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BSA Summary: Milburn Review

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Alan Milburn has published his final report 'From a Welfare State to a Working State: a new settlement for the next generation'. The report proposes a ten-year reset of employment, education, health and welfare policy to help young people earn or learn. Its central ambition is to reduce the UK NEET rate to around 5% by 2036, backed by statutory Opportunity and Support Guarantees and a locally led Youth Opportunity Service across England.

This briefing summarises the recommendations and their implications for employers and service providers. The measures and financial estimates below are the review's proposals and modelling, not confirmed Government policy or spending commitments.

Key findings and ambition for reducing NEET rates

The review describes nearly one million young people as not in education, employment or training (NEET). Around 60% are economically inactive rather than unemployed, and six in ten have never had a job. It identifies failures across labour demand, educational preparation, health support, welfare incentives and fragmented services, rather than a simple lack of motivation among young people.

Milburn's ambition is an effective "NEET Zero" rate of around 5% by 2036, with no 16- or 17-year-olds NEET as an initial milestone. Importantly, the modelled policy package reaches around 6.8%, not 5%. The review relies on stronger growth and wider labour-market momentum to close the remaining gap.

The model estimates around 440,000 more young people in sustained work by 2036. Achieving the full 5% ambition would mean approximately 600,000 more participating each year than otherwise (not 600,000 new entrants into participation in each successive year). The national ambition is UK-wide, but the proposed institutional architecture is principally for England, reflecting devolved responsibilities.

Early intervention in schools and prevention

Prevention would start in the early years, with ambitions for at least 90% of children in England to be school-ready at five and at least 90% to meet expected literacy and numeracy standards by the end of primary school by 2036. Proposals include stronger parenting support through Best Start Family Hubs and consideration of aligning the Early Years Pupil Premium funding rate with the primary-school rate.

Primary and secondary schools would be required to use Risk of NEET Indicator tools, combining existing information on attendance, attainment, SEND, care experience and exclusions. At-risk pupils would have a trusted adult, with named transition leads for repeated suspension or exclusion. A statutory key stage 3 writing, numeracy and oracy check would identify support needs, alongside discretion over 10% of the key stage 3 timetable. Work experience would become a statutory duty on schools.

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A Ready-for-Work Standard and stronger, contextualised destination measures would be introduced in 2028 and reflected in Ofsted accountability, alongside attainment. The longer-term aim is an integrated academic and vocational framework for ages 14 to 19.

Routes into work: pre-apprenticeships, internships and training

Apprenticeships are the review's largest education and skills priority. By 2036/37 it seeks around 270,000 under-25 starts annually, an 80% achievement rate and around 215,000 annual achievements, doubling youth apprenticeship achievements over the decade. An initial 25,000 pre-apprenticeship places would combine technical learning, English and maths where needed, work-readiness support and substantial employer experience. For 16- to 18-year-old apprentices, continued English and maths study would remain, but passing Level 2 examinations would cease to be an apprenticeship exit requirement.

The English apprenticeship budget would match English Levy receipts, removing the "Treasury topslice". Under-25 apprenticeships would receive 100% public funding from Levy proceeds irrespective of employer size. Government funding for apprenticeships for those aged 25 and over would initially fall by 25%, with a possible reduction to a 50% contribution by 2031/32 if needed. Transition would take account of regulated and priority occupations.

An initial 10% of the apprenticeship budget would go to strategic authorities for local opportunity generation and delivery, while the core funding model remained national. The review also proposes over 150,000 additional 18- to 24-year-olds in FE each year over the decade, more responsive in-year funding, a targeted participation and work-readiness premium, and greater emphasis on destinations. Supported internships, placements of up to 12 weeks, sector-based work academies, higher technical study, a proposed 13-week civic service and supported self-employment would form part of the wider opportunity offer. Care leavers who are NEET or at serious risk would receive a proposed £50-a-week Transition Allowance for six months, linked to agreed participation.

