

Work and Pensions Committee

Oral evidence: Youth employment, education and training, HC 45

Wednesday 20 May 2026

Ordered by the House of Commons to be published on 20 May 2026.

[Watch the meeting](#)

Members present: Debbie Abrahams (Chair); Rushanara Ali; Lee Barron; Johanna Baxter; Mr Peter Bedford; Steve Darling; Damien Egan; John Milne; Joy Morrissey.

Questions 45-92

Witnesses

I: Rt Hon Alan Milburn, Lead Non-Executive Director, Department of Health and Social Care.

II: Dr Emily Erickson, Research Fellow and Policy Lead, Institute for Employment Research, University of Warwick; Professor Hubert Ertl, Vice President and Director of Research, Germany's Federal Institute for Vocational Education and Training (BIBB); Dr Veerle Miranda, Head of Youth Employment and Social Policies Unit, OECD.

Examination of witness

Witness: Alan Milburn.

Q45 Chair: Welcome to this final session of our youth employment, education and training inquiry. It is a pleasure to welcome to our first panel the right hon. Alan Milburn, who is currently chairing the review into young people and work. We all have questions for you, and I am going to start. We know that NEET has been an issue in the UK for a while. It has peaked and troughed over many years, but there is a particular issue at the moment. What is that issue and what are the drivers of it?

Alan Milburn: First, I am very pleased that you are doing the inquiry. It is a really important issue. I think it is a visceral issue, actually, in society. It has really struck me over the course of the last few weeks and months, when I have been touring the country or talking to the media or the public about this, that people are not just concerned about the NEET cohort of almost 1 million people; they almost see it as an emblem for a generational problem. There is almost a fear in society about what the

next generation faces. That is something that politics has to lean into across the piece, because it is real.

Q46 **Chair:** Politics, or society?

Alan Milburn: Both—all. The labour market, employers, councils, mayors, charities, politicians—local and national. It is an issue not just for public policy, but—maybe we will come to this—for the labour market.

If you look at the history of the issue, it has been around for a very long time. It is almost 1 million people now, but this is not the peak in terms of numbers. If you go back 13 or 14 years, the peak was in the wake of the global financial crisis, with the huge rise in unemployment that followed that, particularly among young people. Of course, young people are always on the front edge of an economic downturn, for obvious reasons: they are coming into the labour market, and the easiest thing for an employer to do is turn off the recruitment tap. That is when young people suffer. At its peak, it was around 16.8% back in 2012; it is now around 12.8%, so it is lower. On the face of it, we have a smaller problem, but what I want to say to you is that we have a bigger problem, because the nature of the problem is more entrenched.

If you think back to 20 years ago, four in 10 young people—16 to 24-year-olds—who were not in education, employment or training had never worked. It is now six in 10, and it is going in that direction. It is getting stickier and worse, for this reason that the problem is now being driven not by unemployment. There is unemployment—yesterday's unemployment figures were not great, showing 16% or thereabouts for young unemployed—but the really worrying thing is that the rate of employment among young people is falling. The nature of the issue is now not primarily unemployment; it is inactivity.

Fifty-seven per cent of young people who are NEET are not even looking for a job. They are not looking for a job primarily because the new kid on the block is ill health. You will know some of these numbers, but there has been a 70% increase in the number of young people who are NEET who are reporting a work-limiting health condition over the course of 10 years. Four in 10 disabled young people not in education, employment or training—by the way, I hate the term NEET, but I am going to use it for shorthand—have a mental health or related condition.

It is a labour market problem—it is a jobs crisis—but it is being fuelled by a health crisis. Those two things are self-reinforcing. If you have a health problem that lowers participation, lower participation in turn exacerbates ill health, so you have a vortex—a spiral. It has enormous consequences, not least for young people. This is what is often forgotten in this debate, because people immediately go to the numbers and the fiscal consequences. We know all about that, and it is bad, but the real consequence is borne by young people. It is not just that they are out of work for a period of time or out of the labour market; it has a long-term scarring effect.



HOUSE OF COMMONS

Today, 44% of 24-year-old NEETs have never worked. If you have not worked by the time you are 24, your chances of working by the time you are 34, 44 or 54 are not impossible, but diminished. This has a massive consequence. This is the big change. We have to realise that this is stickier. It is more entrenched. It is getting worse, not better. That is why it is the problem that it is for public policy, politics and wider society.

- Q47 **Chair:** Are you familiar with the UK millennium cohort study? It produced a paper last year that said that an estimated 52.9% of NEET cases were attributable to persistent poverty and family childhood adversity. Is the fact that we have not been looking at things in the round with all the drivers one of the reasons why any previous measures have been so unsuccessful?

Alan Milburn: There is a variety of reasons, but you are right: this is grounded in social disadvantage and economic inequality. We know what the risk factors are. The risk factors are far higher if you are from a low-income background, if you are from a disadvantaged place or if there is a weak labour market. You are 35% more likely to be NEET if you are growing up in Knowsley or Middlesbrough than if you are growing up in the leafy suburbs. We know that. We know that there is a relationship between social class and educational attainment. Low educational attainment is still one of the principal risk factors of becoming NEET, although it is slightly diminishing.

You are right; this is grounded in poverty, disadvantage, economic dislocation and all the things that we should be concerned about as a society, but it is not inevitable. This is the really depressing thing about this. If you look at our NEET rates compared to very similar countries, whether it is Ireland or Holland, we are performing remarkably badly. The UK has three times the rate of NEETs of Holland and twice the rate of Ireland.

- Q48 **Chair:** We are going to look at international comparators with colleagues on the second panel. How does the family adversity and poverty faced by these generations in those countries compare? Do we need to look at the root causes and address those, not just the symptoms?

Alan Milburn: Of course. You have to look at the root cause analysis, and that is what we are trying to do in the review. We have talked about this previously in other settings, but for the record, in my experience public policy tends to work reasonably well in vertical silos. You sit there as a Minister and pull a lever and something happens—usually not what you are expecting, by the way, but anyway, you pull it—but it is generally hopeless when there is a horizontal issue that cuts across. This is a horizontal issue.

Becoming NEET does not begin at the age of 16, to your point. We know what the risk factors are. I was in Bradford about two months ago talking to the Born in Bradford people. We have this amazing longitudinal study of tens of thousands of young people in the area. They have sampled DNA and they look at their educational records, their outcomes and so on. They



would say that they can predict with some degree of precision at the age of three or four who will be NEET at the age of 16 or 17. What a depressing prospect that is. Yet it is not inevitable. Other countries are proving that. The question for us is: do we think the young people in Holland or Ireland are different from the young people in the UK, or do we think they are doing something in those countries that is getting better outcomes than us? The obvious answer is that it is the latter, not the former.

We are looking at this in the round. We are looking at early years, parenting, communities, schools, skills, employment support, health and welfare. That is the supply side. Is the system set up in such a way that it is transporting young people from the world of education into the world of work? Clearly, that works for most young people, but it is not working for a growing cohort.

Then we are looking at the demand side. You can fix the supply side. You could have a better school system, a better skills system or a better system of employment support, but if there are no jobs and employers are not willing to recruit young people, or something is happening in the youth labour market—which I think it is; maybe we will come on to that—then we have a problem. We are looking at this through both a supply-side lens and a demand-side lens. That is what makes it different from the approaches we have had before. This has to be holistic; otherwise, you are not going to deal with the root cause analysis, to use your phrase.

Q49 Damien Egan: Mr Milburn, you have been out speaking to young people across the country. We are curious: what do young people tell you?

Alan Milburn: Yes, we have. When you do something like this, and you do a review, it tends to be pretty arid data and lots of analysis, but we wanted to make sure that the voice of young people was absolutely at the heart of it. We have done a lot of visits and a lot of talking to young people, whether in Bradford or Newcastle, where I was a month or so ago. We talked to panels of young people, including the Child Poverty Action Group panel and the Youth Futures Foundation panel. We have done a lot of polling among young people, particularly NEETs. They are really hard to get at, for obvious reasons, but we have commissioned a couple of polls, and we have got one back that is really interesting.

Then we have had a small team of two people going around the country to places like Clacton and hanging around the seaside, talking to NEET young people about what is going on in their lives. It is a remarkable story—it really is. The story that is often told—that young people are lazy—is a myth. You hear these words: “lazy”, “snowflakes”, “they’re making it up”, “it’s fake”.

