THE UNIVERSITY of York

Estimating the life-time cost of NEET: 16-18 year olds not in Education, Employment or Training

Research Undertaken for the Audit Commission

Bob Coles, Christine Godfrey, Antonia Keung, Steven Parrott and Jonathan Bradshaw

Department of Social Policy and Social Work and

Department of Health Sciences

Final Draft

July 21st 2010

CONTENTS

Acknowledgements

For a short project lasting only a few months we have built up a huge debt to a wide range of people. Colleagues with limited ideas about the nature of our research have been pushed into answering detailed questions about the criminal justice system, sentencing policy, care proceedings, care plans, benefits entitlements and a whole host of other issues on which we needed expert and detailed advice. In calculating entitlement to welfare benefits we must thank Sam Royston (a PhD student in Social Policy and Social Work) for his expertise in identifying benefit entitlement. We then used two expert consultants from York and North Yorkshire Welfare Benefits Unit (Heather Theobold and Amy Blythe) to help us cost the benefit entitlements of each of our case studies. We also acknowledge expert advice from within the Department of likely scenarios and entitlements from: Andrew Hill, Marilyn Crawshaw, Suzanne Fitzpatrick, Sharon Grace, Mary Maynard, Lisa O'Mally, Nicholas Pleace and Debs Quilgar.

The case study aspect of this research would not have been possible in the depth to which it was able to go without the full-hearted co-operation of doctoral students (past and present) within the Department of Social Policy and Social Work at York. They provided rich and detailed biographies and details of young people's lives, even where this involved them having to re-interview young people with whom they were still in contact. Thanks are especially due to Helen Kenwright, Hannah King and Aniela Wenham. We have also received sterling support from colleagues elsewhere, especially Rob MacDonald and Tracy Sheldrick at the University of Teesside in helping to develop the case study of Simon.

Finally, we would like to thank staff at the Audit Commission, especially Emma Belton and Roger Sykes, for their help, advice and support throughout the project.

1. The study

1.1 This research aims to update research published by the DfES in 2002 with significant modifications (Godfrey et al., 2002). It will provide estimates of the life-time costs of young people not in any form of education, employment or training (NEET) between 16 and 18 years of age. It is based on estimates of the size of the NEET group at the end of 2008.

1.2 The overall objectives of this report are to:

- Provide estimates of the size of the NEET group and its various sub-groups (section 2);
- Explain some of the assumptions on which the total life-time cost estimates are based (section 3);
- Develop a more up-to-date picture of the life time costs of young people being NEET (section 4);
- Provide some costed case studies, as with the 2002 study, and further;
- Attempt to construct a range of these to represent the diversity of young people within the NEET cohort (see 1.3- 1.7 below and section 5);
- Provide case studies which show the cost of preventative work and the impact this has on outcomes at the ages of 16-18 and beyond (section 6);
- Provide some guidance to help local authorities understand the cost of young people being NEET, what the consequences are in terms of future costs, and what can be done to help prevent or minimize its long term impact (sections 7 and 8);
- Attempt to give a clearer idea of the breakdown of these costs and an indication as to whom the costs fall (section 9);
- Conclude with a discussion of our findings, together with suggestions for cost savings in the future (sections 10 and 11).

1.3 The research undertaken had three main strands:

- A review of statistical sources and academic and associated literature on NEET and its sub-groups (summarised in section 2);
- Estimates of the overall lifetime cost of NEET and the assumptions and methodology on which these estimates are based (sections 3 and 4);
- The case studies (section 6) and what is being claimed about the value of this strand of the research (sections 5).

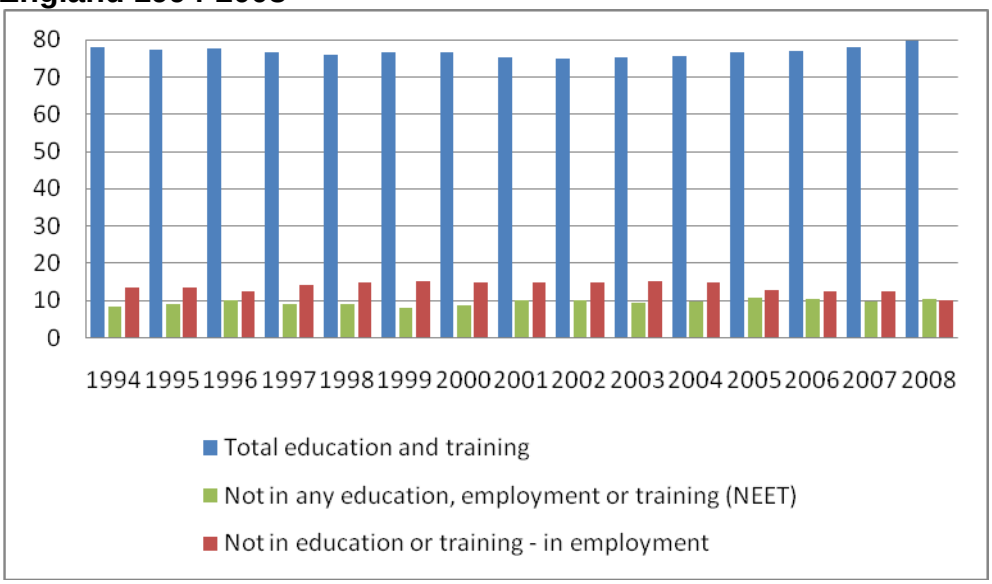
2. NEET and its sub-groups

2.1 We start with a summary of some of the statistical materials which are important to both the calculation of our estimates of the total cost of NEET and to the selection of case studies.

2.2 At the end of 2008, *Statistical First Release* estimated that there were 208K young people aged 16-18 in England who were NEET (DCSF, 2009a). This is significantly more than the 160K estimate used in our 2002 study and will obviously impact on our estimates of the aggregate life time costs of NEET. It represents 10.3 per cent of the age cohort and is a greater proportion of the age group than the estimates made in our previous research in 2002 (Godfrey et al., 2002). One factor which helps to explain part of this growth in the NEET numbers is the growing size of the age cohorts reaching the age of sixteen. In 2008, the number of sixteen year olds was 10.6 per cent higher than in 1998 and 20.45 per cent higher than in 1994. What this means is that, even if the proportion of the age group who become NEET had remained constant, the overall numbers would have increased. As it is, the percentage of the age groups NEET has also changed and most notably increased during the recent recession, up from 9.7 percent to 10.3 per cent between 2007 and 2008. This is most marked amongst 18 year olds, where the rise is from 14.2 percent to 16.6 per cent in a single year.

2.3 Despite changes in the size of the age cohorts, given the high public policy profile of young people who are NEET this higher figure for the numbers NEET is still a little surprising. Since the Social Exclusion Unit (SEU) first estimated the numbers of 16-18 year olds who were NEET in its 1999 report we have seen a number of initiatives designed to reduce the size of the category, including the launch of the Connexions Strategy and the Connexions Service in England (DfES, 1999; SEU, 1999b). There are, however, some signs that the high numbers of young people NEET aged 16-18 are, at least in part, due to the global recession and the impact this has had on the ability of young people to find employment (DCSF, 2009a). Chart 2.1 indicates that young people *in* some form of education and training has also increased in recent years to a high of 80 per cent in 2008. However the NEET numbers have also increased, mainly due to fewer young people being able to secure employment.

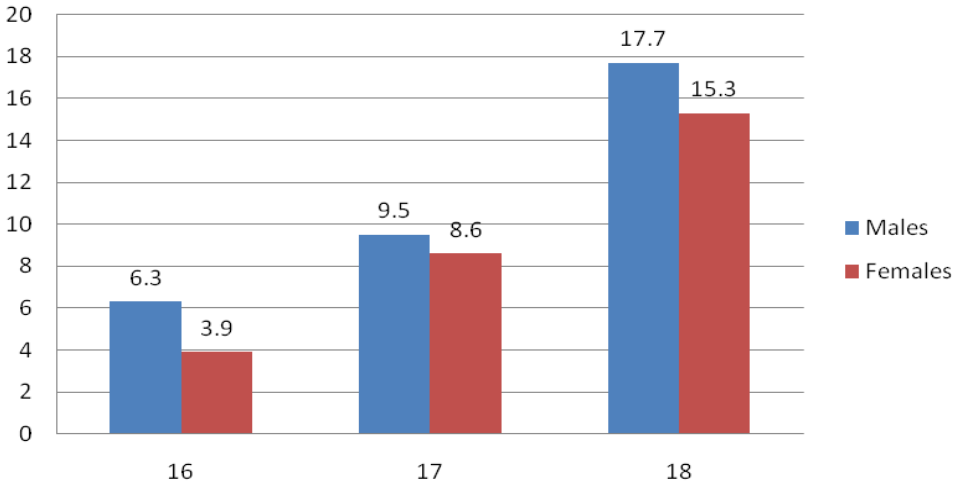
Chart 2.1 Participation % of 16-18 years olds in education and training, England 1994-2008



Source: DCSF, 2009a Statistical First Release

2.4 Within the overall NEET group, there are also differences between different age groups and between males and females within these age groups (see Chart 2.2). The proportion of young people NEET increases as they become older and boys outnumber girls in all age groups.

Chart 2.2 NEET % of all 16-18 years old in England by sex and age



Source: DCSF, 2009a, Statistical First Release

2.5 There are some claims, including in the 1999 SEU report, that British Ethnic Minority groups (BEMs) are over-represented in the NEET group. But, as with educational achievements, the picture is more complicated than that, with some groups (Indian and Chinese) being under-represented, and some, other groups (African Caribbean and Pakistani and Bangladeshi), over-represented, with significant gender differences within these patterns.

2.6 Since the publication of the SEU report on NEET in 1999, numerous risk factors and pre-cursors have been known to be associated with being NEET at age 16-18 years of age (see also Cusworth et al. 2009). These include:

- Having parents who are poor and unemployed;
- Living in a deprived neighbourhood near schools with poor overall average attainment;
- Living in particular circumstances which create barriers to participation:
  - They are or have been in care;
  - They become pregnant and a parent in their mid-teenage years;
  - They have a disability, special educational need or learning disability;
  - They are young carers;
  - They are homeless;
  - They have a mental illness;
  - They misuse drugs or alcohol;
  - They are involved in offending;
  - Pre-16 educational disaffection (truancy and/ or school exclusion);
  - Poor or no qualifications at age 16 plus;
  - Dropping out of post-16 educational attainment.

2.7 The sub-groups experiencing barriers to participation helped in the selection of case studies (see below). New estimates of the size of these groups have also been built into the macro-economic costing of NEET. But whilst we now have more detail about their likely post-16 careers, these assumptions have not been built into the macro-costing. Rather we have mirrored the assumptions made in our 2002 research.

2.8 There are some dangers in regarding NEET as solely the result of barriers to participation and, as such, a matter of deficiencies in labour market supply. If it is simply a supply-side issue, then it might be reasonable to conclude that this could be remedied by more and better information, advice, guidance, training and support. However, there is some evidence that, just as the youth labour market was transformed in the 1980s (Ashton et al., 1990), we have seen a similar transformation in recent decades partly in response to changes in Higher Education. In the 1980s many full-time "youth jobs" were re-engineered as part-time and many taken by increasing numbers of women workers. Since the late 1990s there are signs of further changes in labour market demand. What this means is that many of the jobs which 16-18 year olds might have sought as full-time occupations, have been re-engineered as part-time jobs sought after by "full-time" students (Bradley and Devadason, 2008; Coles, 2008; MacDonald, 2009.) Some young people may, thus, be frozen out of employment not because of any personal deficit but because employers prefer to recruit sixth formers or undergraduates on a part-time basis, rather than 16-18 year olds who have left school. Furthermore, bright and well qualified youngsters who are still in education may well take undemanding, even "precarious", work, at least in part because they know they will not have to stick at it for very long (MacDonald, 2009). It is not their destiny or a career; it is just a short-term money earner. Part of the reason for rising numbers of young people NEET may be, therefore, in part to do with changes in labour market demand as well as labour market supply.

2.9 Whatever its underlying cause, being NEET is also associated with later forms of disadvantage and poor welfare outcomes. These include:

- 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.

Some of these have been factored in to the macro costing of NEET and were also used in the choice and construction of the case study scenarios.

2.10 We have also used more recent estimates of many of the sub-groups, what is known about their over-representation within NEET and their subsequent post-18 careers. For some of these groups there are also estimates of the proportion of the sub-group likely to be NEET and for some groups indications of where the sub-group overlaps with others. Broadly we have adopted a methodology based on a "hierarchy of costs" as was used in the 2002 research (also see paras 3.7 and 3.8.) (Godfrey et al., 2002).

Truancy and school exclusion

2.11 The main pre-cursors of NEET which occur pre-16 include forms of educational disaffection and educational disadvantage. Educational disaffection can reveal itself through figures on school exclusion and self-exclusion through truancy. In 2007-8, in England, there were 8,130 permanent exclusions from school, vastly more boys (6,370) than girls (1,760) (DCSF, 2009b). The biggest age concentrations were of boys and girls in the early years of secondary school (5,470 aged 12-14 year olds). As a proportion of the age cohort, permanent exclusions are very small (0.11 percent or 11 pupils in every 10,000). Most of these (86 percent of all permanent exclusions) are from state funded secondary schools. The numbers of pupils in receipt of a "fixed term" exclusions are vastly more than those who were permanently excluded, with a total for 2007-8 of 204,890. This is around 2.77 percent of the school population. In fixed term exclusions, boys outnumbered girls by just under 3:1.

2.12 Data on truancy gives us total numbers of "persistent absentees", which refers to pupils who miss more than 63 sessions during the year. The number of "persistent absentees" in 2007-8 was just over of a quarter of a million pupils (233,340). Persistent truancy increases markedly between junior and secondary school (year 6 = 9,360 and year 7 = 15,740) and increases markedly again in the later years of secondary school (56,660 in year 11), when it will have the most impact upon 16+ qualifications. As a percentage of the age group, truancy rises from around 1.5% in year 6, to 2.4% in year 7 and as high as 8.5% in year 11. Persistent truancy is also quite marked amongst pupils with special educational needs (SEN), with 111, 030 persistent truants having some form of SEN in 2007-8, approaching one half of all persistent truants.

Special Educational Needs (SEN)

2.13 Just short of one in five (19 per cent) of secondary school pupils have special educational needs, although a much smaller proportion (2.7 per cent) have statements of special educational needs. In all secondary schools in England this means that in each age group there are just over 110K pupils with SEN (113,860 15 year olds, for instance) (DCSF, 2009c). Boys are more likely to have SEN than girls (23 per cent compared to 14 per cent) and to have statements.

2.14 The qualifications attained at the end of key stage 4 are considerably lower for students with SEN than for students without identified SEN. 68.7 per cent of pupils without an identified SEN obtained 5+ A*-C grades in 2007-8 in England, compared to only 23.1 per cent of pupils with SEN but without a statement and 9.2 per cent with a statement of SEN. Less than one per cent of pupils without SEN leave school with no qualifications, but 5.6 per cent of those with SEN but

no statement do so. 17.9 per cent of those with a statement of SEN leave school with no graded qualification (DCSF, 2007).

