



**Impetus**  
Private Equity Foundation

**Make NEETS  
history in 2014**

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## About Impetus - The Private Equity Foundation

Impetus-PEF brings strategic resources to charities and social enterprises working to improve the lives and prospects of children and young people living in poverty in the UK.

At Impetus-PEF we are concerned that too many young people from low-income backgrounds are not making a successful transition from education into employment. The UK has a youth unemployment epidemic and its nature is structural, it's not just due to the recession. Too many young people are becoming NEET (not in education, employment or training) and they are disproportionately from low-income backgrounds. We believe that structural youth unemployment can only be fixed by first fixing the school-to-work transition.

Impetus-PEF was formed from the merger of Impetus Trust and the Private Equity Foundation in 2013. With over a decade of experience of supporting more than 50 charities and social enterprises, Impetus-PEF is the pioneer of venture philanthropy in the UK. It currently has 27 organisations in its active portfolio.

### Acknowledgements

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# Executive summary

Britain has a problem with NEETs – young people not in education, employment or training – and it is not going to go away on its own.

We have reviewed the available evidence and conducted focus groups with young people who were born in the Millennium year and who will this year be making choices that will affect their whole lives. Contained in this report is new analysis of the drivers and the impacts of NEET status - and a call to action for Government to make Britain's NEET problem history.

A young person who experiences a period NEET will, on average, **lose up to £50,000** in earnings over their working life when compared to a peer who doesn't experience a period NEET. They will **lose up to £225,000** over the same period when compared to a peer who has never been NEET and who has graduated from university. The long-term scarring of a period NEET to a young person's future life is dramatic. If we do not prevent the 120,000 of today's 13-year-olds who are at risk of becoming NEET from doing so, they collectively stand to **lose £6.4 billion**.

This has a long-term knock on effect on society as a whole. The lost taxes, additional public service costs and associated impacts such as youth crime and poor health will **cost Britain in excess of £77 billion a year** if we cannot solve this long-term, structural problem.

Building on the evidence available, and on our analysis of the structural causes of Britain's problem with NEETs, Impetus-PEF make a series of recommendations for bold and structural reform. Taking the action we call for would create the incentives and accountability frameworks we need to truly resolve this pressing social and economic crisis.

## Impetus-PEF calls on Government to:

**Create a Secretary of State for school-to-work transitions** to build and realise a vision for the youth labour market which recognises that the country's NEET problem is structural and long-term, and who can pull together resources and policy across the Whitehall departments that have an impact on the youth labour market. This would create a clear political line of accountability – giving one person the power and the responsibility to make NEETs history.

**Pay the Pupil Premium by results, not all upfront** so that schools only receive a portion of their top-up funding if they are able to demonstrate that they have secured improved outcomes for those pupils at whom the Premium is aimed. This would develop clear incentives and accountability at the school-level for preventing disadvantaged young people from becoming NEET.

**Charge Ofsted with inspecting schools' efforts to improve school-to-work transitions and use of data** so that schools are routinely held to account for their efforts to produce school-leavers who are ready for work, and for their ability to understand in real-time the attainment and engagement of their pupils. This would create a clear accountability framework for schools to ensure they understand their role in preventing NEETs from emerging from their school-leavers.

# Introduction

*“My Nan says I was a special baby because I was born in the Millennium... I don't feel I'm special though.”<sup>1</sup> - Focus group participant*

Young people not in education, employment or training – so-called ‘NEETs’ – are a perennial political and policy challenge in the UK. Significant numbers of young people fail to make the transition from school to work, or to further education, every year. This results in profound disadvantage for individuals and massive later costs for the taxpayer. It has been the focus of myriad policy interventions, research and additional spending. Yet reducing the number of young people who leave school only to be left outside of either work or further education has proved impossible for governments of all parties. Since the turn of the millennium – through boom and through bust – structural problems in our economy, coupled with inadequate interventions at school-level, have left millions of young people outside of the economy.<sup>2</sup>

Now, as we approach 2014 – the year in which children born into the promise of the new Millennium will be making their GCSE choices – we need a renewed focus on what works in ensuring that no child is left without the skills and the opportunities to pursue a full and rewarding life. We know that the school-to-work transition (and the lead up from 14 on) is crucial to ensuring that young people are able to take advantage of the opportunities provided by education and employment. We now need to act on our understanding of the causes and drivers of NEET status. It is time to make NEETs history.

There are 604,441 Millennium kids – children born into the promise of the new millennium – and on current levels 120,888 of them will experience a period not in education, employment or training between the ages of 16 and 24.<sup>3</sup> Analysis in this report shows that the impact on these young people and on the society around them will be devastating. They each stand to lose around 11% a year in salary – compared with their peers – as a direct result of spending time NEET, well into their forties. They will cost the taxpayer hundreds of thousands each in lost revenue and additional services. They will be less healthy, more likely to suffer addiction and much more likely to go to prison than their peers. What stands between this generation and NEET status is the quality of the interventions that take place whilst they are still in school.

Of course, there are many people who are NEET now. Interventions to help those people into work or education are vital. But if we focus only on those who have already been failed, we will never truly fix the problem. If we want to tackle Britain's NEET problem, then we have to look to the sources of that problem. That means intervening early enough to make a preventative difference.

It is possible to massively reduce the numbers of young people who become NEET. We have evidence of what works – much of it contained in this report – the challenge now is to apply the focus and resources to prevent new NEETs emerging from our Millennium kids and to ensure that we don't let them down.

