Lost in transition?
The changing labour market and young people not in employment, education or training

Paul Sissons and Katy Jones
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Executive summary

The large numbers of young people who are NEET – not in employment, education or training – is one of the most serious social problems facing the country. Almost a million young people in England are NEET, more than one in every seven 16-24 year olds. While this in part reflects the impact of the recession, the number of NEETs was rising before this; the recession simply exacerbated the problem. The growing number of NEETs is a source of major concern and it represents a large economic and social cost.

More young people are struggling to make the initial transition from education into sustained work. On leaving education, some 48 per cent of NEETs have no experience of paid work; this figure has increased from 41 per cent in 2001. This lack of substantive work experience represents a significant barrier to work and highlights the real need for sustained support for young people in taking the initial (and hardest) step into employment.

In order to address the NEET problem there is a need to better understand both the nature of the NEET cohort and their support needs. In this paper we highlight a number of key findings relating to this:

The NEET cohort is a diverse group. Young people are NEET for a number of reasons, some are unemployed and looking for work, others have caring responsibilities, while others have long-term disabilities or health conditions. Durations spent NEET also vary significantly. We find that:

- Around half of NEETs are unemployed and actively looking for work. An additional 18 per cent are inactive and either looking for work, or in the majority of cases, are not looking but would like to work. This leaves a third of the NEET cohort who are unable or unavailable to work in either the immediate or the longer-term for a variety of reasons – including caring responsibilities and long-term sickness or disability.

- Some young people leave NEET very quickly, others remain NEET long-term; with just over half of all NEETs remaining outside employment, education or training for more than 12 months.

NEETs face a number of barriers to work. In addition to the lack of work experience, there are a number of other barriers to work faced by significant numbers of NEETs. These include health problems and poor qualifications; before the recession around a quarter of NEETs had no qualifications.

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1 This figure excludes causal work and holiday work
Young people become NEET at different points. Some leave school with no qualifications and fail to find a foothold in the labour market, others go on to further education and/or training but fail to make the transition into work at this point. This makes it important that young people are supported at different ages and stages until they make the successful transition into work.

Skills needs have changed in a way that makes it harder for some young people to access the labour market. Changes in the labour market in the past three decades have had significant impacts on the types of skills and capabilities which young people need to access employment. In particular far fewer young people now work in the manufacturing sector and more work in service sector employment. An important outcome of this shift is a change in the nature of skills that young people need. In particular, soft skills are increasingly important for young people to access and maintain employment, with customer facing skills often required for work in sectors which employ large numbers of young people such as retail, leisure and hospitality. There is also greater pressure for young people to be job-ready and able to perform from day one. For those young people with less developed soft skills, accessing the labour market is likely to have become more difficult as a result of these changes. Another important implication of these changes is that the youth labour market is increasingly less gendered, and young men and women increasingly compete for the same types of jobs. It is important that education and skills provision, as well as careers advice and guidance, reflects the changing nature of the labour market.

NEET policy and provision must reflect the diversity of NEET young people, the reasons they are NEET and their potential routes back into employment, education or training. There are a number of areas that NEET policy must focus on:

- In the immediate term support is needed to help those who are already NEET. This includes working to provide clear and available pathways into employment; ensuring young people have suitable skills and work experience; and ensuring provision is flexible enough to meet the needs of the diverse NEET cohort.

- In the longer-term there is a need for more focus on NEET prevention. Support during precarious ‘transition’ periods is key:

  - Support to access their first sustainable job is a core support need of young people. The system must be geared up so that education and training providers prioritise this outcome.
• There is scope to better coordinate local services to support young people. There is also a need for schools, businesses and government to work much more closely together to prepare young people for the labour market.

• The education system is critically important, and more young people leaving with better qualifications can help to facilitate more successful transitions into work.

• There is considerable scope for improving the routes into and progression routes within some of the growing service sector occupations which tend to employ young people. While growing apprenticeships should support this aim, more needs to be done to ensure these offer sustainable and productive careers with opportunities for progression.

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**This research is supported by the Private Equity Foundation.** The Private Equity Foundation (PEF) is committed to unlocking the potential of young people with limited life chances. The charity is focused on the one million 16 to 24 year olds currently not in education, employment or training (NEET).

There’s no silver bullet so PEF supports children and young people from age four to 24, at home, through school and into the workplace. It provides the very best youth interventions with funding and pro bono business expertise from the private equity community to help them become more effective and to grow. Where the right breakthrough programmes don’t exist, PEF has drawn on its research and international experience to introduce its own.

PEF has created a ten point action plan to frame the work it does to enable greater change on the ground. This includes a strong focus on prevention, case management and fostering better links to employment (see Appendix A).

Since its creation in 2006, PEF has secured the backing of over 70 private equity firms and their advisers, including banks, law firms, accountancy firms, consultants and search firms and has organised over 32,000 hours of voluntary help, which in turn has changed 60,000 young lives.

To find out more visit [www.privateequityfoundation.org](http://www.privateequityfoundation.org)
**Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>8</td>
</tr>
<tr>
<td>The growing NEET problem</td>
<td>13</td>
</tr>
<tr>
<td>NEETs and the changing labour market</td>
<td>19</td>
</tr>
<tr>
<td>The diverse NEET cohort</td>
<td>25</td>
</tr>
<tr>
<td>Policy for NEETs</td>
<td>34</td>
</tr>
<tr>
<td>Conclusions and policy recommendations</td>
<td>39</td>
</tr>
<tr>
<td>Annex A Private Equity Foundation ‘manifesto for action’</td>
<td>44</td>
</tr>
</tbody>
</table>
List of boxes, figures and tables

| Box 1 | NEET vs Youth Unemployment | 10 |
| Box 2 | Long-term NEETs | 17 |
| Box 3 | Wolf Review | 36 |
| Box 4 | Youth contract | 37 |
| Figure 1 | Change in the number of NEETs, 2000-2011 | 14 |
| Figure 2 | Change in the NEET rate, 2000-2011 | 14 |
| Figure 3 | Outflows from NEET into employment, 2006-2010 | 15 |
| Figure 4 | Outflows from NEET into education, 2006-2010 | 16 |
| Figure 5 | The geography of NEETs in the UK’s cities, 2009-2010 | 18 |
| Figure 6 | Working Futures projections for employment change by occupation (thousands), 2010-2020 | 23 |
| Figure 7 | 16-24s who are not in employment or full-time education by whether they have had a paid job or not, 1993-2012 | 32 |
| Table 1 | Employment of 16-24 year olds by industry, % | 20 |
| Table 2 | Occupations of employed 16-24 year olds, % | 21 |
| Table 3 | NEETs by age group | 25 |
| Table 4 | NEETs by age group 2011, % | 25 |
| Table 5 | NEETs by economic activity % | 27 |
| Table 6 | NEETs and EETs by disability, % | 27 |
| Table 7 | NEETs who report a health condition by main health problem, % | 28 |
| Table 8 | NEETs by highest qualification, % | 29 |
| Table 9 | NEETs by whether seeking work, % | 30 |
| Table 10 | NEETs by period since leaving last job, % | 31 |
| Table 11 | NEETs by reason for leaving last job, % | 32 |
In the third quarter of 2011, the number of young people who were outside employment, education or training (NEET) in England reached over a million (1,163,000). Many commentators saw this as a result of the 2008/2009 recession, in which young people had been disproportionately impacted. However while the recession has undoubtedly worsened the situation for young people, the number of young people who were NEET had started rising some years before this.

