



House of Commons
Work and Pensions Committee

Youth Unemployment and the Future Jobs Fund

First Report of 2010–11



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Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/workpencom

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The Work and Pensions Committee

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Additional written evidence may be published on the internet only.

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Summary

The Future Jobs Fund (FJF) was established by the previous Government in April 2009 as an emergency response to the rise in youth unemployment in 2008 and 2009. Its aim was the creation of job opportunities for young people on Jobseeker's Allowance and adults on any benefit who lived in areas with particularly high rates of unemployment. The initial target was to create 150,000 temporary (six-month) posts by March 2011, to ensure no young people were left behind due to unemployment. The scheme was then extended and expanded with the aim of creating 200,000 temporary posts by March 2012.

In May 2010, the Coalition Government cancelled the extension of the programme as a measure to address the public spending deficit, and announced that no new entrants would be permitted beyond March 2011. The new Government's view was that the FJF was a high-cost programme, with each job costing up to £6,500, and that similar results and job sustainability could be achieved through other interventions that represented better for value for money, notably its new overarching welfare-to-work scheme, the Work Programme.

We found that it was too soon to assess whether the Future Jobs Fund has been successful in supporting unemployed young people in finding permanent employment. It is also too early to say whether the FJF is a cost-effective method to support young people facing significant obstacles to employment.

We accept that interventions like the FJF represent a more expensive option, even when adjusted to take account of the fact that Jobseeker's Allowance is not paid to FJF workers. However, despite the relatively high cost, programmes such as the FJF may still be a cost-effective option for young unemployed people who are furthest from the labour market, and who are less likely to benefit from other less intensive approaches.

The Department for Work and Pensions should conduct a comprehensive evaluation of the effectiveness of the Future Jobs Fund and publish the results.

The overwhelming majority of jobs created through the Future Jobs Fund were in the public and voluntary sector. The Department told us that, to comply with European Union state aid rules, FJF jobs were required to be "additional"—that is, they would not have been created without FJF funding—and that they had to benefit the community. These restrictions, as applied by the Department, placed a genuine limitation on the programme. The Department should clarify exactly what is and is not allowed under state aid rules for employers in the private sector when employing young and disadvantaged people using a government subsidy, and produce a simple guide to help build confidence of employers.

Referrals to the Future Jobs Fund will cease by March 2011, and the final participants are expected to finish their FJF posts by September 2011. In future, young people at risk of long-term unemployment will be referred to the Work Programme. However, this programme will not launch fully until June 2011. We are concerned about the resulting potential gap in provision for unemployed young people and wish to see effective transitional arrangements put in place, especially in those areas of the country where the Work Programme will not be fully operational from June 2011.

The Government needs to learn lessons from the FJF and ensure that the Work Programme includes sufficient levers and financial incentives to prevent providers ignoring young people who are more difficult to place in work. The Work Programme should also include mechanisms to ensure that providers build on the experience and skills of the local partnerships that delivered the FJF programme, as well as drawing on the experience of smaller local and specialised providers.

We welcome the Government's increased funding for apprenticeships. We are, however, concerned that apprenticeships may not be the most suitable route into employment for those young people at the highest risk of long-term unemployment. These young people may have left school with no qualifications, have no experience of work, or have difficult family circumstances, and in some cases they may not be ready to start an apprenticeship. We are keen to ensure that alternative provision (for example, pre-apprenticeships, personal support, training and work opportunities) should be available to help those who are not ready for an apprenticeship.

1 Introduction

The Future Jobs Fund and the Young Person's Guarantee

1. The Young Person's Guarantee was first announced in the Budget in April 2009, with the aim of addressing youth unemployment which was rising in 2008 and 2009 as a result of the economic downturn. Overall unemployment increased from 1.6 million in the three months to March 2008 to 2.5 million in the three months to December 2009. Unemployment among 18-24 year olds during the same period increased from 509,000 to 725,000.¹ Through the Young Person's Guarantee, the Government pledged: "A guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed to ensure no young people are left behind due to long-term unemployment."²

2. In September 2009, the Future Jobs Fund (FJF) was announced as one of the programmes through which the Government intended to deliver the Young Person's Guarantee. Funding of around £1 billion was pledged to the FJF, to be spent between October 2009 and March 2011. This was intended to support the creation of 150,000 temporary jobs, primarily for 18-24 year olds who had been out of work for at least six months.³

3. In December 2009, the Government's White Paper, *Building Britain's Recovery: Achieving Full Employment*, set out further details of the Young Person's Guarantee.⁴ The Guarantee was introduced initially as a voluntary scheme before becoming mandatory on 26 April 2010. Young people who had been claiming Jobseeker's Allowance for six months were guaranteed an offer of a job, training or work experience and were required to commit to 13 weeks of activity. The opportunities offered within the Guarantee included the Future Jobs Fund, Routes Into Work (pre-employment training), Work Focussed Training and the Community Task Force (the work experience element of the Guarantee).⁵

4. The Future Jobs Fund was described by the Government as a "challenge fund" through which local authorities and other organisations could bid to create jobs. Its initial aim was to generate 100,000 job opportunities for young people on Jobseeker's Allowance and 50,000 job opportunities for adults on any benefit in areas with high rates of unemployment. Its intention was to enable local organisations to address youth unemployment, as well as worklessness among disadvantaged groups such as people with learning disabilities or mental health conditions, offenders and care leavers.⁶

5. As part of the March 2010 Budget, the previous Government extended the FJF programme for an additional year to March 2012, increasing the number of proposed FJF places to around 200,000.

1 Office of National Statistics data, summarised in House of Commons Library, *Young Person's Guarantee*, SN/EP/5352, 2010, available from www.parliament.uk

2 HM Treasury, *Budget 2009*, HC 407, Chapter 5, p 87

3 Department for Work and Pensions, *Guide to the Future Jobs Fund*, 2009, p 1

4 HM Government, *Building Britain's Recovery: Achieving Full Employment*, Cm 7751, December 2009

5 Ev 49

6 HM Government, *Building Britain's Recovery: Achieving Full Employment*, Cm 7751, December 2009, p 37

The design of the FJF programme

6. The programme was managed by the Department for Work and Pensions (DWP) in partnership with the Department for Communities and Local Government and with involvement from Jobcentre Plus and the Government Offices for the English Regions. National organisations and local and sectoral partnerships were invited to bid to create FJF jobs. From the initial 150,000 jobs that the Government planned to fund, they required at least 10,000 to be green jobs and at least 15,000 to be jobs in social enterprises.⁷

7. The minimum criteria for the FJF jobs were as follows:

- each job was at least 25 hours a week and the jobs were paid at least at the minimum wage;
- the Government's contribution was a maximum of £6,500 for each job;
- the jobs were required to be “additional” posts; ie posts that would not exist without the FJF funding and that would not otherwise be filled by the employer as part of their core business;
- the jobs were required to last at least six months;
- the work must benefit local communities; and
- providers were required to provide support for employees to move them into long-term, sustained employment.⁸

The termination of the FJF programme

8. As part of its savings measures to address the UK deficit, the Coalition Government announced in May 2010 that it would save £320 million by ending “ineffective” elements of employment programmes, including the further provision of temporary jobs through the Young Person's Guarantee.⁹ The plans to extend the Future Jobs Fund to 2012 were therefore cancelled, and the Government indicated that no new entrants would be permitted beyond March 2011. DWP stopped accepting any further bids for the programme from providers, but stated that existing guarantees would still be met.

The inquiry

9. We were interested in exploring the extent to which the FJF had been successful in tackling youth unemployment, not only in terms of addressing the short-term labour market problems caused by the recession, but also in supporting unemployed young people to find permanent jobs. We also wanted to examine the Government's rationale for terminating the programme a year earlier than planned; to assess the likely impact of this decision; and to examine the alternative measures the Government planned to introduce

7 Department for Work and Pensions, *Guide to the Future Jobs Fund*, 2009, p 1

8 Department for Work and Pensions, *Guide to the Future Jobs Fund*, 2009, p 2

9 HC Deb, 26 May 2010, col 3WS

to ensure that young people continue to receive effective welfare-to-work services following the discontinuation of the FJF.

10. Our inquiry therefore focused on the following issues:

- the extent to which the FJF has succeeded in matching new work experience opportunities to young unemployed people;
- the strengths and weaknesses of the FJF programme from the perspective of providers (including in the third sector), employers and young unemployed people, and particularly in relation to the long-term sustainability of employment opportunities;
- the likely impact of the decision to end the FJF in March 2011 rather than March 2012; and
- how the transition from the FJF to the Work Programme will be managed, including the part to be played by the Government's proposal to fund new apprenticeships.

11. We received 78 submissions from a range of individuals and organisations. We took oral evidence from local authority partnerships and other providers; the Confederation of British Industry; Paul Gregg, Professor of Economics, University of Bristol; Tracy Fishwick, Associate of the Centre for Economic and Social Inclusion; and the DWP Minister, Rt Hon Chris Grayling MP, and Government officials. A full list of witnesses is set out at the end of the Report.¹⁰ We also visited the Centrepoint service in Camberwell, London. We are grateful to all those who contributed to our inquiry.

12. We would also like to thank our Specialist Advisers for this inquiry: Dr Richard Dorsett, Director of Policy Evaluation at the National Institute of Economic and Social Research, and Professor Alan McGregor, Director of the Training and Employment Research Unit at the University of Glasgow.¹¹ We very much appreciate the contributions they made to our work.

¹⁰ See page 45

¹¹ Relevant interests of the specialist advisers were made available to the Committee before the decision to appoint them on 8 September 2010. The Committee formally noted that Dr Dorsett and Professor McGregor declared no interests relevant to the Committee's work.

2 Outcomes for young people

Creation of Future Jobs Fund posts

13. The intention of the Future Jobs Fund was to generate job opportunities, primarily for long-term unemployed people, at a time of rising unemployment. In the first 10 months of the scheme (October 2009 to July 2010), 54,920 benefit claimants started a FJF job, of which 47,060 were aged between 18 and 24.¹² In his oral evidence, the Minister for Employment reported that, as at November 2010, the programme was not on track to meet its initial target: “At the moment, the Future Jobs Fund is still in numbers terms behind where it was originally anticipated to be; about 20,000 fewer jobs have been created at this point than was in the original tracking for the fund”.¹³

14. DWP gave us a number of reasons for delays in the early implementation of the programme, which they believe contributed to the fact that the number of jobs fell short of the target. These issues are discussed in detail in Chapter 7 of this Report.

15. Witnesses argued that the momentum of the programme had been affected by the announcement that there would be no new entrants to the programme beyond March 2011, because local partnerships were less likely to invest in the infrastructure required to create and manage jobs as the programme moved towards its completion. The National Day Nurseries Association, who delivered a programme with Kirklees Council, told us:

The high-profile announcement of the ending of the FJF scheme has led to some reduction in the profile amongst potential applicants and Jobcentre Advisers. This has made it harder to direct applicants to jobs in existing contracts, and to some extent has stalled the momentum Kirklees was creating locally.¹⁴

Social Enterprise Solutions took a similar view:

It took months of intensive activity to engage social enterprises with FJF, and to persuade Jobcentre Plus that the programme was not just for low achievers. Because of its evident success, momentum was built. Businesses wanted more FJF employees, new businesses wanted to join the scheme, and more unemployed young people wanted to benefit from it. The momentum is now lost, leaving frustration that nothing has yet taken its place.¹⁵

12 Department for Work and Pensions, *Young Person's Guarantee Official Statistics*, 13 October 2010

13 Q 107

14 Ev w100 [Note: references to Ev wxx are references to written evidence published in the additional written evidence published on the Committee's website.]

15 Ev w11

16. The following table shows how many people started an FJF post in each month since the programme began.

Month	FJF job starts
October 2009	470
November 2009	2,220
December 2009	1,850
January 2010	4,430
February 2010	6,080
March 2010	12,020
April 2010	7,140
May 2010	6,790
June 2010	7,910
July 2010	6,030

Source: DWP Young Person's Guarantee Official Statistics, 13 October 2010

These statistics only provide figures up to July 2010. We therefore only have data for two calendar months following the announcement in May 2010 of the decision to terminate the programme and it is not possible to establish from this data whether there was a downward trend in the number of FJF posts created following the announcement. The next release of statistics for the FJF is scheduled for January 2011, which may offer a clearer indication of whether fewer posts were created after May 2010.

17. DWP statistics show how many individuals started an FJF post, but do not indicate how many of those individuals completed the minimum six-month period. A separate DWP analysis of FJF participant outcomes indicates that among those participants starting the FJF in the first two months of the programme, only 10% were claiming Jobseeker's Allowance again within the six-month period that their FJF post was scheduled to last.¹⁶ However, these DWP figures do not provide a reliable measure of how many FJF participants lasted the full six months. It is possible that some left the FJF programme during the six-month period for other employment. It is also possible that individuals left the programme but did not immediately start claiming Jobseeker's Allowance. This DWP analysis is also limited in that it only covers the first two months of the programme, when it was in a start-up phase.

18. Written evidence we received suggested that a high percentage of FJF workers completed their six-month period. For example: Portsmouth City Council reported that only 12% did not complete the contract period; St Paul's Development Trust state that less than 10% failed to complete their employment period; Novas Scarman reported that 20% left the programme early; and Oxfordshire County Council claim that 79% of those recruited in phase one either completed or were expected to complete the programme.¹⁷ We would note that these figures are taken from only a small number of witnesses and only relate to the early stages of the programme. However, as highlighted in Chapter 5, the wider evidence we received from providers and employers was generally positive about the programme.

16 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010

17 Ev w76, Ev w4, Ev w90, Ev w56

Sustainable employment outcomes for young people

19. There is a lack of strong evidence on whether participants were able to find permanent paid employment following their FJF post. This, in part, reflects the fact that participation in FJF is too recent for permanent employment outcomes to be observed.

20. DWP states that it is too early to understand the impact the Future Jobs Fund has had on entry to employment.¹⁸ Other witnesses, including the CBI and Groundwork UK, agreed.¹⁹ Professor Paul Gregg commented that terminating the programme at this stage means that “we will not ever learn how good or bad it was and which design features were good or bad”.²⁰ However, while we accept that it may be too early to assess the programme at this moment, over 55,000 people have now participated in the Future Jobs Fund, and a proper evaluation next year should be able to demonstrate the extent to which the programme was effective in achieving sustained employment.

21. As mentioned, DWP has published some emerging analysis on the outcomes of the programme.²¹ The analysis focuses only on participants who took part in the first two months of the programme, as this is the only data available at present. Furthermore, it considers benefit outcomes rather than employment outcomes. As such, the analysis has its limitations and it will be possible to learn more from future analysis in the coming months as more data become available. The analysis includes the following table, which shows the proportion of individuals claiming working age benefits after starting an FJF job:²²

	% FJF participants
On benefits 1 month after start	2%
On benefits 2 months after start	3%
On benefits 3 months after start	4%
On benefits 4 months after start	7%
On benefits 5 months after start	9%
On benefits 6 months after start	10%
On benefits 7 months after start	50%

22. The figures show that only small numbers of FJF participants claimed benefits during the six months following their FJF start, but this is to be expected, since the FJF jobs last for six months. The figures then show that half of FJF participants claimed benefits seven months after they started FJF.

23. The analysis states that 35% of 18-24 year-olds entering non-FJF work after a 9-12 month period claiming Jobseeker’s Allowance were back on benefits seven months later. The implication is that if an unemployed young person finds non-FJF work they are less likely than an FJF worker to end up on Jobseeker’s Allowance after seven months.

18 Ev 51

19 Q 67 and Q 23

20 Q 68

21 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010

22 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010, p 4

However, comparing these figures for FJF workers and non-FJF workers is unhelpful for the following reasons:

- FJF posts are usually six-month posts, whereas other jobs would not have this restriction and might be expected to last longer;
- FJF participants may experience a short period of unemployment after six months before finding a new job; and
- claimants able to find work without the FJF are likely to differ in important ways from FJF participants, for example in terms of their experience, skills and personal circumstances. A comparison of their respective outcomes cannot distinguish the effect of these different characteristics from the effect of the FJF.

As the DWP analysis explains, further tracking of an FJF participant's benefit records eight, nine and ten months after starting FJF will provide a longer term picture of FJF outcomes.²³

24. Written evidence indicated that, from the early stages of the programme, a reasonable percentage of FJF workers have taken up employment following their FJF work. Examples include:

Percentage taking up employment following an FJF post²⁴

Be Birmingham	>30%	>225
Caerphilly	71%	29
Glasgow City Council / Glasgow Works	41%	n/a
Groundwork UK	30%	710
Hampshire County Council	25%	n/a
Liverpool City Region	29%	379
National Day Nurseries Association	52%	n/a
Norfolk County Council	40%	104
Oxfordshire County Council	55%	n/a
Solihull	>50%	>33
Stoke and Staffordshire	78%	n/a

25. This evidence is very mixed and has clear limitations. As with the DWP data, the figures only relate to the early stages of the programme, rather than the programme as a whole. They do not cover a representative sample of providers, and we are not able to verify whether this data has been collected consistently and accurately across providers. Also these regional figures cannot be compared directly with the DWP figures, as the DWP figures use a different measure, namely, how many participants claimed benefits following their FJF post. Nevertheless, it is worth noting that the 50% figure quoted by DWP for people going back on benefits at seven months is not strongly contradicted by the estimates provided by local partnerships for people going onto jobs after completing the FJF programme.

26. Overall, the information we have received to date does not provide a clear indication of the numbers of FJF workers finding sustainable employment following their FJF post. However, even if such information were available there may still be some debate around

23 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010, p 4

24 Ev 45, Ev w54, Ev 56, Ev 58, Ev w155, Ev w100, Ev w65, Ev w57, Ev w136, Ev w34

whether the FJF intervention was the primary factor leading to a percentage of its participants gaining a permanent job. The Government did not set a public target for the number of FJF workers it expected to find sustainable employment, so we are also unable to compare the limited emerging data against the Government's intentions for this aspect of the programme.

Wider benefits for young people

27. Written evidence from FJF providers suggests that young people gained a number of benefits from the programme, including acquiring skills and experience, developing a greater sense of responsibility and confidence, and increased employability. Be Birmingham is carrying out interviews with 500 FJF workers, and the emerging findings outlined in their submission indicate that FJF has supported young people in the following ways:

- raising self esteem;
- being valued—especially because FJF is presented as a real job, rather than a placement;
- doing a worthwhile job—as the FJF jobs all have a community benefit;
- being paid—workers feel independent and a full member of society; and
- having real employment, rather than being on a “programme”.²⁵

28. The following comments from FJF employees and organisations are illustrative of the benefits gained:

It has been a great opportunity for me. I've loved working for an organisation that is helping out others. Not only has it helped me get back into work but I have met new friends, gained confidence and I now have a better idea of what I would like to do for a long term career.²⁶

Getting this job through Future Jobs Fund has really meant a lot. Being out of work for so long really knocked my confidence, but since working at Barnardo's my confidence has really come back and I feel better about myself.²⁷

Even though I'd kept myself busy and volunteered to learn new skills, there is a stigma attached to not having a job and I feel much better now I am paying my own way and getting on with my life.²⁸

25 Ev 44

26 Sally, administrative assistant at Catch 22, Ev w52

27 Louise, admin assistant for Barnardo's North West, Ev w185

28 Steve at Lifeline in Kirklees, Ev w195

One young man has transformed from an insecure, shy individual to a competent, friendly, highly thought of important member of the lab team in the six months he has been with us.²⁹

One of the perceived benefits of the FJF to young people and the employer alike is that they receive proper wages and have had the same terms and conditions as other employees thus being treated the same, learning many workplace skills such as time keeping, work ethic, confidence, specific job skills, managing money etc. If they have had problems then the employer has been able to tackle the problems whilst they are at work, so it is real and practical instead of theoretical in a training course.³⁰

29. Despite falling behind its initial target, the Future Jobs Fund created a significant number of temporary jobs for unemployed young people on a national scale. However, it is too early to assess the extent to which the programme has supported young people in finding permanent employment.

30. It must be borne in mind that the FJF was an emergency measure to tackle a particular peak in youth unemployment. We regard the wider benefits which many young people gained from the programme in terms of work experience, confidence and self-esteem and the likely consequent impact on their future employability, as another indicator of the effectiveness of the programme.

29 Ev w172

30 Wales Council for Voluntary Action, Ev w13

3 Evaluation and monitoring arrangements

Evaluation of the Future Jobs Fund

31. The Department for Work and Pensions intends to carry out an evaluation of the FJF but has yet to confirm the full specification for its evaluation arrangements.³¹ The Minister told us that the evaluation would take place next year.³² DWP also stated that it would be based on “qualitative research, in-house data analysis and collation of lessons learnt from local evaluations”.³³ DWP has not, however, indicated the criteria that it will use to measure the effectiveness of the programme. For example, effectiveness might be measured by the number of FJF jobs created, the number of FJF participants, the percentage of young people finding permanent employment, young people’s experiences of the programme, savings in benefit payments, or the cost-effectiveness of the programme.

32. DWP has decided to evaluate the programme in-house, rather than commission an independent evaluation. The Minister explained that this was because: “There is a danger in financially straitened times that we spend vast amounts of money evaluating things that we are no longer going to do.”³⁴

33. For a programme that has cost around £1 billion, we would usually expect the Department to include a measure of independence and external assessment within the evaluation. While we accept that this may not be a cost-effective option on this occasion, especially given the fact that there will be no national programme similar to the FJF in the foreseeable future, we are concerned that the evaluation should be comprehensive and available to all interested parties.

34. We believe that DWP should conduct a robust and comprehensive evaluation of the FJF and publish the findings. We recommend that the evaluation include an analysis of the experiences of local implementation of the programme, an assessment of the impact of the FJF on long-term employment and benefit payments (as recorded in DWP databases) and a detailed cost-benefit analysis. The evaluation method should also be published to ensure the transparency and credibility of the process.

Tracking and monitoring within the programme

35. Several witnesses suggested that the programme might have been enhanced if there had been a national system for tracking participants once they completed their FJF post. Groundwork UK noted that there was no central monitoring of sustainable employment outcomes for participants and no central system for tracking FJF workers after they left the FJF job.³⁵ Tony Hawkhead from Groundwork UK made a comparison with the

31 Ev 51

32 Q 105

33 Ev 49

34 Ev 51

35 Ev 58

Community Task Force which he believed offered excellent data because it had a tracking record from the start.³⁶

36. The Association of Greater Manchester Authorities noted that, while they were developing local tracking mechanisms, they would have preferred a national system that could share data and track people once they had left the FJF programme.³⁷ Evidence from the Birmingham and Black Country City Region suggested that, while forms were available in that region to capture the destination of FJF participants, these forms were completed immediately after the young person finished their FJF job. They believed that it would have been more useful to wait three months before monitoring young people's progress.³⁸ This would take account of the normal delay many people experience between finishing one job and starting another.

37. Although there appears to have been no national system for tracking individuals once they left the FJF programme, participants will appear in DWP administrative data if they re-enter Jobseeker's Allowance (JSA) or Jobseeker Regime and Flexible New Deal (JRFND). DWP data are also linked to HM Revenue & Customs data allowing employment outcomes to be observed. DWP's early analysis makes use of the information held on FJF participants and JSA claimants to provide data on the programme, although this has arrived too late to help inform the national or local implementation of the programme.³⁹

38. We believe that ongoing assessment of the FJF programme at a local and national level may have been more informative if effective systems had been available to monitor participation and employment outcomes from the outset.

Incentives for employers and providers

39. DWP's guidance stated that each bid from providers had to demonstrate that "there will be support for employees to move into long-term, sustained employment".⁴⁰ However, the programme was relatively light touch in terms of the monitoring and tracking requirements it placed on its providers. Nor were they given clear direction by the Government on supporting FJF participants to find permanent jobs.

40. The CBI suggested that the Future Jobs Fund did not place sufficient focus on securing sustainable employment opportunities for young people: "For the programme to be a long-term success the jobs funded would have to create sustainable pathways into employment, ensuring that the positions funded left the young person more employable for the long-term as well as providing a short period of employment."⁴¹ Be Birmingham stated that there was a lack of incentives for employers to progress FJF workers into permanent jobs. They proposed the following incentives:

36 Q 19

37 Ev w219

38 Ev w135

39 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010

40 Department for Work and Pensions, *Guide to the Future Jobs Fund*, 2009, p 2

41 Ev 46

- a bonus paid to the provider for every FJF employee who obtained permanent employment; or
- the residual amount of the £6,500 is paid to the FJF provider for every worker who gained employment before the end of their six months.⁴²

41. Julia Sweeney, the DWP director involved in establishing and developing the FJF, explained the reasons why the Department chose a model without contractual incentives:

There was a balance to be struck between allowing the space and capacity for innovation that we thought was very important to harness partnership capability and to provide interesting and dynamic experiences for young people, and using a financial model that would drive outcomes. We settled on a grant mechanism to deliver the former [...] One of the constraints of the grant mechanism is that you cannot put contractual incentive mechanisms into it. We did design a grant mechanism that had very dynamic reporting, so we know each month what's happening with our delivery partners.⁴³

42. The inclusion of incentives might have resulted in increased costs for the programme and a lack of flexibility for providers. However, it is worth noting that the Government's proposals for the new Work Programme will include such incentives and be based on "payment by results", with providers being required to support individuals to complete up to two years of paid work before they receive full payment from the Government.

42 Ev 42

43 Q 109

4 Effectiveness and value for money

Cost comparison with other recent programmes

43. The Department for Work and Pensions explained that the Government decided to end the Future Jobs Fund to reduce expenditure in light of the public spending deficit and on the grounds that they believed it was not cost-effective:

Faced with the largest public spending deficit in the UK's history, it was imperative that the Coalition Government identified areas to reduce expenditure. The Future Jobs Fund was identified as an area where savings could be made, whilst maintaining the support available to young people. Closing the Future Jobs Fund to new bids is justified because the programme is an expensive, short-term response to the recession and the Government is confident that similar results can be achieved through better value for money interventions.⁴⁴

44. The DWP's written evidence stated that, at £6,500 per participant, the scheme is expensive relative to the other elements of the Young Person's Guarantee as shown below:

Young Person's Guarantee Unit Costs⁴⁵

Future Jobs Fund	£6,500
Routes into Work	£1,200
Work Focussed Training	£2,310
Community Task Force ⁴⁶	£1,200
Care First Careers	£1,500

The Department argues that the Future Jobs Fund “does not compare favourably with programme costs of other employment programmes”, noting that the average cost for finding an individual work under the New Deal For Young People was £3,480.⁴⁷

45. In his oral evidence, the Minister used early DWP analysis of the FJF to press further the case that the programme did not represent value for money (although this analysis was not available when Ministers made the decision to terminate the programme). It showed that, of the participants starting FJF posts in the first two months of the programme, 50% were in receipt of working age benefit payments six months later.⁴⁸ On the basis that the maximum government contribution to each FJF post was £6,500, the Minister concluded that, if 50% of participants ended up in permanent employment, this could represent a cost to the taxpayer of up to £13,000 per permanent employment outcome.⁴⁹

44 Ev 49

45 Ev 49

46 Average cost, including cost of those failing to complete Young Person's Guarantee options making up the remainder of time on the Community Task Force.

47 Ev 49

48 Department for Work and Pensions, *Early analysis of Future Jobs Fund participant outcomes*, November 2010

49 Q 106

46. Some qualification of these figures is necessary. Firstly, there are significant limitations to the reliability of the early DWP analysis, as explored in Chapter 2 and highlighted in the analysis itself. Secondly, FJF posts are funded at a maximum of £6,500, but not all FJF posts will have cost this amount; some providers may not have claimed the full amount as some participants would have left their FJF posts early (as indicated in paragraph 18). DWP has not provided a figure for the average cost of an FJF job. Also, to assess the cost-effectiveness of the FJF and how it compares to other programmes requires an estimate of its impact—something that is currently unavailable.

47. Participants in the Future Jobs Fund do not receive Jobseeker’s Allowance for the duration of their FJF post, whereas participants on the other programmes may still be in receipt of a range of benefits. Groundwork UK stated that these could amount to a “minimum of £1,800” for a young person on the programme.⁵⁰ Deducting the amount that the Government no longer paid on working age benefits from the £6,500 figure would have offered a fairer representation of the true cost of the Future Jobs Fund. The Coalition Government has already accepted this concept in principle by stating that the Work Programme model will reflect the fact that initial investment delivers savings through lower benefit expenditure.⁵¹

48. A robust evaluation of the FJF has yet to be undertaken. While we accept the Government’s need to make savings to address the public spending deficit, it is our view that insufficient information was available to allow the Department to make a decision to terminate the FJF if this decision was based on its relative cost-effectiveness. It is important that DWP carries out cost comparisons for welfare-to-work programmes on a like-for-like basis. In particular, statistics should clearly show what payments, including benefit payments, individuals on each programme are receiving, to reflect the full cost to government.

The cost of reaching those most at risk of long-term unemployment

49. The Future Jobs Fund may appear relatively expensive in relation to other programmes, even when the figures are adjusted to reflect savings in benefit payments. However, this higher cost may be warranted for individuals who face the most severe obstacles to finding employment. Tony Hawkhead of Groundwork UK accepted that a programme such as the FJF would not be cost-effective for all unemployed persons, but argued that it was more appropriate for people needing more intensive support:

I think that the fund is most successful in working with the kind of people we [...] specialise in, which is those who are very far from the labour market and would otherwise have no hope of getting any form of work experience, and therefore no access to a job.⁵²

The National Skills Academy for Sport and Active Leisure described the particular need for intensive support for young unemployed people:

50 Q 35

51 HM Government, *The Coalition: our programme for Government*, 2010, p 23

52 Q 15

Getting a young person into sustained permanent employment is an involved process that does not end when someone first starts work. A flexible approach is needed, with tailored mentoring support provided before, during and after a person successfully gets a job in order to keep them on track.⁵³

50. The Future Jobs Fund was designed as a programme to support primarily those young people who were at significant risk of long-term unemployment and for whom lighter-touch methods of support, such as support with searching for jobs, had not been successful. These people would generally be those without employment experience or qualifications. However, it is important to note that in many areas the FJF programme was used to support more qualified young people such as graduates, who arguably did not face significant personal barriers to employment. Evidence from some witnesses showed that university graduates were placed in Future Jobs Fund opportunities across the programme.⁵⁴ Some members of the Association of Learning Providers even noted that in the early stages of the programme, “many of the jobs on offer tended to be ‘swept up’ by unemployed graduates, although over time this tendency was replaced by more success for more disadvantaged and/or under-qualified groups”.⁵⁵ Birmingham City Council suggested that around 20% of their FJF participants were educated to first degree level.⁵⁶

51. The extensive inclusion of graduates in the Future Jobs Fund was not necessarily the programme’s intention at the outset, particularly as the Government also introduced a separate Graduate Guarantee in 2009 offering all new graduates still unemployed at six months access to an internship, training or help to become self-employed.⁵⁷

52. While many graduates gained valuable experience through participating in the Future Jobs Fund, it is not clear to us that such an intervention is as cost-effective for this client group as it might be for those facing significant personal barriers to finding work.

53. We accept that interventions like the FJF represent a more expensive option, even when adjusted to take account of the fact that Jobseeker’s Allowance is not paid to FJF workers. However, despite the relatively high cost, programmes such as the FJF may still be a cost-effective option for young unemployed people who are furthest from the labour market, and who are less likely to benefit from other less intensive approaches.

Comparison with wider programmes to tackle youth unemployment

54. Professor Gregg considered that Intermediate Labour Market programmes that most closely resemble unsupported employment, such as the Future Jobs Fund, were more likely to bring positive outcomes than unpaid work experience or programmes that require individuals to undertake unpaid community work.⁵⁸ Witnesses such as the Wales Council

53 Ev w193

54 For example, Scottish Council for Voluntary Organisations, Ev w44; Oxfordshire County Council, Ev w56; Portsmouth City Council, Ev w73, and Barnsley Metropolitan Borough Council, Ev w107

55 Ev w182

56 Ev 42

57 HM Government, *Building Britain’s Recovery: Achieving Full Employment*, Cm 7751, December 2009

58 Q 62 and Q 63

for Voluntary Action also emphasised that one of the benefits of the Future Jobs Fund was that it offered real paid work and gave participants the sense that they were doing a real job.⁵⁹

55. Professor Gregg also highlighted how providing support for young people in searching for jobs (“job search”) can be the cheapest and most effective method. However, he noted that support with job search does not work for everyone, particular the long term unemployed.⁶⁰ He pointed out that the experience of New Deal for Young People (NDYP) provided a useful insight into the effectiveness of policies to tackle youth unemployment. NDYP began in April 1998, and aimed to help young people to find lasting jobs and to increase their long-term employability. Unemployed young people were provided with an intensive support process to find a job, known as the “Gateway”, which was intended to continue for up to four months. If they remained in the programme beyond this period they were then required to enter one of four options:

- Employment Option, offering subsidised employment
- Full-time Education and Training
- Voluntary Sector Option
- Environment Task Force Option⁶¹

56. An evaluation of the NDYP showed that those taking the Employment Option outperformed those taking other options. Overall, those taking the Employment Option spent longer in employment than those who took up any of the other options.⁶² A separate evaluation of the NDYP showed the impact on “employability”. The Employment Option performed strongly in this regard, and was most effective in terms of “access to training, attachment to the labour market and self-efficacy”. Unpaid work placements in the voluntary sector also performed well on the employability measures, although less highly than the employment option in terms of self-efficacy and willingness to move area in search of work. The Full-time Education and Training Option performed poorly in relation to work-based training outcomes but its participants gained the highest level of qualifications.⁶³

57. Direct comparisons between the Employment Option in the NDYP and the Future Jobs Fund must however be treated with caution as the programmes differ in some respects. While the Employment Option represented a similar six-month paid post, these posts were created through a wage subsidy to employers, principally in the private sector, to recruit unemployed young people. Unlike the Future Jobs Fund, they were not being recruited into temporary jobs specifically created for the purpose of the programme, and

59 Ev w13

60 Q 71

61 Michael White and Rebecca Riley, *Findings from the macro evaluation of the New Deal for Young People*, 2002, Department for Work and Pensions research report 168

62 Ian Beale, Claire Bloss and Andrew Thomas, *The Longer Term Impact Of The New Deal for Young People*, 2008, Department for Work and Pensions Working Paper No 23

63 Bonjour, D., Dorsett, R., Knight, G., Lissenburgh, S., Mukherjee, A., Payne, J., Range, M., Urwin, P., & White, M., *New Deal for Young People: National Survey of Participants: Stage 2*, 2001, Employment Service Research and Development Report ESR67, Employment Service, Sheffield, UK. Executive Summary.

young people arguably had a greater chance of being employed on a regular basis by the employer. Also, the FJF was set up in a period of major economic downturn, whereas the labour market was more buoyant when the NDYP was established.

58. Another point of comparison is the StepUP programme, piloted in 2002, which provided subsidies to private, public or voluntary employers taking on people who were still unemployed six months after completing their New Deal option. There were positive impacts for some people, but no significant benefits for those under the age of 25.⁶⁴ However, it should be noted that the young people entering StepUp had been out of work for close to two years despite previous New Deal attempts to help. Such cases, by definition, constitute a significantly hard-to-help group who may have faced even more obstacles to employment than FJF participants.

59. Comparing the effectiveness of welfare-to-work programmes is complex, given the differences in approach, funding, labour market circumstances and the characteristics of previous programmes. The evidence is limited and does not offer a clear consensus. We expect the Government to use the findings from the Future Jobs Fund evaluation to contribute to the wider evidence base used to assess which types of programmes are most effective in tackling youth unemployment.

64 Paul Bivand, Bee Brooke, Sarah Jenkins and Dave Simmonds, *Evaluation of StepUp pilot: final report*, 2006, Department of Work and Pensions research report 337

5 Benefits for employers and communities

Employers' experiences of the programme

60. Evidence from employers indicates that they were, for the most part, impressed with the motivation and skills offered by FJF workers, provided that they had been through an appropriate selection process. There is also some strong evidence that employer recruitment processes and selection behaviours have been significantly changed as a result of experiences gained through the FJF. There is now a greater recognition of the contribution that young, formerly unemployed people can make to workforce diversity in many organisations involved in the FJF. There is also an awareness of the barriers posed by onerous application processes to younger, less experienced and more disadvantaged applicants for jobs. Liverpool City Region wrote:

People's perception of the long term unemployed as being lazy and not wanting to work have changed; employers are also reviewing recruitment processes for entry level jobs to have less complex application forms and clearer job descriptions.⁶⁵

The Association of Greater Manchester Authorities shared this view:

Employers are reviewing their recruitment practices as they can see they can exclude the very people they want to attract, and that they are missing out on talent pool in their local communities. This is beginning to be seen as a huge legacy of FJF and one that partners are now very committed to capitalising on for the future. This is being shared as best practice across Greater Manchester.⁶⁶

61. The opportunity to recruit new staff funded by the FJF programme also brought a benefit for employers in terms of expanding the capacity of the organisation. Employers such as North Tyneside Council found that FJF workers helped employers respond better to customer needs, improve training and market their services to new clients and funders. The new staff also helped existing staff focus on more strategic work, helping the employer organisation become more sustainable.⁶⁷ Kirklees Council also highlighted some of the positive experiences an employer gained from the programme:

The Future Jobs Fund has provided KAL [Kirklees Active Leisure] with a group of enthusiastic young staff members, who have taken to the range of tasks asked of them with energy and commitment. Staff across the organisation have been pleasantly surprised at the impact made by these young people and the positive way in which they have completed the work set for them. Indeed, many staff have found it hard to believe that the people appointed have been unemployed for so long, such is their ability and approach.⁶⁸

65 Ev w151

66 Ev w218

67 Ev w165

68 Alasdair Brown, Chief Executive of Kirklees Active Leisure, as quoted by Kirklees Council, Ev w196

62. The FJF enabled employers to train young people to a point where they could apply for permanent posts. For example, Barnardo's indicated that the training and experience young people gained during their six-month FJF post put them in a position to apply for standard positions within Barnardo's and other social care organisations.⁶⁹ The National Skills Academy for Sport & Active Leisure told us: "Because the FJF programme allows employers to employ, train and develop new employees to the point where they make a net contribution to the business, new jobs are being created which would not exist without this programme."⁷⁰

63. Groundwork UK found that employers had "both positive and negative experiences", stating that some employees were highly motivated, but others found themselves in the wrong job.⁷¹ We discuss some of the initial difficulties faced by Jobcentre Plus in allocating individuals to FJF posts in Chapter 7. It is also important to note that the positive experiences for employers were overwhelmingly experienced in major public sector organisations such as local government and the NHS. Chapter 6 examines the issues the programme faced in creating opportunities in the private sector.

64. Overall, employers were impressed by the young people they recruited through the FJF and believed that they had benefited significantly from the contributions made by these individuals. As a result of the programme, recruitment methods in some organisations have already been altered to make it easier for employers to recruit young people who lack experience. The Government, working through Jobcentre Plus and its Work Programme, should consider how it can encourage more employers to open up their recruitment processes to young people who lack experience but who have the capacity to make a valuable contribution.

Positive outcomes for communities

65. A strong theme throughout the evidence was that the FJF programme significantly increased the resources available to the voluntary and community sector. Glasgow Works, for example, highlighted these advantages of the programme, particularly to smaller organisations who appreciated the enthusiasm and new ideas of their FJF employees.⁷² Warwickshire County Council's evidence described the range of benefits that voluntary and community organisations experienced from the programme, including:

- fulfilling roles that organisations had found it difficult to attract funding for or were unable to afford;
- building organisational capacity;
- extending organisational reach—for example, enabling an organisation to deliver services to a larger client group or to provide a wider range of services; and

69 Ev w186

70 Ev w190

71 Ev 57

72 Ev 55

- freeing up other staff to take on more strategic level work.⁷³

66. The Scottish Council of Voluntary Organisations told us:

The variety and scope of community benefit that has been generated by FJF [includes] regeneration projects, improved environments, increased access to advice, guidance and leisure services, and local anti-poverty initiatives. [...] The existence of FJF employees has offered some third sector organisations the opportunity to develop and create permanent jobs which would not have been affordable without the supported increase in capacity.⁷⁴

Sandwell Metropolitan Borough echoed these views:

The programme has been hugely beneficial for the host organisations. They have been able to undertake areas of work that may not have been possible otherwise. The programme has also enabled young people to become involved in local community organisations and take an interest in the issues which they aim to address.⁷⁵

67. It is clear that communities and community organisations benefited significantly through their employment of FJF workers. The programme had a positive impact across the country in terms of enhancing the scale and the quality of services in the voluntary and community sector. We welcome these positive outcomes and regard it as unfortunate that the benefits may be lost with the withdrawal of the FJF. However, the community benefits must be considered in the context of the overall cost of the programme. Moreover, it should be borne in mind that the Future Jobs Fund was designed to be a temporary measure and these benefits were only ever intended to be experienced over a short period.

