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**The UK Future Jobs Fund: Labour's adoption of the job  
guarantee principle**

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Running Head: Future Jobs Fund

**Abstract**

This paper examines the development of employment policy in the United Kingdom leading to the creation of the Young Person's Guarantee and its main component, the Future Jobs Fund. Past public-sector direct employment schemes, including those associated with the workfare model, had been discredited as ineffective across the OECD. In numerous countries, however, newer job creation schemes were implemented from the 1990s, aimed at addressing some of the shortcomings of earlier projects, and utilizing the growth of smaller community-based projects – the Intermediate Labour Markets, or ILMs. Whilst there was no strategic policy commitment to demand-led active labour market policy in the UK until recent years, a network of ILMs came into existence, and much of the funding for these small-scale local projects came from the government. With the onset of the current economic downturn, and the substantial rise in cyclical unemployment, policy-makers more closely examined options for a demand-led strategy. Although ILMs had not been created with a view to forming part of an 'employer of last resort' policy, and were generally directed at very specific groups, the potential of these schemes to form part of a wider national strategy was clearly seen. In 2009 the government announced a job guarantee for all young people, primarily through the Future Jobs Fund. This initiative was inspired by 'employer of last resort' (or 'job guarantee') concept and the work of Hyman Minsky, and the intention was to extend it over time. Although the Future Jobs Fund was scrapped in May 2010 following a change of government in the UK, it incorporates the lessons of past policy failures, representing a bold step in active labour market policy – and may form a model for reviving demand-led employment policy.

## Introduction

The late Michael Foot, who led the British Labour Party for three years in the early 1980s, once wrote the following words about the social impact of long-term unemployment, as he witnessed it during the Great Depression (Foot, 1984):

I saw mass unemployment as the most fearful curse which could befall our people – breaking a man's faith in his craft, breaking a woman's right to her own life, breaking whole families, turning children against their parents, and parents against their children. Yes, that is what it was like in those far-off days when the community did so pitifully little to help those hardest hit, when the means test with all its sophisticated ways of torturing poor people was in full rigorous application, when long-term unemployment for more than a million of our citizens meant lives smashed for ever.

And yet, incredibly, there was something even worse than the mass unemployment and all its associated outrages. It was the tale we were told by our rulers throughout that whole epoch. What was it they said? *There is no alternative.* (pp. 46-47)

Michael Foot evokes here the sense of waste and the social trauma of mass unemployment – and illustrates a keen sensitivity to what has historically been a key issue for the Labour Party. Foot belonged to a past generation of Labour leaders, but the question of employment has not lost any of its salience for the party that he once led. As recently as July 2009, the New Labour policy advisor and writer Paul Richards wrote (Richards, 2009):

Outrage at mass unemployment forms part of Labour's folk-memory. The memory of the means test, soup kitchens, and men idling on street corners were strong reasons to vote Labour in 1945. In the 1980s, with three million on the

dole, unemployment dominated popular culture and politics... It was the time of the Peoples' March for Jobs, dole queues, and UB40 in the charts.

Early on in the current downturn, the alarming rise in the claimant count caused serious concern within the last Labour government in its final years in office, and a determination not to repeat the failures of past recessions. New policy options were examined and new solutions sought after.

### **British Employment Policy 1945 - 1997**

Ensuring full employment formed part of the economic consensus that dominated British politics in the three decades following World War II. This consensus was based broadly along the lines set out by thinkers such as John Maynard Keynes and William Beveridge, who set out the rationale and theoretic underpinnings for a full employment policy, in terms of macro-economic demand management. In his book *Full Employment in a Free Society*, Beveridge (1944) summed up the argument for state intervention to ensure full employment, in the light of the experience of the wartime economy: "The experience of war is relevant to peace: that unemployment disappears and that all men have value when the State sets up unlimited demand for a common purpose... securing full employment by socialization of demand without socialization of production (p.29)." Moreover he formulated a definition of full employment which is more favourable to workers than anything previously used:

It means having always more vacant jobs than unemployed men, not slightly fewer jobs. It means that the jobs are at fair wages, of such a kind, and so located that the unemployed men can reasonably be expected to take them; it means, by consequence, that the normal lag between losing one job and finding another will be very short (p.18)

The Labour Party, which governed Britain in the years immediately following the war (1945-1951) and then for part of the 1960s and 1970s, based its employment policy

along the lines of what became accepted as standard Keynesian economics, viz. to fine tune the economy using the instruments of monetary and fiscal policy – with incomes policies serving as the primary tool for controlling inflation. Wickham-Jones (2001) explained that whilst Labour policy makers were aware of the active labour market policies that were implemented in countries such as Sweden, and exchanges with Swedish Social Democrats did take place, Keynesian demand management coupled with incomes policies held sway during this period and policies to support training facilities were seen in terms of promotion of faster economic growth rather than of employment. Reasons given by Wickham-Jones for this attachment to macro-economic fine-tuning and rejection of active labour market policies along Scandinavian lines are various and include the insularity of policy-making processes within the Labour Party during the 1950s and 1960s, the relatively weak centralized structures of trade union as well as employer umbrella organisations, and what was seen as a potential weakening of the traditional role of trade unions as workforce representatives in the specific workplace context.

