

Understanding the main opportunities and barriers to SME engagement with the youth labour market

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For the EY Foundation

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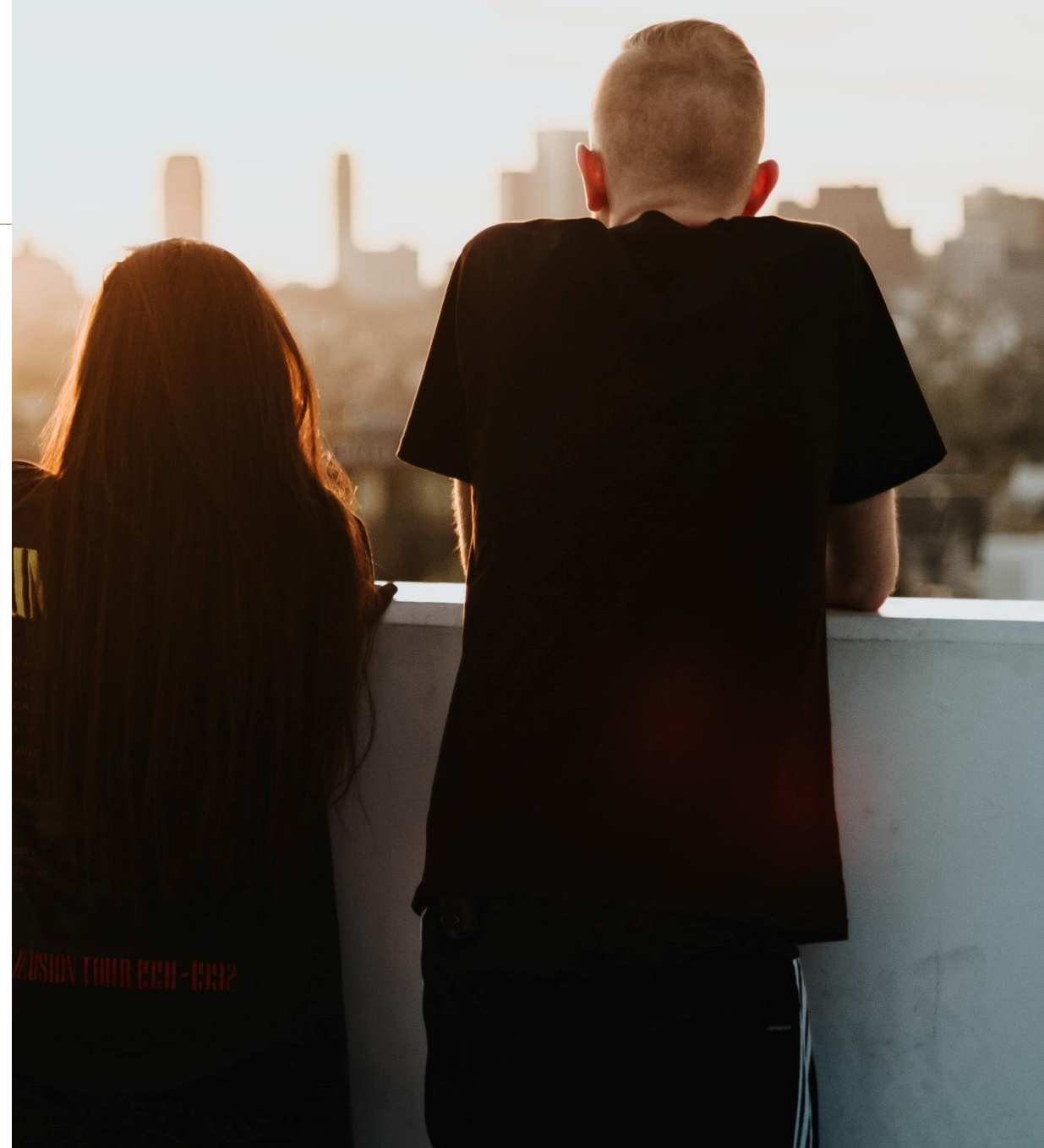
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Executive summary

“I think if companies don’t take on young people and don’t have that commitment, they are going to be woefully behind the times”.

(SME, Wellbeing-focused Digital Technology)

The study found that while SMEs are destinations for young people, a number of perceived barriers stand in the way of these businesses engaging more fully with the youth labour market. Improving employment prospects for young people will depend on addressing these barriers.

Recent research shows that although the youth employment gap in the UK is narrowing (1), there is still much work to do.

Providing employment opportunities to young people between the ages of 16 and 24 is critical to improving their economic prospects, economic growth and social cohesion more broadly (2), and it necessitates looking more closely at the role that SMEs can and do play in filling this gap. SMEs comprise more than 90% of all businesses globally (3). In the UK, they make up 99% of the total business population and three fifths of the employment (4). Nevertheless, most attention and research on the topic of youth employment has concentrated on large businesses and graduates, indicating that SMEs represent a poorly understood and relatively untapped market with much potential.

This report presents the results of a longitudinal interview-based study of 20 SMEs in South East London undertaken in 2021 - 2022, over the Covid-19 pandemic. The purpose of the study was to uncover the opportunities and barriers to SME engagement with the youth labour market from the perspective and experience of SMEs. The results, while hopeful, suggest that a number of pressing barriers stand in the way of engagement.

The report will show that improving employment opportunities for young people in SMEs will be beneficial to these businesses, but will require a great deal of commitment from both SMEs and intermediaries – those organisations that support engagement between businesses and young people by arranging placements (a work experience, internship), apprenticeships, and formal mentoring for young people; including public sector organisations, charities, schools and Higher Education Institutions (HEIs).

Executive summary (cont.)

The study found: Three-quarters of the SMEs sampled (75%) currently employed a young person as a permanent member of staff and two-thirds (65%) had at some point employed a young person on a temporary placement. On the whole, SME owners reported that attitudes towards and experiences of working with young people were positive; in the former case, 95% believed young people would add value to the business and 100% said they would employ a young person from a low-income background in the future. Most SMEs (85%) had been approached previously by an organisation looking to place young people, but not all reported that interactions had been satisfactory or fruitful, leading to work with young people.

Certain factors negatively impacted on recruitment and, by association, connections between SMEs and young people. SME owners tended to use their own channels to hire new staff or arrange placements (85%); 50% said their recruitment practices inadvertently discouraged or prevented young people from low-income backgrounds from applying. While on-the-job training was common in SMEs (75%), for half (50%) training was unstructured and delivered in-house. This had a knock-on effect on recruitment, leading businesses to focus on candidates that had the requisite skills/experience, and reducing the likelihood that young people were considered; less than 10% of SME owners said they brought in young people to address specific skills gaps in their businesses.

The pandemic effect: Half of the SMEs sampled (50%) furloughed staff or let them go during the pandemic. While the pandemic did not appear to impact on the perceived value of employing young people, practically speaking it did make SMEs more cautious towards recruitment generally and influenced whether SME owners felt they had enough tasks or time for young people, or the ability to manage those working remotely, giving them the full work experience. Approximately two-thirds of SMEs (65%) were looking to provide placements (a work experience, internship) or apprenticeships as part of their growth strategy, although intentions to grow generally diminished over the pandemic, from 80% to 60% for these firms.

From the interview data, we identified 6 perceived opportunities from engagement with the youth labour market for SMEs, while 10 perceived barriers stand in the way. Improving employment prospects for young people will depend on addressing these barriers. Succeeding in this domain will also be critical for SMEs who have much to gain from working with young people in the short and longer-term as future employers. Intermediaries have a central role to play in ensuring benefits to young people and SMEs are realised.

To exploit the opportunities and tackle the barriers to engagement, the report makes several recommendations for action by SMEs and intermediaries, and concludes with lessons for stakeholders (SMEs, intermediaries, young people and policy makers).

Executive summary: The opportunities and barriers for SMEs

Perceived opportunities from engagement with the youth labour market for SMEs

- ↑ Diversifying the business and industry
- ↑ Bringing a fresh perspective to client projects
- ↑ Energising the company brand
- ↑ Enhancing external communications
- ↑ Improving internal work processes
- ↑ Developing a social purpose and conscience

Perceived barriers to engagement with the youth labour market for SMEs

- ↓ Lack of access to young people
- ↓ Lack of understanding of young people
- ↓ The associated costs of working with young people (staff time, financial burden)
- ↓ Lack of support infrastructure in SMEs
- ↓ Fear of having a negative experience
- ↓ Lack of interest from young people in the work
- ↓ Rigid features of work placements
- ↓ Work placement bureaucracy and communications
- ↓ Shifting work patterns due to the pandemic
- ↓ Fears focusing on recruiting young people could distract from pandemic recovery efforts

Executive summary: General recommendations for improving SME engagement with the youth labour market

Short-term initiatives for SMEs:

Reach out to and work with intermediaries including schools, colleges and universities to promote career possibilities in your sector and business.

Revisit recruitment practices and broaden recruitment channels to work with a more diverse group of people, including and especially young people from low-income backgrounds.

Undertake formal placements with experienced intermediaries rather than informal placements via personal networks, or, at a minimum, do both.

Create greater efficiencies for your business by bringing in more than one young person at a time during work placements.

Look within the business to what young people are already doing, championing them, promoting their accomplishments to the outside world.

