16–24 GOING UNDER

Tackling the NEETs crisis in the North East

August 2026

The Centre for Social Justice

Contents

Acknowledgements

We would like to thank all the individuals and organisations who have given their time to share their knowledge and expertise with us.

We are grateful to all the attendees at our frontline Big Listen, including: Fenwick, Newcastle Diocese, Changing Lives, VONNE, The Squires Foundation, Newcastle United Foundation, Daisy Chain, Schools North East, HM Treasury, Action For Children, Back On The Map, Berwick Youth Project, Building Self Belief, Clean Slate Solutions, Cumbria Youth Alliance, Family Gateway, Halty Youth Project, If U Care Share Foundation, Kids Kabin, MCR Pathways, NE Youth, North East Young Dads and Lads, Power of Women, High Tide Foundation, Projects4Change, Recyke Y'Bike, Society Matters, Suitability, Tandem, The Children's Foundation, The Corner House Youth Project, The Oswin Project, Rebuilding Futures Alliance, The Recruitment Junction, The Skill Mill, Three13, Woodshed Workshop, Young Women's Project, Youth Focus North East, The Key, Swanson Buck, Eric Knows, Newcastle City Council, The Badur Foundation, Cedarwood Trust, Foundation Futures, and the Newcastle Rugby Foundation.

We are also grateful to the attendees at our employer Big Listen, including: Nigel Wright, Newcastle Building Society, The Harrison Foundation, The Glasshouse, Newcastle United, Blueline Taxis, Bidfood, Generator, NEMSA, Newcastle Council, Gateshead Council, Sir Robert McAlpine, North East Chamber of Commerce, Office of the Police & Crime Commissioner, Institute of Employability Professionals, the Lord Lieutenant, Sir James Knott Trust, Newcastle University, Universities for North East England, Catherine McKinnell MP, Mary Glindon MP, Gateshead Citizens Advice Bureau, Connect Northumberland, Durham University, Ryder Architecture, Womble Bond Dickinson, and British E-Sports.

We are further thankful to the organisations who met with us and hosted visits. These include the Tyneside Talent Unit, Teesside Three13, Back On The Map, Family Gateway, M10 Missions, Newcastle United Foundation, Newcastle Rugby Foundation, Cumbria Youth Alliance, Newcastle City Council, and Northern Powergrid.

We are also grateful for those who took the time to meet with us virtually and share their expertise, including Sunderland University, Gateshead Citizens Advice, the North East Mayoral Strategic Authority, and the Education Partnership North East.

Finally, we would especially like to thank Leo Fenwick, Alan Milburn, Steph McGovern, Lawrence Dallaglio, and Fraser Nelson for speaking at the Big Listens, and Fenwick for hosting the Big Listens and sponsoring this report.

Fenwick

About the CSJ

Established in 2004, the Centre for Social Justice (CSJ) is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions.

The CSJ's vision is to give people in the United Kingdom (UK) who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential. The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report, *Breakthrough Britain*. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the political landscape by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, the CSJ provided the blueprint for the most significant reforms to welfare in a generation with the introduction of single working-age benefit, Universal Credit. Its research led to the introduction of the first ever Modern Slavery Act, as well as 'cuckooing' becoming a standalone statutory offence in 2026. Legislation in 2026 established the CSJ's Into Work Guarantee in law, allowing disabled people to try work without the fear of this triggering an automatic reassessment. And the CSJ's pioneering model of Family Hubs has grown into a major government programme, with hundreds today bringing family support services together in communities across England.

Our research is informed by experts including prominent academics, practitioners and policymakers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises, and other grassroots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2026 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

Foreword

One in five young people in the North East are not in education, employment or training. It is, without doubt, the biggest challenge facing our region today.

Fenwick has been a part of Newcastle since 1882. We have always believed that a successful business must contribute to the community around it, not simply serve the customers within it.

Wherever I go, I hear stories from people whose first job was at Fenwick and how that experience shaped what came next in their lives. Whether those careers were made in retail or took a different path, that first opportunity mattered. I understand both the opportunities and the responsibilities that come with helping people take those first steps.

Yet, those first steps are disappearing across the economy. The critical first rungs on the ladder – the Saturday job, the apprenticeship, the chance a manager once took on a promising young person – have been thinning for years. Nowhere is that more apparent than here in the North East.

Behind every statistic is a young person with talent, ambition, and potential. The challenge is not a lack of ability – I see that ability every day in the young people who come through our doors and flourish – but of ensuring that opportunity is forthcoming.

That is why, in June, we hosted a Big Listen with the Centre for Social Justice at our flagship store in Newcastle, inviting over 120 frontline organisations, charities, and employers to ask what we might do together to tackle this crisis.

As I looked around the room, I saw charities who know vulnerable young people by name, colleges determined to connect learning to real work, and employers willing to give someone their start. As Alan Milburn put it when he spoke to our gathering, this felt like the watershed moment: the point at which we decided that what is happening in our communities is neither tolerable nor sustainable.

The North East itself stands poised at an exciting threshold. We now have a mayor, devolved powers, and a government that says it wants to see them used.

This report is the plan for doing exactly that. It is ambitious, and deliberately so: timidity is the one thing our region can no longer afford. It calls on government to play its part, on the region to use its new powers, and on those who gathered in June to do what they have always done best: give a young person their first chance.

The future success of our region depends on the success of the next generation. At Fenwick, we are determined to do our bit to unlock it.

Leo Fenwick
Strategic Partnerships Director, Fenwick

Executive Summary

The North East is England's proudest region.[1] There are good grounds for this. History is written across it: from Hadrian's Wall to Bamburgh Castle. The Lindisfarne Gospels and the Venerable Bede illuminated England's dark ages. In the industrial revolution, its coal mining powered Britain and the Royal Navy; it developed the first public railway to use steam locomotives; and it remains host to a larger and more dynamic manufacturing sector than the rest of the UK.[2]

But the North East is now where the failures of our education, labour and welfare systems converge: the meeting point of challenges both new and longstanding.

It has the highest rate of young people not in education, employment or training (NEET) in the UK, with almost a fifth of North Eastern 16- to 24-year-olds neither in work nor education. More worryingly, this is old news in the North East. Its rate of NEETs now is almost identical to its rate in 2006 and, even when rates fell across Britain in the 2010s, the North East's remained the worst.

But the North East is not a passive victim. Thousands of people are working each day to turn the crisis around. In Spring 2026, we convened over 120 local charities, employers and frontline organisations to discuss the region's NEET challenge and its solutions. Striking themes emerged.

Participants described **children arriving at school already behind**, attendance deteriorating during the transition to secondary education and too many young people passing through a system that prizes academic achievement while offering little connection to the world of work. In communities shaped by **generations of worklessness**, many young people lack both **positive role models** and a **visible route into a good local career**.

New pressures have compounded these longstanding problems. The pandemic encouraged withdrawal from school and wider society, while **anxiety**, **poor mental health and low resilience** have become increasingly prominent barriers to work.

Meanwhile, the **welfare system** can make trying employment feel financially risky; the **cost and risk of hiring** an inexperienced worker has risen; and impersonal recruitment processes have removed many of the informal first steps through which previous generations entered working life.

Our analysis corroborates these themes. The North East records the lowest Progress 8 score in England: its young people, on average, make less progress through secondary school than their peers nationally. Post-16 pathways are no different. Young people are caught between a confused further education sector and an apprenticeship system detached from the realities of the local economy.

The welfare system entrenches inactivity rather than forging a route back to work. More young people in the North East now claim out-of-work benefits without work requirements than with them, and around 82 per cent of 16- to 24-year-old Personal Independence Payment (PIP) claimants record a psychiatric disorder as their main disabling condition. The consequences are not only economic: the fear of losing benefits locks young people into a cycle of inertia harmful to their own health.

1 YouGov (May 2025), *'How strong are regional identities in Britain?'* Accessed via: How strong are regional identities in Britain? (Accessed: 27 May 2026)

2 CSJ analysis of Office for National Statistics (2025), *'Regional gross value added (balanced) per head and income components.'*. Accessed via: ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandincomecomponents. (Accessed: 30 July 2026)

Decades of economic underperformance exacerbate these institutional failings. The productive sectors that once anchored the North East have given way to a labour market dominated by low-wage, low-hours work. While the North East has a powerful manufacturing sector, it lacks the export-oriented service sector that powers wealthier regions.

Yet the Big Listens also revealed what works. Young people respond to trusted adults who stay with them; practical and vocational learning connects education to employment; employers are willing to offer a first chance; and local charities can reach those who will not walk into a Jobcentre. We did not find there to be an absence of effective organisations or willing employers; rather, echoing the findings of Alan Milburn nationally, we found a system that funds local employment support precariously, hinders collaboration and intervenes far too late.

The Netherlands shows the success of a system that learned these lessons. Dutch pupils can pursue technical learning linked to local employers from aged 14, devolved governments have the flexibility to invest in effective employment support, mental ill-health is tackled by in-kind help rather than cash benefits, and the costs of hiring young people are kept low. Only 4.1 per cent of Dutch young people are NEET. 41,000 fewer young people would be NEET if the North East matched that rate, unlocking £5.4 billion in lower government spending and higher economic output and tax revenues.

The North East now has a mayor, new devolved powers and an Integrated Settlement through which it can begin to join up support. It should use those tools boldly, while government gives the region the freedom to test reforms equal to the scale of the crisis. We are calling on ministers and local leaders to 'go Dutch' and:

› **Boost regional growth by making it pay to hire young people.** The mayor should turn Riverside Sunderland into a Mayoral Development Corporation (MDC) and establish clear criteria for other Development Zones to follow. Ineffective employment subsidies should be replaced by a Future Workforce Credit (FWC) covering 30 per cent of the wages of a 16- to 24-year-old who has been NEET for at least three months.

› **Stop young people falling out of education.** Government should strengthen mainstream schools' ability to meet additional needs before they escalate into absence or exclusion, through targeted Special Educational Needs and Disabilities (SEND) support and increased support during early years. The North East should become the first region to pilot an improved V Level, combining practical learning with real, paid experience of work.

› **Find disconnected young people and build a route back.** The expanded mayoral NEET programme should be piloted in the North East and delivered through colleges, charities and trusted community organisations rather than relying principally on Jobcentres. Local authorities should track young people's destinations up to the age of 24 so that nobody simply disappears from the system.

› **Put local organisations in charge of local delivery.** Youth and NEET funding should be incorporated into the North East's Integrated Settlement, accompanied by a binding target to reduce the region's NEET rate. The stability of that settlement should reach the frontline through multi-year commissioning, while the DWP should remove unnecessary rules preventing trusted community organisations from operating Youth Hubs in premises young people will actually use.

› **Turn health support into a route towards independence.** PIP and Universal Credit Health should be reformed so that the welfare system does not consign young people with milder mental health conditions to long-term inactivity. The savings should be reinvested in accessible treatment, trusted mentors and intensive employment support, with the North East given the power to direct provision around local need.

The North East has suffered from the country's highest NEET rates for almost two decades. It should now become the place where Britain proves that the crisis can be reversed. Timidity is the one thing the region can no longer afford.

Introduction

This paper is about the young people of the North East who are NEET. It asks why the crisis in the North East has proved so stubborn, and what a region now equipped with a mayor, new devolved powers and a fresh appetite for reform can do to reverse it.

It is founded on the voices of those closest to the problem. In Spring 2026, the Centre for Social Justice (CSJ) partnered with Fenwick to hold two 'Big Listens' in the North East, convening over 120 local charities, employers, colleges, and frontline organisations to discuss what is driving the region's NEET crisis and what could turn it around.

We tested these frontline insights against the data. Drawing on the Annual Population Survey, Department for Work and Pensions administrative data, and a range of published research, we sought to establish how far the themes raised in the Big Listens were borne out in the region and delved into their drivers.

The paper proceeds in three chapters. Chapter 1 sets out the scale of the North East's crisis, establishing both its size and its remarkable persistence, drawing on the Big Listen to characterise who the NEETs are and establish the themes explored in the rest of the paper. Chapter 2 examines what is driving the crisis, tracing it through four connected domains: the regional economy, education, welfare and health. Chapter 3 sets out a path to ending it: recommendations, spanning those same four domains, aimed at both national government and the region's own leaders.

The North East's crisis, though the deepest in the country, is not inevitable. The region has the will, the institutions, and (increasingly) the powers to turn it around.

The scale of the North East's NEET crisis

The UK has a NEET problem. Over 980,000 young people, 13 per cent of 16- to 24-year-olds, were not in education, employment or training across the United Kingdom in the first quarter of 2026: a rise of just over 230,000 since the fourth quarter of 2019.[3] Were the UK to match the Dutch NEET rate of 4.1 per cent, there would be 671,608 fewer NEETs. This would result in over £15 billion in tax-and-spend savings.[4]

Nowhere is the NEET problem worse than it is in the North East.

Nearly a fifth (18.3 per cent) of 16- to 24-year-olds were NEET in the North East in 2025, compared to 12.7 per cent across the UK in the same period.[5] The North East also has more economically inactive NEETs: 67 per cent of North Eastern NEETs were inactive in 2025, compared to 60 per cent across the UK. The North East's challenge is both larger and deeper than it is anywhere else.

Where the rise in NEETs is largely a post-pandemic problem in much of the UK, it is a long-standing issue in the North East. The region had the worst rate of NEETs immediately before the pandemic; it had the worst rate in 2016; and it had the worst rate in 2006.

If we can solve the NEETs issue in the North East, we can solve it across the UK.

1.1. Quantifying the North East's problem

Getting accurate statistics about NEETs at a regional or local authority level is difficult. Most of our labour market statistics come from national surveys with sample sizes too small to segment regional data accurately. However, we can estimate total, annual, and regional figures using the Annual Population Survey (APS), which combines several quarters of Labour Force Survey (LFS) data to build a larger sample, producing the data shown in Figure 1.

The North East, as Figure 1 shows, had the highest rate of NEETs in the UK in 2025. We estimate that 53,000 people aged 16 to 24 in the North East were NEET in 2025: 18.3 per cent of the total number of 16–24s in the region. The East Midlands followed close behind, at 18.1 per cent, then Wales and Yorkshire and The Humber, both at 16.5 per cent.

3 Office for National Statistics (August 2026), *'Young people not in education, employment or training (NEET)'*. Accessed via: ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/youngpeoplenotineducationemploymentortrainingneettable1. (Accessed: 27 August 2026)

4 CSJ analysis. The Interim Report of the Young People and Work Review (the 'Milburn Review') estimates that the NEET crisis across the UK leads to £21.6 billion per year in extra spending and lost tax revenues. The Milburn Review assumes that a NEET young person would otherwise earn the median wage for their age, with foregone tax revenue estimated from there. It then adds the benefit expenditure on NEET young people, the estimated cost of inactivity on health expenditure, and a discounted estimate of the lost tax revenue and added benefit spending from the heightened likelihood of someone who is NEET remaining inactive throughout their working life. With 957,000 NEETs at the time of the Review, the £21.6 billion finding is equivalent to a fiscal cost of £22,571 per NEET.
In 2025, 4.1 per cent of young people aged 15–24 were NEET in the Netherlands. If the UK had the same rate, 671,608 fewer young people would be NEET. Multiplying this by the per NEET cost estimate from the Milburn Review, we estimate that the Treasury would save around £15.2 billion per year.

5 Estimates for the North East are drawn from CSJ analysis of the Annual Population Survey. The government does not break down its official estimates for 16- to 24-year-olds by region.

If the North East's NEET rate matched the UK average of 12.7 per cent, around 16,200 fewer young people would be NEET. The Milburn Review estimated that each NEET costs the UK £131,000 in lost economic output and tax revenues and heightened government spending. The North East's excess NEET population, in other words, represents an approximate loss of £2.1 billion.[6]

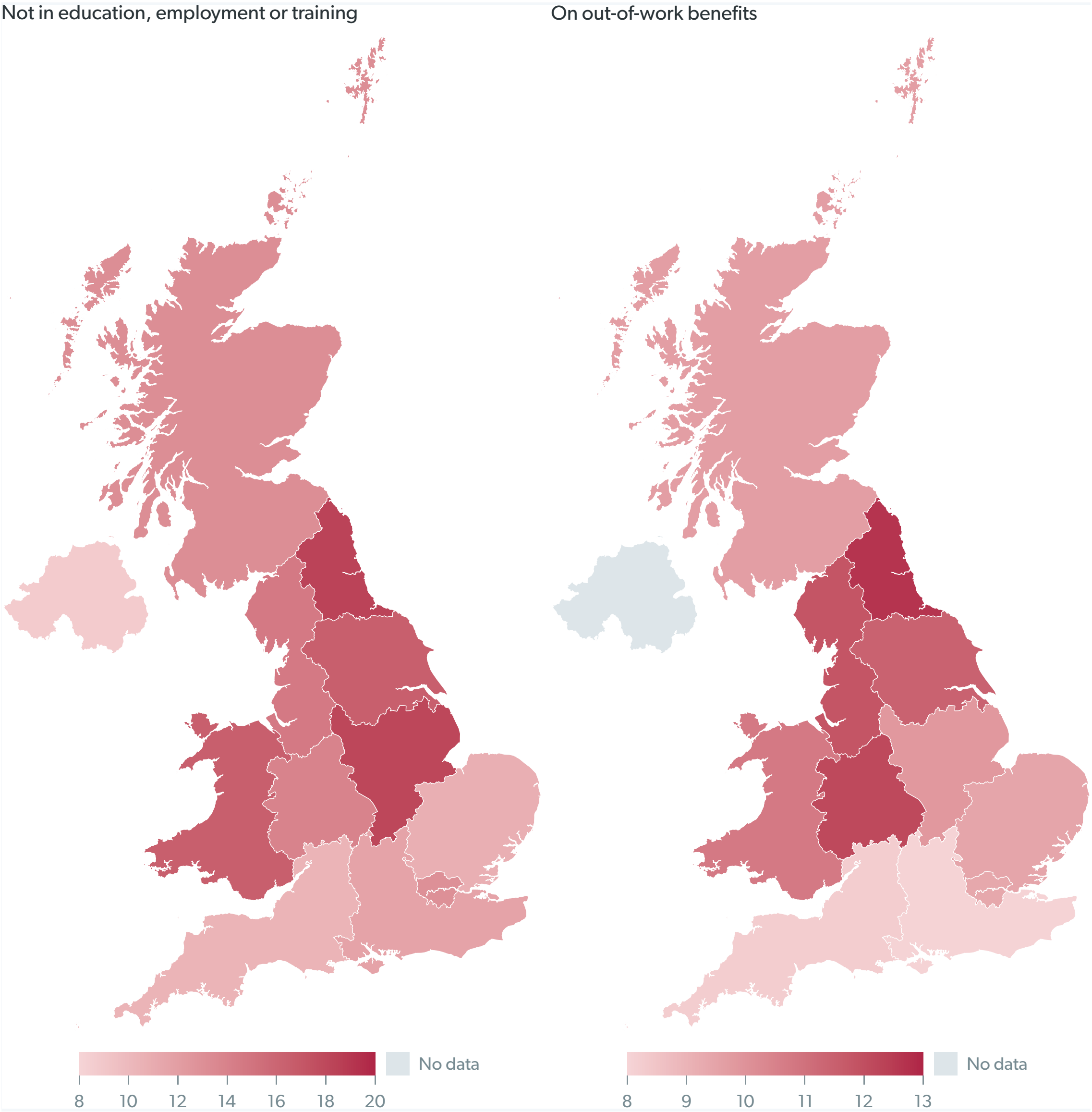
Universal Credit data from the Department for Work and Pensions (DWP) shows the same trend. The North East has the highest rate of young people out of work and claiming Universal Credit. 12.7 per cent of 16- to 24-year-olds in the North East – over 36,000 – were claiming Universal Credit while out of work in February 2026, compared to 10.1 per cent of 16–24s across the UK.