73 Ev w5

74 Ev w44

75 Ev w59

6 Involvement of the private sector

Creation of posts in the public and private sectors

68. It is clear from the evidence we have received that more Future Jobs Fund jobs were created in the public and voluntary sector than in the private sector. The UK Commission for Employment and Skills provided evidence showing that the use of the FJF was “far greater” in the public sector, with 6% of employers from public administration and the defence sector and 7% from the health and social work sector recording use, compared with 1% among private sector employers.⁷⁶

69. Some local authorities also provided evidence showing a low level of private sector FJF opportunities: Birmingham City Council reported that 2% of their 2,500 jobs were in the private sector; Barnsley Metropolitan Council reported that 7% of their 614 jobs were in the private sector; while Oxfordshire reported that 33% of their 120 jobs were in the private sector⁷⁷. A significant number of witnesses also provided qualitative information suggesting that they experienced difficulties in creating private sector FJF jobs.⁷⁸

70. Mark Fisher, Director, Jobseekers and Skills at the Department for Work and Pensions, told us that the Department “never designed the Future Jobs Fund as a vehicle for private sector employment”.⁷⁹ However, many witnesses lamented the absence of private sector posts within the programme. For example, North Tyneside Council and Wigan Council both suggested that private sector FJF posts may have been more likely to result in permanent employment opportunities, whereas sustainable funding was always unlikely to be available for public sector or voluntary sector posts.⁸⁰ North Tyneside Council argued that the FJF could have been used to help reduce the local economy’s reliance on the public sector.⁸¹

71. Manchester City Council considered it a “significant weakness” that private sector employers had not been able to take on Future Jobs Fund candidates. They argued that the private sector represented the best opportunity for progression routes to permanent employment, especially given the climate of spending cuts and job reductions in the public sector.⁸² Evidence from the UK Commission for Employment and Skills suggested that many employers, particularly those in the private sector, were unaware of the Future Jobs Fund:

76 Ev w223 (The UKCES findings will be published in a forthcoming report)

77 Ev 42; Ev w107 and Ev w56

78 Including: Warwickshire County Council, Ev w5; Wakefield Council, Ev w19; Community Skills Partnership, Ev w49; Merthyr Tydfil Borough Council, Ev w54; Norfolk County Council, Ev w62; Wigan Council, Ev w115; Durham County Council, Ev w116; Liverpool City Region, Ev w151; North Tyneside Council, Ev w165, and Association of Greater Manchester Authorities, Ev w214

79 Q 134

80 Ev w165 and Ev w115

81 Ev w165

82 Ev w 221

Awareness of the Future Jobs Fund amongst employers is low in comparison to other initiatives. Only 15% of employers in Great Britain are aware of the initiative, this compares with 55% awareness for the longer established New Deal. Awareness varies considerably across different sectors with public sector employers far more likely to be aware.⁸³

State aid regulations

72. Future Jobs Fund posts were required to benefit the community and to be “additional” posts (ie ones that would not otherwise have been created without FJF funding). DWP said that it had introduced these restrictions to ensure that it complied with EU state aid rules. The Department, and other witnesses, told us that these restrictions acted as a “barrier” to private sector engagement.⁸⁴ The CBI outlined how the state aid restrictions led to a lack of private sector involvement, with negative consequences for the programme. They argued that:

- The “overly rigid” criteria created difficulties for businesses who wanted to access funding for jobs that the business genuinely needed (as opposed to jobs with a community benefit that did not link closely to the core work of the business).
- The requirement that posts must be “additional” in practice meant that jobs created within the FJF were less likely to be retained than others, once government support had been withdrawn.⁸⁵

73. Birmingham City Council stated that the community benefit criterion made it very difficult for them to engage with private sector employers. They described the difficulty for private sector employers in creating jobs, even if they offered a significant community benefit element, or had a direct link to a permanent job. They reported that creating such jobs was only possible where a large contractor had a charitable arm which could employ FJF workers in work regarded as bringing community benefit.⁸⁶

74. The state aid rules may have represented a significant barrier to any departmental plans to involve private sector organisations in the FJF programme. However, as described in the European Commission report *Employment in Europe 2010*, wage subsidies can be used to support those at risk of unemployment in times of economic difficulty. The report gives a range of examples from across Europe which demonstrate how wage subsidies have been used to tackle long-term unemployment, including schemes involving the private sector.⁸⁷ Moreover some witnesses felt that the Department might have done more to find ways to engage the private sector within these rules. David Coyne of Glasgow Works argued that there are ways of working with the state aid regulations in a more creative way: “Where a private sector employer has a genuine vacancy that they are recruiting for, it is legal to offer

83 Ev w223

84 Ev 53

85 Ev 46

86 Ev 42

87 European Commission, *Employment in Europe 2010*, October 2010

a wage subsidy under the general block exemption regulation for recruiting disadvantaged workers”.⁸⁸

75. Some local partnerships were successful in creating FJF positions in the private sector, working within the restrictions of the state aid rules. Durham City Council described how two local businesses developing products in support of green technology qualified for FJF support through the promotion of energy efficiency.⁸⁹ Knowsley Council entered an agreement with Jaguar Land Rover to take on young people through FJF, since there was 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.⁹⁰

76. Given these positive examples, there is a question as to whether the Department and FJF providers did enough to encourage opportunities within the private sector. Tony Hawkhead of Groundwork UK told us that there was a “nervousness” in Departments about state aid. He suggested that they needed to build in ways to engage all sectors from the start.⁹¹ Stoke-on-Trent City Council shared this view:

The issue of state aid threw up a number of issues and made many of our fellow employers very nervous. We believe that DWP had sufficient time to notify the programme to the EU and secure their approval prior to the programme commencing.⁹²

77. It is important that EU state aid rules are not perceived as a barrier to private sector involvement in employment programmes. The Department should clarify exactly what is and is not allowed under state aid rules for employers in the private sector when employing young and disadvantaged people using a government subsidy, and produce a simple guide to help build confidence of employers.

Bidding process and speed of implementation

78. The bidding process for the programme played an important role in determining the extent to which the private sector could become involved in the FJF programme. All organisations and local and sectoral partnerships were invited to bid to create FJF jobs, and the DWP’s guide to the programme offered the following advice:

Bids can come from anyone, but we have a strong preference for partnership bids involving a wide range of organisations. We expect a significant number of bids to be led by local or sectoral partnerships. But we are also looking to organisations in the third sector and private sector to play their part in creating new, exciting jobs.⁹³

The CBI argued that the Department’s preference for bids involving local or sectoral partnerships meant that the allocation of funds was weighted against the private sector:

88 Q 47

89 Ev w116

90 Ev w151

91 Q 49

92 Ev w31

93 Department for Work and Pensions, *Guide to the Future Jobs Fund*, 2009, p 1

In July 2009, of the 117 bids that obtained funding from the FJF, 62 were allocated to partnerships involving local authorities. These partnerships are less likely to deliver sustainable paths into employment than schemes led by businesses.⁹⁴

It highlighted that the FJF was only available in localities with unemployment rates over 1.5 times the national average or for young people who had claimed unemployment benefit for over 10 months. It described these criteria as “arbitrary demarcations” that prevented business from rolling out FJF programmes.⁹⁵ In oral evidence, Neil Carberry from the CBI also argued that the speed at which the programme was implemented resulted in a bidding process that was “top-down in its design”, leading to predominantly public sector-led bids being successful.⁹⁶

79. Tracy Fishwick told us that she had only had a month to write the Greater Manchester bid, and argued that if they had been given longer, they could have engaged more with employers and the private sector. However, she also believed that the public and voluntary sector partnerships that were brokered in that period were very valuable.⁹⁷ Tony Hawkhead of Groundwork UK told us that he had “never seen any Government programme in any department set up at the speed this was set up” and believed that it would have been possible to get the private sector more involved given more time.⁹⁸

80. Some of the written evidence suggested that the bid criteria were not fully established in advance and providers did not have enough time to prepare before FJF work started.⁹⁹ Redcar and Cleveland Borough Council indicated that the programme was set up so quickly that, at the start, the rules were still being written.¹⁰⁰ The Scottish Council for Voluntary Organisations suggested that the eligibility criteria for candidates were unclear, and that employers and Jobcentre Plus were uncertain about how to write specifications for the jobs.¹⁰¹

81. We accept that the Department felt obliged to design and implement the FJF programme rapidly, given the labour market conditions at that time. However, we believe that the Department needs to take into account that engaging private sector organisations requires more time than was allowed for within the FJF programme. In future welfare-to-work programmes, a balance needs to be struck that takes advantage of the different strengths of the public, private and voluntary sectors. Given the proposed severe cut backs in public sector jobs, the Government will be much more reliant on the private sector to provide the jobs necessary to meet its targets for moving people off benefits and into work.

94 Ev 46

95 Ev 46

96 Q 67

97 Q 81

98 Q 51

99 For example, Redcar and Cleveland Borough Council, Ev w95; Scottish Council for Voluntary Organisations, Ev w44, and Sandwell Metropolitan Borough, Ev w59.

100 Ev w95

101 Ev w44

7 Lessons learned from implementation

Early delays in the programme

82. A number of witnesses told us that, because the programme was set up at great speed, providers did not have enough time to prepare before FJF work started. In his oral evidence, the Minister pointed out that the Future Jobs Fund had been established as an emergency measure.¹⁰² Mark Fisher from DWP described the challenge to the Department in setting up the scheme so quickly:

The scheme was announced in May. We had to build an entirely new supply chain with a whole new set of partners we had never actually done business with, and we got the first jobs through the door in September/October.[...] It was delayed but it was quite an achievement in simply getting the whole scheme running and getting to an industrial scale in really quite a short time.¹⁰³

83. Sandwell Metropolitan Borough summarised their experience of the problems this caused:

The programme had little central guidance initially which delayed the development of the programme. Information relating to the programme was not received by those implementing the programme immediately, which delayed the number of referrals that could be matched to jobs.¹⁰⁴

DWP accepted that fewer FJF jobs than expected—only 5,000—were created by the end of 2009.¹⁰⁵ It suggested that the reasons for these early delays were: “Over-ambition from bidders, delays in issuing grant letters (issued in early September), delays in these letters being returned, changes to guidance for Jobcentre Plus advisers, and severe weather in late 2009.”¹⁰⁶ Julia Sweeney from DWP expanded on this:

Frankly, we underestimated how long the recruitment process took for a lot of participating organisations. Many used their mainstream recruitment systems, which took up to three months, particularly if there were Criminal Records Bureau (CRB) checks involved.¹⁰⁷

84. A number of other witnesses also pointed to the length of time it took to process CRB checks as a contributory factor to delays in the programme.¹⁰⁸ Mark Fisher confirmed that the Department would be applying the lessons from the FJF in future, in terms of how to

102 Q 121

103 Q 137

104 Ev w59

105 Ev 49

106 Ev 49

107 Q 116

108 Acacia Destiny, Ev w17; Hampshire County Council, Ev w79; Community Skills Partnership, Ev w49, and Sandwell Metropolitan Borough, Ev w59.

make the CRB checking process as efficient and swift as possible whilst applying the full rigour only in areas where it is needed.¹⁰⁹

Role of Jobcentre Plus

85. A significant theme running through much of the written evidence was perceived inconsistencies in the service provided by Jobcentre Plus (JCP), particularly in the early stages of the programme. Some witnesses were concerned at the capacity of JCP offices to refer suitable candidates for FJF posts or provide appropriate information to candidates and employers. For example, Crisis UK suggested that there was “a lack of clarity and understanding for appropriate referrals from Jobcentre Plus”.¹¹⁰ The National Young Volunteers Service said that the service provided by Jobcentre Plus was inconsistent across the country and that its advisers should have received better communication about the FJF.¹¹¹ The National Children’s Bureau suggested that JCP offices did not offer individuals sufficient support in terms of writing suitable CVs, preparing candidates for interview and providing timely and informative information to candidates about FJF vacancies.¹¹²

86. Liverpool City Region stated that employers found the standard of written application forms to be lower than they would have expected, but that the calibre of individuals was high when they had an opportunity to meet them.¹¹³ Again, this suggests that some young people might have received more effective support during the application process.

87. However, some witnesses were more positive about the role of Jobcentre Plus. Wakefield Council described their relationship with Jobcentre Plus as an “excellent partnership” which:

[...] puts the young person as the focus at all times but also creates discussion concerning the nature of the vacancies to be created, the planning of recruitment, job matching by JCP staff, easing transition to work, regular contact ‘behind the scenes’ and where unavoidable the sensitive transition back to benefits.¹¹⁴

Tracy Fishwick also defended Jobcentre Plus, saying it had experienced an increase in customers at the time the FJF was introduced, and that it did not receive guidance straight away on the rules and eligibility criteria for jobs. FJF partnerships had had to define the process individually with Jobcentre Plus, hence the variation between JCP services in different regions.¹¹⁵

88. The Department’s evidence states that costs were incurred in addressing “early performance deficits”, particularly within Jobcentre Plus. This activity included “introducing new initiatives to encourage more bids, performance improvement planning,

109 Q 141

110 Ev w39

111 Ev w128

112 Ev w24

113 Ev w151

114 Ev w19

115 Q 85

putting on Jobsfairs and work to help Lead Bodies to streamline their recruitment processes”. However, “once the Future Jobs Fund’s policies had had time to bed in, Jobcentre Plus reported good progress”.¹¹⁶

89. We accept that the FJF programme was, by necessity, implemented at speed, and that some teething problems were inevitable. The recession meant that Jobcentre Plus offices were already under significant pressure at the time the scheme was rolled out. Nevertheless, many provided an admirable service in delivering the FJF programme and we congratulate those JCP staff on this achievement.

90. We do however have some concerns. Some young people were not properly prepared for the application and interview process. Jobcentre Plus has a clear role to play in supporting candidates in the application process, including the preparation of CVs and developing interview skills, and in ensuring that employers receive accurate information about candidates. DWP must ensure that JCP has the necessary resources and support to provide this service.

91. Jobcentre Plus will be required to play a significant role in implementing the Work Programme. The Department must ensure that managers and frontline staff are properly prepared for this and other new programmes so that support is delivered to a high and consistent standard across the network of JCP offices. We will return to this issue as part of our forthcoming inquiry into the contracting arrangements for the Work Programme.

8 Termination and transition arrangements

Impact of terminating the FJF

92. In May 2010, the Coalition Government announced that it would be cancelling the planned extension of the Future Jobs Fund to March 2012. DWP has stopped accepting any further bids from providers and there will be no new entrants beyond March 2011.¹¹⁷

93. The decision to terminate the programme early will withdraw FJF opportunities that young people would have received in the period from late 2010 to March 2012. Many providers have indicated that they had already provisionally created FJF jobs which will not now be taken up by young people, therefore disappointing employers and young people. Witnesses expressing this view included Wales Council for Voluntary Action, Sandwell Metropolitan Borough and the Creative Development Consultancy.¹¹⁸

94. The cancellation of the FJF coincides with an increase in long-term unemployment among young people. Data from the Office for National Statistics (ONS) showed that 189,000 18-24 year olds had been unemployed for over 12 months in the period July-September 2010, compared with 171,000 in July-September 2009, and 109,000 in July-September 2008¹¹⁹. A recent report published by the Prince's Trust indicated that the number of 16-24 year olds claiming Jobseeker's Allowance for 12 months or longer increased from 5,840 claimants in September 2008 to more than 25,800 claimants in September 2010.¹²⁰

95. A significant number of witnesses highlighted the role they considered FJF had played in reducing the number of young people who are "Not in Education, Employment or Training" (NEETs).¹²¹ For example, Manchester City Council believed that the impact of withdrawing the FJF would be an increase, or reduction in the decrease, in youth unemployment.¹²² Stoke-on-Trent City Council stated that the number of young job seekers fell by 23% over the FJF period, whereas the number of job seekers as a whole only fell by 16% during the same period.¹²³ The Association of Greater Manchester Authorities claimed that "a further year of FJF could have meant an additional £35m circulating in wages and a further decrease on the levels of youth unemployment in Greater Manchester".¹²⁴

96. Witnesses such as Glasgow Works indicated that the early termination of FJF would leave a notable gap in provision to a group which already faced disadvantage. They believe

117 Ev 50 para 1.6.

118 Ev w13; Ev w17; Ev w59 and Ev w2

119 Office for National Statistics, *Labour Market Statistics*, Statistical Bulletin, November 2010

120 The Prince's Trust, *The cost of exclusion: Counting the cost of youth disadvantage in the UK*, 2010

121 For example: Social Enterprise Solutions, Ev w10; Wales Council for Voluntary Action, Ev w13; Wakefield Council, Ev w19; National Children's Bureau, Ev w24, and Glasgow City Council and Glasgow Works, Ev 55.

122 Ev w222

123 Ev w31

124 Ev w219

that unemployed young people aged 18-24 who have been unemployed for over six months will face a particular challenge competing with more experienced job seekers.¹²⁵

97. However, Working Links (an organisation that helps people find employment and provides training opportunities), felt that the decision to terminate the FJF early might turn out to be beneficial to their customers in the long run. They argued that the new Work Programme is an opportunity to ensure that there is no repetition or duplication in the system that might confuse customers. They also felt that the focus should be on young people acquiring the “skills, confidence, motivation and ability to secure long term, sustainable employment”.¹²⁶

Transition to the Work Programme

98. Referrals to the Future Jobs Fund will cease by March 2011, and the final participants are expected to finish their FJF posts by September 2011. The Minister confirmed that the target date for the full launch of the Work Programme is June 2011.¹²⁷ This leaves a potential gap in targeted employment programmes for young people.

99. Given the significant increase in youth unemployment since 2008, as highlighted by the ONS statistics referred to previously, we were concerned that the potential gap between the FJF and the Work Programme may lead to a substantial number of unemployed young people failing to receive any specialist support.

100. The Minister told us that the full provision of the Work Programme from June 2011 in all local areas would depend on which organisations are successful in the bidding process: “Where an issue will arise is in a part of the county where there is no current provision from the people who are successful in getting on to the Framework and then getting the individual pieces of the Work Programme”.¹²⁸ He said that, where a Flexible New Deal provider in a particular area was successful in winning a Work Programme contract in that area, the transition to the Work Programme would be easier.¹²⁹

101. However, it is important to note that around half of the country does not have a Flexible New Deal provider in place. The Flexible New Deal was due to be rolled out in two phases, and the first phase was introduced in October 2009. The Coalition Government cancelled the implementation of the second phase as part of its plans to introduce the Work Programme. Areas that were part of phase two of the Flexible New Deal programme might therefore be at a disadvantage, as the Work Programme is less likely to be implemented so quickly there. Mr Grayling emphasised that where gaps arise in provision, the Government will, if necessary, “deploy the resources of Jobcentre Plus to fill in the gaps or [...] make additional arrangements in parts of the country where there is a particular problem”.¹³⁰

125 Ev 55

126 Ev w122

127 Q 146

128 Q 146

129 Q 140

130 Q 148

102. We were interested in exploring options to extend the Future Jobs Fund in areas where the Work Programme might not be available at an early stage. In her oral evidence, Tracy Fishwick pointed to the use which might be made of “rolled up weeks” to fund continued FJF provision during the transitional period.¹³¹ “Rolled up weeks” arise where an FJF employee does not stay on the FJF programme for the full six months, which means that the full potential funding is not drawn down. However, Mark Fisher from DWP told us that the Department’s financial modelling assumed that some FJF jobs would not last six months and that there was not an allocation of unspent funding that could be used to extend the FJF programme until the Work Programme was fully operational.¹³²

103. We are concerned that the transitional arrangements between FJF ending and the Work Programme being fully established will mean that young people are not offered targeted employment programmes for some time. It has been demonstrated that periods of unemployment are detrimental to young people’s future prospects and that the longer the period out of work, the more serious the damage to their job prospects. The cancellation of the FJF has also coincided with increased levels of unemployment amongst young people. It is therefore essential that addressing youth unemployment is given appropriate prominence within the Government’s welfare-to-work policies. We intend to pursue the issue of the continuation of provision in our Work Programme inquiry.

104. We expect DWP to ensure proper transitional arrangements are in place and to monitor provision for young people in the period before the Work Programme is fully implemented. We recommend that it record, and publish on its website in October 2011, the following information in relation to unemployed young people who would have been eligible for the Future Jobs Fund:

- **the number receiving welfare-to-work services between January 2011 and the introduction of the Work Programme;**
- **the number receiving services for the first three months after the introduction of the Work Programme, showing how these numbers vary across geographical areas (to indicate variations between areas which currently do and do not have Flexible New Deal contractors); and**
- **the actions the Department has taken in mitigation if the numbers are substantial or if there is significant variation across regions.**

Ensuring the Work Programme supports those furthest from the labour market

105. The Future Jobs Fund was designed to support young people at risk of long-term unemployment. These young people may face significant obstacles to finding permanent work, including a lack of qualifications and experience as well as social and personal barriers to work. It is important that the Work Programme provides a targeted service for

131 Q 88

132 Q 151

these individuals, rather than simply focusing on individuals who face fewer barriers to work and are easier to place in jobs.

106. The Minister stated that unemployed young people who would have been referred to the FJF will in future be referred to the Government's new Work Programme.¹³³ However, on current available information it appears that young people who have completed an FJF post but who have not found permanent employment will not become eligible for the Work Programme straightaway. The Minister told us that the Department was still considering evidence on when exactly they will be eligible for the Work Programme.¹³⁴

107. The Work Programme will adopt a "black box" model, through which providers will be free to decide which types of welfare-to-work programmes to use and will be paid on the basis of employment outcomes. Professor Paul Gregg suggested that there were risks within the black box model, arguing that providers might focus on the easiest people to help. This problem of "creaming and parking" was highlighted by our predecessors in their Report earlier this year on contracted employment programmes.¹³⁵ Professor Gregg called for guarantees within the Work Programme to ensure providers supported all client groups.¹³⁶

108. Ensuring contracted employment programmes meet the needs of those furthest from work, as well as the easiest groups to place, has been a challenge for governments in the past and this will be equally true under the Work Programme. The Government must ensure that the differential payments arrangements within the Work Programme create a sufficient incentive for providers to deliver appropriate support for longer-term unemployed young people, including the low-skilled and those without any work experience, who are currently targeted by the Future Jobs Fund. We will pursue this as part of our forthcoming inquiry into the contracting arrangements for the Work Programme.

Local partnerships developed by the FJF

109. Public and voluntary sector organisations emphasised that they had formed useful partnerships through the FJF which the Work Programme should build on. For example, Barnado's argued that "by ending the programme without a clear, structured replacement in place, there is a danger that the momentum, relationships and the goodwill of partners created through this programme will be lost".¹³⁷

110. The Government is establishing an umbrella arrangement of approved providers (known as the Framework) which will be used to deliver the Work Programme. The Wales Council for Voluntary Action argued that:

133 Q 107

134 Q 150

135 Work and Pensions Committee, Fourth Report of Session 2009-10, *Management and Administration of Contracted Employment Programmes*, HC 101

136 Q 71

137 Ev w185

The Work Programme if it is to be successful will require prime contractors to embrace a partnership approach working with the third sector and smaller, more specialised, local organisations to deliver employment related support which meets the needs of young people.¹³⁸

However, some local authorities and voluntary and community sector organisations are concerned that they do not have the capacity to become providers under the Work Programme. They believe that the contracting process for the Work Programme will only be accessible to large-scale private sector companies and that the partnerships between local authorities and the voluntary sector which have developed under the FJF will not be built upon.¹³⁹

111. Liverpool City Region argued that the local employability partnerships developed through the FJF could play an important role in the Work Programme by brokering specific types of intervention for young people and through combining local resources.¹⁴⁰ Manchester City Council stated that the best results for young people are delivered when employment and skills support is delivered to individuals with other services built in as an essential component to meet individual and community need.¹⁴¹

112. The Minister told us that he would encourage Work Programme providers to build on local partnerships:

One of the messages I've given to the applicants for the Work Programme framework is that I would expect them, as a matter of routine, to have close working partnerships with, for example, local authorities, who've been one of the key partners in the Future Jobs Fund.¹⁴²

113. Valuable local partnerships have been built up under the Future Jobs Fund which draw on knowledge of local labour markets and the needs of communities. The Government has promised that it will ensure that this expertise is not lost as the Work Programme is rolled out. We will use our forthcoming inquiry into the contracting arrangements for the Work Programme to explore how the Government plans to meet this commitment.

138 Ev w13

139 For example: Sandwell Metropolitan Borough, Ev w13; Norfolk County Council, Ev w62; Association of Colleges, Ev w77; Groundwork UK, Ev 57; Novas Scarman, Ev w89; Redcar and Cleveland Borough Council, Ev w95, and Barnsley Metropolitan Borough Council, Ev w107

140 Ev w151

141 Ev w222

142 Q 193

9 Apprenticeships

Government proposals on apprenticeships

114. DWP have highlighted that apprenticeships could form one component of a programme of tailored support for young unemployed people, to help them into sustainable employment.¹⁴³ The 2010 Spending Review stated that the Government planned to increase funding “by £250 million a year by 2014-15 on new adult apprenticeships, compared with the previous Government’s level of spending”.¹⁴⁴ Previously, in September 2010, the Government had announced that it would allocate an additional £150 million to create 50,000 additional adult apprenticeships in 2010-11.

115. Despite the current economic conditions, the Minister and Claire Burton, Head of the joint Department for Business, Innovation and Skills and Department for Education Apprenticeships Unit, were confident that employers would be willing and able to deliver the increased number of apprenticeship places. They indicated that the allocation of 50,000 places for 2010-11 is likely to be fully taken up by employers, and pointed out that in the previous two years the Government had had to cap the number of places available to employers because the demand exceeded the funding available for places.¹⁴⁵

116. There was support for the development of more apprenticeship places from a number of witnesses. The CBI, for example, argued that employer-led apprenticeships provide sustainable jobs, structured pathways for career development and high wages. Their figures show that around 90% of apprentices find employment (or self employment) immediately after their training ends.¹⁴⁶

Suitability of unemployed young people for apprenticeships

117. A number of witnesses emphasised the importance of the apprenticeships system including some provision for young people facing significant obstacles to the employment market. Centrepont told us that, while it supported the proposal to fund more apprenticeships, the Government should ensure that they are made available to vulnerable young people and that they do not simply “cream off the more able young people”.¹⁴⁷ The Association of Learning Providers were similarly concerned that apprenticeships may not reach the same clients that the FJF was intended for—young people who were previously unable or unwilling to join apprenticeship programmes.¹⁴⁸

118. In his oral evidence, Professor Paul Gregg said that many young people who are facing long-term unemployment, the group that the FJF was aimed at, do not have the necessary qualifications to get onto the higher level (level 3) apprenticeships. He believed that lower

143 Ev 49

144 HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p 51

145 Q 162

146 Ev 46

147 Ev w158

148 Ev w184

level apprenticeships were less meaningful in terms of employment opportunities and wages.¹⁴⁹

119. We welcome the increased funding for and increased number of apprenticeships and expect the Government to ensure that, where appropriate, these opportunities are made available to unemployed young people previously targeted by the FJF.

120. We recommend that, in response to this Report, the Government provides us with statistics on:

- the number of apprenticeship starts planned for January to June 2011 compared with the corresponding period in 2010; and
- the number of these apprenticeships expected to be taken up by 18-24 year olds who were previously unemployed for six months or more.

121. We are concerned that apprenticeships may not be the most suitable route into employment for those young people at the highest risk of long-term unemployment. These young people may have left school with no qualifications, have no experience of work, or have difficult family circumstances, and in some cases they may not be ready to start an apprenticeship. We are keen to ensure that alternative provision (for example, personal support, training and work opportunities) should be available to help those who are not ready for an apprenticeship.

Links between the Work Programme and apprenticeships

122. The Minister told us that one of the roles of the Work Programme would be to prepare and encourage young people to take up opportunities such as apprenticeships:

A central task of the Work Programme providers, as I see it, is to ensure that they actually support, motivate, encourage and provide the right degree of direction—matching an individual to opportunity and so forth—actually to get that young person into an apprenticeship.¹⁵⁰

123. Groundwork UK offered a positive example of the way in which the FJF had complemented apprenticeships. In partnership with British Gas, they trialled using FJF posts as a pre-apprenticeship period (for example in teams of loft insulation or cavity wall technicians). Where young people completed the FJF post, there were opportunities for them to undertake a full apprenticeship with British Gas. Groundwork UK believed that there should be more opportunities to convert successful FJF posts into apprenticeships and that the Work Programme might consider how FJF-style posts could help young unemployed people gain apprenticeships.¹⁵¹

124. Tracy Fishwick echoed this view, commenting that even as the FJF programme moves to its latter stages it may be possible to link FJF jobs to apprenticeships “in a structured way, so that people who start on the Future Jobs Fund move into apprenticeships and do

149 Q 66

150 Q 166

151 Ev 57

not dip inbetween”.¹⁵² This reflects the concern that once some young people finish their FJF post, there will be no opportunities or support for them, and they may fall back into unemployment.

125. The DWP and Work Programme providers should consider how to attract those furthest from the labour market to apprenticeships and how to encourage employers to take on such individuals as apprentices. We recommend that the Government looks closely at the lessons to be learned from the Future Jobs Fund in terms of the most effective ways to prepare such individuals for apprenticeships.

Conclusions and recommendations

Outcomes for young people

1. Despite falling behind its initial target, the Future Jobs Fund created a significant number of temporary jobs for unemployed young people on a national scale. However, it is too early to assess the extent to which the programme has supported young people in finding permanent employment. (Paragraph 29)
2. It must be borne in mind that the FJF was an emergency measure to tackle a particular peak in youth unemployment. We regard the wider benefits which many young people gained from the programme in terms of work experience, confidence and self-esteem and the likely consequent impact on their future employability, as another indicator of the effectiveness of the programme. (Paragraph 30)

Evaluation and monitoring arrangements

3. We believe that DWP should conduct a robust and comprehensive evaluation of the FJF and publish the findings. We recommend that the evaluation include an analysis of the experiences of local implementation of the programme, an assessment of the impact of the FJF on long-term employment and benefit payments (as recorded in DWP databases) and a detailed cost-benefit analysis. The evaluation method should also be published to ensure the transparency and credibility of the process. (Paragraph 34)
4. We believe that ongoing assessment of the FJF programme at a local and national level may have been more informative if effective systems had been available to monitor participation and employment outcomes from the outset. (Paragraph 38)

Effectiveness and value for money

5. A robust evaluation of the FJF has yet to be undertaken. While we accept the Government's need to make savings to address the public spending deficit, it is our view that insufficient information was available to allow the Department to make a decision to terminate the FJF if this decision was based on its relative cost-effectiveness. It is important that DWP carries out cost comparisons for welfare-to-work programmes on a like-for-like basis. In particular, statistics should clearly show what payments, including benefit payments, individuals on each programme are receiving, to reflect the full cost to government. (Paragraph 48)
6. While many graduates gained valuable experience through participating in the Future Jobs Fund, it is not clear to us that such an intervention is as cost-effective for this client group as it might be for those facing significant personal barriers to finding work. (Paragraph 52)
7. We accept that interventions like the FJF represent a more expensive option, even when adjusted to take account of the fact that Jobseeker's Allowance is not paid to FJF workers. However, despite the relatively high cost, programmes such as the FJF may still be a cost-effective option for young unemployed people who are furthest

from the labour market, and who are less likely to benefit from other less intensive approaches. (Paragraph 53)

8. Comparing the effectiveness of welfare-to-work programmes is complex, given the differences in approach, funding, labour market circumstances and the characteristics of previous programmes. The evidence is limited and does not offer a clear consensus. We expect the Government to use the findings from the Future Jobs Fund evaluation to contribute to the wider evidence base used to assess which types of programmes are most effective in tackling youth unemployment. (Paragraph 59)

Benefits for employers and communities

9. Overall, employers were impressed by the young people they recruited through the FJF and believed that they had benefited significantly from the contributions made by these individuals. As a result of the programme, recruitment methods in some organisations have already been altered to make it easier for employers to recruit young people who lack experience. The Government, working through Jobcentre Plus and its Work Programme, should consider how it can encourage more employers to open up their recruitment processes to young people who lack experience but who have the capacity to make a valuable contribution. (Paragraph 64)
10. It is clear that communities and community organisations benefited significantly through their employment of FJF workers. The programme had a positive impact across the country in terms of enhancing the scale and the quality of services in the voluntary and community sector. We welcome these positive outcomes and regard it as unfortunate that the benefits may be lost with the withdrawal of the FJF. However, the community benefits must be considered in the context of the overall cost of the programme. Moreover, it should be borne in mind that the Future Jobs Fund was designed to be a temporary measure and these benefits were only ever intended to be experienced over a short period. (Paragraph 67)

Involvement of the private sector

11. It is important that EU state aid rules are not perceived as a barrier to private sector involvement in employment programmes. The Department should clarify exactly what is and is not allowed under state aid rules for employers in the private sector when employing young and disadvantaged people using a government subsidy, and produce a simple guide to help build confidence of employers. (Paragraph 77)
12. We accept that the Department felt obliged to design and implement the FJF programme rapidly, given the labour market conditions at that time. However, we believe that the Department needs to take into account that engaging private sector organisations requires more time than was allowed for within the FJF programme. In future welfare-to-work programmes, a balance needs to be struck that takes advantage of the different strengths of the public, private and voluntary sectors. Given the proposed severe cut backs in public sector jobs, the Government will be much more reliant on the private sector to provide the jobs necessary to meet its targets for moving people off benefits and into work. (Paragraph 81)

Lessons learned from the programme

13. We accept that the FJF programme was, by necessity, implemented at speed, and that some teething problems were inevitable. The recession meant that Jobcentre Plus offices were already under significant pressure at the time the scheme was rolled out. Nevertheless, many provided an admirable service in delivering the FJF programme and we congratulate those JCP staff on this achievement. (Paragraph 89)
14. We do however have some concerns. Some young people were not properly prepared for the application and interview process. Jobcentre Plus has a clear role to play in supporting candidates in the application process, including the preparation of CVs and developing interview skills, and in ensuring that employers receive accurate information about candidates. DWP must ensure that JCP has the necessary resources and support to provide this service. (Paragraph 90)
15. Jobcentre Plus will be required to play a significant role in implementing the Work Programme. The Department must ensure that managers and frontline staff are properly prepared for this and other new programmes so that support is delivered to a high and consistent standard across the network of JCP offices. We will return to this issue as part of our forthcoming inquiry into the contracting arrangements for the Work Programme. (Paragraph 91)

Termination and transition arrangements

16. We are concerned that the transitional arrangements between FJF ending and the Work Programme being fully established will mean that young people are not offered targeted employment programmes for some time. It has been demonstrated that periods of unemployment are detrimental to young people's future prospects and that the longer the period out of work, the more serious the damage to their job prospects. The cancellation of the FJF has also coincided with increased levels of unemployment amongst young people. It is therefore essential that addressing youth unemployment is given appropriate prominence within the Government's welfare-to-work policies. We intend to pursue the issue of the continuation of provision in our Work Programme inquiry (Paragraph 103)
17. We expect DWP to ensure proper transitional arrangements are in place and to monitor provision for young people in the period before the Work Programme is fully implemented. We recommend that it record, and publish on its website in October 2011, the following information in relation to unemployed young people who would have been eligible for the Future Jobs Fund:
 - the number receiving welfare-to-work services between January 2011 and the introduction of the Work Programme;
 - the number receiving services for the first three months after the introduction of the Work Programme, showing how these numbers vary across geographical areas (to indicate variations between areas which currently do and do not have Flexible New Deal contractors); and

- the actions the Department has taken in mitigation if the numbers are substantial or if there is significant variation across regions. (Paragraph 104)
18. Ensuring contracted employment programmes meet the needs of those furthest from work, as well as the easiest groups to place, has been a challenge for governments in the past and this will be equally true under the Work Programme. The Government must ensure that the differential payments arrangements within the Work Programme create a sufficient incentive for providers to deliver appropriate support for longer-term unemployed young people, including the low-skilled and those without any work experience, who are currently targeted by the Future Jobs Fund. We will pursue this as part of our forthcoming inquiry into the contracting arrangements for the Work Programme. (Paragraph 108)
 19. Valuable local partnerships have been built up under the Future Jobs Fund which draw on knowledge of local labour markets and the needs of communities. The Government has promised that it will ensure that this expertise is not lost as the Work Programme is rolled out. We will use our forthcoming inquiry into the contracting arrangements for the Work Programme to explore how the Government plans to meet this commitment. (Paragraph 113)

Apprenticeships

20. We welcome the increased funding for and increased number of apprenticeships and expect the Government to ensure that, where appropriate, these opportunities are made available to unemployed young people previously targeted by the FJF. (Paragraph 119)
21. We recommend that, in response to this Report, the Government provides us with statistics on:
 - the number of apprenticeship starts planned for January to June 2011 compared with the corresponding period in 2010; and
 - the number of these apprenticeships expected to be taken up by 18-24 year olds who were previously unemployed for six months or more. (Paragraph 120)
22. We are concerned that apprenticeships may not be the most suitable route into employment for those young people at the highest risk of long-term unemployment. These young people may have left school with no qualifications, have no experience of work, or have difficult family circumstances, and in some cases they may not be ready to start an apprenticeship. We are keen to ensure that alternative provision (for example, personal support, training and work opportunities) should be available to help those who are not ready for an apprenticeship. (Paragraph 121)
23. The DWP and Work Programme providers should consider how to attract those furthest from the labour market to apprenticeships and how to encourage employers to take on such individuals as apprentices. We recommend that the Government looks closely at the lessons to be learned from the Future Jobs Fund in terms of the most effective ways to prepare such individuals for apprenticeships. (Paragraph 125)

Formal Minutes

Monday 13 December 2010

Members present:

Miss Anne Begg, in the Chair

Harriett Baldwin
Andrew Bingham
Karen Bradley
Alex Cunningham
Kate Green

Mr Oliver Heald
Brandon Lewis
Stephen Lloyd
Teresa Pearce

Harriett Baldwin declared a pecuniary interest as Vice Chair of the Social Investment Business. Social Investment Business has a 10% share in 3SC, which has received funding from the Future Jobs Fund.

Draft Report, *Youth Unemployment and the Future Jobs Fund*, proposed by the Chair, brought up and read.

Ordered, That the Chair's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 125 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House, together with written evidence reported and ordered to be published on 15 September 2010 and 13 October 2010.

[Adjourned till Wednesday 15 December at 9.15 am.]

