

Action for jobs



HOW

TO

GET

THE UK

WORKING

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Foreword by John Cridland, CBI



The world economy is in turmoil and UK growth remains sluggish. The good old days of sustained economic growth and near-full employment are a distant memory, with little likelihood of a return to the ‘nice decade’. It is no surprise, then, that a million more people are out of work now than just six years ago – a worrying trend that might continue through 2012. Now is the time for action for jobs.

The most important way to get the UK working is to secure private sector growth. While companies are still creating jobs, the imperative for government is to put the conditions in place for businesses to thrive and create more. We have looked at how to do this in all our work this year.

But growth alone will not fully tackle the swelling tide of unemployment. Businesses across the land have told us that the labour market has significant structural problems that must be addressed before we can hope to eat into the unemployment numbers in some of the places where worklessness, not work, is the norm. Long-term unemployment, welfare dependency and mismatches between skills and employment are serious problems that will not be solved by a cyclical recovery.

All this adds up to a big problem. With five million people claiming an out of work benefit – two million of whom have never worked – we are some way from reaching a solution. What is particularly troubling is the one million under-24s who are unemployed.

Too often, our young people are not positioned to get the job. Why is this? Employers will always want to take on the best candidate – that is the right thing to do. Our members want to give young people a chance, but we need to make sure young Britons are best positioned to shine.

This goal requires a revolution in the way schools and colleges prepare people for work, a step-change in our approach to welfare, and real help for companies to ensure that once people are in work, they stay there. But we cannot expect government to do it alone: business and government both need to put their shoulders to the wheel.

Put simply, this report – the second of the CBI’s *Getting the UK working* project – is designed to help get more young people into sustainable jobs. We do not pretend any idea here is a silver bullet, but taken together we believe our recommendations will help get more people to work.

A handwritten signature in blue ink that reads "John Cridland". The signature is written in a cursive, slightly stylized font.

John Cridland
Director-general

Executive summary

237,000
net new jobs created by
the private sector
in 2010

Almost one million young people aged between 16 and 24 are unemployed, with most of these neither in education nor training. Yet even in these tough times, jobs are being created across the private sector. The stark reality is that too few of our unemployed people – especially among the young – are positioned to get these jobs.

This outcome is a function of poor guidance and advice, shortage of business understanding and lack of skills. Based on extensive consultation with business leaders and written evidence from more than 100 organisations, we have identified three broad areas in which businesses and government could work together to make real progress. These are:

Learning the ropes: how schools can get people ready for the world of work

Schools are educational institutions, but links with business, where most pupils will end up working, are weak. For those heading to university this is less of an issue, but for those leaving at 16 it is a chronic weakness. Many of the people we talked to characterised the transition between school and work as chaotic, a situation which leaves young people poorly advised and not understanding what they should do or what is expected of them in the workplace. Resolving this requires action, with business at the forefront. Our plan includes a national roll-out for some of the excellent smaller-scale projects that are already taking place, supported by a new network of “business champions”. Improvements in the quality of work experience and more incentives for schools to get involved through funding reform and a new “employability school” status will also help.

Making the first year count: improving the position of young people in the jobs market

Many young people leaving school with low skills face a daunting labour market position. The initial target must be to get them into that first job, because it is the vehicle that will help them build a career. We should remove barriers to work by lowering the cost of hiring young people in the first year, when they are not likely to be particularly productive as they get used to the workplace.

We suggest both repaying employers’ NI payments as a lump sum at the end of the first year, through a Young Britain Credit, and reducing the impact of the youth national minimum wage (NMW). As a percentage of median wages for the age group, the youth rates are far higher than the equivalent level for adults. Finally, we need more pre-apprenticeship courses to help young people from harder-hit communities find their way into apprenticeships, particularly if they do not have the base level of skills to be able to get on to a course without earlier help.

From welfare to employment: ensuring it pays to find a job

It is clear that there is a benefits trap in action. Too often people with an offer of a low-wage job decide that the advantage of the pay is outweighed by the risk that they could lose their benefits for several weeks should the job prove short-lived. We recommend changing benefit rules to make work pay so that claimants who take a risk on a job do not lose out for weeks if it goes wrong. We also advocate improving the advice that Job Centre Plus gives claimants through a new “readiness for work” assessment based on the successful model in use in Australia.

The ideas we present here are not exhaustive, but they do offer a starting point for tackling these issues. They are affordable, though some will take time to bear fruit and require hard work to get going. If we start now, however, we can make a real difference.

Summary of key recommendations

Learning the ropes: how schools can get people ready for the world of work

- + Tackle the chaotic school-work transition by boosting schools’ understanding of employability. Support a national roll-out of successful existing school-business programmes, with a new ‘Employability School’ standard and associated funding designed to encourage schools to take part.
- + Put in place a network of local business-nominated champions, charged with developing school-business links in each local area to link schools with local businesses.
- + A step-up in commitment to quality work experience.