The gap between the estimated number of NEETs and the number of young people claiming Universal Credit aligns with the findings of our 2025 report, *Wasted Youth*.[7] In *Wasted Youth*, we focused on two cohorts of economically inactive NEETs: the sick – those inactive due to ill health – and the 'others' – those inactive for 'other' reasons. The 'others' often did not claim any form of welfare and had limited to no contact with public services. The approximately 16,000 North Eastern young people showing up as NEET but not claiming Universal Credit likely fall into this category.

6 CSJ analysis. The North East's 16–24 population is estimated at 289,600. At the average UK NEET rate of 12.7 per cent, 36,800 would be NEET. The Milburn Review estimates that youth NEET status costs the UK £125 billion per year. Spread across the 957,000 NEETs in the UK at the time of the Milburn Review, this implies a cost of around £131,000 per NEET young person. This reflects direct economic costs, economic scarring, lost tax revenue, wellbeing impacts and additional welfare and healthcare spending. Multiplying this number by the 16,200 excess NEETs gives approximately £2.1 billion. Figures are rounded. The estimate reflects the cost of the region's NEETs in the region and applies a per-person lifetime cost to a current headcount.

7 The Centre for Social Justice (Aug 2025), '*Wasted Youth: Helping Britain's young adults into work*'. Accessed via: Wasted Youth (Accessed: 26 May 2026)

Figure 1: The North East tops the UK for both NEETs and young people on out-of-work benefits



Source: CSJ analysis of the Annual Population Survey and Stat-Xplore

Similarly, many of the young people claiming Universal Credit fall into the 'sick' category. Nearly two-thirds of 16- to 24-year-olds claiming Universal Credit while out of work in the North East were in the 'no work requirements' group in February 2026 and just over two-thirds of that group received the health element of Universal Credit with limited capability for work or work-related activity (LCWRA). Taken across all young benefit claimants in the region, nearly one in four received the health element.

The North East, in summary, echoes the national picture we found in *Wasted Youth*.[8] There are 'sick' NEETs, claiming the health element of Universal Credit; 'other' NEETs, not claiming any form of welfare; and those simply unemployed, claiming Universal Credit with work requirements. The difference is that the North East does worse on the first issue than anywhere else in the UK, having the highest rate of 16–24

8 The Centre for Social Justice (Aug 2025), *'Wasted Youth'*.

Universal Credit claimants with 'no work requirements', while ranking third of the 11 UK regions on the latter two.

1.2. Frontline insights

The statistics only get us so far in understanding what characterises the North East's NEETs today. To gain a clearer view, we hosted two Big Listens in the North East, gathering over 120 frontline charities, employers, and experts from the region to explore the causes and solutions to the NEETs crisis. This section pulls out the key themes from those Big Listens, which then direct the quantitative analysis in Chapter 2.

Participants at our Big Listen were clear, firstly, on the scale of the crisis and the depth of its roots.

> *"I think it's been rising for years. As the shipyards were closing in 1984, I worked with young people who had no options. They had a job at the mines, now there is nothing."*
>
> **Big Listen employer participant**

> *"There is a ticking time bomb in the west end of [Newcastle]. There are grannies who are running the whole family who are the only ones working in the family."*
>
> **Big Listen employer participant**

> *"You find the embedded cultures in some areas of the region where it is generational unemployment. The government programmes are just ticking a box – not tackling the issue that is relevant to our young people."*
>
> **Big Listen frontline participant**

Even as participants noted the long tail of the region's NEET problem, they also detailed its changing shape. They particularly emphasised the growing impact of mental ill-health.

> *"The problem is persistent, but it is changing. Over 15 years ago, the big focus was on teen pregnancy but now it is all about mental health. We see it in our workplace: young people keep taking time off for their mental wellbeing."*
>
> **Big Listen employer participant**

> *"We have a generation coming through with a lot of anxiety"*
>
> **Big Listen frontline participant**

Many participants suggested that the Covid-19 pandemic and the prevalence of social media had significantly reduced young people's mental wellbeing. There was disagreement about whether the rise reflected a genuine increase in diagnosable conditions or an increase in self-diagnosis, with mental health becoming a catch-all for a lack of resilience.

> *"[The pandemic] trapped people – particularly boys – in their bedrooms. They would just play video games. They went through a period in their formative years that was about hiding, so they just learnt that if there was a problem you stay away from people and close the door"*
>
> **Big Listen employer participant**

> *"I have no doubt that social media has played a significant part in [my children's] mental health"*
>
> **Big Listen employer participant**

> *"Young people are getting support from social media to replace employers and schools. It's where they get their knowledge: it throws off how they view employment and means we see lots of self-diagnoses for all kinds of mental health issues."*
>
> **Big Listen frontline participant**

> *"There's a complete lack of resilience. The instant something does not go right, everything goes out of the window."*
>
> **Big Listen frontline participant**

These insights led participants back to the welfare system. Some participants were blunt in their belief that health-related benefits encourage self-diagnosis.

> *"I see people who all but train their kids up to have autistic symptoms. It is a moral breakdown. Kids don't want to be like that…Several charities seem to exist to pay people to get other people as many benefits as they can."*
>
> **Big Listen frontline participant**

> *"The number of kids from broken homes, they've not got any formal diagnosis and they're able to get PIP money. Yes, they've got a messed-up life but there's nothing wrong with them, they shouldn't be able to get money for disabilities. It's a bit like organised crime"*
>
> **Big Listen employer participant**

Even participants who disagreed that health-related benefits drive diagnoses were concerned that they lock people into worklessness and wider inactivity.

> *"My neighbours are wealthy. They are foster parents to a 17-year-old girl who has a very mild form of epilepsy. They encourage her to work, but at 17 she started receiving PIP payments. Her mindset is that she doesn't need to work and can rely on this."*
>
> **Big Listen frontline participant**

> *"One of the big barriers for us in helping young people getting into employment is the comfort that PIP provides. How do we change the system so the benefits are there to help children and support them instead of being a barrier?"*
>
> **Big Listen frontline participant**

> *"Even just volunteering can lead to benefits being re-assessed. Carer's Allowance is a big problem for it."*
>
> **Big Listen frontline participant**

Case Study

Liam and Three13

Liam is a 21-year-old young man living in the North East. He had relocated to the region as a young adult. When he first arrived, he was in the process of overcoming anxiety, building new friendships and finding his place in the world of work. Leaving school with GCSEs, Liam had enrolled at college to pursue a carpentry/joinery qualification. Although he enjoyed the course, he was prevented from progressing because the funding for Level 2 of the qualification was age restricted. Determined to keep busy, Liam volunteered at a local charity shop and was offered a short-term paid role. When the role came to an end, Liam's confidence took a dive and he subsequently found himself isolated and in receipt of PIP and Universal Credit.

Liam made contact with the local charity Three13 after meeting their Employability Manager at his Jobcentre. He attended their local Hub, opting to pursue the Carpentry Pathway that they offer. Enjoying the hands-on nature of the course, he soon achieved the L1 Introduction to Construction which greatly improved his mental wellbeing and confidence. Combined with 1:1 career advice and guidance, his experience at Three13 made Liam recognise that he may be better suited to a role in hospitality or retail.

While participating in Three13's Hospitality Pathway, Liam gained all the experiences needed to succeed in the industry. During the course, he applied for a kitchen assistant role at a nearby supermarket. After some interview training, Liam secured the role just one week after exiting the programme.

Commenting on his time with Three13, Liam said:

> *"Life changing experience. Three13 helped me build my confidence, learn tonnes of new skills and eat loads of delicious food…I will miss being here and I highly recommend it for anyone wanting to learn new skills"*

Changes in the welfare system and the rise of mental ill-health were not, however, the only shift that participants pointed out. Several charities and employers highlighted a growing mismatch between the education system and the region's economy.

> *"When we had industry, secondary modern schools would just educate kids to go into the mines. Nowadays, where do young people feel inspired to go to work? When you saw the ships sail along the Tyne, you saw something you wanted to be part of."*
>
> **Big Listen employer participant**

Participants saw this not solely as a story of economic decline, but a failure within the education system to prepare children for the jobs that are now available in the North East. The lack of a clear channel for children who are not academically minded was a recurring theme.

> *"Careers education completely fails our young people: the teachers and the kids have no clue what jobs are available or what their future could be."*
>
> **Big Listen frontline participant**

> *"Compared with other countries in the world, we don't value non-academic education in the way that other countries do... The focus has been that if you don't go to university, you're a failure."*
>
> **Big Listen frontline participant**

> *"If you're not academically inclined you are either surviving or you're apathetic..."*
>
> **Big Listen employer participant**

Frontline charities working within the education space were also concerned by the growth in behavioural issues, the impact of absence and exclusions, and Alternative Provision.

> *"The stats for AP [Alternative Provision] since Covid are crazy – there has been an unbelievable rise in basically children not coping with education... The alternative is becoming the main."*
>
> **Big Listen frontline participant**

> *"The number of kids in home education in Sunderland has gone from 8 to 800 in 3 years"*
>
> **Big Listen employer participant**

> *"On the point about attendance, what you have now is 2nd and 3rd generation kids where they don't value school. Parents don't encourage their kids to go to school because they just don't value it"*
>
> **Big Listen employer participant**

These two problems flow into one another in the further education system, which several participants felt was falling short.

> *"The incentive is to not work. They get signposted to an FE college to do a course they don't want to do. They stay for a term, nobody's really bothered about them, so they stop coming. We lose them for two years, and they then sign up for Universal Credit at 18"*
>
> **Big Listen frontline participant**

> *"[Young people in AP] get all the support, but when they go to a mainstream college in sixth form, it all falls apart"*
>
> **Big Listen frontline participant**

> *"Kids go to college to learn painting and decorating, employers don't know what to do with them. Employers don't know what to do with young people."*
>
> **Big Listen frontline participant**

Amidst all these structural shifts, participants were, finally, quick to highlight the impact of the immediate economic context.

> *"The most resilient person in the world would find the current job market really difficult."*
>
> **Big Listen frontline participant**

Employers were especially strident on the impact of the minimum wage and tax rises on their ability to hire young people, but they were not alone: many of the frontline charities had also been affected by rising employment costs.

> *"I have a retail business and we employ 100 people. It is so expensive to employ a young person... My most profitable store is run by a 16-year-old, but the cost of employing her has gone up 27 per cent."*
>
> **Big Listen employer participant**

> *"I cannot afford to employ young people. I want to give somebody a job; I just cannot afford it"*
>
> **Big Listen frontline participant**

> *"From the employment side, the national minimum wage increases: am I going to take someone already qualified and already trained with 20 years of experience or a young kid? The minimum wage has put employers off taking on young, inexperienced people."*
>
> **Big Listen frontline participant**

Our Big Listens were, therefore, clear that the NEETs crisis in the North East is multifaceted, with causes that are both longstanding and immediate. In the next Chapter, we analyse these themes, exploring in greater quantitative depth their causes and impacts.

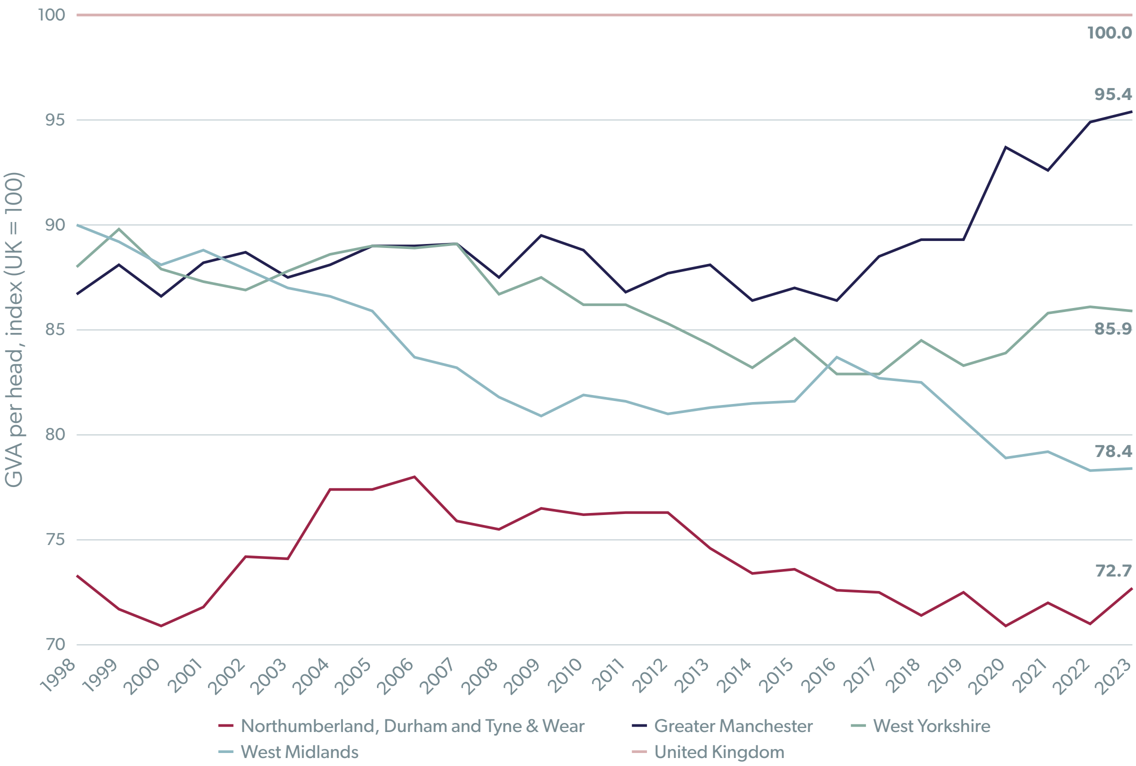
What's driving the North East NEET crisis?

The difficulties in Britain's welfare system fall into two broad categories: the longstanding and the immediate. For much of Britain, the NEETs issue is largely the latter: with rates spiking in the last five years from a historic trough. For the North East, the NEETs issue is both. Its NEET rate in 2006 was almost identical to its rate today, but, beneath the headline rate, it has shared in the shift from unemployment to inactivity. The North East's chronic problem is becoming severe.

Our Big Listens echoed this diagnosis, with the themes that we highlighted in the last Chapter mixing long-standing structural problems with new shocks. We explore those themes in greater quantitative depth in this Chapter.

2.1. Economic context

Figure 2: The North East's economy has lagged behind the rest of the UK for decades



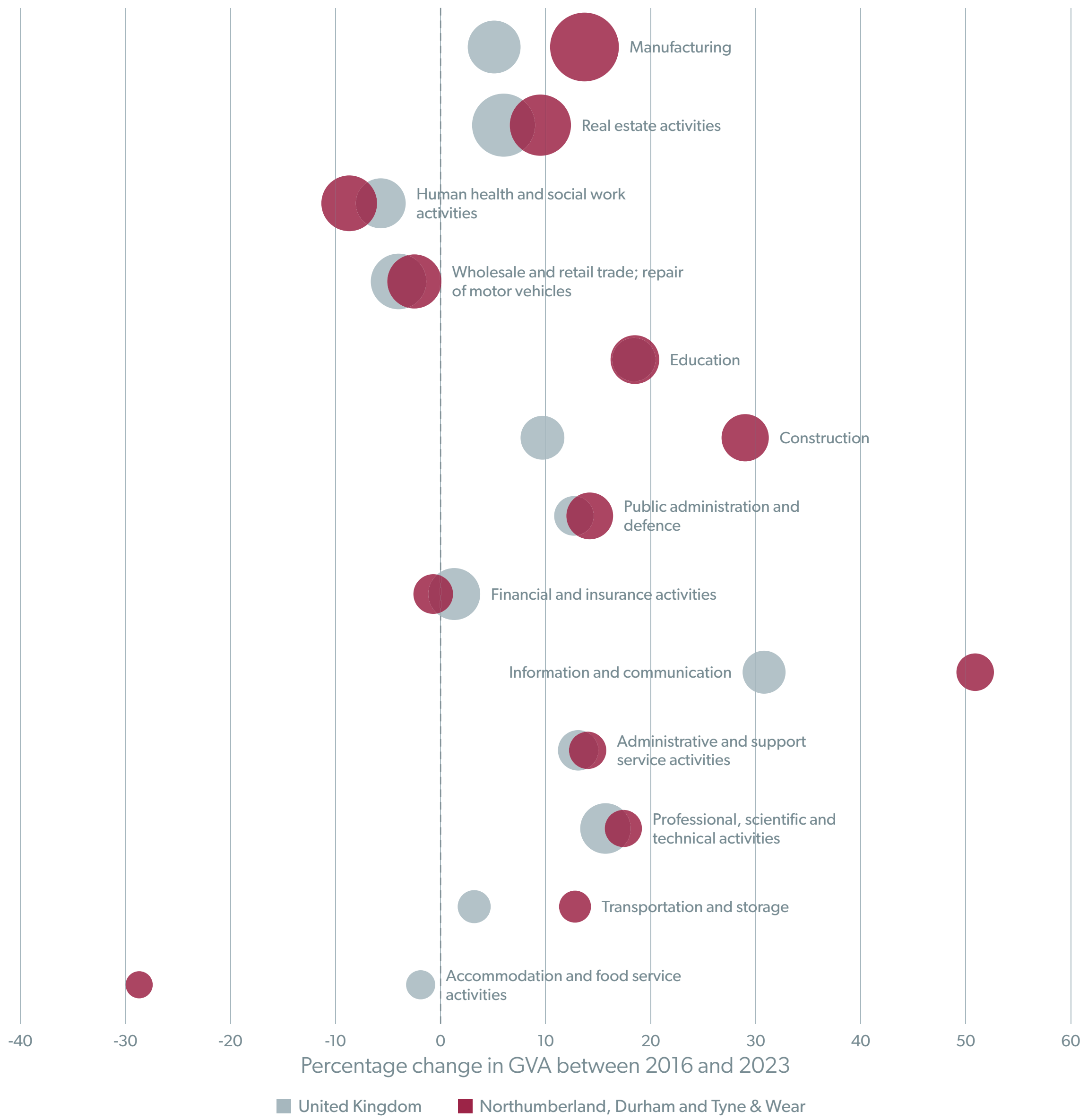
Source: CSJ analysis of Office for National Statistics (2025), *'Regional gross value added (balanced) per head and income components'*

Note: *Figure shows the gross value added per head for select regions relative to the UK between 1998 and 2023.*

The North East is one of the weakest regional economies in the UK. Northumberland, Durham, and Tyne and Wear - the area covered by the North East Mayoral Strategic Authority (North East MSA) - had a gross value added (GVA) per head of £25,920 in 2023, less than 72 per cent of the UK-wide GVA per head of £36,103. It has also long lagged behind both the rest of the UK and similar regions, as Figure 2 shows.

