



Work and Pensions Committee  
7 Millbank  
London  
SW1P 3JA

10<sup>th</sup> September 2010

Dear Committee Clerk,

**RE: DWP Committee on Youth Unemployment and the Future Jobs Fund**

Please find below a submission to the DWP Committee on Youth Unemployment and the Future Jobs Fund, provided by the South east Diamonds for Investment & Growth (SEDfIG) Partnership. Should you wish to discuss any aspect of this submission, please contact Matt Smith, SEDfIG Project Director, in the first instance ([matthew.smith@reading.gov.uk](mailto:matthew.smith@reading.gov.uk)).

**Introduction**

The SEDfIG Partnership<sup>1</sup> seeks to support the economic performance of the key economic areas of south-east England - the 8 'Diamonds for Investment & Growth'. These 'functional economic areas' account for a disproportionate amount of GVA within the region and will provide the majority of economic and housing growth within the south-east in forthcoming years.

The eight Diamond areas are:

- Brighton & Hove
- Gatwick Diamond
- Milton Keynes & Aylesbury Vale
- North Hampshire
- Oxford / Central Oxfordshire
- Reading

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<sup>1</sup> Comprising Basingstoke & Deane BC, Brighton & Hove CC, Crawley BC, Medway Council, Milton Keynes Council, Oxford CC, Portsmouth CC, Reading BC, Southampton CC and partners.

- Thames Gateway Kent
- Urban South Hampshire

Each of these functional economic areas is supported by sub-regional partnerships, with strong levels of business engagement and involvement. Since 2006, the authorities at the urban core of these areas have been working together as the SEDfIG Partnership.

The SEDfIG has led and commissioned economic research, supported shared EU-funded programmes, arranged pan-Diamond conferences, responded to Government and associated consultations, contributed to national policy development, shared good practice case studies and learning and sought to articulate and support the growth needs of the Diamonds.

### **The Economy of South-East England**

The south-east currently accounts for over 14% of UK Gross Value Added (GVA), as well as over 25% (£3.2 billion) of UK business expenditure on research and development. The region has an existing strong presence amongst nationally identified priority growth sectors, largely based in the Diamond areas. The region has the highest concentration of health technology companies in the UK and is an international centre for the aerospace industry, accounting for 22% of UK firms in the sector.

Independent evaluation<sup>2</sup> of business focused programmes in the South East has shown that investments in business development and competitiveness have achieved very high impacts on economic growth, especially support for key industry sectors (£23 GVA per £1 spent), trade (£9 GVA per £1 spent) and foreign direct investment (£9 GVA per £1 spent). Investments such as these have enabled the private sector and national partners to develop major centres of excellence which are stimulating further private sector investment – for example the International Space Innovation Centre at Harwell and the International Centre for Excellence in Telecare. Areas of the South East economy with strong potential offer opportunities for high returns on public investment, which will strengthen the UK economy as a whole.

Whilst there are no ‘core’ cities in the south-east, there are a number of strong urban economies – the Diamonds - which drive growth and productivity in the region. The south-east of England relies heavily upon the economic vitality and success of the Diamond areas to generate employment, GVA and prosperity. The ‘polycentricity’ of the south-east, and the way that smaller urban areas tie together, with London, to form a strong regional economy, is

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<sup>2</sup> Department for Business, Enterprise and Regulatory Reform (2009), *Impact of RDA Spending*.

now widely recognised.<sup>3</sup> These functional relationships ensure that the Greater South East plays a vital role in the economic success of the capital and the UK as a whole.

The South East is critical to UK economic success, so it is important to ensure there is an overall strategy for meeting the needs and aspirations of the area as a whole. Growth will bring pressures on the infrastructure, housing, environment, and economic development that must be met. In addition, the south-east of England, is slipping behind competitor regions internationally, dropping ten places on the World Knowledge Competitiveness Index between 2005 and 2008.<sup>4</sup> There also exist significant pockets of deprivation, largely found in urban parts of the region. Across the south-east as a whole, there are 958,000 economically inactive people of working age – compared with only 354,000 in the north-east.<sup>5</sup>

### **The Future Jobs Fund**

The youth unemployment rate remains high, at 17.5%, compared to 6.3% for 25 – 49 year olds and 4.6% for those over 50.<sup>6</sup> However, the rate of long-term young unemployed fell from March to June 2010. Whilst initiatives such as the Community Task Force will have played a part, the Future Jobs Fund has also provided a positive mechanism for tackling this inactivity. Whilst the numbers involved have been small when compared to the scale of the problem, the impact upon individuals has been impressive. Our response to the issues raised by the committee is provided below:

#### Q – The extent to which the FJF has succeeded in matching new work experience opportunities to young unemployed people:

Evidence from our authorities suggests that the FJF has proved successful in matching new work experience opportunities to young unemployed people. In addition, through working with other service and learning providers, work experience has usually been coupled with provision of appropriate training and skills development opportunities.