This report is built on two strands of research. We have reviewed the available evidence on what it takes to eliminate NEET status and to help prevent young people from falling out of education and employment. We know a lot about what might work. Yet, frustratingly, at both the school and the systemic level, that evidence is often either not heard or simply ignored. Working with what we know – about who is at risk, about why they're at risk and about what can be done to reduce their risk – holds out the hope of real and dramatic improvement. It is time we applied our knowledge. Secondly we have listened to young people themselves. Focus groups with Millennium kids – held in the North West (an area where young people are at particular risk of becoming NEET) – were conducted in order to hear what young people themselves think about the advice and support they are given. We have included quotes from these young people throughout the report.

Key to preventing NEET status is developing our understanding of who is at risk and why. Asking difficult questions about what leads some young people to drop out of education and employment can lead us to difficult answers; but we have to confront the truth about these knotty issues if we are to truly tackle Britain's NEET problem. The first chapter of this Report will examine the risk factors for becoming NEET.

It is also important that we understand what the impact of NEET status is; for young people themselves, for their communities and for society as a whole. The second chapter of this report addresses these impacts and uses new analysis to explain in real terms the life-cycle cost of spending time outside of education, employment or training. We also seek to position these impacts in real terms – so that parents, young people and policymakers are able to see the upfront and long-term costs of Britain's NEET problem.

This report is focused on what we can do to help those most at risk of becoming NEET, who were born in the year 2000 and who are about to make their GCSE choices. Chapter three will look closely at what we know about this group, who they are and what interventions they need.

Finally, and most importantly, we talk about solutions. The recommendations contained in this report are built around the systemic failures identified.

As our Millennium kids start to make the choices, and take the exams, that will determine their futures it is imperative that we do not let them down. Building on the evidence and the recommendations contained within this report, Government and schools and employers can build on the promise of the new Millennium and put in the work to make NEETs history.

# Chapter one: Why NEETs?

No one is doomed to an inevitable period of NEET status. No factor in any young person's background guarantees their educational and employment prospects for the future and it is important to remember that indicators of risk are not the same as determinants. However, we know a lot about which factors predict the likelihood of a young person becoming NEET and confronting these predictors is vital to finding solutions.

There are currently 120,188 Millennium Kids at risk of becoming NEET.<sup>4</sup> Of these children, Department for Education figures suggest that 6,610 will already have fallen out of education or training at 16.

Of course, we do not know who will become NEET. It is impossible to say for certain. What we do know though is that – when looking at today's 13 and 14 year olds and trying to predict their risk – we can work backwards from likely attainment to assess what levels of risk there are.

Young people who fail to obtain good GCSE-level qualifications are much more at risk of becoming NEET. Over a quarter of those who do not achieve GCSE-level qualifications will go on to be NEET. And only 7% of NEETs have obtained higher-level qualifications.<sup>5</sup> In predicting NEET numbers, therefore, attainment is a useful proxy. It is also an area where a great deal of research has been undertaken into the drivers and predictors that can place a child at risk.

## Socio-Economic Background and Parental Influence

*“My Dad will know a lot more about what I should choose than my Mum because he went to college but she just left school and went straight into a job.”<sup>6</sup> - Focus group participant*

Socio-economic disadvantage has a significant impact on the likelihood of a young person attaining good GCSEs and, therefore, of spending time as a NEET.

At age 16, when pupils receive their GCSE results, just 36% of young people from low-income backgrounds achieved five good GCSEs (A\*-C grade) including English and Maths. For the rest of the population, that proportion is 63%. This represents a gap of 27% in terms of a crucial attainment baseline (and vital predictor of NEET risk) predicted by parental income.<sup>7</sup> In core subjects, the gap is also stark - 66% of pupils known to be eligible for Free School Meals (FSM) achieved the expected level in both English and Maths compared with 82% of all other pupils, a gap of 17 percentage points.<sup>8</sup>

One hypothesis for the enduring relationship between economic disadvantage and educational attainment is the experience that parents have themselves had at school. There is evidence that parents from all economic backgrounds share high aspirations for their children's educational and employment success. But for many families, education has not played the role it should in the past and there is little faith in its ability to do so in the future. Aspirations may be high, but expectations are low. As an interviewee told Impetus-PEF for a previous study, *“Having a parent who failed educationally is a significant barrier to your own educational attainment.”*

This is born out by evidence compiled by the Joseph Rowntree Foundation – which highlights the impact of parental experience of the education system, and the degree to which they have experienced a link between education and economic success.<sup>9</sup>

In summary, parental income is clearly important to predicting those at risk of becoming NEET. But it is not deterministic. Instead, it acts as a proxy for a range of factors that speak to the experiences of parents themselves.

