

The number of young people aged 16-18 not in education, employment or training seems almost impervious to the economic cycle or to action by Government.

Paul Convery asks why, and offers some proposals.



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Reforming financial support for 16-18s

There were 173,000 young people not in education, employment or training during 2001 according to the latest annual data released by the DfES in mid July.¹ These figures dramatically reveal the limited impact that existing policy measures have had on the continuing problem of inactive and unemployed young people. The latest total - which represents 9% of the whole age group - shows absolutely no change on the previous year, and negligible change compared with any other year since the early 1990s.

This is a great disappointment and remains a significant challenge to a Government that started addressing the problems faced by marginalised young people early in its first term of office. Pressure has been mounting in recent months to address this question again - with lobbying from *Inclusion* and many others in the voluntary sector alongside a drive from the Local Government Association. As a result, on July 16th the Cabinet Office announced to a meeting of the Central/Local Partnership that an internal review by officials has been launched - jointly chaired by DWP and DfES - to identify 'ways of improving support' for young people.

As the Government raises its ambitions to increase educational and vocational achievement at age 19, much emphasis has been placed on Education Maintenance Allowances (EMAs) and waged Modern Apprenticeships as the primary mechanism for financial reward to young people engaging in the workforce or in learning. Yet the evidence suggests that more needs to be done - particularly to engage the hardest-to-help categories of young people who leave the learning system at age 16 and who fail to make any effective engagement with the labour market.

Despite the Government's clear policy intention, the number of young people aged 16-18 not in education, employment or training has risen in the last year. According to the latest analysed data from the Labour Force Survey (LFS), the total increased to 217,000 across the UK and, in England, rose at an untypically fast rate in the latter part of 2001.² In marked contrast to the circumstances of 18-24 year olds helped by the New Deal - where the total not engaged in learning or employment has declined by over 75% - the equivalent number of 16-18 year olds remained almost static throughout the 1997-2001 Parliament.

This is extremely frustrating because the numbers of non-employed, non-learning young people seem to be unresponsive to policy changes. A determined effort during the Labour

Government's first term saw young people not in employment, education or training (NEET) given a very high priority. But despite moves to refocus the Careers Service, introduce a Learning Gateway, 'New Start' pilots, and ultimately to launch the new Connexions service, a persistently high proportion of young people disengage from learning and remain outside the labour market.

This failure has long term economic implications. Research published by the DfES³ in June 2002 has demonstrated the long-term costs of a population experiencing periods not in education, employment or training between the age of 16-18. The lifetime costs are estimated as £7bn in resource costs, and £8.1bn in public finance costs, in 2000/01 prices. Per individual, the average lifetime costs are £45,000 resource costs and £52,000 public finance costs.

The authors of the study argue that for every 10,000 people removed from the NEET group, the long-term savings would be £450 million in resource costs and £520 million in public finance costs. The bulk of these costs are not borne immediately but dominate in the medium term and are caused by spells of unemployment and low wages resulting from the low qualifications held. The research admits that a lack of data on health and crime costs has led to a likely underestimate of these costs compared with the costs of educational underachievement and unemployment.

Long term problem

The NEET phenomena is not new however. Since 1992, the number and proportion of 16-18 year olds outside work and education had resisted Government initiatives and proved stubbornly unmoved by labour market buoyancy over the decade. Although the Connexions Service is still not fully operational, many observers and organisations that deliver services to young people have begun to question the completeness of the Government's strategy and to propose some further changes.

At a time when the Government's policy agenda is intently focused on boosting participation and achievement, particular attention now needs to be given to the anomalies and poor incentives built into the system of financial support for 16 to 18 year olds.

The Government also needs to re-evaluate its approach towards highly disadvantaged young people. Research and evidence from the field indicates that many marginalised

young people do not access the safety-net of social security provision. Those that qualify for, and successfully claim severe hardship payments, simply receive an income maintenance payment which does not trigger any additional help or gravitate the recipient towards work or learning activity.

There are three critical areas of policy failure that need reforming:

- The main types of financial incentive result in differential levels of income received by young people and their families. Those taking the post-16 education route are financially better off than those who enter work-based training at a pre-Apprenticeship level. A level playing field is required to ensure that the mix of tax, benefits and allowances delivers a more equal financial package and gives young people an unbiased choice between work-based learning and the school or college route.
- Large numbers of non-employed young people remain outside the labour market or learning system and a new type of financial incentive is required to encourage their re-engagement. This should be an expanded Learning Gateway run by the Connexions Service. Participation should trigger receipt of a Learning Allowance conditional upon attendance and progression towards either college-based education or into the Entry to Employment (E2E) programme.
- Severe Hardship payments do not provide a safety net to protect vulnerable young people. The system of discretionary payments needs to be replaced by a wider entitlement to financial support in return for a commitment to enter learning and to receive support services from Connexions. Young people who are at risk should also be eligible for a Learning Allowance and entry into the Learning Gateway. Connexions should offer carefully tailored specialist services that help to overcome their barriers to learning and to slowly re-engage them with activity that leads towards more structured education or E2E.

