

# **Evaluation of the Skills Place at Westfield Stratford City**

An evaluation by the Centre for Economic and Social  
Inclusion

**June 2015**

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## Introduction

The Skill Place is a training academy for East London and a retail academy for Westfield Stratford City. It provides training and Apprenticeships and is managed by Seetec who work in partnership with various employers and partner organisations across London to provide the service. They also provide regular updates and industry information on training and careers including Retail, Hospitality and Customer Service, in and around Stratford and across London.

The objective for this evaluation was to provide evidence that the Skills Place is cost effective and had achieved the overall objectives as defined in the overarching SLA. This states the required minimum targets (including learner numbers) as:

“8.1 To contribute and assist Westfield and Workplace in targeting that a minimum of 1,600 Newham residents, of which 500 were previously unemployed 6 months or more, are employed at any given time at Westfield Stratford City from opening day until 2015 and their employment is sustainable (Objective 1 target).

8.2 To contribute and assist Westfield and Workplace to target that a total of 4,940 residents of Hackney, Newham, Tower Hamlets and Waltham Forest are employed in the first 10 years of opening, of which 3,515 should be from Newham (Objective 1 target).”

This report summarises the available evidence via a literature review, management information from the Skills Place from 2011 to 2015 and the results of a small survey of retail outlets in Westfield Stratford City. It presents overall estimates of employment figures in Westfield and evidence of participation and job outcomes attributed to the Skills Place. Finally, we have used this information to estimate the costs and benefits associated with the Skills Place and how this compares with other skill related interventions.

## Main findings

- The Skills Place have far exceeded the target of “a minimum of 1,600 Newham residents employed at any given time at Westfield Stratford City”. Based on face to face interviews with outlet managers during June 2015, we estimate the total number of employees working in Westfield, who also live in Newham, equals 2,276.
- Based on our projections, we estimate that the employment target of 4,940 residents from growth boroughs, with 3,515 from Newham in the first 10 years of opening would be easily achieved.

- The Skills Place has significantly outperformed similar type provision in London with their services for the unemployed, achieving a job outcome rate of 29%. Of those that achieved a job outcome, 39% live in Newham.
- The Skills Place is significantly more cost effective in terms of the unit cost for each job outcome: compared to other employment programmes operating in London.
- A cost benefit analysis shows that the Skills Place offers excellent Public Value for Money. This includes fiscal savings for the Exchequer in terms of JSA benefit savings, the long term economic benefits associated with increasing skill levels and wider social and well being benefits.
- Of the 10,000 permanent jobs created to operate Phase 1 of the Olympic Park, around 3,000 have gone to local unemployed Newham residents. This positive outcome is largely a result of the London Borough of Newham's job brokerage scheme and the Skills Place which delivered on a commitment from Westfield and its major retail anchors (John Lewis, Waitrose, Marks and Spencers and Vue cinema) to guarantee interview places for locally unemployed people living in Newham – something that was noted by Volterra to be an example of "*much needed effective employer engagement*".
- If funded for another 5 years (to 2020) we estimate that an additional 6,700 people could start training at the Skills Place, with 2,000 being residents of Newham and of these we estimate that 1,100 would be unemployed and living in Newham.

## **Background: Youth unemployment in Newham**

Young people in Britain had borne the brunt of the financial crisis and the impact is still being felt with a larger proportion of 18 to 24-year-olds out of work than any other age group.

The unemployment rate among 18 to 24 year-olds is 14.3%, according to the Office for National Statistics in its latest economic review<sup>1</sup>.

In contrast the rate falls to 5.7% for all 16+ and 3.3% among 50 to 64-year-olds.

Those aged between 18 and 24 accounted for almost 30% of the rise in the unemployment rate between the first quarter of 2008 and the peak in unemployment in the fourth quarter of 2011, roughly double their proportion of the labour force. Over that period the overall jobless rate rose from 5.2% to 8.4%.

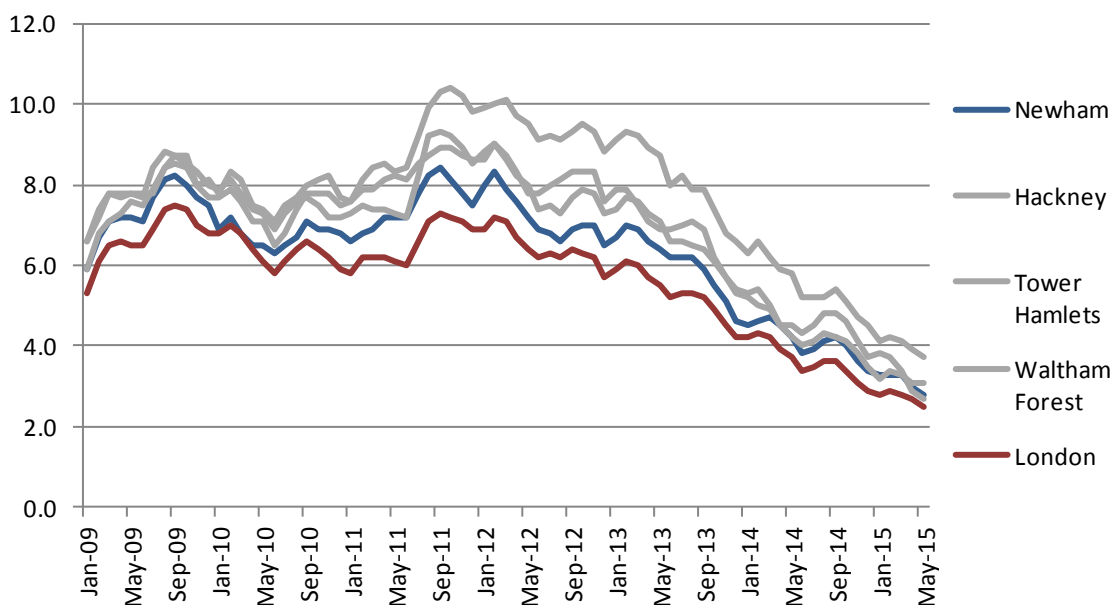
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<sup>1</sup>Economic Review, June 2015, ONS [http://www.ons.gov.uk/ons/dcp171766\\_405836.pdf](http://www.ons.gov.uk/ons/dcp171766_405836.pdf)

Since the start of the recession, the JSA claimant rate in Newham for those **aged 18 to 24** has remained consistently higher than London as a whole – see Figure 1. The rate currently (May 2015) stands at 2.8% compared to rate of 2.4% in London. However, the claimant rate has been falling in London and data shows that since the Olympics the difference between Newham and London as a whole has been narrowing.

