

# New Labour at work: long-term unemployment and the geography of opportunity

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New Labour has placed great faith in active labour market policies to address problems of long-term unemployment and poverty. This paper considers the effectiveness of welfare-to-work programmes in light of persistent regional employment disparities within the UK. It is argued that the government has proceeded from a flawed analysis of the causes and magnitude of long-term unemployment, framing the issue in terms of ‘worklessness’ and neglecting demand-side concerns of job availability and job quality.

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## 1. Introduction

Nearly a decade has passed since Tony Blair’s New Labour government launched the New Deal for Young People, the first of six major ‘New Deal’ active labour market programmes designed to move the unemployed into work. Welfare-to-work was an area of concerted policymaking for the Blair government, and it has become an important element of the New Labour project, both politically and in terms of economic policy. Politically, welfare-to-work has provided New Labour with an opportunity to draw sharp distinctions between its approach and that of previous Labour governments. Here, the message has been clear and insistent: tough new measures must be implemented to combat the twin evils of ‘welfare dependency’ and ‘worklessness’; rights must be balanced by responsibilities. Warning that ‘it is the end of the something for nothing welfare state’, Blair (1999) outlined the responsibilities now facing the unemployed: ‘Individuals ... have a responsibility to accept work, train themselves for jobs, be flexible in the jobs they take and avoid dependency where they can’. The government would do its part to ‘rebuild the welfare state around the work ethic’ (Gordon Brown quoted in *Guardian* 26 June 1997, p. 25), the underlying principle being ‘work for those who can, security for those who cannot’ (Department of Social Security, 1998).

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In the realm of economic policy, welfare-to-work has been no less significant; active labour market policies, along with other supply-side measures, have come to occupy a central place in the economics of New Labour. The New Deal was the centerpiece of Gordon Brown's first budget, the £5.2 billion initiative being the government's first major public spending commitment, and it has been the model upon which additional active labour market policies focusing on lone parents, the disabled and the long-term unemployed have been designed. The government contends that together these programmes can eliminate frictions in the labour market that exacerbate business-cycle fluctuations and impede economic growth. In this way, it is argued, welfare-to-work policies, though working primarily on the supply-side of the labour market, can yield economy-wide benefits.

This paper locates welfare-to-work within New Labour's broader economic agenda and examines the suitability of active labour market policies, like the various New Deal programmes, in light of persistent regional employment disparities within the UK. It is argued that supply-side measures like the New Deal are incapable of counteracting problems of entrenched structural unemployment without reflationary measures designed to increase the number of jobs available in distressed regions. The limitations of active labour market policies in this context are problematic for New Labour's economic agenda, given its reliance on supply-side labour market intervention to achieve goals of economic growth and reductions in income inequality. This paper posits that in designing its active labour market policies, the government has proceeded from a flawed analysis of the underlying causes of long-term unemployment, which has been framed in supply-side terms of 'worklessness' principally arising from deficient attitudes towards work amongst the long-term unemployed. Demand-side concerns of job availability and job quality are absent from this analysis, the assertion being that a sufficient number of job vacancies exist for those willing to fill them. The next section of the paper considers the economics of New Labour and the centrality of welfare-to-work programmes to the government's overall economic objectives. This is followed by an analysis of the discourse of worklessness and its rise to prominence as the key referent for welfare policymaking in the UK. The conceptual framing of worklessness as a policy problem implies a set of policy mechanisms to activate the unemployed, while discounting demand conditions as an explanation for persistent unemployment. The third section of the paper examines regional labour market adjustment in the UK and the local labour market conditions that confront the New Deal programmes. The paper concludes by reflecting on the limits of welfare-to-work programmes in the UK given the persistence of significant regional disparities in unemployment.

## **2. The economics of New Labour: managing the economy from the supply side**

The economics of New Labour is founded loosely on New Keynesianism and a view that the principal role of economic statecraft is to promote stability, provide incentives for capital investment, and enhance the supply of labour. The Blair government has embraced key tenets of New Keynesian analysis, including acceptance of the natural rate of unemployment, the idea that business-cycle fluctuations are brought on and exacerbated by frictions that prevent markets from self-adjusting following shocks, a reliance on monetary policy as the favoured tool for achieving economic stabilisation, and the belief that macroeconomic policy should not be used to make adjustments in effective or aggregate demand (Arestis and Sawyer, 2001, p. 257; Hay, 2004, p. 40). In framing the goals of labour market policy, government officials have lauded the dynamism and flexibility of the UK labour market,

stressing that, with the exception of a few highly localised areas, the economy has been able to generate robust employment growth (see Glyn and Wood, 2001).

