

Future Jobs Fund

An independent national
evaluation

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Future Jobs Fund: An independent national evaluation

Inclusion

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Executive summary

The purpose of this report is to produce a national and independent record of the Future Jobs Fund (FJF), based on the experiences of seven areas across the country. The report summarises the benefits and areas for improvement related to this approach to tackling unemployment among young people, and the FJF's impact and value for money. It draws on the lessons learnt from the FJF as a temporary job initiative in order to provide recommendations to local and national government and to welfare to work providers.

The FJF was introduced by the Department for Work and Pensions (DWP) in 2009 as a response to significant concerns about the long-term effects of rising youth unemployment. DWP pledged 150,000 temporary paid jobs lasting six months for unemployed young people and people living in disadvantaged areas, with a maximum DWP contribution of £6,500 per job. The Coalition Government made the decision to end the FJF shortly after taking office in May 2010, citing high costs. By March 2011, when the last FJF jobs were filled, the programme had placed 105,220 people in temporary employment.

Key findings

Numerous **benefits** to this approach to tackling unemployment were reported in interviews and focus groups with participants, employers and stakeholders. The FJF:

- provided people with *a real job with a real wage* at a time when few were available
- *engaged employers*, many of whom say they are now more likely to employ an unemployed young person or engage with future welfare to work programmes
- *moved people off long-term benefits*, many of whom had been claiming for decades or had multiple barriers to employment
- *benefited communities*, both in terms of the expansion of programmes serving communities and in terms of an improved sense of citizenship and cohesion
- transferred *benefits to the voluntary sector, charities and social enterprise*, also engaging the *private sector* in some cases
- increased the distances people were prepared to *travel to work*

- brought together and made effective use of dynamic *sub-regional partnerships*
- raised people's *career aspirations*, and their levels of relevant *training and qualifications*
- improved people's *health* and reduced *criminal behaviour*.

However, there were a number of **areas for improvement** of the FJF that were identified by participants, stakeholders and employers. The FJF:

- was *rushed during the bidding and implementation stages* in the eyes of many of those involved
- suffered from slow and changeable *DWP guidance*, and onerous or inconsistent *DWP monitoring*
- received *poor applications*, insufficient numbers of applications or applications from ineligible people from Jobcentre Plus
- had very limited *ability to engage private sectors employers* because jobs had to have an element of community benefit. This decreased the potential for job sustainment
- did not offer enough *support to voluntary and community sector employers*
- did not place enough *emphasis on progression into sustained work* following FJF
- in some cases provided *irrelevant or inconsistent training*, and did not cover some training that was essential to certain jobs.

Outcomes: Of the 105,220 participants who started FJF jobs between 2009 and 2011, an estimated 15 per cent of them left their job before six months – more often than not to move immediately into another job. Overall, an estimated 43 per cent of participants obtained a job outcome after FJF – in the majority of cases with the same employer as their FJF job. Participants with job outcomes are experiencing *impressive levels of job sustainment* – modelling suggests over half will still be in that same job one year after starting.

The FJF has had a noticeable **impact** on the youth labour market by creating jobs when few were available. FJF jobs obtained by 18–24 year olds represented 22 per cent of young Jobseeker's Allowance benefit leavers who had been claiming for six months or more. In the programme's busiest months this figure reached 44 per cent, hitting 60 per cent in areas of the country with the fewest vacancies. The FJF made relatively little impact on the adult labour market.

Analysis of the FJF's **value for money** suggests that it had a *net cost to government of £3,946 per participant*, or just over £9,000 per job outcome, when direct tax revenues and benefit savings are taken into account. This cost-benefit calculation does not account for benefits such as indirect tax revenues, wider community benefits and long-term tax revenues, so is likely to have overvalued the cost to government of FJF. The benefits of FJF equate to *70 days fewer on benefits* than participants would have spent if the programme hadn't existed, above and beyond the time spent in FJF jobs. Both this figure and the estimated cost per job outcome are comparable to past evaluations of New Deal for Young People.

As well as increasing employment and skills, the FJF has left a **legacy** that includes more inclusive approaches to recruitment and selection by employers; a change in employers' attitudes towards young and unemployed people; a number of successor temporary job programmes currently in development; and a marked change for the better in many participants' lives.

Lessons

The findings of this report show that intermediate labour market/temporary waged job initiatives like the FJF are costly, both in terms of up-front public investment and in terms of the net cost when short-term public benefits are taken into account. However, notwithstanding the fact that they are a high-cost option, temporary waged jobs have real advantages that are identified within this analysis: they produce **job outcomes**; they boost **sustained employment**; they work for the **hard to help**; they work in **low-vacancy areas**; they work in **growth sectors**; and they work for **employers**.

Recommendations

The advantages of temporary waged job initiatives make them an attractive option for a number of stakeholders in today's welfare to work environment. On this basis our recommendations are as follows:

To national government:

Recommendation 1: emphasise the temporary job experience, a 'real' job with a 'real' wage, in the design and marketing of initiatives aimed at young people, particularly work experience and apprenticeships. This can be done by making a simple offer to young people, guaranteeing interviews, and supporting costs.

Recommendation 2: allow out-of-work benefits to be used as a wage subsidy in low-vacancy areas, in growth and target sectors, for the hardest to support, and in jobs with clear community benefit.

To local government and the public sector:

Recommendation 3: introduce temporary waged job initiatives to stimulate depressed labour markets and create growth in developing industries.

Recommendation 4: build on the substantial employer commitment to helping unemployed and young people that exists as a result of the FJF by sharing best practice across a wider employer base and introducing an employer 'pledge'.

To Work Programme prime contractors:

Recommendation 5: Work with local partners and employers to fund temporary jobs in order to achieve sustained employment outcomes for customers.

1 Introduction and background

- 1.1** The Labour government announced the Future Jobs Fund (FJF) in the 2009 budget, as part of its Young Person's Guarantee. The Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG) implemented the fund in partnership, at a time when youth unemployment was rising and the government was concerned about the lasting effects of long-term unemployment on young people and communities in particular.
- 1.2** The programme's origins are in the DCLG review into worklessness,¹ chaired by Councillor Steven Houghton in 2009. It recommended that a challenge fund be established to 'quickly provide more support for long-term claimants.' The rationale was to 'help stimulate temporary jobs for workless people that will help them compete more effectively for jobs in the wider labour market. The work would have to be of benefit to the community and local economy.'
- 1.3** Whilst a range of initiatives have been aimed at supporting young people into work over more than 30 years, the FJF was unprecedented in that:
- it committed as much as £1 billion over less than a two-year period
 - it aimed to create 150,000 six-month jobs for young people and people from disadvantaged areas
 - it was a 'challenge fund' to councils and their sub-regional partners in particular to 'think big' and submit single proposals to create thousands of additional jobs in their region.
- 1.4** As part of the Young Person's Guarantee, FJF was open to young people (18–24 year olds) who had reached at least six months on Jobseeker's Allowance (JSA), and also older unemployed people in some unemployment hotspots. It sat alongside other options, including: Routes into Work, self employment advice, Internships for graduates, and Work Focused Training. People could only be referred to FJF via their Jobcentre

¹ Houghton, Dove and Wahhab (2009) *Tackling Worklessness: A Review of the contribution and role of local authorities and partnerships – Final Report*, Department for Communities and Local Government:
<http://www.communities.gov.uk/documents/communities/pdf/1161160.pdf>

Plus (JCP) advisers, who had responsibility for determining eligibility and suitability.

1.5 The basic components of FJF are:

- a job of at least six months duration
- work for at least 25 hours per week
- payment at least at the national minimum wage
- jobs that were clearly 'additional' i.e. they would not have existed without the fund
- a described benefit to the community outlined in each job created
- support to move people into sustained jobs
- a maximum of £6,500 government contribution per job.

1.6 The first phase of proposals was invited in May and June 2009, to be submitted to DWP by the end of June 2009. Successful bidders were notified by the end of July 2009 with an expectation that the first jobs would be 'live' in September 2009. This was an ambitious timescale: approximately 100 days from bid to start in some places. Ongoing rounds of bidding then continued into early 2010.

1.7 By March 2010, 27,290 jobs had been filled across the UK in programmes of varying scale and complexity.² Some were part of very large sub-regional single bids, others with small social enterprises. The minimum bid application was 30 jobs; the highest approved was 8,000.

1.8 The Coalition government made the decision to end FJF shortly after it took office in May 2010. The main reason stated was the high cost of FJF when compared with other interventions,³ especially when seen in the context of the introduction of the new Work Programme during 2011.

² Young Persons Guarantee Official Statistics, July 2011, DWP:
http://research.dwp.gov.uk/asd/asd1/jsa/ypg/ypg_jul2011.pdf

³ 'Youth Unemployment and the Future Jobs Fund' Work and Pensions Committee First Report - DWP submission (2010):
<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/47202.htm>

- 1.9** The House of Commons DWP Select Committee inquiry ‘Youth unemployment and the Future Jobs Fund’⁴ took a substantial amount of written evidence from the lead accountable bodies (LABs) delivering FJF in 2010, as well as academics, employers, employer bodies (such as the Confederation of British Industry and British Chambers of Commerce), government officials and ministers. It cautioned against the estimated value for money comparisons quoted by the Government as part of this Inquiry, and recommended that there needed to be a wider evaluation to assess whether this programme was effective. DWP has since conducted a qualitative evaluation of FJF customers’ experiences, which reported very positive experiences of FJF and that the programme had been successful in preparing participants for work.⁵ No quantitative analysis on a national scale has been conducted yet.
- 1.10** Grant agreements that were previously confirmed by DWP were honoured. A total of 105,220 jobs were delivered between October 2009 and March 2011.⁶

Purpose of the report

- 1.11** The purpose of this report is to produce a national and independent record of the FJF based on the experience of seven areas, covering a significant number of the jobs created.
- 1.12** *Inclusion* was commissioned by LABs in seven areas of the UK where FJF has been delivered to a varying scale – from 200 to 8,000 jobs – totalling approximated 25,000 jobs. The nature of each programme varied and the range of employers and partners differed accordingly, but all agreed on a common aim – to understand the impact of FJF as an approach to tackling youth unemployment more fully.
- 1.13** The report does not aim to assess each area’s unique approach, nor its successes or otherwise at a local level. It aims to conduct a higher level analysis of what has happened, good or otherwise, in those seven areas,

⁴ ‘Youth Unemployment and the Future Jobs Fund’ Work and Pensions Committee First Report - DWP submission (2010):
<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/47202.htm>

⁵ Allaker and Cavill (2011) *Customer Experience of the Future Jobs Fund: Findings from a Qualitative Research Study*, Department for Work and Pensions:
<http://research.dwp.gov.uk/asd/asd5/ihr2011-2012/ihr1.pdf>

⁶ Young Persons Guarantee Official Statistics, April 2011, DWP

and to understand the costs and benefits of this 'type' of approach in order to inform future policy developments.

1.14 The seven areas represent a truly national experience of FJF from across Great Britain. They cover England, Wales and Scotland as follows: Tyne and Wear, Durham and Northumberland (seven councils); Liverpool City Region (six councils); Greater Manchester City Region (10 councils); Glasgow; Barnsley; Suffolk and Merthyr Tydfil.

1.15 The key questions the report set out to address are:

- What has been the benefit of FJF and what could have been done better?
- What has been the impact of FJF on local and national labour markets?
- What is the value for money of an approach such as FJF, and how does this compare to other interventions?
- What is the legacy of FJF moving forward?
- What policy recommendations would these findings lead us to make?

Methodology

1.16 There were three key stages to this evaluation:

1 **Desk top research / statistics** – a thorough study of evidence including:

- the impact of FJF on labour markets locally, regionally, nationally
- outcomes – numbers returning to benefits, numbers into jobs, other positive outcomes, including locally collated data and national tracking information
- key messages from a meta-evaluation of local FJF evaluations that had already been conducted.

2 **Input and feedback from stakeholders and participants:** in addition to steering group meetings, *Inclusion* interviewed all seven areas taking part, through a combination of face-to-face and telephone interviews with line managers, staff at the LABs project-managing FJF in their regions, councils, employers of FJF participants, and the

participants themselves. This was to ensure a wide range of views were recorded and to enable the findings to present a national view of the most and least valued aspects of FJF, the lessons learnt, and the programme's legacy.

