



Centre for Local  
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# bulletin

## Changing economy: changing labour market

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### INTRODUCTION

The recession has had a deep-rooted impact upon the United Kingdom's economy and subsequently upon the functioning of the labour market. Inevitably struggling financial markets, declining sectoral growth, and scaled back business activities have led to job losses and redundancies. The labour market change experienced in this recession however, is very different to that of the previous recessions of the 1980s and 1990s. Then, the emphasis of labour market change was very much within primary industries and manufacturing and predominantly relatively lowly skilled trades, meaning cohesiveness in the nature of redundancies. This time, we have seen key employment change across a range of sectors and a range of skills levels. Whilst there have been job losses in manufacturing, there have also been significant employment decreases in financial services, creative industries, science, and retail, for example.

This cross-spread of employment change has meant that Government, local authorities and employment services providers have had to re-think and re-structure how employment, skills and training support is offered to new claimants of Jobseeker's Allowance. At the same time however, consideration has had to be given as to how this new support can be effectively balanced with outreach, brokerage and other forms of support for the long-term workless.

Over the last five years or so, labour market interventions have been planned and delivered in a buoyant economy. In a restricted jobs market and with a wider public sector funding squeeze, employment strategists and employment providers need to be innovative in how they ensure a return to work for highly skilled professionals; for new graduates; for those working in elementary trades; for young people; and for those that have been away from the labour market for some time. This bulletin therefore seeks to assess this balance by:

- Examining how the labour market in the UK is changing;
- Detailing the direct policy and interventions Government have introduced to respond to labour market change such as Future Jobs Fund;
- Providing advice for local government in managing local labour markets in a time of recession.

## THE STATE OF OUR LABOUR MARKET

One of the greatest macro and micro economic failings of the last 20 years in the United Kingdom has been the inability, despite significant periods of economic growth, to effectively manage the operations of our labour market. Whilst unemployment, as measured through claimants of Jobseeker's Allowance, had fallen considerably to 831,851 people in May 2008 (2.2% of the working age population), worklessness, as measured through claims of Incapacity, Disablement and Income Support related benefits increased and has subsequently stagnated around the 2.6 million mark.

This voracity of unemployment and worklessness in particular was also place and local economy related. Certain areas of the UK, notably those that had suffered heaviest as a result of economic restructuring and previous recessions had around 25% of their working age population removed from the local labour market. In certain smaller geographies, at the ward of lower super output area level, this figure approached 50% of the working age population.

Since exactly one year ago, the recession has impacted significantly upon national, regional, local and neighbourhood labour markets and economies. Whilst worklessness and associated inactivity levels have largely remained around the 2.6 million mark, claimant count has risen significantly. Figure 1 demonstrates this significant change in claimant count at the UK level. As of May 2009, there were 1,564,978 claimants of Jobseeker's Allowance, 4.1% of the working age population, an effective doubling of May 2008 figures.

