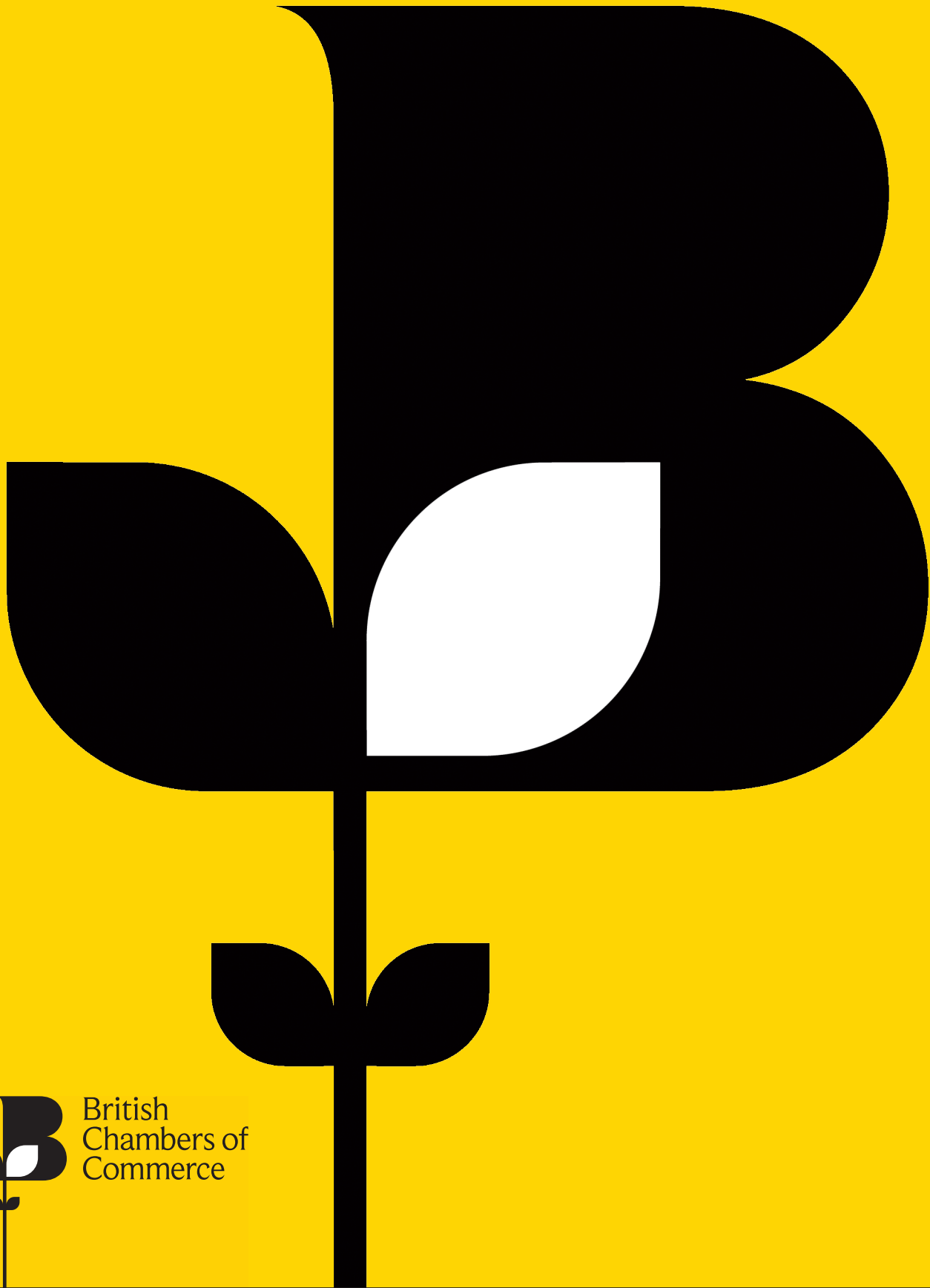


# BRITISH CHAMBERS OF COMMERCE

Lost Talent - Not in Education, Employment or Training  
October 2008



# ABOUT US

The British Chambers of Commerce (BCC) is the national voice of local business; a national network of quality-accredited Chambers of Commerce, uniquely positioned at the heart of every business community in the UK. The BCC represents approximately 100,000 businesses of all sizes across all sectors of the economy that together employ over 5 million people.

