



sim europe POLICY BRIEF #2016/01

Young people at risk: Challenges and policy options for the UK

The UK has seen the share of young people at risk of poverty or social exclusion rise to as high as 32.6 percent. In order to improve social inclusion for the British Youth, three challenges have to be mastered.

Executive Summary

The UK, despite a marked labour market improvement in recent years, still faces a wide range of challenges in tackling disadvantage and social exclusion amongst young people. The risk of child poverty and material deprivation has risen in recent years and the UK fares significantly worse on such measures compared to similar EU countries.

Within this context, some particular challenges emerge.

These include the large numbers of excluded and unemployed young people who are disengaged from the welfare state. As a result, thousands fail to receive any kind of economic or back-to-work support. In addition, different groups face distinct labour market pressures. These include those not in education, employment or training ('NEETs'), graduates struggling to find skilled work and the relatively large number of long-term young unemployed. Living standards for young people have also declined, driven by lack of welfare support, precarious work and stagnant wages.

Government reactions have varied since the financial crisis began in 2008. The Labour government under Gordon Brown prioritized the creation of subsidized jobs, predominantly in the public and third sectors,

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to prevent the well-known ‘scarring effects’ of youth unemployment. Under David Cameron’s leadership, the Conservative-Liberal Democrat coalition government and the now majority Conservative government have taken different approaches. These have included wage subsidies for private sector employers, increased benefit conditionality and the tightening of eligibility criteria for social security payments.

Whilst the UK’s relatively buoyant labour market is often seen as a model for high unemployment countries, the UK can also learn from effective policies in other EU states to overcome some of its own particular problems. These include the much stronger efficacy of education-to-work transitions in countries such as Austria and Germany, the higher spending that countries such as Denmark and Finland devote to human capital programmes for the unemployed and the advanced family policies in the Nordic states. Such policies could help the UK overcome some of its short- and long-term youth problems.

The prospect of the UK’s exit from the EU – ‘Brexit’ – may intensify some of the challenges faced by young people, especially those who are particularly disadvantaged. Whilst advocates of Brexit argue that lower migration could benefit young people in the

labour market, there is little evidence for this. Further, young people in struggling regions benefit from European Social Fund investment to promote jobs. Without this funding, a significant gap in provision could emerge.

To tackle youth exclusion, the government should focus on three areas. First, it should seek to better integrate unemployed young people within the structures of the welfare state. This would make more young people eligible for welfare-to-work support, promote re-employment and reduce poverty levels.

Second, the government should strengthen the transition between education and work for all young people. This will involve encouraging all capable young people of remaining in full-time academic education, whilst ensuring that the others benefit from high quality training providing them with the hard skills employers need.

Third and finally, the government should move quickly to implement policies that boost family incomes and tackle child poverty. The most valuable route is to build quickly upon policies designed to incentivize dual parental employment, such as shared leave, the right to flexible work and free childcare.

1. Introduction

The precarious social position of many children and young people continues to be one of the most pressing social policy challenges across the EU. As Social Inclusion Monitor (SIM) Europe’s 2015 Social Justice Index (SJI) report has shown, conditions for Europe’s young people have deteriorated significantly since 2008. Whilst such deterioration has been most prominently experienced in some of the southern European states—especially Greece, Italy and Spain—the UK has also fared poorly. Between 2008 and 2015, SIM Europe observed a notable decline in the UK’s Child and Youth Opportunity Index Score from 5.23 to 5.03.

On this measure, the UK is now below the EU average and behind countries such as Estonia, Lithuania, Poland, Croatia and Slovakia (see Figure 1).

This trend should be of profound concern to UK politicians and policy-makers. Youth disadvantage has well-known and deep scarring effects: increased likelihood of future benefit dependency, lower earnings and poor physical and mental health. It also has significant economic consequences, including higher welfare spending and lost revenue in potential tax receipts.

Figure 1
SJI CHILD AND YOUTH OPPORTUNITY SCORE 2015



Source: Social Justice Index (SJI), 2015

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The UK's relatively poor performance on youth opportunity is manifested in a deteriorating and comparatively weak record on living conditions for under-18s. As Table 2 shows, in 2015 32.6 percent of under-18s in the UK were at risk of poverty or social exclusion. Significantly, this was a higher rate than recorded in previous SJI reports in both 2014 (31.2 percent) and 2011 (27.4 percent) and shows more young people at risk of poverty or social exclusion in the UK than in nearby and comparable countries. As Table 3 shows, the UK has a significantly higher rate of poverty or social exclusion amongst under-18s compared to other EU countries in Northern Europe.

The same pattern can be observed in relation to the number of young people experiencing severe material deprivation in the UK. This has been increasing both over time—from 6.3 percent in 2008 to 10.5 percent in 2015—and is higher than in other countries. For example, severe material deprivation in Sweden is just 1.9 percent. The social situation in the UK is more broadly reflected in its relatively poor results across the 2015 SJI. In 2015, the UK reported a SJI score of 5.97, only slightly higher than the overall EU average (5.63) and significantly lower than the countries in Table 3, such as Sweden (7.23), Denmark (7.10), the Netherlands (6.84), Germany (6.52), Belgium (6.19) and France (6.18).

Table 2. Under-18s Risk of Poverty or Social Exclusion and Experience of Severe Material Deprivation in the UK 2008–2015

	2008	2011	2014	2015
Young people at risk of poverty or social exclusion	27.6	27.4	31.2	32.6
Young people experiencing severe material deprivation	6.3	4.4	12.3	10.5

Source: SJI, 2015.