The North East's stagnation drives its NEETs problem. A lack of growth means fewer businesses starting or expanding, fewer vacancies, and lower educational aspirations, as the local relationship between attainment and financial success dissipates. The North East does not top the NEET table in spite of economic growth; it tops the table because it has not grown enough.

Figure 3: The North East has real sectoral strengths, but the sectors most likely to employ young people are shrinking



Source: CSJ analysis of Office for National Statistics (2025), *'Regional gross value added (balanced) by industry: all ITL regions.'*

Note: The figure shows sector-by-sector growth in the UK and the North East between 2016 and 2023 for the 13 largest sectors in the North East. The size of the bubbles represents each sector's share in the relevant area's GVA in 2023.

> *"We have had a consistent community of worklessness, because they haven't had the examples of getting up in the morning, of those rites of passage that a whole generation has missed…The North East has never recovered from the loss of industry.''*
>
> **Big Listen employer participant**

This is as much a counsel of hope as it is of despair. Regions can catch up. Greater Manchester is doing so; Manchester itself did so decades ago, as did Leeds; Liverpool broke through in 2021. There is little reason the North East cannot do so. Figure 3 shows it has significant regional strengths.

Two sectors in Figure 3 particularly stand out. The North East's manufacturing sector is larger and growing quicker than the UK's. A plurality of that growth is down to a cluster of 12 pharmaceutical manufacturers, which constitutes the fastest growing pharmaceutical sector in the UK outside London.[9] The well-known Nissan plant in Sunderland and Hitachi plant in Newton Aycliffe also mean the region excels in the manufacture of transport equipment.[10] Similarly, the North East's IT sector has surged since 2020. It topped the regional pack for IT growth between 2020 and 2023, despite having been bottom in the decade before.[11]

But Figure 3 also points out two weaknesses in the North East's economy relevant to its NEET problem. Firstly, it does not have a large export-oriented service sector: its professional services sector is small, and its financial sector is both small and shrinking. Secondly, the sectors most likely to employ NEETs are in decline.

Lacking a significant export-oriented service sector may not directly drive up the North East's NEET rates - few such firms employ those at risk of becoming NEET - but it does indirectly. Service exporters are the most productive sector on average. High productivity means higher wages and a greater spillover to the local economy. Service firms also tend to cluster in city centres, concentrating spending spillovers in the urban areas where deprivation is highest.[12] In other words, service exporters may not employ NEETs directly, but they and their workers are the market for the sectors that do.

Unfortunately, those sectors are in decline: the North East's accommodation and food service sector decreased by 28.7 per cent and the retail sector shrank by 2.5 per cent between 2016 and 2023. Each employs a fifth of under 25 workers across the UK but only five per cent, for accommodation and food, and 13 per cent, for retail, of workers aged over 25.[13] Each requires fewer qualifications: they rank 15th and 16th, respectively, out of 21 sectors on the ONS's qualification index.[14]

Some of the decline in these sectors is due to the weakness of local demand – an area that attracting and expanding service exporters can help – but the supply side matters too. These are national factors, applying as much in Surrey as in Sunderland. But they do not have uniform effects, biting hardest where wages are lowest and exposed sectors are largest. The North East is more exposed to these

9 North East Pharma (Mar 2024), *'Pharmaceutical Manufacturing Cluster: Growing its contribution 2017–2023'*. Accessed via: Microsoft Word - NE_Pharma_Profile_NE_Report_final.docx (Accessed: 21 May 2026)

10 JP Spencer (Jan 2026), *'What is driving the economy of the North East?'* Accessed: What is driving the economy of the North East? (Accessed: 21 May 2026)

11 North East Evidence Hub (2022), *'Digital Technology Evidence Base'*. Accessed via: Digital Technology Evidence Base - North East Evidence Hub (Accessed: 21 May 2026)

12 Centre for Cities (May 2026), *'Uneven cities: The geography of deprivation in urban Britain'*. Accessed via: Uneven-cities-The-geography-of-deprivation-in-urban-Britain-May-2026.pdf (Accessed: 28 May 2026)

13 His Majesty's Revenue and Customs (Apr 2026), *'UK payrolled employments by nationality, region, industry, age, and sex, from July 2014 to December 2025'*. Accessed via: UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025 - GOV.UK (Accessed: 21 May 2026)

14 Office for National Statistics (Aug 2023), *'How qualified are the people in my industry?'*. Accessed via: How qualified are the people in my industry? - Office for National Statistics (Accessed: 21 May 2026)

national, supply-side changes than almost anywhere else. A national squeeze on entry-level work and apprenticeships is landing disproportionately on a regional economy ill-suited to withstand it.

The national minimum wage was worth 49 per cent of the North East's median hourly wage in 2002. It is now worth 69 per cent. The minimum wage for 18- to 20-year-olds rose from 71 per cent of the median wage for 18- to 21-year-olds in the North East to 80 per cent in the same period. Hospitality and retail tend to pay near or at the minimum wage, at least in the entry-level roles young people take. Its increase above both median earnings and, relatedly, productivity is squeezing these sectors and culling the jobs they create.

Recent increases to employer National Insurance Contributions (NICs) have compounded increases in the national minimum wage. In the 2024 Autumn Budget, the government raised the rate of employer NICs to 15 per cent, an increase of 1.2 percentage points. The per-employee threshold at which employers start to pay National Insurance was also reduced from £9,100 per year to £5,000 per year.[15] Many employers at our Big Listens explained how these rises disincentivise the hiring of young people, particularly in the retail and hospitality sectors:

> *"It is becoming harder and harder to create opportunities for young people, and it is because of…the national insurance rises."*
>
> **Big Listen employer participant**

> *"My stepdaughter has three good A-levels. She doesn't want to go to university. She wants to work. She must have applied for 100 jobs but rarely heard anything back. When she did, progression was hard."*
>
> **Big Listen employer participant**

Although under-21s attract zero per cent employer NICs up to £50,270, the cohort is not immune from the tax's effects. Our 2025 report *Wasted Youth* found that NICs relief had very little impact on hiring practice.[16] Employers stated that the savings from the NICs relief did not compensate for the extra costs of training young workers. Hence, the relief only increased employment among under-21s by between two and three per cent, as employers were more likely to hire someone older and more experienced.[17]

> *"Okay, I'm going to save £1,000, but I'm also going to have to train that person. Am I not better off just employing somebody already trained, and they can get on with the job?"*
>
> **Employer response to the NICs relief evaluation[18]**

15 HM Treasury (October 2024), *'Autumn Budget 2024: Fixing the Foundations to Deliver Change'*, P.4. Accessed via: Autumn Budget 2024 – HC 295. (Accessed: 20 July 2026)

16 The Centre for Social Justice (August 2025), '*Wasted Youth*'.

17 His Majesty's Revenue and Customs & Kantar (October 2023), *'Evaluation of employer National Insurance contributions reliefs for employees under 21 and apprentices under 25'*. Accessed via: gov.uk/government/publications/evaluation-of-employer-national-insurance-contributions-reliefs-for-employees-under-21-and-apprentices-under-25. (Accessed: 20 July 2026)

18 HMRC & Kantar (October 2023), p.23.

Over several roundtables, employers have also made clear to us that they feel the effect of rising taxes across their whole payroll. Employers consider how to reduce their overall bill not based on whom a tax impacts but on where they can cut costs without harming their core business. This inevitably means businesses offload, or reduce hiring of, newer employees and employees with less experience – that is, the young.

> *"I have never known a time where there is so much stacked against employers to create entry level jobs"*
>
> **Big Listen employer participant**

The reluctance to hire young people moreover stems from the growing body of regulations and restrictions that are specific to under-18s. For example, employers must complete a separate young-person risk assessment that accounts for an apprentice's inexperience, immaturity and limited awareness of risk.[19] Higher-risk tasks are restricted or, in some cases, permitted only under close and competent supervision.[20] Working hours are restricted to eight hours per day, with no work permitted between 10pm and 6am.[21]

Case Study

Northern Powergrid

Northern Powergrid is a major electricity network distribution company that delivers power to around 3.9 million homes and businesses across the North East, Yorkshire, and northern Lincolnshire. Based in Sunderland, they offer a range of apprenticeships and training programmes which combine paid on-the-job training with formal studies. This allows apprentices to earn while they learn and gain a recognised Power Network Craftsperson qualification.

Northern Powergrid does offer apprenticeships for 16-to-17-year-olds. However, they told the CSJ that these have become increasingly difficult to sustain, as a stack of regulations and restrictions specific to this age group makes the youngest apprentices disproportionately onerous to employ.

The first barrier is mobility. In a job that is inherently mobile – requiring travel between sites across a vast distribution network – the ability to drive is essential. Yet insurance requirements mean that 17-year-olds cannot drive a Northern Powergrid van until they have held a license for two years, delaying the point at which a young apprentice can perform a core function of their job.

The second is supervision. The CSJ was told that apprentices attend specialist training across the region throughout the period of their training. However, under-18s are not permitted to travel alone. Under the Management of Health and Safety at Work Regulations 1999, employers carry a heightened duty of supervision and increased safeguarding requirements. Therefore, two members of staff are required to accompany each apprentice to training, diverting two experienced employees away from productive work.

19 The Management of Health and Safety at Work Regulations 1999, SI 1999/3242, reg 3(4)-(5). Accessed via: legislation.gov.uk/uksi/1999/3242/regulation/3. (Accessed: 20 July 2026)

20 The Management of Health and Safety at Work Regulations 1999, SI 1999/3242, reg 19(2)-(3).

21 The Working Time Regulations 1998 SI 1998/1833, regs 5A(1) and 6A; 'restricted period' defined at reg 2(1). Accessed via: The Working Time Regulations 1998. (Accessed: 20 July 2026)

These regulations and restrictions make hiring a young person in an entry-level role or as an apprentice especially onerous. This is problematic in the North East. Its strong manufacturing and pharmaceutical sector is among the most regulated environments for under-18s, encumbering apprenticeship routes into the region's growth sectors.

Case Study

Maldron Hotel Newcastle

The Maldron Hotel in central Newcastle has been working with the Newcastle United Foundation to support young people into employment since the Covid-19 pandemic. They worked closely with the Newcastle United Foundation to develop the NU Futures Employability Programme, which supports 16- to 25-year-olds who are far from the labour market into employment.

Young people connect into the NU Futures Programme through the Newcastle United Foundation's community outreach and referrals from other partners. The Foundation identifies young people interested in hospitality and connects them with the Maldron Hotel. The Hotel offers them employment, while the Foundation provides intensive employment support to both the individual and the Hotel.

The General Manager of the Hotel told us that working with the Foundation mitigated any risks of taking on disadvantaged young people. She can rely on the Foundation to help prepare young people for work and support them with the adjustment to it. She introduced us to several members of staff who had come through the programme and noted that they are among her most hard-working and long-term staff members, because of the opportunity and support the Hotel and the Foundation had given them.

The wider NU Futures Programme has offered 1,845 young people employability support since its foundation, with 484 young people receiving intensive employment support. 633 young people moved directly into employment through the programme, and another 394 moved into work after it. Over 90 per cent of young people who went through the programme report improved confidence, motivation, and mental health.[22]

22 Centrifuge Consulting (Dec 2025), *'NU Futures Programme: Final Evaluation Executive Summary'*, p. 6. Accessed via: Report: NU Futures Programme Final Evaluation Report - North East Evidence Hub (Accessed: 10 August 2026)

2.2. Education

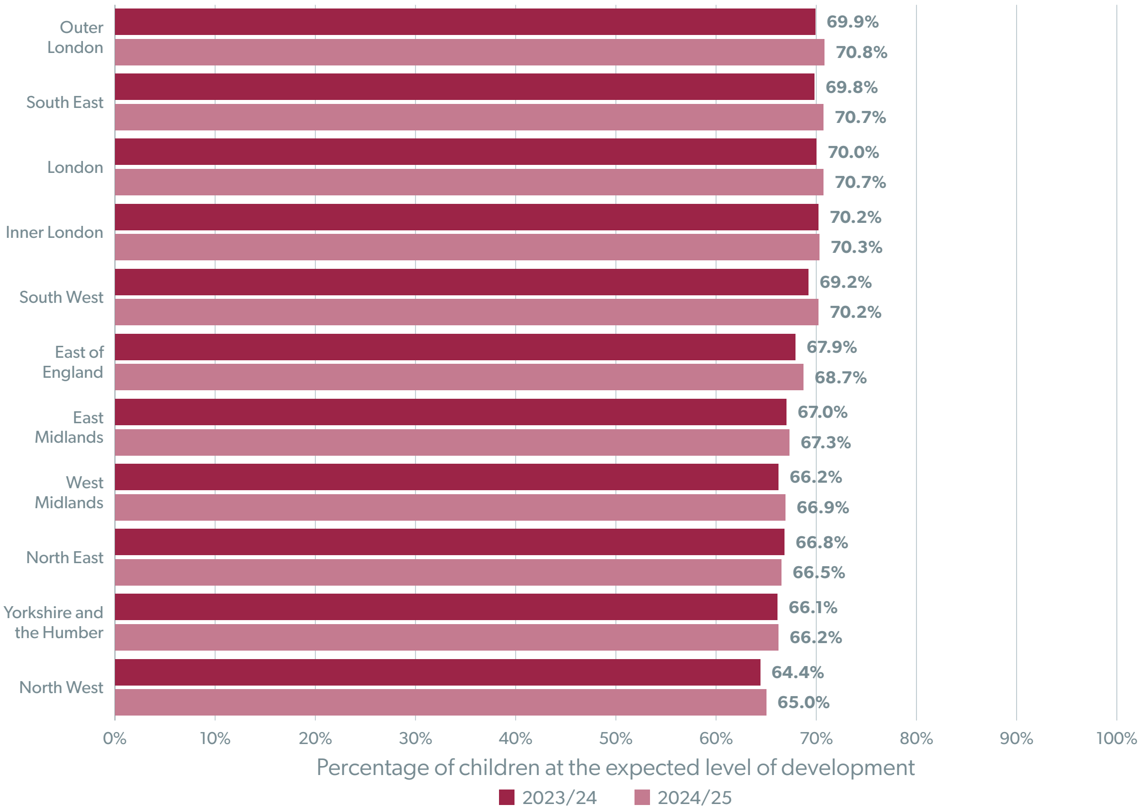
The pathway from poor educational attainment into NEET status is as well-known as it is well-trodden. Children who underachieve at Key Stage 2, around age 11, are five times likelier to have no, or at least no known, destination after their GCSEs, while over a third have no or an unknown post-18 destination.[23]

The North East's education system is one of the worst performers in the country. It had the lowest EBacc Average Point Score in the 2023/24 academic year and the lowest Progress 8 score in England.[24] Every English region other than London records a negative progress score, meaning pupils progress less on average than the national benchmark between Key Stage 2 and Key Stage 4.[25]

The North East's problem is not that children start behind and stay behind. It is that a region whose pupils are performing well at 11 produces school-leavers who have fallen back more than anywhere else in England by 16. That failure is concentrated in the secondary years and worsens as young people move into post-secondary school pathways. At each of these stages, the region's education system pushes young people further towards NEET status.

The North East's children begin school among the least ready in the country. As Figure 4 shows, just 66.5 per cent reach a good level of development by age five, the third lowest of any English region.

Figure 4: Children in the North East start school among the least ready in England



Source: Department for Education (November 2025), *Early years foundation stage profile results: 2024 to 2025*. Accessed via: Release home - Early years foundation stage profile results - Explore education statistics - GOV.UK. (Accessed: 21 July 2026)

23 The Centre for Social Justice (Dec 2025), *'Rewiring Education: Part 1: The state of technical learning in England'*, pp. 64–67. Accessed via: Rewiring Education (Accessed: 27 May 2026)

24 The EBacc Average Point Score (APS) is a school-accountability measure of attainment across the five 'pillars' of the English Baccalaureate – English, mathematics, science, a language, and history/geography – with a score of zero recorded for any pillar a pupil does not enter. Because unfilled pillars score zero, the measure reflects the breadth of the curriculum pupils are entered for as well as the grades they achieve. Department for Education (2025), *'Key stage 4 performance, academic year 2023/24'*. Accessed via: explore-education-statistics.service.gov.uk/find-statistics/key-stage-4-performance/2023-24. (Accessed: 29 July 2026)

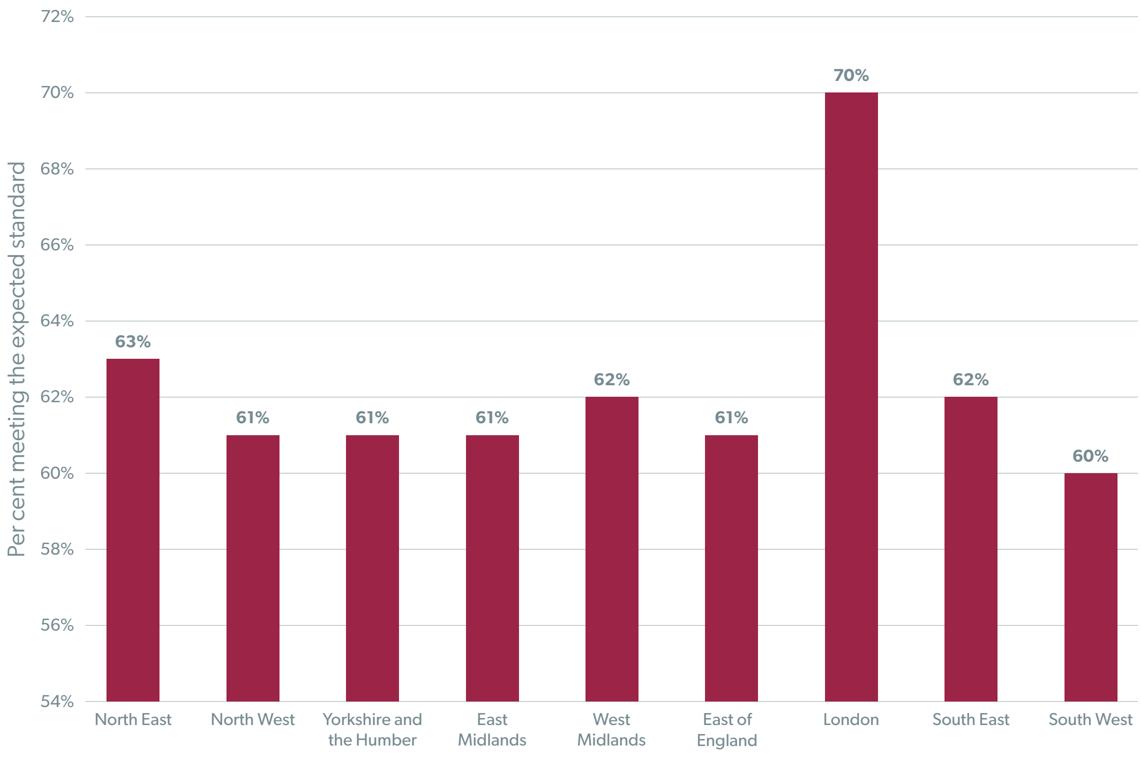
25 The Centre for Social Justice (Dec 2025), *'Rewiring Education: Part 1'*, p.69.

