

Back Young People

BACK GROWTH

FIXING THE SOCIAL CONTRACT

LONDON CHAMBER of COMMERCE AND INDUSTRY

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Foreword



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The publication of the Milburn review must be a landmark moment for the way we think about our young people, the futures they can expect and how prosperous we want them to be. It must also provoke genuine soul searching about the skills we want the workforce to have, how our education and welfare systems function, and how the cost of doing business is choking the economic growth we all so desperately want to see.

It is hard to capture the true scale of the failure on youth unemployment, or do the issue justice, in one report alone. As Milburn found in his interim review, the issue now costs the economy £125 billion a year, while the number of young people who are NEET has risen by almost 140,000 in a decade. Britain's youth unemployment crisis is worse than in Germany, the Netherlands, Austria and across the whole eurozone. Incomes for those in their early thirties rose by 21% in the US between 2007 and 2021, but fell in Britain.

Each unemployed young person across the country represents a wealth of untapped talent and ambition, at a time when businesses cannot find the right skills they need to grow and invest. If businesses cannot grow, the economy cannot grow. We have a moral duty to the one million young people who are NEET (not in employment, education or training) to get them into a job, with all the personal and economic benefits which come with employment. We also have a moral duty to make the cost of the system more sustainable to the working people and businesses who pay for it.

The importance of having a job in your twenties cannot be overstated - for individuals, businesses and the economy at large. It is a critical point at which you develop essential life skills, setting the direction of your career, likely wealth and future income potential. It is also when you start paying tax and helping to fund public services. A young person who is out of work from 18 until their mid-twenties, or for a long period after graduating, loses vital years they should have spent earning, paying into a pension, and saving for a deposit. That time is rarely, if ever, made up. Every pound of tax not paid is a pound less for public services, and every young person who claims out of work benefits further increases the size of the welfare bill.

The next generation are stuck renting rather than buying, unable to afford to start a family and struggling to find the right job or any job at all. The tax burden is heading for its highest level since the Second World War, graduates are battered by student loan repayments, and income tax

thresholds are due to stay frozen until 2031, at which point personal taxation will have increased by stealth for 10 years.

A significant number of this cohort will never be able to buy a home, no matter how hard they work. Some will not be able to start a family or will start one much later in life. Those who do may have one child rather than the two they wanted. Some will repay their student loan every single month and never clear the ever-growing debt. Those who spend much of their twenties NEET will retire with a smaller pension and may still be renting when they do. Some will never be able to afford to retire at all. It is not difficult to see why the social contract – the idea that if you work hard you'll get on and succeed in life – appears to be dead.

Businesses, meanwhile, are increasingly despairing at the tsunami of ever-growing costs which they are facing. Treated as a source of revenue to be tapped rather than as wealth and job creators to be backed, they now face a level of business taxation that is simply not viable. Between higher employment costs, changes to employment law and the rising cost of operating, businesses must think harder than ever before about whether to take on another person. The effect is stark, with LCCI data showing 90% of London firms not attempting to recruit for two consecutive quarters. Those are NEETs not recruited when they might otherwise have been, and young people in work not promoted because the cost is not viable for businesses.

If the Milburn review has not treated entrepreneurship, the cost of hiring and the cost of doing business as its starting point, its recommendations will fail. No Government can subsidise a million young people back into work. The answer to our £125 billion a year NEET crisis can only come from giving businesses the backing they need to hire and grow.

Our research shows more employers now value a completed apprenticeship over a degree, yet huge numbers of graduates continue to go through our higher education system, take on an average of £47,900 of debt and then cannot find a job at the end of it. We must take this seriously. Every year, 125,000 more young people go to university than start an apprenticeship, while the gap between university and apprenticeships is now five times wider than it was in 2006. For every young person starting an apprenticeship, nearly three still go to university.

What needs to follow is a fundamental rebalancing of the education system in favour of routes that are right for young people, right for businesses and right for the economy. If we can build a world-leading higher education system, we can build a world-leading apprenticeship system, making an apprenticeship every bit as valuable, if not more valuable, than a degree.

We have set out to address not only the cost of hiring, but this broader, and much larger, challenge of fixing the social contract. Across skills, housing, starting a family and taxation, we can choose to do this and we can choose to fix this. Young people, businesses and the whole country are the beneficiaries. Andy Burnham has promised to be radical, now he has the opportunity to be radical. Fixing the social contract is fixing growth, and backing young people is backing growth.

Key Findings

Across employment, income, taxation, housing, the welfare system, the student loan system, and being able to afford to start a family, the social contract is broken. Amid a tsunami of rising costs, meanwhile, employers cannot find the right skills they need to grow or afford to hire, while the state education system is failing to reach the needs of the businesses the economy depends on. Research commissioned exclusively for this report, conducted by YouGov among more than 1,000 young people aged 24 to 35 and over 500 employers across the UK,[1] found:

- Young people are not arriving in the workplace ready for work, and it is costing them, businesses and the economy. **Just 7% of employers say young people arrive with all the skills their business needs, while 38% say they arrive with few or none. Nearly half (48%) say schools and universities do not equip people with the skills they need for work**.

- Young workers have entirely traditional views about work, challenging the perception that millennials and Gen Z are 'lazy' or 'work shy'**. 90% of those aged between 24 and 35 said it is better to have a job than not, while 74% of young employees said they are motivated to achieve a promotion**.

- **Three-quarters of London employers (74%) say the cost of housing harms their ability to recruit and keep staff, and half (51%) say the same of transport costs**.

- More employers value a completed apprenticeship than a degree, with the gap widest among the smallest firms. **More than half of employers (53%) say they are more likely to hire someone with a completed apprenticeship over someone without one, compared with 45% who say the same of a university degree**. Among small firms the gap is twice as wide: 43% for an apprenticeship, against 21% for a degree. Three-quarters of manufacturers (75%) are more likely to hire someone who has completed an apprenticeship over someone who has not.

- Young workers are acutely aware of the cost of the welfare system they pay for, **with half of young workers earning £45,000 or more saying benefits are too high**, as do 44% of the young self-employed. Those in work are far more likely to say benefit payments are too high (39%) than too low (23%).

- Young workers are also acutely aware of the level of taxation they pay, while the inherent unfairness within the Plan 2 student loan system continues to bite. **59% of young workers say they pay too much income tax, rising to 68% of those earning £45,000 to £69,999. Nearly three-quarters (73%) of 24 to 35-year-olds with a student loan who earn £45,000 to £69,999 say their repayments are too high**.

- **Two-thirds of young workers (67%) say the Council Tax they pay is too high, more than for any other tax we asked them about, and 38% say it is far too high**. That rises to 73% among those earning £45,000 to £69,999. **Almost half (46%) say they pay too much**

[1] *LCCI commissioned two YouGov surveys to provide insight into the experiences and views of young people and employers in the UK. The Youth Employment Survey surveyed 1,039 UK adults aged 24–35, with fieldwork conducted online 12-25 August 2026, after the change in Prime Minister. The figures have been weighted and are representative of UK 24–35-year-olds. The Business Survey surveyed 509 employers in the UK, with fieldwork also conducted online 12-25 August 2026. The figures have been weighted and are representative of employers in the UK.*

National Insurance. More than half of young people (54%) say stamp duty is too high, rising to 71% of those earning £45,000 to £69,999.

- Employers want to hire young people, but the rising cost of hiring is making them think twice. **61% of employers say they would hire a young person with no work history at all**, demonstrating a willingness among business to take a chance on young people. Yet among employers that tried to recruit, 37% cite the cost of employer National Insurance as one of their main challenges, rising to 44% of businesses with 10 to 249 staff. **Almost six in ten employers (58%) say removing employer National Insurance for under-25s would help their business.**

- Businesses feel they are being taxed to the limit, with little support from the Government in return. **69% of employers say business taxes are too high, and 70% say the Government is not effective at supporting businesses like theirs, rising to 83% of the smallest firms**. 78% say a 20% cut in business rates would help their business, and 60% say it would make them more likely to invest.

- Home ownership is slipping out of reach for young Londoners. **Just 13% of young Londoners already own a suitable home, against 28% of young people elsewhere**, and 29% do not expect to be able to afford one in the capital within ten years, rising to 37% of young women.

- Work is still seen as the foundation for starting a family. **More than half of young people (55%) see the financial stability to start a family as one of the things having a job provides**.

- Young people are fundamentally entrepreneurial in nature, **with nearly half (47%) interested in starting their own business**. The education system is not, however, sufficiently geared towards encouraging young people to start businesses of their own, **with just one in five (19%) of young workers agreeing that starting a business was suggested to them** as a realistic career option.