The bipartisan political commitment to maintaining full employment did not survive the turbulent 1970s and the rise of monetarism, and was definitively abandoned when the Thatcher government took office in 1979. The new economic priority was to control inflation, with employment very much a lesser concern, and it was now believed to be undesirable and counterproductive to aspire to a rate of unemployment below the NAIRU, the Non-Accelerating Inflation Rate of Unemployment. With the return of classical economic theories, mass unemployment came to be rationalized, as it was in the decades before the Second World War (Glynn, 1999), and also turned out to be acceptable for a sufficient part of the electorate for the Conservatives to remain in power for almost two decades. But it was not until the 1990s, and after four electoral defeats, that Labour began to change its stance on employment, adopting the greater part of the new economic consensus, whilst retaining a commitment to dealing with the problem of

high unemployment, especially amongst young people, in keeping with the party's traditional concern with this issue. The thinking of Labour policy makers was also influenced by growing evidence of the severe lasting consequences of long-term unemployment, including on health (Gregg, 2009). The new policy entailed a move away from Keynesian aggregate demand management and a greater interest in supply-side labour market policy, guided by the view that the level of the NAIRU in the United Kingdom could be reduced to a lower level (Finn, 2003). A central aspect of this new policy direction, which coincided with the rebranding of the party as 'New Labour', was the recognition of the importance of work to the relief of poverty and to the functioning of the welfare state. A key plank in the 'Third Way' philosophy espoused by New Labour was the reform and modernization of the welfare state – neither a return to socialistic principles of the past, nor reducing the welfare state to a bare minimum (Fraser, 2003). This broadly matches views that were held in other European countries, regarding the importance of high levels of employment to maintaining the European social model and the key role of the transition to paid employment as a route out of poverty (Daguette & Etherington, 2009).

### **The New Deal initiatives**

The Labour Party returned to office in 1997 committed to retaining the revamped benefits regime instituted by the outgoing Conservative government in 1996. Under this new system the Jobseekers Allowance (JSA) replaced previous benefits and involved stricter conditions on the unemployed (Finn, 2003). However the JSA was to be supplemented by a series of active labour market policies under the title of 'New Deal' which were implemented over the course of several years. The New Deal initiatives were financed by a £5 billion 'windfall tax' on the utility companies which had been privatized under the Conservatives (Finn, 2003). The first of these initiatives, the New Deal for Young People, was targeted at the under-25 age group, and involved a 'gateway' period of job search advice and skills training. 'Clients' were allocated to a personal advisor and required to

attend regular meetings (Lowe, 2005). After the gateway period, clients who had not succeeded in finding unsubsidized employment were obliged to take up one of four options: subsidized work, participation in training or education, work on an environmental task force, or self-employment (Gregg, 2009). The withdrawal of benefits was used as a sanction for those refusing all of these options. Altogether there were five further New Deal policies and they were focused on preparing individuals mired in long-term unemployment to return to the job market: The New Deal for Long-term Unemployed, the New Deal for Lone Parents, the New Deal for Disabled People, the New Deal for Partners of Unemployed and the New Deal for the 55+ (Daguerre, 2004). In addition, the new government reformed the institutional framework, integrating their active labour market policies with the benefits system and infrastructure. A new government department, the Department for Work & Pensions (DWP) was created, and the old Employment Service and Benefits Agency were merged to form Jobcentre Plus (Finn, 2003). And there were reforms to the tax and benefits system, as well as a new National Minimum Wage, for the first time in British history, established at least partly with a view to making work a more attractive option than life on benefits. In the Autumn of 2009 the Flexible New Deal was introduced, extending the time limit before which participants were obliged to undertake full-time activity to 18 months and two years, for the 18-25 and over 25 ages groups respectively (Gregg, 2009).

These active measures should be seen in the broader context of a general shift from passive to active employment strategies across the European Union at the time. The OECD's 'Jobs Study', released in 1994 advocated such measures under a climate of persistent high unemployment in several European countries. (OECD, 1994; Finn, 2000). Though there were differences in the approaches taken in different countries, obligatory interviews between the unemployed person and the employment service was a common element in all countries (Daguerre & Etherington, 2009). In Britain the shift was guided very much by the 'rights and responsibilities' philosophy of New Labour, and focused



largely on the individual unemployed person and their behaviour (Finn, 2003) rather than on any fundamental shift in thinking on macro-economic policy. The primary aim was to improve the employability of the long-term unemployed, preparing them for entry or re-entry into the labour market (Finn, 2003). The training and support offered was accompanied by a stronger element of compulsion than elsewhere in the OECD, and Daguerre and Etherington (2009) were able to state that “The United Kingdom (UK) is clearly in the top league of countries to place increased pressure on benefit claimants. In recent years the UK government has intensified its efforts to activate all people of working age, including people on inactive benefits such as incapacity benefits customers and lone parents” (p.1). Referring to the four options on offer under the New Deal for Young People, Prime Minister Tony Blair and Chancellor of the Exchequer (finance minister) Gordon Brown made it very clear early on that ‘there is no fifth option’ (Fraser, 2003, p.290). In 2000 Gordon Brown went further, saying (Fraser, 2003) “we will meet our responsibility to ensure that there are job opportunities and the chance to learn new skills, you must now meet your responsibilities – to earn a wage” (p.290) and in 2001 David Blunkett, then Secretary of State for Education and Employment issued a warning that ‘there is no hiding place’ for the work-shy (Theodore, 2007). Despite this tough talk, the UK’s overall spending on active labour market policy remained low by international standards, in line with trends across the English-speaking world. In 2005 the UK spent 0.32% of GDP in active labour market policies, whilst Denmark, Sweden and France spent 1.74%, 1.18% and 0.90% respectively (Daguerre & Etherington, 2009).