Shortly after forming his first government, Tony Blair moved quickly to gain the confidence of the business community, reassuring employers that New Labour's economic policymaking would be guided by fiscal conservatism, inflation targeting and deregulation. In the area of employment policy, Blair made overtures to domestic and international business leaders, serving notice that the party was prepared to 'rethink the whole of our philosophy in relation to the labour market' (Tony Blair, speech to business leaders, Bonn, Germany, quoted in *Financial Times* 19 June 1996, p. 1), thus setting the stage for industrial relations and welfare policy reforms to enable a more flexible labour market. Blair reassured business leaders that the initial rounds of reforms would leave the UK with 'the most lightly regulated labour market of any leading economy in the world', a message that was designed to simultaneously appeal to employers and dampen the expectations of trade unions, Labour backbenchers, and others who were calling for the repeal of Tory industrial relations laws and welfare policies (such as Jobseekers Allowance) that had been enacted by the Thatcher and Major governments.

During its first decade in office, New Labour has championed a form of economic statecraft dedicated to restraining inflationary pressures, fostering job growth and reinforcing the work ethic among the unemployed. A flexible and individually responsive welfare system has been proposed as a necessary counterpart to Britain's flexible and increasingly individualised labour market. As Gordon Brown sees it,

The modern view is what causes inflation and what causes unemployment is exactly the same thing . . . the lack of capacity in your economy. So, without an investment-based recovery, every time you grow you get both inflationary pressures and high unemployment. Now we want to tackle unemployment from the supply side, by the measures that will get the young and the long-term unemployed into effective work through having skills (quoted in Willetts, 1998, pp. 5–6).

Owing to the supply-side orthodoxies of New Keynesianism, New Labour has sought to advance its economic agenda through the *microeconomic* management of the labour supply. The theory has it that eliminating frictions that exacerbate cyclical tendencies in the economy can raise the rate of macroeconomic growth. In labour-market policy, this calls for supply-side intervention targeted towards activating underemployed segments of the labour force through training, job-readiness programming and unemployment-benefit reforms that encourage (and increasingly compel) rapid entry into work. But for New Labour, taming the cycle of boom and bust also requires vigilance on inflation. Again, the micro-management of the labour supply is expected to play an important role. During the 1980s, Britain faced a seemingly paradoxical situation of rising wage pressures alongside high levels of unemployment. According to New Labour's policy advisers, the presence of significant numbers of long-term unemployed adults had ceased to perform its market-clearing function of creating downward wage pressures (see Layard, 1997). As a result, employers were discouraged from creating jobs. According to this diagnosis, work-readiness programmes, tackling problems of both employability (vocational preparation, work habits) and passivity ('actively seeking work' requirements and the like), are needed to ensure that the unemployed are prepared to enter jobs when, where and if employers need them to do so. By reconnecting the long-term unemployed to the job market, welfare-to-work policies are thought to be capable of restraining wage pressures, thus allowing a higher rate of non-inflationary economic growth (for a critique of this approach see Peck

and Theodore, 2000A). The various New Deal programmes that have been implemented since 1997 have sought to do just that, relying on a range of programme components (such as employer subsidies, labour market information, personal advising, benefits sanctions, voluntary work, and work-based training) to channel job seekers into vacancies in local labour markets, the assumption being that a sufficient number of openings exist to readily absorb these workers.

### 3. Activating the 'workless class'

Prime Minister Blair delivered his first major policy speech at the Aylesbury Estate, a sprawling social housing complex in south east London and a striking symbol of urban decay. Vowing that his would be the 'Welfare to Work government', Blair outlined the challenge facing policymakers:

Now, at the close of the twentieth century, the decline of old industries and the shift to an economy based on knowledge and skills has given rise to a new class: a workless class. In many countries—not just Britain—a large minority is playing no role in the formal economy, dependent on benefits and the black [sic] economy ... Today the greatest challenge of any democratic government is to refashion our institutions to bring this new workless class back into society and into useful work, and to bring back the will to win (Tony Blair, speech at the Aylesbury Estate, 2 June 1997).