More troubling still, the North East is the only region in England where school readiness fell over the most recent year, dropping 0.3 percentage points while every other region held steady or improved.

> *"There are so many young people coming into nursery and primary school who aren't potty trained or who aren't able to speak."*
>
> **Big Listen employer participant**

Yet this early disadvantage has been all but erased by the end of primary school. At Key Stage 2, the North East is one of the strongest performers in the country. 63 per cent of its pupils meet the expected standard in reading, writing and maths combined – the highest of any English region outside of London. Whatever headwind North East children face at age five, it has been largely closed at 11. The region's pupils are ahead of every English region besides London by the end of primary school.

Figure 5: By age 11, the North East's pupils outperform every English region except London

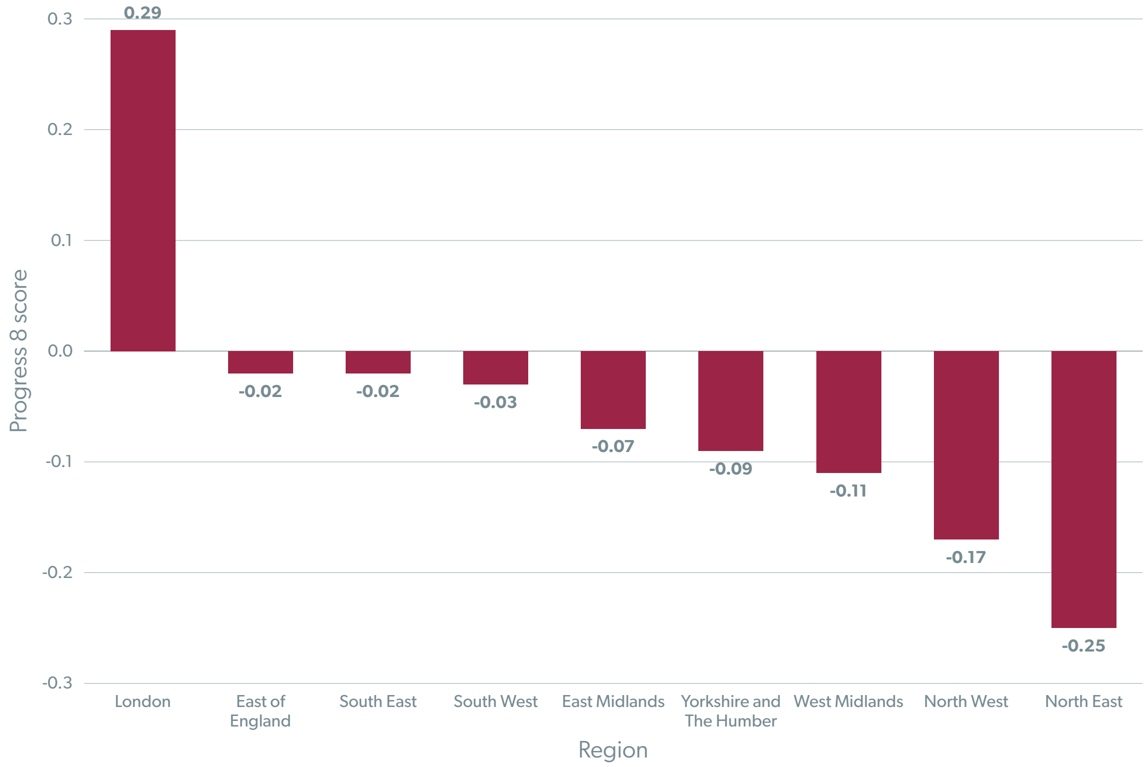


Source: Department for Education (21 May 2026), *'Key stage 2 attainment: Academic year 2024/25 Revised'*. Accessed via: Release home - Key stage 2 attainment - Explore education statistics - GOV.UK. (Accessed: 21 July 2026)

During secondary school, this trajectory reverses. The same cohort that sat near the top of the country at eleven progresses less than pupils anywhere else. The North East records the lowest Progress 8 score in England, with a negative score indicating that pupils are progressing below the national average.[26]

26 The Centre for Social Justice (December 2025), *'Rewiring Education: Part 1'*, pp.64–67.

Figure 6: The North East has the worst Progress 8 score in England



Source: Department for Education (2025) *Key stage 4 performance, academic year 2023/24*. Explore Education Statistics. Available at: Release home - Key stage 4 performance - Explore education statistics - GOV.UK (Accessed: June 2026). Note: the most recent iteration of this data did not publish progress scores due to disruptions during the Covid-19 pandemic, hence this figure uses the 2024 publication.

This is where the region's NEET problem takes root. Pupils who lose ground during their secondary years leave school with weaker results, a pattern that persists to 18. In 2026, the North East recorded the joint-lowest share of A-level entries awarded A*-A grades of any English region, level with the East Midlands at 23.1 per cent. On the other hand, London recorded 32.7 per cent of grades at A*-A, a gap of 9.6 percentage points. [27] That gap is widening: in 2025 it stood at 9.2 percentage points. Weaker results are, in turn, strongly linked to poorer destinations and a higher risk of becoming NEET.

> *"When they leave primary school, achievements are really strong. But you can then see and track the attendance trend decline as they transition from primary to secondary school."*
>
> **Big Listen employer participant**

A central driver of this decline is disengagement, which erupts precisely at the point where the North East's pupils begin to fall back. Nationally, exclusions and suspensions surge at the transition between primary and secondary school. For example, the permanent exclusion rate is almost eight times higher in Year 8 than in Year 6.[28]

27 Ofqual (August 2026), *'Qualification results in England: summer 2026'*. Accessed via: Qualification results in England: summer 2026 - GOV.UK. (Accessed: 13 August 2026)

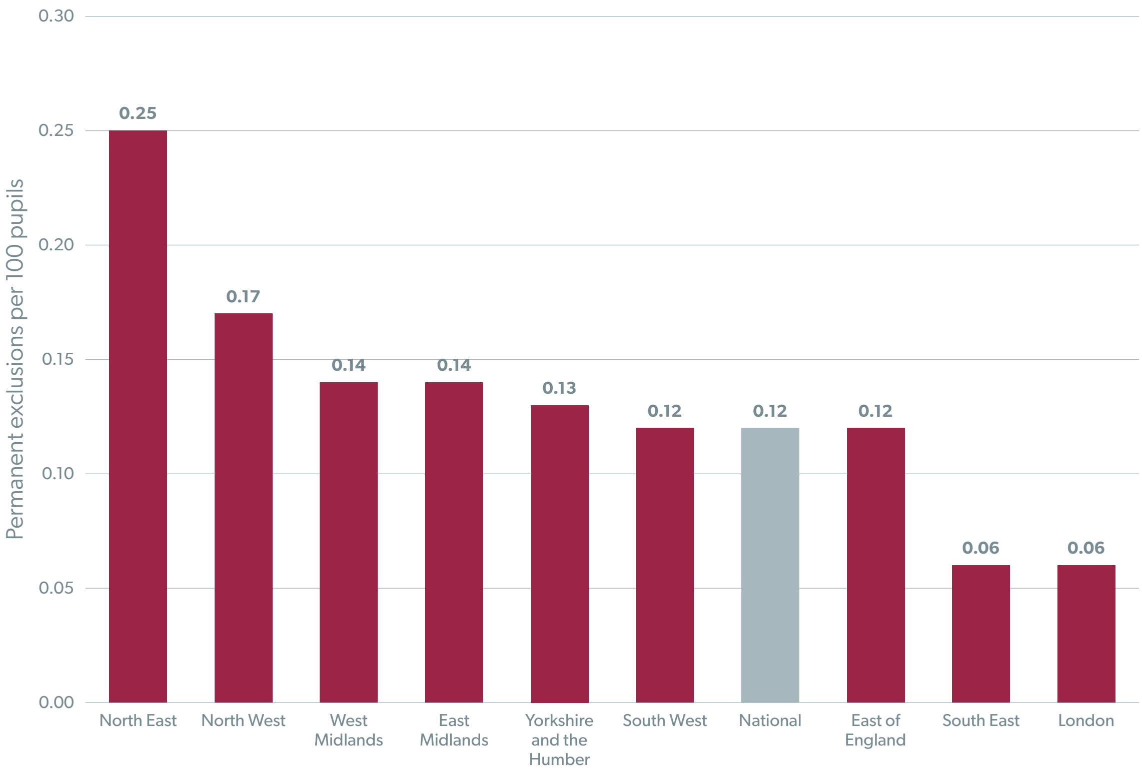
28 The Centre for Social Justice (July 2026), *'School Exclusions Tracker'*, p.23. Accessed via: School Exclusions Tracker - July 2026. (Accessed: 21 July 2026)

> *"We worked with one kid from a school in the city centre who had 50 per cent attendance because he was sharing a pair of shoes with his mum. Some kids aren't sleeping because they don't have curtains."*
>
> **Big Listen employer participant**

The North East experiences this national pattern more acutely than anywhere else. It records the highest rate of permanent exclusions of any English region (0.25 per 100 pupils, against a national rate of 0.12), and the highest rate of suspensions (17.41 per 100 pupils).

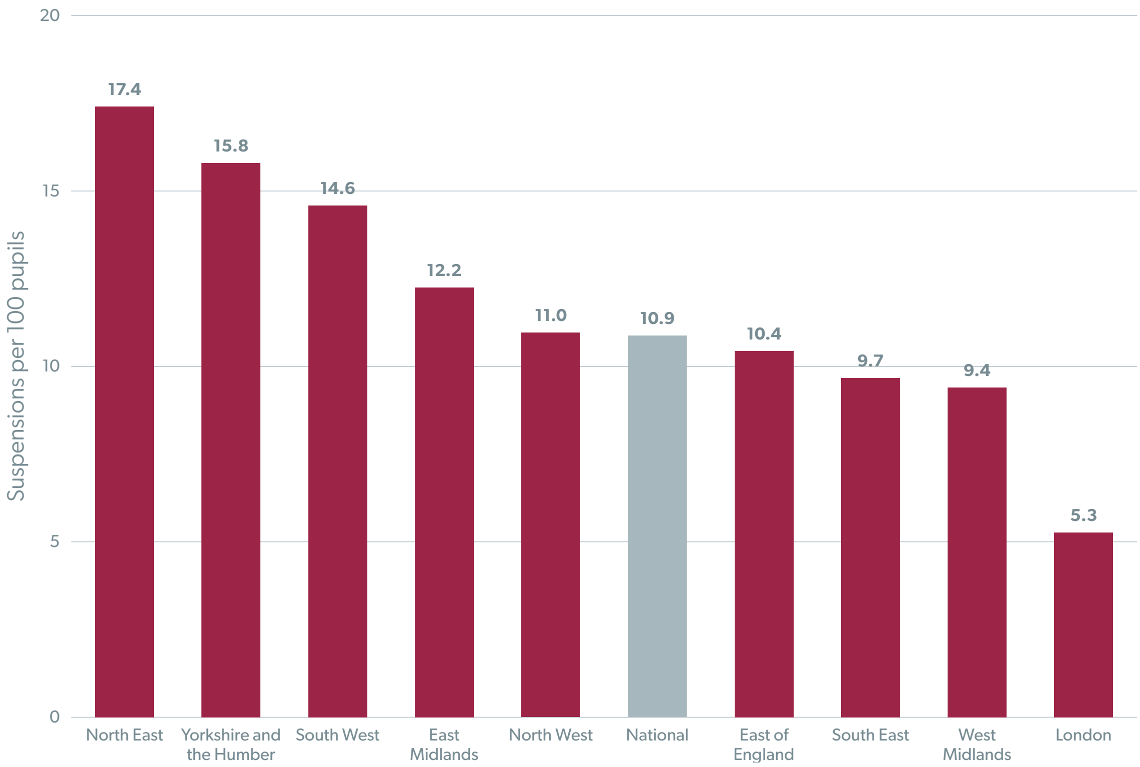
These are not marginal differences. The North East's local authorities dominate the worst-affected lists: Redcar and Cleveland has the highest suspension rate in England, with Hartlepool, Middlesbrough, Stockton-on-Tees, Newcastle and Sunderland close behind.

Figure 7: The North East permanently excludes more pupils than any other English region



Source: The Centre for Social Justice (July 2026), *'School Exclusions Tracker'*, p.15. Accessed via: School Exclusions Tracker - July 2026. (Accessed: 21 July 2026).

Figure 8: The North East has the highest suspension rate in England



Source: The Centre for Social Justice (July 2026), *'School Exclusions Tracker'*, p.15.

The result is lost learning and pupils pushed toward the margins of education. Disengagement in the secondary years turns early promise into poor GCSE outcomes and weak destinations. And disengagement is itself a direct route into NEET status: children who have been suspended are twice as likely to become NEET, while those who have been persistently absent are 6.3 times as likely to become persistently NEET.[29]

> *"When the system gives up on young people by excluding or suspending them, the young person starts to give up on themselves."*
>
> **Big Listen frontline participant**

29 The Centre for Social Justice (Dec 2025), *'Rewiring Education: Part 1'*, p.4.

Case Study

Dallaglio RugbyWorks

Dallaglio RugbyWorks uses rugby's core values of teamwork, respect, enjoyment, discipline and sportsmanship to equip young people who are excluded from education with the life skills and attitudes they need to move into sustained education, employment or training.

Their term-time programme offers participants in Key Stage 3 and Key Stage 4 a year-long intervention underpinned by the four pillars of their theory of change: developing life skills, raising aspiration, improving physical wellbeing and focus on mental wellbeing.[30] It can be delivered as a preventative programme in a mainstream setting or with children in alternative provision (AP) who have already been excluded from school.

According to their 2024/25 impact report, 86 per cent of programme graduates progressed into sustained education, employment or training.[31]

We heard from one young person that:

> *As we got more involved with RugbyWorks, they started talking about the future; something I'd never thought about before. That's when I got the chance to go on Careers Taster Days. At first, I didn't know what to expect. I'd never been in a proper workplace, and most adults in my life hadn't really helped me think beyond 'getting by'. We went to big offices in London like at Macquarie or Clearwater, doing Dragons' Den challenges, and seeing behind-the-scenes in workplaces.*
>
> *I started to see that even someone like me, with a history of bad behaviour, could plan a future. For the first time, thinking about a career felt possible.*

These weakened school-leavers must then embark on a post-16 pathway. North Eastern school leavers go to further education colleges at a higher rate than school leavers in the rest of England. 46.7 per cent of young people in the North East go on to attend a further education college, 5.6 percentage points clear of the next highest region, and nearly double London's rate.

This would matter less if further education reliably worked for those choosing to attend it. Our recent report *Rewiring Education: Part 2* identifies further education as a system torn between two incompatible roles. It is asked to be both a safety net for those who fall behind at school and the country's engine of technical excellence from sixteen.[32] It performs neither well.

As a safety net, further education lets too many young people fall through the cracks. Nearly three in ten students on Applied General Qualifications such as BTECs are not retained into their second year, and – most tellingly for a region already producing weakened school leavers – further education leavers are 2.5 times as likely as school leavers not to sustain a place in education or employment.[33] Even accounting for

30 Dallaglio Rugbyworks, '*Theory of change*'. Accessed via: static1.squarespace.com/static/62076e7c63f4f06142ff5cb6/t/6407066098a45834a3654f5f/1678181996089/theory-of-change.pdf. (Accessed: 30 July 2026)

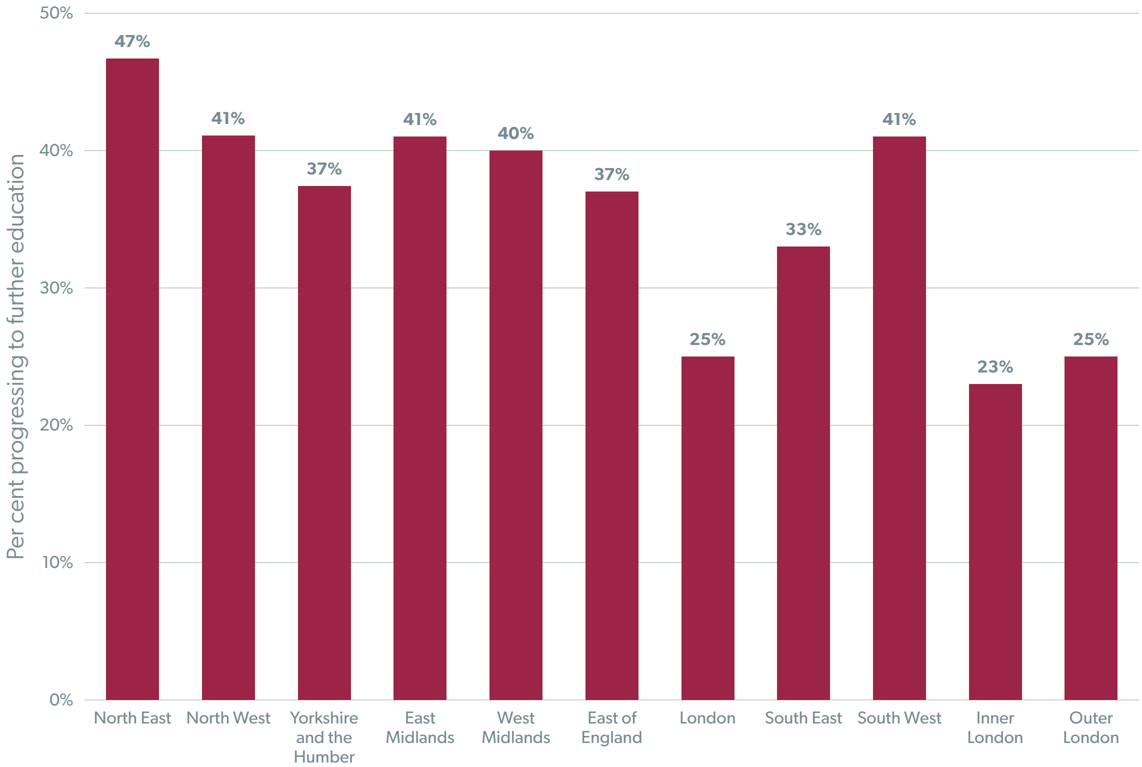
31 Dallaglio Rugbyworks, '*Impact Report 24/25*', p.27. Accessed via: static1.squarespace.com/static/62076e7c63f4f06142ff5cb6/t/6943e02244efa87014bacd64/1766055970666/Impact+Report.pdf. (Accessed: 30 July 2026)