Honestly, when I talk to young people, I find two things. First, I find that they are putting in huge amounts of effort. When I was in the area where I grew up as a kid in the west end of Newcastle—a place called Benwell, which is a pretty poor area—I was talking to a young guy who had actually got into work. I said, “What was the journey like?” and he said, “I basically



applied for 70 jobs”—that is not unusual, by the way; that is what you hear time and again—“and never heard a word back.” It’s the silence that kills you. If you do not get any feedback, you think it is your fault. Employers do not respond, which is sometimes understandable, because nowadays all applications and CVs are digitalised, it is all online, and employers are flooded with CVs and so on, which are often aided and abetted by ChatGPT, but that is so disheartening. Yet young people keep trying. This is a generation not of young people who have given up; it is a generation that is trying but is deeply frustrated.

Secondly, there are many reasons for pessimism, and you can see that in all the data. The reason for optimism is young people, because despite everything that they have been through—the pandemic, mental health issues, the digital age and so on—they are a generation who want to work. Every survey tells you that.

A few years ago, I was doing some work in Barnsley on economic inactivity, which you know about, Debbie. I was being told that a lot of people do not want to apply for jobs because of all the disincentives, the welfare system and all the stuff that we are all very familiar with, but when we went to speak to people who were economically inactive and polled them, seven in 10 of them wanted to work. They want to work, but somehow the system—by the system I mean both the labour market on the demand side and the system that is supposed to help people into work, whether that is education, skills, employment support or welfare—is not enabling that. That is the gap—the delta—that we have to fix.

I come away from this thinking, is this generation different? Yes—every generation is different. They have had to cope with things that my generation and your generation did not have to. Are they worse? No. Have they given up? Absolutely not. Are they full of hope and optimism about the future? Sometimes they are overly optimistic—when you look at the reality, they are. We have to find a way of harnessing that energy and enthusiasm not just for them, but for the sake of the British economy.

Q50 Damien Egan: I also wanted to ask about the regional variations that you are finding. Is it best to think of that in terms of geographical regions? I represent a constituency in Bristol that is half urban and half more suburban. I wonder if it is also about the type of places where people live, because I can definitely see the difference in advantage between different places. Will that require a different policy response?

Alan Milburn: One hundred percent. You are absolutely right that there is both a social dimension to this, which is the question that Debbie was asking, and a spatial dimension to it. The spatial dimension is very heavily correlated with weaker labour markets—it just is. If you think about it, that means that you can have high levels of deprivation in parts of London, for example, but quite a strong labour market. In Tower Hamlets, one of the poorest parts of the country, you can barely go to a school and not meet a banker, because all the banks and financial institutions are reaching out. They are going to the schools and telling kids about their prospects and future careers. In my old Darlington constituency, there was

not a banker to be seen; I don't know whether that was good or bad. Your point is 100% right: there is a special dimension to it.

The first phase of this review is a diagnostic report, which we will publish shortly, and the second phase is a solutions report—what it is that we need to do. Already the evidence is very clearly stacking in one direction, which is that you have to fix the national policy framework—as we have been discussing, it is inadequate and fragmented—but where the rubber hits the road is in local places. Labour markets are local, so we have to think about who is responsible for delivering what. At the moment, that is honestly pretty incoherent.

Q51 John Milne: You said that your report would be “unafraid to shine a light on uncomfortable truths.” What uncomfortable truths have you uncovered?

Alan Milburn: A number of things, I suppose. First, there is a series of myths about this issue. There is a myth about the propensity and appetite of young people to work, which we have been discussing. There is a myth about the whole mental health thing not being real—I think that is a myth. Maybe we can come back to that. There is a myth about employers being less willing to engage with or want to employ young people. We have done a huge amount of engagement not just with young people, but with employers. My sense is that there is a huge appetite and willingness to employ young people, tinged with concern. That concern is largely about whether young people are work ready, and the pastoral burden that employers nowadays face with a different generation that has high levels of mental ill health, neurodiversity and so on. It is a different recruitment and retention game that employers are in.

Q52 John Milne: These are things separate from national insurance and so on—you are going beyond that.

Alan Milburn: By far, the No.1 issue among employers is work readiness. Virtually any employer that I talk to—Amazon, M&S, people in technology and professional services—has a work readiness issue. This is a question in particular for schools. There is a schools question, which brings more uncomfortable truths—

Q53 John Milne: Is that something that they are not doing now that they used to do, or has the need changed?

Alan Milburn: Look, for most young people, schooling works. You go to school, you get your qualifications, you do well and you graduate into work, higher or further education, training or whatever. But there is a cohort where it just isn't working.

Look at the data on GCSE resits in English and maths. We get them to resit, and what is the pass rate? It is 15%. So 85% fail again, and we sort of force them to fail. There is a fundamental and difficult question that we have to face into: is the curriculum and the way that schools are set up, regulated, recognised and rewarded aiding and abetting all cohorts of young people to be successful? The data tells you that that is not the case.



HOUSE OF COMMONS

By the way, we have done a lot of polling among teachers. I was looking at the Pearson poll the other day, and only 8% of teachers said that the curriculum and the way that schools were set up was adequately preparing young people for the world of work. That is partially about careers, work experience and a lot of other things, but you have to get the balance right in these things. Of course qualifications and academic attainment remain critically important—frankly, if you don't have those, you are in trouble in the labour market—but they are not enough.

The Government's curriculum and assessment review is a good thing and moves things in the right direction; I think Bridget is moving it forward. The real question is whether it goes far enough. There is an uncomfortable truth for you. What do we need to do about that? Do we accept that there is a cohort of young people who are always going to struggle academically? That is difficult to say and to reflect on. We do not want to go back to secondary moderns and comprehensives—the era that I came from—but surely we do want a school system and a curriculum in which every child feels that they can be successful. To your point, Damien, something I have found when talking to young people is that everyone has something: a skill, an aptitude, a potential. Somehow or other, we are draining that out of too many people. That just can't be right. We have to lean into that.

We can go through it all: there are uncomfortable truths about welfare, and so on. Unless we are prepared to confront these things, we will continue doing what we are doing and getting what we are getting. The trajectory is very clear. It is one way, and that is before you layer in labour market change, which is profound.

Q54 John Milne: You also say that we need to be radical. Are there specific areas that you have in mind? Would it be changing the curriculum?

Alan Milburn: Yes, but that will be for my next report. This is an amuse-bouche. It is not quite ready yet, but yes, I think you can probably sense where the direction of travel is.

Q55 John Milne: Have you gone about building cross-party support?

Alan Milburn: Yes, indeed we have.

John Milne: You have not been in touch with me! No, that's not true—carry on.

Alan Milburn: I think we might be due to see Steve before too long. I have spoken to the Conservatives, and I am due to have sessions with the other political parties. Honestly, this is an issue that every political party should be concerned about. If you are not concerned about the next generation, we have a problem.

This is a problem for young people, but it is also a problem for the economy. Go and talk to anybody anywhere—any employer, whether they are at the bottom end of the labour market in hospitality or at the top end in technology. What do they all complain about? A shortage of skilled



HOUSE OF COMMONS

labour. We are now in a world where levels of net migration are falling rapidly. New figures are out tomorrow, I think, and will probably show a further decline. There is a real question for employers about the pool of potential labour that they need to be fishing in. Over the last period, and arguably for very many years, you have been able to rely on immigrant labour, but that is in decline.

Q56 John Milne: Ultimately, you will publish your report, but what do you see as the next course of action? What will happen afterwards?

Alan Milburn: We publish the first phase, which is the diagnostic: "This is what we think is going on." I hope that that is reasonably holistic. In the next phase, we move into "Based on that, what do we need to recommend to Government and—on Debbie's point—to wider civil society?" We continue the engagement with employers, educators, local government and mayors, on the point that Damien was asking about. All those people have a big part to play.

I want to build a big coalition of support behind this. Along the way, we have found that there are organisations who feel this as viscerally as I do. That includes the Premier League and football foundations. I am a Newcastle supporter, for my sins; the Newcastle United Foundation does a brilliant job of work, but like many foundations it is really concerned about this issue. It has huge brand reach into communities, particularly with young guys, which otherwise frankly the state would not have. We have to think about how we harness that.