Medium-term initiatives for SMEs:

Create a board of young advisors or young trustees that meets regularly and that can help to diversify the business, bring in new ideas, review internal work processes including those relating to recruitment, make better business decisions, and reach other young people in the community or further afield. Certain organisations (e.g., Young Advisors, Young Trustees Movement) can provide some guidance about how to go about setting up your own board.

Reflect on and regularly take stock of the strengths of the younger generation and how they might be channelled into your business, to improve internal work processes and external communications, and add value to client projects and the sector becoming a thought leader in that space; by committing to carrying out regular reviews of the contributions made by younger staff members.

Manage the trade-offs between outsourcing talent short-term and growing your own talent longer-term which young people can be part of in the latter case.

Long-term transformation

Taking a long-term perspective towards young people and creating more employment opportunities for young people.

Taking a long-term perspective towards SMEs and creating more opportunities for SMEs to engage with young people.



Short-term initiatives for intermediaries:

Proactively reach out to SMEs by attending, initiating and running local business events, collaborating with trade associations and local chambers of commerce, and creating a database of potential SME partners.

Reach out to and nurture relations with key decision-makers, which are often SME owners in the first instance, especially in micro-enterprises.

Raise awareness and visibility of work with young people among SMEs via promotions/events designed to discuss case studies/success stories.

Understand the needs and resource constraints of SMEs, reviewing research on the topic and creating regular forums for discussion with SMEs.

Appreciate the unique generalist knowledge and skills-set SMEs possess and the benefits they can bring to young people and their communities, reviewing what SMEs do and learning more about the overlapping roles and tasks of individuals working in these businesses.

Medium-term initiatives for intermediaries:

Incentivise SMEs to participate in placement schemes by subsidising placements, involving SMEs in selection processes, providing training and support to young people and SMEs on a needs basis in the latter case, endorsing those SMEs taking part in placement schemes on your webpages and in your promotional materials, and providing placement opportunities on a rolling basis, minimum placement length guarantees and longer placements where possible/desired.

Prepare SMEs for working with young people by discussing the benefits, describing the kind of support young people might require and where they can get it from (the company or the intermediary), devising clear guidelines, providing feedback on placements carried out within other SMEs and inviting some of those participating SMEs to be Placement Champions for other SMEs that might be considering them.

Prepare young people for placements in SMEs by educating them about SMEs generally and those they will work with specifically, discussing the benefits of working in an SME, and providing a base level of training to help young people deliver professional communications and effectively manage their time.

The background image shows four people from behind, standing on a rooftop or balcony. They are looking out over a city skyline at sunset. The lighting is warm and golden, with the sun low on the horizon. The people are silhouetted against the bright sky. The overall mood is contemplative and hopeful.

The study

The next section provides an introduction and background to the study, and a summary of the main findings.

Introduction to the study

Despite the prevalence of SMEs in the UK and the contributions these businesses make to economic growth and job creation, work placements for young people tend to be directed to large businesses.

Prior research has found that SMEs invest less in young people than their larger counterparts and are less aware of intermediaries, organisations arranging work placements for young people (5). Intermediaries, in turn, have a limited understanding of employment opportunities in SMEs, may lack the resources required to match young people to these businesses, and fail to prioritise SMEs as a result (5,6,7).

An SME was defined as: *“...any organisation that has fewer than 250 employees and a turnover of less than €50 million or a balance sheet total of less than €43 million”* (8).

Research was commissioned by the EY Foundation – a charity supporting young people from low-income backgrounds to get paid work experiences, employability skills training and career guidance – with the purpose of uncovering the opportunities and barriers to SME engagement with the youth labour market from the perspective and experience of SMEs.

Research was undertaken and led by Dr Rachel Doern of the Institute of Management Studies at Goldsmiths, University of London.

Prior to data collection, a comprehensive literature review on youth employment and SMEs was completed and found:

1. SMEs had limited knowledge about the youth labour market, with previous research predominantly focusing on the graduate market;
2. Only a handful of studies could be identified that examined youth employability programmes with SMEs as the focus;
3. Where placements were undertaken in SMEs, SMEs were said to enhance the employability prospects of young people by providing them with new knowledge and insights, and by increasing their workplace skills, job satisfaction, confidence, self-esteem and access to networks (9,10);
4. Youth employment programmes also brought certain benefits to SMEs which included identifying key skills and competencies needed by these firms, addressing skills gaps, creating a workforce that has the kinds of skills required by SMEs, the opportunity to work with young people SME owners felt were suitable to the SME culture, and the provision of monetary inducements (11,12,13,14);
5. SMEs often had negative attitudes towards young people, graduates in particular, that were based on opinion and hearsay rather than concrete experiences;
6. Very little published research has been conducted on SME engagement with the youth labour market, and the opportunities and barriers that stand in the way of engagement.

This report draws on longitudinal data collected from 20 SMEs in South East London, predominantly the borough of Lewisham which has the highest NEET rate (young people with no education, employment or training) and unemployment levels generally in London (15). At the same time Lewisham is a growing centre for micro-businesses, engaged in regeneration and revitalisation, with affordable high-quality spaces for businesses. As with most places, micro-businesses make up the bulk of all total enterprises across the South East London (16).

Data collection was carried out over the pandemic:

Each SME owner was interviewed twice for the study between 2021 and 2022, during the Covid-19 pandemic. Interviews were conducted six months apart to capture any changes in the attitudes of SME owners or the situation of SMEs, due to intervening experiences with young people and/or factors relating to the pandemic.

Data from the House of Commons has found that in the UK, young people under the age of 25 were more likely to be furloughed during the pandemic and at greater risk of losing employment altogether, with youth unemployment rising to 13.7% compared to 4.9% for all other age groups (17). Given the ongoing economic uncertainty, this research is both important and timely.

We hope the research findings, recommendations and lessons presented in this report will appeal to SMEs, intermediaries, young people, and policy makers, and impel efforts to improve opportunities for young people *and* SMEs.

Background to the study



Context

The study took place during the Covid-19 pandemic. Part of the purpose of the study was to ascertain the impact of the pandemic on SMEs and recruitment, and the effects on young people.

Over the pandemic, the UK was subjected to three official lockdowns, the first of which began on March 23rd 2020. During the lockdowns, businesses selling non-essential goods/services were required to close their doors (especially in the first lockdown) or restrict trade and people were asked to stay home and keep safe. Some businesses were able to revert to remote work. Data collection for the study began during the third wave of lockdowns, commencing in the Spring of 2021 and concluding in the Spring of 2022.



Sample

To participate in the study, the following selection criteria were applied to the SMEs:

1. Participants had to be owner-managers of small-to-medium sized enterprises (SMEs) – these individuals were the focus of study because they are knowledgeable about the business history, have strategic control over business matters and some involvement in recruitment;
2. Firms had to meet the UK Government's definition for size (8);
3. Firms had to be located in South East London;
4. Firms had to operate in higher-end services which have future growth potential and better career prospects for young people.

The study included 20 SMEs operating in the following sectors: marketing and communications, tourism, logistics, design, film production, the performing arts and technology. Most (70%) employed less than 10 people.



Method

Two interviews were held with each SME owner, separated by six-months.

Period 1 – the first interview

Period 2 – the second interview

SME owners were asked background questions about themselves, their businesses and their employees; they were also asked more specific questions about attitudes towards and experiences of working with young people, questions about recruitment and skills-gaps within businesses, training, growth intentions, the pandemic, engagement with intermediaries connected to young people and confidence levels in attracting young people, supporting their transition in to the workplace, on-boarding, understanding their needs, retention and progression.

More details can be found at the end of the report.

A summary of the main findings

1. SMEs had some experience working with young people (under the age of 24) but this experience was often limited to small numbers of young people and did not intentionally or necessarily include those from low-income backgrounds
2. SME owners believe young people can add value to their businesses
3. Most SMEs had some form of engagement with intermediaries
4. Few SMEs had HR staff or departments and most SME owners used their own channels to recruit staff or arrange placements, limiting the pool of potential candidates available
5. SMEs tend to participate in job-related training that is unstructured and in-house which has the effect of hiring those individuals who already have the requisite skills/experience, potentially diminishing the likelihood that young people are given due consideration
6. SME owners do not see young people as filling critical skills gaps in the business
7. Most SME owners intended to grow their businesses providing potential opportunities for young people, although growth intentions had lessened over time due to ongoing uncertainty around the pandemic
8. While the pandemic did not appear to impact on the perceived value of employing young people, practically speaking it did make SMEs more cautious towards recruitment generally and working with young people

The main findings

1. SME experiences of working with young people

There has been little research previously on the actual experiences of SMEs with the youth labour market. This study found that the experiences of the 20 SMEs sampled were often based on small numbers of young people and came from full-time work or temporary placements, the latter of which was a mixture of formal placements through an intermediary and informal placements arranged via personal networks. Experiences with young people were reported to be mainly positive or mixed – positive and negative. Experiences described as positive were attributed to a young person’s good attitude/work ethic, interest in the work, technical know-how, and ability to get along with the team; also to a greater exposure to young people via the composition of the SME’s permanent workforce or participation in placements, and/or the SME owner’s previous experiences of working with young people via other jobs. Experiences described as mixed, as being both positive and negative, were explained by varying levels of a young person’s interest in or engagement with the work, reliability, age and/or cultural differences between SME owners and young people coming from different countries, and by not being able to give young people their full attention due to the pandemic. This suggests that for our SMEs, experiences of working with young people depended on certain qualities of young people, prior exposure to young people, cultural and environmental factors.

