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Quantity over quality: a political economy of ‘active labour market policy’ in the UK

This article offers a critical evaluation of recent ‘active labour market policy’ (ALMP) initiatives in the UK, focusing on the coalition government’s Work Programme and its immediate antecedents. ALMP exemplifies a supply-side employment strategy, reorienting the state away from supporting labour demand, and towards promoting the ‘employability’ of individuals within existing labour market structures. The article locates the rationale this policy agenda within the wider politics of economic growth. Belying its status as a pioneer of ALMP, the UK spends very little on supply-side labour market interventions relative to other European countries. This can be explained with reference to the type of ALMP interventions prioritised in the UK, which in turn is explained by the growth model that ALMP is designed to sustain. The UK’s growth model requires an abundance of low-paid jobs in the labour-intensive and volatile services sector. Ostensibly, ALMP fulfils this requirement by ensuring that individuals are immediately available for work, marginalising concerns about pay and job quality. Moreover, ALMP also serves to inculcate the desirability of certain behaviours at the individual level. The coalition government’s approach demonstrates an intensification rather than transformation of previous practice, indicative of its support for resurrecting the UK’s pre-crisis growth model.

Keywords: employment; labour market; welfare-to-work; New Deal; Work Programme; coalition government; British politics; economic growth; political economy

Introduction

‘Active labour market policy’ (ALMP) has attained a high profile in the UK in recent years, as policy-makers ostensibly seek to generate an economic recovery, while correcting the real and perceived labour market problems caused by the severe recession of 2009. Many of the policy instruments encompassed by ALMP have long existed in some form, but became more central to economic statecraft in the UK in the 1990s as

part of the turn to ‘supply-side economics’; indeed, it was not until this period that the notion of ALMP as a distinct form of policy intervention emerged. As such, ALMP encapsulates policy interventions designed to improve the employability of individuals, most specifically those seeking work. Conventionally, efforts to improve ‘human capital’ through training programmes are considered to be the archetypal ALMP intervention, yet interventions, especially in the UK, most often take the form of intermediary services to enable individuals to discover and prepare for employment opportunities. ALMP can be contrasted with interventions designed to increase the demand for labour; although supply-side interventions do not preclude demand-side interventions – they happily coincide in many polities – in the UK the emergence of ALMP can be associated with the disavowal of demand-side labour market interventions evident from the late 1970s onwards.

The coalition government’s Work Programme represents the latest incarnation of active labour market policy in the UK (although it operates alongside several smaller-scale initiatives, some of which have been carried over from the previous administration). The scheme offers intense support in finding employment for the long-term unemployed (and some individuals previously classified as economically inactive); it is overseen by the Department of Work and Pensions but delivered by private contractors, largely on a ‘payment by results’ basis. The scheme has been presented as a radical departure from the previous government’s practice, but such a view offers only, at best, a partial picture. The Work Programme largely replicates the type of support available in Labour’s New Deal programmes, particularly the Flexible New Deal (FND), which was introduced during Labour’s third term in office. The Labour government did introduce some new schemes (or increase funding for existing schemes) following the economic downturn, which the coalition government has subsequently

withdrawn, but the extent to which Labour's post-crisis ALMP departed from pre-crisis practice should not be exaggerated. The Work Programme offers a relatively novel approach to the *delivery* of ALMP, in the form of largely privatised provision and a 'payments by results' model, yet it is probably best characterised as intensifying, rather than transforming, emerging practices evident in the FND. Moreover, the delivery of public services via the private sector, within a highly centralised administrative framework, was a feature of Labour's wider economic statecraft.

The article makes several, related arguments by way of critically evaluating the development of policy in this area. Firstly, considered in comparative perspective, the UK represents a very specific approach to ALMP, and spends far less than most other European countries on ALMP programmes – and yet should nevertheless be considered an exemplary case of ALMP, rather than an outlier. This is especially the case when ALMP is considered alongside attempts to introduce greater conditionality into the receipt of out-of-work benefits. Secondly, as noted above, the coalition government's Work Programme represents a continuation of rather than departure from previous practice in this regard (albeit under a relatively novel delivery model), and as such is just as unlikely to fix some of the acute labour market problems evident in the UK than programmes established by the Labour government. Underpinning both of these arguments, and thirdly, is a novel perspective on the actual rationale for ALMP in the UK. Simply, ALMP is not primarily designed to fix most of the problems that are evident in the UK labour market, but rather to support a particular growth model by facilitating a low-paid and 'flexible' workforce. As such, what ALMP *represents* is as important as what it actually *does*. Despite the financial crisis and the severe recession which ensued in its wake, the coalition government fundamentally accepts the growth

model it inherited from Labour, and has adopted an approach to ALMP in accordance with this position.

The article is divided into three main sections. The first section offers an account of ALMP and the policy instruments contained within this area, and describes the main features of the UK's approach to ALMP in comparative context. The second section offers a more detailed account of policy developments in the UK. Crucially, this section also relates ALMP to wider 'welfare-to-work' initiatives. In doing so, it presents evidence on one of the main contradictions of ALMP in the UK, that is, the difficulty of offering employment support to those that do not claim out-of-work benefits. The third section offers an original perspective on the rationale for the approach to ALMP evident in the UK. It shows that schemes such as the Work Programmes are not designed to address issues around low pay, endemic inequalities in labour market outcomes, and job quality, but rather designed to facilitate the maintenance of a large pool of workers willing – or resigned – to working in relatively poor conditions.

What is active labour market policy?

