

**Alliance for  
Full Employment**

# **Youth Report: A Million Reasons to Act**



## FOREWORD BY GORDON BROWN

Unprecedented times demand unprecedented measures.

Youth unemployment rates will soon look like those of the 1980s with a whole generation of young people starting their working lives losing out, their lives scarred for decades.

I have been shocked to find:

- At the turn of the month, October-November, 1 million young people will be unemployed and need help.
- A total of 1.5 million places are now needed over the coming year to deal with the increased number of young people requiring help.
- Just 120,000 young unemployed will definitely qualify for Kickstart - the main youth programme - when it commences because they have to be registered on income support as long-term unemployed (6 months or over) - causing most of the current unemployed to fall through the net.
- Kickstart and other youth programmes need to be upgraded urgently. For example, we need better help with job search, and we need incentives - perhaps £100 a week for employers for 6 months to take young people on as permanent employees.

In the study below, Paul Gregg brings all the expertise and experience built up from his outstanding role in designing, working on and evaluating the UK labour market - and the jobs initiatives and programmes of recent decades, including the New Deal for Young People of 1997 and the Future Jobs Fund of 2009.

The report charts the arithmetic of deprivation and desolation as youth unemployment gets out of control and this will alarm every parent in every region and nation of Britain. Today we are dealing with a far bigger challenge than in the 1980s and it needs a UK - wide jobs summit bringing together the regions and nations with the Prime Minister. Some will say this is too difficult to organise given the current breakdown in relationships between No 10 and the regions and nations but if we do not listen to what's happening on the ground and mobilise all the resources of the whole of the UK - local and national - and work together to coordinate our response. We will fail a generation of young people as surely as we did for too long in the 1980s

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whole of the UK-local and national- and work together to coordinate our response . We will fail a generation of young people as surely as we did for too long in the 1980s

So, what his findings on the shortage of opportunities and the need for high quality support tell us should and will be taken seriously.

The official figure for male unemployment among 18-24-year olds is already three times the overall unemployment rate and stands at 15.7 per cent The office of National Statistics report that the young while 15 per cent of the adult population account of 60 per cent of the post Covid redundancies

But the true arithmetic of desolation is even more alarming and will worry every parent. Already by this summer almost 700,000 young people were in need of help to secure training or work. These include:

- 110,000 :16-17s not in full-time education or training in work who are legally bound to be in some form of training.
- 170,000 18-24s longer-term (6 months or over) unemployed, plus a large portion of those with 3 months duration and who have significant disadvantages in the labour market.
- 400,000 not in education or work, including those waiting for a course to start or similar, mothers with a child under 3 and the severely disabled.

Now as we move into winter the jobs crisis is biting even harder with 4 new groups needing support:

1. Many of this summer's 500,000 school college and university leavers;
2. Those who lose their jobs on or before 31 October as a result of Covid-19 as furlough ends;
3. Those in Tier 3 areas where businesses are closed down and where young employees not eligible for furlough are being laid off;
4. Those made unemployed because of the general turnover of young staff, including those who are, for example, on temporary contracts but who will now struggle to get new opportunities.

So, the number of youth unemployed at the turn of the month will total around 1 million.

Overall, as month by month more young people join those needing help, the likely scale of the supported places needed over the next year will be around 1.5 million. Indeed, there will be many who after 6 months on Kickstart still need help - perhaps 250,000 - including all those for whom the support does not work and who need an alternative way forward.

I approach the measures we need from my experience of delivering the New Deal for Young People and the Future Jobs Fund, both of which were credited as innovative and successful.

And so, I support Paul's recommendation that further measures are urgently needed to upgrade the offers now being made, and these should be announced as soon as possible.

Today we are dealing with a far bigger challenge that needs better measures. But taken together, Kickstart and the other related training and jobs initiatives do not meet the Prime Minister's promise of opportunities for all: they do not yet cover a large number of the young people who will need support, nor do they all offer the high quality work experience and training young people need nor the job search and incentives for employers to take young people on.

First, the support on offer varies in duration from a couple of months of job search support, to 6 months for work placements and up to 18 months for apprenticeships. But the Government currently appears to only want to engage young people when they have claimed universal credit for at least 6 months, and this clearly misses lots of in-need young people who don't claim or have irregular employment. Just 120,000 (those who are registered as unemployed for 6 months or over) will currently qualify for Kickstart. So, while it is designed for 350,000 at peak it will probably cover little more than 100,000 in its early stages after 1 November.

