From a Welfare State to a Working State

A new settlement for the next generation

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Chapter 1: Introduction and Executive Summary: from a Welfare State to a Working State

1.1 A new deal for a new generation

1. This Report sets out a new ambition for the country: a generational promise that every young person will be guaranteed the opportunity to earn or learn.

2. Its aim is to change the life course of nearly one million young people who are not currently in education, employment or training. And to do the same for the generations that follow. It sets out a 10 year programme to deliver a new system to make it happen.

3. My Interim Report, published in May this year, made the case for change. [1] This final Report is about delivering change.

4. In the period between, my team and I have engaged extensively in the search for ways to solve the UK's NEET crisis. With employers and educators; charities and community groups; national, regional and local politicians; and, most importantly, with young people themselves. We have scoured the world to understand what we can learn from other countries. We have undertaken new research and new polling. We have worked with Government departments to ensure the changes we propose are deliverable and fiscally responsible.

5. By definition, solving the NEET crisis is far from easy. Much of it is grounded in poverty and inequality. There is no simple or perfect solution. There are inevitable trade-offs and dilemmas that come with trying to fix a problem on this scale. Throughout, I have been guided by the weight of evidence about what could work and by the voices of young people. This Report tries to give equal value to both.

6. These deliberations have brought me to some clear conclusions. Our country is at a fork in the road. Go on as we are and see the NEET crisis grow. Or change course and make the difficult changes that can shift the trajectory. This is a moment of choice for the country. Half measures will not do. The country has had no shortage of schemes, pilots and initiatives for young people. Many have helped those they reached, but they have not prevented nearly one million young people – one in eight – from being out of education and employment.[2] Most are economically inactive rather than looking for work.[3] Six in ten have never had a job.[4] Today's NEET crisis is no longer the old story of a temporary cycle of youth unemployment. It is a new phenomenon of youth detachment.

7. A new approach is required, and so this is not a plan for doing the same things a little better. It is a plan to make youth participation a new core priority for the country. This Report shows how full employment and education for the young can

be achieved for our country – and in the process how we can end long-term youth unemployment once and for all.

8. Over decades that is not the choice the country has made. The NEET crisis is not new. The NEET rate has barely been below 10 per cent in 25 years.[5] It has become a fact of life. Something that if not regarded as inevitable, is at least viewed as not solvable. But that is a choice. We have chosen to neglect the problem rather than deal with it.

9. It shows up in the numbers. Across Europe, only Romania has higher NEET rates than the UK.[6] Compared to the countries of northern Europe with lower rates, we have chosen to invest far less in support to get young people into education or employment. We are used to hearing well-founded arguments about the need to invest more in physical capital to grow our economy: in infrastructure and energy, defence and digitalisation. We need to apply the same logic to investing in human capital. And to do so for the long term.

10. Without a sharp change in direction, the country will pay an ever higher economic price through lost skills, lower productivity and slower growth. In this Report, we set out how higher youth participation could contribute over 0.4 per cent of additional GDP per year.[7]

11. Without a sharp change in direction, the country will pay an ever higher fiscal price through an increasingly unaffordable benefits bill as more young people become trapped in economic inactivity. In this Report, we set out how creating more opportunities and better support could reduce benefit expenditure by £3.6 billion per annum in 2036.[8] Within a decade, the annual costs of investment will be overtaken by sustainable savings.

12. Above all, without change, the greatest price will be paid by young people themselves: in lost life chances, lost opportunities, lost earnings, lost confidence and lost purpose. Fundamentally, the NEET crisis is a moral problem, with dire economic and fiscal consequences.

13. This is not simply a cause for young people. It is a cause for the country. Demographic change makes it a necessity. If the needs of an ageing society are to be met, as many young people as possible have to become a net contributor by working and paying their taxes in order to fund the public services on which older generations particularly rely. Britain's future relies on us backing young people. They are the next generation of workers, parents, taxpayers, entrepreneurs, carers and public servants. Helping them succeed is in all of our interests.

14. The need to do so is driven not only by the challenges this generation faces today, but by the new risks already visible on the horizon. The experience of being a child and entering adulthood has changed. The risks of more young people becoming

detached are growing. The legacy young people carry as they seek to navigate the journey from education into employment is one shaped by social media, the Covid pandemic and mental distress. They face a future of uncertainty as artificial intelligence and automation reshape the world of work faster than at any point in history.

15. The labour market of the next decade will look different from the labour market of the last. The pace of change is electrifying. That means what the State does - in education, skills, welfare and health - has to change too, and at pace. We cannot future-proof particular occupations. We can future-proof young people, through changes to the education and skills system in particular. It should prepare young people for a world in which adaptability is no longer a luxury, but a condition of security.

16. The response to the Interim Report has convinced me that there is a visceral mood for change in the country. Families feel it. Employers feel it. Politicians feel it too. They all know that the risk of a lost generation of young people is real, and more importantly they want to do something about it. This generational challenge calls for a different generational choice: to put young people first. They must be the priority for policy and action.

17. That will require the nation to commit resources. Some can come from welfare savings as young people move into work. But crude benefit cuts will not work. If young people are plunged into destitution, costs to the taxpayer simply show up elsewhere in the system – in homelessness, health and crime. What is needed instead is upfront investment in more opportunities for young people to earn or learn and in the practical support to enable them to do so. Investment first, payback later. That is the only sustainable way of improving life chances and reducing costs.

18. More resources by themselves, however, are not the answer either. Solving the NEET crisis will require the courage to make radical reforms. We have not ended up with nearly one million young people who are NEET by accident. It is the product of failure on the part of the State and on the part of the market.

19. First, the labour market has moved against young people. Youth employment has fallen even as overall employment has grown. The first rung on the career ladder has eroded but there has been no attempt to regrow it. For too long public policy has focused on supply-side measures and ignored the demand side. It concentrated mainly on making young people more employable while taking for granted that the market would automatically create job opportunities.

20. Second, the education system is not providing young people with the aptitudes, as well as the qualifications, they need to succeed in a fast-changing labour market. It was designed for a more predictable economy but is now struggling to prepare

young people for a world of work that is being continuously reshaped by technology, changing skills and new forms of employment.

21. Third, the health system is organised around diagnosing and treating illness once it has taken hold rather than identifying risk, preventing problems from escalating and keeping young people participating in education or employment. That matters when poor health, particularly mental ill health, has become one of the defining causes of youth economic inactivity.

22. Fourth, the welfare system asks the wrong question of young people: what can't you do, rather than what could you do? It takes too many young people into a lifetime on benefits rather than into work – with ruinous consequences for their life chances. Poverty and inequality are at the core of the NEET crisis: rates are highest where disadvantage is greatest.[9] But the benefits system plunges too many young people into more poverty rather than seeking to end it. It too often becomes a trap rather than a springboard.

23. Fifth, the system is not a system at all. Responsibility is fragmented between institutions, programmes and tiers of government. Education, health and welfare operate in separate silos and magnify the very problem they are supposed to help solve. Each plays its own role but the young person still falls through the gaps. While Britain has institutions for young people, there is no active participation system capable of carrying them from childhood into working life.

24. This is a whole system failure. In short, Britain has a chronic problem. It is getting worse, not better. And there is neither an existing system nor plan capable of dealing with it.

25. This Report seeks to address both of those deficits.

26. It advocates for a new young people-first approach both to public policy and employer practice. It proposes not just new investments and new policies but new laws and new institutions so that there is a permanent platform on which change can be built. Recent history is littered with periodic attempts to address the NEET crisis but there has been no sustained and systematic effort to eradicate the problem for good. This Report sets out how we can change that. It does so by identifying the systemic changes that are needed across education, health, welfare and labour market policy. It echoes the Prime Minister's call for a Rewiring of the State by showing how employers and educators, mayors and councils, families and communities can contribute to delivering full employment and education for young people.[10]

27. Government alone cannot deliver a sustained lower NEET rate. It needs a new deal with wider society to make this a shared ambition for the nation. A new deal with young people where a guarantee of opportunity and support sits alongside new

obligations on their part to participate where they are able to: every young person who can work should work. A new deal too between central government and local places to give them the authority to better help young people transition from education to employment: devolved power should be the default not an afterthought. A new deal between the State and employers who create more first chances in return for government making them easier, cheaper and less risky to provide: demand and supply working as one.

