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***National, regional and local employment policies in
Sweden and the United Kingdom***

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1. Introduction

This paper takes a case study approach to examine Active Labour Market Policies (ALMP) and regional policies in 2 European countries, Sweden and the United Kingdom. Each case study will elaborate the employment policies at the national level including the operation of the Public Employment Service (PES) and ALMPs designed to ensure maximum labour force participation. This will be followed by an examination of regional policies to reveal the extent to which these conform to the new regionalism model of regional economic and employment development.

2. ALMP and regional policy in Sweden

The Rehn-Meidner model, referred to as the Swedish Model was developed in the 1950s to reconcile the goals of full employment, economic growth, redistribution and low inflation. It consisted of 3 major components (Anxo and Niklasson, 2006). First, restrictive fiscal and monetary policies were used to control inflation in a fixed exchange rate regime. Second, wage moderation was achieved through centralised wage bargaining that involved employers and trade unions. Finally, the government used counter-cyclical ALMPs to achieve full employment and labour mobility, both on an industrial and geographical basis. Activation policies were implemented through the decentralised National Labour Market Board (AMS) and included relief work, vocational training and employment subsidies.

Sweden has also pursued economic development at the regional and local levels, predominantly through Regional Growth Agreements and Local Employment Services Committees (European Commission, 2004e). Policies are designed:

[P]rimarily to create good general preconditions – including basic structures – for regional development. In Sweden, this involves an effective municipal equalisation system in which local taxation resources are transferred from the more densely-populated regions to the more sparsely-populated regions, an active labour market policy, a wide access to knowledge and skills for the workforce and an extension of higher education, contributing to a cluster-based innovation policy etc. The EU's structural funds are part of this general policy (Svenningsson, 2003: 356).

Sweden achieved average GDP growth of 3.2 per cent in the decade to 2006 (Statistics Sweden, 2008), has productivity growth of 2.5 per cent per annum and, since 1998 has achieved average real wage growth of 3.5 per cent (OECD, 2007b). However, the unemployment rate was 7.5 per cent in 2005 and there is evidence of social exclusion amongst youth, immigrants, the sick and disabled. While Sweden has high spending on research and development and is highly ranked on innovation, the OECD (2007a) observed that economic growth is lower than many less innovative countries. They cite concern with low rates of entrepreneurship and less efficient innovation in SMEs that are increasingly important.

2.1 Labour market policy administration

Labour market policy is administered nationally to achieve targets such as an 80 per cent employment rate and an unemployment rate below 4 per cent (Svenningsson, 2003). However, the government uses objectives rather than regulations and directives, ensuring a considerable degree of decentralisation and local autonomy that has “created a favourable

institutional framework for a flexible and efficient labour market policy” (Anxo and Niklasson, 2006: 356). Labour market administration (AMV) is responsible for improving the matching efficiency of the labour market, skill enhancement and support for the most disadvantaged in the labour market through the National Labour Market Board (AMS) that was established in 1948 and the Public Employment Service (PES). The AMS administers labour market policy including allocation of ALMP budgets by county. The PES delivers employment services, labour market policies and the unemployment insurance system.

Regional and local authorities implement national policies taking into account local labour market conditions and needs. This approach is rooted in the belief that it will improve efficiency and result in more appropriate activities (Lundin and Skedinger, 2000). At the county level County Labour Boards are responsible for labour market policy and specify the role of Local Employment Services Committees (ESCs). Counties determine the relative importance of various types of ALMPs available in the county (Anxo and Niklasson, 2006). Most municipalities are represented by one of the 320 ESCs comprised of 8 to 16 representatives from County Labour Boards, the PES, municipalities, local business and trade unions (European Commission, 2004e). Since 1997 municipalities have nominated the chairperson and a majority of committee members. Local employment offices are responsible for implementing ALMPs, including selecting individual participants (Anxo and Niklasson, 2006).

In line with international trends toward the shift in responsibility to lower levels of government, municipalities play an increasingly important role in labour market policy and local economic development (European Commission, 2004e). For social assistance, recipients municipalities are responsible for payments and developing programmes so there are variations in support and activity requirements based on the geographical area of residence. Municipalities provide services to increase employability and provide training and temporary employment programmes for around 60 per cent of participants (European Commission, 2004e). This role has resulted in claims of cost shifting from municipalities because programmes are partly state funded and, in the past, participants were able to requalify for Unemployment Insurance (UI) rather than rely on social assistance that is funded by municipalities (Lundin and Skedinger, 2000; European Commission, 2004e).

The AMV is currently being reorganised to form a new central organisation with employment service areas aligned with 60 to 80 local labour market areas with a central office and several local offices in each area. At the beginning of 2008 the AMS and County Labour Boards were to be abolished. In addition, private employment services will be encouraged to compete with the PES.

2.2 Historical development of ALMP

Over time there have been significant changes in ALMP in Sweden. In the mid 1990s there were 4 major categories of ALMP programmes: subsidised on-the job training, wage and employment subsidies, self-employment grants and classroom training. Subsidised on-the-job training was composed of subsidised employment (SUBE) and the trainee replacement scheme (TRS). SUBE offered a 50 per cent wage subsidy to employers and was aimed at reintegration of those unemployed longer than 6 months (Carling and Richardson, 2004). TRS positions provided an opportunity for the unemployed to gain temporary employment while other employees took training leave. Employers received a subsidy of 50 per cent of the wage cost for the replacement worker and the education costs of the regular worker were subsidised. For both programmes, workers were paid the regular wage for the position.

Wage and employment subsidies applied for work that would not otherwise be performed and included the work placement scheme (API), relief work (RW) and work experience (ALU) (Carling and Richardson, 2004). Both API and ALU provided work experience for the unemployed in return for the equivalent of unemployment benefits rather than the regular wage. API could be utilised by public and private sector employers while ALU applied in the public and non-profit sectors and allowed participants to requalify for unemployment insurance. In contrast to the workfare nature of API and ALU, relief work (RW), which had existed since 1933, provided the regular wage and mainly involved work for municipalities and state organisations. Self-employment grants (SEMP) provided opportunities for the unemployed to start a business and receive the equivalent of unemployment benefit in the initial stage.

Classroom training was designed to enhance the skills and employability of the unemployed and meet the needs of industry. Labour market training (AMU) concentrated mainly on technical and manufacturing training while computer / activity centres (CAC) provided basic computer training. Participants received the equivalent of UI whilst completing training.

During the 1990s recession Anxo and Niklasson (2006) identified a shift away from demand side measures such as provision of temporary relief work and recruitment subsidies towards an increased concentration on supply side programmes such as vocational training, which accounted for 42 per cent of Sweden's ALMP expenditure. They point to the introduction of mixed programmes that combined training and temporary employment from 1992, temporary trainee replacement, youth training and work experience.

Significant changes in ALMP occurred in the late 1990s, particularly in relation to demand-side measures such as relief work and subsidised on-the-job training were replaced with employment subsidies in 1998 (Agell *et al.*, 2002). General employment subsidies provided 50 per cent of wage costs from January 1998, while reinforced employment subsidies for those unemployed for 48 months provided higher subsidies; 75 per cent of wage costs for 6 months, followed by 25 per cent for 18 months. From 2000 the extended and reinforced employment subsidy for those unemployed 48 months or more provided a subsidy of 75 per cent of wage costs for 12 months and 50 per cent for another 12 months. At the same time people aged over 57, unemployed for more than 2 years, and with at least 3 months participation in the Activity Guarantee, became eligible for special employment subsidies of 75 per cent of wages for 24 months. This subsidy was motivated by recognition of the extreme labour market disadvantage faced by older, long-term unemployed workers. Other programmes that were discontinued in the late 1990s included public temporary work for long-term unemployed workers over 55 and wage allowances for long-term unemployed over 60 years (Agell *et al.*, 2002).

Youth labour market programmes date from 1984 but have been used on a wide-scale basis since early 1990s. Youth practice commenced in 1992 for youth under 25 and after the 1994 election the government undertook to place youth in programmes within 100 days of unemployment. From 1995 municipalities operated the Municipal Youth Programme (MYP) to provide education or work practice for youth under 20 years of age (Agell *et al.*, 2002). Since the 100 day guarantee had not been delivered by 1998, the Youth Guarantee (YG) was implemented to allow municipalities to provide a programme for 12 months if the PES had not placed youth in employment, education or other labour market measures within 90 days. The 'On track for a job' initiative that commenced in 2005 provides courses, internships and other individual measures to unemployed persons aged 20 to 29.

Changes in UI eligibility introduced in 2001 meant that participation in ALMP no longer allowed people to requalify for UI (Forslund, Fröberg and Lindqvist, 2004). In 2000 the

government introduced the Activity Guarantee for those at risk of long-term unemployment or those whose eligibility for UI was almost exhausted. Under the Activity Guarantee full-time participation in job search, study or other labour market programmes was required in exchange for the equivalent of UI. Job search groups were organised under PES supervision and involved individual action plans that were drawn up and reviewed. Activities organised by municipalities or other authorities could be included in the plans. Forslund, Fröberg and Lindqvist (2004) claimed that only a small proportion of the LTU actually entered the Activity Guarantee. Of those who participated only two-thirds indicated that it was full-time, and there was no evidence of increased search activity or positive employment effects (Forslund, Fröberg and Lindqvist, 2004). Those who did not participate in the Activity Guarantee could requalify for UI if they obtained subsidised employment. Alternatively, benefits could be maintained by cycling through a succession of other programmes.

Sabbatical leave was piloted in 2002 and rolled out nationally in 2005. Workers could take leave for up to a year and be replaced by an unemployed person who would gain work experience and a recent work reference.

The 2006 'Jobs Package' introduced "Plusjobb" positions that provided full wage subsidies for public sector employment with State, municipalities, associations of local authorities and contractors to these organisations (Prime Minister's Office, 2005). The positions were available for those unemployed for over 2 years, to ensure additionality the positions were in work that was not previously carried out. About 80 per cent of Plusjobbs were in the municipal sector in schools, child care and elder care. The scheme was terminated in October 2006 (AMS, 2006).

2.3 Current ALMP policy

The election of a centre-right coalition government in 2006 brought with it neo-liberal policies, prompting (Agius, 2007: 11) to observe:

Although early analysis of the election and the programme of the Alliance emphasises that the Swedish Model is still intact, a few observers have suggested that the new government's long-term goals may lead to a weakening of support for the Swedish Model.

First, the government reduced income taxation for low and medium income earners, introduced in-work tax credits and reduced unemployment benefits to make work pay (Agius, 2007; OECD, 2007b). At the same time the government shifted the insurance funding burden to individuals by increasing the self-funding component of UI, reducing the income ceiling for sickness insurance and removing the co-financing requirement for employers. Secondly, the government increased labour market flexibility by expanding fixed-term contracts, cutting hiring costs to employers and reformed the Swedish Labour Market Administration. Thirdly, reductions to company and wealth taxation combined with the easing of regulation to further transferred resources to business.

The 'work-first' philosophy proposes that the unemployed will get new start-training, retraining, work experience, a job or other employability measure within 6 months for young people or within 12 months for older people. By 2010 it is envisaged that 25 per cent of the LTU will participate in an active measure. The restructuring of ALMP programmes included the abolition of Plusjobbs, sabbatical leave, bonus jobs, education leave replacement positions and jobs for recent graduates.

Unemployment payments have been reduced to a maximum of SEK 680 per day, eligibility criteria tightened, and the government contributions reduced while individual contributions have increased (Prime Minister's Office, 2006). Rates are set at 80 per cent of previous earnings for the first 200 days, followed by 70 per cent to 300 days (or 450 days for those with children under 18 years). After 300 days (450 for parents) the unemployed must participate in the job and development guarantee.

From July 2007 the 'job and development guarantee' for long-term unemployed replaced the Activity Guarantee (Prime Minister's Office, 2006). The job and activity guarantee promises individually designed assistance that provides intensive jobsearch, personal coaching, participation in programmes such as job training, work experience, subsidised employment and skills development. Participants who have not secured employment within 450 days on the programme will be assigned to a job that is useful to society. The programme provides 65 per cent of lost earnings (minimum of SEK 320 per day and maximum of SEK 680 per day) to those with unemployment insurance. Those without insurance are paid SEK 223 per day for a maximum of 450 days.

A 'job guarantee' for young people under 25 replaced municipal youth programmes and the Youth Guarantee from 1 December 2007 (Prime Minister's Office, 2006). The 'job guarantee' does not guarantee employment but provides intensive jobsearch support after 3 months unemployment and progresses to include education, training, work experience and internships. Unemployed youth eligible for unemployment benefits receive 70 per cent of previous earnings for the first 100 days, then 65 per cent. Others receive 'development insurance' which is equal to student aid.

'New start jobs' began in January 2007 and provide subsidies equal to social contributions to employers who employ persons in receipt of unemployment or sickness benefit, disability pension or social assistance for more than a year, or newly arrived refugees. In other words, employers are effectively exempt from making social contributions in respect of these workers for an initial period of employment. This subsidy lasts for the length of time the person has been unemployed up to a maximum of 5 years (Prime Minister's Office, 2006). Employer contributions have also been reduced for various service sectors in an attempt to stimulate demand for low-skilled workers.

Sweden remains in the top 3 OECD countries ranked in terms of ALMP expenditure as a proportion of GDP, but there has been a significant reduction in recent years. In 1995 Sweden had the highest expenditure at 2.36 per cent of GDP but by 2005 this had declined to 1.32 per cent and Sweden had been overtaken in the rankings by Denmark and the Netherlands (OECD, 2007c). The proportion of ALMP expenditure in total labour market expenditure has also declined from 65.8 per cent in 1990 to 52.4 per cent in 2005 and there have been compositional changes in expenditure by type of programme (OECD, 2007c). Job creation programmes that have now been discontinued, accounted for 18.22 per cent of ALMP expenditure in 1995, while wage subsidies increased from 13.6 per cent to 34.1 per cent. Similarly, training programme expenditure declined from 42.1 per cent of total ALMP expenditure in 1998 to 25.8 per cent in 2005.

Table 1 LMP expenditure 2005

Programme	Expenditure (Millions of SEK)	% of total expenditure
Work experience	1857	7
Counselling and placement activities	3477	13
Hiring support	3154	12
Public sheltered employment	739	3
Free year	1280	5
Wage subsidised employment	6288	24
Employment training	2323	9
Entrepreneurial start-ups	924	3
Vocational Rehabilitation	666	3
Preparatory training	2637	10
Sundry expenses	3102	12
Total	26447	100

Source: (Employment Office, 2006)

Table 1 shows total expenditure by ALMP in millions of Swedish Krona and the proportion of expenditure by programme for 2005. In financial terms the largest programme was wage subsidised employment (24 per cent), followed by counselling and placement services (13 per cent) and hiring support (12 per cent). During 2005, the programme with the largest average number of participants was hiring support with 25,044 participants (Employment Office, 2006). This was composed of 4 sub-programmes: general recruitment incentives for LTU adults or youth who have been unemployed for at least 6 months; reinforced recruitment incentives for those unemployed longer than 24 months; special recruitment initiatives for those aged over 61 years; and enlarged reinforced recruitment incentives that were discontinued in 2004. In 2005, counselling and placement activities had a monthly average of 25,037 participants, compared to 21,456 for employment and training, and 12,743 for work experience.

