Institute for Public Policy Research

A BETTER DEAL

TACKLING THE NEET CRISIS

Henry Parkes and
Avnee Morjaria

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IPPR
4th floor,
8 Storey's Gate
London
SW1P 3AY

E: info@ippr.org
www.ippr.org
Registered charity no: 800065 (England and Wales),
SC046557 (Scotland)

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ABOUT THE AUTHORS

Henry Parkes is a principal economist and head of work, social security and living standards at IPPR.

Avnee Morjaria is associate director for public services at IPPR.

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FOREWORD

I was 16, with no qualifications, little knowledge about further education (which was to become my lifeline) but with a burning ambition to be independent and fend for myself. Born without sight and brought up on a council estate in Sheffield, my route forward was neither straightforward nor assured. I know, therefore, something of what it means to stand at the threshold of adult life without a clear path ahead. I was born in Sheffield, led its city council and represented the community in parliament for almost three decades. Throughout that time, I saw how young people growing up only a few miles apart could be presented with profoundly different futures. Talent was distributed evenly; opportunity was not.

Many years later, when I became secretary of state for education and employment in 1997, one of the new government's first priorities was to address the waste of talent represented by youth unemployment. Through the 'New Deal for Young People', we sought to offer a generation a pathway to succeed.

Today, almost a million young people in England are now not in education, employment or training – more than one in eight of the entire age group. This is a profound moral challenge. Behind that stark figure are a million individual lives: young people with abilities, ideas and ambitions, but too often without the opportunities, confidence or support to realise them. The journey from childhood into working life is rarely linear.

This report shows that this remains the case today. In too many parts of the UK, places with the greatest number of young people outside work and education are also those with fewest suitable entry-level jobs. Where a young person grows up still has far too much bearing on whether they can start their working life.

A first job is about far more than a wage. It provides structure, purpose, relationships and independence. It gives a young person dignity and the confidence that comes from discovering what they can contribute. If the first step into working life is delayed, that disadvantage can become entrenched, with consequences for health, earnings and security that can endure throughout life. We cannot consign young people in particular towns, cities or regions to the economic scrapheap. Left unchecked, it's a societal disaster. That is why, in the build up to the publication of the final report by Alan Milburn, the Work Start proposal in this IPPR report is so timely.

By creating paid, purposeful first jobs in places where the labour market is weakest, it would provide young people with the chance to gain skills, experience and confidence while contributing to their local economy. Designed around local growth sectors, it would also give local leaders the means to address the particular challenges facing their area. Programmes like Work Start rest on a strong evidence base – the highly regarded pilot 'UK Year of Service' shows that giving young people proper job placements works

A system based on mutual responsibility must fulfil its side of the bargain. Too often, young people outside work or education are spoken of as a burden or a problem to be managed. My experience has taught me the opposite. Young people have an immense amount to give. With national ambition, local leadership and the willingness to invest, we can ensure that birthplace does not determine a young person's future. We can renew the promise that should lie at the heart of any decent society: that no young person will be discarded, that the door to opportunity will remain open, and that everyone will have the chance to build a life of purpose.

The Rt Hon the Lord Blunkett
Former secretary of state for education and employment

SUMMARY

Around a million young people in the UK are now not in education, employment or training (NEET), the highest number for more than a decade. Young people are more than three times as likely to be unemployed as the wider workforce and around two-thirds of the recent increase in NEET numbers has been among those who are no longer looking for work. Disabled young people make up a substantial share of the NEET population, while poor mental health has become a much more prominent driver of inactivity, and many young people face multiple, complex and interacting barriers to entering employment.

The consequences extend well beyond the labour market. For most young people, work is one of the foundations of adult life. It provides income, but also routine, purpose, confidence, relationships and a growing sense of independence. Spending long periods outside work and education can make that transition much harder. It increases the risk of lower earnings, poorer health and long-term economic insecurity, while delaying the milestones that many young people associate with adulthood – from leaving home to building a career or starting a family. These individual experiences accumulate into wider economic costs through lower labour supply, weaker productivity, higher welfare spending and slower growth.

The government's approach to supporting young people into work has not adapted to these changes. The transition from education into employment has become harder, but policy remains fragmented across employment, skills and welfare. The result is a system that struggles to create opportunities, connect young people to them or provide support that reflects the barriers many now face. Rebuilding opportunity requires action in three areas, spanning education, employment, skills and welfare policy. To succeed, they need to be brought together under one unifying, ambitious brand — A New Youth Contract – to ensure young people experience a cohesive offer, not disconnected schemes.

1. EXPANDING OPPORTUNITY WITH WORKSTART; A TARGETED JOB CREATION SCHEME FOR WEAK LABOUR MARKETS

Young people's employment prospects depend crucially on where they live. Entry-level vacancies have fallen in many sectors that traditionally offered first jobs, while places with the highest rates of young people who are NEET often have the fewest suitable vacancies.

This report proposes a new programme called 'Workstart': government-funded, paid jobs that are economically and socially valuable, for young people at risk of becoming long-term NEET, targeted towards places where labour markets generate too few entry-level opportunities. The programme would:

- create additional, short term, paid jobs for young people in places with the weakest labour markets, with funding devolved to local areas to design opportunities around local economic priorities, growth sectors and employer demand
- give local leaders the tools to connect young people with work, bringing together employers, employment services and local government to create high-quality first jobs with tailored support and clear progression into sustained employment.

These reforms have the potential to expand access to good first jobs, contribute to local growth, strengthen local labour markets and ensure that where a young person grows up is less likely to determine whether they can begin their working life.

Providing a placement to 350,000 young people – the number of every 25-year-old who has been out of work and claiming universal credit for one year – would have an illustrative upfront cost of approximately £2.1 billion. We estimate the net cost is likely to be lower once higher tax receipts and reductions in benefit expenditure are taken into account.

2. BUILDING PATHWAYS – APPRENTICESHIPS AS A HIGH-QUALITY ROUTE INTO GOOD WORK

The routes between education and employment have become increasingly fragmented. First encounters with work are harder to come by. Fewer young people have part-time jobs or summer work, and recruitment processes are increasingly difficult for applicants with little or no experience. Apprenticeships remain one of the strongest routes into skilled employment, but too few are available to young people starting their careers.

Government should rebuild the pathways between education and employment so that apprenticeships provide many more young people with a clear route into skilled work. This report recommends reforms that would:

- **prioritise young people and expand opportunities** by giving greater priority to young people within the Growth and Skills Levy, protecting funding for entry-level apprenticeships, and developing sector-specific apprenticeship plans linked to the industrial strategy to increase provision where it is weakest
- **improve access to apprenticeships** by creating a national network of apprenticeship intermediaries to help SMEs recruit and support apprentices
- **remove barriers to participation** by integrating English and maths into vocational learning and reforming benefits rules so that low-income families are not financially disadvantaged when a young person starts an apprenticeship.

These reforms have the potential to rebuild apprenticeships as a high-quality route into skilled employment and make it easier for young people to navigate the transition from education into work.

3. SUPPORTING TRANSITION – A YOUTH EMPLOYMENT AND FINANCIAL OFFER DESIGNED FOR PARTICIPATION AND PROGRESSION

The profile of young people who are NEET has changed. Increasingly, young people need sustained relationships, coordinated services and support that reflects poor mental health, disability and multiple disadvantages. Yet employment support remains organised around benefit administration and work-search requirements – objectives that were designed for a different labour market and a different population.

There is a long history of governments recognising the case for a distinct employment offer for young people, most notably through the New Deal for Young People, and later through initiatives such as the Youth Contract and Kickstart.

This report proposes a new youth employment offer, bringing together a specialist youth employment service and an enhanced youth allowance. The aim is to provide personalised, coordinated support alongside the financial security young people need to build skills, confidence and health for sustained employment. For young people with health conditions, making the personal rate independent of work capability status would reduce the financial risk of taking gradual steps towards work. Together, these reforms would create a youth-focused system organised around participation and progression, with sanctions used only as a last resort.

The new employment service would:

- provide every young person with a dedicated adviser and a personalised plan, delivered through trusted local settings and coordinating employment, health, skills and wider services around their needs
- work alongside employers to broker jobs, apprenticeships and work experience, while providing ongoing support through transitions and recognising that progress into work is rarely linear.