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# CONTENTS

INTRODUCTION	1
WHY ARE NEETS A PROBLEM?	1
WHO ARE THE NEETS?	2
WHY DO YOUNG PEOPLE BECOME NEET?	2
DOES WORK PAY?	4
WHAT IS BEING DONE?	4
BCC NEXT STEPS	6

## INTRODUCTION

Until 2008, the UK enjoyed over ten years of economic growth with low interest rates, low unemployment and a high number of vacant positions within the economy. Skills gaps were widespread, with many businesses unable to fill their vacant positions. Immigration to the UK partially alleviated the problem.

However, despite the economic growth, there are a significant number of young people of working age, that are not in employment, education or employment with training (or NEET). Indeed, in 2007 around 1.24 million young people between the ages of 16 and 25 were classified as NEET. Since 1997 the number of young male NEETs has risen by 27% to 575,000, while the number of young female NEETs has risen 6% to 669,000.<sup>1</sup>

With the exception of Japan, the UK has a much higher number of young people not in employment, education or training compared to its OECD partners - around 10% of the age group. This compares to 6% of the USA's 16-19 year olds and only 4.5% in Germany.<sup>2</sup>

There is wide variation by region across the UK. For example, in the North East, some 17% of 16-18 year olds are NEETs, while in the East of England the figure is 7%.

There are two broad challenges in tackling the problem. Firstly, the reasons for young people becoming NEET when they are over 16 must be addressed in the pre-16 education system. Secondly, once young people have become NEET, the right policies and institutions need to be in place to help them reintegrate into the education system and the economy.

## WHY ARE NEETS A PROBLEM?

Having so many unemployed young people who are not in education or in employment with training attached is a problem for the UK. The UK is likely to face skills shortages in the future. From the mid 1990s to the present, the UK has been in a position to meet many of its skill needs through immigration. This may not always be the case. There is already evidence to suggest that many of the Eastern European workers who came to the UK following EU enlargement in 2004 are now returning home. This process is likely to accelerate as the Eastern European economies become stronger and are able to offer their citizens similar economic opportunities to the UK. Therefore,

the UK may not be able to rely on meeting its skills needs through immigration. There should be enough suitably skilled British people to meet the economy's needs.

A large population of young people who are NEET is a cost to the economy in a number of ways. Firstly, a large amount of unproductive labour is a drag on economic growth.

Secondly, there is a cost to the public finances. NEETs are dependent on the public finances at a time in their lives when they would otherwise be paying into the Exchequer. NEETs claim benefits and, therefore, have a direct cost to the public finances. There is also a cost associated with public programmes which attempt to address the problems with NEETs such as the provision of remedial courses, training allowances, and tracking through services such as Connexions. A report for DfES in 2002 estimated that the total cost of young people being NEET between 16 and 18 was around £7 billion in public services and £8 billion in public finance.<sup>3</sup>

There is also a cost to society and the economy through crime. The unemployed are far more likely to commit crime than those who are employed, especially when this is related to drug use. Three quarters of all males aged 16-17 who appear in youth courts are NEET.<sup>4</sup> Those leaving custody are also likely to immediately re-enter the NEET category and are prone to re-offending. Indeed, there are 11,500 15-21 year olds in custody, and three quarters of those will be reconvicted in two years.<sup>5</sup> Furthermore, in 1999, the DfES stated that out of the 157,000 16-18 NEET population, 5,524 committed residential burglaries, 5,493 committed commercial burglaries and 5,363 committed car crimes.

There is a self-perpetuating element to the problem. As the NEET group progress and become adults, they feed into a negative cycle which serves to perpetrate social deprivation and societal problems. NEETs are more likely to have children as teenagers, and raise their children in deprivation and disadvantage. Their children in turn become the NEETs of tomorrow, with low skills, high public finance cost and little economic activity. The UK's problem of NEETs needs to be seriously and radically addressed to prevent the negative feedback cycle bequeathing these problems to the next generation.

1. [www.timesonline.co.uk/tol/news/article1290102.ece](http://www.timesonline.co.uk/tol/news/article1290102.ece)

2. [www.guardian.co.uk/education/2008/jan/08/furthereducation](http://www.guardian.co.uk/education/2008/jan/08/furthereducation)

3. Estimating the Cost of Being in "Not in Education, Employment or Training" at Age 16-18, p. 55

4. *SEU Report* (1999), Figures taken from Home Office Survey of Police Arrests and their Outcomes, (1994)

5. Estimating the Cost of Being "Not in Education, Employment or Training" at Age 16-18, p.24

## WHO ARE THE NEETS?

A NEET is a young person between the ages of 16 and 25 who is not in employment, education or training. The group is broad and heterogeneous with different needs, although they can be said to roughly fall into three categories:

