

REPORT

FROM  
LEARNING TO EARNING  
UNDERSTANDING THE SCHOOL-TO-WORK TRANSITION IN LONDON

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## ABOUT THE AUTHOR

**Tess Lanning** is a research fellow at IPPR.

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IDEAS to  
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# CONTENTS

<b>Executive summary</b> .....	<b>2</b>
Lost in transition? Disengagement from work and learning in London .....	2
What accounts for longer and riskier transitions from school to work? .....	3
Support for the school-to-work transition .....	4
Recommendations .....	4
<b>Introduction</b> .....	<b>6</b>
<b>1. Lost in transition? Disengagement from work and learning in London</b> .....	<b>7</b>
Youth unemployment: who should we be worried about? .....	7
Who is most likely to fall out of education and employment in London? .....	12
<b>2. The disappearing youth labour market and the impact of the recession</b> .....	<b>17</b>
The impact of the recession in London .....	19
<b>3. Support for the school-to-work transition</b> .....	<b>23</b>
A fragmented landscape: lack of advice and clarity for the non-academic route .....	23
An impoverished view of vocational education .....	26
<b>4. Conclusions and recommendations</b> .....	<b>30</b>
From fragmentation to strategic oversight: a regional approach to education and information .....	30
From participation to progression: raising standards in vocational education and training .....	31
Conclusion .....	33
<b>References</b> .....	<b>34</b>

## EXECUTIVE SUMMARY

Record high youth unemployment has become a politically explosive issue across much of Europe. Yet the current downturn masks deeper, structural problems that have seen the transition from school to work become longer and riskier. Young people today are better educated than their counterparts in the 1970s, but the average time it takes to secure stable work is much longer. In London, young people perform better on average at school than those in other areas, but often struggle to get a foothold in the labour market. This paper explores the nature of young people's transitions from school to work in the capital, with implications for national policy.

### Lost in transition? Disengagement from work and learning in London

Recent increases and temporary fluctuations in youth unemployment should be seen in the context of deeper, structural changes that have led to a dramatic reduction in the proportion of young people actively competing in the labour market over the past three decades. In the 1970s, most young people left school at the age of 16 and moved straight into work. Today, the vast majority of 16 to 18-year-olds are in education, with young people more likely to remain in education in the capital than in the UK as a whole.

The time it takes for the average young person to find stable employment after leaving education, however, has increased significantly over the same period. The rate of unemployment and inactivity among young people aged 19–24 is higher than at 16–18, as more people leave full-time education and struggle to find work. In 2010, on average, 11 per cent of 16 to 18-year-olds and 18 per cent of 19 to 24-year-olds in London were not in work or full-time education – a similar pattern to the UK overall.

Certain risk factors are associated with disengagement from work and learning. Our analysis of young Londoners in 2010 shows that:

- Women aged 19–24 in London are significantly more likely than their male contemporaries to not be working or in full-time education, despite being slightly less likely to be disengaged at 16–18. Young women are also far more likely to be 'inactive' than young men, with looking after family/home the predominant reason for inactivity.
- At ages 16–18, 14 per cent of white young Londoners are not in education, employment or training, compared to 8 per cent of black and ethnic minority groups. At 19–24, when more young people start looking for work, the unemployment rate rises to 16 per cent among white Londoners but jumps up to 21 per cent among black and minority ethnic groups. Although they are more likely to remain in school at 16–18, older ethnic minorities Londoners experience a large increase in disengagement when they hit the labour market, which may suggest residual discrimination from employers.
- Young people not in education, employment or training are more likely to have low educational attainment and to be disaffected with school: the proportion of disengaged Londoners aged 16–24 with no qualifications is 17 per cent compared to just 5 per cent among those in full-time education or employment. However this alone does not explain youth unemployment, as more than a third of young Londoners not in work or full-time education have qualifications at level 3 or above.

This problem predates the current economic downturn, and the numbers of young people not working or in full-time employment have been rising since 2004. Of most concern are those who have been out of work for long periods of time and those who cycle between work and unemployment, due to the well-documented 'scarring' effects these experiences can have, with consequences for future earnings and employment. Long-term unemployment rose rapidly in the capital over the course of 2008 and 2009. After

a dip in 2010, it rose again in 2011, although it is still far below the levels that followed the last recession in the 1990s. Temporary and casual work has also increased since the economic downturn, with young people far more likely to be in temporary jobs than older workers.

### What accounts for longer and riskier transitions from school to work?

London's transformation from an industrial to a service economy has mirrored changes elsewhere. Deindustrialisation has led to a decline in the availability of routes into skilled work for school-leavers, particularly young men, and most young people today work in low-skilled jobs in the service sector. In theory, the high numbers of entry level jobs in London might make it easier for disadvantaged job-seekers, such as young people and low-skilled workers, to find work. However, many low-skilled jobs by their nature – casual and insecure, with few opportunities for training or progression – lead to a more protracted transition into stable and well-paid work.

Employers have also become increasingly reluctant to hire teenagers, particularly in London. Only 6 per cent of UK employers, and just 3 per cent of employers in the capital, recruit straight from school. As a result, school-leavers compete with more experienced workers for the same jobs, in addition to competing with more highly qualified young people. Despite the vibrancy of London's economy, the inward flow of migration from other regions and abroad has resulted in a highly competitive environment at the lower end of the labour market. Many of these relatively well-skilled new residents take on low-paid jobs while they finish their studies or look for something better, leaving those with the weakest skills and experience more likely to be 'squeezed out'.

This competition is heightened when there are few jobs overall, as is the case at the moment. Young people tend to be hit harder by recessions than more experienced workers, but the UK's faltering recovery means that the effects are still being felt four years after the global financial crisis struck in 2008. Young people's employment prospects rely heavily on an increased level of recruitment, but reduced business confidence due to austerity at home and turmoil in Europe has contributed to a reluctance to recruit new workers, particularly on a permanent basis.

Analysis of the movement between work, unemployment and inactivity since the recent financial crisis shows that young people (16–24) in London and the UK have been persistently less likely to remain in employment from one quarter to the next when compared to older workers (25–64). The latest data shows that younger workers are nearly twice as likely to move from work into unemployment as older workers in London, and more than three times as likely in the rest of the UK. Studies suggest that redundancies, which would affect older and existing workers, have been lower than expected when compared to previous recessions due to relatively low wage increases.

If employers are hoarding labour in this recession, it would benefit existing employees over new entrants and unemployed workers. Over the course of 2010 and 2011, young people in London became less likely to remain in work, and less likely to move from unemployment into work. There has also been an increase in the likelihood of becoming 'inactive', suggesting that many young people have reacted to tough labour market conditions by staying in or returning to education. Intriguingly, this decline in the job prospects of young people occurred only in the capital, although the rates of young people not working or in full-time education appear to have been slightly better in London relative to the UK over the same period.

## Support for the school-to-work transition

The difficulties school-leavers and other disadvantaged groups face in the labour market are compounded by a lack of support for the school-to-work transition, and in particular a lack of clear and high-quality progression routes for those who do not choose the academic route, despite the fact that only a third of young learners are on track for university.

A well-functioning system requires a balance of strategic oversight and local responsiveness. In the capital, many young people travel across boroughs for post-compulsory education, making a regional strategy to minimise gaps and duplication particularly important. However, the commissioning process for post-16 education lacks strategic leadership and local contextual knowledge, with decisions about training largely driven by centralised funding and performance incentives. One consequence of this is a lack of high-quality specialist vocational provision. While there are a few good specialist vocational colleges in the capital, the bulk of post-16 provision consists of academic, basic skills and low-level vocational courses.

There are also problems with the quality of vocational education in England relative to other northern European countries. Weak stakeholder involvement in the design and content of vocational qualifications means that they often fail to meet the different interests of both employers and learners. The narrow conception of the purpose of vocational education means that many qualifications – particularly those based on national vocational qualifications (NVQs) – offer low-level training for a specific job and do not provide a platform for jobs or further study. Despite this, the links between vocational qualifications and the labour market are often weak, in contrast to other European countries where more widespread use of occupational licensing creates strong progression pathways. In these countries a broader curriculum, including a combination of relevant academic and technical subjects, supports mobility and progression in the labour market and promotes high professional standards in the workplace. This is backed by stronger regulation of initial vocational qualifications, such as apprenticeships, and an institutional environment built on social partnership, which ensures that the content and form of qualifications are set by those closest to its needs: employers and employees.

A lack of coordination between schools and other post-16 providers exacerbates the difficulty for young people when making important study choices at ages 14 and 16, and a lack of impartial and high-quality information, advice and guidance mean that non-academic young people have little support to navigate this complex environment. The lack of good advice leaves young people dependent on their peers and parents to make choices around education and employment, further entrenching socioeconomic differences.

## Recommendations

Reducing high youth unemployment depends on returning the economy as a whole to growth and high employment. Providing a job guarantee to all long-term unemployed young people, reinforced by an obligation to take up the work, could help to mitigate the ‘scarring’ effects on the rising numbers of young people out of work for long periods of time or cycling between numerous low-paid jobs.

In the longer term, supporting smoother transitions from learning to earning will require a combined economic and skills strategy to improve the quality of the jobs available to young people and ensure that vocational courses support mobility and progression in the labour market.

Regionally, a more strategic approach is required to ensure that local educational provision is joined up and caters to the diverse needs of young people, with a focus in the capital on increasing specialist vocational provision.

1. **Devolve commissioning responsibility to ensure a more strategic approach to education:** Devolved funding for post-16 education would enable greater strategic oversight and enable regional policymakers to ensure educational provision supports smoother transitions from learning to earning. The post-16 education budget should be devolved to regional level and decisions taken in consultation with local authority representatives and regional industry stakeholders. A particular focus should be to create diverse, clear and high-quality progression routes, for example by expanding specialist vocational education offered by colleges and employers.
2. **Improve the information available to inform young people's choices:** Responsibility for information, advice and guidance currently rests with schools, which have limited budgets and may lack the expertise to deliver the required standard. The mayor should also be given a strategic role in commissioning information, advice and guidance and tasked with engaging more employers to provide high-quality work placements for school students.
3. **Raise the quality of vocational education:**
  - Occupational licensing can create stronger pathways from vocational qualifications into the labour market and should be used more widely, with apprenticeships used as a basis for supporting young people's entry into work. To preserve apprenticeships' unique mix of work-based and off-the-job learning to prepare young people for the world of work, the government should double the requirements for off-the-job training in apprenticeships and reserve them for 16 to 24-year-olds. Removing subsidies for adult apprenticeships would save money that could be redirected into efforts to move more level 2 programmes to level 3.
  - In other northern European countries, the institutions responsible for developing vocational qualifications are built on partnerships between the relevant industry bodies and employee representatives that best understand the skills and experience young people will require throughout their working lives. Wherever possible, existing employer associations, professional bodies and unions should be involved in developing the broad frameworks of qualifications at a sectoral level and assessment procedures at local level.
  - The local enterprise partnership (LEP) in the capital, known as the London Enterprise Panel, already hosts an employment and skills board. To ensure that such partnerships are genuinely representative of the interests of employers and learners, and able to drive changes across the region, membership should be expanded to include relevant employer associations and unions for key regional sectors. This partnership of educational and industry stakeholders should be responsible for developing the form and assessment procedures for vocational education and training in the sectors they represent.
4. **Offer a 'something for something' deal to encourage employers to recruit and train young people:** Addressing the poor quality of many of the jobs available to young people, and in particular supporting more employers to recruit and train young people, is crucial to improving transitions from school to work. Local skills boards should offer tailored business support, delivered through industry representatives, to help firms to innovate and expand. Support should be conditional on improving job quality and providing training opportunities to young people. This could be funded by devolving a proportion of current economic and skills funding and by restricting tax relief on training, which is currently untargeted.