2.15 The number of children with SEN in full time education drops considerably after the age of 16. But there were 18,750 16-19 year olds with statements of SEN still in education in January 2009. Research evidence suggests that those with statements and those attending special schools are much more likely than other categories to remain in post-16 education and remain for longer than other groups. Research commissioned by the DfES and published in 2005 traced large samples of pupils in their transition from SEN throughout their late teenage years (Aston et al., 2005). By the end of their teenage years 28 per cent of the sample were in work, 46 per cent were still in education and 19 per cent of the sample were NEET. The most vulnerable sub-group within those with SEN or disabilities were those in mainstream schools, who were without a statement of SEN, and with hidden (and more contestable) disabilities. Based upon a large (nearly 2K) sample of young people and their parent or carer, Aston et al. distinguish with three main groups with different post-16 transitions. The first group (around 20 percent) have sensory and/or physical disabilities are most likely to have a statement of special educational need, have attended a special school, have a multi-agency intervention, have a high level of service co-ordination and have extended transition through education. A second group (between a quarter and a third) "with less well-defined or evident impairment", including less severe learning difficulties and behavioural, emotional and social developmental needs, are more likely to have attended mainstream schools, not to have a statement of SEN, or well-defined transition pathways and experience low levels of statutory support and to be more likely to have entered the bottom end of the labour market by age 17. The third much larger and heterogeneous group (around a half of all those surveyed) have a wide range of SEN which may or may not be related to a disability, but which have a more contested and lead to less visibility than group 1. The issue with this group is whether their pathways are well-defined, understood or appropriate or whether they are effectively supported (Dewson et al., 2004). At the end of the third wave of this study the authors comment "there is no clear or systematic evidence of any individual, organisation or agency having overall responsibility for assisting young people to identify and source appropriate options, nor to co-ordinate service delivery "(Aston, 2005).

Qualifications and attainments at 16+

2.16 Educational disadvantage is most easily seen through qualifications attained through 16+ examinations. The proportion of pupils reported as not having any passes at the end of key stage 4 is tiny, 0.8 per cent in 2008-9 compared to 6.6 per cent a decade before. However, if we examine pupils who obtain no graded pass in their GCSEs, the proportion is higher - 7.5 per cent in 2008-9 and more boys (9.4 per cent) than girls (5.5 per cent). Having no or very low qualifications is highly likely to lead to under-employment later in life.

"Looked after" children

2.17 In the year ending March 31st 2009, 8,700 young people aged 16 or older ceased to be looked after, with 61 per cent of these leaving care on or after their eighteenth birthday (DCSF, 2008a). The leaving care system has been

considerably reformed in the last 10 years, with a view to improving the welfare outcomes for looked after children. Yet, in 2008 only 14 per cent of looked after children obtained 5 A*-C grades at GCSE compared to 65 per cent of all children. One of the Public Service Agreement targets for care leavers concerns outcomes at age 19. Local Authority data suggest that in 2008/9 63 per cent of care leavers were in education, employment or training at age 19. This is 2 per cent down on the previous year but considerably higher than estimated by other independent research, where around a half of care leavers were found to be NEET, albeit at a slightly younger age (Dixon et al., 2006).

Teenage mothers

2.18 Our best estimate of the number of teenage mothers is based on estimates of conception figures, less the number of known legal abortions (DCSF, 2009d). This estimate suggests that there were just short of 20K (19,907) mothers under the age of 18 in 2007. It should be noted that these figures relate only to *under 18s*. As in previous years, conceptions to young women aged 18 and 19 are considerably higher than younger women. In 1997, when the SEU estimated that there were 90K conceptions to teenagers, the estimated total number of teenage births was 60K per year. By 2007-8 there was a much higher abortion rate than in 1997. Given that there has been only a slight fall in conception rates between 1998-2007, it is likely that there are still over 50K births to teenage mothers per year. Accurate estimates of births to all teenage women are now quite difficult to make given the way in which the figures are presented.

Young carers

2.19 Estimates of the number of young carers differ widely, as does information about the range of their caring responsibilities and the ways in which this impacts upon their post-16 transitions. Estimates of the numbers seem to rely still upon the 2001 census which suggests a total of 175K young carers across the UK. (No separate figure for England and Wales was given). Care should be taken with these estimates as they are now 8 years out of date. It is also possible that, given there is more awareness and there are more support systems in place for young carers, a greater number of them will now be known to authorities. However, the young carers support service has a much lower estimate of carers involved, with support projects indicating they have identified 6,178 (*Young Carers in the UK, 2004 report*). One recent study of the post-16 transitions of young carers suggests that they can quickly recover from educational disadvantage once they get relief from their caring responsibilities (Deardon and Becker, 2000). We have built this into the scenario of our case studies.

The young homeless

2.20 Providing robust estimates of the nature and extent of youth homelessness is an impossible task partly because simple and widely agreed definitions are not easy to ascertain. (For a discussion of definitions of statutory and non-statutory homelessness and rough sleeping see ODPM, 2003 or Pleace et al., 2008). The nearest we have to a recent and comprehensive study is research funded by the Joseph Rowntree Foundation (JRF) and based on young people who are both homeless *and* in touch with a range of support services (Quilgars et al., 2008). Those who are not in touch with such services are thereby excluded, which limits the study considerably (Young Foundation, 2008). However, the JRF study

suggests that, across the UK there were around 75K young people between the ages of 16 and 24 who were homeless in 2006-7. This includes just over 43K who were accepted as statutorily homeless (including around 8K aged 16 and 17 who were, because of their age, accepted as "a priority need").

2.21 The linkage between the onset of homelessness and NEET is confirmed by an analysis of the Communities and Local Government (CLG) survey of homelessness in England (Pleace et al., 2008). This research estimated that 57 per cent of 16-17 year olds who became homeless were NEET, partly as a result of the disruptions caused by becoming homeless but also (as with care leavers) because 30 per cent of them thought they would be financially worse off in work or on a course than becoming or remaining NEET (Quilgars et al., 2008). Also strikingly, 34 per cent said they had discontinued participation since their last settled accommodation and were most likely to have done so if they had been placed in temporary accommodation. Homelessness is, thus, an important precipitating factor in leading to NEET.

2.22 Those most likely to experience homelessness are also likely to have experienced a range of forms of social disadvantage during their childhood including: being looked after; running away from either home or care; experiencing the divorce and separation of their parents (including witnessing domestic violence); missing a lot of school whilst growing up (through truancy or school exclusion); being involved in crime; being gay or lesbian; or, particularly in London, being a member of a minority ethnic group (Pleace et al., 2008; Quilgars et al., 2008).

Mental Health

2.23 The Mental Health Foundation (MHF) have, in the past provided estimates of the extent of mental illness in young people which is twice that of estimates provided by surveys conducted by the Department of Health (Meltzer, 1999). However, in 2003 the MHF claimed that 10.8% of 16-19 year olds have mental health problems, a much lower estimate than one of 20 per cent made earlier (Mental Health Foundation, 2002 and 2003). This recognises differences of definition. This lower estimate means we estimate 218,686 16-18 year olds suffer mental health problems.

Substance mis-use

2.24 Estimates of drug (mis)use vary based upon how this is defined. The Health Behaviour of School-aged Children (HBSC) surveys indicate that, in England, by the age of 15, nearly a third of young people (31 per cent) have taken illicit drugs, although only 7.9 per cent had taken class A drugs (Coleman and Brooks, 2009). This, however, is a life-time use measure rather than an estimate of regular (mis)use. According to the British Crime Survey (2008-9), just over one in five (22.2 per cent) of 16-19 year olds in England and Wales had taken illicit drugs in the past year. Use of class A drugs in the last year, however, was only 6.8 per cent (Hoare, 2009). This lower figure is much more likely to represent drug using behaviour which becomes problematic in other areas of their lives. There is, however, some suggestion that the use of stronger forms of cannabis is associated with mental illness, although some of these allegations are hotly

disputed. Home Office research also suggests links between drug use and unemployment and economic inactivity (Hoare, 2009).

2.25 Alcohol use amongst British teenagers is notoriously high compared with many other teenagers across Europe. By the age of 15, in England, more than four in ten fifteen-year olds reported drinking alcohol within the past week. The mean number of units of alcohol consumed has also been increasing, with the average units consumed now standing at more than 12 units per week. More than one in five children report being drunk before the age of 13 (Coleman and Brooks, 2009) and nearly one in three teenagers under the age of 15 report being drunk on several occasions (Bradshaw et al, 2007).

Young offenders

2.26 Some estimates of the number of young people involved in youth crime can be derived from self report studies. These seem to suggest that only a small per cent of youth crime gets notified to the police or officially linked to a named offender. From the point of view of this research, however, what is more important to estimate are the numbers of offenders who are embroiled in the criminal justice system. The Youth Justice Board Annual Data for 2006/7 indicates that just short of 100K (97,375) 16 and 17 year olds were involved in the youth justice system, yet only a small proportion of these (4,795) received a custodial sentence. Around 30K were dealt with by police reprimands and warning, a further 40K by 'First-tier' discharges (including a fine or reparation order, for instance) and a further 22K by community-based sentences (including supervision orders etc).

2.27 Research undertaken for the Youth Justice Board also estimates that, on any given day, only between 35-45 per cent of young people in the youth justice system are receiving full-time education, training and employment, suggesting that a majority of offenders in contact with criminal justice services (55-65 per cent) are NEET (YJB, 2006). This means that of the 208K NEET population, as many as 62.3K may be embroiled in the youth justice system in some way. The same report commented on the lack of protocols between YOTs and Local Learning and Skills Councils. Another recent report comments that even the limited support offered to young offenders under the age of 18 seems to be suddenly withdrawn when the offender reaches that age, thereby exacerbating the drift into persistent offending, custodial sentences, disadvantage on release, and further bouts of unemployment, homelessness and further offending.

3. Methodology for the total cost calculations

3.1 Many of the assumptions used in calculating the total cost of NEET are the same as those made in the research published in 2002 (Godfrey et al., 2002). Some things have changed significantly and this helps explain the difference between our estimate in 2002 and the one given below. This figure (208,196) as published by *Statistical First Release* for the end of 2008 is the base of our calculations. Because the composition of the NEET group also differs markedly by age and gender, the calculations also make use of these subdivisions as outlined in table 4.1 (below).

3.2 As with the previous 2002 research, two costing frameworks have been used; "public finance costs" and "resource costs". These are conceptually and methodologically very different but should not be aggregated together (even though some interpretations have done so in the past). The first attempts to trace the impact on public finances arising from the NEET group and takes into account tax and benefits, together with health, welfare and criminal justice expenditure. The second framework involves total resource costs. This involves estimates of the loss to the economy, welfare loss to the individual and the family, as well as the impact in terms of the resources or opportunity cost to the rest of society (Godfrey et al., 2002 p5). The broad methodology, coverage and assumptions employed in the calculations for this report are the same as were used for our 2002 publication (further detail of this can be found in Godfrey et al., 2002, pp 57-58 and pp 76-81.) However, it should be emphasised that the two costing frameworks (public finance costs and resource costs) may contain overlapping costs and so simply adding the two estimates together runs the risk of double counting (see below).

3.3 Estimating the public finance costs starts with three main elements: benefits; tax loss (both loss of direct and indirect taxes); and national insurance. Unemployment is also associated with the loss of indirect taxes and low earnings associated with under-employment lead to lower levels of expenditure. As outlined above, public finance costs also include other welfare costs (see examples below).

3.4 The second budget head refers to "resource costs". This involves estimates of the loss to the economy, welfare loss to the individual and the family, as well as the impact in terms of the resources or opportunity cost to the rest of society. Some of these costs are incurred because of under- and unemployment and the impact this has on the individual and the family, as well as productivity loss to the economy. But these are significantly different calculations than the cost of unemployment in terms of public finance costs, such as benefits paid and tax contributions lost.

3.5 We have emphasised that public finance and resource costs are conceptually and methodologically different but an example may help illustrate this. The treatment of a patient in a hospital accident and emergency unit would involve a public finance cost (the cost of medical professionals' time, hospital estate costs, medicines etc.). But it may also result in significant personal and family costs

because of the patient's inability to do things afterwards – these would count as resource costs. Illness may also lead to a reduction or loss in the economic productivity of the patient - a lost resource to the individual, the family *and* the economy (a resource cost). Furthermore, if as a result of illness someone was not able to work as many hours, or was unemployed, this would result not only in lost productivity (a resource cost) but in both a loss of taxes and in the payment of benefits, both of which would result in additional public expenditure costs (a public finance cost). These latter payments from the state to the individual, however, do not involve any resource loss for the whole society (apart from the administration needed to make such payments). They are merely transfers of resources from one part of society to another. The two sets of costs are, therefore, both very different and overlap.

3.6 We have included both resource costs and public finance costs in this report because this is how the calculations were carried out in our 2002 research. However, given the main focus of the overall research project being undertaken by the Audit Commission, we suggest that the main focus of attention should be on public finance costs. Public finance rather than resource costs are most likely to be the focus of public attention as we come out of recession while also facing the problem of re-paying the public debt incurred. This is why the case study sections of this report refer to public finance costs only.

3.7 Another of the main dangers in making calculations as to the cost implications of NEET is that the various sub-groups within NEET overlap. So, for instance, "looked after children" are known to under-perform in terms of 16+ qualifications with many leaving school unqualified. They are over-represented amongst persistent truants and those excluded from school; they are more likely than their peers to become NEET, and unemployed after the age of 18. Female care leavers are more likely to be teenage parents and care leavers, as a whole, figure prominently amongst the homeless and the prison population. Extreme care, therefore, has been taken to avoid double counting or care leavers will also be double counted when account is taken of all the other categories mentioned above.

3.8 As in our 2002 research we have tried to avoid double counting by using a "hierarchy of costs" methodology based upon categories that straddle many of the sub-groups within NEET. What this means is that calculations are made of some of the more dominant and cross-cutting categories within NEET (e.g. unemployment) before adding in the additional costs associated with more specialised sub-groups (such as teen mothers, young offenders etc.). The cross-cutting categories include employment, under-employment, unemployment and economically inactive and unavailable for work (for instance because of disability or chronic illness or child-care responsibilities). One of the main drivers of costs are periods of unemployment and the model makes assumptions about the likely lengths of periods of unemployment of different sub-groups in the short and medium term. Some sub-groups are also known to experience long periods of "churning". Examples of such "churning" (rapid and regular moving between categories, especially between employment and unemployment, can be found in the case studies of Simon and Tom in section 6, for instance.

3.9 Estimates of under-employment are based upon the lower earnings of those who leave school with low or no qualifications. Under-employment means that a person will be in and out of work, leading to longer periods of unemployment overall. It will also result in lower earnings and lower tax contributions through indirect taxation. Further work done on underemployment has led to us being able to give a revised (higher) estimate of its cost (Walker, 2003).

