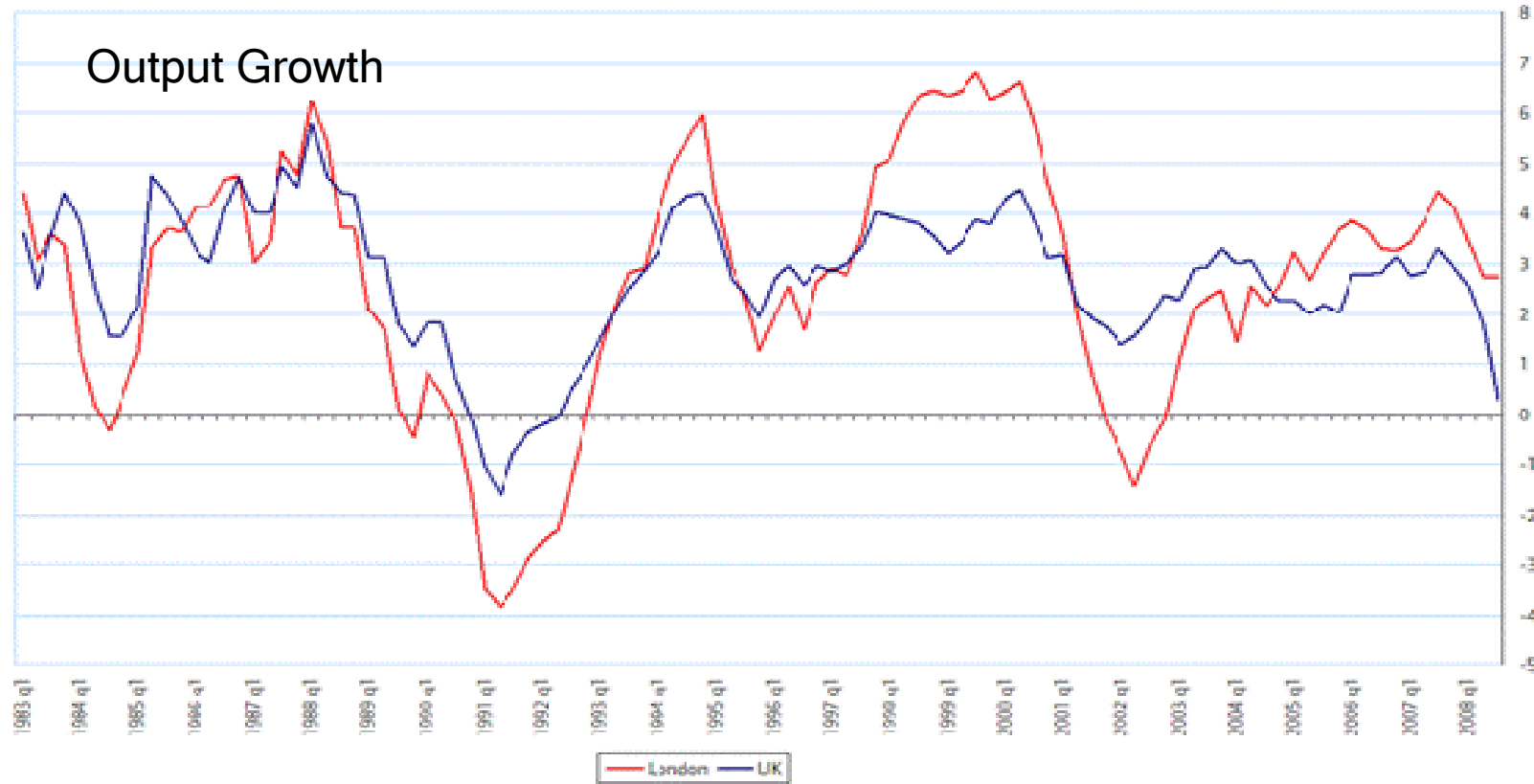


LSE seminar: London in recession The Recession - London's experience and some policy implications

