

PLAN FOR THE RECONSTRUCTION OF THE STUDENT LABOUR MARKET

Covid-19 has turned the world upside over a matter of months. ISE research has shown that employers are cutting back on recruitment and that young people are likely to be the worst hit in the coming recession. In this plan for the reconstruction of the student labour market we set out the ways in which government can work with employers to manage this crisis.

Increase employer's capacity to hire young people	Underpin the functioning of the labour market	Support young people
<ul style="list-style-type: none"> • Cut national insurance contributions for all staff under 24 for a year. • Cover the costs of the 20% off-the-job (study) time for all new apprentices under 24. • Free employers up to spend their apprenticeship levy on the real costs of apprenticeships. • Provide a small incentive (£50 a week) for employers who offer placements, internships, and other forms of work experience. 	<ul style="list-style-type: none"> • Appoint an independent labour market monitor • Offer an opportunity guarantee for all young people who have been unemployed for six months or more. • Target additional support to areas and industries that are particularly hard hit by the crisis. 	<ul style="list-style-type: none"> • Support educators by providing resources for tutoring and support. • Review the fairness of the examination system given the disruption by Covid-19. • Provide access to career guidance and wider employment support. • Invest in vocational education and provide young people with a maintenance allowance if they choose to pursue this route. • Provide funding and support for young entrepreneurs.

Introduction

Covid-19 has turned the world upside over a matter of months. The Institute of Student Employers (ISE) has been working with employers, educational providers and labour market intermediaries since the beginning of the crisis to help them to manage the impact of Covid-19 as it affects the way in which students (including school students, apprentices and graduates) are transitioned from the education system into employment.¹

Our research tells us that the processes of recruitment and selection of students as well as the processes of induction, management and development of early career staff have been profoundly transformed by the lockdown. Employers are also key players in providing careers and employability support to young people before they enter the labour market e.g. by supporting career education and the curriculum. Much of this education-employer collaboration has been disrupted by lockdown.

Employers and the other key actors in student employment system have been proactive and have used new technology to transform their business processes and keep the system moving. Nonetheless there have been challenges and we anticipate that the number of opportunities available for young people will shrink by a quarter this year.

Looking forwards employers are preparing for a new year. Most will be inducting new early career staff and launching a new recruitment campaign. But things will be difficult. Ongoing lockdown restrictions will see many employers managing new staff remotely and switching tried and tested recruitment processes online. This will sap time, energy and resources from employers in a period when many are also anticipating a downturn in their businesses as the emerging global recession gathers pace.

The next year is clearly going to be a very difficult one for employers and young people alike. There are huge social and economic consequences if youth unemployment is allowed to grow. There are also negative consequences for businesses if they stop recruiting entry-level talent. Business needs to be ready to respond to big challenges including the aging workforce, changing skills needs, automation and Brexit. Bringing in new talent every year is a critical part of future-proofing the UK economy.

ISE employers are keen to work closely with government to ensure that we don't lose a generation of talent. Young people entering the labour market offer businesses access to critical new skills and knowledge. A recession now looks inevitable, but if employers lose confidence it will deepen and lengthen. In this plan for the reconstruction of the student labour market we set out the ways in which government can work with employers to increase their capacity to hire young people, underpin the effective functioning of the labour market and support young people to find work.

¹ The Institute of Student Employers (ISE) is the UK's leading independent voice for student employers. Further information about ISE, including our research and resources relating to Covid-19, can be found on our website at <https://ise.org.uk>.

1. Increase employer's capacity to hire young people

Employers are facing challenging times. Many will face pressure to slow down or stop entry-level recruitment, to slash training and development and reduce the quality of jobs.

Decisions to stop hiring or training workers will disproportionately impact on young people. A race to the bottom is likely to exacerbate the recession and locking young people out of the labour market will reduce the chance of recovery. Government should seek to support employers to continue to recruit and develop young people.

1.1. **Cut national insurance contributions for all staff under 24 for a year.**

National insurance contributions are the biggest non-wage employment cost for employers. By removing them for all staff under 24 government could reduce the costs for employers who want to continue to recruit entry-level and early career staff.

1.2. **Cover the costs of the 20% off-the-job (study) time for all new apprentices under 24.**

Ultimately apprenticeships are jobs which only employers can provide. But, government could support those employers who continue to invest in apprentices throughout the recession by offering a new wage subsidy for all new apprentices under the age of 24 which is designed to cover the 20% of time that apprentices are required to spend off of the job.