The development of active labour market policy is entirely consistent with, indeed exemplary of, the move away from Keynesian approaches to fiscal and economic management, and the associated ascendance of a neoliberal economic policy framework. As such, the emergence of ALMP coincided with the perspective that policy should be focused on improving the supply of labour, rather than on supporting demand for labour. New Labour's 'New Deal' for unemployed people was presented as a progressive response to its predecessor's approach, in that it was said to represent the 'enabling state' rather than *laissez-faire* (Bevir, 2012, 46), but it largely entrenched the approach it inherited, albeit introducing specific programmes for some very disadvantaged groups, such as disabled people. New Labour therefore tacitly accepted

that, in relation to employment, the task of the state is to ensure individuals are ready and available for work, without determining what type of jobs they are being readied for, and what level of income they might secure in the private market for labour.

Individuals therefore had to be both correctly incentivised to accept available employment opportunities, and capable of adapting to potentially volatile labour market conditions once in employment. Unemployment is not a collective problem, rather primarily the responsibility of the unemployed themselves; the obvious corollary is that our own ability and proclivity to work is rendered the chief explanation for affluence or hardship, and the state's role is to help us help ourselves in this regard (Newman, 2011). Generally speaking, ALMP is heavily pro-market, in that it accepts business strategies at face value and seeks to mould individual behaviour to suit these strategies. Although often presented as a way to improve economic performance in general, this pro-market orientation means that active labour market policy is also generally pro-cyclical; that is, interventions are not substantively designed to influence demand for labour, and instead seek to smooth rather than fundamentally alter the function of the labour market.

ALMP generally takes two main forms. Firstly, support for individuals seeking work; the state will offer intermediary services so that job-searches are more effective. Secondly, support for individuals to improve or reorient their skills, to better match available job opportunities. The latter is probably closer to the conventional understanding of what a supply-side economic strategy looks like, yet the former is arguably now more dominant within actual policy interventions – certainly in the UK. A third form of intervention is the provision of employment subsidies. Although subsidised employment might seem to suggest an anti-market orientation, in practice subsidies are generally designed to, on the one hand, improve the employability of jobseekers by enabling them to gain experience of work for a limited period, and on the

other hand, encourage employers not to create new jobs, but rather offer existing job opportunities to people that have experienced unemployment. Although ALMP operates through different institutional contexts in different countries, generally speaking participation in employment support programmes – the main direct instrument of ALMP – is linked to the receipt of out-of-work benefits. The receipt of benefits is conceived as a right which creates a duty for individuals to ensure they are able and available to work. The existence of out-of-work welfare entitlements can of course be seen to disincentivise work, and as such benefit levels are often reduced, and conditions attached to benefit receipt are often tightened, as constitutive aspects of supply-side labour market strategies (this will be discussed further in the next section).

It is worth noting here that the UK spends significantly less on ALMP programmes – as defined and delineated by the European Commission – than most of its closest neighbours (Table 1). The UK spent around 0.4% of GDP on this policy area in 2009 (the latest available comparable data for the UK), compared to, for instance, 1.4% in Belgium, 1% in France, 1% in Germany, 0.9% in Sweden, 0.8% in Spain, 1.5% in Denmark, and 1.2% in the Netherlands. There is also comparable data among European countries for expenditure on *type* of ALMP intervention. The variety of commitments made across different types of intervention indicates the relatively limited value of assessing headline spending rates alone. The UK spends around 0.3% of GDP on ‘labour market services’ (primarily job-search services, but also job-matching and short-term training programmes designed to facilitate successful job searches), equivalent to 90% of its total spending on ALMP. Germany and the Netherlands both spend more than the UK on this type of intervention, but this spending represents only, respectively, 38% and 32% of their total expenditure. Belgium, Denmark and France spend around the same as the UK on this type of intervention, but this spending represents only,

respectively, 16%, 21% and 26% of total expenditure. Compared to only 4% of total expenditure for the UK, several European countries spend a significant portion on training programmes, including 60% in Austria, 37% in France and 36% in Germany. Belgium, and Sweden stand out for committing close to or more than 40% of ALMP expenditure to ‘employment incentives’ (primarily hiring subsidies for employers). Italy spends a similar proportion on employment incentives, as well as 45% of its ALMP budget on training, but its budget overall is actually similar in size to the UK’s.

[TABLE 1]

Similarly, while most European countries included here spend little on ‘supported employment’ programmes (such as operating intermediate or ‘sheltered’ labour markets for individuals furthest away from formal employment), Denmark and the Netherlands spend, respectively, 0.7% of GDP (46% of total spending) and 0.5% of GDP (42% of total spending) on this type of intervention. Belgium spends 0.4% of GDP (26% of total spending) – that is, roughly the same as the UK spends on ALMP in general – on the direct creation of jobs in the public sector for those out of work. France also spends a significant portion of its ALMP budget on direct job creation, yet it also spends *as much* as the UK on job-search and related services, and *more* than Sweden and Denmark on training programmes. It should be noted, however, that the status of direct job creation and supported employment as forms of ALMP is, at best, debatable; they may be nominally designed to improve the employability of participants, and reinforce the status of work as the primary route away from hardship, but they also enable individuals to ultimately avoid engaging with the mainstream labour market.