# INTRODUCTION

Over a million 16 to 24-year-olds are now unemployed, with a quarter of a million out of work for more than a year and record numbers of young people not in employment, education or training. Even before the global financial crisis in 2008, however, disengagement from work and learning among young people was a problem. From 2004, youth unemployment rose during the boom years that preceded the recession and has not fallen below half a million since the 1980s. While graduate unemployment is currently high, it is school-leavers who are most at risk.

Over the past four decades, the transition from school to work has become longer and riskier. Successive governments in England have prioritised access to university as part of their social mobility strategies, but those without a degree have become increasingly at risk of being left behind. Economic and social changes that started in the 1970s made it harder to move straight from school into work. In some disadvantaged communities deindustrialisation and unemployment also weakened community bonds, leading to a lack of support for socialisation into work and responsible citizenship at a time when the labour market has become more complex and more difficult for young people to navigate (Dixon et al 2006). Despite several reform attempts vocational education has failed to fill this 'socialisation gap', as well as persistently offering weak returns in the labour market.

London's labour market has changed dramatically over the past 30 years, with the service sector now dominant. Despite the vibrancy of London's economy, high levels of commuting and inwards migration from other regions and abroad has resulted in a highly competitive environment at the lower end of the labour market. As a result, although young people in London perform better on average at school (particularly at GCSEs) than those in many other areas, they often struggle to get a foothold in the labour market. Youth unemployment in the capital is higher than the national average and in some inner city boroughs one in five 16 to 24-year-olds are not in education, employment or training.

This paper explores the nature of the youth unemployment problem in London, and its implications for national policy. It starts by looking at the scale of the problem and which young people are most likely to fall out of education and employment. We then discuss two key factors underlining what is for a significant minority of young people a chaotic transition into work. First, the nature of the youth labour market, including specific problems in London and the impact of the economic downturn. And second, the weak offer available to support school-leavers into work and responsible adulthood. Using the London boroughs of Croydon and Newham as case studies, we also explore the implications of the current institutional environment. Finally, we set out a range of policy recommendations to smooth the transition from learning to earning and to begin to tackle high youth unemployment.



# 1. LOST IN TRANSITION? DISENGAGEMENT FROM WORK AND LEARNING IN LONDON

## Summary of key points

- The youth unemployment figures most often quoted include a large number of students seeking work, particularly in London, and do not include young people who are out of work but not looking for a job. In 2010, on average, 11 per cent of 16 to 18-year-olds and 18 per cent of 19 to 24-year-olds in London were not working or in full-time education, including some who were not actively looking for work.
- Young people unemployed for long periods of time are of greatest concern, although some of those in work may also be a concern if their jobs do not offer opportunities to progress.
- Certain risk factors are associated with disengagement from work and learning. Our analysis of young Londoners in 2010 shows that:
  - Women and ethnic minorities aged 19–24 in London are more likely to be not working or in full-time education than men and young white people respectively, despite being less likely to drop out at ages 16–18. Young women are also far more likely to be ‘inactive’ than young men, with looking after family/home the predominant reason for inactivity.
  - The proportion of disengaged Londoners aged 16–24 with no qualifications was 17 per cent compared to just 5 per cent among those in full-time education or employment. However, more than a third of young Londoners not in work or full-time education had qualifications at level 3 or above.
  - Data collected by local authorities suggests that a significant minority of disengaged young Londoners are from ‘vulnerable’ groups, including teenage mothers, young offenders, people with learning difficulties or disabilities, and looked-after children or care-leavers.

Behind the headlines about youth unemployment, it can be difficult to disentangle which groups should be of concern to policymakers. The most often quoted youth unemployment figures are based on people who say they are actively seeking work and available to start work immediately, but this includes students looking for part-time work. It does not include those who are out of work and not actively looking for a job. In this chapter we look at the cohort of young people in London as a whole, and examine who is more likely to be out of employment, education and training. In doing so we outline the scale of the youth unemployment problem and suggest where policymakers should focus resources.

## Youth unemployment: who should we be worried about?

Levels of youth unemployment are affected by how the education and employment contexts work together. Recent increases and temporary fluctuations in youth unemployment should be seen in the context of deeper, structural changes that have led to a dramatic reduction in the proportion of young people actively competing in the labour market over the past three decades. In 1972, nearly two-thirds of all 15 and 16-year-olds left school and most moved quickly into work. This picture had changed radically by 2008, when nearly 80 per cent of 16 to 18-year-olds were in full-time education or training, with just 10 per cent in employment despite having not received recognised education or training (figures quoted in Maguire 2010).

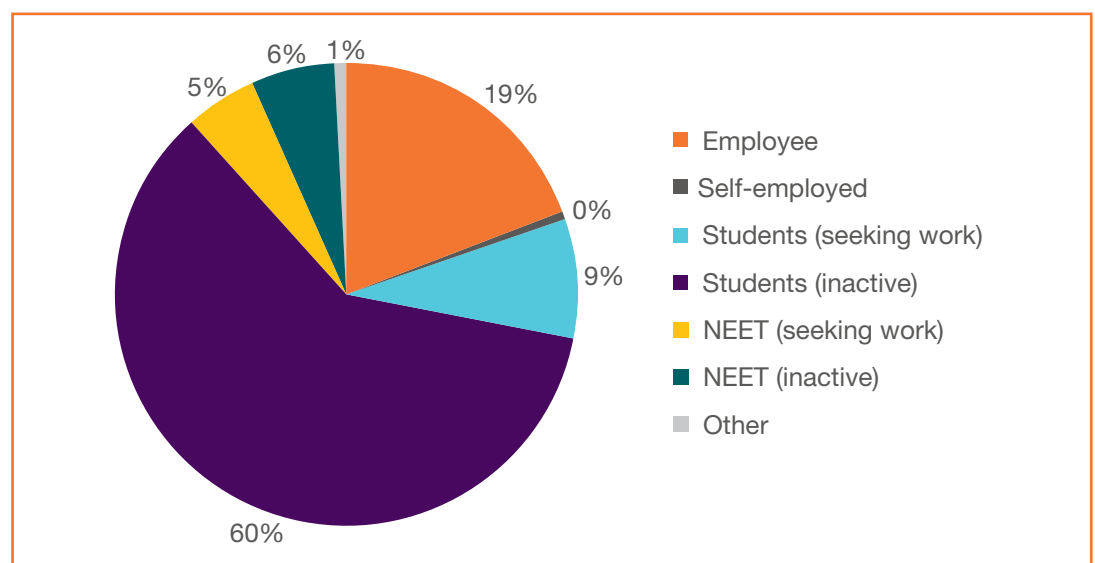
The youth labour market often shrinks when it is harder to find a job, as young people react by staying in education. Young people may also choose to remain in education because they perceive, usually rightly, that their prospects will be improved by doing so. In this sense a lower rate of youth unemployment in some areas (or countries) could reflect higher numbers of young people staying in education or higher levels of worklessness, with a much smaller cohort of young people actually competing in the labour market (Ryan 2001a). While policymakers may be less worried about those in education, the proportion of young people that is 'inactive' and so not looking for work but also not in education is likely in some cases to be a cause for concern.

Figure 1.1 shows the education and employment status of 16 to 18-year-olds in London, based on data from 2010.<sup>1</sup> It shows that nearly 70 per cent of 16 to 18-year-olds in London were in education or training, compared with 52 per cent nationally. A fifth of young Londoners were in work. At first glance this group may not be seen as a concern, but the worry would be whether some of them are 'cycling' in and out of work or in low-level jobs with few opportunities to progress. About 11 per cent of 16 to 18-year-olds were not in any form of education, employment or training in London and the UK, just over half of whom were inactive (and so not seeking work).

There is considerable variation across different London boroughs: the capital has pockets with high proportions of young people not working or in full-time education. In August 2011, the month that riots broke out across the country, 7 per cent of 16 to 18-year-olds in inner London were not in education or employment, compared to 5 per cent in outer London. The rate ranged from over 10 per cent in Islington and Camden to less than 3 per cent in Harrow and Kingston-upon-Thames. The national average at the time was just under 8 per cent.

Analysis by IPPR has shown that the areas where rioting broke out in August 2011 were associated with higher levels of youth unemployment, as well as low levels of educational attainment and high child poverty (Ben-Galim and Gottfried 2011).

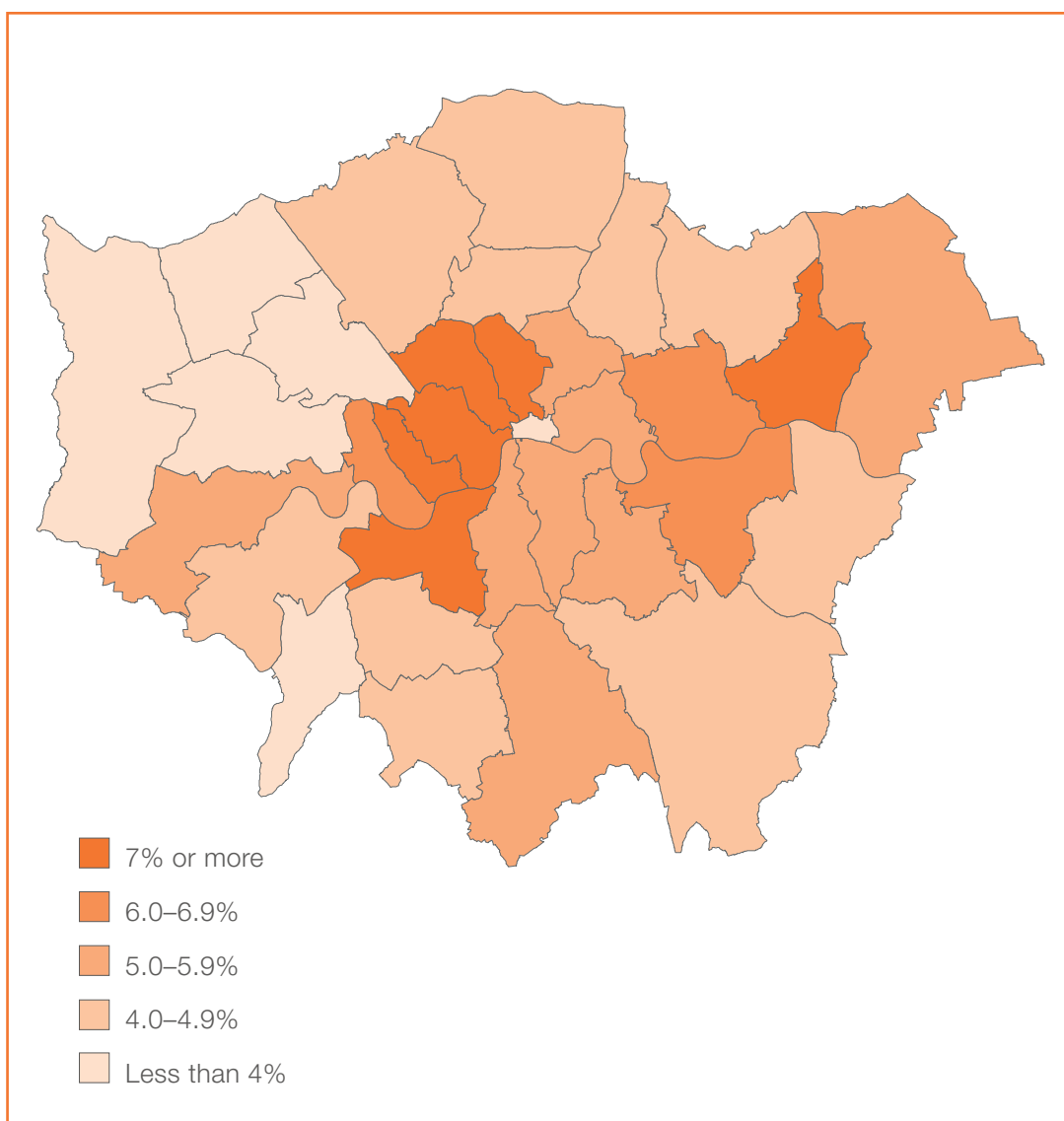
**Figure 1.1**  
Employment status of  
16 to 18-year-olds in  
London, 2010



Source: GLA for IPPR (see note 1)

<sup>1</sup> The analysis was conducted by the GLA for IPPR and is based on data from the Annual Population Survey, January–December 2010 (seasonally adjusted, based on the four-quarter moving average), Office for National Statistics.

