Downtown In Business

DIB INSIGHTS

From a Welfare State to a Working State

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FOREWORD

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I welcome Alan Milburn's review and urge the government to get on with implementing its main recommendations. Nearly a million young people are outside education, employment or training. Behind that figure are young people who want a start and businesses that need new talent. We should be making it easier for the two to find each other.

Milburn is right to call for more apprenticeships, better support for young people who face barriers to work, and a bigger role for mayors and local leaders. Employers should be at the table from day one. A college, a mayor and a group of local businesses are well placed to work out where the jobs are coming from, what skills young people will need and how to help them take that first step.

The government also needs to look at the cost of giving someone their first job. DIB is calling for a **cut in employer National Insurance for workers under 25**, extending relief to more 21- to 24-year-olds. We want ministers to **reduce the statutory minimum wage rates for under-25s** to help businesses create more entry-level jobs, and **scrap the planned reforms to zero-hours contracts**, including the guaranteed-hours requirements. Flexible shifts can give young people a way into work around college or other commitments. Employers have a responsibility to use that flexibility fairly and give people as much notice and certainty as they can.

Businesses have a part to play. We can offer more first jobs, apprenticeships and work experience, and give young people the support to progress once they're through the door. The test for ministers is whether their decisions make it easier for a small business to say yes to its next young recruit.

WHAT THE REVIEW RECOMMENDS

Alan Milburn's independent review, published on 17 November, calls for a ten-year overhaul of how young people are helped into education, training and work. It estimates that around **500,000 additional opportunities** in employment and education may be needed by 2036. Its proposals include an initial **25,000 pre-apprenticeship places** and a path to **270,000 apprenticeship starts a year for under-25s** by 2036, alongside more further education places for 18- to 24-year-olds.

- **Give young people a clear route into work or learning.** Bring employment advice, skills provision and health support together through locally led services. Help young people earlier, particularly those facing mental ill health, disability or other barriers, and maintain financial protection for those unable to work.
- **Give local leaders responsibility for delivery.** In England, strategic authorities would lead local plans for 16- to 24-year-olds, with employers, councils, colleges, the NHS and young people helping shape provision around local needs and job opportunities.
- **Make it easier for employers to recruit young people.** Milburn proposes gradually raising the employer National Insurance threshold for 21- to 24-year-olds in retail and hospitality from £5,000 to £10,000 when public finances allow, with scope to extend the relief to other sectors. Employers already pay no employer National Insurance on earnings up to £50,270 for under-21s and eligible apprentices under 25.
- **Put youth employment at the centre of decisions on pay and working hours.** Milburn says the Low Pay Commission should judge how quickly youth rates move towards the adult rate against the need to protect jobs. He also warns that guaranteed-hours rules could have unintended consequences for youth hiring. DIB's foreword calls for an outright reduction in the under-21 rates and for the planned zero-hours reforms to be scrapped. The statutory National Living Wage currently applies from age 21, with separate National Minimum Wage rates for younger workers.

WHAT HAPPENS NEXT

The government has endorsed the review's core principles and says new locally led youth services will begin from 2027. It will consider the wider recommendations alongside the Timms Review ahead of a welfare reform White Paper in the new year. DIB is urging ministers to set out a timetable for the main recommendations and bring forward measures that help private-sector employers create more first jobs.

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