

Lost in transition

An examination of why the UK NEET rate is high and rising

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Executive summary

Young people in the UK today have on average better outcomes from secondary education than many other advanced economies. Child poverty is set to fall in 2026. Yet despite positive figures such as these, there is a chronic and growing crisis for young adults in the UK as a rising share struggle to make the transition from childhood to adulthood with ease. At this critical stage of life, the paths individuals pursue can have lasting consequences on their living standards. Being in neither work nor education during young adulthood is associated with a higher likelihood of unemployment a decade later, as well as lower earnings over the life course. And these costs are not just felt by the individual, but also by the state in the form of forgone taxes and benefits paid.

It is no surprise, then, that policy makers are so concerned about the rising share of young people today that are not in education, employment or training (NEET). Between 2011 and 2019, the proportion of 18-24-year-olds in the UK who were NEET fell from 19 to 13 per cent. (Conventional measures of NEETs are for 16-24-year-olds, but the scale of the problem and the policy responses required are quite different for under-18s, so throughout this report we focus on those aged 18-24). Since the pandemic, however, that trend has gone into reverse: in 2025, the NEET rate stood at 15 per cent, equivalent to almost 900,000 18-24-year-olds. But even if this tide were turned policy makers would have no cause for complacency: the UK's NEET rate is stubbornly high compared to our international peers, and especially the likes of the Netherlands (4.6 per cent), Denmark

(8.6 per cent) and Germany (9.4 per cent) (all figures here are for 2024).

Understanding the NEET problem in the UK requires us to engage, then, with not one, but two, critical questions: why has the NEET rate risen in the UK in recent years, and why was our starting rate so high comparatively? It is only by carefully unpicking the cyclical and structural determinants of the UK's NEET rate that policy makers (including those engaged in the ongoing Milburn Review) can properly grasp the problem and develop effective and efficient policy in response.

The state of the economy explains around half of the post-pandemic rise in the NEET rate

The NEET rate is closely linked to the prevailing state of the economy: more cautious hiring on the part of employers affects those entering the labour market far more than those already in work, and young people are often last in, and therefore first out, when cuts to jobs are made. Since the end of 2019, the 25-plus unemployment rate has increased by 0.9 percentage points, which would ordinarily predict a 1.6-percentage-point increase in the NEET rate over the same time period. But the actual increase has been almost double that (2.8 percentage points). This simple decomposition suggests that just over half of the increase in the 18-24 NEET rate since 2019 is due to conditions in the overall labour market, while the rest reflects something specific to young people.

Some point the finger at labour market reforms since 2024 that have disproportionately affected youth-heavy sectors of the economy, such as changes to employer NICs from April 2025, larger increases to the minimum wage rate for younger workers in 2024 and 2025, and the Employment Rights Act (although none of the major provisions of the last have yet to come into effect). But youth unemployment is not significantly elevated: the proportion of 18-24-year-olds who are NEET and unemployed (i.e. actively looking for work) is similar to what the historical relationship with 25-plus unemployment suggests should be the case. It is possible that a difficult labour market could cause some young people to stop looking for work (and therefore to

show up as ‘inactive’ rather than ‘unemployed’), but we find little direct evidence of this. As a result, these policy changes are unconvincing as a first-order explanation of why the NEET rate in the UK rising more than would be suggested by the wider labour market.

Broader health trends since the pandemic correspond closely with the rise in youth inactivity and incapacity benefits ...

If the post-pandemic period is not characterised by higher-than-expected youth unemployment, we must also look beyond the availability of jobs for other explanations of the UK’s elevated NEET rate. The share of 18-24-year-olds that are inactive as opposed to unemployed has risen over the last six years, up from 7.8 per cent in 2019 to 9.1 per cent in 2025 (an increase of 16 per cent). This change is more than explained by a rising proportion of young people that are inactive due to disability or ill health, which has grown from a pre-pandemic 2.8 per cent, to 4.2 per cent today (an increase of 52 per cent).

This rise is closely mirrored by a deterioration in the health of young people, and especially mental health over the same period. Multiple sources of evidence show that the share of 18-24-year-olds with a health condition lasting 12 months or more has increased since around 2010, and the share of those saying that this limits their day-to-day activities has accelerated sharply too (by 48 per cent between 2019 and 2025). This trend is matched by a rise in the number of anti-depressant and anti-psychotic drugs prescribed to 18-24-year-olds today. Underlying health trends track very closely the rise in youth inactivity both before and since the pandemic.

The same holds true when we look at the share of 18-24-year-olds that are in receipt of health-related incapacity benefits (historically, Employment Support Allowance (ESA); today, Universal Credit Health (UCH)). Just as the proportion of young people reporting a limiting health condition has risen since 2019, so, too, has the share that receive incapacity benefits, and by a commensurate amount (52 per cent). Ill health and benefit

claims have moved in sync, but we must be mindful of possible causation in both directions: in other words, from the benefits system to the share of young people who are inactive and unwell, as well as from ill health to inactivity and incapacity benefits. And changes to the benefit system in recent years may have increased the incentive to claim incapacity benefits (to supplement the low youth standard allowance, for example, or to avoid the stringent conditionalities of the UC regime).

... but a far higher share of claimants is awarded the highest rate of UC Health today

In recent years, a far larger share of claimants of incapacity benefits (of all ages; consistent data on under-25s is not available before 2019, but trends since match those for all ages) has been awarded the higher rate of ESA or UCH and placed in the limited capability for work-related activities (LCWRA) group than was the case before the pandemic (from 40 per cent in 2017 compared to 81 per cent in 2025). This shift has had significant impacts on benefit spending (LCWRA comes with an additional award of £99 per week this year for existing recipients, or £50 per week for new claimants from April 2026), and also means there are increasing numbers of young people who have no engagement requirements. This is because there is no conditionality placed on those in the LCWRA group, whereas those in lower category of limited capability for work (LCW) must undertake activities to 'get ready' for work.