75%

Currently employed at least one young person (between the ages of 16 and 24)



10%

Employed more than 50% young people in their workforce



15%

Employed young people from low income backgrounds
40% did not
45% were unsure



65%

Have provided a placement (a work experience or internship) or formal mentoring to a young person (between the ages of 14 and 24)



15%

Have provided placements to more than 10 young people in the business’s collective experience since initiation



95%

Reported wholly positive or mixed experiences with young people they employed either permanently or temporarily on a placement



SMEs had some experience working with young people (under the age of 24) but this experience was often limited to small numbers of young people and did not intentionally or necessarily include those from low-income backgrounds.

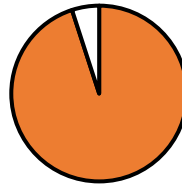
The main findings

2. SME attitudes towards working with young people

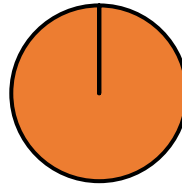
Prior research suggests that SMEs have negative attitudes towards the youth labour market, especially graduates, regarding it with some suspicion. However, negative perceptions of SMEs also tend to be based on opinion and hearsay, rather than experience (6).

This study found that, when asked directly, the attitudes of SME owners towards young people were overwhelmingly positive. For a few participants (20%), attitudes towards young people had become even more positive over the course of the study, between periods 1 and 2, mainly due to their intervening experiences with young people that, in the words of one SME owner, “had a huge impact on me”, making these individuals “more open” to working with young people and reinforcing the “value” they can bring to the business. Only one SME owner expressed a wholly negative attitude towards young people which they attributed to a particular work placement arranged through their personal networks.

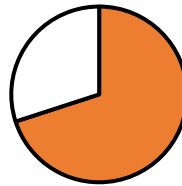
As we see later, positive attitudes while critical are alone not enough to encourage greater engagement between SMEs and the youth labour market.



95% thought young people would add value to their business



100% said they would provide a placement to a young person from a low-income background; approximately 15% of SME owners were actively trying to employ young people under-represented in their industry



70% had consistent attitudes towards youth employment between periods 1 and 2 – i.e., attitudes had not changed between the two interviews; 20% had become more positive; only 5% had become more negative; 5% were not applicable

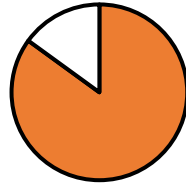
SME owners believe young people can add value to their businesses.

The main findings

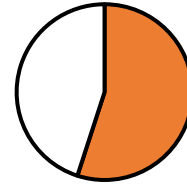
3. SMEs and intermediaries working with young people

Prior research suggests SMEs are not prioritised by intermediaries for placements involving young people and lack the resources required to match young people to these businesses (5,6,7). Equally, SMEs have been described as less engaged with the youth labour market than larger businesses, and less aware of organisations that support youth employment, particularly graduate employment. In general, it seems there is very little understanding about the interactions between SMEs and intermediaries.

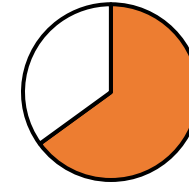
This study found that most SMEs had interacted with an intermediary previously – a school, HEI (mainly) or another kind of organisation arranging placements for young people in the third or public sector, including the Kickstart Scheme (8). Just over half were aware of organisations looking to place young people locally. The general sentiment towards interactions with intermediaries and placements arranged by intermediaries was positive. However, a few SME owners complained about the admin around signing-up for a placement, or about signing up but not getting any applicants; also about being on mailing lists and receiving junk mail from intermediaries, miscommunications with intermediaries relating to start dates or what kind of activities they might undertake with young people, and issues around the flexibility of placements.



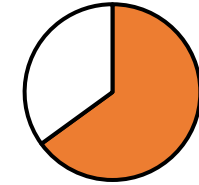
85% had been approached by an organisation looking to place young people



55% were aware of organisations looking to place young people locally



65% had engaged with local schools or HEIs



65% had been in touch with the EY Foundation or another organisation focused on youth employment opportunities between periods 1 and 2 (the two interviews)

Most SMEs have had some form of engagement with intermediaries.

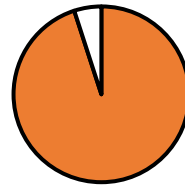
The main findings

4. SME employee recruitment and young people

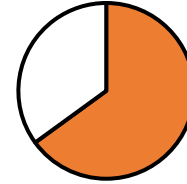
Prior research has shown that recruitment practices are often less formal and developed in SMEs than in larger businesses (6,19). It has been argued that SMEs may be “handicapped” by “weak or non-existent” human resource capabilities which can in turn limit their interactions with young people and the intermediaries that support them (19).

This study found that recruitment practices in SMEs tend to be informal. SME owners played a big role in recruitment and often relied on social media, word-of-mouth advertising and their own contacts or those of staff members to bring in new employees.

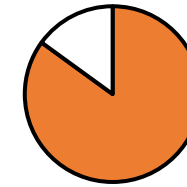
Half of the businesses in the sample felt they were inadvertently discouraging or preventing young people from low-income backgrounds from applying for reasons including the industry was “exclusive to people of low economic backgrounds”, the recruitment channels they used were exclusive, low pay, and due to the content/form of advertisements.



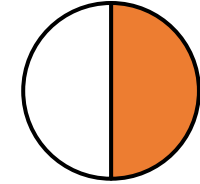
95% of SME owners were personally involved in the recruitment of members of their team previously



65% had no dedicated HR person or department to manage recruitment activities and SME owners were solely responsible



85% of SME owners relied on their own channels (i.e., networks, social media) to identify new staff



50% felt recruitment practices inadvertently discouraged or prevented young people from low-income backgrounds from applying

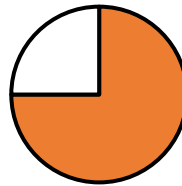
Few SMEs had HR staff or departments and most SME owners used their own channels to recruit new staff or arrange placements, limiting the pool of potential candidates available.

The main findings

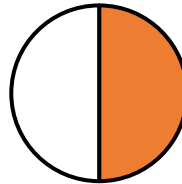
5. SME job training and young people

Prior research suggests that few SMEs perceive formal job-related skills training to be necessary and do not tend to invest in it (20). Where carried out, training in SMEs has tended to be informal, reactive and on-the-job, and to increase with firm size. This has been attributed to short-term planning horizons, fears that trainees will leave or be poached, and a lack of understanding of what is needed training-wise (21,22).

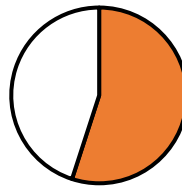
This study found that those SMEs not taking part in job-related training tended to be smaller, younger businesses. In such cases, the focus was on recruiting staff who already had the requisite skills/experience and on keeping costs down; although this could have the effect of increasing costs. SMEs that were larger and older engaged in more structured, externally-sourced training. Indirectly, attitudes and traditions relating to training could affect the recruitment pool, the applicants SMEs consider such as young people and the developmental opportunities available.



75% of SME owners and their teams had participated in job-related training



50% carried out training that was unstructured and delivered in-house; in 30% of the cases training was structured and a mixture of in-house and externally sourced; in 10% of the cases training was not provided at all (preferring to bring in freelancers with experience); in 5% of the cases training was structured and externally-sourced only; in 5% of the cases training was structured and in-house only



55% described the experience of employees as ranging from low to high, while 40% had employees with medium-to-high experience; 5% were unsure

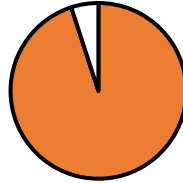
SMEs tend to participate in job-related training that is unstructured and in-house which has the effect of hiring those individuals who already have the requisite skills/experience, potentially diminishing the likelihood that young people are given due consideration.

The main findings

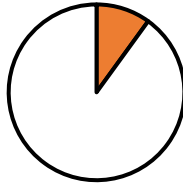
6. SME skills gaps and young people

Prior research suggests that SMEs have a poor understanding of what they need in terms of skills, and difficulties identifying and addressing skills gaps (23, 24). It has been proposed that work placement schemes can help fill important skills gaps in SMEs (11).

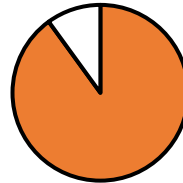
This study found that most SME owners were able to identify which skills they were lacking in relation to management or specific business areas, and reported skills gaps in both periods 1 and 2 (with some variations in the skills-sets required in between reflecting changes in their workforce due to the pandemic and/or the stage of the SME's development), and few considered young people for the purposes of addressing such gaps.



Less than 10% brought in young people to address skills gaps in the business or were reliant on growing their own talent



90% addressed skills gaps with the resources they already had available (by becoming “generalists”) or by outsourcing work to experienced freelancers



95% identified skills gaps in periods 1 and 2

SME owners do not see young people as filling critical skills gaps in the business.

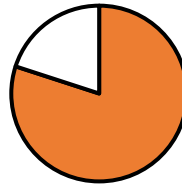
The main findings

7. SME growth and young people

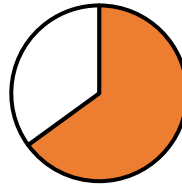
Prior research suggests growth-oriented SMEs may be more open to offering placements to young people and likely to believe they can meet the expectations of young people, especially graduates (11).

The study found general support for the former claim. Of those who said 'maybe' or 'no' to the question of whether they would provide placements as part of their growth strategy, these individuals explained that they wanted to create a more efficient and effective workforce, not a bigger workforce.