Making the first year count: improving the position of young people in the jobs market

- + Reduce the cost of taking a chance on a young person through the Young Britain Credit, which will offset employer’s NI for the first year and freeze youth NMW rates
- + Invest in courses that help bridge the gap between school and apprenticeships

From welfare to employment: ensuring it pays to find a job

- + Reform benefit rules that act as a disincentive to taking a job, such as the risk of losing benefits for weeks if it goes wrong
- + Refocus Job Centre Plus on job search through a new readiness for work assessment and earlier Work Programme support where necessary

A full statement of our recommendations is set out on page 21

Introduction

the challenge we face as a nation

In June, the CBI's report *Mapping the route to growth: rebalancing employment* examined the state of the labour market across the UK and highlighted pockets of high long-term unemployment and inactivity, pointing to areas characterised by concentrations of unemployment, a larger share of low-skilled jobs and poor educational attainment.

That report concluded that many of these outcomes are the result of structural problems that growth alone cannot fix. Indeed, the cyclical rises in unemployment created by recessions tend to embed the divisions that already exist in our labour market. One example of this is youth unemployment, where the worsening trend pre-dates the recession,¹ but has been exacerbated and embedded by it. The results of this are clear and well attested – skills disappear, self-confidence and attitudes to work become less positive and a slip into inactivity occurs. In the long-run, that has a big negative cost for the individual, but also the country as a whole in terms of benefits cost and lost productive potential.

With 2.57 million people unemployed² and little sign of rapid improvement in 2012 – particularly in the face of a turbulent world economy – schools, businesses and government need to work together to see what can be achieved to tackle this problem. And there is hope. Jobs are being created in the private sector – the problem is that they are not going to our unemployed, especially young people. Of the 237,000 net new jobs created last year in the private sector, over 70% went to foreign nationals.³ Anyone who walks into a typical major city coffee shop for example knows the pattern – a counter staffed by helpful, welcoming employees from across the world. And they do a great job. But we must address the failings of our benefit system that mean these firms have a postbag full of applications from across Europe, but none from down the road.

About the report

This report is based on the outcome of extensive discussion over the summer 2011 with businesses, individuals, leading academics and third sector bodies following the publication of *Mapping the route to growth*. We aimed to establish the steps that could be taken to ensure barriers to employment are broken down. This has included focus groups, written evidence from over 100 bodies, meetings with more than 100 firms and discussions with all of the CBI's regional and national councils. The project was steered by a group of business and academic leaders, chaired by Ken McMeikan, Greggs CEO and chair of CBI North-East Regional Council.

There are
1 million
more unemployed
people in the UK than
in 2006

902,400
the total number of
workforce jobs we need
to create to return to
2008 levels

2.57 million
unemployed



3.8 million
households where at least one
person is on an out-of-work benefit



370,000
households where no one
has ever had a job



100,000
attained a grade F or below
in GCSE Maths in 2011



£ 8,100
cost of Job Seeker's Allowance
per claimant, per year



**“It is time
to take action
for jobs”**



40,000
attained a grade F or below
in GCSE English in 2011



1 in 6
children live in workless households.
In London, it is



1 in 4



5.8 million
people claiming at least one
out-of-work benefit



£ 39 bn
spent by UK employers
on training every year



5%
of businesses operate
teacher-business secondments



ONE

Learning the ropes: how schools can get people ready for the world of work

The case for action

Youth unemployment currently stands at more than 20%, with nearly one million 16-24 year-olds unemployed. While this is unacceptably high, what is even more worrying is the fact that as well as being without a job, many of these young people are neither in education nor receiving training.

The situation has obviously been made worse by the recent recession: youth employment is particularly responsive to the business cycle, making young people highly exposed to downturns. OECD research has shown that young people are far more affected by economic downturns than older workers.⁴

But the problem of unemployment among young people pre-dates the financial crisis – the number has been rising since 2004. Of course this issue is not confined to the young. The impact of low skills on job prospects affects people of all ages – only 7% of those in work have no qualifications, but they make up 20% of the long-term unemployed.⁵

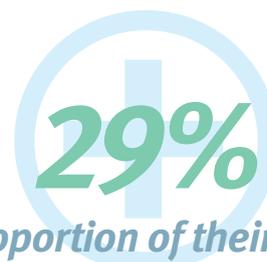
Despite the rise in unemployment, the problem is not just a lack of available jobs. The private sector is creating jobs. However, of the 237,000 net new jobs created in 2010, 70% went to non-UK nationals.⁶ In part, this is because non-UK nationals are more likely to apply. They also tend to be better-prepared for showing the skills and attitudes essential for work. Businesses told us that, at the moment, a lot of young people have little grasp of what a job really requires of them and how to approach the world of work. This is not their fault – the advice school-leavers received was outdated, unpersuasive and, sometimes, just plain wrong.

But youth unemployment presents a specific and urgent challenge. One of the most common pieces of feedback the team received as we met people across the country this summer was that the school-to-work transition was not working, particularly for those who leave at 16. Many called it chaotic.

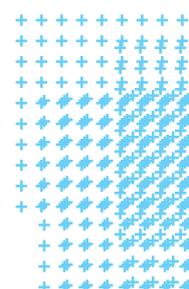
View from the top

“Employers are looking for people with the core literacy, numeracy, and employability skills required for any role – basic common sense, an understanding of the workplace disciplines around attendance and timekeeping and the ability to behave and interact appropriately with colleagues in the workplace environment.”