The new youth allowance would:

- establish a common personal rate for young people regardless of work capability status, designed to be broadly cost neutral overall. Because this will leave some disabled young people with lower entitlement than under the current system, the detailed design should include protections for those least able to absorb a lower award, co-produced with disabled young people and disabled people's organisations.
- allow young people to retain financial support while undertaking agreed education or training, recognising that these pathways often provide the best route into sustained employment.

REBUILDING OPPORTUNITY REQUIRES ALL THREE

These reforms are mutually reinforcing. More first jobs will have limited impact without stronger pathways into employment. Better pathways will fall short if young people cannot access the support they need. Employment support will continue to struggle where opportunities do not exist. A strong, unifying brand – A New Youth Contract – can help to solidify, connect and present an ambitious approach.

Delivering a more ambitious youth employment offer will require additional investment. Government should consider how this is financed as part of a wider rebalancing of taxation and spending across generations, protecting pensioners on low incomes while asking more of those with substantial accumulated wealth.

Young people should not have to rely on where they grow up, who they know or whether they can navigate a fragmented system to build a working life. Rebuilding opportunity means creating more first jobs, stronger pathways into employment and a support system designed around participation and progression. Together, these reforms would improve employment outcomes for young people, strengthen local economies and make an important contribution to higher productivity, lower welfare spending and stronger growth in the longer-term.

1. INTRODUCTION

Around a million young people are now not in employment, education of training (NEET), representing over one in eight young people in the latest data (13.0 per cent) (ONS 2026a).

This demands an urgent response. For most young people, work is one of the foundations of adult life. It provides income, but also routine, purpose, confidence, relationships and a growing sense of independence. The longer a young person remains detached from the labour market, the greater the risk that temporary disadvantage becomes entrenched. This increases the risk of lower earnings, poorer health and long-term economic insecurity, while delaying the milestones that many young people associate with adulthood – from leaving home to building a career or starting a family. These individual experiences accumulate into wider economic costs through lower labour supply, weaker productivity, higher welfare spending and slower growth.

These outcomes reflect a series of connected challenges rather than a single failure. In many parts of the country, there are not enough suitable entry-level opportunities. The routes that should help young people move into work, particularly apprenticeships, are not functioning at the scale required. And many young people who are NEET are disabled or have long-term health conditions, often alongside overlapping barriers that make it harder to access and sustain the opportunities that do exist.

This cohort has also experienced an unusually disrupted transition into adulthood. The Covid-19 pandemic interrupted education, qualifications, work experience and early labour-market transitions at a formative stage, with lasting effects for some young people on confidence, mental health and readiness for work (Parkes and Harris 2026).

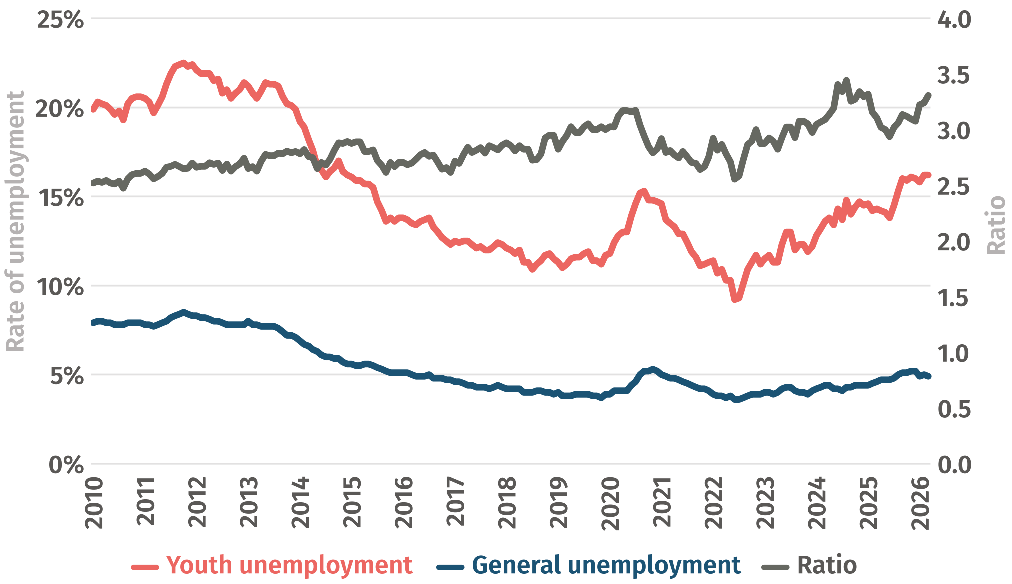
An effective response must therefore act early and on all three fronts: creating more good first jobs, strengthening accessible routes into employment, and providing more personalised support for young people facing the greatest barriers. The following chapters set out reforms in each of these areas.

2.
LABOUR MARKET OPPORTUNITY DEPENDS ON WHERE YOU LIVE

It is a tough time to be a young person in the labour market. Unemployment has been creeping up since 2022, but the challenge is particularly acute for young people. Over the past year, the youth unemployment rate has been more than three times as high as the overall unemployment rate – the largest gap since records began.

FIGURE 2.1

Young people now face more than three times the unemployment rate of the wider workforce
Comparison of general and youth unemployment rates since 2010



Source: IPPR analysis of ONS 2026b 2026c
Note: The ratio shows the youth unemployment rate divided by the overall unemployment rate. A ratio of 3 means young people are three times as likely to be unemployed as the workforce as a whole.

A weak labour market can make it harder for young people to gain an initial foothold in employment and may be especially damaging for those already facing health, skills or other disadvantages.

The reasons for these changes are complex and multi-faceted, as highlighted in the recent interim Milburn review (DWP 2026a). A number of labour-market trends may be working against young people and reducing the opportunities open to them.

- **Economic slowdown in youth-employing sectors**: The sectors hit hardest by the cost-of-living crisis, such as hospitality, leisure and retail, are also among the biggest employers of young people (IPPR analysis of ONS 2026e). Vacancies in retail, for example, are down 15 per cent on the year and are less than half the levels seen a decade ago, and a similar story can be told in accommodation and food (IPPR analysis of ONS 2026c). Falling vacancies in these sectors have therefore had a disproportionate impact on young workers.

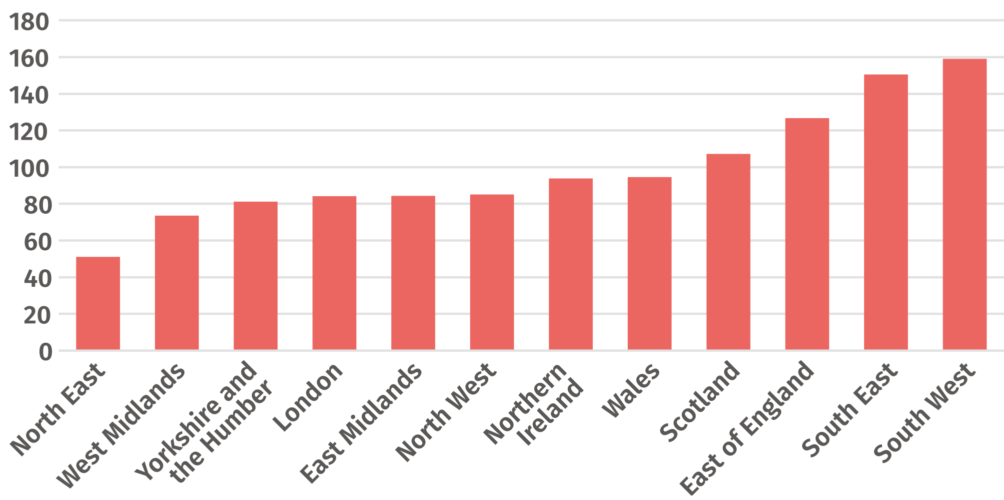
Other factors which compound this overall risk include the following.