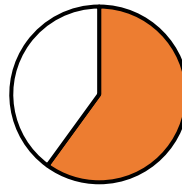
The pandemic and the uncertainty associated with it did appear to diminish growth intentions somewhat.



80% intended to grow the business in period 1 and only 60% intended to grow in period 2 (6 months later), due to the pandemic



65% were looking to provide placements (work experience, internships) or apprenticeships as part of their growth strategy; 15% said 'maybe', 20% were not



60% thought their business was in a growth sector

Most SME owners intended to grow their businesses which provides potential opportunities for young people, although growth intentions had lessened over time due to ongoing uncertainty around the pandemic.

The main findings

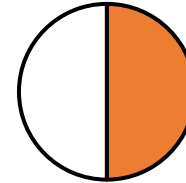
8. SMEs, the pandemic and young people

There does not appear to be any research on youth employment opportunities in SMEs during a crisis. There is a little research, however, on the broader effects of crises on the youth labour market. It has been found, for instance, that the youth employment market is sensitive to economic downturns and youth employment opportunities tend to go down during a crisis (25,26), while the post-crisis recovery period may be associated with increases in offers to young people (27). More recently, a couple of studies found that during the Covid-19 pandemic, young people in the UK were more likely to be over-represented in shut down sectors and furloughed, and at greater risk of losing employment altogether, with youth unemployment rates rising higher than any other age group (17).

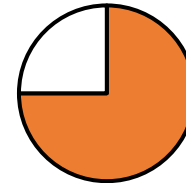
This study found that while the pandemic did impact on staffing in our SMEs, in nearly three-quarters of the cases (70%), employee numbers stayed the same or went up. A few owners spoke about rising staff costs (particularly those in the visual/performing arts) and the difficulties in sourcing people locally, exacerbated by the pandemic and Brexit.

Most SMEs reported being better off financially in period 2 than period 1, but for several this was not directly attributable to the crisis but to being a relatively new businesses with growing experience and clients. Interestingly, this finding did not translate in to higher growth intentions which were reportedly lower in period 2, as noted previously.

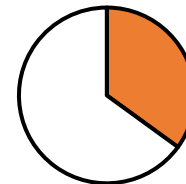
The study found that while the Covid-19 pandemic did not impact on the perceived value of employing young people or SME attitudes towards them generally, practically speaking it did influence whether business owners felt they were able to expand employee numbers, had the time to devote to young people, and whether or not there was enough work for them; the study also found that this was dependent on the business's stage of development. That is, relatively newer businesses, start-ups, were more likely to expand during the pandemic and to see young people as being a part of this expansion.



50% said the pandemic had impacted on staffing, that staff were furloughed or let go



75% reported being better off financially in period 2 than period 1



35% said employee numbers stayed the same during the pandemic; 35% reported numbers went up; 25% reported numbers went down; one business closed

While the pandemic did not appear to impact on the perceived value of employing young people, practically speaking it did make SMEs more cautious towards recruitment generally and working with young people.



Perceived opportunities from engagement with the youth labour market for SMEs + Recommendations for exploiting opportunities

The next section looks more closely at the opportunities through
the lens of businesses involved in the study.

The perceived opportunities



Opportunity 1

Diversifying the business and industry

Young people, including and especially those from low-income backgrounds, can play a key role in diversifying SMEs and their industries, especially the creative industries where there was a reported sense of entitlement, privilege, and homogeneity.

“We’re very much trying to create more of a level playing field for people to kind of, you know, access this area”.

(SME, Performing Arts)

“So the sense of privilege and entitlement that comes from ... class, education, money ... I think gets in the way of people doing their job as well as they might.”

(SME, Communications for Arts and Culture).

“I think a lot of internships came from ‘do your parents know someone at that company’ and then it was all mates ... [creating] a very homogeneous group”.

(SME, Advertising Services)

Opportunity 2

Bringing a fresh perspective to client projects

Young people bring a fresh perspective to SMEs. Certain projects would benefit from having a young person’s insights.

“They might have a rough idea that you can refine. But I think they also have fresh eyes... they help you see things from a different perspective, so I think they’re really valuable”.

(SME, Digital Marketing)

“It’s great to have somebody who is of that generation to talk to and say, okay, give us some like real, you know, insight from you and your peers ... projects that we’re working on ... where it would be beneficial to have a kind of younger view”.

(SME, Marketing and Events)

Opportunity 3

Energising the brand

Young people bring a raw power and energy to SMEs. They also bring a kind of forward-thinking that can be felt by staff and customers alike that is critical to the brand and sales.

“The work placement I think it builds a really good energy in the engine ... Just like all businesses have a brand and a feeling, there is an engine ... I’m really passionate that young people bring that energy into that ... There’s a certain amount that I can lead as an entrepreneur ... but that, the raw unadulterated power ... [That makes clients say, ‘right, you guys are really kind of, really forward thinking’]... You can’t do that without young people ... it’s impossible”.

(SME, Tourism, Travel and Sports Marketing)



Opportunity 4

Enhancing external communications

Young people can help SMEs reach a broader external audience. They can bring an interest in and experience with social media that SMEs may be lacking, improving their social media presence.

“Some of our staff [young people] in one of the offices said that our adverts were really dull and they wouldn’t have been attracted by it. So they rewrote it and said this is the kind of thing that would attract younger people so we went ‘Oh, okay then’ ... or the website and, generally, social media and that kind of thing, yeah. People don’t want to read all that, people want something quick and snappy” .

(SME, Heritage Services)

Opportunity 5

Improving internal work processes

Young people can provide important insights in to an SMEs internal work processes, helping to improve those processes relating to recruitment, on-boarding, progression and retention.

“I think one of the things that we all have to be super aware of at the moment is how we present in all aspects of things ... [informed by our young trustees we are looking] at all of our recruitment processes to make sure that, erm, well, to examine how people might go about submitting application material ... if you want to submit it via, like a small video clip, with you talking then that would be acceptable ... I think that a lot of people don’t necessarily write things in structured sentences and paragraphs and, you know, doesn’t come as naturally to them as maybe just talking”.

(SME, Performing Arts)

Opportunity 6

Developing a social purpose and conscience

Young people can help SMEs become more socially aware, creating a better workplace for all employees and a more welcoming presence in the community, and advance social as well as economic goals.

“I think that young people want work that’s satisfying, but work that basically has, from what I believe, they want something that has a social purpose”.

(SME, Debt Collection Services)

“I know that younger people would bring to the party ... an understanding of social issues and specifically I’m thinking of transgender issues because, you know, I’m an old fart and I, you know, and the world is changing around me and I’m kind of interested in people bringing that perspective to the party”.

(SME, Communications for Arts and Culture)



Exploiting the opportunities

Recommendations for diversifying the business and industry (**opportunity 1**)

- SMEs can work with specialist career-based organisations to diversify their businesses, to bring in young people, including and especially those from low-income backgrounds. Some of the SMEs in the study were working with the Taylor Bennett Foundation (which helps people from Black, Asian and Minority Ethnic Backgrounds to pursue a career in Communications) and Idea Create (which assists young creatives to get access to the industry).
- SMEs can work to diversify their team by ensuring that young people have visibly important roles in the business and that their voices can be heard in key decision-making forums (e.g., on recruitment and progression panels), and by nominating diversity champions to promote inclusion. This will create greater legitimacy for young people in the workplace while also inspiring other young people to join.
- SMEs can diversify their industries by working with other businesses, lobbying to ensure young people are on the boards of trade councils and that they can be seen at/their voices can be heard at trade conferences as invited speakers, with the possibility of reaching a sizable audience.
- SMEs can create opportunities for young people across their sector to connect and discuss the future of work in the sector.
- Intermediaries can work with SMEs to review their recruitment messaging and channels to optimise the reach of young people from a range of backgrounds. (...continued on the next page)



Exploiting the opportunities (continued)

Recommendations for bringing a fresh perspective to client projects, energising the brand, enhancing external communications and improving internal work processes (**opportunities 2, 3, 4 and 5**)

- SMEs can bring a fresh perspective and energy to client projects by ensuring that they have a young person on the team.
- SMEs can ensure external communications strategies and campaigns are run past a young person or involve them in some way.
- Smaller SMEs providing work placements can use these as occasions to bring in a young person's perspective on specific projects and/or work processes. Intermediaries can promote these possibilities to SMEs.
- Larger SMEs can create a working party to discuss how opportunities for young people can be improved across work processes relating to recruitment, on-boarding, retention and progression.

Recommendations for developing a social purpose and conscience (**opportunity 6**)

- SMEs can learn more about Environmental, Social and Governance (ESG) initiatives and what they can bring to their work/team. Intermediaries can run training for SMEs on ESG and joint events for young people and SMEs with mutual interests in the topic.