Implementing these reforms requires complex changes within Government that span across the DfES, DWP, the Treasury and other Departments. It will also closely involve local government that has education, care responsibilities and housing obligations. A single clear lead is required within Government to drive this process forward and whilst this might rest with an existing cross-departmen-

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tal body like the Social Exclusion Unit or the Children and Young People's Unit, a more powerful single-purpose lead organisation might be required.

Tackling the problem

Labour came to power in 1997 having criticised the Conservatives for their ineffective policies towards disengaged young people. During its first months in office, the new Government was determined to tackle this problem and within two years had published two flagship pieces of policy making: a Social Exclusion Unit (SEU) report, *Bridging the Gap*⁴ and the report of Policy Action Team 12.⁵

The SEU was charged by the Prime Minister to assess 'how many young people were not in education, work or training [and] analyse the reasons why.' The resulting report, *Bridging the Gap* published in July 1999, was a landmark analysis of the problems facing disadvantaged young people which identified a wide range of systemic failings in the delivery of highly fragmented services. It made a series of proposals including:

- A 'graduation' concept to mark a young person's achievement - to create 'a more visible, universal and attractive goal both for young people and those providing services'. Requiring 'credibility with employers, education institutions and young people themselves' this would essentially involve the 'challenging but achievable goal' requiring level 2 standard of achievement in formal academic, vocational or occupational qualifications plus key skills 'and a range of options for arts, sport and community activity.'
- A more coherent and interchangeable pattern of provision bringing full-time general, further education and vocational training provision closer together - to become more 'coherent and interchangeable'.
- A more effective system of financial support for those in learning. Recognising that the 'structure of financial support for individuals in this age range needs fundamental reappraisal' the report criticised the 'confusing and complicated' system. This involved eight different agencies 'paying eight different kinds of support' - depending on whether a young person is in learning, the kind of institution they attended, and whether or not they lived with their parents, had children themselves or were sick or disabled. In particular, it acknowledged the arguments that low levels of support- £30-40 a week - are too low to

keep young people from poor families in training and education, and that some of the most vulnerable young people - those who have left home in a crisis situation - get no support at all.

The first two recommendations are fully outlined in the Green Paper defining a '14 to 19 phase of education and training'.⁶ However, the third recommendation remains substantially un-addressed.

Bridging the Gap proposed that in the 'longer term', after the Government had evaluated the EMA pilots, it would need to consider the 'wider rationalisation' of financial support to create a 'coherent framework' of EMAs, work based learning and support for those in and out of learning. This should also include, said the report, young people currently receiving lone parent Income Support and sickness or disability benefits. The report also recommended consideration of the Australian Youth Allowance that was launched in Australia in 1998.

Asked also to 'produce proposals to reduce the (NEET) numbers significantly', the SEU's conclusions coincided with publication of a White Paper published in June 1999.⁷ In particular, the White Paper announced a new youth support service bringing together funding streams and the planning of local delivery for post-16 education and training. The service would target support for young people at risk of social exclusion and encourage them back into learning and ensure retention. The incremental launch of this Connexions service - aimed at 13-19 year olds - started in April 2001 following a number of pilots during 2000.

Policy Action Team 12

The report of PAT 12 published in March 2000 concentrated on identifying the features of the hardest-to-help cohort of young people, the causes of youth disaffection and the most effective interventions for preventing it. It recognised the inadequate response of public services to multiple disadvantage which was characterised by:

- families with disrupted relationships, poverty and worklessness;
- education that fails to meet needs or motivate;
- victimisation and bullying;
- peer pressures that encourage sexual activity, drug taking or crime;
- low expectations and the absence of adult role models;

The report argued that Government policies had contributed to the problem. Services delivered by central and local government and the voluntary sector often worked in isolation or at cross purposes. The report concluded that young people were 'dumped' by one agency onto another 'only to be picked up once they hit a crisis.' It identified a number of critical gaps:

- failure to consult or understand young people;
- insufficient preventative work coupled with 'badly designed, fragmented and haphazardly delivered services' that failed to meet the 'real circumstances of the poorest young people';
- failure to adapt to new problems experienced by young people such as poor mental health, drug abuse and family conflict.

Its primary recommendation was that the Government should adopt a national youth policy - with Youth Inclusion Objectives established at national level and reflected in departmental policies. This should be championed by a Ministerial Group for Young People with an overview of youth policy, and be responsible for implementing youth policy objectives.

This would be supported by a cross Departmental 'Youth Unit' responsible for implementation of cross-Government objectives; assembling knowledge on young people and 'what works'; supporting Ministers in refining the youth strategy, including simplifying the number of initiatives and plans.

In addition the PAT recommended that national strategy be matched by local co-ordination. This might involve identifying young peoples' needs, sharing information between agencies, identifying public, private and voluntary resources which could help young people and developing a local youth strategy, based on effective consultation.