- Young people are being let down by the careers advice they receive at school, which has a significant impact on the wider economy as that young person enters the workforce. **Only a quarter of young workers (24%) said they received good careers advice at school.**

Recommendations

1. The cost and scale of the NEET crisis requires a COVID-like response from Government. After the Milburn review is published a NEET Taskforce modelled directly on the COVID Vaccine Taskforce should be created and led by a business leader, reporting directly to the Prime Minister. The founding targets of the taskforce should be halving the almost one million young people not in work, education or training by 2030 and cutting the cost of hiring a young person. The Vaccine Taskforce cut through Whitehall bureaucracy to get Britain vaccinating within seven months. There should be no doubt that the NEET crisis, costing the country £125 billion a year, deserves the same urgency.

2. Make apprenticeships tax-free for employers and apprentices: no income tax or employee National Insurance for apprentices, and no employer National Insurance on any apprentice of any age. An apprentice on £20,000 would keep over £2,000 a year more, and an employer would save £2,250 a year on employing an apprentice aged 25 or over.

3. Scrap employer National Insurance for every worker under 25, saving an employer £3,000 a year on a £25,000 salary, and raise the Employment Allowance from £10,500 to £15,000 for any firm that takes one on. Bring back management apprenticeships for firms hiring young people, so every new recruit has a manager equipped to train them. Funding for the two most popular management apprenticeships, started by 25,000 people last year, was cut in September.

4. Give apprentices a £3,000 Completion Bonus when they finish their first apprenticeship, paid into a first-time buyer ISA. Employers should receive a matching £3,000 Completion Bonus when they retain an apprentice who has qualified with them in a permanent full-time role for at least 12 months. One in three apprenticeships are never finished.

5. Create Apprenticeship+, offering apprentices the opportunity to spend one day a week at university. While a degree apprenticeship requires an employer and a university to build a full degree around a single job, Apprenticeship+ could be added to any apprenticeship, from a Level 2 in hospitality to a Level 3 in engineering. This new hybrid model lets apprentices develop higher education skills and experience university life, while learning real-world skills, earning a wage and avoiding the debt of a three-year degree. Unspent Growth and Skills Levy funding should pay universities for the learning day element of 20,000 Apprenticeship+ places a year, and reimburse employers for their apprentices' wages on their university day. Each university should be required to offer a minimum number of places, and UCAS should present Apprenticeship+ as an equal choice for applicants alongside degrees.

6. Introduce Junior Apprenticeships, a pre-apprenticeship giving pupils from Year 10 one day a week of practical learning with an employer, alongside a new Employment Skills GCSE covering applying for jobs, personal finances and starting a business. Employers should receive £3,000 for each Junior Apprentice they subsequently offer a full-time apprenticeship to, once the apprenticeship has been completed. Employers should help shape the new GCSE course and support work experience and mentoring placements, including for those with special educational needs and disabilities.

7. Raise the tax-free threshold to £18,000 for everyone under 35, worth £1,100 a year to every under-35 earning over £18,000, incentivising the value of work and reducing the growing squeeze on young incomes. Since 2010, tax and benefit changes have cost non-pensioners

more than £2,200 a year on average, against less than £200 for pensioners, while this generation is at risk of becoming the first generation to be worse off than their parents.

8. Cap out-of-work benefits for under-25s at 12 months, after which every young person moves onto a paid apprenticeship, funded by the Government and delivered by Mayors or local authorities. The Government's Jobs Guarantee steps in after 18 months, yet nearly half of 24-year-olds not in work, education or training have never had a job at all.

9. Create a new Starting a Family ISA, allowing each parent to save up to £4,000 a year tax-free towards the costs of starting a family, with a 25% government top-up when a first child is born or adopted. The fertility rate has hit a record low for four years running, with births in England and Wales now at their lowest level since 1977.

10. Double the Tax-Free Childcare cap from £2,000 to £4,000 per child per year, and create a London Childcare Top Up scheme, with the Mayor matching the Government's Tax-Free Childcare contribution so that London parents get 40p in every pound of childcare paid for. A part-time nursery place for a child under two costs £238 a week in inner London, more than £12,000 a year and 52% more than in the cheapest region.

11. Launch a Youth Oyster through City Hall, giving every Londoner under 25 and every apprentice half-price public transport fares. Launch a Government-backed tax-free Commute to Work scheme for under-35s in every region, allowing workers to join via their employer and receive unlimited travel within their region for £80 a month. A Zones 1-2 Travelcard costs £171.70 a month, so half-price fares alone would save a young Londoner over £1,000 a year.

12. Fix student loans: abolish interest, so every graduate repays only what they borrowed, and cut repayments from 9% to 3% on earnings above £50,270. Plan 2 loans charge interest of up to 6% a year, and a graduate with an average balance must earn £63,600 before their debt starts to fall. A Plan 2 graduate earning £51,000 loses 51p of every extra pound, against 47p for a millionaire.

13. Launch the Great British Apprenticeship Campaign, the largest ever national campaign promoting the value and raising the status of completing an apprenticeship. Delivered jointly by the Department for Education and the Department for Business, Innovation, Science and Trade, the campaign should be aimed at every pupil from Year 7 upwards and their parents, setting out what apprentices can earn, learn and achieve when qualified. Every parent of a secondary school aged child should receive a booklet demonstrating the value of completing an apprenticeship, alongside a wider national marketing campaign highlighting the benefits of apprenticeships to individuals, to businesses and to the wider economy.

14. Let first-time buyers divert their own and their employer's pension contributions into a deposit, allowing a £30,000 earner to save nearly £10,000 towards their first home in five years. Singapore has allowed this since 1968, and 91% of its households own their home. The average London first-time buyer is now 35, with an average deposit of nearly £140,000.

15. Allow lenders to offer a London Mortgage at 6x income to those with good credit history, lifting a £40,000 earner's borrowing potential from £180,000 to £240,000. Require every lender and credit agency to count rent paid on time in mortgage applications. The median London home costs 10.6 times earnings, against 7.6 times across England. A renter paying £1,876 a month on time can still be refused a mortgage with lower monthly payments, and

lending rules built for the national market lock out Londoners who have already proved they can pay.

16. Back young founders with an Entrepreneur Apprenticeship, a programme for young founders allowing them to earn a recognised qualification while launching their own business, and a three-year business rates holiday on the first premises of any business founded by someone under 35. Employers should be able to put their unspent levy into incubators and accelerators for young founders.

17. Establish London Prosperity Zones, with targeted incentives to unlock housebuilding on sites where land costs make development unviable, which Molior estimates covers half of London. No developer will build to make a loss. Higher business rates and council tax receipts from the regenerated areas would repay the cost of the incentives many times over.

18. Extend small business rate relief in London to premises with a rateable value of up to £25,000, and exempt nurseries altogether to help reduce growing costs for childcare providers. The national threshold ignores London property values, so a modest London café or shop is taxed as if it were a large business. These are the businesses that give young people their first jobs.

Funding the Recommendations

1. Abolish the triple lock and replace it with an Earnings Guarantee, raising the state pension in line with earnings each year from April 2027. The OBR estimates the triple lock will cost £15.5 billion a year by 2029-30, nearly three times its original forecast. Over the next 50 years it accounts for 1.6% of GDP of the rise in pension spending, more than £40 billion a year in today's money. Linking pensions to earnings means pensioners share in the country's growth with the workers who pay for them. This would save around £3 billion a year by 2030-31, rising to around £17 billion by the mid-2040s.

2. Use the new NEET Taskforce to halve the number of young people not in work, education or training by 2030, saving at least £11 billion a year. The Centre for Social Justice estimates each one costs the taxpayer £22,571 a year in lost tax and higher spending, and there are 981,000 of them. Over a lifetime, each young person who drops out of work and education costs the state £244,000.

3. Get 50,000 more young people a year into apprenticeships or Apprenticeship+ instead of university, saving around £750 million a year in student loan write-offs. The Government expects a third of all new student lending never to be repaid: around £15,000 for every student, and the full £45,800 for every graduate who never earns enough to pay it back. Apprenticeships are paid for by employers through the Growth and Skills Levy, so every young person who chooses one over a degree they would never have repaid is a direct saving to the taxpayer. Unlike a graduate still repaying a loan in their fifties, an apprentice is earning and paying tax from the moment they qualify.

4. Means-test free bus travel and the older person's Freedom Pass, limiting them to those receiving Pension Credit, and abolish the 60+ London Oyster to fund travel for apprentices and NEETs returning to work; raise the free prescription age from 60 to the state pension age; scrap the £10 Christmas Bonus; and ensure working pensioners pay National Insurance, saving around £3 billion in total. The Freedom Pass alone will cost £372 million in 2026/27 and the 60+ Oyster £180 million a year by 2027, while young Londoners pay full fare to get to work and apprentices get just 30% off in their first year. More than a million people work beyond state pension age without paying National Insurance, while a 22-year-old on the same wage pays 8%.

5. Bring the working-age sickness benefits bill under control and return spending to 2021-22 levels, saving around £22 billion a year by 2030. Spending on working-age health and disability benefits is set to reach £63.7 billion by 2028-29, up £28 billion in a decade, while fraud and error cost £9.9 billion last year.