Witnesses

Wednesday 27 October 2010

David Coyne, Executive Director, Glasgow Works, **Tony Hawkhead**, Chief Executive, Groundwork UK, and **Jackie Mould**, Director, Be Birmingham Page
Ev 1

Neil Carberry, Head of Employment, Pensions and Health & Safety Policy, and **Emma Watkins**, Head of Public Services Policy, Confederation of British Industry, **Tracy Fishwick**, Associate, Centre for Economic and Social Inclusion, and **Professor Paul Gregg**, Professor of Economics, University of Bristol. Ev 10

Wednesday 10 November 2010

Rt Hon Chris Grayling MP, Minister for Employment, **Mark Fisher**, Director, Jobseekers and Skills, **Julia Sweeney**, Deputy Director, Young People and Employment, Department for Work and Pensions, and **Claire Burton**, Head of Apprenticeships Unit, Department for Business, Innovation and Skills/Department for Education Ev 21

List of printed written evidence

1	Birmingham City Council	Ev 42
2	Confederation of British Industry (CBI)	Ev 46
3	Department for Work and Pensions	Ev 49
4	Glasgow City Council and Glasgow Works	Ev 55
5	Groundwork UK	Ev 57

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/workpencom)

1	Cute Dog Consulting Ltd	Ev w1
2	Creative Development Consultancy	Ev w2
3	St Paul's Community Development Trust	Ev w3
4	Warwickshire County Council	Ev w5
5	Social Enterprise Solutions (UK) CIC	Ev w10
6	Swansea Council for Voluntary Service	Ev w11
7	Wales Council for Voluntary Action	Ev w13
8	Acacia Destiny	Ev w17
9	East Lothian Council	Ev w18
10	Wakefield Council	Ev w19

11	Scout Enterprises (Western) Ltd	Ev w23
12	National Children's Bureau (NCB)	Ev w24
13	Social Enterprise London	Ev w27
14	Stoke on Trent City Council	Ev w31
15	Social Enterprise Coalition	Ev w35
16	Crisis UK	Ev w39
17	St Mungo's	Ev w41
18	Scottish Council for Voluntary Organisations	Ev w44
19	Community Skills Partnership	Ev w49
20	Catch 22	Ev w51
21	Merthyr Tydfil County Borough Council	Ev w54
22	Oxfordshire County Council	Ev w56
23	Sandwell Metropolitan Borough	Ev w59
24	Norfolk County Council	Ev w62
25	Resolution Foundation	Ev w66
26	New Deal of the Mind	Ev w71
27	Portsmouth City Council	Ev w73
28	Association of Colleagues	Ev w77
29	Hampshire County Council	Ev w79
30	Pathways Community Interest Company	Ev w82
31	Novas Scarman Group	Ev w89
32	Community Empowerment Ltd	Ev w92
33	Redcar & Cleveland Borough Council	Ev w95
34	National Day Nurseries Association	Ev w99
35	Transforming a Generation	Ev w101
36	Royal Opera House	Ev w104
37	Barnsley Metropolitan Borough Council	Ev w107
38	South London Business	Ev w111
39	Somerset County Council	Ev w113
40	Wigan Council	Ev w115
41	County Durham Council	Ev w116
42	Bolsover District Council	Ev w120
43	Working Links	Ev w122
44	Lewisham Strategic Partnership	Ev w124
45	The Salvation Army	Ev w124
46	The National Young Volunteers Service	Ev w128
47	Gloucestershire First	Ev w129
48	South East Diamonds for Investment Growth	Ev w133
49	Birmingham and Black Country City Region	Ev w135
50	Royal British Legion Industries	Ev w137
51	Rhyl City Strategy	Ev w137
52	Scottish Sports Association	Ev w146
53	Royal Borough of Kensington and Chelsea	Ev w149
54	Liverpool City Region	Ev w151
55	Centrepoint	Ev w158

56	Suffolk County Council	Ev w164
57	North Tyneside Council	Ev w165
58	North Yorkshire Learning Consortium	Ev w173
59	Trades Union Congress (TUC)	Ev w176
60	Association of Learning Providers	Ev w182
61	Barnardo's	Ev w184
62	Local Government Association	Ev w188
63	National Skills Academy for Sport & Active Leisure	Ev w189
64	Association of chief Executives of Voluntary Organisations	Ev w195
65	Kirklees Council	Ev w196
66	The Healthy Hub CIC	Ev w199
67	Cornwall Council	Ev w202
68	Hampshire County Council	Ev w204
69	Action for Children	Ev w207
70	Third Sector Consortium Management Sector LLP	Ev w212
71	Commission for the New Economy on behalf of the Association of Greater Manchester Authorities	Ev w215
72	Manchester City Council	Ev w220
73	UK Commission for Employment and Skills	Ev w223

Oral evidence

Taken before the Work and Pensions Committee on Wednesday 27 October 2010

Members present:

Miss Anne Begg (Chair)

Harriett Baldwin
Karen Bradley
Richard Graham
Kate Green

Mr Oliver Heald
Sajid Javid
Stephen Lloyd

Examination of Witnesses

Witnesses: **David Coyne**, Executive Director, Glasgow Works, **Tony Hawkhead**, Chief Executive, Groundwork UK, and **Jackie Mould**, Director, Be Birmingham, gave evidence.

Q1 Chair: I welcome our three witnesses for this first formal evidence session of our inquiry into the Future Jobs Fund and youth unemployment. Will you briefly introduce yourselves for the record?

Jackie Mould: I am Jackie Mould. I am from Be Birmingham, which is part of Birmingham City Council.

Tony Hawkhead: I am Tony Hawkhead from Groundwork UK.

David Coyne: I am David Coyne from Glasgow Works.

Chair: Will you speak up a bit? The room is a bit echoey. Although the microphone picks up your voices for broadcasts, we cannot necessarily hear you. Unfortunately, the microphones do not help us. Harriet, you have a declaration.

Harriett Baldwin: Thank you, Chair. I wish to declare that I am vice-chairman of the Social Investment Business, which has a 10% stake in 3SC, which provided jobs to the Future Jobs Fund.

Q2 Chair: Thank you. As has been pointed out to us, the three of you have been in organisations that have been delivering the Future Jobs Fund, so obviously you have a vested interest in that.

Before my colleagues ask more specific questions, may I ask you a more general question? How do you rate the Future Jobs Fund in comparison with other schemes that have been put in place to try to alleviate youth unemployment? This must be the last of a number of various things that have been tried in the past. Will you give us an historical sense of where you think it rates against other interventions that have been used, to a greater or lesser extent, to get young people into work?

Jackie Mould: I think it has been very positive on a number of fronts. The big positive, and the feedback that we have had from the young people who have been involved, is that it's a real job. If you're an unemployed young person and you haven't had a job, or you've been unemployed for quite a while, to be able to have a real job that you can put on your CV makes the difference between getting a job and not getting a job when you are trying to move up. That's been a big bonus.

The other positives have been the creativity and the opportunities that the programme has created, particularly in the voluntary and community sector. That's what we have found. They've been able to create some innovative and interesting jobs for people, which has helped to develop their business as well, so that's been really positive. We are just monitoring our people who have left the programme. So far, it's looking as though around 51% have gone into employment or full-time education. Compared with previous programmes, that is a very good outcome for us.

On the less positive side, it is an expensive programme, because you're essentially paying wages for the young person for six months. However, if that person then goes into a job, you can soon start to benefit in terms of that person coming off benefits and paying into the system instead of taking out of it. Also, it's not been particularly good for attracting private sector employers. Although we have had a lot of private sector employers locally wanting to be able to help and offer opportunities to young people, this programme has not really been for them. It hasn't been able to give them that opportunity.

Q3 Chair: We will have more detailed questions on that later. You said that 51% in terms of job outcomes was comparatively good. What were the job outcomes for some of the other things that have been tried?

Jackie Mould: I don't have those statistics on me, but I have a background in running these kinds of programmes over the past 15 or 20 years. My experience is that the rate of people going into real jobs is often a lot lower than that.

Q4 Chair: Is it 30% or 20%?

Jackie Mould: It would be between 20% and 30%. That's what you would aim for. We haven't interviewed everybody yet, so we haven't completed the process, but we have been surprised by the success in terms of people going into jobs—pleasantly surprised.

Q5 Chair: Can I ask you to be a bit more historical about what things were in place before and how this

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measures up? Just in general; as I said, we will come to the more detailed stuff in a minute.

Tony Hawkhead: The first thing I would like to say is that we have had only a third of our cadre of 6,200 people, which is what we and our partner, the National Housing Federation, are providing in placements. Only a third have completed. It's probably too early to be truly accurate or even to estimate how effective it's been at getting people into jobs and further training. The numbers for us at the moment are quite varied, ranging from about 35% in some groups up to about 60%. We are now doing a lot more work, having got the programme up and running, in back-tracking and seeing where we are. I would be much better able to answer the question in about six months' time when we'll probably have two thirds of the people through. Picking up the point about historical issues, Groundwork has been delivering a variety of schemes aimed at tackling unemployment right back to the mid-1980s with what was then called the Community Programme. This scheme looks to me most like the work we developed with our colleagues from Wise back in the late 1990s, which ran for about 10 years—the intermediate labour market (ILM) programme. That had a very similar aim, which was providing a job, a wage and work experience. Frankly, it was at a similar cost. The way that Groundwork at that time was running it was to knit together, in a classic Groundwork approach, a lot of different funding—European, local authority and sometimes private sector—to create the means to underpin the funding that we could get then from what is now called the Department for Work and Pensions. I would argue that the benefits of the Future Jobs Fund, which you raised and with which I agree, were similar to what is called the ILM model.

We have found it a bit easier to link to employers, because we have been doing it for a long time. I think we will come to this later, but there has been a problem with the community benefit test—we need to be honest about that.

Chair: We will ask questions on that later.

Tony Hawkhead: We have found it particularly valuable on environmental projects. A lot of our work is around that—both for us and for our housing association partners—and much of it would otherwise be marginal or not feasible. The Future Jobs Fund has allowed us, literally, to give people a job in which they feel motivated and proud because they have a job, and they are therefore much more productive in working on those environmental projects.

In terms of how it feels, we are getting feedback from people. This is now anecdotal, which I need to make clear. What we are certainly picking up is that people are much happier on this programme than, for example, on some of the benefits-based programmes of the past. All our experience—I suspect you will hear this from all of us—is that the sense of being in work and being able to put that on a CV is critically important.

Q6 Chair: We had intermediate labour market schemes in the late '90s.

Tony Hawkhead: And they ran through for about another 10 years.

Q7 Chair: Did they continue all the way through until the Future Jobs Fund?

Tony Hawkhead: No.

Q8 Chair: Why did they fall out of favour?

Tony Hawkhead: Because, under the last Government, changes were made to the New Deal, or the Flexible New Deal as it became, which made the starting point of contributing for someone to be in a job for six months no longer feasible or possible. The flexibility was good, but it could also be damaging, because we could not get Jobcentre Plus to commit to a six-month period of matched funding.

Q9 Chair: It was not to do with the cost.

Tony Hawkhead: I would argue that, if one is good at raising funding and at knitting it together, there has always been funding. It is true that Governments of all persuasions have tended to be sceptical of the intermediate labour market model, because of the cost.

Q10 Chair: It is the intermediate labour market intervention that is the expensive element to deliver?

Tony Hawkhead: Again, I would agree that it is more costly than some schemes. The Future Jobs Fund paid a wage, and you have to be careful if you compare it with other programmes, which do not include the cost of benefits or the cost to the taxpayer of not having tax paid. I do not think the model is expensive if you see our success rates. We were running at 60% into jobs from the intermediate labour market. That is an enormous success—we work with very hard-to-reach people—in comparison with, to give one example, the Environment Task Force. This was probably peaking at about 18%, which is really quite weak. In getting very hard-to-reach people into work, we believe that the ILM/Future Jobs Fund model is a very good one and that it is arguably cost-effective.

Q11 Chair: David, have you anything else to add or do you think we have covered it, looking at the historical side of this?

David Coyne: I would reinforce what Tony has said. From the mid-90s for a decade, we had a comprehensive Glasgow Works programme, which was on the ILM model, achieving about 60% outcomes into work for long-term unemployed people. That was successful in the context of the time—we were seeing the beginning of a buoyant period in the labour market. The question whether it is affordable has to be seen in that historical context. If the alternative to an ILM scheme is that the person does not get a job at all, it looks less expensive; if the labour market is more buoyant and there are other, less financially expensive, mechanisms that can be used to achieve a job outcome, you need to move on. Effectively, that is what happened in the mid-2000s—policy moved on from ILM schemes. Since the downturn in the labour market in 2008, we are once again in a position where the best way of preparing people for work in the open labour market is effectively to simulate work in an intermediate labour market, using a mechanism like the Future Jobs Fund.

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Q12 Kate Green: You have already touched a bit on the outcomes you have had so far from the programme. Can you say more about the elements and components of the programme that have helped to achieve such levels of sustainable employment as you have seen so far?

David Coyne: The average job outcome rate today for the Glasgow Works programme is coming in at around 30%, but within that average figure there is a huge variation. Our best performing strand within the programme is achieving a sustainable 62%, and the lowest performing is at 6%. We understand the reasons why there is that variation.

One of the more strongly performing strands is an environmental estate maintenance programme, with one of our largest volumes. It links to housing renewal and community regeneration and to social landlords who have an interest in improving the quality of life for their tenants. It is the children of many of those tenants who are taking the jobs in the estate maintenance programmes, so you achieve a self-reinforcing programme of community renewal and job entry. Those social landlords themselves are recruiting young people from Future Jobs into estate management and housing assistant-type roles within those communities. We believe that where you link a mechanism such as Future Jobs to a process of regeneration or renewal, which you are undertaking on a more widespread, strategic basis, you can achieve that linkage.

In the situations where people are simply creating temporary work for individuals and hoping that they will pick up transferable skills in that work, and not linking it to anything in the wider environment, we are seeing the lower outcome rates.

Tony Hawkhead: Again, it is going to sound as though we are all in complete and violent agreement, but I think that we need to keep emphasising the sense of it being work. That, for me, is the single most important point.

The other thing that was powerful about the Future Jobs Fund was that, unlike any other scheme that I have ever seen, it—for the first time, really—allowed the voluntary sector to get involved in a way that was not risk free, but was much less risky than some of the other programmes with which Groundwork has been associated in the past. That meant that work could be created rapidly, because most charities are always in need of people to help, particularly to do practical work on the ground.

The other thing that really worked for us was that Groundwork made a decision at an early stage to take only a tiny amount of money to run the programme in our centre—to do the admin—and passed virtually everything across to our deliverers. That meant that they could invest heavily, right down to an individual level, to support each person who was involved.

I do not think you can exaggerate the importance of personal care; it is one of the things that is emphasised about the Work Programme, which, if it can be delivered, is really important.

Jackie Mould: I agree. There have been several successful elements: the fact that it is a job makes the difference; it has had an impact on the voluntary and community sector; and it is linked, as Tony said, with

wider renewal, so people are very much involved in their own communities—they are doing useful work, so they feel valued. The scheme lasts six months, which is a productive length of time, so the organisations that are involved have the opportunity to get some benefit from the person.

We have also been able to identify the transferable skills from that. For example, we had a young person working for a credit union who has now gone to work for a bank. So, although we could not get the placement in the bank, we were able to make that link. We have quite a few case studies that show where we have been able to do that.

I agree with what Tony and David have said. Quite often we are dealing with people who have complex and chaotic lives, who might have other problems that they need to sort out—they might have debt or housing problems. Because the scheme is six months, and because pastoral care is built in, those things can be sorted out while they are on the programme, so they get their life in order before they move on.

One of the case studies that we were looking at the other day was of a young woman of 21. She became pregnant at the age of 13, had a baby, dropped out of school and did not get any qualifications. Then she joined this programme. She had never been to college or had a job or anything, but in those six months she was able to sort her life out, sort out what she wanted to do and get her child care sorted, and now she has a job. Her life has completely changed. That combination of pastoral care, real job experience and having that routine and discipline has made a big difference.

Q13 Kate Green: From what you say, I am wondering whether it is intrinsically difficult for this six-month process to work with a private sector employer, given the emphasis that all of you have placed on pastoral support and how hard these people are to reach, with a complexity of problems and the need for the process to be reinforced by community need and engagement.

David Coyne: I am not so sure that it is intrinsically difficult. We have had some small-scale private sector involvement from the Marriott Hotels Group, which has taken on some trainee chefs. The community benefit angle on that was that they were not only learning their trade in commercial kitchens, but were working with a homeless project in the city, assisting with the soup kitchen and various other things, as well as rehabilitating service users of a homelessness project. There were enormous benefits for that third sector organisation. The Marriott Group believes that it is grooming the next generation of young chefs as part of the process. For the young people, it is an opportunity not only to get into an industry with a career structure at an unqualified level, but to make them much more socially aware and much more rounded.

The real commercial environment is key. Whether it is in a private business or in a voluntary organisation does not matter. The fact that that person has a job and is being paid to do it fundamentally alters the transaction or the relationship between them and their employer. They are not the recipients of policy. They

are not the recipients of a training programme. They are working and earning a wage. That makes for a very different learning environment for the individual compared with a training course.

Tony Hawkhead: May I say one other thing? It depends on the economic cycle. In our experience, when we had a buoyant economy, when businesses were desperately trying to recruit people, they were much more prepared to go the extra mile—for obvious reasons, because it then becomes part of their commercial success. At the moment, in what is a very difficult economic climate, the evidence that we have—with one or two exceptions that I will come to later, such as British Gas—suggests that people are inevitably saying, “Well, I might as well take people who were recently employed, because that is a much easier thing for me to manage.” That is where people like us come in to do the persuasion job.

Q14 Harriett Baldwin: I want to ask a question about the sustainability of the jobs and the range that you have seen, from 6% to 61% of people moving into sustainable employment. Presumably those jobs are all against a fairly similar background economically, because we are talking about a finite period. You have mentioned some of the characteristics of the jobs that have led to sustainable employment, but were there any characteristics of the young people in the programme that you could draw conclusions from?

Jackie Mould: The thing with the programme is that it depends, because you have such a wide range of people. At one end of the scale, we have had graduates coming on to the programme who are very capable, but who do not have any work experience. Those people could go to a private sector employer and move into a sustainable job. At the other end of the spectrum, you have people doing landscaping and construction work, and you also have many in between the two. One thing that would be worth looking at is an analysis of the different groups of people that have been involved and what is most appropriate for them. It is very varied, and you could probably design something quite specific for those different groups, from the experience we’ve had.

Q15 Harriett Baldwin: Different types of intervention might work for different types of people?

Jackie Mould: They probably could.

Tony Hawkhead: I would argue that the Future Jobs Fund was a child of its time. We must remember that it was set up and announced as a temporary scheme. It was at a time when there was an unprecedented—in our history—rise in youth unemployment that concerned everyone, and it’s strongly arguable that the scheme did a very good job in making sure that a large number of young people had opportunities to experience work that they would not otherwise have had. That should be praised.

I think that the fund is most successful in working with the kind of people we—most of us here, I think—specialise in, which is those who are very far from the labour market and would otherwise have no hope of getting any form of work experience, and therefore no access to a job. I don’t think that the

Future Jobs Fund or anything like it, or an ILM, would work well or cost-effectively for people who were close to the job market. It would be too expensive.

Q16 Kate Green: Can we look now at the reactions of the young people who have been through the programme? I know that Be Birmingham has been surveying young people’s experiences. What benefits and drawbacks have they themselves identified?

Jackie Mould: The benefits that they have identified are about the fact that they’ve had a job. I can’t say that enough; it’s come out in every interview that we’ve done, with every single person. Some of them didn’t even know they were on a programme; they just thought they’d got a job. The other benefits have been the confidence and self-esteem that people get from having a job, from feeling valued—that they’ve got something to offer and that they can do it. Yes, the skills element is in there and most of them have developed new skills and gained qualifications, but it’s really the self-esteem and the self-worth that have given people the confidence to think, “Yes, I can get a job. I can sort my life out. I can sort some of my other problems out.” Those are the main things that people have said are benefits.

Q17 Kate Green: What drawbacks, if any, have they mentioned?

Jackie Mould: The main drawback is if there’s nothing at the end of it. Obviously, people want a job. All the people who see the programme through want to work. So, not getting the job at the end is the biggest disappointment.

Q18 Kate Green: Have you any experience of what’s happened to people who have not moved on into sustainable employment or education?

Jackie Mould: Not in detail. They’ve gone back into the system and are signing on. The worry is whether those people will keep that self-esteem and get the support they need to apply for other jobs in the future. The positive side is that at least they have something to put on their CV that perhaps they didn’t have before, and that should improve their chances of getting employment. But it’s early days yet to see whether that has made an impact.

Q19 Kate Green: We’re asking about this later, but one of the things that we’re interested in is the transition from the Future Jobs Fund to the Work Programme, which is coming. Picking up that point about people potentially just going back into the system after their six months, have you any advice about how the Work Programme might build on what’s been done for those young people?

David Coyne: We packaged the model in Glasgow in such a way that there was quite a lot of employability support for the participants—throughout the experience, but intensively from week 18 onwards. That seems to have had an impact on the individuals in their starting and maintaining an active job search, building on the confidence that they’ve gained through successfully executing a job for four months or so. Capitalising on their increased confidence about the world of work—having been in it once—and having

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dispelled their own self-limiting beliefs and the myths that they held about what work was like, they were applying for a wider variety of types of job.

Currently, the labour market is not great for young people. Many of them are not successful in making the transition, so we intend to support them over an extended period, post-Future Jobs Fund. Except in the projects that are linked directly to recruitment opportunities, they will not make an immediate transition at the end of week 26 and will require support over an extended period, and that confidence and capacity need to be capitalised on.

Tony Hawkhead: I would say two things. First, we must bear in mind that one of the weaknesses of the Future Jobs Fund was that the only outcome required was a temporary job. There was no necessity to have tracking from the start. That is a critical challenge for the future. We are the only voluntary sector prime contractor on the Community Task Force, for example. That had a tracking record from the start and, as a result, I have excellent data on it.

The second thing is about links to jobs. We recruit, so our aim from the start has been to recruit people from the Future Jobs Fund as much as we possibly can, but also to set up links to other employers, such as our housing association partners. We have a very exciting scheme linked to British Gas apprenticeships where we are basically providing a six-month pre-apprenticeship scheme, linked to 1,000 posts that it is creating. It is linking things to jobs. The more people feel that they have a chance at something real at the end, the better.

Q20 Stephen Lloyd: Excuse me, Chair. Can I ask a question specifically about British Gas? As we know, one of the challenges with the Future Jobs Fund was that a vast majority of temporary jobs were in the public sector and that added issues of stickability. The British Gas thing does look very impressive. Why do you think you managed to get that agreement with British Gas? Why thus far have you been unable to persuade any of the other major private sector employers to come on board in the same way that British Gas did? I like the idea of the pre-apprenticeship. I can imagine a number of major utilities and those across the board which would like that. Why work with British Gas and not the broad sector?

Tony Hawkhead: The simple answer is that the community benefit test made it fantastically difficult to get the private sector involved. If there is a commercial benefit to the company concerned to be gained from taking part in the Future Jobs Fund, we cannot do it—that would be the definition. The reason why we were able to get around that with British Gas was that it was setting up a whole new business in home insulation, for which it committed itself to set up apprenticeships. All we did with British Gas—a very big “all”—was to agree to provide an effective pre-apprenticeship, and it would take people on at the end of it. Jobcentre Plus and the Department for Work and Pensions deemed that there was no commercial advantage for British Gas in doing it.

Q21 Kate Green: A last quick question from me. You have all mentioned that the Future Jobs Fund programme benefited the third sector, and specifically that it stimulated creativity and ways in which employers could think of creating jobs that benefited themselves as well as the young people and the community. Can you talk about any of the specific positive outcomes for both employers and the voluntary sector? How sustainable do you think the outcomes might be?

Jackie Mould: We have had some examples of voluntary sector organisations that have used this programme to create jobs. They have brought people into their organisation and essentially developed new services and markets for them. That has been really interesting. We have had a couple of organisations that have actually employed people as fundraisers for the organisations. They have then been able to bring in resources and create new activities from those resources. They have kind of made the job self-sustaining. That is something that we could learn a lot from in the future.

There is a lot of creativity out there. The ideas are out there, but sometimes organisations just need that input of an extra person or some cash to help them to develop an idea. It has helped to do that, especially for quite small organisations. Some of the organisations involved in social care, particularly with the agenda around personalisation, have been able to use the Future Jobs Fund to really develop their capacity to offer social care and personal assistance services to the local authority and to health organisations and actually bid for contracts. Some of those things have been quite innovative.

David Coyne: Some voluntary organisations have used it, similar to the way British Gas have, as a kind of pre-recruitment exercise where they are expanding into a new service area or trying to extend their reach, and doing so on the basis of testing out both the new service model and new employees. They have taken people on into permanent positions, allowing that expansion of services to go more smoothly and to be better resourced. They are now coming back and effectively saying, “Can we have another one of those nice Future Jobs people?” “Sorry, no, you can’t.” As a growth mechanism, it was starting to show some potential for a small third sector.

Chair: We are going to move on because we’ve only got through one set of questions and we are more than halfway through your time.

Q22 Sajid Javid: Thank you all for coming. I want to focus on the issue of value for money. A few of you have already mentioned or used that phrase. A couple of points have already been made about sustainability. I just want to understand one thing, because it goes to the heart of value for money. In your submissions, each of you has given percentages of what you think were the number of sustainable jobs that were created—I think an average of about 35%. Just so we fully understand what you mean by a sustainable job, does that mean someone who has completed their six months and then moved to a fully paid job with a full contract and no subsidies?

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David Coyne: Yes. It is determined by the DWP claims and monitoring process and the outcome being moving into paid employment.

Q23 Sajid Javid: So that is about a third. From a pure objective of helping young people find sustainable jobs, you would agree that it has a success rate of about one third.

Tony Hawkhead: I would argue that it's far too early to tell. Across the whole country, we have had only a third of the cadre through. Our rates are too varied to try to draw conclusions at this stage, particularly given the lack of comparison with the programmes, and also taking people through during the deepest recession in this country for 70 years. It's too early to try to draw conclusions and say that in some ways it's either better or worse.

Q24 Sajid Javid: I think your number was about 30% in the first phase. How many people is that based on in terms of people having gone through the programme?

Tony Hawkhead: We have done a third, so that's 2,000. The 30% figure has a big health warning around it. We know for certain that 30% have gone into sustainable jobs and training. We know for certain that 33% have gone back on to benefits. We are now retrospectively tracking the other 35% or 40% of people. It is extremely difficult to do that unless you have tracking measures built in from the start. We have now put those in. Before you ask why we didn't do that from the start, the fact is that we were being pushed very hard to deliver Future Jobs Fund at an enormous rate, faster than any programme I've ever seen. That is what we focused on doing.

Q25 Sajid Javid: As you all know, the contribution for each job is £6,500. When we look at value for money, that's the key number we need to look at and the results that that money might bring. Compared to your knowledge of other programmes that have attempted similar things in the past, albeit in different ways, is this a good use of £6,500 or are there more effective ways to do it and perhaps have an impact on a greater number of people?

Jackie Mould: It depends on the client group. If you're talking about people who have recently left the job market, it is not value for money. But if you're talking about people who have been unemployed for longer and have multiple complex issues, then it probably is. We have started to do some cost-benefit analysis models, which we are working through at the moment. I'm looking at some real case studies. It depends what you mean by value for money. I have some examples here that we are working through. We have one person who was unemployed for 25 years, for example. We can work out how much that actually costs the state to keep that person on all the benefits that they claim. That person now has a job. If they can keep that job and keep on that positive path, you can start to see the benefits, because there will be a saving from them not claiming benefits any more. They will start to earn money and they will start to pay back into the system.

It would be interesting to look at those in a bit more detail to enable us to really assess whether this is value for money. For those people with complex problems, people who are claiming a wide variety of benefits or people who may be ex-offenders who have been in prison, you start to see that from investing that £6,000 you could get a pretty good return within 12 months, if that person stays in a job. That is the thinking that we are trying to work through at the moment.

Q26 Sajid Javid: Do you think that for some people—by definition people are typically on out-of-work benefits prior to joining the programme—the current system of benefits and the disincentives that it creates to take work is having an impact?

Jackie Mould: I think that people are fearful sometimes of moving into a paid job, because they think that they will lose their benefits and be worse off, which is crazy.

Q27 Sajid Javid: The Government's proposals to create a universal benefit with a single taper relief will cost more money in the short term to put in place. Relative to value for money and getting people back into work, would you say that the universal benefit would be a value-for-money way of giving people incentives?

Jackie Mould: I would say so, yes. If that person changes their lifestyle and gets into employment as a result, the figures that we are looking at suggest that within 12 to 18 months you would start to make a saving.

Q28 Sajid Javid: So in terms of getting young people back into work, do the other two witnesses agree that the universal credit system is a valuable way to incentivise that?

David Coyne: Yes. I think that there are a lot of positives about having higher earnings disregards and a universal and lower taper rate to incentivise work. By getting people into work—even short-hours work—and making them financially better off, you put them in the position of learning how to work while in a job, like the FJF participants did.

Tony Hawkhead: The single biggest and fastest way to transform the poorest communities is to get people into jobs. You can stimulate community activity all you like, but jobs are the key. I think that one of the problems with the system at the moment is not a lack of will to support people, it is just that it is too complex and difficult to understand. Something that is simplified, quick and in real time—which is where I think that the universal credits concept is very important—is to be welcomed. It is a bit early, however, to make a judgment on it. We will have to wait to see it up and running.

Q29 Kate Green: Is that an alternative to, or as well as, the kind of interventions that the Future Jobs Fund has provided? I am particularly interested in pastoral support, which you mentioned earlier.

David Coyne: I would say as well as, because the Future Jobs Fund as designed works well for young people. For older people who have family

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responsibilities and who are on higher levels of benefit, you would need the disregards and the tapers to make it work financially.

Q30 Sajid Javid: I want to go back to value for money. Hypothetically, if these no state aid rules had not existed, so that there was greater flexibility to offer jobs in the private sector, assuming there was greater willingness as well—going back to your British Gas example, it did not have to create completely new jobs—do you think that the programme would have been more effective?

Jackie Mould: I think that it would have really added to it, because in Birmingham we certainly had a lot of interest from private sector employers.

Q31 Sajid Javid: So, very quickly, do you all think it would have been more effective if these rules had not existed?

Tony Hawkhead: The community benefit test was one of the big weaknesses.

Q32 Sajid Javid: There was also a requirement that 10,000 of the 150,000 places had to be environmentally related jobs—I think that that figure is correct. If that requirement was not there either, do you think that it would have been more effective?

Tony Hawkhead: I don't think so at all. Time will tell, but I think that you will find that that 10,000 figure will have been considerably exceeded. We are a federation of environmental charities, as it happens, and we do a huge amount of work around green space. It is a brilliant way to get people into work experience and jobs very quickly. With relatively little training, it allows people to access the work experience. So I think quite the opposite. Anything that allows people to get into work relatively quickly and gives them the rewards of working and achieving, of seeing things change before their eyes, is something to support.

Q33 Sajid Javid: But why do you think that the environmental target helped? I think that that was a minimum not a maximum, so presumably if there were 30,000 such places—

Tony Hawkhead: Did the target matter? I don't know.

Q34 Sajid Javid: Right. So you're saying that it made no difference.

Tony Hawkhead: I'm saying that I think it was good to encourage the idea of thinking around environmental projects, but whether we needed a 10,000 target is open to question. I don't think we did.

Jackie Mould: It didn't make a difference to us.

Sajid Javid: It didn't make a difference. Okay.

Q35 Chair: Can I clarify something you said, Tony? You said that with the Future Jobs Fund, the £6,500 for six months was the whole amount that it cost the Government for a young person, but that other schemes didn't include the cost of benefits. When we see that the New Deal for Young People cost £3,480, those young people would have still been receiving benefits so would that have gone on top? The Community Task Force was saying £1,200 per person, but those people would have still been on benefits and

therefore that amount is not in the equation. Is that a fair summation, or not?

Tony Hawkhead: I don't recognise your Flexible New Deal figures, so I can't comment on those. I can certainly tell you that your Community Task Force figure of £1,200 does not include benefits. You would have to add a minimum of £1,800.

Q36 Chair: So, we're not quite comparing like with like. You'd have to put all the benefits—the housing benefit and everything—plus all the cost to the state of that person into it.

Tony Hawkhead: Yes.

Chair: Thanks. That's helpful.

Q37 Harriett Baldwin: Yesterday we did some fieldwork at Centrepoin in Denmark Hill and we heard about the Future Jobs Fund there, but we also heard about a Workwise training programme that they were doing. That programme was two weeks of training those young people up in terms of what to expect from work, what kind of behaviour to have at work and how to talk to their manager—fundamental principles. They were saying how successful that had been. They thought that they could scale that up at about £500 per person for a two-week course.

Chair: Yes, but it cost £35,000 and they've got six job outcomes, so I'm not sure—

Q38 Harriett Baldwin: No, no. They were talking about how they could scale it up if they could run it over a year. I just wondered whether you thought that a training programme of that nature for two weeks, before going on to a Future Jobs Fund, would improve the outcomes.

Tony Hawkhead: I am not sure that those two things fit together. The Future Jobs Fund should do that anyway.

Q39 Harriett Baldwin: So, you'd get that during the Future Jobs Fund.

Tony Hawkhead: Yes. I fundamentally disagree with any notion that you can get the kind of people we're working with ready for work in two weeks. There is absolutely no evidence that you can do that. What you could do is prepare them so that they don't fail at their work placement on day one. We have on placement in my office someone who defines himself as being on the Asperger's-autism spectrum. He has worked all the time for short periods of months and weeks, but because his workmates perceive him as "strange", perhaps, it is very easy when times are hard for people to say, "He's the first out the door." The most important thing that we can do for him is to give him a period of time when he learns a set of behaviours that allow him to function as if he were a "normal" worker. I am not saying what I think; that is what he says. He was ready for being with us because people had briefed him, but he couldn't do that in two weeks.

Q40 Harriett Baldwin: But was there a large number of people who joined the programme but didn't make it through to the end?

David Coyne: Not a large number, but those who didn't stick to it lost the opportunity to participate.

Had we had the opportunity to design the front end of the initiative a bit differently, I think that we could have reduced the drop-out rate. The matching process could, I think, have been done a lot better. We could have had inductions, open days and more informed choices being made.

Jackie Mould: I would endorse that. The idea of having the two weeks would be useful to prepare people for, essentially, a job interview. That was the other thing about the programme: people had to go through an interview to get the job, which was quite challenging for some of the people whom we were working with. Getting that support to do an interview, and learning how to sell yourself in an interview to get the placement, would be a good use of that time.

Q41 Harriett Baldwin: Was the drop-out rate less than 10%?

Tony Hawkhead: I can give you our exact figures: we lost 5% in the first six weeks; three quarters of people completed 24 weeks; and just under 70%—69.6%—did the full programme. So you can assume that 24 weeks is a really good slug at that—and three quarters of people got to that point.

Chair: I realise that we are running out of time rapidly, so all our questions must be short and sharp.

Q42 Mr Heald: May I ask you about the construction of the programme as a whole? You talked, Tony, about the sort of people whom you normally work with. Normally, with an intermediate labour market intervention, you are talking about people who have been out of work for a very long time, who are difficult to place—people of the sort that you have described. The difference with this programme is that you are providing that sort of intervention for youngsters who have only been out of work for six months, who are very different. So it is an unusual programme in that way, isn't it?

Tony Hawkhead: That is a really good question. We work heavily with—I hate this phrase—the NEETs group, people who are not in education, employment, or training. Those people are effectively NEETs from the moment that they leave school. All our experience demonstrates that the longer they stay out of work, without ever having the experience of having a job, the harder it becomes to get them into jobs—and that happens very quickly.

Although, as you were right to say, ILMs tended to focus on people who had been out of work for a year—it was not a lot more—we strongly supported the move to a six-month start point simply because of the damage that is done in that time.

Q43 Mr Heald: This is the best client group that you have ever had isn't it?

Tony Hawkhead: We have only had 5% of people who are graduates into our schemes; the vast majority have been people who present us with some serious challenges.

Q44 Mr Heald: But you would agree, Jackie, wouldn't you, that this is the best client group that you have ever had? You have even had graduates on it this time.

Jackie Mould: They were a very small percentage, though. On the question of six months, that is quite a long time for a young person; to me, it flies by—it seems to go quicker as you get older.

Q45 Mr Heald: But do you take the point that this intervention is normally used for people who have been out of work for a long time and who have real barriers to employment? Here we are using it for a group that includes all sorts of people who do not have those barriers, who are relatively close to the labour market when you start, so you ought to have fantastic figures of success for this group.

David Coyne: We found that 75% of our referrals were males with low or no qualifications, who were looking for basic, manual occupations. The critical point is that six months' unemployment is much more damaging if you are under 25 than if you are over 25. You would want to use this kind of policy precisely, and on those who need it most—there are many more of those in the under-25 group and, particularly, in the under-20s.

Q46 Mr Heald: But of course a lot of the things that we have been talking about, such as explaining to young people how to do a job search effectively, are measures that work, and which you would often try with someone who had been out of work for only six months. To use the really top-of-the-range model so early will always be expensive, won't it?

Jackie Mould: Some of the reason for it—and I suppose there are arguments about how you do it—is prevention, if I can use that word. It is a question of how you prevent a young person of 23 or 24 years old from getting into that lifestyle of being on benefits and being unemployed. There is an attempt to get young people on the right path while they still have some drive and some belief in themselves—before it becomes a way of life. That has been quite important.

Q47 Mr Heald: The other problem with it is that it is really directing young people into the public sector, rather than the private sector. There is no way around that, is there? The state aid rules, which we have to work on within the EU, mean that you can't put somebody into a commercial enterprise and pay their wages as a government.

Tony Hawkhead: First, I think it was not just the public sector. It did a hell of a lot of good for the charitable sector and that benefited very poor communities in a way that would not otherwise have happened. We need to recognise that, but you're right: the community benefit problem got in the way. We really worked hard to try and get around that and, if we had had more time—it was announced in June and we had our first client in October—it would have been possible to find smarter, legal ways of getting around that. I really do believe that. We modelled the work with British Gas specifically to try to find a way that was not getting around the system, but that actually took advantage of what could be done. The direct answer to your question is that we must find a way around it, because if we can't involve the private sector in a scheme like this, it is going to fail. It is just not good enough.

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Jackie Mould: We had similar discussions with Jaguar—Jaguar Rover—as well. It has been very frustrating not being able to pursue those. But what we have been able to do is link people through the apprenticeship programmes, so maybe that is a way of doing it.

David Coyne: Where a private sector employer has a genuine vacancy that they are recruiting for, it is legal to offer a wage subsidy under the general block exemption regulation for recruiting disadvantaged workers. There are ways of working with the state aid regulations in a more creative way.

Q48 Mr Heald: Do you agree overall that if you look at the British economy, we've got a situation where gradually some jobs will sadly no longer be there in the public sector and we are looking for more jobs in the private sector? Yet this was a scheme that was directing young people into the public sector. Apprenticeships, which you mentioned, provide a much better focus, because they mean you can help young people into private sector jobs, which is the future.

Tony Hawkhead: Put very simply, because I know we are short of time, the Future Jobs Fund was set up to do a very specific job for a temporary period of time: to create 150,000 jobs in a hurry—let's be honest.

Q49 Mr Heald: Ahead of the election.

Tony Hawkhead: I am not going to comment on that. There is a nervousness in Departments—perhaps too much nervousness—about state aid. Because of that nervousness, it was set up in a particular way. I do not think that the Department for Work and Pensions would have set it up and excluded the private sector without the state aid rules—it would have been crazy to do that. Perhaps the question is, in future schemes, if we do things around creating work opportunities and work experience, to make sure that we build in the best way of engaging all the sectors from the start.

Q50 Mr Heald: There are lessons for the Work Programme there, aren't there? Finally, the other question I want to ask you is about Jobcentre Plus and how good it was at matching and referring unemployed young people to Future Jobs Fund opportunities. Crisis UK has said that there was a lack of clarity and understanding in Jobcentres. The National Young Volunteers Service was critical, as was Oxford County Council and so on. What's your view?

David Coyne: We had a very positive experience. The district team in Glasgow responded early and robustly to the launch of the Future Jobs Fund and worked well with both us and the other national voluntary sector bids that were operating in the city. We had some technical difficulties early on, with the eligibility criteria relating to whether someone was only eligible between week 39 and week 42, or something. But we worked around that and the Jobcentre response was good. We were very pleased with the relationship.

Q51 Mr Heald: What about you, Tony, were you happy with that?

Tony Hawkhead: If you'd asked me in the first six weeks, I'd have probably said what you just read out. But, we have to be honest and recognise what the situation was. I have never seen any Government programme in any Department set up at the speed this was set up. Let's not worry about why that happened—the fact is it did. On that basis, one has to judge it a success in terms of its implementation.

The other problem for Jobcentre Plus colleagues at that time was that they were clearly recruiting very large numbers of people to cope with a large number of unemployed people suddenly appearing on their books. They were trying to run a whole new scheme, as well as deal with their own capacity. Once that had happened, our experience was, very much like David's experience, that they were very good partners. They did a number of things—for example, having somebody we could contact if there was a problem, so that we could resolve such issues very quickly. And if they could not be resolved quickly, an escalation allowed that to happen. There are lessons for that in the Work Programme.

Q52 Mr Heald: Jackie, are you happy with that?

Jackie Mould: Positive, yes. We had very good working relationships with the manager in Birmingham, and it was all about solving problems as we went along. If you have that attitude and you have the right people working with you to make it work, it will work; the problem is if you don't have the flexibility locally to do that. So, on the whole—positive.

