**The capabilities approach as a framework for labour market information on young people**

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**Abstract**

This paper considers some of the potential uses of the capabilities approach to widen and deepen the labour market information that we collect on youth employment and unemployment.

**Introduction**

This paper considers some of the potential uses of the capabilities approach to widen and deepen the labour market information that we collect on youth employment and unemployment. The capabilities approach has been widely used in considering developments in human development, for instance through the United Nation’s Human Development Index. However, it may provide a prism for considering additional aspects of collecting labour market information on youth employment and unemployment. The wider capability approach was developed by Amartya Sen (1985, 1993, 1998). This argues that a young person looking for work may lack resources, and/or the knowledge to use these, and/or have appropriate support services available, and/or the ability or motivation to act – and that *any* of these may result in a lack of capability or the ability fro them to make appropriate choices. So rather than just focusing labour market information on whether a young person is in work, or the general type of work that they do, we would also need to consider their access to resources to get or improve their job and their motivation etc. This paper brief considers some implications of a capabilities approach for local labour market information, specifically related to youth unemployment.

To set the UK context, one of the key features of the current recession is the differential impact across the age groups with younger people being far more affected than any other age group. Previous recessions have also reflected this trend with older and younger workers being disproportionately affected by job losses and long term unemployment. In the current recession the evidence points to a significant impact on the employment outcomes of younger age groups with significant increases in youth unemployment (DWP, 2009, Oxford Economics, 2010). In UK regions such as Northern Ireland young people have experienced the greatest negative employment impacts as a result of recession, as reflected in decreasing employment and increasing unemployment in the 18-24 age group. Inactivity has also increased for this age group, but this may be due to more young people staying on in higher education and fewer students working (McQuaid et al., 2010). The negative impact of the recession on young people is seen as an area of particular concern, especially where it leads to the deep ‘scaring’ of their future careers and/or to long term unemployment.

The capabilities approach

Under a capabilities approach, inequality should not be limited to material dimensions such as a person’s income or wealth, but should include things that are only partly influenced by their affluence such as the richness of family life, relationships, capacity to influence the public sphere and politics and sustainability of their lifestyles. It focuses on the (“substantive”) freedom of people to choose what they value as opposed to narrowly focusing on utility maximization (e.g. happiness) or access to resources (such as income). The approach is concerned with what people can do rather than what they actually do. Also it recognizes differences and diversity between people (heterogeneity), the different or multi-dimensional influences on someone’s welfare and the crucial importance of autonomy and freedom of choice. “*A person’s advantage in terms of opportunities is judged to be lower than that of another if she has less capability – less real opportunity – to achieve those things that she has reason to value*” (Sen, 2009, p. 231). However, there is the danger that too wide a focus on broad capabilities may reduce attention to the fundamental importance of access to resources (such as income of good education).

The capability approach is concerned with the ability to achieve a combination of functions that someone values, and not just a single capability (Sen, 2009: 232). He argues that *“the capability approach points to an informational focus in judging and comparing overall individual advantages … and does not, on its own, propose any specific formula about how that information may be used”* (p. 232). Hence, it does not give any specific formula for policy decisions and national or local policies need to judge the importance of capabilities in conjunction with other factors.

Accordingly, for the capabilities approach, wellbeing should be assessed with reference to what people are free to be or do; for example, being able to work, to care, and to participate in the life of the community. Capabilities represent the potential to achieve valued functionings, governed by (for example) having access to skills development opportunities, working in an environment where individuals have the opportunity to make constructive contributions and engage in social interactions, and the extent to which people of their class, gender and race are permitted to participate in work and learning (Walker & Unterhalter, 2007). *“Evaluating capabilities rather than resources or outcomes shifts the axis of analysis to establishing and evaluating the conditions that enable individuals to take decisions based on what they have reason to value”* (Walker & Unterhalter, 2007, p. 3).

There are several researchers who have sought to measure a range of capabilities and to apply the capability approach to developed countries (see Chiappero-Martinetti, 2008; Anand et al., 2008, 2009). Nussbaum (2000) sets out ten capabilities, but these are more an ‘ideal’ world where people would have all these capabilities. Clearly these measures would form part of local labour market information if a capabilities approach was fully used.