Table 3. Under-18s Risk of Poverty or Social Exclusion and Experience of Severe Material Deprivation in Northern Europe 2015

	UK	BE	DK	FR	DE	NL	SE
Young people at risk of poverty or social exclusion	32.6	21.9	15.5	21.3	19.4	17.0	16.2
Young people experiencing severe material deprivation	10.5	6.8	3.9	6.0	5.6	2.3	1.9

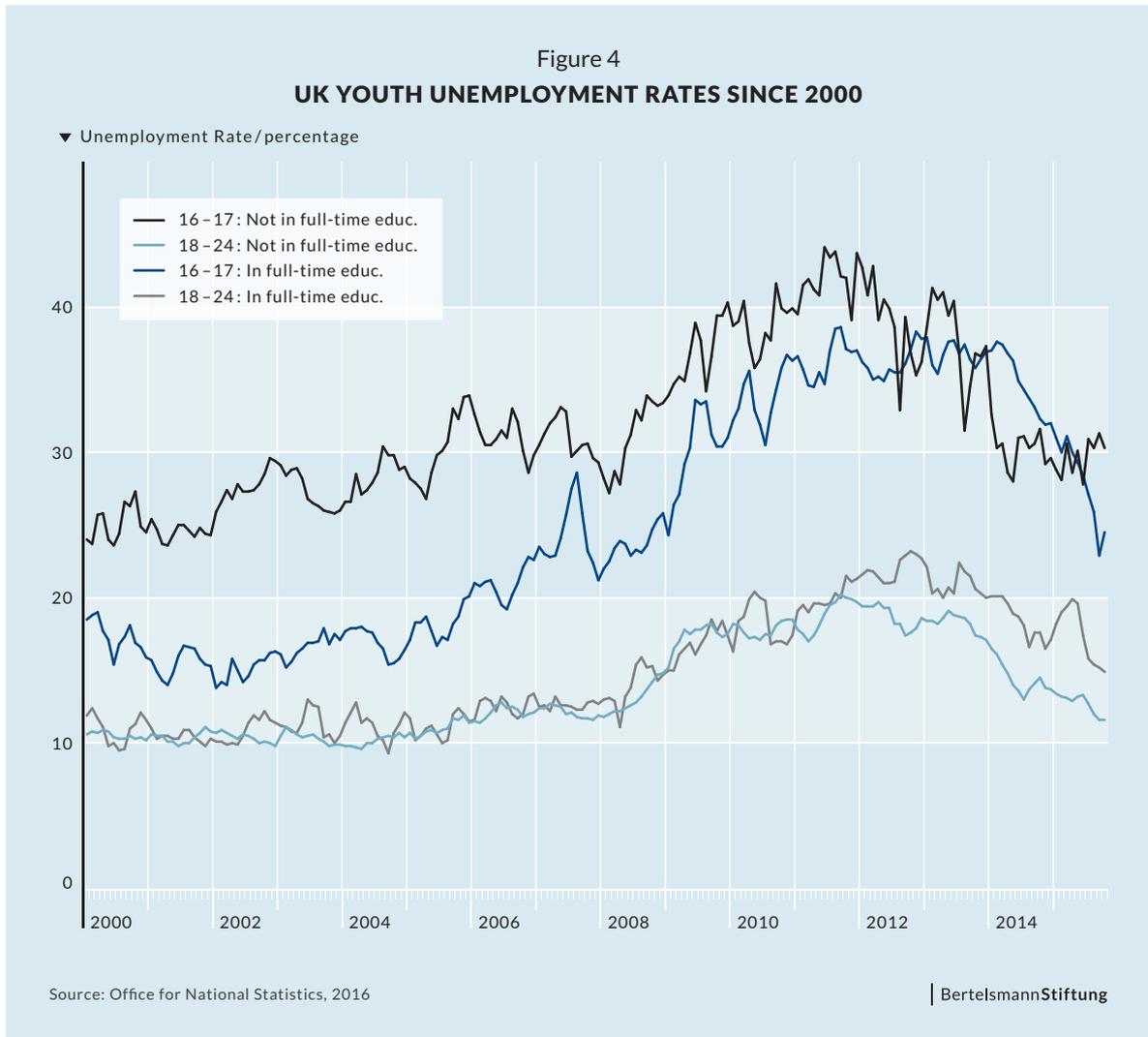
Source: SJI, 2015.

However, at the same time as the social situation for children and young people has deteriorated in the UK, that for older people appears to be improving in relative terms. Thus, whilst 32.6 percent of under-18s are at risk of poverty or social exclusion and 10.5 percent experience severe material deprivation, the corresponding figures for older people are just 18.1 percent and 1.9 percent respectively. As the 2015 SJI report argues, this is a trend in evidence across Europe as governments have prioritized expenditure on older people. The UK is, therefore, not unique in this regard, with recent governments having maintained universal pensioner benefits, such as winter fuel payments and TV licences, and introduced a ‘triple lock’ system that ensures the UK state pension rises by at least 2.5 percent each year.

Yet the challenge the UK faces in relation to youth opportunity is not simply a new, post-crisis phenomenon. In 2008 as in 2015, the UK lagged behind the overall EU average Child and Youth Opportunity Score. Hence, whilst the financial crisis and subsequent recessions have created short-term problems and turned the spotlight on the situation of young people, youth disadvantage is a more profound, structural and long-term issue for the UK.

Within this broader context, both youth unemployment and the number of NEETs began to rise in the years prior to the financial crisis. As Figure 4 shows, youth unemployment amongst both 16–17 and 18–24 year-olds began to increase from the mid-2000s and, although unemployment rates for both age groups have fallen during the past two years, they are yet to reach the low levels of the early 2000s.