Q53 Chair: Can I just pick up something you said, David? Obviously, the state aid rules were a huge barrier to—in fact, a complete block on—getting the private sector involved. But you said that it is acceptable to have a job subsidy. If the private sector had been willing to put up, say, £2,000 of the £6,500 and had paid it directly to the young person, with the state paying £4,500, would that have been acceptable?

David Coyne: My understanding of the regulation is that if the private sector employer is recruiting for a real, existing job in their organisation—in other words, not an additional one—it is legal for the public sector to offer a wage subsidy of up to 50% for up to 12 months for the recruitment of disadvantaged workers, with “disadvantaged” being defined as long-term unemployed.

Q54 Chair: So, if there had not been the hurry to get the whole thing set up, there might have been a way of working around to getting the private sector more involved—there is a solution there.

David Coyne: I believe so.

Mr Heald: Possibly it was too early.

Q55 Stephen Lloyd: We are running slightly out of time, so I will drill down to two important, final questions. First, the Future Jobs Fund, as we know, is running until March 2011, and the Government have indicated that the Work Programme will be up and running from summer 2011. How can the transition

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period be managed effectively to minimise any negative impact on young unemployed people? In other words, I understand where you are coming from in saying that there is real concern about that lag, but from what you have learned how can the Government manage that better?

Tony Hawkhead: I am happy to have a go first. The straight and honest answer is that that is a very unfortunate gap. The ideal solution would probably be to make sure that that gap does not exist. That would potentially mean extending the Future Jobs Fund by four months. Otherwise, there is a hole and it is difficult to see how it is going to get filled.

Q56 Sajid Javid: Or start the Work Programme earlier?

Tony Hawkhead: Yes, you could try to start the Work Programme earlier. Bearing in mind how fast the Future Jobs Fund was got up and running, that is a good question to ask.

Q57 Stephen Lloyd: What about you, Jackie?

Jackie Mould: Coming at it from a slightly different angle, I agree with what Tony said, but one of the things that could be done is to make links locally with existing organisations and partnerships that are in place, so that we can try to join things up locally. It will be important for those organisations that win the contracts to be part of what is happening at a local level, because we can then learn the lessons and make linkages with the employers and, hopefully, with the young people who we are already working with. My plea would be for trying to get that connectivity at a local level—talk to us and we can help to make it work.

Q58 Stephen Lloyd: You have prepared a lot of the groundwork, so it would make sense.

Jackie Mould: Exactly.

Q59 Stephen Lloyd: David, do you want to add anything particular?

David Coyne: I have nothing to add, other than that it would be useful to get some of the potential primes on the framework involved in detailed discussions with us locally about how it is intended to get the Work Programme up and running.

Q60 Stephen Lloyd: Okay. Secondly, Groundwork's evidence highlighted how the Future Jobs Fund had been used to provide pre-apprenticeship training. You have already talked about that with British Gas. What lessons might we learn from the FJF as the Government increase the funding available for apprenticeships? We all agree that the increase of funding for apprenticeships is a good thing but, given your experience of the Future Jobs Fund, some lessons can perhaps be fed into the DWP. What would they particularly be?

Tony Hawkhead: The first thing is to emphasise that reaching the hardest-to-reach costs money. The second thing is that at the time of a less than buoyant economy there is no great incentive for private companies to be involved with the public sector in recruiting and organising state-sponsored apprenticeships. The fact that we took all that off the hands of British Gas—we effectively acted as the intermediary—made an enormous difference to its willingness to get involved.

The lesson for apprenticeships is twofold: first, to keep the bureaucracy and demands on a private sector company to the minimum possible; and, secondly, when working with the hardest-to-reach, which is not a client group that most companies are necessarily going to charge towards, you make sure that the support for those people is provided outside the company so that they are then getting work-ready people—even from very difficult client groups.

Stephen Lloyd: I am fine with that.

Chair: Okay. I do not think that my colleagues have any more questions, so thank you very much for coming along. Your evidence will be very useful when we come to write to our report. Thanks again.

Examination of Witnesses

Witnesses: **Neil Carberry**, Head of Employment, Pensions and Health & Safety Policy, and **Emma Watkins**, Head of Public Services Policy, Confederation of British Industry, **Tracy Fishwick**, Associate, Centre for Economic and Social Inclusion, and **Professor Paul Gregg**, Professor of Economics, University of Bristol, gave evidence.

Q61 Chair: Thank you very much for coming along this morning to give some evidence on the Future Jobs Fund and youth unemployment. Will you, individually, briefly introduce yourselves for the record?

Neil Carberry: Thank you very much. My name is Neil Carberry. I am head of employment and pensions policy for the CBI. Our director looks after all labour market work for the CBI.

Emma Watkins: I am Emma Watkins. I am head of public services policy at the CBI. We are responsible for the greater involvement of the private sector in designing and delivering public services, particularly in the area of welfare policy.

Professor Gregg: My name is Paul Gregg. I am Professor of Economics at the University of Bristol. Unemployment and unemployment policy, in particular, has been an area of research for me dating back to the mid-1980s.

Tracy Fishwick: I am Tracy Fishwick from the Centre for Economic and Social Inclusion. I am also here as a practitioner, having been involved in the Future Jobs Fund since the beginning in Greater Manchester.

Chair: Can I ask you to speak up? Although there are microphones, they are more for recording purposes rather than amplification for us. We sometimes find it a wee bit difficult to hear. Harriett Baldwin has some questions.

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Q62 Harriett Baldwin: Professor Gregg, I know that you were very involved in designing the Future Jobs Fund. I just wondered if you could talk through for the Committee the rationale behind designing the programme and say whether you think that, since it was designed, anything has changed in terms of the economy, the labour market or the public finances that would change the rationale for the design.

Professor Gregg: I was an advocate of the Youth Guarantee before it was introduced, though I wouldn't say I was involved in the design detail of what was put in place. The broad rationale is that since the 1970s we have slowly learned—with the emphasis on “slowly”—what kind of employment policy can make a difference to people's unemployment patterns and the longer lifetime costs associated with that. We know that youth unemployment is associated with long-term scars in terms of unemployment, low wages, poor mental and physical health, and indeed early death. So there has been a history of evolution, which has broadly occurred across many countries. We moved from the early programmes, which were just job relief and gave people low-paid jobs. There were benefits for people in terms of work experience, wages, access to a decent reference and so on, but it was found that people didn't move into work afterwards as quickly as they would have done if they were not going on the programme. That is because of what is called the lock-in effect. People don't look for work when they are in a job, and that slows down the process of moving into work. So there are two dimensions. You want to give people work experience and the basic work skills—turning up on time—and a good reference, but if you delay the process of job search you actually slow the process of moving into the next job.

Policy intervened to try to do various things. It tried to make the jobs bloody awful—like the Community Programme—to make people look for work, which proved unsuccessful. In a sense, it tried to emphasise the job search, as in the Restart Programme, and it was the logic behind Jobseeker's Allowance, which does have some success. But, at heart, this programme was designed to try to minimise that conflict between the positive aspects of giving people work experience and getting in the way of job search. So, the sectoral routes had clear job prospects at the end. It was agreed that employers would take you on at the end of the training programme to reduce that conflict. It was the same with the Future Jobs Fund. The idea was that the employer—the provider—bid with a deal that asked what they were providing for that individual to help them move on into work after completing the placement. That was not as intensive as I would have liked. I would have liked active payment systems and active requirements on people and providers helping individuals move into work. But the logic was there. You were trying to give work experience but reduce that lock-in effect of people not actively seeking the next job after the placement.

I am a bit struck by the DWP evidence of likening the Future Jobs Fund to the Community Programme. The analogous one here is the Community Task Force, not the Future Jobs Fund. When you are trying to do a Youth Guarantee, you are trying to make it so that

someone has to move on—they can't stay there for ever—and you're trying to make it so that providers have to put something on the table. It is very hard to offer a guarantee out of only the best options.

For instance, the best deal that we have in terms of what we can offer people is work trials—a short programme of work experience with a regular employer. It is successful, but there are not enough places. What you have with the Youth Guarantee is almost a stage of options, which, to some extent, can fit the individual, but to some extent the likelihood of being effective is decreasing. Because of the guarantee of a job at the end, sectoral routes are at the high end. High-quality and long-term training for apprenticeships has good prospects. Future Jobs Fund is somewhere in the middle. The Community Task Force is least likely to be helpful to individuals. That is roughly the ranking that came out of the New Deal for Young People programme, although there were components that were very similar to these and in a sense had many of the features of this programme. So, we have learned a lot over the years. A youth guarantee or a guaranteed job is an important part of it, but you have to try to avoid the lock-in effect in those components. You have to try to motivate and create job search.

You asked what has changed. I emphasised that perhaps there was not enough on that job search element within the programme. The other thing that has changed is that this recession did not lead to as many job losses as we first feared. The labour market and the welfare system performed well. However, the people who have suffered intensely through this recession are young people. The increase in unemployment is heavily focused on young people. The first and best option is to get people into education. If you can't do that, things such as sectoral routes and apprenticeships are a good step, but Future Jobs Fund was sort of solid in the middle, as the third best in the ranking of likely prospects.

Q63 Harriett Baldwin: So, your ranking, again, was the work taster—

Professor Gregg: First, just keeping people in education is a good start, keeping people on at 16 in full-time education as normal, or as a lot of people do. We saw a big rise in that. That was what was called the September guarantee—trying to keep people in full-time regular education. The next best is work with regular employers; even if it is temporary and unpaid that is the next best. Then you've got training and work experience connected to regular employers—the kind of experience that employers are going to be looking for—and things like the Community Task Force and the Environment Task Force. This had lots of community programmes and there is a long history of that kind of thing. This option is broadly making up the numbers and is the least likely to be effective, but within it you need to incentivise the providers to focus on helping the people get into work. The incentives structure there is important, but that is roughly the ranking.

Q64 Harriett Baldwin: It sounds as though the lessons that you say we've learned over a long period

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of time are lessons that remain valid irrespective of what kind of economic environment we're in.

Professor Gregg: If you've got nearly full employment you don't need so much of this kind of stuff to prevent that long-term disconnection from work. But the ranking is broadly there. I would say one other thing about this: there is a lesson that we consistently don't learn. We tend to make these things up on the hoof when recession hits, rather than having a plan in advance, which means that everything's done as high profile and with high energy, and mistakes fall into that process. We then try to tinker with it afterwards. It would be much better—the OECD has said this—if we had a plan there in advance for when the economy turns negative.

Q65 Harriett Baldwin: Does anyone else want to come in on the design question before I move on to other questions?

Neil Carberry: I would just like to say that we'd associate ourselves with much of the analysis that Paul has just given, particularly on the relation between the different programmes and their utility. I agree very strongly with that ranking.

Q66 Harriett Baldwin: I'd like to move on now to ask whether any particular kinds of young people were better helped by the Future Jobs Fund? Can you draw any conclusions about the kinds of people who benefited most, for example graduates, people with low-level skills and people with vocational skills?

Tracy Fishwick: In answering that I will refer to the Greater Manchester experience, and possibly to knowledge I have of Merseyside and Tyne and Wear. Everyone is broadly seeing the same kind of experience, in which the vast majority of people who are coming forward for Future Jobs Fund are the young people who have less than an NVQ level 2, and sometimes no formal qualification at all. As we know, they are referred by Jobcentre Plus, so we have to take who it refers and deems eligible and suitable. In the early days, we were getting people who were nine months' unemployed and getting almost into the 10 or 11-month stage of unemployment. So we have young people who are pretty detached from work, if they have ever worked at all: young people who might be third-generation unemployed, very often from communities where mum and dad didn't work and grandparents haven't worked. The culture and ethics around getting up every day simply aren't there for a lot of young people.

The range then goes through to other young people, a small number of whom are graduates, and those who perhaps have higher qualifications, perhaps at NVQ level 3. But the sorts of people we broadly get are those young people who, traditionally, we have seen on ILM programmes and other interventions like this, such as New Deal for Young People. Over the 12 years that I have been doing this kind of work, I haven't seen a vast difference in the kinds of young people. What we have seen is a huge difference in scale and in the volume of young people wanting this opportunity.

Professor Gregg: The bulk of young people who are facing long-term exposure to unemployment are the

less skilled. Many of those don't have the qualifications that would be suitable for getting on to the higher-level apprenticeships—the level 3 type apprenticeships. They are a long way away from the high-quality skills and so on that lead to long-term attachment to good jobs. They are, in a sense, the population that we have come to call NEETs; the early school leavers who are often less educated and drift between low-paid work and exposure to unemployment. In a sense, the Future Jobs Fund is focused primarily on that kind of population. It gives work experience to people who have not yet got the basic qualifications and haven't worked previously.

Another area that has been contentious within this is that it tends to focus only on the duration of current benefit claim, rather than reflecting people's past history of exposure. We know from research that it is the cumulative exposure to unemployment, rather than just the duration of the current spell, that is a good indicator of people who are in need. We would put it slightly the other way: there is a population that is not getting in because people are not on the right benefit for long enough. Those people would potentially benefit from these kinds of programmes. The net was drawn very close.

Neil Carberry: Much of the public debate in this area in the early part of the recession focused on graduates, and there was a lot of media debate about people coming out of courses. In our experience, what tends to happen during recessions is that graduates still find work, they just find work that is different to what they would have accepted in the good times. So someone is not on a graduate scheme with an employer; they are doing a job that perhaps an A-level leaver would have taken previously, and so on. It tends to be the same low-skilled group that takes the hit in any recession. For that reason, the right sort of active policies specifically targeting those groups, wherever they are found, not just in particular unemployment blackspots, will always be the most useful interventions.

Q67 Harriett Baldwin: In the CBI submission, you argue that the Future Jobs Fund programme was not effective in creating permanent employment outcomes. I wanted to ask the panel what evidence there is in terms of permanent outcomes. What does the panel suggest should be done differently to improve on the permanent outcomes?

Neil Carberry: Let me sum up where we came from in the written statement that we made to the Committee. Obviously, it is early to draw conclusions from this. A lot of data in the area will be gathered as we look at the experience of people who have been, and are currently, on Future Jobs Fund placements over the next few years. As Paul rightly says, it is cumulative experience that counts.

As we say in the evidence, we were supportive of the idea of the Future Jobs Fund because we think that that kind of programme is important, particularly in areas where other forms of intervention are not reaching. What worried us, and has continued to worry us throughout the bidding process, is the speed of thinking up and delivery of the programme—Paul alluded to that. It was very top-down in its design.

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It was driven from Whitehall on very short bidding processes. That tended to lead to a certain type of bid being successful which was predominantly public-sector led and did not really engage with the private sector in a way that a more effective programme might have done. That might be down to the fact that we left design so late. Most of these people, if they are going to build successful lives for themselves based on long periods of employment, will end up working in the private sector. Therefore, the skills associated with that, and the job experience that a well-designed programme can provide, would be important. We are not convinced that we have seen that being delivered through FJF. If you look through the bid details, you see a lot of people placed into jobs that in the delivery phase risk looking more like some of the less successful programmes of the past than what was set out as the aim of the Future Jobs Fund in the beginning. From our point of view it is still an early stage to judge, but we think that there is a significant risk that the performance of the programme will be very curate's egg-ish. There are some very good programmes.

Q68 Harriett Baldwin: Do you have any specific statistics?

Neil Carberry: Statistics are very light in this area at the moment, to say the least. It is very early.

Professor Gregg: I want to just echo that. We don't really know, because the evidence base has not yet been produced on the effectiveness. As an academic, I feel that culling this element of the programme so early is anti-scientific, because we will not ever learn how good or bad it was and which design features were good or bad. That is a shame, although it is perhaps not the Government's main priority here.

As the CBI has said, you would want to build two features to make it as close to a regular job as possible. If it can be with the private sector or the near charitable sector, that is good. You want to get that organisation focused on getting that person into work afterwards. The employer is part of the deal, if you like, putting on the table the contacts, the networks and so on. I agree that the rapidity of the design meant that some of these features were not put in place on day one, but I suspect that you would rationalise that given time. You would try to move to the private sector more and you would try to involve employers more. That is part of the problem of trying to set up something in an emergency.

Q69 Richard Graham: Can I come in on that? If we look at the Future Jobs Fund and its impact constituency by constituency—where we all live and work—I know that in my constituency there is not a single job in the Future Jobs Fund that is being created by the private sector. Everything is public sector, quango or charity. This is an era where we know that the public sector, after a massive rate of expansion, will have to contract pretty sharply. We know that if growth is to start again then it needs to be led by business and the private sector. Given that, the whole concept of creating a six-month job will be fundamentally unattractive, particularly to smaller and medium-sized enterprises, which will just see

someone coming in for a short space of time, with no real sustainability to it over a longer period.

Do you agree that that is the case, and that it is likely to be the case if you carry on with something like the Future Jobs Fund. Do you agree that pound for pound, the better investment would be in ways of freeing up bureaucracy and making it more attractive for private sector employers to take somebody on in the longer term? That might be through the apprenticeship scheme, or it might be through changing how people can take on additional young employees. What would your views on that be?

Tracy Fishwick: The restrictions around the kinds of jobs that could be legitimately created through the Future Jobs Fund, such as the state aid rules around not being able to create jobs in the private sector to scale, have posed problems for the people delivering it. The FJF can do that in small numbers and there have been creative examples of where that has happened. For example, you may see a job where the person is employed in the voluntary sector in a social enterprise, but is actually working with a construction company that is building a new school. That is a legitimate role to create through the Future Jobs Fund and we have examples of that across the country. In Manchester, for example, we have people employed working at Manchester airport, which is a private sector environment, but the airport is 51% owned by the public sector. Again, we can be creative around those rules, provided that we keep within some parameters. That has been helpful for us, but overall it has been quite restrictive.

How we morph the programme as it moves to the latter six months and beyond, to enable us to do more of that, would be a really interesting thing for us to debate. We could try to link jobs to apprenticeships in a structured way, so that people who start on the Future Jobs Fund move into apprenticeships, and do not dip in between. There are examples emerging of people moving into the private sector to do that.

Q70 Chair: May I ask Richard's question, but in a slightly different way, to the CBI? If it had not been for the state aid rules, which seem to have been an incredible block on getting the private sector involved, would small and medium-sized companies have been happy to get involved in the Future Jobs Fund—had the state aid rules not existed or had a way around them been found?

Neil Carberry: I think there is more to it than just the state aid rules. The best example is probably on the apprenticeship side, but most private sector employers, and especially small and medium-sized enterprises, don't really speak fluent public sector, in terms of bidding for state funding. The complexity of skills-support funding streams in particular has been significant over the years, with a number of bodies offering different support for different things. That has been an issue.

The Future Jobs Fund has suffered in a similar way. So, you had local authority-led partnerships, which were looking for input on the local employment partnerships basis from the private sector, but the complexity of what the scheme was and, in particular, the additionality rule caused significant problems. I

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think that, for employers, the idea of bringing someone into your business to do something that is not in the normal course of your business feels a little odd. You want to give someone a proper job—we have discussed the importance of giving someone a job that is a real job. That was a drawback in the Future Jobs Fund.

Q71 Harriett Baldwin: I want to conclude this line of questioning by looking at value for money and, obviously, scarce public money. How would the panel suggest that the money be spent more effectively? We have heard some suggestions in terms of alternative interventions.

In answering that, can you also talk about this particular category of people? You articulated very well, Professor Gregg, why it is so important to look at youth unemployment, but it would be helpful if you articulated the particular interventions that are most valuable and best value for money for this group of people.

Professor Gregg: What was the first bit of the question?

Harriett Baldwin: The first bit was about value for money and what would be the best use of scarce public funds.

Professor Gregg: Broadly, the best first step is trying to support people in active and productive job search. That is the cheapest and most effective way of support, but it doesn't work for everyone. This has been done—it is kind of the logic of the Work Programme and, indeed, of the old New Deal programme, which had this kind of gateway phase of intensive job search. What you are trying to do there is get people out through the low-cost route rather than spend big money on everyone. So, in a sense, you are focusing the money on the most needy by trying to reduce the population of need.

However, you cannot run with that model for ever, because you get the people into the scarring zone, if you like—the longer they are in unemployment, the chances of getting them out through just supporting job search diminish essentially. Damage is being done by the long exposure, so the Youth Guarantee offers a way of trying to break that scarring-type process. As we have discussed, you want to make the thing have features that are as close as possible to a regular job and to give the person the experience that future potential employers will find invaluable—and you need to maintain the job search. Those are the kind of features of a system that you would like—in a sense, a deflection strategy first, to try and reduce the total cost spend, then a focus on what is left, but keeping the focus on keeping the motivation to look for work. That is, broadly, the model that works.

Now, the issue for the Work Programme and the future of where we are likely to be going is that the former feature is there, but it is not clear that providers will be using work experience as that kind of break within the system from the scarring-type effects, if they are just left to their own black-box devices. The incentives for them are just to work on what's right for them, not necessarily what's right for the individual, and certainly not what's right for the state.

Creaming or skimming—focusing on the easiest to help; the ones, in a sense, you're going to get the payment from—is the risk, and these guarantees put a brake in there and force providers to focus on everybody, and they force the individual to behave. They have to turn up; there's some discipline within the system, so you can't stay on unemployment benefits without activity for a long period. Those properties are the good design properties, as far as we know.

Tracy Fishwick: I'd like to just say a couple of things on that. One is I think it would be really helpful to have a proper cost-benefit analysis done of the Future Jobs Fund anyway, so when we look at the cost and see £6,500, we know that that isn't the case for every single person, because not everybody stays for 26 weeks. It's not always the case that everybody has cost £6,500, and also most of that goes into their wage packet, so they spend that money back in the economy—going shopping, using public transport and so on—so there's a recycling effect there, involving that money, that wouldn't have existed previously.

Professor Gregg: And they are off benefits. Some of the cost is actually lower benefits.

Q72 Sajid Javid: If I can just stop you, that would have existed anyway, because if the Government had not given it to them, they would have spent it somewhere else or given it back to taxpayers. It's not fresh money.

Professor Gregg: Some of the money is actually what would have been spent on benefits—

Q73 Sajid Javid: I just think your point is not quite accurate.

Tracy Fishwick: I think the point is, if we could look at what the true cost is and what the wider benefits are of actually having a job—in terms of the economic benefit of that, and for communities—that would be something that was quite helpful for us to understand in terms of planning future policy and seeing what is worth spending on this kind of intervention. I think that in the broad range of interventions for young people there's always a place for this kind of thing. The scale may have to be different, obviously, but the kind of intervention where you get young people in work, every day, doing something constructive, doesn't really exist in most of the other kinds of intervention.

Q74 Harriett Baldwin: Neither of you has mentioned apprenticeships yet, in this context.

Tracy Fishwick: That was going to be my last point, which is, we recognise the move to apprenticeships, and I think that's a really strong way forward. How we look at who gets those apprenticeships, moving forward, would be something to consider. Would employers normally recruit into those apprenticeships young people who'd been out of work for some time? They might not do. They might recruit from a different pool of people—maybe those leaving college, for example. So can we look at how those apprenticeships could be tailored or even ring-fenced in some way for young people who might have gone

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on the Future Jobs Fund, but could equally go on an apprenticeship?

Professor Gregg: Apprenticeships are fine. The problems, in a sense, are, can you get enough volume and are some of the people far enough advanced in their skills, in a sense, to get on to serious two or three-year apprenticeships for level 2 or level 3-type qualifications? There's a sort of a shortfall there, in that you need some basic qualifications to get on to these—you know, to do a plumbing qualification you need basic GCSEs and a lot of the kids are a long way from that.

Q75 Richard Graham: One of the great things about apprenticeships is that they are as wide as any employer wants them to be. You don't have to have any qualifications at all to do an apprenticeship in hairdressing, which is one of the best routes to setting up your own business. Do you think the question is more whether employers out there need to be, in a sense, encouraged to think more broadly about what training course they might want to help to create, in order to attract an entry-level employee under the apprenticeship scheme?

Professor Gregg: The description of apprenticeships depends heavily on what level of qualification you are describing. The stuff that leads to good employment and decent wages is level 3 and some level 2. Level 1-type stuff really isn't worth a biscuit in terms of employment or wages. There are issues here about what you're putting people on to. We want to get people on to some quality stuff. That can be done. We've a long history, dating way back, of not being able to generate enough of those higher-quality things. Now, this is all broadening out to a different debate about how we manage the school-to-work transition and how we get enough people into higher level or level 3-type apprenticeships, which we systematically failed to do—

Q76 Richard Graham: The other question is one of the things that has been completely forgotten, which is the whole business of work experience. If you talk to employers, the vast majority of them will say that they choose their apprentices and people they take on later based on their experience with people who have done work experience with them. In your experience, is there more that could be done with schools, especially schools in deprived areas and with difficult children, to set up links with employers, so that they get more people on to work experience earlier and therefore create more opportunities for those people to get known by a company and to start a relationship that leads on to a job? That would not or should not cost a shilling of Government money, but could more be done to help to create links between schools and employers?

Professor Gregg: I would have no problem with that—it seems a sensible strategy. In a sense, you are articulating what, to some extent, the Future Jobs Fund is trying to do a bit later, which is give people work experience and contact with employers. Obviously, if you do that earlier, you are doing it for everybody rather than the targeted few, who we are

talking about here—the people at risk of serious, long-term exposure to unemployment. You won't get all the people who would be going into that kind of category deflected by earlier intervention. We are talking about the most deprived, and it would be hard to get most of them into contact with employers who might take them on in advance of their entry to the labour market. But as a way of trying to improve the functioning of the school-to-work transition—fine, what you say is right.

Emma Watkins: Can I come back on the value for money point—how we ensure value for money moving forward—and on the apprenticeships point, as well? The Work Programme, as envisaged at the moment, is being designed and delivered so that it has outcomes-based commissioning at its heart and so that a provider will gain the money only if it has ensured sustainable employment for an individual over two to three years. You may want to come on to the Work Programme later; I know that you have a separate inquiry into that. We feel that the outcomes-based commissioning and the way the Work Programme is designed to involve both the private and the third sector together—allowing for more innovation and tailored support, and hence more sustainable employment—will hopefully prove more effective in the future.

Q77 Harriett Baldwin: But you would accept that there might need to be a variation in the payments—given how far some people might be from the labour market, while others might be very near to it—to tackle the issue that Professor Gregg raised about skimming?

Emma Watkins: Potentially.

Neil Carberry: On the apprenticeships point, we have made it very clear in our evidence that we regard paths to apprenticeships as very important. The point that has been raised about what happens in schools is absolutely vital. It is vital to a range of issues about the paths that we steer our young people on to when they think about work. For instance, if we have a discussion about a gender pay gap, better careers advice for girls at 14 and 15 would be a key part of addressing that issue. We are strongly supportive of businesses becoming more involved with schools, schools opening themselves up a bit more to businesses for careers advice and work experience—hopefully, that will lead people down the route of thinking about apprenticeships—and a simpler funding stream, with more money in it. We saw the announcement last week on adult apprenticeships, of which we are very supportive, although in our policy proposal we wanted that money to be made available from 16 rather than from 19 to help people who maybe don't see A-levels or post-16 education as being for them to make that transition into the work force.

I think Paul is absolutely right—what we are dealing with here is a tricky transitional labour market, where people are coming to work for the first time. If they make that jump successfully, once they are in that first job, a range of life outcomes for the next 30 or 40 years takes a significant uptick.

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Q78 Harriett Baldwin: Can I ask one final question? Could the panel explain a Future Jobs Fund job compared with a level 1, level 2 or level 3 apprenticeship? Would you put it on that scale or are they such different things that you can't really compare them to each other?

Tracy Fishwick: I think there will be some examples of Future Jobs Fund jobs that bear some resemblance to an apprenticeship. That is where you have a structured programme of skills development and qualifications that might be involved in a job, and such jobs do exist, but to confine a job to six months and to try to achieve a number of stages of qualification is quite difficult for most people, given that they might not have had a qualification before or if learning is a new thing for them. So, they are quite different in lots of respects. We see more that the Future Jobs Fund is leading into, or is a gateway into, that longer term.

Q79 Harriett Baldwin: Is it before a level 1?

Professor Gregg: It isn't a qualification. What employers want is people with skills. They also look at other basic skills such as the ability to turn up on time and your attitude while you are at work. They want signals from other employers that this person is a good bet. It is giving you, in a sense, a different set of skills that employers really want and look for, but it is not an accredited level 1, level 2 or level 3. It is the kind of stuff that we all have in our reference that says that we are the good citizen who will be good as an employee. These kids don't have that, and have little way of getting it.

Q80 Harriett Baldwin: So, it's before a level 1?

Professor Gregg: It's almost on a different scale. It's a non-qualification-based skill that employers value and want positive signals of. They want people with positive work attitudes, who turn up on time and aren't pissing about. It is trying to give the sort of work experience that employers look for before necessarily taking people on and offering the career-type training and development that is good for them in the long term.

Neil Carberry: Essentially, employer-led apprenticeships tend to be about competency. Picking up on that point, Future Jobs Fund is about workplace behaviours and attitudes and about someone being ready for the workplace. I agree that it is still a skills set; it's just an attitude skills set.

Professor Gregg: It's an accreditation as well. It is just an accreditation in a different way. You have an employer who says, "This person is all right." That is gold dust.

Chair: It's often what the employers want.

Professor Gregg: And it should matter whether you get the incentives right. If they are just going to say that everyone is wonderful, it loses credibility very rapidly.

Q81 Karen Bradley: I want to turn now to look more at the implementation of the Future Jobs Fund and the lessons that we can learn from it. We have touched on several of those points already, but it will be useful for us if we drill down and summarise the

specific points. The first point was about the lessons from the bidding process. You talked about it being very top-down, but perhaps you could expand on what you have seen so that we can learn from the bidding process.

Tracy Fishwick: I was involved in writing a bid in Greater Manchester. I had a month to do it. The whole experience of Future Jobs Fund has been a rapid one from the day it was announced. If we'd had longer—we would have liked longer—we could have engaged more with employers and figured out how we could do this kind of demand-led employment pathway that really would be the ideal scenario to deliver the Future Jobs Fund through. The speed with which we had to respond was unprecedented. Nevertheless, it galvanised everybody's thoughts at a local level. The public and the voluntary and community sectors came together to figure out how they could do shared bids—collaborate and develop one bid for a sub-region—rather than run lots of separate bids in neighbouring boroughs and then waste lots of money on admin. That is what we have seen with Future Jobs Fund that we have not seen with other big programmes where lots of councils work together to create economies of scale.

Neil Carberry: When we looked at your call for evidence before the summer, we went away and talked to our members. What surprised us, although we were already beginning to be a little sceptical about the impact of the Future Jobs Fund in the private sector, was how few of them had had much to do with it. Essentially, if you have a month to prepare a bid, it is hard for our members because they have businesses to run and clearly that has to come first. I suspect that the speed of the timetable greatly restricted the number of private sector companies that could get involved, and that includes even those who were already involved in local employment partnerships, of which there were some really good examples in some of the key areas of the country for the Future Jobs Fund. Beyond that, we have discussed the additionality requirement, particularly among the national firms, which have a bit more capability to think about taking part in this and some idea of where they might be able to base a dozen or more people. Some of the geographical controls, based on the 1.5%, were further pull-back factors. I think that that's what lay behind the lack of engagement on the private sector side.

Professor Gregg: I agree with everything that was said there. There was a sense of doing things at such incredible speed. There was a deliberate push towards sectors they felt they could get to respond quickly.

Richard Graham: A bit of national service.

Professor Gregg: It was in their control in a sense; they could get people to jump who could jump, and the private sector wasn't part of that group. I always expected that that would be changed and that there would be a deliberate outreach to private sector employers after the first stage. This is very early in the cycle of a recession, relative to previous interventions, which have often come one, two or three years afterwards. That lack of disaster planning is being discussed. There wasn't a plan there to be wheeled out. When we worked out that we were in recession,

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things were done through emergency planning, which is not the best way, but the view shouldn't necessarily be that the first product is the end product. You would expect to evolve such a programme. They clearly wanted numbers very quickly, and that meant getting the people who were used to jumping to public sector calls to jump.

Q82 Karen Bradley: That was very helpful, thank you. We talked about state aid rules and additionality. Were there any other restrictions that prevented the private sector from being involved? I cite the example of my local citizens advice bureau, which managed to get the Future Jobs Fund to cover a maternity leave. I question the additionality there. What have you seen in practice?

Neil Carberry: From our experience—Emma might want to add to this—there has been so little engagement that what we have said so far is about the sum of it. Most businesses just haven't been engaged in the FJF. Indeed, looking to the provider side, people are engaged in things like the Flexible New Deal. Even there, there wasn't a lot of engagement among firms in making use of the Future Jobs Fund as part of the mix of tools that they were using to deliver. In particular, there is the issue of the relative strength of the funding stream behind the Flexible New Deal, which is about £1,500 on average, targeted at 50% of people still in a job six months on. Pound for pound, by comparison with the Future Jobs Fund, that is a significantly lower amount of funding for a not much higher target rate of retention of employment. Even on the provider side, where you would expect more engagement, it's been quite limited.

Emma Watkins: I would just echo Neil's point. Within our welfare-to-work grouping of members providing these services in the CBI—it has been a very active group in putting together our original evidence and, just over the past couple of days, trying to gather anecdotal evidence—so few providers are used to the market and involved in the process that it is hard to gather evidence.

Tracy Fishwick: I come back to the points that I have made already. State aid is the biggest barrier, coupled with the community benefit criteria. While we understand where those things come from, and we have had to work within them, they have been a huge obstacle, which we have not been able to overcome, unless we have been able to be quite creative and track jobs back to public spend through things such as construction works.

Q83 Karen Bradley: What I'm taking from this is that the barriers included speed of delivery, state aid and additionality issues, and the lack of evolution in the programme because it was such early days.

Professor Gregg: Can I just say one thing? There is an interesting contrast with what was done under the New Deal for Young People, where the employer option was almost entirely private sector, with very little public sector. This is completely the reverse. That makes a point about some of the rules. I don't know whether the rules have changed in the meantime. It isn't impossible to get private sector involvement. The old programme in '98 did it, but

this one didn't. I think it's not because it's impossible, but because the kind of stuff we're describing was, in a sense, designed to get a rapid response from the people who could do it very rapidly and not a lot of thought was put into how to get the private sector engaged.

Q84 Mr Heald: I don't know whether Professor Gregg would agree, but I think the problem may be this: if you have an intervention that comes in at 12 months and is to help somebody who is long-term unemployed with barriers to employment, I think you can offer them a subsidised job, but if it's six months and there isn't that history, the state aid rules make that impossible in the private sector, or difficult anyway.

Professor Gregg: I was trying to articulate that you probably want an intensive deflection process first, before you deliver something like this, in terms of getting the numbers down and raising the case of targeting on the most needy.

Mr Heald: I fully agree.

Q85 Karen Bradley: I have a final point on implementation. I would be interested to hear about the experiences you and your members have had of interaction with Jobcentre Plus and how useful that has been.

Neil Carberry: It's very interesting. In the past, our members have been somewhat cynical, to be honest, about Jobcentre Plus, but many of them had very good experiences during the recession. It's on a patchy basis, but there are good examples from certain areas of the country. The collapse of Woolworths is a classic example. Certain parts of Jobcentre Plus got into Woolworths stores very quickly and did a lot of real "action this day" work to try to get people into other retailers in the local area, and very successfully. A lot of it seems to be driven by the management structure of Jobcentre Plus at local level. People may be fostering good links with local employers and helping with the understanding of local labour markets. There was a strong streak of very good performance during the recession. In some areas, it was still a case of going to Jobcentre Plus with a job and getting 60 applications, 45 of which were not appropriate, but that was less prevalent than maybe it was in the previous decade.

Tracy Fishwick: I really felt for Jobcentre Plus in the early days, because it had a lot on its plate at that time, a year or so ago, with increased volumes of customers coming in and people trying to get up to capacity in their own offices. Also, it seemed to be a while before it got its guidance on the rules about how it could engage with the Future Jobs Fund, what "eligibility", "suitable" and so on meant, how you physically refer a person sat in front of you, how you use the system and how they then end up going for an interview. All those things needed to be worked out and, as it happened, most organisations that were running the Future Jobs Fund worked it out together with Jobcentre Plus. That's partly why you end up with slightly different versions of what's happening across the country. Different partnerships agreed on different

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mechanisms to do things, but once we got over that, the process was fairly good.

If we're talking about the volume of people who are being referred in some areas, we can take the Greater Manchester experience, which involves 8,000 jobs in total, or that's what it will be. The number of people who end up being referred every day and every week is in the hundreds all the time. It is quite a mammoth task if you just break it down to that one area. Then you get people not knowing quite what the job is that they've come for, or people being referred who are probably not that suitable for the job that they've come for. Keeping employers on board in those situations can be difficult, but mostly everybody understands that scale and volume will create these things. Overall, I would say Jobcentre Plus has done a very good job.

Q86 Karen Bradley: In Greater Manchester, you went for 35-hour jobs. Is that right?

Tracy Fishwick: Yes.

Q87 Karen Bradley: Was there a reason why you went for 35 hours rather than the minimum?

Tracy Fishwick: Yes. The bid was developed at the highest level in Greater Manchester. It involved the chief executives of all 10 councils. It was a very strategic decision to get involved on that scale. It sat alongside the other efforts on how we tackle worklessness, how we look at getting people out of the poverty trap and how we got as much as possible of the six and a half grand into their pockets to spend, rather than being tied up in administration and other things. It was a deliberate strategy, which has proved challenging to manage financially—but, yes, it was very deliberate.

Q88 Chair: The bell is ringing and we are not quite finished. Perhaps we can roll up the last set of questions into one question with a few parts, because I am conscious of the time.

We know that Future Jobs Fund is coming to an end—there will be no new entrants from March 2011. It was mentioned in the earlier session that the Work Programme does not come into place until next summer at the earliest. There is clearly a gap, so is there room for evolution or can that not happen because the programme will come to an end? Is there room for some evolution because some of the lessons that have been learned from Future Jobs Fund could sit easily within the Work Programme?

The Government say that they will fill that gap because of the increasing number of apprenticeships, but those are for 19-plus, so is that a different cohort from those who have benefited from Future Jobs Fund? We know that the apprenticeship guarantee applies only to England anyway, because that is a devolved issue in Scotland and Wales, so are there gaps there?

To roll all that into one question, what advice should our Committee be giving to the Government? If they are not going to continue with Future Jobs Fund, what should they be doing to fill that gap, to make the transition, and to keep the good stuff that is already happening in Future Jobs Fund? What should they be

wary of to make sure that they do not make any mistakes as they introduce the new programmes? That is quite a lot in one question, but hopefully you get the gist of what I have asked.

Tracy Fishwick: Youth unemployment is still with us—a third of all Jobseeker's Allowance claimants are aged 18–24, and in some areas it is getting into 40%. It is still a huge issue. There will be a significant gap in many areas, especially in the north and in areas where the impact of public sector job cuts will be bigger, and so on, bearing in mind the readiness of the private sector to fill that void in terms of creating new jobs. People are worried about what is likely to happen to a large group of young people.

I would like there to be some kind of temporary extension to Future Jobs Fund, even if it is sat within the Work Programme, ultimately. There might also be a way of looking at some of the unused, what is called rolled-up, weeks. While we create jobs for 26 weeks, not everybody stays for that long, so there is some money, potentially, still in DWP that is not being drawn down for every single person. Is there a way of using that to subsidise other jobs in that gap period? That would be a request, or something that DWP could look at.

Ultimately, how will the lessons that we can learn from Future Jobs Fund be morphed into Work Programme? A huge infrastructure has been created just around work placements; around managers who are turned on to the idea of having young people in their offices, their businesses, and their social enterprises; and around the voluntary and community sectors, and so on. It is a huge infrastructure and there is a willingness and an appetite for this, so how do we get that lasting legacy into the Work Programme? Can we make sure that the Work Programme providers talk to the big LABs—Lead Accountable Bodies—which have been running Future Jobs Fund, so that we can join all that up where possible?

Q89 Richard Graham: We have talked a lot about Future Jobs Fund and different programmes. From all the evidence that we have heard, it sounds as if Future Jobs Fund was a well-intentioned, spur-of-the-moment, desperate attempt to try to get young people off the unemployment register, with mixed results and not much involvement from the private sector. The bottom-line question to all this is why are there so many young people who are NEETs in this recession? Why is the number so much bigger than in previous recessions?

Professor Gregg: It's not. It is not bigger than in previous recessions.

Q90 Richard Graham: Yes it is. We have record young unemployment at the moment, whereas employment figures were much higher in the early '90s.