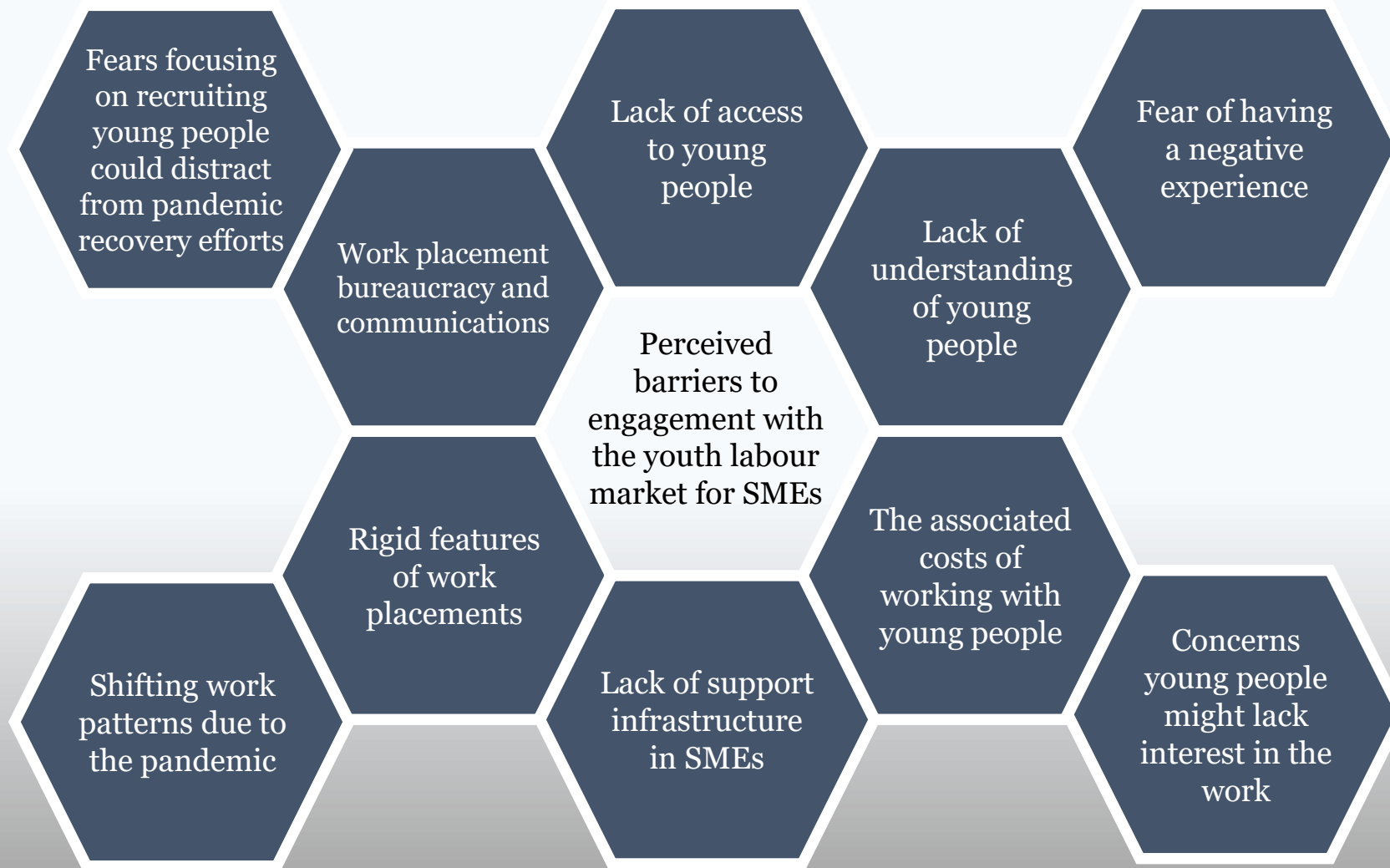




Perceived barriers to engagement with the youth labour market for SMEs + Recommendations for overcoming barriers

The next section looks more closely at the barriers through
the lens of businesses involved in the study.

The perceived barriers



Barrier 1: Lack of access to young people

SMEs may have limited access to young people, especially those from low income backgrounds, in those cases where their sectors may be exclusive and/or where recruitment practices reinforce exclusivity. A lack of access to young people made SME owners less confident about their ability to support the transition of young people in to the workplace and about understanding their career development needs.

Recommendations for overcoming the barrier

- SMEs can tackle access concerns by bringing awareness to the problems arising from relying on personal networks/channels to recruit permanent or temporary staff, and broadening their approach.
- SMEs can work with young people and intermediaries (e.g., charities, schools, HEIs) to develop recruitment practices to attract a broader audience. A couple of our SMEs were working with schools to show young people from different backgrounds that there was a career for them in the sector.
- SMEs can avoid business jargon in job adverts, promote the company mission (especially important to socially conscious young people), be clear about whether travel is necessary and travel expenses will be covered, and be flexible about how applicants can submit applications (in written form or video).
- Intermediaries can play an important role in connecting SMEs and young people via work placements, mentoring or other kinds of youth employment programmes, and by helping to identify young people that are local to them and creating opportunities for the two parties to meet.
- Intermediaries can discuss openly with SMEs what practices, if any, SMEs feel might discourage young people from applying, especially those from low-income backgrounds, and provide potential solutions.

“The arts sector in general is exclusive of people from low economic backgrounds and the design sector as a subset of that is even more exclusive, and so those things in themselves are exclusive so us operating within that area makes us exclusive ... I think we try and remove those barriers but I suspect that the types of places that we advertise, the fact that we are always going to lean on our networks, that is in itself exclusive”.

(SME, Communications for Arts and Culture)

Barrier 2: Lack of understanding of young people

A lack of understanding of young people in SMEs may be fuelled by perceived generational gaps and associated prejudices. A lack of understanding of young people in turn makes SME owners feel less confident about their ability to recruit young people and support their transition into the workplace.

Recommendations for overcoming the barrier

- SMEs can tackle concerns relating to a lack of understanding of young people by setting up a board of young advisors or young trustees to provide insights in to what young people at early stages in their careers want and need, and help the business to realise some of the benefits they bring. While this recommendation may require a significant investment, increasingly companies, including small businesses, are experiencing the benefits which might include improving work processes, making better decisions, bringing in new ideas, and connecting businesses more to the communities in which they work.
- SMEs can rely more on younger members of staff to provide insights into the career values and career development needs of these individuals and to support their transition in to the workplace.
- Staff within SMEs can reflect on the strengths of different generations, especially young people, and how they might be channelled in to improving work processes, projects and external communications.
- More experienced staff can reflect on who supported them when they first started working and how.
- Intermediaries can prepare SMEs for working with young people, pointing out the opportunities that can come from bringing young people in to the workplace, their strengths and the training they have received.

“I will say though that there is a, now, the Gen Zs tend to be just ... I put it down to the great resignation, right, where I think they’re all just living in cloud cuckoo land ... I think it’s because their value structure is just not, it’s just not the same value structure as when we were young [work has priority versus social life has priority] ... and I understand it because they value freedom of expression probably more so than any other generation, if that makes sense”.

(SME, Tourism, Travel and Sports Marketing)

Barrier 3a: The associated costs of working with young people - staff time

SME owners were concerned about bringing in young people with little-to-no work experience who might require “spoon-feeding” and “hand-holding”, and take a full-time member of staff away from their work.

Recommendations for overcoming the barrier

- SMEs can address concerns about staff time by discussing with their team how to relieve pressures on members supporting new starts and the benefits of bringing young people in to the business.
- SMEs can think in advance about dedicated work streams/activities young people can/should do. Some of our businesses were timing placements to coincide with launching a new product or growing the business.
- SMEs can bring in more than one young person at a time to provide them with peer support and to maximise the reach and investment made towards them by permanent staff members.
- SMEs can look to certain organisations (e.g., Udemy, Skillshare, Coursera) to provide skills training to young people and more experienced staff in SMEs at no cost to these businesses.
- Intermediaries can address concerns relating to staff time by preparing young people for placements, educating them about SMEs and the specific business they will be working in, and providing a base level of training prior to their placement and communicating the nature of this training to SMEs.
- Intermediaries can educate SME owners and staff about the benefits of investing in young people.
- Intermediaries can work with SMEs to understand the support they require re: placements (a support audit).

“One of the things that often puts you off with an intern is there’s not a lot they can do, so if an intern, say they are 16, 17, they’ve got no experience whatsoever ... it’s very time consuming for the person managing them ... so sometimes one of the things I have to combat is the team ... if you say well you’ve got an intern with you for two weeks they don’t necessarily see that, ‘Oh brilliant, I’ve got someone’s job’ ... I guess how could a third party help with that, maybe if there’s a base level of training on things”.

(SME, Advertising Services)

Barrier 3b: The associated costs of ... - the financial burden

SME owners were concerned about the financial costs associated with bringing young people in to the business. Placements that offered financial incentives were regarded to be more attractive than those that did not.

Recommendations for overcoming the barrier

- Intermediaries can address concerns relating to the financial costs associated with placements by providing financial incentives to SMEs, minimising the financial risks to these businesses. This might include covering the costs of salaries and other expenses (e.g., laptops, travel), one-off payments, hiring and wage subsidies; ensuring that such incentives do not create a lot of bureaucracy that makes accessing financial incentives prohibitive to SMEs.
- One SME owner noted that the Santander scheme was especially “great” because it paid interns the London living wage, while they, as the SME, could focus on giving the young person their time and energy. At a time when the business was trying to manage its cashflow, the owner reported, “that’s unbelievable”. Others mentioned the Kickstart scheme which covered wages up to 25 hours per week, and national insurance and pension contributions.

“I would never ever want to have an unpaid internship, so they [young people] always need to be paid, at least London living wage, but for a business of our size it’s challenging, because you wouldn’t expect an intern to be providing business services, so they’re not going to generating revenue for the business, so they are from an accounting point of view they are purely a cost”.

