Not working

Exploring changing trends in youth worklessness in the UK, from the 1990s to the Covid-19 pandemic

Louise Murphy

June 2022

Acknowledgements

This work is generously funded by the Health Foundation, as part of the Young people's future health inquiry. The author thanks Martina Kane and Cara Leavey of the Health Foundation for their ongoing support. Many thanks also to colleagues at the Resolution Foundation for their guidance, in particular Kathleen Henehan for her helpful comments and contributions throughout the report process, and Torsten Bell and Mike Brewer for comments on earlier drafts. All errors remain, of course, the author's own.

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Executive Summary

The fall in youth worklessness has been a success story of recent decades, driven in large part by young women

In recent decades, the share of young people who are workless (by which we mean outside of either work or full-time education) has fallen. In 1995, over one-in-five (22 per cent) of young people aged 18-24 were workless; by 2021, this had fallen to 15 per cent. The scale of this improvement should not be overlooked: the total number of young people who are workless has fallen by 300,000, from 1.1 million to 800,000. This is particularly impressive given the turbulence of recent years, with youth worklessness recovering from both the financial crisis and the Covid-19 pandemic to reach record lows in 2021.

This good news has been almost entirely driven by young women. Of the 300,000 fall in youth worklessness between 1995 and 2021, 280,000 of this was among young women, while only 20,000 was among young men.

These improvements have occurred across young people from different ethnic backgrounds, but are most pronounced among young people from Black, Bangladeshi and Pakistani ethnic groups, with youth worklessness having fallen by 9 percentage points, 13 percentage points and 10 percentage points respectively between 2003-2005 and 2017-2019. Although young people from these groups are still more likely to be workless than young people from White and Indian ethnic groups, the ethnicity gap is much smaller than at the start of the century.

Consistent with the overall reduction in youth worklessness, this improvement has been driven by young women: between 2003-2005 and 2017-2019, worklessness fell by 13 percentage points, 23 percentage points and 20 percentage points for young women from Black, Bangladeshi and Pakistani ethnic groups. For young men from Black and Bangladeshi ethnic groups, worklessness fell by just 5 percentage points, and there was no improvement for young men from the Pakistani ethnic group. Strikingly, worklessness among young White men actually increased, by 2 percentage points, over this period.

The make-up of youth worklessness has been transformed, with economic inactivity among young men almost doubling between 1995 and 2021

Not only has the total number of workless young people fallen in recent decades, but so has its make-up, and in ways that mean that some of the impacts of youth worklessness have worsened.

The dramatic fall in worklessness among young women, and slow progress among young men, is better understood when worklessness is broken into unemployment and inactivity. Unemployment rates for men and women decreased in tandem, but inactivity has been falling for young women (down 8 percentage points between 1995 and 2021, to reach 10 per cent) while it has been rising for young men (up 4 percentage points, to reach 9 per cent).

This shift in the make-up of youth worklessness means that prolonged worklessness among young men has increased, with the proportion of workless young men who are workless for more than a year rising from 56 per cent in 1995 to 70 per cent in 2021. This is because inactive young people are less likely to move into work or study than unemployed young people: 80 per cent of inactive young people remain workless for at least a year, compared to 56 per cent of unemployed young people. This means that the rise in inactivity among young men is contributing to the rise in prolonged worklessness among young men.

There has been a dramatic fall in the number of young women who are inactive for family care reasons, and an increase in the number of young people who are inactive due to health problems

In recent decades there have been two main trends in economic inactivity among young people, and they are acting in opposite directions: a fall in inactivity among young mothers and a rise in inactivity among other young people.

The biggest change has been the decline in the number of young women who are economically inactive for family care reasons. Between 2006 and 2021, this number fell by 220,000, a fall of 78 per cent. There are two factors behind the falling inactivity among young mothers: young women are becoming less likely to have children, and young mothers are becoming more likely to be in employment. The falling birth rate among young women is the more significant factor: birth rates among young women have fallen dramatically since 1995, from 76 per 1,000 to 45 per 1,000 for women aged 20-24, and this accounts for four-fifths of the fall in worklessness among young mothers since 1996. At the same time, the proportion of young mothers aged 18-24 who are in employment has risen by 22 percentage points, from 30 per cent to 52 per cent between 1996 and 2021 (compared to a smaller increase of 13 percentage points for mothers aged 25-54).

Meanwhile, between 2006 and 2021, inactivity due to long-term health problems has been rising for young men and women. Inactivity due to long-term health problems rose by 45,000 for young men (to reach 91,000) and by 28,000 for young women (to reach 70,000). The sharpest increase has been in inactivity due to mental health problems. The number of young people in this category was small, at 18,000 for young men and 12,000 for young women in 2006, but has grown significantly between 2006 and 2021 to reach 37,000 and 23,000 (a rise of 103 per cent for young men and 84 per cent for young women).

Mental health problems are on the rise, and young people with mental health problems are more likely to become workless and remain workless for longer

Concerningly, young people who are inactive due to long-term sickness or disability have particularly high levels of mental health problems. In 2012-2019, two-thirds (65 per cent) of those who were inactive due to long-term sickness or disability had a mental health problem, compared to 29 per cent of full-time students and 23 per cent of those who were in employment.

While the factors associated with worklessness are complex, having a common mental disorder (CMD) (such as anxiety or depression), increases young people's odds of moving from work or study into worklessness: 8 per cent of young people with a CMD moved into worklessness one year later, compared to 6 per cent of those without a CMD.

The effect of mental health problems on worklessness does not end after one year: among young people who become workless, half of those with a CMD remain workless for at least a year, compared to two-fifths of those without a CMD. This is a concern both because it will put upward pressure on the number of young people who are workless, and because it lowers young people's odds of escaping worklessness and moving into work or study.

This link between mental health problems and worklessness is worrying, since both the frequency and severity of mental health problems among young people are on the rise. CMDs have been rising most rapidly since the mid-2010s, with rates of mental health problems being consistently higher among young women than young men. Between 1995 and 2018-2019, the proportion of young men aged 18-29 with a CMD increased from 16 per cent to 25 per cent, and for young women, from 30 per cent to 37 per cent. Among young people with a CMD, the average General Health Questionnaire (GHQ) score, in which a higher score indicates a greater level of mental health problems, has increased by 13 per cent for young women and 18 per cent for young men between 1995 and 2018-2019.

Overall, the impact of the Covid-19 crisis on young people has been less bad than feared

While increasing mental health problems among young people

have been pushing up on worklessness rates in recent decades, the Covid-19 pandemic, by contrast, has had a relatively small impact. Thanks to the success of the furlough scheme, the spike in youth unemployment that was feared at the start of the pandemic has not transpired. In fact, by the end of 2021, youth worklessness reached a record low of 15 per cent.

And, although young people's mental health deteriorated at the start of the pandemic, with half of young people aged 18-21 being classified as having a CMD in April 2020, rates of mental health problems recovered quickly as restrictions were eased in the summer of 2020.

But there is a risk that the good progress in youth worklessness that has been seen in recent decades will be undone

Although youth worklessness is better than was feared at the start of the pandemic, problems relating to youth worklessness remain. The trends that existed before the pandemic – rising economic inactivity linked to rising mental health problems among young people – need to be addressed. On current trends, overall youth worklessness rates are likely to rise again from 2024 as rising inactivity due to health problems overtakes the fall in the number of young women who are inactive for family care reasons.

To push back on the risk of rising youth worklessness, policy makers will want to focus their efforts on strategies that reduce economic inactivity among young people, including those with mental health problems. Policy makers should think about how to offer support to young people who are hard to reach, such as those with significant health problems who may not present to jobcentres or local authorities. In addition, when designing support for young people with mental health problems, policy makers should learn from previous successes of integrating employment support with psychological support.

Section 1

Introduction

The Young people's future health inquiry, to which this report contributes, is a three-year programme supported by the Health Foundation.[1] It aims to build the policy, research and place-based agenda to improve the future health of today's young people; the Resolution Foundation's contribution to the Inquiry focuses on the labour market experience of young people, including its implications for health.

This phase of the Inquiry was launched in 2020, at a unique time for youth worklessness (see Box 1 for our definition of worklessness). Youth worklessness, including NEET rates, had been declining since the aftermath of the financial crisis, and education participation among young people had been rising.[2] But in spring 2020, Covid-19 temporarily upended things. Our first report for the inquiry, published in May 2021, found that young people had an extremely volatile mental health experience during 2020, with their rates of mental health problems rising – and recovering – faster than older people.[3] This mental health shock could well have a lasting effect on young people's living standards, since evidence from the 2008-2009 financial crisis shows that young people with mental health problems during the recession were more likely to become workless in the medium term than those without mental health problems.

On the other hand, although high youth unemployment was feared at the start of the Covid-19 pandemic, this has not transpired. As our second and third reports for the inquiry show, young people's employment prospects started to improve from spring 2021.[4] By October 2021, three-quarters (76 per cent) of young people aged 18-34 who were in work before the pandemic but workless during the winter lockdown of 2021 had returned to work. By the end of 2021, youth worklessness had dipped below pre-pandemic levels.

1 See: The Young people's future health inquiry.
2 In this report, we generally focus on young people aged 18-24, though occasionally we widen our focus and look at young people aged 18-29, usually due to data limitations.
3 R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021
4 R Sehmi, Out of the woods? Young people's mental health and labour market status as the economy reopens, Resolution Foundation, July 2021; L Murphy, Leaving Lockdown: Young people's employment in 2021: improvements and challenges in the second year of the Covid-19 pandemic, Resolution Foundation, January 2022.

Understandably, these encouraging Covid-19 trends have dominated most recent discussions of youth worklessness. But this report takes a step back and provides a longer-term view of what's been happening to the youth labour market since the 1990s, and goes under the bonnet of the headline figures. To better understand the good news of recent decades, we look at the groups of young people that have seen improvements in worklessness, before identifying the groups that have been left behind. We also reflect that the 2020s are set to be an important decade, with youth worklessness at risk of rising again unless swift action is taken.

This report also draws a link between young people's experiences of worklessness and their mental health. We explore why rising mental health problems among young people – a trend that existed even prior to the pandemic – will have an impact on their labour market prospects. By looking at the long-term trends in youth worklessness and mental health, we put together a clear picture of the successes and challenges that face young people in 2022.

BOX 1: **Worklessness or NEETs?**

This report focuses exclusively on workless young people. Throughout the report, we define workless young people as those who are unemployed (those who are out of work, actively seeking work, and available to start work) or economically inactive (those who are out of work, but are not available or looking for work). We do not count full-time students as being workless. This is because, although some full-time students are out of work, being in full-time education is associated with positive effects on future income and living standards, so the consequences of being out of work as a young person due to full-time education are very different to the consequences of experiencing worklessness outside of full-time education. By removing full-time students from our definition of worklessness, we are able to examine the interaction between full-time education participation rates and youth worklessness rates, to understand if the rise in full-time education that has been observed over the last couple of decades has had a knock-on impact on youth worklessness.

Although similar, our definition of worklessness is not equivalent to the commonly-used 'NEET' definition. NEET young people are those who are not in education, employment or training. NEET rates are seen to be a key indicator of living standards and quality of life among young people, since those who spend time NEET in early adulthood are more likely to experience unemployment, low wages and low-

quality work later in life.[5] Although worklessness is similar to the NEET definition, our worklessness definition does not exclude young people who are in training or part-time education, due to limitations in many of the main data sources. For example, a young person who is not in education or employment, but is in training or part-time education (such as a government-supported employment or training programme), will not be defined as NEET but could be defined as workless in our analysis.

The remainder of this report is structured as follows:

- Section 2 sets out the key trends in youth worklessness since the 1990s, reflecting that the headline fall in youth worklessness has been a success story of recent decades but that there has been an increase in economic inactivity among young men.
- Section 3 identifies some of the reasons behind changing youth worklessness: while falling fertility rates have driven down worklessness rates, an increase in health problems pushes in the other direction.
- Section 4 focuses on the impacts of the Covid-19 pandemic: while youth workless has recovered quickly, mental health problems continue to rise.
- Section 5 concludes by setting out some policy recommendations.

5 See: A Powell, NEET: Young people Not in Education, Employment or Training, House of Commons Library, July 2021.

Section 2

The fall in youth worklessness has been a success story of recent decades

Between 1995 and 2021, the share of young people who are workless and outside of full-time education has fallen by 7 percentage points, from 22 per cent to 15 per cent. But while the overall picture is bright, with falling youth worklessness being a success story of recent decades, this fall has been almost entirely driven by women, and there has in fact been a rise in the proportion of young men who are economically inactive, rising from 5 per cent to 9 per cent between 1995 and 2021. Consequently, prolonged worklessness among young men has increased, with the proportion of young men who are workless for more than one year increasing from 56 per cent in 1995 to 70 per cent in 2021.

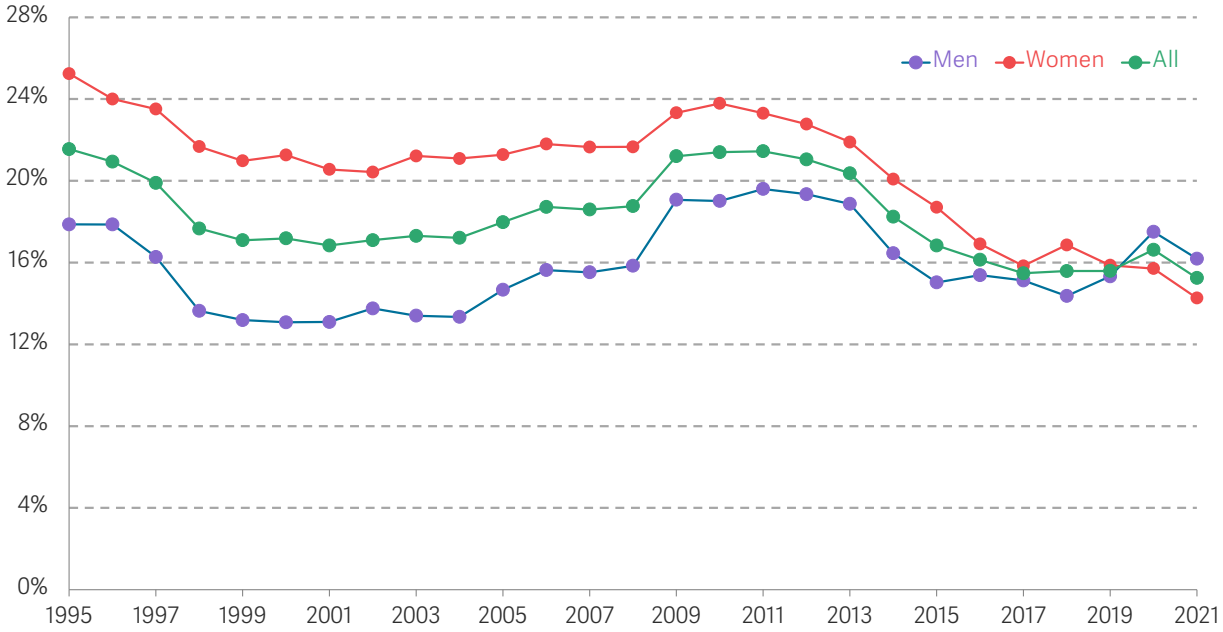
Worklessness among young people has fallen since the 1990s, chiefly due to falling worklessness among young women

The overall share of young people who are workless and outside of full-time education has fallen by 7 percentage points, from 22 per cent to 15 per cent between 1995 and 2021 (see Figure 1). It is undeniable that the fall in youth worklessness in the UK is a success story of recent decades.

There has, however, been fluctuation during this period. For five years between 2009 and 2013, in the aftermath of the financial crisis, the youth worklessness rate rose above 20 per cent and peaked at 21 per cent in 2010 and 2011. However, from 2013 onwards, youth worklessness recovered quickly and returned to the pre-crisis low of 17 per cent in 2015. There was another small spike during the Covid-19 pandemic, with worklessness rising from 16 per cent in 2019 to 17 per cent in 2020, but, thanks to the success of the furlough scheme, this spike was both smaller and shorter-lived than that experienced during the financial crisis.

