# 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 people aged 25 and over unemployed for over two years in the fiscal year 2015/16 according to official a) claimant count forecasts and b) ILO unemployment forecasts.  Source:  “Labour will today call for a compulsory Jobs Guarantee for long-term unemployed adults.  In an article for Politics Home calling for a One Nation approach to welfare reform shadow chancellor Ed Balls says that, under the jobs guarantee, government will ensure there is a job for every adult who is long-term unemployed and people out of work will be obliged to take up those jobs or face losing benefits.  Initially the guarantee would be for adults who are out of work for 24 months or more, but we would seek to reduce this to 18 or 12 months over time.”  <http://www.labour.org.uk/labours-compulsory-jobs-guarantee,2013-01-04> |
| 2). Information required on distributional effects of the policy: |
| None |
| 3). Cost/Revenue to the Exchequer over five years: |
| 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 aged 25+ who has claimed JSA for over two years.  The cost is estimated to be £1.54 billion. This includes over 25s who reach two years on the claimant count during 2012-13, as well as the existing stock in April 2012 of over 25s on the claimant count for over two years.  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 the FJF was only available to a small proportion of 25+ year olds reaching 9 months on Jobseeker’s Allowance (just 15% of FJF participants were aged over 25). This costing assumes that all claimants passing 2 year duration take up the offered job.  The FJF applied mainly to young people who had been unemployed for 6 months (and in some cases less). This policy applies to over-25s unemployed for over 2 years.  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 over-25s on CC for 2 years | 12,314 | Average number of over-25s that reach 2 years 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] | £84,350,900.00 | Multiplies monthly through-flows by unit cost | | D | Annual cost of through-flows in 2012-13 [C\*11] | £927,859,900.00 | Only 11 months because April through-flow is included in April stock (see notes) | | E | Rounded annual cost of through-flows in 2012-13 | £930,000,000 |  | |  |  |  |  | | F | Existing stock of 25+ on CC over 2 years | 89,750 | April 2012 (Source: nomis data) | | G | Cost of work placements for existing 25+ stock [F\*B] | £614,787,500.00 |  | |  |  |  |  | | H | Overall 2012-13 cost [D+G] | £1,542,647,400.00 |  | | I | Rounded overall 2012-13 cost | £1,540,000,000 |  |   Notes:   * To obtain the estimate for 2012-13, the costing above takes into account both the through-flow of claimants reaching two years on the claimant count each month, and the initial stock who have claimed for over two years in April 2012. However, the April 2012 stock also includes those who reached two years 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)." * 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): |
| Over the next five years Government is investing £3-5bn to deliver specialist support to 2.4 m of the longer term unemployed and most vulnerable jobseekers through the Work Programme. 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. In their report “The Work Programme: the first year”, DWP estimate that the Work Programme has cost just over £2,000 per job started so far. |
| 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)