(SME, Advertising Services)

“What makes it most feasible without stating the obvious is when they are funded because obviously people shouldn’t have to do work experience and not be paid, equally as a small business like we just can’t afford to pay lots of different people to do the work experience and that’s why obviously a lot of these programmes are of interest to us, because I think everyone wins out of that”.

(SME, Consumer Services Platform)

Barrier 4: Lack of support infrastructure in SMEs

Not all SMEs have the infrastructure in place – the formal systems, plans and strategies relating to on-boarding, training and progression – to support young people fully in the workplace. Newer businesses especially felt they had less time to devote to on-boarding and developing young talent. Those that spent more time developing on-boarding procedures for new starts, and had the resources for doing so, felt more confident working with young people.

Recommendations for overcoming the barrier

- SMEs can tackle a lack of support infrastructure by devising on-boarding procedures and working closely with intermediaries where possible in this area.
- Intermediaries can address infrastructure concerns by providing guidance to SMEs about what young people might need to know about the role and tasks to be performed, especially in the first few days.
- Intermediaries can help young people understand the SMEs they're working for.
- Intermediaries can discuss with young people how on-boarding might unfold.
- Intermediaries can encourage young people to ask certain questions when starting a placement, providing them with examples.
- Intermediaries can provide young people with a contact whom they can reach out to with general questions.

“I think we struggle to have the time and resources to support starters, so people have to be, have to have a real kind of level of competence before they can start with us because we don't have the infrastructure to be able to look after someone so, and I also wouldn't want to take someone on and kind of leave them without support”.

(SME, Communications for Arts and Culture)

“I suppose, well, we don't have those kind of formal plans, so we don't have a formal strategy, and I think one of the difficulties we've got is particularly around training just in general, and I don't know how much, how supportive we could be or would be given, well one that we're all kind of busy, and two that we're working from home. So, I think it would be hard”.

(SME, Software Development)

Barrier 5: Fear of having a negative experience

SME owners that had little experience with young people or negative experiences, may have a bias against working with them. Negative experiences while reportedly limited in the current study, appear to carry a lot of weight and can deter SME owners from working with young people in the future. This can be exacerbated where SMEs have worked with a very small sample of young people and mostly via informal placements based on personal networks. We found positive experiences with young people can make SMEs more open to them and help undo negative experiences.

Recommendations for overcoming the barrier

- SMEs can and should seek out more work experiences with young people.
- In addition to broadening recruitment channels, SMEs can tackle the fear of having a negative experience by working with intermediaries who have a strong track record in arranging formal, structured placements, leaning on them to ensure young people are a good fit and placements are well managed.
- Intermediaries can tackle these fears by pointing out the opportunities that might come from working with young people which might help to challenges biases and counter limited or negative experiences.
- Intermediaries can provide specific examples of what young people have done while on placements in SMEs; providing direct feedback from host businesses.
- Intermediaries can help create contracts between SMEs and young people to set and manage expectations about the capabilities of the young person and SME, making explicit any resource limitations in SMEs/pressures felt by SMEs.

“I think in the business, based on my most recent experience of wanting to help a friend’s son out, I don’t think ... they would add anything, because he had been warned four times from the job he eventually lost, for his timekeeping ... And his parents felt really bad that, you know, he’d let the company he was working for down, for being unreliable ... I just think it’s maybe, it is a young thing where your social life is more important than the work aspect”.

(SME, Bespoke furniture)

Positive experiences can undo negative experiences, biases and/or prejudices

“[Working with a young person more recently] It just let me realise that, you know, like I’ve always known everybody just needs a chance. So it’s made me a bit more open to be a bit more patient, not just looking for somebody who can do the work right now. If the person has the right attitude sometimes that helps just as much. If it’s not, like I don’t need them to perform heart surgery, they need to be very, um, have a specialist skillset. If it’s something that they can be taught and they want to learn, it’s just about creating that environment. It can be difficult as a business. If it was like a separate project ... that would be fabulous, but it’s taught me that there are actually a lot of young people that do want to be involved in things and upskill themselves and learn and I think Covid has probably propelled that a bit more because now they know that nothing is certain and they all want money to flex”.

(SME, Digital Marketing)

“I’ve got someone here at the moment who again, who has been long-term unemployed ... and that has been a positive experience for us so I think having someone from a less academic background or, you know a different type of background than we would traditionally have employed from has been a positive experience for us so I think we’re probably more open to it now than before”.

(SME, Consumer Services Platform)



Barrier 6: Concerns young people might lack interest in the work

Some SME owners were concerned about working with young people who were uninterested in what they do. They felt that selection processes which ensured greater fit between the young person and business were essential and could significantly improve the experience of working with young people and incentivise them to participate.

Recommendations for overcoming the barrier

- SMEs can allay concerns about a lack of interest from young people in the work by being clear with intermediaries about the kinds of roles and tasks that they might perform prior to the placement.
- SMEs can discuss the qualities that might be conducive to the roles and tasks to be performed.
- SMEs can manage expectations to understand that interest in the work might vary from person to person.
- Intermediaries can minimise concerns by involving SMEs in the selection process.

“I suppose the fear is that, what if I, if I get somebody in and I spend all this time and energy and effort and I don’t get anything back”.

(SME, Communications for Logistics Industry)

“Sometimes when people talk about young people, they talk about young people necessarily more as a problem and a liability more than an asset. And I think if you get the right young person, they can really be an asset. And that’s what you’re looking for ... somebody that can be an asset to your business”.

(SME, Debt Collection Services)

Barrier 7: Rigid features of work placements

Certain features of work placements made it difficult for SMEs to participate, including the length of placements – short placements created more work and less value for the business – and the timing of placements – inflexibility around the times of the year when work placements were offered could clash with periods when workloads for SMEs might increase.

Recommendations for overcoming the barrier

- SMEs can address concerns relating to the rigid features of work placements by communicating the timeframes – the length of the placement and the time of year – that might work best for them.
- Intermediaries can address concerns by providing SMEs with a range of work placement lengths to choose from, from short-to-medium term.
- Intermediaries can offer a minimum placement length guarantee to SMEs; the option to bring in another young person if the previous one drops out.
- Intermediaries can create more flexibility around start times, providing placements and mentoring opportunities on a rolling basis, giving SMEs a range of possible times throughout the year when they are likely to occur.

“Our consideration would be the weigh-up of how much personal development and training they need until they actually add value, and that’s where particularly with some of the shorter-term internships it can be slightly tricky, because if they’re only with you for four or five weeks in terms, you know, you can then train them for three weeks and then you get two weeks out of them and that’s, you know you’re wrapping up and they’re gone”.

(SME, Consumer Services Platform)

“Actually people only really provide value, you know, in sort of a quantitative way after a minimum of three, four months minimum, and actually younger people maybe a little bit longer. And because we’re quite a niche business, it’s super important for us to build that relationship”.

(SME, Retail Design)

Barrier 8: Work placement bureaucracy and communications

SMEs may be deterred from offering placements to young people where there is much bureaucracy involved around the signing-up process, requests for placements from intermediaries are made at short notice, and communications from intermediaries to SMEs are erratic, unresponsive or inconsistent.

Recommendations for overcoming the barrier

- Intermediaries can tackle work placement bureaucracy and communications concerns by assigning account managers to work with SMEs who can build relationships with SME owners/designated staff.
- Intermediaries should follow up with SMEs quickly and consistently.
- Intermediaries can take on as much of the bureaucracy as they can and ensure the admin involved is not too time consuming for the SME, providing options for how it might be collected (e.g., over the phone, online, a short form). SMEs are resource-poor and often staff within SMEs wear many hats and multi-task. Efforts should be taken by intermediaries to acknowledge this unique working environment within SMEs and make interactions between them and young people as clear and simple as possible.
- Intermediaries can discuss placement options in advance, allowing SMEs to plan their workloads.

“I think there was miscommunication with the [intermediary] ... I was happy to accommodate because we would have had a manager allocated to the young people, I mean I did ask how many young people would they put forward and they didn't give me a number, and then yeah it was just too late ... Yeah, I think one member of staff contacted me and then the other member of staff contacted me which was more higher up, and just said sorry that they've already kind of arranged placements for the young people so it just didn't kind of happen”.

(SME, Dating Platform)

Barrier 9: Shifting work patterns due to the pandemic

Where there has been a significant shift in work patterns following the pandemic – relating to where people work and how often they work – SME owners reported having more difficulties with sourcing local people generally and feeling less confident about working with young people and able to give them the full experience.

Recommendations for overcoming the barrier

- Intermediaries can address issues relating to shifting work patterns due to the pandemic in part by helping SMEs identify young people and working more closely with those young people that are local to them.
- Intermediaries can help induct young people in to SMEs that have made remote working the standard, in part or in full, providing some training around this and promoting the provision of this training to the host SME.

“We are now finding when we’ve got a bigger team the difficulties, and it’s more around like the emotional side of work, is more difficult when you’re remote and you’ve got new people who you’re trying to introduce to each other, and some of them haven’t even met, you know, and so you know, don’t quite know what everyone else is working on when you’re not around them and everybody’s really busy, and I think for the first time we were like, okay, actually we’re seeing there’s like a detrimental side of this, to people’s like stress levels when they can’t be together ...”

(SME, Marketing and Events)

Barrier 10: Fears focusing on recruiting young people could distract from pandemic recovery efforts

Some SME owners were concerned that bringing in young people and working with young people might be a distraction to recovery following the pandemic.