Any characterisation of the UK's approach to ALMP must therefore acknowledge both its very low level of expenditure and the concentration of expenditure on 'labour market services', such as job-search and job-matching services, and short-term training programmes such as those focused on developing job-acquisition skills. UK spending on ALMP has actually fallen significantly since the mid-1980s, although this higher spending is largely explained by direct job creation in the public sector in this period, which has now been largely halted (Van Reenen, 2004, 473). The UK's approach can be contrasted with high-spending countries such as Denmark and Sweden, who focus on, respectively, training programmes and employment subsidies – although both have increased the proportion of expenditure devoted to labour market services in recent years (see Berry, 2014; Bonoli, 2010; Breidhal and Clement, 2010; Cook, 2008) – and other low-spenders such as Italy, which focuses its limited resources mainly on training. Germany and France have also moved closer to the UK's approach in recent years (Berry, 2014; Heyes, 2012; Vail, 2008) – although clearly they retain significant investment in training – but the European country seemingly most similar to the UK is the Netherlands. The Netherlands spends more on labour market services than other forms of intervention, with the exception of supported employment services. As suggested above, however, the Netherlands' support for this type of intervention, which accounts for its very high level of overall ALMP expenditure, should perhaps be seen as an aspect of the country's welfare provision, rather than its supply-side employment strategy. It has little bearing on its approach to enabling employment in the mainstream economy.

It is worth noting the seemingly limited relationship between both the level and type of expenditure, and headline employment outcomes. For example, the UK is among the lowest spenders in Europe, but has relatively low unemployment. Belgium

and Denmark are the highest spenders, but both have an unemployment rate similar to the UK's – although Belgium has a higher rate of long-term unemployment than the UK, and Denmark has a lower rate. Similarly, Austria has a very low unemployment rate, but is not among the highest spenders on ALMP overall, whereas France spends almost as much as Austria on training programmes, but has a much higher unemployment rate. Germany and the Netherlands have very similar unemployment rates, although they spend vastly different amounts on interventions such as training.² It is vital to acknowledge that ALMP does not, in any country, exist in isolation from wider economic statecraft, particularly other policy areas which impact the labour market, such as employment protection and the education system. Crucially, ALMP does not offer a 'solution' to a particular labour market 'problem' – as suggested by Giuliano Bonoli (2012) – but instead helps, in conjunction with other measures, to shape the nature of labour markets. Other countries have moved in the direction of the UK in terms of ALMP provision, yet retain commitments to earlier (and more expensive) forms of supply-side labour market intervention due to the institutionalisation of previous practice. There is evidence of direct policy learning across borders in Europe, in part due to the influence of the European Union, but also evidence of countries resisting the kind of labour market forms that tend to be associated with the UK's approach to ALMP (Heyes, 2004). We can best understand the UK's approach to ALMP, therefore, not simply by focusing on what is done under the ALMP banner, but also on what ALMP interventions replace or substitute. It is partly because the UK never firmly entrenched demand-side labour market interventions that it did not, and does not, invest strongly in more intensive forms of support for human capital development. The state is not well-placed to organise vocational training, for instance, if it is relatively absent from the process of creating skills needs through public

investment and an active industrial policy.

The development of active labour market policy in the UK

The UK's approach to active labour market policy is geared towards providing a range of services that enable unemployed people to find work relatively quickly. Services include job-search and job-matching, job-acquisition training (interview skills, CV-writing, etc.), basic literacy and IT education, and in some cases work-related counselling. These services have come packaged in various forms over the past two decades. Generally they are delivered centrally by the Department for Work and Pensions (DWP), although some local authorities also offer basic employment support services. Initially, newly unemployed people deal with the DWP agency Jobcentre Plus (JCP), which administers most out-of-work benefit expenditure (principally Jobseekers' Allowance, JSA) and offers limited employment support services. If unemployment persists (typically for six months or a year), individuals are entitled to the more intense forms of employment support.

The New Deal, introduced by the Labour government in 1998, represented an attempt to broaden the approach of UK active market policy away from simply job-search and related services', although also represented a significant expansion of existing forms of provision (Van Reenen, 2004). The policy was aimed primarily at young people: The New Deal for Young People (NDYP) offered people aged under 25 that had been unemployed for six months intense job-search support for four months, generally through JCP. If this programme failed to lead to employment, participants were offered one of four options: full-time education or training for a year, subsidised employment in the private sector for six months (with some support for on-the-job training), subsidised employment in the voluntary sector, or a six-month public sector work placement via the Environmental Task Force. Participants continued to receive

JSA during their time on the New Deal (or slightly higher payments if in subsidised private sector employment). Participation in the New Deal was mandatory, if individuals wished to continue to receive JSA – there was ‘no fifth option’. A similar programme was available to people aged 25 or over that had been unemployed for 18 months, and there were tailored New Deal programmes for older workers, disabled people and lone parents.

It is clear that the vast majority of New Deal expenditure was committed to job-search and related services. By the end of New Labour’s second term in office, almost 90% of the UK’s ALMP expenditure was directed to ‘labour market services’ (a similar proportion to the present time, although the level of spending on such services was higher, within a higher ALMP budget overall). During New Labour’s first term, expenditure on employment subsidies had risen noticeably, although this commitment was not sustained, and little increase in training investment is evident from expenditure data.³ Rachel Nicholls and W. John Morgan’s assessment of NDYP found that over time the policy was re-focused ‘away from skills investment [and] towards shorter-term interventions and an implied philosophy that “any job is a good job”’. They also found ‘a significant departure away from encouraging employers to invest in the intermediate level skills of New Deal employees’ (2009, 93), and concluded that ‘the primary purpose of training programmes and active labour market intervention for welfare recipients is to ensure the pace and progress of participants into work and that any educational element or advancement in work is secondary’ (2009, 81). Similarly there is evidence that employment subsidies were largely unsuccessful in leading to sustainable employment opportunities for participants (House of Commons Education and Employment Committee, 2001). This is associated with the reliance on the public sector to create subsidised posts – also identified as a problem in other countries’ subsidy

programmes (see Dorsett, 2006; Gilbert and Besharov, 2011).