From a capabilities perspective, it is important to see unemployment in terms of impacts on wellbeing and quality of life as well as just economic penalties for the individual and a mis-aligned labour market. Stiglitz, Sen & Fitoussi (2009) note that even after controlling for loss of income, unemployed people report ‘lower life evaluations’ and negative effects in terms of stress and anxiety. One of the key risks to the younger age groups is from long-term unemployment which may have a long term impact on their working lives through reduced earnings and career progression through stress, increased susceptibility to illness and depression, difficulty in finding work. Young people are often hit hardest by recessions and this is associated with higher crime rates (see Bell and Blanchflower, 2009: 13-19). For those affected by youth unemployment the wage scar can remain until they are in their 40s (Gregg and Tominey, 2004). A capabilities perspective also reminds us that the freedom to pursue work that one has reason to value is what counts. While *“paid work matters for quality of life partly because it provides identity to people and opportunities to socialise with others”* (Stiglitz, Sen & Fitoussi, 2009, p. 49), it is suggested that wellbeing is defined by the quality of that work, the ability of the individual to cope with family and domestic responsibilities, opportunities for leisure and the adequacy of housing arrangements.

The capabilities approach and labour market information

Green & Orton (2009) have sought to use the capabilities approach in analysing active labour market policies that seek to help unemployed people to find work. Bonvin & Farvaque (2007) have also provided a framework for deploying the capabilities approach in discussions of individualised models of activation policy. For them a ‘capability-friendly’ form of public action to activate the unemployed would typically involve: a discursive process to inform policy from the bottom-up; a long-term perspective, based on promoting individuals’ freedom to choose the work and learning that they value; and an acknowledgement of both individual and collective responsibilities to act to promote capabilities for work and learning. Bonvin & Farvaque suggest that such a capability-friendly approach can be contrasted with a model of ‘Work First’ activation, which is informed by the concept of ‘employability’, and which is increasingly favoured in many EU states (and especially the UK). However, a ‘Work First’ approach to employability (based on compelling the unemployed to find any job as quickly as possible) can overlap, but is distinct from, a ‘Human Capital Development’ (HCD) approach that focuses more on long-term skills and personal development (Peck & Theodore, 2001; Worth, 2005; Lindsay et al., 2007; Lindsay, 2010). The information needs of each approach clearly differ.

**Comparing capability-friendly and employability-focused models of activation**

In general terms, applying capabilities to the field of labour market information would mean considering the extent to which it measures the capabilities of beneficiaries (e.g. measuring the degree to which they can engage in work that they have reason to value (Bonvin and Orton, 2009)). The ‘informational basis’ on which to judge policy is clearly a quite different standard than the job entry statistics (at micro or delivery level) or increased employment rates (at macro-economic level).

Bonvin and Farvaque (2007) argue that a capability-friendly approach to activation can be distinguished from employability-focused approaches in terms of objectives (with a capabilities approach prioritising valued functionings and choice rather than increasing the employment rate); how responsibility is defined (with employability largely focusing on individual responsibilities compared to a more collective capabilities approach); and the role of local stakeholders (which submit to central government priorities under employability models, but represent autonomous local action under a capabilities approach). Each of these requires different labour market information, mush of which is not currently routinely collected (for example in EU-SILC, although some parts of such information is collected in some national surveys, for instance, in the British Household Panel Survey).

*Bottom up local action*

Bonvin (2008) distinguishes between models of governance in activation that are: *hierarchical*, with strong central state leadership, centralised budgeting and decision-making, and little recognition of local knowledge; *marketised*, with the central state setting targets and objectives, but devolving delivery to contracted providers and allowing some room for manoeuvre within the discipline of standardised models of intervention; and *capability-friendly*, based on a partnership between central government and local stakeholders, characterised by less hierarchical management and less highly structured, agreed objectives, a participative approach to defining the aims and indicators for public action and considerable autonomy and room for manoeuvre for local actors.

He argues that policies informed by a capabilities approach should therefore reflect a capability for voice among end users and local stakeholders, traversing traditional distinctions between funders, expert delivery agencies and passive service recipients and embracing a plurality of views (Bonvin & Moachehon, 2009). If policies are be judged as capability-friendly, it would need to provide for genuine local action that empowered job seekers and stakeholders to have a voice in the development and delivery of activation; allow ‘room for manoeuvre’ for local stakeholders; and address the full range of environmental conversion factors, including local labour market conditions (Green and Orton, 2009).

For Bonvin and Farvaque (2007) key evaluation questions would therefore centre on issues such as “Are local actors able to affect the content and mode of implementation of policies?”; “Do institutional stakeholders reflect on end users’ views and include them in decision-making?”; and “To what extent do end users and other local stakeholders (and communities) have a capacity for voice and the ability to participate in decisions?” Such questions would require a variety of labour market (and other information) some of which is not commonly available.