FIGURE 1: **Since 1995, worklessness has fallen by 11 percentage points for young women but only 2 percentage points for young men**

Proportion of 18-24-year-olds who are workless (and not in full-time education), by sex: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

Figure 1 also shows that this fall in worklessness has been almost entirely driven by women. In the 1990s, young women were much more likely to be workless than young men: in 1995, there were 648,000 workless young women and 459,000 workless young men. By 2021, the number of workless young men had fallen by only 18,000 (4 per cent) to reach 441,000, whereas the number of workless young women had fallen by 274,000 (74 per cent) to reach 373,000. As a result, since 2020 young men have been more likely to be workless than young women: in 2021, 16 per cent of young men, and 14 per cent of young women, were workless. Young men have also experienced a bumpier ride than women since 2008, with worklessness rising by a greater amount for young men than young women during the financial crisis and the Covid-19 pandemic.

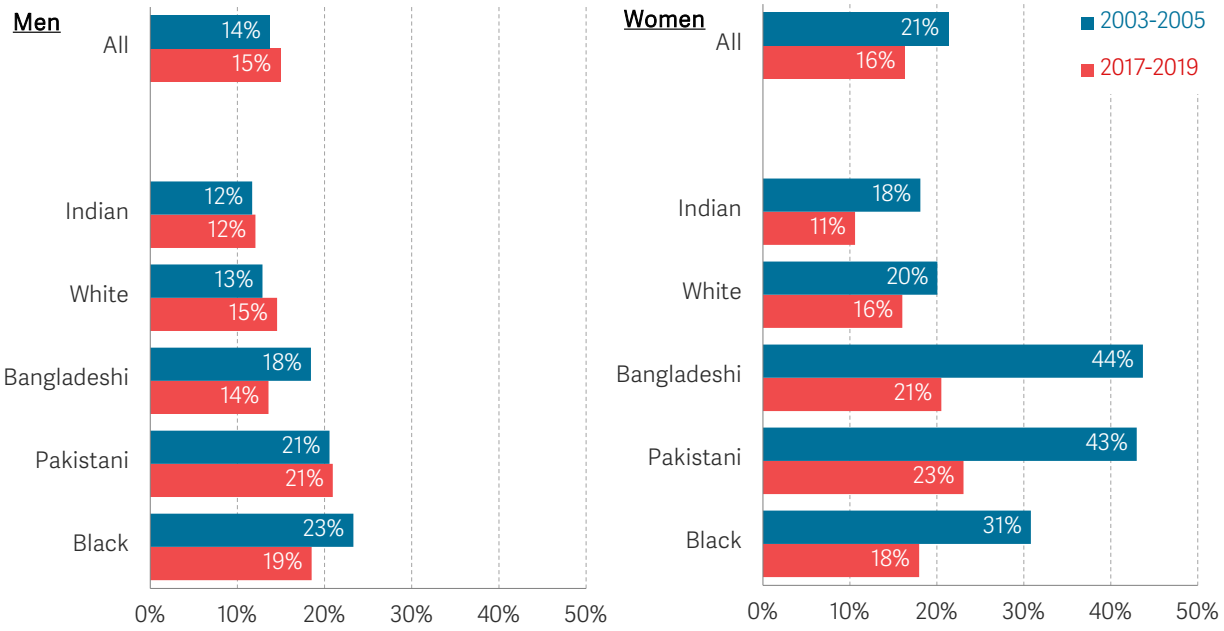
Figure 2 shows that while there has been progress among young women from all ethnic groups, the biggest improvements in youth worklessness have been seen by young women from Black, Bangladeshi and Pakistani ethnic groups. Between 2003-2017, worklessness fell by 5 percentage points among all young women, but fell by 13 percentage points, 23 percentage points and 20 percentage points respectively for young women from Black, Bangladeshi and Pakistani ethnic groups.

Women are also driving the (small) improvements experienced by young White people. Worklessness fell by 4 percentage points among young White women, from 20 per cent to 16 per cent. On the other hand, the picture has deteriorated for young White men

since the early 2000s, with worklessness rising by 2 percentage points from 13 per cent to 15 per cent between 2003-2005 and 2017-2019.

FIGURE 2: **Worklessness among young women from Bangladeshi and Pakistani ethnic groups has halved since the start of the century, while worklessness among young White men has increased**

Proportion of 18-24-year-olds who are workless (excluding full-time students), by ethnicity and sex: 2003-2005 and 2017-2019, UK



NOTES: Due to small sample sizes, not all ethnic groups are included. The 'White' ethnicity category includes people from White British and other White backgrounds. The 'Black' ethnicity category includes people from Black Caribbean, Black African and other Black backgrounds.
SOURCE: RF analysis of ONS, Labour Force Survey.

Taken together this means that, by 2017-2019, although young women from Black, Bangladeshi and Pakistani ethnic groups remained more likely to be workless than young White or Indian women, the ethnicity worklessness gap had decreased substantially. In 2017-2019, worklessness rates among young women were 11 per cent for those of Indian ethnicity, 16 per cent for those of White ethnicity, 18 per cent for those of Black ethnicities, 21 per cent for those of Bangladeshi ethnicity and 23 per cent for those of Pakistani ethnicity.

Youth worklessness in the UK is lower than the EU average, but higher than many comparable high-income countries

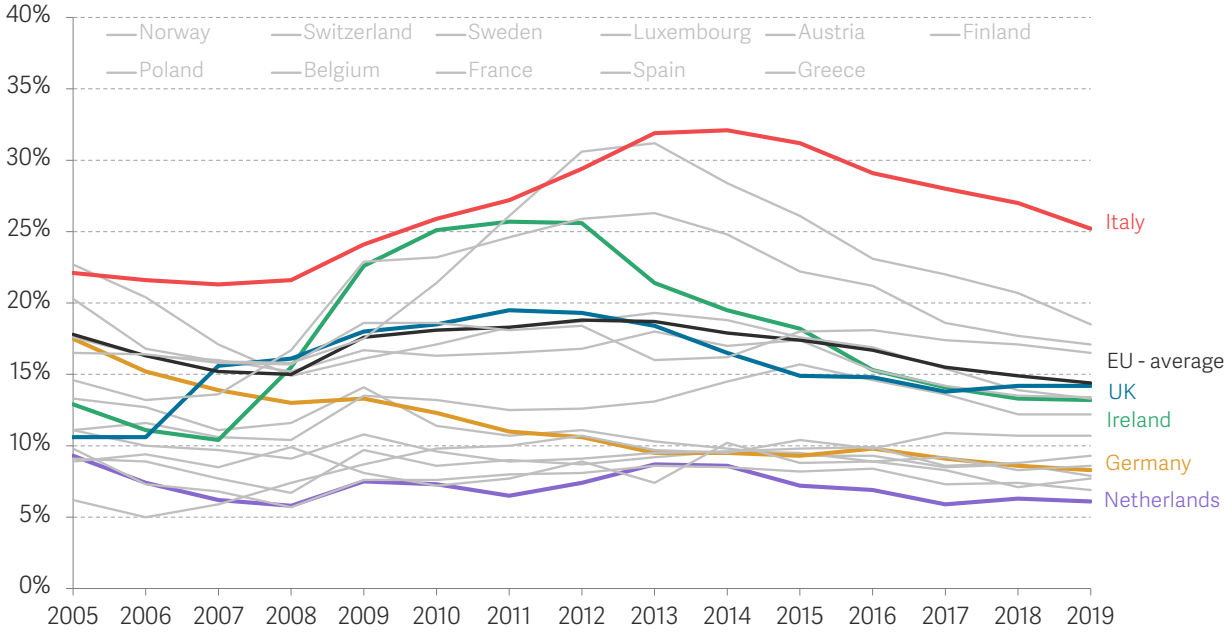
There has been good progress in youth worklessness in the UK since the 1990s – but how does the UK compare to other European countries? Figure 3 shows that in the years prior to the Covid-19 pandemic, the UK was faring slightly better than the EU overall: the

proportion of 20-24-year-olds who were workless in 2017-2019 was 14 per cent, slightly lower than the EU average of 15 per cent.

Although there has been significant variation in trends in worklessness between European countries, the UK has experienced slower progress in recent decades than many comparable countries. For example, by 2019, the UK had a higher youth worklessness rate than countries including Germany and Ireland. Since 2005, youth worklessness has been steadily declining in Germany, moving below the UK from 2007 onwards. On the other hand, Ireland had considerably higher youth worklessness rates than the UK in the aftermath of the financial crisis, but experienced fast progress from 2012, with youth worklessness rates dipping below the UK from 2018.

FIGURE 3: **In recent years, the improvement in youth worklessness in the UK has stalled relative to other European countries**

Proportion of 20-24-year-olds who are workless, by country

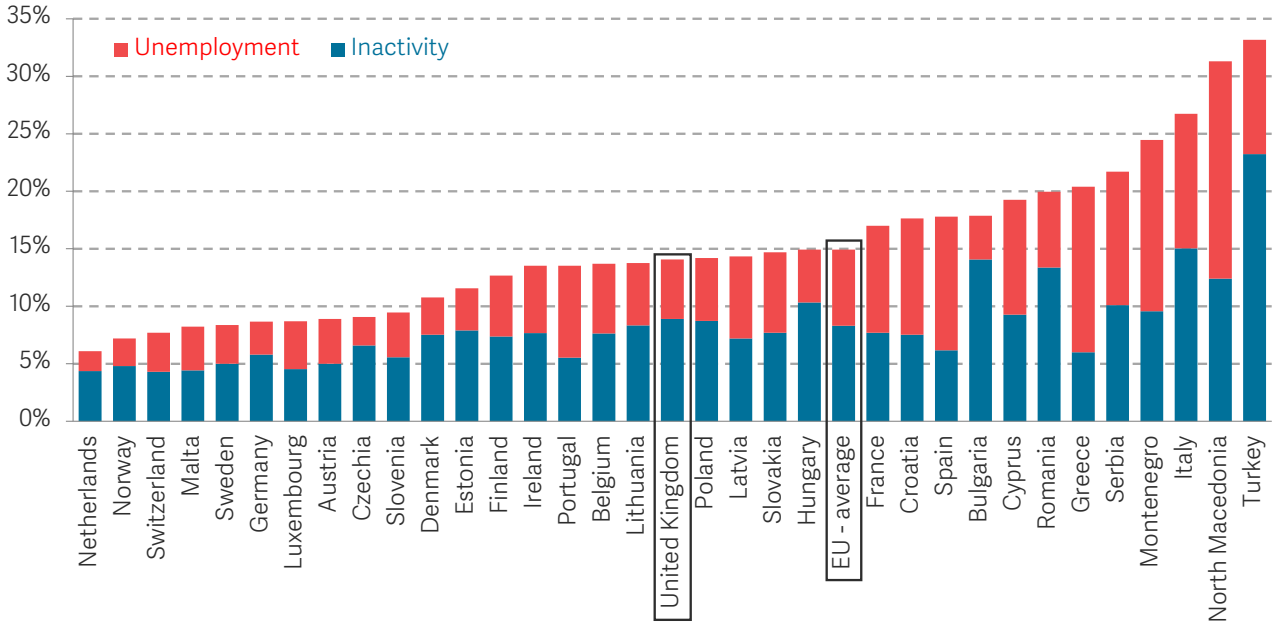


SOURCE: RF analysis of Eurostat, Young people neither in employment nor in education and training by sex, age and labour status (NEET rates).

When youth worklessness is broken into its component parts of unemployment and economic inactivity, we can understand these trends more clearly. As shown in Figure 4, the UK has a lower-than-average rate of unemployment, at 5 per cent in 2017-2019, compared to the EU average of 7 per cent. On the other hand, 9 per cent of 20-24-year-olds were economically inactive in the UK in 2017-2019, slightly higher than the EU average of 8 per cent. We will go on to explore UK trends in youth unemployment and economic inactivity in more detail.

FIGURE 4: **Youth worklessness in the UK is lower than the EU average, but the UK lags behind neighbours such as Germany and the Netherlands**

Proportion of 20-24-year-olds who are unemployed or inactive (and not in education or training), by country: 2017-2019



NOTES: Unemployment and economic inactivity rates are averages over 2017-2019 for every country.
SOURCE: RF analysis of Eurostat, Young people neither in employment nor in education and training by sex, age and labour status (NEET rates).

Unemployment rates for men and women have moved in tandem, but economic inactivity among non-students has almost halved among young women and almost doubled among young men

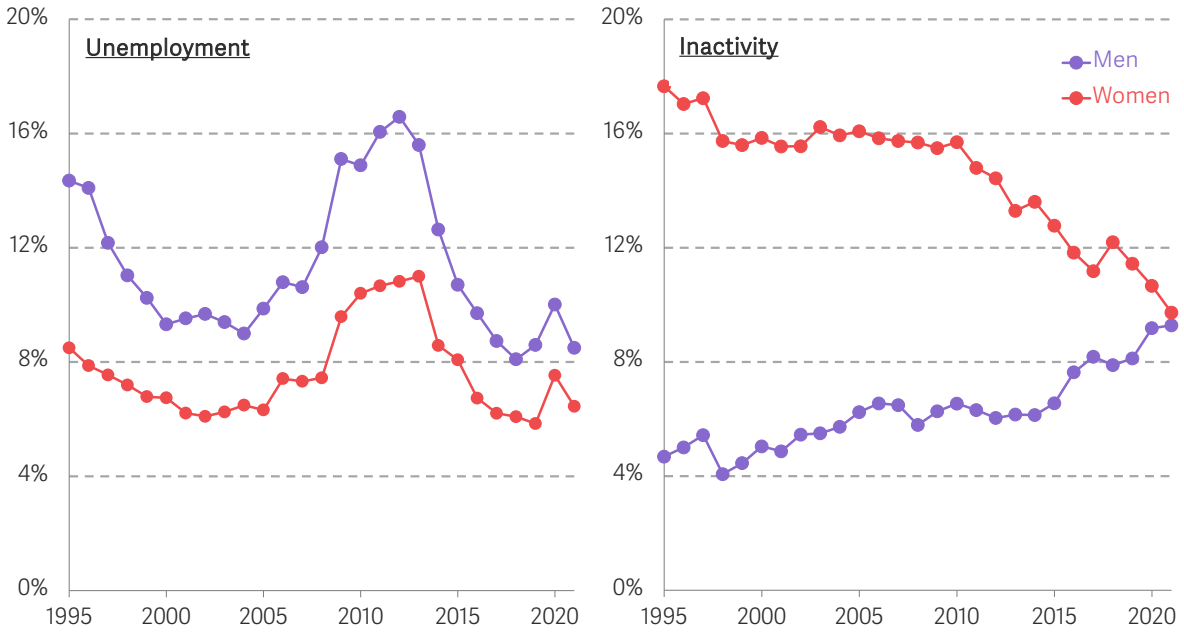
To understand the trend of rapidly falling worklessness among young women, but slow progress for young men, it is important to split worklessness into its components of unemployment and economic inactivity (outside of full-time study). As shown in Figure 5, although young women and men's experiences of unemployment have been similar since 1995 (falling until the early 2000s, peaking in the aftermath of the financial crisis, and falling again until the eve of the Covid-19 pandemic), their experiences of economic inactivity have been very different.

Since 1995, the proportion of young women who are economically inactive (excluding full-time students) has almost halved, from 18 per cent in 1995 to 10 per cent in 2021. The opposite trend is seen among young men: the proportion who are economically inactive (excluding full-time students) has almost doubled, from 5 per cent in 1995 to 9 per cent in 2021. It is this rise in economic inactivity that is driving the poor progress in worklessness among young men: if economic inactivity among young men had remained at 1995 levels, worklessness would have fallen by 6 percentage points among young men, rather than the 2 percentage point fall that we have seen.

This also means that the makeup of youth worklessness has been altered: it is no longer true that workless young women overwhelmingly tend to be inactive and young men overwhelmingly tend to be unemployed. By 2021, the difference in the proportion of young women and men who were unemployed, and economically inactive was just 4 percentage points, compared to a difference of 13 percentage points in 1995.