Second, the Government assumes 5 per cent of all employers will offer young people places but has given no evidence that this figure will reach that level without better incentives. The difficulty is that the business environment is going to be uncertain for at best another year, and so industries that historically have been the anchor of these sorts of schemes - manufacturing, offices and high streets - are likely to be more circumspect now, and local authorities say they do not have the money to manage the size of employment programmes we need.

Third, as Paul Gregg emphasizes from his in-depth experience of previous programmes here and abroad, we have to do much more to ensure that all four elements are present in youth programmes: high quality work experience, excellent training, quality job search support and sufficiently generous incentives for employers - perhaps £100 a week for six months for an employer to take a young person on. We need to actively look for and tailor the programme to industries that are less affected and - perhaps - fund more post-degree and further education to upskill this generation. We need to prepare young people with the qualifications for jobs we will need, from lab technicians and contact tracers to care workers and teaching assistants.

The top four priorities are:

1. Provision of quality work experience – not a return to the Youth Opportunity Programmes (YOPs) or Youth Training Schemes of the 1980s
2. Training geared to new jobs, like in care sector It and logistics, jobs linked to the recovery from lab technicians and contact tracers, to care worker and teaching assistant not training for continued unemployment.

3. Help with job searches – a vital element of getting into work, as demonstrated by the 2009 Future Jobs Fund.
4. A wage subsidy in the order of a £100 a week for six months for employers to take a young person on full-time

It is urgent that we act with determination to prevent a repeat of the 1980s and a lost Covid generation. The proposals we put forward could prevent the social crisis that now threatens to engulf us.

# Youth Unemployment: Who will Need Help and Policy Design

Paul Gregg Prof. Economic and Social Policy University of Bath

## Opportunity Guarantee

It is young people who bear the brunt of this economic damage because they are the hardest hit as an age group, with unemployment rates twice the national average. Also as the early years in the labour market normally see rapid progression as workers gain experience, exclusion from work has longer-term costs. This is why it is essential not just to intervene but also to reach beyond those claiming unemployment benefits to all those not in work or education.

Following from a pitch from a group of charities and campaign groups, the Prime minister has called for an Opportunity Guarantee. The government has announced a suite of initiatives, which apart from a few design flaws represent a reasonable attempt at a plan but fall significantly short of what is needed for a Guarantee.

Here we discuss the scale of the task, the evidence around the ingredients that make up the Guarantee and outline how such a Guarantee can be operationalised.

The concentration of unemployment on certain groups and the huge costs it imposes on individuals who experience longer durations out of work (starting from cumulating around 6 months) in terms of penalties faced on wages and unemployment for up to 20 years later means that individually targeted support is essential, beyond support for job preservation.

To gain work people, in general, need (1) the qualifications/skills appropriate for the job, (2) experience doing the job or in a role that was similar and (3) a good reference from another employer. Young people have general qualifications (GCSE's through to degrees) but often lack the rest. So programmes are about boosting these missing elements Although the over 60s also need serious support to return to work for rather different reasons.

This is not the first recession of modern times and a huge amount has been learnt about what is effective and cost effective. Here the design for an ambitious Opportunity Guarantee for young people is laid out, designed to build up from the governments planned initiatives rather than starting from scratch, before setting the detail and reasoning and discussing the governments proposals.

### *Headline*

- All young people not in work or full-time education (or currently waiting for one of these to start and except and a few with severe disabilities or very young children) for 6 months, irrespective of whether claiming Universal

Credit or not, to begin a journey under the Opportunity Guarantee which develops in intensity until the participant enters work or full-time education.

- Young people who are more 'at risk of long-term unemployment' through substantive barriers to employment to be eligible for early entry into the Guarantee from 3 months out of work.
- On entry each young person to receive advice and guidance on the route under the Guarantee that is most suitable for their goals.
- The routes are Apprenticeship/Traineeship training, education progression from the level already attained, high quality work experience and intensive job search support combined with a hiring subsidy.
- If employment or course participation breaks down the person does not await another 6 months before re-entering the programme but is fast tracked.