Figure 1<sup>1</sup>

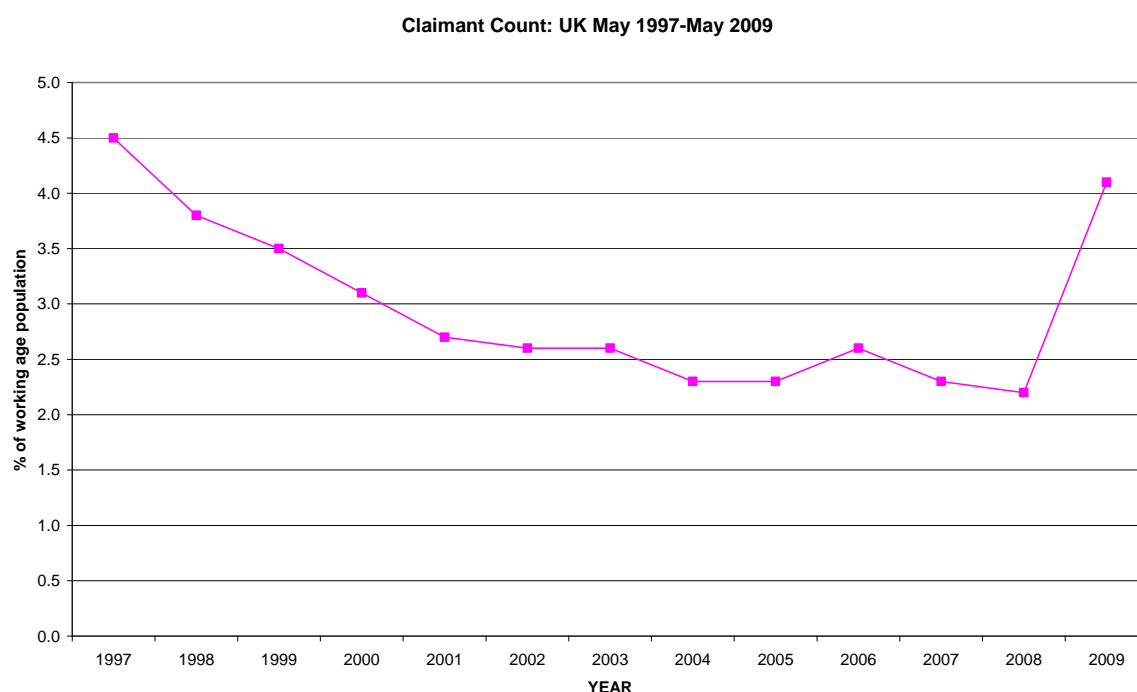
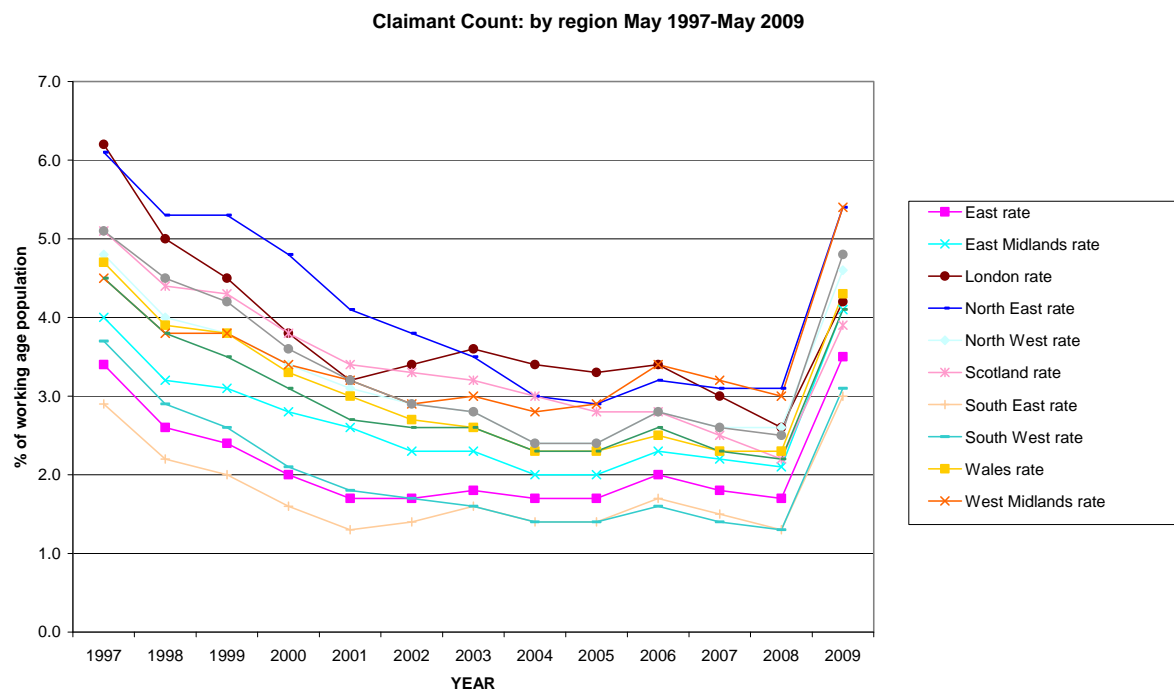