The Value of Work

Lord Sugar has said the young people of today '*haven't got the patience to sit down and really learn a trade*',[2] Jodie Foster has described Gen Z as '*really annoying, especially in the workplace*',[3] and as the number of young people who are NEET approached a million, the Spectator's Michael Simmons concluded: '*I think we actually are talking about young people being lazy.*'[4] Telegraph columnist Sophia Money-Coutts claimed Gen Z are an '*employer's nightmare*', and are a '*minimum effort generation*' with their '*Lazy Girl jobs*'[5], while 64% of Good Morning Britain viewers believed Gen Z are 'lazy' in the workplace.[6]

It has become both fashionable and seemingly entirely reasonable to claim with confidence that young people simply do not want to work. The young people of today are frequently portrayed as not only entirely unemployable, but also the first generation ever who do not wish to be employable either. We know that young people need a job, but do they want one?

In what will come as a surprise to Lord Sugar, Sophia Money-Coutts and Good Morning Britain viewers alike, by asking young people themselves we found they are in fact entirely traditional in believing that it is extremely important to have a job. **90% of the young people we surveyed between the ages of 24 and 35 said it is better to have a job than not**. Asked what having a job provides, 71% say structure and routine, 69% the opportunity to plan financially for the future and 66% a sense of purpose. They want to get on, too, with **74% of young employees saying they are motivated to achieve a promotion**. This flies in the face of much of the discourse around millennials and Gen Z. Not only does this cohort fundamentally care about work, they align themselves with an inherently conventional view about the benefits of employment.

Among young people not in work, however, **only 68% agree it is better to have a job than not**, (against 94% of those in work). One in five (21%) neither agree nor disagree. **Fewer than half (43%) of those not in work have applied for a job in the past 12 months**. They are less likely to see what a job provides, with 59% pointing to structure and routine and 57% to a sense of purpose, against 73% and 68% of those in work. They are far less hopeful about the future: outside London, 45% of those not in work do not expect to be able to afford a suitable home where they live within ten years, against 19% of those in work. Interestingly, **more than half (52%) of those not in work would be interested in starting their own business, more than those in work (47%)**.

As well as a divide in opinion between those in work and those out of work, there was also a fundamental difference in opinion between the responses of young people on the value of work, and the responses of employers when asked about their employees aged 35 and under. **More than half (53%) of employers believe their staff aged 35 and under 'do not care as much about**

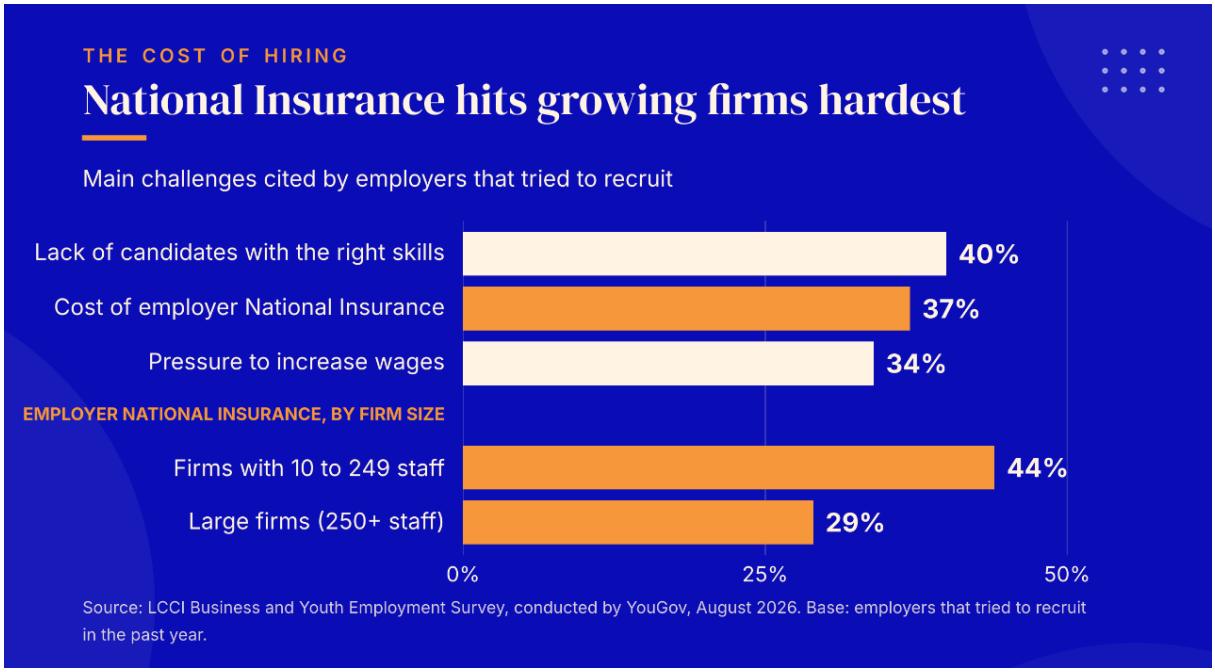
[2]BBC, Amol Rajan Interviews, via the Shropshire Star, 20 March 2025.
[3]The Guardian, via Fortune, 8 January 2024.
[4]GB News, 24 August 2025.
[5] Telegraph, 6 April 2024.
[6] Wales Online, 10 January 2024

work as previous generations'. Yet 72% of young workers say they look for opportunities to progress, against the 58% of employers who think they do. **53% of young workers say they put in more effort than they need to**, against just 28% of employers who thought their employees put in more effort than they needed to. Employees believing they work hard, and employers believing they could work harder is not especially groundbreaking in and of itself, and 'hard work' is a subjective term. The way employers perceive their staff, and the way employees perceive their colleagues, managers and employer more broadly, however, has a huge impact on staff retention, output and growth potential.

The Cost of Hiring

Businesses want to hire young people, but the cost of taking anyone on has never been higher. In LCCI's latest Quarterly Economic Survey, 90% of London businesses did not attempt to recruit, for the second quarter in a row.[7] Those are jobs, many of them entry-level, that young people never get the chance to apply for. Asked what would help them take on younger recruits, London firms pointed first to financial incentives (24%) and lower employment costs (23%).

Where firms do recruit, they are willing to take a chance on young people. Among employers that recruited successfully in the past year, 56% hired someone aged 18 to 24, 28% took on an apprentice and 24% hired someone who had never had a paid job. **61% say they would hire a young person with no work history at all**, although that falls to 46% among the smallest firms, for whom every hire is a bigger risk. The willingness of firms to hire if the cost was more sustainable should be the glimmer of light at the end of the tunnel for the Milburn review and its recommendations.



[7]LCCI, Quarterly Economic Survey, Q3 2026. 514 London businesses, surveyed by YouGov, 5 to 28 August 2026.

Among employers that tried to recruit, however, **40% cite a lack of candidates with the right skills, 37% the cost of employer National Insurance and 34% pressure to increase wages**. The National Insurance burden falls hardest on growing firms, with 44% of businesses with 10 to 249 staff citing it, against 29% of large firms. The system already accepts that the youngest workers should cost less to employ, with no employer National Insurance on staff under 21, but that relief stops at 21, just as most young people are looking for their first full-time job. **Almost six in ten employers (58%) say removing employer National Insurance for under-25s would help their business**. Young people who are out of work can see the impact of this cost of hiring crisis too. Asked why they are not currently working, one respondent told us:

> *"Because the minimum wage has gone up and national insurance contributions have risen employers are hiring less people."*[8]

Asked what would encourage young people who are not currently working to get into work, some pointed not to young people themselves or to businesses, but to the cost of employing them. As one put it:

> *"Young people want to work, it's the government that has made it unaffordable for businesses to take on young people, it's not always young people's fault."*[9]

Training a young person carries its own cost, and for a small firm the hardest part is not the course fee but losing a member of a small team while they learn. Denmark reimburses employers the wages apprentices earn while they are at college, and Austria pays employers several months of an apprentice's wages for each year of training.[10] Britain asks employers to carry that cost, while the Treasury kept an estimated £514 million of Growth and Skills Levy money in 2022-23 that was never spent on apprenticeships.[11]

The wider cost of doing business makes every hiring decision harder, and London firms are being squeezed from every direction. In the third quarter of 2026, LCCI research showed 31% of London businesses reported falling cashflow, against just 12% reporting a rise, and more cut their investment in training (9%) than increased it (7%). Headcount is falling, with 12% of firms reducing staff and only 5% adding to it. More than half are facing higher fuel (55%) and energy (51%) costs, and 64% are operating below full capacity.[12]

Across the UK, the picture is the same. **69% of employers say business taxes are too high, and 70% say the Government is not effective at supporting businesses like theirs, rising to 83% of the smallest firms**. 78% say a 20% cut in business rates would help their business, and 60% say it would make them more likely to invest. In London, small business rate relief disappears once a property's rateable value reaches £15,000, the same threshold as in the rest of England

[8]YouGov for LCCI, unprompted open-ended response.