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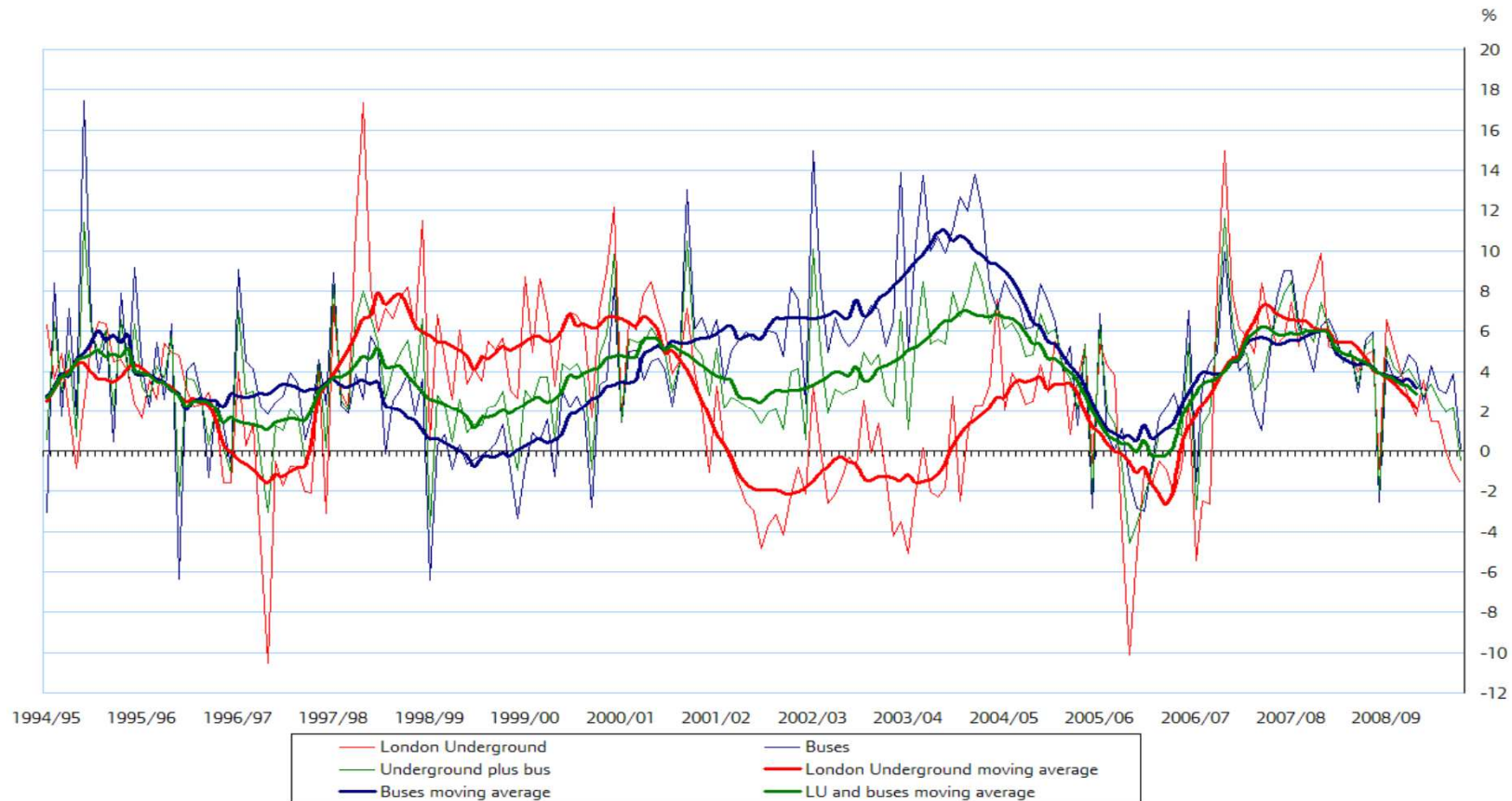
27 May 2009

