Institute for Fiscal Studies

IFS Report

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The King's Trust is working for young people, supporting 11- to 30-year-olds who are unemployed or struggling at school to get their lives on track. The youth charity was founded in 1976 by His Majesty The King when he was HRH The Prince of Wales and has helped more than 1 million young people to date, giving them the skills and confidence to change their lives. Three in four young people on King's Trust courses move into work, education or training.

Founded in 1979 by His Majesty King Charles III, and inspired by the values of harmony and sustainability, King Charles III Charitable Fund's mission is to transform lives and build sustainable communities. The Fund supports His Majesty's charitable interests through its grant making programmes and incubating charitable projects and initiatives. We are committed to helping people and communities to change the world around them, creating lasting improvements to people's lives and a sustainable future for all.

Foreword from The King’s Trust

As The King’s Trust marks 50 years of supporting young people to build a better future, our mission remains as urgent as ever. We have helped more than 1.3 million young people across the UK, but too many still face significant barriers to work. We remain determined in our vision of ending youth unemployment, tackling inequality, and ensuring every young person has the chance to succeed.

Today, almost one million young people are not in employment, education, or training. Behind that number are ambitions and talents. For too many young people, the transition from education into work has become harder and more uncertain, the consequences of which can last. Being out of work early in life can bring long-term consequences for overall life chances.

This report helps us look beneath the surface of this challenge. Its analysis suggests that the recent rise in young people not in employment, education, or training cannot be explained simply as a short-term consequence of the wider economy, or assumed to fall away as conditions improve. It also makes clear that there is unlikely to be a simple policy explanation for falling youth employment, pointing instead to a more complex set of pressures affecting young people’s participation in the labour market.

That matters. If the barriers facing young people are deeper and more structural, then the response must match. This includes understanding more about the role of health, especially mental health, alongside the potential impact of AI and other changes in the labour market.

The King’s Trust sees every day what young people can achieve when they are given the right support at the right time. The Trust stands ready to work with governments, employers, charities, education providers, and partners across society to create clear and accessible routes into sustainable employment.

We are grateful to the Institute for Fiscal Studies for bringing independent rigour to this important question, and to King Charles III Charitable Fund for its support. We hope this research supports a more informed and practical conversation about how we help more young people move into work.

Fifty years on, The King’s Trust remains determined to help every young person succeed.

Executive summary

This report uses administrative data to examine the rise in the number of young people not in employment, education or training (NEET) in recent years. It shows trends in payrolled employment and out-of-work benefit claims, both overall and by subgroup, and compares them with trends in the Labour Force Survey – the official source of NEET statistics, but one which has faced well-documented challenges with response rates in recent years. The report considers whether the recent rise in NEET rates reflects a cyclical downturn in labour demand, or whether there may be structural changes in the economy that specifically affect young people. Finally, it focuses on one widely discussed structural factor – the rise in minimum wages for young people – and assesses what we can learn about its impact on youth employment.

Key findings

1. **Administrative data point to a fall in youth labour market participation in recent years.** In the three years to December 2025, the share of 16- to 24-year-olds in payrolled employment fell by 4.3 percentage points, from 54.9% to 50.6%. This is approaching the 5.4 percentage point fall in youth employment seen over the financial crisis (after accounting for the downward trend in employment in the years leading up to 2008) and the 6.5 percentage point fall over the COVID-19 pandemic. Compared with other OECD countries, the UK has historically had high youth employment rates, but one of the lowest shares of 18- to 24-year-olds in education.

2. The share of 18- to 24-year-olds claiming out-of-work benefits increased by 1.4 percentage points to 10.9%, just over half (0.8 percentage points) of which was due to inactivity-related benefits with no work search requirements. **The administrative data broadly corroborate the official rise in NEET rates from 10.8% in 2022 to 12.8% at the end of 2025 based on the Labour Force Survey.**

3. **Administrative data show a widespread fall in labour market participation across regions.** Payrolled employment fell by at least 3 percentage points in 8 out of the 12 NUTS1 regions of the UK, including by 4 percentage points in London. The share of 18- to 24-year-olds claiming out-of-work benefits increased across regions, though the composition of benefits varied, with inactivity-related benefits accounting for a larger share of the increase in Northern regions, Scotland and Wales.

4. **Payrolled employment fell most for the youngest and oldest youths between 2022 and 2025**: by 7.3 percentage points for 16- and 17-year-olds, likely reflecting at least in part a fall in casual work alongside studies, and by 4.8 percentage points for 22- to 24-year-olds. The change for those aged 18–21 was more muted (a 1.1 percentage point fall). However, **18- to 20-year-olds saw a slightly larger rise in out-of-work benefit claims than older youths** – 9.4% of 18- to 20-year-olds claimed out-of-work benefits in 2025, up from 7.2% in 2022.

5. **There are reasons to believe that the recent rise in NEET rates is not entirely cyclical.** NEET rates are higher than we would expect given the historical relationship between NEET rates and adult (25–64) employment and unemployment rates. Moreover, changes in youth and adult employment rates across regions are not very strongly correlated, contrary to what we would expect for a purely cyclical decline in the economy. **This suggests that NEET rates may not return to previous levels without specific policy interventions.**

6. We consider several potential structural causes of the increase in the NEET rate. One widely discussed structural factor is the **recent rise in youth minimum wage rates**. The data available do not allow us to confidently say one way or the other whether minimum wages have had a sizeable effect on employment, but **our central estimates suggest that it is likely that other structural factors are playing a role**.

7. **The rises in the NEET rate have been similar for university graduates** and for non-graduates entering the labour market, cutting against the idea that AI is having a disproportionate impact on entry-level graduate jobs (though AI could be weighing on employment across the board).

8. The recent increase in employer National Insurance contributions (NICs) has been flagged as another potential driver of rising NEET rates, since it is most significant for low earners. But under-21s are largely exempt, and **the decline in employment among older youths began at the end of 2022 – two years before the NICs reform was announced** – so it is unlikely to be the primary cause.