Young people who are NEET clearly face a number of major short-term challenges. They have a difficult labour market to navigate, with high unemployment amongst the wider population alongside reduced opportunities for young people. Public sector cuts have begun to impact on youth services and the financial incentives to remain in education have also been reduced and restructured.

Yet NEETs are not a single, homogenous group – but a diverse group of young people with different experiences and characteristics. The term NEET is a broad one, some have argued so broad that its use is problematic. It includes young people who are actively unemployed and searching for work, but also those who are economically inactive for a number of reasons, including long-term sickness or having caring responsibilities. They are a diverse group of young people facing a number of different issues which may require somewhat different policy responses.

The durations which young people stay NEET also vary considerably. Many young people are NEET for only a relatively short period of time. Yet others will face long-term labour market difficulties, as a period NEET at an early age can result in reductions in wages and higher chances of unemployment in their later life.

Changes in the structure of the economy and shifting patterns of education and the skills required to enter the workplace have changed the pathways required to make the transition from school into the labour market. Most young people still manage the move from school to work successfully, but a significant and growing group of young people are getting ‘lost in transition’.

This report considers how the changing economy and the changing characteristics of young people in the labour market have influenced those who are lost in transition. It asks the following questions:

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1. How has the changing labour market affected the school to work transition and young people who are NEET?

2. How have the characteristics of young people who are NEET changed over time?

3. What are the policy implications of these changes?

We also review good practice in addressing the NEET issue and suggest which policy interventions are most likely to be effective.

In our analysis, we use the Labour Force Survey (LFS) to describe the characteristics of today’s NEET group along with how these have changed over the past decade. For the analysis of characteristics we present yearly averages. The NEET numbers are calculated using the Department for Education NEET syntax. The definitions are directly comparable for the three time points of interest – 2001, 2007 and 2011. These years were chosen to represent the time before the large growth in the number of NEETs (2001), the time after the NEET growth which occurred while the economy was growing (2007) and the period after the recession (2011). We also provide some evidence on NEET flows and on NEET durations. These data are calculated using the longitudinal LFS. The flows data draws on the two-quarter datasets; the durations analysis on the five-quarter datasets. Throughout the report cell numbers are rounded meaning that columns may not sum to one hundred. Due to the devolved nature of much of the policy which can impact on NEETs, throughout this paper we present analysis for England only.

Some analysis of NEETs uses the 16-18 age range, however here we use the broader definition of 16-24 year olds as this more accurately captures the transition into the labour market at different points of time. The concept of the transition refers to young people moving from the education and training system/s and into the world of work. This requires getting an initial foothold in the labour market (through a first paying job) and then being able to sustain (and build on) this. This transition is an important period in an individual’s life and a difficult transition can impact on labour market performance over the longer-term. Worryingly the evidence that we present here suggests that more young people are finding this transition increasingly difficult.
The consequences of young people being NEET

There are a number of costs which are associated with growing numbers of young people being NEET. Some of these costs are borne by young people themselves, but there are also wider social and economic costs. For the individual, the costs include:

- **Wage scarring** – A period of unemployment at an early age can result in reduced wages over a long period. Gregg and Tominey estimate that youth unemployment can reduce an individual’s wages by between 13 and 21 per cent by the age of 42.⁵

- **Increased participation in crime**⁶ – Youth unemployment has been seen to increase the risk of problematic behaviour and delinquency. Whilst representing a considerable cost to the criminal justice system, this also impacts greatly at an individual level as having a criminal record is a barrier to employment and impacts negatively on subsequent labour market experiences.

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⁶ The Prince’s Trust (2007) *The Cost of Exclusion: Counting the cost of youth disadvantage in the UK*, The Prince’s Trust
• **Reduced employability** – Lack of labour market contact inhibits the development of key ‘employability’ and ‘soft’ skills including self-motivation, time management and communication skills. Employers have highlighted a growing shortage of these skills amongst young people.\(^7\)

• **Poorer well-being** – Being out of work can lead to stress, lower self esteem, and depression.\(^8\) This in turn may increase the strain on families, communities and the NHS. In a recent UK survey of young people a quarter of those who were or had been unemployed said that being unemployed caused arguments with their family; and more than one in ten said that being unemployed drove them to drugs or alcohol.\(^9\)

• **Reduced self-confidence** – More than one-in-five NEETs surveyed in 2009 reported that they had lost the confidence to go to job interviews.\(^10\)

Beyond the personal costs, more young people not in employment, education or training represents a cost to public finances (through additional benefit payments, lost tax revenues, healthcare costs and so on). Alongside this there is a wider economic cost in reduced economic productivity. A number of studies have attempted to estimate the costs associated with young people who are NEET.

• It has been estimated that the average total cost to public finances of 16-18 year olds who are currently NEET is £56,000 over the course of their lifetime. The current estimated aggregate public finance costs of 16-18 year old NEETs range from £12bn to £32bn.\(^11\)

• Recent research by the Prince’s Trust suggests that the November 2010 level of NEETs amongst 20-24 year olds costs £22m per week in Jobseekers Allowance, and between £22-133m per week in lost productivity.\(^12\)

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8 Audit Commission (2010) *Against the odds: Re-engaging young people in education, employment or training.* London: Audit Commission
9 The Prince’s Trust (2010) *YouGov Youth Index*, The Prince’s Trust
10 Ibid
12 The Prince’s Trust (2010) *The Cost of Exclusion: Counting the cost of youth disadvantage in the UK*, The Prince’s Trust. The lower bound of the cost-range (£22m pa) assumes a productivity cost equal to the JSA cost; the upper bound (£133m pa) is the average productivity of their wage group (20-25 years old)
• The cost of youth crime (including imprisonment of children and young people) is estimated to be £23m a week - £1.2bn per year.\textsuperscript{13}

The scale of these costs emphasises the importance and urgency of the issue. Yet the NEET problem remains poorly understood. This report provides evidence for three key observations around the rising numbers of NEETs. The first highlights the diversity of the NEET cohort and their varying barriers to work. The second and third both relate to the school to work transition – longer-term labour market change has changed the types of skills some young people need to access work; and, more young people are finding the initial transition to work increasingly difficult. To develop these arguments the remainder of the report is structured as follows:

• Section 2 - provides details of the growing NEET problem, examines what happened to NEET flows during the recession and describes the varied durations which young people spend NEET.

• Section 3 – describes the longer-term industry and occupational changes which have impacted young people in the labour market. In particular, growing numbers of jobs require either high level academic skills and/or well developed soft and customer facing skills.

• Section 4 – presents a detailed analysis of the characteristics of the NEET cohort and how this has changed over time. The chapter highlights the diverse nature of the group.