Support for disabled young people and those with special educational needs

The review proposes needs-led health and functional support without requiring a diagnosis before practical help begins. Through the Youth Opportunity Service (YOS), young people would access immediate digital mental health support, with human, community and specialist support according to need. Those with an agreed Participation Plan would receive fast-track access to relevant services and practical health support within three months. Wider reforms include an Early Support Hub in every upper-tier English local authority, expanded high-intensity Mental Health Support Teams and national maximum CAMHS waiting-time standards by 2028.

Employment measures include expanded supported internships and Individual Placement and Support, job coaching, accessible recruitment, workplace adjustments and Access to Work brought into the YOS offer under its existing name. A new Flexible Jobs Scheme would subsidise adapted roles and job carving, while supported businesses and social enterprises would create paid opportunities where mainstream employment cannot. Employers with 250 or more staff would be asked to publish an ambition for disabled representation in their 16-to-24 workforce or explain why not; progress would be reviewed after five years, with consultation on a mandatory quota only if progress were insufficient.

Fit-note reform would begin in 2027, moving long-term sickness support towards multidisciplinary YOS provision while GPs retained clinical care. NHS integrated care boards would have explicit youth-participation responsibilities and jointly agreed commissioning with strategic authorities. Child DLA would extend to 18, with active transition planning from 16; those with profound and enduring needs would receive stronger long-term financial protection.

Employer incentives, National Insurance and job creation

The Youth Jobs Grant would provide £3,000 to employers recruiting a 16- to 24-year-old who has been NEET for six months, irrespective of benefit status. A £2,000 premium would apply for recruits facing substantially greater barriers, and a further £2,000 premium for businesses with fewer than 50 employees. Payments would support retention as well as recruitment. The youth apprenticeship hiring incentive would rise to £2,500 and extend to Levy-paying employers, alongside a new £2,000 provider incentive. The additional employer incentive package is estimated at around £1.1 billion a year at its peak, supporting an additional 170,000 job and apprenticeship opportunities.

Milburn rejects an immediate across-the-board employer National Insurance cut as poorly targeted. Instead, when fiscal conditions allow, he proposes a five-year glide path raising the employer threshold for 21- to 24-year-olds from £5,000 to £10,000, starting in retail and hospitality and potentially extending to other sectors. He also calls for no further increases in government-controlled youth hiring costs, retention and better promotion of existing youth reliefs, and a biennial Youth Employment Cost Index. Minimum-wage convergence should continue to be judged against protecting youth employment; pension auto-enrolment expansion affecting young workers should wait until at least 2031.

A statutory Youth Opportunity Test would assess significant tax, spending and regulatory decisions. Guaranteed-hours implementation should take a cautious approach to seasonal and temporary work. A single employer guide, simpler safeguarding and insurance arrangements, advice on reasonable adjustments and an expanded agency model would address practical barriers.

Benefits reform: entitlements, guarantees and conditionality

The proposed statutory Opportunity and Support Guarantees would cover 18- to 24-year-olds who are NEET regardless of benefit status, with earlier intervention from 16 where serious risk is evident. Young people would meet a named adviser within 14 days, agree a Participation Plan within four weeks and have a substantive route underway within four months. If they remain NEET after engaging for 12 months and paid work is realistically possible with support, a state-funded six-month job would be guaranteed, bringing the current backstop forward from 18 months. In return, benefit recipients able to participate would have a duty to engage, pursue their plan and not refuse reasonable offers without good cause. Sanctions would be a last resort after repeated re-engagement attempts, with safeguards for serious illness, treatment and crisis.

A means-tested Youth Allowance, set at the standard under-25 Universal Credit rate with a higher amount for independent living, would replace the current model, abolishing the UC health top-up and Work Capability Assessment for this group. A new work allowance would let employed recipients retain more earnings before benefits reduce. PIP for under-25s would be replaced by differentiated provision: a locally administered Health and Disability Fund for immediate or changing costs; a national, non-means-tested Additional Cost Allowance for significant, established and ongoing extra costs; and more generous Severe and Complex Needs Insurance for those with profound, long-term disabilities where paid work is not realistically possible. Support and opportunity must precede benefit changes.