Figure 2 demonstrates the variation and change in Jobseeker's Allowance claimants by region between May 1997 and May 2009. It is clear that all UK regions have experienced significant increases in the numbers and proportions of Jobseeker's Allowance claimants over the last year. 7 regions have claimant count levels above the UK average with the highest levels in Yorkshire and Humber and the West Midlands, both at 5.4% of the working age population. These two UK regions were however not the regions experiencing the greatest percentage increases, in proportional terms, in Jobseeker's Allowance claimants over the last year. There has been an increase in the proportion of

<sup>1</sup> The source of data for all figures is for claimant count. Available from nomis: <https://www.nomisweb.co.uk/Default.asp>

the working age population claiming Jobseeker's Allowance in the South West of 138%, in the South East of 130% and in the East of England of 105%. This reflects the changing nature of this recession geographically in comparison to previous recessions.

**Figure 2**



Claimant count has also increased at the local level as demonstrated in figure 3. In May 2009 8.2% of the working age population of Kingston upon Hull claimed Jobseeker's Allowance, exactly double the UK average. In Blaenau Gwent the proportion was 8.1% and in Wolverhampton, 7.9%. The lowest levels of unemployment were in the Isles of Scilly (0.5% of the working age population).

**Figure 3**

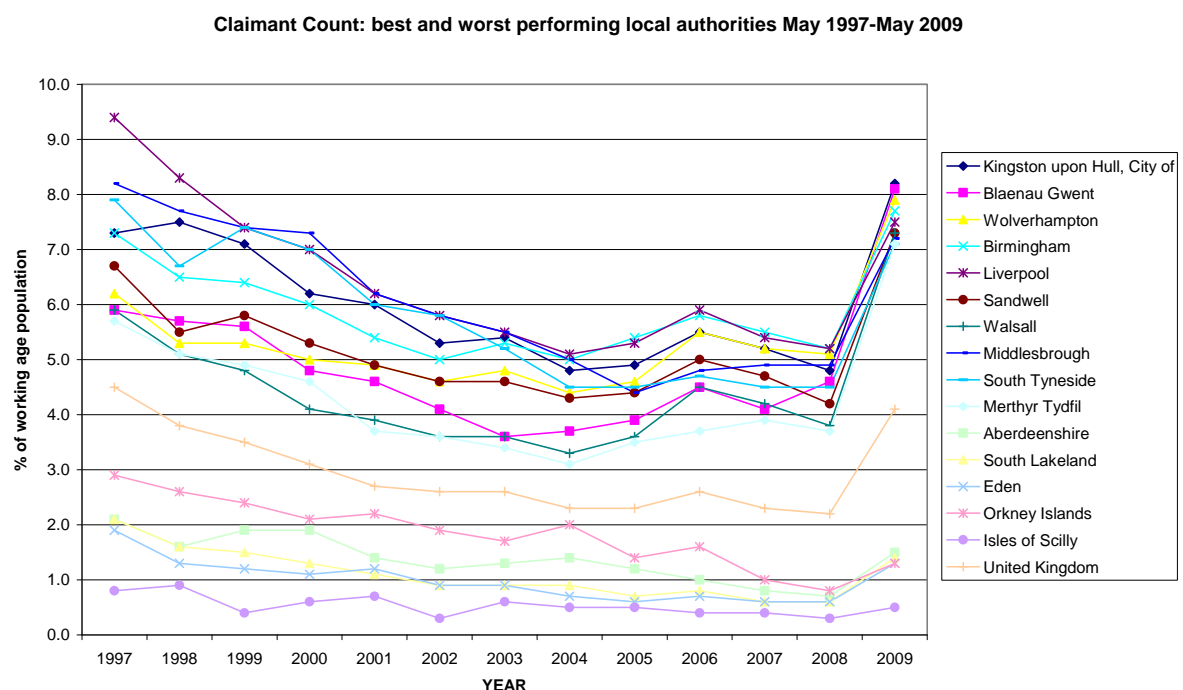
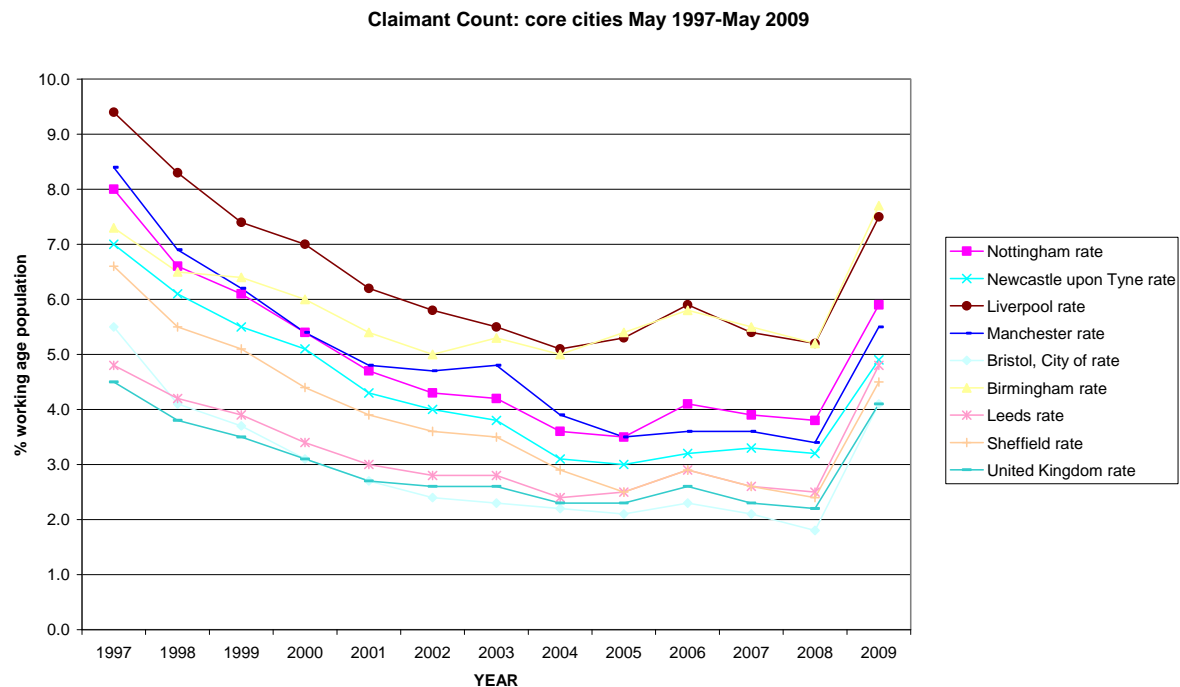


Figure 4 demonstrates unemployment change in each of the 8 'core cities' of England. The cities of Birmingham and Liverpool have highest proportions of their working age population claiming Jobseeker's Allowance at 7.7% and 7.5% respectively, again significant increases on May 2008 and significantly above UK average.

Figure 4



As stated right at the outset of this paper, the type of job losses in this recession varies from the recessions of the 1980s and 1990s. This is reflected in the types of employment being sought by claimants of Jobseeker's Allowance over the last 12 months. Figure 5 demonstrates that the largest percentage increases in occupation being sought were in 'managers and senior officials', 'professional' and 'skilled trades' occupations at 159%, 142% and 130% respectively.