• Section 5 – reviews policy and good practice in addressing the issues faced by those who are NEET.

\textsuperscript{13} The Prince’s Trust (2010) \textit{The Cost of Exclusion: Counting the cost of youth disadvantage in the UK}, The Prince’s Trust
In this section we consider the growth in the number of NEETs over time, both before and during the recession. We then go on to describe the rather fluid nature of the NEET group, with around a quarter of young people leaving NEET from one quarter to the next. We also show that for a large number of young people (around 55 per cent) being NEET becomes a long-term situation. Finally, we detail the geography of NEETs and show that the problem is most concentrated in many former industrial cities which have tended to perform comparatively poorly for a long time now across a range of economic and labour market indicators.

**Increasing numbers of young people are NEET**

The scale of the NEET problem has been growing over the last decade. While there was a clear spike in the number of NEETs as a result of the recession, this is a longer-term problem. The number of NEETs rose significantly during the 2000s before the impact of recession was felt. Figure 1 provides information on the total number of NEETs covering the period 2000-2011. The diamond shaped data points are the quarterly estimates which are derived from the Labour Force Survey. As NEET estimates fluctuate so much quarter-on-quarter because of academic cycles (they peak in quarter 3), a moving 4 quarter average is also shown (the smooth line on the graph).

The graph shows two distinct periods when the number of NEETs was growing. Between 2004 and 2006/7 there was a substantial growth in the number of NEETs (of around 150,000). During this period youth unemployment also grew. There is then a second period of sharp growth which is related to the impact of the recession from 2008 onwards. We can also see that NEET numbers appeared to have stabilised and even slightly declined in 2010 before rising again in 2011 (though it is too early to suggest that this is a trend). Over the 11 year period the average has increased by around 300,000.

The absolute figures can be influenced by change in the size of the cohort so the NEET rates (as a proportion of all 16-24 year olds) are provided in Figure 2. Again the pattern is the same with two distinct periods of growth – one which is linked to the impact of recession, and one in the mid 2000s which is not. Over the whole decade the NEET rate average has grown from around 13 per cent to more than 16 per cent, meaning that more than one in every seven young people are now NEET.

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14 See Goujard, A. Petrongolo, B. and Van Reenan, J. (2011) *The Labour Market for Young People* in Gregg, P and Wadsworth, J *The Labour Market in Winter: the state of working Britain*
Figure 1. Change in the number of NEETs, 2000-2011

![Change in the number of NEETs, 2000-2011](image)

Source: Labour Force Survey: Department for Education.

Figure 2. Change in the NEET rate, 2000-2011

![Change in the NEET rate, 2000-2011](image)

Source: Labour Force Survey: Department for Education.
NEETs in the recession

We have already seen that the number of NEETs rose significantly during the recession. This was the result of both reduced outflows from NEET and increased inflows. Figure 3 shows the proportion of NEETs who enter employment each quarter. As can be seen the recession saw a drop in the proportion of NEETs leaving to enter employment from around 13 per cent to around 10 per cent, that equates to roughly 30,000 fewer young people leaving NEET for employment each quarter. This highlights the increased difficulty which young people faced in accessing employment during the recession and into the early recovery.

On the other hand outflows into education among NEETs did increase during the recession (though not by as much), rising from an average of around 11 per cent up to 12 per cent (Figure 4). These flows into education do though appear to have declined since.

Figure 3. Outflows from NEET into employment, 2006-2010

Source: Labour Force Survey, two-quarter longitudinal datasets

15 Other studies have argued that young people ‘substituted’ into full-time education in response to the difficult labour market conditions during the recession. See ACEVO (2012) Youth unemployment: the crisis we cannot afford. London, ACEVO
**The Geography of NEETs**

The NEET group is not evenly spread. High NEET rates tend to be concentrated in particular types of areas. The proportion of NEETs is particularly high in towns and cities, primarily in the north, that have struggled to revive themselves from the damage caused by deindustrialisation, as well as in some inner London Boroughs. Figure 5 provides data for the proportion of NEETs in UK cities.\(^\text{16}\) The high NEET rates tend to be concentrated in the industrial cities of the North West, Yorkshire and Humberside and the North East. Generally the areas with high NEET rates are those which have weaker labour markets and which also perform comparatively poorly on other measures of labour market disadvantage. The map should not be taken to imply there is not an issue with NEETs in some of the lower NEET areas; even in our low NEET cities the figures are still greater than one in ten. Rather, it should illustrate the scale of challenge faced by some cities.

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\(^{16}\) For details on the methodology see Lee, N. and Wright, J (2011) *Off the map? The geography of NEETs*, London, The Work Foundation
Box 2. Long-term NEETs

The time durations which young people spend NEET vary widely. Some young people spend very short periods of time NEET while they find the right job or course, for others being NEET is a much longer-term situation. There is therefore a considerable degree of turnover among the NEET group (people moving from EET into NEET and vice versa). On average around one-in-four NEETs enter employment, education or training from one calendar quarter to the next. A sizeable proportion of NEETs however remain outside employment, education and training for an extended period. More than half of all NEETs (around 55 per cent) remain outside employment, education or training for a year or longer.

This section has provided detail on the growth in the number of NEETs, the durations which young people spend NEET and the geographical distribution of the problem. In the following section we begin to address the impact of longer-term change in the labour market.

17 Figures are calculated from the two-quarter Labour Force Survey longitudinal datasets. They represent those flowing from NEET into employment, education or training between two quarters as a proportion of the NEET cohort. The figure is an average of quarter on quarter flows between Q4 2007 and Q4 2010.

18 Figures are calculated from five-quarter Labour Force Survey longitudinal datasets. They are the average of eight datasets covering flows between Quarter 2 2008 and Quarter 1 2011. The recession has relatively little impact on the proportion of long-term NEETs.
Figure 5. The geography of NEETs in the UK’s cities, 2009-2010

NEET Level
- Very high: > 20%
- High: > 18%
- Medium: ~ 16%
- Low: < 14%
- Very Low: < 10%

Great Britain urban average: 16.1%
3 NEETs and the changing labour market

As we set out in Section 2, there have been long-term changes in the number of young people who are NEET. In this section we investigate how long-term labour market changes are affecting young people moving into employment by asking:

- Have the industries and occupations in which 16-24 year olds are employed changed?
- How have these changes altered the transition from school to work?
- Are these changes likely to continue in future?

Changes in the nature of employment

Over the last three decades the labour market has changed considerably. Globalisation, technological change and an increasingly highly educated population have changed the nature of production. Routine mass-production has become less important, and manufacturing has declined as a proportion of employment and increasingly focuses on high-value added, specialised production.

Services have become increasingly important. Driving this has been the rise in employment in ‘knowledge-based’ services – a diverse group of sectors ranging from business services to parts of the public sector. At the start of the 1970s, less than a third of employment was in knowledge-intensive services; now the figure is closer to half. The type of jobs available have reflected these trends. New jobs have been created in large numbers in high-skill, high-wage professional and managerial occupations.