There are varying accounts of the underlying intellectual foundation for the New Deal schemes as well as differing interpretations of their results. Daguerre has described two basic approaches to active labour market policies (ALMPs) across the OECD (Daguerre, 2004). The ‘human capital approach’ is focused primarily on the acquisition of skills and the development of long-term employability and is preponderant in the Scandinavian welfare states. The second, ‘work-first’ approach focuses on short-term placement of the

unemployed into work, with less regard to quality. Whilst the first approach involves a greater degree of voluntary participation in employment programmes, the second entails a more coercive regime, and includes schemes that fall under the description of 'workfare' (Daguerre, 2004). Whilst some observers see the New Deals in the context of a genuine concern with social exclusion, and based on models borrowed from Scandinavian countries, esp. Sweden (Glynn, 1999), others see elements of continuity vis à vis Conservative policy and the influence of US policy, in particular the writings of the US political scientist Charles Murray, with his emphasis on workfare (Fraser, 2003; Prideaux, 2010). This latter group of observers essentially see the term 'worklessness' used to stigmatize particular groups of people as lazy and unemployable – hence the need to coax them into the labour market through a system of incentives and threats, a 'carrot and stick' approach (Theodore, 2007). In reality the British approach appears to be based on a combination of these two paradigms, though there does appear to have been a shift towards the US approach in the later stages of the rolling out of the New Deals, especially after 2001 (Daguerre, 2004), with a greater focus on the 'work-first' approach and the increased use of compulsion. Reasons given for this shift include a shared work-ethic culture, the view in both countries of unemployment as a behavioural phenomenon, as well as the structure of the highly flexible and deregulated labour markets in the UK and the US (Daguerre, 2004). Nevertheless, the British approach does seem to be less ideologically motivated than has been the case in the US (Daguerre, 2004) and an analysis of the development and implementation using case studies (Finn, 2003) does suggest flexibility and a genuine concern with the needs of individual claimants.

The debate on the success of the schemes has been complex; with the Labour Government claiming a resounding success in getting 250,000 young unemployed people off the dole queues, and detractors accusing the New Deal of merely 'churning' claimants back into the benefits system. The task of assessing the success of the Labour

government's employment policies by analyzing the unemployment figures is complicated by the fact that they were implemented at a time of rising prosperity – it could be argued, and indeed has been argued, that the fall in unemployment was due more to this favourable economic climate than to any specific policy initiative. There are conflicting estimates as to the actual impact of the New Deal. Finn (2003), in a comprehensive analysis of the New Deal, including the use of case studies, has suggested that whilst there have been 'modest improvements in employment outcomes' (p. 721), there has been less success in placing groups defined as the 'hardest to help', those facing multiple barriers to employment, in unsubsidized jobs, as well as groups in areas of persistent high unemployment (Finn, 2003). Gregg (2009) cites research by Giacomo De Georgi (2005) and John Van Reenan (2004) which concludes that the New Deal for Young People raised outflows from benefits into work by 5 percentage points, i.e. a 20% increase, which would imply that the costs of the programme justified the expense.

Besides the perceived focus on the 'work-first' as opposed to the 'human capital' approach, the New Deal programmes have been criticized on a number of fronts. The focus on paid work has been seen to under-rate the significance of unpaid caring, with Lowe (2005) suggesting an 'implicit demeaning' of caring. Moreover the policies, by focusing primarily on individual behaviour, did not address broader issues which might have helped ease the path of carers into the labour market, such as improved public transport, better childcare facilities and flexible working conditions (Lowe, 2005). Besides carers, the New Deals were also seen to have neglected the needs of the disabled, many of whom remained dependent on the benefits system (Lowe, 2005; Finn, 2003). Perhaps the most serious weakness of the New Deal was the focus on supply-side measures to improve the employability of job seekers, and the lack of demand-side measures. The focus of these initiatives is very much on individual employability and this

has been pointed out specifically by commentators such as Nik Theodore (2007) and Green & Hasluck (2009).

### **Demand-led labour market policies out of favour**

Demand-led labour market policies were generally out of favour during the period in which the New Deal initiatives were launched, as job creation programmes in a number of countries during the 1970s and 1980s were seen to have failed to achieve their desired goals. There are a number of reasons given for this failure. In order to better understand these reasons, it would help to define the main categories of undesired outcomes of direct job creation strategies. The *deadweight effect* occurs where the unemployed person would have found a job in the regular labour market without the scheme, or when a job created with government funding would have been created without this support. The *displacement effect* refers to situations where jobs are created at the expense of other workers. Either employers hire people in subsidized jobs at a lower cost, at the expense of employees who are laid off, or participants in a government programme are able to gain a competitive advantage over rivals, resulting in layoffs at non-participating organisations. In the case of the *substitution effect* jobs are found for members of a target group, at the expense of job seekers in other categories. For instance a young unemployed person may find a work in a job guarantee scheme that would otherwise have gone to an older job seeker. In the sense that the job guarantee has opened up the labour market to a group that might otherwise have been excluded, the substitution effect is not unambiguously negative (Meager & Evans, 1998). The *carousel effect* occurs when long-term unemployed people alternate between receiving benefits and participating in job creation programmes, without any sustainable improvement in their employability (Brodsky, 2000). Lastly, there has been concern over the *lock-in effect* of job guarantee schemes, whereby those hired delay the search for an opening in the regular job market, and are hence 'locked' into a government scheme (Gregg, 2009).