Figure 5

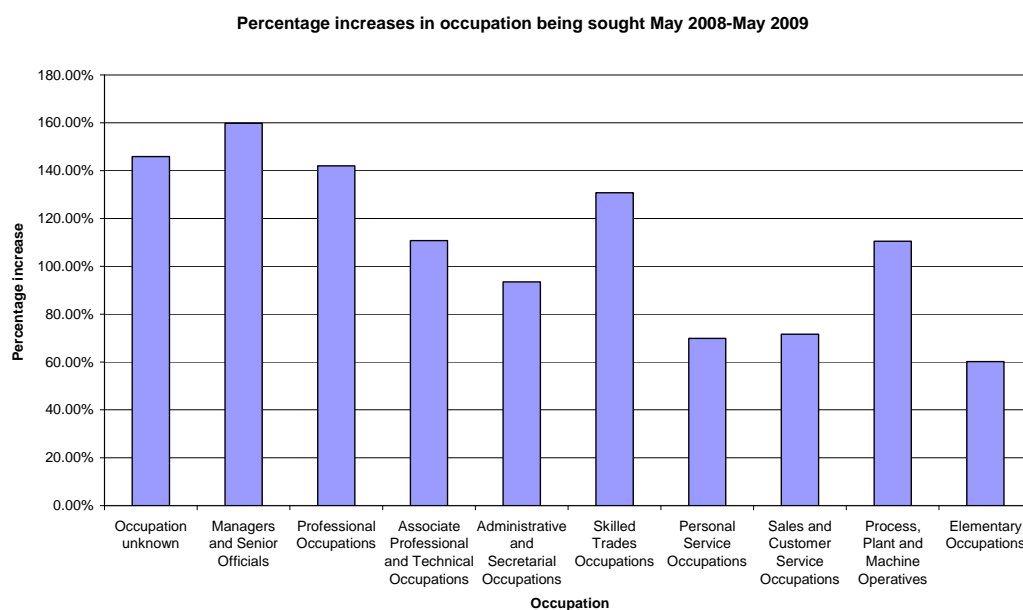


Figure 5 also demonstrates that whilst there have been increases in the proportion of claimants seeking employment in 'elementary' occupations this is significantly below the number of people seeking employment in the more professional occupations.

## THE GOVERNMENT'S RESPONSE

Over the last three to four years, central government has introduced a number of policies and legislative measures designed to both reform the system of welfare in the United Kingdom and to tackle the issue of worklessness. The Welfare Reform Green and White Papers<sup>2</sup> of 2008 had a particular emphasis upon renewing the welfare system and employment services in a way which would enable a return to positive labour market activity for those furthest away from the labour market. Furthermore, the Houghton Review<sup>3</sup>, commissioned in May 2008 and reported upon in March 2009 outlined a number of recommendations designed to improve the role of local authorities and partners in tackling worklessness.

The focus of the Welfare Reform Green and White Papers and the Houghton Review upon welfare reform and worklessness have been effectively compromised by the onset of recession. Tackling long-term unemployment is no longer the only major challenge in the labour market. Instead the number and diversity of new Jobseeker's Allowance claimants has required Government to think about how it can effectively balance support for new claimants through the Job Centre with ongoing support for the longer term unemployed. One of the ways in which Government has sought to address this balance has been through the introduction, as part of Budget 2009<sup>4</sup>, of new employment related funding streams. Budget 2009 provided some £1.7billion for employment focused activities including money designed to enable Jobcentre Plus to deliver a personalised approach and for a package of support through the Flexible New Deal. One of the key new funds introduced as part of Budget 2009 and one which has stimulated much debate is the Future Jobs Fund<sup>5</sup>. This represents Government's attempts to retain a focus upon the longer term unemployed in a period of recession.

### Future Jobs Fund

#### *What is it?*

The Future Jobs Fund is worth around £1.2billion and is designed to support the creation of jobs in localities for long term unemployed young people and others who face significant disadvantage in the labour market. Bidding for the Future Jobs Fund is a competitive process being run by the Department for Work and Pension (DWP) and the Department for Communities and Local Government (CLG), who are encouraging innovative partnership bids from local authorities, social enterprises and charities to create jobs at the local level. The core objective of the fund is the creation of 150,000 new jobs primarily for 18-24 year olds who have been claiming Jobseeker's Allowance for 12 months or more. The fund is linked to the guarantee, announced in the budget, of employment or training for at least six months for all people in the 18-24 age group who have been out of work for 12 months.

