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Speech to Deloitte breakfast

***'Breaking the cycle of youth unemployment: the
employer/education leadership challenges'***

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There is a strong correlation in the UK between a young person's educational achievement and their employment prospects.

And there is also a very strong relationship between relative levels of deprivation and educational achievement.

So any discussion about breaking the cycle of youth unemployment in this country has to start with the way the education system works. And that's where I will begin, before moving on to the role and responsibility of employers.

My big picture conclusion will be that the UK has some of the best schools in the world, both in the public and private sectors. Great efforts have been made, with some success, to raise standards across the board and to improve the performance of our least effective schools, or *in extremis* to close them down.

But despite all this, we still have a long tail of educational underachievement in this country, and the biggest problems still lie in our most deprived communities.

The school results, and therefore the life chances, of too many young people still depend on the economic circumstances in which they're born. And it's too easy to map parts of the country where deprivation comes together with poor attainments and high levels of youth unemployment.

A few numbers to back up all these assertions. First, on the links between educational achievements and employment. One point to emphasise is that this is not just a recession story. After declining through the 1990s, the unemployment rate for young people in the UK had climbed above the average for developed countries by 2007 – well before the recession started - and was closing in on the persistently high figures for the Euro area.

While the job prospects for young people with qualifications were improving during the good years, the opposite was happening to those at the other end of the skills scale. By 2005, they were five times as likely to be unemployed as their more skilled counterparts – one of the highest such ratios in the developed world.

The employment rate for those with the lowest qualifications actually *fell* in the ten years of prosperity up to 2007.

Then came the recession. History suggests that the least skilled and least experienced workers are always the first to lose their jobs in tough times, and this has certainly been the case over the past couple of years.

The unemployment rate for 16 to 24-year-old males rose from 13.4 percent in October 2007 to 22.5 percent in November last year. In the same period, the unemployment rate for all adults aged 25 or over rose from 3.6 percent to 5.8 percent.

Unskilled workers have borne the brunt.

Just as the relationship between skills and employment is exceptionally clear in this country, so is that between deprivation and skills.

The odds of kids who are receiving free school meals getting from their early years at school through to university are around three times less than the rest of their age cohort.

And of the 660,000 students who take GCSE exams in England and Wales each year, around 340,000 don't achieve five or more GCSEs at A*-C grade, including English and maths. Around 90,000 fail to get a single GCSE at C grade or above. A disturbingly high proportion of that group come from relatively poor backgrounds.

Things have got better over the last dozen years. For a start, there are many fewer poorly performing schools: the number of secondary schools where less than 30 percent of pupils get five good GCSEs including English and maths has gone from over half in 1997 to one in seven today.

And the most deprived areas have shown the biggest gains. The chances of a free school meal pupil achieving five good GCSEs including English and maths have risen from under 15 percent in 2002 to 23.5 percent in 2008.

But the gap is still much too wide for comfort. In the 10 percent of England where there is the most deprivation, half of all secondary schools fail to achieve the benchmark of a non-failing school – one where at least 30 percent of pupils get five or more decent GCSEs.

In the most prosperous 10 percent of England, by contrast, only three percent of schools miss this benchmark.

And children from relatively deprived backgrounds also tend to do rather poorly even in more affluent schools. For whatever reason, the data suggest that some of the biggest challenges are actually to be found in schools where average results are good and there are fewer pupils on free school meals – but where the attainment gaps can be the biggest of all.

The result of all this is that although the UK spends significantly more per head on education through the primary and secondary system than the OECD average, the outcomes by some important measures are well below par.

Most of you will know about our poor performance on NEETs – especially young men not in education, employment or training. We have a higher proportion than any other OECD country except Greece, Italy, Mexico and Turkey.

Not so well known is the fact that 16 percent of young people leave education in this country without any effective qualification. This compares with an OECD average of 14 percent, and adds up to a bleak prospect for large numbers of young people in a world where economies increasingly compete on brains rather than on muscles.

The government has responded to the surge in youth unemployment brought on by the recession in two main ways. First, it has guaranteed every school leaver a sixth form, college or apprenticeship place. Second, every one under the age of 25 who has been out of work for a year will be required to take up a job, training or work experience financed by the £1bn Future Jobs Fund.

These initiatives are fine as far as they go, but they're no more than rather large sticking plasters given the scale of the long-term problem.

The fundamental question is about how to break the longstanding link between deprivation and poor attainment that, in the recent words of Ed Balls, “has scarred our country for so many decades.”

This may turn out to be one of the important battlegrounds in the coming general election, and the three main parties are staking out strong, and different, positions.

Among other things, Labour wants to guarantee extra tuition for primary school pupils who fall behind; the Conservatives promise to allow new providers to set

up state schools on a not-for-profit basis and to spend more on pupils from disadvantaged backgrounds; and the Liberal Democrats propose a £2.5bn pupil premium, also to help the most disadvantaged.

The cost and potential impact of these different approaches deserve to be a subject of keen debate in the next few months.

But of course these aren't just problems for governments to fix, or for schools. As Iain Duncan Smith's Centre for Social Justice has pointed out, children only spend around 15 percent of their childhood in schools, so family background, cultural factors, and material needs all have a significant impact upon their educational outcomes.

Our schools can't be expected to solve all of society's problems.

Business is an important stakeholder in the education system, and has a strong interest in breaking the cycle of under-achievement. That's not just because of its requirement for a growing pool of skilled employees, critically important though this is.

The direct economic cost of youth unemployment is substantial: the Prince's Trust has put the figure at £4.7bn a year after taking into account productivity loss and the cost of benefits.