**Figure 1.2**  
 Proportion of 16 to 18-year-olds not in education, employment or training in London by borough, 2011

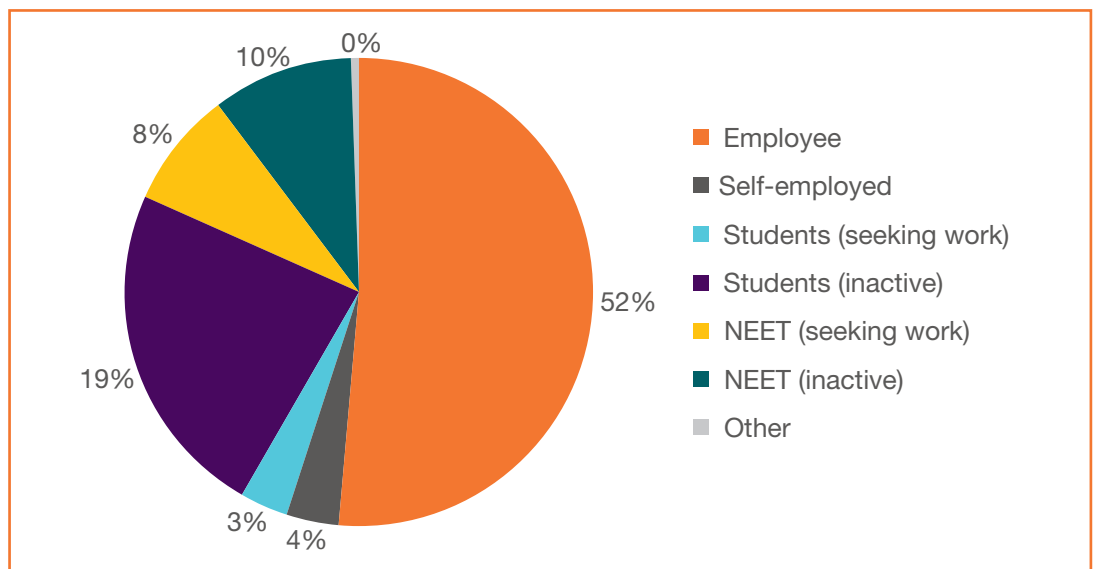


Source: Department of Education and Connexions

Employment is no longer an option for the majority of 16 to 18-year-olds, but among the group who do leave education, some may require support to re-engage and progress. The pattern of engagement changes significantly at ages 19–24, with more than half of young people in London in work and a little over a quarter in education or training. The rate of unemployment and inactivity among 19 to 24-year-olds is significantly higher than it is at ages 16–18, as more people leave full-time education and struggle to find work. There are similar proportions of young people not in employment, education or training in the UK overall.

However, in both age cohorts young people in London were significantly less likely to be in employment and more likely to be in education compared to the UK average. In the older cohort this reflects the large number of universities based in the capital, but in the younger cohort it suggests that young Londoners enter the labour market later than their counterparts elsewhere.

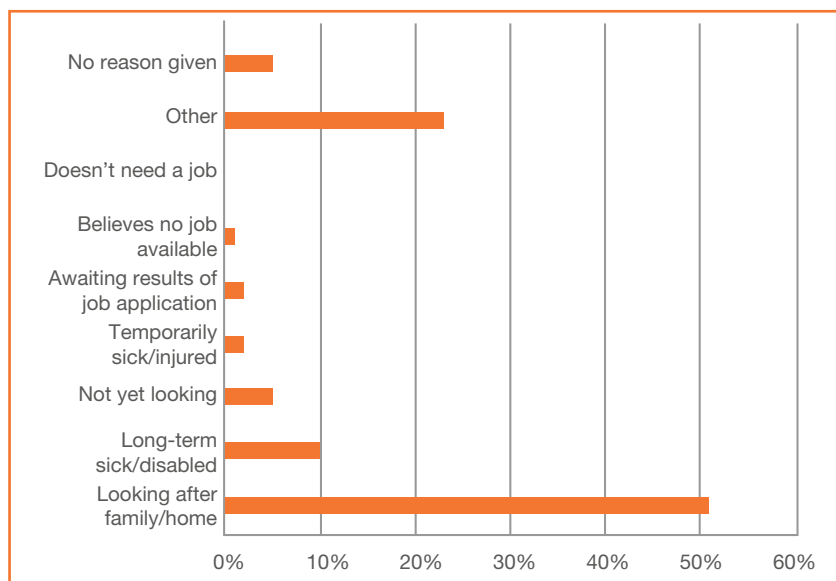
**Figure 1.3**  
Employment status of  
19 to 24-year-olds in  
London, 2010



Source: GLA for IPPR (see note 1)

The reasons for inactivity among young people not working or in full-time education may not directly reflect the labour market context. Among out-of-work young Londoners (aged 16–24) who were not actively looking for work in 2010, more than half said it was because they were looking after their family or home, as figure 1.4 shows. Only a very small proportion appeared to be inactive as a result of becoming discouraged: just 1 per cent said that they were not looking because they believed no job was available. Inactivity may, however, indirectly reflect the opportunities that young people perceive are available to them: for example some studies suggest that disadvantaged young women may choose motherhood in part as a response to limited labour market prospects (Darlington et al 2011).

**Figure 1.4**  
Reason given for being  
inactive among 16 to  
24-year-olds not in  
employment, education  
or training in London



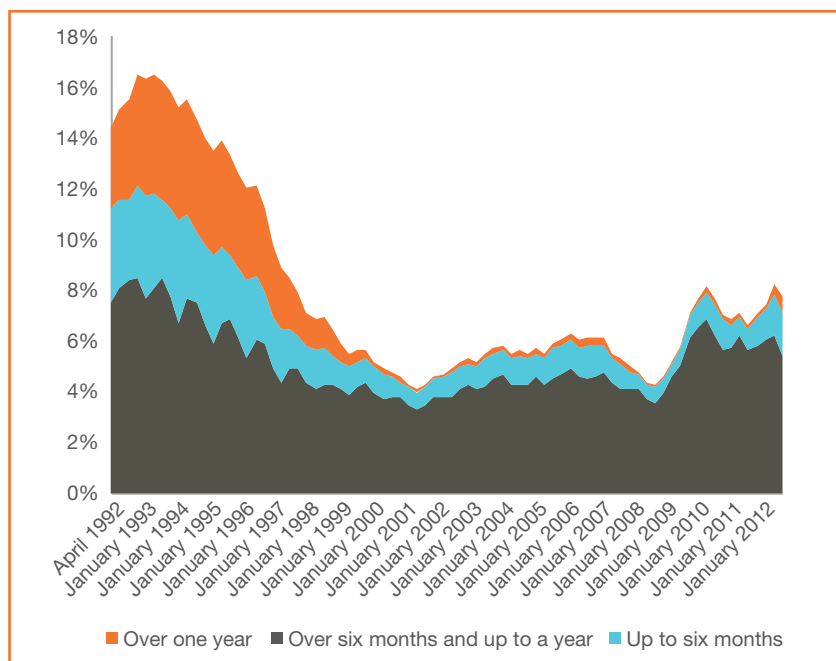
Source: GLA for IPPR (see note 1)

Notes: This excludes those who gave their reason as being students. All but the two largest bars represent fewer than 10,000 respondents and so should be treated with some caution.

Some young people will only be out of work temporarily, and long spells of unemployment are perhaps a more accurate reflection of problems entering the labour market. There is also good evidence that people who spend long periods of time out of work when they are young – or who cycle between work and unemployment – suffer permanent ‘scarring’ as a result. Throughout their lives they achieve less success in the labour market than their contemporaries (for example, Bell and Blanchflower 2011, Macmillan 2012).

Long-term unemployment rose rapidly in the capital over the course of 2008 and 2009. After a dip in 2010, it has risen again over the past year, although it is still far lower than it was after the last recession in the 1990s (see figure 1.5). The latest data shows that 16,640 18 to 24-year-olds in London have been unemployed for more than six months, about 30 per cent of whom have been unemployed for more than a year.

**Figure 1.5**  
Youth unemployment in London, 18 to 24-year-olds, April 1992 to January 2012 (claimant count)



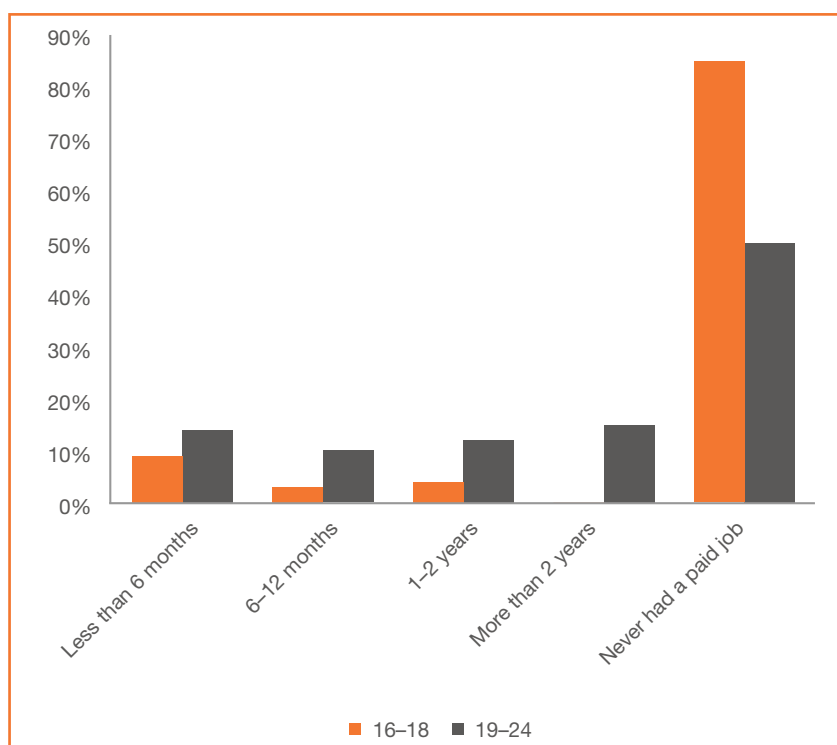
Source: NOMIS

The time it takes for young people to find stable employment has increased across almost all OECD countries, regardless of the age an individual leaves school. While young people were able to move relatively quickly from school into work in the post-war period, by the 1990s it took the average young person six years to find stable employment after leaving school, even though the average school leaving age had risen (Ryan 2001a). Our data shows that most young Londoners not working or in education have had limited, if any, contact with the labour market and many have experienced long periods without work (see figure 1.6):

- Based on data from 2010, about 85 per cent of 16 to 18-year-old Londoners not in education or employment had never had a job.
- This drops to 50 per cent among 19 to 24-year-olds, but 27 per cent had not had a job in more than a year, of whom more than half (55 per cent) had not had a job in more than two years.