- **Demographic change and slower labour market churn**: Older workers are remaining in the labour market for longer – including beyond state pension age – and continue to make up part of the workforce in some lower-paid occupations that also provide employment opportunities for younger workers (DWP 2025a; ONS 2023). This may reduce the flow of vacancies and increase competition for roles that have traditionally provided a first step into work for younger people.
- **Artificial intelligence**: Emerging evidence from the United States suggests that rapid developments in artificial intelligence may be reducing employment opportunities for early-career workers in the occupations most exposed to AI, potentially weakening the "first rung" through which young people gain essential skills and experience (Brynjolfsson et al 2025). The implications for the UK remain uncertain, however, and will depend in part on the pace and unevenness of AI adoption across different sectors and firms.
- **Changes to employment costs**: Recent increases in minimum wage rates for younger workers have raised the cost of employing them, particularly in sectors already facing weak demand and other cost pressures. Most workers aged under 21 are exempt from employer national insurance contributions at typical earnings, so the 2025 increase in employer NICs did not directly affect their hiring cost. However, it did increase the cost of employing workers aged 21 and over, adding to wider pressures in many youth-employing sectors. Employers report that lower youth rates can help make some entry-level opportunities viable, although the evidence does not yet establish that recent increases in employment costs have contributed to the deterioration in youth employment (IFS 2025; LPC 2026).

There is significant variation in the availability of suitable vacancies for NEETs in different parts of the UK.

FIGURE 2.2

Some areas have many more suitable opportunities for NEETs than others
Average quarterly vacancies per NEET person



Source: IPPR analysis of ONS 2026a, 2026f, 2026g

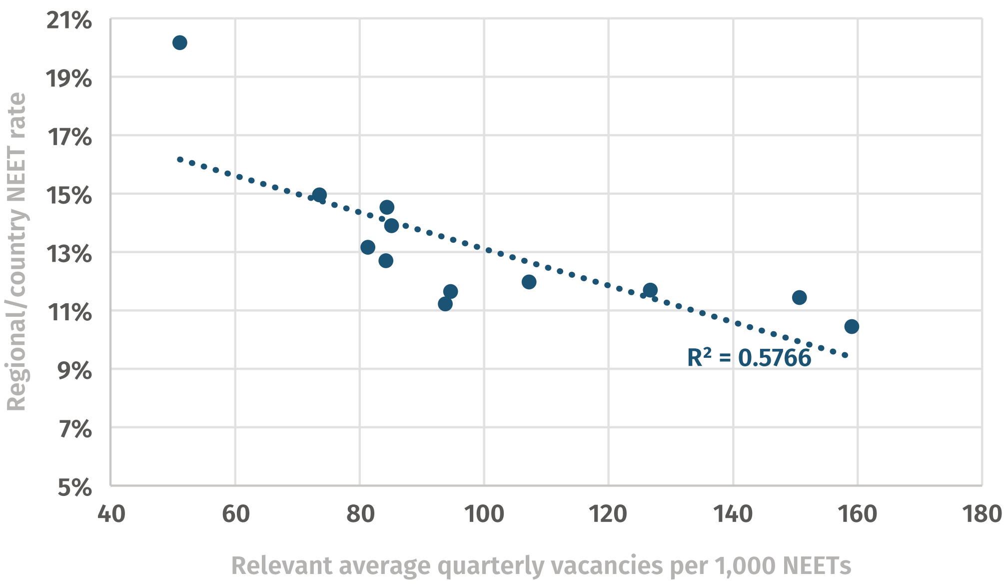
This means that a young person's chances of finding work depend not only on their skills and circumstances, but also on the strength of the local labour market they live in.

We also find that those areas with the highest levels of vacancies have the lowest rate of NEETs and vice versa (IPPR analysis of ONS 2026a, 2026f, 2026g). Addressing youth economic inactivity cannot be only about improving young people's skills or matching them more effectively to vacancies. It must also involve expanding the opportunities available in places where demand for entry-level labour is weak.

FIGURE 2.3

Areas of the country with higher NEET rates have fewer opportunities for young people

Ratio of vacancies to estimated number of NEETs compared to NEET rate by government office region



Source: IPPR analysis of ONS 2026a, 2026f, 2026g

Relatedly, young people we spoke to for this research who were NEET [1] said that they felt that finding a job was out of their control:

> *"Your productivity, to a certain extent, is in your control. But beyond that, I think the opportunities you have aren't really in your control as much. Yes, you have the opportunity to apply to these things, like jobs, or courses, or even volunteering, but the fact that you would get them is never really in your control."*

At a more local level, we find there are significant variation in the number of suitable vacancies relative to the young people population (see technical appendix[2]).

1 Workshops were carried out in May 2026 with over 20 young people aged 18–24 who were NEET. Participants were drawn from across England and workshops were held online. In each session, facilitators used several activities to encourage participants to reflect on their personal experiences of growing up in England and accessing the job market.

2 Technical appendix can be found online at: https://www.ippr.org/articles/a-better-deal

CREATING FIRST JOBS WHILE BUILDING LOCAL ECONOMIC CAPACITY

These findings suggest that tackling youth unemployment requires more than helping young people compete for jobs that already exist. It also requires creating additional entry-level opportunities in the places where they are in shortest supply.

This report recommends that government funds a programme of genuinely additional paid placements, branded as **WorkStart**, for young people at risk of becoming long-term NEET. Placements should provide paid work alongside structured supervision, training and support to progress into sustained employment, an apprenticeship or further education.

For young people, the programme would provide the experience, skills and confidence needed to move into sustained employment. For places, it would create more entry-level opportunities and strengthen the industries, services and economic clusters needed for future prosperity.

WorkStart should be a nationally funded programme with local responsibility for design and delivery. A national framework should guide implementation by setting a job-quality floor, eligibility criteria and an overall funding envelope. Funding should reflect labour market need, with greater resources directed towards places with high youth inactivity and few suitable vacancies. This would allow the programme to advance local growth ambitions without concentrating investment only in already successful places.

Funding and responsibility for WorkStart should, wherever possible, be devolved. This would draw on the local knowledge, networks and relationships that local leaders hold with employers, colleges, universities and other partners. It would also ensure placements align with local economic priorities, including the development of emerging and established clusters and foundational services.

Local areas should have flexibility over how Workstart is delivered. Mayoral strategic authorities (or, in areas without a mayor, council leaders) could use their convening power to work with employer partnerships, councils, colleges, trade unions, community organisations and the youth employment service to identify priority sectors, allocate placements and align delivery with the skills policy plans already in place in many strategic authorities. Within each area, decision-makers should balance immediate community needs, foundational sectors and clusters with the potential to generate future employment.

Government should ensure there is a mechanism to verify that placements are genuinely additional, provide meaningful work and development opportunities, and contribute to agreed local economic or social priorities. Funding should not subsidise routine recruitment or replace existing employees.

WorkStart should also be integrated with the new youth employment service proposed later in this report. Advisers would identify young people for whom a paid placement represented the appropriate next step, match them to suitable roles and provide support before and during the placement. The programme would give the service a reliable set of referral opportunities, including for young people who are not yet able to compete successfully for ordinary vacancies.

We estimate the gross cost of each placement at approximately £6,000. For the purposes of this costing, we assume placements last six months, provide 16 hours of work a week and are paid at the real living wage. The net cost to the Exchequer is likely to be lower once higher tax receipts and reductions in benefit expenditure are considered. Robust government evaluations of the Future Jobs Fund and Kickstart suggest fiscal gains can offset around half of the gross cost of subsidised youth employment programmes, although the precise return will depend on programme design and subsequent employment outcomes (DWP 2012; DWP 2024c).

WorkStart would also build on experience from the UK Year of Service, which provided 18–24-year-olds with paid placements in socially useful roles alongside training and development. More than 400 young people took part in the programme, working with employers across sectors including education, community services and the environment (UK Year of Service no date, NCS Trust 2022). Programme monitoring reported substantial improvements in the proportion of participants in employment, education or training, However, because there was no comparison group, it is not possible to know how much of this improvement was caused by the programme itself rather than other factors. The programme nevertheless provides a useful precedent for combining paid employment opportunities for young people with work that contributes to wider local economic and social priorities.

Providing a placement to every under-25-year-old who has been out of work and claiming universal credit for one year – around 350,000 people in January 2026 – would have an illustrative upfront costof approximately £2.1 billion. This represents an upper-bound estimate. In practice, expenditure could be reduced by targeting placements at young people facing the greatest barriers and at areas where weak labour demand is failing to generate sufficient entry-level opportunities.