Yet not all employment growth has been in high-skill, knowledge intensive occupations. The last two decades have also seen growth in lower wage service occupations, combined with a reduction in middle-wage occupations, leading to concerns of employment polarisation, a gradual ‘hollowing out’ of the labour market. 19

The type of sector in which young people work has been changing. Table 1 looks at changes in the industries that young people work in between 1981 and 2011. 20 There has been a sharp decline in the importance of manufacturing for young people in the last three decades, declining from almost a quarter of total employment to just 8 per cent. The data also show the considerable importance of employment in distribution, hotels and restaurants for young people, with almost 40 per cent employed in these industries.

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20 The data are not directly comparable because of changes to the Standard Industrial Classification over time; however they do show the broad industrial shifts away from production and towards services
(up from 24 per cent in 1981). Others services now employ 27 per cent of young people (including 18 per cent working in the public sector). An important implication of these shifts is that youth labour markets are increasingly less segmented on the basis of gender, and young and men and women are increasingly competing for the same types of work.

Table 1. Employment of 16–24 year olds by industry, %

<table>
<thead>
<tr>
<th>Employment by Industry</th>
<th>1981</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Construction</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Distribution, Hotels and Restaurants</td>
<td>24</td>
<td>39</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Banking and Finance</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Other Services</td>
<td>19</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey. Because of changes in the classification columns are not directly comparable. 1981 data are Standard Industrial Classification (SIC) revision 1980; 2011 data are SIC 2007

Alongside changes in the sectors in which young people work, so the occupations performed by young people have altered over time. Table 2 gives the most common occupations for 16–24 year olds in 2011. The table shows the importance of sales and customer service employment for young people, employing more than one in every five young people who are working. There are also large numbers working in elementary occupations, those requiring the fewest qualifications as well as a significant number employed in caring, leisure and other service occupations.
Table 2. Occupations of employed 16-24 year olds, %

<table>
<thead>
<tr>
<th>Main occupation: 16-24 year olds</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers, Directors And Senior Officials</td>
<td>3</td>
</tr>
<tr>
<td>Professional Occupations</td>
<td>7</td>
</tr>
<tr>
<td>Associate Professional And Technical Occupations</td>
<td>10</td>
</tr>
<tr>
<td>Administrative And Secretarial Occupations</td>
<td>10</td>
</tr>
<tr>
<td>Skilled Trades Occupations</td>
<td>11</td>
</tr>
<tr>
<td>Caring, Leisure And Other Service Occupations</td>
<td>12</td>
</tr>
<tr>
<td>Sales And Customer Service Occupations</td>
<td>22</td>
</tr>
<tr>
<td>Process, Plant And Machine Operatives</td>
<td>4</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey.

The changes in the labour market in types of sectors in which young people work have a number of important implications for the NEET group. In particular soft skills are now increasingly important to gain access to employment. For those young people with less developed soft skills, accessing the labour market is likely to have become more difficult as a result of these shifts.

Common occupations amongst 16-24 year olds such as sales and other service occupations often prize soft skills such as communication, time management and self-motivation, and demand for these skills has been increasing over time. Service sector jobs, for example, have increasingly required higher levels of soft skills both in low level ‘shop floor’ occupations as well as higher managerial positions. However, numerous business surveys have consistently highlighted gaps in softer ‘employability’ skills, in particular amongst young people. In a recent survey of 150 employers, 71 per cent cited good “social skills” as being an important skillset they look for. In a national survey of employers by the UK Commission for Employment and Skills, shortages in customer-handling skills (41 per cent), problem solving skills (38 per cent) and team working skills (37 per cent) were reported to be the key factors hindering recruitment. These skills shortages have been recognised by the Government’s Skills for Sustainable Growth strategy as real barriers to labour market entry and sustainability, impacting disproportionately on young people due to their lack of experience in the workplace.

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22 For example see, CBI (2007) *Time well spent: embedding employability in work experience*, CBI.
23 Working Links (2011) *Learning a living: a research report into Apprenticeships and reducing youth unemployment*
25 BIS (2010) *Skills for Sustainable Growth*
While there are concerns about young people having the right skills employers need, there is also a concern about the extent to which young people are able to use and build on the skills that they have in some of the jobs which have been growing in number.26 More broadly, there is a real need in many service sector jobs to build effective career ladders within work to show young people that they offer a career and chances for progression rather than being ‘just a job’.

Changes in the labour market have also meant that qualifications are now an even more important determinant of employment experiences for young people. Graduates continue to earn a significant wage premium from their qualifications.27 For those with few or no qualifications the labour market is more difficult to navigate. Those with no qualifications are less likely to be in work, and when they are in work they are less likely to experience progression.28

**The recovery will see a continuation of these trends**

How will the recovery impact on these long-term changes in the labour market? Clearly, any projections of employment forecast in the future are subject to measurement error. However, detailed forecasts of economic change and the labour market do exist. In the following, we draw on data from Working Futures - a set of economic and employment projections for the period 2010 – 2020 produced for the UK Commission for Employment and Skills.

The projections suggest that employment growth will continue to be concentrated in higher skill occupations. The Working Futures data suggest a continuation of existing trends in net employment, with evidence of a polarising labour market with strong employment growth at the top, some employment growth at the bottom, and a contraction in the middle. Figure 6 provides the data on projected net change in the number of people employed by occupation. The strongest growth is projected to be in professional jobs, these are jobs that require people that are highly skilled and tend to require qualifications of at least a degree or equivalent. These jobs tend to employ a relatively small proportion of young people, and those that are employed tend to be those who are qualified to graduate level.

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There is also projected to be relatively strong growth in managerial posts as well as in associate professional and technical posts; these posts tend to require high level vocational qualifications and employ around 10 per cent of young people who are in work. Caring, leisure and other service occupations, which employ around 12 per cent of employed young people, are projected to see fairly strong growth and this should open up opportunities for young people. There will also be some growth in elementary occupations, those which tend to require the fewest skills, and on-going loss of jobs in skilled trades, process, plant and machine operatives and administrative and secretarial jobs.

**Figure 6. Working Futures projections for employment change by occupation (thousands), 2010-2020**

It should be noted that these trends are net jobs growth. However there will also be large numbers of opportunities opened-up to young people through replacement demand. Replacement demand is the job vacancies that arise from the sum of workforce losses due to retirements and mortality, net occupational mobility and geographical mobility. There will be considerable demand from all occupations through replacement demand in the next decade.
While the aggregate trends described are important for the overall youth labour market, the most important thing locally is that services aimed at supporting NEETs into work are responsive to the demands in their local labour markets, and help to provide young people with the skills (including soft skills and vocational skills) which will enable them to access the types of work which are available (or which supports them to access job opportunities elsewhere).
The NEET group includes all those who are not in education, employment or training and who fall between the ages of 16 to 24. However, this label has often been criticised for being too broad as it fails to take account of significant variations within this group. In this section we provide an in-depth analysis of the characteristics of the NEET group, and consider how these have changed over the past decade as well as during the recent recession.