**Figure 1: JSA claimant rates for those aged 18-24 (%)**

Source: ONS



## Literature review of existing evidence: labour market impacts

In headline terms, data from 2012 shows that the demolition and build of the Olympic Park created in excess of 29,750 employment opportunities<sup>2</sup>, 17.5% of which were for host borough residents. Building the Athlete's Village created 16,584 employment opportunities, 27% of which were for host borough residents. In addition, the London Organising Committee of the Olympic and Paralympic Games (LOCOG) has employed 612 host borough residents in paid work as well as employing 12,458 host borough residents in its Games-time contractor workforce in roles such as hospitality, catering, cleaning, security, retail, ticketing and logistics.

<sup>2</sup> Department for Culture, Media and Sport, Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games, 2012

A further 3,500 jobs are expected to be supported through the employment space and facilities resulting from the conversion of the IBC/MPC and an estimated 2,600 construction jobs supported through the process of transformation.

A valuable and robust source of evidence is the beneficiary survey undertaken as part of the London Development Agency (LDA) evaluation of the London Employment and Skills Taskforce (LEST) 2012.<sup>3</sup> This survey had responses from 2,009 beneficiaries of LEST 2012 funded initiatives, 668 of whom were resident in the five<sup>4</sup> host boroughs<sup>5</sup>. This survey found that:

- 37% of host borough beneficiaries had never been in paid work before, compared to 24% across London as a whole;
- Those living in the host boroughs were significantly more likely to know about the link between LEST 2012 and the 2012 Games, and that this link influenced their decision to participate. Nearly half (47%) of the beneficiaries in the five host boroughs who knew about the LEST 2012 link with the 2012 Games felt that this knowledge had 'a great deal' of influence over their decision to take part;
- 28% of host borough beneficiaries moved into employment following the LEST 2012 support, compared to 33% across London as a whole. This figure rises to 32% and 39% respectively when those who went onto paid employment or self-employment having first progressed into voluntary work are taken account of and those still receiving support are removed from the analysis. 22% of *all* beneficiaries (regardless of where they live) found employment in the host boroughs.

The LDA evaluation used the survey results to assess the overall economic impact of LEST 2012 up to March 2011 based on the LDA's Athena performance monitoring system. Through this analysis it was estimated that LDA funded LEST 2012 interventions had created a total of 6,090 jobs in the host boroughs, of which 1,909 were thought to be additional (i.e. would not have been created in the absence of the 2012 Games).<sup>6</sup> In monetary terms this was translated into a net salary outcome of £27 million and a net GVA impact of £54 million between 2006/07 and 2010/11 for the host boroughs.

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<sup>3</sup> PwC and SQW (2011). London Development Agency: 2012 Games Legacy Impact Evaluation Study: Appendix B London Employment and Skills Taskforce for 2012 (Final Report).

<sup>4</sup> Due to the timing of the evaluation, Barking and Dagenham had not become part of the host boroughs and is therefore not included in the analysis

<sup>5</sup> In terms of statistical robustness the survey had a London wide confidence level of +/- 2.1% at the 95% confidence level, and a confidence level of +/-3.7% at the 95% confidence level for the five host boroughs.

<sup>6</sup> Through the survey PwC and SQW calculated that LEST 2012 had an 'additionality ratio' of 0.31 in the host Borough, this was marginally below the ratio for London as a whole of 0.32.

Alongside the LDA's performance monitoring data the LEST 2012 Implementation Group also collected and reported employment outputs every quarter. This covered both LDA funded initiative and non-LDA funded LEST initiatives. Based on this data it was estimated that LEST 2012 had created between 8,663 and 10,151 jobs in the host boroughs (depending on the method used) and that this number could rise to between 9,112 and 10,600 if safeguarded employment was included<sup>7</sup> (i.e. those jobs that would otherwise have been lost had 2012 Games not happened). With a LEST 2012 milestone of a 10,286 reduction in worklessness in the host boroughs by 2010/11, these findings suggest that at worst good progress has been made (84% of target) and that at best, current progress in reducing worklessness was ahead of where it should be (103% of target).

Outside of the LEST programme, and looking towards the wider activities of the host boroughs in tackling worklessness, it is apparent through the Volterra economic impact study of Westfield that the Stratford City development had a positive impact on creating job opportunities for residents in East London. Although it is not possible to attribute all of this employment to the Games, it is apparent that the Games ensured that these opportunities were realised between 5 and 7 years earlier than would have been the case had the Games not been taking place in East London.

In terms of the scale of job opportunities created for East London residents, Volterra looked at both the construction jobs created as well as the jobs created through the day-to-day operation of Westfield, Stratford City.

With regard to construction jobs, the Volterra study estimated that 20% of all construction jobs were in the East London area, which equated to between 5,000 and 5,400 jobs with associated construction earnings of between £105 million and £110 million.<sup>8</sup>

**Of the 10,000 permanent jobs created to operate Phase 1, around 3,000 have gone to local unemployed Newham residents.<sup>9</sup> This positive outcome is largely a result of the London Borough of Newham's job brokerage scheme and the Skills Place which delivered on a commitment from Westfield and its major retail anchors (John Lewis, Waitrose, Marks and Spencers and Vue cinema) to guarantee interview places for locally unemployed people living in Newham – something that was noted by Volterra to be an example of "*much needed effective employer engagement*".<sup>10</sup>**

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<sup>7</sup> The PwC and SQW work estimated that an additional 449 jobs were safeguarded in the host boroughs.

<sup>8</sup> Volterra (2011). Westfield Stratford City: The Inheritance before the Games.

