# Annex A: Template for costing the policies of opposition parties

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| 1). Description of policy, including any assumptions necessary to allow the commitments to be costed: |
| To ask the Chancellor of the Exchequer for the Treasury’s estimate of the cost to the Exchequer of creating a full-time job for six months paid at the minimum wage for all young people unemployed for over a year in the fiscal year 2015/16 according to official a) claimant count forecasts and b) ILO unemployment forecasts.  Source:  “Under Labour, a job is guaranteed.  For at least six months. At least at the minimum wage With real training. And real prospects. Labour’s Real Jobs Guarantee. Real jobs, Real wages, a real chance for our young people.”  <http://www.labour.org.uk/speech-by-ed-miliband-to-labours-youth-conference,2012-03-16> |
| 2). Information required on distributional effects of the policy: |
| None |
| 3). Cost/Revenue to the Exchequer over five years: |
| It is assumed here that “young people” refers to the 18-24 age group, in line with other government youth unemployment policies such as the Youth Contract.  Due to limitations of the data available, specifically a lack of forecasts for unemployment broken down by age and duration on benefit, the cost of the described policy cannot be estimated for 2015-16. Instead, the Treasury has used the data available to estimate the cost of the policy in 2012-13.  The Future Jobs Fund (FJF) had a similar offer of a full-time job for six months at National Minimum Wage. Therefore this costing uses the unit cost from the Future Jobs Fund, noting that the unit cost is higher than the wage cost alone. This also assumes that the unit cost of providing a job for someone who has claimed Jobseeker’s Allowance for six to nine months is the same as providing a job for someone who has claimed JSA for over one year.  The cost is estimated to be £1.04 billion. This includes 18-24 year olds who reach one year on the claimant count during 2012-13, as well as the existing stock in April 2012 of 18-24s on the claimant count for over one year.  The estimated annual cost of this policy is higher than the cost of the FJF over its entire 18 month duration (£680 million). The reason for this is that alternative options were available under the Young Person’s Guarantee, so not all young people who were claiming Jobseeker’s Allowance for six months took up a FJF place. In 2010-11, 78,020 people started on the FJF scheme. This costing assumes that **all** 18-24 claimants reaching one year unemployed take up the offered job: 90,000 people in 2012-13, not including the stock of 18-24s already unemployed for over one year. Including this stock increases the number of young people who would be affected by this policy in 2012-13 to 151,000.  This does not include any offsetting savings as their size is uncertain.  The costing was estimated as follows:   |  |  |  |  | | --- | --- | --- | --- | |  | **For 2012-13** |  |  | | A | 2012-13 monthly through-flow of 18-24s on CC for 1 year | 8,226 | Average number of young people that reach one year on the claimant count each month. May 2012 - March 2013 average (April through-flow is part of April stock, see notes) (Source: nomis data) | |  |  |  |  | | B | Unit cost of FJF placement in 2012-13 prices | £6,850 | (Full-time job for six months at NMW was the FJF offer, so use FJF unit costs) (Source: DWP analysis of FJF costs and benefits[[1]](#footnote-1)) | |  |  |  |  | | C | Monthly cost of through-flows in 2012-13 [A\*B] | £56,348,100.00 | Multiplies monthly through-flows by unit cost | | D | Annual cost of through-flows in 2012-13 [C\*11] | £619,829,100.00 | Only 11 months because April through-flow is included in April stock (see notes) | | E | Rounded annual cost of through-flows in 2012-13 | £620,000,000 |  | |  |  |  |  | | F | Existing stock of 18-24s on CC over 1 year | 60,955 | (April 2012) (Source: nomis data) | | G | Cost of work placements for existing 18-24 stock [F\*B] | £417,541,750.00 |  | |  |  |  |  | | H | Overall 2012-13 cost [D+G] | £1,037,370,850.00 |  | | I | Rounded overall 2012-13 cost | £1,040,000,000 |  |   Notes:   * To obtain the estimate for 2012-13, the costing above takes into account both the through-flow of young claimants reaching one year on the claimant count each month, and the initial stock who have claimed for over one year in April 2012. However, the April 2012 stock also includes those who reached one year on the claimant count in that month, so through-flows are only counted from May 2012 onwards. * The costing does not adjust the unit cost for age group because, according to DWP FJF analysis, "The cost paid to each organisation was a maximum of £6,500 for each job: 40% (£2,600) was paid in advance to cover set up costs. 60% (£3,900) was claimed in arrears based on actual weeks worked by FJF employees (i.e. £150 per week for a maximum of 26 weeks)."   There is no indication here that different payments applied for over or under-25s.   * The costing assumes that there is no attrition, i.e. that all participants stay in the six-month job for its entire duration. This is reasonable based on DWP’s quotation of the FJF unit cost as £6,500 and low FJF attrition rates. |
| 4). Distributional effects (if none requested, any significant): |
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| 5). Comparison with current system (if applicable): |
| Launched in April 2012, the Youth Contract provides almost £1bn in funding to support up to 500,000 young people into employment and education opportunities.  To support long-term and vulnerable jobseekers, the Government launched the Work Programme in June 2011. The Work Programme is moving an increasing number of people off benefit and into work and keeping them in employment. Since June 2011, the Work Programme has supported over 1.2 million long-term unemployed, of which 335,000 are young people (18-24). |
| 6). Other comments (including other Departments consulted): |
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1. <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/196719/impacts_costs_benefits_fjf.pdf.pdf> [↑](#footnote-ref-1)