The 1970s saw the introduction or strengthening of large-scale job creation schemes across the OECD, usually in the public sector, and these schemes have come to be seen as having failed due to various combinations of the above factors, especially the lock-in effect. In Sweden the long-standing 'Relief Work' programme, which was originally set up in the 1930s, and which provided six months work was assessed in studies to have been made less effective by the lock-in effect (Finn & Simmonds, 2003). In order to reduce this lock-in effect, and minimize the 'comfort factor' of having a job, the amount paid to participants in some of these schemes, such as the Contrats Emploi Solidarité in France or the Community Programme in the UK was restricted to 'benefits plus' and the number of hours worked was limited (Finn & Simmonds, 2003). Indeed the Community Programme resembled 'workfare' in many aspects (Gregg, 2009). The programme showed little long-term impact on the job prospects of participants, with evidence of the deadweight and substitution effects (Finn & Simmonds, 2003). Gregg (2009) quoted research by Barbara Sianese (2002) suggesting that all such programmes at the time suffered from the lock-in effect and were therefore ineffective. Gregg (2009) went on to quote a study by David Card, who suggested that "public job creation were among the least effective programmes in helping people's future job chances, although they did create incomes for the unemployed and some socially useful output". Most large-scale direct job creation schemes were dramatically reduced in scope or wound down completely.

This loss of faith in large-scale job creation schemes was confirmed and reinforced by the OECD in its 1994 Jobs Study, which accepted the need for active labour market policies, whilst rejecting demand-led programmes. The report concluded that (OECD Jobs Study, 1994): "... their impact has often been disappointing: many subsidized hires would have taken place anyway, without the subsidy; or hiring occurred only at the expense of other, unsubsidized workers" (p. 37). This conclusion had an important impact on thinking regarding labour market policy in the UK and is quoted in all research

on the development of employment strategies. Graeme Cooke, a former government advisor, also cited this report<sup>1</sup> as one explanatory factor behind initial official skepticism about the idea of a job guarantee scheme. The report does however proceed to qualify this rejection of direct job creation (OECD Jobs Study, 1994) “Targeting job creation to particular groups can produce better outcomes for programme participants and for society as a whole. In general, young people and the long-term unemployed are the best targets” (p. 37). John Martin (1998), in a later OECD report is even more categorical in his rejection of direct job creation by the public sector. He states that (Martin, 1998) “this measure has been of little success in helping unemployed people get permanent jobs in the open labour market...” and that “jobs created in this way have a low marginal product” (p.21).

### **Demand-led policies revisited**

In a paper for the Monthly Labor Review, Melvin Brodsky (2000), at the time OECD coordinator with the US Department of Labor, echoed this assessment of national job creation programmes, citing the effects described above, the lack of sufficient marketable skills learnt by participants and the poor results (Brodsky, 2000). However, Brodsky’s approach was more nuanced, and he described changes which had been made to job creation schemes in numerous countries since the 1994 OECD Jobs Study research would have been conducted, and which served to improve the effectiveness of the schemes. In his paper he went on to describe improvements that were made to demand-led, public-service employment programmes and the increased effectiveness that has resulted. He covered changes that were implemented in Belgium, Denmark, Finland, France, Germany, Finland, Ireland, the Netherlands, Switzerland and Sweden, where Relief Works was replaced by new programmes, including the Employment Development Programme (or ALU, in Swedish), which involved a greater emphasis on training and job search, and greater involvement of local government and civil society organisations (Brodsky, 2000). The greater emphasis on skills development and job-

search while a person is participating in a programme, as well as a focus on individual needs and local labour-market conditions, are features common to all of these revamped job creation schemes (Brodsky, 2000).

A key part of this overall shift in government job creation schemes is the increased use of Intermediate Labour Markets (ILMs), smaller community-based schemes to provide transitional employment. ILMs (or *Transitional Employment Programs* in the USA) have functioned both as entirely home-grown local projects to help target groups in specific localities, and as part of broader national programmes. Brodsky concludes that (Brodsky, 2000) "...they have been highly effective in selecting and training disadvantaged workers and then integrating them into the regular labour market" (p. 38). Moreover, Brodsky highlights the important role of social enterprises in a large proportion of ILMs. There appears to be some confusion over the precise definition of ILMs and the term tends to cover different types of programme. For our purposes we will use the definition as set out by Finn & Simmonds (2003): "...a diverse range of initiatives that typically provide temporary waged employment in a genuine work environment with continuous support to assist the transition to work." Furthermore, ILMs are "...local initiatives ...where there is a direct social benefit from the work" (Finn & Simmonds 2003, p. 1). Thus we refer to ILMs as a specific type of programme, although large-scale schemes might incorporate such local projects or share some of their features, and ILMs are frequently funded within the overall context of government programmes (such as the New Deal in the UK).