E2V response to call for evidence



The proportion of their recruits that left school at 16 that employers believe are poorly or very poorly prepared for work





As businesses, we should not be complaining from the sidelines – it is our duty to get involved and help in the process

On one level, pupils were not leaving school with the basic skills. Around 100,000 16 year-olds received a grade F or below in GCSE maths in 2011 while 40,000 did so in English. But there is also a big issue of a failure to grasp why learning is important, both in terms of understanding why attainment in school is imperative, and also for gaining a basic insight into the world of work.

We must tackle this: our education system has to prepare young people more effectively for the world of work. As businesses, we should not be complaining from the sidelines – it is our duty to get involved and help in the process. We need to give young people inspiration and understanding about what work is, why it matters and what they can achieve.

Evidence from many excellent schemes over the years, such as the Business in the Community (BiTC) Business Class initiative, has pointed to what the critical success factors are: local businesses-led initiatives, meaningful experiences of work and schools and businesses working together for the long term. Where these are delivered, impressive results can be achieved on both academic and employability outcomes.⁷

We now need to help this approach grow.

Case example: Solid grounding – Land Securities partnership delivers results

In partnership with a specialist construction training provider, Land Securities has developed a pre-employment training programme in the basics all their staff need to know. Candidates are offered training in specialist NVQs and apprenticeships leading to job opportunities at its main contractors and supply chain or through a job brokerage scheme.

One candidate, Paul, has seen his life transformed through the programme. Unemployed, he had “nothing to look forward to and was unhappy”. The Land Securities course helped him get the certificates he needed to find a job straight away, at McAlpine. “I now get up at 6.30am rather than midday and work with great colleagues. I feel there is a future for me now. I never want to sign on again, ever.”

Step one: A new focus on employability

Schools are pretty good at preparing bright children for further academic study, as the rising trend of GCSE performance shows. But this model does not really work for those youngsters who primarily need the competencies to succeed in the workforce rather than the purely academic skills designed to support further study. They risk being overlooked. In England, school funding is based on a formula based primarily on academic achievement, so we can hardly blame schools for where they focus their attention.

This needs to change. The mindset of schools as regards leavers at 16 and 18 has to be driven by employability – the good start in life that we all, especially their parents, would want them to have. We all have a role in helping schools to achieve this – with more than 40,000 vacancies for school governors across England,⁸ there is a clear need for more engagement from business and wider society.

‘Employability School’ status to encourage schools to get involved...

We therefore recommend that a new standard is developed for schools that allows them to achieve “Employability School” status. This would set out a clear goal for schools to work towards, based on engaging with business. Such a move does not require a whole new bureaucratic system. In design, it is an extension of a model that has already worked well in schools – in particular in the sustainability/eco-schools field⁹ – and it is one that businesses will recognise from Investors in People. In content, the standard will be merely a recognition of engaging with the type of schemes that we already know work.

To reach the standard, a school would have to show strong links with business and the relevance of what happens in schools to work across a range of indicators. These could include successful participation in work experience placements, careers advice, curriculum content and training in areas such as project working and presentation skills.

To foster take-up, an element of funding should be linked to measures of employability. So far, progress towards this goal has been made, but on too small a scale. For example, the Studio Schools Trust,¹⁰ which focuses on embedding employability and enterprise in everyday school life, has so far set up two schools, with 28 more planned. Government should help accelerate the spread of this type of approach, by setting up recognition for schools that do it and aligning funding to it.

...with business delivering better work experience

Better work experience is a critical part of the employability agenda, and it is vital that employers step up to the mark on delivering it. For most young people, it is their first taste of the workplace. With almost all students¹¹ undertaking work experience placements before they take their GCSEs, this is a critical time in life. Patterns and attitudes are being formed that young people will take with them into their working lives.

For those disenchanted with formal education, work experience can provide a prime opportunity to forge an understanding of the links between what they learn at school and the competencies needed at work. A couple of weeks of work experience accounts for a tiny proportion of young people's time in education, but it is hard to overstate the potential importance of that brief period for their future employability.

This is only deliverable, however, where young people have access to work experience, and where that experience is positive. The Department for Education is consulting on removing the statutory right to work experience for 14-16 year-olds in England, while many of the reports we heard in our consultation were of work experience that failed to sell the positive experience that work can be. A week operating the photocopier does not inspire anyone.

We recommend the Department for Education retains the right to work experience for all 14-16 year-olds in England. The right should not just be maintained: government in all parts of the UK should go further to ensure work experience is a must-do for schools, with schools measured on the quality of preparation, the experience itself and reflective learning after the event.

View from the top

“The current approach to 14-16 year old work experience is of little value. Placements are difficult to resolve, teenagers have no idea what they want to do, employers find the task of providing valuable experience a burden, and schools are bogged down in risk assessments and bureaucracy.”

