

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

DRAFT BUDGET 2019-20

SUBMISSION FROM: Scottish Council for Voluntary Organisations

Our position

Payment by results, the over-representation of the private sector, and prescriptive customer journeys mean there is likely to be little difference between the Work Programme and Fair Start for those with barriers to employment.

The next round of Fair Start must seek to deliver the distinct Scottish employability service promised by opening the process to small and medium-sized third sector organisations that can provide a person-centred and human rights-based approach to employability.

With little opportunity for the third sector to participate in the Scottish apprenticeship system, the Apprenticeship Levy as it stands is merely a tax for the Scottish third sector with many organisations forced to write-off this cost.

Our response

SCVO welcomes the opportunity to respond to this inquiry, and wishes to contribute the following:

Employment support and fair work

Devolved employability programmes provide the opportunity to shift our approach towards person-centred and human rights based services that genuinely help individuals into sustainable and meaningful employment. We advocate this approach to empower people to participate in society through personalised employment support and fair work.

Payment by results, the over-representation of the private sector, and prescriptive customer journeys – key tenets of Fair Start Scotland – show that this shift in thinking is still to occur. We suggest the committee seeks a full assessment of the difference between the Work Programme and Fair Start for those with barriers to employment and how Fair Start will uphold people's rights to equality of opportunity, inclusion and accessibility.

While we recognise that time pressures, restrictive budgets and the need for capacity building within Scottish Government posed issues when designing the new employability programme, it is important that the next round of Fair Start works better to deliver the distinct Scottish employability service promised. This is not easy, but well-established bodies in Scotland's third sector – with strong community connections – provide an opportunity to see through the lens of vulnerable people and help them develop and realise their goals, resulting in more sustainable and meaningful employment.

We welcome Scottish Government's intention to review its approach to employability to streamline it and make it more cohesive across different policy areas. We look forward to meaningful engagement with the third sector in this review. It is important that the role of volunteering in building employability skills is recognised and valued.

We would also strongly recommend that the work of the Fair Work Convention, particularly the Fair Work Framework, is fully integrated across Scottish Government's policy areas.

Payment by results/outcomes

The journey to employment is not always straightforward for those with complex needs and building their confidence and capacity before writing a CV, securing an interview or work placement will all be important progressions. Ideally, small providers at the front of the pipeline would be rewarded for the time and dedication that working with vulnerable individuals and those with barriers to employment requires. Additionally, if specialised providers, such as those with expertise in hearing loss, sight loss or specific disabilities, continue to be unable to participate in the system, it is the individuals with such barriers to employment that will suffer.

Parking and Creaming

Furthermore, the continued emphasis within Fair Start on job outcomes through the payment-by-results / payments-by-outcomes model incentivises focus on work-ready clients: companies will prioritise those who provide an easier financial return. It is likely Fair Start will fail to discourage 'parking and creaming', and will also see small providers, subcontracted, waiting long periods for payment which can jeopardise their viability.

Deciding contracts

The decision to adopt a single contract within each Contract Package Area (CPA) has clearly minimised the involvement of small and medium-sized third sector organisations that can provide this tailored support. Time afforded to the procurement process has been insufficient for the formation of consortia and actively worked in favour of large organisations and existing sub-contractors. As a result, third sector organisations with established connections and local expertise have been relegated to the role of sub-contractors, delivering personalised services at a local level without input into the decision-making process. The problems experienced by small organisations under the Work Programme and Work Choice have re-emerged.

Recommendations

Based on the first round, Fair Start does not represent a radical departure from the UK Government's Work Programme and Work Choice. While it is disappointing for third sector organisations in Scotland, it is those individuals who would have benefited from tailored, specialised support who will suffer if we perpetuate these decisions.

Based on our members' experiences, we recommend:

1. A move away from over-simplistic 'payment by results' models which recognise success purely in the form of sustained job outcomes, and which do not provide a sufficient upfront fee or guaranteed income that would enable small, specialised providers to operate sustainably.
2. More straightforward, transparent and accessible procurement processes, with time built-in to form new consortia; overly-complex online systems shut third sector organisations out.
3. Real engagement with both successful and unsuccessful applicants to the tendering process. This feedback should form the basis of the process within the next round of contracts.
4. A move away from single large contracts in each CPA. Current contracts favour large providers and undermine personalised, responsive support.
5. A move to programmes that are genuinely based on the principles of co-production, collaboration and personalisation, as outlined in the Christie Commission. One way this could be achieved is by shifting our approach to valuing the [contribution each of us can make to Scottish society beyond regular employment](#).

Apprenticeships

With little opportunity for the third sector to participate, the Apprenticeship Levy is merely a tax for the Scottish third sector with many organisations forced to write-off this cost ([amounting to c.£2.3m](#)).

In effect, the levy in Scotland has led to charities paying into a pot from which only the public and private sectors benefit (whilst the private sector gain Modern Apprenticeships, the public sector gains additional funding through the Barnett formula). There is no parity of esteem in terms of the treatment of the public and third sectors. This must surely be an unintended consequence.

Third sector challenges

The key issues are:

- Lack of capacity for third sector organisations to cover Modern Apprenticeship salaries and other recruitment costs means that contribution rates for training are not sufficient.
- Timescales for Modern Apprenticeships make it difficult for third sector organisations to commit to contracts given the precarious year-to-year funding of many organisations.
- The levy further minimises the funds available to pay for appropriate training and development programmes.
- The levy cannot be used for development new apprenticeships, recruitment and salary costs – all of which would have been beneficial to the third sector.
- The age range for Modern Apprenticeships is very limited, and not in alignment with the third sector workforce.

Recommendations

SCVO recommends that the Scottish Government should introduce a rebate scheme, or dedicated financial offer for third sector organisations, to create parity between the third sector, that pays in but cannot get out, and the other sectors, for whom the opposite is true. The Scottish Government should also implement its commitment in the last Programme for Government to review the short-term nature of funding to the third sector.

Conclusion

The refresh of Scotland's National Performance Framework refocuses attention on the need 'for all of Scotland to flourish' and its alignment to the UN Sustainable Development Goals positions Scotland as an international leader in its efforts to leave no-one behind. Fair Start Scotland must, therefore, move us beyond targeting support to those closest to the labour market and already employable.

There must be specialised considerations for the third sector given the uniqueness of the sector and the value it can add to further the Scottish Government's skills and employability ambitions. A more accessible and balanced Scottish apprenticeship system would also build capacity in the third sector to invest in our workforce.

Though not easy, we have a unique opportunity to create a distinct rights-based Scottish employability system that genuinely helps people into sustainable and meaningful employment and where the most vulnerable people no longer feel passive subjects of a broken system.