**Demographics**

NEETs are aged between 16 and 24 but the majority are aged 20 or older. This reflects the greater likelihood that those in the younger age group (16-19) are in education. In part this is because of and reflects the efforts of policymakers and education providers over the past few decades to keep young people in some form of education after the current compulsory participation age of 16. As can be seen in Table 4, NEET proportions tend to increase from 16-20 before being broadly stable.

**Table 3. NEETs by age group**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>35</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>20-24</td>
<td>65</td>
<td>64</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey

**Table 4. NEETs by age group 2011, %**

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>Per cent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>24</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey
The NEET group is becoming increasingly balanced between the sexes. Differences in the proportion of males and females who were NEET have declined since 2001 when the proportion of NEET who were women was above that of NEET men (60 per cent and 40 per cent respectively). This gap narrowed to 6 per cent in 2011. In part this is explained by a more marked rise in male youth unemployment since 2004. Nevertheless the persistence of the gender gap (albeit significantly reduced) indicates continued barriers to employment, education or training for young women – these are primarily associated with the greater likelihood of young women to be carers.\textsuperscript{29}

**Economic Activity**

The term NEET conceals significant variation in the economic position of young people who are not in employment, education or training. This is important because policy which targets NEETs needs to reflect the differing distance from the labour market and barriers to work which are associated with this. The support needs of those who are inactive because of caring responsibilities, or because of long-term sickness or disability, are clearly quite different from those of a new graduate who has only been looking for work for a short period of time.

In 2011 we can see that more than half of the NEET cohort were unemployed and looking for work\textsuperscript{30} (Table 5). While this represents the largest category of the cohort it also highlights the fact that youth unemployment and NEETs are not inter-changeable terms. The proportion of NEETs who are unemployed has grown over the last decade, from 41 per cent in 2001.

The next largest category of NEETs is those who are inactive because they are looking after family or home. This category represented 20 per cent of NEETs in 2011, around a quarter of whom were not actively seeking work but would like employment. Within this group are likely to be a diversity of experiences including those who have been in employment and are taking a career break to raise children, as well as those with caring responsibilities for other family members. The vast majority of this group are young women. A smaller proportion (around 6 per cent) are NEET because of long-term sickness or disability.

\textsuperscript{29} ACEVO (2012). Youth unemployment: the crisis we cannot afford. London, ACEVO
\textsuperscript{30} The unemployment figure is based on the standard International Labor Organization (ILO) definition of unemployment
Table 5. NEETs by economic activity, %

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ILO unemployed</td>
<td>41</td>
<td>44</td>
<td>51</td>
</tr>
<tr>
<td>Inactive looking after family/home</td>
<td>33</td>
<td>26</td>
<td>20</td>
</tr>
<tr>
<td>Inactive long-term sick/disabled</td>
<td>6</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Inactive short-term sick disabled</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Other inactive*</td>
<td>15</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey. *Other inactive includes discouraged workers, and those who did not give a reason

Health

As would be expected, rates of reporting a disability are higher among the NEET cohort. Some 20 per cent of NEETs report a Disability Discrimination Act (DDA) and/or a work-limiting disability, compared to 9 per cent of young people who are in employment, education or training (Table 6). The overall disability rate among NEETs has been essentially unchanged since 2001.

There is evidence of increasing incidence of mental health problems among NEETs. As can be seen from Table 7, the proportion of those reporting a health problem who cited depression/bad nerves almost doubled across the period examined, rising from 8 per cent in 2001 to 15 per cent in 2011. The proportion of those with a health problem reporting other mental illnesses, phobias or panics also rose during this period (from 6 per cent to 10 per cent). The growth in the size of the NEET cohort over this time means a large growth in the absolute number of NEETs reporting mental health problems.

Table 6. NEETs and EETs by disability, %

<table>
<thead>
<tr>
<th>NEETs by Disability</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NEET</td>
<td>EET</td>
<td>NEET</td>
</tr>
<tr>
<td>DDA disabled and work-limiting disabled</td>
<td>14</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>DDA disabled</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Work-limiting disabled only</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Not disabled</td>
<td>79</td>
<td>92</td>
<td>81</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey
**Table 7. NEETs who report a health condition by main health problem, %**

<table>
<thead>
<tr>
<th>Main health problem</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back or neck</td>
<td>10</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Chest, breathing problems</td>
<td>26</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Depression, bad nerves</td>
<td>8</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Learning difficulties</td>
<td>6</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Mental illness, phobia, panics</td>
<td>6</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other problems, disabilities</td>
<td>11</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
<td><strong>67</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

Source: Labour Force Survey

**Education and qualification levels**

Education and qualification levels have a strong influence on a young person’s ability to gain and maintain employment. Table 8 provides details of the highest level of qualifications held by NEETs.

The proportion of NEETs with higher qualification levels tends to be relatively small, though not insignificant. In 2007, before the impact of recession, around 7 per cent of NEETs had graduate level qualifications (or equivalent), and a further 13 per cent had A-levels or equivalent. The recession has though impacted on those with higher qualifications and, in 2011 more than a quarter of NEETs had qualifications at A-level or above. The majority of NEETs however continue to have lower level qualifications than this. Before the recession around a third had some GCSEs at grade A-C (or equivalent), 18 per cent had ‘other qualifications’[^31], and more than a quarter (26 per cent) had no qualifications (though this proportion declined to 18 per cent in 2011, largely as a result of a growing cohort).

The large numbers of NEETs with low or no qualifications are important because whilst higher qualifications are no guarantee of employment, the penalty attached to having no qualifications has grown due to a better skilled and more competitive labour market.

It is worth highlighting however that many NEETs do have qualifications gained in post-compulsory education. In addition to those going on to do A-levels and degrees, in excess of a third of those with GSCE grades A-C or equivalent as their highest

[^31]: These tend to be relatively low level qualifications
qualification have vocation qualifications (for example NVQ Level 2 or BTEC first diploma). This illustrates the need to focus not just on school leavers but also transitions of those who have gone on to do additional education or training.

Table 8. NEETs by highest qualification, %

<table>
<thead>
<tr>
<th>NEETS by Highest Qualification Level</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree or equivalent</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Higher education</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>GCE A Level or equivalent</td>
<td>12</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>GCSE grades A-C or equivalent</td>
<td>33</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Other qualifications</td>
<td>18</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>No qualification</td>
<td>29</td>
<td>26</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey (don’t know not shown)

Distance from the labour market

In this section we use a range of indicators to examine the distance of the NEET group from the labour market; using data on previous work experience and current job seeking activities including economic activity, the period since, and reasons for, leaving previous employment.