#### *Policy linkages*

The Future Jobs Fund is strongly linked to government agendas around tackling unemployment and worklessness, the environment and having diversity in the delivery of services, including a focus upon social entrepreneurship. This is reflected in the breakdown of the proposed outputs of the Fund. Out of 150,000 jobs which are expected to be created in total:

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<sup>2</sup> Department for Work and Pensions (2008) Raising expectations and increasing support: reforming welfare for the future. <http://dwp.gov.uk/welfarereform/raisingexpectations/fullversion.pdf>

<sup>3</sup> Department for Local Government and Communities (2009) Tackling Worklessness: a review of the contribution and role of English local authorities and partnerships. <http://www.communities.gov.uk/documents/communities/pdf/1161160.pdf>

<sup>4</sup> HM Treasury (2009) Budget 2009: Building Britain's future. [http://www.hm-treasury.gov.uk/d/Budget2009/bud09\\_completetereport\\_2520.pdf](http://www.hm-treasury.gov.uk/d/Budget2009/bud09_completetereport_2520.pdf)

<sup>5</sup> Department for Work and Pensions (2009) Guide to the Future Jobs Fund. <http://www.dwp.gov.uk/campaigns/futurejobsfund/pdf/fjf-guide.pdf>

- 100,000 are to be for young people to deliver the guarantee;
- 50,000 are to be in unemployment 'hotspots' (areas with claimant counts 1.5 percentage points above average);
- 10,000 are expected to be 'green' or low carbon jobs;
- 15,000 are expected to be directly or in partnership created by social enterprises.

### ***How do you bid?***

Government guidance around the Future Jobs Fund suggests that 'anyone' (including the private sector) can bid for a share of the £1.2billion but that the DWP and CLG will have a strong preference for partnership bids, expecting the majority to be led by local authorities; sub-regional, city region and local partnerships; or by national or local public sector and third sector bodies. Again there is an expectation from DWP and CLG that bids to the fund will be mainly from larger organisations and that they will have to create at least 30 jobs over a six month period. Social enterprises and micro organisations are expected to bid through partnership arrangements. The bidding process for Future Jobs Fund is rolling over the next six months but Government will be expecting a raft of bids by the end of June for job creation activities between October 2009 and March 2010; and by the end of September for job creation activities between April and September 2010.

### ***What are the job creation criteria?***

There are a number of criteria that apply to the Future Jobs Fund, both in the bidding process and in the delivery of outputs. Minimum bid criteria include that jobs created through the Future Jobs Fund must:

- Be additional jobs, not jobs that would have happened anyway;
- Be 'real' jobs, being for a period of at least six months and for 25 hours a week. Pay should be at least the National Minimum Wage;
- Be jobs suitable to the skills of young people and those living in unemployment hotspots;
- Benefit the wider local community as well as individuals;
- Cost no more than £6500 per job to create.

There are other secondary criteria to the Future Jobs Fund, primarily around factors such as: number of jobs; speed of delivery; cost; meeting local labour market and client group needs; and credibility and quality of the bidder.

### ***Where do Jobcentre Plus and local employers fit in?***

Jobcentre Plus will play a key role in the delivery of the Future Job Fund at the local level, particularly with regard to referral and support processes. It is primarily expected that Jobcentre Plus offices will support unemployed people by referring them, following discussions with Personal Advisors, onto successful Future Jobs Fund bidders who will then either directly employ the individual or broker an employment opportunity for them.

### ***What has happened so far?***

A number of local authorities and partnerships have already started to develop bids for the Future Jobs Fund. CLES is working closely with some authorities in the North West to develop bids and it is evident that authorities in the region are adopting a sub-regional, as opposed to single authority approach to bidding. This is reflective of natural economic boundaries with bids often to create 1000s of jobs across a range of themes in relation to low carbon jobs, housing, transport, and community regeneration.