In the lexicon of New Labour, the workless are those 'who are unemployed or economically inactive, and who are in receipt of working age benefits' (Social Exclusion Unit, 2004, p. 12). But the term *workless* is more than just economic shorthand to describe a weak attachment to the labour market and the problems of long-term unemployment. *Worklessness* has become an important signifier that frames unemployment in supply-side terms and, when used by New Labour ministers, it constitutes a New Keynesian reformulation of the problem of structural unemployment. Worklessness is not involuntary, nor is it primarily about income. Rather, it is a behaviour and a benchmark for determining the legitimacy of an individual's claims on the welfare state. Under this formulation, work too is a behaviour, 'something that provides workers with "discipline and regularity", qualities that enable one to suffer the adversity of being poor' (Ranney, 1997, p. 5). New Labour's preoccupation with the 'workless class' as the principal target and reference point for welfare policymaking echoes neoconservative commentary regarding 'welfare dependency' and the 'undeserving poor'. George Gilder, for example, has argued that 'Poverty ... is not the key problem. [The problem facing the poor is] not chiefly poverty but a breakdown of the moral codes of civilized society' (1993, p. xix). The rise of 'non-work' is said to reflect this breakdown, not because of the economic conditions that it fosters (i.e., poverty), but because of the anti-social behaviours that it is said to engender. Therefore, worklessness refers to a type of poverty, 'real poverty [being] less a state of income than a state of mind' (Gilder, 1993, p. 12).

The government's elevation of worklessness to the status of the key referent for welfare-to-work programming reveals much about how unemployment is conceived of in policy terms. The construction of worklessness as a significant labour market problem is based on three related conceptual moves: (i) shifting the focus of policy analysis from demand-side concerns of job availability and job quality to supply-side issues of worker motivation and attitudes; (ii) individualising problems of economic hardship, defining long-term unemployment as the result of personal failings, inflexibility, or irresponsibility rather than as a condition arising from macroeconomic forces; and (iii) calling into question governmental

action aimed at increasing the number of jobs available in distressed areas in favour of strengthening market mechanisms for allocating labour market opportunities and rewards. When used in policymaking circles, the term *worklessness* draws a distinction between work as an economic activity and as an individual behaviour, and this has produced non-trivial shifts in the direction of public policy. The introduction of this terminology into the policymaking process and the redefinition of long-term unemployment that has accompanied it is more than just wordplay—it has enabled New Labour to redraw the boundaries around the problem of unemployment whilst ushering in a range of policy mechanisms designed to ‘activate’ the unemployed, including compulsory participation in welfare-to-work programmes, wage subsidies for employers, and benefits sanctions for the non-compliant.

In refashioning benefit programmes to tackle worklessness, Blair pledged not to lose sight of one of Labour’s core values, that of compassion—‘But it is compassion with a hard edge because a strong society cannot be built on soft choices’ (Tony Blair, speech before the Labour conference, quoted in *Guardian* 1 October 1997). Following Blair’s lead, New Labour ministers have pursued this tough love/hard choices approach with a determination bordering on enthusiasm. Gordon Brown (1997) carried forward the ‘rights and responsibilities’ rhetoric when announcing the New Deal: ‘With these new opportunities for young people come new responsibilities. There will be no fifth option—to stay at home on full benefit. So when they sign on for benefit they will be signing up for work. Benefits will be cut if young people refuse to take up the opportunities’. In keeping with the analysis of worklessness that holds that the long-term unemployed must be coerced into work, Secretary of State for Education and Employment, David Blunkett (2001), warned that, under the new policy, ‘there is no hiding place’ for anyone who is unwilling to work.