[9]YouGov for LCCI, unprompted open-ended response.

[10]Virk, AUB; WKO, Basisförderung für Lehrbetriebe.

[11]FE Week, Apprenticeship levy turns into Treasury cash cow.

[12]LCCI, Quarterly Economic Survey, Q3 2026. 514 London businesses, surveyed by YouGov, 5 to 28 August 2026.

despite far higher rents,[13] so a modest café, shop or salon, exactly the kind of business that gives a young person their first job, can pay rates as if it were a large one. Nurseries pay rates too, additional costs which drive the higher fees young parents pay.

Three-quarters of London employers (74%), meanwhile, say the cost of housing harms their ability to recruit and keep staff, and half (51%) say the same of transport. If young people cannot afford to live and travel here, businesses cannot hire them.

The NEET Crisis

For the 981,000 young people who are NEET, the concept of a social contract is not just fractured, it is dead on arrival. Three in five from this cohort have never had a paid job, and the Milburn review estimates today's 24-year-old NEETs could lose up to £300,000 in lifetime earnings, even if they go on to find work.[14] The scar evidently lasts, with a spell of unemployment in youth still cutting pay by 12% to 15% at the age of 42.[15] If someone does not have a job from the age of 18 or after they graduate at 21, they are not earning, saving for a house deposit, paying into their pension, or spending in the wider economy.

When those who are currently NEET do find a job, they will buy a house later in life or will not buy one at all, and their pension pot will be smaller at retirement than it would otherwise have been. The effects of this will be with us for many decades to come, for both individuals and the wider economy.

The system is not helping. The Milburn review found that less than half of the £8.1 billion spent each year on key benefits for 16 to 24-year-olds comes with any requirement to take part in work or training,[16] and the Government's new Jobs Guarantee steps in only after 18 months on Universal Credit.[17] Denmark has, since 2014, paid under-30s without qualifications who are able to study a benefit at the level of a student grant, on the condition that they take up education.[18]

Responsibility for getting young people into work is spread across the Department for Work and Pensions and the Department for Education, with no single Minister responsible across these departments. When Britain faced a national emergency in 2020, the Vaccine Taskforce was given one goal: get the country out of the pandemic so life could get back to normal. Led from outside Whitehall, cutting across departments and reporting straight to the Prime Minister. Britain was vaccinating within seven months. A crisis costing £125 billion a year deserves the same urgency. The voice of the Business department and the importance of materially lowering the cost of hiring has largely been missing from the discourse on the scale of the NEET challenge. We need to treat this, therefore, as a cost of hiring crisis, not just a youth unemployment crisis.

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[13]GOV.UK, Small business rate relief.

[14] DWP, Young people and work: interim report, May 2026.

[15]Gregg and Tominey, The wage scar from youth unemployment, 2004.

[16]DWP, Young people and work: interim report, May 2026.

[17]LBC, 26 August 2026.

[18]The Copenhagen Post, February 2013.

When the interim Milburn review was published in May, LCCI wrote to the Secretary of State for Work and Pensions, Pat McFadden, to make clear that businesses wanted to hire and nurture young talent, but training and mentoring a young person who had never had a job carried a substantial cost that was simply not viable for most, particularly SMEs. LCCI also called for the Business Secretary to be as closely involved as the Work and Pensions Secretary in tackling the crisis, stressing that the final recommendations of the Milburn review must be matched by a clear and meaningful commitment from government to reduce the cost of hiring, with the business department at the heart of delivering it.

Businesses and those in work foot the bill for the NEET crisis, including the young workers who are already squeezed hardest. 4.2 million working-age people now claim at least one health-related benefit, up from 3.2 million in 2019, and spending on working-age incapacity and disability benefits is on course to reach £63.7 billion by 2028-29, £28 billion more than a decade earlier.[19] A further £9.9 billion was lost to fraud and error last year.[20]

Young workers have noticed. **Those in work are far more likely to say benefit payments are too high (39%) than too low (23%). Among those earning £45,000 or more, and among those who have stayed with the same employer for six years or more, around half say benefits are too high**. Young people running their own businesses take the same view, with 44% of the young self-employed saying benefits are too high.

Asked for their view of Jobseeker's Allowance and unemployment benefits, some respondents backed a safety net but questioned whether the current system rewards work. As one put it:

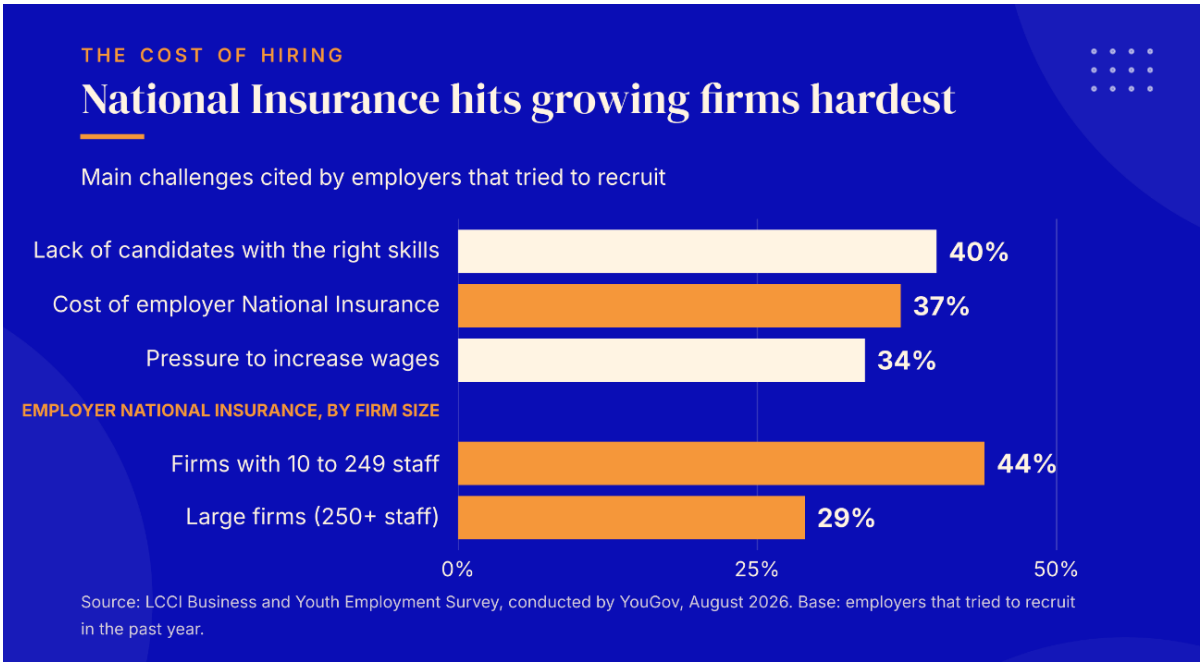
> *"Negative only because it makes some people better off not to work. Obviously think it's important to have a safety net but the system needs redesigning to incentivise work"*[21]

The Education System

The NEET crisis needs to prompt serious thought not only about the existing cohort of young people who are not in work, education or training, but also ensuring that those in our education system now do not join their older peers on the NEET pile when they leave school. The state system needs to not only give every young person the world-leading education they deserve, but also put them onto a path that is genuinely going to help them find a job, earn a good wage and get themselves set for the future. While that cannot be guaranteed in the absolute, there is little doubt the education system is not geared enough towards meeting employer need.

[19]IFS, 4.2 million working-age people now claiming health-related benefits.
[20]DWP, Fraud and error in the benefit system, FYE 2026.
[21]YouGov for LCCI, unprompted open-ended response.

The result is a system that pushes young people down the most expensive route by default, rather than the one employers value most. **More than half of employers (53%) say they are more likely to hire someone with a completed apprenticeship over someone without one, compared with 45% who say the same of a university degree**. Among small firms the gap is twice as wide: **43% for an apprenticeship, against 21% for a degree**. Three-quarters of manufacturers (75%) are more likely to hire someone who has completed an apprenticeship over someone who has not, against 48% of services firms.



Every parent of a secondary school aged child should be sent not only these statistics, but the future earning potential for a young person with a completed apprenticeship. For thirty years every Prime Minister has promised to put apprenticeships on an equal footing with degrees, and each of them has failed. John Major's government launched Modern Apprenticeships in 1994, after the traditional apprenticeship had all but collapsed in the 1980s. Tony Blair's government set a target for 28% of young people to start one by the age of 22, but fell well short of it.[22]

A promise of Blair's which did stick, however, was his 1999 pledge to send half of young people into higher education. This fixed, arbitrary target not only disregarded the principle that young people should pursue the best option for them and their skills, it created an implicit sense that it was university which drove success and prosperity, with those in the half which did not go to university perceived as less skilled or bright. This has proved hugely damaging to the country's skills landscape, to those young people who pursued a low-quality degree when an apprenticeship may have been a far better option for them, and to the employers who cannot find the right skills to grow.