Professor Gregg: The gap relative to older people is higher, but the number of NEETs is not.

Q91 Richard Graham: But the percentage is much higher. Is there not a wider question in there? Why is it that employers are not taking on young people? Is it that they have lost confidence in what people are

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coming out of school with? Are they preferring to take on someone who has had a job already—almost whatever job—because, as a point of reference, it is something that shows that they are capable of doing a job? What do you all think? Or do you think that this is all perfectly normal, and that we should expect to have record youth unemployment?

Professor Gregg: Young people always suffer more in recessions. Firms do not shed labour that they have got, which is valuable, experienced and trained, unless they are desperate. In this particular recession, what has been very successful is that firms have not done as much of that emergency shedding of labour—the panic stuff—because they are going out of business. They have done shrinkage by not recruiting, a recruitment-freeze type of shrinking.

Q92 Stephen Lloyd: Also wage cuts. Everyone has taken wage cuts.

Professor Gregg: Yes, I'll accept wages. All that means is that the people who bear the brunt are those trying to enter the labour market rather than those who are there already, suffering large-scale displacement. That is why it falls on the young. This time, the gap between the older and the young is more acute than in previous recessions, but it is slightly less as a share of the young person's population. More are in education now. Far more young people are staying on in education, so the share is of those who are not staying on in education. That is where the unemployment rates are high. That is high, relative to previous recessions.

Let us take the young person population. Because there are more in school, what you are dealing with is a more acutely deprived group than was previously the case. It echoes a deeper point, which has been made once or twice. The school-to-work transition isn't working well. For many people leaving school with low qualifications, the transition into work, which is important in respect of getting on that ladder, isn't working well.

Q93 Richard Graham: So that's where the departure is.

Professor Gregg: Connexions and that kind of stuff need to be looked at. The Connexions service isn't working well in terms of getting people from deprived backgrounds into work at the first stage. As the economy picks up, some of that will be solved. The deepest problem has been gathering pace prior to the recession since about 2004, but I would like to make the split between that deeper problem with the school-to-work transition that is not working well, and how to deal with the people who fall through—there will always be some—and who end up at risk of long-term exposure to unemployment.

You can't catch everybody with the first net in this case. The lives of some people go wrong afterwards. You need something built within the welfare system, and I advise that some form of requirement for work experience—maybe not six months, but much shorter—is embedded within things like the Work

Programme. As we discussed before, you may use Work Programme first—it's low cost—to get people out. But at some categorisation of people in the most needy group, you must get some kind of work experience embedded within the programme, not pure black box.

Q94 Chair: I am very keen on the CBI speaking, and that we don't lose track. We need points made about what needs to be in the future in terms of what the Government will do, either to carry on what was good about the Future Jobs Fund or make sure that it is more effective.

Neil Carberry: One of the advantages of the early proposals for the Work Programme is that they are a bit more bottom up. There is a lot more of sitting with someone, thinking about what interventions they need and at what point the practical work experience that Paul has identified is useful. I also echo the point made about labour conservation. There has been a strong stream across the private sector—probably based on the experience of the '90s recession when some executives felt that the axe was taken a bit far, a bit early and the firm was not then prepared for the recovery—to control wages as the method to cope with conserving labour. That means that there is quite a lot of excess capacity in terms of human resources within members. That is one of the factors that is driving lower hiring. As Paul says, lower hiring does affect the issue.

Q95 Chair: If that's the case, and there is less hiring, will there be a problem with employers taking on apprentices, which is clearly the new Government's preferred route?

Neil Carberry: It takes a long time for employment to recover from a recession, but we are now beginning to see some of that apprentice spend returning. Apprenticeship programmes seem to be somewhat more resilient to recessions than less formal arrangements. If you as a firm take in two or three A-level leavers every year for a more on-the-job approach, that is more open to being cut back than if you are engaging in a two or three-year apprenticeship programme. Therefore, we hope that apprenticeship numbers are more resilient on that basis, and that funding can be used to encourage apprenticeship development in key areas, and particularly at younger levels than 19.

Q96 Chair: There's going to be a four to six-month cohort who will not get on the Future Jobs Fund from March and won't get into the Work Programme until it is up and running at some time in the summer. That is key to us as a Committee, and you have the chance to give us suggestions for what we should recommend.

Emma Watkins: It's probably not entirely our place to comment on the transitional arrangements.

Q97 Chair: Please do.

Emma Watkins: There obviously need to be some to avoid a substantial gap. We hope that some of those people might be picked up through existing Flexible New Deal contracts to bridge the gap.

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Q98 Chair: But they'll have gone by then, will they not?

Emma Watkins: We're not entirely clear.

Q99 Chair: It doesn't cover Aberdeen, for instance. I know that it is only partial across the country.

Neil Carberry: Certainly, there is a range of tools that will remain in place. The question is whether they will be resourced in a way that helps that particular cohort.

Q100 Chair: Is there a danger that that won't happen, because all the energy and focus is going into the Work Programme?

Professor Gregg: There is a big risk. It is very hard to get the capacity. When developing a whole new system, a lot of energy will be focused in that area by central Government and Jobcentre Plus. It will be hard to maintain or catch the people who are in that kind of gap. We have seen it every time there is a new programme. The old staff diminish in quality and volume ahead of the arrival of the new programme.

Q101 Chair: But some kind of carry on, whether it's Flexible New Deal or Future Jobs Fund.

Professor Gregg: If it's an apprenticeship guarantee and if you have enough places and can make it stick, fine. But some kind of guaranteed option place is—

Q102 Chair: On apprenticeships, could someone answer my question about whether it is the same cohort getting apprenticeships? I think you mentioned that before, but perhaps a different cohort might get

the apprenticeships as opposed to the Future Jobs Fund, and what happens to the guarantee in Scotland and Wales?

Tracy Fishwick: In terms of cohort, I think there is a really big risk of young people not getting into an apprenticeship either because they won't see themselves as being able to get one, so they select out, or they won't have the prerequisite basic level of education—five GCSEs or similar. That is where the Future Jobs Fund and other things in the past filled the void.

The other thing I would like to add, which does not necessarily help, is that other local funding is about to stop, such as the Working Neighbourhoods Fund and Objective 1 areas in Liverpool, and other places in the country where the European Social Fund will stop. A lot of that added capacity locally for this kind of programme delivery—ILMs or other kinds of employment support with mentoring and coaching and that really intensive stuff that you don't see with the broad brush Jobcentre Plus interventions, and the £1,000 interventions. You don't see that level of input, so there is a building gap that isn't just about the Future Jobs Fund.

Q103 Chair: When will ESF stop completely?

Tracy Fishwick: Some of it will have gone, some of it will go in December and some of it will be some time next year—the same time scales.

Chair: Any other questions? Well thank you very much for coming along, and thanks for your evidence, which will be really useful when we come to write our report.

Wednesday 10 November 2010

Members present:

Miss Anne Begg (Chair)

Harriett Baldwin
Karen Bradley
Alex Cunningham
Richard Graham
Kate Green

Mr Oliver Heald
Glenda Jackson
Stephen Lloyd
Teresa Pearce

Examination of Witnesses

Witnesses: **Rt Hon Chris Grayling MP**, Minister for Employment, **Mark Fisher**, Director, Jobseekers and Skills, **Julia Sweeney**, Deputy Director, Young People and Employment, Department for Work and Pensions, and **Claire Burton**, Head of Apprenticeships Unit, Department for Business, Innovation and Skills/Department for Education, gave evidence.

Q104 Chair: Welcome Minister. Thank you very much for appearing before us this morning. Can you introduce the people you have brought along with you?

Chris Grayling: I will indeed; I will go from my right to left. Mark Fisher is from our employment policy division and has an overview of most of our employment-related activities. Claire Burton is from BIS and she is responsible for apprenticeships. Julia Sweeney on my left is also from the DWP and she was most integrally involved with establishing and developing the Future Jobs Fund. I hope that gives you a portfolio of experience that will enable you to address all the issues before us this morning.

Q105 Chair: From the past and the future—we hope it will. Thanks very much for coming along this morning and welcome to you all.

In the Department's written evidence, it states that it's too early to understand the impact of the Future Jobs Fund and whether it has had a significant impact on the entry to employment for the individuals who took part. It is also the case that you as a Department have yet to finalise the evaluation arrangements. When will that evaluation take place? What criteria will be used to assess the effectiveness of the programme?

Chris Grayling: The initial evaluation is underway and will report next year. Let's be clear: the Future Jobs Fund at the moment is continuing. The decision we took back in the early summer was not to axe the Future Jobs Fund on the spot, but along with all of the employment programmes the Department is currently operating, to wind those down for the end of this financial year before we move into the Work Programme. What we have done is started to do some very initial evaluation of the Future Jobs Fund. We published the limited evidence we have so far on the Department's website yesterday afternoon—we are very happy to provide details of all the information we have for the Committee—that evidence suggests, effectively, that around 50% of those who enter the Future Jobs Fund are back on benefits after seven months

That has masked a couple of things. First of all, in some cases individual employers have extended the period of the Future Jobs Fund job beyond the six months, so it's not a true reflection of whether

people have actually left the Future Jobs Fund job or whether they have got a permanent position, but the total is 50%. Now, by comparison, for people who entered a permanent job at the same time, around 35% are back on benefits after seven months. Those are the first indicative figures that we have about the outcomes of the Future Jobs Fund. To me, that reinforces some of the concerns I have about the overall cost of the project, and confirms to me the decision that we took earlier in the summer.

Q106 Chair: But the obvious question is still: why take that decision before any evaluation had been carried out?

Chris Grayling: A lot of the decisions we have taken in the last few months have been based on value for money. If you look at the cost of the Future Jobs Fund, and if you take that 50% figure as a best case—the number of job outcomes, or the number of people off benefits, will in reality be lower than that—it implies that the cost to the taxpayer per unsubsidised job outcome at month seven could be as high as £13,000. If you look at what was being achieved by the New Deal for Young People, the cost per job outcome (in 2004–05) was £3,480. We are dealing here with a very, very expensive programme.

Another thing that is worth saying is that although intermediate labour market activities of this kind certainly potentially have a place at the most difficult time of an economic downturn, even those who advocate this in some of the international organisations that analyse these things would say that these are only ever really appropriate as temporary measures to deal with short-term issues. The view we took when we started was certainly not to stop the Future Jobs Fund in its tracks. We have continued to have young people placed in Future Jobs Fund jobs throughout the course of this year; that will continue for a short while longer. The Future Jobs Fund will then, along with the New Deals and the Flexible New Deal, be replaced next year by the Work Programme.

Q107 Chair: But there is a gap between when the Future Jobs Fund stops taking new people on and when the Work Programme comes in—that could be anything up to six months.

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Chris Grayling: Shouldn't be. The funding is there. At the moment the Future Jobs Fund is still in numbers terms behind where it was originally anticipated to be; about 20,000 fewer jobs have been created at this point than was in the original tracking for the Fund. The funding is there to continue placing people for the next few months. Those jobs in some cases will be able to continue through the start of the next financial year. Yes, referrals will stop in a later part of this financial year, but that's the case for a number of other programmes, and those people will instead be referred to the Work Programme.

Q108 Chair: The Department decided not to commission an independent evaluation. Why not?

Chris Grayling: To me there is a simple question. One of the things I have been worried about since taking office is there is a danger in financially straitened times that we spend vast amounts of money evaluating things that we are no longer going to do. We'll certainly publish all the information that we acquire about the Future Jobs Fund. We will publish performance figures. We will publish—and indeed we have done—the latest figures on progress for the Fund. However, there is a question about how much money we spend at a time when budgets are pretty tight on evaluating things we are not going to carry on doing. Mark, is there something you want to add to that?

Mark Fisher: No, that's absolutely right.

Chair: We have questions about value for money and we will tease all those kind of things out later.

Q109 Harriett Baldwin: Some of the evidence we have taken from employers highlighted some of the points in the design of the scheme that they thought could have made it more effective. One of the suggestions was to provide some sort of incentive for employers to help people who had been on the Future Jobs Fund to find permanent employment, and I wondered if that's something that had been thought of in terms of designing the scheme.

Chris Grayling: I don't know about the original design. Julia, you might like to pick up on the original thought about designing the scheme.

Julia Sweeney: The design of the Future Jobs Fund was developed collaboratively with design partners, so those who were delivering were very much involved in helping us decide how best to administer it. There was a balance to be struck between allowing the space and capacity for innovation that we thought was very important to harness partnership capability and to provide interesting and dynamic experiences for young people, and using a financial model that would drive outcomes. We settled on a grant mechanism to deliver the former—the capacity for innovation and quality delivery for young people—and partners came together in new configurations, new partnerships were formed, and we saw some more capacity coming into the welfare to work delivery as a result, which we will see the benefits of afterwards. One of the constraints of the grant mechanism is that you cannot put contractual incentive mechanisms into it. We did design a grant mechanism that had very dynamic reporting, so we know each month what's

happening with our delivery partners, we know what they are achieving and we have good quality management capacity through the work we do through my team and the work we do with Jobcentre Plus to make sure that young people are getting appropriate and well-designed opportunities. I think striking that balance has enabled partnerships to deliver on quality and support, and given them the space to innovate.

Q110 Harriett Baldwin: There was also feedback from some of the employers that there hadn't been a central system for tracking how people got on after they came to the end of their Future Job, but it sounds as though you have got some data coming together.

Chris Grayling: We are certainly trying to track that and we will do more to understand the impact of schemes like this. I think the key point is that actually, at the stage we are now, there is relatively little data available—and there would have been at the time the employers were giving evidence—to understand the impact simply because it's a six-month programme. Go back six months from now and give us a bit of time to collect the data for the aftermath; you're talking about February-March time. That was really at the time when very few of the jobs were up and running. When we took office back in May there were, I think, fewer than 10,000 placements that had actually been made, even though the commitments had been made to some of the providers to provide around 100,000 jobs, and those 100,000 will be fulfilled.

Q111 Harriett Baldwin: So the tracking is there. It is now just a question of gathering that data.

Chris Grayling: Particularly, from our point of view, what we want to understand with any programme that we do—what we are most fundamentally concerned about—is: does this actually get people in sustainable employment? We have the ability to look at the individual cases that have been referred, making comparison with, for example, tax and National Insurance (NI) records, and to understand whether somebody is, firstly, on benefits and, secondly, whether they are in unsubsidised employment. We will certainly do that kind of evaluation internally.

Q112 Glenda Jackson: Just to go back to what you said earlier, Minister, which had to do with the number of people who after six months were back on benefit. I think you said 34% of people had a permanent job but then were also back on benefit. I was interested to hear that you are going to do some tracking, but do you have any information as to why that happened? Why did so many people after six months go back on to benefit?

Chris Grayling: First of all, if you look at the group of people who are almost the comparative group—the ones who would go into employment anyway—that is a fairly typical pattern. A lot of people will be going into short-term employment or the employment may not have been successful. Also, in the case of young people under the age of 24, sometimes there are very good reasons why they are going into employment on a temporary basis. They may, for example, be doing a job for a few months before going on to education.

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The figures give an indication of those who are going into employment and are then returning to benefits subsequently because they have been on a short-term contract, for example.

The 50% figure is purely the percentage of those who have entered the Future Jobs Fund so far, and this is only one or two months' figures. What percentage do we find on benefits after seven months once the Future Jobs Fund is over? Now the Future Jobs Fund, at its core, is a six-month exercise, so you would expect a significant proportion to be back on benefits because it terminates. The question will be: how does that vary? How many of those people are actually in sustainable employment? The judgment that we made, and I think these figures confirm it, is if you look at the relative cost of the Future Jobs Fund by comparison with other programmes like the New Deal for Young People, it is a lot more expensive. Therefore, in order to be justifiable, it would have to deliver a quantum more in terms of performance than other programmes, and I don't think the evidence is there that it does.

Q113 Glenda Jackson: Forgive me if I have misinterpreted, but does that mean you're presenting the Future Jobs Fund as some kind of buffer? You gave the example of temporary employment before people go into education. Was your reading of the Future Jobs Fund that it essentially had no real purpose in creating permanent employment for these young people? Is that buffer going to be taken away with your new scheme? Those young people are simply going to be left to drift for six months, or perhaps longer, if the next step you are presupposing is that they will go into further education.

Chris Grayling: There were two reasons for anxiety about the Future Jobs Fund: one was the value-for-money question; the other was the nature of what was being created. Now I happen to believe that the best and only really sustainable way of building employment for young people now is to create employment for them in the private sector. We are at a time when we know the public sector is under pressure, and there will be less public sector employment in the future. An awful lot of what the Future Jobs Fund was doing—for structural reasons, among others—was diverting people into employment in and around the public sector.

Now my view is that the investment the Government have made in apprenticeships is a much better way forward for those young people in creating genuine long-term sustainable employment. An apprenticeship is a job that leads to something permanent, whereas the Future Jobs Fund potentially is a job in and around a local authority for six months and then nothing else. You asked the question about whether we end up with those young people being parked—absolutely not. The mandatory point for entering the Young Person's Guarantee was 10 months. Under the Coalition Agreement, the reference point for a young person to enter the Work Programme will be six months. Although we are looking quite carefully at exactly how we move different groups, particularly some of the harder-to-help groups, into the Work Programme, we are certainly not looking at leaving them parked

for months and months when otherwise they would have been on the Flexible New Deal or on the Future Jobs Fund.

Q114 Glenda Jackson: So essentially you are saying that the reason that they went back on benefit so quickly was because of the huge cuts in public sector jobs.

Chris Grayling: No, because it was a six-month contract. That is all the Future Jobs Fund is: it's a six-month job placement with no guarantee of work at the end of it. What has happened simply is that a large number of people who have gone on to the Future Jobs Fund have ended up back on benefits at the end of it

Q115 Harriett Baldwin: I just wanted to pick up on the point you made earlier, Minister, that 20,000 fewer jobs have been created than was originally planned. Could you just explain the reasons behind that?

Chris Grayling: From the start, back late last year, the Future Jobs Fund has always been behind the curve. There were some operational problems getting things established, and I'll ask Julia to detail some of those in a moment. There were a number of reasons linked to the speed of the introduction of the programme. Issues around at the time—post office issues for example—meant that it was always behind the curve, and that really hasn't changed throughout the year. It has always been slightly behind where it was originally estimated to be. We still think that the programme will deliver the 100,000 placements that we talked about when we made the changes back in the early summer, but it has always, dating back through the last Administration, been slower to take off than it was originally intended to be.

Q116 Harriett Baldwin: So it's just a time lag? In absolute terms, you still expect to see the same number—

Chris Grayling: In absolute terms there is no reason for it to be 20,000 fewer. Julia, do you want to just say a word about the initial operating issues?

Julia Sweeney: I think it is worth remembering that, at the point the Future Jobs Fund was introduced, the Department was developing a very broad range of additional support for jobseekers to put more capacity and more support into the system as unemployment climbed really very fast. We developed a portfolio of support for young people, and it is worth remembering that the Future Jobs Fund was one of a series of support measures to consolidate the offer for young people. Policy development was really very quick, actually, but implementation was slower than we expected.

There were a number of reasons for that. At the point we introduced the Future Jobs Fund there was a postal strike—a very practical difficulty in terms of getting grant letters back and forth to participating partners. This was a new relationship with the Department for a lot of delivery partners and it took their legal teams longer that we planned for to look through the grant letter and accept the terms and conditions of the grant—it was quite a complicated arrangement. Frankly, we underestimated how long the recruitment

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process took for a lot of participating organisations. Many used their mainstream recruitment systems, which took up to three months, particularly if there were Criminal Records Bureau (CRB) checks involved. Snagging some of those early delivery problems became quite an issue. As a result, the pace of job development and job filling was slower than we expected.

I think now, though, we are very much on track to deliver the number of jobs that we have committed to delivering, and that looks to be the right number based on the demand from Jobcentre Plus and young people receiving Jobcentre Plus support. Unemployment for young people didn't grow as high as we expected, and actually the numbers claiming Jobseeker's Allowance (JSA) started to fall more quickly than the Treasury expected. Given that this is calibrated to the needs of long-term unemployed young people, the number of jobs we now have to deliver to the end of this operational year looks about right from a delivery perspective

Q117 Chair: We're coming on to questions about value for money, but can I just clear up what you're saying, Minister? Are you saying that because these young people were only ever in jobs for six months and it was quite expensive, it wasn't worth doing at all?

Chris Grayling: No, all I am saying is we have looked at the figures to see how many of the young people who start the Future Jobs Fund are back on benefits after seven months. The answer is around 50%, and the substantial reason for that is these are six-month placements in an environment where there is certainly by no means necessarily a job to lead on from the Future Jobs Fund placement. One of the issues we inevitably judge in assessing whether a programme is effective or not is what is the cost of that programme per successful job outcome. Now, even if you assume that every single one of those 50% is in a permanent job, which actually won't be the case, you could still have a cost per unsubsidised job for the programme of around £13,000, which is something like up to four times the level of the New Deal for Young People.

Chair: But it was on a backdrop of an economic crisis and rising youth unemployment, and I suppose that has to be dealt with. I'll let Oliver ask these questions.

Q118 Mr Heald: Professor Paul Gregg, who has designed numerous programmes for the Department, told us that, certainly in normal times, the most economic and effective way of helping young people is to provide help with job search. Do you agree with that?

Chris Grayling: Yes, I think that's right. I think it is a combination of job search, initially through Jobcentre Plus for those who are struggling to get into employment through the Work Programme, which will provide enhanced support to the longer-term unemployed among young people, as well as to other age groups, to get into work; I think that is absolutely right. It's that extra investment of time and support when somebody is struggling. That is very much our approach for the next few years, and the Work Programme is designed to deliver that.

Q119 Mr Heald: Tony Hawkhead from Groundwork, who has been involved in intermediate labour market solutions for many years, said that a programme like Future Jobs Fund would not be cost-effective for those close to the labour market, but that it was a successful intervention for those who were very far from the labour market. Do you agree with that approach? If you're going to do it, this is really something for the long-term unemployed with barriers to employment, rather than somebody who has just been out of work for a while.

Chris Grayling: It is absolutely clear to me that giving people who have been out of work for a long period of time access to work experience, in whatever shape or form, is the right thing to do. I don't think I necessarily agree that that applies purely to the longer-term unemployed; I think shorter periods of work experience are very relevant to newer jobseekers. That is one of the reasons why we are really stepping up the work we do through Jobcentre Plus in and around work experience, where there will be a proactive effort for the first time to secure work experience opportunities, for young people in particular. I think longer-term labour market interventions are something that some of the Work Programme providers might very well choose to do.

What I don't want to do is impose a "one size fits all" on them. In some cases we know that a relatively short period, even for the longer term unemployed, can make a big difference. For example, look at the scheme run by Marks and Spencer to give long-term unemployed people a taste of working life in the store. I've talked to some of the young people who have been through that process and they will all say to you that this is a transforming experience—they never really quite believed they could do this.

We should remember that there is an awful lot of talk around about benefit scroungers; I never use that language myself. I think the biggest issue is around people who don't have the self-confidence, and who have either grown up in an environment where they are a long way from the workplace or, because of long-term welfare dependency, are a million miles away from the workplace. I think that labour market experience is an absolutely vital part of bringing those people back closer to the opportunity of getting a job, and what I expect to happen with the Work Programme is that providers will form partnerships with organisations that can deliver that kind of experience to them. It won't be on a "one size fits all" basis for a programme like the Future Jobs Fund, but I expect them to negotiate arrangements of this kind on a localised basis.

Q120 Mr Heald: During the last Parliament we did meet some of the Marks and Spencer scheme people and it was very heartening to see quite how successful that had been. Just continuing with this theme of value for money, one of the points that some people have made to us is that you can't just compare the costs of New Deal for Young People with this programme because, of course, while the person is on the New Deal for Young People they still receive their benefits, so you have to factor that into the equation. In doing

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that, do you still take the view that Future Jobs Fund is an expensive intervention?

Chris Grayling: Yes. Over the six-month period, on the lower rate of JSA for a young person you are talking about £1,250-odd as being the corresponding Annually Managed Expenditure (AME) saving of having somebody on the Future Jobs Fund. So yes, the net cost of a Future Jobs Fund start would then reduce to a little over £5,000. We know that a 50% outcome rate is optimistic; some of those people are still in Future Jobs Fund jobs because they have been extended through local arrangements. In terms of ongoing long-term employment, even if you assume that 50% is right, you could still have a cost—per unsubsidised job outcome—of more than £10,000, which is up to three times the New Deal for Young People rate.

Q121 Mr Heald: Finally, do you think we should really look at Future Jobs Fund as an emergency measure that was taken in the depth of the recession to try to ensure that some young people didn't have a long experience of unemployment, but not really something for other times?

Chris Grayling: I think that's right. I think it was there partly for the reason you described. I think it was partly there for political reasons as well. We certainly took the decision that this wasn't something that should be axed on the spot. We thought that, in the current climate, it was sensible to sustain it though the course of this year. Look at the nature of the labour market now. I don't underestimate the challenge we face given the changes in the public sector, but it is nonetheless the case that the private sector grew employment opportunities at a record rate over the course of the summer quarter.

One of the frustrations I have—and I think one of the real signposts for the importance of the Work Programme and what we do in future—is that, if you look across the country, you are seeing very big increases in private sector employment but very little change in claimant count unemployment. I think that's the big challenge we have to overcome; that's to my mind the key purpose of the Work Programme. We can't go through year after year after year when jobs are created, as they were over the past decade, but the number of people on out-of-work benefits in total barely changes.

Q122 Kate Green: May I just ask a few questions? The first is just pursuing a little more this line of discussion about the relative cost of the Future Jobs Fund. I think we understand that it is expensive relative to other interventions. It was suggested by a couple of the witnesses whom we have seen so far that while that kind of intervention was perhaps too heavy duty for young people who could have got into work more cost-effectively, it would continue to be necessary for young people who were furthest from the labour market or would be particularly unlikely to access jobs because of low levels of qualifications and a very poor school experience and so on. That's going to drive up the unit cost of that kind of intervention if we need to continue that kind of model for a very

vulnerable group of young people. What's your response to that?

Chris Grayling: One of the things that will be different about the Work Programme to the kind of core employment programmes that the DWP has run before—not in relation to the Future Jobs Fund, but the New Deals and the Flexible New Deal and so forth—is that the pricing of the Work Programme will have a differential structure based on the scale of challenge that an individual represents. It is something that the Australians have done, for example. That is in recognition that the task of helping somebody who has lost their job and has been out of work for 15 months, but has a previous employment record, is much less of a challenge than dealing with someone who has been on incapacity benefit for 10 years, or a 23-year-old who has grown up in a workless household and has never been off benefits and so forth. So there will be a graduated structure that reflects different levels of need; I think that is extremely important.

In terms of sustainability, one of my concerns about the Future Jobs Fund is that in many ways the name is inappropriate. "Future Jobs Fund" implies something going on for the future; actually it is a six-month placement. By way of contrast, I am very much of the view that we should be putting our effort into apprenticeships. We have created 50,000 additional apprenticeships for the current year. We have a substantial apprenticeship programme that grows going forward. If you are looking at where you try and help those young people who are struggling to establish a future, I would see the Work Programme as really trying to get those young people work-ready, and apprenticeships as being a route for them to get into long-term sustainable employment. I am very excited about the apprenticeship programme. I think it's absolutely essential. The point about it is that an apprenticeship leads somewhere; the Future Jobs Fund doesn't; it's a six-month contract and that is theoretically it. There will be some people in the Future Jobs Fund who manage to continue in employment afterwards, but I think you are much more likely to find sustainable employment in the part of the economy that is going to grow and develop in the next few years if you go through the apprenticeship route.

Q123 Teresa Pearce: Just going back to what you said earlier about 50% of people who have been on the Future Jobs Fund being back on benefit in the seventh month, with lots of young people I meet, they've come out of college, they've been unemployed and they've done course after course after course but employers say, "You've not ever actually had a job," so that is a barrier. When they've done that six months on the Future Jobs Fund and they have had a job, they come out of that, maybe in the seventh month claiming benefit, but do we have any evidence of whether they then get a job under their own steam in the eighth, ninth or 10th month?

Chris Grayling: We don't yet, as not enough time has passed. We will be looking at that, and I will be very happy to come back and talk to the Committee about it in due course. The timing of the programme was

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that effectively the first people didn't really start in the Future Jobs Fund until the first part of this year. They have then gone through the six months. The seventh month figure we have from the labour market statistics a month or two ago, but we as yet do not have the data for the two, three and four months beyond that, simply because not enough time has passed, but we will be looking at that.

Q124 Teresa Pearce: So it could have possibly been more of a success than we know at the moment?

Chris Grayling: Yes, it is possible there is movement upwards, but equally there is likely to be movement downwards on that 50% figure because we know that some of the Future Jobs Fund placements through local funding were extended to eight, nine and 10 months. There will be more people in that initial cohort moving off the Future Jobs Fund, so the 50% figure will fall. Yes, there might be some who get jobs as a result, but they might well have got jobs anyway at that point.

The question is: where is the evidence of relative cost? They could have gone through a supportive programme like the New Deal for Young People, and I hope the enhancements provided through the Work Programme of more tailored personal support will improve the performance level by comparison with what we've experienced with the New Deals. If you can deliver somebody a work opportunity, if you can find them a work experience opportunity, and if you can get them into sustainable employment for a small part of the cost, you have a package that is nonetheless better. I am not suggesting for a moment that there are not young people who will have been through the Future Jobs Fund who won't then be able to find a job. What we have to say is, "Okay, this is a very expensive programme." There are technical reasons why the private sector really didn't participate to any significant degree at all in the Future Jobs Fund—

Chair: We have questions on that next, so don't go into that in detail.

Chris Grayling: What are the relative benefits and the relative likelihoods of the different programmes to get somebody into sustainable employment? The judgment we took was that we would see the Future Jobs Fund for the rest of the year, but then move on to the Work Programme.

Q125 Glenda Jackson: Could I just take you back to the Marks and Spencer experience? Is this something that other retailers are participating in? I am thinking of those, for example, who wrote that letter saying that the private sector would be able to create the jobs necessary. Are they all participating in this, and are they actually coming to you and saying, "We can guarantee to create this number of jobs for this number of young people."?

Chris Grayling: We've been very encouraged by the response so far to the work experience initiative we launched three months ago. I will get Mark to talk a bit more about that in a moment. The guidelines we inherited basically said to Jobcentre Plus advisers, "Don't let people go for work experience of any length while they are on benefits." We have changed those guidelines and are now actively encouraging

Jobcentre Plus advisers to seek out vacancies, and we have an outreach team within Jobcentre Plus that goes and looks for them. We have also said to them, "Look for work experience opportunities as well," and we have said to advisers, "We want you to try and put some of the young people who are looking for work into those work experience opportunities." This is in the first few months of job search, not by the time they get to the point covered by the Future Jobs Fund or by the Work Programme. I am very much of the view that this is a good thing to do. So far we have had a good response to it. We have a way to go yet to really dig it in, but I think this is the direction of travel. Certainly we have found bigger retailers and bigger employers very co-operative. Mark, do you want to say a few words?

Mark Fisher: I am actually visiting Asda next week to try and get an engagement with them on exactly the same basis as Marks and Spencer—i.e. are they going to participate on this sort of work experience-type arrangement or other arrangements? The other initiative I think is relevant is we have been working closely with Department for Business, Innovation and Skills (BIS) and with the Sector Skills Councils on a concept called a Service Academy, which is an arrangement whereby we provide that somebody's benefit can run on while they get work experience with a retailer or in the hospitality sector, and the skills system will provide bespoke training for that person in that sector—for example part of an NVQ in customer service in retail or something of that sort. The employer will then give them a guaranteed interview, so they then spend six or eight weeks leading to a guaranteed interview, with some skills training. If they don't get a job with that particular employer, they have a really good chance of getting a job somewhere else in the sector, because they have had work experience and they have had some skills training. I think that could be potentially a very powerful intervention that brings together skills and employment.

I think it is partly the answer also to the point that was made about these particular young people who come into the labour market having never had a job or any work experience and therefore find it really difficult to take that first step. It seems to be that if we can find businesses and employers who are willing to give somebody six to eight weeks of work experience, that real work taster, and some relevant skills training, we have a real chance of encouraging young people into jobs, particularly in retail, hospitality or care. We knew, even in the depths of the recession, that there were plenty of jobs in those particular sectors of the economy suitable for young people.

Q126 Glenda Jackson: So you are not actually pushing those companies that are engaging in the work experience programme to give you some kind of numbers of the jobs that they can guarantee to create? In that work experience, is there any cost to the employer that the Government have to cover?

Chris Grayling: Beyond some core costs of just people's time organising it, no. This is something that employers will be doing themselves and we are

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looking at employers on a large scale and a small scale. If there is a small business down the road that is in contact with Jobcentre Plus, I'm looking to the individual Jobcentre Plus outreach person to try to arrange a work experience placement at that business as well. My vision for all this is to get employers around the country focused on doing something positive for young people who are looking for work by providing an opportunity to give them a couple of months of experience of real work. In some cases those young people will end up staying with those organisations because it has worked well. In other cases it will give them a bank of experience to take for other interviews. Teresa Pearce is right that it is absolutely fundamental to give young people who have never had a sense of the workplace, or who are coming from a background where they have grown up in a workless household that—

Teresa Pearce: Not necessarily.

Chris Grayling: Sorry.

Q127 Teresa Pearce: It is not necessarily that their parents were out of work; it is just that they've left college and not—

Chris Grayling: Absolutely, in both cases, but it is particularly helpful where you have young people who have come out of school or college without any experience of work themselves, and without any experience of work in the family. One of the things I sense from the Marks and Spencer programme, when you talk to people who have been through it, is that it is quite transformational—it is the first time they have really had a sense they can do this.

Q128 Glenda Jackson: So is the evaluation of the experience exclusively down to the individual who has gone through that process, or will there be some other form of evaluation of just how well these programmes are working?

Chris Grayling: We are looking at this as very much a devolved arrangement. What I am trying to do with Jobcentre Plus is to make sure that the organisation is as un-top down as possible, to give much more discretion to the local Jobcentre Plus managers and to form partnerships with the local community for different aspects of what we do. We are looking to them to be the people who facilitate the establishment of work clubs in their area, and networks for unemployed people to share experiences and work together. We are looking to the local Jobcentre Plus teams, who are the ones who have the relationship with the small and medium-sized employers, to be seeking out work experience opportunities. In some cases we have national relationships and the companies concerned prefer to have national relationships—Asda being a case in point. Asda has already been helping us by supporting some of the work club developments in the West Midlands, laying on special sessions for work club participants and providing a day on the job for people who are going through the work club route to try and get clubs up and running in the West Midlands. In terms of work experience, one of the reasons Mark is going to see them is they prefer to deal with us on a national level rather than having lots of tentacles in different parts

of the country. So in some cases we will do it nationally but, where possible, I see this as being something that is done locally—where the Jobcentre Plus manager knows what works and doesn't work, and which employers are okay to work with and which aren't. That is much better than trying to manage all that centrally.

Q129 Chair: You seem to be saying that a period of work experience will be more successful in making a person job-ready for a permanent job than the Future Jobs Fund, but the evidence we got from our witnesses two weeks ago was that the difference with the Future Jobs Fund—and why they thought it was succeeding where work experience hadn't—was that this was real work with real pay as opposed to work experience. We have been there before with work experience. This is not anything new.

Chris Grayling: Absolutely, but if you look at the different stages of what we are proposing: there is the support we provide people in their first few months of a claim, helping them network and work together through work clubs, helping them get work experience through the programme I just described. This is a part of the early months' support for jobseekers more generally. The Work Programme comes at a later date when those people have not been successful in finding work in the way that the Future Jobs Fund also did. The mandatory point for entry to the Young Person's Guarantee was 10 months. It is later in the job search when it is quite clear that somebody is struggling to a greater degree that we offer much more tailored support. What the Work Programme is intended to do is to take some of the experience that already exists through existing programmes; to give providers the freedom to tailor support as appropriate to the needs of the individual; and to form local partnerships to offer placements, work experience and other such opportunities. However, it is not for us to seek to prescribe from the centre what happens. The danger of central prescription is if we have a programme that says there must be x amount of job placements. In some cases that may be very necessary; in other cases it may not be. In other cases it may be two or four weeks' placement with a local employer, a degree of job matching with the individual, identifying what their skills and capabilities are, looking at where somebody may need an opportunity, and trying to place them there for a short-term opportunity that potentially leads to employment. This is the way I see the Work Programme providers working.

I think we will understand more clearly the intervention that we have seen through the Future Jobs Fund as the months go by, and whether this was really a suitable vehicle to use on a very short-term basis in a time of recession. I have not heard anybody argue seriously that we should have this kind of intervention on an ongoing basis as the economy recovers. Since the growth in this country is going to come through the private sector and not through the public sector in employment terms, I want to see schemes that really build opportunities for young people in getting long-term employment in the private sector, and that's going to come through short-term work experience for some, apprenticeships for others, and the tailored

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support and matching to opportunities that you get through the Work Programme.

Q130 Glenda Jackson: But you're not asking the private sector to guarantee an increase in jobs?

Chris Grayling: The private sector will never guarantee to recruit a certain number of people, but the point is we have to ensure that those people who are on benefits are ready to take advantage of the opportunities that arise. One of the frustrations of the last few months, when you see what we have inherited in terms of the systems that are in place, is that they are not getting people off benefits and into work. Take one example: I am always particularly anxious about making sure that we address unemployment in the North East because it is a part of the country that has had its employment challenges in the past. I think it was really gratifying to see this summer that the private sector over that quarter created 17,000 new jobs in the North East. That suggests that, actually, the private sector can really help the employment market in that part of the country. However, there was almost no change at all—I think there was a change of 200—in the number of people on benefits. What we have to do is to make sure that we have systems in place that make those on benefits as work-ready as they possibly can be to take advantage of those possibilities when they arise.

Chair: On that point we will move on to questions about the private sector.

Q131 Richard Graham: Looking briefly at the past and the Future Jobs Fund, one of the difficulties that many people have flagged up for us is obviously the lack of private sector involvement in this programme. It is certainly true in my constituency of Gloucester, for example, that not a single job has been created from business; all the Future Jobs Fund opportunities there are public or voluntary sector. Was this the intention at the start?

Julia Sweeney: The intention of the Future Jobs Fund was to put the capacity into the economy and into the market to create additional opportunities for young unemployed people and long-term unemployed people. There are some real dangers with job creation schemes and intermediate labour market schemes. If you don't target them effectively, both in terms of how and where the jobs are created, and which people move into jobs, you run the risk of both substituting for real work, and moving somebody into a job that would have otherwise been taken by somebody else.

Q132 Richard Graham: Is that another way of effectively saying that this was a form of national service, with Government requiring local government to provide the jobs?

Julia Sweeney: I think that question is probably slightly loaded in terms of how I would answer it. I wouldn't directly compare the Future Jobs Fund to national service. I think what the Future Jobs Fund was intended to do was to create opportunities for young people who otherwise would not have been moving into work, and to ensure that the scheme itself didn't create any adverse conditions in the local economies it served.

Q133 Richard Graham: Okay, so can you tell us, Claire, what involvement was there with BIS. To what extent was BIS involved in the design and structure of the Future Jobs Fund?

Claire Burton: BIS was involved from a very early stage. I deal with work-based learning, but I know that my colleagues in the pre-employment training unit worked very closely with Julia's team from almost the conception, I think—when the idea was first suggested. One of the positives has been that working relationship and the closeness, not just in the Departments but also at a provider level, that has come out of the Future Jobs Fund. From my point of view, from a very early stage, we started to introduce the idea of moving people from Future Jobs Fund jobs into apprenticeships, so I think—

Q134 Richard Graham: Yes, okay, that's a separate stage, but at the stage when the Future Jobs Fund was created, what was your expectation of private sector involvement?

Mark Fisher: Shall I come in on that? The short answer is we never designed the Future Jobs Fund as a vehicle for private sector employment, as Julia has explained, to make sure these jobs were genuinely additional—that they didn't substitute for other people already in the labour market—and for reasons of state aid.

Q135 Richard Graham: You recognised at the beginning that because of the additional requirement, because of state aid, this was not going to attract private sector employers?

Mark Fisher: Yes, although there were situations in which particular private companies could invent special vehicles to enable access to the Fund and so on. It is worth, just if I may, adding one other point: the Future Jobs Fund was only ever part of the wider Young Person's Guarantee. Under the wider Guarantee, there were recruitment subsidies available and other initiatives that would enable young people to get jobs in the private sector. This was part of a wider range of initiatives that was put in place at the time.