Nevertheless, there is strong evidence of cost-effectiveness regarding New Deal spending on labour market intermediation services in the UK, especially job-search services. Above all, participants in employability programmes in the UK tend to find work relatively quickly (Centre for Economic and Social Inclusion, 2012; Wilson, 2013). As suggested in the previous section, however, there is a strongly cyclical element here. The New Deal was conceived by Labour in the aftermath of recession in the early 1990s, but by the time of its implementation, the UK economy was growing very strongly, leading to strong market-led labour demand (Institute for Fiscal Studies, 2000). This has several implications: firstly, the existence of relatively abundant employment opportunities inflates the success of job-search services, as they lead to jobs that may have been obtained anyway. Secondly, a well-performing labour market undermines the rationale for more intense ALMP interventions such as training and employment subsidies. Thirdly, and related to this, it means that the participants for these more intense support programmes tend to be less employable than was otherwise envisaged (because the more employable prospective participants have found jobs more quickly than expected), therefore undermining the outcomes of these programmes.

Furthermore, the fact that the economy is growing strongly, creating a large *quantity* of jobs, does not necessarily mean that *quality* jobs are being created. There is substantial evidence, therefore, of work/welfare ‘cycling’ among New Deal participants. Almost 70% of new JSA claimants have claimed the benefit previously (McCollum, 2013). And crucially, cycling is more likely to occur in buoyant labour market conditions. In the UK, London and the South East have both the highest employment rates, and the highest rates of cycling. This may be because people have less incentive to remain in work, knowing that they will be able to find another job quickly. A more

persuasive explanation, however, is that labour market buoyancy in the UK in recent years has been associated with increasing employment insecurity, predominantly in the services sector. Most cycling is involuntary (McCollum, 2013). John Adams and Ray Thomas' (2007) assessment of the success of the New Deal in Scotland also finds the same association between cycling and labour market buoyancy. Unemployment in Scotland receded under New Labour, but primarily in areas where it was already lowest. The areas with the lowest exits from unemployment also had the highest entry rates into unemployment, and vice versa.

In 2007, the Labour government under the leadership of Gordon Brown ostensibly abandoned the New Deal after commissioning David Freud to report on UK ALMP and wider welfare-to-work strategies. Freud's work was framed by then Work and Pensions Secretary John Hutton's stated belief that many benefit claimants in the UK exhibited a 'can't work, won't work' and 'something for nothing' culture (as quoted in Grover, 2007). Recognising that many unemployed people find new work quickly, Freud recommended a stricter bifurcation between JCP services for the newly unemployed, and privately-run services for the long-term unemployed and economically inactive. However, rather than recommending more intense forms of support for the hardest cases, Freud's plan involved withdrawing the bulk of spending dedicated to training and employment subsidies, and instead strengthening benefit conditionality, especially for lone parents (see Freud, 2007; Grover, 2007). Freud's plan was introduced in 2009 as the Flexible New Deal. By then, however, the recession had hit and Labour had already re-introduced, separately, elements of the original New Deal – primarily employment subsidies in the form of the Future Jobs Fund (FJF). The FJF offered a subsidised job for six months, of at least 25 hours per week, paid at the national minimum wage (with a maximum government contribution of £6,500 per job).

Subsidised jobs had to demonstrate a ‘community benefit’. The FJF was heavily criticised for its reliance upon the public sector – although this was partly by design – and has subsequently been abolished (Fishwick et al, 2011). The Labour government also significantly increased investment in training after 2008 through Train to Gain (TtG), initially established in 2006 by the Learning and Skills Council (and, again, subsequently abolished by the coalition government). TtG subsidised employers’ expenditure on training, although evaluations suggested only limited employer engagement and demand (National Audit Office, 2009; Lanning and Lawton, 2012).

Introduced in 2011, with Freud having been appointed a Conservative peer and DWP minister after the 2010 election, the Work Programme represents the coalition government’s flagship contribution to ALMP. After a year in receipt of JSA, or nine months for those aged 18-24, employment support for unemployed people is handed over to Work Programme providers (some people classified as economically inactive are also eligible to enter the programme). These providers are private companies commissioned centrally by DWP, although provision is organised regionally rather than nationally (generally speaking there are two providers per region, although some large regions are divided into two or more sub-regions). As planned as part of FND, the Work Programme therefore establishes a strict divide between JCP support for the newly unemployed, and privatised provision for the long-term unemployed. Work Programme providers focus almost exclusively on job-search services, and related services such as training in job-acquisition skills. Given that the Work Programme is delivered entirely by private contractors, issues around commercial confidentiality mean it is difficult to gain a comprehensive picture of the kinds of support available to Work Programme participants; the system is based on a ‘black box’ whereby DWP funds providers to deliver whatever forms of support providers deem effective – they are paid (largely) by

results, irrespective of methods. However, we can be reasonably certain that job-search and related services dominate the Work Programme, partly because of the limiting funding made available by the coalition government and partly because of the small volume of work sub-contracted to specialist providers – sub-contracting by ‘prime’ providers to specialist, voluntary sector bodies was supposed to be one of the hallmarks of the Work Programme’s delivery model (Fothergill, 2013, 63).