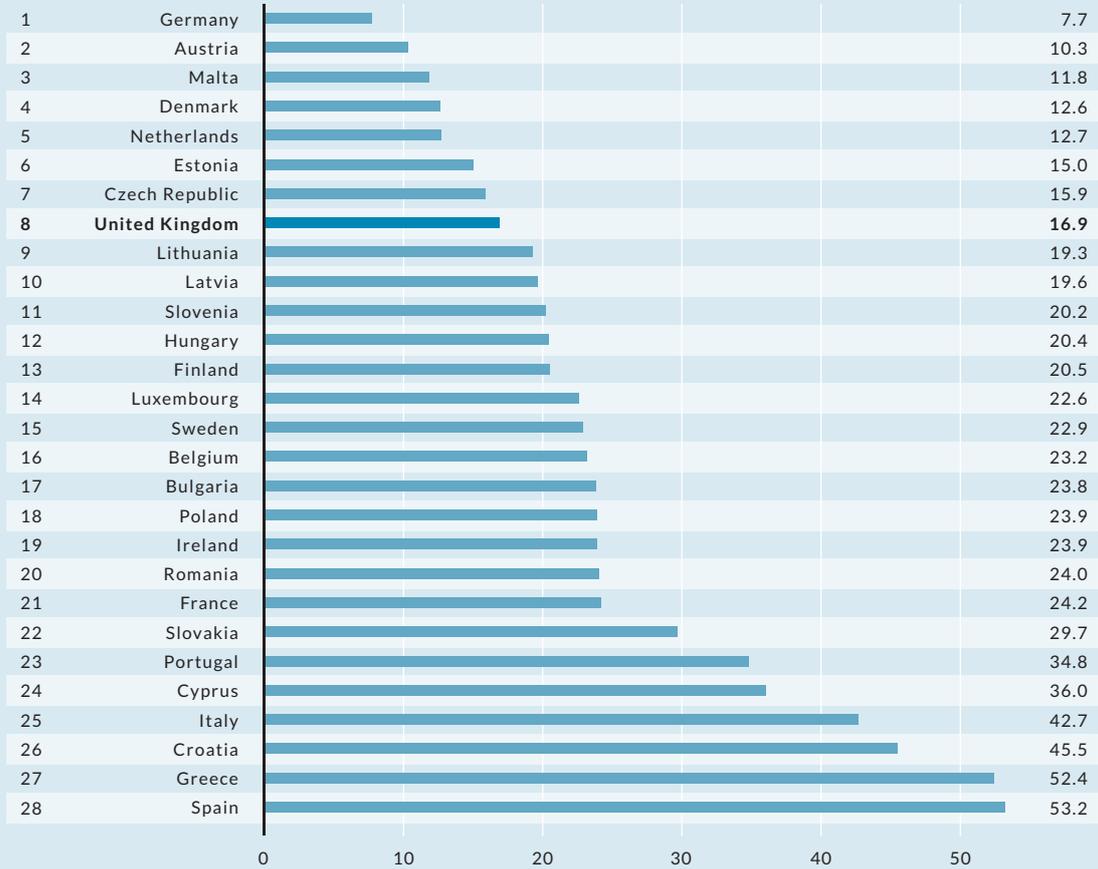
In addition, in the years prior to the financial crisis a substantial minority of around 10 percent of young people persistently struggled with the transition from education to work, ultimately becoming NEET, despite sustained economic and employment growth over the same time period (AVECO, 2012). Evidence also suggests that many young people have slipped out of sight altogether, with large numbers neither registered as in work, education or in receipt of social security payments (Work Foundation, 2012). The UK consequently faces a dual challenge: from the short-term shock imposed by the economic crisis to the long-term, more structural problems that saw youth disadvantage climb from the mid-2000s and increasing numbers of young people excluded from the welfare state.



However, despite these long-term insecurities, the past two years have seen marked labour market improvements, as evidenced in Figure 4. The 2015 UK unemployment rate for 15-24 year-olds, at 16.9 percent in total, was lower than for both 2014 (20.7 percent) and 2011 (19.9 percent) and is almost at the 2008 pre-crisis level of 15 percent. The UK labour market performs more strongly for young people

than in many other EU countries, most notably the crisis-hit southern European states but also Belgium (23.2 percent), France (24.2 percent) and Sweden (22.9 percent). As Figure 5 shows, in 2015 the UK had the eighth best performing labour market for young people. Further, the UK is one of only five countries to report an improved SJI score since 2008.

Figure 5
YOUTH UNEMPLOYMENT RATES 2015



Source: Office for National Statistics

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2. Challenges

As the 2015 SJI report demonstrates, the UK has both strengths and weaknesses in terms of creating opportunities for young people. Its major strength is its labour market, which produces a high number of jobs and relatively low unemployment rates. Overall, the 2015 SJI report ranks the UK's labour market as fifth in the EU, behind only those of Denmark, Austria, Germany and Sweden. Yet despite this strong employment performance, this paper's introduction has shown how many young people continue to experience problems related to poverty, unemployment and social exclusion. In particular, three challenges stand out as a priority for policy attention.

2.1 Structural disengagement

A first challenge is the urgent need to prevent so many young people from 'slipping through the net'. At present, a combination of factors has led to thousands of disadvantaged and unemployed young people becoming disengaged from the support services provided by the welfare state. These include the increased difficulty in claiming eligibility for benefits as well as reports of an increased sense of stigmatization towards receiving social security payments (Baumberg et al, 2012). This explains why, although 11.6 percent of 18–24 year-olds were reported as being unemployed in October 2015, only 2.1 percent claimed Jobseeker's Allowance (JSA), the UK's prime unemployment benefit. This is a significant gap that indicates a group of young people who are in need of support but are either ineligible or unwilling to claim it.

Failing to monitor the destinations and experiences of so many disadvantaged young people presents an inevitable policy challenge for the UK government: successfully targeting any intervention, no matter how well designed and intentioned, will always be difficult when so many potential beneficiaries cannot be identified. As a consequence, the National Institute for Economic and Social Research (2013) argues that as long as policies ignore the "structurally

disengaged", any interventions to tackle youth exclusion will be severely limited.