3 Modelling value for money: Local areas were particularly focused on an evaluation that would provide a realistic assessment of the cost and benefits of FJF as an approach. Data was gathered on actual spend per participant across the seven areas, job progression beyond FJF, other positive outcomes created, and participants' wages and hours.

1.17 A key data source for the value for money model was an *online quantitative survey* of FJF participants in the seven areas. This collected information on:

- the wages, hours and duration of participants' FJF jobs
- the wages, hours and duration of job outcomes after FJF
- other outcomes following FJF
- participant characteristics, such as age, gender, qualification levels and housing status.

1.18 The survey was distributed for *Inclusion* via the seven LABs. Because LABs had varying contact details for their FJF participants there is the potential that the survey responses were biased towards participants with more positive outcomes from the programme who had therefore maintained better contact with the LAB/employer, or those who were generally more motivated. This methodological difficulty could not be overcome with the data available.

1.19 The online survey allowed modelling of job sustainment and resulting direct tax revenues and savings on the benefits bill. These benefits of FJF to the public purse were compared with the costs in order to assess value for money. The value for money of FJF was contrasted with that of New Deal for Young People (NDYP), whilst recognising the limitations of this comparison.

1.20 A narrative is also provided on the wider social impact of FJF but the report does not seek to quantify this. In other words, the quantitative findings are, if anything, conservative given the wide range of additional social benefits reported which are all linked to the effects reducing youth

unemployment has on long-term outcomes for government, such as improved health, less crime, more qualified people, employer engagement and community benefit.

- 1.21** The input of the seven LABs was critical to this report. They shared thoughts on how best to shape certain aspects; took time to participate in focus groups to capture the qualitative outcomes of FJF; supported the process of cascading an online survey of FJF participants; provided local data and shared their own evaluations; and provided case studies and qualitative feedback relating to their FJF programmes.

2 Benefits and areas for improvement

Key benefits

- 2.1 A real job with a wage:** The overwhelming benefit reported consistently was that the FJF created additional, temporary jobs for young people (in the main) at a time when there were few jobs for them to apply for.
- 2.2** All involved believed FJF was a genuine attempt to offer real jobs because people were paid the national minimum wage; had a six month contract of employment with a job description; and had all the other conditions you would expect in gaining a job. In Greater Manchester 84 per cent of employees were very positive about their FJF job.⁷
- 2.3** FJF was clearly viewed as distinct from work experience or unpaid placements. It did not have the stigma associated with being 'on a scheme'. One employee in Newcastle, for example, said: *"It is a real job with real pay, it's not a token gesture."* This was echoed many times by employers. Feedback from Glasgow suggested that the design of FJF created a new dynamic in the workplace: the fact that it was paid work created positive attitudes towards the job and towards other employees.
- 2.4** Employers valued not having to 'take a risk' on someone with no work history. In some cases intermediary employers or social enterprises employed participants, enabling the employer themselves to focus on providing the work and training. This removed all concerns about 'hiring and firing' people and allowing some to provide many more jobs than they could otherwise have done. In Liverpool City Region one employer said: *"It was not shadowing but a quality job. As an employer it allowed you to try things you otherwise could not do."*
- 2.5** Whilst some employees would have liked their job to last longer (in some areas additional resources were added to FJF funding to do this) most felt that the six month contract was about right – long enough to raise their

⁷ McGregor, A. (2010) *Greater Manchester Future Jobs Fund Evaluation – Interim Report* Cambridge Policy Consultants and the Training and Employment Research Unit

employability, be a credible amount of time in work, and look good on a CV. In Greater Manchester a survey of 200 people showed 99 per cent of participants thought they were more employable as a result of FJF.⁸

- 2.6** Employers on the whole said that six months was long enough to build in enough training, and there are many examples of the extent of training offered as part of the package. A private sector employer said: *"The beauty is that it's worth investing the time in training the employees because of the length of the placement, after a few weeks you start to see them blossom and need less and less supervision."* However some employers felt that jobs could have been shorter. People did move on before 26 weeks were completed, with one employer in Glasgow saying *"You don't want people to get too comfortable, you want them to go on to other things."* There is evidence that a shorter amount of time could be equally useful.
- 2.7** **Employer engagement:** Most LABs reported that asking employers to create a temporary additional job, where the wage was funded, distinctly improved employer engagement. Additionally, many employers were required, or volunteered, to commit to mentoring and coaching, in-house training, and supplying equipment and materials. In Barnsley all employers also had to commit to keeping participants for 12 months, paying for six of those months themselves (or via local funds). Barnsley created around 500 jobs in this way.
- 2.8** Employers were unanimous in saying that the temporary additional jobs, rather than placements, were key to the success of FJF in terms of their own commitment and willingness to spend time working with participants. FJF employees were valuable staff members, and this had challenged employers' previous recruitment practices. One employer in Newcastle said: *"FJF lets you take a risk on someone you otherwise wouldn't because the financial risk has been taken away."*
- 2.9** As a result of FJF, employers have said that they are more likely to hire a young or unemployed person in the future. They are also willing to engage with future initiatives aimed at tackling youth unemployment such as Get Britain Working, the Work Programme or apprenticeships, especially when these put people in the workplace for long enough not

⁸ McGregor, A. (2010) 'Greater Manchester Future Jobs Fund Evaluation – Interim Report' Cambridge Policy Consultants and the Training and Employment Research Unit

only to be trained but for employers to see the reward or 'kick back' from the time invested.

Case Study 1: Tyne and Wear, Durham and Northumberland

Your Homes Newcastle, an organisation that manages Newcastle City Council's housing stock, employed over 60 FJF participants in roles such as garden maintenance, furniture delivery, community environmental assistants and property maintenance administrators. The organisation emphasised the significant value that FJF employees added to their services. For instance there has been an improvement in the environment of local communities, and within the organisation, members of staff have been given the opportunity to gain managerial experience by mentoring FJF employees. Experience of FJF has also changed perceptions of young people within the organisation. According to a Your Homes Newcastle representative, the organisation *"did not know what to expect"* from the young people on the programme but the feeling now is that FJF has provided an opportunity for unemployed young people to demonstrate their potential. All recruits were positive and *"embraced"* the opportunity. FJF has enabled the organisation to undertake recruitment of young people *"at scale"* for the first time, which initially caused some trepidation. However this approach proved to be a great success as the programme developed, with the result that Your Homes Newcastle thinks FJF represents a significant improvement on previous employment programmes.

- 2.10** Open days saw large numbers of recruits and managers brought together in one place, with lots of job offers made on the day, as well as allocation of mentors, and distribution of financial and debt advice. There was evidence that the open day approach was more inclusive and attracted a more diverse mix of applicants.
- 2.11 Moving off long-term benefits:** Not all recruits were 18-24 year olds on JSA. Most areas were also recruiting people living in 'hotspots' where participants of any age were eligible if they were on any out-of-work benefit. This meant that some people on FJF had been out of work for very long periods of time. Many examples were provided including:

- An employee in Merthyr Tydfil who had claimed Income Support for 15 years before taking up her FJF job. She said: *"When I found out I had the job, I felt like I won the lottery, I was crying with happiness."*
- A male employee in Barnsley who was over 40 and had two children. He had been out of work and on Incapacity Benefit for over 10 years. He said: *"I'm better off. I always thought I'd be on benefitsbut no-one explained it to me properly at Jobcentre Plus until FJF and now I'm £100 per week better off. I didn't understand about tax credits, I couldn't believe it."*

2.12 In other cases, employees were from families and communities where worklessness was prevalent. In these cases, stakeholders argued that FJF jobs helped to change cultures of worklessness by demonstrating the social and financial benefits of work. In Barnsley, examples were given where father and son were both employed via FJF, helping the entire family to break out of worklessness.

2.13 **Community benefit:** FJF jobs had to include an element of direct benefit to the wider community that people were working in, and there were many examples cited where this was seen as important. Staff in Suffolk felt it ensured jobs were created that were of good quality and that required thoughtful input into job creation. One staff member from a LAB said: *"Although it limited job sustainability, the community benefit criterion was useful. Usually this client group is disgruntled and mandated to take part in programmes, the community benefit gives them an opportunity to work in the community, develop citizenship skills and pride in their town, which is invaluable."*

2.14 Employers agreed that the community benefit criterion meant that FJF changed attitudes of all residents, not just participants and employers. This was particularly the case in organisations providing social housing or landscaping and parks maintenance. These employers felt that FJF employees were in visible public roles helped to challenge negative stereotypes about young people. Some areas reported that elected members received positive feedback from their constituents after seeing young people in work helping keep their neighbourhoods clean and safe.

Case Study 2: Glasgow

A FJF participant in Glasgow had been unemployed for six months when he got an FJF job. During his FJF position he worked with the community

policing team to develop the citizenship element of its curriculum for excellence. With another FJF post-holder he undertook an arts-based project on citizenship values for 8–10 year olds. This upgraded the after school care options and provided an activity that the young people would not otherwise have had access to. Staff involved in the administration of FJF in Glasgow highlighted the worth of posts that add value in the local community. The work that the FJF participant discussed here did is indicative of many others jobs created in Glasgow, providing a service that could not be delivered by other staff who were tied up with core duties. Since FJF has ended, many of these additional community services in Glasgow have ceased.

2.15 This is not to say there were no criticisms of the community benefit criterion of FJF jobs. In particular people felt that this hampered the creation of posts in the private sector which would have entailed more opportunities for retention and progression.

2.16 **The involvement of the voluntary sector, charities and social enterprise:** this was vast in many cases. Not only did it bring a diverse mix of job opportunities, but FJF brought benefits to these employers.

2.17 Having an additional workforce helped voluntary and community sector (VCS) organisations and social businesses to expand their service offer, grow their business and, in some cases, become more sustainable. The link between FJF and enterprise growth was not a stated aim of the programme but this clearly happened. VCS organisations in Tyne and Wear said:

■ *“The FJF has allowed us to expand our services into three new sites, which will give us a good starting point when applying for funding to maintain the services, as they will have a track record of six months.”*

■ *“We were very vulnerable financially, but with the help from FJF we have been able to build and grow slowly with the aim of testing out the waters, proving ourselves, and now we are in a position to offer permanent posts due to increased income for our association.”*

■ *“We were able to harness the skills of a particular FJF employee and develop a community interest company to provide a local maintenance and repair service. This provided a valuable service for local residents as well as a job for the FJF worker when his initial six month contract came to an end.”*

- 2.18 Private sector jobs:** DWP was clear that private-sector jobs could be developed where there was a community benefit and where state aid regulations were met. As such, private-sector jobs were created in growing and developing industries – including social housing sub-contractors, nurseries and care homes, airports providing visitors and tourists with information, and Virgin trains.
- 2.19 Travel to work:** There was evidence to suggest that people were prepared to consider FJF jobs outside their home borough. The fact that FJF broadened attitudes to commuting was viewed as a success by LABs and employers alike.
- 2.20** Transport for Greater Manchester negotiated a 75 per cent travel discount across its bus and tram network for 8,000 FJF employees. This was a purely commercial decision on the part of the transport providers, who saw this as a way of not only enabling people to access jobs across the city region but also encouraging more people to use their services longer term. In its survey, when asked: ‘Because of your experience of using public transport during FJF would you now be willing to consider applying for jobs further afield?’ 90 per cent replied ‘Yes’.⁹

Case Study 3: Suffolk

An FJF participant in Suffolk had been unsuccessful in finding the job he wanted after leaving college with an engineering qualification three years before. He obtained an FJF post in recycled furniture manufacturing, where his main duties were building the outdoor furniture and installing it off-site for customers. He worked in a mixed team, which included some adults with learning and physical disabilities. Because he lived 35 miles away from the site and did not drive, getting to work proved difficult on public transport. After a few weeks of employment he arranged for another member of staff who lived in the same town to give him a lift to and from work. He did not let the difficult travelling commitment deter him and he quickly proved that his engineering qualification had provided him with the skills for the role. At the end of the six month FJF placement he was offered a permanent position and continues to excel at his job.