The report identified key areas for change:

- Increasing the availability and take-up of preventative family support services - including school-family partnerships, parental self-help groups, family mediation, therapy and counselling. A preventive budget should promote effective 'cross-cutting interventions' for young people facing the most acute risks.
- Improving critical services that are absent or under great pressure - these would include mental and sexual health, alcohol and drugs

misuse, leisure, the education of offenders, benefits, housing and volunteering.

- Involving young people in the design and delivery of new services - with the cross-Departmental Youth Unit leading to ensure that all Government departments, agencies and local government consulting and involving young people in policy development and service delivery.

All the proposals were agreed by the Government and have been largely implemented. The report concluded that its 'key challenge' was to 'achieve greater coherence at a national and local level of existing initiatives, rather than invent a series of new ones.' Primarily concerned with preventative action to reduce the flow of young people disengaging at an early age, the PAT simply identified the Connexions Service and the New Deal for Young People as the agents for change post-16. However, the report conspicuously avoided the challenge contained in Bridging the Gap of identifying how the financial support system could be used to encourage and retain highly disengaged 16-18 year olds in the learning system.

The skills agenda

One of the Government's primary policy goals is to raise labour productivity to narrow Britain's gap with the USA, France and Germany. It also aims to reduce the differential in productivity growth rates between UK regions and to reduce the gap between poor performing rural areas and the average.⁹

The choices made at age 16 are critical to this long term goal. As the Chancellor said when announcing the latest three year Spending Review's outcomes 'Britain cannot reach its full potential as long as nearly a quarter of 16 - 18 year olds are not in education or training'. Emphasising that 'Britain for decades has suffered the worst drop out rate from school of any industrialised country', he identified financial support as being a key factor influencing young peoples' decisions at age 16. The Chancellor committed the Government to ensure that 'no-one is prevented from staying on for the qualifications they need through lack of income.'

However, the Government's approach does not solely aim to keep more young people on in school or college. Policy is beginning to deliberately blur the previously simple distinctions between 'work', 'training' and 'education'.

Firstly, the February 2002 DfES Green Paper

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proposed a distinctive 14-19 curriculum with a greater emphasis on vocationally relevant learning delivered in a variety of settings.⁹ Its two key aims are 'to rectify the traditional neglect of vocational education as a route to success' and to 'transform [age 16] from a point at which young people divide into those who stay on and those who leave, into a point where every young person is committed to continuing to learn.' Its proposals for consultation include:

- a curriculum that is more flexible and responsive to students' individual needs and a new Matriculation Diploma for all young people to aspire to at age 19
- a 'world-class system of education' delivering technical and vocational skills so that 'every young person has a pathway to success';
- 'good, reliable information and strong pastoral support', from schools and colleges as well as from parents and carers;
- a 14-19 phase that is more responsive to those with special educational needs, to those from a range of ethnic backgrounds, to those from low-income families, and to those in danger of social exclusion;
- a 'much closer collaboration and innovative working' between schools, colleges and training providers;
- flexible access and delivery through ICT and e-learning - especially for dispersed groups of learners, such as those in rural areas and those choosing minority options;

Secondly, the Government has stated its determination that, by 2004, at least 28% of young people will start a Modern Apprenticeship by age 22; this has been reinforced in the 2002 Spending Review by a commitment to set a 'wider vocational target' in the Pre-Budget Report in Autumn 2002.¹⁰ It also proposes to deliver its manifesto commitment that, within 10 years, 50% of people will experience higher education by the age of 30 helped by opening routes into higher education for those who have pursued vocational learning post 16.

Thirdly, a critical piece of programme development arises from the Government's endorsement of a recommendation by the Modern Apprenticeship Advisory Committee - chaired by Sir John Cassels - to replace Other Training below VQ level 2 with an Entry to Employment programme (E2E).¹¹ Design

parameters published by the LSC say that E2E should cater for those 'who are not yet ready to enter apprenticeship or other employment.'¹² The predominant cohort of young people who will be served by E2E 'are those who are dis-engaged from mainstream learning or disadvantaged and are endorsed by Connexions/the Careers Service as requiring special help.'

The Learning and Skills Council (LSC) has said that the development of E2E is underpinned by a belief that there must be 'a coherent framework supporting a range of (flexible) provision'. It should ensure that 'the first two rungs of the vocational ladder' are accessible and achievable for young people who enter work based learning or Further Education 'only to find more barriers in respect of rigid provision and transition to mainstream vocational education and training.' The LSC says it specifically aims to avoid the phenomena of young people who can become 'serial trainees' perennially repeating Life Skills courses 'with no credible progression opportunities'.

Although E2E 'must not be qualification driven', there should be an 'aspiration of young people working towards qualification achievement at Entry/Level 1 as a stepping-stone towards level 2.' The provision is expected to be 'innovative and flexible' and it should be developed and implemented 'in the context of collaboration across providers and further education.' The LSC announced in July that 11 initial proposals to run Pathfinders are to be launched in August 2002 - developing and testing ideas for the national E2E programme to be launched in August 2003.¹³

Lengths of stay on each programme will vary and, although delivery will be flexible, each programme will involve work related learning, career awareness and career management skills, interpersonal skills and problem solving and basic and/or key skills. Each programme will integrate practical activities alongside innovative approaches to learning and progression, improve work-related skills and their awareness of career options.