### **In November there will be approaching 1 million young people needing support to find work.**

Numbers of young people who will Need Intensive Support Under a Guarantee Before the Crisis started there were around 700,000 young people who needed help with securing work. These include all young 16-17 not in full-time education or training – 110,000.

Those 18-24s with longer-term (6+months) unemployed plus a large portion of those with 3 months duration and who have significant disadvantages in the labour market – 170,000. A large portion of those not in education or work but are not currently seeking work (not including those waiting for a course to start or similar, mothers with a child under 3 and the severely disabled) 400,000. This group has many disadvantaged youths such as living in deprived communities, having few qualifications and major work barriers such as poor health, been in care, ex-offenders etc. In a good labour market most of these will get into sustained work by the age of 25. In the depressed post-Covid labour market they won't. These were the pre-existing stock of 6800,000 vulnerable young people.

As the jobs crisis is now biting hard there will be three NEW groups needing support, (a) this Summers school leavers, (b) those who lose their jobs as a result of Covid as furlough ends and (c) and those unemployed because of the general turnover of young staff not related to Covid (e.g. temporary contracts etc) but who will now struggle to get new opportunities compared to before the crisis. These young people will be reaching the position of needing support over the next year but there will be a surge between September and January.

Overall, therefore the likely scale of supported places needed over the next year will around 1.5 million. This represents the stock already in need around (nearly 700 k) plus the surge from the Summers school leavers and those losing work now as a result of Job Retention Scheme ending which is happening now, then flows of young people arriving at the point through the next year which will be around 25,000 a month. Plus some whose support intervention does not work and need an alternative intervention (250k+). This means there will be a need to frontload the Guarantee as much as possible as by November, when Kickstart starts, there will be nearly 1 million young people who need help.

Not all these supports needed be extremely intensive. Kickstart is planned to offer 350,000 places and traineeships another 30,000. The net number of Apprenticeships that will be available after government offers extra help but when firms cutting back is unclear. In addition the government is expanding a number of educational places in sector-based work academies and high value level 2 and 3 courses in FE colleges, as well as more intensive job search support programmes and careers advice through increasing the number of Job Coaches dramatically to 27,000 who will be able to offer help to a large number young people about applying for jobs, interviews and the like.

There is a big risk of widening the net too wide to allow early entry to include those not in high risk groups such as recent graduates for instance, or to allow early entry at advisor (job coach) discretion. The risk is of diverting these people from quick job entry and displacing other more in need from core programme elements. The door in does need effective policing.

While the government's plans are not so far away to be on the wrong planet, they are not yet to scale

### *Targeting*

The high levels of worklessness amongst the young combined with the overwhelming evidence of the damage that sustained worklessness (often over multiple spells) does to wages and future employment (termed 'scarring') makes this group the priority but there other groups who also need support: these are disadvantaged adults, those with health and disability issues, homelessness, past records of worklessness. Older workers (60+) are at less risk of job loss but those losing work often struggle to return to work without support.

Duration of unemployment benefit (now UC) claim is a good marker for greater need of support but there are two crucial caveats. The surge in worklessness that is coming will be very intense and will result in a surge of 6 months durations in 6 months and 1 year duration claims in a years time. Making a programme arrive to scale from nothing to full-speed is impossible over weeks. This means it makes sense to start with more disadvantaged groups earlier and expand to include longer durations as people reach these milestones. More substantive is that young people often do not claim UC as unemployed for long periods or do so erratically, often with odd days work scattered over a month. These individuals will suffer from the cumulative effect of lacking stable employment but do not halve a single 6+ month spell.

The government has said it will focus major help on those 'at risk of long-term unemployment'. A useful phrase to widen the net beyond longer claim durations, this has not been defined but is likely to be along these lines: those with 6 months unemployment in their current spell, those shorter current duration but a who have 6 months of claiming in last 18 months, those that have never worked and have low education (including recent school leavers) and those with health/disability issues. Markers such as having been in care or excluded from school or have an offending record may also be used. Restricting access to those on UC and claiming as unemployed for 6 months (so not disabled etc and non-claimants) would cut the eligible population but will miss a lot of young people with substantive need.