28. The twin beliefs at the heart of this Report are that work gives shape, meaning and purpose to young lives, and that every young person has something to contribute.

29. The task is to align the one with the other. A new settlement is needed if the lost generation is to become the work generation. That means transforming the Welfare State into a Working State. One that is organised around participation and prioritises prevention.

Every young person learning or earning

30. I believe we should set ourselves a new national ambition: every young person should be learning, earning or actively participating. By 2036, the United Kingdom should aim to reduce the NEET rate to around 5 per cent and become one of Europe's best-performing countries for youth participation. That will be an effective rate of NEET Zero. Full youth participation. Full employment and full education for the young. The end of long-term youth unemployment.

31. Within 10 years, all of those young people who can participate, whether in education, training or employment, should be doing so. The first milestone in this longer journey should be to ensure that no 16 to 17 year-old is NEET. By law, in England, none of them should be. Yet nearly 57,000 16 and 17 year-olds in England currently are, while thousands more are recorded as not known.[11] That statutory expectation must become real in practice.

32. Achieving full youth participation means recognising that the NEET population is not uniform. It consists of nearly one million very different young people. Those who are disabled face particular challenges. So too do many young people from an ethnic minority background. Some young people who are NEET are close to being able to work and are being held back by a lack of experience or a practical barrier such as transport. Others need help with qualifications, confidence, housing, caring responsibilities or mental health. Some disabled young people will require intensive and sustained support. A smaller group will require secure long-term protection because conventional participation is not a realistic expectation.

33. Different young people will require different opportunities and different levels of support. The new youth participation system proposed in this Report is designed to ensure that every young person, whatever their background or circumstances,

receives the right level of support and a credible opportunity to learn, earn, or prepare if they are able to do so.

34. Meeting that ambition will require the creation of opportunity on a new scale. The Review's modelling suggests that 500,000 additional employment and education opportunities may be needed by 2036.[12] In education and skills, I propose an initial 25,000 pre-apprenticeship places and a path towards 270,000 under-25 apprenticeship starts a year by 2036, alongside a major expansion in further education for 18 to 24 year-olds. These are not stand-alone targets. They are the scale of change needed to make full youth participation possible.

An historic break with the past

35. I do not believe this ambition should be delivered by another programme layered on top of the old system. The task is to change the system itself.

36. The creation of the Welfare State after the Second World War is one of the great achievements of British public policy. It embodied a new national responsibility to protect people against what its architect William Beveridge described as the five giants: want, disease, ignorance, squalor and idleness.

37. That protective mission remains essential. But that Welfare State was designed for a different economy and a different set of social risks. The new risk facing Britain is that future generations of young people are losing contact with education and work before adult life has properly begun. A safety net can prevent destitution. It cannot, by itself, provide the springboard young people need to acquire skills, gain experience and build an independent life by learning or earning.

38. It is sometimes said that young people are to blame for their own misfortunes; that the resilience of previous generations has been replaced by softness in this one. That is not what I have found in my many conversations with young people. Nor is it what the evidence shows. More than seven in ten young people who are NEET want to be in work, education or training.[13] The shortage is not one of aspiration or effort on their part. It is a shortage of opportunities and effective support. Young people have not collectively failed the system. The system has failed too many of them.

39. The way the State operates today is not capable of dealing with the new challenge that the NEET crisis poses. The old Welfare State needs to evolve into a new Working State which has maximising youth participation as its central objective. Not only in benefits policy, but in education, skills, employment support, health and labour-market policy. There is no such unifying view today. No overarching governance philosophy. No golden thread running through public policy. And no institutional framework to make it happen.

40. A whole-system reset is required. The changes I advocate are radical and far-reaching. So this Report does not propose what independent reviews often do, a number of disconnected recommendations for government to consider. Rather it is a broad-based manifesto for change with a clear plan and defined timetable for implementation. By necessity, it will take a decade to achieve its full effect. But the scale of the generational challenge demands immediacy from day one.

41. Below I set out a summary of the detailed changes the full report advocates but the big strategic shifts are five-fold. A Chapter in the full Report is devoted to each.

42. First, it aims to change the youth labour market. It advocates a more active labour-market policy and a new bargain between the State and employers to open up more opportunities for young people. It asks employers to create more first jobs, youth apprenticeships and work experience. It asks the public sector to use its employment footprint and its procurement muscle to take a lead. In return, it asks government to make it easier, cheaper and less risky for employers to hire more young people. A statutory Youth Opportunity Test makes the effect of major tax, spending, regulatory and labour-market decisions on the next generation visible before decisions are taken, not after the damage is done.

43. Second, it aims to change what education is expected to deliver. Qualifications remain fundamental, but schools, colleges and universities must also be judged by whether young people make successful transitions into further learning and work. Schools must become engines of opportunity by gifting their students aptitudes and not just knowledge to better equip them for the future world of work. Technical education should be on an equal footing with academic education. And learning from low NEET countries, further education and apprenticeships must become one of the principal routes into skilled employment for future generations of young people.

44. Third, it aims to change how both the care model and the operating model of health services work so they can break the link between mental distress and non-participation among the young. The NHS should move from a reactive diagnose-wait-treat model towards a predict-prevent-participate model with more earlier needs-led support available to young people. The NHS becomes judged in part by whether young people remain connected to education and work. It ceases to be a bystander on the participation pitch and instead becomes a fully-fledged partner.

45. Fourth, it aims to change the welfare system so that it no longer simply writes young people a cheque but instead builds them a participation plan. It creates a new system for the under-25s based on the new maxim of work for those who can, security for those who cannot. For the first time it creates statutory entitlements for young people to both opportunity and support to enable them to earn or learn. It fundamentally reforms the system to spend more on supporting young people into

work and less on benefits while enhancing protections for the most disabled young people.

46. Fifth, it aims to change how the State delivers participation support and opportunity to young people. It replaces fragmented programmes with a permanent Youth Opportunity Service (YOS) in every place in England. It joins the system around the young person rather than expecting the young person to join it up for themselves. In the process, power and accountability are devolved from the national to the local. Strategic authorities take responsibility for the overall 16 to 24 year-old participation system and receive new powers, funding and commissioning freedoms needed to act.

Employers

47. A first chance. That is what is missing from the labour market for too many young people. Employers hold the key to creating that opportunity. Without a change in direction, rebuilding the first rung will not happen. A new bargain is needed with employers to create more first chances for young people. This bargain should be the beating heart of a new 'young people first' approach to labour-market policy and practice.

48. Government should adopt five new and explicit objectives: to make it financially worthwhile for employers to hire young people; to give employers one simple route into support; to remove avoidable regulatory and practical barriers; to lead by example as an employer; and to use public procurement to create more first chances.

49. On employment costs, government should begin immediately with a commitment not to increase the costs on employers of hiring young people still further. It should publish a Youth Employment Cost Index every two years which itemises the financial impact of its decisions on the youth labour market. On the minimum wage, the government should continue to direct the Low Pay Commission to judge the pace of convergence against the critical goal of protecting youth employment.

50. I have looked carefully at what more government can do to make employing a young person financially worthwhile. Given the fiscal position, I do not believe an immediate across-the-board National Insurance cut is the best use of several billion pounds of public money. Rather than poorly targeted and unaffordable cuts in employer National Insurance, when fiscal conditions allow, it should instead introduce a five-year glide path to lower employer National Insurance costs for workers aged 21 to 24 starting in the retail and hospitality sectors which together provide 37% of jobs for young people aged 16 to 24.[14] The best way of doing that is by doubling the point at which employer National Insurance becomes payable for those young people, from the current £5,000 threshold to £10,000.