## Ethnicity

This distinction between low income itself and potential drivers of low income is borne out further in another controversial predictor of NEET status – that of ethnicity. The proportion of NEET young people at 16+ is higher amongst white British pupils than amongst other ethnic groups.<sup>10</sup> 24.6% of White British boys eligible for Free School Meals achieved 5 GCSEs A\*-C, compared to a national average of 58.8% and 40.3% of Black boys in receipt of Free School Meals.<sup>11</sup>

Furthermore, the gap in improvement between white British young people and those from similar socio-economic backgrounds but who are Black or Minority Ethnic (BME) is growing. For example, since 2007, the attainment of White British pupils eligible for free school meals has improved by only 13 percentage points compared with 22 percentage points for Bangladeshi pupils eligible for FSM.<sup>12</sup>

## School factors

*Young person A: “At my school we have a careers adviser so, if the teachers don't get it, you can ask them.”*

*Young person B: “Eh?! We don't have anything like that at my school.”<sup>13</sup>*

A significant proportion of the variance in individual educational success is due to school factors; the quality of a school (particularly the quality of teaching), the mix of pupils at a school and the culture of a school all affect the attainment of pupils and the likelihood of a child becoming NEET.<sup>14</sup>

There is evidence that the 'social composition' of a school, as measured by the percentage of students entitled to FSM, may influence individual students' outcomes over and above their own FSM status.<sup>15</sup> Young people from socio-economically deprived backgrounds are very much more likely to attend failing schools – exacerbating the impact of their socio-economic status on their attainment and, therefore, their risk of becoming NEET. What is more, pupils who attended a secondary school with an intake containing a higher proportion of pupils receiving FSM showed poorer attainment in English, Maths and Science.<sup>16</sup> Further socio-economic segregation within the school system therefore may put poorer children at greater risk of becoming NEET.

However, many experts argue that initiatives that focus only on within-school factors are unlikely to make a significant difference to disadvantaged children. They suggest that this can only be achieved by addressing 'beyond school' factors. They point to a need for holistic reforms that connect schools, communities, and external political and economic institutions, and form part of a larger plan for transforming local areas. Such holistic moves, indeed, have been useful for schools to try and tackle poor opportunities experienced by disadvantaged pupils.

# Chapter two:

## The impact of being NEET

Being NEET has profound consequences for young people, for their communities and for society as a whole. What is more, the associated disadvantages can long outlive the period a young person spends NEET – meaning that young people are scarred by a period not in education, employment or training even once they've managed to find a route back in.

### To individuals

The most obvious personal impact of NEET status concerns earnings. It is self-evident that, for the period when they are NEET, a young person is likely to earn less than a peer who is in work. But more than that, there are also scarring effects, which drag on long into an individual's future life – meaning that they earn less year-on-year and less over their lifetime than peers who have not spent any time NEET. This impact is comparable to the effect of periods out of the workplace on women who take maternity leave. Yet little research has been conducted into the lifecycle effect of periods of NEET status and the consequences that this can have for individuals.

Academic research into the long-term impact of NEET status has concluded that people who have periods not in education, employment or training experience an annual depreciative impact on their earnings for up to twenty years after a period NEET – of between 13% and 21% if they experienced multiple periods NEET or 9%-11% if they had a single period NEET.<sup>17</sup>

Impetus-PEF has taken these figures, alongside ONS research findings on average wages, in order to calculate a rough average loss of income for young people who have been NEET. Of course, these figures are not comprehensive – and we recommend that further academic work be undertaken to fully model and appreciate the long-term impact of NEET status – but they give an illustrative idea of the lost income that results from time spent NEET.

We have taken 11% as our wage scarring average. This figure is at the top end of the loss for individuals who have experienced only one period NEET but below the bottom end of the scale for those who have experienced multiple NEET periods. It provides us with a conservative estimate. We have then compared earnings up to the age of 42 – comparing individuals who have been NEET with those who have been in the workplace and are not graduates and with those who are graduates.

The average non-graduate individual in employment will earn around £17,800 per year at the mid-point in their career. Taking that figure, we find that the average total salary expectation for a non-graduate in the scarring period (up to the age of 42) equates to £427,200. At a conservative estimate of scarring (11% over that period) a non-graduate who had experienced a single period of NEET status would only expect to earn £380,208 in the same period. This is calculated by taking the annual figure of £17,800 and reducing it by 11% and then calculating their total income. This represents a lifetime loss of £46,992 – almost £50,000.

When compared with the projected earnings of a graduate or equivalent – £29,900 at mid-point, times by 20 years to cover earning time between 22 and 42 rather than starting at 18 (lifetime earnings £598,000) – the gap is £217,792.

We can therefore say that a person who has been NEET will lose nearly £50,000 compared with another non-graduate who hasn't been NEET and nearly £225,000 compared with a graduate.

These figures are stark. Individuals who have been NEET are losing between £50,000 and £225,000 over the course of their lives. Taking the bottom end of that scale, we are able to estimate the total lost earnings risk of the Millennium kids due to NEET status – a shocking £6.4 billion pounds over their working lives.

Further to this direct earnings impact, studies have shown increased risk of negative social, economic and health phenomena amongst young people who have been NEET, including;

- regular bouts of unemployment post-18
- when in employment, lower job security and lower rates of pay (under-employment)
- combining the two above - short periods of under-employment with periods of unemployment-in cycles of "churning" in and out of work
- teenage pregnancy and earlier parenting
- persistent youth offending resulting in custodial sentences
- insecure housing and homelessness
- mental and physical health problems
- use of illicit drugs and transition to the use of class A drugs
- earlier death.<sup>18</sup>

Failure to act in order to reduce the risk of our Millennium kids growing up to become NEET will therefore mean a huge waste of earnings potential, lifetimes of cyclical unemployment, and poor health outcomes. Britain's NEET problem puts £6.4 billion of Millennium kids' earnings at risk.

### Communities and society

But the impacts of NEET young people are not restricted to the individuals themselves. Society as a whole, and the taxpayer in particular, suffers from having young people experience periods not in education, employment or training. Part of the consequences can be seen in the loss of income tax and national insurance that is created by the missing wages outlined above – a huge and avoidable black hole for the Exchequer.