This means that we need to develop two things . UC claim records can readily look cumulative claim histories not just duration of current spell. But linked administrative data can now allow this to go much further. The easiest step is to link with school and education data from pupil records such as the national Pupil Database. This has already been done, it just needs to be operationalised in DWP/DfE systems for programmes. This tells about education but also markers of family deprivation (Pupil Premium), SEN, in Care, school exclusion etc. Developing this further to bring in the who do not claim at all by mapping in data on PAYE records should be a priority. This will allow a scoring propensity to be developed which allows early entry to a programme beyond current claim duration. In the past this has been done through Risk of NEET Indicators (RONI's). Second, we need an outreach campaign to get out of work disadvantaged kids not on UC to come forward.

## Interventions

Over the last three recessions we have learnt a lot about what can make a difference to getting young people into work. There are three forms of intervention that have proven effective.

### *Job Search Support*

DWP has long provided Job Coaching for at risk unemployed aimed at advising and monitoring activity among job seekers but in addition outside contractors have been used for more intensive support. The Work Programme was the coalition government's flagship welfare-to-work programme. (It started in 2011 and was replaced in 2015 with a programme targeting those with health issues/disability.) Young people who had been out of work for three to nine months would be placed with providers to support with finding employment, with the providers receiving money for placing the individuals into jobs, with an extra reward for sustained jobs.

Providers primarily used one to one job search support with little employer engagement and wider interventions such as training. A provider had a person on their books for two years and got overall 18% into sustained employment though it was better for the younger unemployed at 25% (there has not been a comprehensive analysis of the scheme but a House of Commons Library report , March 2016 is the most useful piece). The scheme got more successful over time but this of course largely reflected to strengthening jobs recovery in this period. So in a very strong jobs recovery and having two years to engage them, only 25% of young unemployed moved into sustained work, which is not great. However, it was low cost and job search supports which was what was mostly done under the Work Programme have generally been found to be positive in the past (as in Gateway of New Deal for Young People and elsewhere). The payments for sustained outcomes and that people who returned to unemployment in the two year window re-engaged with the programme immediately, rather than returning to the back of the queue, were innovative under the Work Programme.

This was replaced by the Work and Health Programme, which focused on those with health issues and was again led by private/charitable sector organisations. The important difference over Work Programme was that it encouraged providers to

engage more with employers to get participants to be considered and secure interviews etc. This was sadly lacking in the Work Programme.

### *Hiring Incentives*

On top of the Work Programme, the Coalition introduced the Youth Contract which offered subsidies worth £2275 for a full-time post, to employers who recruit a young person from the Work Programme and retained them for at least six months. Take up was very limited and again the effects modest and crucially Work Programme providers did not have the employer links to support this element well. These two elements therefore did not work in partnership at all, which was a critical failure. The international evidence on hiring subsidies is reviewed by IZA here - <https://wol.iza.org/articles/can-hiring-subsidies-benefit-unemployed/long> and is much more positive. It shows how well targeted hiring subsidies raise employment of supported individuals even 5 years after the subsidy ends. However, targeting is central otherwise there are large deadweight costs from paying employers to do what they would have done any way or firms may hire a subsidised worker and displace an existing worker. Targeting is usually done by duration but can have more early entry for particular high risk-groups, discussed above. Hiring subsidies are often used in conjunction with job search supports to maximise their effectiveness by giving a marketing element.

### *Offer high quality work experience*

Young people can be taken out of unemployment and temporarily placed into work experience with to equip young people for regular job entry. The UK 2009 Future Jobs Fund (FJF), which offered 6 months paid (25 hours at minimum wage) work experience to 18-24 year old Jobseeker's Allowance claimants raised job entry and reduced time on benefits for the young participants (DWP, 2012). Two years after starting the six-month programme, participants were 11 percentage points more likely than a slightly older and ineligible group, to be in employment (when tracking was stopped). The resulting benefits broadly offset its costs. These sustained employment gains are good considering that the scheme was running at the worst period for unemployment in that recession (2010-12) and as noted earlier they normally perform best in the recovery phase.

The Future Jobs Fund was replaced by the less expensive 'Work experience', offering only up to 8 weeks of unpaid work and focused less on high quality placements, usually being very routine roles. The short-run effects estimates were positive and 5 weeks after the placement employment rose by 6 percentage points for the first wave of entrants in 2011. However, these gains were eroded, declining to 4% higher employment at 1 year after participation and also got less effective for later cohorts entering the programme. Although cheap, as no wage was paid, the effectiveness was poor. The lesson is that low cost - low quality placements do not work to improve employment among young people.