2.4 Regional and local policies in Sweden

Historically, regional and local policy focussed on isolated and sparsely populated areas where development lagged behind other regions (Blakely, 1989; OECD, 2007a). According to Blakely (1989: 277) the strategy changed in the 1980s “with the introduction of more competitive and decentralized economic development alternatives stressing international competitive sectors.” He attributes the shift to the fact that local government could form a direct relationship with high-technology internationally competitive firms but also points out that decentralisation also shifted responsibility to local government and deflected blame from the national government.

In line with EU and OECD developments (see Cook 2008) regional and local employment development has assumed increasing importance in Sweden. In contrast to earlier regional policies that were primarily concerned with equalisation strategies, the current policy reflects the shift to a focus on “growth and vitality in the whole of Sweden” (Hudson, 2005: 313). Hudson summarised the differences between previous regional policies and current regional development policies in terms of governance and delivery structures and the focus of programmes. The shift from government to governance is reflected in the decentralisation of programmes to include multi-level actors and incorporate bottom up as well as top down initiatives. The focus has shifted from the development of physical infrastructure in backward regions. In the new policy domain, all regions are viewed as growth centres that will develop through of regional policies that include public / private partnerships, and the development of soft infrastructure such as human and social capital and welfare to produce self-reliant regions (Hudson, 2005). Despite the new model of regional development many of the policies fit the mould of targeting lagging regions as will be evident in the next section.

From the 1980s counties have been responsible for developing strategies for regional development to stimulate employment growth and innovation through municipal development companies consisting of public-private partnerships (Blakely, 1989). In 1998/99 the national government required that regional growth agreements (now regional growth programmes) be prepared in all counties for implementation in 2000-2002. National funding can be allocated through the regional growth programmes to develop “regional competency and labour supply, cluster and innovation system, regional attractiveness, entrepreneurship/business development/business climate and infrastructure” (OECD, 2007a: 299). Municipalities facilitate labour market participation through the decentralised administration of labour market programmes such as training and temporary employment which are partly state-funded (European Commission, 2004e). They have developed municipal development companies, public-private partnerships or internal committees that have fostered innovation and assisted firms to become more internationally competitive by assisting with export loans and overseas marketing, business expansion or new business startups and community employment initiatives (Blakely, 1989). Public-private partnerships can involve municipalities, county councils, business and local business associations, trade unions, county labour boards, universities, and regional skills councils (Svenningsson, 2003). Regional development partnerships appear to be in line with the philosophy of devolving responsibility to the local level. However, Hudson points to the possibility that the central role of the county administration boards may provide a mechanism for the central government to maintain control over regional development (Hudson, 2005).

Municipalities are also involved in other local economic development programmes to increase labour demand which often involves co-operation with other municipalities and regional growth programmes (European Commission, 2004e). Municipal organisation at the regional level is coordinated through the Federation of County Councils and at the national level

through the Swedish Association of Local Authorities. For example, West Sweden consists of a partnership arrangement of 67 municipalities and 3 county councils to promote the region internationally by providing information to investors, particularly in the marine technology and automotive industries (European Commission, 2004e).

Regional growth programmes were criticised because there was no additional funding attached, many initiatives would have been implemented in the absence of the programme, and there were difficulties in ensuring effective regional involvement of central government authorities from a number of departments “which makes cross-sector co-operation difficult” (Svenningsson, 2003: 356). In recognition of these shortcomings the government introduced ***A Policy for Growth and Viability throughout Sweden*** that improved co-ordination of policy areas that impacted on regional development and permitted all municipalities to form co-operative bodies in each county to assume responsibility for regional development that was previously undertaken by county administrative boards (Svenningsson, 2003).

Table 2 Initiatives for regional competitiveness and employment

Innovative environments
<ul style="list-style-type: none"> • Promote cooperation between research and development, industry and the public sector, develop initiatives for more effective interaction within innovation systems and clusters. • Encourage an international exchange of knowledge and cooperation between higher education and industry. • Promote development of regional profiles and specialisation. • Protect natural environments, culture and cultural heritage in the development of innovative environments. • Encourage innovation by promoting new knowledge particularly within small and medium-sized businesses. • Improving businesses' ability to benefit from new knowledge from universities and research institutes. • Develop structures which encourage the transfer of knowledge between businesses. • Promote businesses' ability to develop new products and services. • Promote commercialisation of research results and ideas from higher education, industry and other players.
Entrepreneurship
<ul style="list-style-type: none"> • Promote a favourable culture of entrepreneurship and enterprise. • Promote initiatives which facilitate starting new businesses. • Develop strategic forms of cooperation between businesses. • Support businesses' capital procurement where the market provisions are not satisfactory. • Facilitate industry development, greater international exchange of business, and stronger positions on the foreign markets. • Exploit opportunities by the sustainable use of natural resources, e.g. renewable energy sources. • Change to a more sustainable energy system and develop technology, products and services. • Encourage development of business based on natural environments, culture and cultural heritage • Encourage continued development of natural and cultural tourism.
Skills supply and Innovative Labour Supply
<ul style="list-style-type: none"> • Promote skills development for those already employed to reduce the risk of future unemployment • Use non-traditional methods to re-integrate the most disadvantaged into the labour market • Prevent and combat discrimination and exclusion from the labour market. • Prevent long-term sick leave and facilitate a return to work through innovative initiatives.
Cross-border and Trans-national Programmes
<ul style="list-style-type: none"> • Minimise border obstacles for cross-border commuters and businesses with cross-border operations. • Promote cross-border network cooperation between businesses. • Develop cross-border cooperation solutions to increase access to key community functions. • Promote closer cooperation across national borders in order to strengthen innovative environments. • Contribute towards improving communications between the Nordic metropolitan regions. • Promote sea motorway initiatives to improve transportation and improve peripheral regions' accessibility. • Promote cross-border cooperation for development of natural resources, culture and cultural heritage. • Promote closer cooperation on environmental issues in the Baltic and the North Sea.
Regional enlargement
<ul style="list-style-type: none"> • Strengthen the link between traffic and infrastructure measures. • Develop interaction between different types of transport. • Develop passenger transport to improve accessibility and creates better conditions for regional enlargement.
An advanced information society
<ul style="list-style-type: none"> • Encourage and facilitate the use of IT in small and medium-sized businesses. • Develop products and services to improve accessibility to, and use of, IT for people and businesses. • Continue to develop broadband solutions in sparsely populated and rural areas.
Sparsely-populated regions
<ul style="list-style-type: none"> • Develop opportunities relating to basic industry, including in terms of technology and service development. • Develop solutions to span distances. • Promote industry-oriented investment in tourism and tourist industry. • Promote cooperation between regional structural fund programmes: R&D, skills supply, renewable energy.
Metropolitan regions
<ul style="list-style-type: none"> • Reinforce internationally competitive innovation system clusters. • Promote local development initiatives in areas which experience isolation. • Promote increased integration. • Encourage cooperation and sharing experience with other cities in Sweden and internationally.

Source: (Ministry of Enterprise Energy and Communications, 2007)

In *A national strategy for regional competitiveness, entrepreneurship and employment 2007-2013* the government stressed the necessity for a coordinated approach to regional development by establishing a forum for regional competitiveness to facilitate dialogue between national and regional representatives (Ministry of Enterprise Energy and Communications, 2007). At regular meetings the forum will determine joint initiatives to achieve both national and regional goals which will be coordinated through county administrative boards. National priorities identified included: innovation and renewal, skills supply and improved workforce supply, accessibility and strategic cross-border cooperation. Table 2 provides a summary of the initiatives proposed for regional structural fund programmes to enhance regional competitiveness and employment (Ministry of Enterprise Energy and Communications, 2007).

Other initiatives enhance regional and local development. The government supports projects of collaboration on higher education between universities and municipalities, county councils, or county administrative boards (Ministry of Finance and Ministry of Industry Employment and Communications, 2002). Local partnerships complement regional development and can include a wide range of partner organisations: local authorities, local business associations and SMEs, county councils, County Labour Boards, the Employment Services, employer representatives, trade unions, third sector and social economy organisations, schools and other education and training organisations (European Commission, 2004e). Local employment action plans have been developed by the Swedish Association of Local Authorities and municipalities either on an individual basis or by local labour market areas. A local programme for entrepreneurship was established with funding of SEK 30 million and the role of Local Cooperative Development Centres was expanded to incorporate promotion of entrepreneurship in the social economy with a budget of SEK 90 million between 2002 and 2004 (Ministry of Finance and Ministry of Industry Employment and Communications, 2002).

EU Cohesion Policy in Sweden

One of the principles of Cohesion Policy is partnership between the Commission, national, regional and local governments, and other organisations including the social partners and community organisations. For the period 2007-2013, Sweden has been allocated a total of EUR 1.9 billion from the EU for Cohesion Policy implementation, with matching funds from the Swedish government. The focus will be on entrepreneurship and over 80 per cent of funding will be devoted to enhancing regional competitiveness and contributing to jobs and growth. Implementation of the Social Fund is the responsibility of the Swedish ESF Council which has a central office and 8 regional offices, one in each of the administrative provinces of Sweden. In each of the 8 regions, there is a partnership consisting of local actors and representatives of the labour market organisations that participates in preparation of regional plans.

Structural Funds contributed to regional development in Sweden in the period 2000-2006. EU funding for Objective 1 totalled 797 million EUR, Objective 2 funding was 431 million EUR and Objective 3 funding reached 795 million EUR. The proportion of the population living in Objective 1 and 2 regions was 18.9 per cent. The Swedish ESF Council was responsible for implementation at both the regional and local level for Objective 3 and EQUAL funding while Objective 1 funding was controlled by county administration boards. Objective 1 regions in the north and west received funding for skill development, participation assistance for those outside the labour market and support for local projects. Objective 1 regions are defined as regions where per capita GDP is less than 75 per cent of the EU average. The

programmes were managed by County Administrative Boards with the central government agency NUTEK assisting with administration and monitoring.

The administration of EU structural funds during 2007-2013 will be the responsibility of 2 managing authorities, 8 region based structural fund partnerships and monitoring committees (Ministry of Enterprise Energy and Communications, 2007). Nutek (Swedish Agency for Economic and Regional Growth) will manage ERDF funding while the Swedish ESF Council will be responsible for ESF funding. The regional partnerships prioritise projects and coordinate activities with other programmes such as regional growth programmes, the rural development programme, and county infrastructure plans. The partnerships include a government appointed chairperson, members appointed by the chairperson and elected members who are in the majority. Figure 1 shows the cohesion policy regions for Sweden for 2007-2013.

Figure 1 Convergence and Competitiveness Regions in Sweden: 2007-2013



Source: (European Commission, 2006b)

Between 2000 and 2006 Structural Funds contributed EUR 391 million out of total expenditure of EUR 1041 million in the Objective 1 region of Norra Norrland in northern Sweden, covering Norrbotten and Västerbotten counties. The area is sparsely populated, has a low birth rate, out migration, low business start-ups and public sector employment accounting for 40 per cent of the workforce (European Commission, 2007i). Funding priorities included development of road, rail and air transport infrastructure; commercial and industrial development; development of skills and employment; development of rural industries, particularly business assistance, marketing and training. The programme was managed by the Norrbotten County Administration Board with administrative and monitoring assistance provided by the central government agency NUTEK.

The other Objective 1 region Södra Skogslän received Structural Funds of EUR 357 million in a total budget of EUR 1009 million in 2000-2006 (European Commission, 2007j). The region is situated in the middle of Sweden and consists of the counties of Västernorrland and Jämtland and part of the counties of Dalarna, Värmland and Gävleborg. The interior of this sparsely populated area has high unemployment and a long-standing out-migration problem. The region also has skill shortages in engineering, telecommunications, business services and education. The programme identified several priorities. The first objective of the programme was to strengthen SMEs and entrepreneurship, promote research and development and cooperation between large and small firms. The second priority involved promotion of life-long learning and skill development to provide equality of access to the labour market. The remaining priorities related to development of rural industries and environmental protection to improve the attractiveness of the region and stem out-migration. The Jämtland County Administrative Board managed the programme.

During 2000-2006 there were 4 Objective 2 regions, namely Öarna, Västra, Norra and Södra. These regions were suffering industrial or rural decline. The Öarna region consists of islands along the east and west coast covering 56 municipalities. The level of educational attainment is below the national average as is GDP per capita. Services are underdeveloped and reliance on tourism results in seasonal unemployment (European Commission, 2007h). Structural funds supported 3 programmes: living environment, human resource development, economy and infrastructure. Living environment activities included provision of services to enhance the attractiveness of the islands and encouraging employment through landscape development and conservation. Human resource development concentrated on linkages between educational institutions and firm for activities such as research and development. The objective of the final programme was to diversify the economy and support small business through upgrading infrastructure and assisting with access to capital. Structural Funds supplied EUR 30 million of total funding of 101 million.

Objective 2 funding of EUR 124 million of total funding of EUR 431 million in 2000-2006 was granted for the Västra region in west Sweden that covers parts of the counties of Örebro, Värmland and Västra Götaland (European Commission, 2007l). Manufacturing provides major employment opportunities but is vulnerable to structural change. The workforce is older than the national average and only 20 per cent of young people have a post school qualification. The programme is managed by the County Administrative Board of Örebro and has a business focus. The objectives are to promote innovation and co-operation between business and educational institutions. The Norra region, which covers the counties of Dalarna, Västmanland and Gävleborg received structural funding of EUR 185 million as part of total funding of EUR 629 million in 2000-2006 for business and knowledge driven development (European Commission, 2007g). The Södra region in south eastern Sweden obtained Objective 2 structural funds of EUR 83.5 million of total funding of EUR 320 million in 2000-2006 (European Commission, 2007k). The programme focussed on co-operation of the

private and public sector to improve the business environment through infrastructure and educational development, business attraction, research and development.

Cross border co-operation was also funded by the EU Structural Funds in 2000-2006. Jämtland County Council managed Interreg III A funding of EUR 32 million (total funds of EUR 57 million) to facilitate economic growth, skill development, development of transport and communications infrastructure, and promote regional co-operation on environmental protection between Sweden and Norway (European Commission, 2007e). The Interreg III A funding for the Kvarken-MittSkandia partnership between Sweden, Finland and Norway was managed by the Västerbotten County Council (European Commission, 2007d). Structural Fund contributions of EUR 24 million (total funding EUR 57 million) was devoted to facilitating cross-border commuting by improving transport linkages as well as fostering greater cooperation through cultural activities and youth exchange programmes. The Västerbotten County Administration managed a partnership consisting of national and regional authorities and various other organisations in Sweden, Finland, Scotland, Norway the Faeroes and Greenland funded by Interreg III B. Funding of EUR 21.3 million (total funding of EUR 50 million) encouraged communications technologies, economic and community development in areas classified as the Northern Periphery (European Commission, 2007c).

European Social Fund (ESF) expenditure, which constituted only around 2 to 3 per cent of total expenditure on active labour market measures, was predominantly allocated for enhancing workforce adaptability (49 per cent) and ALMPs (44 per cent) (Agell *et al.*, 2002). Projects typically attempted to address labour market disadvantage. The Nordanstig Economic Association launched 'The Job' project that ran for 3 years to the end of 2003 in the sparsely-populated municipality of Nordanstig to provide assistance to the long-term unemployed and incapacity benefit recipients to secure employment (European Commission, 2007f). The Association worked in cooperation with the employment centre, the social security office and the community. Under the programme a counsellor developed an individual action plan in consultation with the jobseeker. Assistance could include on the job training, further education, skills analysis and support that lasted for one year. The programme received ESF funding of EUR 491,512, achieved 75 job placements and 29 people returned to full-time education out of 151 participants.