Lastly, the most significant recent development has been the Chancellor's announcement that from September 2004, Education Maintenance Allowances will be extended to cover all 16-19 year olds throughout England - although eligibility will depend on family income. To the student, the Allowance will be worth 'up to' £30 a week (maximum £1,500 a year), with additional bonuses for attendance

and achievement and is likely to cost the Government up to £600m per year.

Describing EMAs as 'a major advance in educational opportunity', the Chancellor announced that they will be not funded by cutting either child benefit or the child tax credit - as had been widely predicted. Instead EMAs are being financed from savings 'we have made from our success in reducing unemployment and debt.'¹⁴

Three critical questions arise however. Will the extension of EMAs worsen the income differential between the EMA 'academic' route and the work-based learning route? Is there a contradiction between boosting the academic route when the Government is also seeking to raise the number entering Modern Apprenticeships? Lastly, how can the Government incentivise young people from lower income families who are more attracted by the work-based route and attract disaffected young people who do not respond positively to formal educational institutions?

Labour market measures

Almost every aspect of policy in the last five years has had a positive labour market impact on the target population group. Against a background of strong demand from employers, the New Deal for young people in particular has significantly reduced the numbers of 18-24 year olds who are long term unemployed (mainly those receiving Jobseeker's Allowance for more than six months). Between 1996-7 and 2000-01, the average numbers of New Deal eligible claimants plunged from 176,000 to just 37,000 - a decline of 72%.

By contrast the situation for those who are not eligible for New Deal - primarily because they are too young - has not improved. Over the same period, 1996-7 and 2000-01, the number of 16 to 18 year olds not in education, employment or training actually rose from 208,000 to 217,000 - an increase of 5%. A demographic factor partly underlies the increase - the whole 16 to 18 population grew by 3% over this four year period. But the stubbornly stable size of this NEET group suggests that a more decisive intervention is required - not least because a significant proportion of the 16-18 NEET population will eventually become eligible for New Deal.

Unemployed 16 and 17s

For more than 10 years, the Unemployment Unit & Youthaid regularly published data relating to those aged 16 and 17 - and empha-

sised the wide disparity between the total number not employed and the small proportion eligible for any kind of financial support.¹⁵

This flows from the effect of withdrawing a general entitlement of 16 and 17 year olds to benefit following legislation in 1988. Since then, all 16 and 17 year olds who are not in full-time education, are unemployed and are seeking training have been guaranteed a suitable training place with a training allowance, first generically called 'YTS', then 'YT', now Work Based Learning for Young People.

This meant that income for most unemployed young people was coupled to the delivery of youth training. Using data from the Labour Force Survey, the Unemployment Unit & Youthaid established that only about 10% of the unemployed population ever received financial support.

Only two categories qualified - either because they were entitled to a £15 per week Bridging Allowance having left one youth training place and seeking another; or because they qualified under the Severe Hardship rules for Income Support (since 1996, means tested JSA). There are currently just over 11,000 16 and 17 year olds receiving JSA on Severe Hardship grounds - because they are estranged and live away from home 'of necessity'. These payments are made under discretionary provision only, they are difficult to get and rejected applicants have no right of appeal. Thirteen years ago, these payments were envisaged as a short-term stopgap, but became the only source of income available to many highly disadvantaged young people.

Most importantly, they trigger entitlement to Housing Benefit - without which many estranged young people are at high risk of becoming homeless. Many specialist homeless agencies are unable to fund help for their clients unless a Housing Benefit income stream can be sourced.

The system is also extremely complicated. The set of exemption categories, Child Benefit Extension Periods, Severe Hardship payments and Bridging Allowance, and their inter-relationship makes up an unwieldy and costly system to administer. It also sucks in the resources of many other agencies, in probation, social work and hostels, as their staff expend effort trying to get benefits for their clients.

Removing the social security net was premised on the argument that a guaranteed training place was available for every young person. In practice this never happened. The

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The New Deal has significantly reduced the numbers of 18-24 year olds who are long term unemployed
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quality of training was not uniformly good and highly disadvantaged young people often found themselves in areas where suitable provision was not available. During the late 1980s and early 1990s, the qualification and job entry rates for youth training leavers languished well below 50% and the programme suffered from a consequently poor image.

Even today, some training - particularly where it is delivered outside the Modern Apprenticeship frameworks - is of very low quality and offers its participants little hope of progressing into work. Whilst non-framework programmes accounts for 23% of all young people joining a post 16 vocation training course, they account for 37% of all ethnic minority starts. Moreover sustained job entry rates for those completing training outside the MA frameworks are almost half that for MA leavers.