- Young out-of-work people who were inactive were more likely to have never had a job, and to have been unemployed for a long period of time, when compared to those who were actively seeking work.

**Figure 1.6**  
When last left work, 16 to 24-year-olds not in education, employment or training, London



Source: GLA for IPPR (see note 1)

Notes: The four smaller bars in the 16 to 18-year-old category represent fewer than 10,000 respondents and so should be treated with some caution.

The youth unemployment figures frequently quoted in the media include a large number of students, particularly in London, and may not be an accurate guide of those who require support. Those not working or in full-time education, including some of those not actively seeking work, are a more accurate reflection of disengagement. Most 16 to 18-year-olds remain in education, but the larger number of 19 to 24-year-olds who are not in work or full-time education suggests that a significant minority struggle to find work when they leave education.

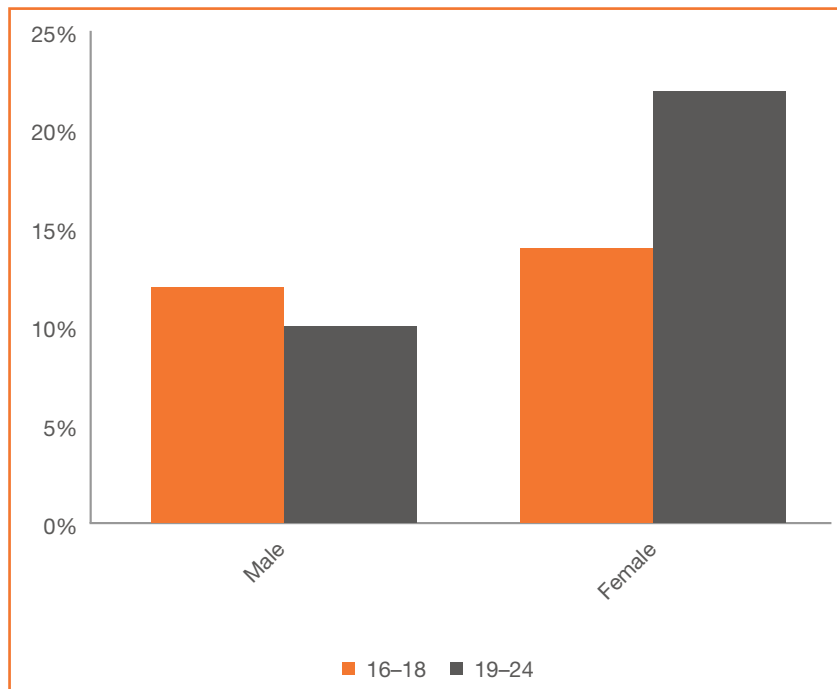
Policymakers should be most concerned about those who have been unemployed for long periods of time, due to the well-documented ‘scarring’ effects this can have. Some young people in education and employment should also be a focus for policy, either because they are at risk of dropping out, or because of concerns about the quality of some courses and jobs and the prospects these open up or limit later in life.

### Who is most likely to fall out of education and employment in London?

Young people not in education, employment or training are not a homogenous group and encompass various different needs and experiences. The numbers will include everything from a young mother to someone taking a gap year, from a young person who does not know what they want to do to someone unable to find work or training. Nonetheless, certain characteristics are more prevalent among young disengaged Londoners, and suggest who is more likely to fall out of education and employment in the capital.

Among 16 to 18-year-olds, our analysis showed a similar proportion of young men and women in London not working or in full-time education, with a slightly higher proportion of young men. However, the London data shows that at ages 19–24 women are far more likely to be out of work and education than men (see figure 1.7). The likelihood of being inactive is also much higher for women. Of 16 to 24-year-old Londoners who are not in education, employment or training, 70 per cent of women were inactive and so not looking for work, compared to just 35 per cent of men. This over-representation of women among inactive young Londoners is likely to reflect caring responsibilities. Half of all young women not working or in full-time education have caring responsibilities, and studies have found that teen pregnancy is a major driver of young female unemployment (Darlington et al 2011).

**Figure 1.7**  
Rate of young people not in employment, education or training in London by gender



Source: GLA for IPPR (see note 1)

White Londoners are more likely than black and minority ethnic groups to be out of education and employment at ages 16 to 18. However, at ages 19–24, black and minority ethnic groups are more likely to be not working or in education, relative to both younger ethnic minority groups and to white people of the same age. This may reflect residual discrimination from employers: research suggests that some ethnic minorities do worse in the labour market even when their educational achievement is higher (Hills et al 2010).

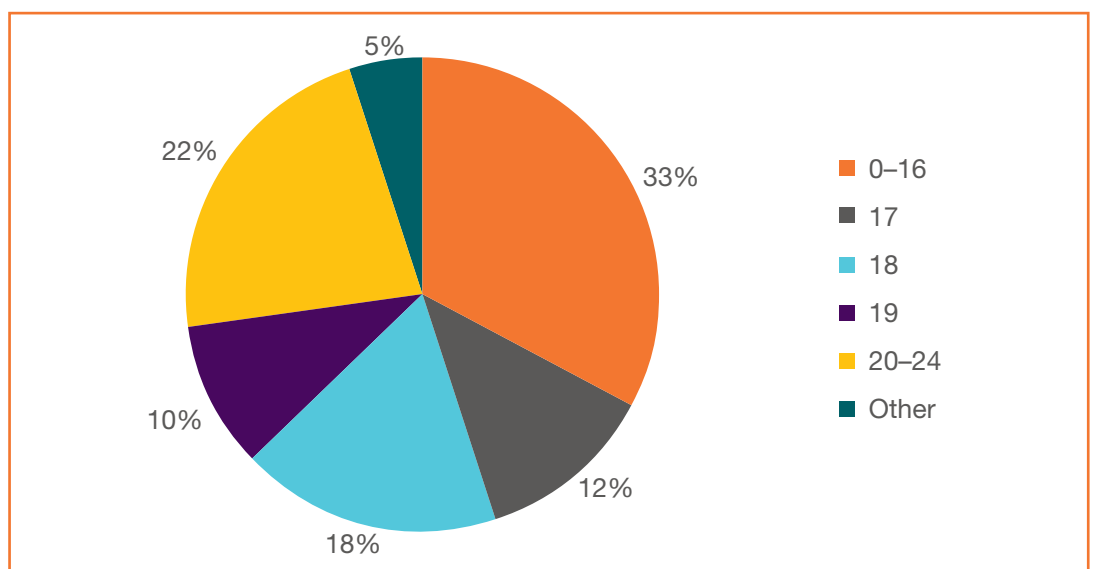
- At ages 16–18, 14 per cent of white Londoners are not in education, employment or training, compared to 8 per cent of black and ethnic minority groups.
- At ages 19–24, when more young people start looking for work, the unemployment rate rises to 16 per cent among white Londoners but jumps up to 21 per cent of black and minority ethnic groups.
- Overall, ethnic minorities make up 45 per cent of 16 to 24-year-old Londoners not working or in full-time education and 14 per cent in the UK, while only accounting for about a third of London’s total population and 9 per cent of the UK’s.

A significant minority of young people not in education, employment or training are from 'vulnerable' groups, and are likely to find it more difficult to find work than their contemporaries. For example, data collected by Croydon borough council suggests that about a quarter of young people not working or in full-time education in the borough were teen mothers or pregnant teenagers (10 per cent), had learning difficulties or disabilities (10 per cent), were young offenders (3 per cent), or were looked-after children or care-leavers (3 per cent). Studies show that higher than average proportions of these groups are not working or in full-time education (ACEVO 2012).

Young people not in education, employment or training are more likely to have low educational attainment and to be disaffected with school, but low educational attainment does not on its own explain youth unemployment. This was the case even before the rise in graduate unemployment since the recession (see for example Rennison et al 2005). Our research showed that in 2010:

- The proportion of young (16–24) disengaged Londoners with no qualifications was 17 per cent, compared to just 5 per cent among those in full-time education or employment.
- However, more than a third of young Londoners not in work or full-time education had qualifications at level 3 or above, and a fifth had level 4 qualifications or better.
- Those who left school at the age of 16 accounted for a third of disengaged young Londoners, those who left school at ages 17–19 accounted for 40 per cent, and at or above the age of 20 a further 27 per cent (see figure 1.8).

**Figure 1.8**  
Age left full-time education, 16 to 24-year-olds not in education, employment or training, London



Source: GLA for IPPR (see note 1)

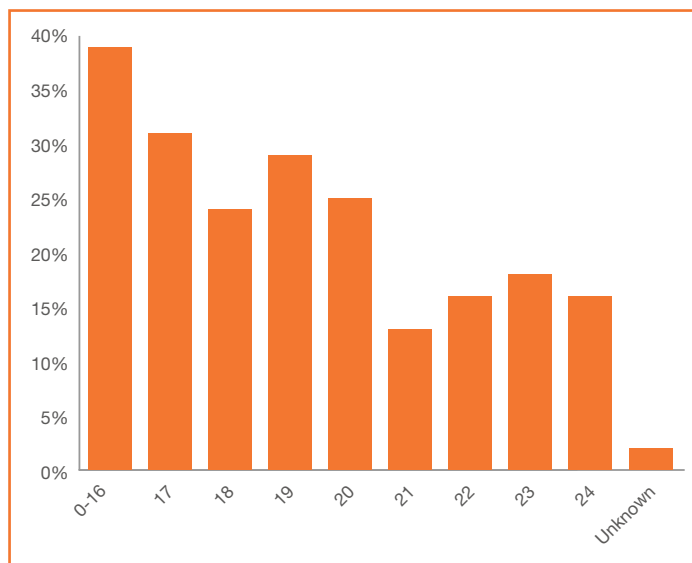
Although they made up a smaller proportion of disengaged young people overall, the risk of being disengaged from work and learning was higher among those who left school before the age of 18 and among those with fewer qualifications (see figures 1.9 and 1.10).

- The proportion of young people not in work or education for those who had left school at or before the age of 16 was nearly 40 per cent, compared to just 13 per cent for those leaving education aged 21, many of whom are likely to be graduates.



- Similarly, our analysis showed that 40 per cent of young people with no qualifications and 24 per cent of those with level 1 qualifications were not working or in education.
- This compared to 15 per cent for those with level 2 qualifications and 13 per cent for those with a degree. The lowest level of youth unemployment among young people in London was for those with level 3 qualifications (A-level or equivalent), at 9 per cent.

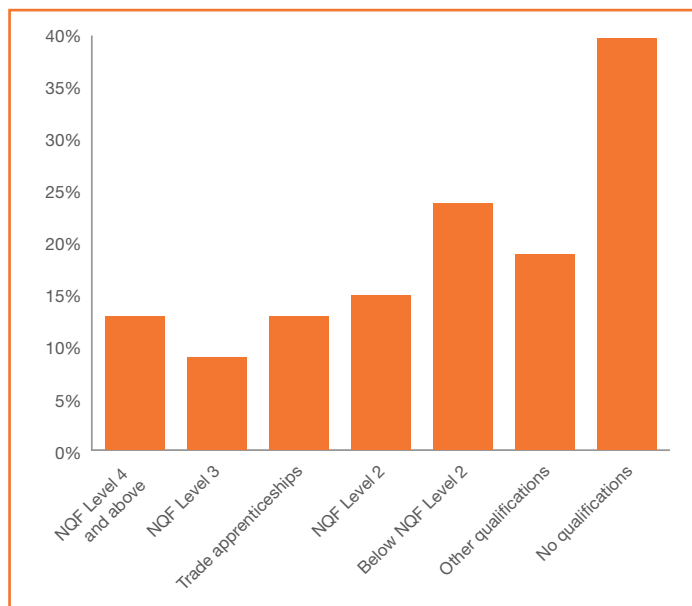
**Figure 1.9**  
16 to 24-year-olds not in employment, education or training in London, by age left full-time education



Source: GLA for IPPR (see note 1)

Notes: The five smallest bars in the 16 to 18-year-old category represent fewer than 10,000 respondents and so should be treated with some caution.

