initiatives in the UK) | 5 |
| Chapter 5 - Using EU funds to prepare young people for work) | 7 |
| Chapter 6 - The job market for youth in the EU | 9 |
| Chapter 7 - Evidence of good practice | 10 |
| Chapter 8 - Voices of young people | 10 |

Response by the Government to the House of Lords European Union Committee Report on Youth Unemployment in the EU – A Scarred Generation

Introduction

The Government welcomes the interest of the House of Lords European Union Committee on Youth Unemployment in the EU. Unemployment among young people is a serious problem in many Member States of the EU, and is rightly a subject for concern. The situation is improving in the UK, where the number of young unemployed people who are not full-time students has fallen by over 98 000 since 2010, the number of those aged 16-24 who are Not in Education, Employment or Training (“NEET”) in England was 774,000 in the first quarter of 2014, the lowest for this quarter since 2005, and the number who are NEET and aged 16-18 is the lowest since records began.

Despite these welcome improvements, the Government is not complacent and remains determined to tackle youth unemployment. It has a range of measures in place, and intends to make the best possible use of available EU funds, in the light of our local conditions and circumstances. The European Commission has recognised the success of the Government’s approach to tackling youth unemployment and the draft Country Specific Recommendations published 2 June call for commitment to the UK’s Youth Contract to be maintained.

<http://www.publications.parliament.uk/pa/ld201314/ldselect/ldeucom/164/164.pdf>

The Government welcomed the opportunity to contribute evidence, both oral and written, to the Committee’s inquiry, and would now like to offer the following comments on the recommendations and conclusions contained in Chapters 2-8 of the Committee’s report and summarised in Chapter 9.

Chapter 2: Youth unemployment in the EU

The Government shares the concern about precision in the measurement of and terminology around youth unemployment. Although the International Labour Organisation definition of unemployment does have value for comparisons between countries, special care is needed when looking at youth unemployment. As is the case in the UK, closer examination can reveal that a significant proportion of this age group who are counted as unemployed are in fact also in full time education, so the headline figure may be exaggerated. The Government also agrees that care is needed with the term “NEET” (Not in Employment, Education or Training), whose use is increasingly prevalent in the European parlance, as on a strict definition NEET does not include young people who are part-time students.

The Government welcomes the recognition both that the causes of youth unemployment may differ across the EU, and can include underlying structural problems in labour markets, and that the situation and problems faced by young people are not uniform, with

some groups disproportionately affected and in need of tailored solutions. For these reasons the Government believes that the remedies are best devised and implemented by and within Member States. A one-size-fits-all blueprint cannot hope to meet the variety and intricacies of the challenges faced by all of the Member States.

The Government shares the concern that young people in need of help should not be excluded from the labour market, education or training systems. The skills system in the UK is designed to focus support on those learners who most need it, and that includes young people, including those with specific disadvantages. The Government's skills policies empower College Principals and Governors locally, as they are best placed to understand and respond to local labour market and the particular needs of young people.

The Report advocates using the available EU funds to help identify problems and solutions for young people aged 16–18 who are NEET and at risk of being less visible. The European Structural and Investment Funds are focussed on local economic growth. The Devolved Administrations, not the UK Government, have responsibility for policy and delivery of the ESI Funds on their territories.

In England, the vast majority of the ERDF, the ESF and a small amount of the EAFRD have been allocated to Local Enterprise Partnership areas, and these LEPs have led production of ESI funds Strategies for their areas. The Government has worked with LEPs to consider the potential for using ESI Funds to tackle issues associated with young people NEET in their areas. LEPs will determine whether this activity should be a local priority or not.

Under Raising the Participation Age (RPA) legislation, local authorities (LAs) have a duty to track young people who are not in education, employment or training (NEET) and to support them to find a suitable opportunity to participate. To help LAs to meet this duty, schools and colleges are required to provide information about the participation of their students to LA support services thus ensuring the young person can be contacted swiftly and offered support to help them re-engage.

Chapter 3: EU measures to address youth unemployment

The Government agrees that Member States have the primary role in dealing with youth unemployment and that measures are best delivered at national level. On funding, the strategy, priorities and delivery arrangements for the 2014-2020 round of European Structural and Investment funds in the UK is set out in the 'UK Partnership Agreement', which was submitted to the European Commission, in line with EU regulation, on 17 April 2014. The UK Partnership Agreement shows that the Government's intention is indeed to continue to use EU funding to reduce youth unemployment in the next round of programmes. The UK Government is waiting for the Commission's formal observations on the Partnership Agreement.