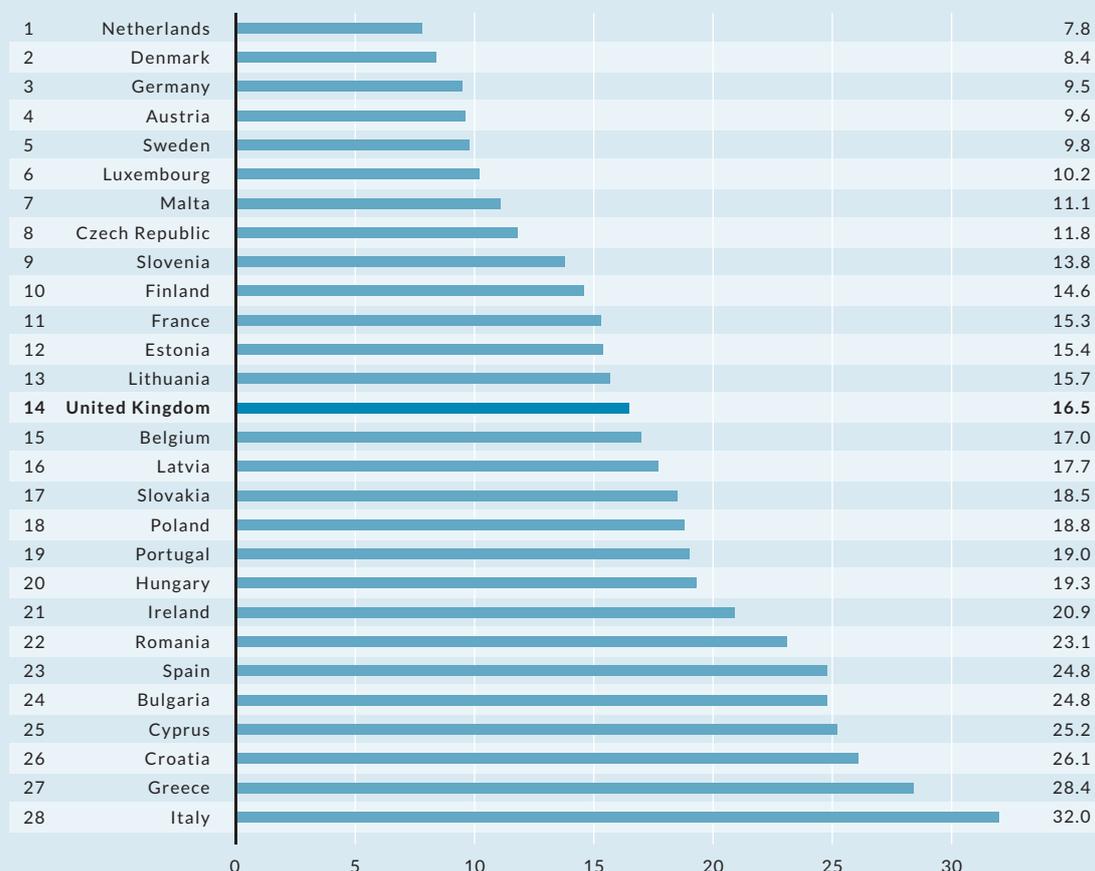
2.2 Labour market disadvantages

The second challenge for the UK relates to a range of labour market disadvantages experienced by young people. The first of these is the relatively high rate of young people who are NEET. Whilst the UK has avoided the dramatically high NEET rates of 20 percent or more that characterize countries such as Cyprus, Italy, Greece and Spain (see Figure 6), its 2015 rate of 16.5 percent is notably higher than in other northern European countries, such as the Netherlands (7.8 percent), Denmark (8.4 percent) and Germany (9.5 percent).

A major cause of high NEET rates is the difficulty many young people experience in undertaking the transition from education to the labour market. In this respect, the UK's rate of early school leavers—defined as the percentage of 18–24 year-olds not in education or training with at most lower secondary education—stood at 11.8 percent in 2015, compared to 8.5 percent in France and 9.5 percent in Germany.

More acutely, the uneven geographical distribution of young 'NEETs' is a further cause for concern. In the middle of 2015, only 10.6 percent of young people in London were classified as NEET (Delebarre, 2015). Similarly low figures were recorded in the East of England (11.6 percent) and the East Midlands (12.8 percent). Here, the NEET rates are comparable to some of the better performing countries in the EU, such as Sweden (9.8 percent) and Luxembourg (10.2 percent). However, in the North-East of England, 22.9 percent of young people were NEET in mid-2015. This rate is higher than in some of the crisis-hit states, such as Portugal (19 percent) and Ireland (20.9 percent) and underlines the intense geographical inequalities of opportunity throughout the UK.

Figure 6
EU NEET RATES 2015



Source: Social Justice Index (SJI), 2015

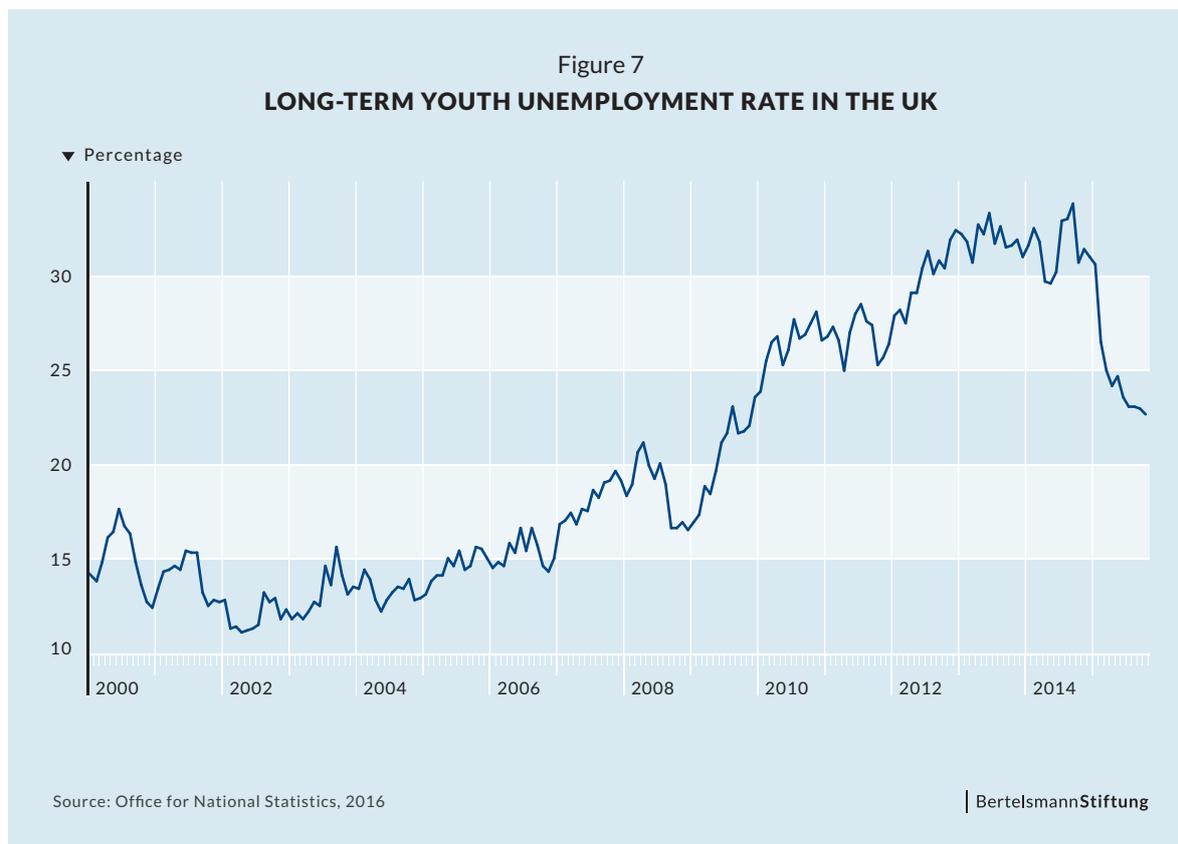
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Yet it is not just 'NEETs' who experience disruptive transitions from education to the labour market. Whilst the UK had a relatively high graduate employment rate of 83.2 percent in 2014 (Eurostat, 2016), with only 7 percent of graduates becoming unemployed after completing higher education (HE) in the year 2013/2014, around a third of 2014 graduates were employed in non-professional, low-skilled jobs that do not require degree-level qualifications (HESA, 2015).