We are working very closely with mayors and local authorities. In Newcastle, which is my home city, I had a conversation before the local elections with the then leader and the chief executive. I said, "Look: where I grew up as a kid, one in four kids are NEET. It's normal to be NEET. That is not acceptable in your city, so what are you going to do about it?" To their absolute credit, they set up a NEET reduction taskforce. They got themselves, the local authority, the college, the two universities, the schools and the principal employers together and they have set an ambition to reduce the NEET rate over the last few years. What I am trying to do across the country is go around and encourage every MP, regardless of politics, and every local authority, regardless of control, to do the same. They have convening authority, and they can make a difference even within the existing inadequate framework of policy and architecture.

The opening question from Debbie was an interesting one. We have had this problem for many years. It has been an elephant in the room, and no one has looked at it. Well, look at it: look at it locally, not just nationally, and do something about it. To their credit, that is what they are doing in Newcastle. I had a session with Helen, the Mayor of the West of England. She is going to try to do something similar, I think, and so are Andy in Manchester and Oliver in South Yorkshire. People around the country want to do it, and my exhortation to them is, "Don't wait for a review or a report"—or, with respect, a Select Committee report—"get on and do something about it!"



Q57 Joy Morrissey: I worked with NEETs about 15 years ago, and it was always the cohort after GCSE level with no skills who were being left to falter. There were issues with disability, of not being able to pass math and English, job readiness and other things. This is just anecdotal, but I have noticed that in my constituency many, many young people who you would consider able-bodied have suddenly dropped out of school or are being homeschooled. But that is before GCSE level, so are they already being classified as NEETs, even at that level? Where do they tap back into mainstream education? An unbelievable amount of people are not even registering on the radar, but are being pulled out of traditional education. Their parents may have worked, but I do not see a way for them to enter back into that and not fall into the NEET category permanently. I am trying to create ways, but there is honestly a block. Are you noticing the same thing?

Alan Milburn: Yes. There are three related but different issues: school absence, school exclusion and home education. There are absolute correlations, and maybe even causations, between these factors and the risk of becoming NEET.

On home education, we do not really have firm evidence—we have looked at it, but we have not been able to establish firm causative evidence in the review—but what seems to be happening is that the reasons for home education have changed. It used to be a lifestyle choice: “I didn’t want my kid in the state, I wanted to be able to do a personal education thing at home,” and so on. Now, it is much more driven by behaviours, mental health or neurodiversity, and parents are often reluctantly taking their kids out of the education system. Sometimes the education system is happy that that happens, because of exclusion policy and so on. That is one thing that is going on.

I think the really worrying thing is school absence. I was in Bradford. You know the national numbers, but I was genuinely shocked when the local authority, I think, or the college told me that in Bradford, pre-pandemic, 3,000 kids were persistently absent from school. They were missing lessons 10% of the time. If you miss your lessons 10% of the time, you are not going to get five good GCSEs. That is pretty obvious—look at the data. That was pre-pandemic. Post-pandemic, 30,000 are persistently absent. Look at the numbers across the country. That is “persistent”, not “severe”—severe is when you are even more absent.

The Government is on this, to be fair, and at least some of those rates are coming down. But this is just building more and more risk. If you do the forward projections and look at the trend lines, it is hard to be optimistic and say that it is going to get better naturally. Let’s say that we magically get a higher level of economic growth. That will not necessarily translate into these young people coming into the labour market, which is why you have to take a horizontal perspective. On the technical question, a NEET is 16 to 24, not pre, but there is definitely what I would call a pre-NEET stage.

Q58 Mr Bedford: You used the expression “some uncomfortable truths”



HOUSE OF COMMONS

earlier. That is really important. I am quite a cynic when it comes to Governments of all colours commissioning reports, inquiries and so on.

Alan Milburn: So am I. I have done it myself many times, believe me.

Mr Bedford: My concern is that we never really get to the nub of a problem, and we then never get the Government, whichever Government it is, to implement solutions.

On youth detachment, you touched on a couple of examples—the welfare system, businesses and a lack of skills and experience from people leaving school and going into jobs. There are some other uncomfortable truths about society and parental responsibility, particularly around jobless households. How will your report bring all that together?

Alan Milburn: We look at the issue of parenting. It is almost a taboo issue in public policy, if we are candid about it. It is difficult, because it is about the relationship between the state and the family, and that is not an easy place to be sometimes. We have looked at different family structures to see whether there is any relationship between family structure and the risk of becoming NEET. There does not seem to be, but parenting and parenting styles definitely have an impact. Of course, if you read to your kid regularly, take them to a museum or get the opportunity to take them to the theatre, the cinema or whatever, that builds the social capital that, in today's labour market and tomorrow's, will be increasingly important.

So there are some issues here. You can look at these issues, but the real question is "So what? What does that mean for public policy?" That is the currency in which we all trade. We can have an observation and do an analysis, but what does it really mean? When we have looked at public policy parenting initiatives and programmes—the Family Nurse Partnership is an example—there is pretty mixed evidence about effectiveness. There are some very good local initiatives. There is a very good one in Sheffield, for example, helping parents particularly with the literacy and numeracy of younger children, so there are some lessons that we can learn.

But your bigger point is right: you cannot gift aspiration to people. As the state, there is a lot of stuff that you can fix and enable, but aspiration and effort have to come from inside, not outside. There is a parental responsibility and a young person's responsibility, for sure, but let us not fall into the trap of thinking that young people growing up in extreme disadvantage with a mental health problem in an area of weak labour markets, with schools that are not working—there is a very strong correlation between areas of disadvantage and poor school performance—can overcome all those disadvantages just through their own efforts.

There are traps on both sides of the equation. We should be aware that there are multi-causal, multifactorial reasons why young people might end up becoming NEET, but there is no single answer. One of the really depressing things from doing this review is that everybody wants to blame somebody: "I tell you what, let's blame the smartphones," "Let's blame the pandemic—it's all about the pandemic," "Let's blame the benefits system," "Let's blame the employers." It is not capable of being solved



through a blame game. It is capable of being solved by being clear about what is going on, why it is happening, what the underlying drivers are and what you can take from elsewhere, which we are clearly not doing here, in order to address a problem that is not inevitable.

Q59 Mr Bedford: We will have some more questions later about cross-governmental working, but one of my frustrations, which I always raise at this Committee, is about delivery of Government policy in silos.

I will give you an example. You may have the Treasury saying to the Chancellor, "We need to raise additional revenue. Let's increase national insurance." The knock-on impact could be that businesses—certainly the ones I speak to—are less likely to take on younger people. The Employment Rights Act has rights and wrongs, and there are implications for taking on younger people, particularly with the six-month period of day one rights. All these policies, when considered in isolation, may seem really good for improving a particular aspect of the state, but there is a knock-on impact. The Government do not join all the dots, so we get the consequences that are coming out with youth employment. What is your view on that?

Alan Milburn: What is singularly lacking, when you look at the efforts of successive Governments in this domain, is a labour market participation lens on policy. That applies if you are talking about fiscal policy, but you could say the same about education policy, and you can absolutely say the same about health policy. Does the health service really think that one of its core objectives is to ensure that young people are able to participate in the labour market? That is not what it is incentivised for. That is not what it is paid for or rewarded for. That is not what it is recognised for.

In my view, that is quite a fundamental faultline. One thing we will look at in the next phase is how you can address that point. It is not just joining dots. It is joining dots between different services, of course, and where the rubber hits the road that has to happen in a local area. It sometimes has to happen in a hyper-local area, and definitely in a local labour market area. But it is more than that: it is about seeing policy through a different lens. Young people are different from older people, for a very simple reason: they are at the beginning of their life. If they are not in work at the beginning of their life, that has a long-term scarring effect for them. That is not how public policy is currently configured, and that is the fundamental thing that we have to change.

Q60 Steve Darling: Thank you for coming today; it really is appreciated. First, I want to unpick sickness and disability, and how that plays out in the life of a NEET young person. Secondly, we touched earlier on how other countries are able to get in there. Do you have any reflections on that? Thirdly, you have already touched on the doubling, sadly, of young people who are home educated. Some deeper delving into that would be really helpful.

Alan Milburn: I look forward to our chat before too long. On the disability question, the principal game changer has been mental health and neurodiversity—ADHD and autism in particular. That is driving a lot of the



HOUSE OF COMMONS

increase in the numbers, as you know. This is a vexed area. For the review, we have leaned very heavily on the work that Peter Fonagy has been doing in the Department of Health and Social Care. Peter has been conducting a review into mental health prevalence. I don't know whether the Committee is aware of that work, but it is extremely important. He has produced his interim report, which basically says two things.