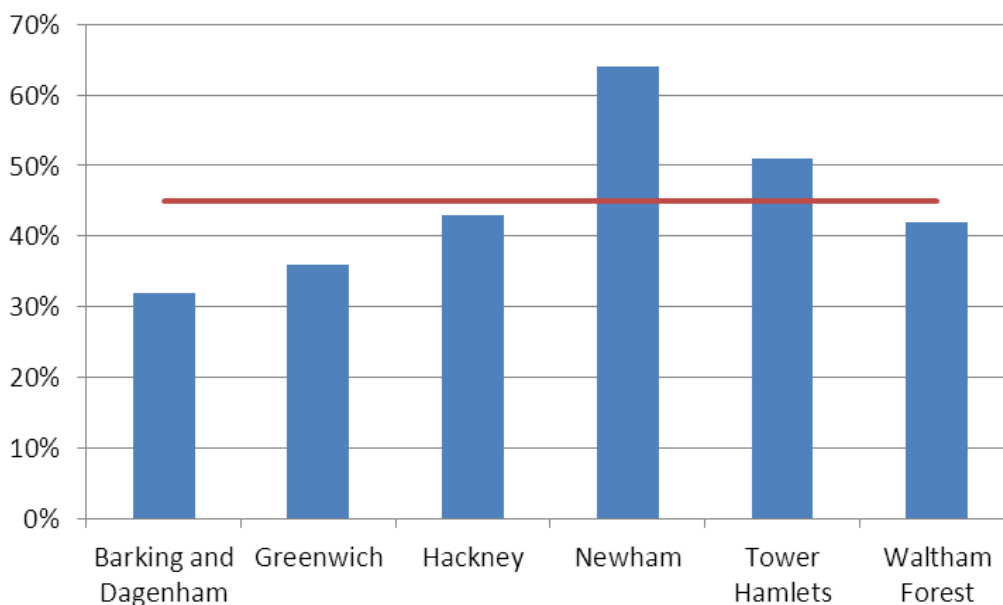
<sup>9</sup> London Borough of Newham

<sup>10</sup> Volterra (2011). Westfield Stratford City: The Inheritance before the Games.

Based on these employment numbers, Volterra estimate that the creation of the employment opportunities in East London would also generate an annual welfare saving of almost £11 million (in addition to the positive economic impact generated by earnings).<sup>11</sup> It is a calculation that Volterra notes is also likely to underestimate the beneficial impact of getting unemployed people into work as it only captures the direct benefits of reducing the cost of welfare payments and does not "*capture the knock on benefits such as reduced crime, better health and education outcomes for the next generation*".<sup>12</sup>

Within the host boroughs residents' survey, respondents were asked a series of questions around the role the 2012 Games had played in providing access to jobs. Just under half (45%) of the respondents agreed that the hosting of the 2012 Games in East London had increased the number of jobs available to local residents with 29% disagreeing. Interestingly, those respondents aged 16-24 were notably more likely to agree (60%) than those respondents in other age groups. Respondents who lived in Newham and Tower Hamlets were also more likely to agree (64% and 51% respectively) than those in Barking and Dagenham (32%) and Greenwich (36%). This finding may in part be explained by the proximity to the Olympic Park and Westfield, Stratford City as these two developments provided significant job opportunities.

**Figure 2: Proportion of respondents 'agreeing' that the 2012 Games has increased the number of jobs available to local residents**



*Source: Host boroughs resident survey. Note: Red line shows the total for all respondents*

<sup>11</sup> Volterra (2011). Westfield Stratford City: The Inheritance before the Games.

<sup>12</sup> Volterra (2011). Westfield Stratford City: The Inheritance before the Games.



That said, only 4% of respondents had directly (either personally (2%) or through members of their household (2%)) benefited from employment opportunities, lasting or due to last more than one year, resulting from the preparation of the Games: 2% on the Olympic Park; 1% in at Olympic venues and facilities; and 1% at Westfield, Stratford City.

4% of respondents also noted that they had benefited (either personally (2%) or through a member of the household (2%)) from employment opportunities related to the Games that have or are due to last for less than a year. Taken together these results suggest that 7% of respondents benefited, either personally (3%) or through someone in their household (4%), from employment opportunities related to the preparations for the 2012 Games.

Although based on a very small sample, of those respondents who had benefited (either personally or through a member of the household) from employment opportunities related to the Games:

- 38% noted that they needed to be trained in new skills;
- 79% were already in work, education or training;
- 16% were unemployed – 4% of whom were unemployed for more than six months and a further 5% who were unemployed for more than a year.

## **Literature review: conclusions**

The overriding conclusion from the evidence available is that activities related to the 2012 Games have either directly (e.g. the construction of the Olympic Park) or indirectly (e.g. employment at Westfield Stratford City) created a significant amount of employment opportunities, a notable proportion of which have helped workless Londoners from the six host boroughs into employment. It is not possible at this stage to sum the employment opportunities noted above to provide an overall figure due to the risk of double counting and the incompatibility of the figures. This evidence does, however, provide insight into both the scale of employment opportunities created, which are likely to be in the tens of thousands, as well as the extent to which they can be considered additional. The LDA evaluation estimates for the LEST 2012 employment opportunities to be about 1 in 3 (i.e. for every three jobs created by LEST 2012, one would not have existed in the absence of the Games).

It is also apparent, through the intended plans of *the* London Legacy Development Corporation (LLDC), that a significant number of employment opportunities are still to be created both through the transformation of the Olympic Park (which will mainly be in construction) and the longer term legacy uses of the Olympic Park (which will include the creation of employment land resulting from the conversion of

the IBC/MPC, the management and operation of the venues and the staffing of the community and social facilities). These latter opportunities are particularly pertinent as they are likely to be sustained opportunities, as opposed to time-limited; at a range of different skill levels including higher skilled; and across a range of different sectors (hi-tech, sport and leisure, education and health).

## Survey results and analysis

Table 1 shows the aggregated results from the survey. We managed to interview 45% of all the stores in Westfield Stratford City which amounted to 151 different retail outlets.

The total number of employees working in the outlets interviewed amounts to 2,842, of these 47% lived in Newham: 1,349 people. This means it is safe to assume that if 100% of all outlets were interviewed then **the Skills Place have far exceeded the target of “a minimum of 1,600 Newham residents employed at any given time at Westfield Stratford City”**.

To estimate the total number employees that are resident in Newham we used a weighted average calculation based on data collected from 45% of all outlets. This involved calculating the size of the outlet (in terms of square feet) and calculating an employee per square foot figure. This was applied to all outlets that did not respond by the size of their footprint at Westfield in square feet.

Using this method we estimate that **the total number of employees working in Westfield who also live in Newham equals 2,276**.

**Table 1 Survey of Westfield Stratford City retail outlets**

Total number of stores in Westfield	334	
Total number of stores who responded	151	45%
Number of employees for those who responded	2,842	
Number of employees resident in Newham	1,349	47%
<b>Received pre employment training at the Skills Place (those with employee details)</b>		
Number of employees	445	
Number of employees resident in Newham	212	48%
<b>Estimated total for all stores (using weighted average by footprint of each outlet)</b>		
Number of employees: estimated total	4,896	
<b>Number of employees resident in Newham</b>	<b>2,276</b>	<b>46%</b>

*Source: Inclusion, based on face to face survey of 151 outlets*

To measure progress towards objective 1 target 8.2, which is “To contribute and assist Westfield and Workplace to target that a total of 4,940 residents of Hackney, Newham, Tower Hamlets and Waltham Forest are employed in the first 10 years of

opening, of which 3,515 should be from Newham”, the above figures in Table 1 would need to be projected forward to 2021/22 to cover the ten year period since 2011/12 when Westfield opened.