As conceived by New Labour, worklessness arises from the deficient attitudes towards work that are held by the long-term unemployed, to the point that even the economic aspects of unemployment are ostensibly rooted in the social sphere. When left unchecked, according to proponents of this analysis, worklessness ceases to be a simply a temporary condition that can be alleviated by an increase in aggregate employment but rather a ‘way of life’; it is, at its core, a set of behaviours that—when spatially concentrated—can become a ‘cultural’ characteristic. So, according to Deputy Prime Minister John Prescott (2002), ‘a culture of worklessness [has] prevailed’ in parts of Britain, while Chancellor Gordon Brown (2002) promised ‘an onslaught in favour of full employment and against the unacceptable culture of worklessness that ruined some of our communities in the 1980s and early 1990s...’ The demand side of the labour market is absent from this sort of analysis, the availability of jobs for the unemployed taken as an article of faith.

#### **4. Regional jobs deficits and long-term unemployment**

New Labour inherited from the Thatcher and Major governments an underperforming economy beset by significant underlying weaknesses. The legacy of these Conservative governments included inadequate investment in industrial capital and lagging productivity performance (Coates, 2005); income inequality at levels near their post-war high (Hills, 2005); and 1.7 million unemployed persons.<sup>1</sup> The Thatcher and Major governments presided over two recessions, each distinctive in its own right: the 1979–81 recession was

<sup>1</sup> New Labour also inherited a job training system that reinforced a low-skill, low-wage, low-productivity development path, even as Conservative discourses warned of a new competitive environment that demanded enhanced skills and flexibility (Jessop and Stones, 1992; Jones, 1999).

the deepest of the whole of the twentieth century, and the 1990–94 recession was the longest in the post-war period (Coates, 2005). These recessions dealt heavy blows to the jobs base of many regions of the country, particularly areas in the North. Deindustrialisation and mounting job losses during these recessions brought on rising levels of unemployment (especially long-term unemployment) as local economies underwent a traumatic and protracted period of labour market adjustment. Manufacturing job losses, in particular, were severe. Between 1979 and 1990, the number of workers employed in British manufacturing industries declined by 30% (House of Commons Select Committee on Trade and Industry, 1994), well above the levels experienced by other western European economies (Coates, 2005). The mining industry was hit even harder, with total employment plummeting from 220,000 jobs in 1985 to just 7,000 in 2004 (Beatty, Fothergill and Powell, 2005). Massive job losses in export-oriented, basic industries (such as manufacturing and mining) set in motion further employment declines in affected regions. As the multiplier effects of industrial decline took hold in these areas, the shocks of plant shutdowns or the closing of mines rippled through the local economy, robbing it of income and spending that supports a wide range of economic activity. The loss of basic industries led to declines in local consumer spending, which in turn undermined non-basic sectors of the economy, which in turn lead to further declines in local consumer spending, and so on. Rising unemployment followed, and when left unchecked, as it was by the Tories, it led to rising long-term unemployment. The local economy in these areas was, by any measure, in decline.

Policymakers in the UK have been left with the question of how to interpret weaknesses in local labour markets and the high unemployment rates that are found in these areas. The Treasury steadfastly has argued against the idea that localised demand deficiencies have created jobs gaps in economically distressed areas. According to the Treasury (2003, p. 46), ‘the worst concentrations of worklessness are in very small defined areas and are caused not by a lack of jobs, but by the people living in these areas being unable to compete successfully for the vacancies available’. The Treasury has consistently argued that high-unemployment areas are few and small, and not associated with an insufficient number of jobs:

Within regions, though, there remain pockets of high unemployment. A tail of around 15–20 local authority districts have not enjoyed the fruits of recovery seen throughout the rest of Britain. The majority of these areas are in inner cities, but seaside towns and former coal mining areas also feature. Often people from ethnic minorities, lone parents and people with disabilities are disproportionately concentrated within these small areas. They may suffer from poor housing, inadequate transport links and high crime rates, leading to social exclusion. Low employment rates are often both the cause and effect of these areas’ problems.

However, the problem of Britain’s most deprived areas is not necessarily a lack of jobs—in almost every case, these areas sit alongside, and within travelling distance of, labour markets with high levels of vacancies. People need to be equipped to take advantage of those opportunities. The Government therefore needs programmes to increase the employability of people in deprived areas, alongside those aimed at regenerating these communities, so that people from deprived areas can access and fill the vacancies that exist near to where they live (HM Treasury, 2000, p. 1).