32 The Centre for Social Justice (July 2026), '*Rewiring Education Part 2*', pp.31–55. Accessed via: Rewiring Education: Part 2. (Accessed: 7 August 2026)

33 Department for Education (2026), '*A level and other 16 to 18 results*'. Available at: explore-education-statistics.service.gov.uk/find-statistics/a-level-and-other-16-to-18-results/2024-25 (Accessed: 29 June 2026)

the lower prior attainment of those who enter it, further education adds negative value: the average value-add for Applied General Qualifications is -0.24, against +0.10 in state schools.[34]

Figure 9: The North East sends more school leavers to further education colleges than anywhere else in England



Source: Department for Education (23 April 2026), *'Key stage 4 destination measures'*. https://explore-education-statistics.service.gov.uk/find-statistics/key-stage-4-destination-measures/2023-24. (Accessed: 21 July 2026)

As a producer of technical excellence, it fares no better. More than a quarter of T Level entrants do not reach assessment and only 44 per cent of employers believe vocational courses prepare young people well for work.[35]

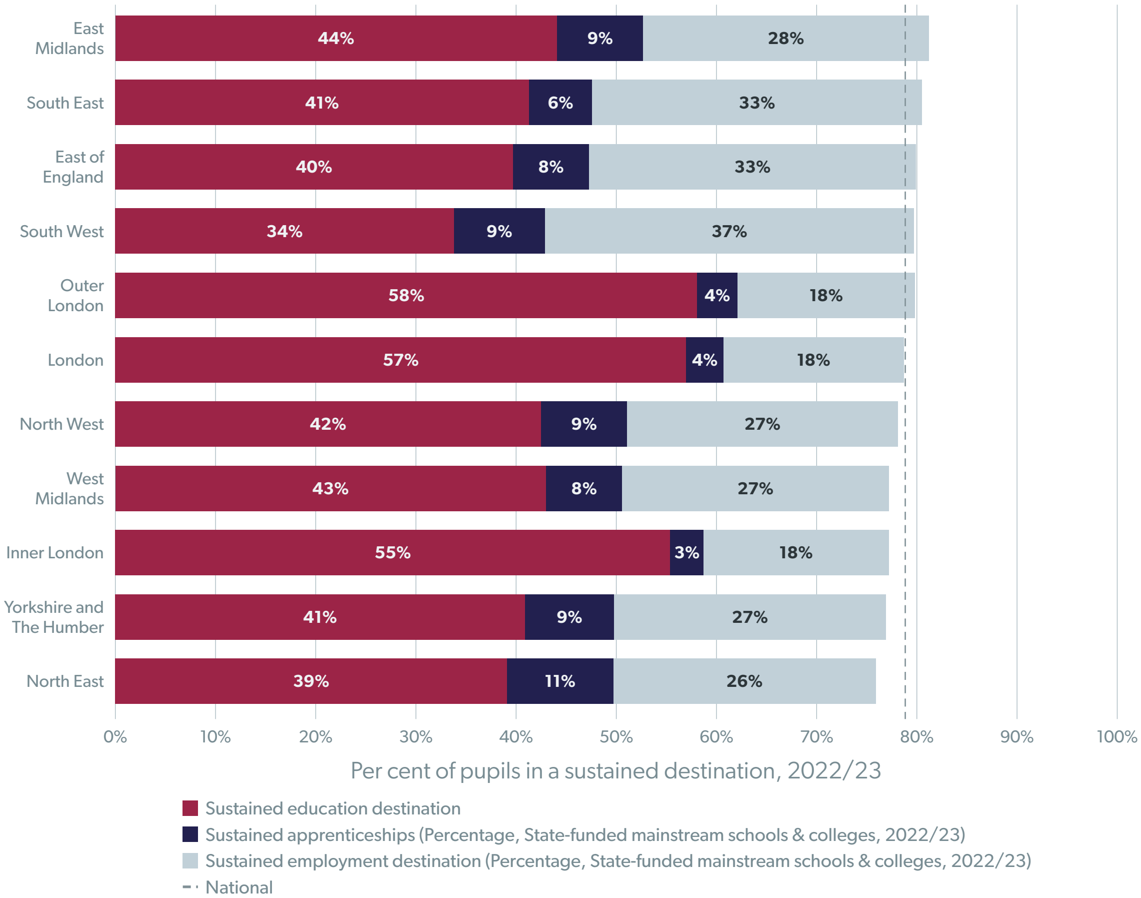
This national weakness falls hardest in the North East, where reliance on further education is greatest. Further education acts as another nudge into becoming NEET. More young people than anywhere else in England are being routed through the post-16 system least able to arrest the decline begun in secondary school.

However, further education is not the region's only post-16 route. Figure 10 shows how the North East has the highest rate of progression into sustained apprenticeships of any English region (10.6 per cent against London's 3.7 per cent). Meanwhile, the North East sends a below-average share to university (32.4 per cent, the second lowest of any region). Where the capital's post-16 system runs on higher education, the North East relies on further education and apprenticeships.

34 Department for Education (2026), *'A level and other 16 to 18 results'*.

35 Ofqual (2025), *Perceptions of vocational and technical qualifications - wave 7*. Available at: gov.uk/government/statistics/perceptions-of-vocational-and-technical-qualifications-wave-7 (Accessed: 1 July 2026)

Figure 10: The North East leads England for apprenticeships but sends among the fewest young people to university



Source: Department for Education (April 2026), '*16–18 destination measures*'. Accessed via: https://explore-education-statistics.service.gov.uk/find-statistics/16-18-destination-measures/2023-24. (Accessed: 30 July 2026).

Note: State-funded mainstream colleges include sixth-form colleges and other further education colleges. State-funded mainstream schools also include city technology colleges (CTCs). Figures for this institution type are not shown separately in the table. Excludes pupil referral units (PRUs), alternative provision (AP), hospital schools, maintained and non-maintained special schools, independent schools, independent special schools and independent schools approved to take pupils with special educational needs (SEN).

This means that the design of the apprenticeship system matters far more in the North East than almost anywhere else. Yet again, that design works against the region. The story of apprenticeships in England has been one of increasing centralisation. In *Rewiring Education part 2*, we argued that the apprenticeship system has become centralised in a way that does not reflect the labour market.[36]

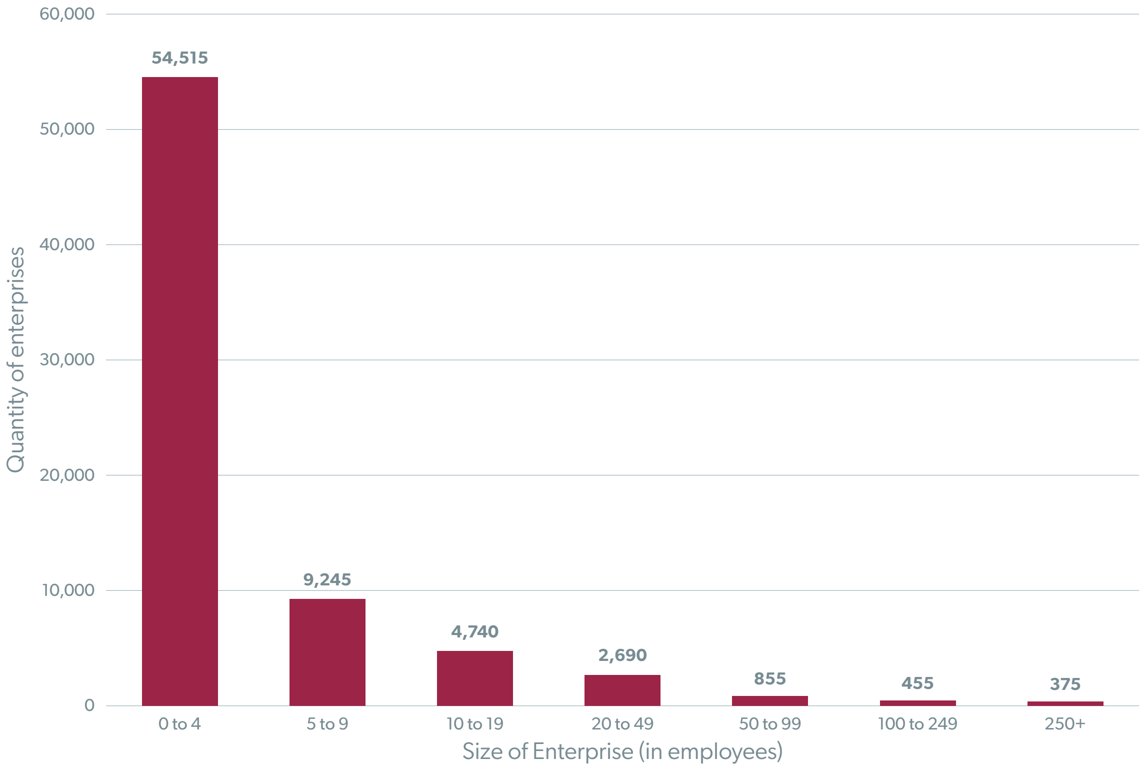
Apprenticeships are concentrated among large, multi-site employers. Nationally, almost two-thirds of apprenticeships are now at firms with more than 250 staff.[37] These are precisely the firms that the North East lacks. Of the region's 72,875 VAT/PAYE-based enterprises, just 375 employ more than 250 employees (the fewest of any English region) and only 240 of those are private companies rather than public or third-sector bodies. Counting workplaces rather than head-office registered firms lifts the figure only to 475 large local units, of which 315 are companies. In short, the region has few large private firms whether measured by where firms are registered or where they operate.[38] Instead, as shown in Figure 11, the North East is mostly composed of small firms with fewer than 5 employees:

36 CSJ (July 2026)

37 Department for Education (2026) *Apprenticeships in England by industry characteristics - Academic year 2023/24*. Available at: explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-in-england-by-industry-characteristics/2023-24 (Accessed: 9 July 2026)

38 Office for National Statistics (September 2025), *'UK business; activity, size and location: 2025'*. Accessed via: ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2025. (Accessed: 21 July 2026).

Figure 11: The North East's economy is dominated by small firms and lacks large employers



Source: Office for National Statistics (September 2025), *'UK business; activity, size and location: 2025'*. Accessed via: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2025. (Accessed: 21 July 2026).

The North East's economy is not simply short of large employers. It is built on the kind of firms and sectors that the apprenticeship system serves least well. As set out earlier, the region's strengths lie disproportionately in manufacturing, industrial production and utilities. These are the industries on which the North East's future growth, and its capacity to absorb young people into work, most depend.

It is precisely these sectors, and the small, local firms within them, that our centrally designed apprenticeship system overlooks. The North East's industrial, locally-rooted economy is not served well by an apprenticeship system shaped around large national employers and remote from local labour markets.

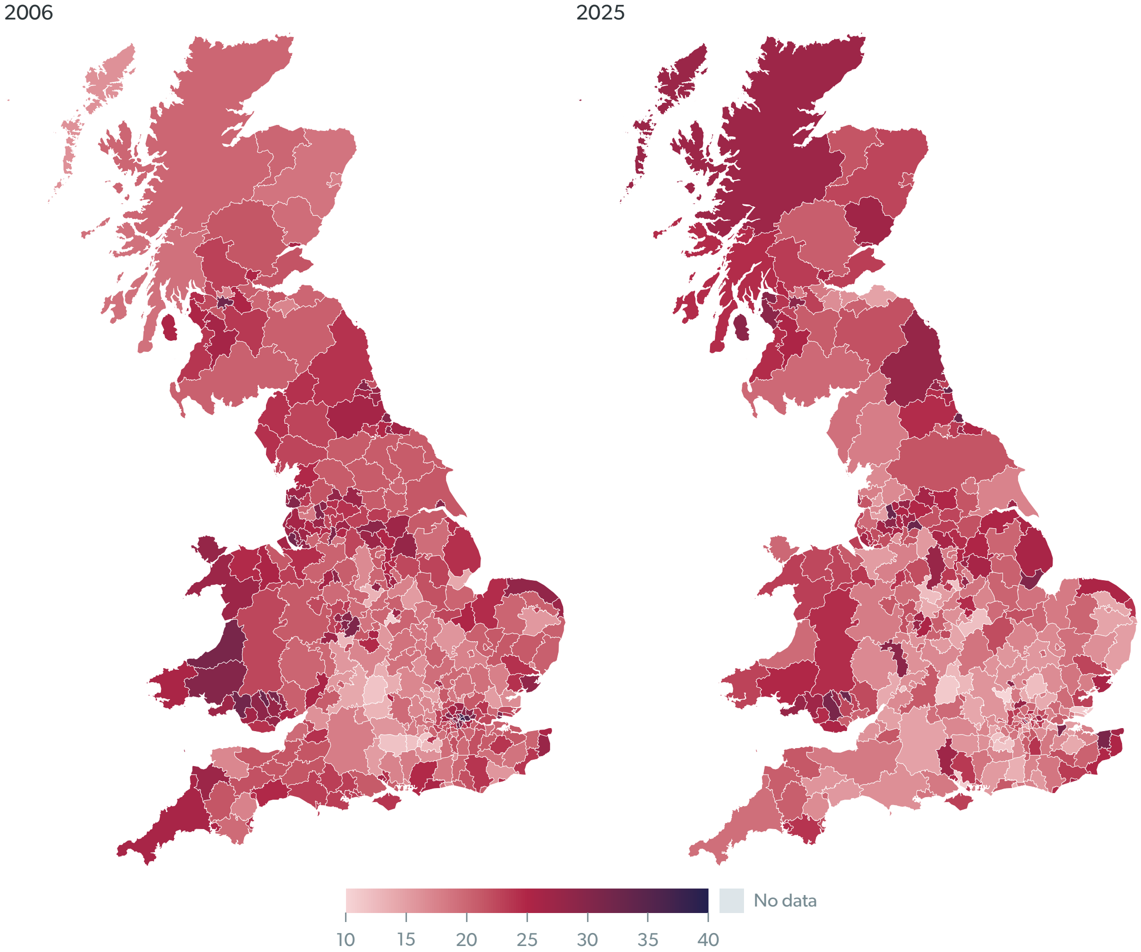
> *"The pool of employers that can hire apprentices is local and looks different across the country, yet the apprenticeship system is missing material local and regional input".*
>
> *Rewiring Education: Part 2, p. 6*

The pattern here is clear. Young people in the North East are failed during their secondary years. Once they fall out the bottom, they are unable to recover. At each stage, young people are routed through a system that is not designed to help them bridge the gap between education and employment, leaving them highly likely to end up NEET.

2.3. Welfare

Britain's welfare system is not working for the young people of the North East. Rather than acting as a springboard into fulfilling and sustained employment, young people are finding themselves funnelled into long-term economic inactivity. Victims of distorted incentives and blunt economic instruments, today's young people have little chance of finding their way into the labour market.

Figure 12: Economic inactivity has fallen in the South but remains entrenched in the North East

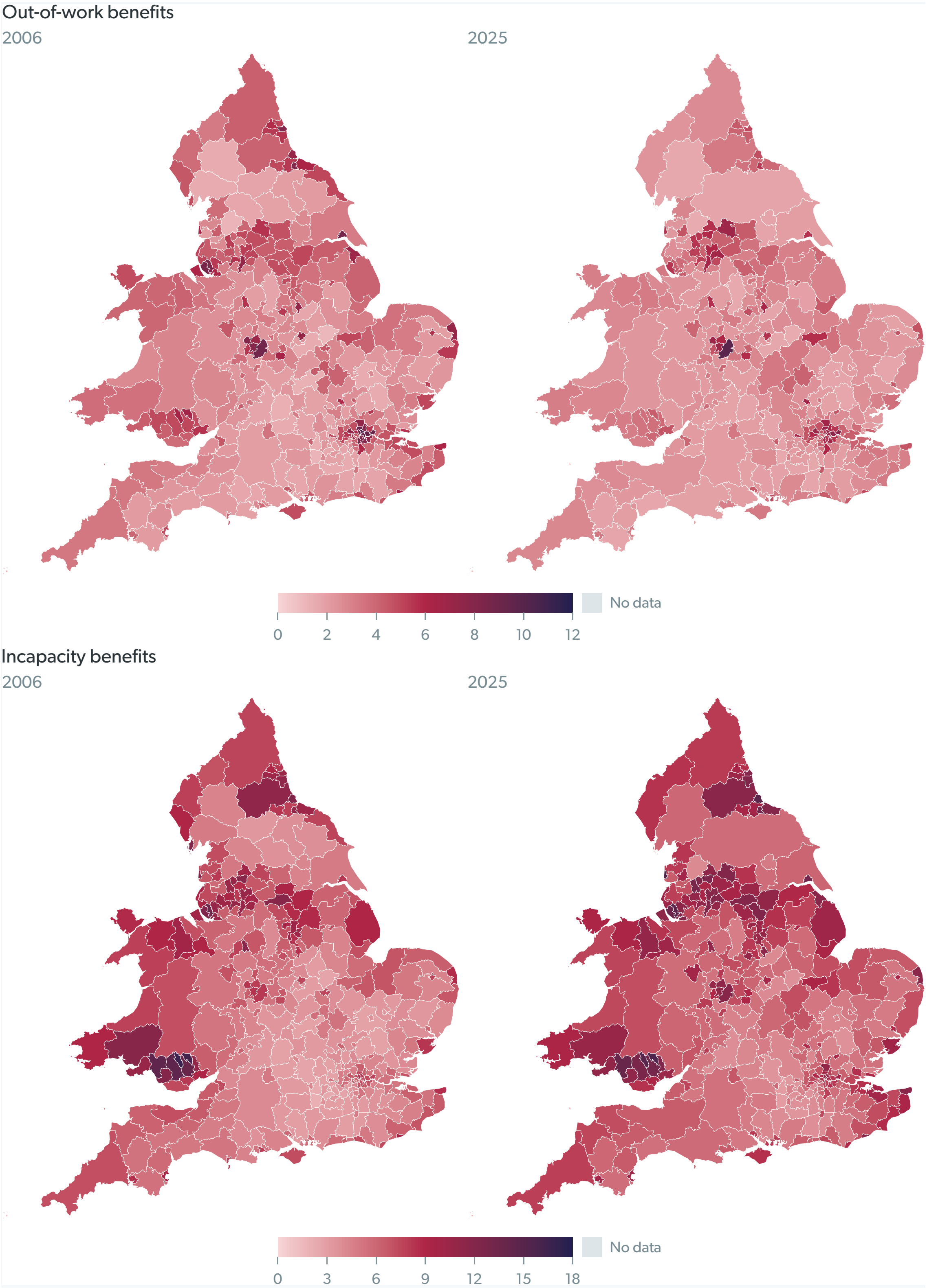


Source: CSJ analysis of the Annual Population Survey

The North East is chronically economically inactive. 67 per cent of the North East's NEETs were inactive in 2025, compared to 60 per cent across the UK. Figure 12 shows the proportion of the working-age population economically inactive in 2006 and 2025.