### **Intermediate Labour Markets – the UK experience**

Finn & Simmonds (2003) conducted an extensive review of ILMs in Britain, with international comparisons, and concluded that these projects have the potential to be successful provided that certain conditions are met. The best placed schemes deliver waged jobs that are 'close to the regular labour market', i.e. work that is similar to work that participants might be expected to find elsewhere (since such opportunities represent

the best preparation), involve an element of job search and skills development, and are targeted at the most disadvantaged groups. They also conclude that the evidence weighs in favour of smaller rather than larger schemes and that compulsory participation reduces the deadweight effect (Finn & Simmonds, 2003). They estimate that in 2002/3 approximately 14,000 people participated in ILMs in the United Kingdom – a significant number, though not constituting a widespread national phenomenon. Other writers have also commended ILMs. For instance Meager & Evans (1998) concur that such schemes offer work that is ‘close’ to that of regular jobs in the broader economy and consequently a better preparation for a transition into regular employment. Moreover they add that ILMs tend to be less costly than traditional job creation schemes, generate ‘positive externalities’ in terms of social benefits and local income multipliers, and generate less of a stigma (Meager & Evans, 1998). They cite extensive survey data from numerous countries to support the claim that such schemes are more effective a means of transition into regular work than other active labour market measures, though they express reservations about the transferability of ILMs to a large, national, scale.

Gregg (2008), in his report for the Department for Work & Pensions, concluded that ILMs are successful in providing the preparation necessary to integrate or re-integrate people into the mainstream labour market, and argued for an increased focus on this sector in government policy making, recommending that the government integrate this approach into its labour market policies and make efforts to build the social enterprise sector.

In a later paper Gregg (2009) once again highlighted the role of ILMs, representing what in his view constituted a small but viable network of support for the long-term unemployed. He points out the parallel aims of many ILMs to support local regeneration and to bolster the social economy, creating yet more jobs in the process. Gregg also pointed out that, in contrast to the New Deal schemes, job seeking assistance is provided during the placements, not ahead of them, and he also suggested that job entry and retention rates of ILMs were superior to those of larger mainstream programmes



(Gregg, 2009). It would appear that the best way of preparing people for the labour market is to actually give them a job. It should be stressed here that this approach differs fundamentally from workfare since the jobs in consideration are 'real' jobs, often unionized, paying real salaries, as opposed to 'benefits plus' schemes.

One of the oldest and most high profile ILM schemes in the UK is the Wise Group, which is specifically mentioned in the Gregg report (Gregg, 2008). The Wise Group is a social enterprise that was established in Glasgow in 1983 to provide home insulation and other energy saving services and at the same time to provide work for the unemployed at a time of high unemployment. The organisation is still headquartered in Glasgow but has activities in a total of 24 locations across Scotland and the north of England and has provided employment opportunities for approximately 28,000 people during its existence. The group's activities remain focused on energy efficiency and the home, alongside a range of other environmental services (Wise Group, 2010).

It should at this stage be made clear that ILMs were not originally put together with a view to providing a universal job guarantee, or to form part of an 'employer of last resort' programme. These schemes were mainly focused on small localities, and often also addressed broad local social issues. Finn & Simmonds, (2003) highlight the focus on improving individual employability rather than strategic job creation. The case is being made here that ILMs have a solid track record in improving the employment situation whilst avoiding the inefficiencies of larger-scale programmes. It is also claimed, that whilst evidence shows that ILM-type schemes work best for the most disadvantaged groups, this model provides an effective means of providing work for all long-term unemployed people in times of economic contraction, since it avoids many of the negative side effects of earlier schemes. As Stephen Syrett (2008) puts it:

More successful interventions are characterized by: a strong evidence base and local intelligence which enables an understanding of the workings of the local

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labour market, barriers faced by different groups, and the differing aspirations and motivations of those not economically active; a plan of what needs to be done locally with the role of different agencies in achieving this clearly set out; mechanisms for actively linking workless people to job opportunities: i.e. through developing appropriate sector specific programmes (e.g. construction, hospitality, retailing etc.) or spatially linking residents of deprived neighbourhoods with nearby sites of employment growth. (p.5)

These positive characteristics have made ILMs an important building block in broader job guarantee programmes such as the Future Jobs Fund.

### **The StepUP programme**

The first major attempt to harness the potential of ILMs in government policy making was the StepUP programme, a pilot scheme implemented between April 2002 and December 2004 (Bivand, Brooke, Jenkins & Simmonds, 2006). The scheme was implemented in 20 pilot areas and was open to people in the 18-50 age bracket who were still unemployed six months after completing the New Deal options. Such individuals in the relevant areas were then referred to an advisor and offered job opportunities paid at the national minimum wage. Jobs offered under StepUP lasted up to 50 weeks and towards the end of the placement clients were given job-search support and a reference from their employer (Bivand et al., 2006). For each of the StepUP areas an independent 'Managing Agent' was appointed, charged with running the programme and in particular, with sourcing jobs in the public, private or non-profit sectors. The job provided was for 33 hours per week, less than full time, in order to provide time for job-search activity (Bivand et al., 2006). Of a total of 5,678 who became eligible to participate in the programme, 3,032 people actually took up StepUP jobs. The cost per participant of StepUP was £9,300 (Bivand et al. 2006).