The Report recommends that EU funding should not be used to subsidise national approaches. The Government will not do this; rather EU funding, particularly that under the Youth Employment Initiative (YEI), will be used to provide additional support to young people in a way that complements and enhances Government programmes. For example, this may include more intensive support for the most marginalised young people, enhancing basic skills and improving local careers advice. In addition we expect this funding to be used to develop new and innovative programmes to tackle youth unemployment.

The Government agrees with the prioritisation of areas experiencing the highest levels of youth unemployment. We have worked with EU colleagues to ensure that the EU Regulations relating to YEI were as flexible as possible to enable Member States to ensure funding is used in the areas where youth unemployment is highest and most needed. The EU regulations provide for limited flexibility for a Member State to move up to 10% of its total YEI allocation to other areas with high youth unemployment (not necessarily at NUTS 2 level). The Government has decided to use this flexibility to support smaller areas in England with youth unemployment rates above 30% in 2012 (i.e. 10 per cent of the YEI money for the four eligible NUTS2 regions in England would be redirected to NUTS3 areas in England with particularly high rates of youth employment outside the four eligible NUTS2 regions).

In addition one of the investment priorities for the ESF in 2014-2020 is to promote the sustainable integration into the labour market of young people, in particular those who are not in education, employment or training (NEET). LEPs that do not qualify for YEI can use the ESF to target youth unemployment in their respective areas and this has been reflected in their investment strategies.

The Government agrees that any evaluation by the European Commission of relevant European Social Fund schemes should look beyond cost and number of participants and consider their impact on the youth job market in real terms over a long period of time, and prioritise understanding of how and why actions are successful. These evaluations would of course need to take account of other factors that impact on youth employment including economic and labour market conditions.

The Government supports the broad aim of the Council Recommendation on a **European Youth Guarantee**, to reduce youth unemployment. It also understands the potential value of this initiative as a means to focus attention on the need for action, and for brokering exchanges of advice and assistance for those Member States that need it. However, rather than implementing all the elements as set out in the EU recommendation, the Government has chosen to take a different approach which it believes better suits national specificities and the circumstances of our young people.

The Government's programme, including interventions through Jobcentre Plus and the Youth Contract, actually includes many elements along lines similar if not identical to the approaches and methods envisaged by the European Commission. Also, in England YEI funding will be able to complement or support activities mentioned in the scope of the Youth Guarantee such as apprenticeships, traineeships and work experience.

An important departure from the Commission's model for a Youth Guarantee however, is that the Government was not persuaded that the specific model of a Europe-wide guarantee of an offer to all young people within four months of being unemployed or leaving education fits well with national conditions. In the UK the vast majority of young people flow off of Jobseekers Allowance within six months, so intervening for all rigidly at four months would not be the most effective use of the funds available. Instead the Government prefers the flexibility to provide individualised support, in line with local circumstances: an approach that is understood and espoused by the European Commission.

Chapter 4: Use of EU funding and initiatives in the UK

The reasons that the Government decided not to pursue all of the elements of a European **Youth Guarantee** are explained in Chapter 3. In its proposal for draft Country Specific Recommendations published 2 June the European Commission recognises the success of

the UK Governments approach to tackling youth unemployment and has called for the UK to remain committed to maintaining its Youth Contract. The Government will not be using YEI funding to pilot the Youth Guarantee in the areas eligible for YEI. The Government prefers to keep the flexibility to provide individualised support, in line with local circumstances focusing resources on those who need it most. ESF and YEI will be focused on improving and enhancing existing approaches, and providing intensive and specialised support for marginalised young people.

The Government agrees that the majority of the funding in this area should be focused on those **young people who are the hardest-to-reach**. It has asked LEPs to set out in their ESF Investment Strategies how they will use ESF to tackle the barriers that lead to youth unemployment and to help young people who are NEET or at risk of becoming so to develop the skills required to move into the labour market, training or education. The strategies indicate that LEPs and their local partners want to focus on: providing more intensive, specialised support for the most marginalised and disadvantaged young people; improving literacy and numeracy skills; and working with employers to help young people make a successful transition from education to employment. The funds will be used to enhance and complement existing Government provision and to develop new and innovative programmes/approaches to tackling youth unemployment.