Immigrants are one of the most disadvantaged sections of the labour force in Sweden. The Blekinge labour exchange, provided individualised assistance to migrants with poor language skills, and, in some cases, physical or mental disabilities (European Commission, 2007f). Counsellors and clients developed an employment plan. Those placed in employment were accompanied by a work coach to assist them in the initial phase of employment. The programme ran for 2 years with ESF funding of EUR 174,705 (total funding EUR 368,327) and achieved 101 job placements and 4 self-employment outcomes from 130 participants.

Previous programmes have provided employment opportunities and contributed to social outcomes and regional development. A programme to address areas with high unemployment and social problems in Malmö, involved the establishment of an advice bureau for small business through a partnership between a co-operative association and ALMI, a public sector company that focuses on development (European Commission, 2008a). The project involved renovation of industrial and office buildings to set up the project which assisted business start-ups for 67 new companies over the 3 year period to 2000. In addition, the project established a community centre that hosts a variety of community activities.

Several projects have fostered business formation by young people. In the isolated Lapland region which was characterised by high levels of unemployment and out-migration of young people, a project that was jointly funded by the EU, ALMI, and 6 local employment offices to

provide training to young entrepreneurs (European Commission, 2008a). A 10 week distance learning course assists participants to explore the feasibility of their business idea and develop and implementation plan. The course has assisted over 300 people to establish a business and reduced out-migration. A successful business start-up project in Värmland generated similar projects in the Dalsland region. A training programme for young entrepreneurs and advice on establishing a business generated 170 jobs and the creation of 100 companies over a 3 year period.

Economic decline in Gotland due to job losses in the agriculture, food processing and manufacturing industries and the closure of military bases has been met with regional development strategies (Dahlström *et al.*, 2006). EU funding in the region has included over 500 Objective 3 projects designed to facilitate skill development and funding through the common agriculture policy. Gotland has also benefited from the relocation of public sector employment to the region to compensate for job losses in defence. The 'Gotland package' marked a major expansion of students at the university college that is expected to generate 100 new jobs.

In addition to projects funded through the EU, there are other local programmes. The Apprenticeship in Värmland project commenced in 1996 as a partnership between the regional LO trade unions, the Regional Association of Small Enterprises, and the County Employment Services (LAN) to provide training courses to assist unemployed people secure apprenticeship positions in small business. The 3 partners jointly selected the businesses where the apprenticeships would be available. The positions were advertised and the employer selected the successful applicant from those referred by the LAN. An individual training plan was developed in conjunction with the employer, training organisation and apprentice and could include 20 to 40 weeks of individual training and work practice. Of the 605 unemployed persons placed in the training 469 completed the apprenticeship training. Of those completing the training 81 per cent were employed by the enterprise and 10 per cent were employed elsewhere.

Social Entrepreneurship

The social economy in Sweden consists of co-operatives, popular movements, foundations or non-profits. There are at least 200,000 cooperatives, mutual societies, associations etc... in Sweden, particularly in the care sector; schools; social; services; recreation and culture. Historically there was little role for social enterprise in employment policy which was implemented by the public sector. However, the coincidence of rising unemployment, a shrinking public sector and inability to expend ALMP after the economic crisis of the 1990s, opened the way for expansion of social enterprises (Stryjan and Wijkström, 2001).

The decline of rural areas in the 1980s resulted in the establishment of co-operative development centres (LKUs) in Jamtland and Varmland. Around this time rising youth unemployment was met by partnerships of local organisations, trade unions and the government, including the establishment of a Cooperative Council at the national level, to deliver youth worker co-operative training programmes. Volunteer centres commenced in the early 1990s to facilitate volunteer activity. Each LKU is an independent organisation in a county and consists of co-operatives, political organisations, trade unions, county councils, municipalities, and voluntary study associations. The major objective of LKUs was to promote cooperative development and as a consequence, job creation. They engage in a range of activities including local development, urban regeneration, and programmes for deprived neighbourhoods, youth and migrants. In 1994 LKU became part of the Swedish Association of Cooperative Development Agencies (CDA).

There are 25 Cooperative Development Agencies, now called Coompanion that promote cooperatives through support offered by professional advisers (Coompanion, 2004). The government supplies half the funding of SEK30 million per year and the remainder is raised from local and regional sources, including user charges. The Agencies assist with the establishment of social enterprises, cooperatives for the elderly, cooperation in school, personnel cooperatives, user consumer cooperatives, and non traditional financing solutions. Local and regional development is a major focus and the Agencies participate in European, national and communal efforts to stimulate growth and local development with a focus on meeting needs identified in regional plans. The Agencies partner with local authorities, county councils and regional government bodies, to deliver regional and local programmes for economic growth and entrepreneurship.

Social enterprises are also involved in the EU structural funds (European Commission, 2007a). During the 2007-2013 period there is one national and 8 regional ESF programmes operating in Sweden and regional agencies are actively involved in addressing exclusion of the unemployed. In addition, the regional ERDF programmes will accommodate social enterprise and business development. Since the 1990s social enterprise has expanded into provision of services that were previously the province of the public sector such as health, child care, elder care, and leisure and culture (The SQUARES Transnational Partnership, 2004).

Promotion of Clusters

In 2001 the Swedish government announced the intention to develop a national cluster programme through the Ministry of Industry, Employment and Communications, the Ministry of Foreign Affairs, and the Ministry of Education, Research and Culture (OECD, 2007a). In addition, regions include cluster and innovation policies in regional growth programmes (RTPs).

Three national cluster development programmes have been established in Sweden:

- VINNVÄXT supports collaborative research with potential for innovation involving the public, private and research / academic sectors. The programme commenced in 2003 and is administered by VINNOVA the Innovation Agency. Funding covered an initial planning grant followed by implementation grants.
- Visanu is a joint programme administered by the 3 government agencies listed above that commenced in 2003 to promote knowledge sharing across clusters with the objective of fostering regional development, foreign investment and innovation. The programme received national government funding of EUR 7.5 million for 3 years and there was a 50 per cent co-financing requirement from the region. National funding was split between process support (EUR 3 million), knowledge development (EUR 1 million), inward investment (EUR 1 million), and support activities (EUR 1 million).
- The Regional Cluster programme aims to increase the international competitiveness of clusters. The programme has a total budget of EUR 7.5 million over 6 years (including 50 per cent regional co-funding) which supports market-related process support, developing business plans or competitive analysis, participating in EU programmes and development of knowledge and methods. It is sponsored by NUTEK, the Swedish Agency for Economic and Regional Growth.

A study by Braunerhjelm and Carlsson (1999) identified clusters in Sweden between 1975 and 1995 using 2-digit SIC industries. To be considered as the core in a cluster an industry needed employment of 10,000, an above average employment share in that industry, and significant linkages to other industries. Seven clusters were identified representing 32.3 per

cent of total employment in Sweden. The clusters identified were: service and manufacturing industries; transportation services; communications; industrial machinery and equipment; fabricated metal products; transportation equipment; primary metal industries; and paper and allied products.

In an examination of the effect of clusters on inward foreign direct investment Ivarsson (1999) identified 5 internationally competitive clusters in Sweden:

- Transportation industry - trucks, passenger motor vehicles buses, aircraft, engines;
- Forestry - timber, wood products, pulp and paper, machinery and equipment;
- Materials and metals - iron, steel, non-ferrous materials, rock drilling equipment and electric furnaces;
- Manufacture of power generation, transmission and distribution equipment;
- Telecommunications.

Table 3 indicates the regional dimension of the VINNVÄXT programme. The clusters selected for the programme were already developed but this will not be the case in future rounds. The regional dimension was important for all 3 programmes. For VINNVÄXT an essential criterion for selection was that projects were supported by academia, business and regional policy makers and there was a 50 per cent co-financing requirement. Similarly, selection for Visanu and the Regional Cluster Programme involved consultation with regional representatives.

Table 3 VINNVÄXT clusters in Sweden

Topic	Region	Description
ProcessIT Innovations	Luileå/Umeå	Combining ICT and manufacturing companies and researchers in the mining, steel and paper industries
Bistechnology	West of Sweden and Göttenburg	Transforming research in biomaterials to applications <ul style="list-style-type: none"> • Biomaterial and cell therapy • Treatment of cardiovascular metabolism
Triple Steelix	Bergslagen	Increasing competitiveness in steel industry by co-operation in R&D, services, new products
Fiber Optic Valley	Hudiksvall	Establishing broadband solutions through collaboration with researchers and utilising business networks
The New Tools of Life	Linköping/Norrköping	Developing products for health sector
Uppsala Bio	Uppsala	Centre of biological research-innovations in pharmaceuticals, diagnostics and medical technology
Food Innovation	Scania	Raising the return on investment in agribusiness
Robot Valley	Mälaren Lake Valley	Research, development and manufacture of industrial robots and robotics for medical/health care

Source: (OECD, 2007a: 303, Table 18.2)

In addition to clusters located in Sweden, the Medicon Valley life science cluster or Øresund Science Region spans the border with Denmark. It contains universities, hospitals, and companies within life sciences, biotechnology, medical technology and pharmaceuticals and has a strong R&D component. Networking facilitates interaction between institutions, companies and investors (One NorthEast, 2006). The project won the *support for clusters and*

business networks award at the 2008 European Union RegioStars Awards for Regional Innovative Projects (European Commission, 2008b). The award jury said:

This project has had real impact and has overcome language, legislative and physical barriers by building inter-regional partnerships that had previously been non-existent. It is an excellent example of a bottom-up triple helix approach. The project has a good administrative foundation, good working partnerships and is a good example of successful networking (European Commission, 2008b).

2.5 Discussion and conclusions

Throughout the post-war period until the early 1990s the Swedish model appeared to produce high employment and address unemployment problems. Mass unemployment in the 1990s put pressure on macroeconomic policy and resulted in the abandonment of full employment policies.

Sweden was the foremost proponent of ALMP in the post-war period. The government accepted responsibility for full employment and used relief work programmes to provide employment in the public sector when there was insufficient private sector demand. Over time public sector job creation programmes have been replaced with strategies to increase demand in the private sector such as wage subsidies, and vocational training has become less important. In terms of activation much of the emphasis has been on ‘activating’ the unemployed through intensive job search.

Regional policy has undergone a transformation from concentration on improving employment opportunities and stimulating economic activity in lagging regions toward developing the competitiveness of all regions and prompting cluster development in line with new regionalism perspectives. However, lagging regions have also benefited from special development programmes, particularly those sponsored by the EU. Localisation of policy interventions has been pursued because these are viewed as more efficient and appropriate due to localised knowledge and the ability to build effective local partnerships. However some programmes have sometimes had less than ideal outcomes due to perverse financial incentives, particularly when local government had an incentive to assist unemployed people to requalify for UI and therefore shift the burden of payments from the local to the national level (European Commission, 2004e).

Table 4 Swedish employment and unemployment rates by county, 2005

County	Employment rate	Unemployment rate
	2005	2005
Stockholm	75.8	6.7
Uppsala	75.4	6.7
Södermanland	75.6	8.7
Östergötland	73.4	8.6
Jönköping	81.2	5.2
Kronoberg	80.2	5.3
Kalmar	76.6	7.1
Gotland	75.5	7.9
Blekinge	76.1	9.2
Skåne	71.8	8.4
Halland	79.9	6.4
Västra Götaland	76.2	6.9
Värmland	74.3	7.2
Örebro	75.4	9.2
Västmanland	75.1	7.4
Dalarna	77.5	8.0
Gävleborg	74.9	10.9
Västernorrland	77.8	8.4
Jämtland	77.6	7.8
Västerbotten	75.3	7.9
Norrbottn	74.1	9.5
Sweden	75.6	7.5

Source: (European Commission, 2007b; Statistics Sweden, 2007)

What impact have ALMP, regional and local policies had on the unemployment level and the regional distribution of unemployment? There have been persistent regional disparities in unemployment and employment rates (Fredriksson, 1999). Table 4 details employment and unemployment rates in Sweden by region in 2005. While the national employment rate was 75.6 per cent in 2005, it ranged from 73.4 per cent in Södermanland County to 81.2 per cent in Jönköping County. Similarly, unemployment stood at 7.5 per cent nationally but ranged from 5.2 per cent in Jönköping to 10.9 per cent in Gävleborg. In general the counties with high unemployment rates have lower employment rates and conversely, counties with low unemployment rates have high employment rates. Thus the official unemployment rate understates the underutilisation rate.

The importance of macroeconomic policy designed to ensure full employment cannot be overstated. In a study of the employment experience of refugees who were randomly placed in various locations in Sweden in 1990-91. Åslund, Östh and Zenou (2006) found that job proximity impacted significantly on both short- and longer-term job prospects. Those placed in locations with poor job prospects continued to experience adverse employment outcomes in 1999. Locations with double the number of jobs in the initial period produced a 2.9 per cent greater probability of employment in 1999.

3. ALMP and regional policy in the United Kingdom

Over the past 3 decades unemployment in the UK has persisted at levels not experienced in the previous postwar period and significant regional variations in unemployment and employment rates emerged. Fundamental economic changes provided the impetus for the

introduction of neo-liberal policies that transformed the mixed economy of welfare and ruled out a spatial Keynesianism approach to regional development. The UK Thatcher Tory government implemented activation policies in line with OECD and EU recommendations and these were continued and expanded by the Labour government. The post 1997 activation policies have emphasised the responsibilities of jobless people to work and contribute to society and have been married with the rhetoric of social inclusion. ALMP have undergone a transformation from a concentration on job creation in the early period of high employment, followed by an increased emphasis on training, to a work first approach that concentrates on job search and activation. Spatial disparities in unemployment and social problems have also been met with strategies and institutional arrangements that highlight the importance of regional and local economic development and fit broadly under the rubric of 'new regionalism' (NR).

3.1 Labour market policy administration

A national network of labour exchanges opened in 1910, and administered unemployment insurance after it was introduced in 1911, and extended it to the majority of the workforce in 1920 (Price, 2000). In the post World War II period, labour exchanges were an integral component of the government policy on full employment. For the period 1952 to 1956 employers were required by law to lodge vacancies with the employment service.

A modernisation phase that began in the 1960s included moves to separate the employment service from benefit administration in order to remove the stigma attached to the service and facilitate the drive to increase the vacancy share of the public employment service from 20 per cent of total vacancies and improve the share of skilled vacancies. In addition there were procedures to assist workers affected by large-scale redundancies, the introduction of self-service job displays in 1968 and work commenced on a national computer system. The modernisation programme was undertaken in the 1970s. The first Jobcentres opened in 1973 and the Employment Service and Unemployment Benefit Service were established as separate entities the following year.

During the early years of the Thatcher government, the administration of unemployment benefits in the UK became more passive as the government concentrated on strategies to cut expenditure through cuts to benefit levels and staffing. The Rayner Report handed down in 1980 recommended that registration with the Employment Service should be voluntary, to facilitate large staff cuts. Since 1975 beneficiaries had been required to attend the Jobcentre weekly but this was reduced to fortnightly in 1980 and between 1982-1986, coinciding with staff cuts, there was no requirement to attend (Wells, 2000).

