

## ECONOMY, ENERGY AND FAIR WORK COMMITTEE

### DRAFT BUDGET 2019-20

#### SUBMISSION FROM [SLAED]

How Scotland's new employment support budget is helping people into work

- What are your views on how contract awards are decided and how “payment by outcome” works?

The payment by outcome model only works where targets are low and realistic for the group concerned. Otherwise, service providers are likely to select the easiest clients to help into employment. Only larger organisations will manage to deliver these contracts, and these don't always deliver on their commitment to include smaller discreet interventions. This is also often the case for the procurement process where rules introduced to ensure fairness and transparency cannot always be balanced with equal access.

Payment by outcome can also have too narrow a focus on sustainable jobs only. Whilst these are important, there should be more recognition of distance travelled measures, recognising the complex issues faced by the individuals targeted by the FSS service who may not be capable of achieving and sustaining a job of at least 16 hours per week. Some individuals with health conditions or disabilities may not be capable of working for 16 hours per week but could sustain a job with fewer hours.

The contracting process does not always meet the needs of local areas, particularly smaller areas, which can be unattractive to bidders for reasons of viability. Longer contract periods of two to three years could help address this issue.

A more person centred approach would be beneficial, with decision making that is aligned to local provision and robustly monitored.

- How can the Scottish Government ensure “guaranteed service standards” and avoid “[parking and creaming](#)”?

Parking and creaming are ongoing issues with employability programmes. The extent of this could be determined through objective and focused consultations which collect the views of a wide range of service users, including those that have not progressed into work and those that have moved into work quickly.

It would be worthwhile to build in measures to mitigate against this within invitations to tender. It would also be beneficial to standardise employability terms, frameworks and IT systems to ensure consistency in language and approach across Scotland. A further solution might be to provide a minimum offer to everyone based on strengths and solutions to ensure provision is equitable.

Parking and creaming could be minimised by having a wider measure of success, rather than focusing only on sustainable job outcomes. Whilst the new FSS service is intended to be person-centred, the level of performance and key delivery indicators required to be met by providers makes delivery very process driven. Although clear guidelines need to be in place, there also needs to be a degree of flexibility to allow tailored services to individuals at a local level.

Reducing the targets for getting people into employment may be another way of achieving this, as services often want to work with those closest to the labour market to guarantee outcomes and therefore payment. Focusing on working with those furthest from the labour market will help to deliver a quality, person centred service where targets are lower but more realistic. Where targets focus solely on volume, there will always be challenges around parking and creaming.

- How well do the newly devolved services work with reserved Job Centre Services? Given the context of ESF funding, third sector and local authorities, the landscape remains cluttered which allows for duplication as well as gaps, and is confusing for the client.

There is a lack of control over the suitability of referrals to the new FSS service and this would work better if there could be a mechanism for pre-referral discussion between the JobCentre and providers. This would ensure that referrals are to the appropriate provision, which may not be FSS. Currently, the JobCentre is referring eligible individuals to the FSS service without consideration of whether they meet the criteria in terms of being capable of getting and sustaining a 16-hour job within 12 months. This can create false expectations amongst clients and could have an impact on the viability of the programme for providers.

There is a lot of crossover in terms of eligibility for FSS, ESF Employability Pipeline and Working Matters. The process therefore needs to be more joined up with greater distinction between the eligibility for different programmes.

- What can be done to ensure high levels of participation when the programme is voluntary?

There are some concerns around this not being entirely voluntary if it is part of the claimant commitment and people are being sanctioned when they don't engage.

The quality of the provision should be assured by some form of standardisation and closely monitored. Further accreditation which rewards progression rather than attendance could also be considered. Ensuring that potential service users are aware of the service and how it can help them is important, as well as the quality of the provision and the credibility of the service in terms of assisting people to access and sustain work.

Ensuring the suitability of referrals would help to achieve higher levels of participation. Consideration of alternative positive outcomes, rather than just 16 hours per week jobs, may help attract people to the programme. Alignment with existing provision would also help to set out clear pathways, but this would require redesigning funding models.

Although engagement is voluntary, individuals may still feel pressure to agree to a referral by their DWP Work Coach, which could lead to resources being wasted on following up with people who have no real interest in participating.