In England the Government has given Local Enterprise Partnerships (LEPs) responsibility for determining how the new round of Structural and Investment Funds for 2014-2020, are used in their areas. LEPs have developed Strategies which set out **local skills needs, gaps and mismatches** and give a broad indication of how they propose to use the European Social Fund to address those local issues. In many cases these include support for careers activities directed at young people. LEPs have been given responsibility for the use of skills related European structural funds in their areas. They are drawing up plans for the use of these, which in many cases include support for careers activities directed at young people and also the National Careers Service. In addition they are able to use structural funds to address skills gaps and mismatches in their areas

Many LEPs have also identified the need to improve leadership, management and entrepreneurial skills to enable businesses to take advantage of new markets and to realise growth potential. They are also focussing on stimulating **entrepreneurship** particularly amongst younger people and graduates, promoting graduate internships and placements in small businesses to improve young peoples' experience of business and increase awareness of opportunities and the ability to set up their own businesses.

The Government welcomes the recognition for its move to a **less centralised** approach to delivering European funding in this area, involving Local Enterprise Partnerships. LEPs draw up ESI Funds Strategies for their areas which will be implemented through LEPs working together with the Managing Authority Government Departments. LEPs work with local partners to develop investment strategies to use funds to promote growth and jobs in their local areas. Rather than following a centralised blueprint, LEPs themselves identify the additional employment, skills and social inclusion activities ESF should support in their areas to meet local needs, in a way that complements and does not duplicate Government policies and programmes. We expect that much of the YEI will be procured by Government agencies in line with the local needs identified by LEPs, and the Managing Authority for the ESF may also organise calls for proposals on behalf of LEPs.

The Government has effectively devolved to LEPs the responsibility for strategic oversight of how the ESIF should be targeted and spent, and LEPs will be involved in decision-making during implementation, principally through their membership of local sub-

committees of the Programme Monitoring Committee for the ESI Funds. However it believes that the administration of the Funds, with their associated duties of compliance with the EU regulations and potentially significant financial liabilities, should remain with the Managing Authorities.

Guidance for LEPs is available, helping them better to understand the issues around youth unemployment in their areas, the interventions used previously and how successful these have been. The Government has worked closely with LEPs to assist them with developing their strategies, with LEPs working with local staff from Jobcentre Plus and the Skills Funding Agency. In addition guidance documents have been produced and published on the Gov.UK website to provide detailed information to assist LEPs. A YEI information note has also been produced which has been disseminated to qualifying LEP areas which sets out the existing provisions to tackle youth unemployment as well as outlining activities eligible for YEI funding.

The report recommends a **longer duration** for EU funded programming. The Government has invited LEPs to develop their ESI Funds Strategies to cover the full 10-year period in which investments will be made under the next ESI Funds programmes. All LEP ESI Funds Strategies cover the full 10-year period. For the ESF 2014-2020 Programme, the Government has given Local Enterprise Partnerships (LEPs) direct influence over most of this money in England. LEPs are working with local partners including local authorities to develop investment strategies to use the funds to promote growth and jobs in their local areas. LEPs have the flexibility to decide whether to develop short tailored programmes that address immediate needs or longer term projects or a mix of both. A disadvantage of longer term contracts can be that they prove insufficiently flexible to respond to changing economic circumstances.

For the YEI, the Government has asked LEPs that cover areas eligible for the YEI to propose in their strategies how the YEI and equivalent ESF money should be used to tackle youth unemployment in their areas alongside existing Government provision. LEPs have the flexibility outlined above, but the YEI funding is “front-loaded” by the EU for 2014 and 2015 with funds to be spent by 2017 and 2018. ESF funding can be used beyond this period to continue to develop and deliver programmes and initiatives to tackle youth unemployment.

The report regrets **delay in submitting plans for spending the YEI**. The UK Partnership Agreement was submitted to the Commission on 17 April 2014, where the relevant EU regulation stipulated out that this was to be submitted to the Commission before 22 April 2014. The Government decided that the YEI should be implemented alongside other EU structural and investment funds. In particular, it is important for local partners to have a direct influence on how these funds are used in their areas, and to ensure that provision designed is high quality, offers value for money and meets local need. It was important to avoid hastily designed schemes that did not take reflect local circumstances or existing Government provision.