Stephen Fox, CEO, BAM Nuttall

But we also acknowledge that, as employers, we must ensure work experience is meaningful. Businesses have a serious responsibility that not all currently live up to. The two-week work experience placement is often the first – and sometimes only – experience of the workplace young people have before they make decisions on future study or to leave school to seek work. It is the responsibility of the business to leave a positive impression. As businesses, we should commit to offering quality work experience to inspire our future employees. Indeed, a short placement can be a stepping stone to extended involvement with the company in school holidays or once pupils leave education.¹²

Placements must be high-quality, offering scope for experience of real, varied work and for participants to learn about themselves, the competencies they need to develop and the opportunities available. Part of the role of Employability Schools should be to push firms to raise the standard.

Teenagers expect their starting
salary to be

£16,600

Step two: Build local links between businesses and schools

The evidence we have gathered from around the country shows that there is a relatively widespread understanding of the fact that schools and businesses need to work better together to foster the employability agenda. Many organisations, including the Prince's Trust, BiTC and the CBI run schemes of varying sizes around the country. In addition, there are a wide range of more ad hoc arrangements between individual businesses and schools, ranging from having a business governor to a full partnership.

Despite this, most of these schemes are relatively small in scale next to the challenge of reaching all our young people. And we met a lot of businesses around the country – especially smaller enterprises – who were keen to do more but did not have a framework for getting involved.

Currently, there is no clear mechanism for co-ordinating employer efforts. Businesses often don't know what involvement schools already have with other companies, and just how deep the partnership can go. There's also some frustration that sometimes schools do not recognise the need to engage with local businesses. This is holding up the growth of successful schemes.

View from the top

“There are already strong programmes around the country that are delivering the long-term, collaborative partnerships that we know work. They are rooted in the needs of the school, ensuring that the school determines the priorities for the partnership, and business deploys resource for greatest impact. The challenge now is to reach every school, starting with the most in need.”

Paul Drechsler, chairman and chief executive, Wates Group

Whatever we do, it cannot be by diktat from London. It has to be long-term, locally-owned and locally-led, like the most successful partnerships currently are. We recommend, therefore, that government and business should work together to identify, in each local area, someone from the business community who will take responsibility for organising and encouraging business-school links. This must be locally-led, but drawing on the experience of successful programmes already in existence.

This would build on the model of ‘business connectors’, a programme that has been set up through BiTC to build community links for business. These business ambassadors would most likely be future company leaders from large local companies, spending part of their time building school-business links as part of their development programme. Their role would be to enable, not to do – they will bring together school leaders and managers from companies who are able to get involved, big and small, and engage them with the kind of programmes we already know work.

Case study: Linklaters making a difference in Hackney

Law firm Linklaters teamed up with Business in the Community's Business Class programme to combine education and work for the benefit of Hackney's school students.

Linklaters wanted to help teachers gain experience of the world of business, closing the gap in understanding between the company and schools. An innovative approach saw them take on a seconded deputy head from the borough. This gave the company a great insight into the local area, the schools and the challenges while the teacher was able to pass back the lessons of the secondment experience to colleagues.

Step three: Bring careers advice into the 21st century

It is widely acknowledged by respondents to our call for evidence that most careers advice is not currently fit-for-purpose. Too often it is irrelevant. The view of one focus group of unemployed people we held for this project supports this: there is neither a clear purpose nor direction to careers advice. At its best, it can inspire young people to make the right choices for their futures. At its worst, it builds up young people's expectations beyond what is immediately achievable or gives them no real guidance.

There are two routes to tackling this. The first is to improve the position of those who can give advice, such as teachers. For many young people, teachers are their only or main prolonged contact with people in work. For others, they are the first port of call for advice about subject choices and future study or work. But with most teachers having limited experience of work outside the education system, their insights can be restricted.

For this reason, we recommend that – as part of wider engagement – businesses and schools work together to give teachers a better understanding of work through exchange schemes. Spending time in business as part of continuing professional development programmes will help build teachers' knowledge and understanding of the world of work. With the support of business ambassadors, teachers could 'buddy' a local company so they are in touch with developments in a sector and can share their learning – as well as advice on skills and competencies – back in their schools. A similar parallel approach – the STEM Ambassadors network, which puts business people in schools to inspire students to study science-related subjects – is a proven success.¹³

The second route is to harness the power of the information revolution by centralising generic careers advice to a single national website and social media presence that can use its scale to pull in the best quality advice from across business. Today's young people are tech-savvy. Video content of employees of a firm in the sector they are interested in, for instance, and a Twitter feed of latest news and developments would build understanding on a level careers advice has never been able to reach before.

At the moment there is a range of employer-led sites.¹⁴ While valuable, they are not widely known to employers or jobseekers. A single national portal would be widely known and could carry advice, work experience and voluntary work opportunities and information for employers. We recommend, therefore, that a new unified national careers site is set up. It should be government-hosted but business-led, with high levels of involvement from the web sector in its design and roll-out to ensure it is effective.

Recommendations:

- + A new standard should be developed for schools that allow them to achieve "Employability School" status, with funding linked to this.
- + The Department for Education must maintain the statutory right to work experience for all 14-16 year-olds in England.
- + Government and business should work together to identify, in each local area, someone from the business community who will take responsibility for organising and encouraging business-school links.
- + Businesses and schools should work together to give teachers a better understanding of work through exchange schemes.
- + A new unified national careers site should be set up. It should be government-hosted but business-led, with high levels of involvement from the web and social media sector in its design and rollout to ensure it is effective.