[22]TES, Apprentice task force launched as targets sink below horizon, February 2003.

Gordon Brown subsequently promised an apprenticeship place for every qualified young person by 2013, and for one in five young people to take up an apprenticeship within a decade.[23] David Cameron wanted it to be "the new norm for young people to either go to university or into an apprenticeship". Three million apprenticeship starts by 2020 were promised, a target subsequent Education Secretary Damian Hinds admitted in 2019 would be missed.[24] Theresa May called for "parity of esteem between academic and technical options", Boris Johnson promised to end "the pointless, snooty, and frankly vacuous distinction between the practical and the academic" and Rishi Sunak pledged to replace "rip-off" degrees with 100,000 more apprenticeships a year. Keir Starmer finally scrapped Blair's 50% target in September 2025, replacing it with a goal of two-thirds of young people going to university or taking a "gold-standard apprenticeship".

Despite this clear recognition that an apprenticeship can frequently prove more valuable than a degree to both young people and employers, we have collectively failed to redefine apprenticeships and promote the enormous value of completing one. More than half a million apprenticeships were started in 2015/16, yet that number had fallen to 353,500 by 2024/25.[25] Starts among under-19s, the very cohort these promises were aimed at, fell from around 130,000 to fewer than 75,000.[26] The apprenticeship levy was designed to drive numbers up, yet starts fell by around a third in the four years after it was introduced. In thirty years, no Government has been able to design a system that treats an apprenticeship as absolutely equal, if not better, than a degree. In the words of Theresa May, they are still fundamentally perceived as being for "other people's children".

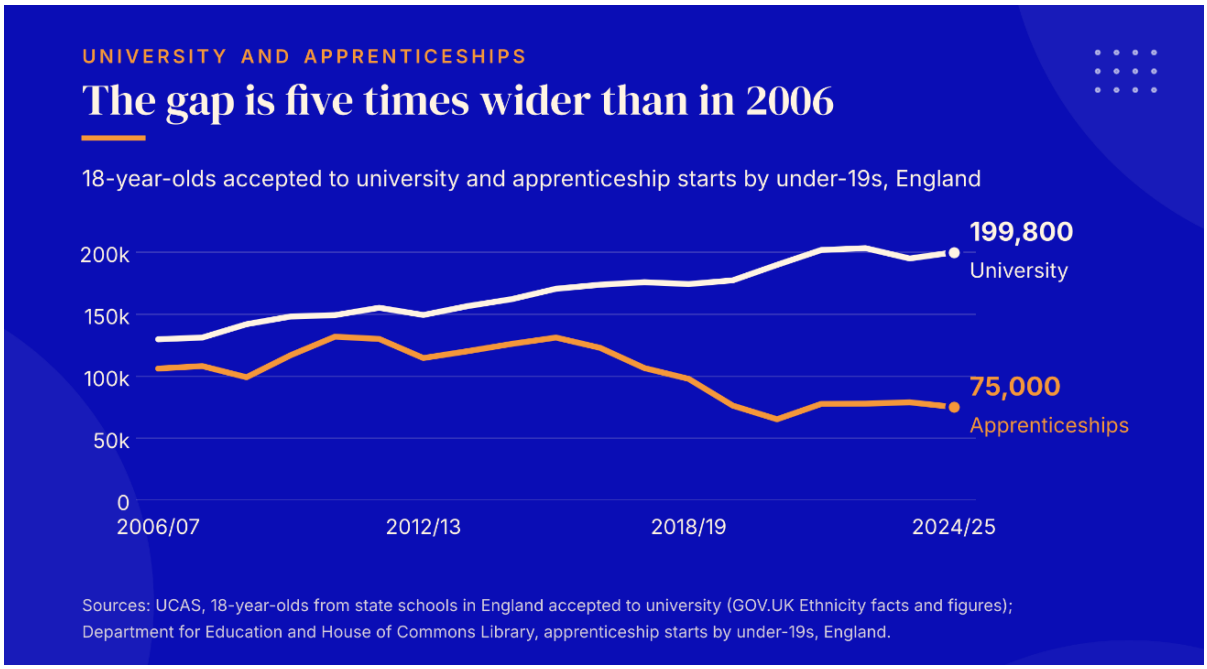
Since 2000, university has become the default route for young people. Among those who were 15 in 2001/02, around 39% had gone into higher education by the age of 25. That figure has risen for every year group since. For those who were 15 in 2013/14 it reached 50.9%, the highest on record.[27] In 2025 a record 255,130 UK 18-year-olds had a university place by results day alone. There has been a clear political focus on driving up this figure in the belief that it alone is evidence of social mobility in action. Simply getting a young person to university, with little regard for what job they might go on to do, how much they might earn or whether what they are learning is a skill a business actually wants has let down both the young people going through the system and those expected to employ them.

Apprenticeships tell a very different story. Starts rose from 175,000 in 2005/06 to a peak of more than half a million in 2011/12.[28] Most of that growth came from adults rather than school leavers: people aged 25 and over made up 229,000 of the 521,000 starts that year, against 130,000 under-

[23]DIUS and DCSF, Expanding Apprenticeships, developing world-class skills, January 2008.
[24]FE Week, Government says they will fail Conservative manifesto commitment to 3 million apprenticeship starts, 2019.
[25]TES, New apprenticeships data: 8 things we've learned, October 2016; DfE, Apprenticeships: academic year 2024/25, November 2025.
[26]TES, New apprenticeships data: 8 things we've learned, October 2016; DfE, Apprenticeships: academic year 2024/25, November 2025.
[27]DfE, Participation measures in higher education: 2023/24, January 2026.
[28]FE Week, All-age apprenticeships in first full year drop since 2005; House of Commons Library, Apprenticeship statistics: England (1996-2015), January 2015.

19s. Every year, 125,000 more young people now go to university than start an apprenticeship. That gap is five times wider than it was in 2006, and it has only been wider in the wake of the COVID pandemic. Every young person pushed towards a degree when an apprenticeship would have suited them better pays twice: once in debt they may never clear, and again in the years it takes to get the skills employers were looking for all along. The businesses that would have hired them suffer too.

Nearly three times as many 18-year-olds secure a university place each year as under-19s start an apprenticeship. Yet the average graduate in England now starts repaying a debt of £47,900, and around 70% of Plan 2 graduates will never repay their loan in full, leaving the taxpayer to write off the remaining debt.[29] Nor is a degree the guarantee of either a good job or, more recently, any job. Graduate hiring by the country's leading employers has fallen by almost a quarter in three years to its lowest level since 2013.[30] There are now 140 applications for every graduate vacancy, while the same employers are taking on more apprentices.[31]



Employers are equally clear that the system is not preparing young people for work**. Nearly half (48%) say schools and universities do not equip people with the skills they need, and just 7% say young people arrive with all the skills their business needs. 38% say they have few or none.** Among employers who see that gap, 22% recruit fewer young people as a result. Those are jobs that are simply never offered.

Only 24% of young workers say they received good careers advice at school, while 57% say they did not. Just 36% felt they had enough support to make an informed choice about their career before they started working. Even among 24 and 25-year-olds, a near ten year age gap with

[29]DfE, Student loan forecasts for England 2025-26, July 2026.
[30]High Fliers, via HR Review, February 2026.
[31]ISE, Student Recruitment Survey 2025.

the top end of the young cohort surveyed, **fewer than four in ten (38%) rate the advice they got as good**.

Apprenticeships should be the answer, but they are not reaching the young people they were designed for. The Milburn review found that apprenticeship starts for young people have fallen by more than 40%, and in the first half of 2025/26 starts by under-19s fell again while starts by those aged 25 and over rose by a quarter.[32] A third of apprentices dropped out in 2024/25,[33] the system does almost nothing to reward those who finish or the employers who keep them on, and an apprentice earning £20,000 pays more than £2,000 a year in income tax and National Insurance.

Young people can see the value of a different route for themselves. Asked what would encourage those who are not currently working to get into work, one respondent said:

> *"I think the best way to get this is to expand apprenticeships rather than them going to uni because they feel like they don't have any other options"*[34]

Meanwhile, there is a route missing almost entirely from the education system. **Nearly half of young people (47%) would be interested in starting their own business, yet just 19% of young workers agree it was suggested to them** as a realistic career option. We don't just need employers to be able to hire, we need young people to start businesses themselves. Not everyone can work for someone else, and yet we have made it an increasingly difficult environment to start a business in. As well as the practical barriers we have imposed like access to capital, young people are not going to leave school and immediately find themselves inspired to start a business and then have the means to do it. The value of starting a business needs to be promoted as a viable and successful career route to the next generation from the moment they step into secondary school.