Chapter 5: Using EU funds to prepare young people for work (Paragraphs 184-189)

The Government agrees that increased attention on boosting the competitiveness of SMEs through the next ERDF programme is an encouraging development. Increased support for SMEs should lead to an increase in the number of high-growth businesses, in turn enabling these businesses to offer an increased number of apprenticeships. The

Government has also recently extended the Apprenticeship Grant for Employers and made available an additional £170m over 2014-16 which will fund an additional 100,000 incentive payments to businesses. From January 2015 the Grant will be focused on companies with fewer than 50 employees.

The Government notes the Recommendation concerning the **EU Skills Panorama**. National Careers Service website holds national labour market information and local and regional information on skills needs provided by Local Enterprise Partnerships. We have already introduced links from appropriate job profiles to STEM subjects, a mobile website, mobile apps, and have established links with organisations that provide complementary products. The National Careers Service is further developing its online resources, especially those targeted at young people. There are plans to provide information on the jobs and wages that people get following vocational learning to help them choose courses and careers.

The Report suggests that the Government could use **ESF and ERDF to support ICT training** for young people. The European Structural and Investment Funds are focussed on local economic growth. In England, the vast majority of the ERDF and ESF have been allocated to Local Enterprise Partnership areas, with LEPs drawing up strategies for their areas. LEP Strategies have identified a broad range of emerging industries and key growth sectors on which they wish to focus skills activity, based on analyses of need. The Government believes that this locally-driven approach based on identified needs should allow LEPs to address ICT skills shortages specific to their locality, while mitigating the risk of any nationally-driven over-concentration on any particular sector. The Devolved Administrations have responsibility for policy and delivery of the ESI Funds on their territories.

During the National Curriculum Review schools, teachers and industry leaders told the Department for Education (DfE) that the ICT curriculum was dull and did not encourage innovation and experimentation. DfE is strengthening the teaching of computing in schools by replacing ICT with computing. The new computing Programmes of Study (PoS) will be taught in maintained schools from September 2014 and are much shorter than the current ICT PoS to allow maximum innovation at school level. The PoS were drafted by sector representatives convened by the British Computer Society and the Royal Academy of Engineering, including Google, Microsoft Research, and several universities. They have a greater focus on how computers work and the basics of programming, as well as covering digital literacy and the application of information technology.

The 2007-2013 ESF Programme funding has been used to enhance provision and services provided by the **National Careers Service**, including increasing the number of face to face guidance sessions with individuals in priority groups, such as the low skilled, the unemployed and those in work who are at risk of, under notice of or facing redundancy. In 2014-2020, where LEP areas have identified a local need, ESF will be able to improve or enhance adult careers advice provision in a way that complements National Careers Service provision.

Local authorities are responsible for supporting vulnerable groups as part of their duty to encourage, enable and assist the participation of young people in education or training. Schools should work with local authorities to identify those at risk of not participating post-16. Local authorities should have arrangements in place to ensure that 16 and 17 year olds have agreed post-16 plans and have received an offer of a suitable place in post-16 education or training under the 'September Guarantee', and that they are assisted to take up a place.

The Government recognises the importance of links between business and schools. Many LEPs have indicated that engaging employers to help young people make careers decisions is a priority for them. From October 2014 the National Careers Service will help to bring employers, charities, social enterprises and schools and colleges together to ensure that young people understand the full range of career options and opportunities available to them.

Chapter 6: The job market for youth in the EU (Paragraphs 190-194)

The Government agrees that a flexible labour market helps with opportunities for young people to gain experience, and that **exploitation and unfair working practices** must be countered. The core rights of all workers who are legally entitled to work in the UK are enforced. Enforcement is carried out by enforcement bodies and individuals on the basis of a risk-based inspection, in response to a complaint, or through routine inspection. Since HMRC began enforcing the national minimum wage in April 1999, HMRC has identified more than £45m in arrears for over 200,000 workers during more than 65,000 employer interventions. Free, confidential advice about rights which are enforced by individuals is provided in Great Britain by the Advisory and Conciliation Service (Acas) through its national helpline, and by the Labour Relations Agency (LRA) in Northern Ireland.