First, distress—as he describes it—among young people, which is anxiety and depression, is real and it is rising, and it is leading to functional impairment. For example, sleep patterns are being very heavily disrupted. That might be in part a hangover of the covid pandemic, but it probably has something to do with the digital age. These kids are in their bedrooms and on their devices at all times of day and night. The team that have been going around the country—Peter Hyman and Shuab Gamote—are publishing a little report on this tomorrow. One of the things that they do when they talk to a group of young people who are NEET is ask them what time they went to sleep the night before. Sometimes it is 1 o'clock, 2 o'clock, 3 o'clock or 4 o'clock; sometimes it is not at all. We know that, for whatever reason, the level of distress is rising. That is a real thing.

On neurodiversity, it is a different story. The prevalence seems to be broadly flat, but diagnosis is rising. From all the epidemiological work they have done, they think that the prevalence of ADHD and autism in society is not going up, but that diagnosis—for good reasons and sometimes for bad—is rising. But that is not really the question; for me, the question in this review is the "So what?" question. Okay, you get a diagnosis; should that automatically mean that the health and welfare systems say that you are incapable of work? Tens of thousands of disabled people disprove that thesis every single day, because they are working.

All the polling, all the surveys and every conversation you have will tell you that, overwhelmingly, people with a disability want to work. Of course, there are a group of people with severe and enduring disabilities who will be unable to work, and the state obviously has a responsibility to them, but all too often the question we end up asking is, "What can't you do?" rather than, "What support do you need in order that you might be able to do something?" I am afraid that that is the misalignment in the health and welfare systems, and it has to change.

We know that there is an appetite for work and for more employment support, but people are not being provided with it. That is a fault line in the welfare system as much as it is in the health system. This is a fundamental issue. It is obviously difficult and sometimes sensitive terrain, but, honestly, when we have looked at them, the systems are not set up to enable participation in the way that they should be, and the consequence is being borne by young people who want to work. That is a bit of a long-winded answer to your question, but I think it is a really fundamental area.

Q61 Steve Darling: Do you have any reflections from other countries that you care to share?



Alan Milburn: Yes. The answer to what sometimes feels like a tsunami of distress and mental ill health among young people cannot just be that the national health service has to do more. It just can't; it would be overwhelmed by that. We have to think about where the national health service plays its part, but also where employers play theirs.

You will be aware of Charlie Mayfield's work; Charlie is part of my expert advisory panel, and I am very grateful to him for all his input. He says that only 45% of people have access to occupational health, for example. That is a missing piece of the jigsaw. There is a whole question of what support people can access digitally, but the fundamental piece that we are sometimes missing is that work can create stress, of course—we all know that—but overwhelmingly, work is good for people's purpose, self-fulfilment and sense of self. It is a good thing, not a bad thing. Sometimes we are at risk, as a society, of falling into the trap of saying that work is somehow bad for people's mental health. We know that the reverse is true: not being in work is deeply bad for people's mental health. There are some issues that we have to lean into—as a society, not just as public policy makers—around some of these questions.

Q62 Steve Darling: I think home education is a massive issue, because it has virtually doubled. Do you see part of that as a failing in the SEND system? Were you alluding to that, or was I misreading that? There seems to be a bit of a cultural thing in society that, if your kids are having a hard time at school, sometimes the easiest thing is just to pull them out.

Alan Milburn: That story was probably more true 10 or 15 years ago. The cultural aspect of this—"I want to take my kids out because I want a different sort of education"—seems still to be the case, but probably less so. Now, I think it is much more that the system is somehow not working for both parents and children. This is very related to SEND. By and large, when we have looked at the Government's reforms, they are absolutely on the right track. The question really is about the pace of implementation. The scale of the issue is becoming so big that the question is whether or not the implementation will be fast enough to keep pace and get on top of it, but in broad directional terms, Bridget and Georgia have got this to a pretty sensible place.

Q63 Lee Barron: You wrote that "we are far from having health, employment or welfare systems that offer the kind of support that is needed to enable young people into work." My question is about different systems working together in order to help young people. I know it may be a bit early, but do you believe that that kind of systems-level change is possible?

Alan Milburn: I think it is both desirable and possible, because other countries are doing it, and doing it in a very different way from how we are. I think you are going to have some international evidence shortly about what works. There are some models that are interesting and that are worth looking at, whether that is in Denmark, Holland, Belgium or Germany, which seem to have a number of features that might be important.



HOUSE OF COMMONS

First, they are much more integrated than ours seem to be. Secondly, they seem to be capable of earlier intervention than ours seem to be. Thirdly, and this is the piece that people often miss, employers are much more engaged. That is important, not least in terms of familiarising young people with the world of work.

I am not saying that this is about employers simply going into schools and doing a talk, because that does not always stick; it is structuring and making systematised how work experience actually happens. All too often, in schools in particular, what we have seen is that it varies a lot, but it tends to be a bit haphazard. It tends to be a bit of an afterthought.

It is a total failure when a young person in school is told to go and sort their own work experience, because that then relies on network and connection. If you can ring somebody up or ask somebody—everybody here will get asked all the time to take a friend on work experience—that becomes self-reinforcing. That is a really big missing piece of the action. In other countries that seem to have lower NEET rates, this is much more systematised and structured in the education system.

Q64 Rushanara Ali: I have a couple of quick-fire questions about what it would take in terms of money. On top of what the Government are doing, and with the scale of the problem, what additional investment is going to be required to shift things dramatically, to get to a point where we see the numbers of NEETs go down? What would you say to that?

Alan Milburn: I don't know the answer to that question right now. That is something we will be looking at in the next phase. The truth is we are spending a lot of money—we are spending a hell of a lot of money. The question is whether we are spending it in the right way.

Q65 Rushanara Ali: I would be very interested in knowing that. It is really important for us on this Committee and as parliamentarians to be able to push the Government to redirect funding where it is in the wrong places—I think successive Governments make that mistake—and then to push for additional resources, if we are serious about this, and to identify where that comes from.

Alan Milburn: We have an enormous benefits bill. It is not exclusively spent on young people, but a large proportion is, and it has escalated fast; the number of young people claiming a health and disability benefit has doubled in five years. That is pretty exponential and is rising faster than the rate of disability in society is being diagnosed, so something is going on.

We need to look very carefully at that, but there is a fundamental question that we have to ask. The benefits system in particular is set up for a multitude of purposes. There are a group of people with severe and enduring disability who just need to be supported. That is inalienable in my view, and is right. There is a group of people, largely older workers, who fall out of work and temporarily need income replacement and support to enable them through.



HOUSE OF COMMONS

Young people are different. They haven't fallen out of work. This group—60% of them—have never been in work. The question that we have to ask of the welfare and benefits system is whether it is maximising their participation and the amount of employment support that is made available to them. You can look at the benefits system in the round or at particular benefits—whether PIP, universal credit or whatever—and in many regards we are missing too many opportunities to provide appropriate support. You can talk about incentives and whether or not the incentives in the system are right is one thing; the question really is: "Are we providing the right level of support to people?" The answer, I think, is that we are not.

Q66 Rushanara Ali: In the breakdown of the number of young people who are NEETs, 448,000 are women. That often does not come through. I think that when people think of NEETs, they tend to have an assumption that it is mainly young men, but of course the rest are young women. In terms of the labour market, Kate Nicholls and others have talked to the Committee about the cost having risen. What do you think needs to happen? Are there different issues facing young women versus young men? Can that be drawn out in your work, please? From what you have heard from employers, what could be done to support employers to play a more active role, in partnership with local government, national Government and others, in getting more young people into work?

Alan Milburn: I will try to be brief but those are big questions. It is 1 million young people, or thereabouts, everyone is different, and there are different cohorts within those people. There are particularly at-risk cohorts, such as young mums, care leavers and young carers. It used to be that the NEET population as a whole had more women than men. Now the situation is reversed: it is more men than women. It is a huge number of women.

Largely young women are NEET primarily still because they are the primary caregiver—that remains the case. There is an issue about employment opportunities and flexibility, which are critical, and not just about childcare. That comes to your point about the labour market. That is the absolutely critical and little-understood thing. If you think about it, most of the public policy that has tried to address this problem did so by improving the employability of young people: better skills, a different curriculum, tougher conditionality in the benefits system, whatever. All those things are really important, but people have missed the demand side.