- Core NEET - those with social and behavioural problems including those who come from families where worklessness and unemployment is the norm.
- Floating NEET – comprising young people who lack direction, motivation and tend to have spells of being NEET in between further education courses or employment with no training. This group also contributes to NEET churn.
- Transition/gap NEET – those young people who have often chosen to take time out before progressing onto further education opportunities and are likely to return to education, training or employment, but it is not always clear when this will occur. Such transition periods are often short-term lasting between 3-6 months.<sup>6</sup>

The government has thus far focused most of its efforts on tackling NEETs in the immediate post-compulsory education age from 16-18, presumably because they believe that dealing with NEETs successfully here will stop them being NEET later in their youth. This is part of the rationale behind raising the age of compulsory participation in education to 17 in 2013 and to 18 by 2015.

Only one in five NEETs became so immediately after leaving school, with the majority being involved in some form of education, employment or training before dropping out.<sup>7</sup> One third became NEET after attempting to continue their education, while forty percent had embarked on employment or employment with training.

## WHY DO YOUNG PEOPLE BECOME NEET?

There are a number of reasons why young people become NEET, many of which are interrelated.

### Educational disaffection

One of the root causes of being NEET is educational disaffection. This usually manifests itself through truancy, exclusion, or leaving school with few or no qualifications aged 16.

Truancy and exclusion often illustrate a negative attitude towards education and training. Such negative attitudes often continue in later approaches to work, and thus clearly contribute to a high chance of becoming NEET. Indeed, one quarter of persistent truants in year 11 were not in employment, education or training the following year.<sup>8</sup> Persistent absentees were seven times more likely to become NEET than their counterparts.<sup>9</sup>

Exclusion from school also represents disaffection and an inability to engage with the education system, while evidence suggests that excluded young people are also more likely to become NEET. Those excluded from school in years 10 and 11 were two and a half times more likely to be NEET post 16.

Young people who have low attainment at school, and subsequently receive few, or no qualifications, are much more likely to become NEET post 16, and to remain in that category. In England around 8% of pupils leave school with no qualifications at all, while 19% of boys and 15% of girls leave with no passes in the core subjects of English, Maths and Science.<sup>10</sup> Schools with low attainment rates are typically clustered in poor neighbourhoods as measured through the numbers of pupils on free school meals. One in four children on 'difficult to let' estates did not achieve any GCSEs – five times the national average.<sup>11</sup>

6. *What works in preventing and re-engaging young people NEET in London*, p.4 February 2007

7. Literature Review of the Costs of Being "Not in Education, Employment or Training" at Age 16-18, p. 23

8. Lit Review of the Costs of Being "Not in Education, Employment or Training" at Age 16-18, p.34

9. Reducing the number of young people not in education, employment or training (NEET) by 2013, p2

10. Newburn 1999

11. Social Exclusion Report 1998

### Family disadvantage and poverty

There is clearly a link between poor performance in education and being raised within a social disadvantaged background. Educational disadvantage starts at a very young age – recent research indicates that children from impoverished backgrounds fall behind children born to parents who are financially more comfortable at 22 months. By the age of three, children from disadvantaged backgrounds are already up to a year behind their more advantaged peers. This gap widens as they progress through school. By the time they reach 14, many disadvantaged children are two years behind their classmates, and are destined for a lifetime of under-achievement.

This matters, because how well a child does in school has long-term implications for the individual and for society. Young people who leave school with few, if any, qualifications are more likely to be unemployed or end up in a low skilled, low paid job, more likely to get pregnant younger, more likely to get involved in drug and alcohol abuse and more serious crime.<sup>12</sup>

Young people with parents who are unemployed are themselves also more likely to be NEET.

### Young people in care

Young people in care are heavily represented in the NEET group. The number of young people in care in England averages at around 55,000, three quarters of whom will leave education without any qualifications.<sup>13</sup> They therefore find it difficult to move into further education or employment with training. Young people leaving care are also prone to homelessness, becoming teenage parents, and being in young offender's institutions or prisons.

People from disadvantaged social backgrounds are also much more likely to be taken into care, as are those from single parent families. One study conducted in the late 1980s suggested that children from single parent families were eight and a half times more likely to be taken into care than those from two parent families.<sup>14</sup>

### Teenage mothers

There is a strong correlation between teenage mothers and young women who are NEET. Young mothers are likely to drop out of the education system, or leave it with few or no qualifications because they have become mothers, meaning that they are more likely to be NEET later on.

Female NEETs are also more likely to have children once they have become NEET than their peers who are in education, employment or training. 22% of NEET women aged between 16 and 18 were mothers,<sup>15</sup> while 40% of young women who had been NEET aged 16-18 were mothers of at least 2 children at the age of 21 compared to less than 5% of their non NEET contemporaries.