As detailed previously, around half of the NEET cohort is unemployed and looking for work, and this proportion has risen in the past decade. An additional 16 per cent were inactive and either looking for work or, in the majority of cases, not looking for work but would like work (Table 9). This leaves around a third of the NEET cohort who are not looking and not available to work for a number of reasons including looking after children or family, or being long-term sick or disabled. The data suggest therefore that the potential labour pool from NEETs is wider than just those who are actively looking for work. It is important then that NEET policies and interventions offer a range of opportunities around supporting access to employment (including potentially supported employment) as well as access to flexible provision around education and training needs that recognises the different abilities and constraints within the cohort.
Table 9. NEETs by whether seeking work, %

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ILO unemployed</td>
<td>41</td>
<td>44</td>
<td>51</td>
</tr>
<tr>
<td>Inactive and Seeking</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Inactive- not seeking, would like</td>
<td>21</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Inactive- not seeking, not like</td>
<td>36</td>
<td>37</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey

Within the NEET group, many of those who have worked previously are only short-term out of work. Around one quarter left their last job within the past 12 months - we would expect most of these to find their way back into the labour market relatively quickly under normal circumstances although this is more difficult at a time of high unemployment and slow employment growth.

More worrying is the very significant and growing proportion of NEETs who have not made the transition into employment after leaving education. As Table 10 shows, the proportion of NEETs aged 16-24 who have never had a paid job has increased from 41 per cent in 2001, to 48 per cent in 2007 and 2011. It should be noted that in the Labour Force Survey the definition of never having a paid job excludes ‘casual work’ and ‘holiday jobs’; it does not therefore measure the absolute absence of work experience, but rather whether someone has experience of entering and getting a foothold in the labour market at the start of their career. The figures suggest that over the last decade it has become more difficult for young people who are NEET to get an initial foothold in the labour market, with more young people not being able, or taking longer, to make the transition from education into work. This highlights the real need to support the initial step into employment.\(^{32}\)

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\(^{32}\) This is not to suggest that the issue of young people ‘cycling’ between employment and benefits is not a problem which policy needs to work to address, rather to highlight that the recent growth in NEETs appears to be more linked to initial entries to the labour market.
Table 10. NEETs by period since leaving last job, %

<table>
<thead>
<tr>
<th>When left last job</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12 months</td>
<td>31</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>1 - 3 years</td>
<td>18</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>3 - 5 years</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5 years or more</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Never had paid job</td>
<td>41</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey

The increased difficulty for young people getting a foothold in the labour market is also supported by the data presented in Figure 7. The graph shows the proportion of worklessness among 16-24s which is accounted for by those who have been in paid work and those who have not (again the definition excludes causal and holiday jobs). It should be noted that the definitions used in the graph are not directly comparable to the NEETs figures reported elsewhere as while the figures exclude full-time students they include those in education part-time who are not included in the NEET figures. The graph shows that where the size of the workless cohort grows in the period before the recession, this growth is almost entirely the result of increasing numbers who have not managed to get a first job (since leaving education).

When young people who are NEET have entered and subsequently left the labour market it is most commonly for family or personal reasons (Table 11). This reflects the higher likelihood of becoming NEET for young parents or carers. An increasing number of young people are becoming NEET following completion of a temporary contract; from 12 per cent in 2001, by 2011 this had risen to 19 per cent. Alongside this there has been a growth in the proportion of those made redundant by their last employers; since a low of 7 per cent in 2001, it reached 14 per cent in 2011 as employers shed labour in the recession.

33 These figures are based on analysis by Bill Wells and reported in Wells (2012) The history of the claimant count. Presentation to the Annual Labour Market Statistics User Group. The source data is the Labour Force Survey

34 There are slightly different trends when looking at overall worklessness and looking solely at unemployment. For the ILO unemployed group the rise in youth unemployment is somewhat more evenly distributed between those who have had and those who have not had work

Figure 7. 16-24s who are not in employment or full-time education by whether they have had a paid job or not, 1993-2012 (four quarter average)

Table 11. NEETs by reason for leaving last job, %

<table>
<thead>
<tr>
<th>Reason for leaving last job</th>
<th>2001</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made redundant</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Dismissed</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Temp job ended</td>
<td>12</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Resigned</td>
<td>17</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Gave up for health reasons</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Gave up for family or personal reasons</td>
<td>35</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey
This section has outlined the key demographic characteristics of the NEET group alongside their changing qualification levels and their distance from the labour market. It has found that the NEET group is diverse and would be expected to have varying support needs.

- Over half of the NEET group are seeking employment. Of those who are not looking for work, many have caring responsibilities or are long term sick/disabled.

- Today’s NEET group are generally somewhat better qualified compared to previous waves, however a high proportion continue to have no qualifications. Whilst there is now a high penalty attached to having no qualifications in a highly competitive labour market, our data illustrate that qualifications alone do not guarantee that a young person will not become NEET.

- A large proportion of NEETs (48 per cent) have not been able to find employment since leaving education. This number has grown over the past decade indicating that young NEETs are finding it increasingly difficult to access the labour market.
Successive governments have sought both to prevent and reduce the number of NEETs through early intervention, information advice and guidance through schools and careers services, work experience placements and so on. However the evidence suggests that so far success has been limited. A major failing around NEET work has often been a lack of coordination. In particular, across successive governments there has been a tendency to divide learning and employment programmes. Service provision has often been patchy and inconsistent, often making it difficult for young people to navigate their transition from school to work.

Policies aimed at addressing the NEET problem largely fall into one of two categories:

- Prevention – early intervention, creating effective transitions and intensive support to stop young people becoming NEET in the first place are very important. These policies are the central means of moving to a lower NEET rate in the longer-term.

- Reintegration – given the very large NEET cohort that already exists, as well as the fact that a proportion of young people are likely to continue to fall through the gaps for a number of reasons, there is also a need for policies which provide ways for young people to reintegrate (second and third chances).

Both these policy strands are important if we are to reduce the numbers who are NEET over the short and medium term.

**Current NEET policy**

Current policy for NEETs spans three government departments – the Department for Education, the Department for Business Innovation and Skills, and the Department for Work and Pensions [DfE, BIS, DWP].

The Coalition Government’s approach to addressing the NEET issue is set out in their 16-24 Participation Strategy. This sets out five strategic priorities to help to reduce the high NEET rate. Alongside aims to create conditions for balanced and sustainable growth, these are:

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37 HM Government (2011) *Building engagement, building futures: our strategy to maximise the participation of 16-24 year olds in education, training and work*, HM Government
1. **Raising educational attainment** through early intervention and education reform - this involves measures such as retaining the decision to increase the participation age (to 17 in 2013 and 18 in 2015) and through the implementation of the Wolf Review’s recommendations for vocational education reform. See Box 3 for more details.

2. **Helping local partners to provide effective and coordinated services** which involves a new Early Intervention Grant bringing together a range of funding streams, removing ring fences and giving local authorities the flexibility to spend on what they believe are the most effective services and approaches for young people in their area.

3. **Encouraging and incentivising employers** to inspire and recruit young people - this will be done through improving apprenticeships and work experience.

4. **Ensuring work pays** - the main mechanisms through which government aims to remove financial disincentives to work will be through the introduction of the Universal Credit. Financial support for some young people wishing to engage with education or training is also available in the form of initiatives such as Care to Learn for young parents and a new Bursaries Fund.

5. A new ‘Youth Contract’ - this is the centrepiece of the government’s plans to tackle youth unemployment. See Box 4 for more details.