3.10 The calculations of the cost of NEET are also given across three time periods: current (the cost covering 16-18); medium term covering the rest of the working life (aged 19-60 or 65); and long term (over the age of retirement 60 or 65).

3.11 A significant change in the methodology used in 2009 from that adopted in 2002 concerns the change in recommended discount rates for the medium and long term cost estimates. Estimating medium and long term costs is dependent upon a number of assumptions about the future state of the economy, the labour market and the future impact of policy interventions designed to reduce unemployment. Low and high cost estimates are presented based on varying the assumptions about the labour market and, in estimating resource costs, the value of lost production. In estimating the cost of NEET published in 2002, the annual discounting rate was 6 percent per annum i.e. each year the estimate of cost was reduced by 6 per cent. However, estimates are becoming ever more accurate and, in accordance with normal practice now, the discounting rate used for our 2009 calculations has been reduced to 3.5 per cent (NICE, 2008). This lower rate, applied in 2009, will have a significant effect in raising the overall estimate of life-time costs.

3.12 Between 2002 and 2009 there have also been significant changes in wages, prices, tax bands and tax rates etc. which have been taken into account in these calculations. These represent monetary changes but obviously do not affect resources or resource depletion (HM Treasury, 2008).

3.13 We were specifically asked to produce unit costs of NEET (an estimate of the average cost of each person not in employment, education or training), as in the 2002 report. The unit costs given are simply based on the lower estimate of the aggregate costs divided by the numbers NEET (208,196). Because we have used the lower aggregate estimate, these may also be, if anything, an underestimation.

3.14 The main message in this section of the report is that the methodology and assumptions used in 2009 were, as far as possible, the same as those used in 2002, except where assumptions have been varied. These main changes have been:

a. The overall size of the NEET group;
b. Changes in the size of some sub-groups;
c. Changes in tax and benefit rates;
d. Changes in average earnings;
e. A new (higher) estimate of the cost of underemployment;
f. A lower discounting rate (3.5% rather than 6%).

4. Estimates of the total costs

4.1 Table 4.1 presents the composition of the 208,196 NEET population by age and gender. These estimates are used to calculate the economic costs attributable to the NEET population in Table 4.2.

Table 4.1: NEET Population aged 16-18

Age	Total	Male	Female
16	33,773	21,351	12,422
17	61,279	33,174	28,105
18	113,144	62,516	50,628
All	208,196	117,041	91,155

4.2 The total current term costs show a resource cost of £1.8 billion and a public finance cost of almost £1.7 billion. The majority of these costs are a result of underemployment due to educational underachievement, unemployment and economic inactivity. The majority of the public finance costs consist of payments in unemployment benefits (JSA) and Housing Benefit to those who are not working and tax losses through direct taxes and reduced indirect tax yields due to lower consumer expenditure.

4.3 It should be noted that these costs are significantly higher than previous estimates because of the increased size of the population, which has increased by 33%, and also wage and price inflation. These factors will increase the amount of lost output, both in resource terms and also in monetary values.

4.4 Medium term costs are also estimated in Table 4.2. Low and high cost estimates are presented based on varying the assumptions in the labour market and the value of lost production. These estimates are based on the individual's lifetime earnings, and range from £20 billion (low) to £75 billion (high) in terms of lost resources and £9.5 billion (low) to £30 billion (high) in public finance costs. The majority of these costs are due to educational underachievement and unemployment/inactivity.

4.5 Long term costs are estimated based on pension differences for those individuals who were NEET between the ages of 16 and18. These estimates are indicative and based on a wide range of assumptions, and represent a public finance cost since this group are retired and not involved in the production of goods and services.

4.6 These costs are incurred in the future when the 16-18 year old cohort reach retirement age, and are, therefore, heavily discounted. The overall costs are in excess of £570 million when discounted at 3.5%. This includes the tax loss from pensions which are reduced as a result of lower lifetime earnings amongst the NEET cohort, and an additional top-up of benefits to account for this gap. These payments and tax losses result from a £785 million shortfall in pension income, based on an assumption of 10% of those NEET at ages 16-18 being affected and an 11% direct tax loss.

4.7 Table 4.2 also gives the total estimates covering current, medium and long term costs. We also provide a low and high estimate for both resource costs and public finance costs. In summary, **the low estimates suggest nearly £22billion for resource costs and £77 billion as the high estimate**. **In total, we estimate that the low estimate for public finance costs is nearly £12billion with the high estimate of over £32billion.**

4.8 Dividing the lowest estimate by the number of young people NEET allows some conservative estimate of the unit cost of NEET. In 2002, the estimate of the unit cost to public finances was £52,000. In 2009, our estimate is £56,301. This relatively modest increase in unit cost probably reflects a benefit system which has not markedly increased its generosity to most of the unemployed. The overall *aggregate* cost of NEET to public finances is, therefore, much greater in 2009 mainly because of the increased numbers of young people who are NEET.

4.9 In 2002, the estimated average resource cost for each of the young people who were NEET was £45,000. However, as might be expected by the more than doubling of the total aggregate resource cost by 2009, even our lowest estimate of the *unit* resource cost for 2009 is well over double the estimate for 2002 (£104,312 compared to £45K)). Resource costs are calculated in a fundamentally different way to public finance costs and a large part of this reflects lost wages and productivity. The big increase in resource costs between 2002 and 2009, therefore probably reflects growing wage differentials and big differences between benefits and in-work wages. Even with discounting, these differences are then aggregated over a long period of time – some forty years covered by the medium-term estimates. And it is in the medium term, (as young people lose out on wages between the ages of 25 and 65), that the resource costs soar.

4.10 Although paragraphs 4.8 and 4.9 comment on the *average* resource and public finance costs of being NEET aged 16-18 years of age, attention should be drawn to the huge variation in public finance costs for young people whose biographies differ enormously over their life course. The range of life-time public finance costs varies considerably from £76,163 (Dan A - pupil with SEN) to £207,292 (Sophie A – a teenage mum) through to over two million pounds (£2,371,067) in the case of Tariq B (a persistent offender) (see Table 7.3 p 37). This variation is further explored through the case studies which are also able to calculate the cost effectiveness of intervention programmes.

Table 4.2 The economic costs attributable to the NEET population

CURRENT COSTS	**Resource cost**		**Public finance**
Educational Underachievement			
Unemployed	£79,366,751		£1,199,238,148
Underemployed	£32,016,602		
Unemployment	£429,680,191		
Inactivity	£766,541,549		
Teenage mothers	£432,843,048		£453,866,079
Crime	£61,382,528		£7,819,683
Poor health	£413,022		£413,022
Substance misuse	£1,335,458		£1,335,458
Sub-total	**£1,803,579,148**		**£1,662,672,388**
MEDIUM TERM COSTS			
Educational Underachievement (low estimate)	£2,221,895,298		£7,216,038,780
Unemployment (low estimate)	£16,928,726,082		
Educational Underachievement (high est)	£8,606,225,493		£27,950,397,552
Unemployment (high estimate)	£65,571,241,853		
Early Motherhood	£282,863,048		£2,185,747,288
Crime	£461,052,180		£67,309,377
Poor Health	£7,759,321		£7,759,321
Substance abuse	£11,495,200		£11,495,200
Sub-totals (low estimate)	£19,913,791,129		£9,488,349,966
Sub-totals (high estimate)	£74,940,637,095		£30,222,708,738
LONG TERM COSTS			
Tax loss			£383,339,717
Additional benefits			£187,225,963
Sub-total			**£570,565,680**
FINAL TOTAL (low estimate)	**£21,717,370,278**		**£11,721,588,036**
(high estimate)	**£76,744,216,244**		**£32,455,946,808**

5. The case study methodology

5.1 As briefly outlined in the introduction, the case study dimension of this research has been developed in order to fulfil a number of different tasks. These are:

- To explore the range of different sub-groups within the overall NEET category;
- To explore the dynamics of life course development within these different sub-groups;
- To explore the ways in which a range of policy interventions can impact upon this life course development;
- To make estimates of the aggregate public finance costs which accrue to the different sub-sets of young people who are NEET between the ages of 16 and 18 years of age over the rest of their life course;
- To examine the cost effectiveness of interventions in young people's lives in attempting to prevent NEET or divert those vulnerable to being NEET from various forms of social exclusion throughout the life course.

5.2 It is perhaps important from the outset to be clear about the assumptions and methodology employed in the case studies. Firstly, although we have a relatively large number of cases (17), we make no claim that this is a *statistically representative* sample of the NEET population. Rather, the selection of the cases has been *strategic* and "*ideal typical"* (Giddens and Griffiths, 2006) in the sense of focussing on patterns of *diversity* within young people NEET between the ages of 16 and 18. Cases have, therefore, been deliberately selected to represent specific sub-groups within the NEET population. They are used to illustrate and explore how the experiences and dynamics of social exclusion work within that specific sub-group. In this sense, our claim is that they are "ideal typical", allowing us to explore a range of commonalities within the sub-group. However, we also wish to emphasise that, just as there is diversity between sub-groups, there is, indeed, *diversity within sub-groups*. In reading the biographies we have constructed, some may be thought to involve "atypical" or "extreme" scenarios. This is not our intention. Rather, what we have sought to do is to examine a typical range of experiences based upon the documented lives of young people who have taken part in recent social research.

5.3 The case studies included in the 2002 report were illustrative but fictional. For this study, however, we have been able to draw on developments in the social sciences associated with the development of longitudinal qualitative methods. It is now more commonplace to be able to identify research which has tracked young people's lives over a considerable period of time and sometimes into their middle age. Many of the case studies we have chosen are from such research and are, therefore, biographies of real people and based on their own accounts of their life-history.

5.4 Three of the case studies we describe as "base-line" examples and these include one (Eve) who is the only case not anchored in a real and researched biography. In the scenario we have developed, at no stage in her biography was Eve NEET. But we were specifically asked to include such a case to illustrate how even none-NEET cases can involve some public finance costs. The other

two “base-line” examples were drawn from recent social research (see footnotes 7 and 8). They were not subject to any form of youth intervention of any note during their late teens. Nor were they chosen to represent membership of any particular “vulnerable group”. Unlike the other cases we have not, therefore, developed any type A and type B scenarios for these cases (see 5.5 below).

5.5 This research takes the case study methodology a stage further. Social scientists have recently also become more adept (theoretically and methodologically) in exploring “turning points”, “critical moments”, “epiphanies” or “fateful moments” in the life course, when events seem to change the course of a biography (Denzin,1989; Giddens, 1991; Henderson et al., 2007; Laub and Sampson, 2003; Thomson et al., 2002.) Based upon these ideas, and for the remaining seven case studies, we have developed two (or more) “matched” cases by using the work of researchers and other experts in the field to construct “type A” and “type B” scenarios (giving a total of 14 cases in all). Type A scenarios are mainly based on the sequence of events in a life history described to the researchers. Type B scenarios are constructions based upon how the life course *would be likely to have developed* had a series of events or a social policy intervention not taken place. In constructing these “ideal type” B scenarios we have made use of the researchers who knew the subjects well and experts in the field who could advise on likely outcomes and career trajectories.

5.6 We then added an economic dimension to these matched cases. For each of the biographies we have calculated an estimate of the life–time public finance cost. This is based on two main calculations. First we have examined in detail the cost of cash benefits (mainly through social security payments). These include benefits associated with unemployment, including child-related benefits, and costs associated with accessing a limited number of support services (see 5.7 below). These were complex calculations, details of which are given in appendix 1. Some of the methodology and assumptions are further outlined in 5.7 below. This main report gives a brief summary of the totals for each case in a series of tables (see sections 7 below).

5.7 We also give an estimate of the life-time contributions made by each case study through the payment of taxes and national insurance. Because of the complexity in calculating individual tax liabilities and in making estimates of tax contributions we have had to rely upon assumptions of the case studies having average earnings, except, of course during the periods when the person was unemployed and made no contributions. Based on these calculations, we have then calculated the difference between the matched case studies (A and B) and the differential cost to public finance of the two scenarios. This also enables us to illustrate over the life-course the potential cost-effectiveness of interventions (see section 7). We also present these calculations for the early stages of biographies – up to the age of 25 years.

5.8 The calculations of the public finance and other costs of each of the case studies are presented under four main sub-headings – see Appendix 1. The first relates to “interventions”, especially in the Type A cases. Interventions are often

specific and designed to prevent a young person from becoming NEET or to try and help them back into employment, education or training. We have restricted our costing of these interventions to those taking place before the young person completes their full-time education or reaches the age of 25. We have also only included within these interventions “additional supports”, rather than the cost of post-16 courses themselves. Some of these additional supports have been because of an entitlement related to family circumstances, or to a disability due to the young person or a member of their family. But we have also included under this heading child care costs, where those have been paid out of public funds in order that the young person is enabled to continue with their education. As we will see, interventions vary considerably in terms of the type, complexity and their cost and these are discussed in more detail in section 8. The other components relate to more general social security support through benefits and social support. As we will see, a significant proportion of benefit support is related to the children of claimants, for instance, through entitlements to child benefit, child tax credit etc.. To enable the reader to appreciate this “child related welfare support”, this is reported on separately from the “other welfare costs” (see Appendix 1). All three of these subheadings (interventions, child related, and “other welfare costs”) are then aggregated under the final subheading – total welfare costs.

5.9 It is also important to note that it is likely that the public finance estimates of our case studies, if anything, significantly underestimate the likely cost. Whilst we have made careful calculations of benefit entitlements and estimates of tax payments, there are other major public expenditure items where, because of time and budgetary constraint, this research has not included cost estimates. For instance, except in specific circumstances which are noted in the text, we have not included specific health-related costs. It is, however, well documented that there are significant correlations between unemployment and various forms of ill-health, and premature death (Ashton, 1986; McLaughlin, 1992). Some categories within NEET (including teenage parents for instance) are also known to make higher than average use of health services (SEU, 1999a). These additional costs associated with NEET and later unemployment have not been included in our calculations, hence our warnings about our estimates being somewhat conservative (see also paragraph 9.6).

5.10 A significant cost to public expenditure involves pension costs. These are very difficult to estimate for our case histories as we would have to make guesses as to the life expectancy of each of our cases. These would have had to be largely guesses rather than precise estimates. Pension costs have, therefore, been excluded from all the calculations contained within the case study element of this report.

6. The Case Studies

6.1 Fourteen of the case studies were chosen to reflect many of the categories of NEET outlined in section 2 above including:

- Young people with SEN and/or disabilities – Dan A and Dan B (see footnote 1);
- Teen parents - Sophie A and Sophie B (see footnote 2);
- Young carers – Sam A and Sam B (see footnote 3);
- Young offenders - Tariq A and Tariq B (see footnote 4);
- Care leavers – two versions of male and female care leavers Freidrick A and Freidrick B and Neeha A and Neeha B (see footnote 5);
- Those who are excluded from school or truant pre-16 – Amy A and Amy C (with two versions of Amy B based on Sophie and Tariq (see footnote 6).

