

THE UNIVERSITY *of York*

***EXECUTIVE SUMMARY***

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

***Research Undertaken for the Audit Commission***

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## MAIN FINDINGS

- This research demonstrates the long term cost of rising levels of youth unemployment associated with NEET (not in education, employment or training between the ages of 16 and 18).
- Our lowest estimate of the life-time public finance cost of young people who are NEET (not in education, employment or training) between the ages of 16 and 18 is just short of £12billion. This represents a 44 per cent rise in costs since 2002. The high estimate is around £32.5billion.
- We also calculated the “resource costs” associated with NEET. Resource costs estimate the losses to the economy and to individuals and their families resulting from NEET and under- and unemployment following NEET. Our lowest estimate of resource costs is just under £22billion a 210 per cent increase on our 2002 estimate. The high estimate is nearly £77billion.
- A series of case studies illustrates how relatively inexpensive youth support projects produce major public finance savings. This indicates that cuts in such programmes would result in very significant rises in public expenditure.
- The research also reveals that, whilst the many youth projects producing public finance savings are funded by local authorities, should cuts in these projects be made, the resulting escalation of costs will fall to central government (and tax payers) through costs associated with unemployment and criminal justice. Much of this will occur within five years.
- The research emphasises the differences between different sub-groups of NEET and how different types of costs accrue.
  - In one case study, an early diagnosis of a form of autism at the age of 8 results in suitable levels of support within secondary school and university and life long employment after his graduation. Failure to make such early diagnosis and support (as often happens) results in a life of unemployment and benefit dependency with a life-time welfare cost of nearly £218K.
  - In a case study of a young offender, failure to prevent the drift into persistent and serious offending is shown to cost the tax payers in excess of £2million whilst modest investment (of around £7K) can prevent this.
  - The research also provides evidence on the impact of interventions to support care leavers, young carers and teenage parents.

## BACKGROUND

1. National attention to the problems associated with 16-18 year olds not in any form of education, employment or training (NEET) was drawn by a report of the Social Exclusion Unit in 1999. At that time it was estimated that around 160,000 young people were NEET, around nine per cent of the age group.
2. In 2002 we published a study sponsored by the Department for Education and Skills which made the first attempt to estimate the overall life-time cost of NEET. The most conservative estimate of the public finance cost was £8.1billion. £7billion was the most conservative estimate of resource costs. These calculations were based on the numbers estimated to be NEET at the end of 1999 – 157,000 young people.

## THE RESEARCH

3. This study aims to make re-estimates of these costs based on the numbers NEET at the end of 2008. By that time, largely due to the recession, numbers young people NEET had risen to 208,196.
4. The current study is based on three main strands of research:
  - a. A review of statistical sources and academic and associated literature on NEET and its sub-groups (summarised in section 2 of our report);
  - b. Estimates of the overall lifetime cost of NEET and the assumptions and methodology on which these estimates are based (sections 3 and 4);
  - c. The case studies (section 6) and what is being claimed about the value of this strand of the research (sections 5).

## TOTAL LIFE-TIME COST OF NEET

5. **Our estimate of the public finance cost of NEET based on the numbers at the end of 2008 is £11,721,588,000 (just short of £12billion significantly more than the £8.1 billion we made in 2002).** This is our most conservative estimate largely based on the accumulation of benefits, lost tax and national insurance contributions and small notional costs for things like health and criminal justice. Our high estimate of the public finance cost is £32.5billion.
6. The average individual life-time public finance cost of NEET we estimate as £56,300 slightly higher than the £52K we estimated in 2002. The aggregate public finance cost is, therefore, largely due to the extra number of 16-18 year olds who were NEET at the end of 2008.
7. The second costing framework we employed concerns “resource costs” estimates of losses to the economy and to individuals and their families

resulting from NEET and under- and unemployment following NEET. **Our most conservative estimate of the resource cost of NEET based on the numbers at the end of 2008 is £21,717,370,300 (nearly £22billion considerably more than the £7billion we estimated in 2002).** The higher estimate we calculated at £32,455,946,800.

8. The average life-time resource cost is £104,300 much higher than the £45K estimated in 2002. This rise probably represents growing wage differentials (so big losses when an individual is under-employed) and big differences between out of work benefits and in-work wages (so again big costs of unemployment).

### **DIFFERENT SUB-GROUPS WITHIN THE NEET POPULATION**

9. The research serves to emphasise the differences between the different sub-groups within the NEET population and detailed case studies of a selection of these. Over-represented groups 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.

The report provides detailed estimates of the size of these groups and many of their known characteristics.

10. It also stresses the dangers in regarding NEET as solely the result of barriers to participation and, as such, a matter of individual deficiencies (or other labour market supply factors). There are certainly some signs that the increased number of young people who are NEET is the result of the recession. This means that fewer young people are gaining employment at the same time as rising numbers in both education and training. Labour market demand seems to indicate a switch of demand for well-qualified young people to part-time jobs (whilst studying) and

fewer jobs for less qualified young people seeking full-time employment.