To estimate this figure we have had to make a number of assumptions:

- The key target figures assume Westfield employment is and will remain relatively static, both in numbers and the percentage living in Newham.
- However, our assumption is 31% employment churn per year. This is derived from occupation job start figures for London from the Labour Force Survey at a 4 digit occupational classification (ONS), and London employee jobs by 4 digit occupation from the Annual Survey of Hours and Earnings (ONS).
- Figures at the borough level are not available therefore churn figures for Newham and the other growth boroughs may be higher or lower than 31%.
- We've chosen Westfield-appropriate occupations in the surveys (sales jobs, working in restaurant/fast food, security, cleaning) to get an estimate of employee churn. For key occupation groups (sales assistants, cleaners, kitchen and catering assistants) the job churn figures are very close to 31% anyway. Waiters etc are higher. The estimates for Newham employment numbers are entirely based on the job churn estimates.

This generates an estimated jobs start figure for Newham (over a 10 year period) of 7,700. Our estimate for Growth boroughs is similar. It is unlikely to be lower, based on Skills Place figures for job starts allocated between Newham, Growth Boroughs and other.

In summary our estimates for job starts at Westfield during the 10 year period (2011/12 to 2021/22) are as follows:

	Total job starts
Newham	7,700
Other growth boroughs	7,700
Non growth boroughs	1,200
<b>Total</b>	<b>16,600</b>

Any employment projections based on limited evidence should be treated with caution but all things being equal and based on the above figures **we estimate that the employment target of 4,940 residents from growth boroughs, with 3,515 from Newham in the first 10 years of opening would be easily achieved.**

## Skills Place: participation and outcomes

Table 2 shows participation at the Skills Place by the service delivered and the residency of those participating. In total 7,391 people have been trained at the Skills Place with 35% of those living in Newham. For services that provided support to the unemployed there were 3,481 participants in total – suggesting that 47% of participants were previously unemployed. For Newham residents, there were a total of 2,562 people who received training, with 54% (1,380) receiving support or training for the unemployed.

If funded for another 5 years (to 2020) we estimate that an additional 6,700 people could start training at the Skills Place, with 2,000 being residents of Newham and of these we estimate that 1,100 would be unemployed and living in Newham. See [Appendix 1](#) for our month by month forecasts for training starts at the Skills Place.

**Table 2 Participation by service and residency, Sep 2011 – Mar 2015**

	Training given				Training given (%)		
	Newham	Other Growth boroughs	Not growth boroughs	Total	Newham	Other Growth boroughs	Not growth boroughs
Skills Support for the unemployed	614	584	288	<b>1,486</b>	41%	39%	19%
Skills Support for Redundancy	226	243	138	<b>607</b>	37%	40%	23%
Programmes for the Unemployed	127	23	12	<b>162</b>	78%	14%	7%
Sector based Work Academy	413	640	173	<b>1,226</b>	34%	52%	14%
<b>Total for the above services</b>	<b>1,380</b>	<b>1,490</b>	<b>611</b>	<b>3,481</b>	<b>40%</b>	<b>43%</b>	<b>18%</b>
Other	1,182	1,171	1,557	<b>3,910</b>	30%	30%	40%
<b>Total</b>	<b>2,562</b>	<b>2,661</b>	<b>2,168</b>	<b>7,391</b>	<b>35%</b>	<b>36%</b>	<b>29%</b>

Source: Seetec

Table 3 shows the job outcomes for those trained at the Skills Place by the service delivered and the residency of those participating. In total just over 1,000 people achieved a job outcome – of these 394 (39%) were Newham residents. This equates to a job outcome rate of 29%, overall and for Newham residents (see Table 5). Of those that got jobs, 120 participants sustained the jobs for 26 weeks at least and of these 48 (40%) were Newham residents – see Table 4.

**Table 3 Job outcomes by service and residency, Sep 2011 – Mar 2015**

	Number of jobs				Number of jobs (%)		
	Newham	Other Growth boroughs	Not growth boroughs	Total	Newham	Other Growth boroughs	Not growth boroughs
Skills Support for the unemployed	158	132	96	<b>386</b>	41%	34%	25%
Skills Support for Redundancy	96	95	40	<b>231</b>	42%	41%	17%
Programmes for the Unemployed	4	0	3	<b>7</b>	57%	0%	43%
Sector based Work Academy	136	196	47	<b>379</b>	36%	52%	12%
<b>Total</b>	<b>394</b>	<b>423</b>	<b>186</b>	<b>1,003</b>	<b>39%</b>	<b>42%</b>	<b>19%</b>

Source: Seetec

**Table 4 Sustained (26 weeks) Job outcomes by service and residency, Sep 2011 – Mar 2015**

	Number of sustained jobs (26 weeks)				Number of sustained jobs (%)		
	Newham	Other Growth boroughs	Not growth boroughs	Total	Newham	Other Growth boroughs	Not growth boroughs
Skills Support for the unemployed	40	20	32	<b>92</b>	43%	22%	35%
Skills Support for Redundancy	8	11	9	<b>28</b>	29%	39%	32%
Programmes for the Unemployed	0	0	0	<b>0</b>	-	-	-
Sector based Work Academy	0	0	0	<b>0</b>	-	-	-
<b>Total</b>	<b>48</b>	<b>31</b>	<b>41</b>	<b>120</b>	<b>40%</b>	<b>26%</b>	<b>34%</b>

Source: Seetec

**Table 5 Job outcomes rates by service and residency, Sep 2011 – Mar 2015**

	Job outcome rates			
	Newham	Other Growth boroughs	Not growth boroughs	Total
Skills Support for the unemployed	26%	23%	33%	26%
Skills Support for Redundancy	42%	39%	29%	38%
Programmes for the Unemployed	3%	0%	25%	4%
Sector based Work Academy	33%	31%	27%	31%
<b>Total</b>	<b>29%</b>	<b>28%</b>	<b>30%</b>	<b>29%</b>

Source: Seetec

## Job outcomes: benchmarking

A job outcome rate of 29% compares favourably with JSA claimants who enter the DWP Work Programme. For all JSA payment groups on the Work Programme the job outcome rate for claimants from Newham was 26% and 29% for all growth boroughs (cumulative from WP start to March 2015). For just the 18-24 JSA WP payment group the job outcome rate was 31% for Newham and 35% for all Growth boroughs.