Not surprisingly, much of the policy debate about young people concentrated simply on the question of restoring social security entitlements to 16 and 17 year olds. However, the debate has had to move on. Despite strong evidence about multiple hardship, the last Conservative Government showed no interest in reversing its own legislation. The Labour Government equally has repeatedly rejected the proposition - arguing instead that it wished to guarantee high quality opportunities to 16 and 17 year olds and to trigger financial support through participation in learning.

Measuring those who are NEET

The data we publish here (table 1) measures those aged 16, 17 and 18 for two reasons.

Firstly, this is the age group that the Government has decided to measure and, as we argue below, has tended to undercount. Secondly, the Government has drawn a line at the age of 19 in its approach to funding learning programmes for those leaving school after 16.

The available data probably do not fully measure the extent of the NEET population. Firstly, the DfES series contains a number of significant flaws because it does not directly measure those outside work, education and employment. Instead it offers a residual that is left over when those known to be in education or employment are deducted from the estimates of population size. This is an extremely hybrid measure. It mixes administrative data with survey results and fails to recognise the flaws in both sources.

Discrepancies

The most significant weakness is caused by the inadequacies of administrative data for participants in education. FEFC funded colleges operated the Individual Student Record system, but there is no equivalent within the school sixth forms, whilst the system for recording work-based training participants is different again.

This results in a considerable potential for double counting and over-counting. FE participant numbers seem to aggregate all those enrolled over the course of an academic year - regardless of dropout during the year. Similarly, school student totals are established by an annual count - again despite the evidence of large numbers leaving after GCSE retakes at the end of the autumn term in year

Table 1: Labour market status of 16-18 year olds - England

	Total population	Employed	Unemployed*	Economically inactive*	NEET
1991	1,819,000	1,081,000 (59%)	172,000 (9%)	566,000 (31%)	198,000 (10.9%)
1992	1,734,000	938,000 (54%)	196,000 (11%)	600,000 (35%)	197,000 (11.4%)
1993	1,667,000	894,000 (54%)	177,000 (11%)	596,000 (36%)	173,000 (10.4%)
1994**	1,643,000	887,000 (54%)	168,000 (10%)	588,000 (36%)	152,000 (9.3%)
1995	1,689,000	945,000 (56%)	176,000 (10%)	569,000 (34%)	159,000 (9.4%)
1996	1,773,000	1,011,000 (57%)	193,000 (11%)	569,000 (32%)	169,000 (9.5%)
1997	1,833,000	1,062,000 (58%)	192,000 (10%)	579,000 (32%)	170,000 (9.3%)
1998	1,834,000	1,067,000 (58%)	208,000 (11%)	559,000 (30%)	183,000 (10.0%)
1999	1,819,000	1,069,000 (59%)	195,000 (11%)	555,000 (31%)	156,000 (8.6%)
2000	1,817,000	1,047,000 (58%)	188,000 (10%)	581,000 (32%)	172,000 (9.5%)
2001***	1,856,000	1,053,000 (57%)	183,000 (10%)	620,000 (33%)	173,000 (9.3%)

* In 2001, of those who were economically inactive 554,000 (89%) were engaged in full-time or part-time education whilst 77,000 (42%) of those classed as unemployed were in full-time or part-time education. The remainder of these two groups constitute the NEET population.

** minor discontinuity between 1993 and 1994 *** provisional estimate

twelve. As a result, both college and school sixth form numbers are likely to appear much higher than the actual number in full-time education at one time.

The Learning and Skills Council has assumed responsibility for all three sectors in a unified post-16 funding system and when its information systems become fully operational there will be a universal Individual Learner Record across FE, school sixth forms and work based learning. Presuming it consistently records entrants and leavers during each funding year, we expect the administrative count of participants to become much more reliable. Until then, subtracting an inflated count of full-time learners from a population estimate of those in employment and not in full-time education, means the residual number of young people outside work education or training will inevitably be inaccurate.

The alternative measure of the NEET population - solely based on the Labour Force Survey - may also undercount because it is a survey of the economic activity of all the members of sampled households and inevitably will tend to under-represent some types of respondents. Young people outside work, education or training are likely to be prime categories. We know that the survey's response rate for young people is lower than for older age groups and there is also likely to be a lower response rate from teenagers who do not live with their parents.

Who are NEET?

The LFS tells us about the characteristics of young people defined as NEET and this data reveals the cohort to be disproportionately lower qualified, more likely to be from ethnic minority backgrounds and living in regions that have higher rates of unemployment (see tables 2, 3 and 4). Data for the UK shows that the majority of young people outside work, education or training in 2000-1 were male, but it was not a large majority (56%). Most of the NEET population (93,000) is ILO unemployed, that is, actively seeking work and available to start. Characteristics of this group included:

- more than 75% of the males were classed as ILO unemployed;
- only 52% of young women were classed as ILO unemployed;
- a further 25% of young women were looking after family and hence classed as economically inactive. This does not mean that they did not want to work – out of the 21,000 young women looking after family

Table 2: NEET totals and rates by region (LFS)

	Total	Rate
North East	13,000	13.3%
North West	30,000	11.7%
North West	24,000	11.3%
Yorkshire & Humberside	21,000	11.2%
West Midlands	22,000	10.6%
East Midlands	14,000	9.2%
Eastern	17,000	8.9%
London	18,000	7.5%
South East	19,000	6.5%
South West	10,000	5.7%

Data is for England Autumn 2000 - Spring 2001

around 5,000 wanted to work or were actively looking, but not available to start (presumably for childcare reasons). This is one in four of the family care group. The other reasons for being outside work include 10,000 sick and disabled - of which about 40% want to work.