Historically London is more cyclically volatile than the UK Economy

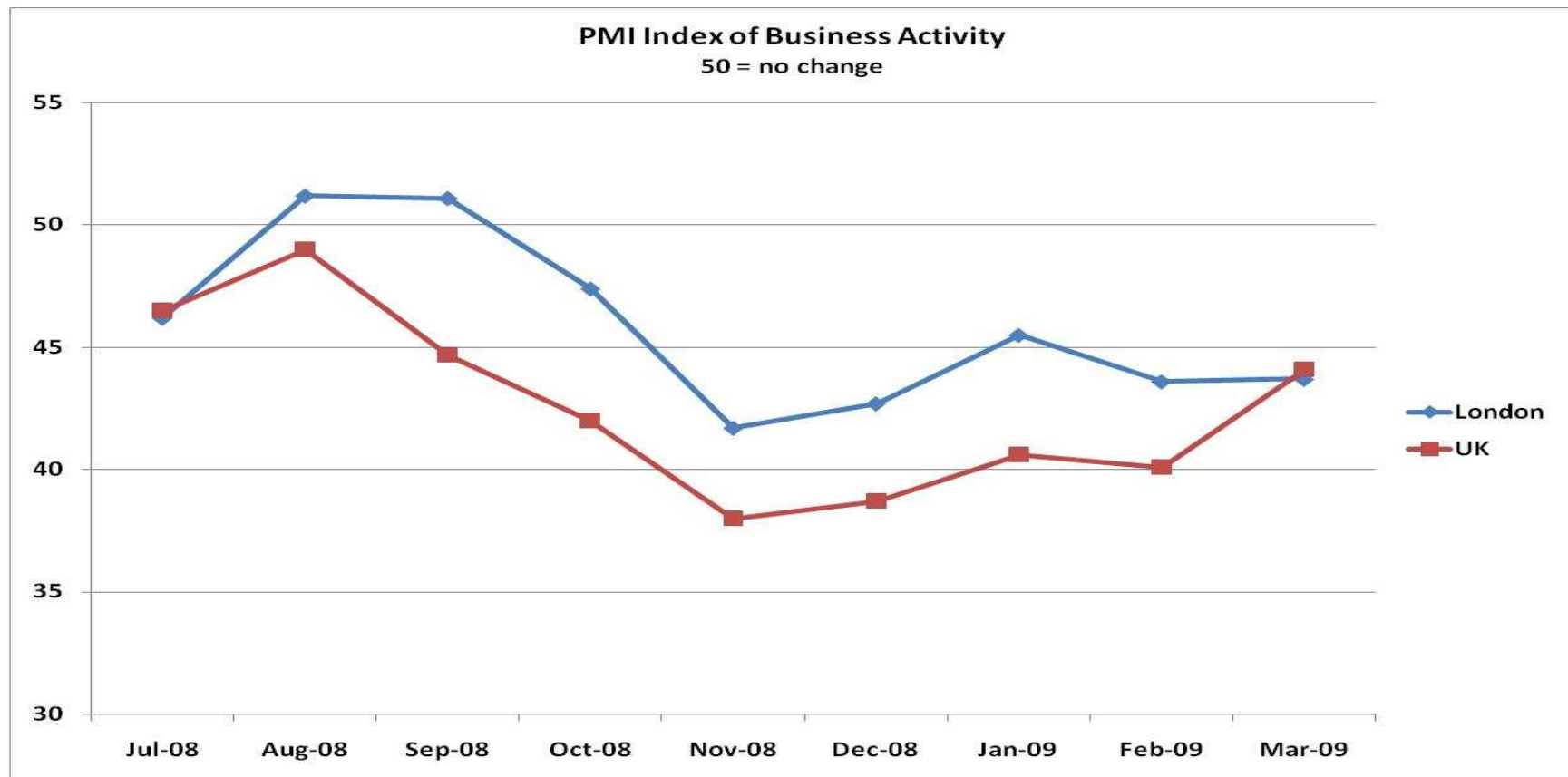


Source: GLA Economics