⁹ McGregor, A. (2010) *Greater Manchester Future Jobs Fund Evaluation – Interim Report*, Cambridge Policy Consultants and the Training and Employment Research Unit

- 2.21** It is also interesting to note that Jobcentre Plus did not stop people looking for FJF jobs further afield, which was viewed positively by LABs. For example people applied for FJF jobs in Liverpool City Region from as far away as Hull, Malvern and Crewe.
- 2.22** **Effective use of sub-regional partnerships:** where single bids were developed across a range of partners and councils, staff felt that the experience had been a real 'test' of partnership working and, in some cases, had helped them further embed these partnerships to deliver real added value. Partners moved on from strategy development as part of, for example City Employment Strategies, to real project delivery. This laid foundations for future collaboration. *"The delivery of FJF on a city region basis has demonstrated convincingly the added value of this way of working. The new Local Enterprise Partnerships must be able to reproduce this type of working in the employability arena."*¹⁰
- 2.23** On a practical level, cross boundary working also meant councils had to adapt some long established methods to accommodate FJF. For example, those used to working with the working neighbourhoods fund or European social fund to tackle worklessness in 'their' borough had to consider applications from anywhere in the UK for a FJF job that they had created. In reality this was rare but the principle of working in this way was a new one.
- 2.24** **Career aspirations, training and qualifications:** people reported that they were now in jobs they would not have considered before, either because they were not aware of this type of work, did not consider themselves to be suitable, or did not believe they would be considered. For example, young men who would only have considered labouring jobs in the past took jobs in offices and classrooms. Challenging stereotypes of what kind of work people could do is important in the current flexible labour market. People who had left FJF were continuing work through volunteering to gain more skills in their new and chosen careers.
- 2.25** In some cases FJF was linked to apprenticeships or graduate traineeships where the first six months was spent as an FJF employee. This is an excellent example of how areas found ways to integrate FJF with other interventions. In Suffolk one young woman told us how she had completed her FJF job and decided to move on to an apprenticeship, even

¹⁰ McGregor, A. (2010) *Evaluation of Liverpool city region Future Jobs Fund – Final Report*, Cambridge Policy Consultants and the Training and Employment Research Unit

though the wage was significantly lower, because she felt that the longer term benefits outweighed the short-term sacrifice. This approach was not universal, however. In Glasgow many young people were very clear that they wanted a job and saw FJF as an appealing proposition. However, they had little to no interest in a career or an apprenticeship. In fact some young women felt that apprenticeships were 'for men'.

- 2.26** Participants in the FJF gained a significant amount of training and number of qualifications, sometimes for the first time since leaving school. Whilst not directly quantified in this report, given the correlation between low qualification and skills levels and long-term unemployment, there is every reason to assume that FJF has had an impact on future employability through raising qualification and training levels.
- 2.27** Every area made efforts to include training as part of its package in various ways, from Suffolk – where 163 participants benefited from 231 training courses, ranging from basic skills, to NVQs and industry specific courses – to Barnsley where the pledge to every FJF employee was that they would leave with four qualifications or certificates, and 230 certificates were awarded in the first six months of the programme.
- 2.28** **Health:** a range of people interviewed said that being in a job was having a positive impact on their health and wellbeing. People were more self confident and more motivated: "*The busier you are in the day the more energy you have all round, I do more now I have a job, before couldn't be bothered with anything.*" People told us having a job was starting to make them fit: "*I'm walking eight miles a day with this job!*" and overall people reported feeling better about themselves: "*I'm happier.*" Being in work also meant that some people had stopped or cut back on smoking, as all working environments are smoke free.

Case Study 4: Greater Manchester

Acorn, a growing charity that supports people with drug addiction, created FJF roles and targeted them towards their service users. Most recruits were long-term unemployed benefit claimants (Incapacity Benefit/Employment and Support Allowance or Income Support) and were in the process of some form of drug rehabilitation. Of the 28 FJF leavers at the time of writing, 21 had jobs, a 75 per cent outcome rate. One of the now-permanent employees of Acorn was once known as the most prolific shoplifter in Greater Manchester, unemployed for over 30 years

and using drugs. He put these behaviours behind him and is hugely grateful for the opportunity he has been given. Acorn reported a significant level of commitment among its FJF employees when compared to volunteers it has employed in the past. FJF employees at Acorn felt good about themselves, they were committed and did not want to waste the opportunity they had been given.

- 2.29 Crime:** FJF employees with a criminal record were able to break the cycle of crime by sticking to a job that offered support and provided a routine. Employers were also able to demonstrate to young people that having a criminal record does not preclude gaining a job. A young man in Barnsley reported that he'd been in prison once for drugs and stealing. He said: *"I needed a kick up the backside, getting a job with FJF stopped me from going back to jail."*
- 2.30** Another employee in Merthyr Tydfil had changed his life completely. An ex-offender who had never worked before, he went on to become supervisor of the service he initially worked in for his FJF job.

Case Study 5: Barnsley

An FJF employee in Barnsley had been in and out of jail, on and off probation, and using heroin for seven years. She had applied for 22 jobs in three weeks but because of her criminal record and history of drug abuse, she was not given a chance. Shortly afterwards she was given an FJF placement with the council. She described this as the chance of a lifetime. She worked with the public doing surveys, road shows and canvassing opinions about council services. She said she gained as many qualifications as she possibly could during this time. She now has a secure job with a permanent contract, which she says has provided her with a reason to get up in the morning. Since starting work she has got married, moved into a new house, and remained clean from drugs. She says, *"I will never look back on my old life, I'm so grateful that the FJF gave me a chance to prove myself, I wouldn't be where I am today if it wasn't for the scheme."*

Areas that could have been improved

- 2.31 Speed of implementation:** staff responsible for FJF at both a strategic and operational level in LABs felt that programme implementation was rushed. Those involved in phase one bids had one month to write the bid,

and less than two months to start placing people in jobs. It was noted that normal recruitment practices entail at least that amount of time to write a job role, advertise, allow people to apply, arrange interviews, select the appropriate person, and perform necessary checks. This was not possible or practical for FJF, especially when programmes were large.

- 2.32** This issue was raised at the Work and Pensions Select Committee.¹¹ The committee observed that there was a connection between the speed of implementation and the fact that *"some young people were not properly prepared for the application and interview process."* They went on to say that *"DWP must ensure that JCP has the necessary resources and support to provide this service."*
- 2.33** A longer lead-in time for a programme of this scale would no doubt enable partners at the local level to implement processes and ensure all mechanisms are in place before a 'go live' date. On the other hand, organisations could have been better prepared to respond to exceptional economic circumstances, such as sudden increases in unemployment, and therefore acted within short timescales. In line with this, it is important that DWP can enable flexibility and accept local decisions on delivery in a 'hands off' manner. This includes giving Jobcentre Plus districts the flexibility to work with local partners to design programmes and related guidance that reflect local need.
- 2.34** **Guidance:** linked to the above, some LAB staff felt that guidance and requirements from DWP took too long to be issued to Jobcentre Plus. JCP advisers were not briefed on the precise nature of FJF soon enough and this delayed the process of filling jobs: *"JCP Advisers were asking the LABs for information about FJF instead of the other way around."* However, all acknowledged that FJF was launched at a time of immense pressure for JCP, when unemployment was rising fast and other programmes were being launched. FJF was *"one among a number of new offers to promote to customers."*
- 2.35** Some LABs felt that DWP guidance changed over time, and that there was a sense of 'moving goalposts'. For example, some areas assumed that the bid they submitted was approved in full, as no detailed feedback

¹¹ 'Youth Unemployment and the Future Jobs Fund' Work and Pensions Committee First Report (2010): <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/47202.htm>

was given other than its approved status. However, a number of areas proposed aspects to their delivery that were subsequently prevented from being implemented. One example was not being able to deliver pre-employment support as part of their FJF offer. DWP released frequently asked questions bulletins on a regular basis and this became the method of communication on how FJF could be implemented.

2.36 Some areas found it impossible to create private-sector jobs and felt this was the result of JCP interpretation of the rules. This was despite DWP actively seeking innovative approaches from LABs to creating jobs in the private sector. There were examples of jobs that were accepted in one district or JCP office, but not in another, suggesting a lack of consistency.

2.37 In addition, some areas were told that by JCP that all training had to be specific to the actual FJF job, whereas in other areas LABs had complete flexibility in terms of choosing training that would benefit the individual. While advice inevitably does vary, this proved frustrating for areas that found the 'rules' a barrier that they never managed to overcome.

2.38 **DWP monitoring:** some staff responsible for administering FJF within LABs felt that the monitoring requirements from DWP were more onerous than they had first envisaged. Other areas, however, felt that monitoring was relatively 'light touch', especially when compared with ESF programmes of a comparable scale. LABs and employers who had not run programmes with central government departments found data protection requirements challenging to meet. Having put these processes in place, it is likely that this will be less of an issue in future, although DWP might consider providing greater support to small and medium-sized organisations to meet their data security requirements.

2.39 **Job applications:** The process of filling vacancies varied, which may reflect the fact that implementation began quickly and before DWP guidance was cascaded.

2.40 For example, in some areas the planned process of completing FJF job applications did not always work well. JCP personal advisers would hand out blank application forms to people, who would then take them home to complete. This created several problems:

- Many applications were of poor quality, as applicants were not given support on how to complete the form. Many employers reported that forms were badly filled in, if they were received at all.

- JCP advisers would mark vacancies 'closed' when a certain number of application forms had been distributed. In practice, however, few (sometimes no) applicants who had been given forms submitted them. It was then difficult to request more applicants, because the vacancy had been officially 'closed' by JCP.
- Ineligible people sometimes applied for and were successful in interviews for FJF jobs, as they had been given blank forms by friends. In some of these cases ineligible applicants had even begun work before their ineligibility was flagged.

2.41 Limited ability to engage private-sector employers: most LAB staff with a strategic remit believed that while the community benefit criterion worked well for creating good-quality jobs, it worked against creating sustainable jobs. This was because it was a challenge to create jobs in the private sector that satisfied all the criteria: additionality, community benefit, and compliance with state aid regulations.

2.42 When private-sector jobs were created, these often led to high rates of sustainment. The Work and Pensions Select Committee called for greater clarity on this issue, given the increasingly important role of private-sector employers.¹²

2.43 The best outcomes seem to have been achieved when a liberal interpretation of 'community benefit' was applied by the LAB in close partnership with JCP, and when training was aimed at the long-term needs and aspirations of employees, so as to ensure their participation.

Case Study 6: Liverpool city region

In the Liverpool city region, partners worked to connect FJF to future employment demands in the private sector, as was highlighted in their city region local evaluation. *"Opportunities have begun to be developed with private-sector employers, as this is where growth in jobs is likely to be greater as the economy recovers from recession. Some innovative ways of building a genuine community benefit aspect into these private sector jobs have been developed, as required by the FJF regulations."*

¹² 'Youth Unemployment and the Future Jobs Fund' Work and Pensions Committee First Report (2010): <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/47202.htm>

Building on this commitment, the city region was able to forge a major agreement with Jaguar Land Rover to take on young people through FJF with a period of working in the community built into the job. Young people completing their six months were guaranteed an interview for a permanent job with Jaguar Land Rover at which point they would receive a significant earnings enhancement if successful. Of the 120 FJF posts created, over 100 people were successful in gaining permanent jobs with Jaguar Land Rover. Only two of the 120 recruits would have been considered as part of normal external recruitment processes.

- 2.44 More support for VCS employers:** additional support may have enabled VCS employers to take advantage of the temporary additional capacity created by FJF and make jobs more sustainable. VCS organisations did use the additional capacity from FJF to scale up their operations, but were not necessarily able to maintain scaled up operations after FJF. For example, one small VCS employer in Merthyr Tydfil said: *"We always knew there were gaps in our service. FJF has helped us to fill them. The only downside is that in six months time those gaps will be back. The question is what do we do next?"* Support with business growth and securing additional and sustainable income or contracts would have been helpful in this regard.

Case Study 7: Merthyr Tydfil

As part of the FJF, Safer Merthyr Tydfil employed 21 local people in the roles of environmental warden, town centre ambassador and administrative assistant. In collaboration with South Wales Fire and Rescue Service, many FJF participants received training to undertake home fire safety checks. These were offered to the most vulnerable residents of Merthyr Tydfil to provide essential, free advice and equipment fitting. As a result of the FJF many residents received home fire safety checks and equipment, and many more are aware of local support services and pathways to help. However, services ceased when FJF ended, and there is concern about what, if anything, will take their place.