The remainder of the NEET population - those not classed as ILO unemployed - divide into a number of categories. These include respondents who: gave an unspecified reason (11,000); were not yet looking (4,000) or waiting the result of a job application (3,000); gave no reason or who do not need or want a job (3,700); believe no job is available (1,000).

Significantly, a considerable number of the young people outside work, education or employment have some form of disability. Nearly 26,000 out of the total young people outside work, education or training have some form of disability. This is 16% of the total. The percentage is much higher among young men than young women with 21% of young men reporting a disability compared while only 14% of young women in this position.

Unsurprisingly, the majority (105,000) have qualifications below VQ level 2 (GCSE grades A*-C). Although this only a small majority (54%) it is significantly higher than the percentage of all 16 to 18 year olds that have not achieved a VQ2 qualification (30%). Just over a third of the NEET population (34%) have no qualifications at all compared with 22% of the whole 16 to 18 age group (table 3). The remainder have qualifications at or above VQ level 2.

About 12% of the young people outside work, education or training are from ethnic minorities. This is slightly higher for males than for females. At a headline level, this is proportion-

Table 3: Qualification levels of 16 to 18 year olds NEET

	All	Male	Female
All	195,000	107,000	87,000
No qualifications	67,000	40,000	27,000
Number below GCSE a-c	105,000	60,000	45,000
% below GCSE a-c	54% (30%)	56% (32%)	52% (27%)
% no qualifications	34% (22%)	37% (23%)	31% (21%)

* % in brackets are qualification levels of all UK 16 to 18 years olds, summer 2001.

Table 4: Ethnic breakdown of 16 to 18 year olds NEET

Ethnicity	NEET		% of all NEET	% of all aged 16-18
	Total	rate		
White	152,000	9.6%	93%	88%
Black*	5,000	9.7%	3%	3%
Indian*	1,000	2.4%	1%	3%
Pakistani/Bangladeshi	9,000	14.6%	5%	3%
Mixed/Other*	4,000	8.3%	2%	3%
All non-white	19,000	9.2%	12%	12%
All	164,000	9.1%	100%	100%

* totals below the LFS level of publishable accuracy. Data is for UK, winter 2000.

ate to the whole population where 12% of the age-group is drawn from minority ethnic groups, some ethnic minority groups are over-represented in the NEET category (table 4).

The financial support system

Financial support is still based on a complex and inadequate inherited system of 'last resort' support for young people judged to be in hardship. While the older parts of this hybrid system have their roots in the 1988 Social Security Act, more recent additions to the system have created entitlements to support whilst in FE learning or guarantees of training in the work-based sector. However, these entitlements or guarantees are not comprehensive and a significant minority of young people enjoy neither. Furthermore, the Government has incrementally added new funding measures that have resulted in significant differentials to the income that young people and their families can receive.

The differentials depend on whether a young person is engaged in full-time education or participates in work-based training (or pre-training preparation). Young people who choose to remain in post-16 education are financially better off than their peers who choose to enter vocational training.

Bridging the Gap described these forms of

financial support for under 18 year olds as 'even more confusing and complicated than support for adults'. Furthermore, the system's administrative arrangements are extremely complex and evidence from the field shows that many young people fail to receive funds unless they have expert help.

EMA pilots were introduced to help young people from low income families enter further education, and this has increased the staying-on rate for young people in those areas.¹⁶ However for a variety of reasons, including their prior experiences in school, some young people are not attracted to remaining in education but may be deterred from entering vocational training because of the low level of the training allowance and the reduction of benefits to the family.

Modern Apprenticeships have been developed and extended to provide a high quality work-based route leading towards a vocational qualification. The training content of each Apprenticeship is defined by an MA 'framework' determined by employer-led bodies for the relevant industry sector. The Government has recently introduced changes that bring a greater degree of rigour to the learning and examination process - by requiring a new structure of technical certificates and a more formal assessment of literacy, numeracy and other KeySkill competencies. The two types of Apprenticeships are:

- Advanced Modern Apprenticeships leading up to NVQ level 3 with an employer, a normal contract of employment and paying a wage typically between £70-£120 per week (described as 'employed status').
- Foundation Modern Apprenticeships offering training usually up to NVQ level 2 which can subsequently lead to an Advanced Modern Apprenticeship. Approximately 50% of participants currently have employed status although Government policy is to encourage all employers to offer employed status training with a wage. Those without employed status will usually receive the minimum training allowance of £40 per week.