Following the establishment of Restart interviews in 1986, the system became increasingly 'active' for the unemployed after 6 months under the 'stricter benefit regime', which included staff increases to monitor activities of the unemployed (Wells, 2000). The work first approach was marked by the amalgamation of the social insurance and social assistance strands into the Jobseeker's Allowance in 1996, and a shift in focus to the individual. Unemployed persons were required to enter into a Jobseeker's Agreement that stipulated activities relating to improving employment prospects, and jobsearch, placed the onus for finding work onto the individual job seeker. They were required to attend the Jobcentre fortnightly; compliance with the terms of the Jobseeker's Agreement could be monitored at any time; the range of jobs that people were expected to search for was increased at 3 months and Restart interviews were conducted every 6 months (Wells, 2000). Complementing the individual focus, Wells (2000) explains that there was a shift from large-scale training and work experience interventions and a greater concentration on participation in Jobclubs, advice on in-work benefits, interview subsidies and perhaps training or work experience.

Since 1997, with the introduction of the New Deal programmes the emphasis has been on welfare to work strategies, employment promotion, and initiatives to promote social inclusion and reduce poverty (Karagiannaki, 2006). These policies have been justified on the basis of 'rights and responsibilities' of the unemployed and the expectation that those who are capable of working have an obligation to do so. These new citizen responsibilities have been expounded in concert with explanations that the most effective counter-poverty measure is paid employment and the paternalistic view that individuals are not always able to choose actions that are in their long-term interest and therefore must be coerced. Over time such expectations have been extended from the unemployed to other workless adults such as people with disabilities, lone parents and partners of income support recipients. An integral component of the policy shift has been reorganisation of the institutional framework to enhance administration and compliance.

In April 2002 Jobcentre Plus commenced, bringing together the Benefits Agency and the Employment Service so that one organisation assumed responsibility for administering income support payments and employment assistance for people of working age in a one-stop shop (Karagiannaki, 2006). This reversed the split in these agencies that occurred when the Manpower Services Commission was established in 1975. The creation of Jobcentre Plus was motivated by attempts to enhance the effectiveness of activation policies and was accompanied by staffing reductions from 86,000 to 67,000 between 2002-2006.

Jobcentre Plus has a three-pronged strategy: a supply pillar that focused on active job search; a demand pillar that emphasises establishing and maintaining effective relationships with employers; and a partnership pillar to develop partnerships with the private sector, non-profits and voluntary organisations (European Commission, 2006a). Jobcentre Plus administers the various New Deal programmes along with various place-based employment initiatives detailed below. Jobseeker's Allowance recipients enter a Jobseeker's Agreement which is reviewed every fortnight by the Personal Adviser while the client undertakes active job search prior to participation in the appropriate New Deal programme if they remain unemployed (Freud, 2007). New benefit claimants including those not required to participate in the workforce are required to attend a work focussed interview (WFI) as part of the new claim process. WFIs provide an opportunity for an exploration of employment barriers, the types of support necessary to overcome these barriers, and to inform clients of in work benefits and assistance available for those who choose to take advantage of New Deal assistance through new Deal for Lone Parents (NDLP) or New Deal for Disabled People (NDDP).

The second pillar is associated with employer servicing which has a direct impact on the ability of Jobcentre Plus to place job seekers in work and attain the goal of ensuring that 80 per cent obtain work within 6 months. Jobcentre Plus has call centres for clients, employers and a dedicated service for the top 100 companies, it also hosts vacancies from private agencies on its database and provides links to private sector agencies.

The final pillar relates to numerous partnerships between Jobcentre Plus and other organisations. Cooperation with Local Authorities (LAs) facilitates regeneration of local communities. Other partners involved in strategies to increase economic development and the skills agenda include the Learning and Skills Council, Education and Learning Wales and Scottish Enterprise. In addition, Jobcentre Plus works with Regional Development Agencies to facilitate a range of regionally-focused activities to foster economic development, labour force skills and regeneration. Specifically, key partnerships include Local Strategic Partnerships, Regional Skills Partnerships and New Deal for Communities.

Future directions in the administration of labour market policies point to an acceleration of privatisation of service provision and activation requirements, especially in relation to groups

traditionally not expected to work. The Freud Report released in 2007 produced a blueprint for the privatisation of individualised assistance to unemployed and jobless people of working age with the justification that there are “potential gains from contesting services, bringing in innovation with a different skill set” (Freud, 2007: 56). In the new system, Jobcentre Plus will retain benefit administration, vacancy servicing, and job search assistance for the first 12 months. A flexible New Deal will be introduced that has a common Gateway stage at 6 months unemployment. After 12 months, or earlier for those assessed as especially disadvantaged, individualised employment assistance for clients will be provided by contracted private sector and non-profit organisations on a competitive basis. Payments will be linked to outcomes and differentiated according to the characteristics of clients, as is the case in the Australia Job Network. A number of payments are proposed: for the initial job placement; after 12, 26, 52, 104 and 156 weeks of employment; personal pay progression; improvements in qualifications (DWP, 2007d; Freud, 2007).

3.2 Historical development of ALMP

In the UK, as elsewhere, the initial response to mass unemployment in the 1970s was to implement counter-cyclical job creation programmes to provide temporary work to overcome what was viewed as a cyclical problem. In 1972 the Community Industry scheme provided full-time employment for one year for disadvantaged youth (Jackson and Hanby, 1982). The 1975 Job Creation Programme provided short-term jobs of ‘social value’ in areas of high unemployment. Initially the jobs were targeted at young people 16 to 24 years old and those over 50 years but were later expanded to include the long-term unemployed. Projects in urban renewal or provision of social services could be sponsored by private employers, voluntary organisations, charities and community groups. By the time the programme finished in 1978 it had provided a total of 120,000 jobs, lasting an average of 8 months, mainly in Northern England and Scotland.

As a result of the Holland Report in 1978 there was increased emphasis on training programmes to address supply-side deficiencies in the skills and attitudes of the unemployed (Jackson and Hanby, 1982; Peck and Theodore, 2000). Two new job creation programmes commenced in 1978. First, the Youth Opportunities Programme (YOP) provided a range of options for youth aged 16 to 18 including training and community services but around two-thirds also involved Work Experience on Employers’ Premises (Main, 1985). Second, the Special Temporary Employment Programme (STEP) targeted areas of high unemployment and provided 12 months employment for 19-24 year olds unemployed for more than 6 months, and long-term unemployed persons over 24. STEP was replaced by the Community Enterprise Programme in 1981.

Since the 1980s there has been evidence of ‘activation’ of the unemployed in the UK including compulsory interviews, jobsearch programmes, training programmes and work experience (Trickey and Walker, 2000). A succession of programmes for youth provided work experience in combination with further education or training in return for an allowance slightly higher than unemployment benefits. These included the 1976 Work Experience Programme (Jackson and Hanby, 1982), the Youth Training Scheme in 1983 (became Youth Training in 1990), and Employment Training in 1988, which later became Training for Work.

Activation has been accompanied by a shift from job creation programmes to workfare programmes. In 1996 Project Work was introduced for the long-term unemployed who were required to participate in 13 weeks intensive jobsearch training followed by 13 weeks mandatory work experience, despite opposition to the ‘workfare’ nature of the scheme and complaints about insufficient training or choice of the type of work performed (Trickey and

Walker, 2000). In the same year activation requirements were reinforced by the introduction of Jobseekers Agreements and sanctions under the 'Jobseekers Direction'.

A number of wage subsidy schemes have been used in the UK since the 1970s but total expenditure has remained modest. The Temporary Employment Subsidy was introduced in 1975 in response to mass redundancies. The scheme targeted redundancies of 50 (later reduced to 10) or more workers in Assisted Areas, providing subsidies of £10 per week for each job saved (Jackson and Hanby, 1982). The Recruitment Subsidy for School Leavers commenced the same year and offered a subsidy of £5 per week for 6 months. It was replaced with the Youth Employment Subsidy in 1976 with a subsidy of £10 per week for youth under 20 who had been unemployed for 6 months or more.

In 1977 the Small Firms Employment Subsidy targeted job creation in Special Development Areas by offering a subsidy of £20 per week to employers with less than 50 employees for each new job created. The following year the Adult Employment Subsidy was implemented to stimulate employment in Merseyside, Tyneside and Leeds. The subsidy of £20 per week for a period of 26 weeks was available for employment of LTU workers over 19 (Jackson and Hanby, 1982). The scheme was extended to small manufacturing firms throughout the UK but the scheme was closed in 1979 due to limited take-up by employers of only 1,446 people. In 1979 there were a total of 100,000 people in subsidised employment (Jackson and Hanby, 1982).

The Young Workers Scheme (YWS) commenced in 1982 and paid a subsidy of £15 for one year for youth under 18 who had been unemployed for longer than 6 months (Rajan, 1985). In 1993 Workstart pilots provided wage subsidies to employers who were prepared to employ workers who had been unemployed for 2 years or longer. The scheme operated in Tyneside, Devon, Cornwall, East Kent and South-West London and paid subsidies of £60 per week for 26 weeks then £30 per week for the following 26 weeks (Bell, Blundell and Van Reenen, 1999).

3.3 Current ALMP

In recent years labour market policy expenditure has been declining as a proportion of GDP. However the decline in passive expenditure attributable to declining unemployment has been greater than declining active expenditure. In 2005 expenditure on ALMP accounted for 0.49 per cent of GDP which represented 72 per cent of all labour market policy expenditure (up from less than 27 per cent in 1995) (OECD, 2007c). Of this the vast majority was spent on benefit and employment service administration (0.38 per cent of GDP); training expenditure amounted to only 0.09 per cent of GDP, while employment incentives and integration of people with disabilities reached only 0.01 per cent each. There was no expenditure on job creation or self-employment subsidies. Currently ALMP are administered by Jobcentre Plus through the various New Deal programmes: New Deal for Young People (NDYP); New Deal 25+; New Deal for Partners; New Deal for Lone Parents NDLP; and New Deal for Disabled People NDDP.

The New Deal

After the 1997 election the New Labour government continued the supply-side 'employability' approach, extending activity requirements through implementation of the New Deal. Trickey and Walker (2000: 190) point out that New Labour rhetoric to justify these policies vacillated between 'dependency' and a mixture of 'social exclusion' and 'poverty', with paid work prescribed as the only remedy for these ills. Under the various New Deal programmes, jobseekers are allocated a Personal Advisor, required to enter into a Jobseekers Agreements and participate in one of a number of options: subsidised

employment, self-employment, work in the community sector, or full-time education or training.

The New Deal for Young People (NDYP) began in 1998 for those aged 18 to 24 and on benefits for 6 months. The New Deal programme consists of 3 distinct phases. The first phase is the 'gateway' period when the job seeker meets with the Jobcentre Plus Personal Adviser every week for up to 16 weeks to undertake job search activities. If they remain unemployed at the end of this period, the unemployed person enters the 'options' phase when they transfer from JSA to a training allowance and are required to undertake an activity such as work or work experience, training or job search activities (Table 5). At the end of the options period, those remaining unemployed enter the 'follow-through' period where they reclaim Jobseeker's Allowance (JSA) and are assisted in job search by Jobcentre Plus for up to 26 weeks. Employers of NDYP are eligible for wage subsidies of £60 pounds per week for 26 weeks if employed for 30 hours or more per week, or £40 pounds per week if the job is for 16 to 29 hours. Employers also qualify for up to £750 pounds for training (DWP, 2007c).

Subsequently, New Deal 25 plus and New Deal 50 plus were introduced for other segments of the unemployed. New Deal 25 plus is a mandatory programme for job seekers receiving JSA for 18 months or more and operates in a similar way to NDYP. The 4 month gateway period is followed by the 'Intensive Activity' phase which is compulsory for people aged 25-59 who transfer to the New Deal Allowance. During the Intensive Activity phase jobseekers undertake the same types of activities as NDYP for 3 months. At the end of the Intensive Activity stage job seekers reclaim JSA and enter the 'follow-through' phase that lasts 6-13 weeks. New Deal 25 plus attracts subsidies of £75 pounds for 30 hours or more and £50 pounds for 16 to 29 hours work (DWP, 2007c). New Deal 50 plus and New Deal for Partners are voluntary programmes that provide assistance from a Personal Adviser. ND50 plus is available for income support recipients aged over 50, while New Deal for Partners provides assistance to partners of income support recipients.

Table 5 Details of New Deal programmes

Programme	Group	M/V	Other Details
NDYP	18-24 On JSA for 6 months	M	<u>Mandatory Activities</u> <ul style="list-style-type: none"> • work experience/work placements with an employer or voluntary organisation • training for a specific job • courses to develop the skills that employers want • practical help with applying for jobs • interview practice
ND25+	Over 25 On JSA for 18 months	M	<u>Mandatory Activities</u> <ul style="list-style-type: none"> • work experience/work placements with an employer or voluntary organisation • training for a specific job • courses to develop the skills that employers want • practical help with applying for jobs • interview practice
ND50+	Over 50 On JSA, Income Support, Incapacity Benefit, Severe Disablement Allowance or Pension Credit for 6 months	V	<u>In work benefits for ND50+</u> <ul style="list-style-type: none"> • Working Tax Credit for 50 plus for one year when returning to work for 16 hours or more per week • Training grant of up to £1200 to do current job or up to £300 for general training • Can also get training grant to set up own business
NDP	Partner of income support recipient	V	
NDLP	Sole parent Youngest child under 16 Working less than 16 hours per week	V	
NDDP	Incapacity Benefit	V	

The New Deal has also incorporated groups who were previously considered to be outside the labour market; New Deal for Lone Parents (NDLP) in 1998 and New Deal for Disabled People (NDDP) in 2001 for Incapacity Benefit recipients who currently participate on a voluntary basis. In April 2001 compulsory Work-Focused Interviews were introduced for lone parents (Karagiannaki, 2006). NDLP involves assistance from a Personal Adviser to assist with examining options, career planning, accessing training, and job search. In addition the PA can provide information on availability of child care and the financial implications of work including benefit withdrawal rates and accessing tax credits. Unlike the other New Deal programmes that involve Personal Advisers from Jobcentre Plus, NDDP clients are referred to Job Brokers in outside organisations for assistance with exploring job choices, labour market information, job search assistance, and post placement support for the first 6 months of employment.

While participation for these groups has been voluntary, major changes will be implemented from 2008. Lone parents will no longer have the choice of staying at home until their youngest child turns 16 because “such long-term inactivity has harmful effects on the long-term prospects of the parent, the children, the family and the community” (DWP, 2007d: 37). From October 2008 lone parents whose youngest child is 12 or over will need to apply for Jobseeker’s Allowance. This will be reduced to 10 from October 2009 and 7 from October

2010 when English schools will be able to provide childcare from 8am to 6pm (DWP, 2007d). The transition to Jobseeker's Allowance will be facilitated by quarterly WFIs in the year prior to transition. Pathways to Work will be available for all people on Incapacity Benefit from April 2008. From October 2008 new sick and disabled claimants will apply for the Employment and Support Allowance that requires a Personal Capability Assessment followed by monthly interviews with a private sector (for profit or non-profit) adviser regarding activities to be undertaken to prepare for work. Pathways to Work participation will be mandatory for existing Incapacity Benefit recipients under 25 (DWP, 2007d).

The Freud Report (Freud, 2007) recommended that requirements for partners of income support recipients should have the same work requirements as the claimant if they do not have dependent children. Similarly, for those with dependent children the report recommended identical requirements to those for lone parents (Freud, 2007). However, these recommendations will be delayed because they require the passage of further legislation. New Deal for Partners of Jobseeker's Allowance recipients with dependent children will include an increase in WFIs from April 2008.

