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## Active Labour Market Policy in the UK: at a (local) crossroads?

### **Abstract**

Active labour market policy (ALMP) has developed into a widely used and seemingly embedded approach to addressing worklessness, both in the UK and internationally. But the future of UK ALMP looks far from certain. Some recent developments suggest demise and diminution. But at the same time there is also evidence of more positive points, including increasing recognition of the importance of employer involvement and activity at local level. Possible future trajectories are considered in the light of emerging developments, and two potential scenarios for future UK ALMP are posited: 'less support, more sticks' and an 'active local labour markets approach'.

### **Introduction**

Previous articles in *Local Economy* have illustrated how active labour market policy (ALMP) has developed into a widely used and seemingly embedded approach to addressing worklessness both in the UK and internationally, but with the former being the focus of this article. For example, Convery (2009) provided a detailed account of ALMP in which he highlighted the development of programmes from the 1980s through to the extensive New Deal programmes of New Labour governments from 1997 into the first decade of the 21<sup>st</sup> century. He also identified how the response to the financial crisis of 2008 was not to curtail ALMP; rather, a further wave of new programmes was launched. Jones (2012) provided an updated account, examining the emerging welfare reform agenda and ALMP of the Coalition Government that came to power in 2010. This included "the introduction of the Work Programme, probably the biggest single welfare-to-work initiative ever seen in Britain" (Jones, 2012: 432). The Work Programme continued through to 2017.

Writing in 2018, however, the future of UK ALMP looks far from certain. Some recent developments suggest demise and diminution of ALMP. The most immediate factor is the replacement in 2017 of the Work Programme by the greatly diminished – in size and scope - Work and Health Programme. Also relevant is an apparent shift in the position of the Labour Party, from having previously been a strong advocate of ALMP to that no longer appearing to be the case. A further factor is the introduction of Universal Credit – combining several out-of-work and in-work benefits (as discussed later) - and its implications for ALMP. But at the same time, there is also evidence of more positive developments within ALMP. These include increasing recognition of the importance of employer involvement and activity at local level.

UK ALMP thus appears to be at something of a crossroads and this article considers possible future trajectories. To be clear, this is not a review of the very extensive literature that exists on ALMP but an attempt to understand what the future of ALMP may be in the light of emerging developments. The article begins with a more detailed consideration of the factors, noted above, which point to demise and diminution of ALMP. Then, it asks whether there is evidence of more positive development of ALMP; in particular, around employer involvement and local activity. This is illustrated by the example of one particular programme, Talent Match, which embodies these points.

The article concludes by positing two potential scenarios for future UK ALMP, referred to as 'less support, more sticks' and an 'active local labour markets approach'.

### **Evidence of demise and diminution of ALMP: the 'less support, more sticks' scenario**

#### *The Work and Health Programme (WHP)*

As already noted, the replacement in 2017 of the WP by the Work and Health Programme represents a very major diminution of UK ALMP – in both size and scope. The move from the WP to the WHP was announced in 2015, with the WP ending in spring 2017 and replaced in autumn 2017 by the new WHP. There are some continuities between the two programmes. Examples include programme delivery by service providers awarded contracts from government and use of payment by results. There are also some shifts in emphasis. For example, some aspects of the WHP are devolved to local areas. How great the degree of devolution transpiring in practice remains to be seen but – in principle and to some extent at least – it marks a break with the overwhelming national control that has been a feature of ALMP. This is in line with the direction of deal making and passing some greater responsibilities to selected local areas (see National Audit Office, 2016).

There are, however, two major changes within the WHP which are very clear. First is a significant scaling back in comparison with WP. The annual budget for the WHP is estimated to be just a fifth of that for the WP (Bivand and Melville, 2016). Given the Government's continuation of austerity and cuts to public spending some budget reduction might have been expected. But for the new programme to have funding of just 20 per cent of its predecessor constitutes a very dramatic change and a clear indication of diminution.

The second major change also speaks to diminution, with those to be included in the WHP constituting a much narrower focus than was the case with the WP. The WHP primarily focuses on people with disabilities and health conditions (Mirza-Davies and McGuinness, 2016) whereas the WP served a much more diverse range of non-employed claimants. It is expected that the majority of people on the WHP will be disabled. This is again an important change and significant scaling back.

This also raises a question as to what will happen to the much larger numbers of people who were included in the WP but are not in the WHP? The refocusing of WHP to serve a smaller, more specialised group has implications for Jobcentre Plus which will be expected to provide employment support to a broader and more challenging caseload of clients than was the case when the WP was in operation. Greater specialist expertise on the part of some Jobcentre Plus Work Coaches will be required (House of Commons Work and Pensions Committee, 2016). This links to issues around the introduction of Universal Credit and will be returned to below.