Making the first year count: improving the position of young people in the jobs market

The case for action

While we must focus on ensuring that school leavers are ready for the world of work, the next step must be to get the right incentives in place to encourage employers to take on the young unemployed.

Many school leavers, especially those leaving school with limited attainment in areas with high levels of unemployment, are simply not a particularly economic proposition for companies to hire. Businesses have told us the level of investment required to get them up to speed can be very significant, while the cost of hiring them is significant next to the value they can generate for the business.

Employers are inevitably reluctant to take the risk on hiring someone who costs them money to have in the business on the promise of possible future return. That's why some firms – and in particular SMEs – tend to be reluctant to hire those who have little in the way of labour market experience or formal skills.

Yet this is the very stage at which a job is essential. Someone's chances of staying in work in the long term are significantly increased if they've held down their first job for at least a year. By contrast, it is clear that a period of unemployment in youth has far more negative and long-lasting consequences than a period later in life.¹⁵ For young people, a job is more important than anything else to their future prospects. Our policy must reflect this.

Step one: Reduce the cost of taking on a school-leaver

If we are going to eat into the unemployment numbers, we need SMEs and large companies alike to have the confidence to hire and train young people. Often, this comes down to cost – giving our school leavers a cost advantage will get more of them into work.

As getting school leavers into work is essential for the individual and wider society, it seems odd that we impose a jobs tax on employers when they do it, especially in the first months, when the employer is getting little from that individual as they build workplace skills and understanding. To this end, we propose the creation of a Young Britain Credit (YBC) – a refund payment in lieu of employers' NI paid when a young person has spent a year in work.

In this situation, the young person's chances of staying in the labour market have been increased a great deal, and if they stay with the firm, they will be productive for the employer who will continue making NI payments. The design of the credit should encourage SMEs to recruit young Britons and support training of the British workforce in larger firms (see box on page 14 for more detail).

We calculate this proposal will cost around £150m per year of operation. This is about 15% of the cost of a National Insurance holiday for young workers and is affordable within the government's plans for reducing the deficit.



This idea should not be politically controversial. It is similar to alternatives proposed by many parties. But by directly replacing the value of NI rather than tinkering with the mechanics of a complex tax architecture at far greater expense, the YBC should avoid many of the pitfalls of past proposals.

How the *Young Britain Credit* would work

Employers who take on anyone aged 18-24 who has been on benefit for six months, and anyone aged 16 or 17, would be eligible for the credit in month 12 of their employment. Young Britain Credit (YBC) would be a flat-rate amount of £1,500 – which more than covers the amount employers spend on National Insurance for the first year of employment for most staff.

For SMEs, where the cost of hiring is often a barrier, the credit would be paid in cash. For larger firms employing more than 250 people, the issue is often getting people up to speed, so the incentive would be in the form of a training credit of the same value – a real contribution to the costs of helping someone keep developing towards a higher skilled job.

Previous NI incentives have failed because of a lack of awareness among employers. To get the message through, Work Programme providers and Job Centre Plus should inform companies and help them qualify for the YBC for young recruits.

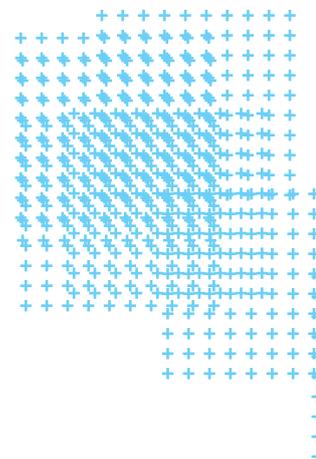
The second way in which we can give our young people a labour market advantage is to reverse the impact of the rises in the youth rates of the national minimum wage (NMW) that have taken place in recent years.

The youth rates of the NMW play an important role in keeping young people attached to the labour market, easing the transition from school to work. There is good evidence that such sub-adult minimum rates help boost employment.¹⁶ During the slow and uneven economic recovery in prospect, it is critical that the crucial advantages of having youth rates are not undermined.

Between 2007 and 2010, however, we have seen the opposite trend. Across the economy as a whole, median earnings for 16-17 year-olds increased by only 2.2%, while for 18-20 year-olds the rise was 3.9%. The NMW youth rates for each group increased by 8.5% over the same period. This mismatch – a growth in the ‘bite’ of the youth NMW – must be halted and reversed.

Given the particularly challenging employment prospects for young people, the CBI recommends that the youth rates (applying to anyone under 21) of the NMW should be frozen until the bite of the wage has fallen by at least 10% against the median wage for the age group across the economy.

£1,500
value to companies of
Young Britain Credit



Step two: Build skills by closing the gap between schools and apprenticeships

Apprenticeships combine work and training, providing an invaluable route into employment. Government has taken the right approach so far by boosting apprenticeship numbers and making some early cuts to bureaucracy to help employers provide more places. The principles underlying simplification for large firms must now also be applied to SMEs and providers.