51. To help ease the cost of hiring more young people there should also be increased targeted financial help. Employers who take on any young person who has been NEET for six months should receive a £3,000 payment. This would extend eligibility to the 314,000 NEETs who are hidden and not in the benefit system at all. [15] An extra premium payment of £2,000 should go to employers taking on somebody facing substantially greater barriers, such as care leavers or disabled young people. In addition, a further small business premium of £2,000 should be available to businesses with fewer than 50 employees. There should be an increase in the payment to employers creating an apprenticeship to £2,500, and extended to Levy payers.

52. This employment incentive package amounts to around £1.1 billion a year of investment once scaled up, more than doubling government financial help for employers to increase youth employment.[16] It should help to create an additional 170,000 job and apprenticeship opportunities, the biggest programme of its sort in nearly 15 years of public policy support for getting young people into work.[17]

53. Government also needs to adopt a new approach to reducing organisational and regulatory barriers. Government should introduce a single front door – the Youth Opportunity Service – to make it easier to hire young people, provide work experience and support them while in work. The new Guaranteed Hours legislation is a critical change to employment rights in the UK. I would propose that when considering the responses to the recent consultation that the goal should be to ensure that the potential impact on youth employment should be a primary consideration, and a cautionary principle should be adopted. I believe this would lead to an approach that aims to limit the potential negative impact on seasonal and temporary work and clearly balances the goal of reducing one-sided flexibility with retaining a dynamic and flexible labour market. More broadly, it should introduce a new statutory Youth Opportunity Test to assess the potential impact on youth participation of public policy changes. The explicit aim should be to prevent the youth labour market being flooded with more new regulation and to reduce existing regulatory burdens.

54. As an employer, government should ensure the public sector is leading the way in maximising participation opportunities for young people. It should aim for a minimum of 11 per cent of the Civil Service entry level workforce to be aged 16 to 24 by 2032. That would almost double the current proportion. [18] All government departments, arm's-length bodies and major public sector employers should publish a three-year youth workforce plan showing how they will increase youth opportunities with a view to a minimum of 10 per cent of entry level vacancies going to those who are NEET or at risk of becoming so.

55. Government's power as a buyer is potentially as important as its power as an employer. It should use its purchasing power with the same precision. Government should make youth employment a mandatory Social Value criterion within the Government's current Social Value procurement framework for projects above £5 million where the contract creates meaningful labour market demand. For projects above £50 million, and for major contracts in defence, energy, and infrastructure, explicit youth hiring commitments should be mandatory. Government should also legislate to extend its Social Value framework beyond central Government to local government and the wider public sector.

56. Many employers are already creating more work experience, apprenticeships, mentoring, school engagement and targeted hiring. But goodwill is not enough. It is scattered and inconsistent. There is no clear national expectation about the contribution business can make to reducing youth detachment. That has to change. Government can help shape what employers should be asked to contribute to solving the NEET crisis.

57. During the course of this Review, we have created with employers a means of clarifying what employers can best do. First Chance is an employer-led movement creating more first opportunities in the workplace for young people who are NEET or at risk of being so. It attempts to codify in simple terms what employers can contribute to solving the NEET crisis. The three First Chance asks of employers are to create more genuine first jobs, more youth apprenticeships and much wider access to meaningful work experience. Large private employers joining First Chance could set and publish their own quantified contribution, including where possible making 10 per cent of entry level vacancies available to NEET young people. Recruitment must change too. Unnecessary experience requirements, inaccessible assessment and opaque criteria should not turn the first job into a reward for already having had one. In particular, large employers should find ways of responding to rejected job applicants. All too often unsuccessful candidates currently face a wall of silence. Government should now work with employers to scale First Chance across the country.

Education and skills

58. This Report is not only about reducing the current stock of young people who are NEET. It is about preventing young people becoming NEET in future. The key to that is an education system that equips young people for the future world of work – and one that takes prevention seriously. Education should be the strongest bridge between childhood and adult working life. For many young people it is. Britain has much to be proud of in its schools, colleges and universities. But the world of work is changing faster than the world of education. Schools focus strongly on academic results, but not enough on readiness for work. Britain is a world

leader in higher education but a laggard in vocational education. Apprenticeships and further education remain woefully under-supplied compared with countries that achieve lower NEET rates. A new balance is needed: preventing risk earlier, putting aptitudes alongside knowledge, and making Britain a powerhouse in technical education as well as academic education.

Prevention

59. Change should begin before a young person becomes NEET. I propose two long-term prevention ambitions. By 2036, at least 90 per cent of children should be school-ready at age five. The current target is 75 per cent.[19] By the same year at least 90 per cent should reach the expected standard in literacy and numeracy at the end of primary school. These are not new stand-alone education targets. They are foundations for later participation.

60. Parents remain the first and most important influence on a child's development. Public policy should make good parenting easier, with support built through Best Start Family Hubs and concentrated most strongly where developmental disadvantage is greatest. Government should consider how the funding rate of the Early Years Pupil Premium could be boosted to match the Primary School rate.

61. It should press on with SEND reforms, drive continued focus on persistent school absence and address exclusions by ensuring that a transition and participation plan is in place for each at risk pupil. It should also make the use of Risk of NEET Indicator (RONI) tools mandatory for both primary and secondary schools to identify and support pupils at risk of becoming NEET.

62. Government should report annually on whether the gaps in educational attainment by geography as well as by socio-economic group are narrowing or widening and identify how it is deploying financial and human resources to close those attainment gaps. In particular, it should increase the number of specialist youth workers and expand activities available to young people, especially in areas with high numbers of young people at risk of becoming NEET.

Schools

63. The best protection against becoming NEET remains doing well at school and being literate, numerate and able to communicate. But a better balance is needed between academic foundations, technical and practical learning, enrichment, employer exposure and preparation for working life. The answer is not simply to direct young people who struggle with conventional academic learning into a separate technical route. If technical education becomes the preserve of children from lower-income households and academic education the route for those from

middle-income ones, that will be a failure. The ambition must be wider: to better prepare all young people for the new world they are entering, including work. The task is not to dilute our definition of excellence but to broaden it by ensuring that the focus on rigour and standards that has been successfully applied over recent decades to the academic route is equally applied to the technical route. Too often in the public debate about these issues, academic and technical are pitched as enemies when they should be reconciled as friends. The same is true of curriculum breadth and high standards. They should be twin objectives, not competing priorities.

64. The government should introduce a new statutory key stage 3 writing, numeracy and oracy check with schools being given discretion over around 10 per cent of curriculum time. The government's decision to introduce new Vocational GCSEs alongside broader technical pathways from age fourteen is an important change of direction. It will require the pooling of specialist teachers, facilities and employer relationships across an area, together with an expansion of University Technical Colleges (UTCs). The tilt to technical education should be the first step towards an integrated age 14 to 19 framework bringing academic and vocational learning into a single structure. That should be completed over the next decade.

65. In the meantime, work experience should become a statutory duty on schools and careers education should be integrated with employment support in the new Youth Opportunity Service. Experience of working life should become a normal part of education.

66. Accountability must change too. A new ready-for-work standard should show whether young people leave school with the foundations, experience and confidence needed for the next stage. Work readiness data at school level should be published and the new standard inspected by Ofsted. Alongside that, to better assess how well schools are building the bridge into working life, a new outcome measure should be published. It should judge school performance on where students end up once they have left school with the results published in a form that young people, parents and the wider public can understand. Schools should continue to be judged on attainment, but also on preparation and sustained outcomes. The purpose is not to weaken academic standards. It is to broaden our definition of educational success.