The truth is that the demand side has fundamentally weakened. Let me give you two or three data points to understand how significant that is. If we go back a generation, over 60% of young people up to age 24 were in some form of employment; today it is 50%. A generation ago, four in 10 young people who were in education up to the age of 18 were also in work of some sort; that has halved during the course of the last 20 years.

People talk about the demise of the Saturday job. That is a real thing: everybody probably had a Saturday job. I did—I got sacked from mine,



because I was delivering newspapers and I could not get out of bed, so that did not really work. The demise of the Saturday job is the nose to the story. The number of entry-level jobs—those opportunities—have fallen, not risen. There is a sectoral aspect to that. Jobs in hospitality and retail, which are two of the principal sources, have been falling for many years. That straddles Governments. Hospitality vacancies have been falling for five or six years. That is not about just one issue of public policy; it has been going on for very many years.

If you look at the make-up of employment—I think these are the right numbers—over the last 20 years there has been a decline of 1.6 million jobs in lower and medium-skilled professions. There has been an increase of 6.3 million in higher-skilled professions. If you think about the cohort that we are talking about here, they are probably aiming for hospitality, retail, warehousing, care—those type of jobs—and the job opportunities have diminished over time. That is reflected, by the way, in apprenticeships, which should be a get-out-of-jail card but are not.

Q67 Rushanara Ali: I have one final question. I was really struck by what you said about hope and the converse of that: hopelessness. I came to see you when you were doing the social mobility review, and I was starting up an organisation with my constituents to get employers involved in schools, helping to build confidence and the social capital that you mentioned. In boroughs like Tower Hamlets and constituencies like mine, it is not the shortage of bankers and others; it is the inability of the system to bring those two groups together. You could live in a block of flats with financiers at the top of it and social housing tenants at the bottom, and never shall they meet.

In terms of the point you made about engagement and job readiness, schools are still very stretched, despite there being more investment now. I put it to you that the system—the state, whoever is in power—is poor at looking at how to support that bridging social capital piece, which is key, because employers need to be in schools, colleges and universities to help with that job readiness process. That is just not happening, despite lots of good initiatives, whether from local charities or local organisations.

There tends to be a bias: Conservative Governments tend to think the private sector is good and can do all of this and the public sector cannot. Labour's bias tends to be more on the other side. What would you say needs to happen to address this point? You mentioned some examples, and I have lots of them in my constituency, but scaling those initiatives is very difficult. Government—whoever is in charge—lacks the imagination to help to scale the things that are working, and it often repeats things that are not working.

Alan Milburn: Just briefly, because I am conscious of time, the first thing is to recognise that the so-called bridging function, which is what you are describing, is an absolutely critical part of the architecture, and it does not really exist. It probably has not really existed since the abolition of Connexions, which was flawed but provided that. Not least, it provided for individual young people someone who was brokering on their behalf. That

has disappeared. That architecture does not exist, so we have to think about whether that is necessary for the future. That is a really important aspect of it.

Secondly, on the point that Lee was asking about, which was about what we can learn from other countries, bridging functions seem to be much more established there than here, so we need to think about that. It comes back to the essential point, which is, does public policy as a whole—not in vertical silos, but as a whole—see this as an issue that everyone has a responsibility to play their part in solving? I would say right now, honestly, it does not, and it should. I am hoping the consequence of this review and, indeed, your report is that that is where the Government goes.

Q68 Johanna Baxter: You talked about the difficulties of dealing with this as a horizontal issue. What is the way to tackle that, to make sure Government Departments are working together? Is it a cross-Government youth employment strategy or something else?

Alan Milburn: We have lots of strategies, and we have lots of policies. It is great what Lisa is doing with her youth strategy. It is great what the Department of Health and Social Care is doing on youth participation and some of the pilots that it is running, what Pat is doing with the youth guarantee, and what Bridget is doing on curriculum reform in education and equalities. But honestly, I look at it, and it is all pretty good stuff—I just can't see the join. That is what we have to do, and that is what I am hoping emerges from this.

Do you remember that phrase "mission-based government"? If ever there was a case for mission-based government, this is it. I have sat in too many Cabinet sub-committees where you think that just by having a conversation with colleagues, you sort the problem. That is not the issue. Sure, that is a necessary precondition—let's get around the table and try to collectively work it out, of course. But the real thing is, what is the animating idea that is guiding the thrust of policy across Government?

Are there shared incentives? Are we clear about responsibilities? What behaviours do we want to change? What outcomes do we want to achieve? You need to have these clear. Everybody does what they do for perfectly good reasons—accountability drags you there and Select Committees like this drag people there. Pat will come here and report on what Pat has to report on, but I am guessing that Bridget does not, James is not and Rachel probably is not.

Without being too grand about it, there almost has to be a philosophy. What is the governance philosophy that underpins all this? At the moment, I do not think we have a participation-first governance philosophy. I should say, by the way, that this review unashamedly champions work as a good thing. Work is a good thing. Everything I have had in my life I have achieved through work.

Q69 Chair: Are you going to qualify that, Alan? Is it all work or good work?



Alan Milburn: Good work. Not all work is equal, of course, but we should not kid ourselves either. Not everywhere is going to be silicon valley—it just isn't. In the work I was doing in Barnsley with Sir Steve Houghton, the brilliant leader of the council for very many years until recently, we were looking at the nature of employment. The big employers are warehouses: Evri and ASOS. People look down on that and are snooty about it, but they are pretty good jobs; they are good employers that are trying to do the right thing.

Of course, work should be purposeful and good, but honestly, a job is better than no job. It is better to get into work and get on the career ladder. The problem that we have—to answer Rushanara—is that the first rung on the career ladder, whether an apprenticeship or a first job, is diminished. That is a problem for all of us. It is a problem that principally not just public policy but employers have to address. Employers have to address this.

Q70 **Johanna Baxter:** I have a final question. That is an issue at a cross-departmental level, but I represent a constituency in Scotland, and it is also an issue between Governments. So many of the levers for tackling this issue for my constituents rest with another Government, sitting in Holyrood. What is your recommendation for those two Governments in terms of shared responsibility and working together to solve this issue? What would you say to them?

Alan Milburn: I hope that it can be, and it should be, a shared endeavour. Let's be clear that this is a political problem as well. It is a political problem if you have 1 million young people who are disengaged and feeling disenfranchised from the system. That has political consequences and not just social consequences, so I hope that all the political parties realise that it is an issue that needs to be addressed.

There is a very simple choice generally in life: you can keep on doing what you have been doing, and repeating what you have been getting, or you can decide to change course. We are at a moment now—the first question from Debbie, about what has changed, was absolutely right—when things have changed so markedly. My big read is that, in as far as it exists, the system that we have set up and have been transporting young people through is no longer fit for purpose. It has to change if we are going to address this issue.

Chair: We have to move on very quickly to the last two questions.

Q71 **Steve Darling:** I was interested to hear you talk about mission-based government. Part of that is about driving a culture change. How do we get—I am sure that this will be a short answer—the whole of the orchestra of government and society to work together to drive that culture change, so that we see the change we need to achieve that mission-based approach?

Alan Milburn: You make it a cause. Politics doesn't have a lot of causes any more, does it? If this can't be a cause—a million young people—I don't know what can be. By that, I don't just mean a political cause; I mean a



HOUSE OF COMMONS

cause for the country, employers, local government, charities, parents and communities. People are viscerally worried about the next generation, and this really does need to become a cause. I hope that we genuinely ignite a movement for change with this review, and I do not just mean in politics; I mean in wider society.

Q72 Damien Egan: We did not get to talk much about housing and housing policy, but that has been a generational shift. We will all have seen the rise of people well into adulthood in house shares and the rise of the HMO. How do you think housing policy has an impact on youth employment and on education, training and opportunity?

Alan Milburn: When we publish the first report, you will see that we identify two areas that are what I would call public policy orphans. One is transport, because if you cannot get to work, you are not going to get a job, and the other is housing. What is happening in the housing market is increasingly inhibiting the ability of young people to get jobs, and it is restricting the geographical area in which they can seek a job, both in the rented market and in the owner-occupied market.

This is an important aspect, and then there are some micro-issues as well about the way the benefit system, for example, disincentivises work for those in supported housing. If you are in supported housing, you have to take quite a big risk to go into work, because you lose your benefit and then you lose your house. That is quite a big risk. By the way, that is a big risk in general in the benefit system. The Government are on the right track with the “right to try” idea, but the risk that the benefit system is asking people to take is not just the loss of a few quid; it is potentially the loss of their entire benefit income, which they put at risk by trying to get into work. That is what you call a disincentive. I would call it a perverse incentive.