Unemployment has fallen dramatically since the introduction of the New Deal in 1997, and the New Deal is credited with assisting 1.7 million people into work (Freud, 2007). Jobcentre Plus records a job outcome if a person commences in a job that is expected to last longer than 13 weeks within 6 months of programme completion (Bourn, 2007b). Employment outcomes for New Deal participants have varied significantly; around 700,000 for NDYP, 280,000 for New Deal for 25 plus, 170,000 for New Deal for 50 plus, and 483,000 for NDLP (Freud, 2007). However, of the 12 to 21 per cent of people placed immediately after a New Deal programme (outcome rates varied by programme) between a quarter and one-third were employed for less than 3 months, and only 26 to 40 per cent worked for a year or more (Bourn, 2007b). Monitoring of New Deal participants for 4 years using administrative data revealed that NDLP participants were employed for 26 per cent of that time, NDYP participants were employed for 24 per cent of the time, and ND25 plus participants were employed for only 10 per cent of the time (Bourn, 2007b). In short, "the rates of return to benefit suggest for some people, help in finding work is only part of the solution" (Bourn, 2007b: 8). In addition, the Freud Report noted that around 100,000 people on JSA spent 6 of the last 7 years on benefit (Freud, 2007), suggesting that the New Deal has not been successful in assisting the most disadvantaged job seekers.

Employment outcomes have varied between programmes and also exhibit significant spatial disparities. Table 6 shows regional employment and unemployment rates and New Deal employment outcomes (jobs obtained as a percentage of New Deal spells commenced). The first point that stands out from this data is that the regions with higher / lower employment rates tend to have lower / higher unemployment rates. London has the highest unemployment rate (7.8 per cent) and the lowest employment rate (69 per cent) suggesting a large discouraged worker effect. Second, New Deal success rates are highly negatively correlated with the unemployment rate. London has the lowest employment outcomes for all New Deal programmes. Similarly, the region with the highest employment rate and lowest unemployment rate, South West England, achieved the highest employment outcomes for NDYP (61.7 per cent), ND 25 plus (40.8 per cent) and NDDP (72.9 per cent). East Midlands recorded the best outcome rate for NDLP at 62.7 per cent.

Table 6 Employment outcomes as a proportion of New Deal commencements, 1998-2007

Jobcentre Plus Region	NR	UR	NDYP	ND25+	NDLP	NDDP
Scotland	75.7	5.3	58.1	33.1	57.1	67.9
North East	70.7	7.0	56.1	29.5	56.8	61.8
North West	72.5	5.4	56.3	32.2	56.2	57.2
Yorkshire and the Humber	73.7	5.7	55.0	30.7	58.2	52.0
Wales	71.1	5.3	58.4	34.6	56.4	67.0
West Midlands	72.9	5.6	50.1	30.4	56.1	63.4
East Midlands	76.3	5.3	55.5	32.0	62.7	57.7
East of England	76.9	4.7	54.1	32.8	56.3	60.7
South East	78.3	4.5	53.5	32.6	55.9	53.7
London	69.0	7.8	45.0	28.3	44.4	45.2
South West	77.9	3.8	61.7	40.8	57.1	72.9
Total	74.1	5.5	53.8	31.6	55.3	59.9

NR-employment rate; UR-unemployment rate

Source: (National Statistics, 2006; Department for Work and Pensions (DWP), 2007a)

Theodore and Peck (1999: 498) conclude that “the primary difficulty that confronts all welfare-to-work programmes: the strong association between weak labour demand and widespread welfare usage. ... has, time and again, overwhelmed supply-side interventions in the UK and the US, although it certainly has not slowed their proliferations.” Demand deficiency is highlighted by a recent National Audit Office report showing there were only enough vacancies to cater for 37 per cent of the unemployed and for only 6.5 per cent of workless people of working age (Bourn, 2007a).

There is evidence of unsuccessful jobseekers cycling through the programme again or only finding short-term employment (Bivand *et al.*, 2006; Griffiths and Durkin, 2007). For example, to May 2007, the 1,208,240 individuals who had commenced NDYP had a total of 1,676,920 spells on the programme. Therefore almost 28 per cent of all commencements were previous participants. In the 2 years to September 2003, 35 per cent of NDYP commencements and 32 per cent of New Deal 25 plus commencements were people who were returning to the programme. In addition, the Department for Communities and Local Government commented that “[e]xisting policies, while reducing worklessness overall, have not helped the least competitive in the labour market” (2007b: 43).

The StepUP job creation programme

Limited success of the New Deal and churning of jobseekers returning to the programme, provided the impetus for the StepUP trial job creation programme that ran from 2002 to 2004 in 20 areas. Pilot areas with high unemployment included East Ayrshire, Bradford, Leeds, Great Yarmouth, Sheffield, Dundee, Hackney, Lambeth, Sunderland, Sandwell, Knowsley, South Manchester and Greenwich (Bivand *et al.*, 2006). Areas with a medium level of unemployment included Wrexham, Rotherham, Coventry, Oldham and Cardiff. Low unemployment areas selected were Burnley, and Bristol. StepUP was designed specifically for unemployed people who had been through programmes such as the New Deal or Employment Zones without securing employment.

The programme guaranteed public, private or non-profit sector positions lasting 50 weeks and paying at least the minimum wage, for 18-50 year olds in pilot areas who were still unemployed 6 months after completing a New Deal Option or Intensive Activity Period on New Deal 25 Plus. By targeting those who would otherwise return to New Deal, StepUP was designed to provide transitional employment for those facing multiple disadvantages (Bivand *et al.*, 2006: 92). Jobs could be located in the private, public or voluntary sector and were

restricted to 33 hours per week to allow time for job search. The objective for the first half of the placement period was to retain the person in StepUP, while jobsearch activities intensified in the second half or ‘progressive’ stage to assist with transition to unsubsidised employment. Employers received a subsidy of the minimum wage plus a fee for additional costs.

The pilot sought to investigate 3 major issues. The first was whether a job creation programme would achieve better employment outcomes than recycling the unemployed through another period on the New Deal. Second, the pilot sought to identify whether results varied according to characteristics of particular disadvantaged groups. The third research question related to employer attitudes. One rationale for job creation programmes is that recent work experience enables people to upgrade employment related skills and demonstrate their abilities to prospective employers. The StepUP pilot sought to establish whether participation in the programme would have a positive impact on employers’ perceptions of the long-term unemployed and therefore improve access to employment.

In total, 5678 people became eligible for StepUP and 3032 commenced during the trial period. Over 40 per cent of eligible jobseekers were under 25 and three-quarters were male, while over two-thirds had 3 or more recognised labour market disadvantages. Around 20 per cent belonged to ethnic minorities and a quarter had a disability. The StepUP eligible group was significantly disadvantaged in terms of human capital in comparison to the remainder of the workforce. Almost two-thirds had either no, or very low levels of qualifications. One-quarter had literacy or numeracy problems. Almost one-third had been out of work for more than 3 years, while almost 1 in 6 had not worked before. More than half of those eligible for StepUP had spent less time working than not working. For many, previous employment had consisted of mainly short-term work.

Table 7 Roles and responsibilities of participants in StepUP

Jobseeker	Jobcentre Plus	Managing Agent	Support Worker	Employer
Attend interview at Jobcentre Plus	Interview jobseeker and refer to StepUP jobs lodged by managing agent	Secure StepUp jobs with employers from private, public or non-profit sector	Provide support to jobseeker for duration of placement and assist them to find unsubsidised position	Provide StepUP job to Managing Agent:
Accept employment and remain in position for 50 weeks or until secure unsubsidised employment	Advise Managing agent of referral	Notify jobs to Jobcentre Plus	May attend job interview with jobseeker	Jobs to satisfy additionality criteria
Outcome payment of 70 pounds for securing unsubsidised employment	Could breach jobseekers for failure to attend interview, start work or remain in work	Appoint Support Worker when advised of referral by Jobcentre Plus		Appoint ‘buddy’ for each StepUP employee
	If jobseeker returned to JSA after 50 week placement there was no ‘follow-through’ interview	May provide training or other types of support		Received subsidy of minimum wage plus employer fee to compensate for additional costs
		Pay employer fee		Outcome payment for unsubsidised employment (£350)
		If jobseeker placed in unsubsidised employment before 50 weeks the managing agent could keep part of the subsidy		Provide on the job or formal training

Source: Derived from (Bivand *et al.*, 2006)

Table 7 outlines the roles and responsibilities of the various participants in StepUP. After an initial interview with a Jobcentre Plus Personal Advisor, clients were referred to suitable positions as they became available. Positions were secured by the Managing Agent in each of the pilot areas by canvassing private, public or non-profit employers to establish a bank of suitable vacancies, or attempting to secure vacancies that met the requirements of individual jobseekers. The programme stipulated that vacancies were to be additional to normal employment levels to prevent substitution of subsidised StepUP employees for the normal workforce. While strict conditions applied in the public sector there is no indication in the programme evaluation of how additionality was ensured in the private and non-profit sectors.

Jobseekers were obliged to accept positions regardless of whether they met their employment aspirations. Jobseekers' perceptions of service standards, the quality and appropriateness of jobs impacted on satisfaction with StepUP, willingness to cooperate and, ultimately, effectiveness. Jobseekers wanted more job choice and the pilot established that those placed in jobs that they were interested in achieved better results (Bivand *et al.*, 2006).

Managing Agents were pivotal to the operation of StepUP. They secured vacancies, dispersed employer fees and employed Support Workers to provide individual assistance to jobseekers after referral. Cooperation between Jobcentre Plus and Managing Agents was important to efficient and appropriate placements. Some Managing Agents expressed the view that assessment of jobseekers prior to placement and involvement in the matching process would have resulted in more appropriate placements in some instances (Bivand *et al.*, 2006). In addition, poor communication between these agencies delayed placement of some jobseekers for considerable periods of time.

The programme evaluation stressed the importance of the Support Worker: “[w]hat was clear is that the Support Worker is the single most important delivery agent in the implementation of StepUP” (Bivand *et al.*, 2006: 87). The Support Worker could attend the initial job interview and provided post placement support, assisting with job retention for the first half of the placement, then providing intensive jobsearch assistance. Although 69 per cent of participants reported regular contact with the Support Worker, some expressed a preference for more frequent or intensive contact. Support Workers could also act as an intermediary when problems arose with the job placement.

During the progressive stage, Support Workers were responsible for ensuring that jobseekers attended weekly jobsearch sessions. In fact, attendance at these sessions was poor, possibly due to participants' expectations that they would be employed by their StepUP employer when the subsidy expired (Bivand *et al.*, 2006). The expectation of intensive Jobsearch in addition to 33 hours work was seen as excessive by some participants and Support Workers. Some Support Workers addressed these issues by actively participating in jobsearch and assisting clients with job applications. However, only 44.2 per cent of participants said that they received assistance from their Support Worker. The rigid timing of the jobsearch phase was not always appropriate and needed to be moderated by progress in acquisition of marketable skills and confidence. Given the critical importance of the relationship between the jobseeker and the Support Worker, high turnover rates for the latter would need to be addressed prior to implementation of StepUP.

Employers received a subsidy equivalent to the minimum wage and an additional fee to cover other costs. Employers appointed a ‘buddy’ for each StepUP worker as a mentor and to assist them with any difficulties encountered on the job. While many participants felt that the workplace buddy was not necessary, 14.4 per cent credited the assistance of the ‘buddy’ with their ability to maintain their employment in the StepUP position (Bivand *et al.*, 2006: 92). In terms of placement support, the evaluation found that additional support for both employers

and employees would enhance programme effectiveness as well as ensuring that workplace ‘buddies’ were adequately trained. StepUP positions offered an opportunity for participants to address multiple labour market disadvantages. First, they gained work experience and a recent reference. Second, in addition to on the job training, some participated in formal training and were able to gain new qualifications such as driving licences, materials handling and first aid. In total 57.1 per cent of StepUP participants felt that they received the training they needed (Bivand *et al.*, 2006).

Financial incentives were tailored to meet the twin objectives of maintaining employment during the retention phase and moving to unsubsidised employment during the progressive phase. If StepUP employees found unsubsidised employment between 26 weeks and 50 weeks, Managing Agents were able to retain part of the unused subsidy. For placements in unsubsidised employment at any time during the placement, the employer received an outcome payment of £350 and the participant received £70.

Evaluation of StepUP consisted of a longitudinal study of StepUP eligible beneficiaries in the pilot areas and matched control groups in other areas. The evaluation included in-depth qualitative interviews with individual job seekers at the beginning of StepUP, at 12 months and 18 months. A random sampling technique was used for the StepUP areas while control groups were constructed using the propensity matching technique to match characteristics of individuals from the control areas to the StepUP sample. Interviews were also conducted with employers as well as focus groups with all stakeholders including employees from Jobcentre Plus and Managing Agents. Control areas were aligned with pilot areas on the basis of population density and unemployment rates (Bivand *et al.*, 2006).

For StepUP participants, the evaluation revealed that 52.7 per cent were either in employment or had worked in the previous 3 months, which was 3.3 per cent higher than for the matched control group (Bivand *et al.*, 2006). Of StepUP participants who were working 40.2 per cent were with their StepUP employer. Importantly, job outcomes varied substantially according to age and participant characteristics. The largest positive impact was evident for those aged 30 to 49 years. Forty four point one (44.1) per cent of StepUP participants in this age group had worked in the previous 90 days compared to only 36.5 per cent of the control group. Similarly, for those aged 18 to 24, 59.2 per cent of StepUP participants worked, compared to 55.8 per cent of the control group. On the other hand, the impact was marginally negative for 25 to 29 year olds. Only 48.7 per cent of these StepUP participants recorded positive employment outcomes, while outcomes for the control group reached 50.6 per cent.

Turning to the quantum of work, the only group of StepUP participants for which the average number of working days exceeded that of the control group was 30 to 49 year olds. They worked an average of 24 days compared to less than 14 days for the control group over the previous 90 days. The 18-24 control group had a slightly higher average, 27 days compared to 26 days for StepUP participants. The 25-29 control group fared significantly better, working an average of 29 days compared to only 19 days for StepUP participants.

The largest positive employment impact was for those assessed as having low levels of employability when they commenced the programme, particularly those with poor work histories, transport limitations, or lacking basic skills or education. For those over 25, positive impacts increased in tandem with disadvantages in contrast to control groups where outcomes declined sharply as disadvantage increased. In addition to the work experience aspect of the programme many participants were able to address employment barriers and upgrade skills through formal or on the job training. Employment outcomes were more likely to be full-time permanent jobs but were also more likely to be elementary and have lower pay rates than jobs

obtained by the control group. However, for the least disadvantaged StepUp participants there was a negative programme impact, possibly due to lock-in effects.

Other initiatives

Major issues that have emerged in the past 10 years include achieving sustainable employment outcomes and career progression (Bourn, 2007b). The Employment Retention and Advancement scheme recruited participants from 2003-2005 to attempt to assist people to obtain and retain full-time employment or get more secure or better paid outcomes (Bourn, 2007b). The project targeted 3 groups that traditionally experience difficulty in obtaining sustainable employment, lone parents participating in NDLP, long-term unemployed in ND for 25 plus, and lone parents working 15-29 hours and receiving Working Tax Credit.