6.2 We have also included (discussed first) three "base line" case studies:

- Eve – employed throughout her working life;
- Simon – dropped out of post-16 education and a life of "churning" between employment and unemployment (see footnote 7);
- Tom – dropped out of post-16 education and "churned" between unemployment and employment until the age of 31. He returns to education at age 31 to re-start a successful career (see footnote 8).

Two of these cases (Simon and Tom) achieve only modest qualifications at the age of 16 and soon drop out of post-16 education and training. These are cases who figure prominently amongst those who spend some periods of employment interspersed with unemployment as they "churn" between insecure jobs (Furlong and Cartmel, 2004). The other base line case (Eve) spends two years in post-16 further education and a life time of employment before she reaches retirement, interrupted only by maternity leave for her two children.

6.3 For each of the case studies we provide a brief narrative of their employment and unemployment history, their involvement in education and training, and other aspects of their careers such as if and when they have children, where they live and whether they have a mortgage, all of which have an impact upon their benefit entitlements. We have then calculated all the benefits they will receive throughout their lifetime and provide an overall cost of this, together with their tax and national contributions (see 5.5-5.7 above).

6.4 Overall, seventeen case studies were constructed during the course of our research. Table 6.1 provides a summary of the cost of the interventions in type A cases and aggregate figures for the total cost of public finance spending on each of the cases throughout their life course (although excluding their pension costs.)

Table 6.1 Aggregate life-time public finance costs and contributions for the case studies

Case study	Intervention costs	Welfare costs	a) *Life time welfare cost £ (-pensions)	b) Contributions £ (NI+ direct tax)	c) lost-contribution £ (NI+ d-tax lost)
Baseline: Eve	2,340	48,373	50,713	289,162	13,770
Churner: Simon	0	159,932	159,932	309,182	133,151
College drop out: Tom	0	36,413	36,413	336,263	106,070
SEN: Dan A	22,000	0	22,000	388,170	54,163
Dan B	11,371	206,335	217,706	9.60 (min.) 18,054 (max.)	424,278 (max.)
Teenage mums: Sophie A	4,100	93,035	97,135	192,774	110,157
Sophie B (assume adoption) Sophie B (assume fostered)	3,500 3,500	193,734 854,862	197,234 858,362	0	89,502
Young carers: Sam A	265,410	11,333	276,743	388,170	54,163
Sam B	1,170	228,417	229,587	284,357	157,976
Young offenders: Tariq A	7,049	181,591	188,640	315,258	127,075
Tariq B	2,380	2,043,708	2,046,088	27,082	324,979
Care leavers: Neeha A	49,847	325,106	374,953	196,419	68,848 (min.)
Neeha B	7,990	424,691	432,681	95,477	180,726 (min.)
Freidrick A	35,753	183,153	218,906	257,275	185,058
Freidrick B	34,387	13,480	2,000,000	0	216,653
Pre-16: Amy A	21,424	60,596	82,020	268,507	34,424
Amy B (aka Sophie B)	3,500 3,500	193,734 854,862	197,234 858,362	0	89,502
Amy B (aka Tariq B- female equivalent)	2,380	2,043,708	2,046,088	20,654	247,853
Amy C	20,947	72,018	92,965	268,507	34,424

Notes: *Life time welfare cost = intervention + welfare costs.

Minimum costing is estimated based on the individual earnings of the case study scenarios; maximum costing is based on the national average earning. Unless otherwise specified, all costing of tax and NI contributions in the case studies are based on the national average earnings, with no discounting.

The three base-line case studies

6.5 Three of the case studies are best regarded as "base-line cases", although two out of the three were cases in which based on real and research life-courses. The first (Eve) is based on someone who undertook two years of post-16 education before becoming gainfully employed until she reached the age of 60. During the course of her life she had two children and took maternity leave from work. This baseline case was constructed in order to illustrate that, even where there is no unemployment, there are some costs to the tax payer as well as contributions to the Treasury during one's working life, in this case a total of £50,713 before she took her pension. These costs include that of her post-16 education and an educational maintenance allowance (EMA) for 2 years, her two periods of maternity pay, and child benefit for her two children. We also calculate that, if she received female average earnings across her working life, she would make contributions of £289,162.

6.6 The second base-line case was someone who had been interviewed four times between his teenage years and late forties (footnote 7). He dropped out of his college course at age 16 and became a classic "churner", in and out of employment on numerous occasions interspersed with periods of unemployment. In all, our churner Simon spent a total of nearly 15 years unemployed. Simon did have a partner and they had a child when Simon was aged of 24. He also used some of his own money to try to retrain and gain better employment as a heavy goods vehicle (HGV) driver. Simon's life time welfare and benefit cost before retirement was nearly £110K more than Eve (the first baseline case). Furthermore it is Eve's two children (compared to Simon's one) who accounted for much of the welfare spending support she incurred. Simon did make considerable contributions through his taxes and national insurance, which, if we assume average male earnings over his lifetime, add up to a total of £309,182. However, his years of unemployment meant that the exchequer lost £133,151 in contributions which he didn't make during these periods of economic inactivity. If his later unemployment is partially the result of teenage years spent being NEET, this is a large and significant life-time cost.

6.7 The third baseline, Tom, like Simon, dropped out of college soon after he started his post-16 course. He too is based on a real case in which we know of the various aspects of his career up to age 40 (footnote 8). Like Simon he "churned" in and out of employment until his later 30s. But in his thirties, he used money from a redundancy package to retrain as an electrician, after which he was employed by a large building firm where his father had had life time employment. After that point, from age 37, we project that he is in regular employment until retirement. Unlike Simon, Tom lives at home until his parents die, leaving him the home as his inheritance. Unlike either Eve or Simon, Tom also has no children. Because of this, despite being unemployed for 11 years and six months in total before the age of 37, his life time support from welfare payments is cheaper than the other two base-line cases at £36,413. Assuming average male earnings, his contributions are also significant at £336,263, although there is just over £100K lost contributions during periods in which he is unemployed.

The contrasting pairs of case studies

6.8 The other fourteen cases are best thought of as contrasting pairs. These include type A (favourable) and type B (unfavourable) outcomes for a number of vulnerable groups. In looking at some of the contrasts between A and B types, we will, occasionally, point to scenarios in which the type B case could have developed along the lines of one of the other cases. (So the type B case of Amy could have followed the career trajectory of either Sophie B, Tariq B or Freidrick B). These extra scenarios we have not counted in the total of 17.

Cases of young people with SEN or disabilities (Dan A and B)

6.9 Dan A is diagnosed with Asperger's Syndrome at the age of eight. His parents arrange for some special support before he transfers to state secondary school at the age of 11. His new secondary school goes to great lengths to prepare for his arrival, taking five staff out of school for one day to develop a manual of good practice. Dan is also provided with a photo-diary so he knows where he is supposed to be every moment of the day and who will be there to support him. He is also given some teaching assistant support from year 7 onwards. This is intensified as he begins to prepare for his 16+ examinations for which he is allowed to use a lap-top computer and is given extra examination time. He gets 8 GCSE A*-C grades and proceeds into the school sixth form after which he goes to university. On transfer to university he has another assessment of need and a similar pattern of support before and during his arrival. Dan A does try to go on to post-graduate teacher training. But, during his first teaching practice, he recognises that teaching is going to be difficult for him and drops out of his post-graduate teaching diploma course. However, we project that he will secure employment (albeit possibly not graduate employment), and, later in his life-course, he will be able to live independently with his partner. The extra intervention and support for Dan we have costed at £22K (including his Educational Maintenance Allowance (EMA)). Because he stays in uninterrupted work until retirement, Dan A makes significant contributions (assuming only average male earnings) of £388,170.

6.10 Textbooks describing the diagnosis and prognosis of children and young people with Asperger's Syndrome disorder do not paint a rosy future for them, suggesting that well under half will secure employment or be able to live independently (Wenar and Kerig, 2006). The Dan B scenario, therefore, starts with a much later diagnosis of his disability, some educational disaffection in the period before this takes place, fewer and lower graded qualifications at 16+, early school leaving and a period in which he will be NEET. Although we think Connexions would try to help him and support him into some form of training, we think this would not be likely to be successful. Following a second attempt to support him in training after the age of 18, we think it is likely that he would be advised to go on to Disability Benefits, initially Employment and Support Allowance (ESA), which would continue for some time to ask him to do some work-related activity. When he tries to increase his hours to 16 hours a week, however, he cannot sustain this and returns to Disability Benefits. At age 40, when his parents reach retirement age, we project that his father may have a stroke and Dan B can become the main carer for him. When both his parents die,

they leave him the family home, which allows him to arrange for some equity release to pay for his own caring needs. The life-time benefit costs of Dan B are calculated to be £217.7K before his pension. His meagre earnings we project will never take him over the tax threshold and his contributions are, therefore, minimal. Even in the short term (before reaching the age of 25 years), Dan B has cost public finance of just over £42K more than Dan A and over their full life time the difference exceeds half a million pounds (£565,821).

Cases of teenage parents (Sophie A and B)

6.11 The Sophie cases concern the careers and costs of young women who give birth in their teenage years. Sophie A is a case drawn from research employing longitudinal qualitative methods tracing her career until the age of 22 (Footnote 2). The remainder of her life-course has been written in accordance with her aspirations and expectations and the judgement of the researcher. Sophie A found she was pregnant at age 14 and gave birth at the age of 15, when she left school. She had little contact with the father of her child whom she thought badly let her down. Initially, she lived at home with her parents but, with the help of her Connexions PA, moved in to social housing at the age of 16. She was soon appalled and shaken by the behaviour of her neighbours, by violence, domestic violence, and drug misuse. She became depressed, lonely, isolated and felt unsafe.

6.12 Her support at this time was mainly from her parents (who took her shopping) and her Connexions PA, who tried to help with housing advice and advocacy to try and arrange for her to move house. She also was referred to a support group for teenage parents, which she attended regularly. She was finally able to move to another neighbourhood nearer to her parents. Here, she began to socialise more, including going out with friends on Friday nights. She met a new boyfriend but initially was very wary of becoming too involved. At age 19 she also attended a widening access project at a local HE college where she engaged in self-reflection through being encouraged to construct a digital story of her life and ambitions. Her Connexions PA, the support group and the widening access project combined to raise her self-esteem, and by the age of 21 she was cohabiting with her boyfriend, had passed her driving test, had lost weight and was a house proud mother with ambitions. She didn't go into HE at this stage but soon had a part-time job which further increased her feelings of self worth. We project that she will have a second child, find other work (albeit mainly part-time). Once her children are in school she will work full-time. When they reach school leaving age, she will use an access route further HE training in nursing to re-start a career which she will follow through to her retirement. Up to the age of 22, Sophie is quite expensive to the welfare state (costing an estimated £55,158 including intervention costs in six years and £71,692 before she reaches the age of 25). The life time welfare cost for Sophie before pension is £97,135. However, we estimate that, during her working life, Sophie will make total contributions of £192,774, far exceeding her welfare costs.

6.13 Sophie B has a more turbulent career in her mid teens. She is living with only her mother, sees little of her biological father and has a sister, who, like her mother, became pregnant at the age of 16. Sophie B regularly truants from

school, was excluded aged 12 for fighting and spent some time in a Pupil Referral Unit (PRU) (although she truants from this as well). She was first pregnant at the age of 14 but is persuaded to have an abortion by her mother and sister. However, she is upset by the whole process and when she finds she is pregnant again at fifteen years of age, she delays telling them until it is too late for an abortion. At age 16, with the support from her Connexions PA, she is given social housing on the same estate as Sophie A.

6.14 Sophie B is not dismayed by the neighbourhood milieu but rather enjoys the danger and excitement. She is used to using recreational drugs and soon gets involved with an older man (Jake) who is a local dealer. She also soon moves from recreational drugs to using class A drugs. Jake has several convictions and a history of violence against a previous partner. Sophie B soon finds she is pregnant again. But after six months her health visitor becomes concerned about the welfare of her first child and the risks to her new baby of the presence of Jake in her life and informs social services of the potential risks. A social worker warns Sophie B in no uncertain terms of the dangers of her child being taken from her if she continues to be involved with a class A drug user and dealer. Initially, she says she will stop seeing him. But shortly before the birth of her second child, social services hear reports of her cohabiting with Jake and convene a case conference as the first stage in starting care proceedings. At age 19 Sophie B is arrested for possession with intent to supply a class A drug, after her house is raided after a tip-off about Jake using the house. Social services accelerate the care proceedings and her first child is taken into residential care and her new baby is received into care at birth a month later.

6.15 At her trial Sophie escapes with a community sentence on condition that she goes on a short drug rehabilitation course. She also tries to comply with the conditions set by social services in a care plan for her children, hoping that this will mean they will be returned to her. But after three months she gets involved with another man who is dealing drugs, who entices her into prostitution to pay for her habit. Social services have no alternative then but to seek a more permanent care setting for her children. If they are adopted at age three and one this will save a huge amount of public money. But this may not be possible, given that her second child was born whilst she was a class A drug user. We have, therefore, also calculated the cost of foster care until they reach the age of eighteen. (Periods in residential care would add even more to this cost.) As for Sophie B, we project that she will live off undeclared earnings until she is aged 29, at which point she dies when over-dosing with heroin.

6.16 The life-time welfare cost of Sophie B (assuming the adoption of her children), is £100,099 more than Sophie A. If we assume her children are placed in foster care rather than adoption, the life-time welfare cost of Sophie B rises to £858,362 (£761,227 more than the type A case). She makes no contributions through tax or National Insurance.

The young carers (Sam A and B)

6.17 Sam was in sixth form when the critical decisions had to be made about his career. He lived in a one-bedroom council flat with his elderly father in a central

London borough, using the living room as a second bedroom. His father was 75 years old and infirm, with deteriorating capabilities because of dementia. Sam's school work was often disrupted by telephone calls from his father. Sam was supported by a Connexions PA who was concerned about his weight, diet and personal hygiene, as well as his ability to cope at home and manage the family budget. He was in receipt of an EMA which was an important element of the household budget. His PA tried to involve social services about balancing Sam's and his father's welfare needs. They eventually had to agree to his father being taken into a nursing home with a special unit for the Elderly Mentally Infirm. This enabled Sam to resume his studies by repeating year 12. He was also able to take over the tenancy of the flat. The prognosis for Sam is good. He goes on to a local university, does well and, on graduating, obtains a graduate level job. But it is expensive in welfare costs, as nursing homes, even in the provinces, cost £750 per week – so we have estimated a cost of £1K per week in London. This remains the same until his father dies five years later. The life-time welfare cost of Sam A (before his pension) is £276,743 (£260K of which is the cost of care for his father). Sam A, does, however, make a very significant contribution through tax and National Insurance. Even assuming he earns only the average male earnings, his contributions will total £388,170 over his full working life and £18,054 before he reaches the age of 25. But, as a graduate, he would be highly likely to earn much more than the male average and his contributions would also be considerably higher.