## **RESPONDING TO LABOUR MARKET CHANGES AT THE LOCAL LEVEL**

The Government has recently responded to the recommendations of the Houghton Review<sup>6</sup>, particularly welcoming its main recommendation that 'helping people to find, and stay in, work should

<sup>6</sup> Department for Communities and Local Government (2009) Stepping up to the challenge: the Government's response to Tackling Worklessness – a review of the contribution and role of English local authorities and partnerships.  
<http://www.communities.gov.uk/documents/communities/pdf/1231077.pdf>

be a priority for local government'. The Government has responded to a number of the recommendations and sought to implement the following mechanisms:

### ***Worklessness Assessments and Work and Skills Plans***

The Government agreed with the need for Worklessness Assessments and Work and Skills Plans as advocated by the review. These assessments and plans will be a requirement for partnerships accessing the Future Jobs Fund and from April 2010 for all authorities in receipt of Working Neighbourhoods Fund. They are designed to be a localities framework for matching work and skills considerations. The Worklessness Assessment will also form a key element of the Economic Assessment Duty, providing a clear picture of the nature and scale of worklessness in an area. Worklessness Assessments and Work and Skills Plans will additionally be expected to inform and be informed by the new Regional Strategies. The Government have indicated that there will be specific guidance for the Work and Skills Assessments, but it is an expectation that the plans will require a local authority or partnership to:

- Set out their strategic approach to meeting the objectives defined in the worklessness assessment;
- Describe the current funding arrangements for tackling worklessness;
- Set out roles and responsibilities of national, regional and local partners;
- Demonstrate the case for further devolution of resources, powers, responsibilities and greater flexibilities;
- Set out the basis for partnerships to be accountable for any greater responsibilities devolved to them.

### ***A national worklessness forum***

The Government also agreed with the recommendation of the Houghton Review to set up a National Worklessness Forum that would: identify best practice; drive forward local responses to worklessness; and bring the voice of disadvantaged areas to the National Economic Council. The Government accept the recommendation but believe that any worklessness forum should add value to and complement work to build the capacity of local partners to respond to worklessness. The Government will therefore invest a further £3million, channelled through the Regional Improvement and Efficiency Partnerships to help local partners develop their capacity to respond to rising worklessness.

The Government's response to the Houghton Review outlines a range of further interventions designed to devolve responsibility with regard to worklessness to local areas and to empower local partnerships to deliver more effective solutions. These interventions will include:

- A commitment to offer sub-regions a greater role in the commissioning of DWP contracts and local areas a greater role in supporting delivery;
- Statutory powers for adult learning and statutory skills strategies;
- Opportunities for local areas to input into the development of regional European Social Fund (ESF) frameworks for the 2011-2013 phase of the ESF Programme;
- A package of support to develop targeted, work-focused outreach services in neighbourhoods with high concentrations of worklessness.

Bidding to the Future Jobs Fund and responding to the outcomes and recommendations of the Houghton Review are just two ways in which local authorities and partners can respond to labour market issues in a period of recession. There are a number of other activities local authorities can look to undertake immediately without the need for funding or legislation to directly respond. They should particularly look to:

### ***Understand your local labour market now***

Whilst the Government intend to build worklessness assessments into the Economic Assessment Duty local authorities should look to pre-empt policy and legislation by undertaking their own informal assessment of their labour market and particularly worklessness. This assessment should be both quantitative in nature in terms of detailing raw numbers of claimants and worklessness

'hotspots' and also qualitative in terms of detailing the causes and consequences of worklessness and how partners already work together in the locality to tackle worklessness. As part of this they should seek to build up an evidence base of the number of claimants in their authority, the duration of the claim, and the support already offered. This will require data-sharing between the authority and Jobcentre Plus.

- ***Continue to support the workless through WNF***

Local authorities in receipt of Working Neighbourhoods Fund (WNF) should continue to ensure that projects delivered through the fund focus upon the workless and stimulating training, employment and enterprise in the most deprived communities. There has been much debate in recent months in the regeneration press of the use of WNF to fund wider regeneration initiatives related to the previous holism of the Neighbourhood Renewal Fund and also to fund staff as opposed to project costs.