**Figure 1.10**  
16 to 24-year-olds not in employment, education or training in London, by qualification



Source: GLA for IPPR (see note 1)

Examining the characteristics of young people not in employment or education may help to identify which young people are most at risk of disengagement. The reasons for disengagement, however, vary and, as Gracey and Kelly (2010) point out, the label ‘not in employment, education or training’ can be problematic, implying that these young people are a ‘problem to be addressed’, rather than examining the wider causes of disengagement. These will include the limited or unsuitable opportunities available to young people in work and education, to which we now turn.

## 2. THE DISAPPEARING YOUTH LABOUR MARKET AND THE IMPACT OF THE RECESSION

### Summary of key points

- Transitions from school to work have become longer and riskier due to labour market change, the nature of jobs young people enter, and high competition at the lower end of the labour market, which is particularly intense in London due to high numbers of commuters and inwards migration from elsewhere in the UK and abroad.
- School-leavers find it harder to move into stable and well-paid work than graduates, in part due to the reluctance of employers to recruit and train teenagers, and in part to the large pool of graduates and other workers who compete for similar jobs while waiting for something better to come along. International comparisons suggest these outcomes are not inevitable.
- The proportion of 16 to 24-year-olds not working or in full-time education in England has been rising since 2004. Regional variations are within the margins of error, but appear to suggest that the capital has fared better in the downturn than England as a whole.
- Evidence on movement between employment, inactivity and unemployment since the start of the recession suggests that young people were first in the firing line when the recession hit, and have since suffered from employers' unwillingness to take on new recruits. The latest data shows that younger workers are nearly twice as likely to fall out of employment as older workers in London, and more than three times as likely in the rest of the UK.
- Over the course of 2010 and 2011, young people in London became less likely to remain in work, and less likely to move from unemployment into work. There has also been an increase in the likelihood of becoming 'inactive', suggesting that many young people have reacted to tough labour market conditions by staying in or returning to education. Intriguingly, this decline in the job prospects of young people occurred only in London.
- A survey conducted for IPPR by YouGov suggests that the majority (70 per cent) of young people in London have high aspirations. However, many are worried about their employment prospects and the ability of the job market to deliver: 46 per cent agreed with the statement 'I am worried about my employment prospects' and 60 per cent agreed with the statement 'I am worried about being able to get the job I want in the future'.

Although the trend towards greater participation in education is partly a reflection of the expansion of post-compulsory education, it also reflects the decline in the job opportunities available for young people. A recent inquiry by the UK Commission for Employment and Skills (2011) found that under a quarter of employers recruit young people directly from education, and just 6 per cent take on school-leavers. UKCES found that, at just 3 per cent, employers in London were least likely to recruit school-leavers when compared to other regions. The evidence suggests that both the quantity and quality of jobs available to young people are factors in explaining why a significant minority struggle to make the transition into secure and well-paid employment.

First, there has been a shift in the types of jobs young people enter, particularly for low-skilled young men. Deindustrialisation led to a decline in the availability of routes into skilled work for (mostly male) school-leavers, such as apprenticeships. Today, although

significant gender segregation persists, male and female school-leavers are most likely to work in low-skilled jobs in the service sectors (Bivand 2012) and young people are far more likely to be in temporary or casual jobs than older workers (UKCES 2011). London's transformation from an industrial to a service economy has mirrored changes in other parts of the country, with an increase in both higher-paid, high-skilled jobs and low-paid, entry level jobs (see Kaplanis 2007, LDA 2010). In theory, the high numbers of entry level jobs in London and elsewhere should make it easier for disadvantaged workers, such as young people and low-skilled workers, to find work. However, many of these jobs by their nature – casual and insecure, with few opportunities for training or progression – lead to a more protracted transition into stable and well-paid work (Keep 2011).

Second, it has become harder to identify a distinct 'youth labour market' (Maguire 2010). The decline of skilled routes into work for school-leavers and a growing reluctance among employers to hire them mean that they increasingly compete with more experienced workers for the same jobs, in addition to competing with more highly qualified young people. The 'labour queue' is likely to be compounded for some groups and explains why disadvantaged groups are disproportionately represented among the unemployed. Ethnic minorities, for example, may suffer from discrimination from employers, while parents and people with disabilities or learning difficulties are likely to require more flexible working conditions than are generally on offer. The expansion of university education may have helped to push school-leavers further down the queue, and employers now have a large pool of graduates from which to recruit (Wolf 2011, Keep 2011, UKCES 2011). This competition is heightened when there are few jobs generally, as is the case at the moment. However, the relatively poor labour market performance of disadvantaged groups is not inevitable, and has been associated with the more unequal labour markets of the UK and the United States (Ryan 2001b).

These problems are magnified in London,<sup>2</sup> where schools perform better on average than in many parts of the country but young people often struggle to find a foothold in the labour market. Demographic factors in the capital mean that the labour market is intensely competitive, particularly at the lower end. London has a large student population and a high number of commuters. Its vibrant economy attracts both young graduates from elsewhere in the UK as well as international migrants. Many of these relatively well-skilled new residents often take on low-paid jobs while they finish their studies or look for something better, leaving those with the weakest skills and experience more likely to be 'squeezed out' (HM Treasury 2007). The high cost of housing, childcare and transport relative to wages creates additional barriers for some jobseekers in London, limiting their ability or willingness to move or travel for a job unless it pays enough to be worthwhile (Gregg 2006).

While these changes have increased the incentives to stay in education, for some young people they can result instead in disengagement. Low aspirations among disadvantaged groups have increasingly become a focus for policy. Of course, young people's choices about whether to stay on in education may partly reflect rational decisions based on the opportunities that learning will open up in the labour market. But although education does improve people's employment prospects, the prevalence of low-end jobs, and limited progression opportunities in particular, can lead to a disincentive to engage in education and training, especially where there are few 'better' jobs available (Keep 2009, Gracey and Kelly 2010). Even in areas where higher-skilled and better paid jobs are available (as is the case in London), disadvantaged young people may perceive that their chances of competing with people higher up the 'pecking order' are limited (Keep 2011).

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<sup>2</sup> See Ben-Galim et al (2011) for a fuller discussion of London's labour market and employment context.

Addressing the poor progression prospects of many entry-level jobs and the unwillingness of most employers to recruit and train young people is crucial to creating a smoother school-to-work transition and addressing the structural youth unemployment that existed long before the current economic slump.

### The impact of the recession in London

Young people tend to be hit harder by recessions than more experienced workers, but the UK's faltering recovery means that the effects are still being felt four years after the global financial crisis first struck. Bivand et al (2011) note that the lengthy period of high youth unemployment and rising long-term unemployment is similar to the pattern during the recession of the early 1980s, in contrast to the recession of the early 1990s, when youth unemployment fell within just two years after it peaked. The pace of redundancies has slowed, but the deteriorating outlook for demand, reduced business confidence due to austerity at home and turmoil in Europe, and a reluctance to recruit new workers have all contributed to the continued upward curve in youth unemployment.

The recent downturn masks a longer-term problem, however: the numbers of young people not in employment, education or training were rising in both London and England overall during the period of strong growth and high employment that preceded the recession. Similarly, recent analysis by the Office of National Statistics found that although in early 2004 young people aged 16–24 (excluding those in education) had a similar employment rate to 25 to 64-year-olds (at about 75 per cent), by late 2011, the rate for the younger cohort had fallen to 66 per cent while the rate for the older age group remained almost the same (ONS 2012).

Theories to explain the rise in youth unemployment since 2004 include a higher number of young people entering the labour market due to a baby boom (Bell and Blanchflower 2010); a decline in employment in the sectors where most young people are employed, such as retail, hotels and restaurants (ACEVO 2012); and a shift in welfare-to-work resources away from young unemployed people to other unemployed groups (Van Reenan and Petrongolo 2011). The phenomenon is not specific to the UK, however: the position of young people declined in relation to adult employment across the EU between 2003 and 2008 (O'Higgins 2012).

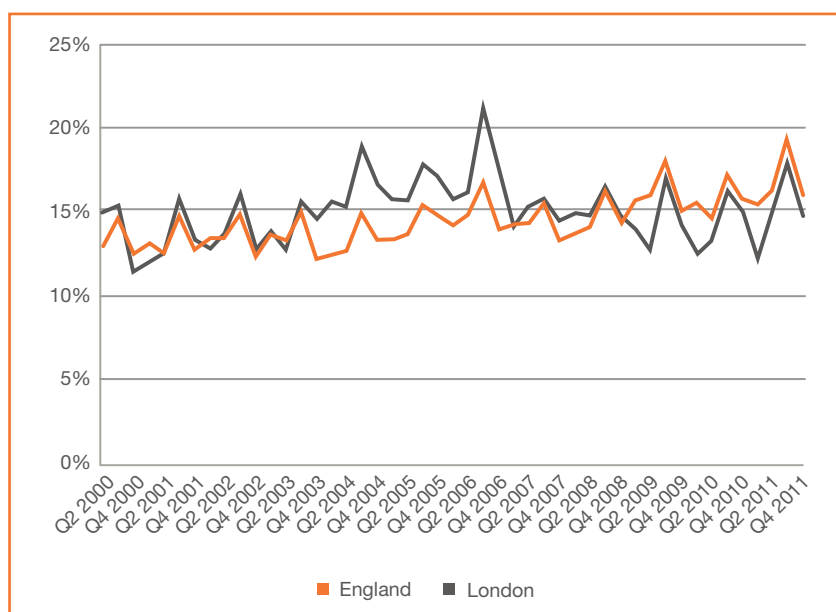
The data suggests that, while the rate of young Londoners not working or in full-time education was previously higher on average than in the rest of England, it began to decline in 2006 and that the capital has fared slightly better than the rest of England since the recession in 2008, as the chart below shows. The latest data shows that 16 per cent of young people in England are not working or in full-time education, compared to 15 per cent, or 128,000 young people, in London. The rate declined in the last quarter of 2011 across all regions except the East Midlands. The margins of error in the figures for the numbers not working or in full-time education are relatively large, however, making regional comparisons tenuous.

Based on analysis of longitudinal data conducted for IPPR by the Greater London Authority (GLA),<sup>3</sup> we examined the likelihood of individuals moving from one employment status to another. Known as the 'hazard rate', this allows us to examine what happened to employed, inactive and unemployed young Londoners since the start of the economic downturn in 2008, and how this compared to both older workers and to the rest of the UK. The rest of this section presents the findings.

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3 See note 1

**Figure 2.1**  
16 to 24-year-olds not in employment, education or training, 2000–2011



Source: Labour Force Survey, Q2 2000–Q4 2011<sup>4</sup>

Young people – who tend to be newly employed and are more likely to be in casual or temporary jobs – are more vulnerable to redundancy than older workers. Examining youth unemployment across the EU since the recession, O’Higgins (2012) found that temporary jobs now represent the primary (in some cases the only) form of employment available to young people, and that this is a contributing factor to youth unemployment problems. Our findings showed that young people (16 to 24-year-olds) in London and the UK were less likely to remain in employment from one quarter to the next when compared to older workers (25 to 64-year-olds). The likelihood of young Londoners moving from work into unemployment has also been consistently high compared to older workers. The difference narrowed slightly over 2010 and 2011, but the latest data shows that younger workers are nearly twice as likely to fall out of employment as older workers in London, and more than three times as likely in the rest of the UK.