6.18 The scenario for Sam B assumes that social services do not agree to his father going into a nursing home. In these circumstances we project that Sam will drop out of school at age 17. He will not be entitled to benefits in his own right until age 18, and, although his father may be entitled to Disability Benefits, we project that (as in the real case) no one was advising him of these and so he slipped through the net. Sam claims Job Seekers Allowance at 18, is called in for New Deal for Young People at 19 but soon drops out. These circumstances will persist until his father dies at the same age of 80. Given his lack of 18+ qualifications and his unemployment, Sam seems destined to follow the path of the "churner" as in the case of Simon (above). The life time welfare cost of Sam B is quite significant at £229,587 but some 47,156 less than Sam A. Because of his unemployment, (assuming when in work he can earn average male earnings) he makes £103,813 less contributions than Sam A through tax and National Insurance. So overall Sam B has a public finance costs £56,630 higher than Sam A. It is worth reiterating that £260K of the life-time welfare cost of Sam A was the care costs for his father compared to only £35K in case B, that is why the public finance costs are still quite close.

The young offenders (Tariq A and B)

6.19 Tariq lived with his mother and father and two older sisters. His parents were from Pakistan, his mother had never been in paid employment and his father was long term unemployed. During the period Tariq was taking his GCSEs, he went with a friend to a park in an adjacent town where they forced another child to give them £5. His friend showed the child a replica gun and said he would be shot if he did not hand over the money. They were easily caught spending the money on arcade games and both were charged with armed robbery. Tariq was assessed

by his Youth Offending Team (YOT) who noted that he was easily led and in fear of his father who was a strict disciplinarian. Tariq had done moderately well in his GCSEs, with nine passes but all grade D or below. He had hopes of going to college but, at his trial, he was given a Detention and Training Order (DTO) which meant he spent the first three months in a Youth Offender Institution.

6.20 On release there was another minor incident, in which he stole from a local shop but he escaped without being returned to custody and began to be helped by a Connexions PA as well as by his YOT worker. The YOT got him involved in a mentoring scheme for young Asian Offenders which worked with the family as well as the offender. His YOT worker also helped the family address issues of family violence which became more obvious after Tariq's second arrest. After his father arrived at the police station threatening violence against his son, the YOT had to arrange emergency accommodation for Tariq. But with support from Connexions, YOT and a mentoring scheme in place we project it will be possible to divert Tariq from the influence of his friends and allow him a modest career. The total cost of positive interventions for Tariq A (from his YOT, mentoring scheme and Connexions), is just over £7K (£7,049). The best we can hope for, however, is that he follows the pattern of a "churner". We estimate that he will spend some time in his late teens and early twenties unemployed but that he will, supported by his family, eventually secure employment as a taxi driver. He is married at age 27 and has one child when he is 28. Initially, (up to the age of 25 years) Tariq is quite expensive to public finance (£88,396), mainly because of the cost of discharging his sentence. But over his full working life he does make significant contributions to public finance through tax and national insurance; £22,568 before he is age 25 and £315,258 over his working life. The life time welfare cost of Tariq A, before his pension, is £188,640, only £28,708 more than the other churner Simon. But a more significant comparison can be made with Tariq B.

6.21 When originally Tariq A was originally interviewed by researchers, the second offence he described was markedly different to the minor shop theft indicated on his YOT file. Rather, he claimed to have been involved with friends with taking a car, "joy riding" (taking away without the owners consent (TWOC)), before being chased by the police. For Tariq B we allow this fantasy which, in the circumstances of him being still on a DTO, would result in his return to custody. When he is finally released we predict he would get the same help in starting an E2E but project a second TWOC offence. Following a second YOT assessment, he is returned to custody. We predict that he will make some attempt to desist from offending in his mid-20s, like Tariq A by trying to set himself up in business as a taxi driver. He also has a relationship with a younger woman with whom he has one child. Still finding it difficult to make much money from his taxi driving, he starts supplying drugs which gets him involved with a group of friends who are engaged in other criminal activities. Although still not apprehended by the police, he is reported to the licensing authorities and forced to give up his job. Now desperate for money, he acts as a driver with a group of friends in a robbery, in which one of the gang, unbeknown to him, is carrying a gun. The robbery goes wrong and Tariq B is arrested and charged with his second violent offence, armed robbery. He receives a twelve year prison sentence of which he serves eight years, between the ages of 29-37. On release, and again short of money,

he engages in another robbery in which he has a knife. This goes badly wrong again, and the victim is badly wounded. Tariq is charged with attempted murder and receives a life sentence. Having lived a very sedentary life style, Tariq dies in prison of a heart attack at the age of 54. Much of the welfare cost of Tariq B is associated with his involvement in crime, his trials and his imprisonment. We calculate that he costs the public finance around £280K before he is aged 25 and a staggering £2,371,067 over his life-time, the first £2 millions case, £2,055,352 more than Tariq A. It is worth noting that, because of his imprisonment, there are significant losses in terms of contributions to tax and NI.

6.22 We now turn to the care leavers. It was thought important to have four care leaver cases so that we can look at contrasting A and B type scenarios for both male and female care leavers separately, as they are likely to follow markedly different routes. Both A types are based on care leavers who took part in a project led by the National Leaving Care Advisory Service (NCLAS). They were interviewed especially for our research, approximately one year after the end of the NCLAS project, to gather further details of their careers up to age 23. A type scenarios were developed with the project leader. Type B scenarios follow a pattern which is reflected in the known adverse outcomes for care leavers. For all cases, we have not included the cost of being "looked after" up to the age of 16 but we have included leaving care costs.

Female Care Leaver (Neeha A and B)

6.23 Neeha was born into a large family of Pakistani origin. She had been taken back to Pakistan at the age of four and struggled to get back into schooling when she returned at the age of eight, as she says she did not have a word of English. She was bullied at school and physically abused at home by both her father and elder brothers. She was first "looked after" just having left primary school at the age of eleven. Initially this was kinship care but this changed to foster care when her abusive father became involved with the extended family yet again. She had various forms of residential and foster care until the age of sixteen. She says she was very unhappy and was constantly running away. At sixteen, when she was back in foster care, she insisted on living independently. By this stage she had left school without any qualifications.

6.24 The Leaving Care Team (LCT) was run by one of the large Children's Charities on contract to the Local Authority. They initially resisted agreeing to Neeha living alone, but eventually consented, providing she had a proper "pathway plan", a Personal Advisor from the LCT and agreed to take part in education and/or training. The LCT provided her with her accommodation bond, paid her rent and gave her a weekly living allowance, as well as a Leaving Care Grant with which to buy some of the essentials for her flat. She initially went to college but was asked to leave for fighting. But she did continue with the placement element of the course in a local primary school. She also took a training scheme element, which she said she hated. Despite doing all this for two years, she received no formal qualifications.

6.25 The "road to Damascus moment" for Neeha was when she went on another voluntary sector project which combined classroom education and training with

"tough physical challenges". She spent 16 days in the Pyrenees which cost the project over £17K as there were relatively few young people who took part in this particular expedition. But she says it did open her eyes to what she could do and her own ability to be able to shape her own future. On return from Spain, she immediately signed up for a college course on sports management. Things did not go completely smoothly, however, as she soon found out she was pregnant, and had to take time out from the course to have her baby. But, with the help and support of the LCT who paid her nursery costs, she did return to college and eventually got level 3 qualifications. She was also involved in a project led by the National Care Leavers Association (NCLAS), where she researched leaving care schemes in other boroughs. As part of the same project, she was also a leading light in a poetry project in which they published a book of poetry about their experiences. She had continued support from her LCT PA over a period of 7 years and says she still has her lunch bought for her when they meet. Despite the support she has had from a number of sources, she writes down her "success" as due to her own determination to succeed.

6.26 We project that she may have to move into a larger town to fulfil her ambitions. But we think that she will gain part-time employment, paid at just over the minimum wage, in a sports centre, during which time she will receive some further training. We further project that, when her child is at school age, she will take on full-time work supported by some child care. She says she wants more children but we project that she will delay the birth of two more children until she is thirty and has worked for five years. At age 35 she returns to working part-time and at age 40 she enters full-time employment until she retires at 60 years of age. Post-16 intervention costs for Neeha A are considerable (at £49,847), as are her welfare costs (£325,106). Many of these expenses are incurred before she reaches the age of 25, during which period she makes some contributions (£6,885) through taxes and National Insurance. But she is considerably cheaper than the cost of Neeha B. And over her full working life she does eventually make significant contributions of £196,419, although still not covering her life-time welfare costs of £374,953.

6.27 Without the residential course and other supports, we project the early career for Neeha B is dominated by motherhood, having her first child at age 18 followed by two more children before she is twenty-one. With such a family, we project that she will not seek any form of employment until her children are going to secondary school. The best she can hope for is to be a "churner" in and out of poorly paid work, much of which will be only part-time and temporary. The life time welfare cost of Neeha B is £432,681 only a little more (£57,728) than Neeha A. Neeha B, however, will make considerably less contributions through tax and national insurance, only £95,477, around half as much as Neeha A..

Male Care Leavers (Freidrick A and B)

6.28 Freidrick lived with his mother, brothers and step-father until the age of seven. The incident that preceded him being "looked after" was an attempt to burn down the family home which he attributed to his younger brother. Nevertheless, Freidrick remembers being "taken out" regularly by a social worker every Wednesday until one day he was told he wouldn't be going home and he was placed with his first foster family. Many of his foster placements broke down and

he had spent most of his time in residential care (he remembered five different residential homes). He says he liked school ("never missed a day, me") but repeatedly got into fights. Because of disrupted placements and some school exclusions he remembers going to seven secondary schools. He was excluded several times and spent his last two years in a Pupil Referral Unit (PRU). He was placed in foster care at age 16 but this too broke down. After this, he was initially sent on an "adventure experience" to Anglesey for twenty-eight days, which he described as the best time he had had in ten years of care.

6.29 At the same time as he was finally leaving his last PRU, social services started to talk to him about leaving care. He had a Personal Advisor as part of the leaving care team, which he described as "not great" but is not able to remember having a "pathway plan". He also had a Connexions PA, described as "not great either". A month after meeting the leaving care team he was moved into "supported accommodation" which he described as "awful". He was forced to move out just before Christmas to other accommodation five miles away and later into a hostel. After the age of 18 he spent a lot of time sofa-surfing with friends. His Connexions PA arranged an Entry to Employment (E2E) placement for him which lasted eighteen months, during which he got a couple of City and Guilds level 1 certificates in Maths and English. He left his E2E for a job he heard about from a casual meeting with someone from a mobile phone company but this finished when he had trouble turning up on time, as it was in a town eight miles away. He also had a record of trouble with the police, including seven arrests, four warnings, two assessments by the YOT and two community-based sentences. But he thought he had done comparatively well – "I've done alright .. I haven't got A levels but I am not in prison". His NCLAS worker thought he had come pretty close! He had joined the NCLAS project researching the care experiences of others and joined in poetry writing sessions which were eventually published and sold to the public. He had numerous close friends whom he described as "the dregs of society but they are still my friends". At the time of interview he was staying with friends. He had been unemployed "for ever" but had a job interview the next day (part-time work in a bar). He still had this job two months later. However, we think the best we can hope for Freidrick A is that he joins the ranks of the churners and we have estimated his welfare cost accordingly. Before his pension, Freidrick will cost £218,906 (just under £59K more than the other churner Simon). As with Neeha, Freidrick is expensive to public finance early in his career (£140,038 up to the age of 25). But once he has a foothold in the labour market (albeit only as a churner), he is able to make £257,275 in contributions over his lifetime, just exceeding his total welfare costs (before pension) of £218,906. For this Type A scenario we have included no further involvement in crime.

6.30 We have projected that Freidrick B would have the most complex, chaotic and expensive career of all. It involves further arrest, initially only for acquisitive crime, but progressively more serious and violent. We project imprisonment, homelessness after release, drug mis-use, physical and mental health problems, and no involvement with the labour market from his early twenties onwards. Like Tariq above we project an early death, but even before that, we think, like Tariq, the welfare cost would add up to £2 millions or possible even more.

6.31 We think it is important to comment further on the fragile future of the two type A care leavers. Both were interviewed for this research when they were in their early twenties. Both were beyond statutory support from a Personal Advisor or Leaving Care Team, Neeha because she had now completed her full-time education. We have presented type A cases in which there are favourable scenarios. But we did so in full knowledge of how potentially tenuous those scenarios are. To be sustained they would need considerable staying power and resilience on the part of the young person. They arguably may need continued professional support. Neeha may have to move to a larger town and arrange child care for her projected career to be viable. Freidrick will need continued help and encouragement to sustain him in even low paid work and to secure more permanent employment. He was currently getting this from the local Young Person Advisory Serrvice. Both could easily drift back into type B careers.

Pre-16 interventions (Amy A, Amy B and Amy C)

Amy A

6.32 Amy A has three siblings; an older half brother who has been in and out of prison, an elder sister who had her first child at the age of 15 and who dropped out of school and has been unemployed since then, and a half sister who is two years younger. She lives in social housing with her mother and her mother's current partner. Following several fixed term exclusions and a period in the local PRU Amy was threatened by permanent exclusion at the end of year 9 when she was 13 years old. Amy has had some involvement with the police and is often found hanging around with local "lads" involved in anti-social behaviour. However, the school referred her to a voluntary sector project which worked in the community with a range of different age groups, including offering one-to-one support for those finding it difficult to learn. The project also worked with other members of the family, and offered a range of activity programmes, some sponsored by the Princes Trust and the Youth Justice Board. Alongside these activities with the projects, Amy continued in school part-time. As a result of the interventions, her behaviour improved and she did get 4 GCSEs, albeit at C-F grades. Encouraged by the project, Amy continued in education post-16 and did a two year vocational course in Health and Social Care. Thanks to the project, she also got involved in the girls football team and went on to represent her country. Following success in her Health and Social Care course, she did a certificate course at age 19, again supported by one-to-one support, this time through a Widening Participation programme. The following year she went on to a diploma programme.

We project that she will not go on to a degree course but will obtain work in child care, initially with the community project that had done so much to help her. But she is ambitious and at the age of 28 sets up a private nursery in another (richer) part of town. She has children of her own at the ages of 30 and 34 but has child care arrangements through her own nursery. The total life time welfare cost of Amy A before pension is £82,020 which includes the cost of a series of interventions and supports costing in total £21,424. Amy A also makes

contributions from tax and NI of £268,507, including £20,654 before the age of 25.

Amy B (following the trajectory already described for Sophie B or Tariq B – so not fully re-described here)

6.33 The most appropriate shadow case for Amy B would follow the scenario of either Sophie B or Tariq B. Before the intervention there were hints of her being in trouble with the police and hanging around with local lads linked with anti-social behaviour. The Sophie B scenario routes her through teenage motherhood, involvement with drugs and drug dealers, prostitution and an early death from a heroin over-dose. The welfare cost of this career was (assuming her children went into foster care) £858,362. Were Amy B to follow the route of Tariq B the cost would be £2,046,088. So if the intervention makes the difference between Amy A and either of these cases, then the welfare cost savings are huge (£776,342 and £1,964,068 respectively).