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A report was carried out in 2006 by Bivand, Brooke, Jenkins and Simmonds (Bivand et al.) for the Department for Work & Pensions in which the results of the StepUP programme were evaluated in detail. This report does not find any clear reasons for the relatively low level of participation in the programme, though a number of trends were identified. The researchers also measured the success of the scheme in terms of whether the participants had 'successful job outcomes' after completion of StepUP. A 'successful job outcome' was measured by whether the participant was in paid employment in the 90 days following completion (Bivand et al., 2006), and outcomes were measured in relation to control groups. The report finds that the overall impact of the programme was modest though not statistically significant. However, this changes when the impact on different age groups is considered. There are improvements of 8.5% and 3.4% in outcomes (compared with controls) for the 30-49 and 25-29 age groups respectively. Moreover, StepUP had the greatest impact for those who had the greatest disadvantage in terms of employability. The report distinguishes between subjective employability, including criteria related to the individual's mindset, and objective employability, relating to such factors as qualifications, skills and experience – and those with high subjective employability and low objective employability showed a 23.3% improvement. StepUP was of significant help to those furthest removed from the mainstream labour market, and of marginal or negative importance to those close to the labour market. In particular there was a small negative impact for the 18-24 age group (Bivand et al., 2006). Overall, the conclusion is that there was insufficient emphasis on job search during the entire process, and that an improvement in this aspect would have led to improved results all around. In addition the report claims that the managing agents were insufficiently incentivized to deliver adequate job search. Combined with this shortcoming, the 50-week time period of StepUP placements would have led to the 'lock-in' effect (Bivand et al., 2006). The report concludes that those with the greatest barriers to finding a job in the regular labour markets are appropriate targets for a job guarantee scheme, whereas for young people (Bivand et al. 2006) "...evidence would suggest that

an enhanced New Deal, consisting of increased personal support and additional jobsearch requirements, might be as effective as a guaranteed job” (p.6). This view was not universally shared. Gregg (2009) concedes that the effectiveness of StepUP might have been reduced by the lock in effect, but suggests that this risk could be reduced by better design, and the incorporation of well thought-out other activities into the programme, such as relevant training and job search assistance. Gregg also recommends more attention in the selection of private sector employers participating in job guarantee schemes.

### **The current recession – a major policy shift**

The beginning of the recession following the latest financial crisis marks a shift in the thinking of the Labour government towards demand-led growth strategies. The Gregg Report, released in late 2008, as discussed above, advocates the use of ILM-type programmes to support job creation. During 2009, in a number of policy notes, Paul Gregg and Richard Layard advocated a job guarantee scheme, which they wanted to call exactly that: “The Job Guarantee” (Gregg & Layard, 2009 p.1). They argued that since those experiencing unemployment for a long period of time become difficult to place, it is hard to ensure a speedy inflation-free recovery, therefore it is preferable to avoid long-term unemployment. Moreover, the coercive regime in which there is pressure for benefit recipients to take on jobs is harder to maintain in a climate of high unemployment and scarcity of work opportunities. Most importantly they argued the case from the perspective of human values (Gregg & Layard): “Inactivity breeds misery and despair. Common humanity requires us to offer meaningful activity when the regular economy does not. We must make it clear that, whatever happens, there will be a job within a reasonable period” (p.1). They outlined four benefits of a job guarantee scheme, namely the benefit created by the work done, the ‘psychic well-being’ of those hired, the ‘prevention of long-term unemployment’ and the economic stimulus effect of increased incomes for people with a high marginal propensity to consume (Gregg & Layard, 2009,

p.3/4). Although the government did take up their advice, the job guarantee announced was only for young people. In an interview with the author, Graeme Cooke, who was Expert Advisor (2008-2009) to James Purnell, the then Secretary of State for Work & Pensions, explained that there was a strong wish on the part of the Chancellor of the Exchequer and the Prime Minister to focus scarce resources on young people<sup>1</sup>. In a later note in October 2009, Layard (2009) argued the guarantee should be extended to cover all people, that everyone should be guaranteed the offer of work within a year. This is clearly a considerable move from supporting a small-scale network of ILMs helping the most severely disadvantaged, towards recognition of the need for government to act as 'employer of last resort', albeit leveraging the capacity of smaller locally-based job creation programmes.

Graeme Cooke<sup>1</sup> explained that there was a very clear policy intention to move to a demand-led strategy, as with the onset of the recession this was seen as being where the basic problem lay. There was a conscious desire not to offer simply an extension of the New Deal policies. It seems that the determination of ministers and their advisors as well as support from Paul Gregg and Richard Layard to push for a demand-led jobs strategy was sufficient to overcome institutional opposition based on the failure of direct job creation schemes in the 1970s and 1980s and the perceived shortcomings of StepUP. The view of the decision-makers was that it was necessary not to reject demand-led schemes, but to learn lessons from past failures and to design a better scheme<sup>1</sup>. Cooke also confirmed that the intellectual underpinning for this policy shift came from Hyman Minsky, who advocated the state's role as 'employer of last resort' (Minsky, 1986). There was also desire to avoid old-style Keynesian public works projects, which were seen as expensive and poorly targeted<sup>1</sup>. And in an article in the Financial Times on 4 December 2009, James Purnell and Graeme Cooke, who had by then both left government, advocated a job guarantee for everyone, within the framework of overall welfare reform (Cooke & Purnell, 2009): "This is the final piece of the puzzle of

welfare reform” (2009). In a subsequent report published by the think tank Demos in early 2010, they again call for an ‘employer of last resort’ policy, and the extension of the Young Person’s Guarantee to cover all unemployed people, with explicit reference to Minsky (Cooke & Purnell, 2010). Indeed Cooke<sup>1</sup> confirmed that a lack of financial resources was the primary obstacle to a job guarantee for all age groups - and the Labour Party did indeed commit to extending the Young Person’s Guarantee in its 2010 election manifesto.