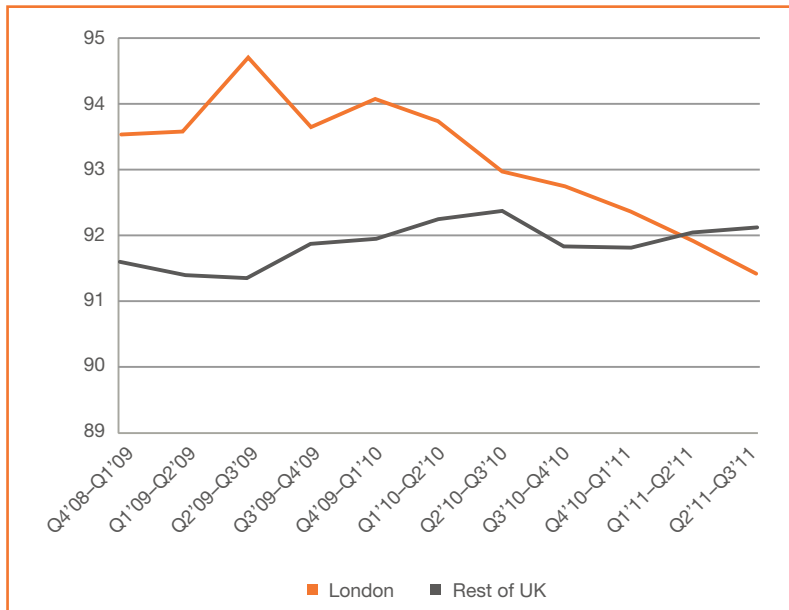
If employers are hoarding labour in this recession, this would benefit existing employees over new entrants and unemployed workers. Our analysis is consistent with this theory, showing that over the course of 2010 and 2011, young people in London became less likely to remain in work, and less likely to move from unemployment into work. Intriguingly, this decline in the job prospects of young people occurred only in London: by mid-2011, young Londoners were less likely to remain in employment from one quarter to the next than their contemporaries across the UK (see figure 2.2).

The increased risk of falling out of employment since 2010 is paralleled by a higher rate of younger Londoners becoming ‘inactive’. The proportion of young people in work becoming inactive has doubled from just under 3 per cent in early 2010 to nearly 6 per cent in mid-2011. This is again a trend that occurred only in the capital (see figure 2.3). This ‘newly inactive’ group includes students, who make up the vast majority of young people who are inactive, and may support evidence suggesting that increasing numbers

4 Available at <http://www.education.gov.uk/researchandstatistics/statistics/recentreleases/a00202439/neet-statistics-quarterly-brief-quarter-4-2011>. (last accessed 28 February 2012).

of young people, particularly 16 to 18-year-olds, have reacted to the more difficult labour market by returning to education (Bivand et al 2011). However, it is not clear why the effect is more marked in London than in the rest of the country.

**Figure 2.2**  
Hazard rates for young people in London aged 16–24 remaining in employment



Source: GLA for IPPR (see note 1)

**Figure 2.3**  
Hazard rates for young people in London aged 16–24 moving from employment to inactivity



Source: GLA for IPPR (see note 1)

In general, our analysis showed that young people are more likely to move in and out of inactivity, and less likely to remain inactive, when compared to older workers, reflecting different reasons for inactivity, such as studying as opposed to long-term sickness or

retirement. However, even for younger people, the likelihood of remaining inactive was far higher than the rate of outflows from inactivity into work or unemployment. This may support previous studies showing that joblessness or discouragement can become a structural issue (Ryan 2001b).

A survey of 200 young Londoners aged 16–19 conducted by YouGov for IPPR in November 2011<sup>5</sup> suggests that young people in London have high aspirations, but that many are concerned about the job market's ability to deliver. The majority (70 per cent) agreed with the statement, 'I am aiming high in both my career and life in general', while just 6 per cent disagreed. (A further 14 per cent neither agreed nor disagreed and 12 per cent responded 'don't know'.) However, 46 per cent of respondents responded that they 'strongly agree' or 'tend to agree' with the statement 'my employment prospects worry me', while only 19 per cent disagreed. For some of those in employment, the threat was more immediate: 12 per cent felt insecure in their job, compared to 18 per cent who disagreed. Insecurity was more marked among those working part-time, although the numbers are too small to draw strong conclusions.

There was also widespread concern about whether the job market would meet their expectations in the longer term: 60 per cent of those surveyed agreed with the statement 'I am worried about being able to get the job I want in the future', a third of whom were 'very worried'. Only 27 per cent were 'not worried at all' or 'not very worried'. Asked what would most help them to get a job, a third of 16 to 19-year-olds surveyed in London said 'getting qualifications' was the most important factor and the same proportion thought getting experience is what counts. One in five thought having friends or contacts would most help them to get a job. Small minorities of young Londoners surveyed thought that 'the gift of the gab' (7 per cent) and 'looking good' (1 per cent) were the most important factors.

The trends explored earlier in this chapter suggest that London's labour market is increasingly working against young people, whose employment prospects rely heavily on expanding recruitment. Young people have suffered in particular from employers' unwillingness to take on new recruits, particularly on a permanent basis. Studies suggest that redundancies, which would affect older and existing workers, have been lower than expected when compared to previous recessions, due to relatively low wage increases (Gregg and Wadsworth 2011), and that in general the patterns for older workers have been more stable over the economic downturn. The conditions for young people have fluctuated more, and appear to have worsened in London over the course of 2010 and 2011. The data for London shows a decline in the likelihood of remaining in employment and an increased chance of becoming inactive – trends that do not hold for young people in England as a whole.

In this context, the most immediate policy concern is to prevent the risk of structural unemployment among young people and the potential 'scarring' effect of long periods of unemployment. This depends on national efforts to drive growth and high employment, but also the local coordination in place to support employers to innovate and grow, ensure education and training provision is responsive to local needs, and match people to jobs. The increase in inactivity may suggest that more young people in London are choosing to stay in education and perhaps allays fears of a 'lost generation'. However, this depends on the quality of the education provision available. The next section examines the support for the school-to-work transition, and particularly the persistent problems with provision for those who do not choose the academic route.

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5 Roughly reflecting the status of young people in London overall, about 60 per cent of the sample were full-time students, a third were working and 9 per cent were unemployed or 'not working'.



### 3. SUPPORT FOR THE SCHOOL-TO-WORK TRANSITION

#### Summary of key points

- The difficulties school-leavers and other disadvantaged groups face in the labour market are compounded by a lack of support for the school-to-work transition, and in particular a lack of clear and high-quality progression routes for those who do not choose the academic route. This is despite the fact that only a third of young learners are on track for university.
- The lack of strategic leadership or local contextual knowledge in the commissioning process for post-16 education exacerbates this. Increased institutional autonomy among schools and other post-compulsory education providers has not been accompanied by measures to ensure provision caters for all educational needs across a given area, and a lack of coordination exacerbates the difficulty for young people when making important study choices at ages 14 and 16.
- A weak regulatory framework and a lack of stakeholder involvement in the design and content of vocational education and training also mean that qualifications often do not reflect the different interests of employers and employees in high-quality specialist vocational education. While there are a few good specialist vocational colleges in the capital, the bulk of non-academic post-16 provision consists of basic skills and low-level vocational courses, many of which do not provide a platform for work or further study.
- Poor information, advice and guidance mean young people have little support to navigate this complex environment.

The transition from education to work has become longer for young people as a whole, but for a significant minority long periods of unemployment and the rise in temporary and casual work can make it difficult to find stable work, with consequences for future employment and earnings. The difficulties school-leavers and other disadvantaged groups face in the labour market are compounded by what has been described as a 'chaotic' institutional landscape supporting the school-to-work transition (ACEVO 2012). Persistent challenges in education provision for non-academic children and a lack of support for this transition have been identified as exacerbating factors in structural youth unemployment in the UK (Van Reenan and Petrongolo 2011).

This section explores the options available to young people who do not choose the academic route and provides understanding of the factors behind the polarised outcomes between school-leavers and graduates. It draws on interviews with education providers and councils across the capital and in particular conversations to identify the education and employment context in two London boroughs: the inner city borough of Newham in east London, and the outer south London borough of Croydon.<sup>6</sup>

#### A fragmented landscape: lack of advice and clarity for the non-academic route

Despite the media and policy attention that is focused on the academic cohort, only a third of young people are doing three or more A-levels and so on are track for university

<sup>6</sup> Interviews were conducted with the school improvement service and youth policy coordinators at Croydon and the 14-19 education, employment and research teams at Newham council. In addition, interviews were conducted with several local further education (FE) college principals and a representative from London Councils, and a group discussion was conducted with 14-19 service leads across London.

(Fuller 2011). Progression routes for these young people are relatively clear and well-established, but the choices and opportunities available to young people in both education and work vary immensely. Many others face a complex web of courses, which are often of low quality relative to European standards, and a lack of good information, advice and guidance to support their choices.

A well-functioning system requires a balance of strategic oversight and local responsiveness. A key concern is that an increasingly fragmented institutional landscape has not been accompanied by measures to ensure a coherent mix of educational provision in a given area. In recent years, increased institutional autonomy has been introduced in order to drive up the quality of education and training. The Labour government replaced under-performing schools with academies and gave other schools the option of opting out of local authority control to become centrally funded. The Coalition government is building on this approach with the expansion of academies and new 'free schools' and the introduction of university technical colleges, which aim to provide education with a more applied focus for 16 to 18-year-olds.

While institutional autonomy has been found in some cases to raise standards, no one school or institution can cater for the needs of all learners. Collaboration is therefore essential (Pring et al 2009). In the capital, many young people travel across boroughs for post-compulsory education, making a regional strategy to minimise gaps and duplication particularly important. In both Croydon and Newham, for example, some young people travel outside the borough for post-16 education, while local providers also cater for a smaller proportion travelling in from neighbouring boroughs.

One consequence of the lack of strategic oversight at regional level is a dearth of high-quality specialist vocational education. Interviews conducted with local authority representatives and education providers in both Croydon and Newham suggested that the majority of schools and sixth-form colleges focus largely on the academic route, driven by constraints such as a lack of specialist equipment (and, anecdotally, snobbery about the value of vocational education). Croydon is unusual in that one of the three local further education (FE) colleges recently elected to stop offering general academic A-levels and instead to specialise in five vocational areas.<sup>7</sup> Generally, although London boasts some strong vocational colleges specialising in particular sectors and occupations – notably, City and Islington College in environment and land-based studies and optics and ophthalmics, and Westminster Kingsway in catering – most post-16 providers offer a mix of general education, basic skills courses and NVQs, often at a relatively low level.