Academic work has estimated the total cost to the state of Britain's NEET problem at between around £22 billion in additional public spending and a total of up to £77 billion a year when lost income is included.<sup>19</sup>

There are further costs that are harder to estimate but which nonetheless should be factored into any serious attempt to understand the broader impact of young people spending time not in education, employment or training. The link between NEET status and youth crime, for example, is well established and demonstrative of the wider social impact of Britain's NEET problem. The cost of youth crime – the chance of which increases dramatically in NEET young people – is estimated to be £23 million a week. That amounts to an annual cost of £1.2 billion per year.<sup>20</sup>

### What are the consequences of NEET status?

There are obvious and immediate consequences of being NEET. Young people who are not in education, employment or training will earn less than peers who are in work and will be gaining fewer skills than those in training or education. That will not come as a shock to any reader. What is truly shocking is the extent to which these disadvantages can live with an individual for long after their time NEET.

When a person is NEET, they suffer an immediate impact but they also suffer long-term scarring: Over their lifetime they are likely to earn an average of around £50,000 less than a peer who also didn't go to university but who did enter employment or training. Compared with the average graduate they will lose a breathtaking quarter of a million pounds by the time they reach 42 years old. People who have been NEET live with the scars of their NEET status for a very long time, and it costs them a lot of money.

For the rest of society there are upfront costs – derived from the additional spending it takes to sustain someone who is NEET and to get them back on track and off of welfare – and there is the black hole of lost income – through lost income, NI and consumer taxation. But there are also the social consequences for individuals, communities and societies. NEET status is strongly associated with poorer health, substance abuse, youth crime and mental health problems. Preventing Britain's NEET problem would contribute significantly to fighting these apparently intractable social problems.

# Chapter three: The choices kids make

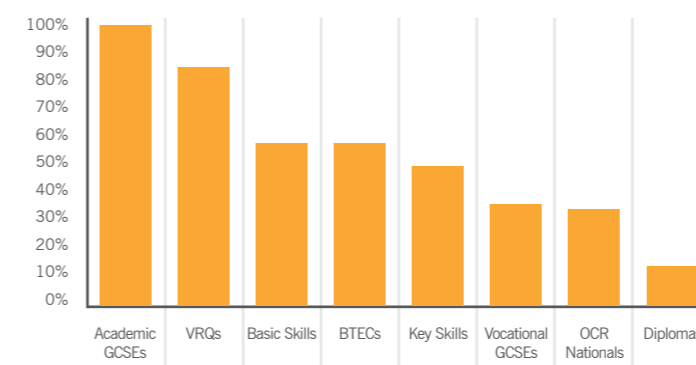
The Millennium kids will be making important choices this year – as they embark on Key Stage 4 and begin to specialise and refine their educational programme for themselves. It is a cliché that GCSEs are ‘the most important exams in your life’. But it is certainly true that how children fare in Key Stage 4, what they learn and attain, will have a dramatic impact on their future prospects and a direct impact on their risk of becoming NEET.

The choice framework for 14-year-olds is complex and varies between schools – according to what is offered as a GCSE course in a particular instruction and according to what combinations of course are possible.

Broadly, however, children at Key Stage 4 may choose between the following types of courses:

- **General Certificates of Secondary Education (GCSEs)** – the main academic qualifications currently taken by 15- to 16-year-olds. GCSEs in English, Maths and Science form a compulsory (‘core’) component of the National Curriculum. Beyond this requirement, schools can offer a selection of GCSE courses from over 50 different subjects.
- **Vocational Related Qualifications (VRQs)** – professional qualifications focused on specific areas of employment
- **Basic Skills and Functional Skills courses** – intended to improve fundamental literacy, numeracy and computer skills.
- **Business and Technology Education Council (BTEC) courses** – an alternative work-related qualification, available in areas such as sport, media and business.
- **Key Skills courses** – intended to improve ‘transferable skills’ such as communication, problem solving and teamwork.
- **Vocational GCSEs** – a more work-focused alternative to academic GCSEs, focusing on specific industries such as Health and Social Care, and Leisure and Tourism.
- **OCR Nationals** – exam-free vocational qualifications, introduced by the OCCR examinations board in 2004, available in similar areas to BTECs and VRQs.
- **Diplomas** – Introduced in September 2008 with the intention of combining theoretical study with practical experience.<sup>21</sup>

Figure 1 Percentage of schools offering Key Stage 4 course types (2009-10)



However, not all schools offer all of these course types to their students. A breakdown of the percentage of schools offering each type of qualification is found in Figure 1.<sup>22</sup>

What is more, increasing numbers of young people will study towards a range of qualification types – putting together a bespoke mix of courses that may include GCSEs alongside BTECs and Diplomas or Vocational GCSEs. The incentives to schools in terms of which combinations to allow have been changed by central Government recently with the introduction of the English Baccalaureate (EBacc). This is not a qualification in itself, but rather an attainment level based on achieving a C or above in GCSE level English, Maths, Science, one humanity and one foreign language.