In terms of the design of the scheme, there appears to have been agreement amongst key policy makers that the jobs created by any government job guarantee scheme had to be as close to jobs in the mainstream labour market as possible. Gregg (2009) stressed that the future employers of participants would need to see “relevant experience, a good reference, evidence of good work habits and self motivation” and argued that jobs created should provide these, including the usual discipline and threat of dismissal common to jobs in the regular labour market. This also means that the jobs should pay a wage. Gregg & Layard (2009) again emphasized this point, that participants should be paid the “rate for the job” (p. 2) in order for these jobs to be seen as real jobs, as opposed to a variant of workfare. Cooke<sup>1</sup> also explained the importance of having jobs paid at the National Minimum Wage, with participants entitled to join trade unions, as being vital to the scheme, not least to avoid the substitution effect and the obviation of collective bargaining agreements. The jobs created were to offer at least 25 hours per week of work, so that they would feel like full-time jobs, whilst still allowing time for job search, another important element in the scheme. Gregg & Layard (2009, p.2) also underlined the importance of jobs that provided some social benefit, suggesting that participants could be employed undertaking important “low-tech maintenance” work on “public housing, schools, hospitals and roads” requiring very little initial training (with professional supervision) as well as work in the field of social care. There was also a resistance to the idea of using private contractors and, as we shall see, the model

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chosen was a centrally administered fund to which local organisations and consortia could bid, with a key role for the Jobcentre Plus agency. Gregg & Layard (2009) estimated the total cost of a job guarantee that would apply to people in the 18-25 and 25 plus age brackets after 12 and 18 months out of work respectively. The estimate is based on the assumption that the jobs are paid at the National Minimum Wage, for 30 hours per week, and that job placements are for six months. They estimate that the total cost (taking into account that there would be savings on benefits not paid) would be around £2.45 billion (Gregg & Layard, 2009).

The Trades Union Congress (TUC), Britain's umbrella trade union organisation, was also supportive, having called for such a scheme in their pre-budget submission in 2009, especially for young people. The TUC were included in discussions with the government on union involvement in the process and also took part in assessment panels for bids. The TUC were concerned about the displacement and substitution effects and the risk that the scheme would end up undermining the pay and conditions of existing workers, although there was strong support for the idea of a job guarantee. And whilst in general the TUC had reservations about the operation of sanctions against claimants, it was felt that since what was on offer involved real jobs, there was no problem with sanctions faced by people who turned them down (Exell, 2010). Gregg & Layard (2009) also supported the "activation approach, in which after some point it becomes impossible to receive support except through activity" (p.1), citing the success of this stance in reducing unemployment in Denmark and the Netherlands. This mandatory element was also strongly supported by Cooke<sup>1</sup>.

In the process of designing the job guarantee scheme, policy makers examined the Australian Jobs Fund, which was created not long before its British equivalent, and which shares some common features. The Jobs Fund is an AUD 650 million fund administered by the Department of Education, Employment and Workplace Relations and three other government departments to invest in capital projects and to provide seed financing for

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capital projects, with a view to stimulating the creation of new jobs during a period of recession (DEEWR, 2009a). The Jobs Fund started its activities on 1 July 2009 and will continue to make grants of up to AUD 2 million apiece until 30 June 2011 (DEEWR, 2009b). The Jobs Fund has three parts, with AUD 300 million allocated for community infrastructure projects, especially in the fields of environmentally-friendly technology and the preservation of heritage, AUD 200 million allocated for self-sustaining social enterprises and a further AUD 150 million for 'bricks and mortar' infrastructure projects such as renovation and refurbishment. Key criteria included the creation of jobs and the development of skills, and successful bids had to show that projects were in areas hit by unemployment, ready to start and sustainable (DEEWR, 2009a).

### **The Future Jobs Fund**

The Young Person's Guarantee ("YPG") was announced by the then Chancellor of the Exchequer Alistair Darling (2009) in the House of Commons on 22 April in his Budget Speech:

I am also determined that we do even more to protect young people from the damaging impact of long-term unemployment. The alternative is a return to the days when a whole generation of young people found themselves abandoned to a future on the scrap heap. We will not repeat that mistake. So I want to offer a guarantee. From January, everyone under the age of 25 who has been out of work for 12 months will be offered a job or a place in training. Those in work will receive a wage; those in training will receive additional money on top of their benefits. To provide these extra opportunities, we are working with employers to create or support as many as 250,000 jobs. That will include delivering local services and traineeships in social care and other high-demand sectors, as well as jobs for people of all ages in particularly badly hit communities.



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The aim of the YPG, the details of which were supplied by the Department for Work & Pensions on the day of the Budget speech, was to ensure that all those under the age of 25 (i.e. 18-24 year olds) unemployed for twelve months or longer would be guaranteed a job, the opportunity of work experience or work-focused training. The scheme was to start on 25 January 2010 and be in operation until March 2011 (Harari, 2009). The most important part of the YPG was the Future Jobs Fund (FJF), a £1 billion fund which was to provide up to 150,000 guaranteed jobs, 100,000 of which were to be targeted at the 18-24 age group. The remaining 50,000 jobs were to be targeted at all age groups in unemployment 'hotspots' (DWP, 2009a), defined as areas where the rate of unemployment is more than 1.5 percentage points above the national average -the unemployment rate being measured as the number of people claiming the Jobseekers Allowance (DWP, 2009b). The government also stated its wish for at least 10,000 and 15,000 of the jobs to be green jobs and jobs in social enterprises respectively (DWP, 2009a). A 'green job' is, for the purposes of this scheme, defined as "one that provides a good or service that helps move in the economy to lower carbon emissions and greater resource efficiency" (DWP, 2009b). The scheme was extended, first in September 2009 to cover those young people between the ages of 18 and 24 unemployed for 10 months or more, and then in December 2009, in the White Paper *Building Britain's Recovery: Achieving Full Employment*, to all those, in the same age bracket, unemployed for six months (DWP, 2009c). Besides jobs provided by the FJF, long-term unemployed young people were offered three other options: Sectoral Routes, which involved training in specific sectors with employer support (the sectors were those where there was growing employment), participation on a Community Task Force (which involved work experience placements), and regular apprenticeships (Gregg, 2009). As from April 2010, all those in the 18-24 age bracket unemployed for over 10 months were required to take one of these options (Harari, 2009). And the Labour Party pledged, in its manifesto for the 2010 General Election, to extend the job guarantee for all people unemployed for over two years (Labour Party, 2010, p.19).