- 2.45 No requirement for progression:** whilst DWP encouraged bids to state how people would progress beyond FJF, there was no formal 'job outcome' target or incentive. However, all seven areas were very keen to support people to progress beyond FJF and some built mechanisms into their offer, using additional resources or committing part of their FJF

budget to job search. In spite of this, in some areas employees reported that they hadn't received job search support and would have valued it.

2.46 Given downsizing and redundancies within the public and voluntary sectors during FJF, a greater emphasis on exit strategies for FJF employees would have been welcome. With this support, more employees might have moved on to alternative employment. Most areas also said that had more of the jobs been linked explicitly to areas of demand in the labour market, more progression could have been achieved. Had FJF continued, most would have wanted this issue to be resolved.

2.47 Examples of good practice include:

- employees being given access to internal vacancies within their organisations when these arose
- structured access to social employment agencies
- structured job search
- links to apprenticeships
- training in how to apply for jobs or pass entry level tests
- jobs brokered with major recruitment drives such as the 2011 Census
- the development of a bespoke job search website solely for FJF employees.

2.48 For example, Tyne and Wear city region aligned FJF with a post-employment support and mentoring service delivered by the Employability and Skills Group and the Newcastle College Group, as part of a minimum service offer delivered to every FJF employee.

2.49 **Training:** several employees reported that they were dissatisfied with the training that they were given, or felt that there was a mismatch between what was promised and what they actually received. In particular, some employees across different project sites were promised that they would be able to achieve an NVQ that never materialised.¹³ Other employees felt

¹³ It should be noted that the funding and eligibility for Train to Gain, which was widely used as part of the training package made available to FJF participants, changed dramatically during the last year of the programme. This would have led to instances where FJF employees employed before May 2010 would have had greater access to

that the training that they received was similar to training that they had been given in the past and not tailored to their needs. Managing the expectations of employees and being clear about what training is available, as well as allowing greater flexibility and tailoring of training, would likely have improved employee satisfaction.

- 2.50** There were also examples where employers wanted employees to be given certain training, such as learning to drive, which is essential for social care agency work, but DWP would not allow this.

funded NVQs, and those employed after May 2010 may have been unable to complete training originally promised to them because of funding changes.

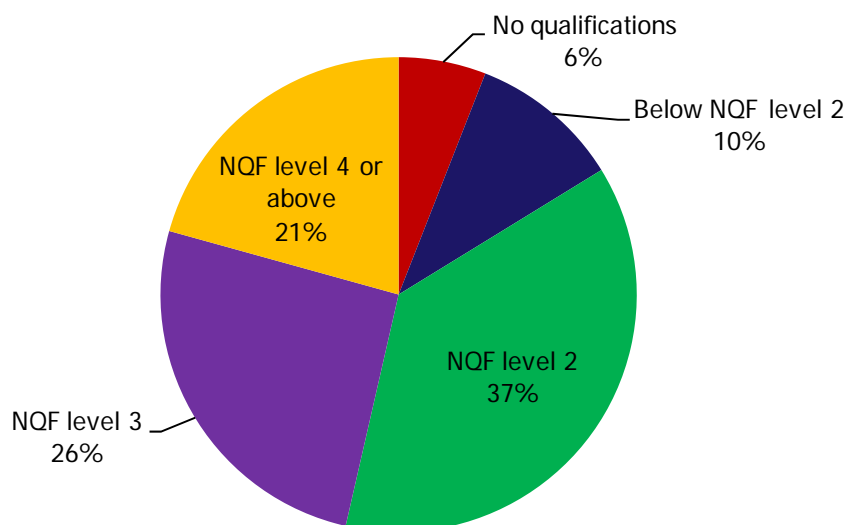
3 FJF outcomes and their impact on labour markets

Future Jobs Fund participants

- 3.1** A total of 105,220 people entered FJF vacancies in Great Britain between October 2009 and March 2011. Eighty-five per cent of these FJF jobs went to unemployed young people aged between 18 and 24, with the remainder filled by adults living in unemployment hot spots.¹⁴
- 3.2** FJF participants came from all regions of the country, with the highest numbers in the North West and London and the lowest numbers in the South West and East of England. In general more participants started on FJF in regions with higher JSA claimant counts, suggesting that, unsurprisingly, the programme was most active in parts of the country where claimant unemployment posed a greater problem.
- 3.3** Thirty-three per cent of FJF participants in Great Britain were female, 14 per cent had declared to Jobcentre Plus that they were disabled, and 21 per cent of participants were from black, Asian or minority ethnic (BAME) groups. The known characteristics of FJF participants in those case study areas for which this data is available match the national profile relatively closely: 33 per cent were female, 12 per cent were disabled and 13 per cent were BAME. The difference between national statistics and the *Inclusion* survey in the proportion of participants who are BAME is likely to reflect the fact that no participating LABs were in London and some were in rather rural areas.
- 3.4** Additionally, our survey of participants in case study areas found that 20 per cent had children, and that 62 per cent were living with their parents at the time of starting their FJF job. The vast majority of those living with their parents were paying them a certain amount of rent or board in order to do so. Our survey also found that FJF participants' qualifications varied widely, as shown by figure 4.1. Participants most commonly had a highest qualification at national qualifications framework level 2, equivalent to good GCSEs, BTEC diplomas and NVOs at level 2.

¹⁴ Source: Young Persons Guarantee Official Statistics, July 2011, DWP

Figure 4.1: Highest qualification of FJF participants



Source: *Inclusion* survey of FJF participants, July 2011

Future Jobs Fund outcomes

Early leavers from the programme

- 3.5** Not all those starting a FJF job completed the 26 week period of employment. Data obtained from some case study areas indicates that around 32 per cent of those starting a job left it before 26 weeks, although *Inclusion's* survey of participants in case study areas gives a much lower drop-out rate of 15 per cent. Those who left the programme early stayed for an average of 11 to 15 weeks according to case study data and survey results.
- 3.6** Early exit from FJF jobs at this rate could be considered a sign that the programme did not succeed in securing sustained employment for claimants. However survey responses indicate that over 60 per cent of early leavers terminated their FJF job in order to start another job immediately. Encouragingly, this suggests that even a short spell in a subsidised job provided a gateway into the open labour market for many participants.

Job outcomes after Future Jobs Fund

- 3.7** It was stated at the outset of the programme that an integral element of FJF jobs should be to improve the future employment prospects of

participants;¹⁵ however, no national data has been made available on the extent to which FJF participants obtained work. Management information data from case study areas shows significant variation in 'job outcome rates' (that is, the proportion of programme leavers who secured employment): between 21 and 41 per cent. However, this data is collected solely from forms filled in upon completion of an FJF job, and therefore omits all those job outcomes that were not secured during FJF employment.

- 3.8** For this reason we have opted to estimate the job outcome rate based on DWP data derived from the claimant records of over 22,000 FJF participants, which indicates that 44.7 per cent of FJF participants had not returned to benefits seven months after starting an FJF job.¹⁶ However we should not assume that the remaining 55.3 per cent are in work, indeed *Inclusion's* survey of FJF participants found that 23 per cent of those not claiming benefits were not working either, for example because they had started a training course, were doing voluntary work or had simply opted not to begin claiming again. Removing this proportion from the 55.3 per cent of participants not claiming benefits seven months after starting an FJF job gives an estimated job outcome rate of 43 per cent.
- 3.9** Interestingly, the *Inclusion* survey found that 66 per cent of those participants employed after the programme had jobs with their FJF employer. Full data from one case study area shows that a more modest but still significant 48 per cent of job outcomes were with participants' FJF employer. This suggests that many FJF employers were eager to keep FJF participants within the organisation, albeit in a different capacity, after having trained them and ensured that they were competent employees.
- 3.10** Where programme participants were kept on by their FJF employer we can certainly say that employment after FJF was thanks to the programme. Furthermore, when participants found jobs with other employers, survey responses indicate that they most often did so within a couple of months of leaving FJF-employment, suggesting that the programme is likely to have played an integral role in their employment prospects in these cases as well.
- 3.11** Interestingly, a slightly greater proportion of female participants achieved job outcomes than male participants, the reasons for which are not clear.

¹⁵ Future Jobs Fund Bid: Guidance Notes, DWP

¹⁶ Early Analysis of Future Jobs Fund Participant Outcomes – Update, March 2011, DWP

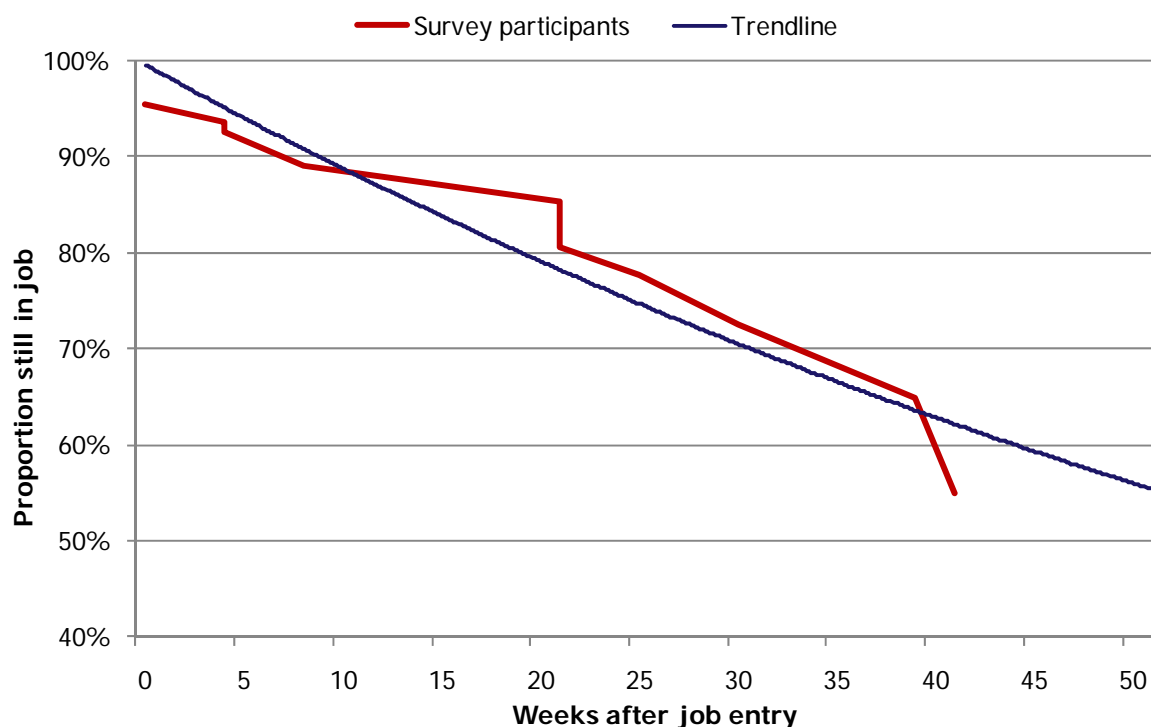
Perhaps unsurprisingly, those who found work after their FJF-job tended to have higher qualifications than the whole population of programme participants, although not so much higher that it can be said that the programme did not work for the low qualified. Importantly, the long-term unemployed actually had a slightly higher rate of job outcomes than the short-term unemployed. This is in contrast to other labour market interventions which tend to achieve lower outcomes for those who have been away from the labour market for longer, and is therefore a significant finding. The likelihood of finding work after leaving the programme did not vary substantially according to whether participants had children or not.

Sustaining jobs obtained after Future Jobs Fund

- 3.12** We have little insight into whether participants held onto jobs gained after an FJF placement for sustained periods of time. What we do know comes from *Inclusion's* survey of participants in case study areas, in which 87 per cent of those achieving job outcomes were still in the job they obtained after FJF. Those who had left jobs held onto them for an average of 12 weeks. The remainder, who were still in the jobs they got after completing their FJF placement, had held them for an average of 15 weeks at the time of writing. It is telling that the wages of those still in work are much higher than those who left: £214 per week compared with £177 per week.
- 3.13** Survey results show that 67 per cent of those entering work after an FJF job did so on temporary contracts. Bearing this in mind the high proportion of participants still in work after an FJF placement could be considered impressive.
- 3.14** Using survival analysis techniques we have modelled sustainment patterns for a year of work after completing an FJF job.¹⁷ The results, shown on figure 4.2, suggest that 86 per cent of job entrants will retain their job for three months or more, and 56 per cent of job entrants will stay in work for one year or more.