WorkStart would create an immediate first rung for young people in places where suitable opportunities are scarce. But temporary placements cannot substitute for the stronger, more durable routes into skilled employment that a functioning vocational system should provide. The next chapter turns to apprenticeships and the reforms needed to expand access, strengthen employer participation and make apprenticeships a more reliable route into work for young people.

3.
ROUTES INTO EMPLOYMENT ARE TOO NARROW AND TOO FRAGILE

Labour market trends identified in the previous chapter, alongside a decline in summer jobs and a rise in automated hiring and recruitment processes (DWP 2026a, Michael et al 2026), have all raised the bar for those without experience, qualifications or professional networks to get their first job in the labour market.

Young people described a labour market in which employers expect previous experience but offer too few opportunities to gain it. They also felt that access to jobs and other routes forward was often outside their control:

> ***"I think that's a conclusion that a lot of my friends have said ... we're all young people, most of us fresh out of education, and we just don't have the experience that they're looking for, but we have no opportunity to gain that experience. So, they want someone with experience, but no one will hire us because we don't have experience, so we're constantly in that cycle."***

This makes structured routes into work increasingly important. Apprenticeships have a long history as a route into skilled work for young people. They combine paid employment with practical and off-the-job training, culminating in an independent assessment of the skills required for an occupation.

At their best, apprenticeships today can widen access to skilled work while giving employers a central role in developing the workforce from which they benefit. This helps explain their broad political support – and why it is so important to make the system work better.

The weakness of the UK's vocational education system is particularly stark by international standards. Countries with lower youth NEET rates typically have much higher participation in education, including vocational pathways and routes that combine learning with paid work. Among the 23 OECD countries with a lower NEET rate than the UK in 2024, all but two achieved this through higher participation in education or combined education and employment. The UK's comparatively limited vocational pathways therefore help explain its persistently high NEET rate (Clegg et al 2026).

Addressing this weakness will require wider reform of the education and skills system, which falls outside the scope of this report. This chapter concentrates on apprenticeships because they provide a distinctive paid route into skilled employment and could play a much greater role in supporting young people's transition into work.[3]

3 Apprenticeships will not be the right route for every young person. For some young people with SEND who have an education, health and care (EHC) plan, supported internships provide a more intensive work-based pathway. They combine a substantial workplace placement with job coach support and personalised learning, with the aim of progressing into sustained paid employment (DfE 2025).

Today's apprenticeship system, however, does not create enough opportunities for young people. Provision is unevenly distributed across places and sectors, and disadvantaged groups are less able to access the opportunities that do exist. Disabled young people can face additional barriers to accessing and completing apprenticeships, including securing the adjustments and support they need to participate successfully (Disability Rights UK 2022).

THE APPRENTICESHIP LEVY DOES TOO LITTLE TO CREATE ENTRY ROUTES INTO SKILLED WORK

Apprenticeships span a wide range of levels, from level 2 programmes designed as an entry route into an occupation through to degree-level training. The same levy funding can support both new starters and existing employees, so the central question is how far the system prioritises career-entry opportunities rather than higher-level training for people already established in work.

Large employers can use levy funds to train existing employees as well as new starters, and unspent funds expire after 12 months. This creates an incentive to prioritise training that is easiest to organise internally, including the upskilling of existing staff, with less emphasis on creating new entry routes for young people. Survey evidence from CIPD and Youth Futures Foundation suggests that some employers have re-badged existing training as apprenticeships, helping to explain why levy spending has shifted towards older workers and away from younger recruits (YFF 2024).

The government has already indirectly recognised this problem by restricting funding for some of the highest-level apprenticeships, which are less likely to function as entry routes for young people (Moss 2025). But the wider system still lacks a clear enough focus on career foundations and new recruitment.

SMES ARE UNDERSERVED BY THE APPRENTICESHIP SYSTEM

Small and medium-sized enterprises (SMEs) account for around three-fifths of UK private sector employment overall, making them central to young people's labour market opportunities (DBT 2025). They have also historically played an important role in creating lower-level apprenticeships that provide routes into work. However, WorkWhile estimates that SMEs account for more than four-fifths of the apprenticeship starts lost since 2016/17, illustrating how sharply their role in the system has diminished and how poorly the current system serves them (Ambrose 2025).

Training providers often find it more commercially viable to work with large employers, which can offer predictable demand, larger cohorts and delivery at scale. By contrast, SMEs and other non-levy payers often require more support to navigate funding rules, administration, provider relationships and recruitment (Alma Economics 2024). Apprenticeship funding bands are attached to the standard, not the employer, meaning providers do not automatically receive additional funding for the extra work involved in supporting smaller firms (DWP 2026i). There is a clear incentive problem: the employers who could offer valuable entry-level opportunities to young people are often less attractive for providers to work with.

Nor is there sufficient intermediary or brokerage support to help SMEs overcome the administrative and managerial hurdles involved in creating apprenticeships. Intermediaries are organisations that sit between employers, training providers and potential apprentices, helping to turn employer interest into actual apprenticeship starts. This can include identifying suitable roles, navigating funding and administration, matching employers with providers, aggregating demand across smaller firms, and supporting recruitment. Organisations such as WorkWhile among others provide some of this support, and despite new funding commitments (Mellor

2026), provision remains small-scale and underpowered relative to the scale of need, with significant geographical variation (Edge Foundation 2025).

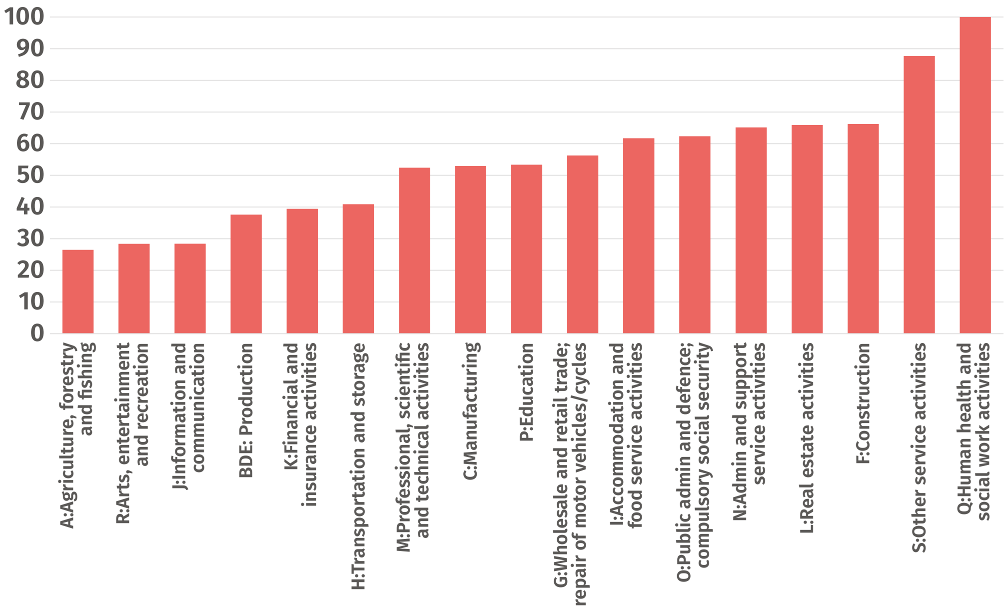
APPRENTICESHIP ROUTES ARE TOO UNEVEN ACROSS SECTORS

Apprenticeship opportunities vary significantly by sector. Our analysis of apprenticeship starts relative to workforce jobs suggests that some sectors are delivering far more opportunities through the apprenticeship system than others, with health and social care leading the way.

FIGURE 3.1

Some industries generate many more apprenticeships than others

Apprenticeship starts in 2023/24 per workforce job, index (100 = best performing sector)



Source: IPPR analysis of DfE 2026, ONS 2026h

Some of this variation is inevitable. Industries differ in their occupational structure, regulatory requirements, training models and capacity to support apprentices over time. But these differences do not mean that low apprenticeship use is set in stone. Almost all sectors need to recruit and train new workers, and with sufficient flexibility, many could make greater use of apprenticeship routes. The scale of the variation therefore suggests that the system is not adapting equally well to the cultures, structures and training needs of different parts of the economy.