Growth in passenger numbers still above early 2000s levels

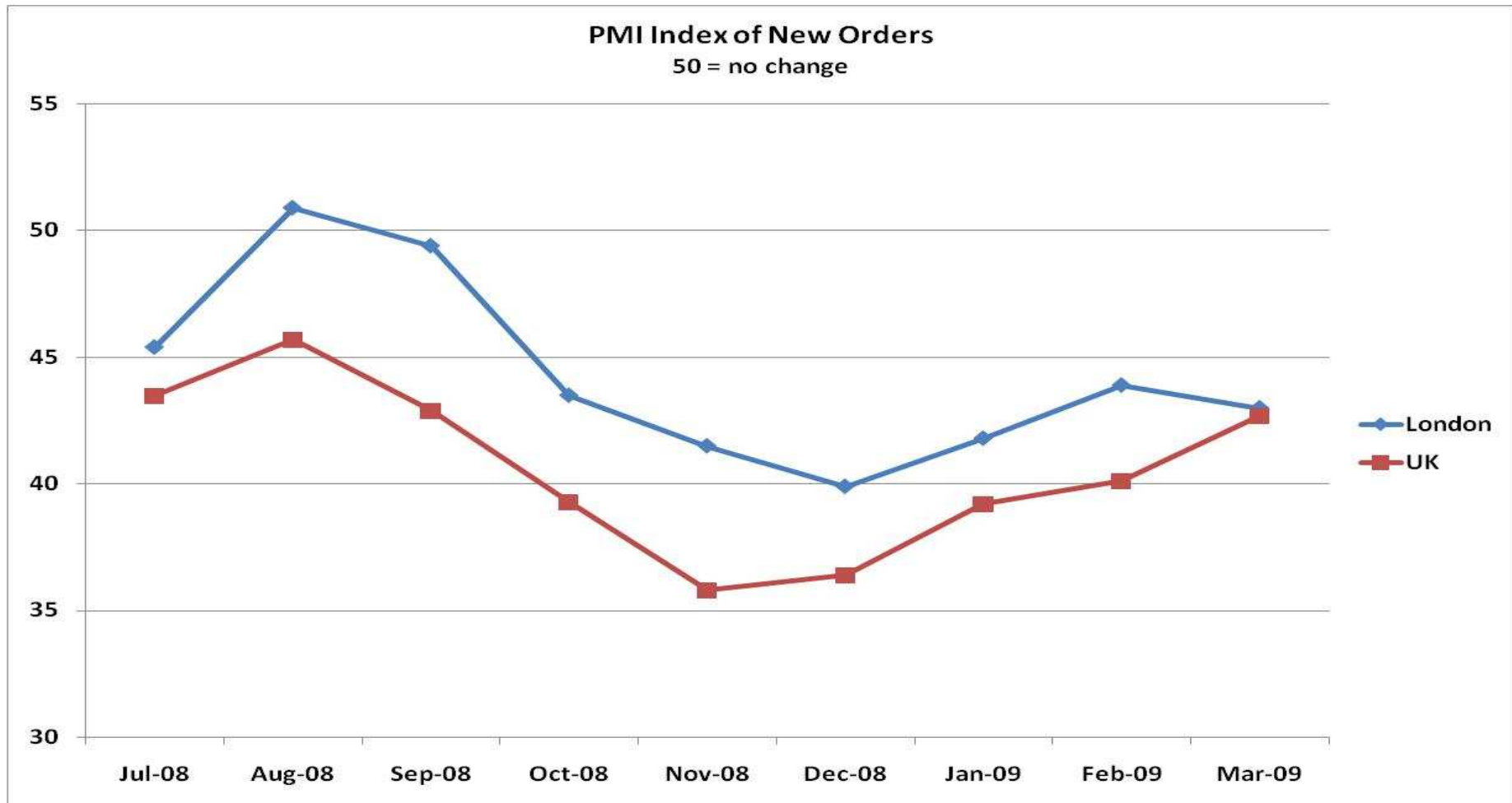


London experienced a