This is an economic challenge, signifying the UK's difficulty in establishing itself as a more high-skilled, high-waged economy, and a social one. As graduates in England have paid up to £9,000 per year for a degree course, the difficulty many experience in entering professional jobs may ultimately undermine

long-term confidence in the higher education system.

The final issue confronting UK policy-makers is long-term youth unemployment. As Figure 7 shows, the number of young people unemployed for over 12 months stood at around 15 percent in the years preceding the financial crisis. From 2008 it began to rise, reaching a peak of over 30 percent between 2012 and 2014. More recently, long-term youth unemployment has begun to fall quite dramatically, yet at the end of 2015 over a fifth (22.7 percent) of young people remained long-term unemployed: a significantly higher rate than pre-crisis levels. Continuing to focus on reducing the number of long-term young unemployed people should be a priority for



UK policy-makers. Failing to do so risks creating a ‘lost generation’, burdened by the scarring effects of unemployment outlined above (2,2).

2.3 Living standards

The third and final issue for the UK is the relatively low living standards experienced by young people, which in turn stem from two separate challenges. The initial challenge is the lack of eligibility many young people encounter in claiming social security, meaning many face a dual exclusion. On the one hand, the absence of social security entitlement exposes many of them to the risk of poverty and social exclusion and enforces a reliance on informal means of economic support, such as the family. On the other hand, it also means many young people are directly excluded from further support, in particular in the form of welfare-to-work interventions.

The second issue for living standards stems from some of the UK’s structural labour market weaknesses.

Whilst the labour market succeeds in creating a relative abundance of jobs, many of these tend to be at the insecure and low-paid end of the market, especially for young people. Thus, despite robust jobs growth in the past two years, real living standards in the UK have stagnated and in 2015 real GDP per head remained lower than in 2007.

The UK’s low pay challenge is highlighted in the 2015 SJI report, which shows that 6.2 percent of full-time workers are at risk of poverty; a figure that is around double the in-work poverty rate of Denmark (2.7 percent), Ireland (2.9 percent) and Finland (3.2 percent). Further, 34.6 percent of low-skilled workers have low wages in the UK. This compares unfavourably to low pay incidence in Sweden (4.2 percent), France (11.9 percent) and Denmark (14.8 percent). Concern over low-paid and precarious work has become a central feature of UK political discourse, with prominent recent debates surrounding ‘zero hours contracts’ and proposed cuts to working tax credits, which are overwhelmingly claimed by low-paid workers.

3. Government reactions

3.1 2008 – 2010

In response to growing concerns around rising youth unemployment during the financial crisis, in 2009 the then Labour government under Prime Minister Gordon Brown introduced the Young Person's Guarantee (YPG): a range of measures aimed at promoting re-employment amongst young people. The most important component was the Future Jobs Fund (FJF): an intervention aimed at creating subsidized jobs for young unemployed people. The FJF was targeted at 18–24 year-olds and introduced in October 2009, subsequently creating over 100,000 jobs up to 2011 at a cost of £700 million.

Its central rationale stemmed from the international evidence base on the long-term scarring effects of youth unemployment, such as future likelihood of low pay and repeated 'churning' between benefit receipt and insecure work (Bell and Blanchflower, 2011); the provision of paid work would stop young people experiencing a prolonged spell of unemployment and thus such 'scarring'.

To achieve this, the FJF provided young unemployed people with temporary jobs payable at the National Minimum Wage (NMW). Employers from the public, private and third sectors bid to recruit from the programme on condition that any positions would be additional to existing jobs—not replacing work that would otherwise be done by a paid employee. FJF positions had to last for at least 25 hours per week for a minimum of six months, guarantee post-placement job support to participants and offer a benefit to local communities. As well as immediate employment, the ultimate objective was to provide young people with the skills and experience to secure unsubsidized, market-driven employment in the long-term.

3.2 2010 – 2015

Upon taking office in 2010, the Conservative–Liberal Democrat coalition government abolished the

FJF, with the final placements beginning in March 2011. The rationale behind its decision was that the programme was deemed too expensive and largely ineffective in tackling youth unemployment. In 2010, the Prime Minister David Cameron said:

The Future Jobs Fund has been one of the most ineffective jobs schemes there has been. One month after the programme, half the people that were on it were back on the dole (JSA). It failed.

However, a Department for Work and Pensions (DWP) analysis (2012) published two years later show it to be, albeit retrospectively, a successful intervention. Two years after the programme, FJF participants were 11 percent more likely to be in employment and seven percent less likely to receive benefits compared to equivalent non-participants. The DWP's findings mirrored an earlier evaluation by the Centre for Economic and Social Inclusion (2011) that found a range of positive effects, including strong employer engagement and reductions in long-term benefit receipt.

The coalition government replaced the FJF and YPG with the Youth Contract: a broad programme of support encompassing training, work experience placements and guaranteed job interviews. The Youth Contract's flagship policy, however, was a wage incentive of up to £2,275 for employers that provided young people on the Work Programme, the government's prime welfare-to-work scheme, with a job. The mechanism was specifically designed to counter what the coalition government perceived to be FJF's major limitation. Instead of creating subsidized jobs predominantly in the public and third sectors, the Youth Contract wage incentive was designed to encourage employment with private sector companies that, over time, would become unsubsidized.