FIGURE 5: **Young women's economic inactivity rate used to be much higher than men's – but by 2021, the gender gap was less than one percentage point**

Proportion of 18-24-year-olds who are unemployed and economically inactive (excluding full-time students), by sex: UK

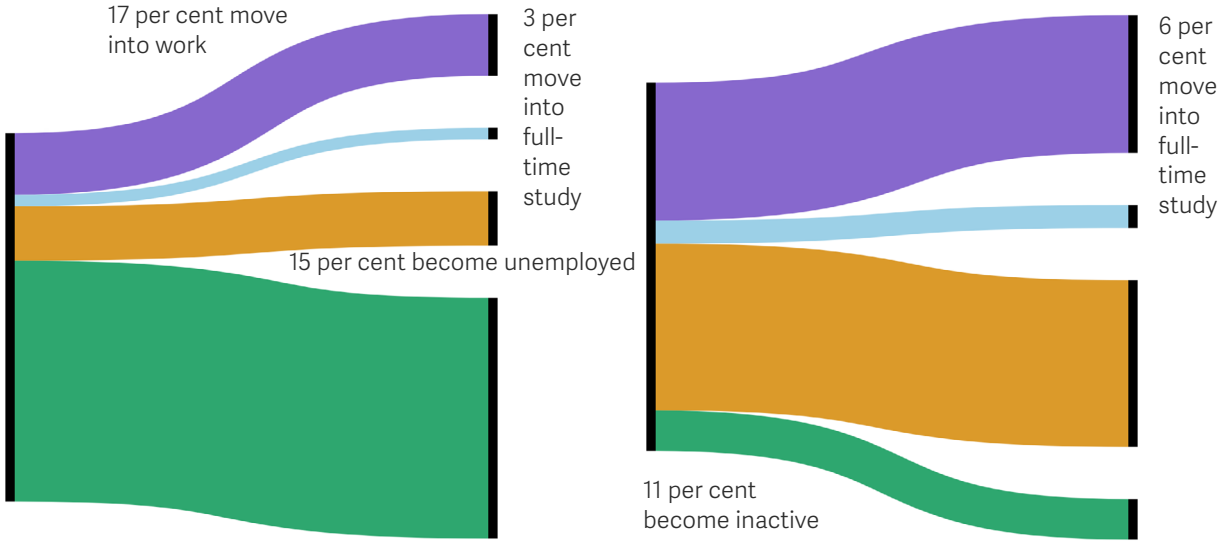


SOURCE: RF analysis of ONS, Labour Force Survey.

This change in the make-up of youth worklessness is important since, on average, young people who are workless due to economic inactivity tend to be workless for longer than those who are workless due to unemployment. This is to be expected: young people who are unemployed (i.e., looking for and available for work, and often engaging with the jobcentre) are more likely to move into employment than those who are economically inactive (i.e., not looking for or available for work). This point is illustrated in Figure 6: only 20 per cent of young people who are economically inactive move into work or study one year later, compared to 43 per cent of unemployed young people.

FIGURE 6: **Four-in-five young people who are economically inactive remain out of work or full-time study one year later**

Proportion of 18-29-year-olds who are employed, in full-time study, unemployed and inactive, among those who are economically inactive and unemployed one year previous: UK, 2012-2019



SOURCE: RF analysis of ISER, Understanding Society.

Prolonged worklessness among young men has increased since the 1990s

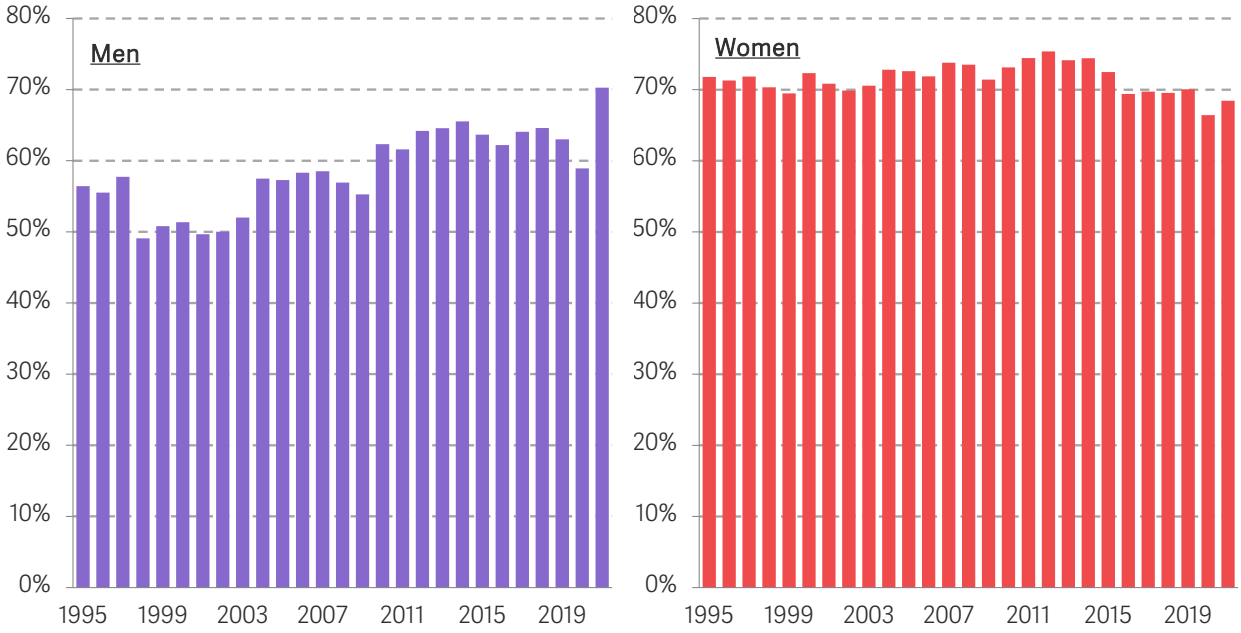
Figure 7 shows how prolonged worklessness (worklessness of longer than one year) has changed for young men and women since 1995. As a result of rising inactivity and falling unemployment, the proportion of workless young men who are workless for more than a year has increased from 56 per cent in 1995 to 70 per cent in 2021. It is worth noting that this proportion rose sharply in 2021, perhaps reflecting the Covid-19 shock of 2020. However, even in the years preceding Covid-19, prolonged workless was significantly higher than in the 1990s, reaching 63 per cent in 2019. For young women, prolonged worklessness has remained much more stable, but started to fall after 2012, coinciding with the fall in economic inactivity among young women that began in 2010.

One reason to worry about the increase in prolonged worklessness among young men is the scarring effect of youth worklessness: there is evidence that young people who experience a longer duration of unemployment are at a greater risk of future unemployment than young people who experience short-term unemployment.[6]

6 See, for example: A Schmillen & M Umkehrer, The scars of youth: Effects of early-career unemployment on future unemployment experience, International Labour Review 156, 2017.

FIGURE 7: **Prolonged worklessness among young men has increased since the 1990s**

Proportion of workless young people aged 18-24 who have experienced more than one year of worklessness: UK



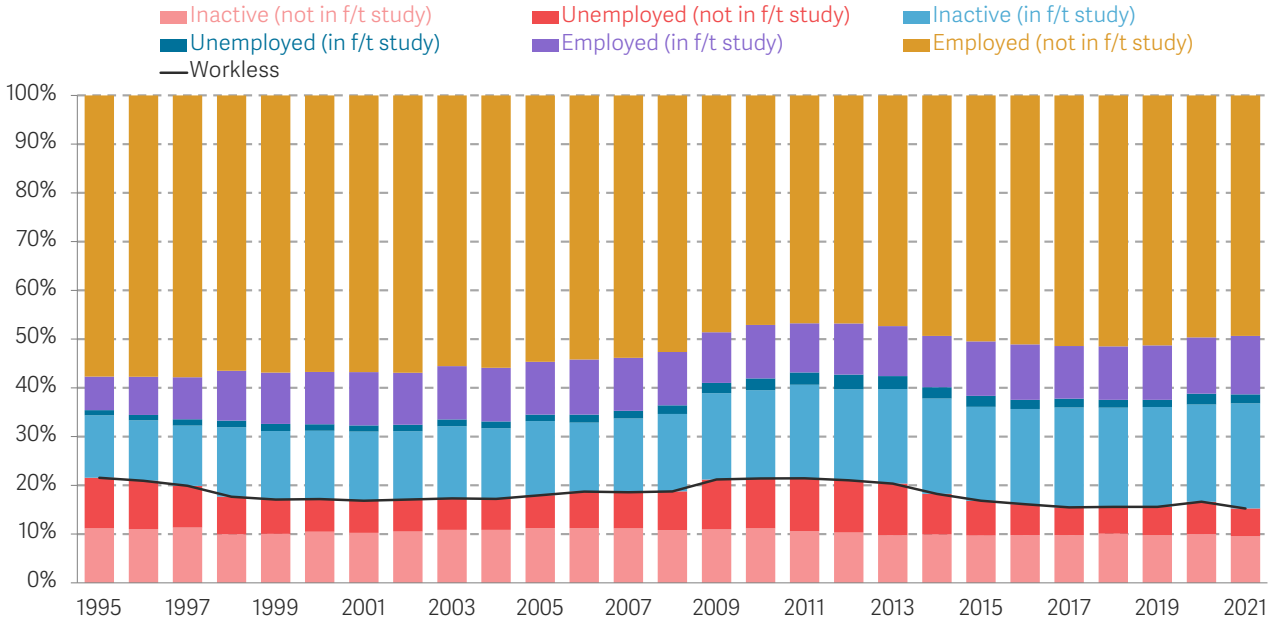
SOURCE: RF analysis of ISER, Understanding Society.

The fall in worklessness has happened at the same time as a rise in the fraction of young people in full-time education

Alongside the fall in worklessness seen in recent decades, the proportion of young people who are in full-time education has increased. The total proportion of young people aged 18-24 in full-time education (including those unemployed, economically inactive and in employment) has increased from 21 per cent in 1995 to 35 per cent in 2021. As we can see in Figure 8, most young people in full-time education are economically inactive: by 2021, 22 per cent of young people were inactive full-time students, compared to 2 per cent who were unemployed full-time students, and 12 per cent who were employed full-time students.

FIGURE 8: **Youth worklessness has fallen between 1995 and 2021, while participation in full-time education is on the rise**

Proportion of young people aged 18-24 in different employment and education statuses: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

This increase in full-time education participation should be seen as another good news story of recent decades: young people will reap the rewards of entering full-time education in the form of increased future earnings.[7] Furthermore, the higher proportion of young people in full-time education is particularly welcome given the volatility of the past couple of decades. During financial downturns when employment prospects are low, it is beneficial for young people to be able to 'ride out the storm' by sheltering in full-time education to avoid unemployment or gaps in their CV which may put off future employers.[8]

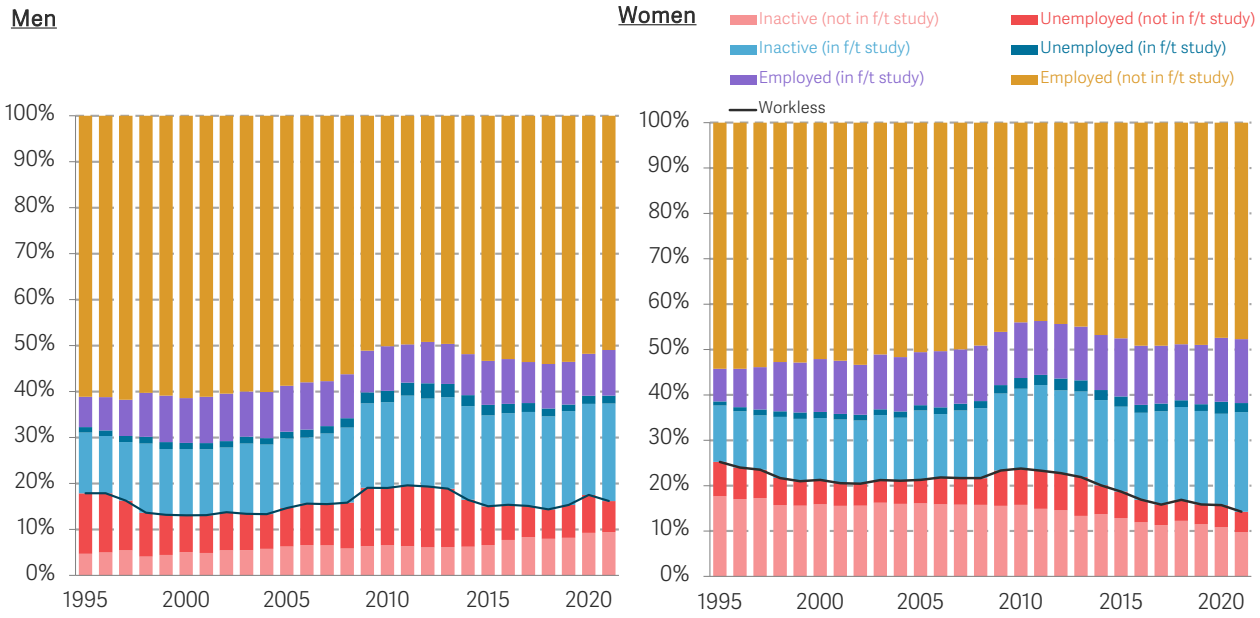
Although both men and women have experienced falling rates of worklessness and rising education participation, both of these changes have been more significant among women. Figure 9 shows that between 1995 and 2021, the share of young women who were workless fell by 11 percentage points, to 14 per cent, whereas the share of young men who were workless fell just by 2 percentage points, to 16 per cent. Meanwhile, full-time education participation rose by 18 percentage points among young women, to reach 38 per cent, compared to a 12 percentage point rise among young men, to reach 33 per cent.

7 See, for example, J Britton et al., The impact of undergraduate degrees on lifetime earnings, Institute for Fiscal Studies, February 2020.

8 For more on young people entering full-time education during financial downturns, see: K Henehan, Class of 2020: Education leavers in the current crisis, Resolution Foundation, May 2020.

FIGURE 9: **Since 1995, young women have seen a larger increase in education participation and a greater decrease in worklessness than young men**

Proportion of young men and women aged 18-24 in different employment and education statuses: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

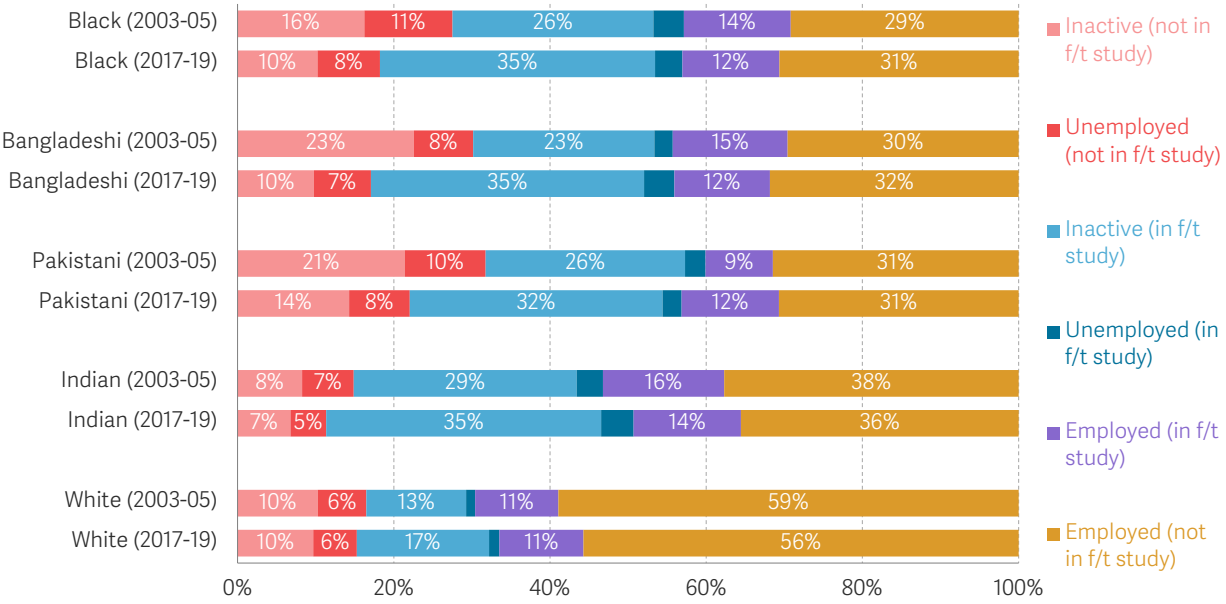
The gender difference in employment rates between men and women has closed, too.[9] In 1995, there was a 7 percentage point gender gap in employment, with 68 per cent of young men being in employment compared to 61 per cent of young women. By 2021, this gap had closed, with the proportion of young men being in employment dropping down to 61 per cent and the proportion of young women in employment rising slightly to 62 per cent.