less severe downturn in activity



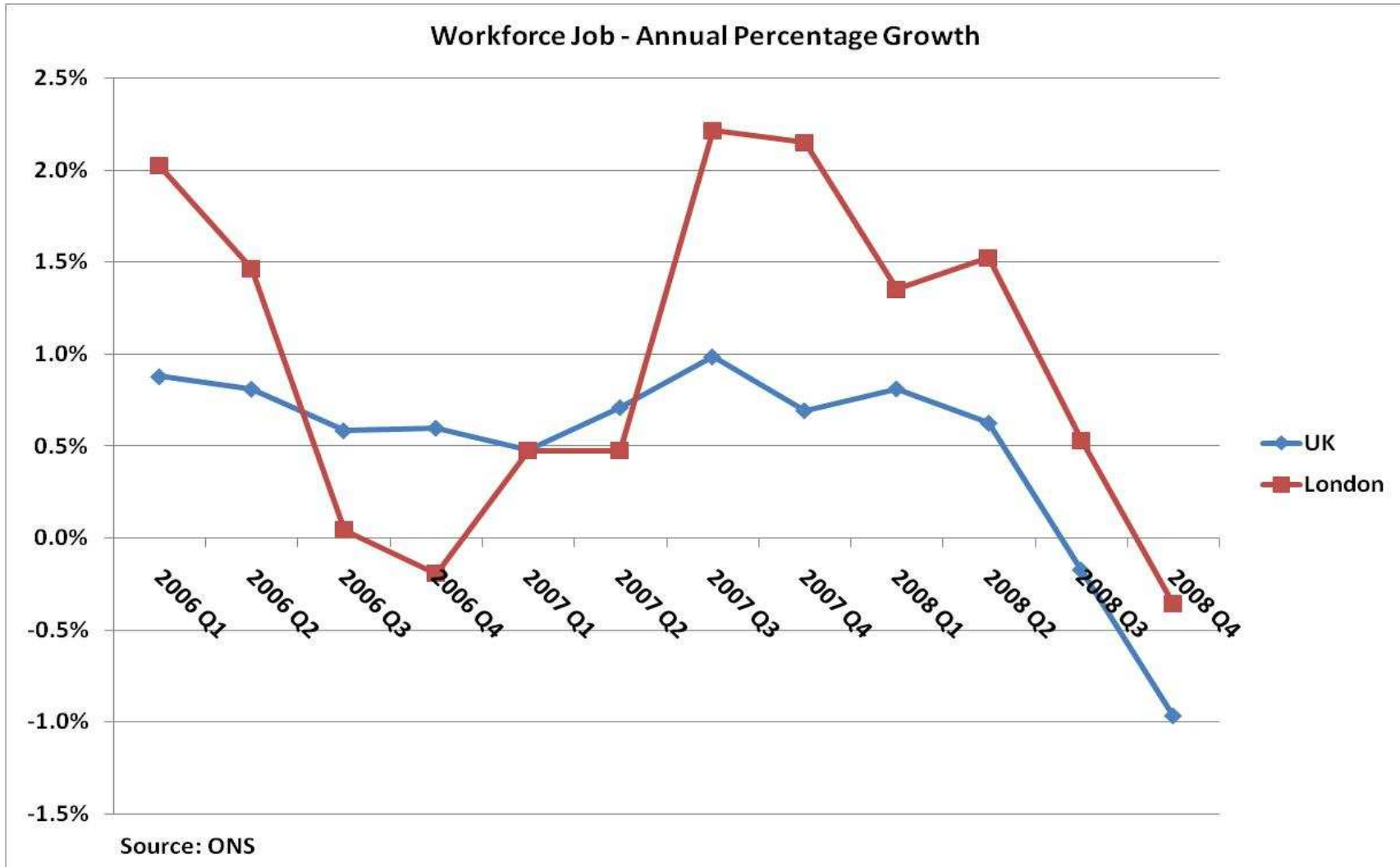
Source: RBS / Markit Economics

And for new orders