We have to ask questions not just about the “right to try” policy, but why on earth we have designed the benefit system in such a way that it means that young people, and indeed older people, have to take such a risk with what is core for them—their rent, their ability to heat their homes—simply by doing the right thing, which is to try to get a job. I am afraid that is a design failure in the benefit system, which we really have to look at. We will do so in the next phase.

Chair: Alan, thank you so much. You have been so open and forthcoming with your evidence to the Committee. I am very grateful to you and look forward to your next phase and the reports there.

Examination of witnesses

Witnesses: Dr Emily Erickson, Professor Hubert Ertl and Dr Veerle Miranda.

Q73 Chair: A very warm welcome to the second panel for the final evidence session of our youth employment, education and training inquiry. We are delighted to be joined by Dr Miranda, who is head of youth employment



HOUSE OF COMMONS

and social policies at the social policies unit at the OECD; by Dr Emily Erickson, a research fellow and policy lead from the Institute of Employment Research at the University of Warwick; and Professor Hubert Ertl, vice president and director of research at Germany's Federal Institute for Vocational Education and Training. Again, a very warm welcome to you all. Thanks so much for joining us today.

I am going to start the questions. Dr Miranda, the UK has nearly 1 million young people not in education, employment or training, and that number has been increasing. How does the situation in the UK compare with what you see in other OECD countries?

Dr Miranda: First of all, thank you for inviting me. I listened to Alan Milburn's presentation and very much agree with everything he said. He touched on very important points.

The UK situation is a bit different from that of other OECD countries; the trend is especially different. In the past decade, all OECD countries saw a declining trend in NEET rates. There has been a bit of a stabilisation in the last two years, since 2023-24, as NEET rates have stabilised, whereas in the UK there has been an increase. We already observe in other OECD countries a slow increase in unemployment rates, mostly because of a worsening general labour market situation. The impact in the UK is much stronger.

As Alan Milburn said, the increase in the UK is very much determined by inactiveness and young people who are not even looking for jobs, whereas in other OECD countries that is not at all the case; at the moment there is only a slow increase in unemployed young people. I think that is where the main difference lies. I can, of course, go much more into detail if you want, but that is the main point.

Q74 **Chair:** That is very helpful. As we know, the UK has fared worse than other countries since the pandemic. Do you have any views on why that is? We talked about economic inactivity and so on, and the issues around mental health, but other countries also have issues. What drivers do you think we are experiencing that you are not, or is it just the way you are managing it? Are you managing it differently?

Dr Miranda: When it comes to reasons specific to the UK, I think Alan Milburn gave a very good overview of the reasons behind the increase in the NEET rate. The reasons behind NEET rates are often very country-specific, depending on how the system operates and where the difficulties lie. In some countries, there is still a high share of young mothers who have difficulties combining work and care, whereas Denmark, known for its very good public employment services, has a rather high NEET rate mostly because of a high school drop-out rate.

It differs across countries, but overall we see that EU countries have been putting in a lot of effort in bringing NEETs into work. For example, the youth guarantee in European countries has had major achievements. That is with, first, bringing young people into work, but more recently, reaching out to the inactive ones and trying to get them into work.



HOUSE OF COMMONS

As Alan Milburn said earlier, the big problem lies with the UK's fragmented system and the general state of the labour market in the UK. There has not been job creation. Young people are always the first ones to suffer from that. They are the ones who have difficulties entering the labour market. They are also often the first ones to lose their job if they already have one, because they are often on temporary contracts. So far, we have not seen that in such a strong way in other OECD countries.

Q75 Chair: I mentioned the UK millennium cohort study and the relationship between child poverty and family adversity in impacting on NEET levels. I know that there is equivalent data in, for example, the Danish millennium cohort. Is that reflected more broadly in other European countries?

Dr Miranda: To be honest, I have not looked into that specifically. There is much more persistent effort in many EU countries to identify the ones at risk and try to support them very early and onwards. If you look at the youth guarantee in Europe, the aim is to support every young person within four months of unemployment. It is really about trying to identify them and support them early on.

If you look at the youth guarantee currently being implemented in the UK, it is much more focused on the long-term unemployed young people, so you are reacting much later. All the effort in EU countries happens very early on. That already starts in school in trying to help young people at risk of becoming NEET or families living in poverty, but I have not looked at the evidence directly of poverty and the NEET rate.

Chair: We will have another session once you have. I am going to hand over now to Peter Bedford.

Q76 Mr Bedford: I have a question first for Professor Ertl. What evidence is there that effective vocational education and apprenticeships can reduce a country's NEET rate?

Professor Ertl: First of all, hello. I am speaking to you from Stockholm. I hope you can hear me. In answer to your question, speaking from a German perspective, we have evidence that a successfully completed apprenticeship in the dual system in Germany is a good guarantee for not falling into the NEET category. Unemployment rates for people who have completed an apprenticeship are very low in Germany—we are talking about 4% to 5%. At the moment, we also have record numbers of people staying on after completing the training, with their training company. Staying-on rates are close to 80%, so I think there is sound evidence for completion of an apprenticeship being a good guarantee for not running into trouble.

Mr Bedford: Dr Erickson, do you have anything to add?

Dr Erickson: Thank you for having me, and for the question. I would say that, internationally, some of what our research would flag up as an implication is that a high-quality vocational education and training system, an apprenticeship system really, does have the potential to be critical for reducing the risk of becoming NEET, to echo Dr Ertl's statement earlier.



Particularly where VET systems are able to provide young people with clear, stable and recognised pathways from education into skilled employment, we have seen some real benefit. The issue is not simply the number of programmes or qualifications that are available, but whether those systems function effectively.

If I may, I will flag a few things here that we have found particularly relevant from our work. One would be that other systems have been able to maintain apprenticeships principally as serving new labour market entrants, rather than being more of a workforce upskilling piece. Another we have found in our research is the relatively high cost to employers of delivering similar apprenticeships in England, when compared with employers in Germany and Austria. Those costs to an employer might actually suppress their willingness to engage in the system and therefore create fewer opportunities or apprenticeship positions. The last piece would be the role of policy instability or change, which can create uncertainty—if the pieces of the puzzle keep shifting, it can create more uncertainty and create higher transaction costs for an employer that chooses to engage in the system. That, again, could suppress creation of positions overall.

Mr Bedford: Dr Miranda, do you have anything to add to the previous two contributions?

Dr Miranda: No, I think I will leave it to the experts on VET. I am less of an expert on that area.

Q77 **Mr Bedford:** Thank you. To go back to Dr Erickson, last year in the UK more than half the apprenticeship starts in England were people over the age of 25. I wondered how that compares with other countries.

Dr Erickson: England is a bit of a unique case in that context. One of the major differences there is the function that apprenticeships play in the labour market. In the comparative work we have done with Norway, Austria and Germany, we have seen that those countries tend to embed apprenticeships within a broader school-to-work transition that brings in stakeholders—employers, schools, government at multiple levels, local and national, as well as social partners—and helps it to remain based as an initial vocational formation tool.

Norway might be an interesting example, because it maintains that very stable, youth-focused—what they call a two-plus-two—apprenticeship model. That has been supported through really long-term co-ordination agreements, which bring together all the stakeholders, set goals and agree responsibilities, whereas here in England, we see apprenticeships function more for a higher level—level 5, 6 or 7—as well as for older apprenticeships, as you flagged, over the age of 25.

That shift accelerated following the apprenticeship levy, and from an employer perspective that is quite understandable. A firm might be more willing to invest in skills training for workers where they have a better idea of their productivity and retention levels. It is potentially a risk to invest in



HOUSE OF COMMONS

an unknown young person, but the consequence is that young people without that existing employment relationship might face greater barriers to entry into the apprenticeship system in general.

Q78 Mr Bedford: Professor Ertl, do you have anything to add to that in terms of the international context?

Professor Ertl: Yes. I think investment in training is a key issue here, and I guess that the willingness on the part of employers to invest in young people is really important. Germany has a long-established tradition of investment by companies.

The numbers that we collect on how much it costs to provide high-quality apprenticeships show that it is not cheap in Germany, either. On average, training companies spend €28,000 per year on each training place, but of course they recoup quite a bit of money from the productive work of apprentices, because they are involved in production processes. So, the net cost comes down to only €8,000 a year. And with the high stay-on rates, you could argue that for most companies it is a good investment.