Economic inactivity has fallen nationally since 2006. However, as illustrated by Figure 12, this improvement has been driven by the South. Worklessness is chronic and persistent in the North East – fertile soil for pushing young people into becoming NEET. Local authorities like South Tyneside have remained within a single percentage point of their 2006 inactivity rate.

Figure 13: Since 2006, welfare claims have shifted from unemployment to incapacity benefits



Source: CSJ analysis of Stat-Xplore data

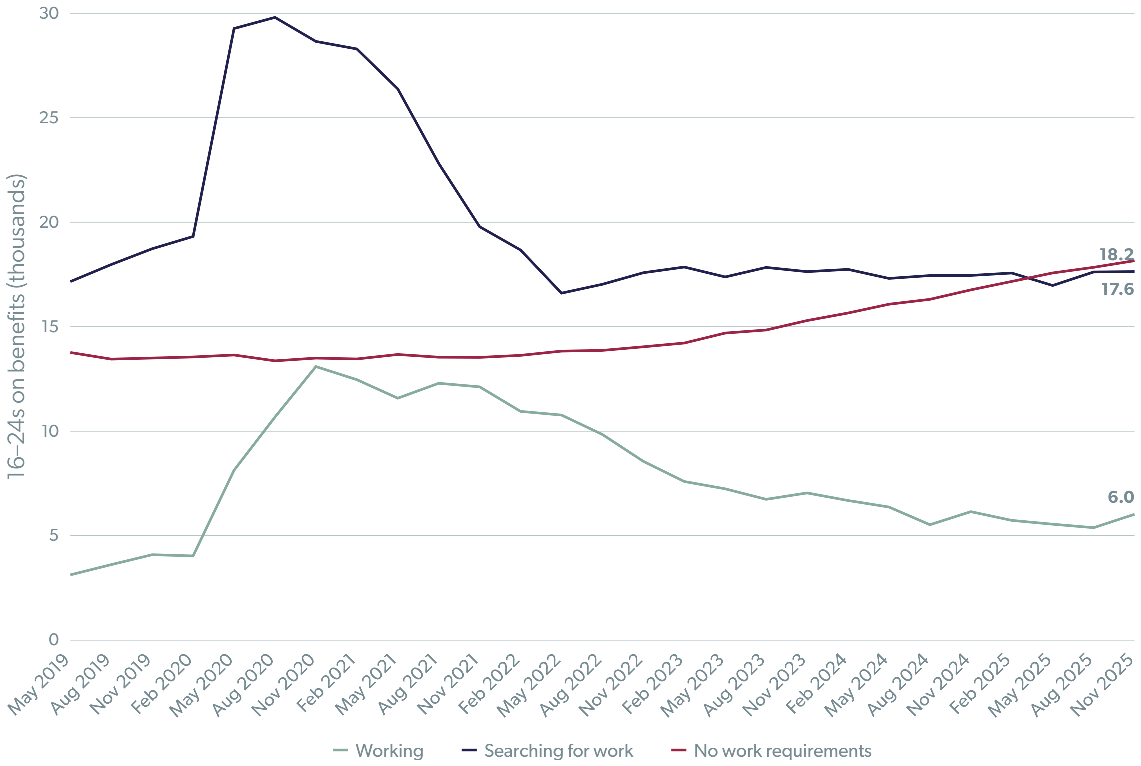
Note: Unemployment benefits include Jobseeker's Allowance, Income Support on the basis of something other than incapacity where Carer's Allowance is not also in payment, and any out-of-work Universal Credit claim with work requirements. Incapacity benefits include Incapacity Benefit, Severe Disablement Allowance, Employment and Support Allowance, Universal Credit with LCWRA and Income Support for incapacity

Predictably, economic inactivity and worklessness are accompanied by welfare dependency. Figure 13 shows the proportion of the working-age population on unemployment or incapacity benefits in 2006 and 2025.

Whereas fewer people are claiming unemployment benefits than in 2006, Figure 13 shows that those claiming incapacity benefits have increased. This shift is most pronounced in regions like the North East where inactivity is already entrenched. Unemployment benefits carry an expectation of work and support to find it. On the other hand, incapacity benefits increasingly carry neither. The benefits system in the North East is channelling people into a system that turns welfare into a destination.

This pattern is particularly acute for young people in the North East. Figure 14 shows that, since Covid-19, the number of young people in the North East claiming benefits with no work-related requirements has gradually risen since 2022. As of May 2025, there are more young people on benefits with no work-related requirements than those searching for work.

Figure 14: More young people in the North East on benefits with no work requirements now outnumber those searching for work



Source: CSJ analysis of Stat-Xplore. Excludes claimants whose conditionality regime cannot be determined.

A growing share of the North East's young people are being signed out of the expectation of work before their working lives have even begun. The chronic worklessness etched across the region is not merely persisting but being passed down. Rather than arresting that transmission, the welfare system formalises it.

> *"I think it is a misnomer to say it has risen so quickly. It's probably several forgotten generations. Now, those who would have found work are struggling."*
>
> **Big Listen employer participant**

> *"I went into trades because my dad did. It's that role-modelling which is missing nowadays."*
>
> **Big Listen employer participant**

> *"In some of our most deprived areas, there are no role models. The flashy cars are owned by drug dealers. That's what young people aspire to be because very few people work and, if they do, they can't afford those cars."*
>
> **Big Listen employer participant**

At the same time, the welfare system limits the prospects of young people trying to move into work. Young people traditionally entered the labour market through part-time work in local businesses, particularly in the retail and hospitality sectors. But distorted incentives baked into the welfare system have transformed this first rung of the ladder. Rather than a step towards fuller, better-paid employment, young people in the North East find themselves scrambling to get up a career ladder that is being continuously pulled away.

In-work benefits can disincentivise people from moving into full-time work. Universal Credit's standard withdrawal rate of 55 per cent was designed to make a few hours of work pay, rooted in the sound conviction that work is inherently beneficial such that even a claimant who can only work a couple of hours is able to do so.[39] However, the taper means claimants continue receiving in-work Universal Credit across more of the income spectrum so that they face a higher effective tax rate at each increment of earnings.

A single claimant aged 18–20 moving into 16 hours of work at the national minimum wage faces an average effective tax rate of 55 per cent. Yet should this same claimant seek to move from 16 to 36 hours of work, the addition of taxes and pension contribution rates to the taper confronts them with an average effective tax rate of 65 per cent.[40] The welfare system thus discourages claimants from moving into full-time employment and, by increasing the supply of labour to part-time roles, offers employers an indirect subsidy for work with fewer hours.

This is crucial because, as shown in Figure 15, the main driver of low earnings is not low hourly pay but low weekly pay. A welfare system that discourages claimants from working more hours therefore locks them into low weekly earnings, and the wage structure gives them little reason to push for more. As set out above, the minimum wage now stands at 80 per cent of the median wage for young workers in the North East, up from 71 per cent two decades ago. With the floor so close to the middle, there is little financial

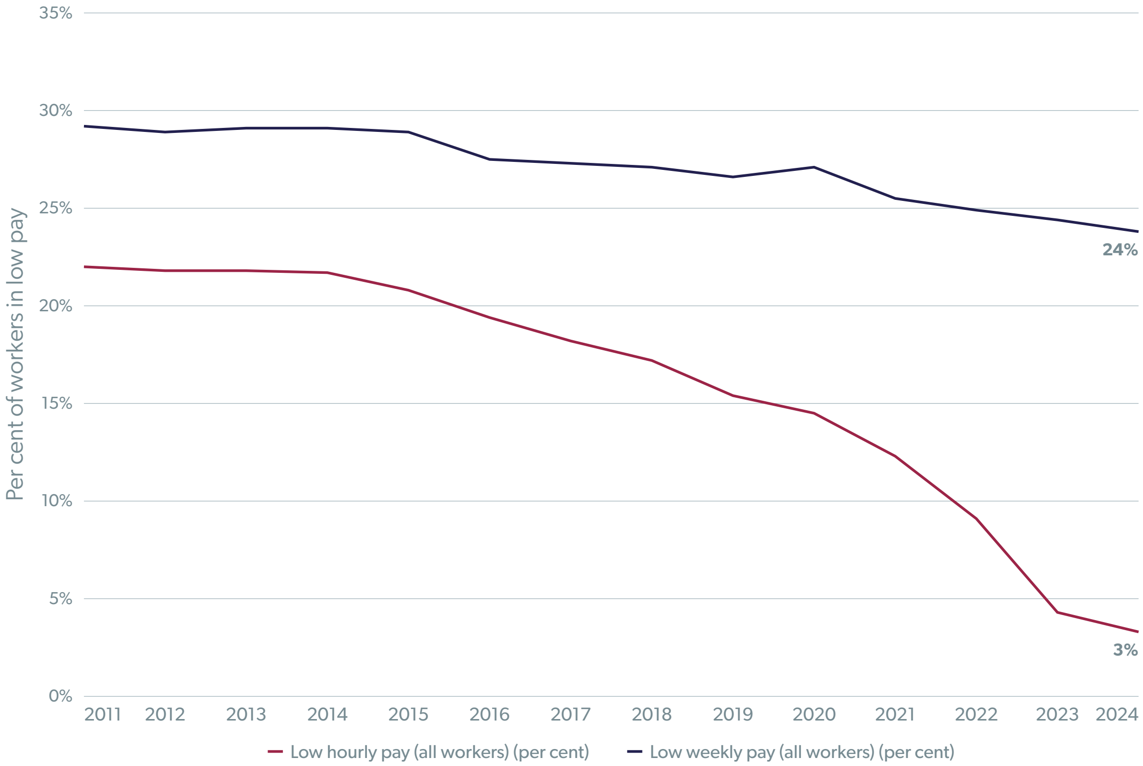
39 CSJ (September 2009), '*Dynamic Benefits*', pp. 181–182. Accessed via: centreforsocialjustice.org.uk/wp-content/uploads/2018/03/CSJ-dynamic-benefits.pdf. (Accessed: 22 July 2026)

40 The individual in question receives only the standard allowance – at the single, under 24 rate – and housing element – at the median LHA rate for a Band B property (a one-bed unit with exclusive access to toilet facilities) in 2026 of £134.63. They have no work allowance.

ground between an entry-level wage and the roles sitting above it. With a benefit system that penalises extra hours and a wage structure that barely rewards progression, the bottom end of the labour market has ground to a halt.

The consequences of this fall hardest on the young. Entry-level work is concentrated in exactly the low-hours retail and hospitality roles this system most subsidises. In the North East, these sectors are contracting. As stated previously, the North East's accommodation and food sector decreased by 28.7 per cent and the retail sector shrank by 2.5 per cent between 2016 and 2023.

Figure 15: Low weekly pay, not low hourly pay, is the main driver of low earnings



Source: Low Pay Commission (2024), *'National Minimum Wage: Low Pay Commission Report 2024'*

The entry-level jobs that remain are increasingly taken up by older and better-qualified workers, leaving fewer footholds for those just starting out. The first rung of the ladder stays occupied, rather than being vacated for the next young person to step onto. Our North East Big Listens told us that it is frequently older, more experienced workers who are occupying these roles.

> *"We have young people who come to us and can't be bothered applying because they see older people and graduates applying for the same jobs as them."*
>
> **Big Listen frontline participant**

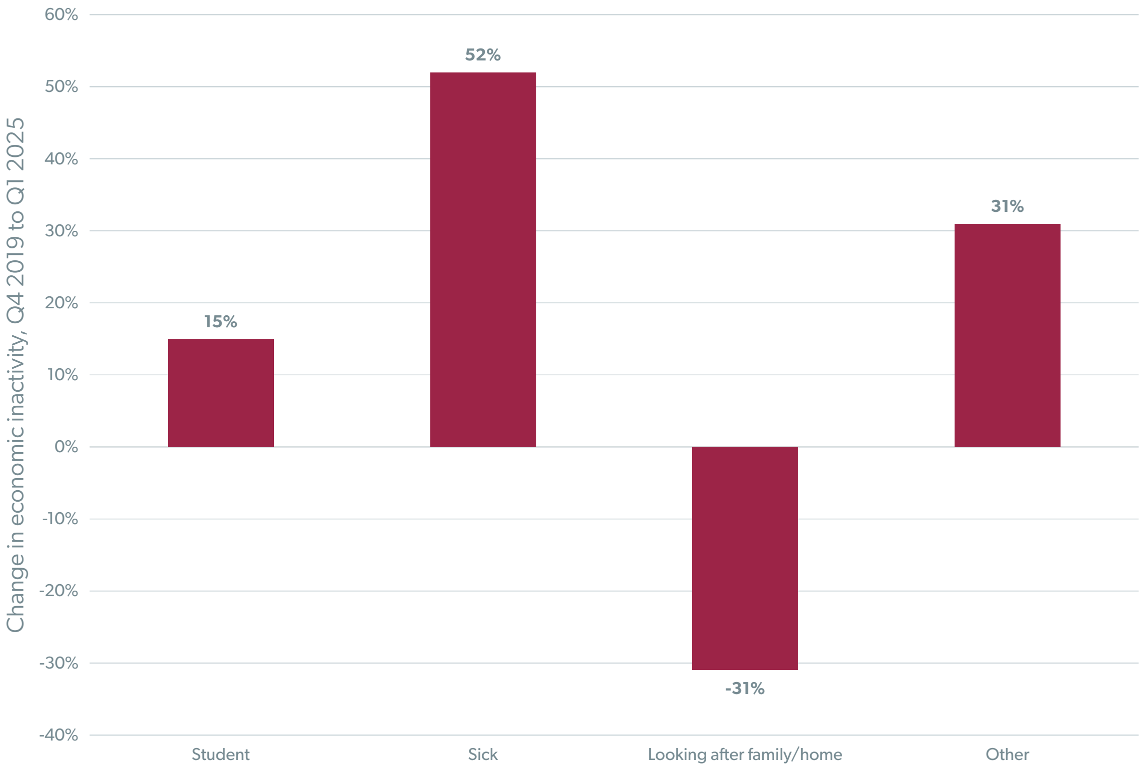
Young people in the North East are thus caught in a vice. The entry-level jobs that once launched working lives are fewer in number, and those that survive are rarely accessible.

The welfare system is failing the young people of the North East. It signs some out of the expectation of work altogether, parking them on benefits with no work-related conditionality before their working lives have even begun. It loses others entirely. And for those who do reach for work, it holds them at the bottom of a ladder where the first rung is occupied. A system meant to be a springboard has become, for too many, a place to come to rest.

2.4. Health

Across the country, the character of youth economic inactivity has changed. Since the pandemic, the number of young people who have fallen out of the labour market because they are caring for their family or home has fallen. Meanwhile, the number who are inactive because they are sick has risen sharply – increasing by 52 per cent since 2019. Ill-health is now the fastest-growing reason for economic inactivity among the young.

Figure 16: Ill health is the fastest-growing reason young people are economically inactive

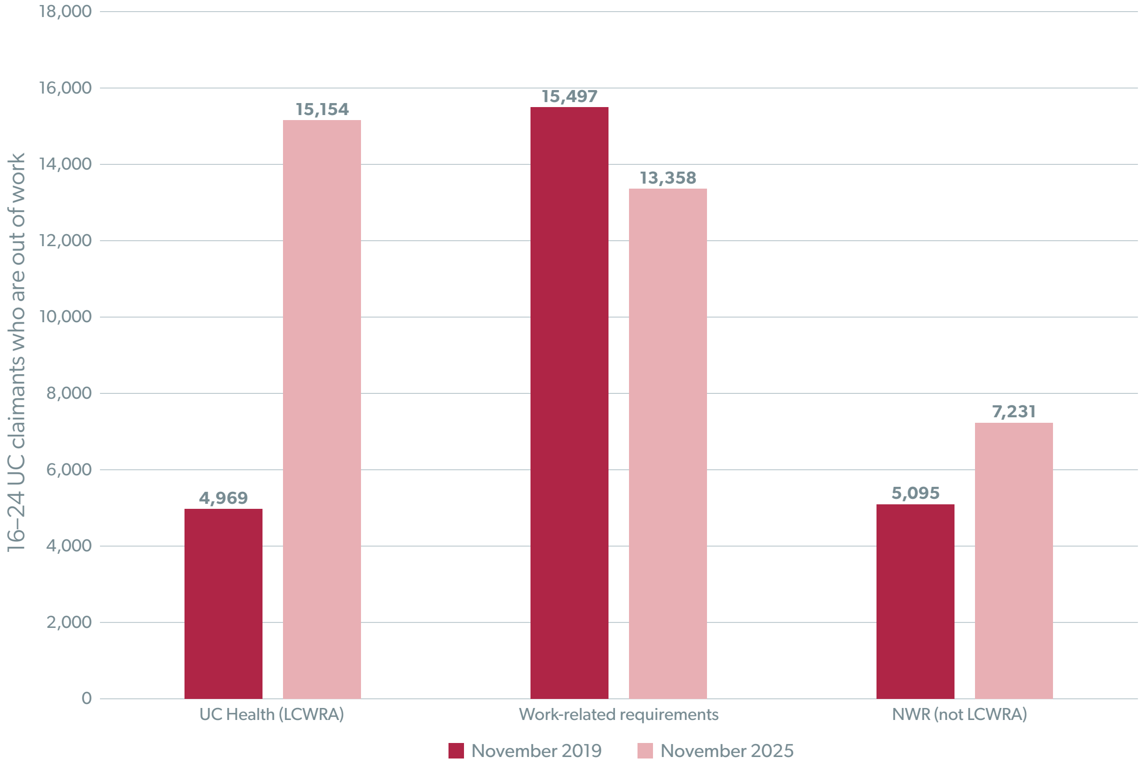


Source: CSJ analysis of Labour Force Survey Data.

This trend is replicated in the North East. Regional figures on the precise reasons for youth inactivity are not published, but the region's benefit data shows that the number of young people claiming the health element of Universal Credit has tripled from around 5,000 to 15,000.

The story is clear: a growing proportion of the North East's young people are not merely out of work but being signed off from it altogether on health grounds.