Once young women have become teenage mothers, they also experience difficulty in raising themselves out of the NEET group, which has a negative impact on the child thus further compacting future social problems associated with being NEET.

### Having special educational needs

Those with special educational needs are twice more likely to become NEET than other young people.<sup>16</sup> Despite high funding for special needs schools, young people with special learning requirements often find it difficult to move from formal education into employment or employment with training, and often leave school without any formal qualifications.

### Young carers (caring for other family members)

Being a young carer can be a hidden cause of poor attendance, under achievement and victimisation, with many young carers dropping out of school or achieving no qualifications, and becoming NEET after 16.<sup>17</sup> There is evidence to suggest that many carers given appropriate support can overcome problems associated with missing out on parts of their education due to their caring responsibilities and succeed at Level 3 and beyond.

12. [www.guardian.co.uk/society/2007/nov/09/social-exclusion-children](http://www.guardian.co.uk/society/2007/nov/09/social-exclusion-children)

13. Estimating the cost of being "Not in employment, education or training" at Age 16-18, p16

14. Biehal *et al*, 1995

15. DCSF - 2000

16. Reducing the number of young people not in education, employment or training (NEET) by 2013, p3

17. Kent Trust *Young Carers: Guidance for schools*, p2 June 2008

### Membership of certain ethnic groups

Members of African-Caribbean, Pakistani and Bangladeshi ethnic groups are more likely to be NEET than their White-British or Asian-Chinese counterparts. A study in Essex, Southend and Thurrock showed that young people from Bangladeshi or Pakistani backgrounds are more likely to be NEET (14% and 10% respectively) than those from Indian backgrounds (2%). However, children from White working class backgrounds (as opposed to the whole White group) are twice more likely to be NEET than any other group.<sup>18</sup>

### Young people involved in crime

Young people who commit crimes and who are involved in the criminal justice system are more likely to become NEET after 16. Once NEET, young people are also more likely to commit crimes. Three quarters of those appearing in youth courts are NEET.<sup>19</sup>

### Young people participating in risk activities

Evidence shows that young people who engage in risk activities such as smoking, drinking and drug use are more likely to become NEET, while NEETs are also more likely to engage in such activities once they have dropped out of employment, education or training. Usage also perpetrated the deprivation cycles, as NEET teenage mothers are more likely to drink and smoke while pregnant, and crime is increased because of problem drug use.

### DOES WORK PAY?

Some commentators have said that it does not always pay for NEETs to rejoin the economic system because they receive more in benefits than they do by going to work. While it is difficult to draw definite conclusions for all circumstances, as there are so many variables, what is clear is that it does not pay to work for everyone. A recent report by the Centre for Economic and Social Inclusion concluded that, "Londoners have less incentive to take a job in comparison to the rest of the country."<sup>20</sup> An example was lone parents moving into part time work who must earn more than National Minimum Wage to be £10 better off. This was

not the case for the rest of the country. For a lone parent moving into full time employment, a Londoner must earn £7.43 per hour to be £24.65 better off per week.

There is a trade off between income distribution and work incentives, which includes incentive to work and to progress into work. Depending on whether you are disabled, a lone parent, a childless individual, a couple obtaining work or getting paid more can lead to a withdrawal of means tested benefit. There is no easy answer, but it is clear that the government needs to ensure the financial incentives for work are not undermined.

### WHAT IS BEING DONE

The government has consistently attempted to address the problems of NEETs, by both attempting to reform the 14-19 education system, and by creating schemes to help young people back into work once they have become NEET. These have typically been aimed at the 16-18 age group, because it is believed that if NEETs are helped at this age, they stand a greater chance of not going on to be NEETs post-18, or long-term unemployed.

### Reform to education

The government has planned widespread reform of the education system. It believes that changes to the system will reengage young people, help tackle educational disaffection, while providing the skills that are needed by employers.

The government is channelling resources into early intervention reading and numeracy recovery programmes to combat the problem of children from disadvantaged families falling behind in literacy and numeracy from an early age. Often these children do not catch up in their subsequent educations, putting them at serious disadvantage.

18. <http://www.estconnexions.co.uk/document/1011>

19. SEU Report 1999

20. Making Work Pay in London

From year 7 there is a new curriculum which prioritises core skills – English, maths and ICT. It also focuses on teamwork and other personal skills. This is to prepare children for further reforms in 14-19 education. Whilst young people will still be able to take GCSEs and A-Levels, from September 2008 Diplomas are being gradually introduced. Diplomas are a mixture of academic and vocational learning, which spread across the major occupational groups in the British economy. Learners will also be taught functional skills such as mathematics, English and ICT, and will have to undertake a special project which will develop their independent learning skills. The government also wishes for apprenticeships to become a mainstream option for young people.