However, there are real concerns that many children making choices about what courses to study towards are under-informed about the differences in content and in the value of different qualifications. As a child said during one of our focus groups – to much agreement from his peers:

*“They just give you a sheet of options and tell you to get on with it.”<sup>23</sup> - Focus group participant*

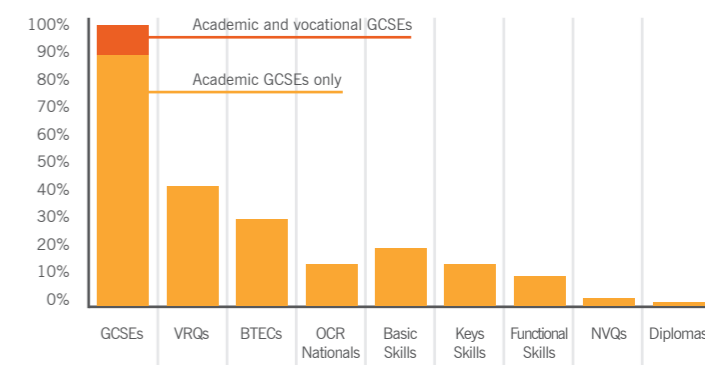
Young people are also concerned that little effort is made to explain what the consequences of studying different subjects, or types of course, might be. When asked what advice young people would like in the run-up to deciding between options, the responses were clear:

*“Explain it a lot so that we can really experience the things we want to experience and know what they [courses] really are.”<sup>24</sup> - Focus group participant*

*“They need to tell us what different courses mean and what job they mean you’ll get or what courses you can go on to do.”<sup>25</sup> - Focus group participant*

*“Tell us what kind of jobs you’ll get by completing a course, so we know.”<sup>26</sup> - Focus group participant*

Figure 2 Percentage of pupils taking Key Stage 4 course types (2009-10)



A breakdown of the proportion of pupils studying towards the different types of qualification on offer is found in Figure 2.<sup>27</sup>

The motivations for making particular choices – both academic and non-academic – at Key Stage 4 are laid out in Figures 3 and 4.<sup>28</sup>

Figure 3 Reasons for Key Stage 4 subject choice decisions (as reported in Year 10)

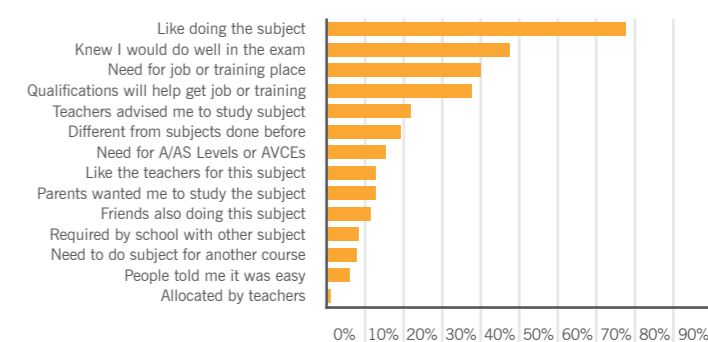
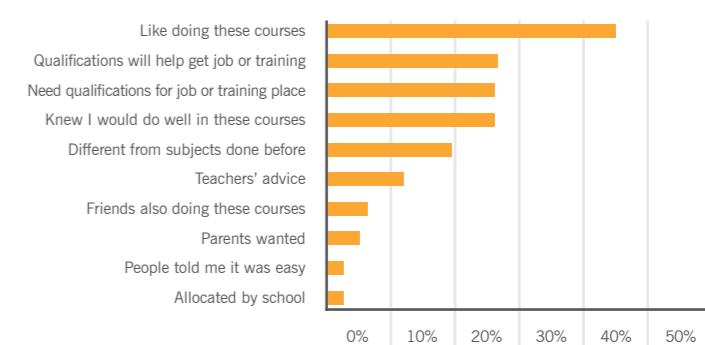


Figure 4 Reasons for taking vocational courses in Year 10



It is interesting and important to note that there is a wide variation in factors affecting academic and non-academic choices – particularly when it comes to the influence of teachers and parents. When opting for academic courses, almost 30% of pupils say that their decision was influenced by a teacher. Vocational students, however, were only advised by teachers to take their courses around 12% of the time. This implies a heavy bias on the part of teachers towards promoting academic qualifications at Key Stage 4, as well as potentially indicating that students who study for a vocational qualification are less likely to act on the advice of their teacher. Around 15% of academic students were encouraged to take their courses, compared to around 5% of vocational students. Again, this may indicate less parental enthusiasm for vocational subjects.

There was some scepticism in our focus groups about the capacity of teachers to give good advice on what young people aspiring to certain kinds of jobs should do to ready themselves for work or further education.

*“What would a teacher know about being a plumber? I would ask the caretaker.”<sup>29</sup> - Focus group participant*

*“When you ask them something they don’t know [about jobs or careers], they just say ‘go home and look it up on the internet’.”<sup>30</sup> - Focus group participant*

The young people we spoke with were more confident in the advice of more informal networks – citing a range of people who they would turn to for advice on course choices and career options. Most popular were parents and family members, followed by older friends who “are already doing a course or have got a job.”<sup>31</sup>

Why young people make the choices they do – between subjects and between course-types – was an issue that we explored a great deal in our focus groups with Millennium kids in Carlisle and Manchester. It was clear that the young people had readily absorbed the importance of core subjects:

*“You definitely need English, Maths and Science whatever you do.”<sup>32</sup> - Focus group participant*

However, there was a great deal of frustration and confusion about what choices were actually supposed to be about.