¹⁷ This involved calculating the number of participants leaving jobs within specific time periods as a proportion of those in the sample who were still in work over that time period.

Figure 4.2: Modelled job sustainment patterns of Future Jobs Fund participants entering work after their placement



Source: *Inclusion* survey of FJF participants, April 2011; *Inclusion* calculations

3.15 There is little data available for comparison of these sustainment patterns with those of other long-term unemployed claimants. We do know rates of job sustainment to three months after entering work from various national employment programmes: 80 per cent for NDYP, 79 per cent for New Deal for those aged 25 and over, and 61 per cent for Employment Zones.¹⁸ The modelled rate for three month sustainment of jobs after FJF, at 86 per cent, is better than all of these. Although the analysis here should only be considered an estimate, findings suggest that the FJF has had some significant success in preparing participants for sustained employment in the open labour market.

Impact of the Future Jobs Fund

3.16 The overwhelming majority of FJF participants aged 18–24 were long-term (six months or more) JSA claimants. FJF participants aged 25 and over had also predominantly been claiming JSA (the *Inclusion* survey suggests around 78 per cent of them), with the remainder claiming Income Support or Incapacity Benefit/Employment Support Allowance. It

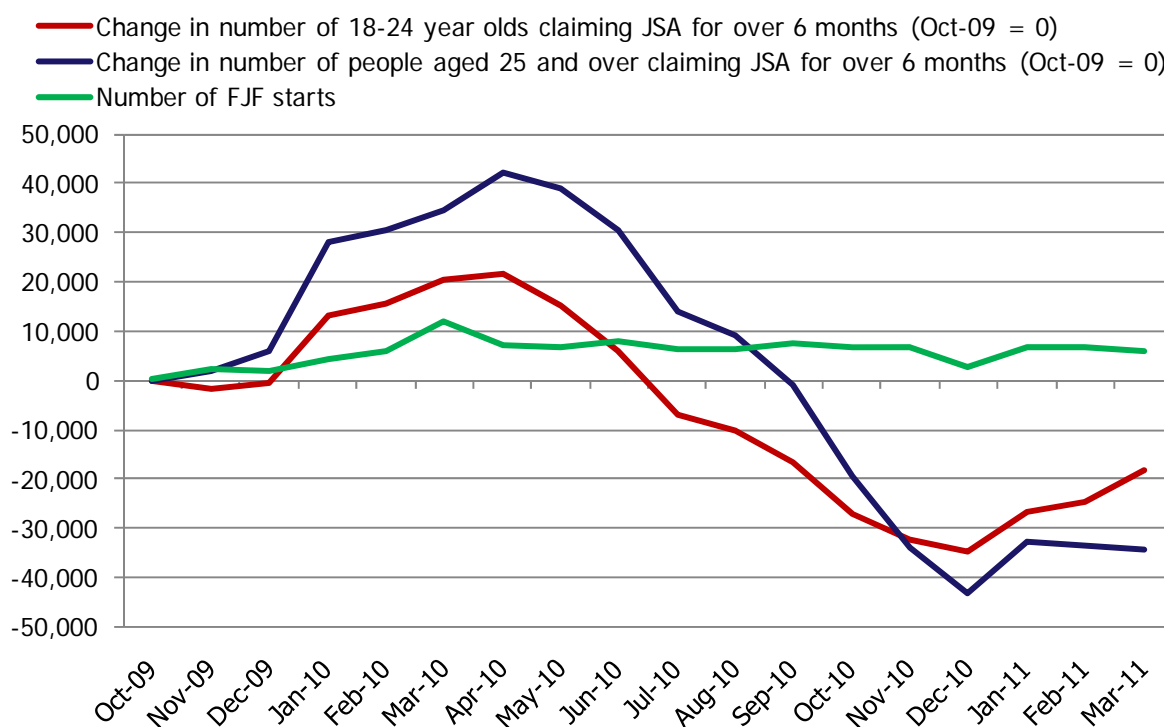
¹⁸ Source: DWP Tabtool for Employment Programmes, March 2011

is therefore appropriate to assess the FJF's impact in terms of its effect on claimant rates for these two age groups.

3.17 Between October 2009 and March 2011, entry into all FJF jobs across Great Britain represented two per cent of JSA leavers, and five per cent of JSA leavers who found work. FJF starts by 18–24 year olds represented four per cent of all young JSA leavers, and 13 per cent of young JSA leavers to work.¹⁹

3.18 The vast majority of FJF participants were long-term JSA claimants, therefore it is appropriate to assess FJF starts in relation to changes in numbers of JSA claimants who have been on benefit for six months or more.

Figure 4.3: Six months+ JSA claimants and Future Jobs Fund job starts, Great Britain



Source: Young Persons Guarantee Official Statistics, July 2011, DWP; Claimant Count; ONS

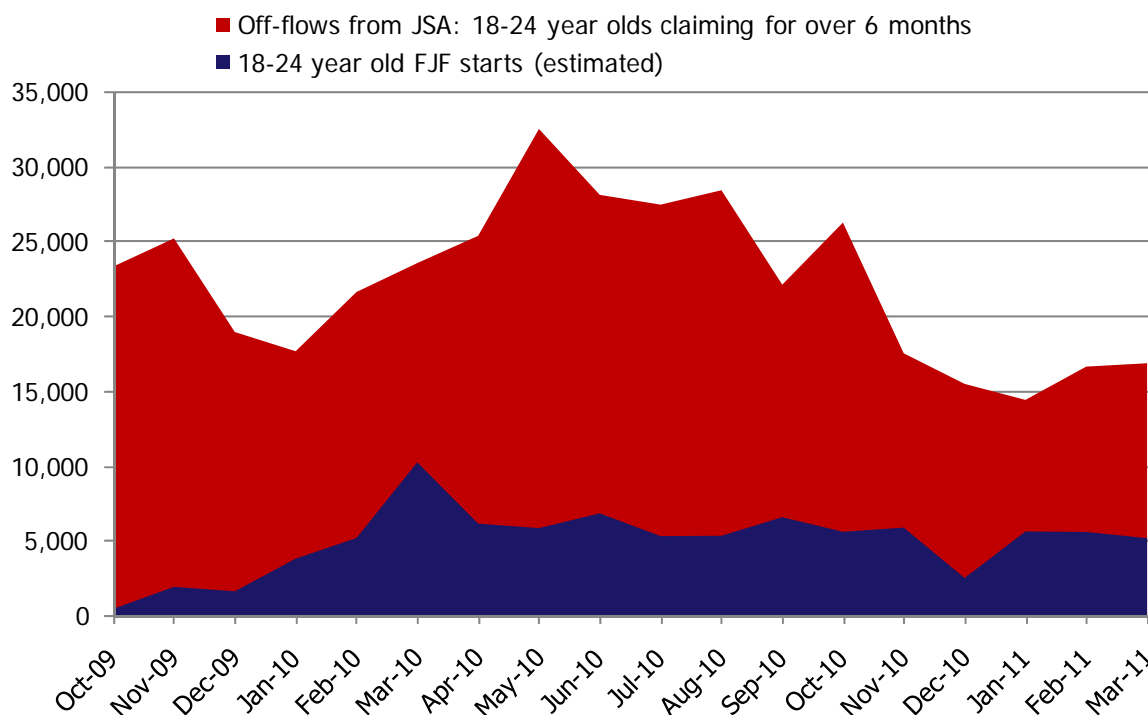
3.19 Figure 4.3 shows that the FJF did not have an observable impact on numbers of long-term JSA claimants, with the six months plus claimant

¹⁹ Source: Young Persons Guarantee Official Statistics, April 2011, DWP; claimant count; ONS. Figures on JSA leavers who found work should be treated with caution as information on claimants' reasons for leaving JSA is fairly unreliable, in part because of the fact that many claimant destinations are not known. For this reason we have not included JSA leavers by reason in the rest of the analysis in this section.

count falling well after the FJF got going. Long-term claimant numbers appear to have been driven more than anything by exit and recovery from recession.

3.20 Narrowing the analysis further, it is fruitful to look at FJF job starts in relation to the number of long-term claimants leaving benefits. FJF starts by 18–24 year olds represented 22 per cent of young JSA leavers who had been claiming for six months or more. At the programme’s peak in March 2010, estimated numbers of young FJF job starts represented 44 per cent of long-term 18–24 year old JSA leavers, as shown on figure 4.4 below. It is clear from this that the FJF had a substantial hand in changes in long-term claimant unemployment amongst young people.

Figure 4.4: 18–24 year old Future Jobs Fund starts compared to 18–24 year old six months+ JSA claimant off-flows, Great Britain



Source: Young Persons Guarantee Official Statistics, July2011, DWP; Claimant Count; ONS

3.21 FJF starts by those aged 25 and over represented only one per cent of older JSA leavers who had been claiming for more than six months over the period. As previously stated, those participants aged 25 and over were not wholly drawn from the six months plus JSA claimant group, so this figure is not as informative as that for young FJF participants. However what is clear is that the FJF has had a far greater impact on the 18–24 year old labour market than on the adult labour market.

3.22 Given that FJF contracts differed widely in scale and scope, it is unsurprising that the FJF had a greater impact on some local labour markets than others. In our seven case study areas 18–24 year old FJF starts as a proportion of 18–24 year old long-term JSA claimant off-flows ranged from five per cent to 25 per cent. In the areas with the largest FJF programme the proportion exceed 60 per cent in the programme's busiest months.

4 Value for money

- 4.1** Evaluation of the FJF must necessarily take account of its cost-effectiveness. This entails comparing the costs of the programme to government against the benefits of the programme to the public purse. 'Benefits' include savings in benefit payments and increased direct tax revenues as a result of participants entering FJF jobs and achieving job outcomes beyond the subsidised period. In so doing we have taken into account the programme's 'deadweight', meaning those benefit savings and tax revenues that would have accrued from participants had the FJF not existed. In this way we have ensured that our value for money calculation includes only those financial benefits that are determined to be a result of the FJF itself.²⁰
- 4.2** The FJF is likely to have generated financial benefits not included in our value for money calculation. These include indirect tax revenues from increased household spending; decreased public expenditure in areas such as health and crime as a result of participants being employed; benefits to communities in terms of public investment, cohesion and social responsibility; and much longer-term direct and indirect tax revenues as a result of participants' improved labour market prospects. These wider benefits are discussed in more detail in the concluding sections of this chapter. It is beyond the bounds of this current analysis to include these elements in the value for money calculation, but it should be noted that the programme's value is likely to be far greater than that presented here when whole economy effects are considered.

Costs

- 4.3** The DWP committed a maximum of £6,500 per FJF job created, which was intended to cover all costs associated with the job, including wages, set-up fees, administrative costs, payroll costs, supervision costs, equipment, training expenses and job-search assistance. The department encouraged bidders to offer placements at a lower unit cost, although evidence from our case study areas suggests that most contracts were agreed at or very close to the £6,500 maximum.

²⁰ We have not calculated the effects of substitution and displacement as a result of the FJF. A full explanation of this element of the approach is provided in the annex.

- 4.4** DWP also encouraged bidders to align additional funding streams in order to supplement FJF funding. Our case studies suggest that occasionally areas did incorporate either local money or European money from the working neighbourhoods fund on top of DWP's financial commitment. This value for money calculation considers only those costs to national government in the form of the FJF grant. This is partly because we do not have adequate information on the per-participant value of other funding streams, and partly because evidence suggests that at least part of this money would have been invested in the local labour market in the absence of FJF. Nonetheless, it should be borne in mind that some of the European and local money that was used to supplement FJF grants originated from national government as well.
- 4.5** The actual programme cost per participant did not always equate to the contracted £6,500 (or thereabouts). Analysis of management information data from case study areas, including information on grant usage, has allowed us to estimate a figure for actual DWP spend per participant:

Table 5.1: Average DWP spend per Future Jobs Fund participant

	Average contracted cost	Average actual cost
Wages	£4,800	£4,200
Non-wage expenditure	£1,700	£1,400
Total	£6,500	£5,600

Source: *Inclusion* survey of FJF participants, April 2011; management information data from case study areas. Note: figures have been rounded to the nearest 100.