International comparisons also suggest that sectoral patterns are not fixed. In England, sectors such as information and communication provide relatively few apprenticeship starts compared with their share of employment. Germany's dual vocational system supports substantial apprenticeship routes in IT, commercial and financial occupations (OECD 2025, BIBB 2025). This suggests that low apprenticeship intensity in these parts of the economy may reflect how occupational standards, training institutions and employer practices have developed rather than any fundamental unsuitability of the work.

The scale of this gap points to untapped potential. Even halving the gap between the highest and lowest 'performing' sectors[4] would have resulted in over 20 per cent more apprenticeship starts in 2023/24, or 110,000 additional apprentices every year[5] (IPPR analysis of DfE DWP 2026h). Understanding the barriers in lower-intensity sectors and the changes needed to overcome them is a priority.

EDUCATIONAL REQUIREMENTS MAY REPRESENT AN UNNECESSARY BARRIER IN SOME CASES

English and maths exit requirements have been relaxed for apprentices aged 19 and over but remain in place for younger starters. Apprentices aged 16 to 18 who have not already achieved level 2 English and maths must therefore continue studying towards these qualifications during their apprenticeship (DfE 2025b). For some young people, particularly those who have previously struggled to achieve these qualifications, this is likely to create an additional barrier to completing an apprenticeship.

THE BENEFIT SYSTEM PENALISES APPRENTICESHIP PARTICIPATION

For low-income families, a young person's decision to start an apprenticeship can directly reduce household income. Young people aged 16 to 19 who remain in full-time approved education or training can generally continue to be treated as dependent children, meaning their parents continue to receive child-related benefits, even where their children work part time alongside their studies (HMRC 2026; DWP 2025d).

By contrast, apprentices are generally treated as being in work, so parents can lose significant support when the apprenticeship starts, as outlined in table 3.1.

TABLE 3.1

Potential household financial losses from a 16- to 19-year-old starting an apprenticeship

		Scale of annual losses
Child benefit	Families claiming child benefit	Up to £1,400 for first child, otherwise £900
Child element	Families claiming universal credit	Up to £4,200 for first child born before April 2017, otherwise £3,600
Disabled child element	Families claiming universal credit where children are in receipt of disability benefits	Up to £6,200 when child in receipt of highest rate of qualifying disability benefit, otherwise £2,000
Lost work allowance on universal credit	Families claiming universal credit in work, where there are no other children in the household	Up to £4,700 where family does not claim housing support, otherwise £2,800
Housing benefit	Families in receipt of legacy housing benefit	Likely around £1,100 given apprenticeship wage
Child maintenance	Families in receipt of statutory child maintenance	Around £1,500 on average, but varies considerably

Source: IPPR analysis of DWP 2026g, DWP 2026c
Note: Figures rounded to nearest £100.

4 In terms of apprenticeship starts per workforce job.

5 This is an illustrative estimate rather than a claim that every sector should achieve the same apprenticeship intensity.

In the most extreme cases, financial losses from the benefit system at a household level could plausibly outweigh additional income from the apprenticeship (SSAC 2026), but even in more common cases (such as if the family loss of child benefit and child element) – the loss of benefits serves as a significant 'participation penalty' which can undermine participation in lower income families who rely on social security. In these cases, there is a risk that short-term pressures could undermine longer-term routes to progression.

The government has already taken some steps in the right direction. Foundation apprenticeships, shorter apprenticeships and wider levy reform could help create more accessible routes into work for young people. Foundation apprenticeships have also attracted up to £2,000 in employer incentive funding from August 2025 (DfE 2025c).

But further reform is needed if apprenticeships are to play a central role in reducing youth unemployment and supporting young people who are outside education and work.

Recommendation 1: Further prioritise young people within apprenticeship funding

Apprenticeships could function as a major route into employment for young people, with the right policy action. Government should establish a clearer priority for young people within the Growth and Skills Levy, particularly for entry-level opportunities.

One option would be to reserve a proportion of apprenticeship funding for apprentices aged under 25, with part of this funding specifically protected for entry-level apprenticeships. This would preserve opportunities for young people across apprenticeship levels and ensure that sufficient funding is directed towards those taking their first step into skilled employment. To reduce the risk of higher levels of unspent funding, the ringfenced amounts could be increased gradually over time. The amounts could also vary across industries, reflecting differences in their capacity to provide suitable opportunities.

Recommendation 2: Develop sector-specific plans to expand apprenticeship opportunities

As our analysis shows, apprenticeship provision varies significantly across industries relative to workforce size. Policymakers should distinguish between the different causes of low provision, and sector plans should set out the interventions needed to increase opportunities in each industry. These could include:

- developing new foundation or entry-level apprenticeship standards
- providing targeted employer incentives
- creating specialist sector-based brokerage services
- expanding shared-employer apprenticeship models where individual employers cannot provide the full breadth or duration of training.

This approach should be linked to the government's industrial strategy. In priority sectors, ministers should map current apprenticeship provision against projected workforce needs and set expectations for the expansion of high-quality entry routes for young people. Skills England should coordinate this work with sector bodies, local government and mayoral combined authorities.

Recommendation 3: Create a stronger system of support for SME apprenticeships

Sector plans should include a specific offer for SMEs, which often lack the capacity to recruit and support apprentices independently. Government should establish and expand a comprehensive network of local and sector-based apprenticeship intermediaries. These should:

- identify suitable apprenticeship roles within SMEs
- aggregate demand from multiple employers
- connect employers with appropriate training providers
- help employers navigate funding and regulatory requirements
- support recruitment and matching
- help employers provide adequate supervision and pastoral support for young apprentices
- coordinate shared-employer arrangements where appropriate.

Training providers and intermediaries should receive additional funding where working with smaller employers involves higher recruitment, coordination or administrative costs. This could combine an upfront payment for each successful apprenticeship start in an SME with a larger outcome payment for sustained participation and completion.

Previous IPPR research has argued that every SME should be guaranteed access to high-quality intermediary support through a comprehensive national network of intermediaries (Dromey et al 2023). Local government and mayoral combined authorities could commission or coordinate this support, working with sector bodies and Skills England. Existing intermediaries, including organisations such as WorkWhile, provide useful models, but provision needs to operate at substantially greater scale to meet demand.

Recommendation 4: Integrate English and maths support into vocational training

Government should remove mandatory English and maths exit requirements for apprentices aged 16 to 18 who have not already achieved level 2 qualifications.

Apprentices should continue to receive English and maths support, but this should be integrated into practical and occupational learning wherever appropriate. For some young people, this approach may develop literacy and numeracy more effectively than repeated classroom-based retakes.

Completion of an apprenticeship should depend on demonstrating the skills required for the occupation, without being blocked by a separate requirement to achieve specified English and maths qualifications.

Recommendation 5: Remove the apprenticeship penalty from the benefits system

Government should reform social security eligibility rules so that low-income families are not financially penalised when a young person starts an apprenticeship. This could be achieved by amending child benefit and universal credit rules so that young apprentices below a specified age and earnings threshold continue to be treated as qualifying young people, aligning their treatment more closely with dependent children in full-time education.

In July 2026, the government announced a new bursary of up to £4,500 per year for a small number of universal credit families who would otherwise lose out financially when a young person starts an apprenticeship (DWP 2026m). This is a welcome short-term measure. However, in the longer term, the participation penalty would be better addressed through legislative reform to the underlying benefit rules, rather than through a compensating payment layered on top of them.

Expanding apprenticeship opportunities and removing barriers to participation would strengthen this pathway into work. But some young people will still need more intensive support to identify suitable opportunities, address wider barriers and sustain participation. The next chapter considers whether the current employment-support system is equipped to provide it.

4. EMPLOYMENT SUPPORT DOES NOT REFLECT THE BARRIERS YOUNG PEOPLE FACE

The profile of young people who are not in education, employment or training (NEET) has changed significantly in recent years. Around two-thirds of the growth in the number of young people who have become NEET since mid-2021 has been among those who are neither in work nor actively looking for it (IPPR analysis of ONS 2026a). Disabled young people and young people with long-term conditions make up an important part of the group that employment support needs to serve. Within this group, long-term sickness has become a much more prominent reason for inactivity, while fewer young people report being out of work because they are looking after family. (DfE 2025a).

