

in brief...

Job guarantee: a new promise on long-term unemployment

The UK needs a 'job guarantee' for jobseekers who have been out of work for 12 months. According to CEP's founder director **Richard Layard**, such a measure would prevent long-term unemployment worsening after the recession ends.

Previous recessions show that the main danger is the build-up of long-term unemployment. Once people are long-term unemployed, they become increasingly difficult to place back into work. So the build-up of long-term unemployment makes it difficult to have a quick recovery that is not also inflationary.

One significant new policy that could make a big contribution here would be the introduction of a 'job guarantee'. This would be a system of placements in temporary jobs, created and paid for by the government.

The 'activation' approach to unemployment – in which after some point it becomes impossible to receive support except through activity – has been shown to be effective in reducing overall unemployment.

A job guarantee could help prevent negative attitudes to the job search process, and avoid an increase in misery among people suffering from inactivity. Common humanity requires us to offer meaningful activity when the regular economy does not. We must make it clear that, whatever happens, there will be a job within a reasonable period.

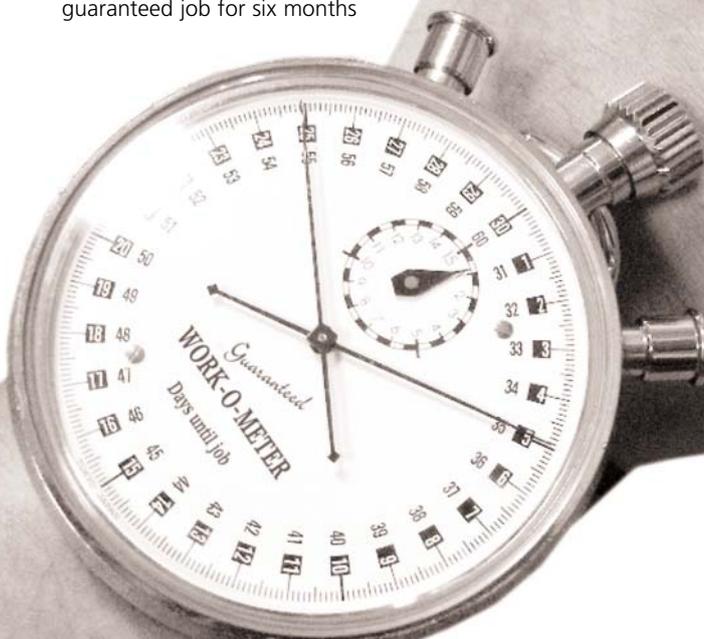
We should build on the New Deal for Young People and on the Flexible New Deal by introducing a guaranteed job for six months

after 12 months unemployment for 18-25 year olds, and after 18 months for those over 25. The whole aim is to get people off benefits and into regular jobs. Only if this fails would we provide fallback jobs through the job guarantee.

Jobs created under the job guarantee must meet two important criteria:

- They must of course be useful. Possible areas of work could include maintenance for public housing, schools, hospitals and roads, or social care activities, such as home help. The work needs to be managed

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professionally with a visible leader at the centre, and continued job search should be encouraged.

- Workers must be paid the rate for the job. This is essential for credibility. If the worker were paid benefit-plus, the image would be one of workfare: 'You are only entitled to your dole money if you work for it'. If the job were waged, the image would be: 'You are now entitled to a job and you get paid for it'.

Based on experience in the early 1990s, we could expect the scheme to apply to roughly 250,000 people aged 18-25 (unemployed for 12 months) and 350,000 people over 25 (unemployed for 18 months).

Assuming the job guarantee job is 30 hours a week at the minimum wage, the cost for six months is £4,500 (also assuming no one who starts a guaranteed job leaves within the six months, which would reduce costs). Adding in the cost of supervision and materials brings the gross cost to the Exchequer to around £7,000 per person.

Of course, during the same time the person would have mainly been on benefits (though on average I assume four months, since some would find work). The savings from keeping someone off Jobseekers' Allowance for four months, coupled with the increase in taxes paid per worker, amount to £2,300 per person (with another £1,500 from younger people not being on the Flexible New Deal), giving a net cost for the scheme of roughly £2.45 billion each year.

The benefits to society from this measure are much greater than the Exchequer costs. They include:

- The output produced by these jobs.
- The greater personal wellbeing of people otherwise unemployed, through providing hope at a time of potential despair.
- Improved job search prospects and future work skills.
- The prevention of persistent long-term unemployment.
- A significant boost in general reflation, through spending by people with a high marginal propensity to consume.

These proposals were put forward to the government by Paul Gregg and myself in March 2009. The part relating to young people is now being implemented through the Future Jobs Fund. But people over 25 matter too. The misery caused by unemployment is no respecter of age – and long-term unemployment when over 25 has a permanent 'scarring' effect on a person's happiness and income prospects.

So all political parties should support introducing a job guarantee for adults over 25 within at least 18 months of them becoming unemployed. There is work that needs to be done and people wanting to do it – let's bring them together. A crisis is a good moment to do this. But it should be a permanent feature of our labour market policy.

Jobs created under the scheme must be useful and workers must be paid the rate for the job

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