The programme provided assistance in the form of individual support from an Advancement Support Advisor (ASA) for 3 years to obtain work, remain in work, and advance into positions of greater job security, better pay and conditions (Hall *et al.*, 2005). Financial assistance included a retention bonus for people who remained in full-time employment for 13 out of 17 weeks, additional payments whilst undertaking training, and access to an emergency payment to overcome financial difficulties that would otherwise jeopardise the job. Preliminary results indicate that the main outcome of participation in the demonstration, compared to remaining in the ND, was to increase the number of hours worked. Sole parents in NDLP achieved higher employment outcomes and higher earnings while lone parents receiving WTC were more likely to move from part-time to full-time employment but did not achieve higher hourly earnings (Dorsett *et al.*, 2007). New Deal 25+ clients were no more likely to be working but were more likely to move from part-time to full-time work.

There have been a plethora of demonstrations and pilot programmes that have sought to produce more effective strategies for assisting income support recipients to return to work and the increase sustainability of employment outcomes. These include a number of place-based initiatives such as Working Neighbourhoods, Employment Zones, New Deal for Communities, Action Teams for Jobs, Pathways to Work, the Cities Strategy, Deprived Areas Fund and Local Employment Partnerships. These initiatives are discussed in Section 3.4 below.

Another major challenge for employment services is stimulating demand by employers to employ disadvantaged groups which has resulted in a shift to establishing partnerships with employers to tailor training programmes to industry needs. Sector Skills Councils (SSCs) are employer-led organisations covering major sections of the economy that will assume an important role in reform of vocational education to meet industry needs (DWP, 2007d). Nine industry-focused pre-employment training courses have been developed by Jobcentre Plus in partnership with SSCs and the Learning and Skills Council (LSC). In addition, a number of National Skills Academies have been established for specific industry sectors and employers can apply to have internal training courses nationally recognised and accredited. Other strategies for meeting employer needs include Local Employment Partnerships (LEPs) that are discussed in the Section 3.4.

3.4 Regional and local policies in the UK

The UK supply-side approach to unemployment has been supplemented in recent years with a Third Way concern for solving social exclusion. Policies are generally implemented and tightly controlled at the national level with the centrepiece being various New Deal programmes to enhance employability. The government set the objective of full employment in every region (defined as an employment rate of 80 per cent) and stated that “the best way to overcome regional disparities is to allow each nation, region and locality the freedom and

flexibility to exploit their indigenous sources of growth” (DTI, 2006: 10). Regional economic polices are funded predominantly by the national government, complemented with EU funding, and focus on the Lisbon objectives of increasing growth and productivity (HM Treasury, 2005). In addition, as part of the Third Way philosophy, there is a focus on addressing social exclusion through localised interventions in deprived communities that incorporate partnerships between the public, private and voluntary sectors (Bradford, 2005; McCabe and Hahn, 2006).

Regional policies in the UK include encouragement of cluster development, social enterprise, local strategies, and local variations on national labour market policies designed to ‘activate’ the unemployed and enhance employability. Regional economic strategies are the responsibility of Regional Development Agencies (RDAs) that were established in 1999 and are composed of representatives from local government, the voluntary sector, trade unions and local business. RDAs are responsible for regional economic development, industry and employment generation and skill development. RDAs are funded by 6 government departments with total funding of £2,309 million for 2007-08 (OECD, 2007a).

EU Cohesion Policy in the UK

In the period 2000-2006, EU structural funds contributed 6,902 million EUR for Objective 1, 5,068 million EUR for Objective 2 and 5,046 million EUR for Objective 3. Almost one-third of the population of the UK lived in Objective 1 and 2 areas. Objective 1 ESF funding covered the economically disadvantaged areas of Merseyside, South Yorkshire, Cornwall and the Isles of Scilly, the Highlands and Islands, Northern Ireland, West Wales and the Valleys. Objective 2 funding supports areas experiencing industrial decline or rural areas that require development and applied to all regions in England with the exception of South East and the North West. Objective 3 funding is provided for the modernisation of education, training and employment and operates in all areas except Objective 1 areas. The purpose of Objective 3 funding is to improve the prospects of the LTU, young people and the socially excluded; and also help working people to adjust to changes in the workplace (Cubie and Baker, 2006).

The ESF covers up to 45 per cent of the cost of projects and Match Funding comes from other sources including Jobcentre Plus which became a co-financing organisation of the ESF in 2003 through regional networks. Around two-thirds of ESF funding went to Objective 3 and the majority of the remainder covered Objective 1 projects (Cubie and Baker, 2006). In total, active labour market programmes accounted for 31 per cent of ESF funding; 22 per cent was devoted to workforce adaptability, 21 per cent for both lifelong learning and social exclusion, and 5 per cent to increase women’s participation.

South Yorkshire qualified as an Objective 1 region during 2000-2006. The region has been in economic decline due to the loss of 60 per cent of industrial jobs in the steel, coal and engineering industries between 1971 and 1997. In addition there is a high rate of long-term illness and low levels of educational qualifications. There were 6 priorities identified for the programme: stimulating new growth and high technology industries; business modernisation through innovation and enhancing competitiveness; building a learning-region; developing economic opportunities in targeted communities; supporting business investment through strategic spatial development; and, addressing major bottlenecks in the region. EU structural funds totalled 1,221 million EUR out of total funding of 3,088 million EUR.

Long-term decline in the port and related industries in the Merseyside Objective 1 region resulted in per capita GDP that was only 70 per cent of the national average and unemployment rates that were declining at a slower rate than the national average in the mid 1990s. EU funding of 1,389 million EUR of total funding of 3,412 million EUR between 2000 and 2006 was devoted to addressing regional disadvantage by developing business and

competitiveness, and developing the skills and abilities of the workforce. There was a major focus on place-based strategies to develop specific areas including the development of 'Pathways communities' to reduce differentials between economically and socially deprived communities and the remainder of the region.

Cornwall and the Isles of Scilly was the least economically developed region in the UK in the mid 1990s with GDP at 69 per cent of the EU average, a narrow economic base and a concentration on low value employment activities. Structural Funds were concentrated on improving competitiveness and fostering business start-ups, developing the labour force through active labour market programmes, and life-long learning, and addressing spatial concentrations of economic and social exclusion through community economic development strategies. Total funding of 1,232 million EUR included 523 million EUR of EU funding.

Other Objective 1 areas were located in Scotland, Wales and Northern Ireland. The West Wales and the Valleys region was adversely affected by the decline of the mining industry and restructuring in agriculture. Structural funding of 4,040 million EUR contributed to the objectives of supporting SME development and expansion, improving the education and skills of the labour force, combating social exclusion and developing sustainable agricultural activities. In the sparsely populated Highlands and Islands of Scotland the focus of increasing competitiveness included assisting with venture capital, addressing gaps in the transport and communications infrastructure, and development of agricultures, forestry and fisheries. In Northern Ireland, where economic activity was concentrated in low productivity sectors the programme provided 1,490 million EUR for investment in new technology and infrastructure to enhance competitiveness; development of the skills, abilities and flexibility of workers; urban renewal to foster community participation; and strategies to increase efficiency in rural industries.

European Social Fund (ESF) Global Grants began in 2001 to assist non-government organisations that would not be able to access other ESF funding (Jones *et al.*, 2008). Global Grants provided up to £10,000 for projects that help people with low employment rates to get employment or move closer to the labour market. The types of assistance provided have included: advice on training, basic skills and confidence training; career and job advice; advice on benefits and tax credits; managing illness; paid or unpaid work experience; vocational training; and assistance to become self-employed. The grants are administered by local public, private or voluntary sector organisations selected by the 9 regional Government Offices in England.

The evaluation of the Global Grants initiative found that the programme was successful in reaching the cohort that was furthest from the labour market (Jones *et al.*, 2008). Participants were generally harder to help than Objective 3 participants with 32 per cent having a disability, 16 per cent lacking basic skills, 14 per cent with caring responsibilities, and for 8 per cent English was a second language. At the beginning of the programme, 27 per cent were employed and 14 per cent unemployed. After participation the employment rate increased to 37 per cent and the unemployment rate fell to 7 per cent.

An evaluation of ESF funded training courses in 2005 found that participants felt they had gained skills, qualifications and increased self-confidence. At commencement, half the participants were unemployed or inactive and the remainder were seeking to obtain an improved position or increase their skills (Cubie and Baker, 2006). Two-thirds gained a qualification, the employment rate increased from 41 per cent to 61 per cent, and unemployment declined from 31 per cent to 18 per cent. However, the impact was less marked for the economically inactive, with the rate falling from 19 per cent to 15 per cent.

Many people reported dissatisfaction with the amount of assistance provided to find employment.

The EQUAL Community initiative provided ESF funding to Development Partnerships (DPs) of range of organisations to test innovative solutions to address labour market inequality (GHK Consulting and the Gilfillan Partnership, 2006). DPs are administered by separate support units in Scotland, Wales and England and DPs have a lead organisation such as a local authority or community organisation and several involved Regional Development Agency participation. There are 3 distinct phases of DPs; a development phase lasting 6 to 9 months; an implementation phase of 2 to 3 years, and a mainstreaming phase. The nine themes relate to the EES objectives. Employability is addressed by programmes that seek to assist integration into the labour market. Entrepreneurship facilitation consists of provision of assistance for business start-ups and fostering social enterprise. Promotion of life-long learning and supporting firms to adapt to change address the adaptability pillar of the EES. EQUAL was used to develop and test difference models of social enterprise. This initiative resulted in identification of:

- best practice models for supporting social enterprise;
- opportunities for local work experience placements with community development training; and
- development of new national occupational standards for social enterprise managers and advisers.

For example, the Strengthening the Scottish Social Economy DP developed a ‘social economy zone’ which resulted in the establishment of new partnerships of agencies.

Many of the projects funded by the EU have produced economic and social benefits and contributed to job creation (European Commission, 2008a). The **Lowry Centre in Salford, Manchester** provides a large-scale venue for the visual arts, theatre and concerts. It was funded by an EU contribution of 12.2 million EUR and a range of partners from retail, the arts, the local university, training organisations, the tourist industry, environmental agencies and total private sector funding of 48 million EUR. The Centre is estimated to have generated around 6,500 jobs. In a related development the Manchester light rail system was upgraded and extended to Salford Quays where the Lowry Centre is located. The extension which cost 75 million EUR of which the EU supplied 20 million EUR, is expected to provide job opportunities for 20,000 people and produce environmental benefits.

In the Scottish Highlands and Islands there has been a focus on developing the ability to take advantage of information and communication technologies to increase the knowledge-based skills (European Commission, 2008a). The University of the Highlands and Islands programme established a university of 10 campuses and a network of outreach centres. The programme cost £34.1 million and created 800 permanent jobs and 1500 during the construction phase. In the remote Hebrides Islands a register of teleworkers was established in 1994 to link professionals with clients, resulting in the creation of 270 jobs by 2001.

Several initiatives to support small business have been funded by EU funds (European Commission, 2008a). An Ethnic Minority Business Support Network established in London to provide specialist business services and advice has been credited with supporting 750 SMEs, protecting over 400 jobs and creating another 104 jobs for a total cost of less than 2 million EUR, of which the EU provided around half. The Signal Business Growth Initiative in Northern Ireland provides business services and facilities for conferences and exhibitions. The provision of 1.4 million EUR by the EU and matching funds has enabled the creation of 300 jobs. The New Enterprise Strategy at Teesside in North East England was established in 1995

and is operated by a local partnership that includes public, private and community organisations. 1.27 million EUR of EU funding contributed to total funding of almost 15 million EUR. In the first 3 years the Strategy had assisted the establishment of more than 1800 businesses that provided more than 3200 jobs.

There have been numerous projects that have resulted in positive employment outcomes while also addressing particular disadvantaged groups. The Jobs for Wolverhampton project that operated between 2000 and 2003 placed 580 long-term unemployed people in paid employment for a year and provided customised training along with employability skills (European Commission, 2004b). Three-quarters of the participants secured employment or progressed to further education or training. During 2002-2004 the Bytes centres in Northern Ireland provided computer training to around 140 young people each week (European Commission, 2004a). The centres catered for 16-25 year old unemployed persons from socially deprived areas who work toward achievement of a personal development portfolio and can gain a recognised qualification in ICT. In the first 2 years of the project, 24 people received a qualification, 67 obtained employment, and 44 articulated to full-time education. At the end of the funding period the Department of Education and the Department for Employment and Learning undertook to provide continuing funding. The Edinburgh women's training course started in 1988 received ESF funding between 2000 and 2003. The course provides computer training and is open to women residing in Edinburgh without qualifications who are either unemployed or in casual low paid work and include sole parents or older women returning to the labour market (European Commission, 2004d).

Total EU funding for Cohesion policy for the period 2007-2013 is 10.6 billion EUR; 2.9 billion EUR under the convergence objective, 7 billion EUR for the Competitiveness and Employment objective, and 722 million EUR under the European Territorial Cooperation objective for cross-border and trans-national cooperation. The UK contribution is at least 5.2 billion EUR under the National Strategic Reference Programme. The objective of the programme is to increase the rate of sustainable growth, deliver greater prosperity and employment opportunities. The 4 priorities for the 2007-2013 period are: promoting innovation and knowledge transfer; stimulating enterprise and supporting successful business including social enterprise; sustainable development; and sustainable communities. Figure 2 shows convergence and competitiveness regions for the period 2007-2013. Convergence or lagging regions (with 75 per cent or less of EU average GDP) include West Wales and the Valleys, Cornwall and the Isles of Scilly, phasing-out regions have GDP slightly above the 75 per cent threshold and receive convergence funding. Outside the convergence regions the focus is on innovation, the knowledge society and human capital development. The phasing-in regions were previously Objective 1 regions and receive additional funding to foster development.

Figure 2 Convergence and Competitiveness Regions in the UK: 2007-2013



Source: (European Union, 2007)

Social entrepreneurship

As part of the restructuring of the welfare state, the UK government encourages social enterprises to participate in provision of government services and to play a leading role in regeneration of deprived communities (McCabe and Hahn, 2006). The Government's social enterprise strategy, *Social enterprise: A strategy for success*, was released in 2002 to promote social enterprise and improve business performance of social enterprise (DTI, 2002). The strategy is implemented by RDAs and Government Offices in partnership with local authorities, the Co-operative Movement, and the social enterprise sector. In order to achieve the objectives of identifying markets and removing barriers to operation of social enterprises (Office of the Third Sector, 2006). The Social Enterprise Network was established and RDAs developed social enterprise plans or integrated social enterprise objectives into the Regional Economic Strategy. Specific initiatives have included: financial training for social enterprises, encouraging relationships with other businesses, encouraging firms to form partnerships with social enterprises to deliver 'corporate social responsibility objectives', replicating best practice in social enterprise, and facilitating the growth of social enterprise clusters (Office of the Third Sector, 2006: 67).

The Government established the Office of the Third Sector in 2006 and will provide £515 million between 2008 and 2011 for third sector programmes. Social enterprises are promoted as an alternative to the private sector for provision of contracted public services that were previously delivered by the public sector. For example, the Social Enterprise Unit in the Department of Health actively promotes delivery of health and social services by social enterprises. In relation to employment services, social entrepreneurs deliver some New Deal and Pathways to Work services, around half WORKSTEP services that provide job support to people with disabilities, and almost all Work Preparation services (Office of the Third Sector, 2007).