Mental ill health appears to be central to this shift. In 2025, one in five young people who were NEET reported a mental health condition, more than double the proportion recorded in 2012. Over half reported some form of health condition, and both mental and physical health conditions were substantially more common among young people who were NEET than among the wider youth population (DWP 2026a). This changing profile is also reflected in young people's expectations for the future: compared with previous generations, young people who are NEET today are less likely to believe they will be successful and more likely to expect to remain unemployed in the long term (IPPR analysis of ISER 2026).

Young people described how repeated rejection could damage motivation and create a sense of hopelessness about the future:

> ***"On days where … applying to jobs is getting a bit too much, and … after constant rejection, you're just feeling like it's all a bit worthless … you're feeling a bit hopeless"***

> ***"I'm just so fearful that I'll end up just wasting my life away and not accomplishing something for myself … It's like being caught between a rock and a hard place."***

Poor mental health can affect employment prospects long before a young person is formally judged unable to work. It can undermine confidence, motivation, concentration, emotional regulation and the ability to establish routines or sustain regular attendance – making it harder to search for work, navigate recruitment processes, engage with employment support and remain in employment once a job has been secured (DWP 2026b).

Evidence gathered for the government's review of youth inactivity illustrates the scale of this: more than a quarter of young people who were NEET said their mental health had prevented them from applying for jobs; one in five said it had stopped them attending an interview; and one in four of those who wanted to work said it currently prevented them from working (DWP 2026a).

Mental health is not the only barrier young people face. Young people who are NEET are also more likely to have low or no qualifications, limited work experience, and to come from low-income or workless households (ibid). These disadvantages can be reinforcing: for example, poor mental health can make it harder to gain qualifications or juggle work and caring responsibilities. This leads to cumulative disadvantage which makes the transition into employment substantially more challenging than any single barrier in isolation.

Young people have never been well served by a one-size-fits-all employment system. Unlike many older jobseekers, they are making the transition from education into work for the first time, often without established work histories, professional networks or financial independence. As overlapping barriers have become more prevalent, the limitations of a generic employment service have become more acute.

The current system was largely designed to determine entitlement to financial support and monitor compliance with work-search requirements. Those functions would remain, but the primary focus should shift from monitoring compliance to helping young people participate and progress towards sustainable employment, recognising the multiple disadvantages and complex transitions into adulthood that many face. Many young people need trusted relationships, coordinated support across services, stronger connections to employers and financial security that supports gradual participation.

There is a long history of governments recognising that young people need a distinct employment offer, most notably through the New Deal for Young People, and later through initiatives such as the Youth Contract and Kickstart. The reforms proposed here build on that tradition while responding to the different barriers facing today's cohort.

This chapter argues for a transformed system of employment and financial support designed around the journey that young people take towards employment, built around five principles.

1. Making support universally accessible.
2. Building personalised relationships.
3. Coordinating services and employer engagement.
4. Enabling participation through financial support.
5. Delivering nationally guaranteed but locally designed provision.

A YOUTH EMPLOYMENT OFFER DESIGNED FOR PARTICIPATION AND PROGRESSION

The reforms set out in this chapter are intended to create a new mode of support for young people. Reforming Jobcentre Plus alone would not address the financial barriers that can discourage participation, while changes to universal credit would have limited impact if employment support remained generic, fragmented and inaccessible to many young people. Employment support and financial support should therefore be redesigned together.

Government should establish a specialist youth employment service alongside a new enhanced youth allowance. The service should be organised around the journey young people take towards employment, recognising that this will rarely be linear. Young people may move into work before returning for further support, leave education and later re-engage, or step back temporarily because of ill health, caring responsibilities or changing circumstances. They should be able to enter, leave and re-enter support as their needs change without having to start again.

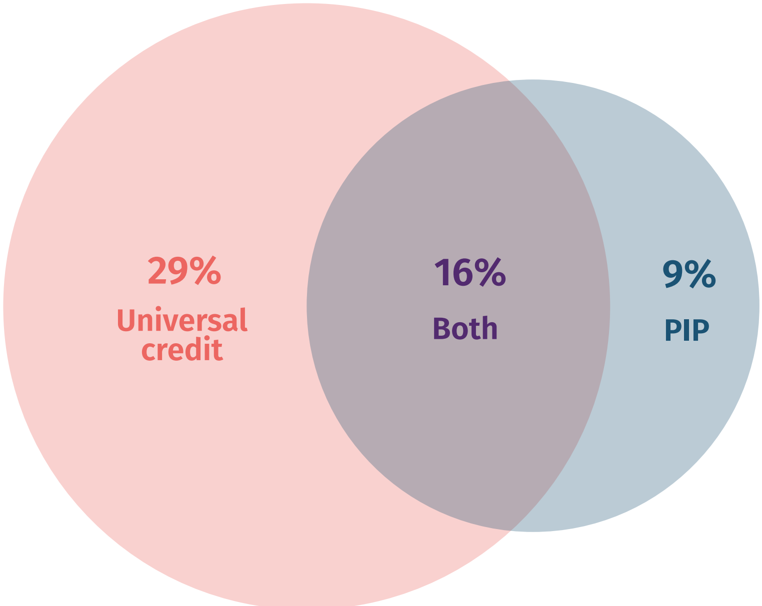
The proposed model is organised around five principles: enter, understand, support, enable, and deliver.

ENTER: IDENTIFY THOSE NOT ACCESSING SUPPORT AND MAKE SUPPORT UNIVERSALLY ACCESSIBLE

The first step towards a more effective youth employment system is ensuring young people can access support before long periods of inactivity become entrenched. But the current system is principally organised around benefit receipt rather than need: Jobcentre Plus is primarily an employment service for people claiming universal credit, even though around half of young people who are NEET are not receiving the benefit (IPPR analysis of DWP 2026j).

FIGURE 4.1

Around half of young people who are NEET are not receiving universal credit



Source: IPPR analysis of DWP 2026j

There are several possible reasons for this. Some young people may not be entitled to universal credit because of their household circumstances, while others may be unaware of their entitlement or choose not to claim. Negative perceptions of Jobcentres, concerns about conditionality and sanctions, administrative complexity, or low trust in public services may also discourage engagement (DWP 2024b). Whatever the explanation, a substantial proportion of young people with significant barriers to employment are outside the principal public employment service.

Access to employment support should therefore no longer depend on claiming universal credit. The new youth employment service should have an explicit responsibility to engage young people regardless of benefit status, working with local authorities, colleges, health services, youth organisations and community partners to identify those who are NEET before periods of inactivity become entrenched. Young people should be able to access support through multiple referral routes, including self-referral, and in places they already know and trust, such as colleges, youth hubs, libraries and community organisations. Services should also be accessible by design, recognising that disabled young people may face barriers caused by inaccessible venues, communication methods or rigid appointment formats. This includes offering flexible appointment options, accessible communications and reasonable adjustments, with young people able to involve a trusted supporter or advocate where they choose.

For those eligible for financial support, advisers should help establish entitlement to universal credit and the enhanced youth allowance. But benefit receipt should not be a condition of receiving personalised advice, employer brokerage or coordinated support.

Creating a genuinely universal youth employment service also requires changing how the state presents itself to young people. The service should have its own youth-facing identity and operate beyond traditional Jobcentre settings, including in places where young people already seek advice and support.

UNDERSTAND: BUILD TRUSTED RELATIONSHIPS THROUGH PERSONALISED SUPPORT

Young people facing multiple barriers need more than help searching for jobs. They need trusted relationships through which advisers can understand their circumstances, coordinate support and help them make gradual progress towards employment.

The employment-support offer has narrowed considerably over time. DWP spending on contracted employment programmes fell from around £2.8 billion at its 2010/11 peak to around £800 million in 2023/24[6] (Learning and Work Institute 2025).

Support offered through Jobcentre Plus is often generic and inconsistent, with work-search requirements insufficiently tailored to individual circumstances. The government's own *Get Britain Working* white paper acknowledges that the current service is too focused on benefit compliance and "box ticking", while earlier DWP research found that many claimants felt work coaches were simply "going through the motions" and not consistently adapting support to individual needs (DWP 2023a; DWP 2024a; DWP 2025b). These shortcomings are reinforced by capacity constraints. In 2024/25, the National Audit Office found that DWP had a shortfall of around 2,100 work coaches, with more than half of Jobcentres reducing support when caseloads were high (NAO 2025). Limited appointment times and frequent changes of advisers make it difficult to build the relationships needed to understand young people's circumstances.