The performance of the Youth Contract was limited, with only 36,470 wage incentive payments over three years. This figure is set in the context of an

overall target of supporting 150,000 young people into jobs. Given this poor performance, and a generally improving labour market environment, it was announced in 2014 that the Youth Contract would be discontinued. The government argued that funding could be better targeted towards the most disadvantaged groups, such as young people from ethnic minorities. The final wage incentives were distributed from August 2014, with the scheme formally ending in March 2015.

3.3 2015 – Present

In 2013, David Cameron announced at his party's conference that a future majority Conservative government would implement a new approach to youth disadvantage, restricting young people's options to either "earning or learning" after leaving school, with no option of remaining on benefits in the long-term. With their overall majority election victory in May 2015, the Conservatives now have the opportunity to implement this approach. To this end, the Full Employment and Welfare Benefits Bill, included in the 2015 Queen's Speech, set out several key reforms.

The first of these is that unemployed 18–21 year-olds will no longer be eligible for JSA but will instead receive a new social security benefit: the Youth Allowance. The key difference with JSA is a more targeted

system of means-testing and a stronger system of conditionality; this will be imposed from day one of a claim, with the requirement to complete an apprenticeship, training or work placement after six months of continuous benefit receipt. The second key reform is that eligibility for housing support will be removed from 18–21 year-olds except for those in exceptional circumstances. The government's rationale is that ending housing benefits for young people will discourage them from leaving home and claiming out-of-work benefits.

3.4 SIM Europe Reform Barometer Analysis

The 2015 SIM Europe Reform Barometer (Arpe et al, 2015) assessed the above policy developments in a broadly critical light. In particular, expert respondents noted that recent UK government policy and rhetoric had resulted, whether implicitly or explicitly, in stigmatizing and demonizing people on out-of-work benefits. In addition, policy reforms—such as frozen benefit rates, increased conditionality and housing benefit changes—had increased the economic pressures felt by many households. As argued below, such changes impact on young people in two ways: the first way indirectly, by reducing family incomes and therefore increasing the likelihood of child poverty, and the second more directly, by removing benefits from previously eligible young people.

4. EU Comparisons

Whilst many European countries have sought over the past two decades to adopt aspects of UK labour market reforms, such as flexibility and activation, there are several areas in which the UK could in turn learn from examples of effective policy-making in other EU states.

The first area is related to education to work transitions. Of the countries that succeed in achieving notably low levels of youth unemployment, such as

Austria (10.3 percent) and Germany (7.7 percent), one determinant of success is providing a diverse range of choices upon leaving secondary education, from conventional higher education routes to high-quality apprenticeships. In the UK, whilst the number of apprenticeships has been rising in recent years, there remain deep concerns about the quality of the options available to young people. In 2015 Sir Michael Wilshaw, the Chief Inspector of Schools in England, criticized existing provision, arguing that a rise in the number of

apprenticeships on offer had seen a corresponding dilution in the quality of choices available (Ofsted, 2015).

Far from providing young people with skills in strong demand from employers, Wilshaw argued that large numbers of existing apprenticeships were offering low-grade skills in occupational sectors such as retail and customer service. Further, the number of young people progressing to apprenticeships remained comparatively low at just five percent. Given the unique opportunity to expand the uptake of apprenticeships via raising the mandatory participation age from 16 to 18, the failure to improve their quality constitutes, as it stands, a missed opportunity to transform the education-to-work transition for many young people missing out on higher education.

The second way in which the UK could learn from other EU states regards the level of investment in active labour market programmes (ALMPs). Whilst reforms over the past two decades have ‘activated’ the UK welfare state, expenditure on ALMPs remains relatively low.

ALMP spending can be divided between expenditure on two different types of support. The first relates to the Public Employment Service (PES), typified by the

UK’s Work Programme and consisting of more intensified systems of advice and support, whilst the second relates to programmes more strongly aimed at training and skills development. Figure 8 demonstrates that in EU countries for which data are available, the most recent statistics show that the UK spent the lowest on training measures (0.02 percent of GDP) but had a relatively high expenditure on advice and support via the PES (0.34 percent). Contrastingly, Finland, Ireland, Austria and Denmark all have training expenditure over 0.40 percent of GDP, whilst Denmark also combines training with high spending on the PES (0.67 percent).

Figure 9 breaks down spending on re-employment measures in the UK, showing that the vast majority of expenditure goes on the PES and conventional unemployment benefits, with only minimal amounts spent on schemes designed to boost human capital development, such as training, work experience and employment incentives for employers. Boosting spending on such policies, as is more common in other EU states, could succeed in tackling some of the labour market problems faced by young people outlined in Section 2.