As noted above, Work Programme providers are paid largely by results – this model represents a substantive difference between the Work Programme and FND (Rees et al, 2011). The ‘result’ is not simply the obtainment of a job by a participant; full payment usually depends on employment being maintained for at least 18 months over a two-year period. However, it does not depend on a single position being sustained over this time – providers can obtain full payment by placing participants in several temporary jobs consecutively. Interestingly, Ian Mulheim (2011), former director of Social Market Foundation and one of the architects of the Work Programme model, had warned, before the policy was implemented, that the financial model chosen by the government would prove unviable for smaller, specialist providers due to the outcome risk they would be asked to shoulder. Partly as a result of this, partial up-front payments to providers were introduced, on the eve of policy implementation, thereby further diluting the differences between the coalition government and its predecessor in terms of ALMP.

In its first two years of operation, the Work Programme performed below expectations. The measure devised by the Centre for Economic and Social Inclusion (CESI, 2013), based on participants obtaining employment for a year, shows the programme has performed consistently below a minimum performance level (that is, an estimation of the ‘deadweight’ level). Performance improved throughout 2012, but

CESI argues that it plateaued in 2013. Recent data published by DWP shows that only 48,000 full ‘sustainment’ payments have been made to Work Programme providers – representing just over 3% of cases referred to the Work Programme since June 2011 (Rawlinson, 2014). CESI (2013) suggests that this is due to the sluggish nature of the economic recovery, with fewer jobs being created. However, jobs growth has in fact been remarkably robust over recent years, and was even stronger during 2011 and 2012 than it has been since overall growth returned on a consistent basis in mid-2013 (Berry, 2013, 18). We can plausibly speculate that the performance of the labour market means that Work Programme participants are less immediately employable than providers anticipated – the same dynamic that appeared to afflict the performance of training and subsidy schemes in the New Deal. Indeed, James Rees, Adam Whitworth and Elle Carter (2014) have demonstrated that ‘creaming’ and ‘parking’ are ‘systematically embedded’ within the Work Programme’s delivery model, helping to explain its poor performance to date. Creaming describes a focus by providers on participants they can most easily place into work, and parking describes a lack of support for those furthest from the labour market. The problem for providers is that examples of the former have been far less prevalent than the latter in the Work Programme’s early years. But this evidence should also invite reflection on whether we should in fact consider the Work Programme to be failing, even if it is struggling on its own terms. While inherent flaws in the ability of the Work Programme to deliver secure employment for those unable to find work are worth exploring, as interesting is the prospect that the Work Programme acts to reinforce wider labour market practices – and that it is performing this role quite adequately. This will be discussed further in the next section.

It should be noted that the coalition government has also reintroduced employment subsidies, despite heavily criticising its predecessor in this regard. The

‘Youth Contract’ encompasses marginal hiring subsidies for unemployed 18-24 year-olds; it is not intended that new jobs will be created, but rather that the subsidies will make young applicants more attractive to employers. Initially available only to Work Programme participants, it was subsequently expanded to all young people that had been claiming JSA for more than six months. The programme has suffered from extremely low take-up rates, with less than 5,000 placements made, from 160,000 available, in the first year of its operation (DWP, 2013b). The coalition has also offered greater support for people in receipt of out-of-work benefits to become self-employed, through the New Enterprise Allowance (NEA) (which essentially continues JSA payments for the first six months of self-employment) and start-up loans of around £5,000, offered on commercial terms. Ian Brinkley and Naomi Clayton (2011) of the Work Foundation have, however, been highly critical of the NEA. Most subsidised entrepreneurs will enter industries with very low barriers to entry – where margins for existing businesses are extremely tight, meaning the subsidy carries a significant risk of displacement. These sectors also have very high failure rates, and there is little evidence that a brief experience of self-employment improves individuals’ employability more generally. There is therefore ‘a great risk of swapping one form of precarious, low income existence for another with no long-term benefit’ (Brinkley and Clayton, 2011, 49).

Of far greater significance to understanding the coalition’s approach to supply-side labour market interventions are efforts to increase benefit conditionality, and sanctions for those that do not satisfy these conditions. Although nominally separate to ALMP under a strict definition, clearly employment support services and the use of conditions attached to benefit receipt are both designed to encourage unemployed people to take up opportunities to work. Benefit conditionality has been used

extensively in the UK and Netherlands, and also Denmark, Germany and Sweden to some extent (see Bruttel and Sol, 2006; Grigg and Evans, 2010; Kananen, 2012). More directly, of course, one of the conditions of benefit receipt is that individuals – after a certain length of time out of work – participate in schemes such as the Work Programme. This compulsion was also explicit in the New Deal. While the Work Programme and the New Deal channel individuals into *any* job, irrespective of quality, the threat of having benefits suspended or removed entirely ensures that people cooperate with this process. Of course, conditionality predates these programmes; the need for unemployed people to demonstrate substantive jobseeking activity is a longstanding aspect of UK welfare practice. The coalition government has strengthened conditionality in advance of entering the Work Programme by introducing Mandatory Work Activity (MWA), a scheme which primarily consists of four-week work placements of up to 30 hours per week (delivered by private contractors). The scheme became notorious when one claimant, Cait Reilly, took legal action against the government for incorrectly compelling her to undertake an unpaid work placement in Poundland (as reported on the BBC website on 12 February 2013). In the first year of MWA, 46% of those referred to the programme by Jobcentre Plus either gave up JSA voluntarily as a result, or had it removed when they failed to complete their placement (DWP, 2013a). The Labour government had already piloted a similar initiative before 2010. Interestingly, Labour had signalled an intent to relax some sanctions in 2009 (Newman, 2011, 92), although has since 2010, in opposition, largely concurred with the coalition government's 'tough' sanctions regime (see Byrne, 2013; Helm, 2013). In April 2014, the coalition also announced plans to introduce its Help to Work (HTW) scheme – for benefit claimants that failed to find a job through the Work Programme. Through HTW, people who have been unemployed for around three years will lose JSA