However, the Work Programme **cannot** be used as a precise benchmark, or direct comparisons made, because there are significant differences in eligibility and the treatment of participants:

- Skills Place projects are based on voluntary participation whilst the Work Programme is mandatory
- Differences in composition of participants between unemployed and economically inactive claimants – the Skills Place accept both while the WP is only claimant based.

A better comparison can be made with ESF projects in London. For all 'into work' ESF projects based in London during 2008-12, an average 22% of starters achieved

a job entry, and for projects since 2012 the job entry rate has increased to 27%. For those projects that had sustained employment targets, an average of 15% of all starters sustained employment for 6 months. We have estimated the equivalent sustainment rate for the Work Programme to date was 7%, and for the year June 2013 to 2014 it was 8%.

Our analysis of London ESF project allowed us to separate out those projects that had a significant qualification and training element (similar to Skills Place services). The job entry rates for these were as follows:

Apprenticeship	11%
Qualification attainment	22%
Non-accredited training	23%
Progression into further learning	17%

*Source: Inclusion and GLA*

The above figures show that the **Skills Place has significantly outperformed similar type provision in London in terms of achieving job outcomes.**

## **Skills Place: overall costs**

The overall costs of the Skills Place (for 2014-15) are as follows:

Direct Overheads	£105,000
Indirect Overheads	£221,000
Financial Overheads	£47,000
<b>Total</b>	<b>£373,000</b>

*Source: Seetec*

Using the above for the period covering the jobs outcome data we estimate that the total cost of the Skills Place was £1.246 million (taking into account discount rates as recommended by the Treasury). This will be an under estimation of the costs as it does not take into account overhead costs for SEETEC who manage the Skills Place or any benefits in kind.

Dividing the total cost by the total number of job outcomes gives a unit cost per job outcome of £1,243.

## **Unit Costs: benchmarking**

When judging value for money and the fiscal benefits of a programme, then the gross or net 'cost per outcome' (however outcomes may be defined) becomes more important. However, caution needs to be exercised when using 'gross cost per outcome' figures to form judgments and comparisons between projects and programmes. The level of outcome performance directly impacts on the 'gross cost

per outcome' and performance comparisons should only be made on directly comparable projects. Therefore, for ESF projects from 2008 to 2014 we have again separated out those projects that had a significant qualification and training support element:

Apprenticeship	£10,847
Qualification attainment	£6,732
Non-accredited training	£6,567
Progression into further learning	£9,833

Source: *Inclusion and GLA*

The above figures are based on the actual grant used divided by the number of job outcomes and shows that **the Skills Place is significantly more cost effective in terms of the unit cost for each job outcome.**

Table 6 shows benchmarks from an *Inclusion* study for the LDA. The table shows separate costs per start and per job outcome for provision that is wholly LDA-funded (including ESF funding) as Standalone provision, and for additional to DWP job outcomes secured by DWP contractors.

On the assumptions of 50% of job outcomes coming from the DWP contractor network and on the balance between priority groups being based on their numbers, then the overall LDA cost per job is £3,012.

Although, slightly out of date the figures show that even though some of these programmes achieved better job outcome rates (some programmes were mandatory and achieved job outcomes before the recession kicked in) they still had unit costs for job outcomes significantly higher than the unit cost estimated for the Skills Place.

This shows that the Skills Place is a highly cost effective service.

**Table 6 Benchmarks for employment support in London for LDA priority groups**

	Estimated numbers	Job entry rate	Cost per person (£)		Cost per job (£)	
			Standalone	Additional to DWP	Standalone	Additional to DWP
Partners	49,000	60%	1,000	1,000	1,667	1,667
Lone parents	154,000	50%	1,000	500	2,000	1,000
Ex offenders	24,000	35%	3,000	2,000	8,571	5,714
Homeless people	65,000	35%	3,000	2,000	8,571	5,714
IB stock	230,000	40%	1,500	1,000	3,750	2,500
Young people	16,000	55%	1,500	1,000	2,727	1,818
Older people	163,000	40%	1,500	500	3,750	1,250
Proportion standalone			50%	50%	50%	50%
Average	700,000				£3,809	£2,215
<b>Overall average</b>					<b>£3,012</b>	

*Source: Inclusion Report, Measuring Success: benchmarking success of LDA employment and skills programmes (2008)*

## **Cost Benefit analysis**

For this part of the evaluation we have used the New Economy Manchester Cost Benefit model. The model attempts to place a value on 2 different types of benefits associated with delivering a specific service or intervention. These are:

- Fiscal value: savings to the taxpayer that are due to a specific project – for instance, reduced benefit costs (JSA, ESA and Income support for Lone Parents), health service, criminal justice, police or education costs;
- Public value: gains which accrue to individuals (for instance, increased earnings) and the whole economy (e.g. increased GVA due to more people being employed) and social gains which accrue to society – improved health and wellbeing or increased satisfaction with the community.

The analysis timeframe is a five year assessment of costs and benefits of Skills Place from September 2011 to March 2015.

The key outputs from the model are the Overall Financial Return on Investment and the Public Value Benefit cost ratio' (BCR). The measures are a ratio of the monetised value of the outcomes of the project (the benefits) to the cost of implementing the project and provides an indication of the return on investment achieved by the project.

The outcomes we have included in the model are:

- Overall reduction in the number of individuals claiming JSA (assumption being that all those that found employment through the Skills Place were previously claiming JSA);
- Increased number of people holding Level 2 and Level 3 skills (leading to increase in earnings amongst residents). This was estimated by using Census information for Newham on the qualification levels of 16 to 24 year olds who are unemployed;
- Improved wellbeing of adults who found jobs (leading to increased confidence and self-esteem).

The model then takes these cohorts and asks for impact rates and deadweight calculations. Deadweight proportions (what would have happened anyway) were calculated for benefit claimants who would have entered the Work Programme and



subsequent job outcome rates. This was set against the job outcome rate for the Skills Place.

The Manchester model takes the additional impact above deadweight and apportions them to fiscal, economic and social benefit gains in monetary terms – these are imbedded in the model and have been collected by Manchester New Economy. These are based on national averages and collected from a variety of sources (some figures are based on academic papers from the past which have then been up rated to present values using inflators). Set against the estimated cost of the intervention, the model arrives at the ratios described above.

Table 7 shows the year by year costs and benefits to arrive at an overall financial return on investment. This is mostly made up of JSA savings to the Exchequer and small amount of related health savings from entering employment which is accrued to the NHS. The ratio of 0.83 indicates that the costs of Skills Place are slightly higher than the fiscal benefits (where 1.0 is break even).