Further and higher education

67. The low NEET rate countries of Europe have invested far more in technical and vocational education than we have. We should learn that lesson. Over the next decade, post-18 further-education participation should expand substantially, with an extra 150,000 18 to 24 year-olds participating a year to significantly reduce the gap with comparator countries.[20]

68. Colleges should receive a new participation and work-readiness premium, initially targeted at 16 and 17 year-olds who are NEET or at serious risk. But over time their financing would move from a simple activity-based model, where colleges are funded according to the number of places they provide, towards one that also recognises and rewards outcomes and destinations. In higher education, data on earnings should be prominently published, allowing students to judge which courses and institutions deliver the strongest employment returns.

69. More diversity and innovation are needed in the sector so the government should establish a mayor-led mechanism for developing new industry-led technical colleges, specialist campuses or equivalent centres. It should also look to create an Open University for skills, a national digital Open College through which people can find and accumulate accredited modules from colleges, universities and approved providers, part-funded by employers and other private investors.

70. It should work with universities and colleges to increase level 4 and 5 skills provision and make it easier for young people to progress from a college education to a university, with students able to carry recognised achievement between providers and stages of study. Strategic priority funding for tertiary education should be more directed towards subjects and routes linked to the Industrial Strategy, public service needs and regional priorities. That would mean ensuring more towns have a visible higher-education presence through satellite campuses, FE-HE partnerships or civic-university models, particularly where participation is low and regeneration need is high.

71. I believe the State has a particular obligation to young people who have been in its care. I propose an Education Maintenance Allowance (EMA)-style Care Leaver Transition Allowance of £50 a week for six months for care leavers who are NEET or at serious risk, conditional on them agreeing a participation plan with their local YOS. Care leavers should not face a penalty for having been in the care of the State; they should receive some of the stability that other young people can rely on from their families. If successful, the allowance could be extended to other at-risk groups.

Apprenticeships

72. I have concluded that apprenticeships should be the largest education and skills priority arising from this Review. They combine learning with real work and are among the strongest-evidenced routes into skilled employment.[21] The aim should be to double the number of young people completing an apprenticeship over the next decade, so that apprenticeships rival university as a mainstream destination for school leavers. By 2036, around 35 per cent of each cohort should have started a high-quality apprenticeship by the age of 25, with annual under-25 starts rising

towards 270,000 and completion rates improving alongside them. This Report also proposes an initial 25,000 pre-apprenticeship places.

73. Reforms will be needed alongside resources. The Growth & Skills Levy should be changed by abolishing the existing HM Treasury topslice of apprenticeship funding. This should allow apprenticeships to be reorientated back to young people by providing 100 per cent funding out of Levy proceeds for the under-25s with government reducing its funding for those aged over 25.

74. Together, these reforms add up to a shift in the focus of the education system to ensure that young people are better prepared for the future world of work.

Health

75. Health is a central factor in youth disengagement. In particular, there has been a sharp rise in the number of young people presenting with low to moderate mental health and neurodevelopmental needs – depression and anxiety (23.8 per cent of disabled NEETs), autism (22.7 per cent of disabled NEETs) and mental illness or other nervous disorders (15.7 per cent of disabled NEETs).[22] The proportion of NEETs reporting learning difficulties or autism as their primary condition has risen from 7.7 per cent to 12.3 per cent since 2021.[23]

76. Mental distress has increased among children and young people, but analysis conducted by Professor Fonagy's Review suggests that the actual prevalence of neurodevelopmental conditions like ADHD and autism is largely flat. It is diagnosis that has risen markedly. His conclusion is that "the problem is a system that leans too heavily on diagnosis as the route to help and cannot keep pace."[24]

77. Rather than helping young people access help quickly to enable them into employment or participation the diagnose-wait-treat model leads to many waiting, not working and ending up on welfare. Once they are in the benefits system it becomes hard to get out. Poor mental or physical health should not become a one-way route out of education and work.

78. Treatment remains fundamental, but it is not enough simply to diagnose a condition, deliver an appointment or discharge a patient. The NHS should also be judged by whether it helps young people stay in or enter education and employment. Participation has to become a core health outcome.

79. A new care model should be created, as organisations like Mind have argued, in which support depends on need.[25] Young people should get practical help quickly when a mental health or neurodevelopmental need becomes apparent, without having to wait for a formal label. Lower-level needs should be met earlier and at the least intensive effective level. Specialist clinical capacity should be reserved for those who need it most.

80. Young people who are already NEET should be guaranteed fast-track access to services such as vocational rehabilitation, talking therapies and counselling, providing they have a participation plan agreed with the YOS. Within three months every young person in the YOS needing practical health support should be guaranteed to be getting it.

81. The starting point for young people to access help should be digitally. Rather than waiting for a diagnosis or assessment, a new universal mental health digital front door gives them immediate advice and support. It should be available both online through trusted channels and via the NHS App. In addition, NHS Online, the new national-scale digital health provider due to begin seeing patients in 2027, will be available to young people through the YOS.

82. If needs cannot be met digitally there should be a menu of services, escalating according to need, available to them through the YOS. The service will provide rapid access to support for young people who could benefit from Talking Therapies. In 2025/26, 359,000 young people aged 18 to 25 were referred to Talking Therapies.[26] Where appropriate, support will include access to a Psychological Wellbeing Practitioner. They would also be able to get help from expanded local vocational rehabilitation services including help to manage anxiety, memory, concentration and communication in the workplace; support for musculoskeletal conditions; pain and fatigue management; help with sleep. IPS-Y, an evidence-based supported employment model, should be available across the country.

83. More generally, the mental health care model is increasingly out of step with the pattern of need. Change is needed to proactively help young people, so they avoid the risk of becoming NEET in the first place. It is time to put a new focus on prevention. The new care model that I advocate should intentionally match the range of young people's needs – what Professor Fonagy codifies as mild, moderate, more complex and severe/high risk – with a graduated set of services.[27] This new more preventative mental health care model for young people should:

- make support widely available digitally;
- proactively identify both risk and low/moderate needs and provide low intensity, non-clinical support;
- provide a neighbourhood, multi-disciplinary community care service that is same-day open-access;
- when specialist services or treatment are needed, be far faster in getting people the help they need, so preventing crisis and A&E attendance.

84. This model escalates care according to need. It amounts to a fundamental transformation in how mental health support is delivered. It should be applicable both to young people who are already NEET and those at risk of being so.

85. We estimate that earlier intervention and prevention services could support up to 930,000 young people over five years. For example, over the course of this Parliament Early Support Hubs should be expanded to at least one in each of England's upper-tier local authorities. Alongside specialist service reform, this could release up to a quarter of existing Child and Adolescent Mental Health Services (CAMHS) workforce capacity for redeployment into community settings.[28]

86. That should allow the Government to introduce for the first time national maximum waiting-times for young people's mental health care. The new waiting time standards should be in place by 2028 but action should begin immediately to eliminate the longest existing waits.

87. The Government should also take swift action on the independent sector diagnostic market for conditions like ADHD and autism. Where providers demonstrably fail to meet required standards, NHS funding should be restricted or withdrawn. That process should begin at once. And by 2028 new payment mechanisms should be in place which are based on quality and outcomes rather than assessment or diagnosis volumes.

88. Reform of the fit note system is also a key enabler of improving youth participation rates. Responsibility for long-term sickness absence should be moved out of general practice, as is being trialled with Community Work and Health Teams (CWHTs). Their functions should be incorporated into the local YOS and should be extended to all parts of England. The service would be able to refer young people into wider support as required, while clinical care would remain with the GP. In addition, where an under-25 makes a health-related benefit claim, this should automatically trigger an offer of support through the YOS. These changes mean that a fit note would become the beginning of an active support process, not simply a certificate of absence. The ambition should be that no young person moves from short-term illness into long-term economic inactivity simply because nobody intervened during the period in between.

89. A radical shift in the NHS' operating model will be needed if a fundamental change is to take place in the care model. So reductions in NEET rates should become a formal objective for every local NHS Integrated Care Board (ICB). There should be a new legal requirement placed on ICBs to work with MSAs and other local agencies to increase youth participation and in doing so ensure that provision of services for young people is properly integrated. ICBs and providers should be expected to explain poor performance, produce an improvement plan and, where necessary, face intervention.