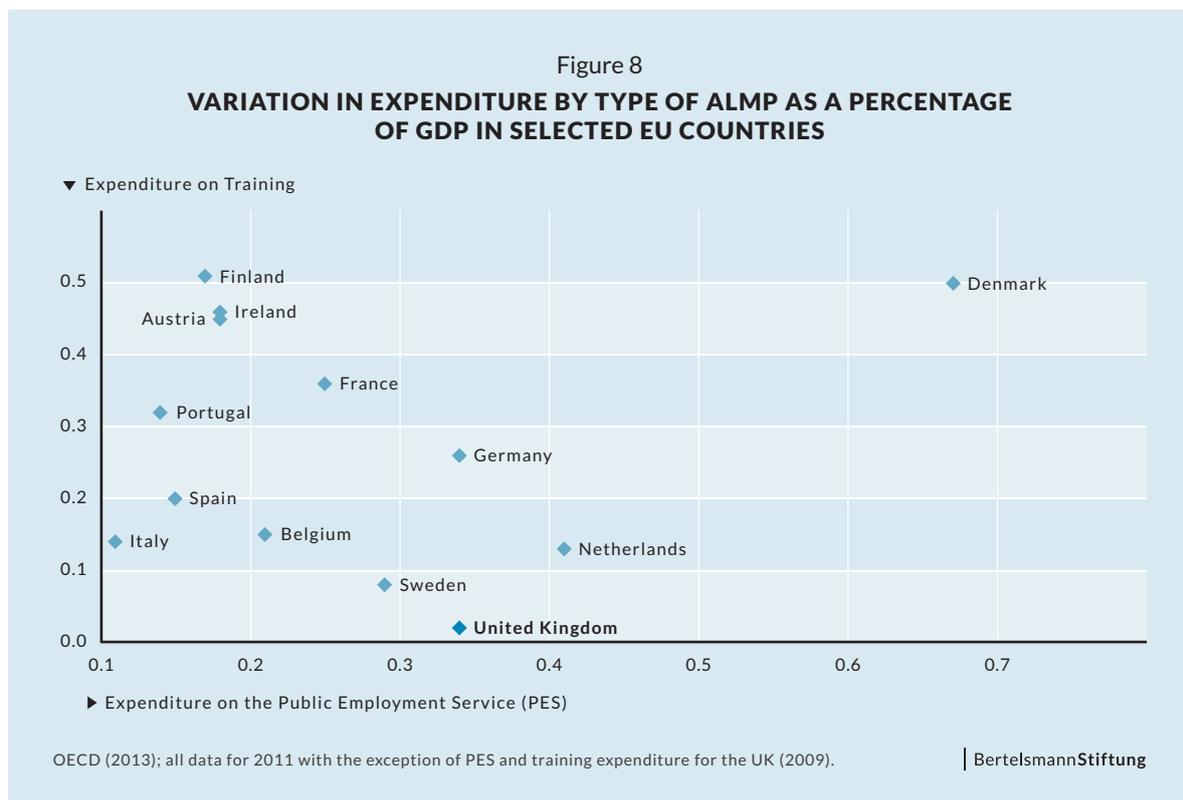
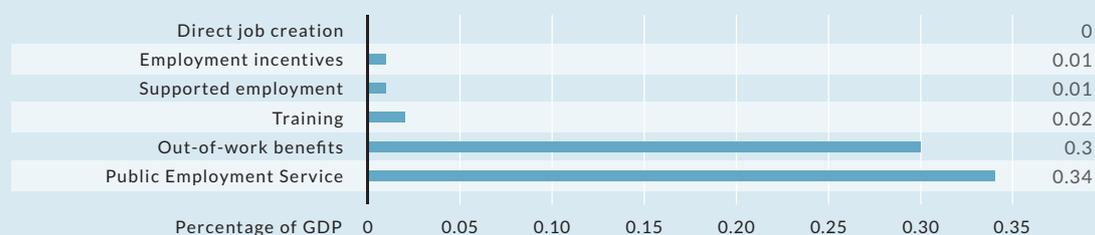


Figure 9
UK EXPENDITURE ON POLICIES AS A PERCENTAGE OF GDP



Source: Social Justice Index (SJI), 2015

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The third and final lesson the UK could learn from other countries is to improve measures known to boost family household incomes and lower child poverty. The UK should look in this regard at policies developed in the Nordic states. As the 2015 SJI report notes:

When it comes to pro-young and family-friendly policies, the provision of day care and preschool facilities as well as generous parental-leave schemes is exemplary. Their successful approach to combining parenting and the labour market can serve as an inspiration for policy reforms in other countries.

To the government's credit, there has been recent progress along these lines, with the introduction of shared parental leave and future plans to expand the number of hours of free childcare. However, given the long-term squeeze on UK living standards and the rise in child poverty, it is imperative that the government builds upon such reforms sooner rather than later in order to improve employment incentives for parents. According to the OECD, the UK has one of the most expensive childcare systems in the world. Improving employment incentives for parents could go some way to raising living standards for children and young people.

5. Brexit

On 23rd June 2016 the UK public will vote in a referendum to decide whether to remain a member state of the European Union or leave. Whilst public debate is framed predominantly around issues of sovereignty and the economic impact of leaving, the question of the consequences for vulnerable young people is also crucial.

One argument used by 'Brexit' advocates is that high levels of migration from the rest of the EU, especially from low-skilled workers, exacerbate many problems

young British people face in finding employment. With stronger control of national borders, future UK governments would have the power to reform migration policy to expand and protect labour market opportunities for young people, they claim.

Whilst there is some evidence to suggest that the rising number of NEETs since the mid-2000s can be partially attributed to rising EU migration, Britton (2012) estimates that only a fifth of this increase across the UK can be attributed to high immigration,

with no explanation at all for regions outside of London. Consequently, it seems unlikely that any reduction in the number of migrants post-Brexit would do much, if at all, to combat the UK's youth unemployment problems.

Alternatively, there is a danger that a Brexit could result in the withdrawal of funding support for projects that help fight youth disadvantage and unemployment. Between 2014 and 2020, the European Social Fund (ESF) plans to invest close to €12 billion on interventions in the UK. Many ESF projects are specifically intended to support long-term, young

unemployed people in disadvantaged parts of the UK and the ESF budget includes funding designated for the Youth Employment Initiative (YEI): a policy targeted at European regions where over 25 percent of young people are unemployed.

That these more disadvantaged parts of the UK receive significant levels of EU support is an often-neglected part of the Brexit debate. In the event of a Brexit, such regions could face a significant gap in provision that could intensify already high levels of social exclusion and unemployment.

6. Conclusions

Improving youth opportunities is a major priority for social policy across Europe and especially so in the UK, where the living standards of many young people have worsened in recent years and a relatively large number experience profound labour market disadvantages. This policy brief has highlighted three particular challenges for the UK: a stronger integration of young people within the social security system; improving the transition from education to the labour market; and enhancing economic security and living standards for children and young people. It is in these three areas that this report concludes with policy recommendations.

6.1 Integration with social security provision

A major disadvantage of recent government attempts to target youth disadvantage has been their limited scope. Programmes such as the FJF and the Youth Allowance have only been available for young people entitled to JSA. Yet there are large numbers of young people who are unemployed and not in education or training (NEETs) that do not receive social security payments. As a result, many excluded young people are failing to meet the eligibility requirements for government programmes. Rather than

being disqualified from further support, such young people need the assistance of the welfare state more than ever.

There are two mechanisms through which young people could be better integrated with the welfare state. First, eligibility for employment support and youth welfare-to-work programmes should be expanded. At present, eligibility is most often determined by entitlement to JSA, which is claimed only by a minority. Even more so, access to welfare-to-work schemes—like the government's flagship Work Programme—often comes only after a prolonged period of unemployment.

This consequently means that two crucial groups of young people are often excluded from additional support structures: young unemployed people who fail to qualify for JSA in the first place and, second, those who qualify but then exit JSA relatively quickly. Importantly, whilst many within this second group are individuals who will find sustainable, long-term employment, it also includes those who drift between short-term, insecure jobs and benefit receipt. So those within this second group evidently require additional support to ensure they find sustainable work.