As we saw earlier, young people from Black, Bangladeshi and Pakistani ethnic groups were more likely to be workless than young people from White or Indian ethnic groups. Figure 10 shows that, among workless young people from Bangladeshi and Pakistani ethnic groups, the majority were economically inactive rather than unemployed: 23 per cent of young people from the Bangladeshi ethnic group and 21 per cent of young people from the Pakistani ethnic group were inactive, while 8 per cent of young people from both ethnic groups were unemployed. The trend was less pronounced among workless young Black people: 16 per cent were inactive, while 11 per cent were unemployed.

9 For more reflections on labour market trends among young men and women, see: L Gardiner et al., An intergenerational audit for the UK, Resolution Foundation, October 2020.

FIGURE 10: **Gaps in worklessness between young people from different ethnic groups have narrowed since the early 2000s**

Proportion of 18-24-year-olds in different employment and education statuses, by ethnicity and time period: UK



NOTES: Due to small sample sizes, not all ethnic groups are included. The 'White' ethnicity category includes people from White British and other White backgrounds. The 'Black' ethnicity category includes people from Black Caribbean, Black African and other Black backgrounds.
SOURCE: RF analysis of ONS, Labour Force Survey.

Figure 10 also shows how participation in full-time education varies considerably between young people from different ethnic backgrounds. Young people from the Indian ethnic group are most likely to be in full-time education, with over half (53 per cent) being in full-time education during the 2017-2019 period. Young people from Black, Bangladeshi and Pakistani ethnic groups are almost as likely as those from the Indian ethnic group to be in full-time education, at 51 per cent, 51 per cent and 47 per cent respectively. In comparison, young White people lag behind: in 2017-2019, only 29 per cent were in full-time education. Strikingly, while the proportion of young people from Black, Bangladeshi and Pakistani ethnic groups who are in employment has remained stable or increased slightly, young White people have seen the proportion in employment fall from 70 per cent to 66 per cent. That is, for young White people, changes have occurred in the growing proportion of young people in full-time education and decreasing proportion in employment, while worklessness rates have remained stable.

Putting these pieces together shows that the good news of recent decades has been driven by young women, and particularly those from Black, Bangladeshi and Pakistani ethnic groups. On the other hand, progress has been much more sluggish for young men, particularly those who are White. This is down to rising economic inactivity among young men, which is offsetting reductions in unemployment, and driving up the typical length

of workless spells. In the following section, we will consider why men and women have experienced such different changes in worklessness in recent decades, and how the reasons for young people becoming economically inactive have changed.

Section 3

Falling birth rates have driven down worklessness among young women, but an increase in health problems pushes in the other direction

In the previous section we reflected on the changing make-up of youth worklessness, including the increasing number of young men and decreasing number of young women who are economically inactive. In this section, we explore the two trends that sit behind this gender difference. First, there has been a decline in the number of young women who are economically inactive for family care reasons: between 2006 and 2021, this number fell by 220,000, or 78 per cent. This has been driven primarily by falling birth rates among young women, and also by increased labour market participation among young mothers. Second, inactivity due to long-term health problems has been rising for young men and women: this rose by 45,000 for young men and by 28,000 for young women between 2006 and 2021. The sharpest rise in inactivity due to health problems has been among those with mental health problems, including anxiety and depression.

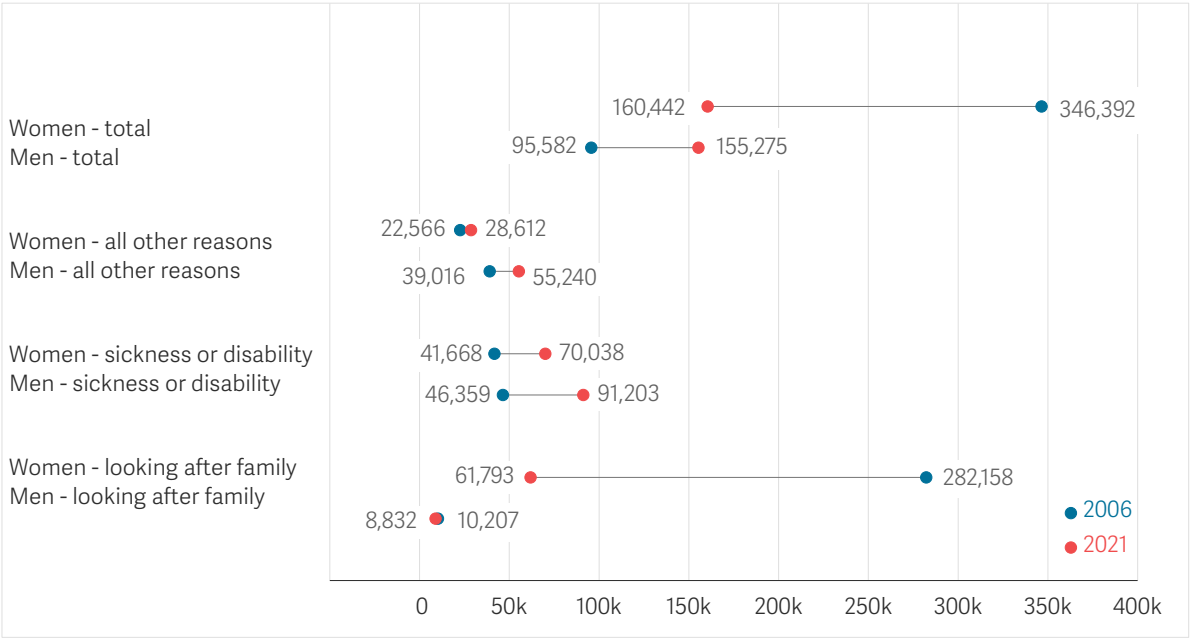
In this section, we explore in more detail the different trends in inactivity for men and women. Figure 11 provides an overview of the key facts: although the reduction in young women who are economically inactive due to family care represents the largest change (down 220,000 between 2006 and 2021), we can also see that inactivity due to long-term sickness or disability is on the rise for both men and women. For men, inactivity due to long-term sickness or disability has risen by 45,000, to reach 91,000, which makes up three-quarters of the overall rise in economic inactivity among young men. For women, the increase in inactivity due to long-term sickness or disability is smaller, at just 28,000, to reach 70,000 in 2021.

Below, we first look at the decline in the number of women who are inactive because they are caring for family, reflecting on the reasons for this good news story, and

considering implications for the future. We then look at the rising number of young men and women who are economic inactivity due to health problems.

FIGURE 11: **The number of young people who are economically inactive to look after family has fallen by more than 200,000 since 2006 – but the number of young men and women who are inactive due to sickness or disability is on the rise**

Number of young people aged 18-24 who are economically inactive, by reason: UK, 2006 and 2021



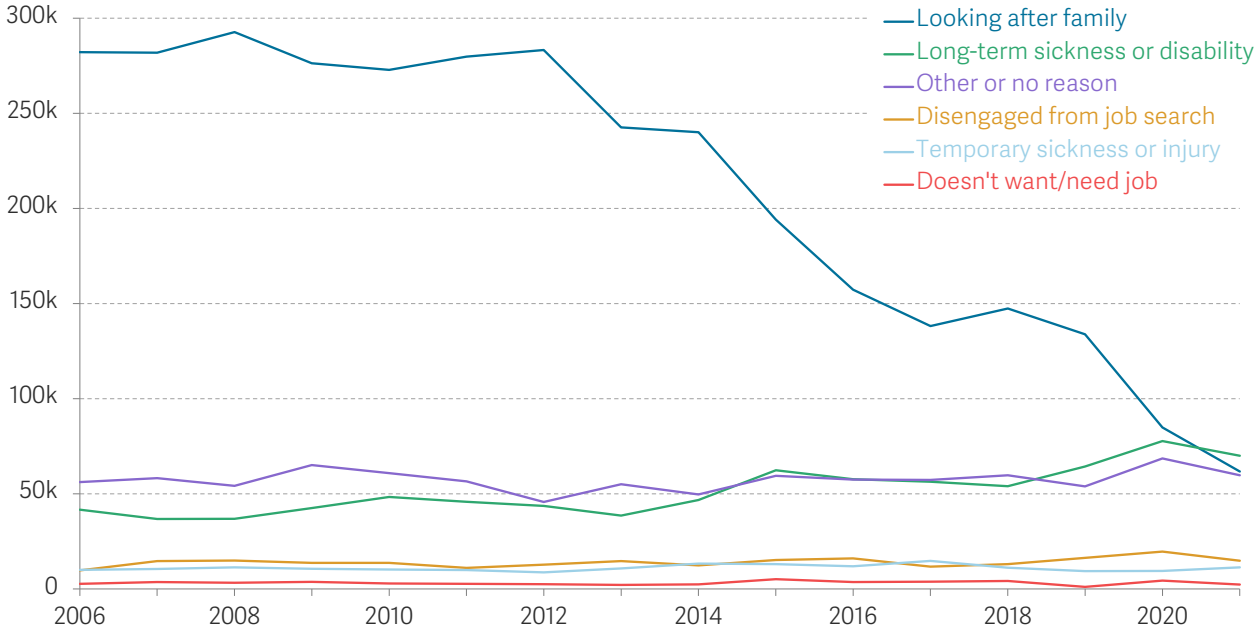
SOURCE: RF analysis of ONS, Labour Force Survey.

The fall in economic inactivity among young women reflects a reduction in the number of women who are out of work to care for family

As shown in Figure 11, the most dramatic change has been the reduction in the number of young women who are economically inactive in order to look after family, which between 2006 and 2021 fell by 220,000 (78 per cent), to 62,000. Figure 12 shows how this compares to the number of young women who are economically inactive (excluding full-time students) for other reasons. Although the number of women who are inactive for other reasons, including long-term sickness or disability, has risen, this rise has been dwarfed by the fall in women who are inactive to look after other family members.

FIGURE 12: **The number of young women who are economically inactive for family care reasons has fallen by 220,000 since 2006**

Number of 18-24-year-old women who are economically inactive (excluding full-time students), by their reason for inactivity: UK



NOTES: Young people who are economically inactive due to retirement are not shown, since numbers are very small or zero.
SOURCE: RF analysis of ONS, Labour Force Survey.

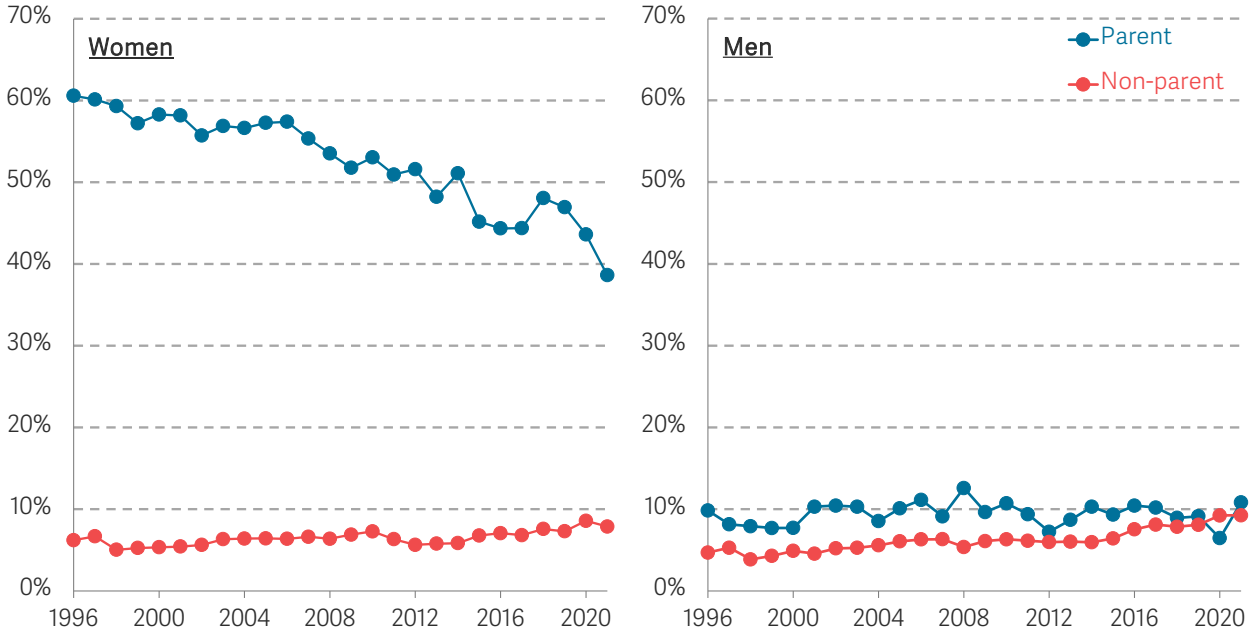
In fact, the trend of decreasing economic inactivity among young women and increasing inactivity among young men is better understood as decreasing inactivity among young mothers and rising inactivity among other young people.[10] Figure 13 illustrates this: between 1996 and 2021, economic inactivity among young women with children has fallen by 22 percentage points, from 61 to 39 per cent. For women without children, there has been much less change: inactivity rose by 1 percentage point during this period. On the other hand, parenthood has little impact on young men's economic inactivity. By 2021, 11 per cent of fathers, and 9 per cent of non-fathers, were economically inactive.[11]

10 In this report, due to limitations in the Labour Force Survey, adults are classified as parents if they have dependent children living with them in the same household. This may include children who are being cared for by someone other than their birth mother or father (for example, foster parents). We are likely to underestimate the number of parents, since we do not include parents whose children do not usually live with them, for example children who live with a former partner.

11 Unlike economic inactivity, unemployment has differed between young fathers and non-fathers, especially in the years before and after the financial crisis when young fathers were more likely than non-fathers to be unemployed. In 2010, 22 per cent of young fathers were unemployed, compared to 14 per cent of non-fathers. However, encouragingly, from 2016, this fatherhood unemployment gap had largely closed: in 2020, when unemployment peaked during the Covid-19 pandemic, 10 per cent of both young fathers and non-fathers were unemployed. For further discussion of young fathers and the risk of unemployment, economic insecurity and poverty, see: C Lau Clayton, The lives of young fathers: a review of selected evidence, Social policy and society: a journal of the Social Policy Association 15(1), January 2016.

FIGURE 13: **Economic inactivity among young mothers has decreased by 22 percentage points – but it has increased slightly among women without children**

The proportion of 18-24-year-olds who are economically inactive (excluding full-time students), by sex and parenthood: UK



NOTES: Due to missing parent data in 1995, we begin at 1996.
SOURCE: RF analysis of ONS, Labour Force Survey.

The reduction in young women who are inactive to look after family has mostly been driven by falling birth rates

Before turning to the reasons for rising economic inactivity among young men, it is worth understanding why economic inactivity among young mothers has fallen so sharply since the turn of the century.