Income and Taxation

The promise at the heart of the social contract was that hard work would pay. For a generation of young people, it no longer does. People born in the early 1980s had typical incomes almost £1,400 a year lower at the age of 30 than those born a decade earlier, and since 2010, changes to taxes and benefits have left non-pensioners more than £2,200 a year worse off on average, against less than £200 for pensioners.[35]

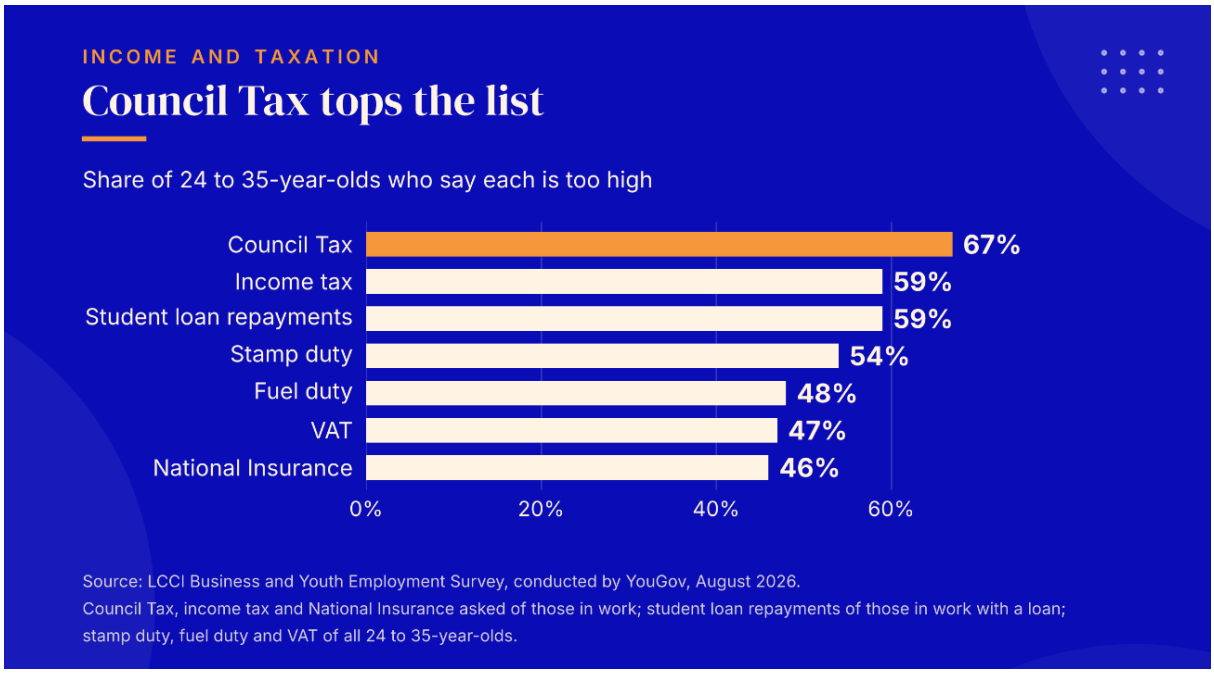
Young workers feel it, with **41% saying their pay does not reflect the cost of living where they work**. Frozen thresholds make the personal tax burden worse with every pay rise. The personal allowance has been stuck at £12,570 since 2021 and is due to stay there until 2031.[36] **59% of**

[32]DfE, Apprenticeships: 2025/26.
[33]DfE achievement rates 2024/25, via FE News.
[34]YouGov for LCCI, unprompted open-ended response.
[35]Resolution Foundation, Whatever happened to the millennials?, November 2023.
[36]HM Treasury, Budget 2025.

young workers say they pay too much income tax, rising to 68% of those earning £45,000 to £69,999.

The freeze on tax thresholds lands hardest on the young. Had the personal allowance kept pace with inflation since 2021, it would be £16,070 today rather than £12,570, so a young worker on the legal wage floor is paying around £700 a year more in income tax than they otherwise would.[37] Pay rises fastest in your twenties and early thirties, so it is young workers who are pulled across thresholds with every promotion. By 2030-31, the freeze will have dragged 5.2 million more people into paying income tax and 4.8 million more into the higher rate.[38] From April 2027, pensioners whose only income is the full state pension will not pay income tax, even as it rises above the personal allowance.[39] A 25-year-old on the legal wage floor will keep paying tax on every pound above £12,570.

Income tax is only part of a growing discontent on taxation. **Two-thirds of young workers (67%) say the Council Tax they pay is too high, more than for any other tax we asked about, and 38% say it is far too high**. That rises to 73% among those earning £45,000 to £69,999. **Almost half (46%) say they pay too much National Insurance**. **More than half of young people (54%) say stamp duty is too high, rising to 71% of those earning £45,000 to £69,999 and 62% of 34 and 35-year-olds, the very people who should be buying their first home**. At every stage of building a life, from a first pay rise to a first home, the tax system takes a bigger bite.



Graduates are battered hardest of all. Nearly half of 24 to 35-year-olds (46%) in our research had a Plan 2 student loan, and **a graduate earning just over £50,270 loses 51p of every extra pound to income tax, National Insurance and loan repayments, more than the 47p paid by a**

[37]IFS, Unfreezing the personal allowance, August 2026.
[38]OBR, Economic and fiscal outlook, November 2025.
[39]HM Treasury, Budget 2025, via Which?

millionaire.[40] With interest of up to 6% a year, a graduate with an average balance must earn £63,600 before their debt even starts to fall.[41] **It is no surprise that 73% of 24 to 35-year-olds with a student loan who earn £45,000 to £69,999 say their repayments are too high**.

For graduates, the freeze does not stop at income tax. The Plan 2 repayment threshold will also be frozen from April 2027, costing a graduate earning above £30,416 around £259 more a year by 2029-30.[42] These are exactly the young professionals who should be saving for a deposit, and the system asks more of them than it does of almost anyone else.

Home Ownership, Family and Childcare

If hard work paying off is the first half of the social contract, being able to buy a home of your own and start a family for those who want to is the second half. For young Londoners it has all but disappeared. **Just 13% of young Londoners already own a suitable home, against 28% of young people elsewhere, and 29% do not expect to be able to afford one in the capital within ten years.** Young women are the most pessimistic of all, with 37% not expecting to afford a home in London, against 21% of young men.[43]

It is not difficult to see why. In 1997, more than half of London homes sold for less than five times local earnings. By 2024, just 3% did, and the median London home now costs 10.6 times earnings, against 7.6 times across England.[44] More than half (53%) of those born in the early 1960s, meanwhile, owned a home by 30, against just 27% of those born in the early 1980s.[45] The lending rules then turn a hard situation into an impossible one. Lending at 4.5 times income or more is still held to around 15% of new mortgages across the market,[46] so a median London earner would need a deposit worth more than half the price of a home.

Many young renters are already paying more each month than a mortgage would cost: a one-bedroom flat at £1,876 a month would cover the repayments on a mortgage of around £370,000, yet on a £40,000 salary they would be allowed to borrow £180,000. At the same time, a worker on £30,000 has around £1,900 a year locked away in a pension they cannot touch until 57, saving for a retirement four decades away before they can afford the home that would make it secure.

Behind this housing crisis is not only a shortage, but a viability crisis. London needs around 88,000 new homes a year, but in 2025 private developers started just 5,547, down 84% in a decade.[47] Demand for housing has never been higher, yet Molior estimates it is unviable to build

[40]LCCI analysis, 2026/27 rates.
[41]DfE student loan forecasts, via Times Higher Education, August 2026.
[42]IFS, How do Plan 2 student loans work and how have they changed over time?
[43]Bases: 81 women, 87 men living in London. Statistically significant.
[44]ONS, Housing affordability in England and Wales: 2025.
[45]Resolution Foundation, Whatever happened to the millennials?, November 2023.
[46]Bank of England, High loan to income lending, October 2026.
[47]Molior, via The Negotiator, January 2026.

profitably in half of London, and has been for several years.[48] No developer will build to make a loss.

The industry is now voting with its feet. In October, Taylor Wimpey, one of the country's largest housebuilders, announced it would no longer build in London. Its chief executive warned that viability in the capital is "fundamentally broken" and that the reward for taking on the risk of building here "has just evaporated", pointing to rules that add cost such as the requirement for a second staircase in every residential building over 18 metres.[49] The consequences are felt far beyond the housing market. Every home that goes unbuilt is a young Londoner who rents for longer, saves for longer and puts off starting a family for longer. It is also a business that cannot recruit the staff it needs because those staff cannot afford to live within reach of the job. Until it is viable to build in London again, changes to the mortgage and pension markets can only go so far.