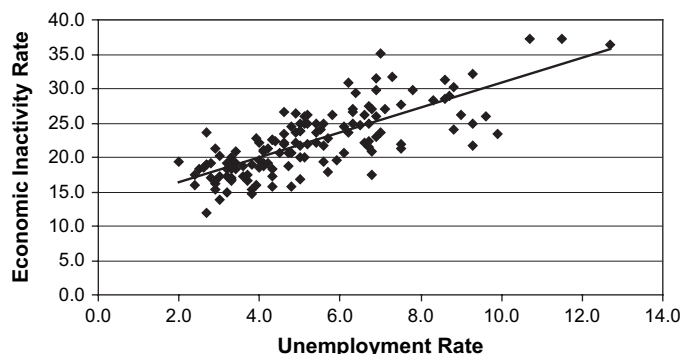
The notion that a sufficient number of unfilled vacancies exists to meet the employment needs of job seekers in high-unemployment regions is starkly at odds with a growing body of research documenting both the persistence of jobs deficits as well as an enduring North–South divide that has undermined the employment prospects of job seekers in many areas of the country (Bailey and Turok, 2000; Erdem and Glyn, 2001; Green and Owen, 2006;

Martin *et al.*, 2003; Peck, 1999, 2001; Rowthorn, 2000; Sunley *et al.*, 2006; Turok and Edge, 1999; Webster, 2000, 2005). For example, Erdem and Glyn (2001, p. 743) have estimated that in 1999 approximately 1.75 million additional jobs would have been necessary to lift the employment rates of all regions 'to the average level of the three regions (South-East excluding London, East Anglia and South West), which have the highest employment rates overall'. Moreover, amongst the least qualified workers, 'nearly one half of this "jobs deficit" is located in the bottom quarter of the labour market. So this section of the labour force suffers a regional shortfall of jobs about *three times as severe* in proportionate terms as the rest of the labour force, using the position of those in the highest employment regions as the yardstick' (emphasis in original). Jobs gaps are especially concentrated in the North, accounting for more than three quarters of the national jobs deficit. In coalfield areas, job deficits also remain, this despite regional regeneration initiatives, high rates of job creation, and more than 20 years of labour-market adjustment (including out-migration and commuting). Yet, 'only around half of the overall job shortfall for men in the coalfields has so far been eliminated' (Beatty *et al.*, 2005, p. 2).

The reasons for these job deficits are straightforward. 'Local areas, once hit by severe economic depression, can be caught in a situation where both demand-side and supply-side processes interact to maintain high unemployment locally even though employment conditions in the economy at large have improved' (Sunley *et al.*, 2006, p. 48). These areas become progressively less attractive to new investment, stagnation continues, and levels of unemployment are left largely unchanged. Still, the government has remained undeterred, casting the problem of long-term unemployment in terms of worklessness and insisting that large numbers of vacancies go unfilled by the work-shy. Secretary of State for Education and Employment David Blunkett (2001) has stated flatly, 'Jobs are there for the taking in most parts of the country'. This message has been carried forward during New Labour's third term. The government has considered expanding the use of mandatory programming in hopes of inducing further declines in claimant counts, framing welfare-to-work proposals in the context of an unemployed population that has lost the will to work, and again ignoring evidence of significant regional disparities in job availability. According to John Hutton (2007), Secretary of State for Work and Pensions, 'Our welfare reforms must confront head-on the "Can work-won't work" culture in our country... We cannot reasonably ask hard-working families to pay for the unwillingness of some to take responsibility to engage in the labour market'.

Listening to New Labour ministers discuss the problem of worklessness, it would be easy to conclude that long-term unemployment in the UK is a relatively recent phenomenon that could be counteracted by supply-side active labour market policies. However, the emergence of high levels of long-term unemployment in the post-World War II period dates back more than 20 years during the tumultuous period of deindustrialisation that dogged regional economies during the Thatcher years. In 1975, unemployment in the UK stood at 4.6% and the share of long-term unemployed was 14.8% (European Commission cited in Gaffikin and Morrissey, 1992, p. 99). By 1985, the unemployment rate had more than doubled to 11.5% while the share of long-term unemployed soared to 48.7%. Obviously, this is not a case where the will to work had suddenly dissipated—it was the jobs that were gone.