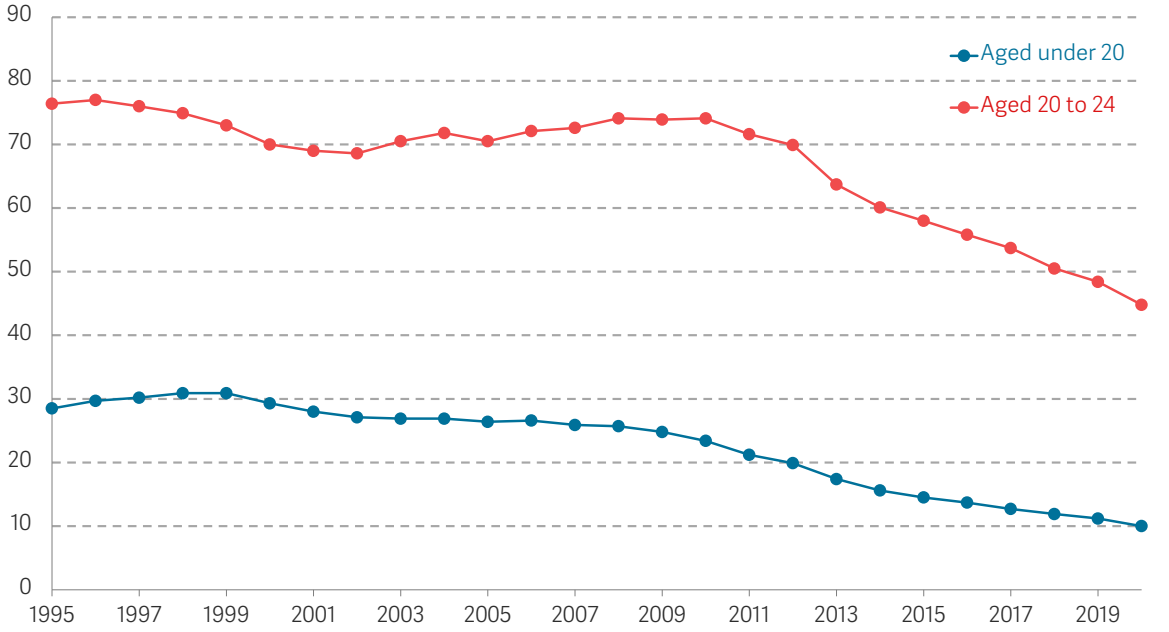
There are two factors at play: young women are becoming less likely to have children, and young mothers are becoming more likely to be in employment. In particular, the number of young mothers has fallen by 335,000 (a fall of 68 per cent) between 1996 and 2021. This reflects falling birth rates among young women. This trend is well documented, and largely reflects government intervention such as The Teenage Pregnancy Strategy that was introduced in 1999.[12] The number of births among teenage mothers peaked in 1999 and has been gradually falling since then, while the number of births among young women aged 20-24 has fallen more rapidly since 2010. As we can see in Figure 14, the birth

12 The strategy focused both on prevention, by improving sex and relationships education and access to contraceptive and sexual health, and on support for teenage parents to increase their likelihood of returning to education or employment; the strategy is widely regarded as a policy success. For further discussion, see: A Hadley, R Ingham & V Chandra-Mouli, Implementing the United Kingdom's ten-year teenage pregnancy strategy for England (1999-2010): How was this done and what did it achieve?. Reproductive Health 13, November 2016

rate among mothers under 20 fell from 29 per 1,000 in 1995 to 10 per 1,000 in 2021. At the same time, the birth rate among mothers aged 20-24 fell from 76 per 1,000 to 45 per 1,000.

FIGURE 14: **The birth rate for young women has dramatically decreased since 2010**

Number of live births per 1,000 women, for those aged 20 to 24 and aged under 20: England and Wales



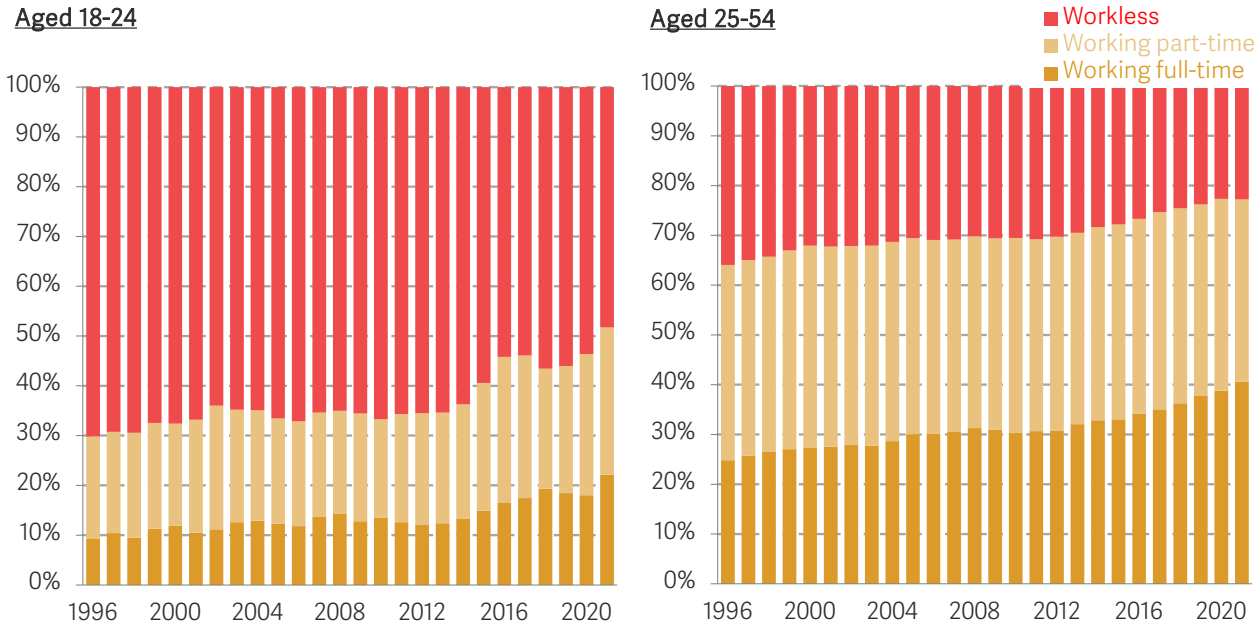
SOURCE: RF analysis of ONS, Births in England and Wales: summary tables.

Alongside the falling birth rate among young women, there has been a significant increase in employment among young mothers between 1995 and 2021. As well as the proportion of young mothers who are economically inactive falling from 61 to 39 per cent (as shown in Figure 13), the share of young mothers in full-time work more than doubled, from 9 to 22 per cent, and the share of young mothers in part-time work increased from 21 per cent to 30 per cent. As a result, in 2021 – for the first time – more than half (51 per cent) of young mothers were in employment. Although employment rates have been on the rise for mothers of all ages, young women have seen the biggest improvements in recent decades: the proportion of mothers aged 18-24 who were in work increased by 22 percentage points between 1996 and 2021, compared to a 13 percentage point rise among mothers aged 25-54.

Using a 'shift-share' analysis, we estimate that the fall in the birth rate among young women explains the majority (80 per cent) of the fall in worklessness among young mothers since 1996. The other 20 per cent is explained by the rising labour market participation among young mothers.

FIGURE 15: **The proportion of young mothers who are working full-time has more than doubled between 1996 and 2021**

Proportion of young women aged 18-24 with children (left-hand panel) and aged 25-54 with children (right-hand panel), who are working full-time, working part-time and workless (excluding full-time students): UK



SOURCE: RF analysis of ONS, Labour Force Survey.

This huge change in the profile of economically inactive young people is also related to changes in the number of young people living with their parents, as we discuss in Box 2.

BOX 2: **Worklessness among young people living with their parents**

In recent years there has been increasing discussion about young people living with their parents, with some arguing that this acts a driver for worklessness. The focus on young people living with their parents is not unfounded: between 1996-1997 and 2018-2019, the proportion of 19-29-year-olds living in their parents' home rose from 34 to 43 per cent, equivalent to an additional 1.6 million young people.[13] (Please note that our definition of young people has expanded slightly here.)

Yet as shown in Figure 16, there are big differences in young people's living arrangements depending on their gender and whether or not they have children. Among young people without children, the majority live with their parents, and workless young men and women are slightly more likely to live with their parents than their non-workless counterparts. In 2012-2019, 72

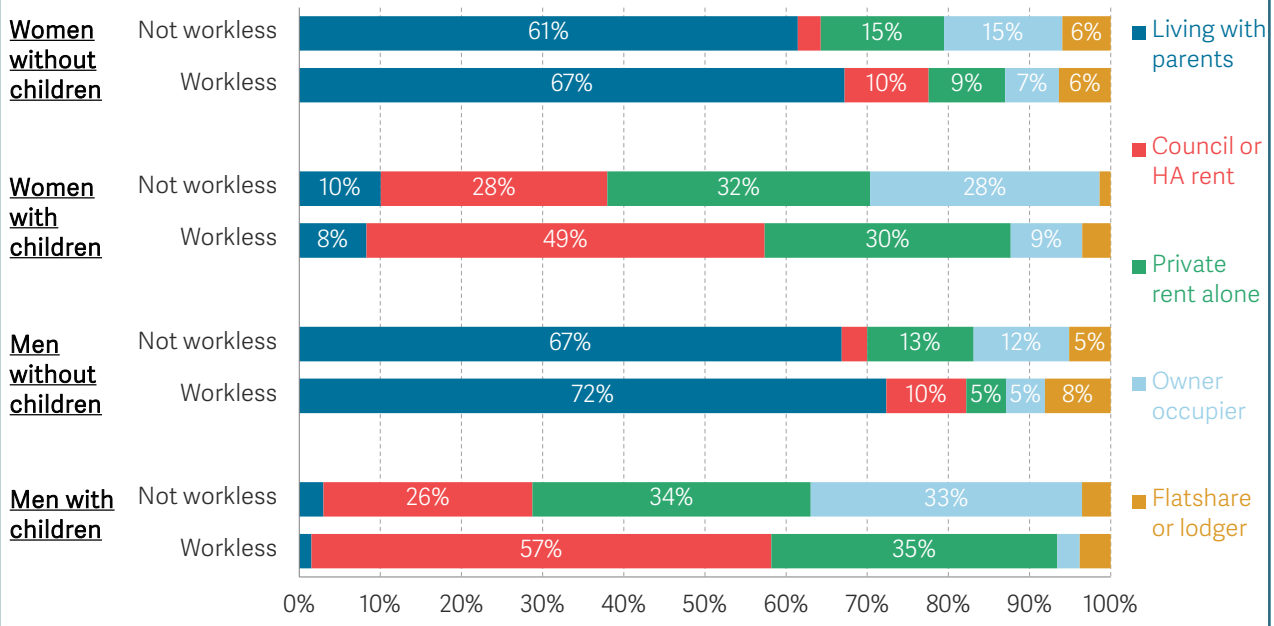
13 M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, *Resolution Foundation, June 2021*

per cent of workless men aged 18-29 without children were living with their parents, compared to 67 per cent of young men who were not workless. For young women without children, 67 per cent of those who were workless lived with their parents, compared to 61 per cent of those who were not workless.

However, the picture looks different for young people with children: fewer than one-in-ten young people with children live with their parents, workless or not. This can be explained by young parents' increased likelihood of living in the social-rented sector: half (49 per cent) of workless young mothers, and 57 per cent of workless young fathers, live in a property that is rented from a council or housing association. This is unsurprising, given that having a young child boosts a young person's chances of being eligible for a social-rented property.

FIGURE 16: **Young people without children – workless or not – are much more likely to live with their parents than young people with children**

Tenure type of young people aged 18-29, by workless status, sex and whether a parent: UK, 2012-2019



SOURCE: RF analysis of ISER, Understanding Society.

The relationship between worklessness and living with parents is complex, and it is not clear that living with parents is a driver of worklessness. In fact, it could be that relationship runs in the other direction, with young people who

become workless choosing to live with their parents. Recent research[14] found that, although living with parents did increase young men's odds of becoming workless, the effect was small, and this was not true of young women. Indeed, living with parents can help some young women with children enter work or study, since the parents can help with childcare. So, although the increase in young people living with their parents is an important trend of recent decades, it is not clear that it is driving changes in youth worklessness.

Economic inactivity due to long-term health problems is on the rise, for both young men and women

We saw in Figure 11 at the start of this section that inactivity due to long-term sickness or disability is on the rise for both men and women. Indeed, when we look at the reasons young men give for being economically inactive, the most common (making up 59 per cent of inactive young men in 2021) is long-term sickness or disability.[15] Given this, it is worth reflecting on the type of health problems that are affecting young people.

When we look at the main health problem stated by young people who are economically inactive due to long-term sickness or disability, mental health problems make up the plurality of health problems for both men and women. Physical health problems (including mobility problems), learning difficulties and progressive illnesses (such as cancer and MS) make up smaller proportions of the group.

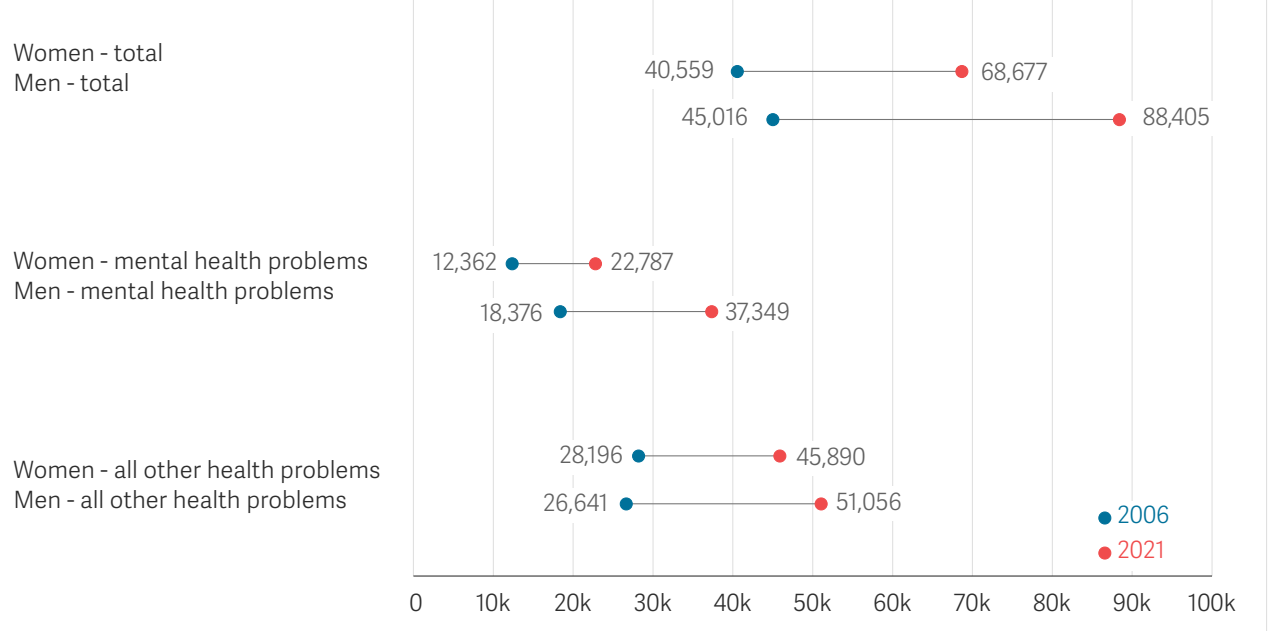
As well as being the plurality of health problems among economically inactive young people, inactivity due to mental health problems is on the rise for both men and women (see Figure 17). The number of young people who are inactive due to long-term sickness or disability and state a mental health problem as their main health problem was historically very small, at 18,000 for young men and 12,000 for young women in 2006, but has grown rapidly between in recent years, to reach 37,000 for young men and 23,000 for young women in 2021. This is a rise of 103 per cent for young men and 84 per cent for young women.

14 C Holmes, E Murphy & K Mayhew, What accounts for changes in the chances of becoming NEET in the UK?, Journal of Education and Work 34(4), August 2021.

15 The second most common reason for economic inactivity among young men in 2021 was 'other or no reason' – i.e., those who do not agree with any of the categories offered for being economically inactive. While this 'other or no reason' category makes up a sizable minority of inactive young men (21 per cent), and it is possible than some of these men are experiencing mental health problems but do not classify themselves as having a sickness or disability, we do not focus on this group further, mainly because the proportion of young men who are inactive for 'other or no reasons' has remained relatively stable since the 1990s so it is not a growing area of concern.

FIGURE 17: **The sharpest increase in economic inactivity due to health problems has been among young men with mental health problems**

Number of young people aged 18-24 who are economically inactive due to long-term sickness or disability (excluding full-time students), by main health problem: UK, 2006 and 2021



SOURCE: RF analysis of ONS, Labour Force Survey.

So, although mental health problems are by no means the only health problem affecting young people, they are the most common category of health problem among young people who are economically inactive – and this is rising fast. Inactivity due to other health problems should not be ignored, but none of these other health problems is rising at as fast a pace as inactivity due to mental health problems including depression and anxiety.