Starting a family has become the next casualty. **More than half of young people (55%) see the financial stability to start a family as one of the things having a job provides**, but for many that stability is arriving later, or not at all. The fertility rate in England and Wales has hit a record low for four years running, while London's is lower still at 1.35 children per woman.[50] The number of children under ten living in London, meanwhile, fell by 99,100 between 2013 and 2023.[51]

Cost is at the heart of it. A part-time nursery place for a child under two costs £238 a week in inner London, more than £12,000 a year,[52] yet the Tax-Free Childcare cap has been stuck at £2,000 a child since 2017 while childcare costs have risen by around a third.[53] Young Londoners do not value family any less than their parents did. They simply cannot afford to start one at the age their parents did. For some young parents, the cost of childcare has made work itself unaffordable. Asked why they are not currently working, one told us:

> *"We also had another child due to start at crèche and it was becoming financially unviable for me to continue working."*[54]

The consequences of being priced out of starting a family are felt long after the decision is made. Young people have not stopped wanting children: adults in Britain overwhelmingly say their ideal family has two, yet the gap between the number of children women want and the number they actually have has more than doubled, from 0.3 in 2011 to 0.7 by the early 2020s.[55] Almost half of women aged 18 to 50 (49%) say they have delayed or decided against having children, and the cost of raising them is the most common reason.[56]

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[48]Molior, Residential development in London, Q3 2025.
[49]The Negotiator, Major housebuilder pulls out of London new homes market, October 2026.
[50]ONS, Births in England and Wales: 2024, 2025.
[51]London Assembly, A London for every child, March 2026.
[52]Coram, Childcare Survey 2026.
[53]Working Families, joint letter on the Tax-Free Childcare cap, November 2025.
[54]YouGov for LCCI, unprompted open-ended response.
[55]Resolution Foundation, Wanted: two children, April 2026.
[56]Ipsos, Half of British women aged 18-50 have delayed or decided against having future children, July 2025.

Those who wait pay a price of their own. The average age of a mother in England and Wales has risen to 31, and the Centre for Social Justice estimates that only half of women who have not had a baby by 30 will go on to become mothers.[57] Some will have one child rather than the two they hoped for, and others none at all.

For the country, the bill comes later. Births in England and Wales have fallen to their lowest level since 1977, and the number of working-age people for every pensioner, four in 1970, is projected to fall to two within 90 years.[58] A generation that cannot afford to start a family today means a smaller workforce, a smaller tax base, and an even heavier burden on generations to come.

Paying For It

While some of the measures recommended come at a relatively low cost, or do not have one attached at all, there are larger measures which require difficult choices to be made. The savings set out in this report would total in the region of £38 billion a year by 2029-30.

The Centre for Social Justice estimates that every young person who is NEET costs the taxpayer £22,571 a year in lost tax and higher spending. With 981,000 young people NEET today, halving that number by 2030 would save at least £11 billion a year. Every young person who moves from NEET into work stops costing the state and starts paying into it. Where we are delivering these savings, it is absolutely right these savings are reinvested into young people, and reinvested into driving growth.

The welfare system more broadly requires the same urgency. 4.2 million working-age people now claim at least one health-related benefit, and spending on working-age incapacity and disability benefits is on course to reach £63.7 billion by 2028-29, £28 billion more than a decade earlier. A further £9.9 billion was lost to fraud and error last year alone. A system growing this fast is not working for the people who rely on it or for those who pay for it, and young workers know it: those in work are far more likely to say benefit payments are too high (39%) than too low (23%). Bringing the bill under control would save around £22 billion a year by 2030, returning welfare spending on these benefits to 2021-22 levels.

The triple lock, meanwhile, was designed for a different era and is no longer financially sustainable, as the Prime Minister recognised in his conference speech this year. It raises the state pension each year by whichever is highest of earnings growth, inflation or 2.5%. The Office for Budget Responsibility now estimates it will cost £15.5 billion a year by 2029-30, nearly three times the £5.2 billion forecast when it was introduced.

Over the next 50 years it accounts for 1.6% of GDP of the rise in pension spending, more than £40 billion a year in today's money. Pensioners deserve security in retirement, and linking the state

[57]Centre for Social Justice, Baby Bust, March 2026.
[58]Centre for Social Justice, Children today 'to work until 75', March 2026.

pension to earnings keeps that promise: pensions would rise with the economy and with the wages of the people who fund them, rather than faster than either. A guarantee that outpaces the pay of the workers funding it is one that young people pay for twice, through their taxes now and through a later retirement of their own.

The same imbalance runs through the rest of the system. A pensioner who is a millionaire travels on the London transport network for free while low-earning young Londoners pay full fares to get to work, and an apprentice gets just 30% off in their first year. Transport costs can be a real barrier for someone returning to work, so an intervention is well justified if it is the difference between a young person staying in work or quickly returning to being NEET.

More than a million people beyond state pension age work without paying National Insurance, while a 22-year-old earning the same wage at the same desk pays 8%. Means-testing free travel, raising the free prescription age to the state pension age and asking working pensioners to pay National Insurance would save around £3 billion. The least well-off pensioners receiving Pension Credit (which also entitles them to the Winter Fuel Payment, Warm Home Discount and a free TV licence for those aged over 75) would not be affected.

These are sensible and pragmatic savings reinvested into backing young people, backing business and delivering growth across the country.

Conclusion

If you take one thing away from this report, let it be this: measures to level the playing field and back our young people, back our businesses and deliver the growth we all so desperately want to see are not separate policy issues. They are closely and inextricably linked to national prosperity, how wealthy we want the country to be, how much money we have to fund public services, and ultimately how successful we want the country to be.

There is not a single person in the country today who benefits from a less wealthy, less successful and less prosperous next generation. Young people themselves suffer, businesses suffer, and wider society suffers. If businesses cannot access the right skills and the best talent, they will not grow. If businesses do not grow, the economy does not grow.

If young people cannot find a job or don't have the right skills to get a job, they will cost the system an ever-growing sum it plainly cannot afford. Worse still, this cohort will not pay into the system themselves either, leaving less money for public services up and down the country. If young people cannot afford to buy a house and start a family, they will have fewer children or no children at all. If starting a family remains unaffordable and the birth rate continues to drop, we will have a smaller workforce in the future, and, again, less money raised through taxation because there will be fewer people. If there are fewer of us, we will not have as many doctors, carers, teachers or any of the professions we all rely on. If middle aged and older people cannot access high-quality healthcare or a functional welfare system because we cannot afford to fund it and we cannot staff it, they will not have the comfortable or dignified retirement they deserve.

If today's young people are at risk of becoming the first generation to be worse off than their parents, then the next generation to retire are at risk of having a worse retirement than their parents. If we allow one generation to slip backwards, the whole country eventually moves backwards.

The recommendations in this report, designed to fix the social contract, back business and get the economy growing are worth real money to the people they are designed for. An apprentice aged 22 earning £20,000 a year would keep £2,080 a year more by paying no income tax or National Insurance and save £1,030 a year with a Youth Oyster, worth £3,110 a year to them. When they complete their apprenticeship and qualify in a skill which sets them up for life, they would walk away with £3,000 towards a deposit for their first home. These are practical, tangible measures designed to make choosing a high-quality apprenticeship a no-brainer for a 16 or 18 year old leaving school.

A young couple each earning £35,000, renting in London and with a child under two in part-time nursery, would be £7,300 a year better off from increasing the tax-free threshold, using the tax-free Commute to Work scheme and benefitting from the London Childcare Top Up. This, combined with the ability to take out a London mortgage and borrow up to 6x their income, allowing them to divert their pension contributions towards a house deposit, and giving each of them access to the Starting a Family ISA would be genuinely transformative. This not only gives

this couple the opportunity to get on the housing ladder, it also makes having a second child more affordable should they wish to.

A London business with ten staff, three of them aged 21 to 24 and an apprentice aged 25 or over, would save £15,750 a year in employer National Insurance, and receive a £3,000 Completion Bonus when it keeps its apprentice on. That cuts its employer National Insurance bill by more than two-thirds, from £23,250 to £7,500. If its apprentice takes up Apprenticeship+, the business would also be reimbursed for the day a week they spend at university, worth £4,000 a year. If it trades from a café or shop with a rateable value of £20,000, extending small business rate relief in London would take £7,640 a year off its rates bill. A founder under 35 opening their first premises would pay no rates at all for three years, worth almost £23,000.

A larger firm employing ten staff aged 21 to 24 on £25,000 would save £30,000 a year in employer National Insurance, rising to £34,500 with the higher Employment Allowance. If those ten were graduates on £30,000, the saving would be £42,000. Every two apprentices it keeps on after they qualify would bring in a further £6,000 in Completion Bonuses. The Commute to Work scheme, London mortgage and allowing young people to divert their pension contributions towards a house deposit all help to support recruitment and retention, at no cost to businesses.[59]

The recommendations set out in this report would rebalance our education system in favour of better outcomes, reduce the size of the welfare bill and fulfil our moral duty to the one million young people who are NEET, make Britain one of the best countries in the world to complete an apprenticeship, make home ownership and starting a family realistic prospects again, make hiring more affordable, make us a nation of business starters, and ultimately make us a wealthier, more successful, and more prosperous country.