Chris Grayling: It is worth saying that this was one of the factors that we took into account. In our very early stages in government, we looked at where Future Jobs Fund jobs were coming from and who the key intermediaries were. It was very clear, as I said earlier, that these jobs were being created in and around the public sector. By definition, that wasn't a path that was likely, in the current climate, to create sustainable employment in anything like the way apprenticeships would.

Q136 Richard Graham: Correct, and that is certainly, I think, the evidence that we have seen so far.

Minister, the whole look and feel of the Future Jobs Fund, where the first jobs actually came into being at the beginning of this year, just at the time when the public sector deficit reached record proportions and was the highest in the G20, seems to be rather ironic in that it was effectively trying to create more jobs in a public sector which was already heavily bloated and

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consuming an ever higher percentage of GDP. It has the look and feel, effectively, of a Ponzi scheme for young unemployed. What would you say to that?

Chris Grayling: I would certainly not say there is never a role for an intermediate scheme of this kind, but I have to say—had I been sitting in the DWP a few months earlier—that if you look at the cost of the Future Jobs Fund in overall terms, I would have certainly been spending far more of that money on apprenticeships than on Future Jobs Fund jobs.

Chair: No, you will get your lot. Karen has another section.

Q137 Karen Bradley: I would like to cover how the Future Jobs Fund was implemented. Your written evidence notes that fewer jobs than expected were created by December 2009, and earlier we did touch on the time lag etc. Were the Department's plans unrealistic?

Chris Grayling: It's less that they were unrealistic and more down to the fact it was a slow start. If there's an argument about a lack of realism, it was actually about how long it would take to get this up and running. It took perhaps two or three months longer than I think was initially expected, so there has always been this lag. Certainly, when we took office, the performance level—from memory—was that, by that point, around 25,000 positions were supposed to have been created through the Future Jobs Fund; the reality was it was fewer than 10,000. That was certainly a factor. We looked at this and thought, "Well okay, so how do we achieve what we need to achieve? This is clearly not the long-term way forward. There are a number of jobs that are already committed to that have people lined up to take them; we're not going to suddenly bring the axe down and stop everything tomorrow. It is logical to phase this out as part of our plans to phase out all the existing programmes and merge them into the Work Programme at the end of the year." So, while I probably wouldn't have got to where we were when we started, it seemed to me inappropriate simply to chop that support overnight, given the impact that would have had on all of the individuals that were lined up for opportunities at that time and the organisations that had arranged the placements.

Mark Fisher: Could I just add one point on the implementation, if I may? There is a balance. It is absolutely true that this whole scheme took off more slowly than we planned and expected. On the other hand, the scheme was announced in May. We had to build an entirely new supply chain with a whole set of partners we had never actually done business with, and we got the first jobs through the door in September/October. Just to balance this, it was delayed but it was quite an achievement in simply getting the whole scheme running and getting to an industrial scale in really quite a short time. I think Julia and her team did a fantastic job to get that done, recognising that we didn't get as many jobs through as we thought, there were problems with CRB checks, and there were other issues that have been picked up. I'd just like to put that on record.

Chris Grayling: I would echo that point. Whether or not the policy is right, one of things that I have experienced since arriving in the DWP is we have a

very good team of very committed people who will move mountains to try to deliver what we ask. Nothing that we hear or say today should deflect from the efforts that Julia and her team put into making this happen. If there is a question mark about whether the policy was right or not, that is something that resides with politicians.

Q138 Karen Bradley: Certainly the evidence we've received from a number of witnesses has been that the contractual arrangements were very complicated, and we touched on how long the legal issues had taken. One of the themes that came through from the witnesses was that, because the contractual arrangements were quite difficult, the providers who ended up delivering the jobs were the providers who'd always been involved in delivering jobs under these kind of schemes, and it didn't really bring in any new providers. Do you have any views on that?

Julia Sweeney: It is probably worth making a couple of points about that. The system was relatively complex for a grant mechanism, but it didn't preclude any partners from participating in the Fund. So it was a very inclusive scheme and initiative. We did actively encourage large partnerships; the administrative overheads for the Department, had we had lots of very small players in the game, would have been very significant. Partnerships were encouraged around areas, so regional, sub-regional, local partnerships featured quite strongly. There are also some very interesting new national players. You heard from Tony Hawkhead that they made a groundbreaking partnership with the National Housing Federation, and the work that they have done in terms of giving energy advice and so on to householders in some of the most deprived communities across the country has been really quite significant. Another very new partnership that was set up was 3SC, which brought together a very big group of voluntary sector organisations that didn't have the capacity or the wherewithal to participate individually but, through that vehicle, were able to draw down from the Fund and deliver some very quite interesting projects on the back of it. I think the Fund didn't preclude people from participating. It made it difficult for some players. We have heard about the barriers for the private sector—the need to make community interest companies or profit-locking mechanisms to ensure they complied with state aid—but nobody was precluded from participating.

The last thing I would say is that the rolling application process allowed people to try, and if they failed, to get some feedback and some support to bid again. Pretty much all of the organisations and partnerships that wanted to bid into the Fund and had a second go at it were successful with the support of our team and partners across the sector. So I think it was inclusive. We put the necessary mechanisms in place to safeguard what is a considerable amount of money and to make sure it was spent appropriately and in a timely fashion. I think we struck the balance between good governance and enabling people to participate.

Q139 Karen Bradley: Thank you. The final point on implementation I would like to make concerns

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Jobcentre Plus. We have had some very mixed evidence about the effectiveness of Jobcentre Plus, and a sense that it wasn't perhaps ready for the need to create so many new jobs very quickly and wasn't able to help, but actually evidence that it got a lot more helpful as time went on. I just wonder if you have any views about the initial performance of Jobcentre Plus and any lessons that can be learned from those early days.

Chris Grayling: I think it is only natural that if you put any system in place there will be a bit of bedding down. Of course the job of Jobcentre Plus and the front line is simply to identify the support opportunities that are available and provided to them, and to deploy them appropriately. You have picked up a degree of evidence; my sense is generally that the front-line staff in Jobcentre Plus do a pretty good job. There might have been a bit of bedding down at the start of the programme, but I wouldn't say it was anything more than that.

Chair: A number of people want to get in. If we could take Alex first.

Q140 Alex Cunningham: I want to go back to the slow start. We accept the reasons, and Julia was clear about the CRB check and things like that, but I'm pleased that the Minister acknowledged that it will meet its target. What I am interested to know is: if there is a potential gap between the end of one programme and the start of a new programme, what learning can you take from the slow start and what can we do to make sure that we don't have the slow start to the next programme?

Chris Grayling: Let me start. I think the key point about the Future Jobs Fund is that it was first of all a very different kind of programme. The structures that had to be put in place were very different to those, for example, in existing employment programmes. Now let me give you a practical example. The Provider Referrals and Payments (PRaP) system that was established for previous programmes is something we will be able to use for the Work Programme, so there isn't a great systems change required up front to introduce it. I am not concerned in the same way about the introduction of the Work Programme because we are dealing with an industry that's there, we are changing the contracting basis and we are giving greater freedoms. I don't think the introduction of the Work Programme represents, in systems terms, the kind of change that the Future Jobs Fund did, because there hadn't been something quite like it done within the Department before.

In terms of the gap of provision, this is something that is very much on my mind. Of course, young people after 12 months would anyway be referred to the Flexible New Deal, if they weren't going into the Future Jobs Fund. We are mapping out a careful transition at the moment between the Flexible New Deal (FND) and the Work Programme, and between the other employment programmes and the Work Programme. That will take shape over the next couple of months as we publish the framework and identify where there are potential gaps. For example, if there is an FND provider that is successful in winning a place on the Work Programme in the same area, the

transition is an awful lot easier than if we are starting from the complete green-grass position. We may need to take additional steps just to smooth the transition; for example additional support through Jobcentre Plus for that transitional period. It is very much on my mind to ensure that, as the existing programmes come to an end in the latter part of this financial year, there isn't a substantial gap that is not then filled.

Q141 Alex Cunningham: Just to go back to the safeguarding of young people, the environment has changed—we've moved on. There is a higher requirement as far as protecting and safeguarding young people is concerned. How do we make sure that these employers or whoever is taking on young people are fit for purpose from a safeguarding perspective?

Chris Grayling: From a safeguarding perspective, first of all the Work Programme providers will have to be able to deal with young people anyway. For example, staff who are working on New Deal for Young People and the Flexible New Deal—because Flexible New Deal can have young people referred to it as well—will already need to be CRB-checked, and clearly new staff that are being taken on will need to be CRB-checked in the appropriate way. For employer placements, the normal rules will apply in terms of making sure that the protections are in place if you are referring somebody who is potentially vulnerable. Generally speaking, we are not talking about children; we are talking about adults over the age of 18. Therefore the requirements are much less onerous than they would be if we were dealing with children.

Mark Fisher: It's probably worth adding that we did learn a lot about the application of the CRB process to particular groups during the Jobs Fund. Particularly, we did a lot of work with the care sector about how you make that as efficient and speedy as possible, and how you make sure the full rigour of the CRB process is applied only in areas where it is really needed. We will be able to deploy some serious learning from that in working particularly with the care sector in the future.

Q142 Stephen Lloyd: I am gratified to hear what Mr Fisher has said about the CRB thing. From the private sector perspective, it can be an absolute nightmare in employing people, so I am glad you've made that clear.

A couple of things really. First off, it is obvious that there were some good things that came out of the Future Jobs Fund: some learning, some contacts made, some networks, and some expertise. Whatever the political decision has been eventually to wind it down, I would want real reassurance from the DWP and you, Minister, that the baby will not be thrown out with the bathwater, and that the good learning bits and the protocols are actually in the Department to ensure that they are taken on board. Can you give me that reassurance?

Chris Grayling: You can absolutely have that assurance. God forbid we should find ourselves in another set of economic challenges in the next few years. Learning and understanding what has worked previously and what has not worked previously is very

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important. I have to say that I trust the judgment of the professionals in the Department to do that analysis rather than buying it in from the outside, because at the end of the day we have tight budgets at the moment. I can absolutely assure you that we will look at the experience of the Future Jobs Fund. We will understand the points made earlier about what happens eight, nine, and 10 months down the road. Does this kind of intermediate labour market approach have a material impact on the likelihood of somebody getting to employment subsequently? Yes, we will certainly learn the lessons. At the end of the day, in the short term you have to take a judgment based on the best evidence available to you.

Q143 Stephen Lloyd: I agree, and I will be coming on to that in a minute. Like you I'm personally very favourable of the localism agenda, but none the less there are some instances where it is controlled from Whitehall and where a protocol document goes out across the regions specifically insisting and ensuring that the separate offices do take all the learning opportunities they had through the Future Jobs Fund. I am being so emphatic because a lot of money has been spent on it. It would fill me full of despair if all that learning was put in a cupboard and then revisited in 10 years. I am encouraged to hear that.

Chris Grayling: We won't let that happen and there is some legacy benefit as well in terms of the provider networks built up and so forth.

Q144 Stephen Lloyd: Crucial, absolutely crucial. Now the second thing, and this is a direct political question that you alluded to earlier. I've been struck by how certain sections of the media, and you might say vested interests, have screamed merry hell about the closure of the Future Jobs Fund. Looking at it objectively, James Purnell, the previous Secretary of State, actually impressed me a lot. I have to say I thought he was rather good, and he wrote a piece in *The Times* yesterday broadly agreeing with the direction of travel with the coalition Government on this, but then saying it is a terrible tragedy the Future Jobs Fund is being cancelled. Now obviously, misquoting Mandy Rice-Davies, there is an element of "he would say that", because clearly it was part of his remit. I would just be curious as to if you can give any more analytical rationale as to why there has been so much objection to its cancellation other than the obvious "they would say that anyway", because to me the data, particularly with the restrictions that are going to happen on the public sector, do seem to be fairly clear that apprenticeships appear to be a more viable way forward. However, I have been struck—and I do not mean this pejoratively; it's an honest question—by very considerable howls of outrage at its cancellation and that we are missing an enormous opportunity here. I would just be grateful, from a politician's perspective perhaps, if you could explain why you think it has been as vigorous as it has other than the Mandy Rice-Davies defence.

Chris Grayling: There are two aspects to this. One is clearly the politics. This was a flagship programme of the previous Government, and you would therefore expect the Opposition to be making a noise about the

decision to wind it down. I think there has been a degree of misrepresentation of that decision. Some of the time you would believe that the guillotine had been brought down in its entirety on 12 May, which of course wasn't the case. This is seeing the programme through to a natural transition point of all the existing programmes. Equally, the Future Jobs Fund provided effectively Government-paid additional labour for local public and voluntary sector organisations, and I am sure that was extremely welcome to them, and it undoubtedly helped them to strengthen their activities. However, it cost a lot of money, and the question we have to ask is, given the fact that we are going through difficult times financially: what is the best way of deploying the resources we have available? What is the best way of securing sustainable employment opportunities for young people? I think we are better off focusing on apprenticeships and that we get better value through programmes like the Work Programme, which I am very confident will deliver job outcomes for young people at a much lower rate than the Future Jobs Fund, and it is a judgment of what is the best approach to deliver what we need to do and to deliver value for money. In time, I think the decisions we've taken will be proven to be the right ones.

Chair: Harriett, do you still want to come in?

Harriett Baldwin: It was just that Julia's answer earlier reminded me that I needed to put in the declaration of interests that I am on the board of the Social Investment Business, which has an interest in 3SC.

Q145 Chair: May I just return very briefly to the state aid rules, because that from our witnesses seemed to be acting as a barrier to get the private sector in, but they thought there would have been a way around the state aid rules and the Department could have done a lot more to encourage the private sector to find a way around those rules? They told us, for example, that there are exemptions within the state aid rules that might apply to particularly disadvantaged groups, such as longer-term unemployed. Is that your understanding of how the state aid rules work, and if that is, why wasn't there more effort put into perhaps helping the private sector to be able to compete for some of these places but not fall foul of the state aid rules?

Chris Grayling: Well there are certainly ways around the state aid rules. Most particularly, private sector organisations can set up special vehicles to do this. The truth is it is quite complicated to work around these things and that has made it much less appealing for the private sector to do. What we surely want is not to support private sector jobs, but actually to work together with the private sector in partnership in the way we do with the apprenticeship model, where the private sector pays the apprenticeship wage and we pay the training costs, and at the end of it there is a route that continues beyond that. I will ask Julia to say a bit more about what work was done, but the Future Jobs Fund is a much more hassle-filled approach to developing the kind of participation we want young people to have in the private sector than simply apprenticeships.

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Julia Sweeney: Very early on in the Future Jobs Fund process, partners raised this particular issue. We worked with lawyers and colleagues to develop a good practice guide to show the variety of ways in which the private sector could get involved with the Future Jobs Fund, for example by delivering in areas of corporate social responsibility, by delivering non-core services and by setting up special purpose vehicles and community interest companies. There was quite a lot of activity within the private sector to engage in those ways. We gave support and further guidance where it was wanted. There isn't facility to stretch the state aid rules; however, we did help people to navigate their way through them and identify ways in which they could get involved. As we had good examples of people doing just that, we published them within the guide as case studies so people could see the reality of private sector involvement. Now that didn't in any way balance off the private/public sector ratios, but it did show those private sector organisations that wanted to get involved exactly how they could.

Chair: Moving on to questions on the termination and transitional arrangements. I know we've touched on that, but some more detailed questions.

Q146 Teresa Pearce: Yes, I was going to ask about transitional arrangements and we have touched on it. One of the first things the Chair asked was about the fact that the Jobs Fund ends in March and the Work Programme doesn't really come on stream till summer, but you said that you didn't think there would be much of a gap. I wondered when precisely you thought the first entrants to the Work Programme would be taken on.

Chris Grayling: The target date for the full launch of the Work Programme, as published in the Department's business plan, is next June. A lot in terms of transition will depend on who is successful in the bidding process, so in some areas you will have an established FND provider with an established network of sub-contractors that has been doing a good job that brings forward a good bid for the Work Programme and is successful. Of course, there really isn't much of a transition at all there because the capability is there—the only thing that changes is the nature of the contractual arrangement. They will evolve the support they provide accordingly to meet the new world, but the fact is there is still a team of people and a centre and the transitional arrangements can be relatively straightforward. We will negotiate with them to make a fairly smooth transition between existing programmes and the old.

Where an issue will arise is in a part of the county where there is no current provision from the people who are successful in getting on to the Framework and then getting the individual pieces of the Work Programme. That is something that the team and I will be working on pretty hard—as soon as we have confirmed the people on the Framework—because that will give us a sense of where the gaps may be. If you are in such a region in the country where the people who have been put on the Framework have expressed an interest in that part of the country anew, then clearly we have an issue and we have to work

through how we best manage the transition. In areas where the existing providers have won contracts and we have carried them through, that problem doesn't exist. Therefore, when we come to talk about the Work Programme contracting process—in the new year I believe, Chair—I'll be able to give you more detail of that. I am acutely aware we have to fill the gaps, but we'll fill in the gaps as the Framework unfolds over the next couple of months

Q147 Teresa Pearce: Are you saying you expect some areas of the country to be able to embrace the Work Programme quicker than others?

Chris Grayling: If we have a part of the country where the providers have moved forward from the Flexible New Deal—they have come forward with an attractive package to build that on into something broader for Work Programme participants to help the harder-to-help groups, for example—then I am very much of the view that we should work with them to bring into force the new arrangements sooner, when that is appropriate.

Q148 Teresa Pearce: So what Mark was saying earlier about some employers wanting to work nationally, would you be able to direct them more in areas where you thought there was that gap?

Chris Grayling: There are effectively two levels of partnership with the national employers. You will have a partnership between Jobcentre Plus and an individual employer to provide support over the first few months of job search. We may very well indeed use some of those partnerships to secure work experience opportunities if there were any kind of gap in provisions. At the moment the first priority for the work experience effort is in those parts of the country where there is a particular unemployment challenge, but if we look at areas where there are gaps in provision, we can deploy some of the things we are doing through Jobcentre Plus to suit those areas to a greater degree to strengthen the transition. It might very well be that we have discussions with some of the national partners of Jobcentre Plus to help provide some of those opportunities.

As soon as we have taken the final decision about the Framework, which will happen in the couple of weeks, we will be publishing details of it—the official team are finishing the evaluations now. As soon as we know the shape of the Framework, we will be able to get a first sense of where there may be gaps. We will then have a second round of that when the Work Programme is contracted in the new year where we have a sense of where gaps may arise and if necessary we will deploy the recourses of Jobcentre Plus to fill in gaps or we will make additional arrangements in parts of the country where there is a particular problem.

Q149 Teresa Pearce: Will young people who have been on the Future Jobs Fund, and maybe part of that 50% who are then back on benefits, be eligible for the Work Programme or will they have to wait?

Chris Grayling: I would certainly expect those young people to be eligible for the Work Programme, but not straight away, because they would have come out of

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an existing position of being on Jobseekers Allowance.

Q150 Teresa Pearce: What sort of gap would they have to wait before they were allowed back?

Chris Grayling: It will depend very much on the circumstances. The Coalition Agreement sets out a six-month entry point for young people. We are looking at the moment as to whether we bring forward the entry point for some of the hardest to help groups to three months—those who have grown up in the most challenging circumstances and from the most challenged backgrounds. We are also looking at the “dead weight” issues for those around six months. So we haven’t finally formed a decision yet; we will have to in the next couple of weeks. I have asked for some further pieces of evidence just to inform that decision making. Certainly, around the six-month point would be the answer.

Q151 Teresa Pearce: In some of the evidence we’ve had people have talked to us about rolled-up weeks; unspent funding where it has already been allocated. There has been a suggestion that the Future Jobs Fund could be extended in those cases. Would that be possible or is March 2011 the cut off?

Chris Grayling: Mark, do you want to pick up on that one?

Mark Fisher: I think there are two things. One is there will be people in Job Funds jobs after March 2011; March 2011 is only the last date for putting people in jobs, not the actual end date of the scheme. I think it is true that a number of providers have said, “You have not spent all the money, therefore can you roll it on?” I am afraid we cannot actually do that. For example, if somebody has been in the Job Funds job for less than the full six months and gets into another job earlier, then fine—the taxpayer has to take the profit from that and that was the arrangement we came to. Our financial modelling has always assumed that some of these jobs would not need to last six months, so I’m afraid we do not have spare money we can give to providers in that way.

Q152 Teresa Pearce: A last thing: one of the key things about the Future Jobs Fund was the posts had to be additional. What safeguards do you have in place for when the Work Programme rolls out for people being put on that Work Programme and other people actually losing their jobs? Are there any safeguards with major employers to make sure that doesn’t happen?

Chris Grayling: Well of course the difference in the Work Programme is it’s not about placing people in the intermediate jobs the Future Jobs Fund represents. It’s really about a supportive and intensified recruitment process into longer-term employment.

Q153 Teresa Pearce: But the work experience that Mark talked about earlier, with the skills training in maybe Asda or places like that, would be real people in real stores, wouldn’t it?

Chris Grayling: It will be very unusual for work experience placements to be used as, say, a replacement opportunity. The one reason for setting

the limit at eight weeks is to prevent that from happening. If you allow someone to go for six months’ work experience, they absolutely can be exploited in that way. I don’t think it would be possible to do that in eight weeks, as it takes that long to get somebody to the point where they really could effectively take the role of somebody else.

Q154 Teresa Pearce: That is something that has been considered and you think it won’t happen?

Chris Grayling: I think eight weeks is sensible. I think if you go beyond eight weeks in a specific work experience placement, you will risk exactly what you described. The guidance effectively was that a week or two is fine. I didn’t think that was sufficient, but eight weeks seems to be the right kind of balance.

Q155 Chair: This gap, though. It is not just the Future Jobs Fund providers that are concerned about the gap, which I think you made a bit light of this morning. Other providers who are delivering the Flexible New Deal are concerned that effectively their funding finishes at the end of the financial year, and with the best will in the world, even the shortest gap is still three months. I am not sure that we have heard a robust answer to that question of what will happen to these people who have already geared up—who are delivering Flexible New Deal successfully—because there is bound to be a cliff edge at the end of March for them and they don’t know what is going to happen three months down the road—what they do with their workers, their advisers and everything in that space?

Chris Grayling: It is not an issue for Flexible New Deal areas because their contracts continue until June. In those parts of the country where Flexible New Deal is established, the transition should be pretty straightforward. The issue is around those parts of the country where FND2 didn’t come into force, and where we have existing programmes like the New Deals that wind down at the end of the year. I absolutely accept that there is an issue there. If we have an existing provider that is going to use the infrastructure they have in place to support the New Deals who gets on to the Framework—we know by early February that that’s the case, and they know by the end of this month that they are in the frame for that part of the country—I don’t for a second believe that they are going to be sacking all their staff on 1 January, if they are in the frame to start a contract in the spring.

I think we have to identify those parts of the country in two stages. First of all, when the Framework is published, we will understand where there is a certainty of a gap. We will then have to put in place transitional support for those areas, because if there is no existing provider of substance operating in those areas that is on the Framework, clearly that gap will exist. Equally, once we see the bids come in—we will have an idea of this much sooner than we publish the outcome, because we will know who is bidding in each area and we will be able to take a first glance at which bids look the most attractive. We will then be able to move pretty quickly to say, “Right, okay, in these four parts of the country there is a genuine issue that remains unresolved because there is no existing

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bidder in place that is going to end up as one of the Work Programme providers in that area and can migrate early, so we will have to put in transitional support.” Where there is somebody that has won a Work Programme contract that has New Deal-related infrastructure in place in terms of staff and a centre, I would envisage us negotiating with them to start their contract early. They will clearly need to build on that for the Work Programme, but they will have the core to make the transition earlier than June.

Q156 Chair: I think this is obviously something we will return to when we start the Work Programme inquiry.

Chris Grayling: We will absolutely, but I just want to make the Committee aware that I am very acutely aware of the issue, and we will work through as carefully as possible and we will respond to gaps as they appear. However, we only really know once the Framework bidders are in place, and then we know who’s actually bidding for each bit of the country in reality.

Q157 Glenda Jackson: Two points actually: what are the constituent parts of an attractive bid; and what are the numbers of young people you are expecting on these programmes?

Chris Grayling: The number of young people on the programme that will go through the Work Programme at a six-month entry point is around 200,000. If we vary around that, there is quite a lot of dead weight after six months; a lot of young people drop off JSA between six months and 12 months. While I am very keen that we provide support to those young people who genuinely need it as early as possible, equally I don’t want to pay for a large amount of dead weight between six and 12 months for those who would have got a job anyway—those who were signing on temporarily before a job offer starts.

I remember when I left university, although I didn’t sign on, the job I got didn’t start till the following April, so I did bits and pieces over that nine months, and there are some people in that position who will just sign on and then will sign off after six or seven months before they start their job, or other circumstances similarly. My concern is to make sure that we get those people who really need it on to the Work Programme as quickly as we can. I don’t want to pay unnecessarily for dead weight, so I have asked for a bit more work to be done on the dead weight issue around six, seven, eight and nine months. That will have an impact on the final numbers involved, but if you have pure straightforward six-month entry, the total number is around 200,000.

Q158 Glenda Jackson: And what would be the constituent parts of an acceptable bid?

Chris Grayling: The point we have to achieve in contracting the Work Programme is the point on the map on which the investors get a return and the taxpayer does well. That is the goal of the process over the next couple of months. We have to deliver the best value for money for the taxpayer financially and the biggest social impact, but equally if we don’t deliver in return for the companies and organisations

that are doing it for us, they won’t bid and they won’t do the job, so that’s the balance. My definition of the ideal bid/contract arrangement is the one that finds that position where everybody wins and everybody has a unified purpose to get people into work.

Chair: Okay. We have got some important questions on apprenticeships. Stephen.

Q159 Stephen Lloyd: Thank you very much. Minister, moving on to apprenticeships, as the Chair says, the first question is a clear financial one. I’m not absolutely clear exactly how much money the Coalition is intending to spend on apprenticeships. I would be grateful if you could tell me the overall total in 2011, 2012, 2013, plus the amount that the Coalition Government are spending more than the previous Government were spending on apprenticeships. Does that make sense?

Chris Grayling: Yes it does. I’ll answer the last bit and then I’ll hand over to Claire, because of course apprenticeships are a BIS capability. The things we are doing additionally to the previous Government: first of all there are 50,000 extra apprenticeships in the current year. That is a one-off extra investment in the aftermath of the recession. Then, in the Spending Review, we announced an increase of 75,000 apprenticeships over the course of the Spending Review period, so that is over and above what was previously planned. Claire will talk you through the individual figures for the next financial years.

Claire Burton: I shall. This year is very simple. This year we are putting £1.3 billion into apprenticeships programmes—that is the 2010–11 academic year. Both BIS and Department for Education (DfE), because of course DfE has a stake in the apprenticeship programme for 16–18-year-olds, have yet to publish their figures going forward, so the actual year-by-year allocations will be published for BIS in the next week or so, and I am happy to write to the Committee with a copy of that, and then for DfE in December, and again I am happy to write if that’s of interest.

Q160 Stephen Lloyd: I would be grateful for that. So it is £1.3 billion as far as we know this year, and with additional sums coming from DfE, and the £150 million that the Coalition Government have added since it came into government is on top, or is that included in the £1.3 billion?

Claire Burton: That’s right. The £150 million was a single year figure and it was put in in June. It was one of the first actions of the Coalition Government. That was for one year only. What we know the Spending Review allows us to do is maintain that level of spend and add another £250 million, although it has to be decided on how that is to be split over the years.

Q161 Stephen Lloyd: I would be very grateful, Claire, if you did send those and they were all circulated. Equally, what I would be grateful for is if you could put in an expectation of how many apprenticeships we are anticipating in each of those years. If you could send them to the Chair, we would be grateful.

Claire Burton: Yes.

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Q162 Stephen Lloyd: Apprenticeships are real wage jobs provided by employers. How will the Government incentivise employers to create apprenticeships under the current labour market conditions?

Chris Grayling: This is something I have been keen to pursue with BIS as well. Clearly it is all well and good having lots of new apprenticeships, but there has to be somebody there actually to provide them. Thus far that has not been a problem. For example, this year, the allocation looks like being fully taken up—the additional 50,000 looks like being fully taken up. Generally speaking, even in relatively difficult times financially, the employers have been there to provide apprenticeships and there is no real indication that is going to change. Claire will add more to that.

Claire Burton: I think that's exactly right. We have to work very hard to bring new employers into the programme, but for the past two years—certainly on the adult side of the programme—we have actually had to cap the number of places we could offer because there was more demand from employers than there was funding to supply the places. What the additional funding has allowed us to do is to open that up, and the indication is that we are going to fill those places.

Q163 Stephen Lloyd: A key thing with apprenticeships is obviously assuring employers that they have a long term—that it is three or four-year funding, depending on how long the apprenticeships are. You are confident that that's in the model and the employers are confident themselves that the money will always be there?

Claire Burton: Yes, that's right. As you say, apprenticeships can last from 18 months to three or four years.

Q164 Stephen Lloyd: And that's in the business model and the employers know that. Okay.

Claire Burton: That's confirmed.

Q165 Richard Graham: Can I just interrupt very briefly? Claire, one of the problems with the apprenticeship design from the employer's point of view in the past has been that it has been rather inflexible. There is a certain quota for 16–18-year-olds, quotas for 19–21-year-olds, and quotas for different sectors. You can't really swap a quota from one type to another very easily. What sort of work has gone on to try to make these more flexible and attractive to employers?

Claire Burton: One of the main things that BIS has been consulting on over the summer is a new funding flexibility model that would actually make it much easier, as you say, to cross those boundaries where previously there have been different ring-fences within the programme for different age groups and social groups. The results of that consultation and the response will be published in the next week. I think that has been one of the big responses that we will be coming back on.

Richard Graham: Good, so published next week. I think that will be something very useful to the Committee.

Q166 Stephen Lloyd: Definitely, thank you. The Future Jobs Fund was designed primarily for young people in danger of sliding into long-term unemployment. How will the Government ensure that employers recruit longer-term unemployed young people, or those at risk of this, into the additional apprenticeships? What I will flag up is what I have heard in the constituency and in evidence taken over the last few months: in some instances, particularly for the long-term unemployed, pre-apprentice training is felt to be necessary. Do you agree with that? What steps will be taken by the Government to ensure that the longer-term unemployed can actually get up to that level?

Chris Grayling: Claire can talk in a moment about the pre-apprenticeship work that BIS is doing, but in terms of our Department and the Work Programme, clearly an apprenticeship for a young person is one of the routes they can follow into work. The key, I think, is to make sure that young people are ready to move into apprenticeships as you describe. In terms of the long-term unemployed, a central task of the Work Programme providers, as I see it, is to ensure that they actually support, motivate, encourage and provide the right degree of direction—matching an individual to opportunity and so forth—actually to get that young person into an apprenticeship. In essence, we have said, “What is the Work Programme about? It is about preparing people for work and then matching them with the right opportunities.”

Q167 Stephen Lloyd: Before Claire answers, to make that happen you are going to have to have funding within the model to allow the suppliers actually to spend that month, two months, three months—whatever it takes—to get through the pre-apprentice level. They will have to be able to be paid for that, obviously.

Claire Burton: We are looking very closely at the moment at what a pre-apprenticeship should look like. I think you heard from Groundwork, which actually uses the Future Jobs Fund and their allocation of the scheme as a form of pre-apprenticeship. I think that is one of the areas we have been learning from. For us, I think the real importance of the Work Programme is, as the Minister says, getting people to a point where they are able to compete for and take on an apprenticeship, which is a high-quality industry standard training, and then move forward to successfully complete it, because the great bonus of apprenticeships is they are sustainable employment. Some 80% of employers report that they have good company loyalty coming out of the scheme and continued employment, but that is only the case if you are actually able to move in, if you have the skills, and if you are ready to start work and move up that productivity scale.

Q168 Stephen Lloyd: There is a recognition of that obviously within BIS. Okay, that's fine.

Chris Grayling: I would just add to that in terms of joined-up Government. Given how integrally linked these two things are, as witnessed by the fact that we are doing the session today on both a BIS matter and a DWP matter, one of the things we have sought to

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ensure is a close relationship between our two teams. John Hayes, the Skills Minister at BIS, and I work quite closely together on all of these issues and, I think that is right and proper.

Q169 Richard Graham: Stephen, may I just have one more question? Just in terms of qualifications needed for apprenticeships, I am taking on an apprentice myself, and there is a head teacher in Gloucester who will also be taking on an apprentice. These will be NVQ 2 level, so not a huge amount of pre-preparation is needed. The question in a sense is: do you think that we are able to get the message out wide enough that apprenticeships can cover almost anything under the sun including, for example, someone doing business management for both an MP and a head teacher? Do you think that the current structure at the National Apprenticeship Service (NAS), which has broadly one person per county, is adequate for getting that message around, or is there more that employment or sectoral organisations and associations could do, especially in the world of Small and medium enterprises (SMEs)? Could we use the Federation of Small Businesses (FSB) for example?

Claire Burton: I think if I look at the National Apprenticeship Service question first, one of the core aims of its set up was that it should not only do some business-to-business work itself, but rely on intermediately bodies like the local chambers of commerce and Jobcentre Plus, to get the maximum reach possible into local communities. I think that was a recognition of the fact that, as a Government agency, it is a small agency, so it needs to get the maximum distribution across local areas. Although I think there are a small number of people in the National Apprenticeship Service in the regions, actually the business model was that they should work through other bodies, which often have better links into the sort of employers that we are seeking to reach. I think it is exactly right that the messaging that we are trying to use now is far more on trying to talk about the range of sectors that the apprenticeship covers. It covers around 80 industry sectors already, and actually the business administration apprenticeship is the largest framework. So it is beginning to move away from the old style, traditional concept that apprenticeships are only for people who work with their hands. Actually, there are a lot of young people out there who are doing a whole variety of jobs. In the marketing campaign to employers that was launched last week by my Minister, Mr Hayes, one of the main sectors he was specifically interested in targeting was IT. What we found through our research and evaluation of previous marketing campaigns is that tailoring your marketing very carefully to the sector you are approaching has the best effect, so we have gone out specifically on that IT sector.

Q170 Mr Heald: I am very pleased to hear you say that because one of the things that I have banged on about for a long time is that we have these skill shortage areas in Britain, and IT is one of them—absolute classic. Are you also going to be looking at engineering?

Claire Burton: Engineering is another one of our target areas. Engineering and manufacturing I think have been mainstays of the apprenticeship programme, but they are also areas where we think there is significant opportunity for growth. My Minister has been working quite closely with the Technician Council, which is looking at a wider engineering and STEM subject growth in apprenticeships, and I know it is very interested.

Q171 Richard Graham: Claire, will you be able to have small specialist trainers providing the training in the new system, rather than just consolidating into big further education colleges? The specialist trainers have a key role, I think.

Claire Burton: That's a question that we are looking at quite carefully for our publication next week: the role that specialist trainers can play, particularly with the younger age groups. The 16–18-year-olds' providers tend to be very small.

Q172 Stephen Lloyd: On the Future Jobs Fund again, focused on the longer-term unemployed young people up to the age of 18, many came through from the People not in employment, education or training (NEET) sector. Are there plans to create additional apprenticeships targeted at longer-term unemployed 18-year-olds, or is it just going to be 19-year-olds up?

Claire Burton: There are apprenticeships for 16 upwards, and that's a significant part of the programme. The last year for which we have data for apprenticeship starts is 2008–09, which showed that of the 240,000 starts, about 100,000 were 16–18-year-olds. So that is a very significant part of the funding—**Stephen Lloyd:** And it is already part of the model. Okay, that's fine.

Q173 Kate Green: Sorry, may I just try to understand a little more clearly, because we seem to have a lot of things going on now? We have an apprenticeship programme coming for which you have substantial funding for the academic year 2010–11. Is that available to 19-year-olds and over, or 16-year-olds and over?

Claire Burton: 16-year-olds and over.

Q174 Kate Green: So that money is being spread across all age groups from 16 onwards, okay. We heard evidence from a number of witnesses that some of the young people who had gone through the Future Jobs Fund were in no way ready to take up an apprenticeship. Indeed, I was very interested in the description that you were giving us, Chris, of the eight weeks' work experience, which in some senses might be one of the things that the more disadvantaged young people need to embark on before they might be ready for an apprenticeship. Paul Gregg expressed concerns that if you put everything into a black box, you don't know that the providers will make use of those good eight-week work experience-type models, or that they will genuinely concentrate on young people who are a long way away from being ready to move into work or into an apprenticeship. Now I know you will say, "Well, the funding model should incentivise them to do that," but how confident are

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you that that group of young people will be properly addressed in the Work Programme?

Chris Grayling: I take you back to the point: I believe that you need to have an increased price for harder-to-help groups—the more challenged young people. The NEETs are one of those categories that we would put into the Work Programme with a higher price on their heads. The key disadvantaged groups are those people who are constantly cycling around the welfare system—the JSA system—or who are very long-term unemployed. We have a worrying number of people who have been out of work for three years out of four. Very often they have come off benefits for only a very short period of time, and maybe they have not been into work at all. Those people who are coming off incapacity benefit and also those people who are coming from a particularly challenged background—ex-offenders for example—are people we are looking to put into the Work Programme at a higher tariff rate so that the return for a provider is going to be better if they get one of those people into work than it would be if they could get a conventional jobseeker into work.

If you look at a programme like the Flexible New Deal, one of the problems is that it dumps everybody into one pot. You get paid around £3,000 for everyone. To my mind, that is an automatic guarantee of parking, because you make no more money on the harder-to-help people. I can never guarantee to you that we have an absolutely perfect system in that respect, but I do think that if you pay significantly more for a harder-to-help person, there is an incentive to the provider to have a specialist group of people working with the harder to help to try and get them into work and overcome the bigger barriers. So that is the key tool we will be using.

We will be transparent about the Work Programme. I do want us to make the relative performance levels public, and indeed you as a Committee would expect us to be giving you evidence about that. If one provider is proving much more successful than another at getting NEETs into work, I want that to be in the public arena so that a provider is able to say, “Hang on a moment. We are being beaten by the guy up the road. We need to do something about it.”

Q175 Kate Green: What level of apprenticeships are we talking about in terms of NVQ 1 through to 3? Again, from Professor Gregg, we heard there was very little point in routing people into NVQ-1 type apprenticeships. I am drawing on my memory here rather than the brief we had, but I think there is a lot of evidence that NVQ 3 is where you see the real difference in terms of long-term employment prospects and earnings.

Claire Burton: That is the case, yes. Apprenticeships exist at level 2 and above, so there are no level 1 apprenticeships. They exist at levels 2 and 3, and there is a small number at level 4—so moving into higher education. I think where we see the apprenticeship programme sitting is as a progression route. So level 2 is an important step, but actually level 3 is, as you say, where you begin to see the real wage benefits to the individual, but also the growth benefits to the business as well.

Q176 Glenda Jackson: We’ve also been briefed that FJF is a good way of leading people into apprenticeships, but I understood from what you were saying that those people on FJF will not be at the forefront for going into this programme. Is that correct? Is this going to apply also to those people who are the last tranche of young people who are on FJF?

Chris Grayling: Well there is no reason why somebody who has been on the FJF can’t move into an apprenticeship; I don’t think there is anything in the rules that prevents them from doing so.

Q177 Glenda Jackson: I was building on your saying that there is going to be a need for pre-apprenticeship schemes. If people are advising us that FJF is a very good way of readying people to go into apprenticeships, isn’t that a waste of money to say that they can’t be considered for these schemes and you’re going to have to have a pre-apprentice scheme as well.

Claire Burton: I don’t think we are saying that people who have been through FJF wouldn’t be considered for apprenticeship schemes. I think the fact that they have been in paid employment for six months is actually likely to mean that employers are more ready to take them on.

Richard Graham: Can I just interrupt here—

Chair: No hold on Richard, I want—

Glenda Jackson: Can I have my answer?

Chair: Can I exercise my role as Chair. Richard, as Kate was in middle of her question, can I get Kate to finish her question, then I will bring both you and Glenda in, I promise. But please let Kate finish.