*Freedom of choice and empowerment*

Within the context of the capabilities approach, the capability for work can be defined in terms of the freedom to choose work that one has reason to value. Given that some paid jobs may not deliver work that one has reason to value, people need to be able to escape negative work by withdrawing from the labour market (facilitated by the benefits system); and/or by transforming their work, through progression or participation in forming job design and content, forms of work organisation and working conditions (Bonvin and Farvaque, 2006).

The idea of agency is crucial to the capabilities approach, because of its underlying assumption that people should be active participants in their own learning and personal development (and in the life of their community), rather than passive spectators or recipients of services. From Sen’s perspective, it is important to acknowledge the role of agency freedom as well as wellbeing freedom – focusing on wellbeing as an outcome measure alone misses the value to the individual of having the freedom to do what is in his/her view in line with ‘the good’ (Sen, 1985). To be active in shaping and reflecting on one’s own life is essential to individual freedom and positive social change. *“Agency here is taken to mean that each person is a dignified and responsible human being who shapes her or his own life in the light of goals that matter, rather than simply being shaped or instructed how to think”* (Walker & Unterhalter, 2007, p. 5).

Accordingly, service users needed to be empowered through the provision of sufficient resources (such as unemployment benefits) but also have access to appropriate conversion factors so that these resources can be converted into enhanced capacity to do work that they have reason to value. Conversion factors, including the key one of useful labour market information, are likely to take in both individual characteristics (such as skills and knowledge) and the socio-economic context (for example, a legal framework that combats discrimination, and crucially a labour market context that offers valuable work opportunities).

To empower an individuals’ capacity for independent action in learning and work (and so enhancing their capabilities) they require appropriate information on a range of issues like skill levels needed to take opportunities for socio-economic mobility, the legal and policy context, and crucially the accessibility and quality of job and learning opportunities, Bonvin and Orton (2009) argue that a capabilities approach also requires a collective responsibility to ensure that all have access to appropriate resources and conversion factors – for the context of active labour market policies this means that there is a collective responsibility to deliver sufficient and appropriate job opportunities; to allow a degree of choice for the individual in pursuing the work that they value (and/or sufficient voice to adapt and transform work that is not seen as valuable); and to ensure that individuals can balance work with other capabilities (for example, for caring) (Dean et al., 2005).

*So “the enhancement of the capability for work does not boil down to a restricted view of employment or social integration policies (aiming at improving job seekers’ employability) but also implies shaping the social environment in order to make it more inclusive”* (Bonvin, 2009, p. 61) – *“the capability logic allows the development of a conception of employability as a collective responsibility”* (Zimmermann, 2006, p. 473). So labour market information and policy need to be intimately intertwined under the capabilities approach.

A capabilities approach would require a different informational basis (and different targets by which to judge success), implying move beyond basic information (and job entry or skills attainment targets for policies) and towards better measures of more long-term, holistic measures of progression in work and learning, wellbeing and satisfaction. There needs also to be greater involvement of individual and local actors in formulating labour market information needs (but at the same time maintaining wider scale comparability so that local actors can interpret this information in a wider, more appropriate, context).

Currently labour market policy information often focuses upon job entry statistics at micro-level; employment rates at macro-level, while a more human development approach may also seek to gather information on sustainable job entries at a range of skill levels with progression routes once in work; productivity and employment rates at macro-level. However, a capabilities approach may also seek labour market information on trajectories in learning and the labour market, progression/ integration at work, wellbeing and satisfaction, and life/work balance, and also local actors and individuals able to shape this informational basis.

 **Conclusions**

A capabilities approach would lead to differences in what information a local labour market information system gathers on youth employment and unemployment and how it was gathered. Consideration of the capabilities approach can potentially add value to discussions of local labour market information by posing questions that are not addressed by more general employment debates. It would also, in a full capabilities approach, be inter-twined with actual policies and policy making (the pros and cons of which are not discussed here). However, this could also raise issues of consistency with wider information sources (and hence a potential diminution of real value of the information to individuals and other actors, such as policy makers). In summary, the capabilities approach does raise important issues that need to be considered in more depth when developing local labour market information, but there is a wider need to consider the strengths and weaknesses of capabilities approaches within actual labour market contexts and policies dealing with youth unemployment.

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