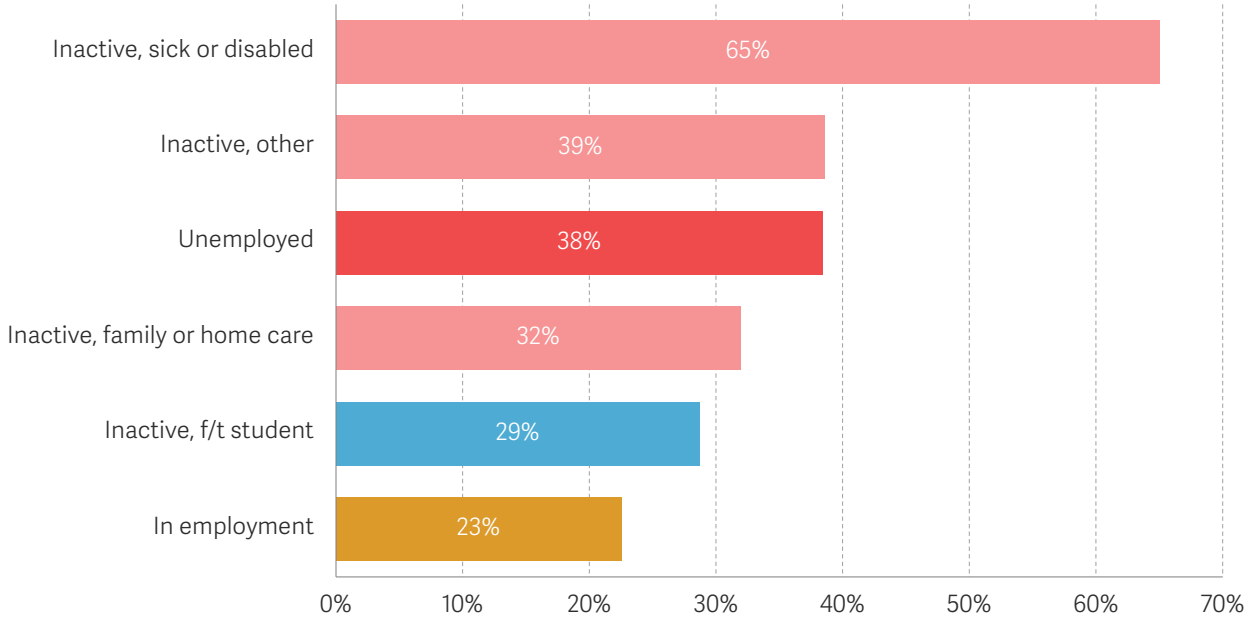
Young people who are economically inactive due to long-term sickness or disability are more likely to have mental health problems than those who are unemployed

Rates of mental health problems vary considerably according to economic status, as can be seen in Figure 18, which looks at all young people who are workless, not just those who state mental health problems as their main health problem (and note that we again widen the age band so as to allow us to draw on data from a different source). Those aged 18-29 who are economically inactive due to sickness or disability are most likely to have mental health problems, with two-thirds (65 per cent) reporting a common mental disorder (CMD), considerably higher than the 38 per cent of those who are unemployed, and the 32 per cent of those who are inactive to look after family.

It is intuitive that those who are inactive due to sickness or disability will have higher rates of mental health problems than other groups: for some people, the very sickness or disability that is at the root of their economic inactivity will be a mental health problem (as highlighted in Figure 17). Nonetheless, it is striking that the proportion is so high.

FIGURE 18: **Two-thirds of young people who are inactive due to illness or disability have poor mental health**

Proportion of young people aged 18-29 with a common mental disorder, by economic status: UK, 2012-2019



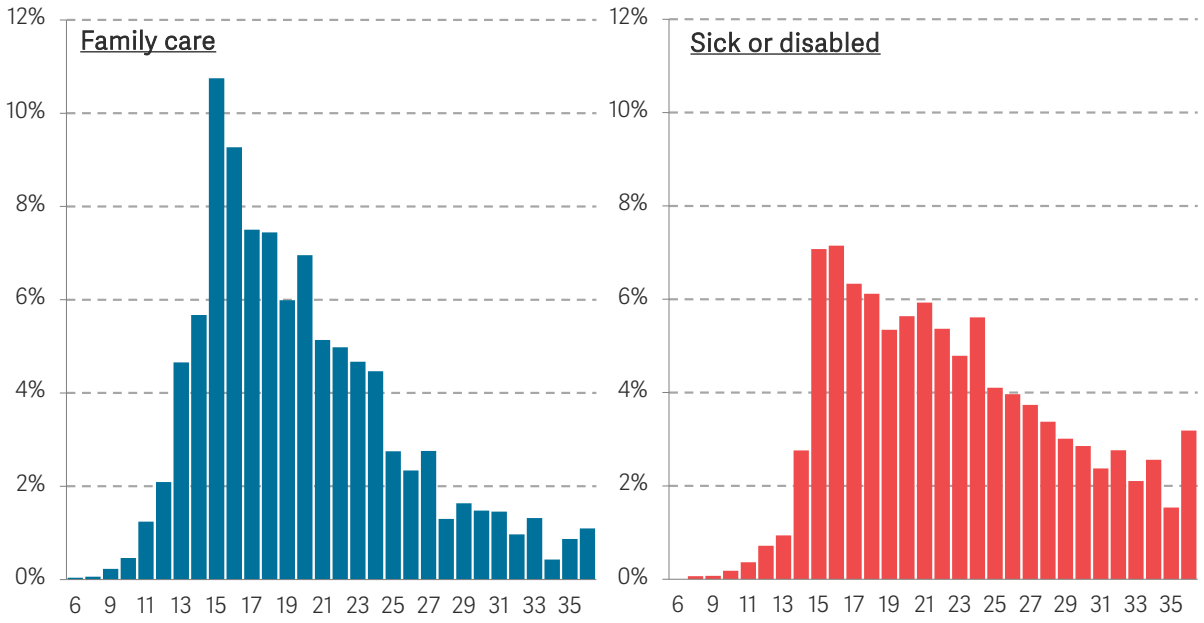
SOURCE: RF analysis of ISER, Understanding Society.

Those who are inactive due to sickness or disability are not only more likely to have a mental health problem, but their mental health problems also tend to be worse than other groups of inactive people. Figure 19 shows the distribution of General Health Questionnaire (GHQ)[16] scores for adults classified as having a CMD, among those who are inactive due to family care and those inactive due to sickness or disability. Among those inactive due to family care, three-fifths (62 per cent) had a GHQ score of 20 or lower, and only 8 per cent had a score of 30 or higher. Meanwhile, less than half (43 per cent) of those inactive due to sickness or disability had a GHQ score of 20 or lower, and 17 per cent had a score of 30 or higher.

16 The General Health Questionnaire (GHQ) is a self-report questionnaire used to measure mental health in the general population. The data we use comes from the GHQ-12, a questionnaire that includes 12 questions? items?. The 12 items are scored from 0 to 3, and are summed to create a scale ranging from 0 to 36. For more information, see Box 2 in: R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.

FIGURE 19: **Those who are inactive due to sickness or disability have more severe mental health problems than those who are inactive due to family care**

Distribution of GHQ scores (higher score = higher levels of mental health problems) for adults aged 18-64 who are inactive due to family care and inactive due to sickness or disability, and have a common mental disorder: UK, 2012-2019



NOTES: All adults aged 18-64 are included due to small sample size.
SOURCE: RF analysis of ISER, Understanding Society.

So, although mental health problems affect many groups of young people, those who are economically inactive with health problems are disproportionately affected. And with the group of young people inactive due to health problems growing rapidly (up by 73,000, or 83 per cent, between 2006 and 2021), this should be of concern to policy makers.

Young people with mental health problems are more likely to become workless

We know that young people who are workless, and especially those who are workless due to sickness or disability, have higher rates of mental health problems than their counterparts who are in work or full-time education. However, it is worth exploring the way in which worklessness and mental health problems interact. Is it that worklessness leads to mental health problems, or that young people with mental health problems are unable to engage with work and/or full-time study? [17]

For some young people, having poor mental health will be the driver behind their worklessness. In Figure 20, we show that having a CMD has a small, but statistically significant, effect on young people's likelihood of becoming workless. For both men and

17 For further discussion of the bi-directional relationship between worklessness and mental health, see: H. Wilson & D. Finch, Unemployment and mental health: Why both require action for our COVID-19 recovery, The Health Foundation, April 2021.

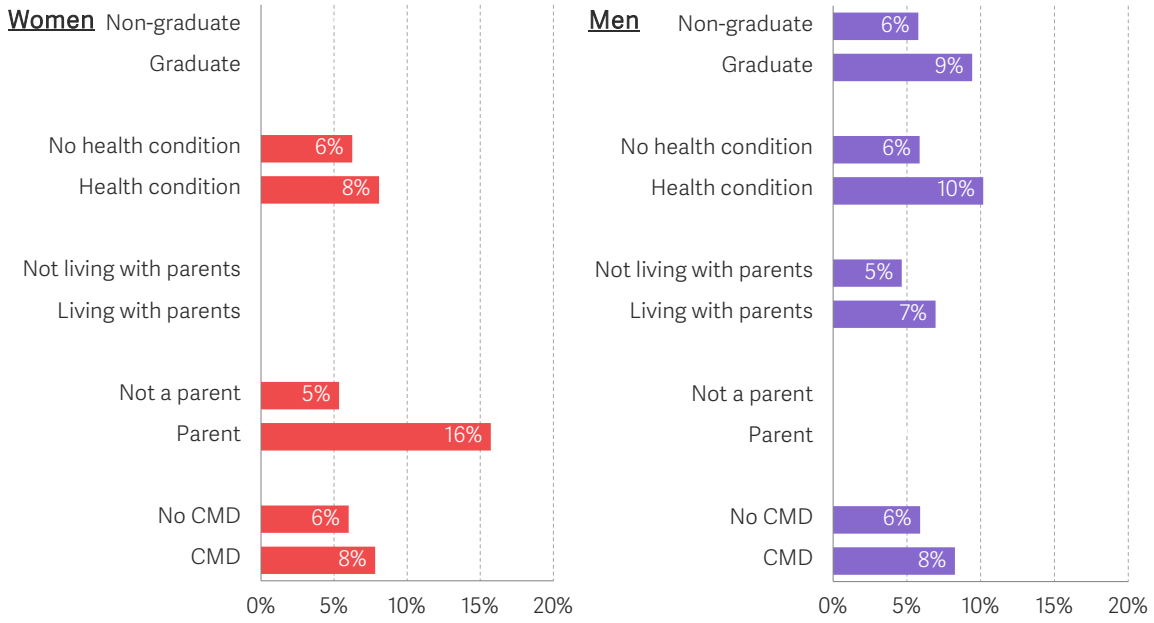
women, those with a CMD are somewhat more likely than those without a CMD to move from employment or full-time study into worklessness one year later (8 per cent of those with a CMD move into worklessness, compared to 6 per cent of those without).

However, it is worth noting that having a mental health problem is not the biggest predictor of future worklessness for young people. For women, unsurprisingly, being a parent has the biggest effect: 16 per cent of young mothers move into worklessness, compared to 5 per cent of young women without children. For men, there is no equivalent 'standout' predictor, but having health problems and being a graduate both have a small effect on the odds of moving into worklessness.

So, without attempting to point to causality, it is clear that the factors associated with worklessness are complex, and though having a mental health problem does increase the odds of a young person moving into worklessness, other factors in their lives – such as their education status, overall health, and whether or not they have children – are also important.

FIGURE 20: **For both men and women, having a mental health problem has a small, but significant, effect on the odds of becoming workless**

Predictive proportion of 18-29-year-olds who change from being in work or study to being workless in the next wave, by health condition, parenthood, CMD status, graduate status and whether or not they live with their parents in the previous wave: UK, 2012-2019



NOTES: Regression analysis tests for the likelihood of moving from work/study into worklessness one year later. Controls are: graduate status, sex, age, CMD status (previous year), whether or not they have a health condition (previous year), parenthood (previous year) and whether or not they are living with their parents (previous year). The association between graduate status and living with parents and future worklessness for young women, and parenthood and future worklessness for young men, were not statistically significant so are not shown here.
SOURCE: RF analysis of ISER, Understanding Society.

At the same time, existing evidence shows that work (and worklessness) affects people's mental health. For example, studies show that the sense of routine and purpose offered by work acts a boost for people's mental health.[18] However, in this research we did not find a statistically significant effect when examining whether young people who are workless without a pre-existing mental health problem go on to develop a CMD one year later. In other words, while work and mental health are certainly related, we did not find clear evidence that shows that worklessness will drive the onset of new mental health problems in young people.

Young people with mental health problems are more likely to stay workless for longer

We know, from looking at Figure 20, that having a CMD has a small predictive effect on young people becoming workless on year later. This alone should be cause for concern: with mental health problems on the rise for young men and women, this suggests that the number of workless young people is likely to grow. However, there is further reason to worry: the effect of mental health problems on worklessness does not end after one year. In Figure 21, we see that young people with a CMD who become workless (i.e., are in work or full-time study, and move into worklessness one year later) are more likely to remain workless for longer than those without a CMD. Half (51 per cent) are workless for at least two years, compared to two-fifths (40 per cent) of young people without a CMD.[19]

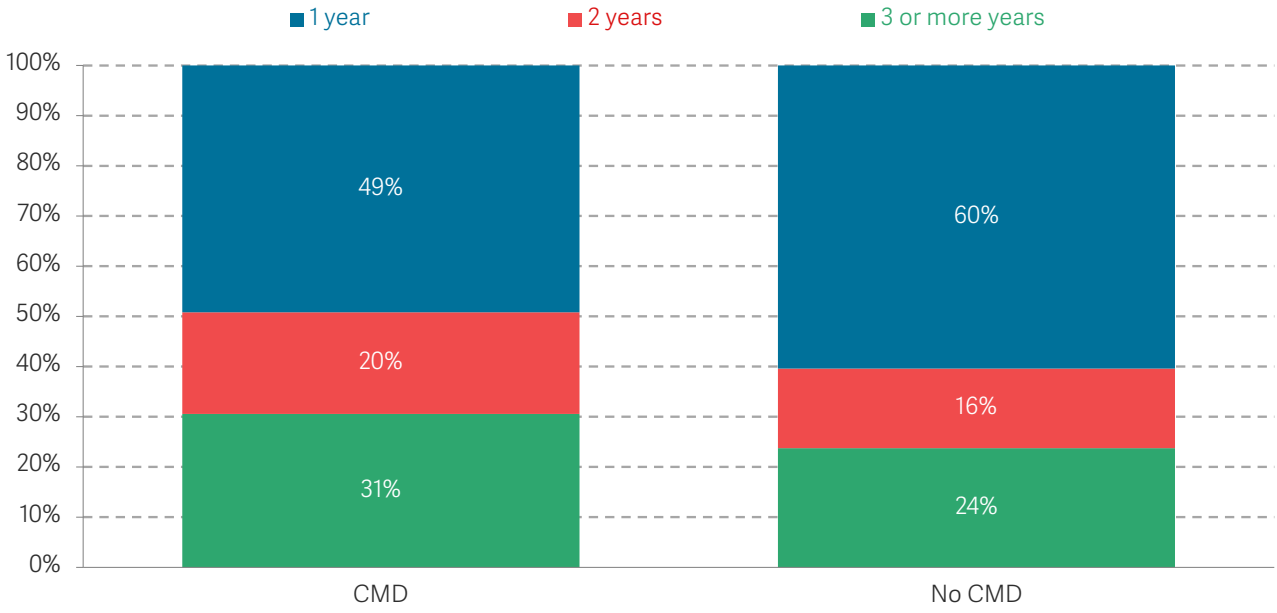
This trend also applies to the wider group of young people who are inactive due to mental health problems, not just those who move from work or study into worklessness. Figure 22 shows that three quarters (73 per cent) of young people who are inactive due to long-term sickness or disability, and who state their main health problem as depression or anxiety, have been workless for at least two years. This is higher than the overall share of young people who are workless for at least two years (61 per cent), and in stark contrast to young people who are unemployed, where only one-quarter (26 per cent) have been workless for two years or more.