Existing claimants would have a personalised transition beginning six months before scheduled reassessment, with current payments maintained during transition work and a proposed maximum five-year rollout.

The review explicitly acknowledges that some young people could initially receive less cash as projected aggregate income and poverty improvements do not mean every individual gains.

Locally led youth services and delivery arrangements

A locally led YOS would operate throughout England by 2029, bringing together existing youth-facing employment, participation, careers and employer-brokerage services rather than adding another programme. Strategic authorities would own the overall 16-to-24 participation system and commission delivery from a mixed provider base, including councils, charities, colleges, social enterprises and community organisations. Local authorities would retain statutory responsibilities for 16- and 17-year-olds. Each area would have one Area Youth Participation Plan developed with employers, young people, education providers, the NHS and voluntary organisations, with explicit plans for disabled young people, care-experienced young people and carers or parents, and those hidden or facing multiple disadvantage.

Multi-year Participation Agreements would align devolved powers, commissioning and funding, with allocations lasting at least three years. NHS funding would remain within health structures but be pooled or aligned locally, with duties to fund and commission the health contribution. Early agreements would test local sharing of evidenced fiscal gains and capped exposure to poor performance.

A small cross-government function would provide common standards, digital and data infrastructure, and national employer relationships. Safeguarded individual-level data would support identification, outreach, one shared plan and sustained-outcome tracking; the review proposes a legal firewall against reuse of support data for sanctions, recruitment screening or unrelated policing. Performance would be reviewed at least six-monthly, focusing on sustained participation and closing gaps, not simply referrals or starts.

Implications for employers and service providers

For employers, the proposed bargain combines greater hiring support with expectations to create more first jobs, youth apprenticeships and meaningful work experience. The voluntary, employer-led First Chance movement would encourage quantified commitments, including an ambition for 10% of entry-level vacancies to go to young people who are NEET or at significant risk. Recruitment should remove unnecessary experience requirements, test automated screening for unrelated barriers, offer accessible assessments and improve feedback to unsuccessful candidates. A single YOS contact, a national digital gateway and central account leads for large multi-site employers would simplify access to incentives, matching, adjustments and retention support.

Public procurement is a significant proposed lever. Youth employment would become a mandatory Social Value criterion for qualifying projects above £5 million where meaningful labour demand exists. Explicit youth hiring commitments would be mandatory for projects above £50 million and major defence, energy and infrastructure contracts, subject to meaningful labour demand. Requirements would extend beyond central government, with major suppliers mobilising SMEs and reporting delivery rather than only bid promises. For suppliers and service providers, the practical implications are stronger youth-employment evidence, supply-chain coordination and local commissioning partnerships.

The proposed YOS mixed-provider model creates a potential delivery role, but no specific procurement opportunities are confirmed by the report. Training providers would face greater demand for youth provision, new incentives and stronger outcomes accountability, alongside reduced public funding for older apprentices. Public bodies would publish three-year youth workforce plans; the Civil Service would aim for 11% of its entry-level workforce to be aged 16 to 24 by 2032. Separately, an AI Youth Observatory, universal access to AI skills and sector retraining pilots would help anticipate changing entry routes.

Government response, funding and implementation timetable

The Welfare Secretary Rt. Hon. Pat McFadden M.P. will present the Government's first response to the review in a statement to Parliament later this afternoon.

Milburn proposes an initial £500 million in 2027/28, sourced by reprioritising existing spending, with further multi-billion-pound investment prioritised in the 2027 Spending Review. By 2036/37 the review estimates around £5.8 billion in annual investment, offset by £3.6 billion in welfare-reform savings and £2.4 billion in increased tax receipts and reduced benefit payments from employment. Welfare savings would begin in 2029/30 and cumulatively reach £13.7 billion by 2036/37; overall fiscal savings are projected in 2036/37.

These are review estimates requiring refinement, not Government commitments, and delivery and impact are uncertain.