The levers available to local and regional actors to ensure that the needs of all learners are catered for have been persistently weak, with decisions about provision often driven by funding arrangements and central performance incentives. Under Labour, educational provision in FE colleges was driven largely by targets set by the government concerning increased participation in full-time educational and the proportion of the population qualified to various levels, the latter benchmarked against other OECD countries. Funding for colleges was based on the number of qualifications delivered. Local authorities were given a statutory duty to ensure there was enough education provision for all 16 to 19-year-olds. As a result, most continue to host regular meetings with local education and

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<sup>7</sup> John Ruskin College became an entirely vocational college in 2010 and now specialises in: sports and science; hair, beauty and spa therapies; creative industries and technology; health, care and early years; and business. The other two FE colleges in the borough offer a mix of academic, basic skills and vocational courses, in one case restricted to 'academic' vocational subjects such as maths.

training providers to discuss and coordinate around any gaps or duplication. However, autonomous providers such as free schools and academies are not required to attend the groups. Local authorities were only given their commissioning role towards the very end of the Labour administration, a role which allowed them to provide local contextual knowledge that the (now defunct) Young People's Learning Agency would use to make funding decisions about provision.

More recently, the Coalition government has rightly criticised Labour's central targets for being arbitrary and failing to reflect local circumstances. Providers will now be free to determine what courses are on offer, with funding driven by 'demand', based primarily on the number of learners enrolled over the previous year. The local authority and education stakeholders we spoke to in London welcomed the removal of central targets to determine provision. However, some were concerned that a market-led approach would exacerbate the leadership gap, with no mechanisms in place at local or regional level to ensure that provision meets the needs of different learners or matches up with the reality of the economy, or to drive improvements where providers underperform. Councils were stripped of their commissioning role in July 2010 (a role they had only acquired only months earlier), and currently have no remit to determine provision or leverage to ensure that local providers attend meetings to coordinate with each other.

Government plans to increase the compulsory participation age to 18 by 2015 may offer an opportunity to increase and diversify provision, but whether or not this occurs will be largely left to chance. There is no clear strategy to ensure that all learners will be engaged and provided with opportunities to progress, or to address the lack of high-quality vocational provision in the capital. Several interviewees were concerned that demand-led funding would mean that specialist courses which by their nature do not attract such high numbers may not survive, and that the changes could further distort the market towards academic options, particularly given that the Coalition is also encouraging schools to focus on academic subjects through the new 'English baccalaureate' (see also Clifton and Muir 2010).

A demand-led approach depends on young people having all the information they require to make informed choices. Yet the lack of impartial and high-quality information, advice and guidance available to young people in England has long been a concern. In our interviews, some stakeholders within local councils criticised the youth employment and advisory service Connexions, but they were all concerned that young people have had no access to impartial advice since that service had its funding cut in 2011. Interviewees felt that current plans to give schools responsibility for providing information and guidance would be problematic: anecdotally, many schools view vocational education as a second-rate option and, because funding follows the pupil, there is a structural incentive for schools to encourage young people to stay on rather than consider other local options (see also Watts 2012). Poor advice and inappropriate referrals were seen as a reason why some students drop out of education and training altogether (see also Fletcher 2012).

Newham Council has brought the Connexions service in house and set up a progression team to advise schools. However, the extent to which councils have been able to protect young people's services varies considerably and the lack of dialogue between local institutions poses a significant challenge. Plans for a new national careers service may play a role, but this depends on resources and how the new service is organised, including the extent to which it remains (as under current plans) mostly an online service, limiting personal contact and the relevance of advice to individuals. Even with more

extensive information in place, there is little to suggest learner demand will neatly match up with the reality of the job market or what employers require. Meanwhile, thousands of young Londoners are not in any form of education or training and so are not expressing demand at all.

The lack of good advice leaves young people dependent on their peers and parents to make choices around education and employment. This further entrenches socioeconomic differences and reflects a wider cultural landscape that sees the preparation of young people for work and responsible adulthood as solely the responsibility of the education system and of families (Bynner 2011). Overall our research suggested that, despite local efforts at collaboration, the market-led approach to determining local educational provision is unlikely to bring any much-needed clarity to the progression routes available to non-academic students.

### **An impoverished view of vocational education**

It is not just the strategy and advice surrounding the non-academic route that is a concern, but the relative quality of the vocational education and training available. The focus on qualifications and rates of participation masks underlying problems of transition and progression in vocational education (Hodgson and Spours 2010). Although we heard examples of innovative initiatives and attempts to set up high-quality, specialist provision in the capital, concerns reflected those raised by the recent Wolf review of vocational education that many courses do not provide a platform for work or further study (Wolf 2011). These problems are not specific to London, and reflect the weak institutional environment in England.

In other northern European countries, notably the German-speaking and Scandinavian countries, vocational education and training acts as a ‘safety net’, and provides progression pathways with strong links to the labour market (Fuller 2011). This is supported by more widespread use of occupational licensing –which makes specific qualifications a requirement for certain roles as a means of promoting strong workplace standards – particularly in sectors where low professional competence poses a risk to consumer wellbeing. This is in sharp contrast with the situation in England, where decisions about training have historically been left to employers and vocational education has only weak links to the labour market (Greinert 2002). In a weak regulatory environment, employer engagement with vocational courses is dependent on their own preferences and skills shortages.

Employers and learners want different things from vocational education. Employers’ interests lie in meeting their immediate skills needs. Research conducted with employers suggests that the most important attributes employers look for are a good work ethic and so-called ‘employability’ skills – including softer interpersonal and behavioural skills such as timekeeping, eye-contact and teamwork –, with a smaller number of employers also concerned about a lack of job-related and technical skills among young people (UKCES 2011). Employers’ reluctance to hire young people is also partly rooted in the perceived difficulty of socialising young people into work: a study conducted by the CIPD (2012) found that many employers see young people as costly and that managers worry about the level of support they require. Young people, on the other hand, require transferable qualifications that are widely valued and recognised, and so which support mobility and progression in the labour market (Brockmann et al 2011). Employees, in other words, may require a broader curriculum than is required by employers.

Tailored vocational courses can play a key role in meeting employers' needs and supporting the socialisation process. Several local initiatives are seeking to improve links to the labour market. John Ruskin College<sup>8</sup> in Croydon plans to set up an in-house agency to engage employers to provide work experience, prepare students for work and provide job brokerage. Newham council has long placed a strong focus on employer engagement to address high unemployment in the borough, including several initiatives to encourage large local employers to hire local people and provide the training required to get people 'job-ready'. In addition to the brokerage service it runs for adults in Newham, Workplace, the council has recently commissioned an employment service targeting young people. Both John Ruskin College and Newham council noted that once employers were involved and understood what was required, they were often very positive.

The limitations of local initiatives to engage employers is that they may not meet the needs of young people, as they inevitably focus on the immediate skills needs of the business in question. As noted above, many young people work in relatively low-skilled sectors, and some employers are reluctant to release them to attend the kind of off-the-job study required for a broader curriculum. Historically, the focus on employers' immediate skills needs in England's training system has tended to narrow the purpose of vocational education to preparation for a specific job (see Payne 1999, Fuller and Unwin 2011b). There is little in place nationally to safeguard young people's need for broad qualifications and training that ensure transferability, allowing them to progress to better jobs or further study regardless of the job they start out in. Introduced in the 1980s, competence-based NVQs, for example, are granted on assessment of a learner's ability to carry out a narrow range of tasks associated with a specific, sometimes low-level, job. England is the one of the few developed countries – and certainly an outlier in Europe – where obtaining the qualification may not involve any additional education or training at all, as this is optional. Because NVQs tend to accredit existing skills rather than develop new skills, they have low wage returns relative to other qualifications, including other level 2 and 3 vocational qualifications such as BTECs (London Economics 2011, Greenwood et al 2007).<sup>9</sup>

Historic problems with the quality of the vocational route have also been exacerbated by the tendency to see it as a way of re-engaging disengaged learners, rather than a high-quality form of specialist education on a par with academic options. This focus has fed a temptation to water down vocational qualifications and courses, and contributed to their status as something for 'other people's children'. The result is a relatively narrow curriculum that can also inhibit students from progressing to further study, including between vocational courses at levels 1, 2 and 3 and between vocational and academic courses.

The lack of communication between schools and other post-16 providers exacerbates the difficulty for young people when making important study choices at ages 14 and 16. In London, for example, cases were cited of schools that had taught supposed vocational equivalents to GCSEs that did not meet the entry requirements of higher level vocational courses and of FE colleges that offered vocational courses that did not meet the standards required to progress to higher education.

This is in sharp contrast to other northern European countries, where vocational education is seen as a way of preparing individuals for employment and citizenship more broadly and may be part of a mixed curriculum delivered to all teenagers. Strong legal frameworks in the

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8 See note 7

9 Wage returns vary considerably by gender, sector, how a qualification is gained, and who pays for it. Some low-level NVQs have positive wage returns for some groups of learners (London Economics 2011).

German-speaking and Scandinavian countries guarantee the quality of work- and college-based vocational education and training for young people. Initial vocational qualifications are far more than preparation for a specific job: they include substantial general education, including related academic subjects, in addition to technical or knowledge-based training. This underpins mobility and progression in the labour market and is supported by a much stronger regulatory framework. The box below compares apprenticeships in England with those in other northern European countries, where rates of youth unemployment are far lower (OECD 2011). In these countries, the vocational education and skills system is governed by democratic institutions built on social partnership. The relevant unions and employer associations are responsible for developing and regularly updating the content, form and assessment procedures in their sectors, ensuring that the interests of both employers and employees are represented in high-quality and relevant vocational qualifications. In England, by contrast, there is very little direct input from employers or employees into the design or development of vocational courses. Employee representation on sector skills councils, which are responsible for approving qualification frameworks for their sectors, is limited to one place, while employer representatives are often from large companies that may not represent the interests of smaller firms or a sector as a whole (Lanning and Lawton 2012). As a result, vocational courses frequently come under fire for failing to reflect the needs of either employers or learners.

#### **Apprenticeships: a comparison with other northern European countries<sup>10</sup>**

Apprenticeships are a central plank of the Coalition government's strategy to meet Britain's skills needs and address high youth unemployment (see BIS 2010). The strength of apprenticeships lies in the unique combination of work-based and off-the-job training, which ensures that they meet the specific needs of employers but also provide young people with transferable qualifications. However, while there are some very good apprenticeships, particularly in the male-dominated traditional apprenticeship sectors such as engineering, most of the recent growth has been in low-skilled service sectors, where concerns about quality are most acute.

In other northern European countries, apprenticeships are set at level 3 or above and most last at least three years, providing young people with structured routes into skilled and semi-skilled jobs. London has experienced an impressive increase in apprenticeships in recent years, including in sectors where apprenticeships were not present previously, such as finance. However, out of a total of 41,400 apprenticeships in London in 2010–11, 66 per cent were at level 2 (the same proportion as in England overall).<sup>11</sup> The average duration of an apprenticeship in England is just one year.

In other northern European countries, apprentices spend a minimum of one day a week studying general and technical education in college. It is this off-the-job learning that underpins mobility and progression in the labour market. In England, legal guidelines introduced in 2011 stipulate a minimum of 280 guided learning hours a year, with just two hours of off-the-job training a week. The only knowledge

10 See Lanning and Dolphin (2011) for a full discussion of apprenticeships in England and how they compare with their continental counterparts.

11 Data from the latest statistical first release: [http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr\\_supplementary\\_tables/Apprenticeship\\_sfr\\_supplementary\\_tables/](http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_supplementary_tables/Apprenticeship_sfr_supplementary_tables/) (last accessed 28 February 2012).

and general education components stipulated are basic skills and, depending on the requirements of the employer, ICT (BIS 2011). Concerns have also been raised about the low value of entirely programme-led apprenticeships in England (Lawton and Norris 2010).