However, when looking at the personal economic and wider social benefits then the Public Value return on investment is 1.74 – indicating that these benefits outweigh the costs - see Table 8. When, both types of benefit are combined then the Public Value for Money BCR is 4.22. This indicates that **the services offered by the Skills Place offer excellent value for money.**

**Table 7 Fiscal return on investment for the Skills Place, 2011 to 2015**

Financial Case (Fiscal CBA)		Financial Year					Net Present Value (NPV)
		2011	2012	2013	2014	2015	
Actual costs	Costs	£ 123,090	£ 373,000	£ 373,000	£ 373,000	£ 93,250	
	Benefits	£ 99,228	£ 308,709	£ 308,709	£ 308,709	£ 77,177	
Discounted costs	Costs	£ 123,090	£ 359,945	£ 347,347	£ 335,190	£ 80,865	£ 1,246,436
	Benefits	£ 99,228	£ 297,904	£ 287,477	£ 277,416	£ 66,927	£ 1,028,952
						Net Present Budget Impact	£ 217,484
						Overall Financial Return on Investment	0.83

**Table 8 Public value of the Skills Place, 2011 to 2015**

Economic Case (Public Value CBA)		Financial Year					Net Present Value (NPV)
		2011	2012	2013	2014	2015	
Actual costs	Costs	£ 123,090	£ 373,000	£ 373,000	£ 373,000	£ 93,250	
	Benefits	£ 208,771	£ 649,509	£ 649,509	£ 649,509	£ 162,377	
Discounted costs	Costs	£ 123,090	£ 359,945	£ 347,347	£ 335,190	£ 80,865	£ 1,246,436
	Benefits	£ 208,771	£ 626,776	£ 604,839	£ 583,669	£ 140,810	£ 2,164,865
						Net Present Public Value	£ 918,429
						Public Value for Money BCR	4.22
						Public Value Return on Investment	1.74

*Source: Inclusion using New Economy Manchester CBA model*

## Why the benefits are likely to be higher?

**Conservative assumptions:** We have used the job outcome rate for JSA claimants after leaving the Work Programme (26%). As mentioned above Skills Place projects are based on voluntary participation whilst the Work Programme is mandatory. There are also differences in the composition of participants between unemployed and economically inactive claimants with the Skills Place accepting both while the WP is only claimant based. Therefore, the deadweight rate is likely to be lower than 26% (as shown by ESF programmes) meaning the fiscal return from the Skills Place is likely to be higher.

**Indirect tax revenues:** the income boost that occurs from increased economic activity results in higher household spending and therefore higher indirect tax revenues, for example, in the form of VAT receipts. As an example, in the macroeconomic analysis of the New Deal for Young People, indirect tax receipts accounted for over 20 per cent of the beneficial impact of the programme on public finances.<sup>13</sup> Since this analysis was conducted the VAT rate has been increased to 20 per cent, which would likely increase this element of indirect tax receipts.

**Reduced public expenditure on healthcare and law enforcement:** a substantial body of literature details the relationship between joblessness and criminal activity, for example the Social Exclusion Unit has reported that two thirds of young offenders were workless at the time of their arrest,<sup>14</sup> and a report by London Councils concludes that policies and programmes aimed at boosting employment can also be expected to reduce crime and associated expenditure.<sup>15</sup> A report for the Prince's Trust on the Cost of Exclusion included estimates of the cost of youth crime and its links to unemployment.<sup>16</sup>

Similarly, there is growing evidence that unemployment, and especially long-term unemployment, has an adverse impact on physical and mental health. A DWP report found that moving into work can reverse the health effects of unemployment by

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<sup>13</sup> Riley and Young (2000), *New Deal for Young People: Implications for Employment and the Public Finances*, National Institute for Economic and Social Research:

[http://research.dwp.gov.uk/asd/asd5/working\\_age/wa2000/esr62fin.pdf](http://research.dwp.gov.uk/asd/asd5/working_age/wa2000/esr62fin.pdf)

<sup>14</sup> Social Exclusion Unit (2005), *Transitions: Young Adults with Complex Needs*:

[http://www.cabinetoffice.gov.uk/media/cabinetoffice/social\\_exclusion\\_task\\_force/assets/publications\\_1997\\_to\\_2006/transitions\\_young\\_adults.pdf](http://www.cabinetoffice.gov.uk/media/cabinetoffice/social_exclusion_task_force/assets/publications_1997_to_2006/transitions_young_adults.pdf)

<sup>15</sup> Inclusion (2010), *Worklessness Costs Audit: Report for London Councils*, London Councils:

[http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20\(2\).pdf](http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20(2).pdf)

<sup>16</sup> Prince's Trust (2010), *The Cost of Exclusion: Counting the Cost of Youth Disadvantage in the UK*

[http://www.princes-trust.org.uk/pdf/COE\\_full\\_report.pdf](http://www.princes-trust.org.uk/pdf/COE_full_report.pdf)

improving self-esteem, diet, physical and mental capacity, and the quality of the home environment for all members of the household.<sup>17</sup>

**Benefits to communities:** although less quantifiable than the above two points, it is thought that reducing unemployment decreases public spending in the long term because of the effects of greater community cohesion and social responsibility resulting from engagement with the local labour market.<sup>18</sup>

**Longer-term direct and indirect tax revenues:** our value to government estimate takes into account benefit savings and tax revenues resulting from the first five years of the Skills Place. However, breaking spells of long-term unemployment, particularly youth unemployment, has been found to have much longer-term effects. For example, research by Bristol University has found that unemployment during young adulthood entails a wage penalty of between 12 and 15 per cent by the time a person is aged 42, with a lesser penalty if longer spells or repeat incidences of unemployment are avoided.<sup>19</sup> Higher earnings entail higher tax revenues, which will contribute to tax receipts over decades rather than years.