When Apprenticeships were introduced, the Government inherited a range of former Youth Training provision that did not fit the standards of Modern Apprenticeship frameworks. Some of this consisted of generalised VQ training but a substantial component of what has been generically termed 'Other Training' is aimed at young people not ready to take up NVQ level 2 training, because of personal circumstances or

ability. Young people enrolled on Other Training receive the minimum training allowance of at least £40 per week and, at the most recent count, there were 43,700 participating.¹⁷

For those young people who face significant barriers to learning and employment, the Government introduced a 'Learning Gateway' which is delivered by the Careers Service or Connexions Service:

- Its 'front-end' offers support, guidance and initial preparation to enter more structured learning. Participants are not usually paid an allowance, although some may be eligible for JSA because of their circumstances, and they can receive cash aid for travel and food. Almost half (49%) of Learning Gateway providers have already introduced incentives, half offering cash and 69% supporting travel costs.
- Life Skills constitutes a 'back-end' to the Learning Gateway and is funded by the LSC. Whilst on the programme, young people are entitled to the £40 minimum training allowance. Most recent data shows only about 8,700 on Lifeskills at any one time. Although national estimates for the size of the potential Learning Gateway clientele are not available, the percentage of eligible young people has been estimated at 7% of the 1999 school leaver population.

In total, there are probably between 30,000 to 40,000 young people who are in full-time post-16 learning activity but have neither the status of being in full-time education nor the status of employee:

- Non-employed status Apprentices
- Participants on Other Training
- Learning Gateway and Life Skills participants

The exact size of this group can only be clarified when the LSC's Individual Learner Record system provides reliable data. The majority of these young people receive the minimum training allowance - typically £40 per week.

The low value of the minimum allowance is very serious. At £40 per week, it is certainly not a 'living wage' and since 1997 there has been no effort by Government to define whether it is a wage, a subsistence payment or a learning allowance. Policy has remained in limbo for many years - the increase in the rate to £40 in September 1999 was the first for almost ten years. Some Training and Enterprise Councils recognised the disincentive effect of such a low minimum and a num-

ber had raised the rate to £55.¹⁸ Some local LSCs have now inherited these variations which have to be funded from the mainstream programme budgets for work-based learning.

Young people living alone in receipt of a minimum training allowance are financially worse off than young people in education in an EMA pilot area. Unlike the EMA which is totally disregarded for benefit purposes the training allowance is classed as income and therefore will be subject to pound for pound clawback. Research suggests that some parents disown the young person once they enter training as the household income is reduced when the parent ceases to receive Child Benefit - an income loss that does not happen when the young person remains in full time education.¹⁹

The leavers' survey of young people on work-based training reveals that 'not enough money' was the reason why 17% of young people left non-employed status Foundation MAs and 14% left non-employed status Other Training. The former was cited as the main reason for leaving training and the second main reason for those leaving Other Training.

Whilst ambiguity remains, the low value of the allowance transmits a message that low worth is attached to training and trainees. This undermines the drive to improve the quality and image of training and to incentivise young people into preparatory training.

Benefits to parents and young people

Prior to age 16, all parents/guardians receive Child Benefit and if the young person decides to remain in education after 16, Child Benefit - worth £10 per week for a first child - is still paid. Non-working parents eligible for Income Support (IS) or Jobseeker's Allowance (JSA) receive a dependant element of their IS or JSA worth £33.75 per week until the young person leaves education or reaches the age of 19.

Both these categories of benefit are available to the parents of a young person in education even if an EMA is paid. By contrast, they are not payable to the parents of any young person living at home and undertaking work-based training. The household is also treated less fairly if its finances rely on orders made by the Child Support Agency. At age 16, a young person who enters work-based learning is deemed to be an adult and CSA payments stop. By contrast if they stay in school or enroll at college, a CSA order continues in force until the age of 18.

Some young people are entitled to JSA whilst

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To achieve these goals, the Government should actively consider a Learning Allowance

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seeking work or training. If living at home, they are entitled to receive £31.95 and if living away from home (usually after proving estrangement) will receive £42.00 per week. In addition, a small number of young people who have left training or work are entitled to a Bridging Allowance of £15 a week for up to eight weeks. If they are living at home with parents on means tested benefit, they can also apply for JSA severe hardship payments.

Young people living away from home have to prove estrangement if they are applying for JSA (and show they are actively seeking work or training) or Income Support (whilst in education). This can be extremely difficult and there is evidence that young people are deterred from applying.²⁰

The regulations applying to Severe Hardship are extremely complex and the processes for establishing estrangement are highly intrusive - particularly in cases where child abuse may be a contributing factor. The report of PAT 12 argued that 'some young people are catapulted out of their home while still in their teens by arguments, family break-up, poverty and abuse.' It concluded that the benefit system offers 'inadequate protection particularly for those who have left home under 18'. Administrative arrangements worsened these cases in 1996 after Severe Hardship decision-taking was devolved to local offices and the central Benefits Agency specialist team was disbanded. As a result there are often seriously inconsistent standards of support and decisions applied between different local offices.