Now, more than two decades later, regional disparities in job availability endure, and with them, concentrations of long-term unemployment and economic inactivity. The Blair government was eager to cite figures that show unemployment falling across the economy (see Freud, 2007; Hutton, 2007). However, much of this decline is a statistical aberration; the number of economically inactive persons has climbed from 700,000 in 1979 to 2.7



**Fig. 1.** *Relationship between local inactivity rate and local unemployment rate, local authorities with at least 80,000 economically active residents, 2005. Source: NOMIS.*

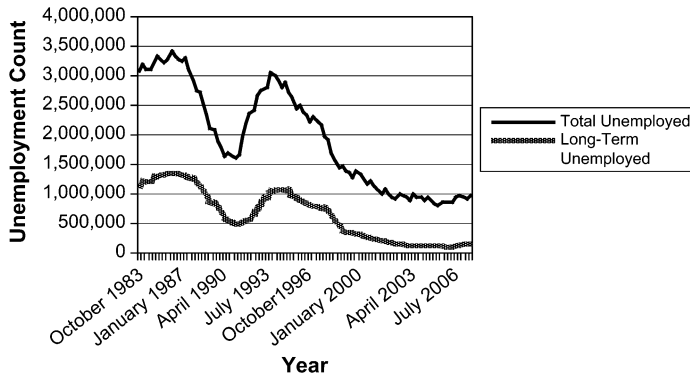
million in 2005—Britain’s ‘missing workforce’ of the hidden unemployed (Fothergill and Grieve Smith, 2005). Critics might contend that this in itself constitutes *prima facie* evidence supporting the discourse of worklessness that has guided policymaking under New Labour. But there are deeper social and economic explanations that account for the rise in inactivity. First, the inactivity rate is positively correlated with the unemployment rate, such that the local inactivity rate tends to rise with increases in the local unemployment rate (Figure 1). As a result, in local labour markets with continuing high unemployment levels, the effective unemployment rate is substantially higher than is captured by official statistics. Second, it is widely acknowledged that healthcare personnel have resorted to qualifying some of the long-term unemployed in economically distressed regions as medically unable to work. It has been suggested that this is seen as a humane alternative to the stigmatisation felt by the unemployed in areas, such as the former coalfields and industrial towns, which have yet to fully recover from deindustrialisation. This response, in part, is an unintended consequence of the discourse of worklessness which has portrayed the long-term unemployed as succumbing to a “‘culture of worklessness” or “poverty of aspirations”” (Department for Work and Pensions, 2004, p. 46) and therefore being among the ranks of the ‘undeserving poor’.<sup>1</sup> Ironically this discourse probably has pushed some of the long-term unemployed further away from the labour market, rather than towards it.

As is the case with inactivity rates, long-term unemployment follows a predictable pattern. Long-term unemployment closely tracks overall unemployment, with a rise in the unemployment rate leading to a (lagged) rise in the long-term unemployment rate and in the share of the unemployed who have been out of work one year or more (Figure 2). According to David Webster (2005, pp. 983–4),

It is clear from the data that long-term unemployment has had an almost completely unvarying, simple relationship with total employment throughout the post-Second World War period. At no time or place has there ever been significantly more or less long-term unemployment than would be predicted from this simple relationship, other than as a result of incidental factors such as localised seasonal unemployment or, since 1998, the New Deals which are specifically designed to prevent people from being long-term claimant unemployed.

<sup>1</sup> Evaluation findings from the New Deal for the Long-Term Unemployed reveal that older job seekers are humiliated by the compulsory elements of the programme and scandalised by the allegation that they are unwilling to work and must be coerced to do so (Millar, 2000).