90. A new requirement should be placed on ICBs to sufficiently fund and commission health-related services needed by their local YOS. The procurement of those services should be jointly agreed with the strategic authority. Changes in

governance should help make sure integration happens. The roles of ICB Chair and Mayoral Health Commissioner should be combined, with the postholder accountable to NHS leadership and the elected mayor. This new governance arrangement should become the norm across all MSA areas by 2029.

91. The NHS should not only change the way it supports young people's participation as a provider of services. It should lead by example as an employer. As the country's largest employer, especially in disadvantaged areas with high NEET rates, the NHS has enormous power to create pathways into the labour market. That power is currently underused. The NHS should have an explicit objective to increase access to first jobs, apprenticeships, training and work experience for young people who are NEET or at risk of becoming NEET. Large NHS employers should guarantee interviews for currently NEET young people who meet essential criteria with a view to 10 per cent of entry level vacancies going to them. They also should allocate a defined proportion of apprenticeship growth to local young people who are out of work, education or training.

92. Large social care employers should also maximise their contribution to youth participation. More young people should be given the chance to undertake civic service in social care as part of the Opportunity Guarantee. And as the Government implements a National Care Service, it should consider how it can best work with the sector to create a more routine way to ensure young people have greater exposure to its career possibilities.

93. Good health and good work should reinforce one another. Our present system too often allows the opposite to happen. The purpose of these reforms is to change that and to ensure good health and good work are mutually reinforcing.

Welfare: from a cheque to a plan

94. For most young people, welfare should be a route to work, not a destination. Too often the present system does the opposite. It writes a cheque but not a plan. It asks a young person what they cannot do before it asks them what, with the right support, they could. And once a young person enters the health-related benefit system, all too often it becomes very hard to leave.

95. Staggeringly, the number of young people claiming disability benefit is expected to quadruple between 2012 and 2037.[29] Conditions such as anxiety and depression, ADHD and autism among 16 to 24 year-olds are driving much of the growth and now account for almost 2 in 3 of all new claims.[30] But worsening health alone cannot explain the growth in the numbers receiving benefits: the disabled working-age population increased by around 17 per cent between 2019/20 and 2023/24, while there was a 46 per cent growth in the number receiving incapacity or disability

benefits.[31] To put it at its simplest, the growth in benefits far outweighs the actual change in ill-health and disability among young people.

96. That has two consequences, and both are serious. Young people's life chances deteriorate. The benefits bill rises. We should tackle the first to deal with the second, not the other way around. Reducing the benefits bill is necessary, not least because for young people it has grown unsustainably over the last fourteen years. But the only way of doing that in a sustainable way is to help more people, especially the young, with conditions like anxiety or ADHD into work. So, this Review does not start with an arbitrary savings number and work backwards to benefit cuts. It starts with nearly one million young people who are not earning or learning and seeks to change their life chances.

97. Britain needs a fresh approach to welfare. The system has dual functions: to provide people with income support if they are not participating and practical support to help them into participation. The pendulum has swung too far away from the second to the first.

98. There is a straightforward premise at the heart of the proposed reforms: for the overwhelming majority of young people, work beats welfare. Where young people can work, they should work. The State should support them and help create the opportunities to do so. The 'signed off and written off' culture has to give way to a participation-first culture in which more support and opportunities for young people are matched with obligations on their part to engage in seizing those opportunities. And where the minority cannot work regardless of support or adaptations, the State should provide better support and long-term financial security.

99. Young people are not the same as older workers. The welfare system has treated them as though they are. They are not returning to something. They are trying to reach something for the first time. A different system is needed for the young person to enable their first transition into work. The conclusion I have reached is that the best reform option is one that has never been tried before – the creation of a new and different system for young people from the one that serves older adults. The current model is passive and accords young people principally one entitlement: a benefit that all too often takes them down a cul-de-sac of dependence. They need an active system which accords them new entitlements to propel them towards independence through earning or learning:

    - a new Opportunity Guarantee which gives every young person for the first time a statutory entitlement to a route into education, training or work;
    - a new Support Guarantee, again enshrined in law, to provide the health, employment, functional and practical help young people need to grasp and sustain those opportunities;

- a new locally-led Youth Opportunity Service charged with delivering both guarantees;
- a reformed benefit system that supports and rewards participation;
- new forms of help for disabled people including long-term financial security for those with profound and long-term disability.

100. They require up-front investment and far-reaching reform. It is critical that greater opportunities and support are being put in place ahead of the changes I propose to young people's benefits. The Guarantees should be backed by a multi-billion pound investment of new resources to fund the help young people will need to move off benefits and into earning or learning. [32] But it will pay back in benefit savings and tax proceeds as generations of young people are helped from welfare into work. And the most important 'saving' will be in their life chances.

101. The new Guarantees extend opportunities and support from just the cohort actively seeking work to every 18 to 24 year-old who is NEET and needs a route back into earning or learning, regardless of benefit status. The difference is not just who is covered. It is what is guaranteed. The menu of options available to young people under the Opportunity Guarantee should include:

- a government-subsidised job with employers receiving £3,000 for each young person they recruit and more for smaller businesses or where someone has additional needs;
- a further education place, a pre-apprenticeship, Level 2 and Level 3 technical learning, and higher technical or university study where appropriate;
- apprenticeships refocused on under-25s and Level 2 and 3 qualifications;
- work placements of up to 12 weeks, sector-based work academy programmes and supported internships;
- structured volunteering through a civic service such as befriending people in social care or conservation projects or being involved with the cadets;
- help to create a business so that the creativity of young people takes more of them towards self-employment rather than simply traditional paid employment.

102. In the event that none of this menu works for a young person there should be a backstop available. If a young person remains NEET despite engaging with the support on offer, and paid work is realistically possible with support, the State should secure and pay for a real paid six-month job with an employer. At present the young person has to wait 18 months for that backstop to kick in. I consider that too long out of the labour market. So in future it should be available if a young

person has been NEET for twelve months. This will help end long-term youth unemployment once and for all.

103. For some young disabled people, the new Guarantee must go further. It should not only help young people find work, but open up existing jobs, shape roles around what they can contribute and create paid opportunities where the labour market will not otherwise provide them. This would be a major expansion in what young disabled people can expect. It should include paid employment through supported businesses or social enterprises, drawing on the heritage of Remploy. That will help tackle the persistent employment gap between disabled young people and their non-disabled peers.[33] The Government should adopt a new ambition – to improve the participation rate of disabled young people at such a rate that it narrows the disability employment gap. I also propose a voluntary model for large employers where each would either set and publish an ambition for the proportion of its 16 to 24 year-old workforce who are disabled, or publicly explain why it is not doing so. Government would review the results in five years' time against the published measures. If progress is not substantial, it would then consider consulting on a mandatory disability employment quota for larger employers.

104. Young people who are NEET should be helped by the new Youth Opportunity Service (YOS) into participation. This should be responsible for delivering the Guarantees. Learning from the Dutch system, it should help identify young people who are at risk as well as those who fall out of education, employment or training. The young person can meet with a named adviser within 14 days of entering the service. Within four weeks they have a personalised Participation Plan which should define what the State and the young person will do and by when. It should be based on the young person's ambitions and choices and bring together the opportunity and support needed for them to try.

105. The deal will only work if the young person co-develops the Plan and is a co-signatory to it. Responsibilities have to sit alongside entitlements. That should take three forms: be available for an agreed form of participation where able; make and pursue a Participation Plan; and do not refuse reasonable offers without good cause. These three obligations should be enshrined in a new duty to engage which young people receiving benefits should agree as part of their personalised Participation Plan.