- ***Think about the role of the local authority as a deliverer***

Much of the criticism of Jobcentre Plus in recent years has focused upon their inability to be both an administrator of benefits and a deliverer of job brokerage services. Indeed, there is an inherent contradiction in this dual role. Local authorities have traditionally been enablers of worklessness interventions rather than deliverers and the recession presents them with the opportunity for a new delivery role. Local authorities should use the incentive of the £1.2 billion allocated through Future Jobs Fund to think about how they can directly deliver both brokerage activities and support new jobs within the local authority itself.

- ***Work on both the supply and demand side of employment***

Many worklessness interventions implemented in recent years have focused upon the supply side, i.e. upskilling and supporting people into employment. Less work has been undertaken on the demand side, i.e. with businesses to understand whether there is demand in the locality to employ workless people and the long-term unemployed. Local authorities should use this new focus upon unemployment posed by the recession to strengthen relations with key local employers. Working in partnership with key local employers will also be an important element of bids to the Future Jobs Fund.

- ***Think about distance travelled***

Far too often in contemporary policy delivery performance has been measured by raw outputs such as number of people into jobs. It needs to be recognised that the sole output should not be job creation. Indeed workless interventions may deliver a host of positive activities that do not necessarily end in a job, such as improved skills and increased self-esteem. These are still positive outcomes and authorities should view them as key impacts of an intervention. Local authorities should think about devising soft outcomes and distance travelled tools to measure the impact of the labour market interventions of authorities themselves and partner organisations.

- ***Offer employment opportunities within local government***

There are a number of ways in which employment in local government and the wider public sector can support the local labour market in a period of recession. By offering apprenticeships, work experience placements, and adult training courses, local authorities can support local workless and unemployed people into employment. Local authorities can also be proactive in undertaking other activities such as promoting employment opportunities in deprived areas and using the procurement process to develop local labour clauses for new developments.

- ***Think about what we did last time***

In the previous recessions of the 1980s and 1990s upwards of 3 million people were unemployed. Central government introduced a series of labour market schemes such as Employment Zones and New Deal to tackle the issue of long-term unemployment. Local government also introduced labour market schemes and these should be re-visited to assess their applicability in the current recession.

## CONCLUSION

The labour market and the wider economy in the UK is in a period of significant change. The number of people claiming the core unemployment benefit, Jobseeker's Allowance has doubled over the last year as redundancies across a variety of sectors have increased. Couple this with the long term stagnation of worklessness and it is clear that there are some four and a half million people removed from the labour market. Tackling this issue will take a concerted effort from both central and local government and their strategic and delivery partners over the forthcoming period. Central Government has been relatively proactive in their response to labour market change. The money allocated through the Future Jobs Fund and the acceptance of the recommendations of the Houghton Review is a step in the right direction. There are however a number of inherent tensions and unanswered questions with regard to the implementation of the Future Jobs Fund in particular:

- Can the public sector deliver jobs brokerage activities?
- Where are the 150,000 jobs going to come from?
- How is the Future Jobs Fund going to tackle both unemployment and deprivation?
- Do young people who have been claiming Jobseeker's Allowance for 12 months or more have the relevant skills to enter employment immediately?
- What happens after the six months of employment? Is this sustainable employment or are we just seeking to count outputs?
- Is National Minimum Wage enough?

Local authorities in partnership should, whilst looking to bid for the funding available through the Future Jobs Fund, also look to undertake a range of activities to respond to labour market change. These should include both strategic activities in terms of undertaking assessments of the functioning of the labour market and delivery activities in terms of developing brokerage interventions and offering new employment opportunities in the public sector itself.

**Bulletin** is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and Briefing on a range of issues. All publications are available as part of CLES membership services. To find out more about membership visit the CLES website or contact CLES to request a membership leaflet.

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