That is the situation in Germany, but of course not everything is rosy. We have got recession in the economy now and we can see that the number of places in dual apprenticeships offered by companies is going down; that is a normal phenomenon when the economy is not doing very well. We are struggling with that at the moment. As a result, the number of young people last year who could not get an apprenticeship place went up to 40,000. That is significant and we will have to watch that.

Q79 John Milne: There are lots of different systems around the world. What countries do you think have the most effective systems of vocational education and training, and what makes them so effective? Perhaps I could turn first to you, Dr Miranda.

Dr Miranda: I think the other speakers on the panel are probably more expert on this, but from the OECD analysis that we do on young people and VET and apprenticeship systems, we always look towards Germany, Austria and Switzerland for their well-functioning VET systems. As the other speakers have said, it is because of the close collaboration between employers and the education system, and also the willingness of employers to invest in the youth generation. But I will leave the details to the other speakers.

Q80 John Milne: Dr Erickson, can I turn to you?

Dr Erickson: Thank you for that question. I would echo what Dr Miranda said. Germany is often held up as a gold standard, along with Austria and Switzerland. As I mentioned, we have also done some work on Norway. Really, it is the idea of clearly defined and highly esteemed occupational pathways that allow young people into work, but how that plays out in these different contexts is quite significant, and the role of collaboration and co-ordination among these stakeholders is quite essential, and that that is a formalised system, not an ad hoc one.

I am sure that Professor Ertl can speak to this as well, but in Germany and Austria we also see the role of chambers as really key intermediaries, particularly in the apprenticeship system, by helping to provide quality assurance matching of apprentice and employer. They are also able efficiently to potentially collectively articulate demand and needs that employers might be experiencing, rather than there being a one-to-one kind of feedback that might take place between employer and local provider.

- Q81 John Milne:** Professor Ertl, as has been mentioned, Germany has a very good track record on this, but the German dual system is deeply embedded and has more than 100 years of history behind it. In the absence of that history, what can the UK learn from it? Is there anything that we can realistically emulate?

Professor Ertl: Yes. Employer engagement is the key issue here. It is key to take a longer-term perspective on what you have to spend to create high-quality training, and therefore young people who know your company and help you with new skills in the future. Bringing the employers in is not an easy task. From the German perspective, it helps to give them not only responsibility but an active role in shaping the kinds of programmes they want to offer, which is a key success factor in the German system. At my institute in Bonn, we bring together employer associations and trade unions to negotiate in-depth how training programmes should look in a given sector. That produces a commitment to training that is hard to achieve in a more central, state-run system.

- Q82 John Milne:** Dr Erickson, you mentioned the high cost of an apprenticeship in the UK compared with other countries. Why are costs so high here? There is an obvious question alongside that: is there a way to bring them down?

Dr Erickson: I was reflecting on a specific piece of research we did for the Gatsby Foundation. We compared the delivery of two specific apprenticeship standards and compared the costs and benefits, because importantly, as Professor Ertl points out, the firms also receive a productive benefit from their apprentice working there. We found that, in England, even after standardising costs, they were almost double what employers could expect to have paid as net costs in Austria and Germany. There is a lot that goes into that. Part of it is wage costs and differentials between what is expected to be paid to a learner-apprentice. There are other components that we flagged up in our research, which were elements of administrative time that had to be put in on the side of employers into navigating that system, such as finding a training provider in the competitive marketplace in their region that provides the training they need at the quality they expect.

As systems change, it might be that the programme from the last time you took on an apprentice no longer exists and the Government webpage you went to does not exist anymore, so there is more administrative burden or hassle that you might think about, such as quality assurance and co-ordinating things such as the assessment process. All of that



HOUSE OF COMMONS

becomes an employer cost because the English system is those two parties—the employer and the training provider—working together, whereas, in Germany and Austria, we saw third-party institutions—what they call chambers—take on a lot of that burden, so there were lower administrative costs. In addition to some other pieces, that was really flagged up in our work.

Q83 John Milne: I will throw open my final question. In England, apprenticeships historically have a more negative image compared with a university education, which is always assumed to be the superior route. What can we do to change that image?

Professor Ertl: I am happy to have a go. Parity of esteem is an issue that we have discussed for a long time, and it is not like we do not have a trend towards higher education in Germany; that is going on. Overall, we can show quite nicely that people who do an apprenticeship and are then qualified for further training on the job as they go along—maybe for a technician certificate or a master craftsman certificate, which has high market value in the German system—are definitely on par in terms of lifetime earnings with the average graduate from university. Being able to show that and show young people the career pathways that you can enter by going into an apprenticeship is an important message that leads families of young people, who are very important in the decision-making process, to realise the vocational pathway might be better. We have lots of examples like that.

Q84 John Milne: Thank you. We are tight on time. Any other comments?

Dr Erickson: On that, I am not sure parity of esteem has been fully resolved by any country. A comparative lesson would be that it is not going to be created through rhetoric alone; it will be about those long-term occupational outputs and potential. It will depend upon things like the quality of the offering and labour market value, as well as potentially institutional stability, so that there is confidence in what is being delivered.

Q85 Damien Egan: England has a high rate of skills mismatch. I was wondering what your thoughts were about that. Something that we are cognisant of on this Committee is the future of work—how those skills gaps might evolve over the coming decades.

Dr Miranda: If you look at the OECD data from the PIAAC—a survey of skills of adults—you can clearly see that England has the highest skills mismatch in different ways of defining it, such as the qualification mismatch—what did you study and what kind of jobs do you do? England really is at the top of the qualification mismatch—but it is actually over-qualification.

You are over-qualifying your people and then they are not actually using that qualification in the job that they are doing. The skills mismatch—what kind of skills you have and what kind of skills you actually need for your work—is the same. There is an over-skill mismatch. It is all related to the discussion we had on the VET and apprenticeship system as well. The system in the UK, or England, very much drives all young people into

academic degree and higher education. You are not directing your young people to what the labour market actually needs.

That is where you need this conversation and continuous interaction between the education system and employers. How do you, as a system, guide your young people towards what the labour market needs? That is where the big challenge lies, and a system effort in many different areas is required to solve it. That is all from an OECD perspective.

Dr Erickson: Here at IER, we do quite a bit of work on skills mismatch. I think some of that might have a bearing here, even though we do not specifically look at it through the lens of youth NEET rates, necessarily. One example is a project we have at the moment called SkillsPulse, where we are looking at two particular types of mismatch. As Dr Miranda flagged, there are a number of different forms of mismatch, but in that one we are looking specifically at skills gap and skills shortages.

One of the consistent findings that I think is relevant here is that mismatch is multi-dimensional and multi-causal, and it can be systemic. It is very rarely only a problem of an individual lacking skills. It will often also reflect things like how a job is designed and the terms and conditions of the job being offered. If you are offering below market wages or bad jobs, then you might actually have a hard time filling it, but that has nothing to do with skills and is more about the quality of the job on offer.

It is also about how skills are utilised, labour market matching and things like that. I would just flag that the evidence we have would suggest that youth unemployment is by no means simply a problem of young people lacking skills. We cannot reduce it to that; it is far more complex.

Q86 **Damien Egan:** Thank you. Professor Ertl, what can Skills England learn from your organisation?

Professor Ertl: What I always think about when I look at data from England and the UK more generally is consistent data collection over a long period of time. That is what my institute is legally bound to do: it is one of our tasks. Coming back to the example of the skills mismatch, we can show very clearly what kind of apprenticeships we need for becoming carbon neutral and reaching those green targets. We can deploy mechanisms to create more apprenticeships in these areas, but that is done on the very solid basis of data collected in a consistent manner over a period of time. That is one message I would like to give.

The second message is about vocational orientation at school level. A lot of money has been spent on that in Germany because we can see that the decision-making process, which at some point comes down to, "Do I attempt to get to university, or do I go for an apprenticeship in the dual system?", is down to information being provided in such a way that young people can deal with it. There is so much information out there nowadays, but using it to provide guidance for young people is a different matter, and that is an area for improvement that I see.

Q87 **Johanna Baxter:** Dr Miranda, you mentioned the youth guarantee, and



HOUSE OF COMMONS

the UK Government recently announced a youth guarantee. Could you outline the differences between the UK scheme and the youth guarantee that exists across Europe?