18 See, for example: M Modini et al., The mental health benefits of employment: Results of a systematic meta-review, Australasian Psychiatry 24, January 2016.

19 This analysis used the Understanding Society survey. The data is collected in 'waves' that cover two calendar years (e.g. 2019-2020), but the gap between interviews for each panel member is roughly one year. For simplicity, when discussing changes between different waves, we refer to the change in number of years rather than number of waves.

FIGURE 21: **Among young people who become workless, those with a CMD remain workless for longer than those without a CMD**

Length of worklessness among young people aged 18-29, among those who change from being in work or study to being workless in the next year, by CMD status in the previous year: UK, 2012-2019



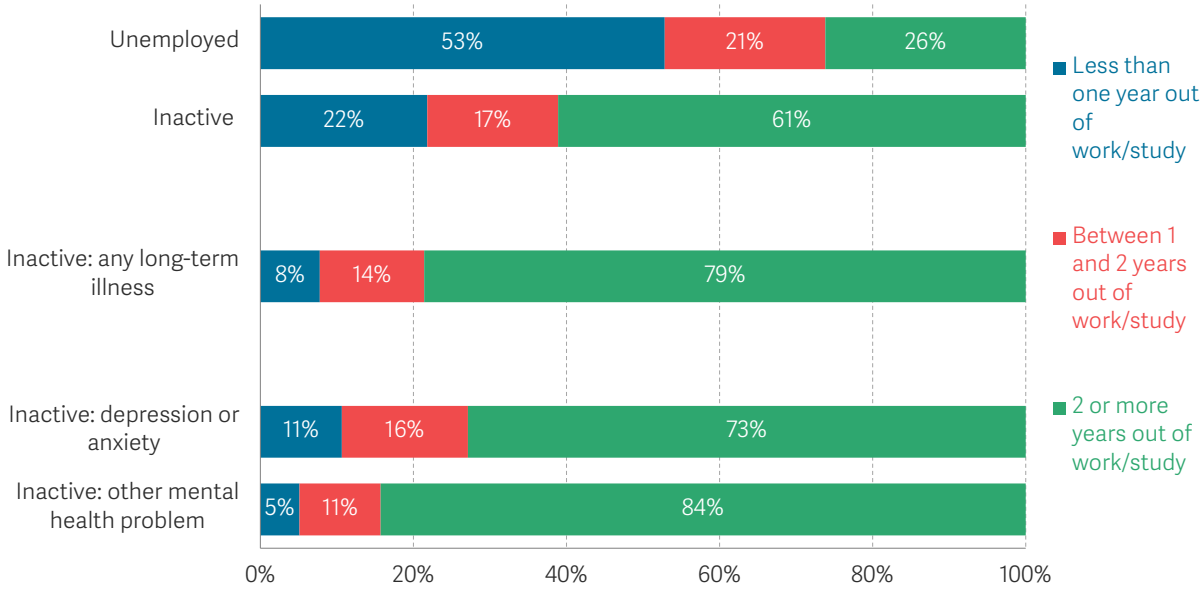
SOURCE: RF analysis of ISER, Understanding Society.

This is a concern because it means the total number of workless young people is likely to rise: if young people are staying workless for longer, the total number of workless young people will rise even if the number of young people becoming workless was to stay constant. Prolonged worklessness among young people is also concerning because it reduces young people's odds of escaping worklessness and moving into work. Put simply, the longer you are workless, the harder it is to move into work or study. As a result, rising mental health problems among young people is one of the factors driving the growing proportion of adults who have never had a job.[20]

20 L Gardiner, Never ever: Exploring the increase in people who've never had a paid job, Resolution Foundation, January 2020.

FIGURE 22: **Over three-quarters of young people who are inactive due to long-term sickness or disability have been workless for at least two years**

Length of worklessness among young people aged 18-24, by type and reason for worklessness: UK, 2017-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

The link between mental health problems and worklessness is worrying, because the frequency and severity of mental health problems among young people are on the rise

The evidence discussed above – that young people with mental health problems are both more likely to become workless and remain workless for longer – is particularly worrying in light of the fact that the frequency and severity of mental health problems among young people are disproportionately high, and rising. As we have discussed in earlier work, even prior to the Covid-19 crisis, in 2018-2019, 30 per cent of young people aged 18-24 were estimated to have a CMD; this is higher than any other age group.[21] Mental health problems have been rising most rapidly since the mid-2010s, with rates of mental health problems being consistently higher among young women than young men. Between 1995 and 2018-2019, the proportion of young men aged 18-29 with a CMD increased from 17 per cent to 24 per cent, and for young women from 29 per cent to 34 per cent.

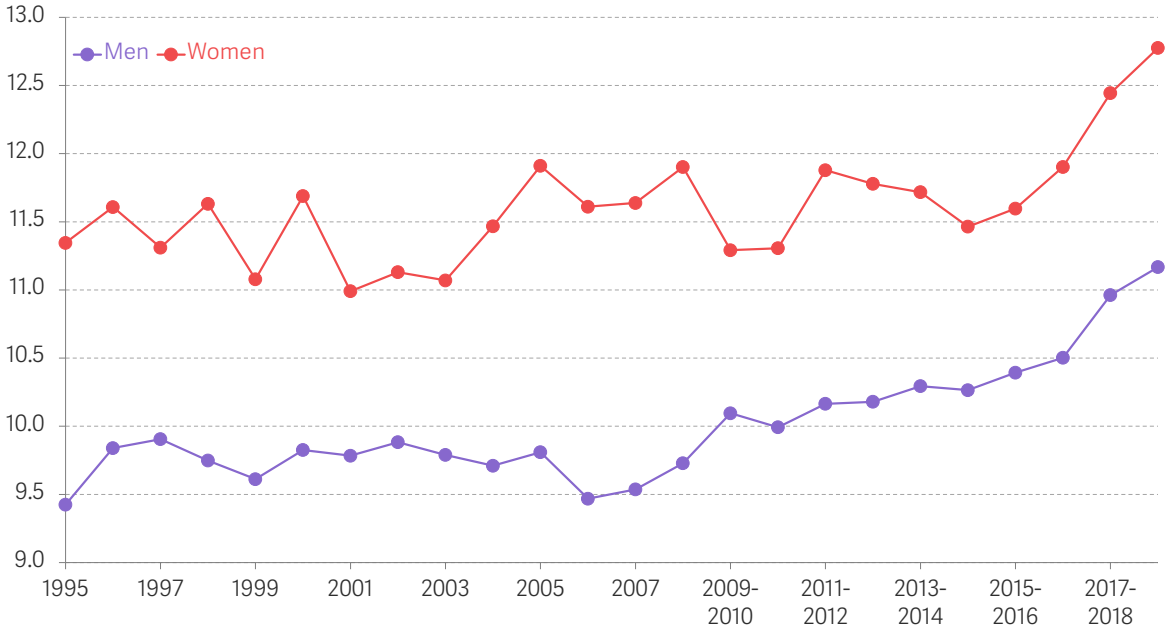
Not only did the proportion of young people with mental health problems increase, but so too did the severity of their mental health problems. Figure 23 shows that the average GHQ score (in which a higher score indicates a greater level of mental health problems)

21 R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.

among young people with a CMD increased by 13 per cent for young women and 18 per cent for young men between 1995 and 2018-2019.

FIGURE 23: **For both young men and women, mental health problems are on the rise**

Mean General Health Questionnaire (GHQ) score (higher score = higher levels of mental health problems) among 18-29-year-olds, by sex: UK



SOURCE: RF analysis of ISER, British Household Panel Survey; ISER, Understanding Society.

It is clear, then, that the frequency and severity of mental health problems among young people are on the rise. This has knock-on impacts on youth worklessness. Young people with a CMD are more likely to become workless, and remain workless for longer, than those without a CMD. This is a concern for individual young people, since the longer they remain workless, the harder it is to move into work or study. It should also be of concern to policy makers, since the total number of young people who are workless will rise if young people are remaining workless for longer. In the next section, we go on to consider these trends in the context of the Covid-19 pandemic.

Section 4

While youth workless has recovered quickly from the Covid-19 pandemic, mental health problems are on the rise

So far, we have considered how youth workless has changed in recent decades, with the key trends being falling worklessness due to family care and rising worklessness due to health problems. In this section, we consider how Covid-19 has influenced these trends, in order to get a clear picture of young people's worklessness in 2022. While the post-pandemic picture is much brighter than feared, with youth worklessness at a record low of 15 per cent in 2021, the trends that existed before the pandemic, namely rising economic inactivity linked to health problems, remain. Without intervention from policy makers, the good progress seen in recent years risks being undone, with total youth worklessness projected to increase again in the 2020s.

The impact of Covid-19 on youth worklessness has been much better than feared

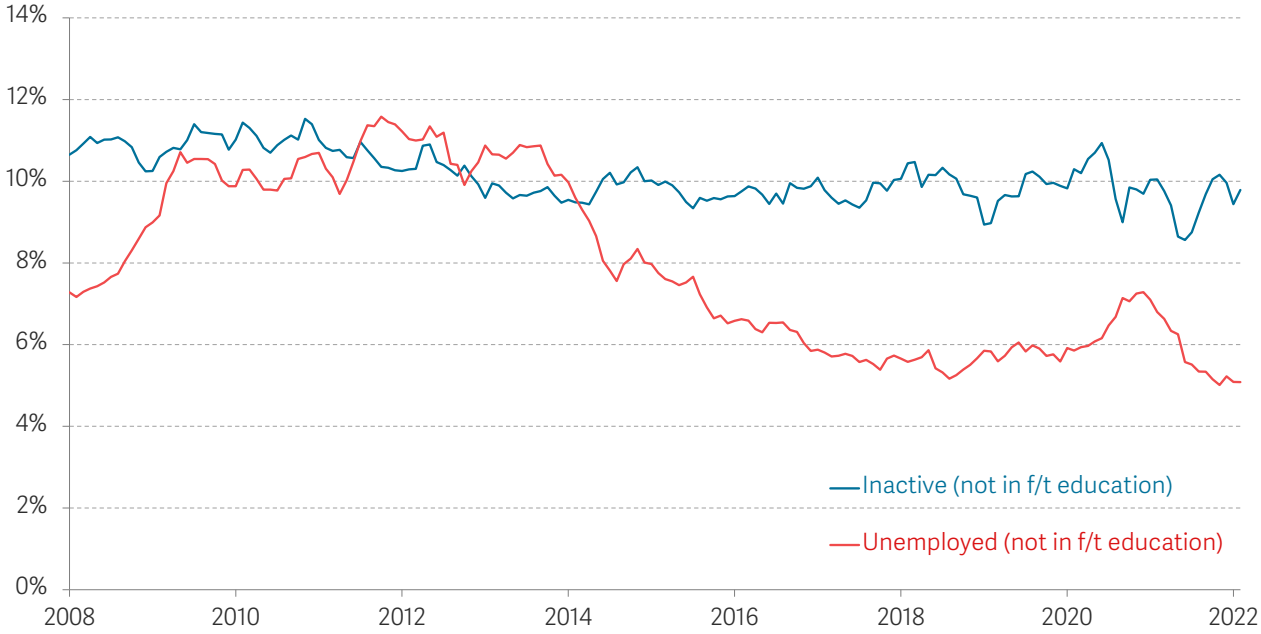
At the start of the Covid-19 pandemic, there were widespread fears that young people would bear the brunt of the pandemic via high unemployment. Thankfully, that has not transpired: unemployment (among non-students) peaked at 7 per cent in autumn 2020, and returned to pre-pandemic lows of 5 per cent as quickly as by summer 2021. This is largely thanks to the effectiveness of the furlough scheme that protected jobs for 18 months through 2020 and 2021 (see Box 3 for more information about the furlough scheme). Despite the fact that young people were most at risk of labour market disruption, as they were overrepresented in highly-affected sectors like retail and hospitality, most of these young people had jobs to return to when restrictions were lifted. By October 2021, three-quarters of young people aged 18-34 who were in work before the pandemic, but unemployed, fully furloughed or self-employed without work

during the winter lockdown of 2021, had returned to work.[22]

Figure 24 takes a longer-term view, and shows the proportion of young people aged 18-24 in unemployment and inactivity (excluding full-time students), from 2008 to the beginning of 2022. It shows that the unemployment peak during the Covid-19 pandemic was both smaller and shorter-lasting than during the financial crisis. In addition, while economic inactivity was on the rise in 2021 – leading to some concern that young people were moving into inactivity rather than unemployment as the furlough scheme was ending – this had levelled off by November 2021. Indeed, the proportion of young people who were inactive peaked at 10 per cent in autumn 2021 – lower than the peak of 12 per cent in the autumn of 2010.

FIGURE 24: **Youth unemployment during the Covid-19 pandemic never came close to the highs of the financial crisis**

Proportion of young people aged 18-24 who are inactive or unemployed, excluding full-time students: UK



SOURCE: RF analysis of ONS, A06 SA: Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted).

It is worth noting that although the overall picture is positive, not all young people have been quick to return to, or enter, work. In particular, the recent uptick in youth employment has been driven by employment among full-time students, while progress have been more sluggish for young people outside of full-time education. Between October-December 2019 and December-February 2022, the proportion of young people outside full-time education who are in employment has actually fallen from 52 per cent

22 L Murphy, Leaving Lockdown: Young people's employment in 2021: improvements and challenges in the second year of the Covid-19 pandemic, Resolution Foundation, January 2022.

to 50 per cent. (On the other hand, the proportion of employed students has risen slightly, from 11 per cent to 12 per cent.) This is a sign that more support is needed for young people who not in full-time education, for whom being out of work is of greater significance.

BOX 3: The furlough scheme protected young people during the Covid-19 pandemic

The furlough scheme, introduced in March 2020 and extended until September 2021, covered the wages of 11.6 million people and prevented UK unemployment from experiencing high levels of unemployment.[23] By the end of the furlough scheme, almost one-third (30 per cent) of young people under 24 had been furloughed at some point during the pandemic. [24] Young people were more likely than older people to be furloughed at the start of the pandemic, but by summer 2021, as the economy was reopening, this was no longer true. For example, in February 2021, 22 per cent of 18-24-year-old employees were furloughed, compared to 15 per cent of employees aged 60-64, but by July 2021, this trend had reversed, with 5 per cent of 18-to-24-year-old employees being furloughed, slightly lower than the 6 per cent of employees in their early 60s.