unless they agree to a six-month ‘community work placement’, attend a JCP site every day to report on jobseeking activity, or enter an intensive JCP engagement programme (reported in the media as a ‘training’ scheme, although the government’s own website describes the this scheme as a largely advice-based service aimed at improving job-acquisition skills) (BBC, 2014; HM Government, 2014). The scheme was piloted in 2013, and an evaluation found that participants were only 2-4 per cent less likely to be claiming benefits at the end of the programme than non-participant JSA claimants (DWP, 2014).

There is little evidence on the impact of sanctions on employment in the UK. The use of sanctions has been assessed in several European countries – mainly Germany, the Netherlands, Switzerland, Norway and Denmark – and is associated with high levels of short-term benefit exit and job entry. However, sanctions are also associated with poorer quality, lower-paid and unsustainable employment over the long-term, and even higher crime rates (Arni, Lalive and van Ours, 2009; Grigg and Evans, 2010). Importantly, unlike most other European countries, the UK’s sanctions regime applies equally to the youngest benefit recipients (Cooke, 2013). The potential effectiveness of sanctions in the UK is undermined, firstly, by the fact that most benefit recipients are unaware of the nature of the conditionality regime – it is therefore not an important influence on individuals’ labour market engagement (Grigg and Evans, 2010; Newman, 2011, 97-8). Sanctions are also undermined, secondly, by the fact that the UK has very low claimant rates for out-of-work benefits (Table 2 compares non-claimant rates for the UK and several, comparable European countries). Crucially, non-receipt of out-of-work benefits means that individuals are not available to participate in employment support programmes. It is a paradox of ALMP that the inculcation of a duty to work, to ease the burden of welfare entitlements on the state, is dependent on

unemployed people actually claiming these entitlements. However, we should be cautious about taking this apparent flaw at face value; the next section will argue that the value of employment support programmes may not actually depend on widespread participation.

[TABLE 2]

What is active labour market policy for?

It is far too simplistic to say that the purpose of active labour market policy is to improve the performance of the labour market in any straightforward sense – yet even critics of the UK’s approach to ALMP tend to unproblematically accept the apparent link between ALMP and increasing employment, even if sceptical of its effectiveness, or disapproving of either the methods employed or narrow view of labour market performance this entails. As noted above, the UK has a lower rate than most comparable countries – the same applies to long-term unemployment, and youth unemployment (albeit to a lesser extent).⁵ However, this success masks myriad labour market problems. Firstly, while youth unemployment in the UK may compare reasonably favourably to other countries, the UK has a very high, and stubborn, proportion of young people not in employment, education or training (NEET) (ONS, 2013d). Secondly, the UK has a large under-employment rate, that is, part-time workers who would like to find full-time employment (ONS, 2013b). Thirdly, there has been a dramatic rise in ‘precarious’ employment, typified by involuntary temporary employment, and in particular ‘zero hours’ contracts (ONS, 2013e). Fourthly, there are endemic regional inequalities in labour market performance (ONS, 2013a). Fifthly, the UK has a skills ‘under-utilisation’ problem, whereby individuals are unable to find employment which matches their educational attainment (Wright and Sissons, 2012). Finally, and perhaps most

importantly, earnings have been stagnant, with real wages in the bottom half of the earnings distribution not having grown for more than a decade, and even slightly declined over this period (Plunkett, 2011).

These specific problems clearly cannot be reduced to supply-side issues, that is, problems of individual employability – and therefore the Work Programme (and similar interventions) is neither equipped nor designed to resolve them. However, while these problems were exacerbated by the economic downturn, they have long been evident to some extent in the UK labour market (Berry, 2013). And crucially, the UK economy was able to demonstrate very strong economic growth in the 1990s and 2000s *despite* their presence. It is worth reflecting, therefore, on what model of economic growth prevailed in the UK over this period. The 1980s onwards saw domestic consumption become increasingly important to economic growth in the UK. Paradoxically, however, as suggested above, this increased dependence on household consumption for sustaining economic growth coincided with a relative decline in the role of earned income in providing for disposable income. In its place came increasing indebtedness at the household level, and the release of equity enabled by a booming housing market. Earnings from employment of course remained decisive in funding consumption – but the increased role for consumer and mortgage borrowing (and growth of the financial sector) enabled the growth model to pacify the potentially devastating stagnation in earnings for a remarkably long period of time. This growth model is of course associated with, and shaped by, a particular form of economic statecraft, influenced by neoliberal ideology, in which the state eschews a Keynesian approach to managing demand (and supporting labour demand) through monetary and fiscal policy and instead promotes the ‘liberalisation’ of the private sector (see Crouch, 2009; Berry, 2013; Hay, 2013; Thompson, 2013).