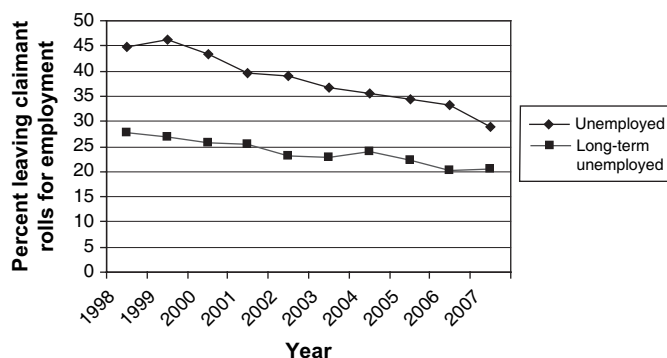




**Fig. 2.** *Total and long-term claimant unemployment, October 1983–January 2007 (quarterly data, seasonally adjusted). Source: NOMIS.*

Therefore, in order to reduce long-term unemployment in areas in which it is concentrated, either the long-run rate of economic growth must rise or targeted initiatives will be needed to raise levels of job creation where substantial jobs deficits remain. However, bad news for the unemployed in regions with jobs deficits is contained in the March 2001 Budget Report (HM Treasury, 2001) which concluded ‘that the economy is currently operating just above potential’, meaning that unemployment would need to *rise* if an acceleration in the rate of inflation is to be avoided (Grieve Smith, 2001). At the time the Budget Report was released the economies of cities such as Glasgow (unemployment rate of 11.3%, 26.7% of which is long-term unemployed), Liverpool (unemployment rate of 10.8%, 29.2% of which is long-term unemployed), Manchester (unemployment rate of 9.1%, 23.0% of which is long-term unemployed) and Birmingham (unemployment rate of 8.5%, 29.9% of which is long-term unemployed) had yet to recover from earlier rounds of job losses, and high rates of unemployment persisted (author’s calculations of 2001 unemployment rates from NOMIS). The North–South divide again reveals itself—overheating of the economy in the South signaling that growth must be reined in, well in advance of a sustained recovery in northern cities. Although economic conditions in these cities have improved somewhat in recent years, high unemployment rates remain; in the second quarter of 2006 the official unemployment rate was no less than 8.4% in any of these cities.

Active labour market programmes like the New Deals are ill suited to counteract jobs deficits and the problems of structural unemployment in many regional economies within the UK. These programmes are market-following, and they operate within the context of the local labour market in which they are implemented. In the absence of sufficient number of vacancies, there is a danger that active labour market programmes will contribute to churning in the lower reaches of the job market as employers cycle claimants in and out of available positions (see Peck and Theodore, 2000A, 2000B). In her review of programme evaluations of the various New Deal programmes, Jane Millar found evidence of churning and only modest programme outcomes, particularly when measured against the benchmark of sustained transitions into employment. In the case of the New Deal for Young People, nearly 440,000 young people had participated in the programme by February 2000. Approximately 41% moved into employment, though only 34% moved into ‘sustained’ jobs lasting 13 weeks or more, and it is estimated that



**Fig. 3.** *Share of unemployed and long-term unemployed who found jobs, 1998–2007. Source: NOMIS.*

‘about half of those who found work would have done so anyway’ given the cyclical expansion of the economy (Millar, 2000, pp. 14–15). Amongst participants in the New Deal for Long-term Unemployed People the outcomes were even more paltry. Approximately 238,000 people participated in the programme in its first 20 months. But only 16% of the roughly 151,000 participants who left the programme moved into employment, and just 13% moved into sustained jobs lasting 13 weeks or more (Millar, 2000, p. 15). Amongst benefit claimants, the trend has been away from transitions into employment and towards leaving the benefit rolls for other reasons. Since 1998, the share of the overall claimant unemployed and of the long-term claimant unemployed who found jobs (sustainable or otherwise) has declined steadily, falling to just one third and one fifth, respectively (Figure 3). Together, data on local labour market conditions, welfare-to-work evaluations, and unemployment rates point to the fundamental challenges posed by structural unemployment to the active labour market programmes upon which the economics of New Labour rely, and they show that supply-side programmes alone have been incapable of reversing economic stagnation in large sections of the country. Falling claimant counts provide a misleading appraisal of the effectiveness of welfare-to-work programmes operated in the context of weak regional economies where churning, worker discouragement and demand deficiencies are the norm.