But an apprenticeship cannot resolve problems arising from failure to achieve basic skills or choose the right direction at school. A business will always take the best candidate, so we need to improve the skills of the unemployed so they can compete on a more even footing. In England, many apprenticeship places (37%) are taken by those aged over 25, who are better placed to compete for them after some experience in the labour market. Companies have told us they are not receiving applications from the groups of unemployed they are meant to help (see case example).

Colleges and businesses need to work together to develop effective pre-apprenticeship programmes that will allow those with poor skills to take up training opportunities. More pre-apprenticeship training programmes are needed to help unemployed people develop the additional skills they require to compete for an apprenticeship place.

Case example: the engineer's apprentice

A CBI member in Glasgow offers high quality engineering-based apprenticeships and does not struggle for applicants. But despite being a locally based institution for almost 100 years and offering a secure position for years to come, they reported in our discussion that very few applicants for their schemes come from the local communities that have traditionally supplied their workforce, and which now have persistently high levels of unemployment.

Government can go a step further. There is no reason why all apprenticeships should take as long as they do to complete – they are a route into work, and different sectors require differing levels of skills. An engineering apprenticeship, for instance, could take up to four years while a retail apprenticeship could take only one year. From January 2012, more employers should be encouraged to take on young people via ‘employed young persons’ one-year apprenticeships. This would support approved employers in offering quality apprenticeship programmes of more limited duration and complexity, and may help with the provision of a further stepping stone between leaving school and a traditional, long-term apprenticeship.

Recommendations:

- + A Young Britain Credit (YBC) should be created – a refund payment in lieu of employers’ NI paid when a young person has spent a year in work.
- + Youth rates of the NMW (applying to anyone under 21) should be frozen for the next year and until the bite of the wage has fallen by at least 10% against the median wage for the age group across the economy.
- + Colleges and businesses should work together to develop effective pre-apprenticeship programmes that will allow those with poor skills to take up training opportunities.
- + From January 2012, more employers should be encouraged to take on young people via ‘employed young persons’ one-year apprenticeships.

THREE

From welfare to employment: ensuring it pays to find a job

The case for action

The first part of this report has concentrated on two reforms that are essential to helping the near one million young unemployed find a job – making it worthwhile for employers to recruit school leavers, and ensuring these candidates are ready for the world of work. But to reduce youth unemployment, government will have to look at the broader context of the incentives to work contained within the benefits system. Changes in this area will be to the benefit of all our unemployed people – not just the young.

With nearly six million working age people claiming an out-of-work benefit – two million of them receiving a benefit for nine of the last ten years – welfare dependency and the benefits trap is a pressing challenge. In Britain today, two million children are growing up in workless households.¹⁷ And we know that children who grow up in poverty are more likely to fail to achieve in school, perpetuating the cycle.

The government has started to take action to break this cycle through the new Work Programme and Universal Credit, but there is more still to do – and urgently. In one employment agency we visited, we heard about 1,000 shifts a week that were not filled because benefit claimants would not take them. Elsewhere, we heard about interviews conducted and job offers made only for the job to be turned down as it was not worth the candidate taking the risk with their benefits. In many cases, we heard from employers who would love to give a British person a start, but got no applications.

It is clear that a benefits trap is in action – people are making short-term decisions that are financially sensible but are against their longer-term interest. It is easy to be pious about this, but for those living on benefits, taking a risk with income is not possible. The system must be aligned to encourage work and job search at all stages. The Work Programme and Universal Credit are a start, but we can do more. Through our work on this project, we have identified four key steps.

View from the top

“A system that was originally designed to help support the poorest in society is now trapping them.”

Iain Duncan Smith, Secretary of State for Work and Pensions¹⁸



Step one: *Ensure job centres focus on getting people into work, not benefits audit*

Unemployed people we talked to told us that initial interviews at job centres are not particularly focused on how best to get that individual into work. Instead, the focus was on assessing the benefit situation.

This is disappointing, as the first months of unemployment are a critical period for ensuring that jobseekers do not get used to being out of the labour market and for finding a new job quickly. An inaccurate or incomplete assessment of job readiness and support requirements the first time someone interacts with the job centre could significantly increase the time it takes to get them back to work. It also increases the risk that people will be advised to apply for jobs they are not suitable for – a common piece of feedback we received from employers. An initial interview with an adviser followed by fortnightly reviews is not sufficient.

To improve performance in this regard, we recommend a comprehensive ‘readiness for work’ assessment should be introduced at Job Centre Plus for every claimant, based on the model of Australia’s Job Seekers’ Classification Instrument (JSCI). The new test should map out the full range of issues that affect a person’s ability to find work and sustain it, enabling Job Centre Plus advisers to more effectively ascertain what support is needed.

A new Job Centre Plus (JCP) HR strategy will need to be developed to partner this, with DWP moving JCP resources to improve front-line skills and make a British JSCI more effective. This is essential to success, but we believe it could be delivered from within the current DWP budget.

Aussie rules: How the JSCI works

In Australia, the JSCI is conducted when an unemployed person first registers with Centrelink (the Australian equivalent of Job Centre Plus) and can be completed face to face or over the phone. It involves collecting information about factors affecting job readiness.