### *Combined Programmes*

In the UK, the 1998 New Deal for Young People was compulsory for the young unemployed and offered 4 options of employment placement, education/training place or a place on an environmental taskforce or in voluntary sector equivalent. Its innovation over past schemes was to require job search whilst on the placement and offering support in finding employment, which started before starting an option

began, and subsidies for employers hiring the young people. The scheme proved successful, increasing employment by around 5% ([Blundell et al, 2001](#)) and its marginal benefits were higher than the marginal cost of the programme ([Van Reenen, 2004](#)). However, the environmental taskforce and voluntary sector options were less effective than the other two and Dorsett <https://www.sciencedirect.com/science/article/abs/pii/S0927537104001162> finds the employment option was the most successful. Drawing on this the Future Jobs Fund also sort to maintain job search support to move on into regular employment over make work schemes. The lessons here were that requiring job search when on the placement (at least from month 3), with support from Job Coaches and a hiring subsidy if the person is recruited from the programme or in the period after programme participation is extremely important. Otherwise, lower job search when on the programme results in Lock-in, lowering job entry whilst on the programme and less powerful job finding at its close. Without these design features programmes have limited success.

Another more recent combination programme that is still up and running is the Traineeships programme being offered to those young people on benefits without the necessary qualifications to start an apprenticeship. It offers work experience and training connected to the job and it is designed as a pre-apprenticeship and thus views moves into full-time education or an apprenticeship as positive outcomes. The DWP assessment is that it raised employment by 18% after a year and thus is more effective than the Future Jobs Fund or New Deal employment option. However, moves onto Apprenticeships were less positive and this should be viewed more as a work experience programme with training than apprenticeship access course. It is, however, very small scale, around 20,000 starts a year and operated in an extremely tight labour market and will be hard to grow substantially in a deep recession. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/847346/Traineeships\\_Impact\\_Evaluation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847346/Traineeships_Impact_Evaluation.pdf)

In summary, combined programmes offering work experience preferably with training (as with Traineeships), with required job search, on-going job search support and a hiring subsidy for moves into regular work are optimal for effectiveness and must be at the heart of efforts to address youth unemployment. But they are expensive and as such they need to be focused on the most at risk of long-term damage from unemployment. Lower cost programmes for the less seriously in need should not be lower quality work options such as make-work schemes (e.g. Work Experience, Environmental Taskforce or similar), except as a precursor to entry into the quality options. Rather job search supports with hiring subsidies (for those aged 55+ this is a better option than work placement) or just job search supports.

### *Design of Kickstart*

Kickstart is a work experience placement for eligible young people into part-time (25 hours) paid (minimum wage) temporary jobs. This is very positive compared to the previous Work Experience programme under the Coalition. Eligibility is not yet tightly defined but will go beyond current claim duration which again is positive given the concentrated nature of job losses that are coming and wider need that is not captured by claim duration. It is also positive that it does not boost numbers of places by

offering make-work schemes such as picking up litter or planting trees (even if these have social value they do little for the young person).

There are, however, a number of design weaknesses some of which can be fixed as the programme ramps up. First and most important there is no requirement for young people on the placements to look for a follow-on job or support for job search. There is a long history of programme lock-in where people stop looking and therefore finding work when on a programme. Under the New Deal the other part of the week when not employed (the person is employed for 25 hours under Kickstart) was required to be used for continued job search. This requirement could start 3 months into the placement to boost post-programme employment chances. Alongside this there is no support for this job search, leaving the young person alone to their devices. The person is being treated as employed not in an Intermediate Job and this is not ideal. This engagement to promote effective job search would be ideal role (among others) for the private/voluntary sector led Job Finding Support Service the government is launching.

Second, there is no requirement for quality in the positions (as was the case under the Future Jobs Fund). Organisations are required to say what the young persons job role will be and the government hopes for quality offers, but there is no mechanism that uses this information to encourage and require the provision of enriching experiences. This will reduce the programmes effectiveness but may enable more places to be offered. It certainly should be fixed once youth unemployment starts to fall. Lower quality places should be weeded out once the immediate surge in unemployment has passed.