An area of significant change which also has the potential to impact on young peoples’ transition into work has been around careers education and advice. The Education Act (2011) has legislated for major changes to how the system functions – with the removal of the duty of schools to provide careers education and the responsibility for securing careers guidance for 14-16 year olds moving from Local Authorities to individual schools. There is some ambiguity around what level of support schools are expected to provide – and their duties can be met minimally ‘through providing access to web-based or telephone services’. Overall funding for careers support has also been cut. There is currently some degree of confusion about how the new system will bed-down and Local...
Authorities are taking very different stances – with some radically cutting provision, others re-focusing services on the vulnerable, and others working to sustain a universal offer.\(^{40}\)

Significantly the changes also mean that support for those leaving secondary school is more patchy and fragmented. This creates a potential cliff edge problem at exactly the point of time when young people need supporting through the transition into further education or into employment. The school duty to provide career guidance covers pupils aged 14-16\(^{41}\), while the National Careers Service will provide face-to-face support to NEETs aged 18-24 who have been seeking work for three months.\(^{42}\) This inconsistency around support for young people, moving between one service and another, and with possible gaps around 16-18 year olds, appears at odds with the critical task of providing support around the education to employment transition. Effective careers advice and guidance can help to support young people to make the transition into employment; however there is a real danger that the recent changes will leave some young people with insufficient and inconsistent support when they need it most.

**Box 3. Wolf Review**

Wolf Review - The government has accepted the recommendations of this independent review of vocational education in their entirety. Recommendations include a greater emphasis on GCSE Maths and English, more structured 16-19 study programmes and reform of performance tables.

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\(^{41}\) Though the Government has indicated is will consult on extending this duty to 18

\(^{42}\) BIS (2012) *National Careers Service: The right advice at the right time*
Box 4. Youth contract

This is a £1billion programme designed to help young people enter employment. It is a three year programme which aims to provide nearly half-a-million new opportunities for 18-24 years olds, including apprenticeships and work experience placements. The Contract will also see increased support available for young people through the Work Programme, Jobcentre Plus and sector-based work academies, alongside incentives for employees to recruit them. Specific to NEETs is a NEET prevention strand – providing an additional £126 million of extra support from voluntary and private sector organisations for NEET 16 and 17 year olds. The measures announced are:

- 160,000 wage incentives worth up to £2,275 for each 18-24 year old an employer recruits;
- 250,000 work experience placements;
- 20,000 additional incentive payments to encourage employers to take on young (16-24 year old) apprentices;
- £126 million set aside specifically to help 55,000 16-17 year old `NEETs` into education, apprenticeships or jobs with training.

This section outlines several approaches that have been found to be effective at engaging NEETs and returning them to employment, education or training.

**Integrated and holistic approaches to re-engagement with NEETs are needed.** Many NEET young people who are hardest to help face multiple barriers to participation that can include underachievement at school, special educational needs (SEN), homelessness, caring responsibilities, disabilities and drug and alcohol problems. It is unlikely that these issues can be tackled by a one-size-fits-all approach and so support must be personalised and tailored according to specific need. Support may involve combinations of informal basic education, vocational training, and treatment and support for pre-existing problems and conditions. This is commonly known as a `one-stop shop` approach. An example of where such an approach has been successful is 42nd Street, an organisation supporting young people in Manchester, Salford and Trafford through a range of services including counselling, individual support, group work and volunteering opportunities.43

There should be a strong voice for young people in the commissioning and running of NEET schemes. This is often cited as a helpful approach to both build a reputation for the schemes among young people and ensure that the support offered meets their needs. Many successful courses aim to build young people’s motivation and confidence. This approach has been seen to improve attendance at some scheme centres.\(^4^4\)

Early identification of those who are likely to become NEET is important, and support should be provided prior to their disengagement. Many schemes come into play only when the problem has become acute and the young person has been persistently truant or become NEET. However there is evidence that poor educational outcomes and negative attitudes towards schooling can have their roots in primary school.\(^4^5\) One effective approach taken by some secondary schools has involved identifying those who are ‘at risk’ of becoming NEET at an early age and prior to beginning secondary education. These schools have fostered links with their primary schools, and the identified pupils were given extra support from an early age, causing the post-16 full time education rate to increase.\(^4^6\)

Follow-up of the progress of young people who have taken part in schemes is essential to prevent them becoming NEET again, and to evaluate the effectiveness of schemes. In one Local Authority a ‘Keep In Touch’ team was created to contact young people not known to be in education, training or employment to offer advice. Contact was via email, phone, SMS and home visits, and resulted in the rate of young people of unknown status falling from 12 per cent in 2006 to 2 per cent in 2009.\(^4^7\)

An integrated approach to tackling the NEET issue at a local level is needed. Local Authorities that have achieved large reductions in their level of young NEETs have made NEET reduction a key part of their LAA, Children and Young People’s Plan, 14-19 Strategy, and regeneration policies. Strong leadership from the council and involvement from the third sector ensures these plans are implemented effectively. Different agencies such as Connexions, Jobcentre Plus and the law enforcement agencies have in the past shared information to allow identification of at-risk individuals, and targeted help to prevent them becoming NEET.\(^4^8\)

\(^4^4\) See Youth Tracker 4 IPPR/PEF
\(^4^6\) What works in preventing or tackling young NEET people 2000
\(^4^7\) Ofsted (2010) *Reducing the numbers of young people not in education, employment or training: what works and why Ofsted*
\(^4^8\) Ibid
6 Conclusions and policy recommendations

This report has provided an analysis of the make up of the NEET group, both in terms of their characteristics and how these have changed over time. From the analysis there are a number of conclusions which can be drawn.

Conclusions

The number of young people who are NEET is a major concern. It represents a cost to the young people themselves – in terms of reduced earnings and poorer well-being – as well as to the public purse and the wider economy.

The most obvious solution to the growing NEET problem is a return to economic growth. However, this is a necessary but not sufficient condition to address high levels of young people who are NEET. The size of the NEET cohort was growing before the recession indicating a structural deterioration in the labour market amongst young people. Short-term solutions are required to address the increased number of young people who are NEET as a result of the recession. Yet it is also important to consider longer-term solutions to the structural rise in young people who are NEET – ensuring services work better to support young people to make the successful transition from education into work.

There is often a tendency in public debate to conflate the terms NEET and youth unemployment, yet they mean quite different things. Only around half of NEETs are also unemployed (i.e., they are actively looking for work), the rest are economically inactive for a number of reasons including having health conditions or caring commitments. The potential labour pool of NEETs is around two-thirds, representing both the unemployed and those who are inactive but would like to work.

The NEET cohort is therefore a diverse group. It is also one in which people leave at very different rates. There is a good degree of turnover and between each quarter around 25 per cent of NEETs move into employment, education and training. However our research also estimates that more than half of all NEETs can be categorised as long-term NEET (over a year).

The evidence also suggests that more NEETs are finding it increasingly difficult to make the initial transition from education into work – some 48 per cent have not had a paid job since leaving education. Lack of work experience is therefore an issue which affects large numbers of NEETs.