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<sup>17</sup> Waddell, Burton (2006), *Is Work Good for your Health and Well-Being?*, Department for Work and Pensions: <http://www.dwp.gov.uk/docs/hwwb-is-work-good-for-you.pdf>

<sup>18</sup> Inclusion (2010), *Worklessness Costs Audit: Report for London Councils*, London Councils: [http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20\(2\).pdf](http://www.londoncouncils.gov.uk/London%20Councils/WorklessnessAuditLondonCouncilsFinal%20(2).pdf)

<sup>19</sup> Gregg and Tominey (2004), *The Wage Scar of Youth Unemployment*, University of Bristol: <http://www.bristol.ac.uk/cmpo/publications/papers/2004/wp97.pdf>

## Appendix 1: training starts forecast for the Skills Place

The table below shows training starts from the annual figures supplied, separated out into months according to the monthly pattern over the last year:

Monthly	Training starts			
	Newham	Growth	Other	Total
Sep-11	154	132	67	353
Oct-11	86	91	71	248
Nov-11	77	70	67	214
Dec-11	17	61	23	102
Jan-12	49	68	30	147
Feb-12	61	54	26	141
Mar-12	59	67	46	173
Apr-12	49	41	24	114
May-12	19	25	19	63
Jun-12	45	60	16	121
Jul-12	63	55	46	164
Aug-12	18	43	21	82
Sep-12	177	145	89	411
Oct-12	99	100	93	292
Nov-12	89	76	89	254
Dec-12	20	67	31	117
Jan-13	56	75	40	171
Feb-13	71	59	34	163
Mar-13	69	73	61	203
Apr-13	56	44	32	133
May-13	22	27	24	74
Jun-13	52	65	21	139
Jul-13	73	60	60	193
Aug-13	21	47	28	96
Sep-13	168	117	121	406
Oct-13	94	81	127	302
Nov-13	84	62	121	267
Dec-13	19	54	42	115
Jan-14	54	60	54	168
Feb-14	67	48	46	160
Mar-14	65	59	83	207
Apr-14	54	36	44	133
May-14	21	22	33	76
Jun-14	50	53	29	132
Jul-14	69	49	82	200
Aug-14	20	38	38	96
Sep-14	88	91	58	237

Monthly	Training starts			
	Newham	Growth	Other	Total
Oct-14	49	63	61	173
Nov-14	44	48	58	150
Dec-14	10	42	20	72
Jan-15	28	47	26	101
Feb-15	35	37	22	94
Mar-15	34	46	40	120
Apr-15	28	28	21	77
May-15	11	17	16	44
Jun-15	26	41	14	81
Jul-15	36	38	40	114
Aug-15	11	30	18	58

Below are training start forecasts for the Skills Place if it was funded for the next 5-year period. These are month by month starts for Newham, Growth boroughs and other separately.

Each block of forecasts has in the first column a point estimate (central forecast), followed by Lo.80 and Hi.80, which means we are 80% sure that the figure would be between the Lo.80 and Hi.80. These are followed by Lo.95 and Hi.95, which give the 95% confidence bound.

These monthly forecasts replicate the monthly pattern of starts seen recently (with starts high at the start of further education terms and a very high proportion of starts in September).

## Newham

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Sep-15	83	75	91	71	95
Oct-15	48	42	54	38	57
Nov-15	44	37	51	33	54
Dec-15	10	8	12	7	13
Jan-16	28	22	34	19	37
Feb-16	35	28	43	23	47
Mar-16	34	26	43	22	47
Apr-16	28	21	35	17	39
May-16	11	8	14	6	16
Jun-16	26	19	33	15	37
Jul-16	36	25	47	20	52
Aug-16	11	7	14	6	15

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Sep-16	83	56	110	42	125
Oct-16	48	32	64	23	72
Nov-16	44	28	59	20	67
Dec-16	10	6	14	4	16
Jan-17	28	18	38	12	44
Feb-17	35	22	49	15	56
Mar-17	34	21	48	14	55
Apr-17	28	17	39	11	46
May-17	11	6	16	4	18
Jun-17	26	15	37	9	43
Jul-17	36	20	52	12	60
Aug-17	11	6	15	3	18
Sep-17	83	45	121	25	142
Oct-17	48	26	70	14	82
Nov-17	44	23	65	12	76
Dec-17	10	5	15	3	17
Jan-18	28	14	42	7	49
Feb-18	35	18	53	8	62
Mar-18	34	17	52	7	61
Apr-18	28	13	43	6	50
May-18	11	5	17	2	20
Jun-18	26	12	40	5	47
Jul-18	36	16	56	6	66
Aug-18	11	5	16	2	19
Sep-18	83	36	130	12	155
Oct-18	48	20	75	6	90
Nov-18	44	18	69	5	83
Dec-18	10	4	16	1	19
Jan-19	28	11	45	2	53
Feb-19	35	14	57	3	68
Mar-19	34	13	55	2	67
Apr-19	28	11	46	2	55
May-19	11	4	18	0	22
Jun-19	26	9	42	1	51
Jul-19	36	13	59	1	71
Aug-19	11	4	17	0	21
Sep-19	83	29	138	-1	167
Oct-19	48	16	80	-1	96
Nov-19	44	14	73	-1	89
Dec-19	10	3	17	0	20
Jan-20	28	9	47	-1	57
Feb-20	35	11	60	-2	73
Mar-20	34	10	59	-3	71

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Apr-20	28	8	48	-2	59
May-20	11	3	19	-1	23
Jun-20	26	7	45	-3	55
Jul-20	36	10	62	-4	76
Aug-20	11	3	18	-1	22

Sept 11 to Aug 15	2,668	2,668	2,668	2,668	2,668
Sept 15 to Aug 20	1,971	1,046	2,895	557	3,385
Total	4,638	3,714	5,563	3,224	6,052

## Growth boroughs

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Sep-15	82	77	87	75	89
Oct-15	59	54	63	52	65
Nov-15	45	41	49	39	51
Dec-15	40	36	43	34	45
Jan-16	45	40	49	37	52
Feb-16	35	31	39	29	41
Mar-16	44	39	50	36	53
Apr-16	27	24	31	22	33
May-16	17	15	19	13	20
Jun-16	41	35	47	32	50
Jul-16	38	32	44	29	47
Aug-16	30	25	34	22	37
Sep-16	82	68	96	61	103
Oct-16	59	48	69	43	74
Nov-16	45	37	53	33	57
Dec-16	40	32	47	29	51
Jan-17	45	36	53	32	57
Feb-17	35	28	42	25	46
Mar-17	44	36	53	31	58
Apr-17	27	22	33	19	36
May-17	17	13	20	11	22
Jun-17	41	32	50	28	54
Jul-17	38	30	46	25	51
Aug-17	30	23	36	19	40
Sep-17	82	63	101	53	111
Oct-17	59	45	72	38	80
Nov-17	45	34	56	29	61
Dec-17	40	30	49	25	54