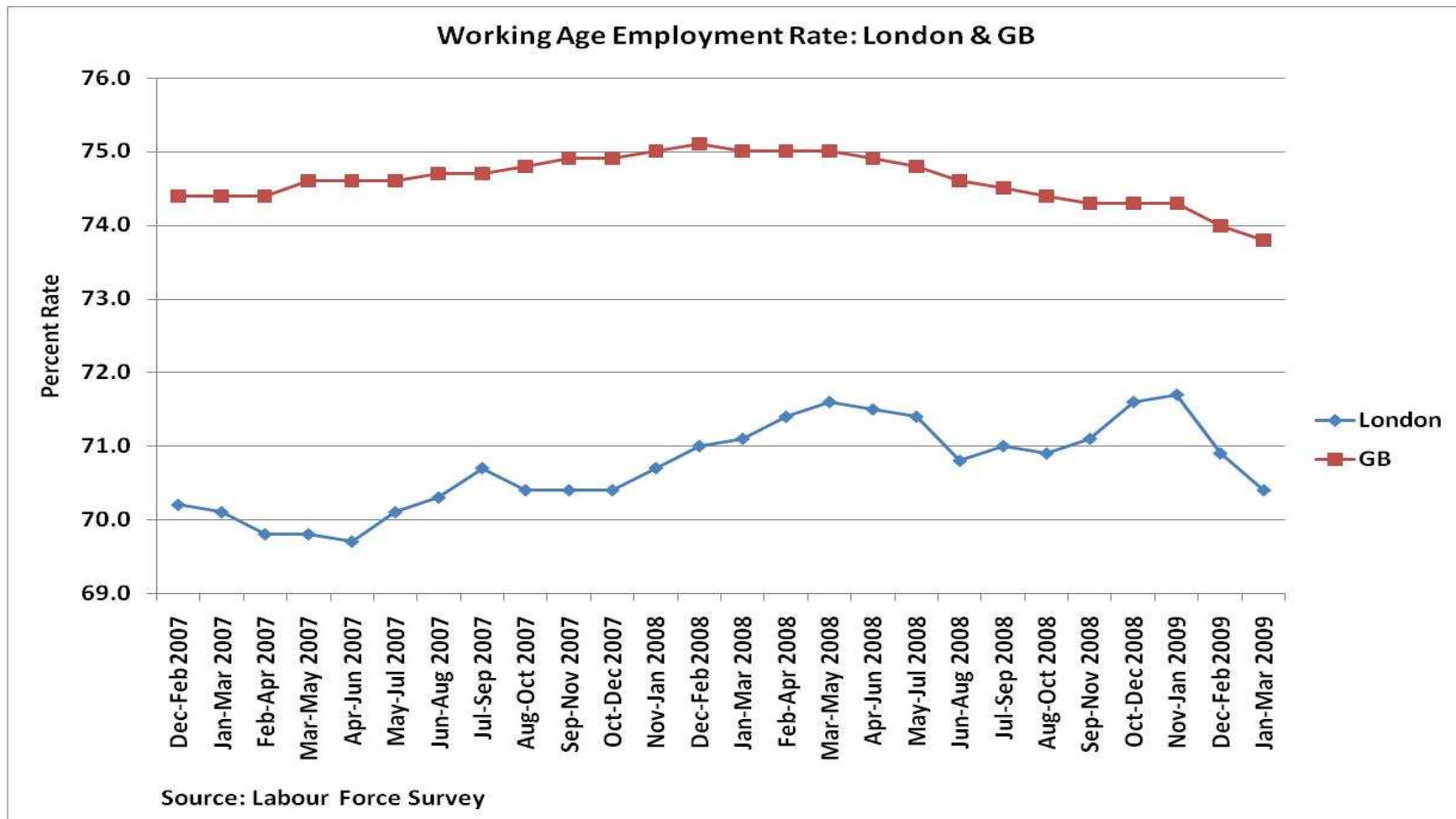


Source: RBS / Markit Economics

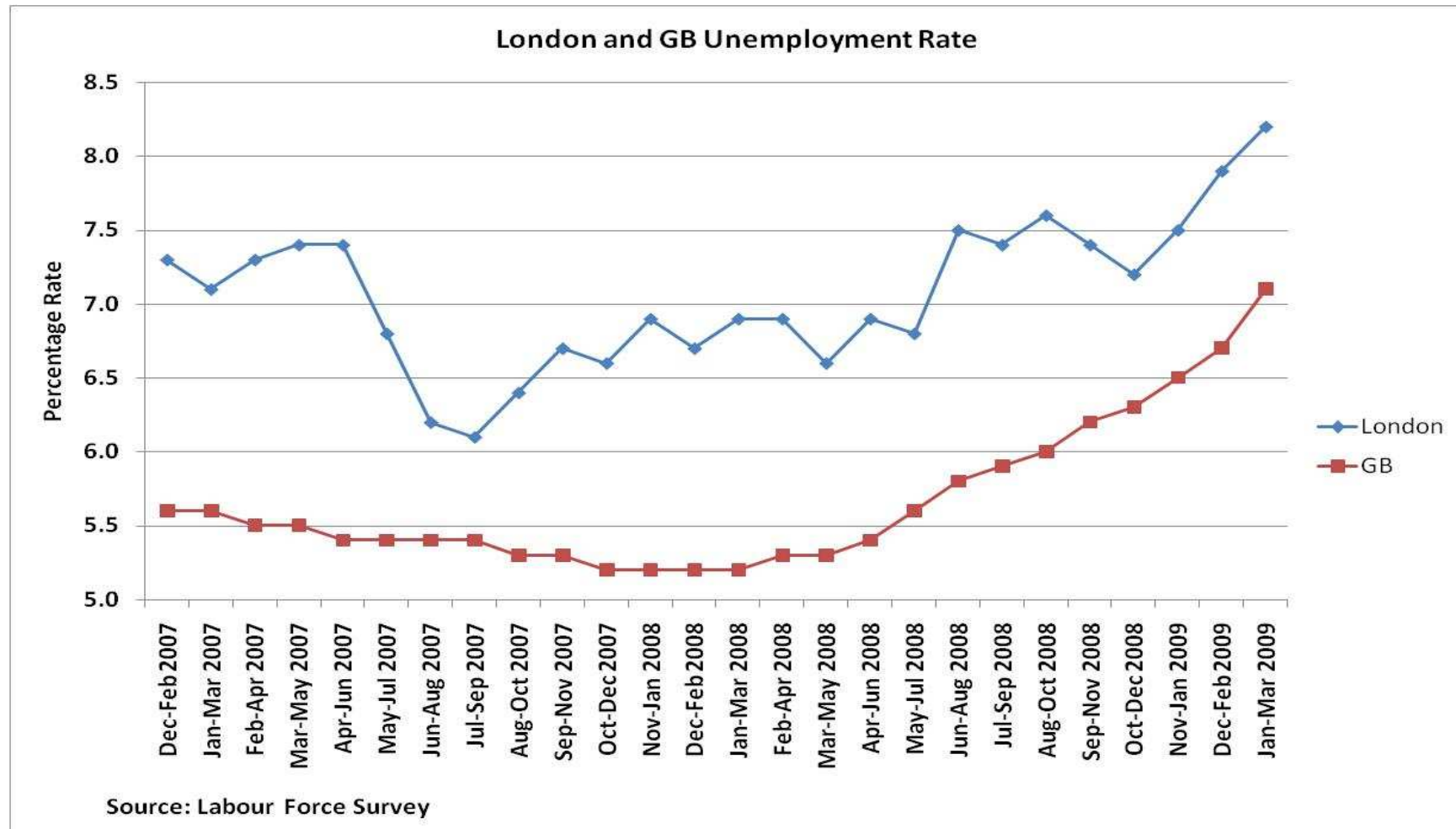
