National Employment Service (NES) costing - cost-benefit appraisal

An order-of-magnitude, Green Book-style appraisal of the Mission-2 paid-contribution placements. Model and assumptions: `nes_costing/cost_benefit_model.py`*. Deliberately conservative; the soft benefits are held to weak (Grade C) evidence so the case is never overstated. This is a framing model, not a precise costing. (The cheaper Mission-1 support is appraised separately in the Mission-1 costing.)*

The headline: two different ratios, telling two different stories

Per paid placement, per year (25 hours/week, Real Living Wage £12.60/hour, gross cost ≈ **£26,122**), net cost (+) or net benefit (–), with the benefit-cost ratio (BCR) on each measure:

Scenario	Net cost to paying department	Net cost to whole government	Net benefit to society	BCR (paying dept)	BCR (whole gov)	BCR (society)
Conservative	£19,304	£18,304	–£11,304	0.29	0.33	0.59
Central	**£15,846**	**£13,846**	**+£866**	**0.39**	**0.47**	**0.97**
Optimistic	£11,459	£7,959	+£11,641	0.54	0.68	1.46
National Living Wage (NLW) central (the statutory minimum wage)	£15,251	£13,251	+£271	0.40	0.48	0.99

Two honest conclusions fall straight out:

1. **To society, NES is roughly break-even - central BCR ≈ 0.97 (range 0.59-1.46).** That verdict rests on the Grade-C social and wellbeing benefits: strip them out (the conservative column) and society makes a loss. So it is **plausible, not proven.** It is consistent with the Future Jobs Fund, which appraised at **+ £7,750 net societal benefit per participant**; this appraisal is a touch lower because it deliberately understates the value of the work and the wellbeing gain.
2. **To the Exchequer, NES is a clear net cost in every scenario** - BCR 0.29-0.68, roughly £8,000-£19,000 per participant per year (central ≈ £14,000-16,000). It does **not** pay for itself. Anyone who claims NES is "self-funding" is overclaiming, and the proposal never does.

The Real Living Wage barely moves the result against the statutory minimum - about £600 per participant a year - confirming the Real Living Wage is a modest premium nationally.

What is inside the £26,122

Component	Amount
Employment (gross pay £16,380 = 25h × 52wk × £12.60, × 1.25 employer on-cost)	£20,475
Wraparound (adviser caseload, training, childcare/travel)	£3,000
Platform operating cost (per head)	£300
Delivery overhead	£2,348
Gross cost / placement / year	**£26,122**

Societal net benefit = (fiscal returns + downstream savings + the value of the work + monetised wellbeing) − gross cost. The single largest and least certain term is **wellbeing**, grounded in the evidence at the non-pecuniary gain of employment of +0.46 of a WELLBY (a wellbeing-adjusted life-year, the standard unit governments use to value changes in wellbeing) per year (Clark et al.) valued at the Green Book's £13,000 - about £5,980 per person. Valuing it more generously would push the societal BCR above 1; the conservative figure is the one reported here. (See the Evidence Annex, Part 7.)

Setup is separate from running cost

The figures above are **ongoing annual** cost, dominated by the wage bill. The one-off **setup** - the lean federated platform build, mobilisation, the design authority, standing up the dedicated work entities - is **separate and roughly £150-500 million**, a fraction of a single year's running cost, *not* part of the annual figure.

Two "Exchequer" figures - which pocket

The appraisal separates two net positions, because the difference between them is the whole financing problem:

- the **paying-department net** (the department that pays the wage, *excluding* savings that land in other departments - the true "wrong pocket" figure): **~£15.8k per placement, ~£4.75bn at 300,000**; and
- the **whole-government net** (*including* the downstream health, social-care and justice savings that land in other departments): **~£13.8k per placement, ~£4.15bn at 300,000**.

Neither figure yet includes regional-initiative interactions (bridge mode - for example NES feeding a national housing programme), which are not modelled and would improve the picture where they apply.

At scale (Real Living Wage, central assumptions)

Placements	Gross cost/yr	Exchequer net cost/yr (paying dept)	Exchequer net cost/yr (whole gov)	Societal net benefit/yr
150,000	£3.9bn	£2.38bn	£2.08bn	+£0.13bn
300,000	**£7.8bn**	**£4.75bn**	**£4.15bn**	**+£0.26bn**
500,000	£13.1bn	£7.92bn	£6.92bn	+£0.43bn

So the "~£4bn" is, specifically, the **Exchequer net cost at 300,000 placements** - paired with what it buys: a roughly break-even social return in-year, on conservative central assumptions.