## THE INDIVIDUAL CASE STUDIES

11. The research developed a series of case studies in order to fulfil a number of 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.

12. We have included 17 case studies but 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*" in the sense of focussing on patterns of *diversity* within young people NEET between the ages of 16 and 18. Furthermore, many of the case studies are not fictional cases but based on recent social research. They are, therefore, biographies of real people and based on their own accounts of their life-history. For 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 as 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 who are experts in the field and could advise on likely outcomes and career trajectories.

13. A further 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 research. 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.

## **PUBLIC FINANCE SAVINGS FROM THE CASE STUDIES**

14. Some of the case studies reveal remarkable savings which can be made to public finances by modest public investment in their childhood or adolescence. Dan A is diagnosed with Asperger’s Syndrome at the age of 8. Because of this early diagnosis and the trouble taken by his secondary school especially, he does well in his 16-plus examinations, is successful at A level and goes on to university. The total of intervention costs for Dan A we calculate at £22K. Although he is unsuccessful in his ambition to become a teacher, he does hold down stable employment throughout his life, something which is unusual in the case of others with a similar disability. Indeed in our Dan B case, we predict only short term and unsuccessful attempts at unemployment and a life-time on various forms of disability benefits. The public finance cost difference between Dan A and Dan B finally totals in excess of half a million pounds (£565,821).
15. The case study which saw the greatest cost to public finance was that of a young offender. The trajectory for Tariq B involved the young man drifting into persistent and serious offending for which he received longer and longer sentences in custody. Before his death from a heart attack at the age of 57, Tariq B had cost £2,371,000. Tariq A, on the other hand, involved a series of interventions through the Youth Offending Team, a Connexions Personal Advisor and through a mentoring scheme; interventions with a total cost of £7,050. This modest investment made the difference in longer term costs of more than £2million and nearly £194K before the age of 25. Although the interventions made for Tariq A were largely controlled and paid for by local government, much of the public finance cost associated with Tariq B is a cost to central government through the cost of imprisonment.
16. The long term impact of relatively modest investment in youth programmes was also illustrated by the case studies of teenage mothers. Sophie A was supported by a Connexions Personal Advisor and by a number of small scale projects which served to raise her self esteem and support the difficult first few years of parenthood. The total cost of these interventions was just over £4K but they helped Sophie take pride in her motherhood and eventually secure employment, retraining as a nurse in her thirties. Sophie B, however, gets sucked into a destructive life-style on the poor estate where she and her baby are housed. She becomes involved with a local drug dealer with whom she has a second child, works only in the sex industry (and pays no tax) and eventually has both her children taken into the care of the local authority. This serves as a reminder of the huge cost to local authorities of child care proceedings and both foster and residential care. Were Sophie B’s children to be fostered then the life time welfare

costs would be £858,362 compared to Sophie A's costs (mainly child-related benefits) of £97,135.

17. The welfare costs associated with “looked after” children are illustrated by our case studies of male and female care leavers. Both type A scenarios involved quite expensive and complex forms of support and intervention. The one which Neeha claimed to be life changing involved an outward-bound-type adventure in the Pyrenees which alone cost £17K. It persuaded her of the value of education and training where she eventually followed college courses and obtained a “level 3” qualification. To do this she also required considerable support with the cost of child care for her baby. Overall intervention and support for Neeha A added up to nearly £50K. But over the life course she does spend a considerable time in employment and making contributions through tax and national insurance. Similarly Freidricke A requires a lot of support throughout his late teenage years and his early twenties and our projection for him is a life-time in which he is at best a “churner” – in and out of poorly paid work interspersed with periods of unemployment. Were he not supported, our scenario of Freidricke B suggests that, like Tariq B he will cost public finance more than £2million.
18. The case studies of the young carer raise different sorts of issues. Sam A lives with his elderly father who has progressively worsening dementia. Sam is supported by a Connexions PA who realises that, in order to progress with his A levels and go on to university, Sam must be released from his caring role and his father placed in specialist care. The cost of this care (for five years) proves to be £260K. But this does enable Sam A to finish his education and have a life time of successful employment. Without this care for his father, Sam B will drop out of education and spend his working life as a “churner” oscillating between poorly paid jobs and unemployment. Including the cost of his father's care means that the total lifetime welfare cost of Sam A is in excess of that for Sam B (by around £41K). But because, over his working lifetime, Sam A makes considerable contributions through tax and National Insurance (whilst Sam B spends considerable time unemployed) Sam A proves less of a public finance cost by 56,700.
19. Other case studies in the research report examine other forms of intervention both pre-16, during teenage years, and into a young person's early twenties and examines the cost effectiveness of these on public finance costs throughout the life course.