Jobs growth higher in London



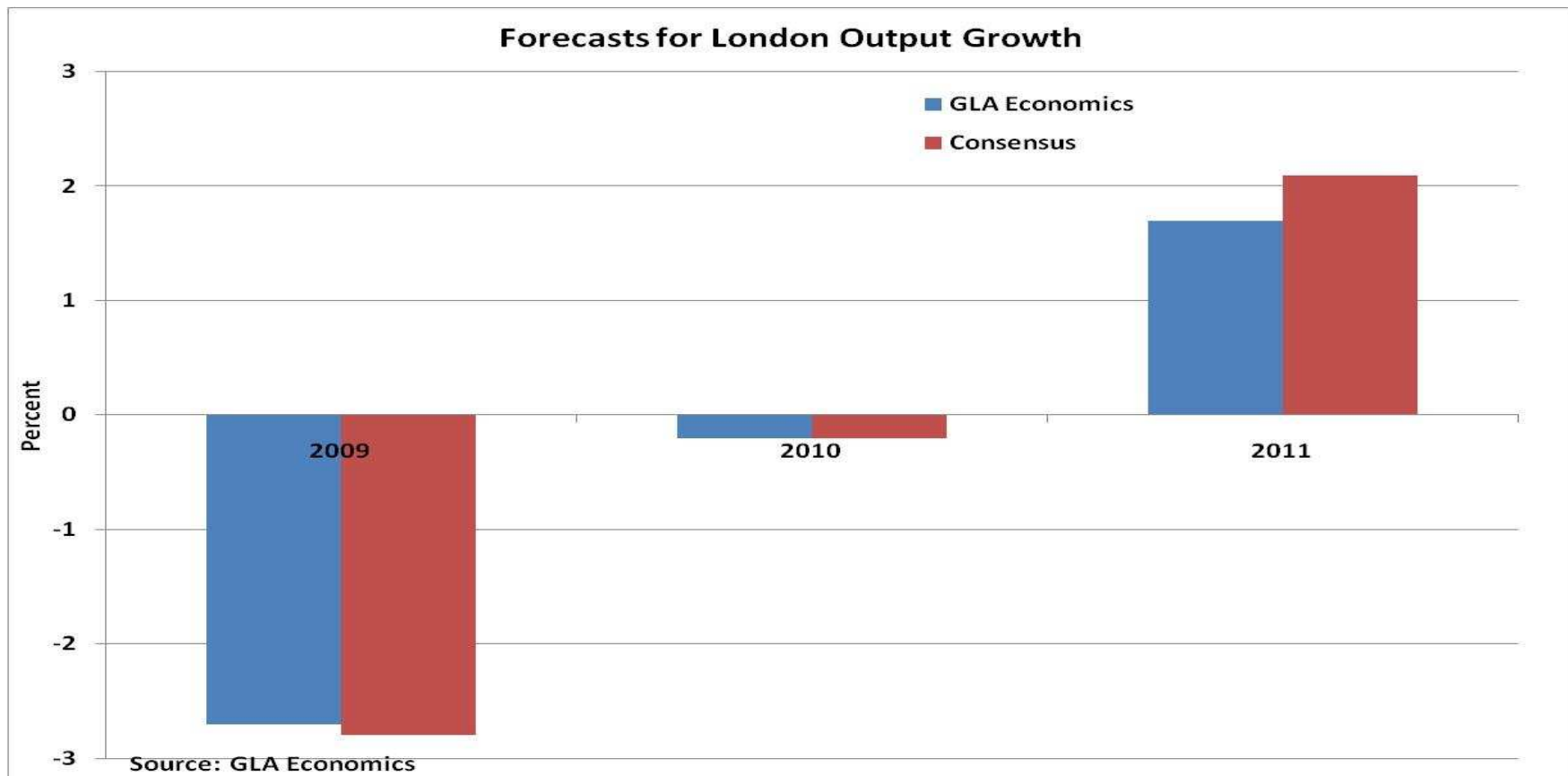
Employment rate has fallen by more in GB than London until recently