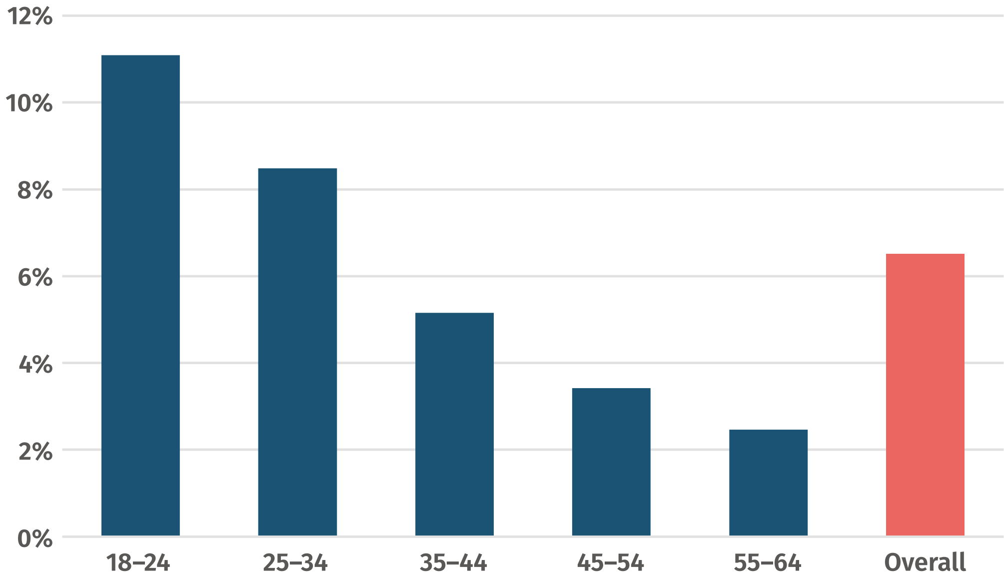
The barriers young people face are rarely straightforward or immediately visible. Poor mental health often interacts with low qualifications, limited work experience, financial insecurity, unstable housing or caring responsibilities, making short, standardised appointments unlikely to uncover the underlying issues or develop a coordinated response. The environment in which support is delivered can reinforce these challenges. Open-plan Jobcentres, visible security arrangements, and the combination of support with benefit administration can make services feel administrative or punitive (DWP 2026c; IPPR 2025). DWP's own evaluation suggests that sanctions can be counterproductive: sanctioned claimants were slower to move into PAYE employment and had lower earnings, with particularly negative earnings effects for young people (DWP 2023b). DWP research also finds that effective work-search support depends on good rapport, personalised support and a positive and encouraging relationship with work coaches (DWP 2025e). Trust is further weakened because the same work coach is expected to both support claimants into work and monitor compliance with benefit conditions. Where advisers are primarily seen as enforcing conditionality, young people may become less willing to discuss the challenges they face or seek help before problems escalate. This tension is reflected

6 Measured in 2025 prices.

in sanction rates: among universal credit claimants in the “searching for work” group, the youngest claimants are almost five times as likely to receive a sanction as the oldest (IPPR analysis of DWP 2026b).

FIGURE 4.2

Universal credit sanction rates by age group in the “searching for work” group, June 2025–May 2026



IPPR analysis of DWP 2026b

A specialist youth employment service should instead begin with understanding the young person. Every young person should have a named adviser who remains alongside them throughout their journey into employment, education or training. Continuity would allow advisers to build trust, understand changing circumstances and avoid repeatedly asking young people to explain difficult experiences.

Support should begin with a holistic assessment of each young person’s aspirations, strengths and barriers to participation, extending beyond employment history to consider health, education, housing, transport, finances, caring responsibilities and wider wellbeing. Advisers should understand how these factors interact and shape a young person’s ability to participate.

This assessment should result in a shared participation and progression plan that sets out the most appropriate sequence of support. For some young people, this may involve immediate preparation for work. For others, progress may begin with stabilising mental health, securing housing, completing education or building confidence before employment becomes a realistic objective. The participation and progression plan should form the basis of any work-related requirements, replacing standardised job-search requirements. Given the evidence on the counterproductive effects of sanctions and the importance of trust to effective employment support, conditionality should play a limited role rather than organising the relationship between a young person and their adviser. Work-related requirements should be based on agreed activities, with sanctions used only as a genuine last resort where a young person repeatedly fails to engage.

SUPPORT: COORDINATE SERVICES AND BROKER OPPORTUNITY

Understanding a young person's barriers is only the first step. An effective employment service must also help them overcome those barriers and connect them to meaningful opportunities. The current system often leaves young people navigating fragmented services, weak connections to employers and support that falls away precisely when it is most needed.

Many young people require employment support alongside help with mental health, housing, debt, disability, caring responsibilities or skills (Hofman et al 2025). However, these services are often commissioned and delivered separately, with weak referral routes and divided accountability. As a result, young people are forced to co-ordinate support themselves, repeating their circumstances to multiple organisations and disconnected services.

These challenges are compounded by the highly centralised design of employment support. Although the barriers young people face, and the opportunities available to them, vary significantly between places, employment support remains largely nationally designed and delivered. Access to jobs, transport, colleges, health services and voluntary-sector provision differs substantially between local areas. Nationally standardised services can therefore struggle to respond to local labour markets or coordinate effectively with local partners. The government's *Get Britain Working* white paper recognises these limitations and proposes a stronger role for mayoral and local authorities in shaping employment support (DWP 2024a).

The system also does too little to create routes into employment. Helping young people prepare for work is important, but an effective employment service must also work with employers to open up opportunities. Jobcentre Plus often has limited relationships with employers and is poorly equipped to broker suitable vacancies for young people facing multiple barriers. Employers themselves report limited awareness of employment support and frustration with large volumes of unsuitable applications generated by job-search requirements (Jones and Carson 2023). In practice, the service often focuses on referring claimants to advertised vacancies, with less capacity to shape roles and broker opportunities for young people facing additional barriers.

This matters particularly for young people who are NEET. Many have little previous work experience, lower confidence and weaker professional networks, making them less able to compete through conventional recruitment processes. For those also managing poor health, disability or caring responsibilities, simply directing them towards an advertised vacancy is unlikely to be enough. Successful transitions often require active matching, adaptation of recruitment processes or roles, preparation before recruitment, support during the recruitment process, and continued contact once employment begins.

Apprenticeships illustrate this particularly clearly. As highlighted in the previous chapter, England lacks an effective brokerage service that consistently brings together employers, training providers and young people. Jobcentre Plus does little to fill that gap, presenting a missed opportunity and leaving many young people to identify vacancies, navigate applications and coordinate training themselves.

Getting a young person into a programme, course or job is not the same as helping them stay there. International evidence emphasises the need for continued engagement and support through transition points, particularly for disadvantaged participants at greater risk of dropping out (Hofman et al 2025; White et al 2025). Young people with limited work experience, fluctuating health or caring responsibilities may still need help establishing routines, securing workplace adjustments or overcoming early setbacks. When an opportunity breaks down, they often have to begin again with a new adviser or programme instead of returning to an existing source of support.

A specialist youth employment service should coordinate support around the young person themselves. Youth employment advisers should act as system navigators, bringing together health services, colleges, local authorities, housing providers and voluntary organisations around a shared participation and progression plan, helping those services work together.

Jobcentre Plus should not be expected to deliver every element of support directly. The named youth adviser should retain responsibility for assessment, coordination and continuity, with specialist voluntary, community and private providers contributing outreach, intensive casework, health-related employment support, employer engagement and support in work. Referrals should add specialist expertise without transferring overall responsibility or requiring the young person to begin again with a new service.

Support should also adapt as circumstances change. Every young person should receive a core offer comprising a named adviser, personalised assessment, progression planning and employer brokerage. Those facing greater barriers should be able to access increasingly intensive support, specialist provision and stronger guarantees of work experience, training and employment opportunities.