Social entrepreneurship is seen as critical to delivery of local employment and development strategies and as a vehicle to tackle social problems in deprived communities. Social entrepreneurs are charged with increasing employability and removing barriers to employment by addressing child care and transport needs, as well as negative employer attitudes towards the most disadvantaged (Department for Communities and Local Government, 2007b). One third of social enterprises in urban areas are located in the 20 per cent most deprived wards (Office of the Third Sector, 2006). The government has also emphasised the need for social enterprises in rural areas to generate employment, provide services that would otherwise not be provided, and tackle social exclusion.

The Social Enterprise Strategy in Scotland was launched in 2007 to establish social enterprise partnerships in all 32 local authority areas in order to improve public services and regenerate local communities, building on research carried out by the EQUAL Social Economy Scotland Development Partnership (Communities Scotland, 2007). Each local social economy partnership (LSEP) consists of the Communities Scotland, Scottish Enterprise or Highlands and Islands Enterprise, the local authority, and the local council for voluntary services. LSEPs will facilitate growth in the social economy through co-ordination, support services, facilitating networking, and opening up market opportunities for expansion (Communities Scotland, 2007). Currently there are around 3,000 social enterprises in Scotland including community care providers, co-operatives, credit unions, housing associations and social firms. The strategy will be funded by 2 million EUR in 2007, which will be supplemented by 160,000 EUR from EQUAL.

Numerous examples of social enterprises in the UK have been cited as successful vehicles for providing employment opportunities to the unemployed and services to the community.

Vision 21 in Wales commenced as a charity in 1991 offering vocational training and gradually expanded to 15 projects with around 175 students with disabilities participating in a range of courses at any one time (European Commission, 2004c). The courses provide qualifications and Vision 21 has partnered with an employment agency that assists with job placement thereafter. ESF funding comprises around 20 per cent of total funding and Vision 21 also generate funding through activities such as the production and sale of Celtic harps for the tourism industry and high quality kitchens that are exported to France.

One of the most famous examples of social entrepreneurship is the Wise group that commenced in Glasgow in 1983 and now has 420 employees. The company operated in Scotland and the north of England providing support, training and work experience to the unemployed to assist them find and retain employment and provide services to communities. The Wise Group entered a partnership with Learndirect Scotland to establish an Information and Communications Technology (ICT) centre at its Glasgow premises in 2003. The Wise Group also offers training courses in construction, control of hazardous substances, occupational health and safety and telephone techniques (Floodlight Glasgow, 2007).

Another successful example of social entrepreneurship is Sunderland Home Care Associates that has been providing home care services in northeast England since 1994 and provides employment for almost 200 people (Ministry of Labour Finland, 2007). The company has expanded to offering academic support for students with disabilities and short-term assistance in residential care homes. In addition the model is being replicated in other areas in the north of England, creating new employment opportunities.

The South East England Development Agency launched the Cultural Shift South East development cross sector partnership to facilitate social enterprise. The partnership supports social enterprise through an online business support directory and database, and has developed a regional plan to develop social enterprises and identify emerging opportunities including in public policy areas of culture, housing, environmental services, regeneration and health and social care (Ministry of Labour Finland, 2007).

Area-based employment strategies

The Blair government in the UK implemented a number of place-based programmes to attack unemployment and social exclusion in deprived neighbourhoods. These strategies recognise that the benefits of general economic expansion are not equally shared and involve local partnerships that include the public, private and voluntary sectors. Such programmes can be seen as recognition that the causes of entrenched unemployment are structural rather than located in individuals. Deprived areas are characterised by degenerated urban environments, lack of services and decent housing that are testament to retrenchment of the welfare state over many years. However, these aspects are generally not emphasised. Bradford (2005) contended that this joined-up government and partnership approach recognised the importance of local government in policy formulation and delivery. The Department for Communities and Local Government (2007b: 10) commented:

Worklessness cannot be holistically tackled at any one spatial level; whilst a strategic approach is needed at the level at which demand side failures in the labour market operate, it is equally true that local interventions are needed to ensure that emergent benefits are realised in deprived neighbourhoods.

The **National Strategy for Neighbourhood Renewal** commenced in 2001 to address multiple deficiencies and improve economic and social outcomes for the 88 deprived local authority districts in an attempt to reduce spatial disparities with the rest of the country. In

addition to reducing worklessness, the objectives included improvements in health, skills, housing and the physical environment (Social Exclusion Unit, 2001). The strategy uses a place management approach through **Local Strategic Partnerships (LSPs)** to coordinate service delivery from various government departments (DWP, 2003).

New Deal for Communities (NDCs) commenced in 1998 to narrow gaps between 39 deprived localities and the rest of the country in relation to education, crime, employment, health and housing. NDCs became part of the National Strategy for Neighbourhood Renewal. The NDC is based on Jobcentre Plus and other agencies collaborating to provide job mentoring and training, and Intermediate Labour Markets opportunities. Surveys of residents of New Deal for Communities areas found that the most successful method of job search was word of mouth, and less than 10 per cent of those working, or who had previously worked, found jobs through Jobcentre Plus. The importance of informal jobsearch methods such as word of mouth information from social contacts who are employed, suggests that “where there are concentrations of unemployment, either spatially or in particular communities (for example asylum seekers), jobseekers are unlikely to have the connections to those in work needed to benefit from informal recruitment methods” (Department for Communities and Local Government, 2007b: 42). For this reason many partnerships have involved intermediaries to improve links between workless populations and the labour market. However, there have not been substantial changes in worklessness in NDC areas between 2002 and 2006. Reductions in JSA claims have been counter-balanced by increases in those on work limiting benefits (Beatty *et al.*, 2007).

As part of the Lisbon Strategy National Reform Programme report for 2006 the government outlined improved targeting of interventions to tackle deprivation. Rather than targeting the 30 most deprived local authority areas the focus shifted to 903 individual wards (HM Treasury, 2006). The City Strategy Pathfinder initiative launched in 2006, consisted of area-based partnerships of government agencies, local government, the private and voluntary sectors. These organisations pool resources and expertise “in order to tackle unemployment in the areas furthest away from the 80 per cent employment rate ambition” (HM Treasury, 2006: 46). The Local Enterprise Growth Initiative (LEGI) also provides funds to deprived areas to support proposals to stimulate economic activity and enterprise (HM Treasury, 2006).

While Jobcentre Plus implements national employment policies such as the New Deal, a number of local initiatives have attempted to improve outcomes in deprived areas or for specific client groups. **Employment Zones** were initiated in 15 deprived areas with high unemployment rates in 2000 in an area-based strategy to improve employment outcomes for long-term unemployed people aged 25 or older. The target group was expanded to include young people who would otherwise have returned to New Deal for Young People and sole parents who participated on a voluntary basis. Providers were afforded considerable flexibility in provision of intensive assistance and received financial incentives in a work-first approach that focussed on placing clients in employment as soon as possible. The rationale was that

...payment by results, minimum regulation, operational and financial flexibilities, provider competition and customer choice – were, over time, intended to drive through improvements in performance and service delivery and act as a benchmark for comparing their performance with mainstream employment services (Griffiths and Durkin, 2007: 2).

Employment Zones have been credited with attaining superior outcomes due to a combination of financial incentives and the highly individualised approach of EZ advisers who concentrate more on placing job seekers into jobs they are interested in rather than forcing people into

jobs they do not want as is the case with the New Deal (Griffiths and Durkin, 2007: 4). A study of the wider macroeconomic impact of EZs found that there was a reduction in the stock of LTU in EZs and a small positive impact on the target group compared to participation in the New Deal (Hasluck, Elias and Green, 2003). Employment Zones have proven more expensive than the New Deal, but job entry rates have been higher and costs per sustained outcome are similar (Freud, 2007). However, sustainability has been identified as a major problem because few jobs last longer than 13 weeks, suggesting flaws in the financial arrangements that favour short-term outcomes (Hales *et al.*, 2003; Griffiths and Durkin, 2007). Moreover, EZs have failed to overcome employment barriers of many long-term unemployed people. Almost half of the participants had not secured employment after 2 years (Hales *et al.*, 2003).

Action Teams for Jobs commenced in 2000 in small areas to address particular issues of labour market disadvantage to reduce differentials in employment rates between deprived areas and other locations (Casebourne, Davis and Page, 2006). The initiative included Jobcentre Plus and Private Sector Led (PSL) teams, with the latter funded by employment outcomes. The evaluation established that there were significant differences between Jobcentre Plus and private PSL teams. Jobcentre Plus teams worked with more disadvantaged groups but achieved superior employment outcomes; 140 per cent of targets compared to only 78 per cent for the PSL teams. PSL teams offered more in-house training, more support to employers and post placement support for job seekers.

Working Neighbourhood Pilots (WNP) commenced in 2004 in 12 sites in England, Wales and Scotland with a high proportion of workless people. The pilots were established to test various approaches to assisting people get and retain work (Dewson *et al.*, 2007). The pilots involved Jobcentre Plus and private contractors working with Local Strategic Partnerships to determine how to overcome barriers and get people into jobs. Similar outcomes were achieved by Jobcentre Plus and private providers. The pilots involved more frequent work-focused interviews, easier access to New Deal programmes, more flexible funding amounting and post placement support. In addition, people who retained employment received 'retention' payments at 13 and 26 weeks. In total 35 per cent obtained employment; 55 per cent of these remained in work for at least 13 weeks and 37 per cent for at least 26 weeks (Dewson *et al.*, 2007). However, the pilot failed to reach a large proportion of non-traditional groups, innovation was limited, some centres were understaffed and there was little attention to the demand side of the labour market (Dewson *et al.*, 2007).

The link between deprivation and areas with high numbers of incapacity beneficiaries (HM Treasury, 2006) has been used as justification for programmes such as **Pathways to Work** which entails compulsory attendance at work-focussed interviews with Personal Advisors and provides access to employment assistance for people receiving Incapacity Benefit. Pathways to Work commenced in 7 areas in 2003-04 (Dewson *et al.*, 2007). The programme involved a series of work-focused interviews; one at the point of the initial claim, then another 5 interviews at monthly intervals. A major expansion of the programme in 2005-2006 concentrated on the most disadvantaged areas with the highest concentration of people on incapacity benefit. The programme will be available nationally from April 2008. The programme has assisted more than 69,000 people with disabilities to return to work (DWP, 2007d).

More recently the **Cities Strategy** and **Deprived Areas Fund** have been launched in an attempt to improve employment outcomes. The Cities Strategy was announced in 2006 with the intention of forming partnerships in major towns and cities to form a consortium to assist people move into jobs and is operating in 7 locations (Dewson *et al.*, 2007). The Deprived

Areas Fund is available in Jobcentre Plus areas containing wards with the lowest employment rates in an attempt to bring employment rates closer to the national average through the purchase of services from the private and non-profit sectors.

Local Employment Partnerships (LEPs) have been initiated in an attempt to increase labour demand for disadvantaged groups and address skill shortages. LEPs consist of Partnerships between employers and Jobcentre Plus, whereby Jobcentre Plus provides training tailored to specific employer needs. In return employers agree to consider employing people from disadvantaged backgrounds (DWP, 2007d). The target for LEPs is to place 250,000 people in employment by 2010 through training, work trials and mentoring for potential employees. Over 400 employers have signed up to LEPs including major employers such as Nissan, Marks & Spencer, Sainsbury's, Asda and Tesco. New Tesco stores at Failsworth and Maesteg provided 20 and 25 per cent of jobs respectively to long-term income support recipients. Marks and Spencer initiated a Marks and Starts programme for lone parents, homeless people, people with disabilities and young unemployed people with the result that 250 persons completing the programme were employed in the retail sector (DWP, 2007b).

Ambition Health is a partnership programme that has been operating in the North West since 2004. The programme involves a partnership between Jobcentre Plus, the Learning and Skills Council and Primary Care Trusts to prepare people for vacancies identified by healthcare managers including Rehabilitation Support workers, Technicians, Healthcare Assistants and Administrators (Jobcentre Plus, 2008). Colleges provide a 10 week course, which includes support for childcare and other learner needs. The Trusts then offer a 12 week work placement with dedicated support staff and an interview for a permanent job afterwards. Lone parents participating in the programme appreciated the opportunity of a job with career prospects and flexible hours as well as the structured training combined with work experience. Similarly NHS managers stated that the programme reduced attrition and constituted a more efficient use of resources. To date, 220 people, out of 417 starting the programme, have entered employment. Place-based solutions will also be progressed through Multi-area Agreements (MAAs) that will commence in 2008.

Cluster promotion by Regional Development Authorities (RDA)

Regional Development Agencies (RDA) are responsible for implementation of regional policies including fostering the development of clusters. They are funded by 6 government departments with the bulk of the funding from the Office of the Deputy Prime Minister (OECD, 2007a). Following the 1998 Competitiveness White Paper the government set out to identify barriers to clusters declaring that clusters have a key role in economic development in regional and local economies (DTI, 2004; OECD, 2007a). In *A Practical Guide to Cluster Development* the critical success factors identified were: networks and partnerships; strong skills base; innovation and R&D capacity; presence of large firms; adequate infrastructure; entrepreneurial spirit; and access to finance (DTI, 2004).

RDAs encourage cluster development rather than attempting to artificially create them (OECD, 2007a). Regional clusters are encouraged to participate in Knowledge Transfer Networks. Some clusters identified by RDAs (England's Regional Development Agencies, 2007) are listed in Table 8.

West Midlands has identified 10 clusters that are divided into 3 categories: existing clusters (Transport technologies, Building technologies, Food and drink, Tourism and leisure, and High value-added consumer products); growing clusters (Specialist business and professional services, Information and communication technologies, and Environmental technologies); and embryonic or aspirational clusters (Screen and new media for education and entertainment and Medical technologies) (Advantage West Midlands, 2004). Cluster development is to be

supported by partnerships established by the RDA with educational institutions and business, including a focus on lifelong learning, provision of venture capital for young entrepreneurs, and ongoing support of manufacturing. The Beacon Manufacturing Group of regional partners is supported by the Manufacturing Foundation which undertakes detailed research and analysis of manufacturing issues.

Yorkshire has identified 7 priority clusters that account for around 300,000 to 350,000 jobs; Advanced Engineering and Metals, Digital, Chemicals, Bioscience, Healthcare Technologies, Environmental Technologies, and Food and Drink (Yorkshire Forward, 2006). The RDA emphasises the foundations on which cluster policy should be based. First, choice of clusters to be fostered should be restricted to those that will make a long-term contribution to economic development. The second criterion is that the clusters should be distinctive to the region and spread across the region. Thirdly, interventions that work across the supply chain and businesses involved are to be prioritised. Finally, clusters should be able to be supported in the longer-term without public funding.

There are 2 major cluster developments in the **South West**. Bio-medical and healthcare companies are linked to universities in Bristol and Plymouth (South West of England Regional Development Agency, 2006). The RDA has identified large growth potential through developing capacity to deliver healthcare services to an ageing population and developing new medical technologies. Secondly, the South West has the largest cluster of semi-conductor design companies outside the US and has a large growth potential at the international level.

The **South East** is home to the Oxford to Cambridge knowledge based cluster containing a network of innovation and incubation centres that support business. In addition, there are partnership arrangements between business, universities and other research centres and government departments to establish 2 new Science and Innovation Campuses that will “maximise the economic and social benefits of the region’s world class science, engineering and technology base and business strengths” by assisting business to develop new and innovative products (SEEDA, 2006: 62).