Figure 17: The number of young people in the North East on health-related Universal Credit has tripled since 2019

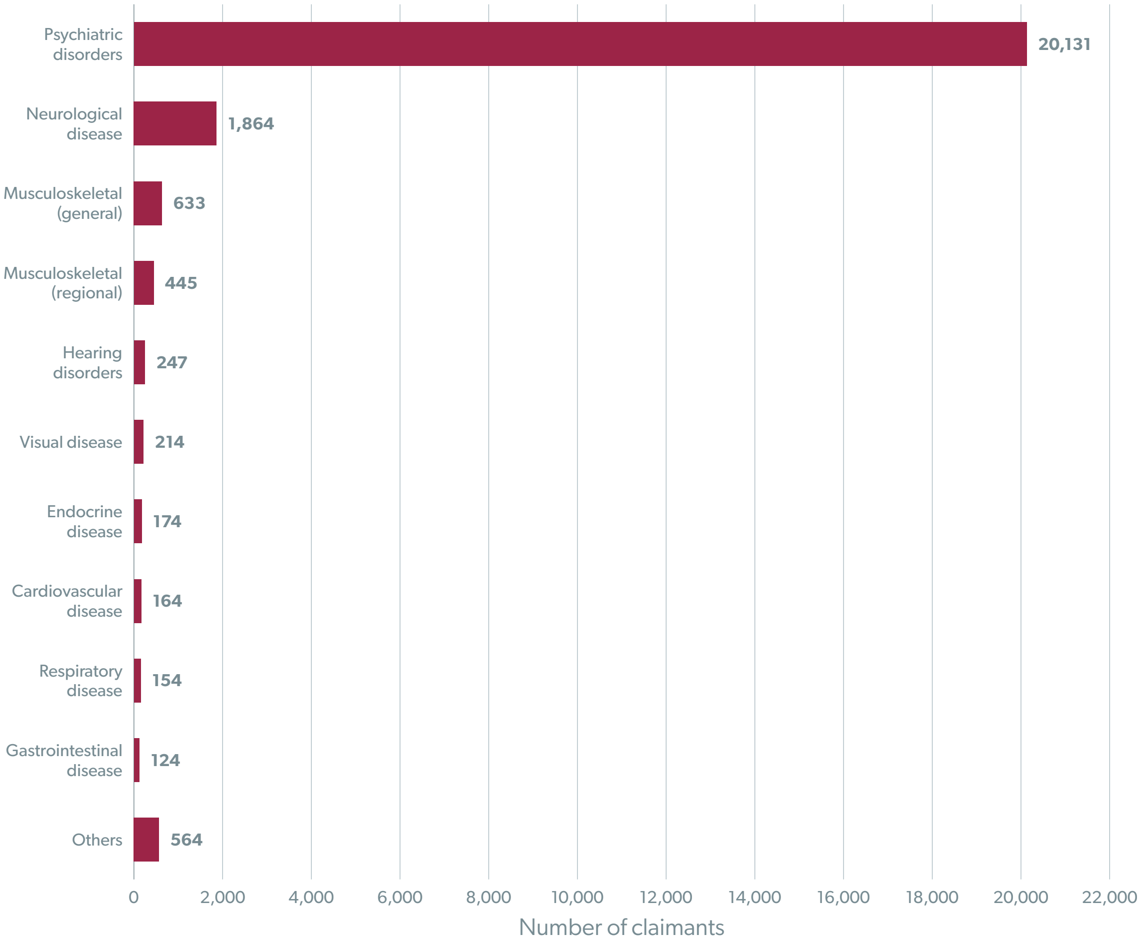


Source: CSJ analysis of Stat-Xplore data. Universal Credit only; excludes in-work claimants. Universal Credit rollout was incomplete in November 2019, so part of the increase reflects migration from Employment and Support Allowance.

Among young people in the North East claiming PIP, almost 82 per cent report a psychiatric condition as their primary disability.[41] As shown by Figure 18, mental health dwarfs every other primary disabling condition for 16- to 24-year-olds in the region.

41 PIP is not an out-of-work benefit. However, it is the only benefit which records a claimant's main disabling condition, meaning it offers the clearest available picture of the health conditions young people in the region are living with.

Figure 18: Mental health dwarfs every other condition among the North East's young PIP claimants



Source: CSJ analysis of Stat-Xplore data

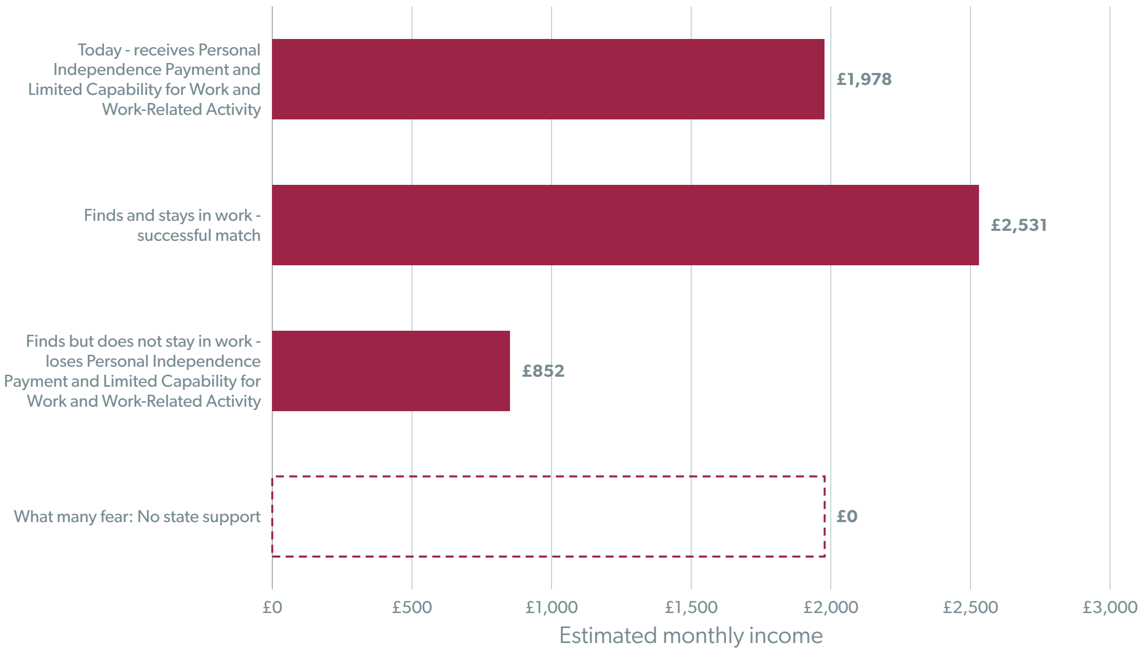
The prevalence of mental health among the North East's young people was corroborated by both employers and frontline workers at our North East Big Listens:

> *"We got a request for mental health training from an engineering firm on the banks of the Tyne. Blokes in their 50s and 60s were getting young apprentices calling in sick on their second day because their mental health is bad."*
>
> **Big Listen frontline participant**

> *"We have 14 members of staff. One of them is incapable of coming into the office because their anxiety is so high. They produce outstanding work but cannot come into the office. I have had to structure the way I employ people to accommodate that".*
>
> **Big Listen frontline participant**

But this story is not only one of deteriorating health. The way the benefits system is designed means that, once a young person is placed on health-related support, leaving it becomes extraordinarily difficult.

Figure 19: Trying work could cost a young person on health-related benefits more than £8,000, reproduced from Figure 28 of the Milburn Review



Source: The Department for Work and Pensions (May 2026), *'Young people and work: interim report'*, p.133.

Note: *In-work earnings based on 35 hours at national minimum wage. Their benefit claims include maximum PIP, UC LCWRA, housing element under average LHA rental costs, and Council Tax Support based on Leicester City council's scheme.*

The Milburn Review found that almost half of health-related benefit claimants who were not in work, but who did not rule it out, were worried that they would not get their benefits back if they tried paid employment and it failed.[42] Figure 19 shows the stark calculation facing someone on health-related benefits.

For such a claimant, the risk of trying work is not simply losing a small amount of income while in a job but the danger of returning to the benefit system without the health element they previously received (a loss of some £8,171 per year) or, worse still, of ending up with no state support at all.

Faced with this arithmetic, staying on benefits is the rational choice. The result is a trap: a system classifying ever increasing numbers of young people as unable to work and then making the financial cost of testing that classification so high that few are willing to try. Health-related inactivity, once entered, becomes the stickiest form of worklessness of all.

42 The Department for Work and Pensions (May 2026), *'Young people and work: interim report'*, p.133. Accessed via: Young people and work interim report. (Accessed: 23 July 2026)

2.5. Four locks, one door

The North East's NEET crisis has no single cause. Multiple forces are bearing down on the region's young people, intersecting and deepening one another. A weak regional economy offers too few of the entry-level opportunities that once carried young people into work. A crumbling education system collapses during secondary school, proving unable to catch the steady stream of young people slipping through the cracks. The welfare system parks a growing share of the youth outside the expectation of work. Those who do try and climb the career ladder find the bottom rungs rotting and decaying. And a rising tide of ill health, overwhelmingly mental, signs more young people out of the labour market altogether at the very start of their working lives.

Taken together, these forces explain why the North East is experiencing a chronic NEET crisis. The institutions that should help young people bridge the gap between education and a fulfilling working life are failing them instead.

A path to ending the North East NEETs crisis

Our Big Listens aimed to feed into a set of policy recommendations equal to the scale of the crisis that the North East is facing. The region's NEET crisis is a chronic and persistent problem which will not yield to timid or incremental change. The recommendations that follow are therefore deliberately ambitious. If bold reform is to be tried anywhere, it should be tried in the North East.

The moment, too, is opportune. The new government has placed devolution and place-based growth at the heart of its agenda, pledging 'good growth in every postcode' and a decisive shift of power towards the regions. The North East is well suited to benefit from this. For the first time in years, the region will have the devolved tools to act and a national government disposed to let it.

The North East's current support architecture

Since November 2024, national policy on NEETs has been organised around the government's *Get Britain Working* white paper. It outlined a £240 million strategy aimed at an 80 per cent employment rate.[43] Its centrepiece is the Youth Guarantee. Backed by £820 million over three years, this aims to ensure that every 18- to 21-year-old in England can access education, training, an apprenticeship or employment support.[44] Key elements of this are being extended to 18- to 24-year-olds from 2026.

The 2025 Autumn Budget created a Jobs Guarantee. This provides for six months of subsidised paid work (up to 25 hours per week) for 18- to 21-year-olds on Universal Credit for 18 months without earning or learning from April 2026. Youth Hubs are being expanded to over 360 areas nationwide and a £140 million pilot will let mayors match NEET young people to local apprenticeships.[45] A March 2026 'New Deal' for young people added a further £1 billion, extending the Jobs Guarantee to 18- to 24-year-olds, introducing a £3,000 Youth Jobs Grant, and adding a £2,000 SME apprenticeship initiative. This took the total youth employment package to around £2.5 billion.[46]

The North East is deeply embedded in this framework. It secured a £10 million Economically Inactive Trailblazer to join up health, employment and skills support, receives just under £50 million through Connect to Work to 2030, and hosts a Jobs and Careers Service Pathfinder testing reformed Jobcentre

43 Department for Work and Pensions, HM Treasury and Department for Education (November 2024), *'Get Britain Working White Paper'*. Accessed via: Get Britain Working White Paper - GOV.UK. (Accessed: 6 August 2026)

44 HM Treasury (November 2025), *'Budget 2025'*. Accessed via: Budget 2025 (HTML) - GOV.UK. (Accessed: 6 August 2026)

45 Department for Work and Pensions (June 2026), *'Almost 180 more Youth Hubs to help young people build skills and find jobs'*. Accessed via: Almost 180 more Youth Hubs to help young people build skills and find jobs - GOV.UK. (Accessed: 6 August 2026); Department for Work and Pensions (December 2025), *'50,000 more young people to benefit from apprenticeships as Government unveils new skills reforms to get Britain working'*. Accessed via: 50,000 more young people to benefit from apprenticeships as Government unveils new skills reforms to get Britain working - GOV.UK. (Accessed: 29 July 2026)

46 House of Commons Library (July 2026), *'Youth Guarantee'*. Accessed via: CBP-10827.pdf. (Accessed: 6 August 2026)

support.[47] Tees Valley runs one of the eight Youth Guarantee Trailblazers, offering paid placements to 18- to 21-year-olds who are NEET.[48]

The problem, then, is not an absence of money or programmes. It is that this support reaches the North East's young people through fragmented, short-term and largely centrally-designed channels. Much of it is gated on benefit receipt, routed through Jobcentres and funded year-to-year. The recommendations that follow seek to fix that plumbing by routing real resources through the local institutions and relationships that actually reach disengaged young people.

3.1. Getting growth

Getting growth in the North East is not an impossible ask. Besides the thriving sectors discussed in the last chapter, the region has successful higher education institutions and, at least between and within its major cities, strong transport links, with a mainline train connecting Newcastle to both London and Edinburgh and the Tyne and Wear Metro connecting Newcastle to Sunderland.

Not all the policy levers sit in the region. North Eastern local authorities and North East MSA can do little about employer costs like the national minimum wage or national taxation. But the growth of Greater Manchester and Leeds shows that regional authorities can still help, with their capacity to do so likely to increase further under the current government's devolution agenda. Urban regeneration schemes, like Riverside Sunderland and the raft of projects under the Newcastle and Gateshead Mayoral Development Zone, can create spaces to attract service sector firms and for them to expand into.

Even where such schemes do not directly benefit the North East's NEETs, they do have substantial indirect benefits. For example, urban regeneration will drive construction activity, building on the North East's existing strength in that sector. We highlighted in our report *Skills to Build* the important role of construction for NEETs in providing a pathway to well-paid careers while requiring relatively few academic qualifications.[49] The developments also include new retail spaces and can draw in demand from office workers to support them, bolstering another sector that employs NEETs. And this is before considering the additional revenue unlocked for local authorities to spend on supporting NEETs.

North Eastern policymakers, in other words, should neither underestimate the levers at their disposal to drive regional growth nor the wider, social justice benefits of doing so. The English Devolution and Community Empowerment Act 2026 is now on the statute book, but its provisions will be commenced in stages over several years. The North East MSA should not wait for this framework to mature: it should push its existing levers as far as they will go.

Chief among these levers is the Mayoral Development Corporation (MDC). Between September 2025 and March 2026, the North East MSA designated three Mayoral Development Zones (MDZ): Newcastle-Gateshead, spanning both banks of the Tyne and taking in major regeneration sites such as Forth Yards and Gateshead Quays; Sunderland's Riverside zone; and, most recently, Durham City, centred on the Aykley Heads innovation district.

47 North East Mayoral Strategic Authority (June 2026), '*Economically Inactive Trailblazer Project*'. Accessed via: Economically Inactive Trailblazer Project. (Accessed: 6 August 2026); Department for Work and Pensions (May 2026), '*Connect to Work: Grant Guidance for England*'. Accessed via: Connect to Work: Grant Guidance for England - GOV.UK. (Accessed: 6 August 2026); Department for Work and Pensions (July 2026), '*Get Britain Working: an update on the Jobs and Careers Service*'. Accessed via: Get Britain Working: an update on the Jobs and Careers Service - GOV.UK. (Accessed: 6 July 2026)

48 Tees Valley Combined Authority (July 2025), '*Major New Programme to help Young People into Work and Training*'. Accessed via: Major New Programme to Help Young People Into Work and Training - Tees Valley. (Accessed: 6 August 2026)

49 The Centre for Social Justice (May 2026), '*Skills to Build: Fixing Britain's construction workforce*'. Accessed via: Skills to Build (Accessed: 26 May 2026)

But an MDZ is a non-statutory partnership designation. It can convene partners, align funding streams and signal intent but it cannot assemble land, exercise planning powers or drive delivery against the grain of a stalled or fragmented site by itself. However, an MDC can. A statutory body established under the Localism Act 2011 framework, an MDC can take on planning functions from the local authority. This includes plan-making, development managing, exercising compulsory purchase powers, offering discretionary business-rate reliefs, and holding ringfenced budgets insulated from the short-term pressures of council finances.[50]

Establishing an MDC is not a unilateral mayoral act: it requires a majority vote of the MSA cabinet, consultation with affected councils and MPs, and secondary legislation from the Secretary of State. However, this route is well-trodden. Eleven MDCs already operate in England, with new corporations established in Birmingham and Manchester in 2026. The North East MSA has yet to create its first.

RECOMMENDATION 1

The Mayor of the North East should establish a Mayoral Development Corporation over Riverside Sunderland.

Of the three existing MDZs, Riverside Sunderland is the most advanced. Since the 2020 masterplan it has secured more than £560 million of investment. City Hall, the Keel Crossing and the Maker & Faber offices are complete and Homes England has committed £27.7 million to the Sheepfolds neighbourhood.[51] The site has moved beyond the consensus-building that an MDZ is designed for and is ready for delivery at scale.

Because Riverside Sunderland sits within a single planning authority, an MDC would be most beneficial for supplying compulsory purchase and land-assembly powers for the remaining plots around Crown Works and the city-centre neighbourhoods. It would also endow the corporation with a ringfenced delivery budget.

Establishing an MDC here would put the first of the region's MDZs onto a statutory delivery footing and set the template for the others to follow.

RECOMMENDATION 2

The North East MSA should set out clear criteria for escalating further MDZs into MDCs, and act on them as sites mature.

North East MSA should publish a transparent set of thresholds that a site must meet before escalation. Where a zone meets those tests, the mayor should not hesitate to establish an MDC to unlock its economic potential. This sequenced, criteria-driven approach both protects the council partnerships on which delivery depends and gives investors and government confidence that escalation reflects genuine readiness rather than political signalling.

50 Institute for Government (June 2026), *'Mayoral development corporations: What are mayoral development corporations and which mayors are using them?'*. Accessed via: Mayoral development corporations | Institute for Government. (Accessed: 13 August 2026)

51 Homes England (August 2026), *'Major step forward in Sunderland's city centre regeneration journey as Homes England invest £27.7m to unlock Sheepfolds neighbourhood'*. Accessed via: Major step forward in Sunderland s city centre regeneration journey as Homes England invest £27.7m to unlock Sheepfolds neighbourhood - GOV.UK. (Accessed: 13 August 2026)

MDCs will help to unleash the economic potential in the North East. But regeneration is slow, and it does little to change the calculation facing an employer deciding whether to take on a young person today. One of the major barriers faced by the North East's NEETs is the risk an employer perceives in hiring a young person.

Lowering this perceived risk is where government can act directly and immediately, providing employers with an incentive to hire more young people.

RECOMMENDATION 3

The government should scrap the existing National Insurance reliefs for young workers and the apprenticeship incentive and replace them with a new Future Workforce Credit.