106. A young person who persistently refuses to engage, after attempts to understand why and after reasonable routes to re-engagement have been tried, should ultimately lose their Youth Allowance benefit. Sanctions should be rare and reviewed regularly. But a deal without consequences is not a deal.

107. I have come to the conclusion that it is not only what young people are offered and what they are expected to do that has to be reformed. Change also has to extend to

what they are entitled to receive in the way of financial support through the benefits system. The reforms I propose are not surgical tweaks. Instead, they create an entirely new benefit system for young people. If implemented it will be a different system from the current one for over-25 working age adults, although the design features proposed here have implications for the Government's wider welfare reform ambitions. There should be:

- A new single Youth Allowance for young people, set at the standard rate of Universal Credit for under-25s, with a higher rate for those living independently. This involves abolishing the Universal Credit Health top up, removing the need for the Work Capability Assessment and its premature binary judgment about capacity for work. Instead, young people get a new Youth Allowance and with guaranteed support and opportunities through the YOS to participate in learning or earning;
- A new local flexible health and disability fund operated by the local YOS to pay for extra costs while a disabled young person is receiving support to enable them into participation or during serious illness, injury or intensive treatment where longer-term needs are not yet known;
- A new Additional Cost Allowance to replace the Personal Independence Payment (PIP), providing targeted financial support where disability-related extra costs are well established, significant, and ongoing, with awards made through a national, healthcare-professional-led assessment;
- A new Severe and Complex Needs Insurance, a more generous and long-term award without a qualifying period, for the small minority of young people with the most profound and long-term disabilities, where it is already clear they will likely never be able to work;
- Reforms to actively reward and enable participation so that young people who participate keep more of what they earn before their benefits reduce and those who take part in civic or cadet service receive additional financial support;
- Extending Child DLA from the age of 16 to age 18, providing a two-year period to actively prepare young people for work and adult life instead of passively holding years of evidence about their condition, challenges and needs.

108. This new system should apply both to young people who are already NEET and claiming benefits and those who become so. Young people entering the welfare system for the first time should move onto the new benefits system, with phased rollout starting within the lifetime of this Parliament, subject to legislation. Existing claimants should move to the new system following a personalised, time-limited transition.

109. We expect those with conditions such as anxiety, depression, ADHD and autism - who currently form the majority of new PIP claimants - should be particular beneficiaries. In the current system, young people with these conditions often end up trapped on benefits, when under the new system they would be both expected and enabled to be in work.

110. These changes will not be easy to make. Nor will they be pain-free. They could mean some people get less financial support at the beginning of their benefit claim than under the current system. But the approach I have taken is to try to define what would give young people the best chance of building a good life, not just over a year or two but over the course of their lifetimes - under the current system a 24-year-old young person who has been NEET for six years could lose up to £300,000 in lifetime earnings even if they re-enter the labour market.[34]

111. The modelling carried out for this Review shows that these reforms are expected to help around 440,000 young people into sustained work by 2036. When the impacts of my reforms are considered together the net incomes of young people are expected to rise by over £2 billion and relative poverty after housing costs is estimated to fall by 50,000.[35]

112. The job of the welfare system is to gift young people a future, not simply write a cheque. The reforms seek to implement this new approach. In the process they move the needle on the ratio spent on young people between income replacement and employment support. In 2024/25 for every £25 we spent on benefits we only spent £1 on support to help them into education or employment.[36] As a result of these changes, within the next 10 years that ratio should be £2 to £1.[37] The system I propose will spend less on compensating for economic inactivity, more on creating routes out of it; less on the consequences of failure and more on avoiding it. I am unapologetic about advocating that the State should spend more to set young people up for a successful life earning or learning rather than spending decades with their sole income from benefits. That is the choice I believe is the right one for this and future generations of young people.

113. Welfare savings begin in 2029/30. They continue so that by 2036/37 they cumulatively reach £13.7 billion.[38]

114. To put that in context, youth health and disability benefits have risen from £1.7 billion in 2019/20 to £4.7 billion in 2025/26. They are currently forecast to rise again to £8.8 billion in 2036/37.[39] The proposed reforms are expected to lead to annual welfare savings of £3.6 billion in that year.[40] Beyond 2036/37 savings will not only continue, they will grow as more young people move from economic inactivity into work.

115. What is more, this is just the tip of a far bigger potential iceberg. While it is true that spending on young people's health and disability benefits is the fastest growing

element of the overall benefits bill, they only account for 13 per cent of total working age claimants.[41] The overall bill for disability and incapacity benefits for working age people has risen from £37.7 billion in 2018/19 to £55 billion in 2024/25 – a real-terms rise of 46 per cent.[42] They are currently forecast to rise again to £68 billion in 2030/31.

116. The over 25 year-old part of the welfare system has been beyond the remit of this Review, but the design features of the system proposed here for young people could be applied to the older cohort of claimants. The Government should act with urgency to bring forward new proposals for a reformed welfare system for over-25 year-olds.

117. The Government should also keep under review whether further devolution of the benefits system where this would create a more personalised and joined-up system that gives young people the support they need to participate. That could ultimately include transferring to local areas, through strategic authorities, both responsibility and funding for young people's statutory entitlement to health and disability benefits. Young people could retain a statutory entitlement to have their needs for ongoing disability related extra costs met, while local services have greater flexibility over how best to do so in ways that support their participation where that is possible and reflects their individual circumstances. Bringing funding for support and statutory entitlements closer together locally could enable resources to be used more flexibly and locally run services to be better aligned around people's individual needs, providing more personalised and joined up support to meet diverse needs. It would also sharpen incentives on local services to optimise the use of those resources to improve participation rates. Such a shift could be applicable to the over-25s as well as young people. The Government should consider these questions closely alongside the Casey Commission's work on the future of adult social care, including how support can become more integrated and preventative, give people greater power, and enable disabled people to live more independently.

118. By the time a young person ends up in the welfare system something has often gone wrong far earlier in their lives. That is why welfare reform alone cannot solve the NEET crisis. But without a new welfare system that helps young people climb the participation ladder any other reform will fail. It has to help every young person to earn or learn.

A new participation system

119. The central failure exposed by this Review is not a lack of effort on the part of young people. It is a lack of a system to provide them with opportunity and support. Employers experience the same fragmentation. Solving the NEET crisis means that the State needs to get its house in order. Our country has never had a system

dedicated to securing young people's participation in education, employment or training. The scale of the challenge cannot be tackled by piecemeal efforts. It needs a systematic approach. And a system to deliver it.

120. At the centre of government, Whitehall departments should be brought together around one implementation plan by a new dedicated central function. But the change needed to meet the ambition of a NEET Zero rate has to be more radical than simply improving coordination. A new settlement should align five pillars that are currently separated: entitlements, responsibility, money, information and delivery.

121. First, new statutory entitlements for young people in the form of the Opportunity Guarantee and the Support Guarantee, described above.

122. Second, a new Youth Opportunity Service (YOS) should operate in every part of England as the delivery mechanism for these Guarantees. Its purpose should be to make sure that a young person who is outside education or work, or at serious risk of becoming so, has somewhere to go and somebody responsible for helping them move forward. Access to the YOS should depend on a young person's need for help, not on whether they happen to be claiming benefits. It should be easy to find, welcoming and non-stigmatising, whether a young person reaches it online, through a physical service or through an organisation they already know and trust. It should identify young people before detachment becomes entrenched, help them find jobs, apprenticeships, courses, work experience and other opportunities, understand what is getting in the way and, where more sustained help is needed, bring together one Participation Plan and one named relationship around the young person. It should operationalise the new welfare and benefits system for young people.

123. The YOS should not provide every service itself but make the system work around the young person rather than expecting the young person to navigate it. Where health is a barrier, it should help them access support to aid their route into participation. The same principle applies to disability, transport, housing, caring responsibilities and other barriers. Responsibility should not end when a referral is made or a job, course or placement begins. Where support is needed, the YOS should remain involved until participation is secure. Employers should have the same simplicity: the YOS should be one place to offer jobs, apprenticeships and work experience, one route to practical and financial support and one source of reliable advice on issues such as safeguarding, workplace adjustments and the practicalities of giving a young person their first chance.