It is hoped that educational reform will engage young people, and stop them from becoming disengaged with education and therefore will be prevented from becoming NEET once their compulsory education is completed.

### **Raising the compulsory education age**

The Education and Skills Bill, which as of September 2008 is still in Parliament, introduces legislation to raise the compulsory participation age from 16 to 18 by 2015, temporarily raising the age to 17 from 2013. Young people will have to participate in education, or employment with training.

### **September Guarantee**

The September Guarantee is an offer of a place in learning to young people completing compulsory education by the end of September of the year they have finished. The Guarantee was implemented nationally in 2007. It will be extended to 17-year-olds in 2008 to give those who enrol on one-year or short courses, or who leave the activity they chose when leaving school, further opportunities to engage in learning.

### **Government policy: Tracking, Provision, Support**

The government's key strategy for reducing the number of young people who are NEET focuses on tracking, provision and support.

The government has attempted to introduce Careful tracking to identify early those young people who are NEET, or liable to become

NEET. For example, now post 16 learning providers must notify Connexions services as soon as a young person leaves post 16 learning.<sup>21</sup>

The government is seeking to expand the provision so that there are more routes out of being NEET, and so that young people are prevented from becoming NEET in the first place. The reforms include more space for catch up at Key Stage 3; new GCSEs and A-Levels and an extended project; the introduction of a Foundation Learning Tier (FLT) which will aim to develop Level 1 skills in those disengaged with education; the new 14-19 Diploma which will be a blend of vocational and academic learning; and an expansion in apprenticeship places.

Because many NEETs are low achievers, there is to be a focus on basic Level 1 provision (equivalent to five GCSEs at any grade including mathematics and English). Currently an effective scheme *Entry to Employment* is supplied to NEETs as a course that develops basic work skills. Eventually, this will sit within the FLT, and together they will help young people who have become disengaged with the system to prepare for apprenticeships.

There is also to be a more flexible approach to course start dates, as it has been noted that many young people drop out of employment, education or training, and remain NEET because they have missed the start dates of various courses.

The government is also planning a more personalised approach to reengaging NEETs, and is currently piloting Activity Agreements. These will be agreements between NEETs and personal advisors where they will agree to a programme of reintegration activities in return for a weekly allowance for twenty weeks.

There is also to be an expansion of courses that qualify for the Education Maintenance Allowance to encourage more NEETs to take part in forms of training.

21. Reducing the number of young people not in education, employment or training (NEET) by 2013, p5

## Welfare reform

Before the summer recess DWP published No one written off: reforming welfare to reward responsibility. This unveiled a package of measures designed to drive up the UK employment rate from 75 per cent to 80 per cent.

The New Deal introduced the principle that rights entail responsibilities. In return for support young people had to engage in training and take employment or see their benefits cut. Over time these principles were extended to other groups e.g. lone parents or Incapacity Benefit claimants. The new proposals will build on this by increasing a claimant's responsibilities over the period of their claim, as follows:

- At three, six and 12 month thresholds new responsibilities will kick in, including a responsibility to participate in a minimum of four weeks of 'full time activity' which is likely to be voluntary or community work.
- Claimants may be required to sign on daily to make a life on benefits a less comfortable option.
- Out of work benefits will be simplified into two streams: Job Seeker's Allowance and Employment Support Allowance. Between 2008 and 2013 all Incapacity Benefit claimants will take a Work Capability review and be reassigned to one of these two streams.
- There will be opportunities for private sector along with voluntary and public sector bodies to deliver the intensive support required for claimants out of work for 12 months plus. This will allow the system to benefit from a large private sector investment up front paid for later by savings gained from placing and keeping claimants in work.

## BCC - NEXT STEPS

Although the government has expended resource into attempting to resolve the UK's problem with young people who are NEET, the figures have remained stubbornly static for a decade. Whilst we applaud many of the government's efforts and are supportive of the government's 14-19 reforms, clearly something is not working.

As employment is the ultimate aim for all government attempts to deal with the NEET phenomenon, we plan to investigate what government action is working from an employer perspective. We propose to look at the employers who take on NEETs, or are deterred from offering them employment after government schemes; what works and what doesn't; what is the employer experience of NEETs. We plan to hold a series of business focus groups, and will make a further report on our findings.

We believe that the issue of NEETs should not fall off the public agenda in these troubled economic times.