The government already spends heavily on making young people cheaper to employ. Alongside the long-standing National Insurance relief for under-21s and apprentices under-25, it has begun fully funding apprenticeship training for under-25s at SMEs and has added a patchwork of overlapping hiring payments. These include a £3,000 Youth Jobs Grant for employers hiring an 18- to 24-year-old who has been on Universal Credit and looking for work for six months, alongside separate apprenticeship incentives that, for a small employer whose apprentice qualifies for several at once, can reach £8,000 in combination. This spending – spread across overlapping reliefs, grants and incentives – should be consolidated and redirected into a single, better-targeted instrument.

The government should introduce a Future Workforce Credit. Employers recruiting a 16- to 24-year-old who has been NEET for at least three months would receive 30 per cent of the employee's salary from the government. This amounts to around £6,347 for a full-time 19-year-old. It would be paid in two halves, the second only on proof of continued employment after six months, rewarding retention as well as hiring. Employers would simply apply to HMRC, which would verify a young person's NEET status.

Unlike the Jobs Guarantee, which reaches only those who have spent 18 months on Universal Credit, and the Youth Jobs Grant, which is likewise gated on benefit receipt, the FWC is triggered by NEET status alone. This would allow it to reach the estimated 16,000 people in the North East who claim no benefits – the 'hidden' cohort described elsewhere.

None of these measures are a silver bullet. Growth cannot be conjured by policy alone. But together they point to a simple truth: the North East is not a passive victim of forces beyond its control. The region holds real levers. It has the power to unlock economic potential, to concentrate development where it will do most good, and to make the case for a wage structure that fits its own labour market. Used together, these tools can begin to rebuild the kind of economy that offers young people a foothold. Growth in the North East is not inevitable, but nor is decline or stagnation.

3.2. Rewiring Education

The North East can educate its children well. As Chapter 2 showed, children in the North East produce the strongest Key Stage 2 results of any English region outside London. The problem comes later, when the early promise of high attainment unravels and the children who thrived at eleven begin to fall behind by 16. As set out in *Rewiring Education: part 2*, we do not need to build an education system from nothing, but we do need to reconfigure it.

The North East is experiencing a crisis in exclusions and persistent absences. The region dwarfs its neighbours in its rate of exclusions and suspensions, funnelling young people into one of the surest pathways to becoming NEET. An exclusion is the final result of a longer process. It is the product of children's needs – often related to special educational needs and almost always compounded by disadvantage – going unmet in a mainstream classroom until behaviour deteriorates and removal follows. The North East's schools must tackle how they meet need early enough to ensure that far fewer children are plunged into becoming NEET.

RECOMMENDATION 4

The government should rebuild protective factors and strengthen support in the early years.

As the CSJ set out in *Change the Prescription,* the government should strengthen the protective factors that keep children on track from the outset. This means acting on three fronts.

First, birth registration should be moved into Family Hubs, connecting every family to early support from the moment a child is born and allowing those most at risk to be identified sooner.

Second, developmental assessments in the early years should be strengthened through an enhanced role for health visitors and wider support for families.

Finally, clear national expectations should be set for early language development, defining the standard of spoken English a child is expected to reach by school entry and funding provision for parents where language is a barrier.

RECOMMENDATION 5

The government should define need more clearly within the SEND system.

Too many children are escalated into higher-cost, more specialist settings not because it is right for them, but because the system offers no clearer route to support. A clearer definition of need would ensure that specialist provision is reserved for those who genuinely require it, while others are supported earlier and closer to home.

The government should reform the SEND Code of Practice to provide a clearer, needs-based definition of SEND; base eligibility for statutory assessment on persistent functional impairment rather than diagnosis alone; and ensure that specialist statutory support is reserved for children with severe, enduring and complex needs, with strong provision for the rest within mainstream settings.

RECOMMENDATION 6

The government should strengthen mainstream support and reduce the incentives to escalate.

Clearer definitions must be matched by better support within mainstream schools, and by removing the incentives that currently push children out of them.

The notional SEN budget should rise in line with inflation, alongside a time-limited SEND Protective Factor Development Grant to build behaviour-management and speech-and-language capacity in mainstream classrooms.

The tribunal process should be made less adversarial, with clearer national evidential standards and mandatory mediation before a case proceeds. Local authorities should have their capacity to commission and manage provision restored so that resources can be directed strategically rather than driven by escalation.

Finally, the link between diagnosis, educational designation and welfare entitlement should be loosened so that families are not steered towards a diagnosis by the financial support attached to it.

Keeping young people engaged in school is necessary, but it is not sufficient. They also need to feel a tangible connection between the classroom and the working lives that might follow it. In communities shaped by generations of worklessness, that connection cannot be taken for granted. Too many young people in the North East have little sense of the careers open to them and no obvious line of sight into the local jobs market.

Case Study

M10 Missions

M10 Missions delivers mentoring and coaching to young people in schools across the North East, helping to fill the careers guidance gap that too often leaves pupils without a line of sight into the working lives that might follow.

Rather than relying on generic measures of attainment, its team works with teachers to identify the pupils most at risk. This draws on the contextual, individual knowledge that teachers hold on pupils but that formal data misses. This is the soft knowledge that can pinpoint a young person drifting towards becoming NEET long before it shows up in a grade.

Once identified, young people take part in a range of support; from wider group activities to intensive one-on-one sessions. At the heart of the programme sits aspiration. Exposing young people to the range of careers open to them, and to positive role models, gives pupils a reason to engage with the problem. This pays off: pupils who work with M10 improve their attainment and attendance, and are more likely to move on to a positive destination.

M10 Missions show that visible opportunities and aspiration are vitally important to young people. While school-based systems exist to promote pathways into employment, M10 demonstrates how a more aspirational and community-based pathway might be forged.

RECOMMENDATION 7

The North East MSA should establish a network of regional careers coordinators, working through its local authority partners.

The North East already has the foundations of this in North East Ambition, the North East MSA's careers programme. Furthermore, the government's July 2026 reforms handed mayors a direct role in shaping technical education and employer links for 14- to 16 year-olds. What is missing is the dedicated capacity to turn those commitments into consistent, on-the-ground delivery in every school. Regional careers coordinators would provide that capacity.

The North East MSA should establish a network of regional careers coordinators, working through its local authority partners, to deliver and deepen its careers offer. The North East MSA would be responsible for coordinating employer engagement, targeting support on pupils at risk of disengagement, and giving practical effect to the mayor's new role in 14–16 technical education.

Schools told us that they want more employers to show young people the opportunities open to them, instilling aspiration and an understanding of skills that often go missing in communities shaped by generational worklessness. Employers, for their part, told us they are willing to support local schools and to engage with the classroom and the curriculum.

Willingness exists on both sides, but the coordination that could bring them together is missing.

The North East's further education sector is one of the weakest links in its education system. Further education colleges are caught between two competing demands. On the one hand, they are expected to be a prestigious technical pathway. On the other, they are expected to be the safety net that catches the young people falling out of the bottom of our education system. It is clear that our further education sector cannot be these things at the same time.

Inevitably, the group that loses most from this confused corner of the education system are the young people who leave school with few qualifications and for whom neither a purely academic route nor a high-level technical pathway is the right fit. The answer is to give these young people a route designed around them: a pathway that combines learning with real, paid work from the start.

The government's proposed V Level shows promise. Introduced in the post-16 education and skills white paper, V Levels are designed for students for whom A Levels and T Levels are not appropriate, acting as a general bridge into fruitful work. Previously, the CSJ called for the V Level to combine three days a week at college (focused on functional skills and employability) with two days in a paid work placement, funded through an extension of the Youth Guarantee.[52] A single agreement co-signed by the college and employer would place responsibility for the young person's safeguarding and welfare with the college, removing the burden that can deter employers from hiring 16- to 18-year-olds and making hiring a young person straightforward.

This would have a net annual cost of £2,825 per learner. But this is a relative bargain, given the Milburn Review estimated that each NEET costs the government £21,571 in lost tax revenue and higher spending.[53] We urge the government to embrace the dynamism and enterprise of the North East in its implementation of the V Level.

52 CSJ (July 2026), p.45.
53 Ibid., p.53.

RECOMMENDATION 8

Designate the North East as the pathfinder for a new, work-based V Level variant.

The government should make the North East the first place to pilot a new, work-based V Level variant. No region has more to gain. This pilot should be delivered on the model outlined in *Rewiring Education: part 2*.

The North East is well placed to deliver this: Sunderland College already serves as the North East Construction Technical Excellence College and is helping to shape the new qualifications. A successful pathfinder would give the region's young people a stable, work-linked route and give government the evidence to extend the model nationally.

The V Level will help young people who are still in the education system at sixteen, providing them with a direct link to employers and the world of work. But many of the North East's young people have already fallen out of education by this point. For them, the task is not to design a better pathway through education but to reach them where they are and draw them back in.

> *"There is a lack of funding to help specific ages into work. There is nothing for 16- to 17-year-olds other than for further education providers."*
>
> **Big Listen frontline participant**

The government has moved in a promising direction. It has committed £140 million to a pilot through which mayors connect NEET young people with apprenticeship opportunities at local employers.[54] This is a welcome recognition that regional leaders understand their own labour markets much better than central government.

However, the government's plan is still underdeveloped. The CSJ has called for this mayoral NEET programme to be routed through colleges and charities rather than through Jobcentres.[55] Our visits to frontline charities and organisations in the North East have proven that the relational work this policy demands is done best by smaller organisations like the Newcastle United Foundation. They can better foster long-term relationships in a way that Jobcentres cannot.

54 Department for Work and Pensions (December 2025)

55 The Centre for Social Justice (July 2026), '*Rewiring Education Part 2*', p.67.

Case Study

Newcastle United Foundation

The Newcastle United Foundation delivers education and training programmes alongside employment and into-work support across the North East. Some of this work is commissioned by the DWP to provide employability courses for young people. The charity considers a physical presence essential to accessibility: young people who will not travel to a Jobcentre will walk into a building they already know and trust.

Its Careers Hub in Gateshead's Metrocentre demonstrates what that presence achieves. Situated in a retail complex containing hundreds of businesses, where young people are known to gather to socialise, a previously empty unit was refurbished in the NUF's branding and drew immediate interest from young people and retailers alike. The NUF acted as a catalyst, bringing employers and young people together and providing the wider support needed for successful transitions into work. In 2025, 656 people were supported into employment through job fairs and the NUF's United for Careers programme delivered at the hub.[56]

The lesson is the same as before: the system should get out of the way of what works.

The scheme should be built around this principle, and there is no better place to test it than the region with both the deepest NEET challenge and one of the strongest networks of organisations doing this kind of work in the entire country.

RECOMMENDATION 9

The government should pilot its expanded mayoral NEET programme in the North East.

We urge the government to pilot the expanded mayoral NEET programme in the North East. Routed through colleges and charities rather than Jobcentres, a North East pilot would provide an effective way of re-engaging with disconnected NEETs in the region and forge a path forward for neighbouring regions.

For the mayoral NEET programme to succeed, however, local authorities must get much better at identifying who the disengaged young people are. Currently, statutory destination measures only follow young people up to the age of 18. This is little help in a region where the NEET problem is concentrated among 18- to 24-year-olds. Once a young person passes 18, no institution holds clear responsibility for identifying whether they are in education, work, or training.

56 The Metrocentre, *'Metrocentre Community: Environmental, Social and Governance Roundup'*. Accessed via: Metrocentre | ESG | Newcastle | | Metrocentre. (Accessed: 7 August 2026)

RECOMMENDATION 10

Extend statutory destination tracking for young people to the age of 24.

Local authorities should be responsible for tracking the destination of young people up to the age of 24. By drawing upon linked education, benefits, and employment data, they should build up a continuous picture of each young person's destination. The DWP should ensure its data-sharing with local authorities is adequate to support this tracking.

In the North East, the North East MSA is well placed to this because it already holds devolved responsibility for skills and adult education.

The story of education in the North East is not necessarily one of failure but of promise interrupted. Young people in the North East do not lack ability, but a system that bridges the gap into employment.

Case Study

Newcastle City Council's NEET Taskforce

Newcastle Council runs a series of programmes to reduce the number of NEETs within the city. This starts with a dedicated careers service it runs in local secondary schools and community locations in Byker, Newbiggin Hall, and the city centre.

The Council also has a statutory duty to track and promote educational participation among 16- to 18-year-olds, under the Education and Skills Act 2008. Council officers will identify and directly engage with disengaged young people. The Council reported that many 18-year-olds will have disengaged before the age of 16, often due to exclusions. The Council is already starting to track destinations beyond the age of 18.

To get those over 18 into work, the Council leads the Work and Thrive Partnership that coordinates employment support across the city. GPs, social prescribers, work coaches, social housing providers, and community partners, including Citizens Advice, can refer people to the Partnership. The Partnership will then send their case to the most relevant partner to support them into work. Partners include Connect to Work, the Newcastle United Foundation, NHS Individual Placement and Support services, and other specialist organisations.

The Council told us that the Partnership pulls on several sources of funding, including the Shared Prosperity Fund, the Youth Guarantee Trailblazer, and some Adult Skills Funding. All this funding is short term, often with one-year timelines, making it difficult to invest in partners and build their capacity sustainably. The one exception is Connect to Work, where the Council has received £2.7 million from the DWP via the MSA to deliver supported employment until 2030.

3.3. Rebuilding the ladder

All too often, the welfare system acts as a place to rest rather than a springboard into work. Repairing it does not, for the most part, require new money or new institutions. The North East already has organisations that do the hard, relational work of drawing young people towards employment, and it is already the destination of substantial public funding intended to help them.

Yet, the system repeatedly manages to obstruct itself. We must learn to get out of the way of what works, ensuring that the organisations and structures best placed to reach disengaged young people are allowed to deliver.

From 2026–27, the North East's adult skills funding – previously split across several separate streams – is being consolidated into a single, multi-year 'Integrated Settlement'. This will provide North East MSA with one block of funding that it can plan and deploy over several years, rather than a scatter of streams carrying their own rules and deadlines.

Youth and NEET funding, however, has been left outside this settlement. It continues to arrive through separate streams, run by different departments, and on short timescales which make long-term planning impossible. A 19-year-old's support may be funded from one stream with one set of rules and an 18-year-old's from another. The very funding meant to reach the North East's most disconnected young people is fragmented and convoluted.

RECOMMENDATION 11

The government should bring youth and NEET funding into the North East's Integrated Settlement and hold the region to account for youth outcomes through a dedicated target.

Bringing youth and NEET funding into the Integrated Settlement's scope would ensure that there is no gap between 'youth' and 'adult' funding for young people to fall through.

The government should also ensure that the North East's outcomes framework includes a specific, binding target to reduce the region's NEET rate, with progress tracked and reported. This will ensure that the region's success is measured by whether young people are moved into employment, education or training, rather than by how the money is spent.

A settlement such as this is only useful if that stability reaches the front line. Too often, we heard that the local authorities and charities that work on the frontline are themselves funded year-to-year. They struggle to retain experienced staff, plan ahead, or sustain relationships across the time it takes to re-engage a NEET young person because their own funding may not survive the next financial year.

RECOMMENDATION 12

North East MSA should pass the stability of its Integrated Settlement on to frontline delivery partners, commissioning them in multi-year blocks.

North East MSA should commission its delivery partners in multi-year blocks wherever possible and move away from short and competitive funding rounds that consume the capacity of small organisations in bidding rather than delivery.

Sometimes the obstacle is not money at all, but the rules that govern how support can be delivered. Often, the organisations best placed to help young people in the North East are prevented from doing so.

Youth hubs are a case in point. Embedded in trusted community organisations, they can reach disengaged young people in ways a Jobcentre cannot. We heard from frontline providers across the North East about how the DWP has intervened to delay and block community organisations from opening Youth Hubs, even when its premises are perfectly suited to the young people it seeks to serve.

RECOMMENDATION 13

The Department for Work and Pensions should not impose its own premises and safety regulations on community-run Youth Hubs.

The DWP should not apply its internal estate regulations to premises it does not own or operate. Where a Youth Hub is delivered by a trusted community partner, the DWP should defer to the partner's own suitable premises and safeguarding arrangements, rather than imposing standards designed for a different purpose.

These changes are relatively modest. Yet they could have an outsized effect on the North East. The government needs to show a willingness to open the door and allow the region and its organisations to succeed. Stable funding streams and less red tape would allow successful organisations in the region to rebuild the bottom rungs of the ladder that are so critical for solving the NEET crisis.

3.4. A route back

For too many young people in the North East, ill-health has become a one-way door. As Chapter 2 showed, a growing number of young people are being signed out of work on health grounds. Once this happens, the welfare system offers almost no way back into employment. Skewed incentives offer the North East's young people little reason to even attempt to move into employment.

This need not be so. Although the health difficulties facing the North East's young people are real, and often serious, they are not always permanent barriers to work. The government needs to develop a system that treats a health-related benefit claim not as a destination but as the start of a supported journey back towards work. In few places is the need for this system more pressing than in the North East.

Rebuilding that route starts by confronting how our current system works. Chapter 2 set out the scale of the problem: the share of all the North East's young Universal Credit claimants judged to have limited capability for work or work-related activity has risen from around one in six in 2023 to nearly one in four in 2026. Of young people in the region claiming PIP, roughly 82 per cent report a psychiatric condition (most commonly anxiety, depression or ADHD) as their main disability. This is, overwhelmingly, a crisis of mental health.

The system entrenches this crisis. A young person on the health element of Universal Credit, together with PIP, can face losing some £8,171 a year if they try work and it does not succeed. The Milburn Review found that almost half of health-related claimants who had not ruled out work feared exactly this. For a young person considering getting work, the system sends the message: do not risk it. The result is a benefit that offers an income but no incentive to move, and a growing number of young people held out of work not only by ill health, but by the very support meant to help them.

RECOMMENDATION 14

Rebalance the welfare system by reforming PIP and Universal Credit Health.

As set out by the CSJ in *Wasted Youth*, the government should withdraw PIP and Universal Credit Health eligibility from those with milder mental health conditions (excluding psychosis, learning disabilities, or autism). This will be those claiming primarily for anxiety, depression or ADHD who do not qualify for the enhanced rate of PIP.

RECOMMENDATION 15

Reinvested savings should fund a major expansion of front-line mental health and employment support for young people in the North East.

The savings generated by reforming benefits for milder mental health conditions should be reinvested into treatment that helps people recover and employment support. These savings should be directed to devolved authorities, like the North East and North Cumbria Integrated Care Board and the North East MSA, who can distribute it accordingly using their intimate knowledge of the local area.

Taken together, reforming health benefits will change what the welfare system is for. It would offer young people in the North East a route back into work. Given the scale of the crisis in the North East, few policies would do more to turn its NEET crisis around. This is not about withdrawing help from young people who need it but about redirecting it towards the care and opportunities that are more likely to help them.

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