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Jan-18	45	34	56	28	61
Feb-18	35	26	44	22	49
Mar-18	44	33	56	27	62
Apr-18	27	20	34	17	38
May-18	17	12	21	10	24
Jun-18	41	30	52	24	57
Jul-18	38	28	48	22	54
Aug-18	30	21	38	17	42
Sep-18	82	59	105	47	117
Oct-18	59	42	75	33	84
Nov-18	45	32	58	25	65
Dec-18	40	28	51	22	57
Jan-19	45	32	58	25	65
Feb-19	35	25	46	19	51
Mar-19	44	31	58	24	65
Apr-19	27	19	36	15	40
May-19	17	12	22	9	25
Jun-19	41	28	54	21	60
Jul-19	38	26	50	20	57
Aug-19	30	20	39	15	44
Sep-19	82	56	108	42	122
Oct-19	59	40	78	29	88
Nov-19	45	30	60	22	68
Dec-19	40	27	53	20	60
Jan-20	45	30	60	22	67
Feb-20	35	23	47	17	54
Mar-20	45	29	60	21	68
Apr-20	27	18	37	13	42
May-20	17	11	23	8	26
Jun-20	41	27	55	19	63
Jul-20	38	25	52	18	59
Aug-20	30	19	40	13	46

Sept 11 to Aug 15	2,810	2,810	2,810	2,810	2,810
Sept 15 to Aug 20	2,513	1,923	3,103	1,611	3,415
Total	5,322	4,732	5,912	4,420	6,224

## Non Growth boroughs

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Sep-15	66	57	74	53	78



Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Oct-15	70	58	82	51	88
Nov-15	66	53	80	45	88
Dec-15	23	17	28	14	31
Jan-16	29	21	37	17	41
Feb-16	24	17	32	14	35
Mar-16	44	30	58	23	66
Apr-16	23	15	31	11	35
May-16	17	11	23	8	27
Jun-16	15	9	20	6	23
Jul-16	41	24	57	16	65
Aug-16	18	11	26	7	29
Sep-16	66	37	94	22	109
Oct-16	70	38	102	21	118
Nov-16	67	35	98	19	114
Dec-16	23	12	34	6	40
Jan-17	29	15	44	7	52
Feb-17	25	12	37	5	44
Mar-17	44	21	68	8	80
Apr-17	23	10	35	4	42
May-17	17	8	27	2	32
Jun-17	15	6	23	2	28
Jul-17	41	17	65	4	78
Aug-17	18	7	29	1	35
Sep-17	66	25	106	3	128
Oct-17	70	26	114	2	138
Nov-17	67	23	110	1	132
Dec-17	23	8	38	0	46
Jan-18	29	10	49	-1	59
Feb-18	25	8	41	-1	50
Mar-18	44	13	75	-3	92
Apr-18	23	7	39	-2	48
May-18	17	5	30	-2	36
Jun-18	15	4	26	-2	31
Jul-18	41	10	71	-6	87
Aug-18	18	4	32	-3	39
Sep-18	66	15	117	-12	143
Oct-18	70	15	125	-14	154
Nov-18	67	13	120	-15	148
Dec-18	23	4	41	-5	51
Jan-19	29	5	53	-8	66
Feb-19	25	4	45	-7	56
Mar-19	44	7	82	-13	102
Apr-19	23	3	43	-7	53

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
May-19	17	2	32	-6	40
Jun-19	15	2	28	-5	35
Jul-19	41	4	77	-15	96
Aug-19	18	2	34	-7	43
Sep-19	66	6	126	-26	158
Oct-19	70	5	135	-29	169
Nov-19	67	4	129	-29	162
Dec-19	23	1	44	-10	56
Jan-20	29	1	57	-14	72
Feb-20	25	1	48	-12	61
Mar-20	44	1	88	-22	111
Apr-20	23	0	46	-12	58
May-20	17	0	34	-9	44
Jun-20	15	0	30	-8	38
Jul-20	41	-1	83	-23	105
Aug-20	18	-1	37	-11	47

Sept 11 to Aug 15	2,273	2,273	2,273	2,273	2,273
Sept 15 to Aug 20	2,182	777	3,588	33	4,332
Total	4,455	3,050	5,860	2,306	6,604

## Total

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Sep-15	231	210	252	199	263
Oct-15	176	154	199	142	210
Nov-15	155	131	180	118	193
Dec-15	72	61	83	56	89
Jan-16	102	84	120	74	129
Feb-16	95	76	114	66	124
Mar-16	123	96	151	81	165
Apr-16	78	60	97	50	106
May-16	45	34	56	27	62
Jun-16	81	63	100	53	110
Jul-16	115	82	148	65	165
Aug-16	58	43	73	34	82
Sep-16	231	161	300	125	337
Oct-16	176	118	234	88	265
Nov-16	155	101	210	72	239
Dec-16	72	50	94	39	106
Jan-17	102	68	135	50	153

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
Feb-17	95	62	128	44	146
Mar-17	123	77	169	53	193
Apr-17	78	49	108	33	123
May-17	45	27	63	18	72
Jun-17	82	53	110	38	125
Jul-17	115	67	163	41	189
Aug-17	58	36	80	24	92
Sep-17	231	133	329	82	380
Oct-17	176	96	257	53	299
Nov-17	155	81	230	41	269
Dec-17	72	43	102	27	118
Jan-18	102	57	146	34	170
Feb-18	95	52	139	29	162
Mar-18	123	63	183	32	215
Apr-18	78	40	116	20	136
May-18	45	22	68	10	80
Jun-18	82	46	117	27	136
Jul-18	115	55	176	23	208
Aug-18	58	30	86	16	100
Sep-18	231	110	352	46	416
Oct-18	176	77	275	25	328
Nov-18	155	64	247	16	295
Dec-18	72	37	108	18	127
Jan-19	102	48	156	20	184
Feb-19	95	43	147	15	175
Mar-19	123	51	195	13	233
Apr-19	78	33	124	9	148
May-19	45	18	72	4	86
Jun-19	82	39	124	17	146
Jul-19	115	44	187	6	224
Aug-19	58	26	91	8	108
Sep-19	231	90	373	15	447
Oct-19	176	61	292	0	353
Nov-19	156	49	262	-8	319
Dec-19	73	31	114	9	136
Jan-20	102	40	164	7	197
Feb-20	95	35	155	3	187
Mar-20	123	40	206	-3	250
Apr-20	78	26	131	-1	158
May-20	45	14	76	-2	92
Jun-20	82	34	130	8	155
Jul-20	115	34	197	-10	240
Aug-20	58	21	95	2	115

Monthly	Point. Forecast	Lo.80	Hi.80	Lo.95	Hi.95
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Sept 11 to Aug 15	7,750	7,750	7,750	7,750	7,750
Sept 15 to Aug 20	6,666	3,746	9,586	2,201	11,131
Total	14,415	11,496	17,335	9,950	18,881