In addition, healthy businesses need healthy communities in which to operate. Prolonged periods of unemployment can have seriously adverse impacts on the lives of young people, which can be measured in terms of health, crime and strained social cohesion.

And none of that is good for business.

The politics are alarming. The perception is that the recession started as a result of mistakes made by rich people in the City of London. And yet it turns out that the main victims are young unskilled males in the poorest parts of the country, with particular hot spots in cities like Hull, Barnsley or Sunderland. These are the very people with least to fall back on in terms of savings and career opportunities, and their out-of-work benefits have actually been reduced over the past 20 years.

So business has an interest and a responsibility both to shape employment policies in a constructive way, and to engage directly in the process of helping young people into the world of work.

Policy first.

In its most recent economic survey of the UK, the OECD suggested that one reason for the deteriorating trend in youth unemployment since the turn of the new century was the introduction of the minimum wage, which was extended to younger than 18-year olds in 2004.

Young and inexperienced workers' chances in the labour market are especially sensitive to wages, and although the overall impact of the minimum wage has been positive, trade-offs clearly do exist in terms of employment prospects.

That has clear implications for how the minimum rate for young people should be set in the future.

The OECD also said that “the focus on raising the school leaving age and meeting performance targets in education may still be distracting attention from the more important goal of raising core literacy and numeracy achievement.”

Put less delicately, there have been too many initiatives, too much messing around with the basic mission of the education system.

But it's not enough to be critical. Business has to offer positive proposals as well.

Given the poor state of the public finances, the first step must be to look for better value from existing support schemes. For example, the £1,000 subsidy being offered to firms that take on a long-term unemployed person doesn't seem to have had much of an impact.

Money might be better spent encouraging firms to take on apprentices for the first time, so we welcomed the Department for Work and Pensions' decision to give SMEs £2,500 for every 16 and 17-year old apprentice they take on, with the target of 5,000 new apprentices by the end of March.

Companies could also be incentivised to train more apprentices than they actually need for the benefit of their sector as a whole.

Another step would be to identify sectors where large numbers of new jobs are going to be created in the years ahead, and to support relevant training in real work for young people. Social care is one obvious example, and construction is another. Why not create a large-scale apprentice programme to green the public domain – installing insulation, double glazing and so on? There are plenty of skilled craftsmen with time on their hands to lead such a project.

Young people also need support in entering the job market. Job application and basic interview techniques should be taught at school, with extended sessions at university or college level.

Good careers advice at a young age can embed these vital notions of employability. Alan Milburn, whose report on social mobility last year is required reading for anyone interested in these themes, was harshly critical of the current arrangements for careers guidance, a view that would be shared by many employers.

He urged that schools and colleges should have direct responsibility for providing information, advice and guidance, with a professional careers service located in every school and college – starting from primary age.

I know David [Cruickshank, chairman of Deloitte UK] is leading a review of the role of employers in careers advice on behalf of the Education and Employers Taskforce.

This is a new independent charity with the mission to ensure that every school and college in England has an effective relationship with employers. The taskforce's partnership board includes some senior representatives of organisations from the worlds of both education and employment, and its work is something the CBI and Deloitte strongly support.

Firms do have a leading role to play by offering internships, setting up mentoring schemes and sponsoring organisations such as the Prince's Trust to run initiatives that help get young people into work.

And this is just one of the direct steps that companies can take to help address the problem of low attainment and youth unemployment.

In a tough job market, gaining as much experience as possible is vital to employment prospects. Well-structured work experience that focuses on

employability skills can help young people understand what employers expect of them.

Sir Stuart Rose, wearing his Business in the Community hat, recently launched 'Work Inspiration', a campaign to improve work experience and make "young people's first taste of work...as relevant, meaningful and inspiring as possible." This is something we'd like to see companies support.

Some firms start them young. The Shell Education Service works with primary schools, with 50,000 children each year taking part in their workshops with a view to giving them a passion for science – and with teachers offered the chance to improve their skills and confidence in teaching science as well.

And there are plenty of other great schemes out there. A great example at a company level is Deloitte's Employability Initiative, which helps tens of thousands of young people across the UK develop the skills and behaviours needed to get a steady job. This is the kind of lead that other big organisations could follow.

More generically, thousands of employers across the country are already working in Local Employment Partnerships with Jobcentre Plus to open up employment and training opportunities to disadvantaged jobseekers.

The benefits of partnerships between education and employers at all levels need to be better articulated.

Employers say the benefits to them of being involved with schools and colleges include recruiting, retaining and motivating staff, as well as building the awareness and reputation of an organisation, good or service. Students gain a better understanding of the world of work, and the opportunities that it offers.

Another way of getting directly engaged is by way of school governorships. A 2007 University of Hertfordshire study of 600 governors suggested that they gained not only a far better understanding of the education world, but also developed generic skills such as chairing meetings, making appointments, learning financial management and developing listening skills and patience.

There are currently some 40,000 governor vacancies, many in those deprived areas where education problems are at their most acute. By encouraging their staff to fill these important roles, firms can perform a valuable social function and benefit staff development in the process.

They may also help poorer areas develop the sorts of alumni and parental networks that are already providing support and guidance for young people in more affluent areas, or by suggesting alternative structures and link-ups with employers. That's another idea from Alan Milburn's report.

This is what it comes down to.

Substantial efforts have been made by government and schools in recent years to break the link between family disadvantage and attainment, and real progress has been made.

But the gap is still too wide. And it's this that largely explains the unhealthily wide ratio of low to high-skilled youth unemployment in this country, as well as a number of other social problems.

Politicians, teachers, business people and the whole of civil society have a very strong interest in doing whatever they possibly can to put this right.

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