- How are delivery agents and the Scottish Government helping people move into sustained and fair employment?

There is a range of funds from the Scottish Government and others, with a large number of delivery agents and a variety of approaches, therefore making this a fairly confusing landscape. There will be variations in the success of the programmes depending on variables such as the macro economic climate, the client group, and the size, quality and resourcing of the programme.

Delivery agents are building upon existing relationships with employers to help move people into work, as well as identifying opportunities with new employers. They support employers to adopt more inclusive recruitment practices and help them access services which support people with disabilities or health conditions into work. Paying delivery agents solely on job outcomes can therefore have a negative effect on such inclusive recruitment practices.

- How should success be measured?

Most simply, this should be measured by client progression and supported by quality case studies and continuous development of programmes to meet demand. However, the journey into sustained employment may not be straightforward in terms of the barriers that some service users experience, therefore progression measures should also be used.

As well as number-based targets, there should also be a focus on the quality of the service offered and its impact on inclusive growth priorities. Success should therefore be measured by a range of outcomes, not just jobs. The definition of a qualifying job should reflect what a realistic job outcome is for the individual in terms of complex issues, disabilities etc. Recognition should also be given to job density within an area and this should be taken into account when setting job outcome targets.

The role of the enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise) in supporting and growing good quality employment

- How are the budgets of the enterprise agencies used to help businesses employ more people?

Employing people is closely linked to the Four I's in Scotland's Economic Strategy, and supporting businesses to grow is essential to creating and safeguarding jobs. There is also a focus on improving the quality of jobs, particularly in rural economies where wages are often a lot lower than the Scottish average.

By supporting businesses to raise their ambition, the enterprise agencies create revenue growth and employment opportunities. This also supports the objectives of national and regional economic strategies, all of which have employment at the heart of their agendas.

RSA is the primary vehicle through which Scottish Enterprise is supporting the growth of good quality employment. One of the challenges for businesses accessing this level of support is that they need to meet strict criteria related to company size and growth to be in a position to apply. This limits the impact enterprise agencies have and as such, the numbers of jobs created is comparatively low in relation to other employment support initiatives

- What are the examples of the enterprise agencies safeguarding jobs?  
RSA and PACE are tools the enterprise agencies use to safeguard jobs.
- How do the enterprise agencies use their budgets to attract foreign investment?  
The enterprise agencies use their budgets to attract inward investment generally on a sector basis and at Scotland level. The activities they fund include:
  - Managing the allocation of key funding incentives such as RSA and other grants on behalf of the Scottish Government;
  - Managing the investor enquiry process with colleagues in SDI;
  - Undertaking market research;
  - Carrying out lead generation;
  - Deploying staff to operate out of offices in overseas markets; □ Organising and running events;
  - Marketing and communications.
- How do the enterprise agencies use their budgets to improve job quality and ensure fair employment?  
The Workplace Innovation fund is designed to help improve working conditions and the quality of work. They also work in partnership with local delivery such as Business Gateway.

- What has been the impact of recent budget reductions on the enterprise agencies' ability to provide, maintain and safeguard employment within the areas they serve?  
Unable to say.
- How are the enterprise agencies' budgets being used to address productivity and employment gaps between Scotland's top and bottom performing local authority areas?  
It is not clear that enterprise agencies assess this bigger picture when working with companies as their assessment tools mainly focus on the business being supported.

#### Apprenticeship levy

- How is Apprenticeship Levy money being used in Scotland?  
It will be administered by Skills Development Scotland and used to fund Foundation, Modern and Graduate level apprenticeships. In addition to apprenticeship support, the Scottish Government's Flexible Workforce Development Fund is available to all levy paying employers in Scotland across the private, public and third sectors to up-skill and re-skill an existing workforce. However, there is a lack of transparency as to how the money is being used and how the funding has been apportioned.
- Has this UK Government policy led to employers taking on more apprentices?  
This is unlikely as there is a lack of direct linkage to apprenticeships in the disbursement of funding. It is difficult to determine as the levy is not being used in Scotland in the same way as the rest of the UK. The Scottish approach does not recognise the significant potential that Local Authorities could have in providing high quality apprenticeship programmes.