The JSCI profiles unemployed people and seeks to determine their barriers to work. From the results, the government can establish the level and type of employment support they then have access to. In some cases, the outcome of the JSCI may be to refer individuals to an even more in-depth analysis of their barriers to work. This system ensures that people get access to the assistance they need, when they need it.

In the UK, no assessment like this currently exists. Claimants sign on at Job Centre Plus and in most cases will stay there with limited support for up to a year. Introducing an assessment akin to the JSCI would enable JCP to target those individuals most at risk of being long-term unemployed from the moment they fall out of work or sign on, ensuring they get the support they need.

We propose that in many cases, individuals identified as having significant ‘barriers to work’ in the JSCI could be referred to the Work Programme earlier, at three or six months as opposed to the current standard of a year. This will help job centres to take a risk-based approach, as those at highest risk of long-term estrangement from the labour market – and high costs for government – will be helped as a priority.

£53.45
the maximum income-based jobseekers allowance payment for single people, aged under 25. In comparison, the average gross weekly wage for a 16-17 year-old working full time is
£178.70

Step two: Address the benefit rules that make work the less attractive option

Being in work should be attractive for everyone – it has long-term benefits of all kinds to the individual, and is better for society and the exchequer. Too often, however, short-term concerns can lead people to make decisions that are not to their best advantage. In particular, where someone has an offer of a low-paid job, the advantage of the pay can be outweighed by the risk that they could lose their benefits for several weeks if something goes wrong. This was a concern we heard played out by unemployed people, and it was observed by many of the academics we discussed the current system with.

The Universal Credit will help address this to some extent by reducing the withdrawal rates of benefits to make work pay better and shorten the period before benefit payments resume when someone becomes unemployed again. It will not resolve the problem completely, however, and we need more urgent reform. For this reason, we recommend that the government allows benefit claims to be suspended, not cancelled, when someone initially takes a job. This will reduce the “fear factor” for claimants of taking the risk – a critical point, given the lack of self-confidence displayed by many claimants, including those in our focus group.

View from the top

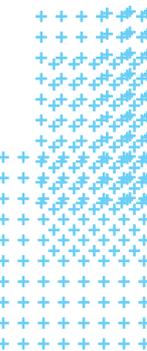
“Enabling those who are dependent on the welfare system to take up short-term contracts would have many positive benefits. The system should be structured in a way that encourages individuals to take up any opportunities available to them without causing them to risk their home or security.”

Chwarae Teg, Women and Workplace Innovation

The second key step identified in our consultation was to make job seeking no less of a commitment than employment. Businesses and government have to work together to constantly challenge any idea that living off benefits is a viable and acceptable way of life for those who are able to work: welfare is not a career path. To this end, we recommend that the requirements to look for and take work be strengthened, and use of Mandatory Work Activity should be expanded.

Looking for a job should resemble having one as far as possible. This can be achieved by strengthening the requirements on claimants to show they are actively seeking work in a systematic way. And the structure of benefit payment can be matched more closely with the reality of how employees are paid. The government could start by:

- + Reviewing how – and how frequently – JSA claimants report to Job Centre Plus on their job search activity and how to help them reflect on their progress – a tick-box routine does little good. As services move online, there is a strong case to be made for requiring people to sign on twice a week in person, and more often online, as well as to record and review how they are looking for work
- + Requiring claimants after three months of receiving benefits to apply for any suitable vacancies identified for them by the job centre
- + Expanding schemes such as Mandatory Work Activity to more people, helping them build employability skills and confidence and contributing to local communities



Step three: Align skills funding with employability for older job seekers too

When someone loses their job, they often need to do a short course to develop skills to help them back into work. This might include development of generic skills or be on sector specific competencies to work in a new area. Often, a job seeker will want to do this quickly before work programme support kicks in.

Yet for most providers and colleges, public funding and success measures are geared towards whole qualifications, not to completion of individual units of learning that help establish competency to do a role in the workplace.

Case example: **Poor fit** – how course mismatch barred the way to a job

One example shared with us by a job seeker was in competency for fork-lift driving. The local college offered a course in warehousing, but the short course he needed could not be done separately, and he could not afford to fund it himself. Although it would have made him more employable, a short course was effectively closed off to him.

To resolve this issue, we recommend that the achievement of training units must be more widely recognised and funded. Colleges should offer more short courses for those on Jobseeker's Allowance, with funding streams aligned to them via payments linked to employment outcomes.

Businesses have a critically important role to play. Successful, growing businesses are ultimately the source of virtually all employment, either directly or through their role as taxpayers funding public services. But they can also make a big difference in helping people on benefits develop the competencies and confidence to move off benefits and into productive work.

Many are already actively seeking unemployed candidates for permanent jobs, designing and co-funding pre-employment courses to build up skills before interview, and working with schools to help bolster pupils' employability skills. Businesses across the land are prepared to work with unemployed people on skills and confidence to help them get off benefits and into work.