### 5. Poverty, inequality, and the limits of active labour market programmes

It is a decade into New Labour’s experiment with welfare-to-work programming, and the results are not encouraging. A relatively small share of programme participants have entered sustained employment, and evaluation findings suggest that many job seekers who managed to secure jobs would have done so in the absence of the programme (Finn, 2003; Millar, 2000); income inequality has remained unchanged (Brewer *et al.*, 2006); and the poverty rate of working-age adults has remained constant (Palmer *et al.*, 2006). Changes in poverty rates among working families are especially revealing, particularly in light of New Labour discourses referring to a ‘culture of worklessness’ that is said to have pervaded the ranks of the economically excluded. Palmer and colleagues (2006, p. 16) have found that ‘nearly half of all adults age 25 to retirement now live in working households whereas, a decade ago, only one third did’. The number of adults who are in poverty despite being in working households now approaches 2 million, and this figure has risen steadily since 1996. According to Palmer *et al.* (2006, p. 16), ‘part of the explanation is that the scale of the problem of in-work poverty has not been fully acknowledged, with the result that one of

the two key premises of the [government's] strategy, namely "work for those who can", is seriously at odds with the evidence . . . [A]n additional reason is that it has never been clear what the other key premise of the government's anti-poverty strategy, namely "security for those who cannot (work)" is supposed to mean for working age people'.

Persistent jobs deficits have compromised the ability of active labour market policies to help many of the long-term unemployed back into work. Demand deficiencies, particularly in declining industrial regions, inner cities and former coal-mining areas, have meant that the various New Deal programmes encounter weak labour demand in many parts of the country. For many who have managed to find employment, jobs have been poorly paying, this despite a new national minimum wage and in-work benefits such as the Working Families Tax Credit. The steady rise of in-work poverty in this context is a further challenge to the discourse of worklessness, which has misconstrued persistent unemployment and labour market inactivity as arising from deficient attitudes towards work among the long-term unemployed. Jamie Peck (1999, p. 357) has stressed this point, 'Unemployment is not five times higher in the Yorkshire coalfields than in the Surrey suburbs because of some local deficiency in the work ethic; it is a straightforward reflection of job availability. In depressed areas, even the most active of active welfare-to-work policies will struggle to achieve results in the face of a shortage of jobs. Absent explicit and proactive policies designed to reflate and rebuild depressed local economies, the New Deal consequently seems destined to run up against the structural constraints of demand deficiency in the labour market'.

Despite evidence that jobs deficits are significantly larger and more widespread than acknowledged by the government, the Treasury remains wedded to an analysis that misconstrues long-term unemployment as arising from a self-reinforcing 'culture of worklessness' befalling highly localised areas. With its policy portfolio so severely circumscribed by a set of economic priorities focused on restraining inflation and achieving labour market 'flexibility', the government has little alternative but to continue to tout its active labour market policies designed to insert job seekers into whatever jobs might be available. But the limitations of this approach are readily apparent whenever these programmes encounter weak labour markets in distressed regions. Ten years of welfare-to-work programming has failed to reverse economic decline in these areas, but of course New Labour put far too much faith in the macroeconomic effects of supply-side measures in the first place. The government's experiment with welfare-to-work policies has again revealed the importance of job availability and job quality for labour market policy, and it has shown that neglecting these concerns undermines efforts to reduce inequality, alleviate poverty, and lower unemployment. So, too, has it revealed the continuing importance of demand-side job creation initiatives for revitalising economically distressed regions. The economics of New Labour, then, can be seen to rest in part on an unwarranted and ill-advised reliance on supply-side policies to achieve the crucial objectives of job growth and local economic development.

Active labour market programmes have an important role to play as part of a portfolio of economic policies aimed at improving skills and access to employment, while also combating inequality and social exclusion. However, when operated in the context of weak labour demand and in the absence of explicit job creation measures, these programmes are incapable of fundamentally altering the employment prospects of the long-term unemployed. Job seekers may be cajoled or compelled to pursue whatever job opportunities might be available, but the pattern of labour market entry associated with the New Deal programmes indicates that vacancies will be too few and jobs too unstable and poorly paying to substantially improve the economic well-being of most benefit claimants.

Instead what is needed are local economic development and social economy initiatives that are designed to stimulate job growth in distressed regions *combined with* job training programmes to help the long-term unemployed back into the labour market. It is precisely this combination of policies that, when well designed and adequately funded, can address both the root causes of long-term unemployment in the UK and the ongoing problem of demand deficiencies in distressed regions.

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