According to a response to a request for information by Green party London assembly member Darren Johnson, in 2010–11 over three-quarters of apprenticeships in the GLA group<sup>12</sup> were at level 3 or above. Levels of off-the-job training, however, suggest that many public sector bodies have followed the minimum requirements, rather than set a gold standard. Data was not available across all departments, but the London Fire and Emergency Planning Authority reported that its seven young apprentices received just 56 hours of off-the-job training in 2010, or little more than an hour a week. Apprenticeships offered to Metropolitan Police Service staff consisted of between one and five half-day workshops, or a total of 20 hours. This contrasts with requirements for 900 guided learning hours for apprentices in France and 3,000 ‘competence hours’ in Germany,<sup>13</sup> where the quality of in-work training is also regulated.

While local flexibility over form and content is important, a stronger national quality framework for initial vocational qualifications such as apprenticeships would weed out the lower quality courses. Yet current policy appears to be going in the opposite direction. The Coalition government is giving employers and colleges greater flexibility to develop partnerships around vocational education and training. The hope is that this will lead to greater relevance to employers’ needs and clearer links between vocational courses and the job market. However, as Fuller and Unwin (2011a) argue, allowing schools, employers and FE colleges to choose vocational qualifications without wider regulatory constraints to guarantee standards is likely to exacerbate persistent problems with the poor quality of some vocational education, and could lead to further inequality in the education system.

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12 The GLA group comprises of Transport for London, the London Fire and Emergency Planning Authority, the Metropolitan Police Authority and the London Development Agency, as well as the GLA itself.

13 Figures cited by Richard Marsh of the National Apprenticeship Service in a presentation to the ESCR Festival of Social Science seminar ‘Developing Vocational Excellence’, available at: <http://www.skope.ox.ac.uk/events/2011/11/04/escr-festival-social-science-seminar>.

## 4. CONCLUSIONS AND RECOMMENDATIONS

This report has examined the school-to-work transition in the context of rising youth unemployment in London and the UK. It has identified the key groups of concern as those not working or in full-time education, including some of those who are not actively seeking work. The majority of young people not in employment, education or training in London are aged 19–24, but the smaller proportion of 16 to 18-year-olds who leave education early are at higher risk of becoming disengaged.

The immediate problem is an absence of demand for labour in the current economic downturn, which is affecting new entrants to the labour market more severely than it does older and more experienced workers. To a large extent, reducing high youth unemployment depends on returning the economy as a whole to growth and high employment. However, the evidence on structural unemployment suggests that a minority of young people will not necessarily be ‘lifted by a rising tide’. The most pressing challenge is to prevent a permanent scarring effect on the rising numbers of young people who are out of work for long periods of time or cycling between numerous low-paid jobs.

The government’s £1 billion ‘youth contract’, which came into force in April 2012, will support more young people to access opportunities in the private sector through wage subsidies and work experience. The government should build on this to offer all long-term unemployed young people the guarantee of a job at the minimum wage, backed by an obligation to take up the work. With private sector demand low, many of these jobs could be provided by local government and charities. The measure would mitigate the risk of scarring and could also compensate for longer-term trends that have seen employers become increasingly reluctant to hire and train school-leavers.

In the longer term, there is a need to address the deep-rooted underlying problems in England’s employment and education systems that have led to increasingly polarised outcomes for young people. While it is beyond the scope of this report to address all these issues, we suggest some ways forward. Fuller (2011) argues that post-16 education should be conceived of as a ‘transition system’, with a focus on providing diverse, clear and high-quality progression routes. Building on this idea, we argue for a shift from institutional fragmentation to strategic oversight and from participation to progression. We call for a stronger national regulatory framework for vocational education and training and institutional reforms to engage key stakeholders in developing a broader and higher quality curriculum for vocational courses, combined with attempts to encourage employers to help shape and support the next generation of workers in the longer term.

### **From fragmentation to strategic oversight: a regional approach to education and information**

The decisions made by autonomous post-16 education and training providers are too often made in isolation, driven by central funding incentives rather than a collaborative approach capable of ensuring that all learners in the area are supported and catered for by a range of high-quality options in education and work. In particular, there is a lack of specialist and high-quality vocational education. This is compounded by a lack of levers for local and regional actors to address gaps and duplication or intervene when providers underperform. Rather than being ‘led’ by employer or student demand, strategic oversight in London should aim to balance the different needs of employers, learners and wider economic needs, while encouraging local collaboration.



## **1. Devolve commissioning responsibility to ensure a strategic approach to skills provision**

- Devolved funding for post-16 skills would enable greater strategic oversight and enable regional policymakers to ensure educational provision supports smoother transitions from learning to earning. The post-16 skills budget should be devolved to regional level and decisions should be taken in consultation with local authority representatives and regional industry stakeholders.<sup>14</sup> A key objective should be to create diverse, clear and high-quality progression routes, for example by expanding specialist vocational education offered by colleges and employers.
- Institutional autonomy must not mean that education and training providers operate in isolation. Providers should be required to report to commissioners on how they are collaborating with other local education providers to minimise gaps and duplication, for example by attending strategic meetings hosted by local councils to support collaboration between providers.

## **2. Improve the information available to inform young people's choices**

- Responsibility for information, advice and guidance currently rests with schools, which have limited budgets and may lack the expertise to deliver the required standard. The mayor of London should also be given a strategic role in commissioning information, advice and guidance and be tasked with engaging more employers to provide high-quality work placements for school students, alongside measures to improve information at local level.
- While there is extensive information for students to base their academic choices, no such information is available for the vocational route in post-16 provision. Providers should be required to provide information to allow students to make informed choices and enable local or regional actors to intervene in case of poor performance. This would include measures of pupils' progress on previous years, which are a better indicator of performance than raw attainment, and destination data for students on both academic and vocational courses. Current plans to publish some destination data should be extended to cover all groups of students. The data collected could be drawn together in area guides by local or regional authorities: for example, in London the GLA could host a guide for 16–19 education. This would support pupils' and employers' choices about which courses to invest in and enable providers to monitor whether the vocational courses they provide do offer a route to work or further study.

## **From participation to progression: raising standards in vocational education and training**

Major problems contributing to lengthier and riskier school-to-work transitions include both the poor quality of vocational education (relative to other northern European countries) and the nature of the jobs available to young people, which are often low-skilled and temporary with few opportunities for training or progression. This requires a combined economic and skills strategy to improve employers' demand for skills and job quality, and to ensure that high-quality training courses provide young people with access to those opportunities.

## **3. Strengthen the regulatory framework for vocational education and training**

- Occupational licensing can create stronger pathways from vocational qualifications into the labour market and should be used more widely, particularly in sectors where poor standards of professional competence are a concern for consumer

<sup>14</sup> The published minutes from the first meeting of the London Enterprise Panel, held on 21 February 2012, support this approach, outlining the panel's intention to develop a route map to further strategic powers for post-16 skills funding.

wellbeing (for example, in the social care, fitness and vehicle maintenance industries). Apprenticeships' unique combination of work-based learning and off-the-job general and technical training can meet the interests of both employers and employees, and should form the basis of new licensing requirements.

- The weakness of the regulatory framework for apprenticeships, however, means that a vast number of different programmes of very different quality all sit under the apprenticeship banner. The government should double the requirements for off-the-job training in apprenticeships and reserve them for 16 to 24-year-olds. This will ensure apprentices have the time to study a broader curriculum that supports labour market mobility and ensure that apprenticeships retain their unique purpose: to prepare young people for the world of work. These measures would help to weed out low-quality courses of little value.
- Money saved on training subsidies for adult apprenticeships should be redirected into efforts to upgrade more level 2 programmes to a level 3 standard. To protect the apprenticeship 'brand', only level 3 qualifications should be called 'apprenticeships', with level 2 work-based training renamed as traineeships. A minimum duration for apprenticeships may also help to increase employer commitment by allowing them to recoup the costs of training new apprentices over a longer period (for example, two or three years), during which time the apprentice becomes more productive but is still paid at a trainee rate.<sup>15</sup>

#### **4. Involve key stakeholders in the design and delivery of vocational education and training**

- Young people's transitions into work and responsible adulthood are the shared responsibility of the state, the community and the workplace. In other northern European countries, the institutions responsible for developing vocational qualifications are built on partnerships between the relevant industry or professional bodies and employee representatives that best understand the skills and experience young people will require throughout their working lives. In contrast, skills bodies in England have weak industry representation and are often criticised for failing to represent the interests of either employers or learners. Involving key stakeholders in the design and delivery of vocational education will require evolutionary changes to the current skills framework, carried out on a sector-by-sector and location-by-location basis:<sup>16</sup>
  - Sector skills councils (SSCs) should be reformed to ensure they are genuinely representative of the interests of employers and employees. They should be made up of one-third employer representatives, one-third employee representatives and one-third state and community representatives. Wherever possible these representatives should be drawn from existing employer associations and unions.
  - Reformed SSCs should have the power to develop and update the broad qualification frameworks for vocational education within their sector, in consultation with key stakeholders on an annual basis, rather than simply to approve them, as is currently the case. Stakeholders should be encouraged to develop high-quality vocational programmes to equip young people throughout their working lives, rather than simply to ratify competencies required in specific occupations.

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<sup>15</sup> For further discussion of how to raise the quality of apprenticeships see Dolphin and Lanning 2011.

<sup>16</sup> The history of vocational education and training in England and the case for these institutional changes are discussed in more detail in Lanning and Lawton (2012) with regards to the adult skills system.

- Vocational education and training also needs to be responsive to local communities and labour markets. Local enterprise partnerships (LEPs) should bring together a partnership of educational and industry stakeholders at regional level. Local skills boards would be responsible for developing the form and assessment procedures for college- and work-based vocational education and training in their sector, within broad sectoral frameworks to ensure equivalence.
- The LEP in the capital, known as the London Enterprise Panel, already hosts an employment and skills board. The members currently include representatives from colleges, welfare-to-work organisations, local councils and a small business representative from the London Chambers of Commerce. To ensure such partnerships are genuinely representative of the interests of employers and learners, and able to drive changes across the region, membership should be expanded to include relevant employer associations and unions for key regional sectors. Academic specialists in vocational education and training systems should also be consulted.

#### **5. Support more employers to recruit and train young people**

- The workplace is a key site of learning, particularly for young people starting out in their careers. Addressing the poor quality of many of the jobs available to young people, and in particular supporting more employers to recruit and train young people, is crucial to improving transitions from school to work. This requires efforts to drive up demand for skills among employers. In other northern European countries local and sectoral skills bodies do this by promoting innovation and high professional standards across the sectors and supply chains they represent.
- Reformed SSCs and local skills boards should have a remit to increase the demand for skills in their areas and sectors. Local skills boards could offer tailored business support, delivered through industry representatives, to help firms to innovate and expand. Such support should be conditional on improving job quality and providing training opportunities to young people.
- A particular focus could be to grow high-quality apprenticeships in key regional high skilled sectors, such as the creative and finance industries. Industries with high levels of low-skilled jobs, temporary work and low professional standards should also be targeted. This could be funded by devolving a proportion of current economic and skills funding and by restricting tax relief on training, which is currently untargeted.

### **Conclusion**

Disengagement from work and learning is a reflection of the interaction between the education system and the labour market, including the support in place to make the transition between the two. Learning also continues in the workplace, as young people negotiate their new environment, learn the specific requirements of their role and pick up the social and interpersonal skills to equip them throughout their working life. Yet, in England, young people are largely left to navigate the transition to work and responsible adulthood alone, and the support they receive varies wildly across different families, communities and employers. We have argued that high-quality vocational education in school, colleges and the workplace can play a key role in supporting this socialisation into the world of work. This depends on providing young people with broad knowledge that will support mobility and progression regardless of the job they start out in, and on involving the whole community, including employers, in the design and development of post-16 education as a 'transition system'.

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