Amy C

6.34 We thought it would be useful to develop a further scenario in which Amy C does not get the immediate pre-16 intervention received by Amy A, and, as a consequence, is excluded from school and only intermittently attends the PRU. She is involved with the local YOT, as it is recognised that she is at risk of persistent offending and anti-social behaviour. She leaves education to become NEET at age 16. She has some intensive support from a Connexions PA and is recruited on to an E2E programme but drops out after only three weeks. She is unemployed at 18 but is recruited onto, but drops out of, a New Deal programme. At age 19 she assists in a burglary and is finally shaken when she realises that this could result in a custodial sentence. But, perhaps fortunately for her, she only receives a community-based sentence, part of which requires her to be involved in the same voluntary project which helped Amy A. Like Amy A she is supported through a series of stages, including eventually a diploma in youth and community work at the local HE college. She completes this course and eventually gets a job with the same project. We have costed the rest of her life on the basis that she begins to live with her partner at the age of 24, buys a house with him at age 28, has two children at the ages of 30 and 34 and remains in work until she is 60. This later intervention does cost slightly less (£477) but in terms of life-time welfare costs it does seem to demonstrate the cost-effectiveness of later interventions, as well as those taking place pre-16, especially when contrasted with the massive costs of Amy B (aka Sophie B and Tariq B- female equivalent) where no effective interventions took place.

7. Comparing the cases

7.1 We now present a series of tables comparing the cases. Comparing Type A and Type B costs between the paired comparisons shows some very large differences. But it is also useful to look at the differences between all the cases

together. This can be seen first in table 7.1 below which charts (un)employment histories.

7.2 The time spent unemployed varies considerably from none (in the cases of Eve, Dan A and Sam A) through to 47 years for Dan B, 36 years for Tariq B and 38 years for Freidrick B, though the latter two are cut short by an early death at age 54.

Table 7.1: (Un)employment histories of each case study

Case study	Post-16 ed/training	Employment	Unemployment
Baseline: Eve	2 years	42 years	0
Churner: Simon	0	34 years 3 months	14 years 9 months
College drop out: Tom	3 months	37 years 3 months	11 years 6 months
SEN cases: Dan A	6 years	43 years	0
Dan B	(3 weeks)	2 years (PT)	47 years
Teenage mums: Sophie A	4 years 3 months	7 years (PT) 28 years (FT)	4 years 9 months
Sophie B	0	0	13 years
Young carers: Sam A	6 years	43 years	0
Sam B	1 year	31 years 6 months	16 years 6 months
Young offenders: Tariq A	5 months	34 years 11 months	13 years 8 months
Tariq B	(6 weeks)	3 years	36 years
Care leavers: Neeha A	2 years 4 months	6 years (PT) 28 years (FT)	7 years 8 months
Neeha B	4 Months	4 years (PT) 13 years 9 months (FT)	26 years
Care Leavers: Freidrick A	1 year 6 months	28 years 6 months	19 years
Freidrick B	0	0	38 years
Pre-16: Amy A	5 years	39 years	0
Amy B (aka Sophie B	0	0	13 years
Amy B (aka Tariq B)	6 weeks	3 years	13 years 8 months
Amy C	2 years	39 years	3 years

FT=Full time; PT=Part time.

7.3 Because of the different lengths of time unemployed, there are both different welfare costs and contributions made through tax and National Insurance. This is shown in table 7.2 with the final column giving a net cost in balancing the individual contributions through direct taxes and National Insurance minus the benefits they have claimed through various types of welfare entitlements.

Table 7.2 Net major public finance effects of each of the case studies

Case study	a) Life time welfare payment cost £ (-pensions)	b) Contributions £ NI+ direct tax	Net contrib. (b-a) – minus pension
Baseline: Eve	50,713	289,162	238,449
Churner: Simon	159,932	309,182	149,250
College drop out: Tom	36,413	336,263	299,850
SEN: Dan A	22,000	388,170	366,170
Dan B	217,706	9.60	-217,696
Teenage mums: Sophie A	97,135	185,979	88,844
Sophie B (assume adoption) Sophie B (assume fostered)	197,234 858,362	0	-197,234 -858,362
Young carers: Sam A	276,743	388,170	111,427
Sam B	229,587	284,357	54,770
Young offenders: Tariq A	188,640	315,258	126,618
Tariq B	2,046,088	27,082	-2,019,006
Care leavers: Neeha A	374,953	196,419	-178,534
Neeha B	432,681	95,477	-337,204
Freidrick A	218,906	257,275	38,369
Freidrick B	2,000,000	0	-2,000,000
Pre-16: Amy A	82,020	268,507	186,487
Amy B (aka Sophie B)	858,362	0	-858,362
Amy B (aka Tariq B- female equivalent)	2,046,088	20,654	-2,025,434
Amy C	92,965	268,507	175,542

Notes:

Life-time welfare payment = intervention + welfare costs.

Minimum costing is estimated based on the individual earning of the case study scenarios; maximum costing is based on the national average earning. Unless otherwise specified, all costing of tax and NI contributions in the case studies are based on the national average earnings, with no discounting.

7.4 As a general rule, Type A cases made a life time positive contribution to public finances, whereas the Type B "shadow cases" (without interventions) all produce net costs to public finance. However, there are exceptions to this. Sam B (the young carer who leaves school to look after his ailing father) is the one Type B of the matched pairs who makes a net contribution to public finance. However, this is less than half as much as Sam A who is able to use his post-16 and post-18 education to have a more stable employment history.

7.5 Neeha, the female care leaver is the only Type A case who proves to be a net cost to public finance over the life course. This can be explained by relatively modest contributions made through tax and National Insurance, given her time off from work for child care responsibilities and the welfare payments to her in terms of child-related benefits. But, although a net cost to public finance, she is

not by any means as great a cost as Neeha B, who over the life course is £169,606 more expensive.

7.6 Table 7.3 presents a calculation of the public finance cost of each of the case studies being NEET. To do this we have first aggregated the life-time welfare payments of each case with the lost contributions (an estimate of lost tax and National Insurance) because of their unemployment. By far the most expensive cases are Freidrick B and Tariq B because of the cost of their imprisonment and other criminal justice costs. Also expensive is Dan B because of his life time of unemployment due to his disability and Neeha B because of time out of the labour market as a mother of three children. The final column c from this table is used in table 7.5 when we examine the potential impact of the interventions in young people's lives on public finance.

Table 7.3 Estimates of aggregate life-time public finance cost of each of the case studies being NEET

Case study	a) *Life-time welfare payment cost £ (- pensions)	b) Lost-contribution £ (NI+ d-tax lost)	c) Life-time Public finance cost (a + b)
Baseline: Eve	50,713	13,770	64,483
Churner: Simon	159,932	133,151	293,083
College drop out: Tom	36,413	106,070	142,483
SEN: Dan A	22,000	54,163	76,163
Dan B	217,706	424,278	641,984
Teenage mums: Sophie A	97,135	110,157	207,292
Sophie B (assume adoption) Sophie B (assume fostered)	197,234 858,362	89,502	286,736 947,864
Young carers: Sam A	276,743	54,163	330,906
Sam B	229,587	157,976	387,563
Young offenders: Tariq A	188,640	127,075	315,715
Tariq B	2,046,088	324,979	2,371,067
Care leavers: Neeha A	374,953	68,848 (min.)	443,801
Neeha B	432,681	180,726 (min.)	613,407
Freidrick A	218,906	185,058	403,964
Freidrick B	2,000,000	216,653	2,216,653
Pre-16: Amy A	82,020	34,424	116,444
Amy B (aka Sophie B)	858,362	89,502	947,864
Amy B (aka Tariq B- Female equivalent)	2,046,088	247,853	2,293,941
Amy C	92,965	34,424	127,389

Notes: *Life-time welfare payment = intervention + welfare costs.

Minimum costing is estimated based on the individual earning of the case study scenarios; maximum costing is based on the national average earning. Unless otherwise specified, all costing of tax and NI contributions in the case studies are based on the national average earnings, with no discounting.

7.7 Whilst the overall brief for this research was to calculate the life-time cost of NEET, we thought it also important to calculate more short term costs to public finance and to set these against the cost incurred by the various interventions covered by the case studies. These calculations are given in table 7.4. This has used the same total public finance costs as were used in table 7.3 (welfare payments plus tax and National Insurance losses) but has done the calculation up to the time each case reaches the age of 25. The difference in public finance costs between Type A and Type B cases, as noted in column d of table 7.4, is then carried forward as column b of table 7.5.

Table 7.4 Costing of NEET up to the age of 25

Case study	a) Intervention costs	b) Welfare costs only	c) Contributions £ NI+ direct tax	d) lost-contribution £ (NI+ d-tax lost)	e) Total public finance cost £ (a + b + d)	f) Difference between B and A types
Baseline: Eve	2,340	-	41,309	13,770	16,110	
Churner: Simon	-	15,701	45,136	27,082	42,783	
College drop out: Tom	-	12,467	18,054	54,163	66,630	
SEN: Dan A	22,000	-	18,054	54,163	76,163	42,103
Dan B	11,371	34,677	-	72,218	118,266	
Teenage mums: Sophie A	4,100	67,592	27,539	27,539	99,231	153,081
Sophie B (based on adoptions)	3,500	193,734	-	55,078	252,312	
Young carers: Sam A	265,410	11,333	18,054	54,163	330,906	-226,910
Sam B	1,170	44,149	13,541	58,677	103,996	
Young offenders: Tariq A	7,049	31,697	22,568	49,650	88,396	193,933
Tariq B	2,380	207,731	-	72,218	282,329	
Care leavers: Neeha A	49,847	90,141	6,885	48,194	188,182	-3,880
Neeha B	7,990	121,234	-	55,078	184,302	
Freidrick A	35,753	32,067	-	72,218	140,038	n/a
Freidrick B (up to 21 only)	34,387	13,480	-	36,109	83,976	
Pre-16: Amy A	21,424	-	20,654	34,424	55,848	
Amy B aka Sophie B cp A	3,500	193,734	-	55,078	252,312	196,464
Amy B aka Tariq B# cp A	2,380	207,731	-	55,078	265,189	209,341
Amy B aka Sophie B cp C	3,500	193,734	-	55,078	252,312	193,049
Amy B aka Tariq B# cp C	2,380	207,731	-	55,078	265,189	205,926
Amy C	20,947	10,777	27,539	27,539	59,263	3,415

Notes:
Female equivalent.
Intervention costs include: Connexion PA, client- specific programmes, leaving care cost, E2E, EMA.
Welfare costs include: mean-tested/non-mean-tested welfare benefits, residential care for child, childcare proceeding/conference, and criminal justice (incl. imprisonment).

Table 7.5 Differential public finance cost of Type A and B scenarios for case studies

Case study	a) Intervention costs	b) Public finance cost up to age 25	c) Life-time public finance cost (Column c from table 7.3)
SEN: Dan A	22,000	76,163	76,163
Dan B	11,371	118,266	641,984
Difference Dan B – Dan A	-10,629	42,103	565,821
Teenage mums: Sophie A	4,100	99,231	207,292
Sophie B (assume adoption) Sophie B (assume fostered)	3,500	252,312 506,592	286,736 947,864
Difference Sophie B – Sophie A **Assume adoption** **Assume fostered**	-600	 153,081 407,361	 79,444 740,572
Young carers: Sam A	265,410	330,906	330,906
Sam B	1,170	103,996	387,563
Difference Sam B – Sam A	-264,240	-226,910	56,657
Young offenders: Tariq A	7,049	88,396	315,715
Tariq B	2,380	282,329	2,371,067
Difference Tariq B – Tariq A	-4,669	193,933	2,055,352
Care leavers: Neeha A	49,847	188,182	443,801
Neeha B	7,990	184,302	613,407
Difference Neeha B – Neeha A	-41,857	-3,880	169,606
Care leavers: Freidrick A	35,753	140,038	403,964
Freidrick B (to age 21)	34,387	83,976	2,216,653
Difference Freidrick B – Freidrick A	n/a	n/a	n/a
Pre-16: Amy A	21,424	55,848	116,444
Amy B_i (aka Sophie B)	3,500	252,312	947,864
Amy B_{ii} (aka Tariq B-female equivalent)	2,380	265,189	2,293,941
Amy C	20,947	59,263	127,389
Difference Amy B_i – Amy A	-17,924	196,464	831,420
Difference Amy B_{ii} – Amy A	-19,044	209,341	2,177,497
Difference Amy C – Amy A	-477	3,415	10,945

Notes:

Life-time public finance cost= intervention + welfare costs + lost contribution

Unless otherwise specified, all costing of tax and NI contributions in the case studies are based on the national average earnings, with no discounting.

7.8 Table 7.5 is perhaps the most important table in this report. Here we examine the differences between the public finance costs of Type A and Type B cases and set this alongside the cost of the intervention – the main difference in the scenarios between the two cases. This enables us to make some estimate of the potential cost effectiveness of the interventions. We have done this both for the life time public finance costs (shaded rows) and for costs incurred up to the age of 25 (column b). Whilst it is too simple to jump to conclusions about the impressive cost effectiveness of the interventions, the figures do suggest that even complex and expensive interventions are associated with, at least the potential of, major public finance savings.

7.9 The case of Dan A and B illustrate this well. The £22K calculated for the intervention cost is made up of the cost of the early diagnosis of his Asperger's disorder, support for his family as they come to terms with this, support during his schooling and especially at the point of transfer to secondary school and similar patterns of support at university. Yet even by the age of 25, that £22K of interventions has nearly paid for itself. Dan A himself will have contributed over £18K in tax and National Insurance contributions because he secures employment in his early twenties, whereas Dan B, because of his unemployment, has cost public finance more than £34K in welfare benefit payments. The *life-time* public finance differences between the two are even more impressive with Dan B costing more than half a million pounds (£565,821) more than Dan A. Interventions which can prevent young offenders turning into persistent offenders produce the most stark differences. Even by the age of 25, Tariq B has cost the public finances £193,933 more than Tariq A with the modest investment in intervention for Tariq A of £7K. And as we have pointed out already the life time cost of persistent offending eventually tops £2million, even in the anticipation of an early death at the age of 55.

7.10 The trajectories of our two teenage parents are also starkly different, with Sophie A settling down in a stable partnership and balancing motherhood and modest labour market participation. Meanwhile, Sophie B drifts into drug misuse and a life style which requires her children to be taken into care. As table 7.4 indicates, even by the age of 25, Sophie A has made contributions of more than £27K through tax and National Insurance which more than pays for the cost of the £3.3K of intervention support she received as a teenage mother. In contrast, over the full life-time, Sophie B, whose children are taken into care will have cost public finance £286,736 (if we assume her children are adopted), and as much as £947,864 if they are looked after in foster care.