In Milton Keynes, for example, the provision of work experience through the FJF has been complemented by the provision of training through Milton Keynes College, funded by the Milton Keynes Council Recession Busters Project. A total of 96 young people will be employed through the FJF programme, with appropriate skills development also made available.

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<sup>3</sup> Eg. Pain, K. (2006) Policy Challenges of Functional Polycentricity in a Global Mega-City Region: South East England, *Built Environment*, 32(2).

<sup>4</sup> Huggins *et al* (2008), *The World Knowledge Competitiveness Index*, Centre for International Competitiveness, Cardiff University.

<sup>5</sup> Labour Force Survey, March to May 2010.

<sup>6</sup> ILO figures, via Centre for Social and Economic Inclusion, August 2010

Employer specific training has also been provided, dependent upon the positions undertaken, and has included technical training such as engine removal and Level 2 NVQs in business administration, customer services, warehouse and logistics, landscaping and gardening. Such skills are economically valuable, and give participants a considerable foothold in the employment market. Indeed, of the 28 participants who commenced FJF employment in January / February 2010, 13 have secured permanent, full-time employment.

In North Hampshire, a total of 187 young people will be employed through the FJF programme. A wide range of employment opportunities has been offered, ensuring a diversity of provision that allows participants to pursue their interests. The local Leisure Trust, has, for example, used the scheme to employ and train young people as lifeguards. The local authority community safety team has benefited from 4 young people, without significant qualifications, getting involved in a number of community safety projects. One is helping to include community safety information in ward profiles, another is helping to promote community safety events within areas of high ASB and crime. They are updating their CVs with help from their managers. Two other young people with degrees are working with the Council's economic prosperity team, to promote their business excellence award scheme. In short, a diverse programme has been provided, matching new opportunities appropriately to unemployed young people. Likewise, in Berkshire, a total of 167 employment opportunities will be created, each accompanied by employer based training. From the first set of 36 starters, 10 have secured permanent full-time employment.

#### Q – Strengths and weaknesses of the FJF programme

As can be seen from the above examples, the FJF has provided tangible opportunities for young people to develop their experience and skills and, in many cases, secure continuing employment at the end of their 6 month FJF contract. Clearly, the scale of bids to the FJF has been important – larger scale bids encourage service providers to come together, securing economies of scale but also ensuring a diversity of employment provision.

The partnership approach required does, however, place an administrative burden on the accountable body for management of programmes. Evidence from our areas suggests that, once FJF programmes had been approved by government, the key barrier to early progress was the need to develop a suitable framework for management of contracts and accounts. The time demands placed upon accountable bodies in developing these processes, and managing the provision of opportunities by other employers was significant, and reinforces the need for bids of scale, to provide greatest efficiency.

However, once established, these procedures have proved manageable. In ending the FJF early, it will be important that any new programme or provision maximises the learning from this and adopts, as appropriate, the management procedures developed for FJF by local authorities and their partners. This will avoid duplication of effort and ensure that, despite the lack of a formal evaluation of the programme, learning from the FJF is built upon.

Q – The likely impact of the decision to end the FJF in March 2011 rather than March 2012

As illustrated above, the FJF has had a positive impact upon many of its participants, preventing disengagement from the labour market and providing tangible experience and learning. Whilst initial set-up costs for successful bidders was high, policy and procedures are now largely established and manageable.

However, whilst having a positive impact on small numbers, youth unemployment requires larger scale solutions. The latest ILO figures suggest that there are 324,000 young people currently unemployed – the ‘real’ figure, coupled with the numbers who are ‘underemployed’, is likely to be much higher. The forthcoming round of public spending cuts, following the October CSR, is likely to exacerbate this problem, as are previous cuts to Higher Education provision, which are now being felt by potential students.

There is, therefore, a great need for targeted provision of employment opportunities, coupled with training, specifically for young people. The FJF model encouraged local service providers, and businesses, to come together to seek to meet this need – the learning and best practice from this should be maximised in any new provision. We would suggest that, given the value of the partnership approach, the need to focus on ‘real’ labour market areas, and the scale needed for successful provision, any new funded arrangements or bidding processes should be taken forward by new Local Enterprise Partnerships, as they emerge.

Yours sincerely,



**Cllr Andrew Finney**

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