

# SLIM – Comment

## Government Responds on the NEET issue

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The clamour for a Government intervention to support out-of-work young people has been growing ever louder with month after month of appalling employment statistics. So yesterday, the Deputy Prime Minister, Nick Clegg, (for a change allowed to announce good news) has unveiled a new scheme to get 16 and 17 year olds who are out of work and Not in Employment, Education or Training (NEET) back into learning.

The new activities will fall under the remit of the Deputy Prime Minister's Youth Contract; the Coalition Government will, for the first time, target funding to this group of teenagers through tailored support on a payment-by-results basis.

The initial Youth Contract was launched last year and targets young people aged 18-24. It seeks to channel almost £1 billion over the next three years to provide unemployed young people with extra help, such as apprenticeships and work experience placements. It also marked a substantial increase in the support and help available to young people through the Work Programme, Jobcentre Plus and Sector-Based Work Academies.

The new money will be spent on at least 55,000 young people – those 16 and 17 year old NEETs with no GCSEs at A\* - C and perceived to be at the highest risk of long-term disengagement. To do this, the Government is making £126m of new money available to give teenagers opportunities to train, work and get their lives on track.

The South West, with an 8.8% share of England's NEET group, can expect to receive an extra £11m.

In this *SLIM-Comment* we take a quick look at these new announcements.

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## Summary

Data from the 2011 Labour Force Survey for Quarter 3 showed that 150,000 16 and 17 year olds (11.9 per cent) were NEET, 8,800 of these living in the South West.

We do not actually know a great deal about England's unemployed 16-18 year olds. Currently they aren't allowed to claim benefits, so consequently not only do they not appear in the claimant data provided by Jobcentre Plus (they do, however, appear in the unemployed data from the Labour Force Survey) but Connexions and Jobcentre Plus are not in regular contact with them. Consequently, they are particularly 'hard-to-reach'.

Disengaged 16- and 17-year-olds are being singled out for special funding because of compelling evidence that being NEET in early life can leave a permanent scar on earning potential, with the effects on their careers still evident decades later. By the age of 42, someone who had frequent periods of unemployment in their teens is likely to earn 12-15 per cent less than their peers, according to the Department for Education (DfE).

The new funding is envisaged to work as follows. Charities and businesses with expertise in supporting young people will be invited to bid for contracts worth up to £2,200 for every young person they help. Support should be tailored to suit individuals' needs, and may include support to help them access and remain in education, training or an apprenticeship.

Unlike any past schemes for this age group, payment will depend on results, in much the same way that it does for the Work Programme. Organisations will receive an initial payment for taking the young person on, followed by subsequent payments when they show progress, including remaining in education, undertaking apprenticeships, or holding down a job. To achieve the best results, the scheme will give total freedom to those providing support – as long as the end result is success for the young person.

Payment by results will be a key element of this programme. There will be three payment points:

- An initial payment when a young person has begun the programme and an action plan has been agreed.
- A re-engagement payment when the young person enters one of the re-engagement outcomes (three to six months after the initial payment).
- A sustainability payment when the young person has been engaged in one of the sustainability outcomes for six months from the date of re-engagement.

Announcing the funding, the Deputy Prime Minister said:

*Sitting at home with nothing to do when you're so young can knock the stuffing out of you for years. It is a tragedy for the young people involved - a ticking time bomb for the economy and our society as a whole. This problem isn't new, but in*

*the current economic climate we urgently need to step up efforts to ensure some of our most troubled teenagers have the skills, confidence and opportunities to succeed.*

*Many of them will have complex problems: truancy, teenage pregnancy, a lack of GCSEs and health problems. So helping them onto their feet will not be without challenges and Government cannot do this alone. But we all have a duty to reach out to the young people who can be hardest to reach. That's why today I am calling on charities and other organisations at the coal face to work with Government to help tens and thousands of lost teenagers onto a brighter path.*

*Local authorities will be central to the success of the programme. They will work with successful providers to target those young people in their area who will benefit most, fitting this programme with other provision on offer locally. Payment-by-results will free the charities to do what they know works for young people. Tightly controlled schemes are less effective with lower success rates. The package of support offered will be encouraged to be innovative, to use new methods, to do whatever is right to get that 16 or 17 year old earning or learning again.*

The initial Youth Contract, launched last November, aims to lift all young people out of unemployment. It will be jointly delivered by the Departments for Education, Business, Innovation and Skills, and Work and Pensions. Key features include:

- cash payments to encourage employers to recruit young people;
- an extra 250,000 work experience places over the next three years;
- at least 20,000 extra incentive payments worth £1,500 each for employers to take on young people as apprentices;
- extra support through Jobcentre Plus in the form of weekly, rather than fortnightly, signing-on meetings, more time to talk to an adviser and a National Careers Service interview.

The Young People's Learning Agency (YPLA) will be responsible for awarding the contracts for the programme in England. The outline specification for the tender was published on 20 February and the deadline for the first stage of bidding is 5 March 2012. Shortlisted organisations will be invited to tender and contracts will be awarded in June, with provision getting off the ground as soon as possible after that.

## SLIM-Comments

This extension of the Youth Contract to include a previously ineligible group has to be welcomed. There is plenty of research available to show the scarring effects of unemployment on young people and how these can linger on through later life. It is not clear just yet if the money can be used for all kinds of training, i.e. including classroom-based training which is not currently allowed under the rules of the Youth Contract, under which training has to be either apprenticeships or concerned directly with work-experience and work-placements.

It is also not clear how the referral process will work. These young people are not entitled to benefits on the whole, and may not show up at job centres very often. The disappearance of so many Connexions offices places another hurdle in the way of contacting them. Clearly if they do not receive benefits, there are only limited opportunities for 'sticks' and providers may need to offer some fairly juicy 'carrots' instead.

It certainly seems that the Government's addiction to outcome-related payments shows no signs of abating. It also needs to be stressed that the fundamental weakness in the youth labour market has little to do with a lack of skills. It is, instead, caused by a lack of job opportunities, heightened demand from cheap, more experienced labour (UK and overseas migrants) and a flexible labour market where you can source relatively experienced and skilled people as cheaply as you can a young person straight out of school or college. Sadly, and for the foreseeable future, all of these points are, and will remain, off the agenda.

## Further Reading

**BBC announces the Story** - <http://www.bbc.co.uk/news/education-17104998>

**DfE website** - <http://www.education.gov.uk/inthenews/inthenews/a00203715/timebomb>

**Work Programme** - <http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/>

**Youth Contract** - <http://dwp.gov.uk/youth-contract/>



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