7.11 The care leaver cases illustrate several important points. The first is the complexity and cost of the interventions throughout their teenage years and into their early twenties. Neeha A has a variety of different interventions totalling nearly £50K. These cover support from both Connexions and her Leaving Care Team as well as support during her training placements. The support from her key worker covers five years and was still continuing on an informal basis well into her early twenties. The range of supports from the (voluntary sector) Leaving Care Team is also complex and multifarious in both cash and kind. These include a leaving care grant, a bond for her accommodation, rent between the ages of 16-18 and nursery fees for her daughter during her third

year at college. Yet despite all these various forms of intervention and support, she herself describes the opportunity to take part in an expensive (£17K) outward bound course as “the Damascus moment” which turned her life in a more positive direction. The role interventions play in the emerging biographies will be discussed in more detail in section 8 of this report. But the second major point worth noting here is how difficult it is to evaluate the weight and importance of any one intervention or support in isolation from the full range taken as a package.

7.12 Table 7.5 gives some indication of the potential public finance savings to be made. These estimates are based on the differences between the public finance costs of Type A and Type B trajectories. This is to see the interventions in a positive light and to highlight the potential impact they can have in both the short and long term. But it is, perhaps, equally important to re-interpret these findings in terms of the public finance implications of *not* investing in intervention programmes. In other words, if we should choose to *withdraw* funding from intervention programmes then we surely run the risk of shifting young people’s biographies from Type A to Type B trajectories with all the public finance costs associated with these. The evidence of these case studies suggests that to withdraw funding from youth support projects is to run the risk of fulfilling the old adage of ‘sinking the ship for the sake of a ha-path of tar’.

8. Interventions

8.1 Interventions within the case studies varied considerably in the type of intervention, the length of time support was given, and their cost. These are all summarised in Table 7.5 (above). In the case of Dan A (the student with Asperger’s syndrome) continuous support was given for 14 years between the ages of 8 and 22, costing around £22K in total. But in terms of life time public finance costs (compared to the cost of Dan B), this brought a dividend of £565,821. Neeha (the young care leaver) was also relatively expensive, with interventions and support totalling nearly £50K (including £17K+ for a couple of weeks in the Pyrenees). But this more than paid for itself in terms of the longer term public finance savings of nearly £170K. Sophie (teen mum) has a low initial intervention cost of just over £4K which reaps a significant life time public finance cost saving of £79,444 (and as much as £740,572 if we assume Sophie B’s children were looked after in foster care). Indeed what is perhaps surprising is the low levels of investment in some of the “moral panic” youth policy areas; £3K support for teenage pregnancy, and £7K extra support for a young offender. In the latter case the life time cost savings run to over £2 million. Of course not all young offenders who do not desist in their teenage years go on into a life time of crime. Indeed, international evidence suggest that often the critical moments making the difference between a life-time of crime and turning away from crime and a transformed life-style thereafter often have to do with domestic circumstances rather than targeted public interventions (Laub and Sampson, 2006). However, many persistent young offenders do become life-time costs to public finance and the huge cost of their imprisonment, compared

to the relatively low cost of early intervention programmes, should not be underestimated.

8.2 Supporting some young people was expensive. Table 7.4 indicates that Freidrick the male care leaver cost £67,820 in welfare and interventions costs between the age of 16 and 25. Supporting Neeha (the female care leaver) was even more expensive in interventions and welfare payments (£139,988 before the age of 25 years), in part, because of the cost of supporting both her and her child. She received significant welfare benefits including Income Support, Housing Benefit, Child Benefits, as well as the cost of her post-16 education. These welfare entitlements alone added up to a total of over £90K before she was 25 year of age. Yet both Freidrick and Neeha were regarded as relative success stories; Freidrick because he "didn't have A levels but at least I'm not in prison", and Neeha because she had recovered self esteem, "made something of herself", and had qualifications which meant she had a platform from which to build a career. And compared to the dismal statistics of welfare failure associated with many care leavers both *had* done *relatively* well. Furthermore, their life-time public finance costs compared to Freidrick and Neeha Type B cases, means that the investment in their future did mean later life-time public finance savings.

8.3 There are some interventions which our cases do describe as "road to Damascus"-like, "critical moments", which the young people define as "life changing". The most obvious of this is Neeha' adventure in the Pyrenees. Similarly, Amy C is equally moved by the shock of being close to receiving a custodial sentence to want to change her life fundamentally at the age of 19. But, even within these cases, "critical moment" interventions are often aided and abetted by a range of other supports. Amy A had the support of the voluntary sector project to thank for the opportunities they made available and special financial support that enabled her to take up and complete her studies. In other cases too, interventions and support seem to occur in clusters and in ways which allow them to re-enforce one other.

8.4 It is too simple to treat the intervention(s) as mechanically producing the difference between type A and type B cases. In some of the contrasting cases it is clear that the differences are there from the beginning; the contrast between attitudes to motherhood in Sophie A and B, for instance. This serves to remind us that as well as NEET being made up of disparate groups, each of the sub-categories of NEET are also heterogeneous. As a consequence, it must also be concluded that the interventions which were associated with the favourable scenario, in cases like Sophie A, might not have proved to be as effective in other circumstances. Relatively modest support (a teen mum's support group, a widening access to HE programme, support from her Connexions PA), together with a move to accommodation in a safer neighbourhood, all helped to raise Sophie A's feelings of self worth and dedication to good motherhood, as did support from her parents and finding a new boyfriend. However, it is unlikely that such interventions would have worked with Sophie B. But in most of the other of the contrasting case studies we have tried to keep the characteristics of the two characters similar between A and B scenarios.

8.5 It is also noteworthy that a variety of agencies provided a co-ordinating role, not only being a source of support in their own right, but fulfilling the role of need-assessment co-ordinator, and the agent who brokered in more specialist support when needed. This was the role designed under the Connexions Strategy and intended as the role of the Personal Advisor working intensively with young people with acute or multiple needs. But in the case of Tariq this role was just as obviously played by the YOT worker, addressing issues concerning domestic violence and potential homelessness, as well as his offending behaviour and the need for mentoring support for his whole family. In Tariq's case, his Connexions PA seemed much more exclusively concerned with training and employment. Sam (the young carer) had a Connexions PA who was instrumental in brokering in additional support, even though some of this was addressing his father's needs, incidentally releasing Sam from his caring role. But in other cases the co-ordination role was played by the leaving care team (Neeha) or a voluntary sector project (Amy) or by the school special educational needs co-ordinator (Dan).

8.6 It should also be added that type B cases illustrate what happens when no agency plays the co-ordination role, no holistic needs assessment is carried out, and/or no brokerage of specialist services takes place. Where there is no clear responsibility for playing the role as key worker or lead professional, it is more than probable that many young people fall through the net with long term public cost implications.

9. Where do the costs fall?

9.1 Those who are NEET aged 16-18 years old are more likely to experience further bouts of unemployment after the age of 18, as is demonstrated by many of the case studies. Where this occurs, the "lions share" of the cost is to the Exchequer in terms of unemployment benefits paid through Job Seekers Allowance or Income Support. We calculated that Neeha, the female care leaver case, had Income Support of over £12K between the ages of 18 and 23 alone. Freidrick claimed a similar amount. Even when in work, those NEET aged 16-18 may be under-employed and on low pay and thus eligible for in-work benefits such as Working Tax Credit and Housing Benefit. Neeha had such benefits totalling £14K between the ages of 23 and 31 and a further £15K before the age of 51. In total, Neeha's income supplements totalled around £125K throughout her working life and Freidrick claimed around £183K. (Details of all these benefits as paid to all the case studies are contained in the appendix.)

9.2 The other significant cost to the Exchequer is through lost taxation and National Insurance contributions. Where this occurs throughout a life time, this can add up to approaching half a million pounds, as in the case of Dan B who only worked for a very short time and much of this was very part-time. Even for the baseline "churner", Simon, because of his unemployment, the Exchequer lost £133,151.

9.3 Another major cost to central government is the cost of child benefits. Much, but not all, of this is a cost whether the claimant is under or un-employed or not, as Child Benefit is a universal and not a means-tested benefit. Eve, the baseline case, claims child-related benefits to a total of around £50K across her lifetime. Sophie A claims a total of just under £65K.

9.4 Some of the major costs to local authorities accrue because of the public care of children and the elderly. In the case of Sophie B, whose two children are subject to care proceedings, even assuming the adoption of her children at age 5 and 3, we estimate the cost to her local authority of £128,590, mainly covering care proceedings. If the children are in foster care until the age of 16, the cost to the local authority rises by £661,128. In the case of Sam A, the young carer, the cost to his local authority of dementia care for his father for five years was £260,000. In the light of the fact that these huge costs relate to supporting a single case study, the total aggregate cost of the public cost of looked after children and the elderly is very large indeed.

9.5 Another major cost item within the case studies concerns the cost of crime and criminal justice. These costs will be spread between the public and private sectors and the public cost spread between central and local government. In the case of Tariq A, the overall criminal justice costs when he was aged 16-18 years of age were modest at £22,415, nearly £18K of which would be paid for by the Youth Justice Board as the cost of his DTO in youth custody. Tariq B, however, cost over £2 million, much of which would be a cost to the Ministry of Justice for his time in prison. But there are also some local authority costs in terms of policing, the courts and needs assessment and social enquiry reports. And what we have not included in our calculations of the case studies are the private costs of crime, including stolen property, insurance costs and the psychological and medical damage caused to victims.

9.6 This reporting of the case studies has not really focused on health issues. Yet it is recognised that there is strong evidence of the adverse physical and mental health consequences of unemployment (Ashton, 1986; Fryer, 1992; Barry, 2005). There are hints in some of the case stories of some of the characters having health problems; Simon, for instance, gives up some of his jobs because of stress. Care leavers too are much more likely than others to suffer from mental health problems. Dan B spends most of his life without employment and unable to live independently of his parents, and may therefore have suffered a life-time of ill-health. Estimating the unit cost of various forms of health intervention is relatively well developed in the UK (Curtis, 2008). The unit costs of interventions vary enormously from the approximately £30 unit cost of a single consultation with a General Practitioner through to hundreds for being seen in accident and emergency and thousands associated with chronic illness or in-patient treatment. Any one individual has a complex range of interventions. To have developed a comprehensive health profile of all the case studies would have been a huge project in itself and we reluctantly did add this to an already complex task. We should therefore recognise that considerable costs to the health service would occur across the different cases we have presented in addition to the case study calculations we have presented here.

9.7 Another area not fully explored through the case studies presented in this report, but which do figure in the biographies of young people who are (or have been) NEET, concerns homelessness, and the cost to local authorities of provision for the homeless. Estimating the costs associated with homelessness is not particularly well developed in the UK compared to other countries (Flateau and Zaretzski, 2008; Culhane, 2008). There is also known to be considerable inconsistency between different local authorities and complexity in the way in which packages of care and support from different sources are "bundled" with accommodation costs (Busch-Geertsema and Fitzpatrick, 2008; Pleace and Quilgars, 1999; Quilgars et al., 2008). In the case studies we mention that Tariq A needed hostel accommodation when fleeing from his violent father, and that Freidrick was likely to be homeless at some points in his career. But homelessness is another area which has probably been underplayed in the cases we have developed in this report and could be developed in a much more sophisticated way in future research.

10. Possible areas for cost savings

10.1 We were specifically asked to try and identify areas in which savings might be made. The strongest message to come out of the case study material concerns the way in which investment at an early stage in a young person's career can sometimes make the difference between an economically active adult life, during which the person has a chance to make an economic and financial contribution to the state, and a life course plagued with periods of economic inactivity. This is perhaps most obvious in the case of Dan A, where early diagnosis of his Asperger's disorder gives his schools the chance to deal with his disability and to enable him to make the most of his education. But it also applies to the differences of Type A and Type B scenarios for Sophie, Sam, Tariq, Neeha, Freidrick and Amy.

10.2 One of the dominant themes within this report is that modest investment in prevention and/or rehabilitation can result in very significant cost savings if the young person's future career avoids further unemployment, lone parenthood, crime and involvement in the criminal justice system. It is, therefore, in tune with this theme that we suggest that future savings might be brought about by *further* investment in preventative work. We give some examples below.

10.3 We comment in paragraph 8.2 (above) on the fragile nature of the projected careers of the two care leavers. Both had moved beyond their entitlement to support from their Leaving Care Team. Neither could be regarded as "settled". Therefore, it did not seem sensible simply abruptly to withdraw support because they had reached the chronological age of 21 years of age or had just left college. Biological parent's offer flexibility of support according to need, even when a young person is in their twenties. Corporate parent's, perhaps, need similar flexibility. Given the life time cost savings between the type A and type B scenarios for care leavers, longer and more flexible support for care leavers must be regarded as a means of saving money in the longer term.

10.4 Another area in which preventative work may help to reduce life-time costs relates to teen parenting. To date, teenage pregnancy rates have remained stubbornly high. Some authors have suggested this is because the drivers of teenage pregnancy have been imprecisely identified and that more could be done to prevent unintended pregnancies through better targeted programmes of sex education and contraception advice (Arai, 1999).

10.5 We comment in 7.5 above on the way in which different organisations seem to provide for an holistic assessment of need, the co-ordination and brokerage of interventions, and taking on the role of the lead professional in multi-agency work. Although this role is clearly important, there did not seem to be any clear mechanism through which it was allocated and we commented in the same paragraph about how, in many other cases, the role might simply have been left unfilled.

10.6 It is noticeable that some of our case studies spent considerable periods of time in continuous unemployment, sometimes of 12 months or more. Earlier intervention through either offers of training or “make work” schemes may significantly reduce benefit costs and, perhaps, also reduce health costs associated with long term unemployment.

11. Summary and Conclusions

11.1 This report has, with significant modifications, repeated research initially published in 2002, which attempted to estimate the life time cost of young people being NEET, between the ages of 16 and 18 years of age (Godfrey et al., 2002). One of the main worries about such young people is that disadvantage in their teenage years will be carried forward with them (and possibly even intensified) throughout their life course (SEU, 1999b). The consequence of this is not only a series of personal tragedies but also a serious social and political public problem. This is why NEET is a contemporary example of the interface between “private troubles” and a “public issues” (Mills, 1959).

11.2 This report confirms the economic scale of the “public issue”. The current most conservative estimate of the cost to public finance of young people being NEET, between the ages of 16 and 18, is nearly £12billion largely made up of benefit payments and tax losses as people are unemployed. An even larger amount, well over £21billion, is our most conservative estimate of the “resource cost”, reflecting lost productivity to the economy and welfare to individuals and families. These are very significant costs. Yet, the higher estimates are of a public finance cost of over £32billion and a resource cost of £76billion, amounting to the budget of a small to medium government department. Much of this report is about how such waste can be avoided.

11.3 These costs are significantly higher than the estimates we produced in 2002. Yet, when we calculated the unit public finance cost (the average cost of each young person who was NEET) this had increased only slightly between 2002 and 2009, from £52K to just over £56K. The large increase in the aggregate public finance cost is, therefore, mainly due to the increase in the total numbers of young people who are NEET, an increase from 160K to 208K.