Recommendations for overcoming the barrier

- SMEs that are struggling during a crisis, such as the Covid-19 pandemic, can address fears relating to young people creating a distraction by devoting their limited time to those activities that require less of a commitment (e.g., talks, online mentoring) but still serve to nurture connections.
- SMEs can discuss with intermediaries where additional support might be provided during such times.
- SMEs can discuss what young people might be able to do, if anything, to assist recovery efforts.
- Intermediaries can address fears by providing recovery support/training to SMEs, holding public talks and events, which both attract awareness to the intermediary and build relationships.

“The biggest thing is, yeah, just we really just need to kind of focus on trying to get over the current thing ... if we took someone on or if we had internships or kind of youths coming in it would be a kind of a distraction or a diversion for me which we kind of can't afford at the moment”.

(SME, Software Development)

A photograph of four people standing on a rooftop, looking out over a city skyline at sunset. The scene is dimly lit, with the warm glow of the setting sun creating a silhouette effect on the individuals. The people are positioned in a line, with their backs to the camera, looking towards the horizon where the city buildings are visible against the bright sky.

Broader stakeholder lessons

The next section highlights some of the main lessons of the study for SMEs, intermediaries, young people and policy makers.

Lessons for SMEs

The Covid-19 pandemic has encouraged businesses to reflect.

SME owners should reflect not only on where they want their businesses to go in the future, but the kind of employers they want to be. Engaging more with young people can create valuable opportunities for SMEs to become more effective businesses and better employers, but requires making a commitment to this next generation of workers and the intermediaries who support them. SMEs should build relationships with schools, colleges and universities, as well as charities and other intermediaries, to have more exposure to young people, creating a pipeline for future employment.

SMEs can and should reach out to intermediaries, particularly those with significant experience of managing work placements, who can help with some of the heavy-lifting, providing support where needed around on-boarding and basic skills training to young people. Speaking to intermediaries about the level of support they can provide, the kind of flexibility the SME requires, and the activities that might best serve young people and the business, is a great place to start.

SMEs should invest more in structured on-boarding processes, by reflecting on what starters need to know and what their roles might entail, in the short and longer term. We found that these activities made SMEs feel more confident that they could support young people's transition into the workplace. Although newer businesses might be concerned that focusing on on-boarding activities necessitates the kind of time they do not have, it will most likely save them time in the end.

While there may be some difficulties around or barriers to SMEs engaging with young people, as described in detail in the report, many of these can be overcome with a mixture of external support, internal development, experience and a corresponding shift in mindset – away from attitudes and biases that see young people purely as a cost and a distraction, towards a view that their presence is beneficial, and a way for SMEs to gain traction and move closer towards both their economic and social goals. The study found that increased exposure to young people made SME owners more confident and able to recognise the benefits they bring to the business, and might increase the likelihood that they will have positive experiences.

Employing young people brings certain operational benefits to SMEs. Previous research on employing vulnerable young people does not disclose the benefits to SMEs, while research focused on university graduates specifically suggests the benefits to SMEs might relate to the monetary incentives provided by intermediaries, filling skills-gaps in these organisations and improving operations (11,12,13,14). This study also found that financial subsidies were important to SMEs but that SMEs did not rely on young people to fill in skills-gaps. Further, while research has been quiet about the kinds of operational benefits young people can bring to SMEs, the current study found they might include improving internal processes and external communications. Young people can also bring value to the SME's sector more broadly and to certain stakeholders more specifically (e.g., clients, employees).

Lessons for SMEs (continued)

Employing young people brings certain benefits to SME owners and members of staff involved in mentoring. Prior research suggests that experience plays a role in how people in mentoring roles evaluate the benefits and costs of mentoring, with more experienced mentors tending to find more benefits (28). Working with young people, mentoring young people, can provide a number of benefits to the SME owner and staff, which include watching young people develop personally and professionally, learning more about the next generation of workers, understanding new developments in the sector, improving the work environment and work processes, developing one's own professional skills, increasing job satisfaction, and reflecting more on professional development goals. SMEs contain a wealth of expertise that they can and should share with young people and there are benefits to doing so.

SMEs need not look any further than their own communities to do good, supporting young people in the area, particularly those from low-income backgrounds. This kind of community outreach can help SMEs develop new professional networks, attract high quality employees, increase employee satisfaction and engagement, and potentially lead to new opportunities for the business (29,30).

Creating employment opportunities for young people, especially those young people situated locally, can increase the likelihood of SMEs selling products and services to the public sector. The Public Services (Social Value) Act requires companies in the UK to show proof of local employment, supply chains, and sustainable practice. SMEs who can demonstrate their involvement in such activities may be more successful in securing business from the public sector (31).

Creating employment opportunities for young people, including and especially those from low-income backgrounds, can bring certain reputational benefits to SMEs. Employment Charters in different cities across the UK (e.g., London, Manchester, York, Liverpool) require employers (i.e., signatories) to demonstrate that they have inclusive and fair recruitment practices and a diverse workforce.

Lessons for intermediaries

Few youth employment programmes have been designed with SMEs in mind. While some programmes might be open to participation from SMEs, most are predicated on large companies with established HR teams/departments who have resources and traditions for on-boarding a number of people at the same time. However, as the study shows, SMEs with HR teams/departments are in the minority and SME owners are often involved in staff recruitment directly. This has implications for how intermediaries not only design and manage work placements, but how they communicate with these businesses in the process. In the former case, the design and implementation of programmes needs to be fit for purpose, to accommodate the unique features of SMEs, especially those on the smaller side, often the majority. In the latter case, it's important for intermediaries to personalise communications with SMEs, especially because in many cases they will be dealing directly with owners. A couple of SME owners in the study said they sometimes ignored or were suspicious of emails from intermediaries that appeared too generic or were from gateway organisations working with youth employment programmes such as the Kickstart Scheme that looked dodgy or seemed focused on soliciting fees.

The study found that several factors would make youth employment programmes more attractive to SMEs including: careful selection processes, training and support, financial incentives, flexible work placement designs, guarantees and good communications, and active promotion of SMEs participating on such schemes by intermediaries (on webpages etc.). The study also found that SMEs may be more likely to work with young people if there is a perceived fit between them and the business. At the same time, intermediaries and SMEs should

be mindful of the larger goals, to help the most vulnerable and incorporate and balance the needs of both groups, vulnerable people and SMEs, in to the programme design as the success of such programmes, in the short and longer term, will depend on it.

Employment programmes that allow SMEs to build relationships with young people and intermediaries may carry certain benefits. The study found placements that were longer were regarded to be more attractive in terms of helping to develop relationships with young people and to the extent that these individuals were able to add value to the business. The same might be true for relationships with intermediaries.

Schools and HEIs especially can get a jump start and work to connect young people with SMEs early on by involving them in real-life consulting projects. These projects can come from active business problems identified by SMEs – e.g., carrying out a competitor analysis, devising a feasibility study for a new product or service, defining an ESG or community engagement strategy. SMEs would benefit from the opportunity to drive forward a project they did not have the resources for otherwise, at minimal cost to them, and from building relations with both intermediaries and young people over the course of the project, identifying future talent. Young people would benefit from learning how to manage business communications with clients, doing practical research and working in a team, and also from developing written and presentation skills. Such activities would enhance future opportunities and pave the way for temporary and permanent employment. (...continued on the next page)

Lessons for intermediaries (continued)

Intermediaries should expand on how employment outcomes for young people are measured by including SMEs in these measures. SMEs can improve employment outcomes by providing young people with work experiences, skills training, guidance and the like. The success of youth employment programmes, in turn, is often measured according to the number of young people placed, their future earnings, long-term employment rates, the development of human capital, job satisfaction, and the success of targeting – e.g., did programmes target vulnerable groups and adapt to the needs of such (32, 9, 13). These measures of programme effectiveness can also be extended to include SMEs: examining the number of SMEs that participated during a placement round, the number of repeat placements or connections made with the same SME, the number of young people that went on to work in an SME more permanently, the number of young people referred on by the SME to work somewhere else, and future engagements with the youth labour market more generally by those SMEs participating in youth employability programmes. Taking these steps would broaden the focus of programmes to include the SME population and shine a light on what more can/should be done to improve SME engagement with the youth labour market, and the levels and outcomes of engagement.

Programme delivery during a crisis needs to keep in mind the difficulties for SMEs in such situations, because these firms are resource constrained and lack crisis preparedness (33), because SME owners – especially those running very small businesses – are likely to

experience psychological and emotional costs due to their close connection to the business (34), and because SMEs are less able than larger businesses to pass on the costs and risks associated with a crisis to different product/service lines or customers. At the same time, SMEs can be especially flexible in a crisis, able to focus on short-term recovery and trial-and-error strategies (35), and often have teams of generalists skilled at multi-tasking. As such, programme delivery in a crisis should seek to minimise the risks to SMEs taking on young people while building on their strengths, incorporating some flexibility.

Not all SMEs are the same and some SMEs might require more help than others, especially in certain areas. For example, while the research sample was small, it was found that relatively newer businesses were more likely to expand during the pandemic and to see young people as being a part of this expansion, however, these businesses also had less time to devote to on-boarding starters and to developing talent.