These are all things we can decide to do. Having promised change, the Prime Minister and his Chancellor chose to make their first Budget a minor affair. They do not have this choice when it comes to responding to the Milburn review. If we only see minor tweaks to the edges of the system, without the fundamental and radical reform we badly need, the Milburn review will fail. If we see further welfare spending without lowering the cost of hiring or the cost of doing business, the Milburn review will fail.

It is in the whole country's interest that what comes next succeeds. We all have a stake, and we all stand to benefit. If we back our young people, we will back growth.

[59] LCCI analysis, 2026/27 rates. The apprentice is in the second year, with a Zones 1-2 Travelcard. The couple are aged 30, with an inner London nursery at £238 a week: threshold £2,172, Commute to Work £2,201, childcare £2,950. The small business has three staff aged 21 to 24 on £25,000, an apprentice aged 25+ on £20,000 and six staff on £30,000. The larger firm has ten staff aged 21 to 24 on £25,000, or on £30,000 for graduates. Both assume the Employment Allowance is raised to £15,000 and employer NI stays at 15% above £5,000. Apprenticeship+ reimburses the university day at one-fifth of a £20,000 salary. The rates example is premises with a rateable value of £20,000 at the small business retail, hospitality and leisure multiplier of 38.2p. Employee gains come from income tax at 20% on a tax-free threshold of £18,000, plus no employee NI for apprentices.

About the London Chamber of Commerce and Industry (LCCI)

The London Chamber of Commerce and Industry is the voice of London's business community, with a 12,000 strong business network of SMEs and microbusinesses, major corporations and cultural and educational institutions. Founded in 1881 to represent London businesses and promote international trade, we support our members to drive growth and prosperity across the UK and internationally.

LCCI champions the interests of London businesses to ensure their views are reflected in policymaking at local, regional and national levels. Our positions are informed by extensive member engagement, research and polling, our Quarterly Economic Survey, and insights gathered through sector forums and policy committees.

About the Research

LCCI commissioned two YouGov surveys to provide insight into the experiences and views of young people and employers in the UK. The Youth Employment Survey surveyed 1,039 UK adults aged 24–35, with fieldwork conducted online 12-25 August 2026, after the change in Prime Minister. The figures have been weighted and are representative of UK 24–35-year-olds.

The Business Survey surveyed 509 employers in the UK, with fieldwork also conducted online 12-25 August 2026. The figures have been weighted and are representative of employers in the UK.

Appendix: Costing the Recommendations

The table below sets out the estimated annual cost of each recommendation in this report and the savings which fund them, over the three years from April 2027.

£ billion	2027-28	2028-29	2029-30	Total
Cost of the recommendations				
1. NEET Taskforce	<0.1	<0.1	<0.1	0.2
2. Tax-free apprenticeships	3.2	3.4	3.5	10.1
3. No employer National Insurance for under-25s; Employment Allowance to £15,000; management apprenticeships	5.2	5.4	5.6	16.2
4. £3,000 Completion Bonuses	0.6	1.0	1.0	2.6
5. Apprenticeship+	0.1	0.3	0.4	0.8
6. Junior Apprenticeships and Employment Skills GCSE	0.1	0.2	0.3	0.6
7. £18,000 tax-free threshold for under-35s	9.1	9.4	9.7	28.2
8. 12-month cap and paid apprenticeships for under-25s	0.5	0.7	0.7	1.9
9. Starting a Family ISA	0.1	0.2	0.3	0.6
10. £4,000 Tax-Free Childcare cap and London Childcare Top Up	0.5	0.5	0.5	1.5
11. Youth Oyster and regional Commute to Work	0.8	1.0	1.2	3.0
12. Interest-free student loans and 3% repayment above £50,270	2.8	2.9	3.0	8.7
13. Great British Apprenticeship Campaign	<0.1	<0.1	<0.1	0.2
14. Pension contributions towards a deposit	0.0	0.0	0.0	0.0
15. London Mortgage and rent counted in applications	0.0	0.0	0.0	0.0
16. Entrepreneur Apprenticeship and rates holiday for young founders	<0.1	0.1	0.2	0.4
17. London Prosperity Zones	0.3	0.5	0.5	1.3
18. Small business rate relief to £25,000 in London; nurseries exempt	0.3	0.3	0.3	0.9
Funding the recommendations				
1. Link the state pension to earnings from April 2027	0.0	0.6	1.1	1.7
2. Halve the number of young people who are NEET by 2030	3.7	7.3	11.0	22.0
3. 50,000 more young people a year into apprenticeships or Apprenticeship+ instead of university	0.3	0.5	0.8	1.5
4. Means-test free travel, raise prescription age, scrap Christmas Bonus, National Insurance for working pensioners	2.8	2.9	3.0	8.7

5. Bring the working-age sickness benefits bill back to 2021-22 levels	7.3	14.7	22.0	44.0
Total savings	**14.1**	**26.0**	**37.9**	**78.0**
Initial economic benefits				
Spending from higher take-home pay (VAT and other indirect taxes)	2.3	2.4	2.6	7.3
More people in work and working more hours	0.4	0.7	1.2	2.2
More first-time buyers: stamp duty and spending on moving home	<0.1	0.1	0.2	0.3
Housebuilding unlocked by London Prosperity Zones	0.1	0.3	0.6	1.0
Higher business investment and productivity	0.3	0.8	1.3	2.4
Total initial economic benefits	**3.1**	**4.4**	**5.8**	**13.2**
Net position	**–6.6**	**4.4**	**16.3**	**14.1**

The package is in surplus from its second year and is £16.3 billion a year in surplus by its third, more than repaying its upfront cost several times over. The gain keeps growing from there: the saving from linking the state pension to earnings rises to around £17 billion a year by the mid-2040s. These costings are deliberately cautious. They leave out the lifetime gains from getting young people into work, with every young person who becomes NEET costing the state an average of £244,000 over their lifetime, and the long-term boost to London's productivity from building more homes.

Several of the most important recommendations cost the taxpayer nothing at all. Letting first-time buyers use their pension contributions towards a deposit, the London Mortgage and counting rent paid on time in mortgage applications would open up home ownership to thousands of young Londoners without a penny of public money.

Notes

1. Figures are LCCI estimates of the annual cost to the public finances, rounded to the nearest £100 million. Totals may not sum because of rounding.
2. Recommendation 2: 761,500 apprentices in learning in England, average pay of around £24,000, and employer National Insurance on those aged 25 and over.
3. Recommendation 3: based on a published October 2026 costing of halving employer National Insurance for 21 to 24-year-olds (£2.3 billion in 2029-30, after more young people are hired), plus £1 billion for the higher Employment Allowance. Management apprenticeships for firms hiring young people are funded within the existing apprenticeship budget.
4. Recommendation 7: around 10 million taxpayers aged under 35, with an average gain of around £970.
5. Recommendation 11: the Commute to Work scheme applies in every region, for travel within that region only. Assumes 500,000 young Londoners and 400,000 young people elsewhere join by 2029-30, an average fare reduction of £100 a month in London and £25 a month elsewhere, plus income tax and National Insurance relief on the £80. The Youth Oyster costs around £150 million a year.
6. Recommendation 12: consistent with IFS estimates of a low single-digit billions annual cost from removing above-inflation interest. The change would also bring a one-off accounting cost in the year it is made.
7. Saving 1: the April 2027 rise is already set by earnings, so the saving begins in 2028-29, building to around £3 billion by 2030-31 and around £17 billion by the mid-2040s (Intergenerational Foundation).
8. Saving 5: spending on working-age health and disability benefits of around £41.5 billion in 2021-22, in today's prices, against £63.7 billion forecast for 2028-29 (IFS; OBR).
9. Savings 2 and 5 build in equal steps to their 2030 targets. The NEET saving uses the Centre for Social Justice estimate of £22,571 a year for each young person who is NEET, including tax they would pay in work.

10. Saving 3: a third of new student lending is not expected to be repaid. Loans are issued for each year of study, so the saving builds over three years.
11. Spending from higher take-home pay: 15% of the gains to individuals from recommendations 2, 7, 9, 10, 11 and 12 returns to the Exchequer through VAT and other indirect taxes.
12. More people in work: lower tax on low earners, and cheaper childcare and travel, bring more young people and parents into work. Assumes a behavioural return of 10% of the cost of recommendations 7, 10 and 11 by 2029-30.
13. First-time buyers: around 10,000 more London first-time buyers a year by 2029-30 through the London Mortgage and pension deposits, with 78% paying stamp duty at an average of £12,690, plus spending on moving home.
14. Housebuilding: stamp duty, Council Tax and business rates from homes and commercial space built in London Prosperity Zones.
15. Investment and productivity: assumes the package raises GDP by 0.1% by 2029-30, worth around £1.3 billion in tax at 38% of GDP. Excludes recommendation 3 and the NEET saving, which already include the effect of more young people in work.
16. Net position is savings plus economic benefits, less the cost of the recommendations.
17. Tax measures apply across the UK. Apprenticeship, education and childcare figures are for England. London measures are funded by City Hall.

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