In addition to lack of work experience, there are a number of other important barriers to work faced by young people among the NEET group which have been described here:
• More than one-in-five NEETs reports having a disability. The employment rate of those with disabilities tends to be comparatively low.

• There is also an employment penalty associated with being poorly qualified and NEETs are more likely to have lower level or no qualifications than the wider cohort.

For those NEETs looking for work the changing nature of the labour market has meant changes to the types of skills sets which employers are looking for. In particular in those occupations which are large employers of young people, soft skills and customer facing skills are increasingly important.

Policy implications

The results of this study have some important implications for policy in this area.

Support during transition points is critical. Support before and during precarious ‘transition’ periods is key to preventing vulnerable young people from becoming NEET.

• **Action must be taken before and during the transition point from school to work to prevent young people becoming NEET.** To reduce the number of NEETs we need to do more to support young people (in some cases very intensively) into their first job (or into further learning). Where young people do fail to make this transition or subsequently drop-out there will remain a demand for reintegration services. The NEET initiative announced as part of the Youth Contract should support this, however there is a concern that the very narrow targeting, at those with no GCSE passes, will continue to miss young people leaving school with slightly better qualifications but who may still struggle to get a foothold in the labour market, or those who go on to other forms of education or training but struggle with the transition further down the line.

• **Action is also needed at other transition points.** Some young people who go on to become NEET do so via a period of post school learning or training. A fuller NEETs policy would recognise this and embed support to access employment for those who need it at each potential transition point from learning to work.

• **However, the policy landscape is in a state of flux.** The Education Act 2011 represents a major reform to the ways in which young people will receive careers advice and guidance. At the moment there is significant confusion around new institutional arranges and about links between careers advice for
young people and the new National Careers Service. Such confusion creates the risk of more young people entering a difficult labour market without sufficient advice and guidance. There is also a broader question about the level of careers advice required. In particular, greater thought is required around what the minimum standards of advice and guidance to be delivered in schools should look like. In addition, given the lack of consistency in the system there is a need to ensure young people don’t face a cliff edge problem, and that where needed they receive some consistency of support.

To support young people at these transition points, better coordination of support is needed at both local and national levels. Addressing the NEET problem requires both top-down and bottom-up action.

- **Joining-up thinking.** At the national level joined-up thinking is needed about routes into work for young people, and more effective inter-departmental working is required around improving school to work transitions. In particular we need to get much better at providing clear routes into work for those who do not go down a ‘traditional’ academic path. This requires both simplification and coordination. To meet these aims a youth employment strategy is needed which cuts across departmental boundaries.

- **Coordinating services locally.** To help provide greater consistency of support for young people at the local level there needs to be strong coordination of local services to ensure young people are linked-up with the support they require to find employment, further education or training after leaving school. The duty for this coordination should sit with the Local Authority[^49], although how it is delivered in practice may vary, for example it might be led by the schools or the voluntary sector. This coordination role is even more essential given the new landscape. We must also financially support those locally embedded organisations (often voluntary sector) that have developed social capital and are best placed to positively engage with young people and the complex (locally sensitive) issues they face. Addressing high numbers of NEETs locally requires effective working between local government, schools, employers, Jobcentres, employment and skills providers and the third sector.

Young people who are NEET are a diverse group. Policy needs to reflect this diversity, and be flexible enough to adapt to different local circumstances:

[^49]: Who already have a statutory duty to encourage, enable and assist young peoples' participation in education or training
Available provision should be accessible and flexible and reflect the diverse nature and needs of the NEET cohort. In this respect new initiatives such as Care to Learn, a payment designed to cover childcare and travel related costs for those under 20 and learning, are to be welcomed.

**Policy needs to reflect changes in the labour market.** Our research strongly suggests that the changing labour market has placed a premium on work experience and the sort of soft skills which are necessary to help young people enter work. Policy needs to reflect this:

- **The first step into work is the hardest.** The increasing number of NEETs who have not made the transition from education into a first job suggests that the first step onto the employment ladder is becoming more difficult. It is therefore important that education and training providers focus on supporting young people in making links into work. Meaningful work experience may help young people make the school to work transition. Good work experience must involve a variety of tasks and those undertaking work experience must be assigned a mentor and be properly supervised throughout their placement, with adequate training provided.

- **Raising qualification levels can help more young people access employment.** Having few or no qualifications is an important determinant of whether young people are NEET, and qualifications have become more important over time. Ensuring more young people leave school with better qualifications should help them to navigate their way into the labour market more effectively.

- **Support routes into growing occupations and better progression within these.** Vocational routes into the workplace work well and are embedded in a number of sectors, in particular manufacturing which has historically operated an apprenticeship model. However these routes are much less well defined in parts of the service sector. While apprenticeships are now more visible in sectors like retail and hospitality, and the numbers have grown, there is further work required to make these true vocational routes which offer rounded training, and employment and career progression for young people. Upgrading and improving the employment experience in sectors which are growing is critical in more effectively linking more young people to the labour market. It is also important the skills provision well reflects the changing demands of the labour market.
• **Advice and guidance** needs to reflect local issues. There are pronounced local differences in the quantity and type of employment available. Information, advice and guidance needs to reflect this and be tailored to the needs of individuals and reflect the opportunities base locally.
The Private Equity Foundation has set out a manifesto for action. They have developed a ten point action plan for improving performance on tackling NEET issues at each level of the system by focussing on prevention and better coordination.

**Strategy and direction:**

1. **Create better coordination:** We need to coordinate policy and track progress. For example, a NEET taskforce could coordinate policy, bring together those who care about the issue and track progress.

2. **Focus on prevention – targeting the most at risk:** We need preventative resources allocated according to the level of NEET risk faced by each young person, as reflected in the recent proposals for the pupil premium.

3. **Publish transparent information on performance:** We need transparent and objective comparisons of performance that encourage each local authority to drive up performance to the level of the best.

**Commissioning and funding:**

4. **Increase investment on NEET:** We need a broader range of funding instruments to help address some of these problems.

5. **Reform commissioning:** We need improvements in commissioning through:

   • Better collaboration between local authorities and service providers;
   • Greater focus on value by developing commissioning capabilities;
   • Creating local markets for NEET services;
   • Adopting standard processes to reduce administration.

**Delivery of services:**

6. **Grow the best provision:** we need to create more networked commissioning and business support for the best providers.

7. **Foster better links into employment:** The school curriculum needs to prepare young people for the world of work through better links, high quality work experience and more routes into work e.g. apprenticeships. We need to make it easier for employers to engage with young people, particularly those most at risk of becoming NEET.
8. **Support targeted case management for those most at risk:** Many children face a challenging pathway through numerous services and interventions. An integrated case management approach is needed to improve coordination.

*Enablers:*

9. **Improve information on local provision:** We need to record standardised performance metrics, establish guidelines for setting benchmarks and advocate good practice locally.

10. **Increase knowledge of what works:** We need to establish an anonymous database of the cost effectiveness of intervention (as maintained by NICE in the healthcare sector) and publish standard guidelines on what data funders should track to encourage the analysis and dissemination of best practice.