Unemployment has not risen as fast in London



Forecasts are for a significant contraction this year



**What policies might help tackle rising
worklessness in London?**

What welfare to work policies work?

- Consider evaluation evidence on:
 - programmes to enhance job search
 - training programmes
 - subsidised “regular” employment
 - temporary work “tryouts”
 - work in the public / voluntary sectors

Not all jobs gained via programmes are additional

- **Deadweight** - where the same individuals would have moved into work anyway without the programme
- **Substitution** - where individuals assisted by the programme move into employment at the expense of other individuals; and
- **Displacement** - similar to substitution but operates via the product market. For example, a company employing subsidized employees undercuts its rivals taking their custom, and causing them to cut back on production and employment.

Job search programmes

- Include items such as help with CV writing, information on job vacancies.
- Core activity of the Public Employment Service (Jobcentre Plus) with its responsibility for matching job seekers to vacancies.
- Effective at helping people with skills / recent work experience move into work.
- Job search assistance also generally relatively cheap so most cost effective for the relatively 'job ready'.
- By itself it is less effective for more disadvantaged individuals.

Training Programmes

- Successful training programmes have a strong work focus with content relevant to employer needs.
- Class room based training without associated work experience is much less effective.
- The impact of training programmes build up over time.
- More difficult to get right than other sorts of WTW programmes. Hence more risky and need careful design.
- More likely to work with more disadvantaged workers.

Subsidised Employment

- Subsidised employment often suffers from high levels of deadweight / substitution / displacement, e.g. OECD survey concluded these combined were generally in the range 76 to 95%.
- But evaluation of NDYP concluded deadweight was only around 35% - perhaps because access to the subsidy only followed an initial period of intensive job search.
- Job subsidies targeted on more the disadvantaged can be successful & tend to substitute for more job ready workers.

Temporary Work Trials

- Not as frequently used as some other programmes, but have proved successful.
- UK Work Trials programme allowed employers to take on the long term unemployed for a 3 week temporary trial period.
- Participants continued to receive benefits plus work expenses.
- Evaluation of the programme indicated that participants chances of being employed after 6 months were increased by 34 - 40 percentage points. A very large impact.

Direct Employment in public / voluntary sectors

- Public works programmes - long tradition going back to the New Deal in America in the 1930s.
- But led to very high displacement of “regular” economic activity e.g. housing, road construction.
- So programmes switched towards “non-market” work in the public / voluntary sectors e.g. environmental work
- Consequently don’t have the look or feel of jobs in the “open” labour market.
- May explain why they have generally been shown to be ineffective - true of the UK Community Programme in the 1980s and also the OECD survey similar schemes in other countries.

Is the Government's recent announcement evidence based?

- Budget 2009 announced a guaranteed job, training or work placement for all 18-24 year olds who have been unemployed for 12 months or more.
- As part of this, the Government will allocate funding for Local Authorities and voluntary sector partners to provide 100,000 new jobs in socially useful activity and a further 50,000 jobs in areas of dense unemployment.
- Sounds like direct work schemes that evidence shows is ineffective.
- But also includes private sector work experience which is effective with more the disadvantaged.
- To be hoped that as much of possible of this initiative is focused on providing young people with jobs placements in the private sector / regular labour market.

And how about the Mayor's recent announcement?

- £23 million for skills and employment support to unemployed Londoners
- Clients - long term unemployed but worryingly also 'newly unemployed lacking skills'.
- Personalised support including job search and training
- Payments by results - numbers into training and further payments for those in work at least 6 months.
- Hope that payments are skewed towards jobs. Payments for training may create perverse incentives.

Summary and conclusions

- London has suffered less than the UK so far in the recession.
- Worklessness expected to rise substantially.
- Evidence suggests job search assistance, training, subsidised employment and work trials can help people return to work.
- But direct employment in ‘non-market’ type work is not effective.
- Both the Government’s and the Mayor’s recent policy announcements seem to be only partly evidence based.