Young people were also supported by the social security system during the Covid-19 pandemic. Claims for benefits including Universal Credit increased sharply in 2020 for all age groups, but the largest increase was among young people. The proportion of young people aged 16-24 in receipt of income-related benefits increased by around two-thirds, more than any other age group, from 9 per cent before the pandemic (in December-February 2020) to 15 per cent one year later (in December-February 2021).[25]

Young people's mental health worsened during Covid-19 lockdowns, but recovered quickly as restrictions were lifted

Since the start of the Covid-19 pandemic, talk of a 'youth mental health crisis' has intensified. Figure 25 shows that mental health problems in the Covid-19 period peaked among young people aged 18-21 and 22-25 during the first Covid-19 'lockdown', from April-

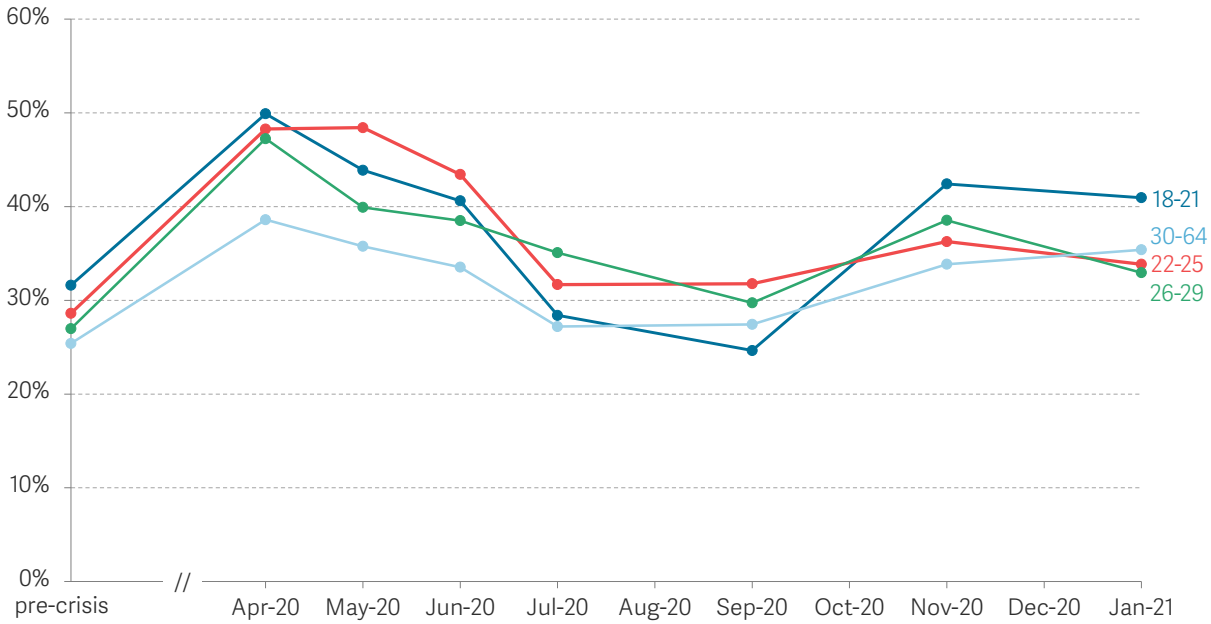
23 D Tomlinson, Job well done: 18 months of the Coronavirus Job Retention Scheme, Resolution Foundation, September 2021
24 Office for National Statistics, An overview of workers who were furloughed in the UK, October 2021
25 K Handscomb & L Try, Age-old or new-age? The changing incidence of social security benefits by age, Resolution Foundation, August 2021

June 2020. In April 2020, half (50 per cent) of 18-21-year-olds met the threshold for having a CMD, compared to 39 per cent of 30-64-year-olds.[26]

However, young people's mental health recovered quickly as Covid-19 restrictions were eased in the summer of 2020. Indeed, by September 2020, young people aged 18-21 had the lowest levels of mental health problems of any age group. While the nature of the Covid-19 pandemic was unique, Figure 25 reminds us that young people's mental health is especially sensitive to external changes. Even if young people are unlikely to experience further periods of lockdown in the near future, the evidence suggests that disruptions to young people's lives – be it the Covid-19 pandemic, or more common changes such as leaving the family home, or transitioning from school to university – are likely to have an impact on their mental health.

FIGURE 25: **Young people's mental health worsened during the lockdowns of 2020**

Proportion of adults who meet the threshold for a common mental disorder, by age: UK



NOTES: Respondents are classified as having a 'Common mental disorder' (CMD) if they have a GHQ-12 score of three or more.
SOURCE: RF analysis of ISER, Understanding Society

It is too early to know what the long-term impact of Covid-19 will be on young people's mental health. On the one hand, the findings in Figure 25 are promising: we might expect that, just like in the summer of 2020, young people's mental health will also improve in 2022 now that all pandemic-related restrictions have been abolished. But other indicators suggest that the mental health and wellbeing effects of the Covid-19 pandemic

26 A version of this chart first appeared in R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021

could be long-lasting. In wellbeing data from spring 2021 (when many pandemic-related restrictions had been lifted), anxiety levels among 16-29-year-olds were still above pre-pandemic levels.[27] In addition, there is reason to worry that the spike in mental health problems during the pandemic will harm young people's future job prospects: previous Resolution Foundation work found that experiencing mental health problems during the financial increased young people's likelihood of being unemployed four years later, and evidence in the previous section of this report found that young people with mental health problems are more likely to become workless one year later than young people without mental health problems.[28]

Implications for the future

Throughout this report, we have seen examples of successful policies leading to improvements in worklessness among young people, such as the furlough scheme protecting jobs during the Covid-19 pandemic, and the Teenage Pregnancy Strategy of 1999 kickstarting the decrease in worklessness among young women. However, the problems facing policy makers in 2022 are different to those in 1999, or indeed in 2020, and policy must adapt to reflect this.

This report has shown that, despite a headline fall in the number and proportion of young people who are workless over recent decades, key components of worklessness have been moving in different directions: with worklessness due to family care falling rapidly, and workless due to long-term sickness including mental health rising steadily. Even in the context of a tight labour market, with low rates of youth unemployment, we would expect the increase in young people who are inactive due to health problems to begin to outpace the fall in young women who are inactive due to family care: given that the number of young women who are inactive due to family care was less than 65,000 in 2021, the huge reductions seen in recent decades cannot continue.

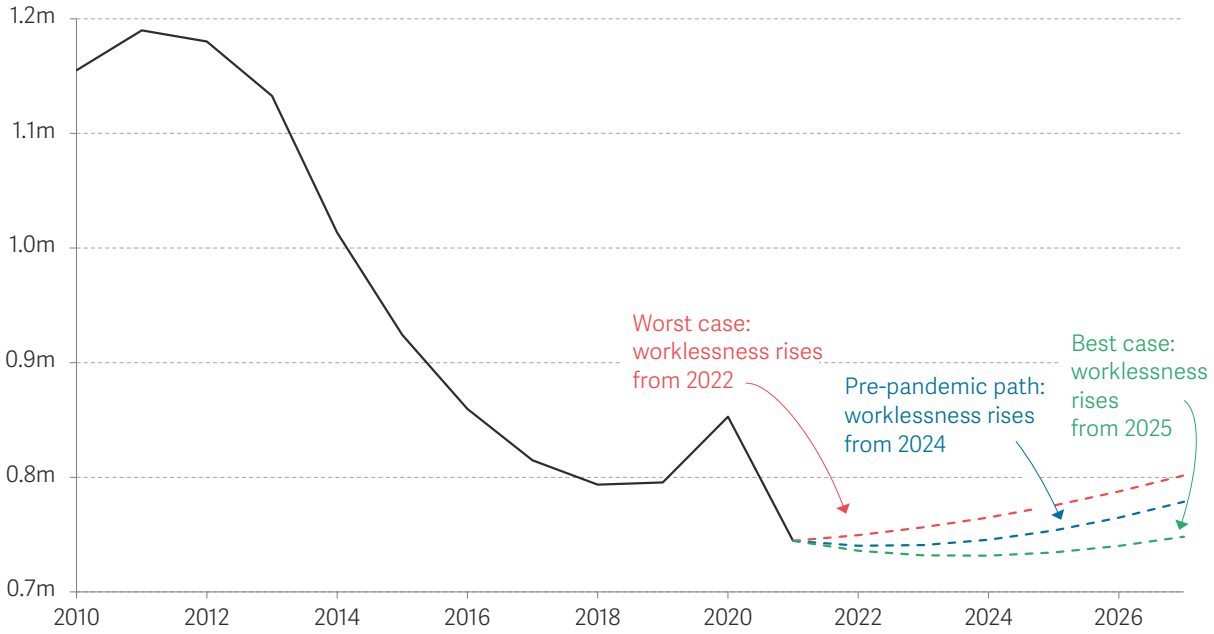
In other words, in the absence of further policy interventions, headline rates of youth worklessness are likely to rise in the coming years. Figure 26 shows some illustrative projections of youth worklessness up to 2027. If the trends seen in 2019-2021 were to continue from 2022 onwards, the total number of workless young people would begin to rise from 2024. In a more optimistic scenario, if the growth in the number of young men who are inactive due to health problems is slower than experienced in the years prior to the Covid-19 pandemic, then total worklessness would start to rise in 2025. In a more pessimistic scenario, if inactivity due to family care falls more slowly among young

27 RF analysis of ONS, Personal well-being by age group, non-seasonally adjusted quarterly estimates
28 R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.

women (for example, if the decline in birth rates levels off, or women's participation in the labour market stops increasing), then total worklessness would rise from 2022.

FIGURE 26: **The total number of workless young people is likely to rise in the 2020s**

Number of 18-24-year-olds who are workless (excluding full-time students), actual and forecast: UK



NOTES: We do a simple projection based on the average change in unemployment, inactivity due to health problems, inactivity due to family care, and inactivity for other reasons, between 2019 and 2021. In the 'best case' scenario, we use the lowest rise in inactivity due to health problems for young men seen in 2019-2021. In the 'worst case' scenario, we use the lowest fall in inactivity due to family care for young women seen in 2019-2021.
SOURCE: RF analysis of ONS Labour Force Survey.

Of course, we do not know which of these projections is most likely to materialise. However, the Bank of England has recently projected that the current tight labour market is likely to slacken off, with unemployment rising over the medium term, a trend which would not bode well for youth worklessness.[29] In addition, the most recent quarterly data on NEET young people showed a worrying increase in the number of young women who were economically inactive: between October-December 2021 and January-March 2022, the number of 18-24-year-old women who were NEET and economically inactive increased by 49,000, a record quarterly rise.[30] So, these projections should act as a warning to policy makers: just because total worklessness has been falling in recent decades, it would be unwise to ignore the trends that are at play beneath the surface. Sooner or later in the 2020s, worklessness among young people is likely to rise.

29 See: Bank of England, Monetary Policy Report, May 2022
30 Office for National Statistics, Young people not in education, employment or training (NEET), May 2022

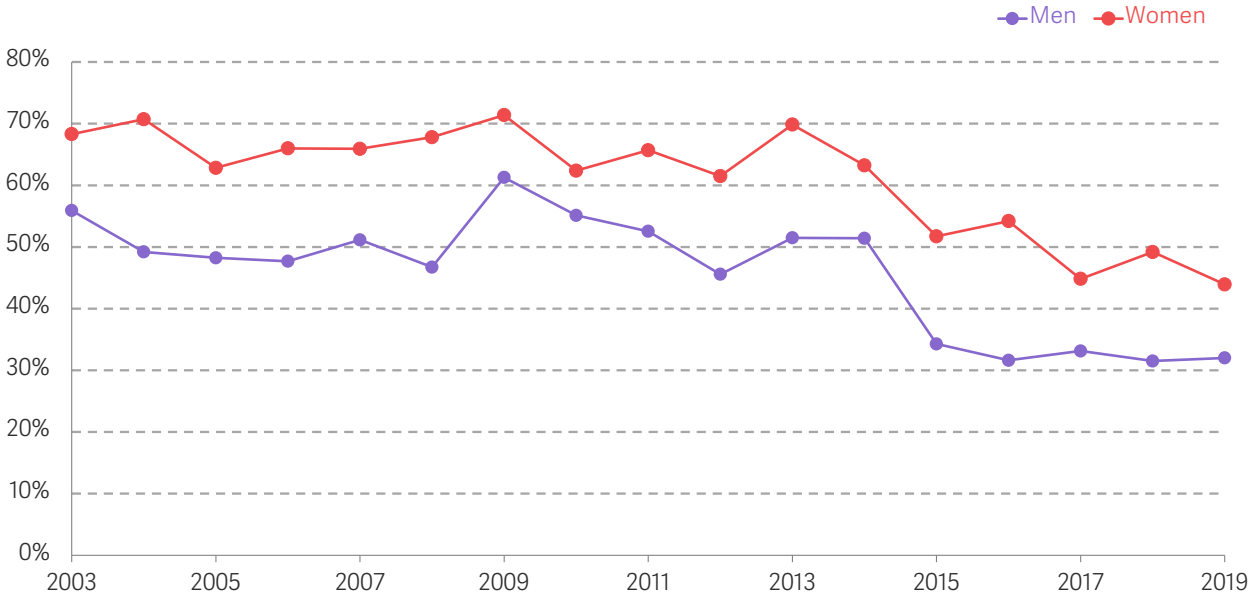
Section 5

Conclusion and policy recommendations

This report has explored the remarkable decline in youth worklessness over recent decades, showing that it is due to falling economic inactivity among young mothers than has, so far, more than offset rising inactivity due to ill-health. However, the growing incidence of poor mental health means that at some point in the next decade, the downward trend in youth worklessness is likely to reverse. In order to push back on the risk of rising youth worklessness, policy makers will want to focus their efforts on strategies that work for young people who are economically inactive, as well as those who are unemployed.

FIGURE 27: **Less than half of workless young women, and less than a third of workless young men, were receiving income-related benefits in 2019**

Proportion of workless 18-24-year-olds (excluding full-time students) that receive income-related benefits or tax credits, by sex: UK



NOTES: Income-related benefits include: Universal Credit, Working Tax Credit, Child Tax Credit, Housing Benefit, Employment and Support Allowance (ESA), Incapacity Benefit (IB), Jobseeker's Allowance (JSA) and Income Support. We count a young person as being in receipt of income-related benefits or tax credits if they are part of a benefit unit that is receiving this income, whether or not the young person is the main benefit claimant.
SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

One issue that needs to be confronted is that the rising number of young people who are economically inactive due to health problems means that many young people who are workless in 2022 are 'harder to reach' than workless young people of previous decades: since these young people are not unemployed, they are not engaging with jobcentre support, nor do they have links to college or university support systems. In Figure 27, we show that less than half (44 per cent) of workless young women and less than a third (32 per cent) of workless young men were receiving income-related benefits in 2019. It is therefore vital the local and central governments confront this problem in order to curb rising worklessness among young people with health problems.

We offer some suggestions of how policy makers can act:

- With a minority of workless young people engaging with the benefits system, policy makers should focus strategies on identifying young people who have historically been 'hard to reach'. This will allow local and central governments to support those who are economically inactive due to poor health, and not just on those who are unemployed and engaging with jobcentre support. This will require collaboration between different parts of government, and between local and central government.
- Policy makers should invest in employment support for young people who are workless. The Kickstart scheme was the right policy at the time – when high youth unemployment was feared – but policy makers should now reprioritise those young people who are economically inactive and face barriers to entering employment, including young people with mental health problems. Policy makers should also learn from evaluations of previous employment support programmes when designing support for young people: for example, only 11 per cent of those with mental health problems found work through the Work Programme, compared to 34 per cent of those without mental health problems.[31]
- When designing support for young people with mental health problems, policy makers should learn from previous successes of integrating employment support with psychological support, such as Employment Advisers in IAPT and Individual Placement and Support services within community mental health teams. A recent evaluation of employment advisers within IAPT (an NHS mental health service) found that participants who engaged with IAPT employment advisers were more likely to move into, and remain in, work than those who did not. [32]
- Policy makers should consider amendments to the social security system to ensure that young people, especially those with caring responsibilities or health problems,

31 Mind et al., Improving Lives: The Work, Health and Disability Green Paper – Mental Health Sector Response, 2017.
32 Department for Work and Pensions, Employment advisers in improving access to psychological therapies: client research, May 2022.

have access to an adequate level of income. Young people under 25 receive a lower among of benefit than those aged 25 or over: for a single adult under 25, the Universal Credit standard allowance is £265.31 per month, £69.60 less than a similar adult aged 25 or over. Policy changes that would protect young people include awarding young people with children the over-25s rate of Universal Credit, to reflect that the presence of a child often makes these young people more similar to older adults than non-parents their own age.[33]

- Finally, policy makers should focus on improving job quality, for example, by giving workers the right to request longer hours, and receive compensation for shifts cancelled with little notice.[34] We know that young people in insecure work have higher rates of mental health problems than those in secure jobs, so policy makers should be wary of introducing policies that encourage young people out of worklessness and into insecure work. [35] Policy makers should also recognise the importance of in-work training and progression to boost retention, especially given that people with disabilities are more likely to leave work than those without.[36]

Through steps like these, policy makers can ensure that young people who are workless have support available to them to move into good-quality work, or take part in full-time study that will boost their future career prospects. Without acting soon, policy makers risk undoing the good progress of recent decades by letting the 2020s become a decade in which youth worklessness starts to rise again.

33 For further discussion of policy options, see: L Gardiner & F Rahman, A fraying net: The role of a state safety net in supporting young people develop and transition to an independent, healthy future, *Resolution Foundation, October 2019.*
34 T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
35 R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.
36 L Gardiner & D Gaffney, Retention deficit: a new approach to boosting employment for people with health problems and disabilities, Resolution Foundation, June 2016

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For more information on this report, contact:

Louise Murphy
Economist
louise.murphy@resolutionfoundation.org

Resolution Foundation

2 Queen Anne's Gate
London SW1H 9AA

Charity Number: 1114839

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