*“They don’t explain it. A lot of us don’t know what we need to do.”<sup>33</sup> - Focus group participant*

*“When you want a job, or to go to college, you need qualifications. But I don’t know which ones for what I want to do.”<sup>34</sup> - Focus group participant*

*“They ask you to do the GCSEs they think you’ll do well in, but it’s too much pressure.... And it’s not about what job you want.”<sup>35</sup> - Focus group participant*

### Valued pathways

Crucial to ensuring that we make NEETs history is maintaining a broad educational offering which engages young people who have a range of learning styles and aspirations without surrendering the quality of any aspect of a child’s education. This necessarily means having vocational options that are robust, respected and offer realistic work-based education.

It is important to stress that vocational education is not ‘the answer to NEETs’. Children with a range of learning styles are at risk of becoming NEET – indeed 7% of NEETs have higher-level academic qualifications. However, disengagement from education due to inappropriate choices and the lack of credible training alternatives can be a key driver of NEET status. We need to tackle Britain’s poor vocational offering in order to ensure that there are a range of valued pathways through education.

Professor Alison Wolf’s 2011 review of vocational education found that many of the most common vocational qualifications offered in the United Kingdom have had low and even negative returns in the labour market.<sup>36</sup> This has particularly been the case for vocational qualifications at levels 1 and 2. Her study also found an unhelpfully bewildering array of ‘qualifications’ being offered – there were theoretically 12,000 possible vocational options for young people at the time of her review. This hinders informed choice and is a contributory factor in the lack of prestige afforded to vocational qualifications in the UK, as compared with other OECD countries such as Germany.

### Pretend choices

The research illustrates the scale of the challenge that the current schools system faces in terms of ensuring there are valued pathways to real qualifications and opportunities for all children. We talk a lot about choice in education policy – but too often this discussion ignores the realities of life within schools. It may be desirable to increase parental choice among schools but when the options available to children within institutions are so limited and limiting, young people are let down.

Government needs to act to drive up the standards, quality and employer recognition of courses other than academic GCSEs. It is no good relying on our current qualification options – employers, parents and young people themselves are often behaving entirely rationally when they reject the current range of vocational qualifications. As one child said, when asked about doing a BTEC instead of a GCSE:

*“You don’t have to remember everything when you do it as a BTEC, so it isn’t as hard.”<sup>37</sup> - Focus group participant*

It is damning that, at the present time, we cannot recommend that pupils and schools be allowed to swap either a humanity or a language from the EBacc to be replaced with an equivalent vocational subject. We would like to be able to, but only once vocational qualifications are of a sufficient standard that schools can be measured by their success in teaching them. Politicians and policy makers should bear that aspiration in mind as they look to reform our qualifications infrastructure in the future.



# Chapter four:

## 14 at 14 - the Millennium kids

*“Schools can’t afford to do things that they used to do anymore, so it is more limited for us, they can’t afford things like metalwork and engineering that they used to do.”<sup>38</sup> - Focus group participant*

There were 604,441 children born in England and Wales in the year 2000.<sup>39</sup> These are our ‘Millennium kids’ – born at a time of huge optimism about the future and massive investment in public services and education. In just two-to-four years, we will know which of these young people have made a successful transition out of school and into further education, employment or training. We will also know which of them have instead become NEET.

Despite improvements to the education system in which this cohort has grown up, the problem of young people falling into NEET status remains unresolved. What is more, many of the policy interventions that have been undertaken with the explicit aim of reducing the numbers of NEETs are untested and unproven. We cannot simply rely on the status quo to ensure that our Millennium kids do not get left outside of education, employment or training. We *can* make NEETs history. But that requires a new focus and new ideas built from the wealth of evidence at our disposal.

### What is being done now?

Due to changes in the compulsory participation age, our Millennium kids will no longer be officially free to leave education at 16. Instead, they will be expected to continue their learning up until the age of 18 at a minimum. This change was introduced by the last Government, with a specific ambition of reducing the number of young people who are NEET. At first glance it is tempting to see this intervention as overwhelmingly positive in the prevention of young people becoming NEET. However, there are a number of problems, challenges and unresolved questions that should concern us about the likely efficacy of this reform in making NEETs history.

One of the key arguments made for raising the participation age is that it will bring considerable additional focus on good achievement in core subjects. However, it is important to note that amongst young people who already stay on in education post-16, voluntarily, improvements between the ages of 16 and 18 (including in core subjects) have “risen but remains low”.<sup>40</sup> Specifically, seven out of ten pupils who were entitled to free school meals left school in 2009 without the basics, and three years later just one out of those seven had reached the benchmark.<sup>41</sup>

What this means for children at risk of becoming NEET is that it is unlikely that compulsory continued participation in education will dramatically impact upon their longer-term prospects. Further participation in education – even when voluntary – does not, in the majority of cases, equate to improvements in attainment for young people who would otherwise be NEET.<sup>42</sup>

### The Pupil Premium

*“People think you just need a C, but it’s not about that. It should be about doing the best that you can do.”<sup>43</sup> - Focus group participant*

Another major and systemic reform that could play a part in tackling the NEET problem is the implementation of the pupil premium – extra funding for schools based on the number of pupils eligible for Free School Meals. For 2013-14, the criteria for the Pupil Premium remain unchanged, although the funding was increased to £1.875 billion. As a result, the deprivation and Looked After Children elements of Pupil Premium are increased to £900 per pupil.