- 4.6** Wage expenditure was around £600 below contracted levels per participant because participant left FJF jobs before 26 weeks. Management information from case study areas and the *Inclusion* survey suggest an average FJF job length of 23.5 weeks. Non-wage expenditure was around 80 per cent of what was originally contracted because not all of the money allocated for things such as training, wraparound support, job-search assistance and equipment expenditure was claimed. In part this will be a knock-on effect of participants' leaving jobs before their 26 weeks were over.
- 4.7** The FJF is estimated to have cost an average of **£5,600** per individual starting on the programme. This equates to a total DWP spend of **£589 million** for all 105,220 participants who started FJF jobs up to the end of January 2011.

Benefits

- 4.8** The benefits of the FJF considered here include savings in benefit payments while participants are employed during and beyond FJF positions, and increases in income tax and national insurance revenue as a result of participants being employed during and beyond FJF jobs.
- 4.9** The amount of money saved by the government in benefit payments when an individual moves into employment varies substantially according to the family and housing circumstances of the individual on the one hand, and the wage and hours of the job on the other. Indeed in some cases benefit expenditure will actually increase when individuals move into work. In this analysis we have used *Ferret* benefit calculation software to model average government savings in benefit payments per week for the full spectrum of FJF participants. The average government saving in benefit payments, weighted according to the known characteristics of FJF participants, is **£62 per week** per FJF participant. Fuller details of our modelling of benefit savings are provided in the annex.
- 4.10** The benefits resulting from FJF are much greater when participants achieve job outcomes after the programme. For this reason we have considered overall savings to government separately for those participants who gained employment after an FJF job (43 per cent of the total) and those who did not.

FJF participants without job outcomes

- 4.11** Savings in benefit payments when FJF participants did not subsequently move into work accrue during the 26 weeks of their FJF employment (or less if they left their FJF job early). In addition, the *Inclusion* survey shows that those participants without job outcomes who have not yet returned to benefits comprise around one third of all participants without job outcomes, or 19 per cent of total FJF participants. Because we have no information on how long these individuals not working but not claiming are likely to stay off benefits, we have calculated benefit savings to date, but not modelled them any further into the future. Thus our estimate of savings in benefit payments for FJF participants without job outcomes is, if anything, conservative.

- 4.12** At an estimated £62 per week, the government saved an average total of **£1,577 in benefit payments** to each participant not gaining employment after FJF.
- 4.13** FJF job lengths and wages were such that almost all participants will have had an annual income below the £6,475 personal allowance for income tax. For this reason we have not calculated any increased income tax revenue accruing from FJF participants without job outcomes.
- 4.14** We have calculated increased National Insurance revenue for each week participants were in their FJF job according to 2010–11 rates.²¹ This results in an average of **£142 in employee national insurance** and **£166 in employer national insurance** for each participant not gaining employment after FJF.
- 4.15** Thus the benefits of FJF total **£1,885** for each participant without a job outcome.

Participants with job outcomes after Future Jobs Fund

- 4.16** The benefits of FJF for participants with job outcomes occur during their FJF job and extend into the job they achieve after the programme. In the previous chapter we noted that the FJF played a significant part in participants finding jobs afterwards, therefore we have calculated benefits for these jobs up to a maximum of two years. We have not attributed further benefit savings or tax revenues for subsequent jobs or jobs extending beyond two years to the programme, because the link between the FJF and these outcomes is felt to be too weak.
- 4.17** Sustainment of jobs obtained after FJF has been modelled within *Inclusion's* survey of FJF participants in case study areas according to the sustainment patterns identified in figure 4.2. Predicted average sustainment of jobs obtained after an FJF job is 69 weeks.
- 4.18** At an estimated saving of £62 per week, total savings in benefit payments during these participants' FJF jobs and post-FJF employment averages **£5,708**.
- 4.19** Income tax revenues have been calculated at 2010–11 rates based on participants' FJF earnings, combined with reported earnings in the jobs

²¹ Employee national insurance is 11 per cent of all income above £110 per week. Employer national insurance is 12.8 per cent of all income above £110 per week.

they entered after the programme.²² Average income tax yield per FJF participant with a job outcome is **£1,494**.

4.20 Likewise national insurance revenues have been calculated at 2010–11 rates for each week of employment during and after FJF. This results in an average of **£968 in employee national insurance** and **£1,126 in employer national insurance**.

4.21 Combining all of the above, the benefits of the FJF total **£9,296** for each participant who moved into employment after completing the programme. These benefits are accrued over a maximum of two and a half years (six months in an FJF job plus a maximum of two years sustainment of a job achieved after the programme).

Gross benefits of Future Jobs Fund per participant

4.22 As outlined in the previous chapter, we estimate that around 43 per cent of FJF participants obtained a job outcome. On this basis the benefits of the FJF per participant (combining the figures for the benefits per participant with and without job outcomes above) is **£5,072**.²³

4.23 Because of the substantial difference between the benefits of FJF per participant with a job outcome and the benefits for each participant who did not move into work, even a small increase in the programme's job outcome rate would have a significant effect on the overall benefits of the FJF.

Deadweight

4.24 Deadweight, defined as the proportion of benefits that would have occurred in the absence of an intervention, is an important consideration in the evaluation of all employment programmes. Calculating deadweight without an experimental control group is notoriously difficult and previous estimates of deadweight of employment programmes have varied widely according to programme design and implementation.²⁴ Because we lack a

²² No participants are earning above the higher tax rate threshold of £37,400 per annum, therefore income tax yield has been calculated at the basic rate: 20 per cent of all annual earnings above the personal allowance of £6,475.

²³ This is derived by calculating $(57\% \times £1,885) + (43\% \times £9,296)$.

²⁴ See the annex for some examples of deadweight estimates for other employment programmes, particularly those aimed at young people. An explanation of some of the methodological difficulties in measuring deadweight can be found in Finn and Simmonds (2003) *Intermediate Labour Markets in Britain and an International Review of*

control group the deadweight calculation presented here should be considered a rough estimate of what the deadweight of the FJF might be. See the annex for further information on how we have approached deadweight, as well as a discussion of how similar effects such as substitution and displacement are likely to have affected FJF.

- 4.25** On the basis of 18–24 year old long-term JSA claimant off-flow data in Great Britain and statistics on average length of time off benefits derived from data collected in Northern Ireland jobcentres, we estimated that FJF participants would have spent an average of 20.7 weeks off benefits had the programme not existed.²⁵
- 4.26** The average length of time off benefits for an FJF participant is 30.7 weeks, which excludes the 'lock-in' period of the subsidised FJF job. Like the deadweight figure above, this figure takes into account only one exit from benefits (to work or another destination), with time off benefits lasting a maximum of two years after leaving an FJF job. Deadweight was calculated by dividing 20.7 by 30.7, giving a figure of **67 per cent**. This is equivalent to **£3,417 of gross benefits**.²⁶
- 4.27** Our deadweight calculation entails a net benefit²⁷ of **£1,654 per participant**, or **£174 million** for all 105,220 participants who started FJF jobs up to the end of January 2011.

Value for money

- 4.28** With a cost of £5,600 per participant and net benefits of £1,654 per participant, the FJF has cost the government **£3,946 per individual** starting on the programme. At the estimated job outcome rate of 43 per cent, this equates to a cost of **£9,176 per job outcome**. These figures show that the FJF was clearly an initiative entailing relatively high costs;

Transitional Employment Programmes, Department for Work and Pensions pp.6-7: http://research.dwp.gov.uk/asd/asd5/working_age/wa2003/173rep.pdf.

²⁵ This figure accounts for only one exit from benefits, with time off benefits lasting a maximum of two years (in order to match up with the time period of FJF sustainment modelling).

²⁶ See the annex for a complete breakdown of the approach to calculating deadweight.

²⁷ i.e. gross benefits minus the value of deadweight

however, not as high as initial statements by government and ministers suggested.²⁸

4.29 A summary of our findings is as follows:

Costs: £5,600 per participant

Gross benefits: £5,072 per participant

Deadweight of benefits: £3,417 per participant (67 per cent)

Benefits less deadweight: £1,654 per participant (= £5,072 – £3,417)

Net cost: £3,946 per participant (= £5,600 – £1,654), which equates to £9,176 per job outcome at a job outcome rate of 43 per cent.

4.30 Excluding time spent in FJF jobs, we have found that FJF participants spend an average of **10 weeks (70 days) fewer on benefits** following the first break in claiming than they would have had the programme not existed, over a maximum of two years after completing their FJF job.²⁹ This does not take into account the effects of FJF on participants after their initial job entry/exit from benefits.

Comparison with New Deal for Young People

4.31 Our value for money figures for the FJF can be compared with analysis of the first couple of years of operation of NDYP, which found that this programme cost about £7,000 per additional person in unsubsidised employment.³⁰ This figure can be compared to our estimated cost of £9,176 per post-FJF job. These calculations are not directly comparable as the NDYP evaluation and our own employ different methodologies and take different benefits into account. Indeed, the NDYP analysis included indirect tax revenues, such as those accruing from increased household spending as a result of participants being employed, with these being the

²⁸ For example, see comments in the Work and Pensions Select Committee's first report: 'Youth Unemployment and the Future Jobs Fund' December 2010: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/47202.htm>

²⁹ This is calculated by taking 20.7 weeks (the deadweight figure for time off benefits) away from 30.7 weeks.

³⁰ Riley and Young (2000) 'New Deal for Young People: Implications for Employment and the Public Finances.' National Institute for Economic and Social Research: http://research.dwp.gov.uk/asd/asd5/working_age/wa2000/esr62fin.pdf

largest element of the benefits that were attributed to the programme. We were not able to calculate this within our evaluation of the FJF's value for money; it is probable that the benefits of indirect tax revenues would, at the very least, account for the difference between the FJF cost per job figure of £9,176 and the NDYP figure of £7,000.

- 4.32** Similarly, our findings that FJF participants spend an average of 10 weeks (70 days) fewer on benefits than they would have otherwise is comparable to DWP research on the longer-term impact of NDYP, which found that participants spent an average of 64 days fewer on benefits over a four year period.³¹ The period of time covered by our own estimate (up to two years) is shorter than that for NDYP, suggesting that the impact of FJF on participants' time on benefits may be significantly greater than NDYP when longer-term effects are considered.

Wider benefits of Future Jobs Fund

- 4.33** As previously stated, our calculation of the benefits of FJF to the public purse does not cover the full spectrum of potential benefits. Many of these are highlighted by the evidence presented in chapter 2. Those elements that will represent a saving to the public purse but are not estimated here include:
- 4.34** *Indirect tax revenues:* the income boost that occurs from increased employment results in higher household spending and therefore higher indirect tax revenues, for example in the form of VAT receipts. As an example, within the macroeconomic analysis of NDYP discussed above indirect tax receipts accounted for over 20 per cent of the beneficial impact of the programme on public finances.³² Accounting for the indirect tax receipts resulting from the FJF would significantly reduce the net cost per participant and per job detailed above.
- 4.35** *Reduced public expenditure on healthcare and law enforcement:* a substantial body of literature details the relationship between joblessness and criminal activity, for example the Social Exclusion Unit has reported that two thirds of young offenders were workless at the time of

³¹ Bell, Bloss and Thomas (2008) *The Longer-Term Impact of the New Deal for Young People*, Department for Work and Pensions Working Paper NO. 23: <http://research.dwp.gov.uk/asd/asd5/WP23.pdf>

³² Riley and Young (2000) *New Deal for Young People: Implications for Employment and the Public Finances*, National Institute for Economic and Social Research: http://research.dwp.gov.uk/asd/asd5/working_age/wa2000/esr62fin.pdf

their arrest,³³ and a report by London Councils concludes that policies and programmes aimed at boosting employment can also be expected to reduce crime and associated expenditure.³⁴ Similarly, there is growing evidence that unemployment, and especially long-term unemployment, has an adverse impact on physical and mental health. A DWP report found that moving into work can reverse the health effects of unemployment by improving self-esteem, diet, physical and mental capacity, and the quality of the home environment for all members of the household.³⁵

4.36 *Benefits to communities:* although less quantifiable than the above two points, it is thought that reducing unemployment decreases public spending in the long term because of the effects of greater community cohesion and social responsibility resulting from engagement with the local labour market.³⁶ Because FJF positions expressly had to demonstrate community benefit, it is likely that the benefits to communities of this programme are greater than others aimed at reducing unemployment.