#### *The shift in Labour Party policy on ALMP*

Further evidence of demise regarding ALMP can be seen in an apparent shift in Labour Party policy. The relevance of this point is that as already noted, ALMP was a major

policy area under New Labour Governments from 1997 to 2010 and it might be thought that this would again be the case if/when Labour next forms a government. Thus, even if there is a diminution of ALMP under the current Conservative Government, it may not be lasting.

Prior to New Labour's victory in 1997, the New Deal policy constituted a major policy plank: but Labour's Manifesto for the 2017 General Election was very different. The Manifesto (Labour Party, 2017) did give significant attention to labour market issues. A whole raft of proposals were made, including a twenty point plan for "security and equality at work" (Ibid: 47) plus more in other sections e.g. on self-employment. Examples of proposals range from creation of a Ministry of Labour through to a "crack down on unscrupulous employers" (Ibid: 28), and banning unpaid internships to enforcing rights to trade union representation, with many more besides.

But in terms of support for people moving into work, the Manifesto had virtually nothing to say. Indeed, the sole mention was in relation to disabled people where it was noted that "Currently 4.2 million people with disabilities live in poverty in Britain, and the disability employment gap remains stubbornly high" (Ibid: 113). Proposals included scrapping the Work Capability and Personal Independence Payment assessments, replacing them with "a personalised, holistic assessment process that provides each individual with a tailored plan, building on their strengths and addressing barriers" plus strengthening access to justice for people with disabilities by enhancing the 2010 Equality Act, enabling discrimination at work to be challenged. Beyond this there was a commitment to "Commission a report into expanding the Access to Work programme" (Ibid: 56). The latter is an existing programme which can provide support for disabled people to help overcome work-related obstacles. But it is small-scale, with only around 30,000 people receiving support each year.

Labour's Manifesto proposals are interesting in opening up a range of issues but seeing the Access to Work programme as a possible basis for large-scale effort is not necessarily persuasive. The key point for the purposes of this article is that ALMP did not feature at all. To emphasise, it might be thought that even if there is a diminution of ALMP under the current Conservative Government that might be reversed if/when Labour next forms a government - but that no longer appears to be the case.

### *Implications of Universal Credit*

A third factor to consider within the demise and diminution theme is the introduction of Universal Credit (UC) and its implications for ALMP. UC is a major reform of the UK benefits system with this single new benefit replacing six existing ones including income-based Jobseeker's Allowance and Working Tax Credits. UC also embodies the UK's harsher benefits regime with stringent and punitive sanctions. For the purposes of this article, it is not the fine detail of UC that is of key concern but rather the policy direction to which it points (for a helpful account of UC see Millar and Bennett, 2017).

While ALMP is based on long-standing distinctions between those in and out of work and seeks to move the latter to the former i.e. welfare to work, UC takes a different approach. UC is both an in-work and out-of-work benefit. People in work who

previously claimed tax credits (including the self-employed) now have to claim UC, just the same as unemployed people who previously claimed income-based Jobseeker's Allowance. All those who claim UC, whether they are in-work or out of work, are subject to a common regime of conditionality and sanctions. The distinction embodied in UC is not between those in and out of work but between those in receipt of benefits and those who are not.

Consequently, the aim of Jobcentre Plus (as the Public Employment Service) is no longer simply to move people from welfare into work but also to move those in work but receiving UC to a position where they no longer need it. In practice, a common example is people in part-time work being expected to work full-time in order to increase their income from work. In this sense, ALMP is encompassing even more people but through the day to day operation of Jobcentre Plus, not a dedicated new programme.

It was noted above that the refocusing of WHP to serve a smaller, more specialised group has implications for Jobcentre Plus in terms of providing employment support to a broader and more challenging caseload of clients. But a five year study of welfare conditionality (Dwyer, 2018) which included consideration of UC, casts doubt on the adequacy of employment support being offered by Jobcentre Plus. Some examples of good practice were evident in the study, but overall this was not the case. Much of the mandatory job search, training and employment support offered by Jobcentre Plus and external providers was found to be too generic, of poor quality and largely ineffective in enabling people to enter and sustain paid work. Flexibilities or 'easements' designed to suspend or reduce the work search/job related conditions attached to an individual's benefit claim in recognition of particular circumstances such as illness are not currently being routinely implemented, suggesting a rather blunt 'one size fits all' approach. The study found that the provision of appropriate and meaningful support, rather than sanction, is pivotal in triggering and sustaining paid employment, but it is the latter rather than the former that is more evident. The above leads to positing one future scenario for UK ALMP being 'less support, more sticks'.

Attention is now given to evidence of a more positive direction for ALMP.