Table 8: Regional development and cluster promotion by RDAs

Region	Regional Development priorities	Clusters
West Midlands	<ul style="list-style-type: none"> • Promoting innovation and research and development • Stimulating enterprise development • Achieving sustainable urban development • Developing trans-national activity • Technical assistance 	Transport technologies; Building technologies; Food and drink; Tourism and leisure; High value-added consumer products; Specialist business and professional services; Information and communication technologies; Environmental technologies; Screen and new media for education and entertainment; Medical technologies
Yorkshire and the Humber	<ul style="list-style-type: none"> • Promoting innovation and R&D • Supporting and stimulating successful enterprise • Sustainable communities • Economic infrastructure (South Yorkshire) • Technical assistance 	Advanced Engineering and Metals, Digital, Chemicals, Bioscience, Healthcare Technologies, Environmental Technologies Food and Drink.
South West	<ul style="list-style-type: none"> • Innovation and knowledge • Enterprise and growth • Urban enterprises • Technical assistance 	Bio-medical Semi-conductor design Digital media
South East	<ul style="list-style-type: none"> • Innovation, knowledge transfer and sustainable productivity • Technical assistance 	Renewable and other low carbon energy technologies
North West	<ul style="list-style-type: none"> • Stimulating enterprise and supporting growth in new sectors and markets • Exploiting innovation and knowledge • Sustainable growth • Growing and accessing employment • Technical assistance 	Biomedical Energy & environmental technologies Advanced engineering and materials Food and drink Digital and creative industries Business and professional services
East of England	<ul style="list-style-type: none"> • Innovation and technology transfer to improve productivity • Stimulating enterprise, facilitating business creation and expansion • Sustainable development • Technical assistance 	Cambridge Knowledge-Based Cluster
London	<ul style="list-style-type: none"> • Business innovation, R&D, and eco-efficiency • Access to new markets, finance and strengthening entrepreneurship • Sustainable urban regeneration • Technical assistance 	Financial services; Higher education; Pharmaceuticals; Creative industries; Science based sectors; ICT and green sectors; Tourism; Creative, cultural and design-based sectors.
East Midlands	<ul style="list-style-type: none"> • Raising productivity through innovation, diversification and sustainable business practice • Increasing sustainable economic and enterprise activity in disadvantaged communities • Technical assistance 	Aerospace
North East England	<ul style="list-style-type: none"> • Enhancing and exploiting innovation • Business growth and enterprise • Technical assistance 	North East Process Industry Cluster Nuclear energy Renewable energy and environment Oil and gas

Source: (OECD, 2007a; England's Regional Development Agencies, 2008)

The **North West** Development Agency Cluster Development programme is focussed on support of science based clusters and development of higher value-added industries that are

knowledge based, internationally traded and have the potential for international growth. The clusters listed in Table 8 account for 55 per cent of the North West Gross Value Added (NWDA, 2006).

The **East of England's** strongest existing cluster is in biosciences and is supported by advanced private sector R&D in pharmaceuticals and networking through the Eastern Region Biotechnology Initiative. Around 40 per cent of the automotive industry's R&D is carried out in the region, Ford, Nissan and Lotus have facilities in the region and Cranfield and Cambridge University have expertise in automotive engineering (EEDA, 2004). The region is also home to large food companies that engage in extensive R&D. There are 2 energy cluster organisations; Energy Group and Renewables East. In addition to promotion of development of these clusters the RDA implements a spatial strategy to support economic diversity.

London is a major financial centre and has high rates of inward investment. It is also characterised by creative, cultural and design-based sectors as well as tourism. London is also located close to clusters in higher education, life sciences pharmaceuticals and is ideally placed to enable knowledge transfers at both a formal and informal level (London Development Agency (LDA), 2006).

The **East Midlands** RDA states that there are few industries exhibiting clustering features, such as aerospace and motor-sport (East Midlands Development Agency, 2006). These clusters will be supported as will other opportunities for cluster development with a potential to enhance economic growth through faster innovation and increased competitiveness.

North East England is home to the largest petrochemical cluster in the UK that contributes £3.5 billion and supports 70,000 jobs (One NorthEast, 2006). The region also has half the remaining petrochemical industry. Cluster activities are facilitated by the North East Process Industry Cluster.

In addition to discrete cluster activities within regions, there are also collaborative efforts that span several regions under the auspices of the Cluster Liaison Group. For example Motorsport Development UK is a public / private partnership that involves 4 RDAs; East Midlands, West Midlands, East of England and the South East. The project focussed on the following major areas (OECD, 2007a):

- Energy efficient motor-sport through the development of energy efficiency and low carbon emissions with a view to increasing the UK's share of international trade and investment;
- Business development to increase productivity and innovation, technology transfers with other industries and increase exports;
- Motorsport Academy to develop learning resources, assess training needs and facilitate collaboration between education and training institutions and employers.

The private-led Technology Strategy Board established in 2004, plays a leading role in identifying areas for investment. The Board oversees Collaborative Research partnerships between research institutions and industry, and Knowledge Transfer Networks consisting of partnerships between business, universities, research and technology organisations, and financial institutions to facilitate knowledge transfer.

At the 2008 European Union RegioStars Awards for Regional Innovative Projects, the OpTIC Technium (Optronics Technology and Incubation Centre) in Wales won the award for *Support of clusters and business networks* (European Commission, 2008b). OpTIC Technium provides incubator services for new and relocating businesses and a technology centre for new opto-electronic products and was judged to be "a particularly good example of

a successful industry-led cluster” that rejuvenated a less developed region. There were 2 UK winners in the category of *Technology transfer from research institutes to SMEs* at the same awards. EnviroINNOVATE which is located in the West Midlands assisted 116 companies to link to expertise for developing innovative products to exploit new markets and increase sales of environmental goods. Centres for Industrial Collaboration (CIC) in Yorkshire and the Humber facilitate technology and skills transfers from universities to businesses to enhance innovation, research and development.

3.5 Discussion and Conclusions

How have UK ALMP and regional policies impacted on the spatial distribution of employment opportunities and unemployment? Despite 56 quarters of uninterrupted economic growth (HM Treasury, 2006), Table 9 demonstrates that substantial variation in unemployment rates persists, with regional unemployment rates in 2007 ranging from a low of 3.6 per cent in Northern Ireland to almost double that in London (7.1 per cent). Regions where the unemployment rate declined also recorded proportionately greater increases in the employment rate of the adult population, demonstrating that buoyant employment conditions attract entrants to the labour force. Between 2001 and 2007 the unemployment rate increased in the majority of regions. Unemployment rates declined in Wales (from 5.8 to 5.6 per cent), Scotland (6.3 to 4.7 per cent) and Northern Ireland (6.6 to 3.6 per cent) and remained steady in East Midlands. The most dramatic decline in unemployment was in Northern Ireland where unemployment fell from 6.6 per cent in 2001 to 3.6 per cent in 2007. These regions also recorded increases in the employment rate that were greater than the fall in unemployment. The employment rate increased in: the North East (from 67.9 per cent to 71.2 per cent); Wales (67.9 to 71.9 per cent); Scotland (73.4 to 76.9 per cent); and Northern Ireland (67 to 70.5 per cent).

Conversely, regions where unemployment rates increased between 2001 and 2007 often recorded declines in the employment rate that exceeded the direct effect of the increase in unemployment. For example, unemployment increased from 5.8 to 7.1 per cent over this period but employment rates fell from 71.6 to 69.7 per cent, suggesting that there was a discouraged worker effect.

Changes in unemployment over the past several years display volatility and markedly different outcomes between regions. In a majority of regions, unemployment declined in 2002-03, 2003-04 and 2006-07. However, some regions recorded significantly different outcomes. In 2002-03 unemployment increased by over 7 per cent in the East of England. Unemployment also increased by 16 per cent in Scotland in 2003-04 and by 21 per cent in West Midlands in 2006-07. In 2006-07 unemployment increased by over 21 per cent in West Midlands but fell by almost 15 per cent in Scotland.

As large as region variations in labour market outcomes are, intra-regional variations are even more important, as the Department for Communities and Local Government (2007b: 5) notes:

Despite the overall increase in employment in recent years, spatial disparities locally have continued to grow: once upon a time, there were major *regional* differences in levels of unemployment; there are now differences *within regions*, in every region of the country.

In 2006 London had the largest intra-regional variation with unemployment rates of 14.2 per cent in Tower Hamlets compared to 4.1 per cent in Richmond-upon-Thames (National Statistics, 2006). The lowest unemployment rate was in Eden, Cumbria (2.1 per cent) and the highest rate outside London was in South Tyneside (10.2 per cent).

Table 9: Regional unemployment rates and annual changes in unemployment, 2001-2007

Region	Employment rate		Unemployment rate		Change in unemployment rate (%)					
	2001	2007	2001	2007	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
UK	74.4	74.2	4.9	5.3	3.38	-3.54	-1.91	0.29	18.16	-1.88
England	75.1	74.2	4.7	5.4	4.72	-1.17	-3.80	1.05	20.70	0.00
North East	67.9	71.2	7.6	6.3	-14.77	-8.00	7.25	28.13	-8.54	5.33
North West	72.8	72.4	5.1	5.6	4.88	-9.30	-10.90	-0.72	22.46	11.24
Yorkshire and Humber	72.9	72.8	5.4	5.5	-1.56	-3.97	-8.26	5.41	23.08	-4.17
East Midlands	75.3	75.4	5.0	5.0	-7.69	-4.17	-1.09	2.20	31.18	-10.66
West Midlands	73.6	72.5	5.4	6.6	4.38	-2.10	-2.14	-16.06	26.96	21.23
East	79.1	77.1	3.5	4.6	2.08	7.14	0.00	3.81	31.19	-7.69
London	71.6	69.7	5.8	7.1	11.01	5.79	-2.34	2.80	15.56	-4.04
South East	80.0	78.4	3.0	4.1	23.62	2.55	-6.83	5.33	25.32	-10.61
South West	78.9	77.8	3.4	3.9	6.02	-5.68	9.64	12.09	18.75	7.37
Wales	67.9	71.9	5.8	5.6	-5.26	-16.67	-5.00	8.77	29.03	0.00
Scotland	73.4	76.9	6.3	4.7	1.91	-15.00	16.18	-7.59	0.68	-14.97
Northern Ireland	67.0	70.5	6.6	3.6	-8.89	-4.88	-5.13	0.00	-10.81	-12.12

Source: National Statistics (2007), Labour Force Survey.

The UK approach to labour market policy, particularly the crucial New Deal programme, has been dubbed workfare / trainfare (Daguerre and Taylor-Gooby, 2003). In order to police the increased activity requirements and the extension of conditionality to all working age income support recipients, Jobcentres have been restructured to incorporate both the employment and benefit administration functions through the establishment of Jobcentre Plus. The introduction of private provision has been trialled in a number of initiatives, often in direct competition with Jobcentre Plus. Despite proof of superior efficiency in the public sector and evidence of possibility of perverse financial incentives, the future delivery of individualised case management will be privatised.

Of the 12 to 21 per cent of New Deal participants who have obtained employment immediately after the New Deal, many have failed to retain that employment and there is evidence of cycling through periods of employment, unemployment and New Deal participation. In general, superior New Deal outcomes have been evident in regions with more buoyant labour markets, that is, where the employment rate is higher and the unemployment rate lower. The New Deal strategy has only recently considered demand-side policies.

Evaluations of the plethora of programmes implemented to solve localised unemployment and address social exclusion demonstrate the inadequacy of such programmes and stress that positive benefits may take several years to materialise (Department for Communities and Local Government, 2007a). In NDC areas unemployment fell by 3 per cent compared to the national average of 1 per cent between 1995 and 2005, however worklessness increased due to the rise in incapacity benefit claimants (Beatty *et al.*, 2007; Department for Communities and Local Government, 2007a). Between 2002 and 2006 the employment rate remained stable at 52 per cent in NDC areas, far short of the national rate of 75 per cent. Employment outcomes for StepUP participants were better than for the control group, but varied by age group. Significantly, higher employment outcomes were achieved by disadvantaged groups. Superior employment outcomes in Employment Zones evaporated over time (Griffiths and Durkin, 2007). Many participants of both Employment Zones and the New Deal have churned through multiple stints on the programmes without achieving sustainable employment outcomes.

A further concern is the fact that even where local programmes are successful in expanding employment opportunities, there is no guarantee that local residents will be employed since positions are often filled by persons commuting from other areas (North *et al.*, 2003; Department for Communities and Local Government, 2007b). Of particular concern is the fact that, far from improvements in the spatial dispersion of unemployment, it is becoming more concentrated for particular neighbourhoods and employment outcomes have not improved for the most disadvantaged jobseekers (Commission of the European Communities, 2004; Scottish Executive, 2006; Department for Communities and Local Government, 2007b). In short, programmes targeting deprived areas may result in improved amenity through housing renewal, reduced crime and perceptions of increased safety but they have not impacted significantly on employment outcomes and are incapable of eliminating spatial disparities in employment and unemployment.

4. Conclusion

Policies pursued in both Sweden and the United Kingdom broadly conform to the neo-liberal paradigm with a 'Third Way' concern for social inclusion. Full employment policies have been jettisoned in favour of promoting cluster development and social entrepreneurship to deliver economic growth, stimulate labour demand, increase the 'employability' of workless groups and address social exclusion. These programmes are incapable of eliminating spatial disparities in unemployment when both economies are subject to a macroeconomic constraint.

These case studies have shown that the current approach to ALMP and regional employment policy ignores the critical importance of aggregate demand in stimulating regional economic and employment growth and conforms to supply-side prescriptions emanating from neo-liberal economic policy (Gray, Crofts and Healy, 2001). Regional policies promote the development of industry clusters that are expected to increase the international competitiveness of regions and reduce spatial disparities. However the evidence shows that successful clusters cannot be transplanted to other regions and spatial disparities in economic and employment growth and unemployment have persisted or increased. Moreover, it is a fallacy of composition to argue that all regions can attain international competitiveness in some field or other. In short all countries cannot be net exporters and hence rely on 'external' demand to promote domestic activity, rather than adopting appropriate macroeconomic policies.

Increased reliance on local partnerships and social enterprises to achieve regional job creation and development is portrayed as a legitimate and sufficient means of replacing public sector service provision by extracting more outcomes from less inputs as the state seeks to reign in social expenditures. Social enterprises are also charged with the task of achieving social inclusion by overcoming decades of deprivation in areas that have been wracked by high levels of unemployment and insufficient investment in social services and infrastructure. For example, a survey of social enterprise in the UK in 2005 found that there were around 15,000 social enterprises with total employment of only 475,000 (IFF Research Ltd, 2005).

The rise of social enterprise has been a consequence of the decline of public sector service provision, with the transformation from the full employment to the full employability model of the welfare state. Social enterprises developed in the first instance as a response to the vacuum left by the withdrawal of social and community services. Subsequently governments embraced social entrepreneurship as an alternative to public sector provision and as a means of reducing budget outlays. The ceding of responsibility by the public sector for providing public services raises a number of issues including equity with respect to access to public services for citizens.

While ALMP and regional policies have produced some positive results the interventions have occurred in a constrained macroeconomic environment and are of insufficient scale to address persistent unemployment. As Mitchell and Juniper (2005: 20) point out, "it is a compositional fallacy to assume that all regions can lift themselves without a buoyant aggregate climate." A return to full employment depends on utilisation of fiscal and monetary policy to ensure a high level of aggregate demand and spatially specific employment creation at a scale sufficient to ensure employment for all those seeking work.

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