4.37 *Longer-term direct and indirect tax revenues:* our value for money estimate takes into account tax revenues resulting from employment under FJF and in the first job following the programme. However breaking spells of long-term unemployment, particularly youth unemployment, has been found to have much longer term effects. For example, research by Bristol University has found that unemployment during young adulthood entails a wage penalty of between 12 and 15 per cent by the time a person is aged 42, with a lesser penalty if longer spells or repeat incidences of unemployment are avoided.³⁷ Higher wages entail higher tax revenues, and therefore programmes like FJF, which aim to break

³³ Social Exclusion Unit (2005) *Transitions: Young Adults with Complex Needs*, : http://www.cabinetoffice.gov.uk/media/cabinetoffice/social_exclusion_task_force/assets/publications_1997_to_2006/transitions_young_adults.pdf

³⁴ Inclusion (2010) *Worklessness Costs Audit: Report for London Councils*, London Councils [http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20\(2\).pdf](http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20(2).pdf)

³⁵ Waddell, Burton (2006) *Is Work Good for your Health and Well-Being?* Department for Work and Pensions: <http://www.dwp.gov.uk/docs/hwwb-is-work-good-for-you.pdf>

³⁶ Inclusion (2010) *Worklessness Costs Audit: Report for London Councils*, London Councils [http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20\(2\).pdf](http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20(2).pdf)

³⁷ Gregg and Tominey (2004) *The Wage Scar of Youth Unemployment*, University of Bristol: <http://www.bristol.ac.uk/cmpo/publications/papers/2004/wp97.pdf>

cycles of youth unemployment, will contribute to tax receipts over decades rather than years.

Potential for a cost-neutral initiative?

- 4.38** The value for money analysis shows that various factors have to be taken into account in analysing the costs and benefits of FJF. While recognising the limitations of this analysis, i.e. that it excludes elements of social return on investment, which have been shown to be significant in the case-studies and feedback and are cited in DWP's recent qualitative analysis,³⁸ it is fruitful to consider whether temporary job programmes such as FJF have the potential to be cost-neutral to government. In other words, are there situations in which the costs of an initiative would equal the benefits less deadweight?
- 4.39** Initial modelling using assumptions from this FJF value for money analysis suggests that cost-neutrality is a possibility. For example, a comparable temporary job programme that focuses on 18–20 year olds offering a 25 hour a week job on the national minimum wage for three months would be cost neutral if 58 per cent of participants moved into employment and stayed there for an average of 69 weeks (the average sustainment of jobs obtained after FJF). The investment needed for this model would be £1,621 per participant. On the other hand, potential temporary job programmes providing full-time jobs to claimants aged over 20 and including a budget for training would not be cost-neutral at any job outcome rate.
- 4.40** If potential or future programmes were better targeted at those most in need of support than the FJF was, then the deadweight of these programmes would be lower, making a wider variety of programme scenarios cost neutral at lower job outcome rates.

³⁸ Allaker and Cavill (2011) *Customer Experience of the Future Jobs Fund: Findings from a Qualitative Research Study*, Department for Work and Pensions: <http://research.dwp.gov.uk/asd/asd5/ihr2011-2012/ihr1.pdf>

5 Legacy

- 5.1** There was overwhelming feedback from LABs, employers, line managers and employees of a legacy effect from FJF, beyond that of people gaining jobs and skills. Evidence of this came in a range of ways including: local independent evaluations, feedback in interviews and focus groups. These are summarised below.
- 5.2 Inclusive approaches to recruitment and selection:** FJF was a recruitment challenge for many employers and new ways of recruiting people, who would not normally navigate their standard practices, had to be found. For example: the standard company application proved too onerous for some applicants. In many cases, it simply was not returned, or when it was it was poorly filled in. LABs saw this as an issue that was impeding recruitment and trialled new approaches. Most areas tried some form of 'open day' where as many people as possible were able to find out about the FJF jobs on offer in a welcoming and supportive environment. In Liverpool city region, for example, this was done with large-scale fairs where hundreds of people were matched to hundreds of jobs at each event. As a result, employers experienced firsthand the importance of removing barriers to recruitment and saw the effect this had on increasing inclusivity and diversity within the workforce.
- 5.3 Changed employer attitudes:** many managers and employers have changed their opinion about hiring unemployed people or young people with no work experience. This is a potential resource base that can be built on when rolling out similar programmes, such as apprenticeships and work placements. This comes with a caveat: employers also felt that certain aspects of FJF were key to securing this attitude change, for example the nature of the employer-employee relationship, and the simplicity of the offer. The comment from in Merthyr Tydfil was typical: *"Employers are less sceptical about taking part in welfare to work programmes."*
- 5.4 A catalyst for change in communities and businesses alike:** projects have left a lasting and visible change in communities. There have been sustainable extensions to existing services, such as longer opening hours trialled under FJF, and new services have been successfully trialled, something that would not have happened without FJF.

- 5.5 Successor programmes:** comparable temporary job programmes are being scoped out in some areas, on the basis of lessons learnt from FJF. The rationale is based on a continuing concern about youth unemployment, and the overwhelmingly positive feedback about FJF – that a waged job is the thing that made the difference in engaging people and employers. As an example, Virgin Trains have been involved in FJF up and down the country and are looking at how they might continue with a similar scheme in the future. Their success has also encouraged other train operators to start looking at similar approaches. Virgin is keen to continue its tailored recruitment process for any future roles and to develop its existing apprenticeship programme.
- 5.6 Changing people's lives:** FJF did support people to turn their lives around, from prolific offenders or people recovering from heroin addiction, to young people, to those who were long-term Incapacity Benefit claimants. There is a legacy for each person and their family. Employees who are now in sustainable employment also felt that the legacy of FJF is as much for their families, or future families, as for them personally. Their increased self esteem, confidence and energy had a knock on effect on those around them. Being in a job made them happier, healthier and more energised. They felt better equipped to support children as working role models – emotionally and financially. There is a direct link between parents being in work and the reduction of child poverty.
- 5.7 Public service legacy:** moving people off long-term benefit dependency and the impact on youth unemployment has a significant effect on the benefits bill and on wider public service delivery in the UK (health, housing, social services, police, and prison). This report does not quantify the social return on investment as a legacy of FJF, but there is clear evidence that there is a financial and social impact for the UK that extends far beyond the direct revenues to the public purse identified in the previous chapter.

6 Lessons and recommendations

Lessons of the Future Jobs Fund

- 6.1 The lessons from the qualitative and quantitative aspects of this evaluation are clear. Intermediate labour market/temporary waged job initiatives like the FJF are costly, both in terms of up-front public investment and the net cost when short-term public benefits are taken into account. However, notwithstanding the fact that they are a high-cost option, temporary waged jobs have real advantages:

Temporary jobs produce job outcomes. The FJF's estimated job outcome rate, at 43 per cent, is respectable in comparison to other programmes and initiatives. Furthermore, it is felt that the emphasis on outcomes in the programme's design, implementation, and even funding model could have been much greater, and that this would have pushed results significantly higher. A real job with a real wage creates the appetite for another one. Furthermore, a person in a temporary job is a more attractive proposition to the next employer, i.e. it is easier to get a job once you are in a job.

Temporary jobs boost sustained employment. Observed sustainment of job outcomes after FJF is greater than what has been seen on other programmes, and the qualitative evidence suggests that FJF has done an invaluable service in raising work readiness and the motivation to stay off benefits and hold on to work. Again, the experience of a real job with a real wage engenders the ambition to continue in paid employment.

Temporary jobs work for the hard to help. The FJF has broken cycles of intergenerational unemployment, produced outcomes for those with low skills and complex barriers, and reportedly turned people's lives around. Indeed it is felt that FJF could have been targeted much more effectively at individuals who really did face significant labour market disadvantage, which would have considerably reduced its net cost. More so than other styles of intervention, temporary jobs give people who are the hardest to help, for example longer term unemployed people, a real chance of staying in work.

Temporary jobs work in low-vacancy areas. To a greater extent than other styles of intervention, temporary jobs are effective in labour

markets that are functioning inefficiently, because temporary jobs create opportunities where there are none. Indeed in some areas FJF accounted for up to 60 per cent of long-term claimant off-flows by young people. Creating intermediate job opportunities in depressed labour markets ensures that individuals, particularly young people, do not suffer the long-term scarring effect that long periods of worklessness are known to cause.

Temporary jobs work in growth sectors. The FJF produced some of its best outcomes when jobs were created with private-sector employers, growing social enterprises and developing voluntary sector organisations, and a major flaw of the programme was that there was little potential for sustainability in the many FJF jobs that were created in local government and the public sector. Temporary jobs can feed growth sectors by addressing recruitment challenges and skills shortages. At the same time, the potential for job outcomes and sustainment is greatest when jobs are created in growing and developing organisations.

Temporary jobs work for employers. The FJF was an opportunity for employers to be innovative about how they recruit people who would not normally apply for jobs or be successful in interviews. They learnt valuable lessons about how their practices were an additional barrier to some applicants; they recruited people with limited work history, no or low qualifications; and they saw potential in people who, on paper, they would not hire. Creating temporary jobs takes the risk away from an employer.

- 6.2** The advantages of temporary waged job initiatives make them an attractive option for a number of stakeholders in today's welfare to work environment. On this basis our recommendations are as follows:

Recommendations to national government

Recommendation 1: emphasise the temporary job experience, a 'real' job with a 'real' wage, in the design and marketing of initiatives aimed at young people, particularly work experience and apprenticeships. This can be done by making a simple offer to young people, guaranteeing interviews, and supporting costs.

- 6.3** Any offer to young people needs to emphasise the fact that it is a step on the path to a real job. Initiatives like work experience and

apprenticeships, which are currently being expanded, must be seen as a real job or a relevant step on the path to full employment in the open labour market to be successful at attracting those young people who would not normally apply. People in FJF temporary jobs responded to the simplicity of the message and the same needs to be said of work experience and apprenticeships. Guaranteeing interviews at the end of work experience and apprenticeship placements will create an environment of real, valuable and relevant work, as will supporting costs such as travel and childcare. This means that the best options will be employer, or demand, led from the outset.

- 6.4** Reducing the ‘hoop-jumping’ aspects of some initiatives, and minimising the elements that take individuals away from their role, will similarly place real work at the centre.

Recommendation 2: allow out-of-work benefits to be used as a wage subsidy in low-vacancy areas, in growth and target sectors, for the hardest to support, and in jobs with clear community benefit.

- 6.5** The government should consider allowing benefits (or benefits transfer) to be used where temporary jobs are being created under certain conditions. This would have the net effect of reducing a typical wage bill by approximately 30 per cent.³⁹ This could incentivise employers to create new jobs for harder to help people, at a time when some are at risk of becoming very detached from the labour market in some areas. Conditions could include: the temporary job having a clear pathway to demand and growth in the labour market; guaranteed interviews; located to ensure the temporary jobs are stimulating the most stagnant labour markets; individually based to support people who have no or very limited work history; and a degree of community benefit, such as a corporate social responsibility component, for a percentage of the time worked.

Recommendations to local government and the public sector

Recommendation 3: introduce temporary waged job initiatives to stimulate depressed labour markets and create growth in developing industries.

³⁹ Based on adult national minimum wage plus employer national insurance contributions at 35 hours per week

- 6.6** Using the same conditions outlined above, there is potential for collaboration at the local or regional level to create new jobs linked to regional growth strategies and that are also a catalyst for Work Programme prime contractors, Enterprise Zones and Local Enterprise Partnerships to work together. This could be especially helpful in depressed labour markets where job vacancies are few and (youth) unemployment is high. Where there are new jobs in Enterprise Zone areas for example, an increasingly important factor is not so much whether jobs are filled, as 'who' takes the jobs. Local authorities and public-sector partners have an important role to play in sharing the lessons learnt from FJF and encouraging collaborative approaches that connect long-term unemployed people to job opportunities.

Recommendation 4: build on the substantial employer commitment to helping unemployed and young people that exists as a result of the FJF by sharing best practice across a wider employer base and introducing an employer 'pledge'.