Where 300,000 comes from - honestly, a stipulated default, not a derivation

It is anchored to historical scale (the Future Jobs Fund ~100k, Kickstart ~160k, the Work Programme ~2m referrals). Bottom-up: of ~2.8m long-term-sick inactive plus ~1.5m unemployed, only a minority are addressable for *paid placements* (many do not want or cannot do paid work). On that basis **300,000 ≈ ~20% uptake of a ~1.5m far-from-market addressable pool** - central, with 150,000 ≈ ~10-15% and 500,000 ≈ ~30%+. The cheaper Mission-1 support reaches many more. A defensible figure needs Office for National Statistics (ONS) "would like to work" data and uptake evidence from comparable schemes - and ultimately the take-up the pilot measures directly.

The gap between the two ratios *is* the wrong-pocket problem

Society roughly breaks even while the **Exchequer carries a real, permanent cost** - because much of the benefit (the value of the work, wellbeing, downstream health/social-care/justice savings) accrues to participants, communities and *other departments*, not to the line that pays the wage. This is exactly the Future Jobs Fund pattern (+£7,750 to society, –£3,100 to the Exchequer), and it is why the design calls for a **cross-departmental funding settlement** rather than expecting one department to fund it from its own savings.

The two cohorts diverge over time

- **The annual model understates the *bridge* cohort's multi-year return.** Real schemes' societal BCRs *rise* with the horizon (Kickstart £1.18 at two years → £3.15 at five) because of the post-placement sustained-employment tail that an annual model does not credit and that the Employment Retention and Advancement (ERA) trial shows takes ~5 years to appear. For those who transition to unsubsidised work, the true multi-year societal return is likely clearly positive.
- **For the *permanent-floor* cohort, the annual ~break-even is the relevant figure**, and the case rests on wellbeing, social value and dignity, not a transition return - which is where the value question is sharpest.

What this settles, and what it does not

The model gives the **price** (a real Exchequer cost, ~£14k per participant, ~£4bn/yr at 300k) and a **plausible societal value** (roughly break-even, turning positive over a multi-year horizon for the transitioning cohort). What it **cannot** settle is whether that trade is worth making - because the case turns substantially on social value, dignity and the worth of work in communities the market abandoned, which are real but only partly monetisable. That is a **value question for the public**, not something the spreadsheet decides. The honest pitch is: "*NES is plausibly good value for society and a genuine, ongoing cost to the Exchequer - here is the price, here is the evidenced value, you decide if it's worth it,*" not "*it pays for itself.*" It also reframes the ambition question correctly: not "is £4bn affordable" but **"is the per-participant societal value worth the per-participant Exchequer cost - and if so, how much of it do we buy?"**

Caveats - what a framing model is not

- **The Grade-C soft benefits (output value, wellbeing, downstream savings) dominate the societal BCR** and are the least certain numbers here. Firming them - a defensible output-valuation method, NES-specific wellbeing evidence, and properly modelled Universal Credit interaction for the benefit-offset - is the single biggest improvement needed, and could move the central BCR either way. This is exactly what the embedded-evaluation pilot is designed to measure.
- **The Future Jobs Fund benchmark is a 6-month youth scheme,** not a permanent Real-Living-Wage programme; it anchors the *structure* (net-societal-positive, net-Exchequer-cost), not the exact figures.
- **Sizing is provisional** (the BCR is per-participant and scale-independent; volume is a later decision).
- Figures use current published anchors (Future Jobs Fund 2012; WELLBY £13k/2019; Universal Credit 2025/26) but the model is order-of-magnitude.

The comparators bracket these numbers

France's 'zero long-term unemployment zones' job guarantee (TZCLD) runs at a net cost of €11,000-€14,000 per job-year (gross ~€28-31k) and was found "far from budget neutral"; Austria's Marienthal guarantee cost €29,841 gross per participant a year. Both bracket this appraisal's ~£26,000 gross / ~£14,000-16,000 net, and both confirm the shape: societal-positive (or break-even), with a real Exchequer cost, and never budget-neutral. (Full evidence and grades: Evidence Annex.)

Companion to the White Paper, the Mission-1 costing, the Evidence Annex and the Pilot Design.