Prior research suggests that both SMEs and young people perceive certain benefits and costs to placements in such businesses (10,11,12,13,14). Intermediaries should work to reassure parties, promoting the benefits of placements in SMEs and avoiding some of the costs (e.g., offering placements to young people poorly suited to specific SMEs or placements in SMEs that cannot offer much in the way of career development) through careful selection procedures, training and further support with intermediaries.

Lessons for young people

Prior research suggests some young people might hold certain biases against SMEs, seeing these businesses as second best (10).

The formal curriculum at school and in many Higher Education Institutions especially universities which relates to business/management studies, might fuel this, along with film/television. Young people should be wise to this. The study found SMEs are destinations for young people; they employ young people on a permanent and temporary basis, and young people can create opportunities for these businesses. It is also the case that most young people will go on to work for a small business in the longer term as SMEs make up the bulk of all total enterprises in the UK. As such, young people should shift their mindset away from a view that SMEs are secondary to large firms, towards a perspective that sees these businesses on equal terms but for different reasons, turning towards the benefits of working in SMEs.

There are many benefits to young people that come from working with SMEs which include, but are not limited to:

1. Enhanced employability prospects;
2. New knowledge, insights or experiences;
3. More opportunities to take on responsibilities and develop their roles within the business;
4. Opportunities for vicarious learning, to work closely with business owners, and to learn more about different aspects of the business, build

relationships, develop team-working and other soft skills, and create trust (10,14);

5. Potential insights in to starting up and developing their own businesses.

Young people should seek out work opportunities in SMEs where available, with an awareness of growth-sectors like those identified in the study.

SMEs may have some resource constraints and young people can be encouraged to take the initiative when and where needed by working with intermediaries and SMEs to understand the pressures they are under, what SMEs are about and trying to achieve, what role they can personally play to help SMEs achieve these aims over the short and/or longer term, and how best to maintain certain performance standards, professional communications and time management, among other things.

A good attitude towards the work and demonstrating potential can go a long way and substitute for no prior work experience. Conversations with SME owners revealed that SMEs highly valued young people who showed an interest in the work and a willingness to learn.

Lessons for policy makers and future research

Policy makers should support intermediaries working with young people and SMEs. Like SMEs, some intermediaries may also be small and lack the resources (time, people, money) needed to devote to small businesses, to nurture relationships and match these businesses to young people. Providing additional support (financial support and training) to those organisations directly involved with SMEs, helping them to manage youth employment programmes focused on or involving SMEs and produce measurable outcomes, such as those described in the lessons to intermediaries, should be encouraged and rewarded, and enable these intermediaries to prioritise SMEs.

Policy makers may need to help SMEs access youth employment programmes, especially during a crisis. While the Kickstart Scheme, for one, provided some useful incentives for SMEs to work with young people in a crisis (e.g., financial incentives – wages along with national insurance and pension contributions – and a long placement period of 6 months), in practice, some but not all SMEs in the study who were interested in participating on the scheme did so successfully in the end due to the time it took to set up (including the virtual sessions with businesses in the pandemic), confusion around the number of middlemen/gateway organisations connecting SMEs to the scheme and how to connect with them, bureaucracy, and in a couple of cases due to limited uptake by young people. Those that did manage to bring in young people via the scheme said it was successful. Therefore it seems that entry barriers to such schemes need to be addressed.

Policy makers should increase the visibility of youth employment programmes focusing on SMEs, those doing so entirely or in part, and promote the benefits of participation to all parties (SMEs, young people and intermediaries that might get involved), via local and regional campaigns.

Policy makers, intermediaries and even some SMEs may have a limited understanding of employment opportunities for young people in these businesses and more research on this topic is needed to further close the youth employment gap in the UK, while at the same time improving the operating potential of SMEs. Future research should study more closely the interactions between SMEs, intermediaries and young people throughout a placement or similar intervention, at different stages of the process, from initiation to completion, to unpack further the perceptions and practices of each. Future research should also examine the opportunities from and barriers to SME engagement with the youth labour market in a larger sample of SMEs across different sub-regions of London and across different key regions within the UK to discern whether or not there are differences and why. (...continued on the next page)

Lessons for policy makers and future research (continued)

Policy makers should unpack whether there might be differences in the employability outcomes of young people over time depending on the kind of work they undertake early on. This study focused on those SMEs providing higher-end growth-related services as these businesses were seen to be more likely to create environments that might enhance the employability potential of young people. Future research might look further at whether there are differences in longer-term employability outcomes depending on the kinds of jobs that young people have undertaken between the ages and of 16 and 24.



The background of the slide features a photograph of four people standing on a rooftop, looking out at a city skyline during sunset. The scene is dimly lit, with the warm glow of the setting sun creating a soft, golden light. The people are seen from behind, their silhouettes and clothing details softened by the low light. The city skyline in the distance is visible as a series of dark shapes against the lighter sky.

Conclusions

The next section concludes the study, and provides references for the report and some additional information about the methodology.

Concluding comments

The study found that while SMEs are destinations for young people, a number of perceived barriers stand in the way of these businesses engaging more fully with the youth labour market. Improving employment prospects for young people and bringing benefits to SMEs will depend on addressing these barriers.

1.

Although many valuable opportunities can come to SMEs from working with young people, including opportunities to improve the business and the value it provides to different stakeholders and the broader sector, a number of barriers also stand in the way of realising these opportunities, from a lack of access to and understanding of young people, to the associated costs, fears around employing young people, features of placements and how they are managed, and the pandemic.

2.

The results of the study and background research suggest that, in addition to some of the difficulties brought about by the pandemic, youth employment in SMEs has been limited by certain perceptions and practices – by SMEs towards young people and intermediaries, and by intermediaries and young people towards SMEs. These perceptions and practices have been based on limited exposure and it is likely that increased interactions between all three parties and concrete experiences will help change these for the better.

3.

Several recommendations have been proposed in the report to help SMEs and intermediaries tackle barriers to engagement and improve the reach and success of youth employment programmes. Broader lessons for key stakeholders including SMEs, intermediaries, young people, and policy makers have been outlined.

4.

Expanding employment opportunities for young people in SMEs is a critical step towards increasing the number of young people with access to placements overall and the employability outcomes for young people.

It is hoped that this report succeeds in outlining some of the ways in which further engagement between SMEs and young people can be encouraged, especially in South East London but also beyond, where many of the challenges are likely to be similar.

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More about the methodology

Research sample

Consistent with the SME population in South East London and elsewhere, most businesses in the study were micro-enterprises employing less than 10 people. The smallest business employed one person permanently along with freelancers and the largest employed just over 250 people – 70% of the businesses employed less than 10 people, 15% employed 11-49 people, and 15% employed 50-250 people; 35% stayed the same size from period 1 to period 2, 35% went up (increase employee numbers), while 25% went down; one closed. The youngest business was a year old and the oldest over 40 years old; 35% were less than 5 years old, 10% were 6-10 years old, 15% were 11-15 years old, 20% were 16-30 years old, and 20% were 30+.

Participating SMEs were operating in the following sectors: marketing and communications, tourism, logistics, design, film production, the performing arts and technology. Businesses were selected on the basis they were providing higher-end growth-related services. Participating SMEs were located in South East London (Lewisham, Greenwich and Southwark); we over-sampled on Lewisham SMEs (45% of the sample) because this borough has a high NEET rate. The base for a couple of digital businesses was closer to central London.

SME owners participating in the study were between the ages of 30 and 65 and were predominantly White British or White European (70%); most had an undergraduate degree or higher (75%), and few had personal experience of being on a placement programme themselves (30%) or of formal mentoring (35%). One participant was the business director rather than the owner, common for the industry as such businesses in the arts may be started by

collectives or individuals that have moved on.

Interviews

The first round of interviews in period 1 were 60 minutes on average, while the second round of interviews in period 2 were approximately 30 minutes. The second round of interviews was intended to capture any changes in the attitudes of SME owners or the situation of SMEs, due to intervening experiences with young people and/or factors relating to the pandemic. Interviews were conducted online (via MS Teams) or over the phone, during the pandemic. All of the interviews were recorded and transcribed. The interviews covered the following areas:

Background of SME owners – family background, where they grew up, age, ethnicity, work experience, educational attainment, motivation for starting SME, personal experience on a placement or being mentored

Background of the businesses – age, area of focus, employee numbers and if they changed over time

Employees – age, background and experience of employees, proportion of young people employed 24 or younger, whether or not they were aware if young people came from low income backgrounds

Attitudes towards working with young people – would they add value, would they provide a placement to a young person from a low-income background in the future

Recruitment – do SME owners recruit staff personally, do SMEs have an HR person or team, do recruitment practices inadvertently discourage or prevent young

people from low-income backgrounds from applying

Skills gaps – does the SME have any skills gaps, what are they and how are gaps being addressed

Growth intentions – are there intentions to grow the business, is the business in a growth sector

Job training – has the SME owner or members of the team participated in any formal job-related training, what is the nature of the training

Engagement with intermediaries – has the business been approached by an intermediary, does the business engage with local schools/HEIs, are they aware of organisations supporting young people locally

Confidence levels – confidence and experience in attracting young people, supporting their transition in to the organisation, on-boarding, understanding their needs, retention and progression

The pandemic – the effects of Covid-19 on the business and recruitment and how they were managing

Analyses

The transcripts were read several times and coded in to a spreadsheet according to the interview questions in the first instance, to allow for comparisons within and across cases, and then further organised in to themes, with special attention to the opportunities from and barriers to SME engagement with the youth labour market.