The increase in resource costs, however, is a different matter. The total estimate in 2009 is more than double that estimated in 2002 and so is the unit cost (£104,312), also significantly more than the unit cost estimate in 2002 of £45K. We suggest that this reflects changes in wage differentials and big differences between in-work wages and out-of-work benefits multiplied again and again over the forty or more years of a working life.

11.4 One very significant difference between this report and the research published in 2002 is the development, for this report, of matched case studies built upon real lives researched using biographical or longitudinal qualitative methods. The cases were chosen to reflect the diversity of types of experience within the overall NEET group. Some groups are known to be over-represented within NEET such as young people with special educational needs or disabilities, teenage parents, young carers, care leavers, young offenders etc.. The case study selection allowed an examination of how patterns of intervention and support could promote positive welfare outcomes for members of such groups. The contrasting scenarios (Type A with interventions and Type B without) allowed an exploration of the differential public finance costs which accrued to each. Calculating these also helped highlight the potential savings to be made when interventions are instrumental in steering biographies towards success and away from unemployment and economic inactivity. The magnitude of the cost difference between Type A and B scenarios reached over £2million (in the case of persistent offenders) but differences of £0.5 million were not uncommon (as in the case of SEN). These potential savings vastly exceeded the modest cost of the interventions, suggesting the latter could be impressively cost effective.

11.5 The use of contrasting case studies is illustrative of potential savings rather than a cast iron guarantee that interventions will always be so resoundingly successful. The research design adopted was not of the order of clinical random control trials in which we can reach statistically robust conclusions about a treatment always producing the desired cure. Interventions were never akin to a single magic pill but often made up of sets of complex human relationships. Yet the Type A scenarios are based on real lives and the interventions described did take place in these lives. Often the positive life-time Type A scenarios are reasonable projections into the future made by the researchers on the basis of what is known about the young persons aspirations and our best guess as to the reasonableness of these being achieved. Type B biographies are also reasoned projections of what can and does go wrong as patterns of disadvantage intensify and spiral throughout the life-course. These were developed by experts in the field, even though on occasions we have presented very pessimistic (even worst-case) scenarios.

11.6 Many of the interventions described within the case studies have been funded, directly or indirectly, by local authorities. Some, such as one of the leaving care schemes, may have been contracted out to the voluntary sector, which may, in turn, buy in particular elements from other agencies (such as Neeha's outward bound adventure course). The funding for this is often precarious and constantly under threat, especially in hard economic times. Much, although not all, of the cost savings present in Type A cases and absent in Type B are associated with unemployment. The bulk of this cost is, therefore, a cost to central government through the payment of benefits and the loss of

income tax and National Insurance. Some other additional major costs, such as the cost of imprisonment, for instance, will also fall to central government. Effective investment by local government thus brings cost savings largely to central government. Central government must, therefore, recognise that, if local government is forced into cost saving measures which reduce effective support for young people, then it is central government which will pay a heavy price.

11.7 But there are dangers for local government in anticipating that the costs will only be borne by central government. The case studies have not included full estimates of health service costs, nor the full costs of dealing with the homeless, and these have also probably been underestimated in the macro-economic costing model. Yet, the evidence is clear that these are areas where the vulnerable groups who are NEET in their late teens will be more likely to figure prominently. Furthermore, whilst some of the major cost headings are, indeed, the responsibility of central government, one, in particular, remains a major drain on local authority budgets – the cost of child protection and 'looked after' children. Our care leaver cases do reveal that they are, indeed, very expensive. Much has been done in recent years to extend the statutory responsibilities for care leavers. It would be sad to see such progress undone.

11.8 The initial brief for this research was to make estimates of the *life-time* cost of NEET. But in reaching difficult economic judgements about investment, governments (both national and local) are probably not overly concerned about costs to be incurred forty or more years into the future. We were, therefore, persuaded to produce some more immediate and short term costs, ones which would certainly come home to roost within the second term of a government planning cuts. It is salutary to learn that many of the costs, often far exceeding the intervention cost of attempting to prevent them, accrue before the young people reach 25 years of age. "Cost cutting" measures can, therefore, rebound, well within a single decade.

11.9 Young people are our future. Strategic investment supporting young people at risk of labour market disengagement has been demonstrated in this report as an effective means of reducing public expenditure cost overall. Failure to make such investment is a means of *adding to costs* in the short, medium and long term. It would, indeed, be a case of "sinking the ship for the sake of a ha-peth of tar".

Footnotes

1. “Dan”, together with the SENCO of his school, were both interviewed specially for this research.
2. “Sophie” is a case study drawn from Aniela Wenham doctoral research at the University of York.
3. “Sam”, the young carer was part of research reported in Coles, B et al., (2004). *Building Better Connexions*. Bristol: The Policy Press.
4. “Tariq” was also part of the ‘*Building Better Connexions’* research.
5. “Neeha” and “Freidrick” were two participants who took part in a project conducted by National Leaving Care Advisory Service and a Connexions partnership. They were re-interviewed for this project to check details of their careers and aspirations for the future. A male and female participant were chosen to reflect the very different career paths.
6. “Amy” was a case study drawn from doctoral research by Hannah King at the University of York.
7. Simon was initially part of a sample reported in MacDonald, R. and Marsh, J. (2005) *Disconnected Youth*. Basingstoke, Palgrave-MacMillan. He was interviewed on four separate occasions throughout his late teens, twenties and thirties.
8. “Tom” was a case study drawn from doctoral research by Helen Kenwright at the University of York.

References

Arai, L. (2003) 'British policy on teenage pregnancy and childbearing'. *Critical Social Policy. Vol. 23* (1): 89-102.

Arai, L. (2009). *Teenage Pregnancy: The making and unmaking of a problem.* Bristol, Policy.

Ashton, D. N (1986). *Unemployment Under Capitalism*. Brighton, Wheatsheaf.

Ashton, D.N., Maguire, M., and Spilsbury, M. (1990). *Restructuring the Labour Market: The implications for youth.* Basingstoke, The Macmillan Press Ltd.

Aston, J. et al. (2005). *Post-16 transitions: a longitudinal study of young people with special educational needs (wave 3)*. Brighton, Institute for Employment Studies

Barry, M (ed). (2005). *Youth Policy and Social Inclusion*. London, Routledge.

Bradley, H. and Devadason, R. (2008). 'Fractured Transitions: Young Adults' Pathways into Contemporary Labour Markets'. *Sociology,* 42, pp 119-136

Bradshaw, J. R., and Mayhew, E. (eds) (2005). *The Well-being of Children in the UK.* (second edition). London, Save the Children.

Busch-Geertsema, V. and Fitzpatrick, S. (2008. Effective Homelessness Prevention? Explaining reductions in homelessness in Germany and England. *European Journal of Homelessness.* Vol 2, December, pp 69-97

Cabinet Office Social Exclusion Task Force (2009). *Realising young potential: Supporting care leavers into education, employment and training.* London, DCSF.

Coleman, J. and Brooks, F. (2009). *Key Data on Adolescence*. Brighton, Trust for the Study of Adolescence.

Coles, B. (2008). The transformation of the youth labour market in the UK. *Youth and Policy*. 100th Anniversary Issue. pp119-128

Coles, B., Britton, L. and Hicks, L. (2004). *Building Better Connexions: Inter-agency work and the Connexions Service,* Bristol, Policy Press.

Communities and Local Government (CLG), 2007. *Homelessness Statistics September 2007 and Rough Sleeping – 10 years on from the target.* Policy Briefing 20, London, CLG.

Culhane, D. P. (2008). The costs of homelessness; a perspective from the United States. *European Journal of Homelessness*. Vol 2, Dec 2008 pp97-114

Curtis, L. (2008). *Unit Costs of Health and Social Care*. PSSRU, University of Kent.

Cusworth, L., Bradshaw, J., Coles, B., Keung, A. & Chzhen, Y. (2009) *Understanding the Risks of Social Exclusion Across the Life Course: Youth and Young Adulthood*, Social Exclusion Task Force/Cabinet Office.

Deardon, C. and Becker, S. (2000). *Growing Up Caring: Vulnerability and transition to adulthood – Young Carers' Experiences*. Leicester, Youth Work press/ Joseph Rowntree Foundation.

Dixon, J., Wade, J., Byford, S., Weatherly, H., and Lee, J. (2006). *Young People Leaving Care: A study of costs and outcomes*. York, Social Work Research and Development Unit, University of York.

Denzin, N. K. (1989). *Interpretive Biography.* London, Sage.

Department for Children, Schools and Families (2007). *Statistical First Release: National Curriculum Assessment, GCSE and equivalent attainment. Post-16 attainment by pupil characteristics in England, 2006-7*. London, DCSF.

Department for Children, Schools and Families (2008b). *Statistical First Release: Children looked after in England (including adoption and care leavers) year ending 31 March 2007*. London DCSF.

Department for Children, Schools and Families (2008b). *Statistical First Release: Children looked after in England (including adoption and care leavers) year ending 31 March 2009*. London DCSF.

Department for Children, Schools and Families, (2009a). *Statistical First Release*: *Participation in Education, Training and Employment by 16-18 year olds in England*. DCSF, 16th June 2009.

Department for Children, Schools and Families (2009b) *Statistical First Release. Pupil absence in schools in England, including pupil characteristics: 2007/2008*, London, DCSF.

Department for Children, Schools and Families. (2009c) *Statistical First Release: Special Educational Needs in England*, January 2009

DCSF (2009d) *Teenage conception statistics for England 1998- 2007*. Available at http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/IG00200/ (accessed on 15th Oct 2009)

DfEE (1999b), Learning to Succeed: A new framework for post-16 learning. London, The Stationery Office. Cm 4392.

Flateau, P and Zaretzski, K. (2008). The Economic Evaluation of Homelessness Programmes. *European Journal of Homelessness.* Vol 2, December, pp305-320.

Fryer, D. (1992). Psychological or Material Deprivation: Why does unemployment have mental health consequences. In E. McLaughlin (ed). *Understanding Unemployment*. London, Routledge.

Furlong, A. and Cartmel., F. (2004). *Vulnerable Young Men in a fragile labour market*. York, Joseph Rowntree Foundation.

Giddens, A. and Griffiths, S. (2006). *Sociology.* Cambridge, Polity.

Giddens, A. (1991). *Modernity and Self Identity; self and society in the late modern age.* Cambridge, Polity

Godfrey, C., Hutton S., Bradshaw, J., Coles, B., Craig, G. & Johnson, J. (2002) *Estimating the costs of being 'not in education, employment or training' at age 16-18.* Department of Education and Skills, RR 346. DfES Publications: Nottingham, 2002.

Henderson, S., Holland, J., McGrellis, S., Sharpe, S., and Thomson, R. (2007). *Inventing Adulthoods: a biographical approach to youth transitions*. London, Sage.

HM Revenue & Customs (2009) *Rates and allowances- National Insurance contributions*. Available at http://www.hmrc.gov.uk/rates/nic.htm

HM Treasury (2008) *Basis for setting the discount rate for calculating cash equivalent transfer values payable by public service pension schemes*. London: HM Treasury.

Hoare, J. (2009). *Drug Misuse Declared: Findings from the 2008/9 British Crime Survey*. London, Home Office.

Laub, John H., and Sampson, Robert J. (2003). *Shared Beginning, Divergent Lives*. Cambridge, Harvard University Press.

McGlaughlin, E. (ed). (1992). *Understanding Unemployment*. London, Routledge.

MacDonald, R. (2009). Precarious work: stepping stones or poverty traps. In A. Furlong, (ed). *Handbook of youth and young adulthood: New perspectives and agenda.* London, Routledge.

MacDonald, R. and Marsh, J. (2005). *Disconnected Youth? Growing up in Britain's Poor Neighbourhoods*. Basingstoke, Palgrave.

Meltzer, H. (2000). *The Mental Health of Children and Adolescents in Great Britain*. London, Stationery Office.

Mental Health Foundation, (1999). *Bright Futures: promoting children and young people's mental health*. London, Mental Health Foundation.

Mills, C. Wright, (1959). *The Sociological Imagination*. Oxford, Oxford University Press.

NICE (2008) *Guide to the methods of technology appraisal*. London: National Institute for Health and Clinical Excellence.

ONS (2008) *First Release: 2008 annual survey of hours and earnings*. Newport: ONS. Available at www.statistics.gov.uk

ONS (2009) *Social Trends 39: 2009 edition*. Available at http://www.statistics.gov.uk/downloads/theme_social/Social_Trends39/Social_Trends_39.pdf

Pleace, N. and Quilgars, D. (1999). 'Youth Homelessness'. In Rugg, J. (ed) *Young Peopl,e Housing and Social Policy*. London: Routledge.

Pleace, N. Fitzpatrick, S., Johnsen, S., Quilgars, D. and Sanderson, D. (2008). *Statutory Homelessness in England: The Experiences of Families and 16-17 Year Olds.* London, CLG.

Quilgars, D., Johnsen, S. and Pleace, M. (2008)/ *Youth Homelessness in the UK. A decade of progress?*. York, Joseph Rowntree Foundation.

Social Exlcusion Unit. (1999a). *Teenage Pregnancy*. London, Stationery Office. Cm4342.

Social Exclusion Unit (1999b). *Bridging the Gap: new Opportunities for 16-18 year olds not in Education, Employment or Training*, London, The Stationery Office, Cm 4405.

Spielhofer, T., Benton, T., Evans, K., Featherstone, G., Golden, S., Nelson, J., Smith, P. (2009). *Increasing Participation: Understanding Young People who do not Participate in Education or Training at 16 and 17.* Research Report DCSF-RR072. London, DCSF.

Thompson, R., Bell, R., Henderson, S. Holland, S. McGrellis, S. and Sharpe, S. (2002). Critical Moments: choice, chance and opportunity in young people's narratives of transition to adulthood. *Sociology*. 6 (2): 218-239.

Walker, I. (2003). Education, Earnings and Productivity: Recent UK Evidence. *Labour Market Trends*. March. Pp 145-152.

Webster, C., Simpson, D. MacDonald, R., Abbas, A., Cieslik, M., Sheldrick, T., and Simpson, M. (2004). *Poor Transitions*, Bristol, Policy Press.

Wenar, C. and Kerig, P. (2006). *Developmental Psychopathology: From Infancy through Adolescence*. Boston, McGraw-Hill International.

Williamson, H. (2004). *The Milltown Boys Revisited.* Oxford, Berg.

Young Foundation (2008). *Deep and Persistent exclusion: Interrogating the idea of the 'bottom 2.5 percent'*. Discussion Paper for a Seminar hosted by the Foundation June 24th

YJB (2006) *Barriers to Engagement*. Available at http://www.yjb.gov.uk/Publications/Resources/Downloads/Barriers%20to%20ETE%20summary.pdf

YJB (2008) *Youth Justice Annual Workload Data 2006/07*. Available at http://www.yjb.gov.uk/Publications/Resources/Downloads/Youth%20Justice%20Annual%20Workload%20Data%20200607.pdf