1.3. **Free employers up to spend their apprenticeship levy on the real costs of apprenticeships.**

The apprenticeship system is very vulnerable to recession. The existing system could be made more flexible and resilient if employers were freed up to spend their levy on the real costs of the apprenticeships including recruitment, travel and programme management costs.

1.4. **Provide a small incentive (£50 a week) for employers who offer placements, internships, and other forms of work experience.**

Work experience provides a critical pathway into the labour market for young people. It is particularly important as in providing experience and opportunities for career exploration for young people from less advantaged backgrounds. Many employers are reporting that they are reducing these short-term hires and opportunities due the lockdown and pressure on their businesses. Government should incentivise employers to continue to support young people to gain experience by providing an incentive of £50 per-placement per-week for employers who offer paid work experience placements to cover some of organisations administrative costs.

2. Underpin the functioning of the labour market

The recession is likely to be too big for employers to handle it alone, even with government support. In such a situation government has a role to step in and ensure the effective functioning of the labour market throughout the crisis. Government should try to avoid mass unemployment and use the public purse to provide opportunities for young people rather than leaving them to languish on benefits.

2.1. **Appoint an independent labour market monitor.**

It is important that the recession does not set back gains that have been made on social mobility and

diversity. It is also important that young people are not expected to pay the highest price during the recession. Government should appoint an independent monitor to publish a monthly report reviewing redundancies, unemployment figures and the overall situation in the labour market from the perspective of equality and diversity. This group should be charged with making action-focused policy recommendations to address any areas in which inequalities increase.

- 2.2. Offer an opportunity guarantee for all young people who have been unemployed for six months or more.** Long term unemployment creates major problems for individuals, society and the economy. Government should create an opportunity guarantee designed to ensure that no young people are unemployed for more than six months. The provision of career guidance and access to training are an important part of this guarantee, but ultimately there is also a need to create short term jobs to help people back into work. These job creation initiatives should all be planned to last for one year, should pay at least minimum wage and should be voluntary and not based on the removal of benefits. They could include ideas like: the creation of a national scheme modelled on the Peace Corp to enable young people to make a positive contribution to society and the environment; the provision of wage subsidies for employers, especially SMEs, to create good jobs with social and environmental value; and the creation of supported employment opportunities (intermediate labour markets), combined with training, to engage those young people who are not yet fully ready for employment.
- 2.3. Target additional support to areas and industries that are particularly hard hit by the crisis.** Covid-19 is not impacting on everyone equally. Some areas of the country have been particularly hard hit and some sectors (e.g. tourism, travel and some aspects of retail) face particular challenges. There may also be a case for targeting additional support to SMEs. Government should direct targeted support packages to Local Enterprise Partnerships and sector bodies to ensure that no area or industry becomes a 'no go zone' for young people and entry level workers.

3. Support young people

Young people are facing the worst employment market for a generation. It is important that government provides a strong infrastructure for support to help them to successfully transition into the labour market.

- 3.1. Support educators by providing resources for tutoring and support.** Covid-19 has disrupted the education system at all levels. It will have an impact on qualifications in 2020, 2021 and beyond. The government needs to support educators in all settings to minimise the impact of the lockdown through the provision of additional resources for tutoring and support.
- 3.2. Review the fairness of the examination system given the disruption by Covid-19.** The pandemic has disrupted assessment and qualification processes at all levels. The government should review the way the emergency examination

arrangements are working to ensure that outcomes are reflective of ability rather than background.

- 3.3. Provide access to career guidance and wider employment support.** Students will have a lot of decisions to make about how to navigate the education and employment system during this time. The government needs to guarantee access to professional career guidance to ensure that they have the advice and support that they need to make these decisions. In addition, students need a range of other forms of support to help them to access employment opportunities. This might include short training opportunities (e.g. in IT), an entitlement to access travel funds and forms of employer brokerage. These initiatives need to be supported by the provision of appropriate new funding.
- 3.4. Invest in vocational education and provide young people with a maintenance allowance if they choose to pursue this route.** During periods of recession many young people will continue to study rather than try to enter a challenging labour market. If handled well this will mean that the country will emerge out of the recession with more knowledge and skills. To support this government should invest in a post-16 and post-18 vocational education with parity of esteem to the conventional higher education system. Young people should be able to access a maintenance allowance if they choose to pursue the vocational route.
- 3.5. Provide funding and support for young entrepreneurs.** Many people start new businesses and enterprises during recessions and periods of unemployment. However, young people face challenges when starting their own businesses. The government should provide enterprising young people with funding and support to develop their own enterprises.