Next, there is no enhancement for recruiting participants into regular employment. The work experience will increase the chances of a person gaining employment but the window where it does this is short. Pretty quickly (maybe 3 months) after the placement ends the young person is back to being at risk of long-term unemployment again. It is crucial to maximise job entry in this window, hence the need for supported job search. So additional recruitment subsidy in the three months after programme completion should be considered. Finally, what happens to those where the placement breaks down or to those who are not hired in the 3 months or so after a placement is not discussed. Do they start from scratch again in terms of getting qualifying claim durations or can they get immediate access to another opportunity?

All of these weaknesses are eminently fixable, even after the programme has started.

### *Building A Guarantee*

The government is offering a range of initiatives which can reasonably be described as a plan, but it is not a Guarantee of appropriate support. An Opportunity Guarantee, as signalled by the Prime minister, would entitle every young person not in full-time education or employment for over 6 months (3 months for the more disadvantaged), a place or perhaps even a budget entitlement to participate in a positive activity.

Creating a Guarantee then should integrate the positive elements of the governments plans, Kickstart, Traineeships, with Apprenticeships and continuing education to have an option for all young people. A guarantee is desirable as it prevents a young person drifting and forces engagement. It also forces government departments (DfE and DWP) to act in a co-ordinated way. It, has three major operational challenges though: 1) The numbers will be hard to grow to the scale needed quickly enough, 2) a young person will need some advice on the best route to take for them and 3) there is always likely to be a problem of having enough places in the right location at the right time.

The suite of initiatives announced to date is at least ½ million places short of what is needed from now to the end of next year for all young people in need get an offer under the Opportunity Guarantee. Plus in addition there will be a number of people who participate in Kickstart/Traineeships that are not successful first time round who will need a new offer, perhaps half based on past schemes. Giving another 200,000 places need and making a total of 700,000 extra places above what is announced. Solving this problem means operating a fourth element beyond training, education and work experience. This would be aimed primarily at the most job ready of the-at risk of long-term unemployment, which means those the generally slightly older group with some work experience or higher levels of education (level 3 or above). It would consist of more intensely supported job search, perhaps led by the private/voluntary sector led Job Finding Support Service, and last for a similar 9 month window as Kickstart (that is the 6 month placement with a follow through phase which needs to be added to Kickstart of job search support). This window of job search support should come with a hiring subsidy. The subsidy would be approximately £2300 for a full-time job that lasts at least 6 months - about half that implied by the 25 hours at minimum wage under Kickstart. This aims to reduce the numbers of places needed on more expensive elements.

In addition would be an aggressive marketing to firms to step up on Apprenticeships, Traineeships, Kickstart and hiring of at risk young people. The government has done a huge amount to help firms through this pandemic and will do more, firms need to show they get it. Firms should be asked to make pledges to support the Guarantee which would extend to Job Interview Guarantees for those on the Kickstart and hiring subsidy elements of programme. Firms which are making people redundant must be excluded from taking on people under these subsidised job elements to avoid risk of using them as cheaper labour.

The second issue on advice, was in the past done by a dedicated service but could be part of a beefed-up National Careers Service which the government has signalled extra cash for. But getting general careers advisors to help with a placement choice for an Opportunity Guarantee might need specialist knowledge and training.

The final problem of having enough places locally. This will be partially addressed by the hiring subsidy element which is far more flexible in expanding places. In addition where people are waiting for a course to start or placement to become available they would have a holding place on a voluntary sector socially productive activity, which is not an alternative option but positive activity whilst waiting for the main course to start.

## Conclusion

The recession in the UK has only just started, in terms of the impact on jobs, consumer confidence and firm planning. Yet because firm profitability was already low and the trading block under Lockdown, the wave of job losses will be incredibly condensed and intense between now and next April. This means that the need for getting intervention on the ground is urgent and hard to get to scale in time. Yet after this immediate crisis there is a reasonable hope of both an economic and jobs recovery next Summer. This is very helpful to create an environment where unemployment programmes can offer real value to reduce the scarring effects of long-term unemployment on young people. A resurgence of the Covid crisis clearly has the potential to blow this off course and into even more serious territory, where there is no recovery until next Autumn.