124. The YOS should be built primarily from the people and organisations already supporting young people, rather than by creating an entirely new bureaucracy. This could include youth-facing support in Jobcentre Plus, local authority participation

teams, the employer-brokerage and careers infrastructure built through Careers Hubs, and staff working through Youth Hubs and other local employment-support services.

125. The YOS should provide a common model but be locally led so that the design and delivery of the service can meet the needs of young people, employers and local labour markets. Mayors should be able to commission a local YOS from a variety of sources including a community organisation, a local authority or a football club foundation. For young people and employers alike, the YOS should replace a maze of programmes and front doors with one coherent system. By 2029 every area in England should be expected to have in place local services to deliver on this.

126. Thirdly, I propose that strategic authorities in England should be responsible for the participation system across ages 16 to 24 within their areas, with local authorities remaining the local backbone and retaining their statutory responsibilities for 16 and 17 year-olds. This extension to age 24 is a fundamental change. At present, the State's responsibility for young people falls away after age 18. Mayors should work through one shared Area Youth Participation Plan, agreed with their constituent councils, the NHS, education and skills providers, employment services, employers, the voluntary sector and young people. That Plan should be the vehicle for those institutions to align around shared objectives and to commit pooled resources. Every area should have mandatory priority-cohort plans, to address the needs of the most at-risk groups (such as disabled people and carers) and identify the immediate actions that can be taken to narrow the gaps in their participation rates. A place cannot claim success if its average improves while the young people with the greatest barriers are left behind.

127. Multi-year Participation Agreements between central government and strategic authorities should align money, powers and responsibility. They should bring together the devolved funding and authority needed to deliver the Guarantees, including employment support, skills and training, re-engagement and the local infrastructure behind the YOS. They will be the mechanism to hold strategic authorities to account for delivery. Funding must also be multi-year. Current annual funding cycles provide no certainty for longer-term commissioning. Health funding should be aligned through agreements between local ICBs and strategic authorities and binding directions on the NHS to collaborate with the local YOS.

128. In the medium term, the Government’s plan to allow greater sharing of local taxes should give mayors greater control over how budgets – and any savings - are spent. In the meantime, Participation Agreements should be tested to allow places to share in the financial gains from preventing long-term youth economic inactivity. This more radical form of fiscal devolution has to sit alongside devolved delivery if powers and responsibilities are to be fully aligned.

129. A shared participation data infrastructure turns visibility into action. It should help places identify young people who are NEET or at risk, support one plan across services and connect the support provided to sustained outcomes. Without it, the Guarantees cannot be enforced, cases cannot be joined up, and nobody can know whether the system is working. Data is part of the service itself, not a reporting exercise alongside it.

130. These changes will replace the current fragmentation of provision with a cohesive participation system.

1.2 Investment, implementation and impact

131. During the course of the Review, we have undertaken extensive modelling and testing to ensure that the new system that we are proposing is capable of delivering the ambition. We have examined evidence about what works both from our countries' own history and from across the globe. That evidence has been used to design this new settlement.

132. None of this will count for anything, however, unless the country makes a deliberate choice to invest in this change. It is no good willing the ends without also willing the means. Historically we have invested so little. During the 1980s through the Youth Training Scheme and in the late 1990s/early 2000s with the New Deal we spent significantly more than we are now, even though during the latter period NEET rates were lower than they are today. The very welcome investment this government has made in the Youth Guarantee is only 17 per cent and 46 per cent respectively of the investment made in those previous schemes.[43]

133. The UK has significantly reduced investment in employment support over time, with spending on employment policies falling from 0.3 per cent of GDP in 2010/11 to 0.1 per cent in 2025/26. [44] We spend much less on employment policies than some comparable countries. For example, Denmark spent an average of 0.4 per cent of GDP on employment policies between 2010 and 2024.[45]

134. Falling investment in young people also stands in marked contrast to rising public expenditure on older generations. This is not an argument against government supporting older people. Rather it is a question of ensuring generational fairness. Over the last 20 years the gap between the State's investment in children and young people and older generations has widened significantly. In 2004/5 the gap was already large and since that point has become a chasm, more than doubling in size.[46] This is neither sustainable nor is it fair. Of course, as society ages, care costs will rise. But further demographic change – with fewer younger people and more older ones – also means that we will need more of the next generation in employment and paying taxes in order to sustain older generations. That is one of the reasons why I propose a new Youth Opportunity Test for public policy – so that

spending decisions must explicitly consider how they impact the prospects of the next generation.

135. Failure to address high NEET rates is already costing the country around £125 billion a year. The fiscal cost alone is almost £22 billion.[47] Standing still imposes a high and rising fiscal burden.

136. The choice is not whether we spend more money, but on what. Currently, we are spending more on keeping young people inactive and on benefits. My proposals are about spending money on enabling young people into participation.

137. Across these reforms, the central shift is from spending on the consequences of youth detachment to investing in participation itself. That means intervening earlier, joining services around the young person and directing resources towards the support and opportunities that enable them to stay in or move into education, training and work.

138. Meeting the NEET challenge requires upfront investment. The reason is simple. The Government will need to help create the opportunities – to learn and earn – and provide the support to enable young people into participation. To kickstart the reform programme an initial £500 million investment should be made available for 2027/28 from the Government, by reprioritising existing spending. This will fund enhanced employment support, mental health support and expanded work placement, college and apprenticeship places.

139. Beyond 2027/28, investment will need to ramp up. The majority should come from a radical reprioritisation of government spending. Three Spending Reviews are expected over the next decade, and they will need to determine how best to source, phase and allocate the additional multi-billion pound investment required for future years. In particular, investment for these reforms should be a priority for the 2027 Spending Review.

140. As upfront investment in enhanced opportunity and support takes effect, savings will start to come from reduced spending on benefits while increased revenues for the public purse will flow from more people being in work and paying their taxes. The positive fiscal impact increases with sustained growth in young people's participation rates until the package achieves fiscal savings in 2036/37.[48]

141. By then total annual government investment should be around £5.8 billion for the Guarantees, hiring incentives, health, education and skills. This should be offset by £3.6 billion of savings driven by welfare reform and £2.4 billion in increased tax revenues and reduced benefit payments from growing employment. From 2036 onwards savings should continue to accrue as a result of a sustained increase in employment and ongoing welfare savings and increased tax revenues. [49]

142. Where I have proposed investment I have prioritised areas which will have the greatest impact. Ultimately, we are aiming for a NEET rate that is consistently at around 5 per cent. The modelling we have undertaken shows that the reforms and policies that are proposed in this Report get the NEET rate down to around 6.8 per cent by 2036[50]. But I believe that a combination of potentially higher levels of economic growth, partially as a consequence of more people being in work, and new momentum in the youth labour market should be sufficient to close that gap to the 5 per cent NEET Zero ambition. Achieving a 5 per cent NEET rate would mean approximately 600,000 more young people participating in education, employment or training each year than would have been the case otherwise.[51]

143. The success of these reforms should also be judged on the impact they have on the lives of everyone across the UK by contributing to higher levels of economic growth. I have assessed the impact these reforms are expected to achieve in terms of their effect on GDP. By 2036, if delivered in full, they could add approximately 0.4 per cent of GDP per year.[52]

144. On both fiscal and economic grounds, I believe the package of proposals here is credible and impactful. They deserve to be supported. I do not see the choice as one between spending and saving. It is between investing earlier to increase participation or paying later to manage failure.

145. The changes I am proposing are by design radical and long term. The timeline for implementation looks to deliver change as rapidly as possible but in a way that creates a path to the long-term structural changes required to prevent future generations becoming NEET. While the intention is to hit the ground running, the speed of change has to be sustained over time. This is a 10 year plan, not a one-year sprint.