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The Future Jobs Fund was administered centrally by the Department for Work & Pensions (DWP), in cooperation with the Department of Communities and Local Government, with the first jobs being offered in October 2009 (DWP, 2009a).

Organisations were invited to bid for grant funding in order to support the creation of jobs. A maximum of £6500 was available for each job provided, though it was possible to bid for lower amounts. Bids were assessed on a rolling monthly cycle as they were received by the DWP – first an initial screening was carried out to confirm that bids had passed the minimum criteria, and then more detailed assessments were carried out by regional panels based on the qualitative criteria, which are described below (DWP, 2009a). The government's aim was to inform bidders of the success or otherwise of their applications within six weeks of the end of the month in which they were submitted. The DWP also provided a list of contacts in regional government offices in order to provide advice for potential bidders, and undertook to provide feedback to bidders whose bids passed the minimum criteria but were not accepted, with a view to resubmission (DWP, 2009a). Moreover, the DWP reserved the right to accept selected parts of bids (DWP, 2009b). Successful bidders (or lead bidders, in the case of joint bids) then entered into a formal agreement with the DWP, which set out the terms of the government grant that was being made. The local branches of the Jobcentre Plus government employment service were responsible for referring potential candidates to employers under this scheme. Employers retained the right to reject candidates, but were required to provide feedback (DWP, 2009a).

The government outlined the following minimum criteria for bids to be considered for funding (DWP, 2009b):

“...all created jobs must:

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- Be additional jobs, lasting at least 6 months for each individual, either for long term unemployed young people or in unemployment hotspots.
- Deliver work that benefits local communities;
- Include support for employees to move into long-term sustained employment.”

The first condition, that of ‘additionality’, was carefully defined to ensure that the jobs created were genuinely new, and would not have existed without the FJF. “Jobs must not replace existing jobs or vacancies and must not lead to another individual (i.e. an employee or contractor) losing their job or reducing their wage rates or hours of paid employment.” (DWP, 2009b). In addition to providing jobs for at least six months, bidders were expected to commit to offering 25 hours per week of work, paid at the national minimum wage or more. The government expected bidders to have consulted trade unions as regards appropriate wage rates (DWP, 2009b). Moreover, bids needed to be in full compliance with all applicable legislation, and to demonstrate value for money (DWP, 2009b).

Once bids were deemed to have passed the minimum criteria, they were then assessed, as described above, by a number of ‘qualitative’ criteria, including the appropriateness of the proposed project to the local labour market conditions, and the support provided to employees, in particular in terms of their ongoing employability. In addition, bids were expected to deliver clearly defined benefits to the local community that exceeded the benefits of providing the jobs, and bidders needed to demonstrate the capability to execute proposed projects (DWP, 2009a).

Although there was an expectation that the larger share of bids would come from local government (DWP, 2009a), it was hoped that there would be strong participation on the part of the non-profit and private sectors. The government expressed a ‘strong

preference' for partnership bids, and it was made clear that bids for projects involving the creation of less than 30 new jobs were unlikely to be accepted. However, for smaller organisations, the government offered support in terms of helping to identify potential partners for joint bid submissions (DWP, 2009b).

According to information published on the website of the DWP, bids were approved for 318 different organisations between July 2009 and February 2010, involving up to 86,785 jobs (DWP, 2010a). Information has not been made available about bids accepted from March 2010 till the closure of the scheme in May 2010. According to statistics released by the Office of National Statistics on 13 October 2010, a total of 54,920 new jobs had actually begun by this date under the scheme. New job starts will continue to take place, under bids already accepted, until March 2011 (DWP, 2010b). The total number of placements of all types, including work experience and training, started under the Young Person's Guarantee is 88,060 as of 13 October 2010. Therefore the FJF represents some 62.4% of all placements under the guarantee (DWP, 2010b). Furthermore the Department for Work & Pensions estimates that over 100,000 jobs will have been funded over the life of the scheme (DWP, 2010a).

## **Conclusion**

The Future Jobs Fund was scrapped in May 2010 after the current Conservative-led coalition government took office. Nevertheless, the initiative represents a significant shift in thinking in British employment policy, establishing the concept of the state acting as an 'employer of last resort'. With unemployment set to remain high for some years to come, there is scope for reviving the idea of a job guarantee, starting with young people and then becoming more universal. The Future Jobs Fund, and the careful thought that went into crafting it, represents the latest stage in the development of thinking on job guarantee schemes, and though the scheme was not in operation long enough to make

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a definitive judgment on its success, it should serve as a useful starting point for a future policy commitment to full employment.

## Notes:

1. Personal interview with Graeme Cooke (from 2008-2009, Expert Advisor to James Purnell, Secretary of State for Work & Pensions): London, 1 April 2010.

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