Access to welfare-to-work programmes and other forms of advice and support should therefore be decoupled from eligibility for JSA and its successor, the Youth Allowance. At present, eligibility for JSA is either contributions-based or, in the event of an insufficient contributory record, means-tested. The shift to the Youth Allowance will mean that welfare support for young people will become entirely means-tested through the assessment of parental incomes as the main criteria for eligibility. This will likely mean even fewer unemployed young people eligible for social security support.

Decoupling access to welfare-to-work programmes from eligibility for the Youth Allowance would mean that the work and training opportunities under it will become available to all young people irrespective of entitlement to financial support. Reintegrating young people within the structures of the welfare state could help tackle both the short-term and long-term dimensions of youth exclusion that this report has identified.

Second, whilst it is important to ensure young people face incentives to work or train, this urgently needs to be matched with appropriate levels of economic support in order to combat poverty and social exclusion. Evidence suggests that providing social security to young people does not interfere with the incentive to work. According to recent analysis (AVECO, 2012), young people who are eligible for benefits would still be within the region of £2,300 to £3,700 per year better off in work than on benefits.

This is why recent proposals to further curtail social security entitlements for young people risk doing far more harm than good. In particular, the proposed removal of Housing Benefit entitlement for young people should be rethought. There is minimal evidence that eligibility for Housing Benefits provides an incentive for young people to leave family homes and remain unemployed. Contrastingly, there are strong reasons to believe that Housing Benefit provides many young people with a basic level of economic security with which to search for, find and maintain employment.

Within this context, that the vast majority of young unemployed people find work within 12 months is testament to the fact that social security—including Housing Benefit—may actually promote re-employment and prevent short-term spells of joblessness

from turning into long-term unemployment. The proposed changes to Housing Benefit are estimated to save just £135 million over four years, highlighting the danger that only meagre savings will be achieved for a policy that could be damaging economically and socially.

6.2 Education to labour market transitions

The UK needs to do more to improve the transition between education and the labour market for young people. That this is a problem for the UK is evident in its relatively high NEET rate of close to 17 percent. Several measures are available to the government to improve education to work transitions. The first is to introduce stronger forms of economic support for young people from low-income backgrounds to remain in full-time academic education. Although this provision exists in Northern Ireland, Scotland and Wales in the form of the Education Maintenance Allowance (EMA)—a means-tested payment to incentivize staying in full-time education beyond 16—this was abolished in England by the former coalition government.

Although since 2015 all young people have been required to remain in some form of education until the age of 18, targeted economic support could encourage those from low-income households to pursue academic qualifications. This contrasts with feeling compelled to combine paid work with some form of continued training or education. There is undoubted value in apprenticeships and work-based training but the strongest evidence suggests that higher education continues to bring higher income returns (BIS, 2011). Thus, it is imperative the government encourages those who are capable of remaining in further education to do so irrespective of family incomes.

The second measure is to ensure that the training offered to young people, especially unemployed ones, is of high quality. Whilst the current government's commitment to ensure that all young people are offered an apprenticeship, training or work placement after six months of unemployment is an important step towards breaking the cycle of disadvantage, there remain important concerns about quality. For instance, it is vital that such opportunities represent forms of support that provide young people with the relevant 'hard skills' that employers require, rather than focusing predominantly on a purported lack of 'soft skills'.

There is a danger, however, that this latter option is being over-emphasized at the expense of the former. Whilst defending the Youth Allowance, the Cabinet Minister Matthew Hancock said the reforms would undermine a pervasive “welfare culture” amongst young British people. Yet, explaining youth exclusion by reference to a “welfare culture” risks minimizing some of the more structural causes of youth disadvantage, such as low skills, poor health and weak labour demand.

If indeed the Youth Allowance is designed to “end rolling welfare dependency for good,” the options available to young people run the risk of having as their prime aim the imposition of soft skills and the ‘right attitudes’, rather than well-funded, quality training and work opportunities that boost hard skills. In this light, government proposals to send young people to “work boot camps” are troubling.

6.3 Living standards and economic security

Stagnant wages and recent welfare reforms have meant that the UK is struggling to ensure economic security for many families with children. This has occurred both indirectly, through benefit cuts that have impacted child poverty levels, and directly, as social security entitlement for young people has been withdrawn in some areas, such as the EMA.

This arguably constitutes a regression on the part of the UK, where social policies introduced by the 1997–2010 Labour governments made serious dents into child poverty. According to Waldfogel (2010), this was achieved through a three-pronged approach that combined the promotion of parental employment, increased economic support for families and investment in early years development and education. Whilst recent governments have continued to

prioritize the promotion of employment, less investment has been made in family economic support and early years development.

This is perhaps central in explaining the worsening social situation for many children and young people. As the 2015 SJI report argues, both targeted support and investment in early-childhood education are fundamental components of any strategy designed to tackle youth disadvantage.

Still, perhaps the strongest option available to the present government is to act far more quickly to incentivize dual parental employment. As this report has argued, the government is making progress on this measure through the introduction of shared parental leave and plans to extend free childcare, but existing policies are small steps and need to be quickly built upon. High maternal employment rates are known to go hand-in-hand with lower child poverty rates (Bell and Strelitz, 2011). To this end, policies that genuinely provide parents with flexibility in their jobs, as well as the economic incentives to remain in work—such as affordable childcare—are of profound importance.

In recent years the UK’s labour market has been relatively effective in bringing down youth unemployment levels. However, the government continues to face a significant challenge in tackling other dimensions of youth disadvantage. Too many young people are excluded from the support of the welfare state, struggle in the transition between education and work and have suffered from stagnant or falling family incomes. Collectively, addressing these three weaknesses provides the best strategy for raising the living standards and social conditions of children and young people.

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ABOUT SIM EUROPE

The Social Inclusion Monitor (SIM) Europe is a new EU social-policy tool that is composed of two instruments. The Social Justice Index measures the level of social justice in the 28 EU member states, based on statistical data as well as assessments by selected experts. The Reform Barometer assesses social-reform need, activity and quality in the 28 EU member states, based on a survey among several hundred experts from across Europe. Both instruments are updated annually.

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