Q178 Kate Green: As I understand it, what we are hearing from you is that, for the more work-ready and better-qualified young people, you would like to route them where appropriate into apprenticeships as quickly as possible. They will be at least level 2, and could indeed be part of a progression through to level 3 and beyond. For those who are not ready to move into apprenticeships—who lack the skills and qualifications, and might have the significant barriers you mentioned, Chris—you very much see the black box model as offering the opportunity to do more things with that group around work experience, and about pre-apprenticeship skills, and that might take quite a long time, and indeed might never lead to an apprenticeship—you might lead them straight into a job.

Chris Grayling: Yes, yes.

Q179 Kate Green: So I think the real test of success of your Work Programme apprenticeship model is if it is able to be subtle enough to address those different levels of need and scale and work readiness in those different ways, and to be sure, as we said earlier, that employers have the apprenticeships to offer at the end of the process.

Chris Grayling: Yes, absolutely.

Q180 Kate Green: I think that is really helpful, Chair, because it sets the framework for what a successful Work Programme will look like. You can judge it against that down the line.

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Chris Grayling: The key to defining the success of the Work Programme is most fundamentally its success in getting people into employment, and apprenticeship is clearly employment. The route to get there is about making somebody work-ready, and the key challenge to the providers is to deploy whatever support skills are available. Sometimes it might be light-touch guidance; sometimes it might be quite intensive work. What I don't want to do is to have a system that is devised in Whitehall that says, "That's what you will do," because that might be appropriate for one person but not for another.

Q181 Kate Green: I think we really want to ensure, though, that the more vulnerable young people do have that chance to make that progression through and potentially get into the apprenticeships. How confident are you that will happen?

Chris Grayling: I am confident that the approach that invests a higher amount of money—The benefit of the Annually Managed Expenditure-Departmental Expenditure Limit (AME-DEL) approach is that it does enable us, on a payment-by-results basis, to invest more in the harder-to-help groups. I'm confident that's the best tool we have available to maximise the likelihood of the harder-to-help groups getting into work. I think, at the end of the day, by ensuring that the provider gets a higher return for the harder-to-help groups, they are incentivised to work with those people as well.

The other benefit of the Framework—and we'll talk more about this when we do the discussion about the Work Programme contracting—is it is specifically designed to allow local authorities and other public sector organisations to buy bolt-ons to the Work Programme relatively inexpensively. The core cost of the Work Programme is funded, but if you as a local authority have a particular problem with NEETs in your area, and you want to spend a million or two extra really to develop an enhanced package for the NEETs, you can contract very quickly and easily with your local Work Programme provider to provide that add-on, and you would do it at a lower cost than you would otherwise have to do, because you are building on top of something that's already there, rather than creating something afresh.

Q182 Kate Green: Just a last question from me, Chair. We understand that the adult apprenticeship placements that you were talking about, Claire, don't apply in Scotland and Wales, so what apprenticeship provisions will there be there?

Claire Burton: Apprenticeships is a devolved policy, so my Department covers England. I can't represent the devolved Administrations, but they do each have their own apprenticeship schemes, which I believe focus as well, and which Jobcentre Plus and DWP have been working with.

Q183 Kate Green: To your knowledge, are they scaling up apprenticeship provision in the way you've described as happening in England?

Claire Burton: To my knowledge, I think all of the devolved Administrations have had much the same focus on apprenticeships over the last two to three

years, and have had very similar measures coming forward from the recession as well.

Chair: I'm going to bring Richard in, and then Glenda.

Q184 Richard Graham: Because this Committee hasn't actually looked at apprenticeships in much detail, the workings of them and how you recruit an apprentice might not be very familiar to people. I think what would help Kate and Glenda to get a feel for what sort of people go on apprenticeships is if I just explain very briefly how you set about recruiting them. If I'm looking for a business apprentice, by advertising on the NAS website, I can interview anybody from 16 upwards. They might be people who have GCSEs; they might be people with no educational qualifications whatsoever. They might be people who've been on the Future Job Fund, they might be people who've had work experience—it could be anyone. It's entirely up to the person interviewing to decide what sort of apprentice they take.

The training is then provided by the training provider. In my case, as it is for many further education colleges, that's actually done in my office. They don't go to the further education college physically, except to do the exam, which they then do after 12–15 months for NVQ level 2. You can then extend that, and you can go on to level 3, and you can keep extending the apprenticeship until you want to offer them a permanent job.

It isn't as if there is a formal qualification needed to take somebody on as an apprentice. It is entirely up to the employer, and there are benefits in taking young people who have no work experience and haven't got into bad habits, and there are benefits in taking people who have work experience. So I think that would help.

Kate Green: Perhaps I could ask Claire a question on that point, Chair, because that's really very helpful. What evidence do you have that there are employers like Richard, who are very willing to consider young people with no qualifications and very low levels of skills in the context of offering them an apprenticeship?

Claire Burton: I think the first thing to say, as I said, is that we don't interfere in the private recruitment practices of employers, as a general rule. From some of our larger contracts, and looking at companies like Morrisons, Tesco and McDonalds, we know that they angle a significant degree of their recruitment through the apprenticeship programme at individuals who are coming in from the Jobcentre Plus route and the unemployed. So I don't have data that will allow me to say exactly what the proportion of the programme that would be taken from that group would be, and also not necessarily all apprentices are newly recruited; in many cases they may already be working with the employer. From the larger contracts, we do know that there is a real focus from employers on that recruitment method.

Richard Graham: There's a huge opportunity, Chair, for individual MPs to lead on this in our constituencies—to identify people and then put them together with employers for work experience, and

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then for apprenticeships. There are 650 of us here who could also take apprentices.

Chair: May I also point out that we perhaps need to speak to Independent Parliamentary Standards Authority (IPSA) first in terms of the jobs, because I know that there have been problems with previous schemes because of the way the funding works out.

Q185 Glenda Jackson: My question, essentially, was on the point that you had made of employers talking about pre-apprenticeship schemes, and whether those people who had gone through the FJF programme would be eligible for this programme when it starts, or are they going to have to wait six months? If they are, how much is it going to cost for the pre-apprenticeship scheme?

Chris Grayling: For the Work Programme or for BIS? For the Work Programme, they will have to wait, because these are people who are coming out of six months of paid work. They would receive support through Jobcentre Plus for that first period, but if they weren't successful in getting into employment, they would then be moved into the Work Programme. I think, given the investment the state has made in the people who've gone through the Future Jobs Fund, at the very least we would leave them with Jobcentre Plus for a period of time to try and realise the benefits of that investment before we wrote it off and started again, effectively.

Q186 Chair: I think we'd all agree that it is going to take more money to get the hardest to reach into jobs, and you've said that that's the case. Haven't you effectively set a cap on the amount of money that any of the providers through the Work Programme or through the apprenticeship system is going to be able to spend? You are already saying that the Future Jobs Fund is too expensive at £6,500. Obviously, if that's too expensive, and that's why you're not going ahead with it, the Government would therefore not be willing to spend that amount of money on those who are furthest from the job market to get them back into work.

Chris Grayling: I don't think that necessarily follows. You're looking at potentially different groups within all of this. The Young Person's Guarantee takes young people on a mandatory basis at 10 months. At 10 months, the likelihood of them finding a job on their own efforts over the following two, three, four, five or six months is massively higher than it would be, for example, if they were somebody who'd been on incapacity benefit for five years and was found fit for work. So it is a question of, within the Work Programme, trying as best we can—there is no perfect science to this, but as best we sensibly can—to segment according to the relative likelihood of those people getting into work, and the nature of the challenge to get them into work, and then of course the relative benefit savings of doing so. So no, I don't think it necessarily follows that because paying £6,500 for a Future Jobs Fund start is much more expensive than the Flexible New Deal, you wouldn't pay that amount of money for someone who'd been on incapacity benefit for a long period of time.

I think the relative decision about the Future Jobs Fund is that these are, to a significant degree, conventional jobseekers, who may have been unemployed only once for 10 months. Does the amount of money being paid, which is up to gross £13,000—net more than up to £10,000—really reflect value for money by comparison with the experience of the New Deals, which we now all acknowledge probably underperformed their potential because they were too prescriptive? If we can deliver what we believe we can through a payment-by-results regime in the Work Programme and by a greater flexibility for the front-line providers, but in the New Deal for Young People price bracket rather than the Future Jobs Fund price bracket, that's clearly a better deal for the taxpayer.

Q187 Chair: And we will know at the end how much these will cost? There will be the proper tracking and the full costing through this?

Chris Grayling: Yes.

Q188 Chair: I think these are probably questions for the Work Programme.

Chris Grayling: Yes.

Q189 Chair: You alluded to the fact that there are plans to develop a cross-departmental strategy on NEETs. Can you tell me more about that: which Department is going to lead on it; what's the time scale for it?

Chris Grayling: It's not specifically a cross-departmental programme on NEETs. What I was saying was that we've been working very closely with BIS; for example, in the development of work experience, service academies, and the new enterprise allowance, which is the self-employment package. There's a clear interlocking between what John Hayes's team is doing on pre-apprenticeships and what we're doing on the Work Programme. In terms of service academies, which we're working to get up and running, there's a training portion and a work experience portion. So there are a number of areas in tackling the issue of youth unemployment where our two Departments need to work very closely together, and that's happening.

In terms of the Work Programme Framework that I was describing, what we've done is to create a very simple mechanism that would allow another Department, or another public sector body like a local authority, to add something to the core Work Programme proposition that was relevant to their own area. If a particular part of the country—a particular local authority—felt that it had a real problem with NEETs or older unemployed workers in its area, it could invest additional money in buying enhanced support for those people, over and above what the Work Programme is already doing. This would have a local focus and a community focus, and could be done in a way that's quick and easy and quite cost-effective. You can do it through the Framework without having to go through convoluted contracting processes and, because the core infrastructure of the Work Programme is already paid for, you can probably do it more inexpensively than you would

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otherwise be able to if you were starting completely from scratch.

Q190 Chair: The reason I asked the question is that that's what John Hayes said in a Westminster Hall debate, so maybe we need to look at what he said. I'm not sure if there's a difference of approach, but that's what he called it: a cross-departmental strategy.

Julia Sweeney: It is probably worth adding that, at official level, we work very closely across education, business and employment policy agendas. My team is working with those in the other two Departments to think about the work that BIS will be leading on the NEET strategy, and the work that Education plans to do on helping young people achieve. We recognise that having a three-departmental responsibility for young people is complex, but it's our complexity, and we need to ensure that young people's transition through the system doesn't expose the joins between the interests of the various Departments that look after them.

Q191 Mr Heald: One of the points that came out of the evidence to this inquiry was that young people are bad at applying for jobs. The applications to go on the scheme were poor in quality, although the employers liked the young people by and large when they saw them in action. If you talk to providers who pick up young people and are trying to help them at six months, they say that quite often, after six months of job search, they still haven't managed to provide themselves with a CV. I wondered if it is just worth thinking about either doing something through the education system, or putting online—so that young people can get it up on their mobile phones or their computers or whatever—just a simple thing about how you prepare a CV. To have a young person, six months in, and they haven't even a CV they can leave at a shop—it's a major gap.

Julia Sweeney: If I could just reflect on the way that this works. There is quite a lot of guidance on the Directgov and Jobcentre Plus websites, and indeed such a guide does exist. One of the things that Jobcentre Plus advisers focus on, right from the start of a young person's claim, is making sure they're well equipped to apply, because actually nowadays you don't actually drop your CV at the shops—everything is done online. Having a good capacity to put together a CV and tailor it for online applications is important. That is focused on very strongly through Jobcentre Plus in the relationship with young people, but I think it's true to say that the art of compiling a good CV is a complex one—that's why people even at our level pay quite a lot of money for those sort of services. So it's not perfect. I think one thing the Future Jobs Fund did was enable organisations that aren't accustomed to employing young people to recognise the difference. They may be quite rough-edged when they arrive, but actually they learn quite quickly, and I think one of the key findings of the Fund for employers that don't traditionally employ lots of

young people is that they can acclimatise and be good in a job quite quickly, and that legacy is important to leave.

Chair: I think we've got about four minutes left, so we have a final question from Alex Cunningham.

Q192 Alex Cunningham: Very quickly, I recognise the evaluation of the Future Jobs Fund has some way to go yet, but are there successful elements that will be retained in the Work Programme?

Chris Grayling: We will certainly provide the lessons to programme providers. We will certainly see benefits in terms of the provider network that's there. I've no doubt that those who've been involved in the Future Jobs Fund will end up being involved in the Work Programme on a localised basis, and I think that the learning they have built will be helpful to them in supporting the Work Programme. We'll certainly seek to capture the learnings. As you rightly said earlier, we must make sure that we learn from this experience, whatever the learnings are, so that we can shape future policy if we go through a period of economic difficulty again.

Mark Fisher: If I could just add one point? I think the link the DWP and its systems made with the Skills Department and with apprenticeships—not just through the Jobs Fund, but the whole recession activity—has strengthened by degree through this experience, and that's a legacy I'm sure will continue.

Q193 Stephen Lloyd: The important thing with that, sort of building up from what Alex is saying, is it's not just so much the inter-departmental learning, which I'm sure you'll do, as that, as we know, there'll be tremendous contacts and networks made out there in the regions by the providers of the Future Jobs Fund. I was in business many years before I came into politics, and so many times I've seen "Oops! Disappeared!" and six months later, "Where have they all gone?" and those contacts are lost. So, I would urge the various Departments to write a very strong letter to your regional people to say it is vital that these contacts are made and maintained and kept, because it's a terribly valuable resource.

Chris Grayling: I would agree with that, and one of the messages I've given to the applicants for the Work Programme Framework is that I would expect them, as a matter of routine, to have close working partnerships with, for example, local authorities, who've been one of the key partners in the Future Jobs Fund. I think the learnings and the networks that exist locally will all be very much part of the Work Programme.

Q194 Alex Cunningham: When Barnardo's and the Wales Council for Voluntary Action gave evidence, they were concerned that a lot of this expertise would be lost and that some of the partnership arrangements that have been strong may not be going forward. Julia mentioned earlier that strong, new, dynamic partnerships have evolved during the Future Jobs Fund work. How will you ensure that the totality is

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actually retained, that we can exploit the partnerships, and that it is inclusive, rather than exclusive to large organisations?

Chris Grayling: But if there are already good partnerships that can make a real difference, the nature of the Work Programme—the payment-by-results model—makes it absolutely commercially logical that those partnerships would be retained. The benefit of a black-box approach, differential pricing and payment by results is that that should maximise the incentive for the prime contractors, or the consortia that lead the contracts, to use the best expertise available. If there are strong local partnerships that have been effective in the past, it makes perfect sense for those to be retained.

Q195 Alex Cunningham: So the large contractors will be encouraged to make sure that they do use sub-contracting organisations to bring that expertise to the table?

Chris Grayling: Absolutely, and we've been very clear about the criteria we will judge the Work Programme providers by, and we will be able to report back when we have a future evidence session about the Work Programme contracting process. We are not going to give contracts to organisations that cannot demonstrate that they have the ability to build and manage, and have built and developed, an appropriate supply chain of expertise to do the job. I don't believe there is any organisation out there that has the skills to do everything geographically. I suspect what we'll see in the Work Programme is the bigger organisations in the bigger centres, and smaller, localised groups doing some of the individual smaller towns and so forth. Equally, within the scope of the different needs, there is a world of difference between helping a young 18-year-old from a slightly difficult background, but who is smart and just needs that extra leg up into the workplace, and an 18-year-old with learning difficulties who is going to need that extra level of support to get into some form of employment and then might have to go through various steps. There are organisations out there that have expertise in these different groups, and I want to see that captured.

Glenda Jackson: Could I just ask a follow-up to that one? Very briefly?

Chair: I was going to bring it to a close, but alright then. Very quickly.

Q196 Glenda Jackson: On variability, there must also be financial variables. You've given the example of someone with special educational needs. Say that someone with special educational needs lived in a rural area, their costs must be higher than for someone who is living in the centre of an urban environment. Is the budget flexible enough to be able to cover those costs? I mean, it can't just be simply that everybody across the whole country costs the same amount.

Chris Grayling: I have said that we will have variables. I don't think we will be able to plan in variables between comparable people in different areas. I think across an individual contract package area, generally speaking, it will level out for the provider. I mean if you look at, say, the east of England, for example, where you have an urban centre like Norwich but you have also the rural areas around, actually that will balance out in the mix of the contract. Where the variations will come is in reflecting that there is a world of difference between the challenge of getting that kind of savvy young person who is not quite yet there into work, and the problem of getting somebody with learning difficulties into work. That's a quantum difference of challenge, and it will be priced accordingly.

Q197 Chair: Thanks very much for coming along this morning. I suspect that we'll be revisiting quite a number of these things in even more detail when it comes to the Work Programme, and I think we're also looking forward to the publication of the White Paper tomorrow on welfare reform, which I think is probably your responsibility as well, Minister.

Chris Grayling: Right.

Q198 Chair: You've got a big departmental weight on your shoulders. But anyway, thank you, and thanks to your colleagues for coming along this morning. I'm sure the evidence you've given will be very useful when we come to write the report.

Chris Grayling: You're very welcome. I look forward to the report. Thank you.

Written evidence

Written evidence submitted by Birmingham City Council

1. BACKGROUND

1.1. Be Birmingham is the local strategic partnership for the City of Birmingham; its membership includes the City Council, other statutory bodies (Health, Fire and Police), the Chamber of Commerce and the Voluntary Services Council.

1.2. In July 2009 it was given the role of managing a multi agency proposal to the Department of Work and Pensions (DWP) to deliver Future Jobs Fund (FJF) on behalf of Birmingham City Council. This formed part of an overarching proposal for FJF in the West Midlands submitted through the City Region.

1.3. In July 2009 unemployment amongst the working age population stood at 7.7% (49,151 JSA claimants) of a working age population of 638,200. The number of those aged under 25 was 11.3% (14,275 JSA claimants) of a working age population of 126,298.

1.4. To develop the Birmingham programme, a task and finish group was established which included representatives from all Be Birmingham's partner organisations. This proved an essential mechanism for ensuring the engagement of a wide range of statutory, voluntary and private sector organisations in the delivery of the programme.

1.5. The Phase 1 FJF proposal for 1500 places was approved in October 2009 with all FJF employees having to be in post by March 2010. Fairly early in the programme it was realised that this was overly ambitious and this was varied down to 750 places. This target was achieved by 30th March 2010, when a phase 2 contract for a further 1800 FJF places came into operation. These places were fully allocated by the end of April 2010. It had been intended to submit a Phase 3 proposal for a further 2500 places to be delivered by March 2012. Given the popularity of the programme both amongst the employers and the employees this target could easily have been achieved.

1.6. The breakdown of places created by sector by the end of the programme in September 2011 will be:

- Local Authority: 800.
- Voluntary Sector: 1400.
- Other public bodies 250.
- Private Sector 50.

Our ability to engage with the private sector was severely limited due to the community benefit criterion.

The success of the Be Birmingham FJF programme is almost entirely due to the quality of the working relationships developed between Be Birmingham and its partners.

2. THE PROGRAMME

2.1. Given the size of the contract it was essential that a programme management team was established prior to the commencement of the programme. Through the partnership five staff were identified with the necessary programme development and management skills.

2.2. The task and finish group established a set of criteria against which to assess applications from organisations wanting to create employment opportunities through the Future Jobs Fund:

- Community Benefit.
- Levels of supervision and support available (Job search and on the job training).
- Comparability with other jobs currently available in the labour market.
- Past experience of working with the client group.
- Financial health.

Each applicant wanting to create FJF jobs had to submit an application form. This was followed by a clarification meeting and then an appraisal. Prior to the issuing of a service level agreement a full health and safety check was undertaken.

2.3. At least 25% of applications to create FJF employment opportunities were rejected as they did not meet the criteria outlined above.

2.4. Given that two thirds of the programme was delivered through the voluntary sector, simple claims and reporting systems were essential, that did not cause small organisations cash flow problems. The systems established were approved by the council's auditors prior to the programme starting and have ensured prompt payment against the submission of the correct auditable evidence.

2.5 FJF was popular with employers, because it offered six month's work experience, rather than the two week or month that characterises other programmes. This allowed employers to invest time in training and support and in return get a period of productive work from the FJF employees.

2.6 The fact that FJF employees are waged allowed the employers to exert control over lateness and unauthorised absence. This gave FJF employees “real” work experience.

2.7 Excellent working relationships were established with Jobcentre Plus, which once systems were in place, enabled eligible JSA claimants to be matched to FJF jobs.

Subsequently the Be Birmingham FJF team and JCP staff ran joint job fairs, which proved essential to the success of the programme post December 2009.

2.8. A small monitoring team was formed with the aim of interviewing at least 60% of the FJF employees while on the programme. The monitoring tested:

- FJF employees working to their job descriptions.
- Adequacy of supervision and support.
- That the FJF employees looking for work.
- Social benefits accruing from the programme (Soft outputs).

If issues were identified further visits would take place.

2.9 Be Birmingham appointed specialist contractors to support its third sector partner employers in developing and delivering mentoring and job search programmes. The aim of this was twofold:

- To provide these services direct to FJF employees.
- To increase the capacity of those organisations to support the permanent staff and volunteers.

This service was funded through the Working Neighbourhoods Fund.

2.10 It was essential that JSA claimants coming onto the programme viewed the FJF opportunities as real jobs and not as “work experience placements”. Be Birmingham tried to identify opportunities in the voluntary sector which were analogous to those in the commercial sector. Over thirty jobs were created in the city’s credit unions, which replicated jobs in the financial sector.

Case Study: Heather FJF Job: Credit Union Worker. Heather hadn’t worked before but wanted to get a job in a bank. After three months working for the credit union she obtained permanent employment with the Co-operative Bank based on the experience she had gained and her good record of attendance and time keeping.

2.11. By the end of September 2011, 80 voluntary and community sector organisations will have offered employment opportunities through Be Birmingham’s Future Jobs Fund programme. The number of jobs offered per organisation has ranged from one to three hundred. The commitment of these organisations to provide support for local unemployed people has been exceptional.

2.12 The commitment of other public bodies, health trusts, the police, colleges and Universities has been good. Numerous offers of job opportunities with clear routes into permanent employment were identified at the beginning of the programme. These proved hard to realise due to the inflexibility of the public sector bodies’ recruitment processes.

It was not unusual for a potential FJF worker to be subject to a two stage interview process with psychometric testing, this for a job that paid national minimum wage! In most cases after detailed negotiation with their HR departments simpler processes were agreed. However a number were unable to adapt their systems and had to withdraw from the programme.

2.13 The slow take up by public bodies was in part the cause of the varying down of the Phase 1 contract from 1500 to 750 in December 2009. In contrast to this the city council adapted and condensed to its recruitment processes with little difficulty to accommodate FJF.

3. STRENGTHS AND WEAKNESS OF THE FJF PROGRAMME

3.1 *Strengths*

3.1.1 The breadth of the FJF partnership enabled Be Birmingham to provide real employment opportunities that appealed to people of all skill levels. About 20% of the people on the programme were educated to first degree level. Voluntary and community organisations were able to identify a range of jobs suitable for graduates; including researchers, fundraisers, computer programmers and high level ICT operatives and media technicians. Almost all the graduates on the programme have stated that their degrees carry little weight without paid work experience to back this up. Employers are not very interested in internships or work placements.

Case Study: Harry FJF Job: Public Arts Worker. Harry returned home after gaining a 2.1 degree in fine arts from a London University. In order to get a job he needed work experience in his field. He had undertaken internments with arts organisations, but had felt exploited and that internments did not mean the same to employers as a “real job”. With three other graduates, Harry gained an FJF job with one of the leading public arts organisations in the city developing installations. They gained experience in writing proposals to grant making foundations. A number of these have now been successful and Harry and his colleagues now have employment for up to three years.

3.1.2. The greatest benefit of the Future Jobs Fund is its “invisibility”. Once you have gained a FJF job, its a short term contract job like any other short term contract job.

If you apply for a job when in work you stand a much greater chance of getting the job than if unemployed. (for percentage success rates see 4.1).

3.1.3 When applying for new jobs most people on FJF employment opportunities do not mention how their current job is funded. Being on a “programme” such as Flexible New Deal carries a stigma both for participants and for employers who realise that an applicant is on a “programme” This stigma could easily transfer to the “Work Programme”.

3.1.4 In a number of instances it has been possible to align FJF jobs with forthcoming permanent employment opportunities. A prime example of this is the City Councils Housing Department’s FJF workforce, undertaking area based environmental works. Over 70 of these young people have now been recruited to apprenticeship positions with contractors building new homes for the Municipal Housing Trust. While the skill sets are not necessarily analogous the successful applicants have all demonstrated that they can perform well in the work place and respond to training.

Case Study: Nick FJF Performing Arts Worker: Nick was employed through FJF at a major arts venue developing community activities. He obtained a job at Jaguar Land Rover. The company were impressed with his ability to hold down a job and were prepared to train him to carry out his new role.

3.1.5 The FJF programme has made a significant contribution to the development of the community and voluntary sector in Birmingham, particularly social enterprises. It has enabled them to:

- Develop and test new services that will create permanent employment.
- Carry out research and support fund raising.
- Run community events and festivals.

Case Study: Community Hairdressing Service: A deprived and very isolated inner city estate has no hairdressing salon to serve its large population of elderly residents. The local community association wanted to set up a hairdressing CIC to serve the area. Working Neighbourhoods Fund paid the set up costs and a years’ salary for the manager. FJF paid for four workers all of whom will receive NVQ training. Two will move into permanent employment with the CIC at the end of their FJF funded contracts.

In addition the Be Birmingham FJF team has assisted FJF employers develop HR policies and procedures and establish in-house training and mentoring programmes.

3.1.6 Whilst the voluntary sector has gained significantly from the FJF programme it has invested considerably more in improving the employment prospects of the people they have employed through FJF.

3.1.7 To enhance the FJF offer, Be Birmingham has obtained funding from:

Working Neighbourhoods Fund. This has paid for:

- An enhanced Job Search Service—to support FJF employers in providing effective job search and employment skills coaching. This has included a telephone help line and job vacancy texting service.
- Mentoring and additional specialist support for FJF employees.
- A limited number of jobs with a higher pay rate to reflect additional duties or skill needs.
- A 60 additional places. These will be allocated toward the end of the programme to employers who have been particularly successful at progressing their FJF employees into employment.

Train to Gain

- Be Birmingham has worked in partnership with its employers to provide work based training through the Train to Gain programme.

3.1.8 In scoping the work of the FJF monitoring team Be Birmingham looked to assess the wider social impact of the programme. Over 500 one to one interviews now having been carried out with FJF workers. The main themes emerging are:

- Raising self esteem: “It’s my first real job; you don’t know how good it makes me feel.”
- Being valued: Society values people though paying them for their work. Neither work placements nor internments do this, Future Jobs Fund does.
- Doing a worthwhile job: All the jobs are carefully assessed for community benefit. Doing a job of benefit for the community increases the workers self confidence and esteem.
- Being paid: Makes you a full member of society, you can save for a holiday or a computer—you can get a flat and even furnish it yourself. You are no longer dependant.
- Not being on a programme:

Case Study: Mo FJF Job: Homelessness Outreach Worker: Mo a 50 year old former chip shop owner “I’ve been out of work for a year I’ve got a job for six months working with the homeless, I’ve signed up for a college course in caring so even if I don’t get a full job out of this I’ll have my NVQ and good

work experience which will be good in applying for other jobs” He didn’t realise his job was funded through FJF.

Other FJF workers have mentioned how their job enabled them to put order into their chaotic lifestyles, through having a structure to their day and being subject to the discipline of a job.

3.1.9 Be Birmingham is developing a number of FJF employment opportunities for women are leaving custody to live in a bail hostel. This will give them six months’ administrative work with an agency who specialise in working with ex offenders. They will be encouraged to save with a local credit union so that when they leave the bail hostel they can buy items for their flats, and supported in applying for permanent employment.

3.2 Weaknesses of the Future Jobs Fund

3.2.1 The lack of incentives for the employer to progress the FJF worker into a permanent job.

This could have taken one of two forms:

- A bonus paid to the provider for every FJF employee who obtained permanent employment measured at 13 or 26 weeks from leaving the programme.
- The residual amount of the £6,500 is paid to the FJF provider for every worker who gained employment before the end of their six months, this again to be paid at either 13 or 26 weeks from leaving the programme and staying in work.

3.2.2 The community benefit criteria made it very difficult to engage with private sector employers, even if the jobs they were offering to create had a very significant community benefit element, or would have had a direct link to a permanent job. The only case where it was possible was where a large contractor had a charitable arm and the FJF workers were employed through this undertaking work of community benefit.

4. IMPACT OF THE EARLY TERMINATION OF THE PROGRAMME

4.1 This is a programme that has not been allowed to prove itself or develop. Phase 3 of FJF was curtailed, before any meaningful figures on progression to permanent employment or other positive outcomes had become available. Figures from the Phase 1 of FJF (October 2009 to September 2010) are showing over 30% obtaining employment with a further 25% going into further education or taking up volunteering opportunities. These figures are significantly better than the success rates currently being achieved on Flexible New Deal which is the precursor to the Work Programme.

4.2 The first contract was “ramped up” exceptionally quickly following the April Budget of 2009. It harnessed the enthusiasm of employers from the statutory, voluntary and private sector to “do something about youth unemployment”.

4.3 Recruitment in the first phase was restricted by the inability of public sector organisations to adapt their recruitment procedures to meet the needs of the programme. By the second phase this had been overcome.

4.4 If Phase 3 had proceeded, evaluative information would have been available both from Phase 1 and the first six months of Phase 2, this would have allowed Lead Accountable Bodies to more effectively plan provision. In Phase 3, the Be Birmingham programme would have been focused on delivery partners who had either succeeded in getting their FJF employees into permanent employment or were providing very high levels of specialist support or training for their workers.

4.4 The early termination of the programme will mean the loss of a large number of very high quality employment opportunities currently funded through FJF. Very few if any of these will translate into the short term work experience opportunities, usually less than a month, which characterise Flexible New Deal and will form a major part of the “Work Programme”.

4.5 For a work placement to be effective the employer has to initially invest time in training and supporting a person to carry out the role, and then gain return on their investment through productive work undertaken by the FJF worker over the remainder of the six months entitlement. Two weeks or a months work placements do not allow the employer to gain a return on their investment.

4.6 The loss of the well developed delivery partnership that has very effectively linked the public, voluntary and private sectors in identifying and delivering high quality jobs for the unemployed.

4.7 That a further 2500 unemployed people will be denied the opportunity to take part in a programme that gives them value, raises their self esteem, and in many cases gives them their first experience of paid employment.

5. ENGAGEMENT OF FJF EMPLOYERS IN THE WORK PROGRAMME

5.1 There appears no direct relationship between FJF and the new Work Programme. It would not be possible to incorporate work placements of the quality and length of those provided under FJF into the new programme.

5.2 The payment structure of the new Work Programme based entirely on outcomes means that most of Be Birmingham's partners could not carry the risk entailed:

- Cash flow: For small voluntary organisations, having to wait up to eighteen months after a client has to obtain to obtain all payments would not be financially practical.
- Non Achievement: The risk of losing the "investment" made in the individual if they are not able to obtain work prior to leaving the programme or lose their jobs between stage payments.

5.3 The structure of the new programme means that to pay wages for work experience, or to provide work experience of meaningful length (4/6months), is both too expensive and puts the provider at a very real risk of not recouping their investment if the beneficiary does not get into work.

5.4 Most of the organisations in the Be Birmingham FJF partnership do not have the financial capacity to become prime contactors under the "Work Programme" or would be able to carry the risk of becoming sub-contractors unless the "primes" were willing to make significant up front payments to cover their cash flow.

6 September 2010

Written evidence submitted by the Confederation of British Industry (CBI)

INTRODUCTION

1. CBI members support public intervention to tackle youth unemployment. We believe that demand-led intervention and long-term sustainability of employment should be at the core of policies aimed at improving the career prospects of young people. This is best achieved by supporting sustainable jobs and boosting employability skills. We therefore endorse the new Work Programme's focus on employer-led apprenticeships, one of the most effective ways of ensuring that these requirements are met.

2. In this paper, set out that:

- employers support government action to tackle long-term unemployment among the young;
- the Future Jobs Fund failed to deliver a long-term strategy to tackle youth unemployment;
- businesses need more flexibility and simplification of bidding rules;
- CBI members welcome the focus of the new Work Programme; and
- additional measures are needed to tackle youth unemployment.

EMPLOYERS SUPPORT GOVERNMENT ACTION TO TACKLE LONG-TERM UNEMPLOYMENT AMONG THE YOUNG

3. Youth unemployment causes a great strain on the UK public finances, costing the state more than £23 million in benefits every week.¹ More importantly, however, a period of unemployment at the beginning of someone's career can have significant scarring effects through their entire working lives. Bell and Blanchflower (2009)² argue that unemployment while young, especially for a lengthy period, causes permanent scars, raising the probability of being unemployed in later years and institutionalising a wage penalty over the course of a lifetime. These effects are much larger than for older people. Gregg and Tominey (2004)³ addressed this wage penalty from youth unemployment. Using the National Child Development Study, they estimate that youth unemployment imposes an impact on individuals' wages of 12–15% by the age of 42. Inactive young people are also more likely to be involved in crime and significantly more likely to be unemployed later in life. A recent report from the Prince's Trust links youth unemployment to physical and mental health problems, drugs and alcohol.⁴

4. This situation is only aggravated by young people's vulnerability to fluctuations in the labour market. This is due to their relative lack of labour market experience and skills by comparison with the core of the workforce. Against the backdrop of the recession, this means that young school leavers are finding it increasingly difficult to gain access to the labour market. The unemployment rate for the 16- to 24-year-olds rose sharply in 2009, from 15% in 2008 to 19% in 2009. Currently two-fifths of all those who are unemployed are aged less than 25.⁵ This is a long-attested trend. As exhibit one shows, the OECD has tracked the fact that youth unemployment is more affected by the economic weather than total unemployment over many years.

¹ The Princes Trust (2009) *Rethinking Recession*: <http://www.princes-trust.org.uk/pdf/Princes%20Trust%20Rethinking%20Recession%20may09.pdf>

² Bell, D., and Blanchflower, D., (2009), *What should be done about rising unemployment in the UK?*

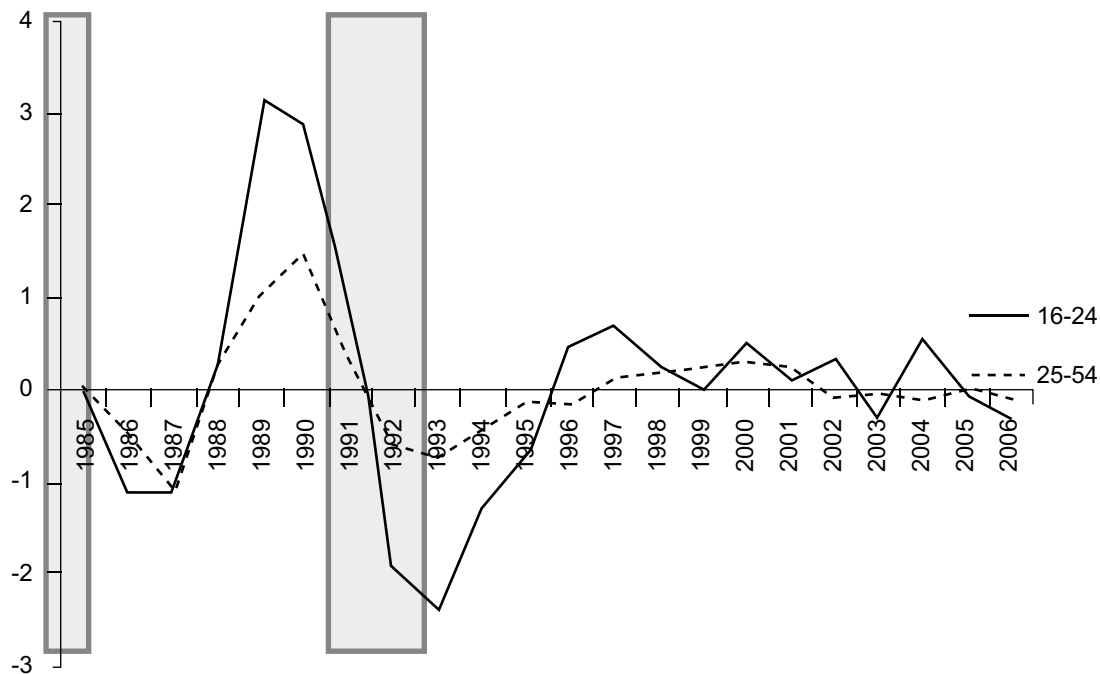
³ Gregg, P., and Tominey, E., (2004), *The Wage Scar from Youth Unemployment*, CMPO working paper series No. 04/097, The University of Bristol

⁴ 11% of young people interviewed claimed that unemployment drove them to drugs or alcohol; up to a quarter said that their joblessness caused arguments with family and nearly a third (28%) noted that unemployment caused them to exercise less: http://www.princes-trust.org.uk/pdf/Youth_Index_2010.pdf

⁵ Labour Force Survey, ONS—<http://www.poverty.org.uk/35/index.shtml>

Exhibit 1

YOUTH AND ADULT EMPLOYMENT RATES AND PERIODS OF RECESSION (SHADED), UNITED KINGDOM, 1985—2006 (% DEVIATION OF EMPLOYMENT RATES FROM THEIR RESPECTIVE TRENDS).



Source: OECD

THE FUTURE JOBS FUND FAILED TO DELIVER A LONG-TERM STRATEGY TO TACKLE YOUTH UNEMPLOYMENT

5. The Future Jobs Fund (FJF) was created in 2009 to these issues of youth unemployment, specifically those who had been out of work for a long period. The scheme aimed to create 150,000 jobs with £1bn of public funding between 2009 and 2011. It specifically targeted candidates who had been unemployed for at least 10 months or who lived in specific geographical locations.⁶ Only ‘additional jobs’⁷ of at least six months of duration qualified for funding.

6. Upon its creation in 2009, the CBI welcomed the Future Jobs Fund initiative, but we had some significant concerns. While we supported the Fund’s mission and objectives, we stressed that for the programme to be a long-term success the jobs funded would have to create sustainable pathways into employment, ensuring that the positions funded left the young person more employable for the long-term as well as providing a short period of employment. We also noted that some of the requirements attached to the FJF and the overly rigid criteria prescribed could create difficulties for businesses in accessing funding in response to the most immediate needs of the organisation. This could result in unnecessary barriers to job creation in the private sector.

7. Some of the requirements surrounding the bidding process for the FJF did indeed make it difficult for bidders to create sustainable job opportunities with FJF funding. In particular, the additionality criteria established that funding would only be available for jobs that were not integral to the organisation, and would not exist without external intervention. This requirement in practise meant that jobs created within the FJF were less likely to be retained than others, once government support had been withdrawn. For businesses, the additionality criteria effectively removed much of the business case for getting involved—where firms has core work to be done—and could resource it through overtime, for instance—they might have taken someone on had support been available.

8. A year into the implementation of the scheme, CBI member are still unclear about the ability of the FJF to enhance participants’ chances of finding permanent employment. Experience from the 1970s and 1980s suggests that for government intervention to be successful and effective in the long term, the jobs created must be ‘real’ and provide long-term pathways into employment. Work programmes like the 1978 Youth

⁶ Suitable candidates are those who live in areas where the claimant / unemployment rate is more than 1.5 percentage point above the national average.

⁷ Additional jobs are those who would not have been created had the public funding not been made available.

Opportunities Programme stigmatised participants as incapable of finding better alternatives in the labour market, while failing to add to their skillset and employability.⁸ Anecdotal evidence from our members suggest that FJF has fallen into a similar trap—by providing work that is marginal to the core of businesses and public sector employers, it has effectively provided a short-term boost to those involved, with little evidence that it has successfully improved participants longer term labour market prospects. This is a general conclusion, however, as some FJF-funded schemes have been more successful.

BUSINESSES NEEDED MORE FLEXIBILITY AND SIMPLER BIDDING RULES

9. A key change that would have improved FJF outcomes would have been greater flexibility of funding rules to enable early intervention in areas where it is most needed. For example, the FJF is only available in regions that have young unemployment rates over 1.5 times the national average or for young people who have claimed unemployment benefit for over 10 months. These requirements effectively prevent businesses from rolling out initiatives for the young unemployed on the basis of arbitrary demarcations.