High levels of employment could be sustained because the growth model was characterised by the rise of the services sector – more labour-intense than sectors such as manufacturing, but also, generally speaking, requiring lower levels of human capital. The services sector is also more volatile, requiring a more ‘flexible’ workforce. Bank lending became increasingly focused on the housing market, further undermining the funds available for long-term investment in capital-intense industries. More generally, the ‘financialisation’ of corporate practice meant that short-term returns took precedence over long-term investment, providing for the ‘low road’ business model adopted by many firms, and incentivising concentration in industries with low barriers to entry. This helps to explain the abundance of jobs in this period, albeit often low-paid and insecure jobs – high employment therefore helped to mitigate the risk that low earnings posed to a consumption-driven growth model (with the state increasingly supplementing earnings through tax credits). Trade union efforts to maintain higher levels of remuneration were undermined by the liberalisation of employment protection undertaken by the Conservative governments of the 1980s, largely maintained by the Labour governments of the late 1990s and 2000s.

The Work Programme is evidence that the coalition government accepts this inheritance. The approach of course scales back even further the limited investment by the UK in offering training opportunities for people out of work. ALMP, in conjunction with benefit conditionality, serves to ensure as many individuals as possible are available to work, therefore dampening demands for employers to increase wages or enhance job quality, and maintaining the attractiveness of labour-intense industries. As Ines Newman (2011, 93) suggests, ALMP in the UK typifies the dual impact of neoliberalism on economic statecraft, in that it facilitates both a ‘roll out’ and ‘roll back’ of the frontiers of the state. On the one hand, ALMP clearly designates the

responsibility of individuals themselves in terms of securing employment and more generally alleviating hardship. ALMP interventions, especially the Work Programme, are designed to facilitate more effective engagement with the labour market – not to shape the market itself. On the other hand, ALMP increases the reach of the state into the realm of the micro-behaviour and lifestyle choices of individuals, facilitating the entrenchment of work as the primary focus of everyday life. It is worth noting that, despite the rhetorical emphasis placed by the government on economic ‘rebalancing’, the services sector now makes up a greater proportion of the UK economy than before the financial crisis – it has risen from 77% in the third quarter of 2007 to 79% in the third quarter of 2013 (ONS, 2013c). This has had implications for the type of jobs that have been created since the crisis: the Resolution Foundation reports that, overall, 190,000 jobs were created in low-paying sectors between 2008 and 2012 (defined as sectors where median pay is lower than two-thirds of the national median), while 169,000 jobs were lost in middle-paying sectors (Plunkett, Hurrell and Whittaker, 2014).

It becomes necessary therefore to reconsider what ALMP in the UK is for. Ostensibly, ALMP is designed to increase the proportion of people in work. More precisely, however, it is designed to ensure people are immediately available to work – an objective which problematises the notion that employment policy should aim to improve human capital, and marginalises concerns about the nature of the jobs individuals are expected to accept. It is understandable that the effectiveness of interventions such as the Work Programme is considered in terms of how many long-term unemployed people have been placed in employment as a result of participating, especially given participants are in large part drawn from very disadvantaged social groups, and given that such schemes are justified by policy-makers in terms of their

ability to deliver such outcomes. However, we must also acknowledge that ALMP in the UK serves to facilitate, and even legitimate, a particular type of labour market, upon which a wider model for economic growth rests. That relatively few people find (secure) employment directly through ALMP interventions in the UK does not detract from its role in both inculcating the desirability and necessity of certain behaviours at the individual level, and helping to maintain a downward pressure on pay and work conditions by sustaining the (potential) supply of labour. Other European countries pursue different growth models to the UK, necessitating different labour market forms. In conjunction with other supply-side and demand-side measures, ALMP therefore exists for different purposes in different domestic contexts. This helps to account for the differences in levels and types of ALMP expenditure between the UK and the rest of Europe (and of course among continental European countries, albeit to a lesser extent). However, these differences are not static. The UK's embrace of a certain form of supply-side intervention, and the notion of ALMP, is constitutive of an economic strategy which is to some extent being replicated across Europe; investment in ALMP interventions such as training and employment subsidies are, generally speaking, declining as a result.

Conclusion

Compared to most other European countries, the UK spends relatively little on active labour market policy. This may be somewhat surprising given the emphasis placed on a supply-side economic strategy, typified by attempts to improve employability at the individual level, by UK policy-makers since the 1990s. Two main explanations for this are possible. Firstly, the UK has a relatively high (and fast growing) employment rate, negating the need for employment support. It should also be noted that many unemployed people do not claim the benefits that would obligate them to participate in

ALMP schemes, although this problematises, to some extent, the notion that the UK has a well-performing labour market. Secondly, ALMP in the UK is heavily focused on relatively inexpensive job-search services, and related services designed to offer a point of intermediation between individuals and the labour market. More expensive interventions, such as training programmes aimed at enhancing human capital, are not a significant feature of the ALMP landscape in the UK. There is little legacy of established practice in this regard. Moreover, the state is not well-placed to pursue supply-side human capital improvements given the conspicuous absence of a strategy for shaping demand for labour.

Neither of these factors, however, can be taken simply at face value; they arise from the wider model for economic growth, and associated form of statecraft, with which ALMP must be associated. The UK economy has reoriented towards the services sector, and at the same time become far more dependent on household consumption to drive growth. The services sector is both more labour-intense and volatile than most other sectors, requiring a lower-paid and more 'flexible' workforce. Consumer debt and a booming housing market have in recent years helped to pacify the contradiction between a dependence on consumption, and downward pressure on earnings. Supply-side labour market interventions are required therefore not to 'upskill' the workforce, but rather to ensure that as many people as possible are immediately available to take on poor quality jobs. ALMP acts to smooth the function of the labour market in this regard, but in combination with a wider welfare-to-work agenda, serves to compel individuals to participate in the labour market as it stands, and reinforces the notion that unemployment is an individual problem, rather than a collective problem.