146. In the first 100 days, government should confirm the national ambition, the core entitlement and the accountabilities that will underpin the new system. The first wave of strategic authorities should begin preparing Participation Agreements and detailed Area Youth Participation Plans. The new co-ordinating function at the heart of government should be established to aid this process.

147. During 2027, the initial investment of £500 million should be deployed. Every area should begin building the Youth Opportunity Service. First Chance should launch; the expanded Youth Jobs Grant should be put in place; practical barriers to work experience should be removed. Health reform should begin at the same time with fit-note reform; the universal digital mental-health offer; expansion of Early Support Hubs and high-intensity Mental Health Support Teams; and youth participation should be made part of NHS accountability. The welfare changes and the Opportunity and Support Guarantees should be taken through Parliament. The Spending Review should make funding for this programme of change a priority.

148. During 2028, reforms to apprenticeships and further education should be widening access to high-quality training, with employer incentives aligned to creating opportunities for young people. The new Ready-for-Work Standard and strengthened school destination measures should be introduced. Together, these changes should strengthen education's contribution to sustained participation in learning and work.

149. By 2029, every strategic authority should have a Participation Agreement and every area should be able to demonstrate a coherent local YOS with integrated health and employment support and one employer-facing route. The new benefits system should be in place.

150. By the early 2030s, there should be a fully functioning statutory participation system in place: a YOS in every place in England, legal Opportunity and Support Guarantees, strategic authority accountability, common data and standards, and funding organised around the participation objective. Critically, the NEET rate should be falling consistently with no 16 to 17 year-olds who are NEET.

Reasons to believe

151. I know the scale of change proposed in this Report is large. So is the ambition. It is easy to be sceptical about whether success is possible. But there are strong grounds for optimism.

152. First, other countries have achieved what Britain has not. The Netherlands has brought its youth NEET rate close to 4 per cent, while Ireland, Germany and Denmark also perform substantially better than the United Kingdom.[53]

153. Second, I have found a broad political consensus that tackling Britain's NEET crisis must become a public-policy priority. During the course of this Review, I have engaged with politicians from across the political spectrum. All recognise that change and urgent action are required.

154. Third, since the Interim Report was published, something important has happened. The country has begun to mobilise. Around 100 local authorities have established taskforces to reduce local NEET rates. Employers, charities and community organisations have begun creating more opportunities for young people.

155. None of this is yet a national system, but it shows that concern is turning into action. The Interim Report did more than diagnose a problem. It helped to activate a response. I do not see this Report as simply a list of recommendations for government. It is an opportunity to harness that momentum and turn it into a national movement for change.

The Working State

156. The next generation is facing a crisis of opportunity. It is a global phenomenon. Across the developed world the relative share of income taken by the young is smaller than previous generations. Both income and wealth gaps between old and young have widened. The housing ladder and career ladder have both become more out of reach for many more young people. Now they face the risk of an AI-led employment meltdown.

157. None of this is peculiar to the UK. So why is the NEET crisis here so much worse than elsewhere, particularly in countries that are comparable to ours elsewhere in Europe? I think the answer lies in the specifics of the way the labour market and state services have operated here. The system, such as it is, from the labour market through education, health to welfare, is not working. And neither are more and more young people. We are at a fork in the road.

158. I believe it is time for the country to face up to three big choices about which direction we now take. The first is whether we are prepared to make the next generation a national priority. The second choice is whether we are prepared to mobilise the country to make it happen. The third is whether we are prepared to make the scale of reform and investment to give young people the best possible first chance in life.

159. My answer to all three questions is a resounding “yes”. We must back the next generation. The creation of more opportunity is the end. Collective contribution has to be the means. Where opportunity has closed down, it will need courage to open it up. System-level transformation has to be backed by long-term investment if change is to be sustainable. We have to be prepared to put our money where our mouth is.

160. I hope the scale of the ambition I have set out in this Report, an effective rate of NEET Zero, is matched by the scale of change I am proposing. Getting to full education and employment participation for the young will take a decade.

161. These proposals will mean a lot of change across a lot of fronts. Youth participation will run through public policy like a stick of rock. An old welfare state will give way to a new working state. Preventing young people becoming NEET will begin in the early years and with more support for parents. The school curriculum will be rebalanced to better prepare young people for the future world of work. More college places and apprenticeships will open more opportunities for young people to participate. Employers will be helped to create more first chance career opportunities for young people by regulatory, organisational and fiscal changes. In health, local services will have new duties to dedicate resources and contribute efforts to solving the NEET crisis. In mental health there will be instant access to

support and new waiting time standards so that young people can be helped to work rather than getting stuck on welfare. A new welfare system for the under-25s will invest more to enable more young people to earn or learn and less on simply writing benefit cheques.

162. There will be new institutions and new laws needed to help make all this happen. Strategic authorities, working with local authorities, will have new accountabilities, powers and resources to drive forward local efforts to reduce NEET rates. A Youth Opportunity Test will ensure laws and regulations enable rather than inhibit participation. Public procurement rules will have youth participation requirements embedded at their heart. New entitlements for young people to a decent opportunity and a proper level of support will have legal force. A Youth Opportunity Service in all parts of the country will be created to deliver them. This is the new engine room of a Working State.

163. No report can foresee every consequence of reforms on this scale. Some things will prove harder to implement than they look on paper. Some policies will need to change as evidence emerges. Government does not have a monopoly on wisdom, and neither does this Review.

164. None of this will be easy. But we know that the present settlement is not working. We know that small changes at the margins will not solve a problem that has been building for decades. If the prospect of a lost generation is to give way to a work generation in which every young person has the chance to earn or learn, big changes cannot be avoided.

165. The next generation needs a State that is rewired to work differently. One in which power is devolved to local places. One organised to maximise opportunity for young people. One in in which services pull in the same direction. One where the State makes it easier for employers to hire more young people. One which intervenes earlier rather than pays later.

166. For too long we have spent heavily on the consequences of detachment and too little on preventing it. That is the wrong way round. A Working State invests earlier in the things that make participation possible: childhood, education, skills, health, employment support and first opportunities. That does not mean money is unlimited. It is not. Existing spending needs to be used better, fragmented funding brought together and new investment matched by fiscal discipline. But there is no credible route to systemic change that assumes investment can wait until savings have already arrived. Upfront investment is what triggers downstream savings.

167. Investment plus reform is the formula that can deliver the fundamental reset needed to unleash the potential of the next generation. From managing disengagement after it has happened to preventing it before it does. From preparing young people for the old world of work to equipping them for the new. From a labour

market that has narrowed first chances to one that actively opens them up. From a health model that lets young people fall into welfare to one that enables them into work. From a benefits system that writes a cheque to one that creates an opportunity. From fragmented services to one system. From a question that is asked about what a young person cannot do to one that asks them what they could. From a passive welfare state to an active working state.

168. The choice is not between reform and no reform. It is between acting now or continuing to pay, year after year, for the consequences of failure; between opening up opportunity or allowing more young people to drift into economic inactivity; between a State that waits until lives go wrong and one that acts earlier to help them go right.

169. What I propose is not reform at the margins. It is to change the way the State works and the way the labour market operates.

170. The ambition of this Review is not another programme for another Parliament. It is to create a permanent platform on which change can be built. It is intended to be a new settlement not just a new plan.

171. The cause I am asking the country to rally behind is to ensure that every young person who can learn, earn or contribute has the chance and the support to do so.

172. Britain has the means and the chance to act. What is now needed is the collective will to make participation a national purpose and to sustain it long enough to change the prospects of a generation.

173. Britain has to stop managing youth detachment as though it were an unavoidable fact of modern Britain. Instead, we need to decide that nearly one million young people outside education, employment or training is a national failure we are no longer prepared to tolerate.

174. A lost generation is not inevitable. A work generation is possible. Young people need a working state and a new settlement to bring it about.

175. It is within our power to make that happen.

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