On 17 July 2013 Minister for Schools David Laws told the House of Commons:

*“In 2014-15, total funding through the Pupil Premium will increase by £625 million to the total of £2.5 billion pledged by the coalition in 2010. We will use the extra funding in the year ahead to increase significantly the level of the pupil premium for primary schools to £1,300 per pupil, compared with £900 in the current year. This 44% rise in the pupil premium next year is the largest cash rise so far. That should enable more targeted interventions to support disadvantaged pupils to be secondary ready and achieve our ambitious expectations for what pupils should know and be able to do by the end of their primary education.”*

In its report on use of the Pupil Premium, Ofsted delivered a damning verdict which pointed out that their visits showed:

*“that some schools are still not spending the Pupil Premium on interventions that are having any meaningful impact. These schools do not have good enough systems for tracking the spending of the additional funding or for evaluating the effectiveness of measures they have put in place in terms of improving outcomes. In short, they struggle to show that the funding is making any real difference.”*

There is an increasing body of evidence on good and bad practice for using the pupil premium to effectively raise attainment and reduce the risk of young people becoming NEET. It is also clear, unfortunately, that many schools have not managed to implement this best practice in their institutions. They are not sufficiently incentivised to do so.

Although the money provided for the Pupil Premium is on a per-child basis, little if any obligation is placed on schools to demonstrate how they have used that money to support the particular children they are being funded to help. No direct accountability exists – meaning that schools exhibiting bad practice receive the same per-child funding as schools that are intervening in ways proven to lead to improved outcomes. This is a fundamental failing in the Pupil Premium programme – one which will persist until a link is established between funding and outcomes

### Careers advice

One intervention that has been shown to be extremely useful in guiding all pupils, not just disadvantaged ones, but has been the source of much disappointment, is career guidance. We know that there is a direct link between good quality careers advice and good decision making by pupils at crucial choice stages in their education. A review of careers advice found that there was an ‘association between schools in which... effective careers education and guidance provision is in place and the schools in which young people seemed to be thinking through their choices more rationally, weighing up all the information they received.’<sup>44</sup>

Evidence from the Employers and Education Taskforce in 2012 suggests that engagement with employers while in education can significantly reduce young people’s chances of becoming NEET.<sup>45</sup> Unfortunately Ofsted found in 2013 that not enough schools offered a sufficient variety of careers guidance activities to all their students in Years 9, 10 and 11.<sup>46</sup>

Ofsted also found that 75% of the schools visited were not implementing their duty to provide impartial careers advice effectively. Inspectors found that about three quarters of the schools visited had not identified a comprehensive strategy or purpose for careers guidance. The National Careers Service was not promoted well enough and there was a lack of employer engagement in schools.<sup>47</sup>

*Young person A: “We had people come into school and talk about what makes them choose someone to be an employee... what you need.”*

*Young person B: “We NEVER have anything like that. Never.”<sup>48</sup>*

According to the Royal Bank of Scotland, only 11% of young people received any form of enterprise education at school.<sup>49</sup>

Ofsted also reports that too few schools work well enough with local authorities to target career guidance for students who had special educational needs, those who were disabled or those at risk of not entering education, employment or training (NEET).

Ofsted highlighted the work of one school as a good practice case study, which showed:

*“Guidance lessons in Year 9 make explicit use of analysis of the local labour market. Consequently, Year 9 students are developing more realistic and well-informed choices about future careers. For example, they looked at the mismatch between the number of available places and the top 10 most popular jobs. They concluded that the likelihood of obtaining these jobs was more limited than for others. They then used local information from employers to identify which sectors had the most vacancies in their town. This encouraged them to look more closely at sectors they had not previously considered. Their final task was to produce an action plan for others based on student profiles provided by the teacher. By the end of the lesson, students had a better understanding of the local labour market and had started to look beyond their initial impressions towards careers they had not considered previously.”<sup>50</sup>*

# Conclusions and recommendations

The Millennium kids were born in a period of huge expectation, aspiration and investment in education. But as they reach the crucial age of 14, tens of thousands of them are at risk of becoming NEET. And they stand to lose big.

120,888 Millennium kids are at risk of becoming NEET. If we do not intervene now to prevent them from falling out of education, employment and training, then we will be continuing to let them down. The reforms pursued by successive Governments – from raising the participation age to increasing and extending the pupil premium – hold some promise. But they are also limited in their likelihood of success and are not structured to deliver consistently. The costs of such failure – to individuals and to society – are huge.

Tackling Britain's NEET problem requires a focus on evidence-based solutions that work with schools, young people, parents and employers. This is not an issue that can be reduced to a simple or straightforward intervention. There are complex and difficult factors in play – including the level of parental experience and skill, the incentives placed on schools and the structure and prejudices of our education system. Working from the evidence, Impetus-PEF has created a manifesto to make NEETs history.

These recommendations are not technical tinkering. They are not a guideline for individual schools in how to implement strategies for tackling disengagement. Indeed, we believe schools are best-placed to identify, guided by evidence, what will work for their pupils.

These recommendations and calls to action represent a demand for a major overhaul of the framework and governance structures that affect the chances young people have to succeed. This is about ensuring that there is accountability at the political, structural and school level to ensure that the right interventions are incentivised and rewarded. Only through such structural reform do we stand a chance of making the scandal of NEET young people in Britain history.

## 1. Create a Secretary of State for school-to-work transitions

*"I don't know who is in charge... The President? Barack something..."<sup>51</sup> - Focus group participant*

Britain needs a vision for the youth labour market that recognises that the NEET problem is structural and long-term, not the result of economic ups and downs.