### **An alternative future: the 'active local labour markets approach'**

Within the literature, there continues to be belief that ALMP has positive merits. For example, McCollum (2012) argues that ALMP can enable a 'win-win-win' situation in which jobseekers are matched to and given appropriate training for existing vacancies, employers get employees that are work-ready and supported in work, and service providers get their clients into jobs. In terms of development of ALMP, the importance of employer involvement is attracting considerable attention. As Bredgaard (2018: 11) argues, "Among scholars and practitioners, there is a growing recognition of the important role of employers in the success of active labour market policies in Europe". Other making similar points include [insert references]. This also connects to emphasis on ALMP operating at sub-national level. As Bredgaard (2018: 3) explains, there is "increasing acknowledgement that activation programmes connected to local employers are more effective" (Ibid: 3).

While there is little evidence of these developments within the main central government programme – the WHP –they do appear in a major non-governmental ALMP, called Talent Match (TM). TM is a Big Lottery Fund strategic employability initiative, with voluntary sector organisations as lead partners. The Big Lottery is a non-departmental public body responsible for distributing funds raised by the National Lottery to organisations in the UK to improve their communities, hence TM is a non-government programme. TM was launched in 2014 for a five-year term with an investment of £108 million. The overall aim was to develop holistic approaches to combating worklessness amongst young people who are long-term NEET (not in education, employment or training).

TM has been discussed in depth elsewhere [references excluded to ensure anonymity]. For the purposes of this article what matters is that TM demonstrates a very different potential trajectory to that of less support, more sticks with sub-national governance and employer involvement particularly evident. Thus, TM operates not through central (national) control, but through 21 local TM partnerships. The geographical level matches Local Enterprise Partnership (LEP) areas in England. To be clear, TM is a separate initiative from LEPs and each TM partnership has its own, separate, board. However, given the relatively limited number of relevant actors at city-region level, TM benefited from existing relationships developed through LEPs and LEPs' knowledge on economic development, employment and skills agendas.

Employer engagement is also a key feature of TM [reference not included to ensure anonymity]. From the outset the Big Lottery Fund placed strong emphasis on employer participation within the local partnerships. This was expressed as an overall aim rather than a specific target i.e. there was no requirement that partnerships must include a set number of employers. It has been for each TM partnership to determine its own approach and in practice there has been variation in terms of the scale and nature of employer participation. Rather than thinking of employers as a single group a more nuanced approach is appropriate. Some TM partnerships sought to engage individual employers (especially larger employers where an individual with a dedicated HR function could more easily find time to be involved than in the case of a smaller employer), while others sought employer engagement via Chambers of Commerce, through organisations such as Business in the Community or through long established networks of lead organisations (such as the Prince's Trust). Once established, some TM partnerships set targets for various elements of employer engagement. Examples include number of employers engaged over the life of the TM programme and the number involved in programme delivery, such as providing work placements, training delivery, mentoring and job openings.

In addition to sub-national governance and emphasis on employer engagement, TM has other innovative features. For example, TM does not take a strict work-first approach but adopts a person-centred model including involvement of young people in the co-production of design and delivery activities and their participation on TM partnership boards. TM has a 'test and learn' philosophy which enables local partnerships to abandon approaches which are not working and to implement alternatives. It also enables approaches sensitive to local circumstances, rather than a pre-determined nationwide approach. This contrasts with the more rigid contractual basis of many programmes and payment-by-results models.

TM demonstrates that such an approach is entirely feasible from a practical perspective and opens up potential for further development. For example, a more overt sectoral approach could be developed as relevant to sub-national economic geographies. At a strategic level, employers could contribute to development of ideas around where efforts might be best made, with more sophisticated local labour market analysis than the present approach of ALMP providers, which is largely just chasing individual vacancies. Analysis could focus on demand for labour at local area level and where this might be best suited to opportunities for unemployed and vulnerable groups. Emphasis would shift significantly from employer involvement in ALMP being as much about Corporate Social Responsibility as core business needs, to the latter being the focus. Employer involvement would be valuable in thinking imaginatively in relation to ideas such as the creation of intermediate labour markets, training programmes and work placements, or truly individualised pathways into and within work. As just one example, a classic employability problem with people with health/disability problems is having 'good days and bad days', meaning a person is fit for work one day but then may struggle the next. Employer input on how to accommodate such employees would be a significant development, focusing on the need for support and special consideration, as and when necessary.

## **Conclusion**

ALMP is at a crossroads. What is interesting from a *Local Economy* perspective is that there is potential in both of the two future scenarios presented for more local input to policy. This is most apparent in the 'active local labour markets approach' which posits a greater role for local employers - and other local stakeholders (including from the voluntary sector) – in a more locally variegated approach. This chimes with the general direction of travel in terms of devolution and local industrial strategies. The 'less support, more sticks' approach might at face value imply a reduced role for local actors. However, at local level; employment support providers and other stakeholders still need to be more cognisant of local employment opportunities and support structures to enable individuals out-of-work to better connect with opportunities. There is onus in both scenarios on understanding and navigating local labour markets and understanding employers' needs.

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