- 6.7** Employers generally had a very good experience of FJF. It was a simple message to them and to unemployed people alike. Many are willing to continue to do what they can to tackle unemployment and many will have enduring recruitment needs. There are lessons learnt that can be embedded within support from local partners and applied to new or future interventions, such as apprenticeships, work experience and volunteering. This will be best done at the local level and should include: maintaining the innovative and inclusive recruitment practices developed under FJF; sharing good practice across a wider employer base so that more can play a role in attracting unemployed people to vacancies; and demonstrating and communicating the difference that employers can make not only to their own businesses but also to communities and young people's lives.

Recommendation to Work Programme prime contractors

Recommendation 5: work with local partners and employers to fund temporary jobs in order to achieve sustained employment outcomes for customers.

- 6.8** Work Programme providers are paid for delivering sustained employment outcomes to customers, and temporary jobs have been shown to boost sustained employment. On the basis of observed FJF outcomes, if young

JSA claimants on the Work Programme were offered six-month temporary jobs, the Work Programme provider would be paid over £1,000 more per participant than the average that DWP expects to pay.⁴⁰ Temporary jobs can be created at a lower cost than FJF and for different lengths of time, and could be made viable for the whole spectrum of Work Programme customer groups. There is a clear financial incentive for Work Programme providers to explore and invest in temporary waged job initiatives for their customers in collaboration with local authorities, Enterprise Zones, Local Enterprise Partnerships and employers themselves.

⁴⁰ DWP (2010) *Work Programme Invitation to Tender, Inclusion* calculations

Annex: technical information on the value for money calculation

Savings in benefit payments

In this analysis we have used *Ferret* benefit calculation software to model average government savings in benefit payments per week, according to the five most common family and housing 'scenarios' identified in the *Inclusion* survey and from national FJF data. *Ferret* software details government benefit payments in the out-of-work and in-work situations, according to the personal characteristics, housing information, wages and hours of FJF participants, which we have used to calculate net savings to government in each case. A summary of the results is provided in table A1.1.

Table A1.1: Weekly benefit savings to government when FJF participants move into employment, by family and housing circumstances

	18–24, living with parents	18–24, living alone/with friends/with partner	25+, living with parents	25+, living alone/with friends/with partner	25+, single parent living with children
Savings to government in out-of-work benefits	£53	£53	£68	£68	£176
Savings to government in Housing Benefit and Council Tax Benefit	£0	£87	£0	£92	£55
Savings (costs) to government in Child and Working Tax Credits	£0	£0	(-£52)	(-£52)	(-£251)
Total savings (costs) to government	£53	£140	£15	£107	(-£21)

Source: *Inclusion* survey of FJF participants, April 2011; Young Persons Guarantee Official Statistics, April 2011, DWP; *Inclusion* calculations using *Ferret* benefit calculation software

The average government saving in benefit payments, weighted according to the number of FJF participants in each family and housing 'scenario', is **£62 per week** for each FJF participant.

Deadweight estimate

Deadweight is defined as the proportion of outcomes that would have occurred in the absence of an intervention. A brief review of employment programmes in Britain aimed at young people before the New Deal found that deadweight outcomes ranged from 16 to 85 per cent.⁴¹ A review of the first couple of years of NDYP found that around 65 per cent of job outcomes from the programme were deadweight and would have occurred without the help of the programme. Clearly deadweight can be very high for employment programmes, especially those aimed at young people, who are relatively close to the labour market compared with other groups requiring assistance into employment.⁴²

However there is evidence that programmes centring on an employment subsidy for jobs that would not have otherwise existed, such as the FJF, have lower deadweight. The Training and Employment Grant Scheme in Scotland, within which subsidised jobs for young people had to be additional to the existing workforce, had deadweight of only 16 per cent of the jobs covered.⁴³

One of the key findings of this report is that sustainment of post-FJF jobs, more than the job outcome rate itself, is likely to be one of the programme's successes. For this reason we have opted to calculate deadweight by comparing average time off benefits per participant after FJF with the average time participants would have spent off benefits if FJF had not existed, rather than simply those job outcomes that would have occurred in the programme's absence.

We have calculated the deadweight of the whole programme based on the 18–24 year old customer group only, because we do not know enough about the characteristics of older participants for an accurate calculation. Given that programmes aimed at young people often have rather high deadweight in comparison to those aimed at long-term unemployed adults, this is likely to inflate the figure slightly.

⁴¹ 'Bulletin: Young people, employment programmes and the new deal,' Institute for Employment Research, no. 49 (1999): <http://www2.warwick.ac.uk/fac/soc/ier/publications/bulletins/ier49.pdf>

⁴² Most estimates of deadweight do not take account of changes in the external labour market. One would expect deadweight to be lower in recession conditions/deprived areas, and higher in period of growth.

⁴³ 'Bulletin: Young people, employment programmes and the new deal,' Institute for Employment Research, no. 49 (1999): <http://www2.warwick.ac.uk/fac/soc/ier/publications/bulletins/ier49.pdf>

To calculate deadweight we first estimated the average length of time an FJF participant spends off benefits up to the point of their first repeat claim, not including the 'lock-in' period of their FJF job. This calculation is as follows:

[43% x 69] The proportion of participants with job outcomes after FJF multiplied by average sustainment of jobs obtained after FJF

+

[19% x 5.4] The proportion of participants who are not claiming benefits but also not in work after FJF multiplied by these participants' average time off benefits after FJF to date

= 30.7 weeks

This calculation carries forward all of the results and assumptions of our estimate of the gross benefits of FJF. As previously stated, we have not modelled time off benefits for those participants not claiming but not in work into the future. Therefore our estimate of 5.4 weeks off benefit is conservative.

We then attempted to perform a similar calculation for the deadweight situation, i.e. the average length of time an FJF participant would have spent off benefits up to the point of their first repeat claim, had FJF not existed.

We began by calculating the proportion of 18–24 year old JSA claimants eligible for FJF who would have left benefits a) to work, and b) to other destinations, over the period in which FJF was operating. We did this by using monthly claimant off-flow figures disaggregated by destination, for 18–24 year olds claiming for more than six months.⁴⁴ These were adjusted as follows:

- Off-flows classified as 'unknown destination' or 'did not claim' were redistributed proportionally to all the other categories of destination in order to create a complete picture.⁴⁵
- Off-flows to another benefit and to government training schemes were excluded, as these destinations entail a continued and comparable cost to (if not greater than) a JSA claim for the public purse.⁴⁶

⁴⁴ Source: Claimant Count, ONS

⁴⁵ This is felt to be an appropriate adjustment given previous research on JSA leavers whose destinations are unknown: Hayes and Collins (1999) *New Deal for Young People: Leavers with Unknown Destinations*, Employment Service Research and Development Report: http://research.dwp.gov.uk/asd/asd5/working_age/wa1999/esr21rep.pdf

- Off-flows to work were adjusted downwards on the basis of estimated monthly FJF starts by 18–24 year olds, on the basis these jobs were additional and would not have been available had FJF not existed.⁴⁷

These adjustments produced the following estimates:

- An average of 8 per cent of 18–24 year olds claiming benefits for more than six months would have left benefits to work *each month*, had FJF not existed.
- An average of three per cent of 18–24 year olds claiming benefits for more than six months would have left benefits to destinations other than work *each month*, had FJF not existed.

These proportions were applied on a rolling monthly basis to the active volume of FJF starts. In this way we estimated the proportion of the 78,204 18–24 year old FJF starts who would have left benefits over the programme's lifetime had it not existed:

- **35 per cent** would have left to work
- **13 per cent** would have left benefits to destinations other than work.

We combined these findings with data on recycling of claimants after exit from JSA, in order to estimate average time off benefits, had FJF not existed. Unfortunately such data is only available from Northern Irish jobcentres, and therefore does not match the profile of FJF participants particularly well.⁴⁸ This produced the following estimates:

- Average time off benefits after leaving JSA to work is **51.6** weeks.

⁴⁶ Some of these will subsequently have left to jobs. However no official statistics have been published for the period in question for the New Deal 18–24 options or for the Community Task Force. The Flexible New Deal is not a comparable programme.

⁴⁷ We have not been able to calculate the displacement or substitution effects of FJF jobs – see subsequent sections of this annex for more information. Source: Young Persons Guarantee Official Statistics, April 2011, DWP; *Inclusion* calculations.

⁴⁸ Both the Northern Ireland administrative structure and the labour market differ in several respects from the position in Great Britain. The Northern Ireland economy suffered from the recession to a greater extent than even many deprived areas of Great Britain. However, measured and claimant count unemployment remains lower than deprived GB regions. This is due to a different balance between unemployment and inactivity when Northern Ireland has a low employment rate. It would be preferable to use GB estimates of recycling of claimants, but ONS figures are on the reverse basis to the Northern Ireland figures (the interval between claims is measured backwards from the point at which the repeat claim starts, rather than forwards from the point at which the claimant leaves benefit), and raw data available for analysis (JUVOS) does not cover the 2008-11 period. Source: Department for Enterprise, Trade and Investment Northern Ireland statistics, January 2010 – January 2011.

- Average time off benefits after leaving JSA to another destination is **18.8** weeks.

Using the above information we estimated the average length of time an FJF participant would have spent off benefits up to the point of their first repeat claim, had FJF not existed:

$$[35\% \times 51.6]$$

+

$$[13\% \times 18.8]$$

$$= 20.7 \text{ weeks}$$

The final step in our deadweight calculation was to express deadweight as a proportion of gross benefits:

$$20.7 / 30.7 = \mathbf{67\%}$$

$$67\% \times \text{£}5,072 = \mathbf{\text{£}3,417}$$

These calculations produce a rough estimate of what the deadweight of FJF might be, in the absence of robust data on comparable benefit claimants. Indeed, the whole population of 18–24 year olds long-term JSA claimants, which is used as the basis for our deadweight comparison group, may have lower motivations and a lesser skills profile than FJF participants (see figure 4.1). Therefore we may have undervalued deadweight. On the other hand, we have not been able to account for FJF participants aged 25 and over in our FJF calculation. Given that programmes aimed at young people tend to have the highest deadweight, this omission may have led us to overvalue the deadweight of FJF. Similarly, the Northern Ireland claimant statistics that we have included in our deadweight calculation refer to very different participants in a different labour market, which could have pushed the figure in either direction.

A better estimation of deadweight could be achieved with access to data collected by DWP and Her Majesty's Revenue and Customs (HMRC). Matched Work and Pensions Longitudinal Study (WPLS)-HMRC data details jobs and earnings of all those in work, within which we would isolate FJF participants. We would construct a matched control group within the WPLS-HMRC data that reflects the characteristics of FJF participants to a far greater extent than the control group we have used in our own estimation of deadweight. We would then use the DWP national benefits database to

calculate time off benefits for FJF participants and the control group.⁴⁹ Applying our methodology for calculating benefit savings, income tax revenue and national insurance revenue to the FJF participants and the matched control group in turn would bring us to a more robust estimation of the deadweight of the programme.⁵⁰

Substitution and displacement

Our value for money analysis has not accounted for the effects of substitution within FJF employers, i.e. employers hiring subsidised FJF participants at the expense of other current or potential staff. The central reason for this is that all bids to DWP for FJF awards had to make clear that the jobs were additional to the employer and would not have existed otherwise, and DWP will have ensured this in the process of reviewing bids. In reality there may have been some instances where the bid was not truthful, or there were changes in circumstances between bid writing and implementation (e.g. public sector lay-offs meaning that FJF participants ended up doing the job of people who had been made redundant), and therefore there probably was a certain amount of substitution. However it is completely beyond the bounds of this analysis to quantify this, and therefore we have chosen to trust the terms of the bid (i.e. that all jobs should be additional).

As well as this substitution issue, there is perhaps a more serious concern around displacement – did FJF activity displace other economic activity, not just within the FJF employers but within the wider economy? For example, the FJF may have displaced temporary jobs created under New Deal options. FJF will indeed have had some displacement effects, and this is something we have not accounted for because it would require a major econometric exercise that is beyond the bounds of this analysis, one that might in fact be too large-scale for a small programme like FJF.

⁴⁹ This would enable the replacement of the Northern Ireland comparison used currently with a more appropriate GB comparison.

⁵⁰ It should be noted that this methodology, while more robust than what we have been able to do with the data available to us, would still suffer drawbacks due to the low quality and low coverage of some WPLS-HMRC data.