Responsibility shared is responsibility easily avoided. Making NEETs history requires effort, momentum and accountability – from the top down. Currently, the responsibility for preventing and for dealing with NEETs is disjointed and spread thin across Whitehall. The Department for Education (DfE), the Department for Work & Pensions (DWP), and the Department for Business, Innovation & Skills (BIS) are all supposed to play a role in pushing the skills agenda and equipping young people with the opportunities to successfully enter education or training post-16. Meanwhile DWP picks up the pieces of those who've fallen through the cracks and become NEET. And the bill for the consequences of failures along the way is shared between them and the Department of Health, the Home Office and society as a whole.

This has to stop. Britain's NEET problem will not be resolved until the Government's interventions are co-ordinated and until there is a clear stream of accountability for failure and for success.

The country needs a Cabinet-level Minister for school-to-work transitions. This position would pull together the responsibilities currently vested in myriad different Departments – placing one individual and their team with responsibility for ending the NEET problem. The Secretary of State for school-to-work transitions would be able to hold colleagues to account for failings in their service provision, to plan strategically to ensure that NEET-risk young people were spotted and supported, and be in a position to force through the changes needed and this report's recommendations. If we're serious about making NEETs history, we need someone who is clearly and accountably in charge of fixing the system.

## 2. Pay the Pupil Premium by results

*"You don't need any qualifications if you are going to stack shelves in Tescos... Do you?"<sup>52</sup> - Focus group participant*

The Pupil Premium is a fantastic idea. It has injected nearly £2 billion into supporting our poorest pupils in an effort to close the unique and unacceptable socio-economic attainment gap that Britain suffers from. But it is flawed. The principle that underpins the investment – that it is targeted and paid on a per-child basis – is not carried through to the practice and evaluation of the Premium. This is a systemic failing that must be addressed if we are to properly focus schools on reducing NEET numbers.

Accountability must be built in to the Pupil Premium. Schools should not be paid the whole sum, per-child, upfront. Instead, we should pay a portion of the Premium by results – to ensure that taxpayers are getting value for the money we are spending. Schools should receive a final payment for each child who has been entitled to the Pupil Premium 18 months after they leave school, on condition that the child is in education, employment or training at that point. Children who have become NEET are the victims of a school system that has let them down. Schools that allow this to happen – with all the associated damage to individual young people and to society – should not be rewarded for their failings. Importantly, they should be incentivised to decommission approaches which do not work.

Some will argue that payment-by-results risks hindering the chances of charities and educational entrepreneurs being able to extract full-cost recovery from the Pupil Premium. For organisations with proven, effective interventions that needn't be the case. They may experience a delay in payment – whilst the results of their work become clear – but will still be rewarded for their successes. Crucially, it is important to remember what the Pupil Premium is and is not for. It is there to provide the necessary additional funding to prevent already disadvantaged young people from becoming NEET. It is not there to support an eco-system of unproven and potentially ineffective educational interventions.

Payment-by-results is a key principle of public service funding, from healthcare to the work programme, and there is no reason the Pupil Premium should not be treated in the same, evidence-based way. By providing proper incentives and accountability, we can enshrine the principles at the heart of the Pupil Premium into a functioning reality – extra money being spent to raise attainment and prevent young people becoming NEET.

## 3. Charge Ofsted with improving school-to-work transitions and school data use

*"We need more advice on what we can do when we're older."<sup>53</sup> - Focus group participant*

There is a lot of talk about the need for schools to prepare young people for the world of work or further education. The reality is that schools as institutions respond to structural incentives. And at the moment, those incentives are not aligned correctly.

We need Ofsted to look closely at what measures schools have in place to ensure that they are helping young people to avoid becoming NEET. High-quality careers advice, a good vocational offer, engagement with the local business community – we know that these interventions help to reduce the risk of becoming NEET. Yet these are not factors on which Ofsted routinely focuses in inspections and, therefore, they are not top priorities for many schools. This has to change.

By building in a core 'school-to-work' element of assessment to the standard Ofsted inspection and reporting regime, we can realign the incentives to ensure that the employability of students is central to a good school's offering. We can focus minds at the chalkface, in the same way that a Secretary of State can focus efforts from Whitehall.

One of the key areas for Ofsted to look at in such an assessment module is the effective use of real-time data in schools. As this report demonstrates, it is relatively straightforward to build a picture of which children are at risk from poor attainment, educational disengagement and future NEET status very early on. The best schools identify those children upfront, invest in offsetting and preventing problems and reap the rewards in terms of attainment and the future success of their pupils. Many do not. Ofsted should hold schools to account for how they gather and use data to ensure that school-to-work transitions are part of a school's engagement with young people from the very start – that schools understand who might become NEET and take action to prevent this from happening from the earliest stages of a child's school career.

# Let's make NEETs history

This report builds on our understanding of how and why children become NEET to pose a challenge to Government. In the year 2000, as the new Millennium dawned, Britain's optimism about the future was quietly tempered by emerging structural flaws in our economy – flaws that saw the proportion of young people falling outside of education, employment or training soar. We asked the Millennium kids in our focus groups whether their lives would be easier or harder than their parents were. Many believed that their lives would be more difficult, that they would not have so many opportunities.

*"I have a feeling that I'll be living at my Mum's house til I'm at least 25."*<sup>54</sup> - **Focus group participant**

We can prove that pessimism wrong. But only if we act strategically, on the basis of evidence and with real determination.

The recommendations in this report are structural because the challenge is structural. Tinkering alone will not make NEETs history. If politicians and policymakers are truly serious about ensuring that none of the Millennium kids face the scrapheap of disengagement, then they will choose to act.

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