In this sense, notwithstanding its innovative delivery model, the coalition government's Work Programme represents a continuation and intensification of the

approach to ALMP evident under its predecessor. Finding a job – any job – is prioritised above all other considerations. The Work Programme also offers a highly centralised and privatised approach to ALMP, again replicating longstanding features of economic statecraft in the UK. The coalition government’s ALMP leaves largely untouched a host of labour market problems manifest below the headline employment and unemployment rates. In fact, evidence suggests the Work Programme has been largely unsuccessful in placing participants in any job, even the low-paying and poor-quality jobs now being created. However, that relatively few people find employment directly through ALMP interventions does not undermine its overall purpose in terms of inculcating the desirability and necessity of certain behaviours at the individual level, and helping to maintain a downward pressure on pay and work conditions by sustaining the (potential) supply of labour. This does not mean, however, that the coalition government has arrived at a kind of policy ‘equilibrium’ whereby its approach to ALMP is effective, even justifiable, in that it combines with a wider strategy for economic growth. The financial crisis and subsequent recession exposed the flaws in the UK’s pre-crisis growth model, and insofar as the Work Programme and related schemes support the resurrection of this model, they also serve to invite into the UK economy the risks associated with the contradictions between earnings stagnation and consumption-driven growth.

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Notes

1. Eurostat data (accessed 20 January 2014).
http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_market_policy/main_tables.
2. See note 1.
3. See note 1.
4. Eurostat data (accessed 20 January 2014).
http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/main_tables. There is no data on claimant rates in Germany available.
5. See note 4.

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Table 1. Active labour market policy expenditure by type of intervention, selected European countries (2009).

		Labour market services	Training	Employment incentives	Supported employment	Direct job creation	Start-up incentives	TOTAL
Austria	%GDP	0.2	0.5	0.1	<i>neg</i>	0.1	<i>neg</i>	0.8
	%TOTAL	21.7	60.5	6.3	4.8	5.9	0.7	<i>n/a</i>
Belgium	%GDP	0.3	0.2	0.5	0.1	0.4	<i>neg</i>	1.4
	%TOTAL	15.5	12.4	35.9	9.9	26.1	0.3	<i>n/a</i>
Denmark	%GDP	0.3	0.2	0.5	0.1	*	*	1.5
	%TOTAL	21.0	20.1	13.0	45.9	*	*	<i>n/a</i>
France	%GDP	0.3	0.4	0.1	0.1	0.1	0.1	1.0
	%TOTAL	26.2	36.7	9.8	7.7	15.8	3.9	<i>n/a</i>
Germany	%GDP	0.4	0.4	0.1	<i>neg</i>	0.1	0.1	1.0
	%TOTAL	37.5	35.8	10.4	3.5	5.9	6.8	<i>n/a</i>
Italy	%GDP	<i>neg</i>	0.2	0.2	*	<i>neg</i>	<i>neg</i>	0.4
	%TOTAL	9.0	44.8	39.5	*	1.5	5.0	<i>n/a</i>
Ireland	%GDP	0.2	0.3	<i>neg</i>	<i>neg</i>	0.2	*	0.8
	%TOTAL	23.4	39.4	5.7	1.4	30.1	*	<i>n/a</i>
Netherlands	%GDP	0.4	0.1	0.2	0.5	*	*	1.2
	%TOTAL	32.2	10.9	14.8	42.1	*	*	<i>n/a</i>
Poland	%GDP	0.1	<i>neg</i>	0.2	0.2	<i>neg</i>	0.1	0.6
	%TOTAL	15.7	6.3	26.0	34.1	4.3	13.5	<i>n/a</i>
Spain	%GDP	0.1	0.2	0.2	0.1	0.1	0.1	0.8
	%TOTAL	16.9	22.4	28.7	9.2	10.2	12.5	<i>n/a</i>
Sweden	%GDP	0.2	0.1	0.3	0.2	*	<i>neg</i>	0.9
	%TOTAL	23.9	7.1	42.2	25.5	*	1.4	<i>n/a</i>
United Kingdom	%GDP	0.3	<i>neg</i>	<i>neg</i>	<i>neg</i>	<i>neg</i>	*	0.4
	%TOTAL	89.5	4.2	3.4	1.8	1.0	*	<i>n/a</i>

Source: European Commission.¹

Note: *neg* = negligible; * = data not available.

Table 2. Proportion of unemployed people not in receipt of out-of-work benefits by age and unemployment duration, selected European countries (2012).

		Unemployment duration (months)							
		<1	1-2	3-5	6-11	12-17	18-23	24-47	≥48
Denmark	15-24 yrs	85	75	68	68	70	*	*	*
	25-64 yrs	27	16	13	10	*	*	*	*
France	15-24 yrs	40	34	*	21	23	*	32	*
	25-64 yrs	24	14	*	10	11	*	14	21
Italy	15-24 yrs	48	47	42	40	40	34	44	58
	25-64 yrs	43	41	35	35	44	35	45	60
Netherlands	15-24 yrs	94	94	90	90	78	*	*	*
	25-64 yrs	73	49	40	36	43	44	61	63
Spain	15-24 yrs	78	57	39	26	21	*	*	*
	25-64 yrs	43	21	13	7	9	*	*	*
Sweden	15-24 yrs	39	42	30	19	16	33	18	*
	25-64 yrs	17	12	12	9	10	10	11	14.5
United Kingdom	15-24 yrs	93	74	61	58	61	52	40	33
	25-64 yrs	83	66	53	53	51	60	42	37

Source: European Commission.⁴

Note: * = data not available.