So, why is this the case? One obvious explanation is that there is not just a growing share of young people with limiting health problems, but that their conditions are graver than in the past. (This runs counter to the argument made by some that society medicalises 'marginal' conditions more today than it did in the past). But there are two system issues that could also have some explanatory power. First, over time, case law has become more expansive as to who should be classified as LCWRA. Second, in 2017, the then Government removed the additional element historically paid to those placed in the LCW group, and the removal of this premium could have plausibly prompted assessors to place more claimants in the LCWRA group but we find little evidence that this has taken place.

Participation in education, and not employment or young people's health, explains many OECD countries' lower NEET rates

Whatever the reasons that sit behind rising youth ill health and disability in the UK, the rates should give rise to concern. Cross-national disability comparisons can be challenging, but the most robust evidence available suggests that 15-24-year-olds in the UK have the highest rates of anxiety and depressive disorders in the OECD, around double the non-UK OECD average. But strikingly, the cross-national evidence shows that this need not translate into a high NEET rate: there is no cross-country relationship between the mental health status of young people in developed economies and the share that are not in employment, education or training. For example, young adults in the Netherlands are only slightly less likely to report anxiety disorders than young people in the UK and come second in the league table (behind the UK) on depressive symptoms, but are dramatically less likely to be NEET than their UK counterparts.

Critically, when we look across countries, it is not health or job availability that explains the UK's high NEET rates, but education. In 2024, 43 per cent of UK 18-24-year-olds were in education (including 17 per cent combining education and work), well below the OECD average of 53 per cent of 18-24-year-olds studying (including 19 per cent combining education and work). In the lowest-NEET countries, education participation is substantially higher. Indeed, among the 23 OECD countries which had a lower 18-24 NEET rate than the UK in 2024, all but two (the United States, and New Zealand) achieved this entirely by having more young people participating in education or combining education and work.

The UK provides only limited vocational education pathways for young people compared to low-NEET countries

The pathways that young people pursue in the UK are strikingly different from those in many other advanced economies. Although there is no difference in education participation at age 16 between the UK and low-NEET countries, by age 18 a

considerable gap has opened up (66 per cent in the UK, compared to 84 per cent across the Netherlands, Denmark, and Germany). This gap has grown again by age 24 (21 per cent in the UK, compared to 44 per cent in those comparator countries).

But this is not a story about higher education. The UK already sends a lot of young people down the academic track: in England, for example, 45 per cent of all young people go to university. Rather, compared to countries like Denmark, Germany and the Netherlands, the UK stands out for its poor vocational education offer. In 2024, for example, just 22 per cent of 18-21-year-olds in the UK were on vocational courses, compared to 35 per cent in the low-NEET trio of the Netherlands, Denmark and Germany.

Young people receiving incapacity benefits in the UK have fewer requirements and less support than in other countries

There is one other stand-out difference between the UK and many other OECD countries and that is the conditions placed on young people with health issues to engage with work or education. In 2025, 84 per cent of young people in receipt of UCH in the UK had no requirements placed on them to undertake 'work-readying' activities such as volunteering, study or employment preparation. This contrasts starkly with practice in low-NEET countries where a 'no engagement' approach is usually a last resort after training, rehabilitation and subsidised employment options have been exhausted.

However, more extensive requirements on young people to engage with the system should go hand-in-hand with quality employment support, in the form of more training, rehabilitation or even employer subsidies. Historically, the UK has spent far less on provision of this type than low-NEET countries, but differences in those forms of support can account for 30 per cent of the variation in 18-24 NEET rates between OECD countries. And when we look at low-NEET countries like Germany and Denmark, the level of support they provide to young people to smooth their transition into the world of work is liberal.

The UK needs a wholesale policy response to bring our NEET rate down

The scale of the NEET challenge among young people is both substantial and deeply entrenched, with most affected individuals facing significant barriers to re-engagement in work or education. Around five-in-six (84 per cent) of NEETs aged 18–24-years-old – a far higher share than among young people overall – experience at least one disadvantage such as low qualifications, disability, or long-term disengagement and over half face multiple overlapping challenges. This suggests that simple, single-issue interventions are unlikely to succeed; instead, the problem requires a broad, holistic response that reflects the depth and diversity of barriers young people face.

In particular, the analysis in this report points strongly to a need for action across health, education and benefits:

- Improving the health of young people. Whatever its cause, the deterioration in the health of young people can fully explain the UK's elevated NEET rate relative to the wider economy. Improving mental health provision in schools and colleges, for example, could reduce the numbers becoming NEET in future.
- Keeping young people in education for longer. Almost all countries which achieve a lower NEET rate than the UK do so through more education, not more work. The mandatory participation age should be properly monitored and enforced for 16–17-year-olds, and vocational pathways should be improved. At least two-thirds of the Growth and Skills Levy funding should be restricted to under-25s.
- Reforming the work support and requirements for young people. A growing number of young people are subject to no work requirements when claiming incapacity benefits, a feature of the social security system that is not shared by countries with lower NEET rates. The majority of young people in receipt of UCH should have tailored engagement requirements, and the support of a permanent programme of youth support which is also open to those not on benefits,

which goes beyond employment and skills to address other barriers, such as mental health and housing.

All of the above will come with a price tag and there are clearly tough choices to be made about where to prioritise spending. But this report shows that there are no simple, quick or cheap fixes for a problems as entrenched as NEETs. And the prize is large: if the UK had the same NEET rate as the Netherlands today, we would have 600,000 fewer 18-24-year-olds lost in transition. Instead, they would be learning and earning to the betterment of themselves, the public finances and wider society too.