The Government agrees that a variety of pathways must be available to young people. However, care is needed with terminology when talking about apprenticeships, traineeships or internships in the European context, as these terms can have different usage in other Member States.

On the Government's definition, **Apprenticeships** in England are real paid jobs with training for at least 12 months both on and off the job which meets employer-led occupational standards; and delivers new learning. The locations and sectors offering Apprenticeships are determined by employers offering them and recruiting apprentices to real jobs. Whilst Apprenticeships already deliver strong returns to the economy, businesses and apprentices the Government is determined to ensure that they become yet more rigorous and responsive to the needs of employers and is pursuing challenging and far reaching Apprenticeships reforms. The Government will work closely with employers, educators and others with an interest in Apprenticeships in designing Apprenticeships for the future.

As the definitions of internship and traineeship vary across Europe, the Government believes that applying a single approach across all Member States could risk creating greater confusion. For example, the European Commission has tended to define a traineeship as what UK employers and individuals would consider an internship.

In the UK there is no formal definition of an **internship**, either in the National Minimum Wage (NMW) legislation or elsewhere. Interns and work experience students have the same entitlements to the NMW as everyone else. The key issue is whether or not they are a worker as defined by NMW legislation. If they are, then they are eligible for the minimum wage unless a specific exemption applies. Volunteers are not workers and are not eligible for the minimum wage. Internships in the UK are generally associated with undergraduates or graduates. They typically offer a few weeks or months with an employer, applying learning in a working situation and developing skills needed for employment. Internships also provide opportunities for networking and exploring different career options. Internships often lead to permanent employment with the host company.

The European Commission has, in its recent proposal on a Quality Framework for Traineeships, sought to define a traineeship as “a limited period of work practice, whether paid or not, which includes a learning or training component, in order to gain practical and professional experience with a view to taking up regular employment”. This definition of a traineeship therefore covers what we would know as internships, but does not embrace the traineeships offered under the Government-funded programme launched in England in August 2013. The Commission proposal also excluded work experience placements that are part of curricula of formal education and vocational training. In the event, the Government did not agree to the EU Quality Framework Recommendation, which it considered overly prescriptive, and it does not intend to adopt the proposed definitions. The concept of a traineeship being a combination of vocational learning and work placement for young unemployed non-graduates has also gained currency in recent years. Applying different definitions in the UK now could confuse the understanding and expectations of employers and individuals about what is being offered.

The Report considers the potential for **migration** to help some young people find work. The Government fully supports the free movement of workers in the EU, but this must be qualified. The Government believes that free movement should be about work, where migrants can follow opportunity and contribute to the host economy, rather than moving to take advantage of welfare regimes. **Youth entrepreneurship** can already be supported by both ERDF and ESF funding, despite the fact that there is no explicit reference to youth entrepreneurship in the relevant EU regulations covering the scope of the funds. The regulations, agreed jointly by the European Parliament and the Council of Ministers, cover the period 2014-2020 and came into force in December 2013, and the Government is not persuaded of a need for either regulation to be amended at this point.

Chapter 7: Evidence of good practice and Chapter 8: Voices of young people

The Report emphasises the potential and value of exchanging experience and best practice at European level, as facilitated by the European Commission. The Government agrees that this can be a useful approach, here as in other policy areas. It also shares the view that it is important to be careful due to the different social and economic factors which may be at play across the Member States. Furthermore, it is important to ensure that the bureaucratic process for exchange and peer review does not grow to the extent that national authorities in the Member States are not overburdened with unduly onerous burdens of reporting and monitoring

The Government has a history of **consulting** on an extensive range of labour market policies with businesses and social organisations, with the aim of improving the UK’s effective, flexible and fair labour market. LEPs were provided with clear guidance on the need to engage with local partners when developing their ESI Funds Strategies, including a very wide range of organisations such as social enterprises and mutuals, trade unions, local authorities, civil society interests and networks. The need to demonstrate proper engagement with local partners is also a key criterion in the Government’s ongoing assessment of LEP ESI Funds Strategies. The Government is also aware that the preamble to the ESF Regulation (EU1304/2013) states that youth organisations should be involved in the monitoring committee’s discussions on the preparation and implementation, including evaluation, of the YEI.