Dr Miranda: In the European countries, the youth guarantee has existed for more than a decade now. It started in 2013, in the midst of the global financial crisis, when countries realised, "Young people are not finding their way back to the labour market; we really need to do something." It was a commitment of all countries to helping those young people and giving them specialised support. Public employment services started hiring youth-specific counsellors who were trained to help young people specifically with all the complex needs that they may have.

European countries have now built up more than 10 years of experience with the youth guarantee. It was initially focused on bringing young people back to the labour market in a difficult economic climate with limited jobs available, and reacting fast to set up support—a quick intervention—to help them either back into the labour market or towards education. Over time, we saw that the NEET rate was going down in all European countries, so the youth guarantee shifted its attention towards the more difficult cases. It also expanded its age range: in European countries, it is now for those aged 15 to 29, whereas in the UK the upper age limit is still 24 and you also start later, at 18. You really want to get to young people as early as possible.

Now, the focus is very much on the young people with complex needs, because they are the ones who are still reaching out to public employment services. In many countries, the system works so well that the more job-ready young people can easily find a job, so all the effort goes into those with more complex needs: for example, young people with family issues, housing issues or mental health issues, as was mentioned earlier. In many EU countries, mental health is now a big focus, and that is what much of the effort goes into. Our research has shown that about half of all the clients of public employment services—young people who reach out to those services—have a mental health issue, and of course it requires additional effort to bring them into the labour market.

To come back to your question, the implementation of the youth guarantee differs across countries and some countries still struggle with the implementation, but overall I would say that it is a well-functioning system where the public employment service tries to get to young people as early as possible. In some countries, the public employment service has now set up a collaboration with the education system. For example, in Belgium, Denmark and Sweden, they encourage students to register with the public employment service while they are still studying to make sure that the public employment service knows those young people and can already start helping those that they think are at a higher risk of becoming unemployed later. They give incentives to these young people to register.

That is another example of where the UK differs a lot. You focus on the ones who are already on benefits, are long-term unemployed and have very complex needs. You focus on the very complex cases. We know from

EU experience that it will require a lot of effort to bring those cases back into work or education.

A more overall point is that the youth guarantee in many OECD or EU countries is embedded in the broader system rather than being stand-alone. In the UK, it is still very programme-based. You have hiring subsidies, a job programme and the youth hubs, but they are all different things. There is no overall structure or system where everybody works towards a common goal. That is where the main difference with the EU countries lies in this respect.

Q88 Johanna Baxter: Is there a gold standard out there for a youth guarantee, whether among European countries or in the rest of the world? Is that about implementation or about the structure of the guarantee itself?

Dr Miranda: The youth guarantee is very much a European thing. In non-European OECD countries, there is no such thing as a youth guarantee. Canada is looking at it now. They are very interested in the youth guarantee. They might have something like that in the future. Otherwise, it is very EU-specific.

For the gold standard, we are looking at the Nordic countries. That is where the youth guarantee comes from. Denmark has a fantastic system. They also invest a lot in their public employment service and active labour market policies. Norway also has a very well-functioning youth guarantee. I would say that those two countries are the ones to look at for the gold standards.

Q89 Rushanara Ali: This has been fascinating; thank you very much. You have touched on some of this already, but could you add anything about the difference that cross-Government strategies have made to youth employment? Norway and Denmark stand out. The German example is very long-term in terms of evidence and practice. What can we learn from that?

Professor Ertl: I would say that the gold standard would be a situation where you do not need any guarantees and people find their way into high-quality training because it is available and they see the value of it. In market-based systems, you need to be very careful with introducing guarantees, levies and so on because they are not good for the free-flowing market.

Of course, that is idealistic. As I said before, not everything is rosy in Germany either. I mentioned the 40,000 young people who wanted to get a dual-system apprenticeship last year but could not find a place. What happens to them? We also look to the Nordic countries for what kind of school-based programmes can be offered for people who do not manage to get into training companies the first time around, but perhaps can do so the second time around because they have upped their skills base and are therefore more attractive to those companies.



HOUSE OF COMMONS

That is not a traditional sector in the German context at all, which is why we look at other countries. What we have found with any sort of guarantee is that employers are very sceptical about taking on people who have had some sort of programme input through a guarantee because, in a way, it labels them as people who were not good enough to get into the training market by themselves and needed help. We have to be careful with those kinds of programmes.

Dr Miranda: If I may react to that, the guarantee can be interpreted in different ways. The way the European youth guarantee is presented is: "We, as a Government, commit to supporting every young person within four months, to help you into either employment or education." The guarantee is more from the Government perspective: "We are committed to helping you." Of course, if you are talking about a job guarantee, you are talking about something else, because then indeed you need the support of employers. There are young people who cannot find a job through the regular labour market and need support, especially, for example, in cases of mental health issues or other disabilities. We see from other countries that you really need to invest a lot and provide continuous support, even on the job, until the young person is able to be as productive as other young people.

France had a very interesting approach during the pandemic, when it realised that young people were the group suffering most. It had a very smart idea and called it "1 young person, 1 solution"—in French it sounds nice; in English it sounds a bit weird. From a marketing perspective, it was a very strong message from the Government to young people: "We really want to help all of you, and we will make sure that each one of you gets the support that you need. It can differ; you all have different needs." It brought all the different programmes together under one umbrella and tried to point everybody in the same direction: "We're going to help young people." That was a very strong message that really helped to point the different actors in the same direction.

In other countries we have seen financial incentives, which was mentioned in the previous session. Financial incentives are so important, and that is where Denmark, for example, is so strong. It has devolved much of the support for young people to the local level—municipalities and so on. The Government say, "If you help your young person into work fast, you get more money from us. If you wait too long, then you won't get anything." They give very strong financial incentives for all the local stakeholders to work together, because that is when they get the support; otherwise, they do not. That really should not be overlooked.

We have not discussed much about mental health, but that is also where, as Alan Milburn mentioned, you need common goals for the different systems to work together. Often, the mental health system tries just to get a young person better, whereas the employment system tries to get them into work, but as long as they do not have the same incentive, it will not work. That is where both financial incentives and commitment can make a big difference.

Q90 Rushanara Ali: Thank you very much. I am going to move on to the next question and start with you, Dr Erickson; feel free to add any points you want to make on the previous question. One of our witnesses suggested that the UK Government should set a target to have the lowest rate of young people not in education, employment or training in the OECD by 2050. Do you think that would be a good idea?

Dr Erickson: I do not have great evidence on that specifically, but I should flag that it seems to be in close alignment with the Youth Futures Foundation's "north star" goal, which I think is similar. We are doing some work with them at the moment to build a vision for the future of vocational education and training in England that would help to support that vision to become reality. I am very happy to share our emerging findings with the Committee if that would be of interest.

Can I add something on the previous question about cross-Government collaboration and a multi-scalar approach? Norway's work to bring together stakeholders, including national and local government representatives, has been quite effective at allowing people to be working towards the same overarching goal, as Dr Miranda flagged, while at the same time allowing for local flexibility. For example, in areas where there are high rates of migrant youth, they are able to provide support such as Norwegian language training, and a general introduction to the labour market for people who might not be familiar with how the system functions.

Professor Ertl: I guess setting targets is easily done, but the hard part is making sure that you hit them. I would also like to shift the emphasis a little bit. Here in Germany, we are probably less concerned about the NEET figures because youth unemployment is so low here. We are more concerned about people who, by the age of 35, have not finished a vocational qualification or a higher education qualification. We are quite worried about the unqualified part of the population, which has been rising slightly in the German context.

Q91 Rushanara Ali: What percentage are unqualified?

Professor Ertl: It is nearly 19% of the 20 to 34-year-old cohort, so it is quite high. That is clearly concerning. It spiked a little during the coronavirus phase, which added to the concern. We are particularly worried about that group because we know that later on in their working lives they pay for taking on unqualified work. It sometimes pays quite nicely for a young person, but then there is a much higher risk of becoming unemployed and of never getting into stable employment. Going from one short-term contract to another is another danger. A target for that sort of population is also worth considering.

Q92 Rushanara Ali: Dr Miranda, do you have anything to add very quickly? We are running out of time.

Dr Miranda: Setting a target is good, because it makes everybody focus on that specific issue, but it should be matched with the resources



HOUSE OF COMMONS

necessary to reach the target; otherwise, from the perspective of young people, it is not a strong commitment.

Chair: Very sincere thanks to you all. This has been a fascinating session and it has really helped us to get to grips with what else is going on around the world, so thank you for that. That concludes this oral evidence session.