If young people are denied JSA or IS, they find it harder to claim Housing Benefit and can face eviction from temporary accommodation. In addition frequent delays in processing benefit can lead to young people being left without money, and cause problems for housing providers.

These benefit provisions date back to September 1988 when the previous Conservative Government withdrew all general benefit entitlements for 16 and 17 year olds. Instead, young people were guaranteed a vocational training place with a minimum training allowance underpinned by a safety net of short-term benefit payments for those judged to be in severe hardship.

Over the subsequent 14 years, evidence has repeatedly shown that the promise of a Youth Training place was not fulfilled and that the severe hardship payment system was not an adequate safety net for young people. In par-

ticular, a 1992 survey by the (then) Shadow Employment Secretary, Tony Blair, found that at least 55,000 young people were waiting for work or training. Nearly every Training and Enterprise Council had waiting lists for YT places, some had as many as 700 young people queued-up.

Conclusion

There is a clear consensus of policy goals that are shared by central Government, local authorities and many other organisations, particularly in the voluntary sector:

- The levels of participation and achievement in post-16 learning must increase to meet the Government's targets to raise NVQ2 achievement and to improve the employment rates of young adults.
- A programme of pre-employment training and work preparation is needed to cater for the needs of young people who are unready or unable to enter Foundation MAs or to embark on other learning that leads to a level 3 qualification. The new E2E programme being piloted from August 2002 has been well received and a wide range of organisations are committed to learning lessons from the Pathfinders for national implementation from September 2003.
- Young people have responded well to the EMA pilots and improved participation, retention and achievement rates reflect this. The Government's decision to extend EMAs nationally from 2004 is a bold step and re-inforces the evidence that financial incentives are effective ways of raising participation and achievement
- For young people to make unbiased choices at age 16, a financial support regime needs consistency to remove or reduce any financial disincentives or anomalies.
- Highly marginalised and vulnerable young people should have access to a strong system of financial support.
- Poverty amongst the 16-18 age group leads to a bad start in adult life and may accentuate the low income cycle of young adults and their own children.

A new Learning Allowance

To achieve these goals, the Government should actively consider a Learning Allowance of at least £40 per week as the core financial mechanism for supporting young people who do not enter paid employment or an apprenticeship at age 16.

A workable model for this Learning Allowance

should have the following design elements. Firstly there should be equal treatment by the tax and benefit system. The mix of financial support received by young people and their families should not favour either the work-based route to learning or college and school participation beyond the age of 16. The families of young people entering all forms of preparatory and work-based provision should receive child benefit and tax credits or Income Support/JSA dependents allowances (if not working) in the same way as those whose children remain at school or enter college.

Secondly the Connexions Service should be funded to run an expanded Learning Gateway capable of attracting larger numbers of young people currently outside learning or work. The provision available should be substantially larger than the current mix of advice, guidance and access to Life Skills courses. The LSC should aim to design its forthcoming E2E provision to offer tailored packages of support, personal and life skills, literacy and numeracy improvement, pre-apprenticeship training and work experience tasters. This programme will need to considerably exceed the current allocations for Other Training and Lifeskills.

Connexions should be responsible for locating and tracking all non-participating 16 and 17 year olds and offer a Learning Allowance worth at least £40 per week. Whilst the Learning Allowance would replace the existing Severe Hardship payments and Bridging Allowance it would still permit some young people to claim Income Support in circumstances where illness, disability or childcare responsibilities prevent them taking up educational participation or employment. However, the Learning Allowance regime would substitute for the present Severe Hardship arrangements and would tie-in support payments with a process that aims to re-engage these at-risk young people with learning - a serious failing in the present arrangements.

Just as the New Deal Gateway for 18 to 24 year olds anticipates a maximum period of four months continued receipt of JSA before participants are ready to enter work, learning or work experience, the new Learning Gateway might have a maximum period of six months. During this period, a young person would continue to draw their Learning Allowance subject to regular attendance, engagement and satisfactory progress towards an outcome of college-based education or E2E.

Most participants are likely to progress relatively quickly. About three quarters of the NEET population are ILO unemployed which indicates a reasonable degree of labour market attachment.²¹ Whilst they suffer from disadvantage, experience hardship and display characteristics of 'disaffection' they are not completely disengaged.

However, the remainder of the NEET population who are not ILO unemployed and are economically inactive are likely to face more significant barriers to work or learning. The Connexions Service will need to carefully assess young people in these circumstances and tailor a package of support that brings the young person towards a learning-ready or work-ready state.

However, this could take longer than six months and the Connexions Service should be able to waive the maximum period where longer and more intensive support is required. For the purposes of funding external providers to deliver learning, there are already established processes whereby some young people are identified as having Additional Learning and/or Social Needs and this endorsement process could be refined to additionally identify young people requiring extensive support in the Learning Gateway.

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