Case example: **Marks & Start** – boosting confidence, boosting jobs

Since 2004, the Marks & Start community programme, run by Marks and Spencer in partnership with community groups such as Business Action on Homelessness and the Prince's Trust, has given over 5,000 young unemployed, disabled people, parents returning to work, 14-16 year-olds and homeless people a taste of life in a working environment and the confidence and ability to gain employment.

The programme sets out to help those who face barriers to getting a job. Each participant receives an expenses-paid two to four week placement in either an M&S store or office, working with a 'buddy' (an M&S employee) as a mentor. Many people given a chance through the programme have gone on to gain employment at M&S. And it has brought real business benefits: a wider talent pool, employees more representative of their customers, and a boost in staff morale.

Step four: Use community budgets to address remaining barriers to work

As Lord Freud identified in his report on welfare reform, one of the characteristics of the communities most affected by intergenerational joblessness is that they suffer from a number of related disadvantages. This means that we require focused support to transform Britain's workless communities. In the wake of the recent inner-city disturbances, getting to grips with this agenda has never been more important. But it requires long term thinking, not knee-jerk policy responses. And the government cannot do it alone.

Businesses can get involved in helping workless households through the Working Families Everywhere scheme¹⁹ and supporting budding entrepreneurs through the New Enterprise Allowance. An active local business community helps to promote the normality of work and the idea that people should always work if they can. As part of business commitment to improving outcomes for children in work-poor communities, the CBI will undertake a major project on improving education outcomes next year.

For government, the key issue is aligning spending to ensure that it is both proportionate and effective. Community Budgets have a crucial role to play in this. We recommend that they be rolled out across the UK as soon as possible.

Community Budgets pool central government funding into a single, locally-run 'bank account' for tackling social problems around families with complex needs. At present, £8bn a year is spent on 120,000 families with multiple problems, but it is only accessible through a complex web of agencies and authorities, and families' problems continue. Through Community Budgets, services can be joined up to allow for earlier and more targeted interventions so families are given a better chance to turn their lives around, including taking up work.

Currently, Community Budgets are being piloted on only a small scale, with many of the largest funding streams currently excluded. With the commitment of Whitehall departments and other organisations releasing funds, a full-scale rollout could be achieved by the end of this parliament. This will lead to more efficient and effective spending by government, and should give agencies the ability to focus interventions on removing barriers to employment.

Recommendations:

- + A comprehensive 'readiness for work' assessment should be introduced at Job Centre Plus for every claimant, based on the model of Australia's Job Seekers' Classification Instrument (JSCI).
- + Individuals identified as having significant 'barriers to work' in the JSCI could be referred to the Work Programme early.
- + Benefit claims to be suspended, not cancelled, when someone initially takes a job.
- + The structure of benefit payments can be matched more closely with the reality of how employees are paid by:
 - Reviewing how – and how frequently – JSA claimants report to Job Centre Plus on their job search activity and how to help them reflect on their progress – a tick-box routine does little good.
 - Requiring claimants after three months of receiving benefits to apply for any suitable vacancies identified for them by the job centre.
 - Expanding schemes such as Mandatory Work Activity to more people, helping them build employability skills and confidence and contributing to local communities.
- + Training units must be more widely recognised and funded.
- + Colleges should offer more short courses for those on Jobseeker's Allowance, with funding streams aligned to them via payments linked to employment outcomes.
- + Community Budgets should be rolled out across the UK as soon as possible.

Summary of recommendations and actions

Learning the ropes: how schools can get people ready for the world of work

- + A new standard should be developed for schools that allow them to achieve “Employability School” status, with funding linked to this.
- + The Department for Education must maintain the statutory right to work experience for all 14-16 year-olds in England.
- + Government and business should work together to identify, in each local area, someone from the business community who will take responsibility for organising and encouraging business-school links.
- + Businesses and schools should work together to give teachers a better understanding of work through exchange schemes.
- + A new unified national careers site should be set up. It should be government-hosted but business-led, with high levels of involvement from the web and social media sector in its design and rollout to ensure it is effective.

Making the first year count: improving the position of young people in the jobs market

- + A Young Britain Credit (YBC) should be created – a refund payment in lieu of employers’ NI paid when a young person has spent a year in work.
- + Youth rates of the NMW (applying to anyone under 21) should be frozen for the next year and until the bite of the wage has fallen by at least 10% against the median wage for the age group across the economy.
- + Colleges and businesses should work together to develop effective pre-apprenticeship programmes that will allow those with poor skills to take up training opportunities.
- + From January 2012, more employers should be encouraged to take on young people via ‘employed young persons’ one-year apprenticeships.

From welfare to employment: ensuring it pays to find a job

- + A comprehensive ‘readiness for work’ assessment should be introduced at Job Centre Plus for every claimant, based on the model of Australia’s Job Seekers’ Classification Instrument (JSCI).
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 - Expanding schemes such as Mandatory Work Activity to more people, helping them build employability skills and confidence and contributing to local communities.
- + Training units must be more widely recognised and funded.
- + Colleges should offer more short courses for those on Jobseeker’s Allowance, with funding streams aligned to them via payments linked to employment outcomes.
- + Community Budgets should be rolled out across the UK as soon as possible.

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