The grads, the apprentices and the NEETs

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As the UK jobless figure increases to post-pandemic levels, Organisation for National Statistics (ONS) data shows youth unemployment has reached its highest level in more than a decade. Youth unemployment figures cover the 16-24 age group, but it's the total of 18-24 year-olds 'not in full-time education or employment' that provides a more comprehensive picture, as this doesn't include students looking for part-time work (February's employment data figure coming out at 13.6 per cent).

Though youth unemployment is always much higher than the general rate, with young workers increasingly constituting a 'reserve army', business commentators point to additional employer costs, particularly increases in National Insurance contributions, a controversial decision by chancellor Reeves. Meanwhile the Government is considering a reduction in the minimum wage to 'price young people back in' - at best a short term solution.

Back comes Mr Milburn

But it's now commonplace for political leaders to point the finger at the 'economically inactive' - those not officially looking for work. According to the ONS, this figure comes out at 17 per cent. Put this with those officially unemployed and a third of this category are outside of the labour market - approaching one in five of the entire age group. (For the sake of technical expediency this figure can be equated with those who are NEET.) Once again, there's talk about a 'lost generation'. Now ex-Labour minister Alan Milburn has been brought back to try and fix things.

Supposedly being given a 'Youth Guarantee', economically inactive young people now risk their benefits being withdrawn. Yet up to half are not (and never have been) claiming. The Resolution Foundation also estimates the proportion of young people inactive due to sickness or disability at over one in four (around 250,000). Most of these are only having minimal contact with employment services, yet there are also another quarter of a million 18-24 year-olds completely 'off the grid' - with no systematic way of finding out what they do or how they survive. Additionally, it's estimated that 45 per cent of NEETs have never had an official job.

It's also the case that, despte young people being legally required to remain in education or training until 18, latest data shows approaching 70,000 16-17 year-olds still NEET. In an attempt to alleviate this, and with local authorities unable to track year 11 leavers, a recent White Paper has made schools responsible for this, and threatens to impose compulsory college attendance for those without clear plans.

Facing self-imposed restrictions on public spending and government borrowing, ministers are desperate to cut the benefits bill, but it's a concern that sections of Generation Z are rejecting the 'work contract' (the post-war idea that working hard 'will get you on') that really worries 'the party of labour'.

It would be more accurate to describe this as a rejection of a 'bad work contract'. Graduates unable to find work commensurate with their qualifications become increasingly demoralised about having to 'downsize' and, as a consequence. push those less qualified down further in the jobs queue. The continued disappearance of 'entry level' jobs will be intensified as AI creeps in - but studies also predict that many professional roles, previously considered to be 'sheltered', will be threatened - notably in media and design, financial services, and even computer programming and coding.

As a result, more graduates are now directly ending up in 'precariat' sectors themselves - half the workforce in drinks and restaurants under 24, with one in four young people starting their 'careers' in retail. A simple answer to the question of why there are so many NEETS might be that there are too many graduates, but a more accurate answer is that there's simply not enough good work for young people to transition to. The labour market will need to be run in a very different way if NEETs are to be re-engaged and graduates stopped from tumbling down.

Are apprenticeships the answer?

Right-wing commentators have continued to argue that there are too many young people at university. Surveys of 'public opinion' mirror this. More recently, sections of the press and other media influencers have been encouraging those heading to higher education to consider apprenticeships as an alternative, arguing that 'learning a trade' is now more valuable than getting a degree.

But apprenticeships have not embedded themselves in the way that was intended. The current scheme was

launched in 1994, as an 'alternative' to university. Though the number of starts and the quality of provision was initially disappointing, numbers rose rapidly from 2010/11 due to an increase in government funding and a revamp by David Cameron, reaching around 500,000. But, partly as the result of further changes in the funding process, starts have fallen since, though for the last four years they've steadied at around 350,000.

Changes in funding procedures are important, and there is an element of truth in the idea that schools have been under pressure to promote university as the only route to success. But a nostalgic view of apprenticeships still remains. Rather than skilled factory trades or an army of young male plumbers and electricians, in today's economy well over a quarter of last year's new apprenticeships were in the business sector, with only around one in nine in engineering, manufacturing and associated occupations, and just one in twelve in construction. A major reason is that many of the roles that apprenticeships were linked to in the post-war years no longer exist - or are automated and monitored through screen-watching technicians. These days there are more starts by women than men.

However, the main issue is that school and college leavers continue to make up a minority of starts, just above one in four. 75,000 starts by under 19 year-olds in 2024/5 compares extremely unfavourably with the 330,000 university applications by sixth form leavers. Instead, employers are using apprenticeship funding to upgrade the qualification levels of their existing staff, and this is the reason why the number of apprenticeship vacancies advertised is far less than the number of starts.

On a more positive note, the number of higher-level enrolments (level 4 / post-A-level) has increased dramatically. These made up over 40 per cent of all starts for 2024/5, increasing by 15.1 per cent to 140,730, while those at Level 6 (degree level) increased by over 20.4 per cent to 60,350. This would appear to be a step forward, indicating a willingness of employers to invest in longer term upskilling. But once again the number of under 19 year-olds starting at this level is less than one in four.

In contrast to lower level training, where FE colleges have been outgunned by private trainers, the growth of higher level schemes has given cash strapped universities the incentive to try and access the apprenticeship market. If all level 5 and 6 apprenticeships involve at least an element of university attendance, this translates into an additional 60,000 students - not huge but still significant. The Government is currently trying to prevent funds being used for level 7 (broadly equivalent to a Masters degree). It considers this a misuse of funds.

So apprenticeships are not providing a real alternative to continued academic study for school leavers - even if there are some very good ones and plenty of stories about individual young people who've decided against going to university but have done better financially than friends who have.

In the current economic climate, smaller and medium size enterprises (SMEs) that make up more than 90 per cent of firms need much greater financial support to take on young apprentices. Though smaller providers have virtually all training expenditure funded through a levy on larger firms, they are still faced with having to pay wages and other direct costs. Neither do they have the economies of scale enjoyed by larger firms.

Unlike in other European countries, particularly Germany, there is no national plan and no compulsion or legal requirement to recruit, even in the public sector. In Germany, for example, as part of a 'social partnership', the state has played a much greater role in transitioning young people into the labour market. UK policy-makers have distanced themselves from this approach, preferring a largely free market approach.

Is the university bubble going to burst?

With approaching half of young people now spending over fifteen years in full-time learning, will the fact that you increasingly have to run up a downwards escalator undermine the 'education contract'? If the benefits from attending university are considered to be primarily economic, then the answer might appear to be unequivocally 'yes'.

Yet despite falls in the 'graduate premium' - the extra labour market return compared to non-graduates (though for students at elite universities this is much higher) - as yet there has been no real fall-off in home-based undergraduate applicants. Going to university will still put you further up the labour queue, and, as argued, graduates will bump those with fewer qualifications further down.

While 'business and management'-related courses are the most popular (approaching 10 per cent of all enrolments) there have not been significant increases in the take-up of 'hard' courses (natural sciences and maths for example) at the expense of social sciences and media. On the contrary, there's now a growing array of degree opportunities covering almost every interest and whim. Maybe 'going to uni', despite the enormous expense, is now becoming a new 'normal' - an integral part of young people's lives? (Though it's too early to be conclusive on this.)