Employer engagement should become a core function of the service. Dedicated employer advisers should build long-term relationships with local businesses and public, voluntary and community organisations, identify suitable jobs, apprenticeships and work placements, and support employers to recruit young people who might otherwise be overlooked. For disabled young people, this should include helping employers make recruitment processes accessible and designing roles more flexibly where appropriate. Employer advisers should also support employers to understand and meet their duties under the Equality Act 2010, including the duty to make reasonable adjustments for disabled applicants and workers. Advisers should help disabled young people and employers navigate Access to Work[7] where relevant, and support them through onboarding and the early stages of employment. The service should also broker access to WorkStart in areas where local labour markets are not generating sufficient entry-level opportunities.

Crucially, support should not end when a young person enters employment or education. Young people should be able to move between different levels of support as their circumstances change, leave the service when they no longer need it, and return without starting again if a transition breaks down or new barriers emerge. Support should be understood as an ongoing relationship throughout the transition to adulthood. Young people who enter the service before the upper age limit should also be able to complete an agreed period of support after they turn 25, rather than support ending automatically when they reach the age threshold.

ENABLE: PROVIDE FINANCIAL SECURITY FOR PARTICIPATION

The way universal credit is organised shapes whether young people are able and willing to engage with work, education and training. Its primary focus is determining entitlement and work-related requirements, leaving too little room for gradual progression towards sustainable employment.

7 Access to Work is a publicly funded employment support scheme that can provide practical and financial support to disabled people and people with health conditions to help them start or remain in work, including support beyond reasonable adjustments provided by employers.

This is particularly evident in the way the system treats education and training. For many young people, the most effective route into employment will not be taking the first job available, but building the qualifications, skills and confidence that allow them to access better and more sustainable work (Lancely et al 2025). Universal credit rules can make education or training financially difficult, since full-time students are generally ineligible unless they fall within specified exceptions (DWP 2026k). Young people may therefore face a choice between protecting their income today and improving their employment prospects tomorrow.

Government should introduce targeted flexibility within universal credit, allowing young people to retain financial support while undertaking agreed education or training. This should be limited to young people living independently from their parents or guardians, who are more likely to require continued income to meet their day-to-day living costs outside a parental household. This would target support where loss of income is most likely to prevent participation, without creating a general alternative to student finance.

The same underlying problem arises for young people with health conditions. Progress towards employment is often gradual and may involve volunteering, work preparation, education, training or a small number of working hours to build confidence and capacity. However, many young people worry that demonstrating any capacity for activity could trigger reassessment or later be used as evidence that they no longer qualify for the limited capability for work and work-related activity (LCWRA) element (DWP 2025c). Because moving from LCWRA to limited capability for work (LCW) can result in a substantial loss of income (DWP 2026c), the system risks discouraging precisely the gradual steps that are most likely to support recovery and progression into work.

For existing claimants, the priority should be to protect established entitlements and enable gradual participation. The existing Right to Try scheme means that starting work or volunteering will not, on its own, trigger reassessment (DWP 2026l), but it does not guarantee that income will remain protected for a defined period or cover the full range of steps people may take towards employment. Government should strengthen the policy by guaranteeing that health-related income remains in place for an agreed period while young people undertake work, volunteering or employment support, and while they undertake agreed education or training where they meet the independent-living condition described above.

For new claimants, however, simply extending these protections would leave the underlying structure unchanged, since access to greater financial security would still depend on first being assessed as having limited capability for work. Government should instead introduce a single enhanced youth allowance within universal credit, establishing a common personal rate for young people, irrespective of work capability status.

The enhanced youth allowance should provide a common baseline of financial security that enables young people to participate and progress towards employment. It should incorporate the targeted flexibility described above, allowing independently living young people to retain financial support while undertaking agreed education or training. Universal credit would continue to provide separate support for housing, children and other household circumstances, while personal independence payment (PIP) would remain separate and continue to provide support for disability-related extra costs. The purpose of the reform is to remove the link between financial security and ability to work, not to reduce overall support for disabled young people.

We envisage the reform being designed to be broadly cost neutral across new claimants, rather than requiring a significant increase in overall spending. This inevitably creates choices about how support is distributed. Some disabled young people who would currently qualify for additional health-related support through universal credit could receive less under a common rate, while others could receive more. Within the overall funding envelope, the design should therefore prioritise financial security for disabled young people with the greatest needs and limit the extent to which those least able to manage on a lower award are disadvantaged. This could include particular consideration of young people living independently, those without financial or practical support from family, or those facing especially high costs or other forms of disadvantage. Options could include setting the common rate at a level that limits the scale of losses or providing additional protection for those with particularly high needs, without recreating a system in which greater financial support depends on demonstrating an inability to work.

The detailed balance between the common rate and any additional protections should be co-produced with disabled young people and disabled people's organisations, building on the approach to co-production being developed through the Timms Review. Government should be transparent from the outset about the objectives and constraints of the reform, including the aim of broad cost neutrality, while leaving meaningful choices about its detailed design genuinely open. Disabled young people should have a substantive role in identifying which circumstances may require additional protection, considering the trade-offs between different options, testing proposals and identifying unintended consequences before a final model is agreed.

Together, these reforms would shift the purpose of financial support. Rather than asking whether a young person can demonstrate that they cannot work, the system would provide the security for them to build the qualifications, skills, confidence and experience needed to succeed in the labour market over the longer term.

DELIVER: COMBINE NATIONAL GUARANTEES WITH LOCAL FLEXIBILITY

A more personalised youth employment system requires a different model of delivery as well as different forms of support. Young people's barriers to employment, and the opportunities available to them, vary significantly between places. Access to jobs, public transport, colleges, health services and voluntary-sector support is highly local, while effective support depends on strong relationships between employment services, local authorities, employers and wider public services. A nationally standardised system is therefore unlikely to respond effectively to the realities facing young people in different communities.

At the same time, greater local flexibility must not come at the expense of consistency. Young people should not receive fundamentally different levels of support simply because of where they live. The challenge is therefore not to choose between national and local delivery, but to combine the strengths of both.

Central government should establish the overall framework for the new youth employment system, including funding, reforms to universal credit, national entitlements and minimum service standards. Wherever they live, young people should be guaranteed access to personalised assessment, a named adviser, coordinated support, employer brokerage, continuity through transitions and the financial protections set out above.

Within that framework, mayoral and local authorities should commission and coordinate services through local Get Britain Working plans or equivalent partnerships. Bringing together Jobcentre Plus, councils, colleges, health services, employers, training providers and the voluntary sector would allow support to be designed around local labour markets and existing community assets, while ensuring services are better integrated around the needs of young people.

Local leaders should have the flexibility to shape delivery models that reflect local circumstances, while remaining accountable for achieving nationally agreed outcomes. This would create a youth employment system that combines the consistency of a national entitlement with the responsiveness and integration that locally designed provision can provide.

The current system asks whether young people are entitled to benefits and whether they are complying with work-search requirements. A youth employment system should ask a different question: what support does this young person need to take the next step towards sustainable participation?

This chapter has argued for a fundamentally different model of support – one that is open to all young people who need it, and that builds trusted relationships, coordinates support around the individual, provides financial security for gradual participation and combines national guarantees with locally designed delivery.

Such a system would recognise that the transition into adulthood is rarely linear. Young people may move between education, work, ill health and periods of inactivity before finding secure employment. A youth employment system should help them navigate those transitions successfully. By redesigning employment and financial support together, government can replace a system organised around compliance and entitlement with one centred on participation, progression and opportunity.

FUNDING A NEW YOUTH CONTRACT FAIRLY

Delivering a more ambitious youth employment offer will require additional investment. Some of this will pay for itself over time through higher employment, higher tax receipts and lower benefit expenditure, but these gains cannot be relied upon to meet the upfront costs of reform.

Government should therefore consider these investments as part of a wider rebalancing of public spending and taxation across generations. This should protect adequate incomes for pensioners on low incomes, while asking more of those with substantial accumulated wealth and addressing the increasingly favourable treatment of some forms of income from wealth relative to income from work.

Options include reviewing the long-term fairness and sustainability of the state pension triple lock; reforming capital gains and other taxes on income from wealth; extending the tax base to forms of income currently treated more favourably than earnings; and reforming the taxation of high-value property and inherited wealth. IPPR has previously argued for reforms across each of these areas. The precise combination would be a matter for government and is beyond the scope of this report, but the principle should be clear: investment in the economic prospects of the next generation should not be financed by placing further pressure on the earned incomes of working-age households.

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