10. In addition, the DWP's preference for bids involving local or sectoral partnerships may be detrimental to the long-term success of the programme. The guidelines of the FJF explicitly encourage small organisations such as social enterprises to “work in partnership with local authorities and/or other third sector organisations to develop joint bids”. This preference had tangible effects on the allocation of funds—in July 2009, of the 117 bids that obtained funding from the FJF, 62 were allocated to partnerships involving local authorities. Local partnerships are a positive tool to deliver joined-up solutions that are targeted to the particular needs of a community—they are well suited to identifying local needs and provide participants with useful work experience. However, these partnerships are less likely to deliver sustainable paths into employment than schemes led by businesses. We believe that the short timescales involved in the process, the complexity of bidding and the additionality rule all contributed to this outcome.

11. These restrictions create unnecessary barriers to employment where it is most needed. The CBI believes that Government programmes to tackle unemployment would be more effective if they allowed a level of flexibility to ensure that employers can receive support quickly to respond to the needs of the organisation. The focus should remain on creating pathways for career development that lead to permanent employment, an objective that is best achieved through employer-led apprenticeships.

CBI MEMBERS WELCOME THE FOCUS OF THE NEW WORK PROGRAMME

12. The CBI supports the new Work Programme's focus on creating clear and accessible routes to sustainable employment and professional development. Specifically, the emphasis of the Programme on apprenticeships is in line with previous CBI calls for action in this area. We welcome Government's announcement decision to redeploy £150 million of funding to create 50,000 additional apprenticeship places under the new Work Programme.

13. Employer-led apprenticeships provide sustainable jobs, structured pathways for career development and high wages. They combine specific technical knowledge with on-the-job learning and mentoring, providing a well-rounded path for employability and improved opportunities for career progression. Around 90% of apprentices find employment (or self-employment) immediately after their training ends, and over 40% obtain an upgrade or promotion shortly afterwards. Moreover, an apprentice's wage return of 8–18% compares favourably to A-levels (around 14%).⁹

14. We also welcome the integrated approach of the new Work Programme and the simplification of streams for Government intervention to tackle unemployment. Many employers are confused by the wide variety of sources and complexity of the tendering process. This is particularly burdensome for SMEs, who may be unable to spend the resources and time needed to access valuable funding. CBI members welcome the transition to a simplified Work Programme, and we would support the creation of a one-stop portal for information that compiles information from all the employment schemes available to businesses.

ADDITIONAL MEASURES ARE NEEDED TO TACKLE YOUTH UNEMPLOYMENT

15. In addition to enabling adequate sources of funding, it is important to ensure that the UK Government's strategy for youth employment addresses structural gaps in the educational system. For example, encouraging greater take-up of STEM subjects (Science, Technology, Engineering and Maths) can help reduce some of the mismatches between young people and employers. STEM skills are essential in sectors key to the future UK competitiveness—such as IT, pharmaceuticals and high value-added manufacturing. Yet two fifths of employers report difficulties reporting STEM skilled staff.¹⁰ The CBI has consistently called for greater government support to encourage higher take-up of STEM subjects—for instance, through an automatic opt-in system to enrol higher-achievers on triple science GCSEs.

⁸ Oddie, Donovan and Pardoe (2004) assessed the YOP and found that the scheme improved the short-term employment prospects of participants vis-à-vis those who remained unemployed, but it also contributed to generate a self-perception of beneficiaries of the scheme as having less control over their own lives than those who didn't.—‘Do government training schemes for unemployed school leavers achieve their objectives?’ *Journal of Adolescence*, Volume 7, Issue 4, December 1984, pg 377–38.

⁹ CBI (2010) *You're hired! More apprentices for Business*: <http://www.cbi.org.uk/pdf/20100713-cbi-youre-hired-employer-case-studies.pdf>

¹⁰ CBI/EDI (2010) *Ready to grow: business priorities for education and skills*

16. The UK is also behind competitor nations like France, Germany and Singapore on the promotion of key employability skills like basic numeracy. Addressing these gaps and ensuring that young people are equipped with the right skills set will go a long way to address unemployment and underachievement in the marketplace. This year's GCSE results showed 100,000 young people getting an F or below in Maths, and 50,000 in English.

17. As well as encouraging the promotion of valuable skills, offering practical advice about the labour market will be pivotal to improving employment prospects for the 16–24 year-olds. A recent report from the REC¹¹ highlights a mismatch between young people's expectations and employers' needs. This could be addressed by strengthening the links between employers and schools, to ensure that young graduates and early school leavers enter the labour market equipped with the right expectations, skills and competencies. Practical support can be delivered via career services, so-called "boot camps" or other fora, and opportunities to obtain work experience could be made available through internships and mentoring programmes.

15 September 2010

Written evidence submitted by Department for Work and Pensions

SUMMARY

- The Young Person's Guarantee is a set of measures that was designed to provide support for young people during the recession. The Guarantee was announced in the 2009 budget as one element of the previous Government's response to rising unemployment.
- The Young Person's Guarantee has five elements, the Future Jobs Fund, Routes into Work—a sector specific training and work experience package, work-focussed training, the Community Task Force, and Care First Careers.
- The Future Jobs Fund is by a long way the most expensive of the five elements; it is almost three times as expensive as funding a training course and more than five times more expensive than the Community Task Force element.
- Faced with the largest public spending deficit in the UK's history, it was imperative that the Coalition Government identified areas to reduce expenditure. The Future Jobs Fund was identified as an area where savings could be made, whilst maintaining the support available to young people. Closing the Future Jobs Fund to new bids is justified because the programme is an expensive, short-term response to the recession and the Government is confident that similar results can be achieved through better value for money interventions. All existing commitments under the Fund will be honoured to ensure that young people are supported until the new Work Programme is in place.
- The Young Person's Guarantee, including the Future Jobs Fund will be replaced by a new Work Programme. The integrated Work Programme will be delivered by specialist providers who will be free to provide young people with the support they need to find sustainable jobs in the private sector. This contrasts with the Future Jobs Fund in that it mainly provided short term, public sector based work which may not translate well to the wider labour market and the demand for skills from the private sector. Many Lead Bodies reported difficulties in engaging with private sector employers due to the restrictive nature of the Future Jobs Fund criteria, particularly in relation to Community Benefit and Additionality.¹²
- The Coalition Government will evaluate and fund the Work Programme on the basis of successful, sustainable job outcomes. This incentivising of positive outcomes was lacking in the delivery model for the Future Jobs Fund, which funded the creation of short term jobs, and did not specifically fund or require sustainable outcomes.
- The Coalition Government has already committed £150 million to provide 50,000 adult apprenticeships. These apprenticeships will be an opportunity for young people to learn a trade and start out on a sustainable, long-term career in the private sector.
- The Young Person's Guarantee will be in place, however, until the Work Programme is introduced. The Coalition Government will ensure that support is in place to help unemployed young people to find work, including through the Future Jobs Fund, which will continue recruiting under the existing agreements until March 2011.

1. INTRODUCTION

1.1 In 2009 the Department introduced a range of support for those affected by the recession. The Young Person's Guarantee was a guaranteed offer of a job, work-focused training, or work experience to all 18 to 24 year olds before the 12 month stage of their claim to Jobseeker's Allowance. The offer was voluntary initially but from April 2010 all young people approaching 12 months unemployed have been required to undertake 13 weeks of activity or risk sanctions being applied. The total funding allocated the Young Person's Guarantee

¹¹ Recruitment and Employment Confederation (2010) *Avoiding a lost generation: Preparing young people for work now and in the future*

¹² The Future Jobs Fund criterion for Additionality is defined as the job not existing without Future Jobs Fund funding, primarily to avoid displacement and substitution. These criteria were introduced to ensure compliance with State Aid legislation.

was £1.1 billion, of which just under £1 billion was to deliver the Future Jobs Fund, around 90% of the total fund.

1.2 The Future Jobs Fund created jobs for young people and other benefit claimants living in pre-defined disadvantaged areas. The jobs are funded by the Department, with a maximum contribution of £6,500 per job. The Fund is the largest and most expensive element within the Young Person's Guarantee. Unit costs for the Guarantee are shown in Table 1.

Table 1

YOUNG PERSON'S GUARANTEE UNIT COSTS

Future Jobs Fund	£6,500
Routes into Work	£1,200
Work Focussed Training	£2,310
Community Task Force ¹³	£1,200
Care First Careers	£1,500

1.3 Most Future Jobs Fund jobs were funded at the maximum £6,500 contribution. This does not compare favourably with programme costs of other employment programmes. For example, internal departmental estimates show that the average cost of finding work for one person on the New Deal for Young People was approximately £3,480 per job. Organisations were invited to bid for Future Jobs Fund funding to deliver the jobs and applications were assessed against published criteria.

1.4 The Fund was announced in April 2009, originally to create 150,000 jobs by March 2011. The first round of approved bids—117 in total—were announced in late July 2009 with an intention to start filling posts from October. However, by the end of the year, fewer than 5,000 jobs had been created. Reasons for these early delays include over-ambition from bidders, delays in issuing grant letters (issued in early September), delays in these letters being returned, changes to guidance for Jobcentre Plus advisers, and severe weather in late 2009.

1.5 Performance improvement activity was undertaken in the early part of 2010 involving the Department, Jobcentre Plus and Lead Bodies.¹⁴ This activity included introducing new initiatives to encourage more bids, performance improvement planning, putting on Jobsfairs and work to help Lead Bodies to streamline their recruitment processes. A Senior Performance Improvement Group was also put in place to resolve issues. This translated to a significant improvement in the position against profile which is reflected in the latest statistics (published in August 2010, performance to May 2010).¹⁵ However, when considered as part of the overall delivery costs, the additional cost of that activity will have further eroded the value for money achieved through the Fund.

1.6 Following the election, the Coalition Government took the decision to replace many of the existing contracted employment programmes with a new Work Programme, which will be in place in the summer of 2011. The Work Programme will provide tailored support to help people into sustainable jobs in the private sector. The Government also announced that as part of an efficiency savings package, the Future Jobs Fund would be closed to new bids in June 2010. However, all existing commitments will be met.

1.7 Supporting young people to make the transition into the labour market involves collaboration across Whitehall, particularly between the Department for Work and Pensions, the Department for Education, the Department for Business, Innovation and Skills and the devolved Governments in Wales and Scotland. This ensures that young people can access a range of employment, training and learning opportunities as appropriate to their needs and interests.

2. THE YOUNG PERSON'S GUARANTEE

2.1 The Young Person's Guarantee was introduced initially as a voluntary scheme but became mandatory on 26 April 2010. Young people are required to commit to 13 weeks of activity. Failure to do so results in a mandatory referral to the Community Task Force (the work experience element of the Guarantee). Those who refuse risk benefit sanctions being applied. The cost of the move to mandation was covered within the existing budget.

2.2 Evidence suggests that community work experience activity can be effective in improving the employability skills of individuals who are not job ready.¹⁶

¹³ Average cost, including cost of those failing to complete YPG options making up the remainder of time on the Community Task Force.

¹⁴ Lead Bodies are either single organisations or organisations at the head of a partnership, which are named as the Lead body on the grant letter. Representatives of the Lead body are required to sign the grant letter. The Lead body is responsible for ensuring compliance with the terms and conditions.

¹⁵ The latest release can be found at http://research.dwp.gov.uk/asd/asd1/jsa/ypg/YPG_Statistical_Release_August_2010.pdf

¹⁶ Hasluck, C. and Green, A.E. (2007) *What works for whom?* A review of evidence and meta-analysis for the Department for Work and Pensions, DWP Research Report No. 407.

3. THE FUTURE JOBS FUND

Evidence on job creation schemes

3.1 When developing the Future Jobs Fund the Department undertook a review of evidence on schemes delivered in the UK (in particular Step Up—an intermediate labour market programme, and the Community Programme—a large job creation scheme in the 1980s)¹⁷ as well as internationally.

3.2 Overall, the evidence on the labour market impacts of previous job creation schemes is mixed. The quantitative evaluation of the Community Programme found no discernible impact on employment and findings from the evaluation of Step Up were similar. International evidence has also tended to be negative with potentially significant deterioration of employment prospects identified for some participants. As the OECD stated in their Employment Outlook 2006, “*public job creation [schemes] are typically disappointing in terms of bringing the unemployed back into unsubsidised work*”.¹⁸

3.3 However, the evaluation of Step Up found that headline impacts disguise different returns for different groups. Those with low objective employability (for example low skills) but high subjective employability (for example high motivation) tended to benefit, often significantly, while those with high objective employability saw little or no benefit.

3.4 Labour market conditions also have a bearing on the suitability of job creation schemes. The OECD recognises the contribution of job creation schemes during recessions; “*provided they are temporary and do not become a disguised form of subsidized permanent unemployment*”.¹⁹

3.5 As with other forms of fiscal stimulus, these contrasting impacts pointed to the need for a scheme to be implemented swiftly, to be temporary and to be discontinued once the labour market is back on an upward trajectory.

Design

3.6 The Fund was originally designed to achieve 150,000 jobs split on a 2:1 ratio between jobs for young people (18–24 year olds), and benefit claimants living in disadvantaged areas. A modification to the original design was made to broaden the eligibility linked to duration of unemployment bringing the entry point for the Young Person’s Guarantee forward to six months on Jobseeker’s Allowance. This simplified delivery and increased the potential pool of applicants but may also have reduced the potential impact and increased deadweight costs. Some individuals may have gone into a government-funded Future Jobs Fund job that would have otherwise have found work independently.²⁰

Policy development

3.7 The Fund was developed as a challenge fund with partners bidding against pre-published criteria. Funding was awarded on the basis of the quality of the bid. Most bidders bid for the full £6500 per capita funding.

3.8 The minimum criteria of the fund were that the jobs must be real jobs, i.e. paying at least national minimum wage for 25 hours a week and lasting for a minimum of six months; be additional, i.e. they wouldn’t have existed in the absence of the fund; and be of benefit to the community over and above the benefits of employing the long-term unemployed. The Department also set out secondary criteria which bidders were required to meet and which were designed to ensure quality. Funding was via a grant. Grant management arrangements provided assurance.

Evaluation arrangements

3.9 The details of the evaluation of the Future Jobs Fund are yet to be finalised, however, current plans include three strands:

- qualitative research;
- in-house data analysis; and
- collation of lessons learnt from local evaluations.

3.10 It is too early to understand the impact the Future Jobs Fund has had on entry to employment and benefit off-flows.²¹ The Department may undertake an impact assessment as part of the in-house data analysis. In the interim the Department is scoping the feasibility of some early analysis of Future Jobs Fund durations and destinations.

¹⁷ See: Bivand, P. Brooke, B. Jenkins, S. and Simmonds, D. (2006) *Evaluation of the StepUP Pilot: Final Report*, DWP Research Report No 337, http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/tra_337.asp; and Haskell, J. and Jackman, R. (1988) “*Long-term Unemployment in Britain and the Effects of the Community Programme*”, Oxford Bulletin of Economics and Statistics, 50, 4, p. 379–408

¹⁸ OECD (2006) *Employment Outlook. Boosting Jobs and Incomes*, Paris: OECD

¹⁹ OECD (2006) *Employment Outlook. Boosting Jobs and Incomes*, Paris: OECD

²⁰ We do not have an estimate of the effect of broadening eligibility to the Fund.

²¹ Due to data lags in administrative data.

Strengths and weaknesses

3.11 A post implementation review of the Fund was undertaken with partners, stakeholders and programme staff. The evaluation will build on this early work. The following strengths were identified:

- the Fund’s delivery criteria were well defined and clear;
- the assessment process was sufficiently rigorous to ensure only high quality bids were approved;
- there existed significant commitment to delivery from Lead Bodies;
- the Department implemented clear and effective support networks and escalation routes for Lead Bodies and their partners to resolve issues; and
- the grant terms and conditions were effective. Intelligence from the Grant Management Team and Jobcentre plus suggests a high level of compliance.

3.12 Conversely, the following weaknesses have been identified:

- the cost of the Fund is high, particularly relative to other interventions which may be equally effective;
- eligibility was relaxed, allowing claimants access earlier, which has potentially reduced the impact on employment and increased deadweight costs;
- the jobs were temporary and largely public sector based so the work experience may not translate well to the wider labour market;
- some Lead Bodies experience difficulties in engaging with the private sector due to the restrictions in place to comply with State Aid legislation.;
- grants were loosely managed to ensure performance gains; and
- addressing early performance deficits increased costs further through the use of Departmental resources, particularly within Jobcentre Plus.

4. DELIVERY AND PERFORMANCE

Performance summary

4.1 Table 2 below provides a summary of performance by English region and Scotland and Wales. Around 60% of bids were approved over eight bidding rounds. The percentage approved was relatively uniform across the English regions but slightly higher in Scotland and Wales. Scotland saw the highest percentage of bids approved (89%) and the West Midlands the lowest (44%).

Table 2

FUTURE JOBS FUND REGIONAL PERFORMANCE SUMMARY

	<i>Total Bids Received*</i>	<i>Total Approved*</i>	<i>% Approved</i>	<i>Jobs Granted to March 2011*</i>	<i>Job Starts to May 2010*</i>	<i>% of Jobs Granted Delivered to May 2010</i>
East Midlands	70	40	57%	6,300	3,050	48%
East of England	70	40	57%	4,210	1,910	45%
London	170	110	65%	12,160	5,510	45%
North East	50	30	60%	6,650	2,310	35%
North West	100	50	50%	21,420	7,250	34%
Scotland	90	80	89%	10,080	4,460	44%
South East	60	30	50%	6,230	2,050	33%
South West	70	40	57%	5,120	1,730	34%
Wales	50	40	80%	10,320	3,260	32%
West Midlands	90	40	44%	14,390	4,930	34%
Yorks & Humber	70	40	57%	10,110	3,510	35%
National Bids ²²	130	60	46%			
Unknown				1,040 ²³	760 ²⁴	
Total	1,020	600	57%	108,030	40,730	38%

* Note: these numbers are subject to rounding.

²² A “National Bid” is a bid that will deliver the Future Jobs Fund across two or more regions.

²³ Bidders did not specify the region within which these jobs were intended to be located.

²⁴ Some job starts are unable to be recorded against a geographical location due to Jobcentre Plus systems.

Early delays

4.2 There were some obstacles encountered during the early days of processing grant letters. Postal workers voted to take industrial action, which resulted in delays and some losses of grant letters. The Department responded to this by changing to distribution by email. There were also some delays with grant letter clearance and returns from Lead Bodies. Some partnerships, particularly large or new organisations were slow to mobilise.

Engaging the private sector

4.3 Some Lead Bodies reported difficulties in engaging with the private sector. This was not because the private sector did not want to be involved, but because the restrictions in place requiring the jobs to be additional and of benefit to the community acted as a barrier to their involvement. It was important that the Department ensured compliance with State Aid legislation in delivering the Fund and, therefore, the restrictions in place were designed to ensure that compliance was achieved.

4.4 The result of this is yet to be evaluated and understood. However, we know that private sector involvement was limited and it may be that this effective exclusion of the private sector from participating in a meaningful way, will impact on the ability of employees under the Future Jobs Fund to translate the work experience they have gained to the wider labour market, if the skills and experience gained do not match the requirements of employers, particularly in the private sector, at the local level.

Performance improvement activity

4.5 Early performance achieved through the Fund was below expected levels. A range of performance improvement measures were implemented to address the deficit. The main elements were:

- a relaxation in the eligibility criteria moving the entry point to the Young Person's Guarantee to six months. This simplified the process for Jobcentre Plus but, as discussed above, this may have increased deadweight costs;
- a Senior Performance Group was convened to consider performance and delivery issues, identify and track solutions; and
- the Department allowed Lead Bodies more time to meet their agreed job profile where performance was below profile and allowed high performing bidders to increase in their agreed profile of up to 100%.

4.6 This activity increased the job start rate as recent statistics show. However, these additional activities were resource-intensive and will have reduced the value for money achieved through the Fund.

Extensions in the scope

4.7 The previous Government announced an increase in the Future Jobs Fund on 24 March 2010. This raised the total number of jobs to be delivered by March 2011 to 170,000. The additional 20,000 jobs were all targeted at 18–24 year olds. The previous Government also subsequently announced an extension of the Young Person's Guarantee into 2011/12. This included an increase in the number of Future Jobs Fund jobs bringing the total to 205,000. The extension to the Young Person's Guarantee will not now go ahead.

Jobcentre Plus, Lead Body and customer feedback

4.8 Once the Future Jobs Fund's policies had had time to bed-in, Jobcentre Plus reported good progress, in the main as a result of the performance improvement activities. The average weekly number of job starts remains relatively constant.

4.9 In the main, customers have reported positive experiences of being employed through the Future Jobs Fund. Employees have commented that the experience has been extremely useful, partly for the chance to gain work experience and a reference, and partly as a boost to their self esteem. The only consistently negative feedback received has been disappointment that the jobs were for a limited time.

4.10 However, it remains to be seen whether these reported positive experiences will translate into sustainable employment for those involved. The evaluation of the Future Jobs Fund will formally capture the outcomes from the Fund and the views of participants.

5. SUSPENSION OF THE FUND AND THE IMPACT

Decision to close the fund

5.1 Following the election, Ministers considered the options for the future of the Fund. As noted above, at a cost of £6,500 per place, the Future Jobs Fund is the most expensive element of the Guarantee almost three times as expensive as the training option (£2,310) and over five times more costly than the Community Task Force (£1,200).

5.2 However, cost was not the only consideration. The Future Jobs Fund was always intended to be a short term recession measure. The jobs created under the scheme were short term; mainly public sector based and due to the way the Funding was disbursed, without any financial incentive for Lead Bodies to seek sustainable outcomes, may not lead to sustainable employment for participants in the wider labour market. Because of this, allied to the significant costs of the Fund, the decision was taken not to further extend the scope of the Fund and to replace it, in due course, with the new Work Programme.

5.3 The Fund was closed to new bids, whilst honouring existing funding commitments. This decision has enabled the Department to save approximately £294 million of Future Jobs Fund funding towards the Department's contribution to the overall budget deficit, whilst also continuing to support young people into work through the Guarantee.

5.4 This decision was announced by the Coalition Government on 24 May 2010, as part of the wider announcement on efficiency savings.²⁵ All Lead Bodies were formally contacted by the Department to discuss the implications for outstanding applications and existing grant awards.

Tightening grant management

5.5 The announcement of 24 May 2010 also announced tighter management of the Fund. This was formally communicated to Lead Bodies.

6. FUTURE SUPPORT FOR YOUNG PEOPLE

Meeting the needs of all customers

6.1 The new Work Programme will support a wide range of customers—from Jobseeker's Allowance recipients who have been out of work for some time, to customers who may previously have been receiving incapacity benefits for many years.

6.2 Currently the support you get is based on the benefit you get. This method of allocation ignores the fact that people's barriers to work are as individual as they are. The Work Programme will be far more personalised, with the support supplied being determined by front line delivery partners based on the needs of individuals. Stronger incentives will be offered for delivery partners to work with the harder to help.

Support for the young unemployed

6.3 The introduction of the Work Programme provides us with an opportunity to redesign what happens for customers before referral to a provider, if they reach that point. We are building on the emerging lessons from the Jobseekers Regime and Flexible New Deal to design a customer journey that will improve service to customers in Jobcentre Plus and allow Jobcentre Plus advisors greater freedom to determine what help customers need to return to work.

6.4 The policy intent is to enable Jobcentre Plus to operate in a more autonomous and flexible way to deliver the kind of personalised, customer-focused support we know is likely to drive customer behaviour and result in sustained job outcomes.

6.5 This approach will place even greater emphasis on the interaction between the customer and the Jobcentre Plus adviser. This relationship will determine both the optimal frequency of interventions and where decisions will be made as to which opportunities will benefit the young person on their journey towards employment. This journey might include, for example, work experience, pre-Apprenticeship training, an Apprenticeship, a further education course or other training.²⁶ We believe that for many young people this tailored support will result in a move into sustained employment before potential entry to the Work Programme.

6.6 By identifying savings from other programmes, the Coalition Government has been able to announce its intention to invest an additional £150 million in 2010/11 to provide an additional 50,000 adult Apprenticeships. The coalition Government is committed to improving the quality of Apprenticeships to make them better suited to the needs of employers.

6.7 For young people who have the potential to succeed in Apprenticeships but who need some additional help to develop all the skills necessary for employment, or to overcome some other form of disadvantage before securing a job with an employer, the Government is developing plans for a clear pre-Apprenticeship route which will widen access to the programme and increase the supply of candidates equipped to complete training successfully.

6.8 The benefits to employers of Apprenticeships are enormous. Employers recoup their investment rapidly and even the most expensive Apprenticeships pay back in less than three years. The benefits to apprentices are also considerable. Those with a Level 2 Apprenticeship earn on average around £73,000 more over their

²⁵ The document supporting the announcement can be found here: www.hm-treasury.gov.uk/d/press_04_10.pdf

²⁶ Please note that should the Select Committee require information about education and training provision in Wales and Scotland a request should be made to the relevant Devolved Ministers. The information about training and education presented here is England only.

lifetime than those who leave learning with Level 2 qualifications; and people with an Advanced Apprenticeship around £105,000 more (than those with Level 2 qualifications).²⁷

6.9 The Coalition Government is committed to offering young unemployed people the opportunity to access high-quality, labour market relevant training so that they can gain the skills they need for sustainable employment and progression in learning and work. Through the consultation document: Skills for Sustainable Growth (July 2010), the Department for Business, Innovation and Skills is consulting on how the Further Education and Skills system can best respond to the needs of those facing skills barriers to work, and detailed proposals will be published in the autumn.²⁸

Equipping the next generation

6.10 To ensure that the next generation of school leavers are equipped for the future, the Coalition Government wants to raise attainment for all children and close the gap between the richest and poorest. This is not just a matter of social justice, but also part of a longer term strategy to reduce welfare dependency and to tackle disadvantage in our communities.

6.11 The Government recognises the importance of tackling problems before they arise, which is why the Government want to take Sure Start back to its original purpose of early intervention, increase its focus on the neediest families, and better involve organisations with a track record of supporting families.

6.12 Structural reforms of education will also support these aims. Free Schools will enable excellent teachers to create new schools and improve standards for all children, helping to raise attainment. The pupil premium will give extra funding to schools to help them tackle the inequalities that have been a part of our state system for far too long.

6.13 Careers guidance is also essential in helping young people to make decisions that will set them on their way to success in adulthood and in their working lives. The Government is currently considering how best to provide access for young people to high quality careers guidance, which will help them navigate the complex choices on offer to them about education and careers.

6.14 The numbers and characteristics of young people who are participating and those who are not in education, employment or training (NEET) vary significantly between local areas. That is why the Government cannot achieve its aims solely through national direction and control. The Government wants to give local authorities, education and training providers and professionals the freedom they need to meet those young people's needs.

15 September 2010

Written evidence submitted by Glasgow City Council and Glasgow Works

INTRODUCTION

Glasgow Works delivers Glasgow's Employment Strategy on behalf of Glasgow City Council and has programme managed Tranch 1 and Tranch 7 of the Future Jobs Fund bid culminating in 553 new jobs for the city.

The Partners engaging in delivering the bid were the five Local Regeneration Agencies, FE Colleges, the Wise Group, Glasgow Council for the Voluntary Sector, City Building, Glasgow Community Safety Services, Culture and Sport (now rebranded as Glasgow Life) and the Marriott Hotel.

THE EXTENT TO WHICH THE FJF HAS SUCCEEDED IN MATCHING NEW WORK EXPERIENCE OPPORTUNITIES TO YOUNG UNEMPLOYED PEOPLE.

Future Jobs Fund offered the opportunity for young people with little or no employment experience and qualifications the opportunity to access a position they would have found difficult to attain otherwise. It further afforded opportunities for employers to think creatively about how they could develop jobs that would enhance the capacity of their organisation whilst at the same time, providing exposure to formal and informal training for the individual and making a real contribution to the community at large.

The opportunity has allowed young people to undertake positions that they may never have applied for in a mainstream vacancy due to their inexperience and lack of work related qualifications. The positions have been supportive through the provision of "Wrap Around support" which has helped give focus and structure to supporting the longer-term goals of the young person through a constructive Action Planning process detailing training, personal development and additional supports. This has been beneficial to both employer and employee as it has encouraged regular communication relating to support and supervision with tangible outcomes.

²⁷ McIntosh, S. (2007) *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications*, DfE Research Report 834.

²⁸ <http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/s/10-1073-skills-consultation.pdf>

STRENGTHS AND WEAKNESSES OF THE FJF PROGRAMME FROM THE PERSPECTIVE OF PROVIDERS (INCLUDING THIRD SECTOR), EMPLOYERS AND YOUNG PEOPLE, AND PARTICULARLY IN RELATION TO LONG-TERM SUSTAINABILITY OF EMPLOYMENT OPPORTUNITIES.

LAB Perspective

From a Glasgow City Council perspective, FJF provided an additional resource to tackling youth unemployment. We embraced the opportunity to work with employers to support genuine employment for some of our most disadvantaged young people. Often young people are portrayed as having no desire to work, but our experience told us differently. We knew that with our collaborative partnership and the support of Job Centre Plus that we could meet the challenge of creating attractive, progressive jobs and to that end, we have succeeded by creating over 550 jobs that would not have been there without the FJF.

Our employers have advised that from their perspective the opportunity to take an employee on as opposed to a trainee had a massive impact on the learning curve of the individual. Individuals became a part of the team with their own roles and responsibilities. They had the same accountability in terms of policies and procedures as their colleagues and hence had an equal status. Each young person employed under the FJF vacancy had the opportunity to access a number of different training and employability facilities, which augmented the FJF programme. A huge benefit for the individual is that this is a real job as opposed to a placement but still has the support allowing an individual to “learn to be at work”.

In terms of challenges, the early implementation was difficult, also disappointing in that there was an expectation that there would be a huge demand for these posts. This did not happen and was down to the restrictive eligibility criteria. This was quickly rectified through local flexibilities and from then until the new Coalition Government’s announcement to wind up FJF, we experienced a marked increase in the number of people referred for positions, making it easier to recruit and fill the vacancies. Since the announcement however, we have seen a dramatic downturn in the number of referrals resulting in some employers not being able to fill posts and opportunities being lost.

We have now reached the end of our job submissions but have a further 6 months of delivery to go. At the midpoint, we noted **41%** of those who had participated in a FJF job had gone onto other employment. In the current economic climate, we believe this to be a positive return.

The Third Sector Perspective

The FJF programme has enhanced the Third Sector with many interviewees realising what an asset the programme has been to their small organisation. Employers have mentioned that FJF has given them the opportunity to employ new people, who bring great enthusiasm and fresh ideas. They also see the benefits to young people, by giving them the opportunity to try something new or unconsidered in the past. The participants are then given the opportunity to train in flexible environments, and enhance their skills.

The main complaint about the FJF programme is the time constraint of 26 weeks. Most employers commented that six months is not long enough, with new employees taking two months to find their feet and gaining the confidence to express themselves and benefit the organisation. The six month period is also restrictive on training and education, with SVQs taking approximately six months, meaning the young person must start their VQ from day one of the job, in order for the training to be completed within the time limit and for funding to be offered.

Another weakness highlighted was the risk that the organisation took in employing young people who had had poor employment histories, and the fear that they might not show up, want to learn or be of any benefit to the organisation. Third Sector organisations stated that with very little time, money and staff at their disposal they were reliant on the FJF participant to engage with them fully from the outset in order to make the most of their experience

The Employer Perspective

Employers noted both positive and negative experiences of the young people that came to them stating that some were highly motivated and made excellent contributions to the work place and as a result, a number secured further employment within the participating organisation whilst others found themselves in the wrong opportunity. In hindsight, they felt that perhaps there was a rush across the City (and indeed the country) to place so many young people into opportunities in order to achieve timing deadlines. For the young people themselves, the employers feel that those who completed the opportunity increased their skills, attained confidence in the work place with many going on to find sustainable employment.

THE LIKELY AFFECT OF THE DECISION TO END THE FUTURE JOBS FUND IN MARCH 2011 RATHER THAN MARCH 2012.

The premature end of FJF will leave a notable gap in provision to a group, which already faces disadvantage. Unemployed young people aged 18–24years who are more than six months unemployed may now find themselves competing with more experienced job seekers and increasing the likelihood of experiencing longer periods of unemployment.

HOW THE TRANSITION FROM FJF TO THE WORK PROGRAMME WILL BE MANAGED, INCLUDING THE PART TO BE PLAYED BY THE GOVERNMENT'S PROPOSAL TO FUND NEW APPRENTICESHIPS

There is likely to be a gap between FJF and the Work Programme, which may lead to a relatively larger number of young people being eligible for a Work Programme start than would have otherwise been the case. The Work Programme Contractor(s) will need to factor this into their planning assumptions for the delivery of WP.

7 September 2010

Written evidence submitted by Groundwork UK

SUMMARY

Groundwork's experience of delivering the Future Jobs Fund (FJF) has highlighted that providing someone with a job is the most beneficial thing we and other third sector organizations can do to help people out of poverty. The FJF has also demonstrated that subsidised employment programmes are effective, especially in emerging market areas. Subsidised employment programmes and temporary work placements could be very effective elements of the Work Programme.

1. INTRODUCTION

Groundwork is one of the country's leading providers of environmentally-focused employment schemes. We tackle worklessness in deprived areas by helping people develop their confidence, skills and experience in order to find work and to contribute to the regeneration of their own neighbourhoods. Our programmes are focused on those people who find it hardest to get work such as those with low levels of skills, people claiming incapacity benefit or ex-offenders. Many Groundwork Trusts run programmes that pay local unemployed people a wage while they work on a wide range of activities—from renovating run-down houses to running recycling schemes—which also deliver environmental benefits and contribute to genuinely sustainable development. Increasingly these services are being developed into enterprises with the potential to support local economic development.

Over the past year, we have:

- provided 51,000 weeks of training;
- created 3,550 jobs; and
- supported people to gain 7980 qualifications.

With the support of the Future Jobs Fund, Groundwork and the National Housing Federation are working in partnership to create over 6,000 jobs to improve the skills, confidence and employability of jobseekers and improve the quality of life for hundreds of local communities.

Our partnership has a combined network of 90 organisations across the UK able to provide local jobs for local people, including: energy efficiency advisors, neighbourhood caretakers, land management workers and recycling workers.

Additionally, many Groundwork Trusts are delivery partners in local authority Future Jobs Fund programmes.

2. THE EXTENT TO WHICH THE FJF HAS SUCCEEDED IN MATCHING NEW WORK EXPERIENCE OPPORTUNITIES TO YOUNG UNEMPLOYED PEOPLE.

Groundwork and the RSLs have created jobs that wouldn't otherwise have existed and which help improve quality of life in local communities and contribute to sustainable development in the following areas:

- energy—helping individuals and organisations take simple, practical steps to improve energy efficiency and reduce fuel bills;
- waste—improving and expanding local recycling and composting projects;
- construction—gaining experience in construction and refurbishment of social housing;
- environmental maintenance—maintaining and regenerating facilities for leisure, recreation and exercise;
- amenity horticulture—helping to plan, develop and maintain high quality public green spaces;
- community development and support—supporting local groups to get more involved in decision making;
- housing management—providing services and support to residents of social housing;
- sustainable learning—supporting education, training and lifelong learning in the community; and
- green enterprise—supporting the management and administration of local environmental initiatives.

In phase one of the FJF Groundwork achieved 99% of its job starts target—2,368 job starts against a target of 2,384. Almost 30% of phase one leavers are known to have gone into a non-FJF job after leaving the programme.

Case study: Chevin Housing Trust

Chevin Housing Trust consists of a number of housing associations based in Yorkshire.

The association has created 13 jobs for Future Jobs Fund employees. These have been mainly construction based, but has also included office based jobs around housing management. All FJF employees are provided with an Individual Learning Plan to ensure that they obtain a wide range of administration and construction skills and knowledge during their employment with Chevin. Some of the skills the employees have learnt include telephone and customer care skills, reception duty skills and construction skills such as bricklaying and landscaping for the construction based positions. Training requirements of each employee have been determined enabling each employee to be appropriately trained, with some of the training offered being NVQ Level 1 Business and Administration, Clait and AAT Accounting.

The FJF initiative has also benefited local communities by enabling the association to provide more time and resources in their work to support social housing tenants by working on housing developments and improving the local environment and quality of life for the local community.

Chevin Housing Group employed Joshua Bown as an administrative officer. Prior to this he had been unemployed and claiming jobseekers allowance for 18 months. Joshua explains, “The thing with finding work for me was every job I applied for I needed experience but how was I meant to get the experience if no one would give me the job.”

Following a successful interview, Joshua started working for Chevin in February 2010. “It’s changed my life around I finally have money to do things I’m not bored out of my mind in the day and have got to meet some really nice people. I actually wake up in the morning looking forward to work and hate the weekends because there is really nothing to do...Since starting work here I have really enjoyed myself and would love to carry this type of work on preferably get a full time permanent position here at Chevin, I absolutely adore my job and can not thank the people who gave me a chance enough.”

3. STRENGTHS AND WEAKNESSES OF THE FJF PROGRAMME FROM THE PERSPECTIVE OF PROVIDERS (INCLUDING IN THE THIRD SECTOR), EMPLOYERS AND YOUNG UNEMPLOYED PEOPLE, AND PARTICULARLY IN RELATION TO THE LONG-TERM SUSTAINABILITY OF EMPLOYMENT OPPORTUNITIES.

Unlike other government contracts in this field there are few performance outcomes required of deliverers. Funding is not dependent on the number of young people who progress from the programme into permanent employment; this creates a high degree of flexibility for providers who can focus resources on ensuring young people are truly “job-ready” by the time they have completed their FJF programme. Groundwork, and the RSLs involved in the partnership, are committed to using the opportunity to provide positive outcomes for those employed, seeking to supplement the basic provision required by DWP with additional support and training designed to maximise the progression achieved by young people on the programme.

The FJF programme did not include a requirement for longitudinal tracking of participants; it would have been beneficial had this been included and funded to give a more representative picture of the impact of FJF in helping young people to secure and maintain employment. Under FJF, providers only record the destination for leavers on the first day after the end of FJF; thus information about participants who are unemployed at that point but who later go on to secure a job at later date, which may be direct result of participating in FJF, cannot be captured.

The FJF bidding process encouraged providers to bid for the number of jobs they could create based on local need and circumstances; this locally determined and responsive approach proved to be very successful.

4. THE LIKELY IMPACT OF THE DECISION TO END THE FJF IN MARCH 2011 RATHER THAN MARCH 2012.

Voluntary sector organisations were particularly well placed to deliver the FJF; the requirement for up-front capital and financing under the Work Programme may make it impossible for many voluntary sector organisations to participate. Ending the FJF a year early could have some significant implications on the sector’s ability to retain personnel and skills in this area. More importantly, the sector is particularly well placed to meet the needs of those young people who are furthest removed from the labour market and who therefore need the most intensive and specialist help to find and remain in employment; ending the programme a year early may also disproportionately affect those young people.

5. HOW THE TRANSITION FROM FJF TO THE WORK PROGRAMME WILL BE MANAGED, INCLUDING THE PART TO BE PLAYED BY THE GOVERNMENT’S PROPOSAL TO FUND NEW APPRENTICESHIPS.

Prime contractors appointed to deliver the Work Programme would derive significant benefits from sub-contracting third sector suppliers to deliver some aspects, as the sector has extensive experience of successfully working in the intermediate labour market; as is evidenced by the efficiency with which we have delivered FJF.

Groundwork believes there is significant potential for the temporary work option to be incorporated into the ways in which prime contractors deliver the Work Programme: There is often the opportunity for repeated temporary jobs or contracts, and the initial experience gained on a temporary contract through an employment programme can enhance an individual's ability to secure repeat contracts.

A temporary position can also be used to undertake an apprenticeship, or provide structure pre-apprenticeship training and experience. Through FJF, Groundwork has worked with British Gas to trial this approach. Young people are recruited through FJF and seconded to British Gas where they are employed with teams of loft insulation or cavity wall technicians in fuel deprived areas and receive a range of training and support, such that at the end of their FJF programme they will be able to undertake a full apprenticeship with British Gas. Consideration could be given to converting a number of existing FJF positions to formal apprenticeships now, as this would reduce the numbers needing to transition to the Work Programme thereby making the process simpler and more efficient.

New and emerging markets in the areas of energy efficiency and the environment are particularly well placed to create new jobs, as has been evidenced in our experience of delivering FJF: Anticipating the future needs of the employment market is the most efficient use of resources to create and support employment opportunities; many voluntary sector organisations are already working in these emerging market areas and are therefore particularly well placed to support employment related activity in these areas.

9 September 2010
