

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

DRAFT BUDGET 2019-20

SUBMISSION FROM SOCIAL FIRMS SCOTLAND

Draft Budget for 2019-20

Employment support and fair work

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

Introduction

Social Firms Scotland (SFS) welcomes the opportunity to respond to this consultation. The focus of our response is on employment support for people furthest from the labour market and the current and potential contribution of social enterprise. SFS held a number of consultation sessions with our members across urban and rural Scotland in submitting this response on their behalf.

About Social Firms Scotland

Social Firms Scotland is the national support agency for Social Firms and we operate as part of the wider social enterprise support landscape. We are a membership organisation and have been supporting, representing and serving the interests of our members for 18 years.

In addition to this, SFS facilitates a national Employability Social Enterprise Network (SEN), a wider network of social enterprises delivering employability support services, particularly for people furthest from the labour market. Social Firms Scotland has a combined membership of around 350 social firms, work integration social enterprises and third sector organisations.

Definitions

A social enterprise (SE) is a business that trades to meet a social purpose (please see the [code](#) the voluntary code of practice for social enterprises in Scotland for more information).

Work Integration Social Enterprise (WISE) is a term most commonly used across Europe to incorporate **social firms and supported businesses**. WISE is a type of social enterprise with a specific focus on helping move people with disadvantages into employment, through job creation within the organisation or other opportunities outside the enterprise. WISEs bring unemployed people back into society by combining economic activities, social empowerment and training. ○ **A social firm** creates employment, work

placements, (incl training/volunteering opportunities) for people who face significant barriers to employment – in particular, people with a **disability (including mental ill health and learning disabilities) a substance misuse issue, a prison record, a homelessness issue and young people.**

Social firms operate in many market sectors and offer an inclusive workplace environment - people are valued for their abilities, encouraged to participate and supported to achieve. Social firms contribute to social inclusion, economic activity and health improvement. As a business they earn a proportion of their income through trade, aiming to be a sustainable vehicle and an effective and cost-efficient solution to delivering significant employment and employability outcomes for people furthest from the labour market barriers to work.

○ **Supported Businesses**

There has been a change in definition of Supported Business (who can benefit from reserved contract) under the revised legislation of Section 21 of the Public Contracts Scotland Regulations (2015) and EU Directive 2014/24/EU. This definition is in two parts:

Firstly, a supported business' primary aim is the social and professional integration of disabled or disadvantaged persons. **Secondly**, at least 30% of the employees of those businesses should be disabled or disadvantaged. In order to be considered a supported business, organisations need to fulfil **both** parts of the definition.

Social Enterprise Census 2017

The results of the second large-scale SE census (September 2017) reports the significant size and scale of Scotland's social enterprises and the vital contribution they make to the economy and society. This research cements Scotland's position as a world-leading nation in nurturing social enterprise, recognising SE as a fair and inclusive way of doing business, aligning with Government's aims of an inclusive, socially-just, equal and prosperous Scotland. Full report and summary [here](#)

Some data from SE Census 2017

- 5600 social enterprises now operating in Scotland (up from 5199 in 2015)
- 81,357 full-time equivalent employees in Scottish social enterprises
- £3.8bn total annual income of social enterprises in the country
- £2bn GVA, the economic contribution of social enterprises to Scotland
- 70% led by and accountable to people of a particular community
- 64% of Scotland's social enterprises led by women
- 34% of social enterprises located in rural Scotland
- 1:2.5, is the average differential between the highest and lowest paid worker

Focusing on the role social enterprise plays in employment/employability

- 18% have a main aim of creating employment, training, work experience and volunteering opportunities within the social enterprise
- 41% employ people formerly disadvantaged in the labour market
- 49% employ previously unemployed young people (under 25)
- 63% provide training or support intended to boost employability
- In almost 4 of 5 cases (79%), social enterprises draw more than half their workforce from the local labour pool

Social Enterprise Strategy 2016-2026

In Scotland's [Strategy for Social Enterprise: 2016-26](#), Government describes SE as: *'a vital partner in the economy, civil society and in creating a fairer, more inclusive Scotland.....and is key to the sustainable delivery of public services and to realising the potential within Scotland's communities'*

The strategy recognises social enterprises as making a particular contribution to inclusive growth, and to delivering Scottish Government's shared ambition of greater prosperity for our country and improving outcomes for all of Scotland's citizens. The key role social enterprises play in promoting equality, tackling discrimination and prejudice is underlined; stating *'social enterprises have been shown to deliver fair work and well-paid jobs'* highlighting the ability of social enterprise to *'unlock the full potential of people furthest from the labour market'*.

The Strategy states: *'Work Integration Social Enterprises (including social firms and supported businesses) exist mainly to improve the employability and employment prospects of people furthest from the labour market. The evidence.... tells us that collectively this already adds up to a very substantial contribution to volunteering, job creation, social inclusion, and employability in Scotland'*

We believe there is the potential, within a supportive and accessible employability landscape, for social enterprises to do more – to support more people with barriers to employment, to help achieve Government's ambition to half the disability employment gap and to increase the sector's contribution to a fairer, more inclusive Scotland.

Fair Start Scotland (FFS)

Although Fair Start Scotland is regarded as Scotland's new flagship employment support service, our members reported, disappointingly, that the majority have not been able to engage with the service, for a number of reasons, including:

- Contracts of the scale and complexity of FSS remain inaccessible for the majority of WISEs

- The risk sits with the contractors under the payment by outcomes system (smaller social enterprise cannot bankroll the cashflow given the significant time-lag involved)
- The contract specification did not fit with the way that they work
- Insufficient time to engage with other organisations to develop meaningful consortia – this has an impact on the diversity of suppliers, in particular smaller organisations
- Unable to engage with lead contractors who often do not know the sector, how to reach it or indeed what it is capable of delivering. Some members reported mistrust/previous bad experiences with leads or just simply that leads are not interested in engaging with them

Other feedback on FSS focused on

- Payment for successful outcomes can incentivise ‘easy wins’ with delivery agents focusing efforts on people who require less support (creaming and parking)
- Aside from the voluntary nature of the programme, FSS looks and feels very similar to the previous DWP programmes and there is a lack of trust in these programmes
- Issues with larger providers – who have previously used smaller organisations as ‘bid candy’, or taken credit for successful outcomes where their involvement has been minimal
- Lack of transparency – is the organisation providing the majority of the support receiving adequate payment? SEs are often used to provide individuals with valuable work placements receive no payment for this work and their contribution to successful outcomes has gone unreported
- Whilst recognising the different levels of support specified within the contract, there is still a perception that the support will not be sufficient for people furthest from the labour market

Members welcomed the fact that the programme was voluntary, recognising this as a big step forward from previous mandatory programmes, which leads to an imbalanced relationship between the provider and the ‘customer’. There was caution from some members about whether users believe it is voluntary, particularly when it has a similar look/feel of previous mandatory programmes. This will obviously become more or less of an issue as the contract progresses.

It was felt that measures of success are defined too narrowly. Success should be measured, to some degree, by the individual. In a person-centred system, how satisfied the individual is with the support they’ve received and the outcomes flowing from this should be factored in. With in-work support, success should also be seen through job satisfaction and progression which feeds directly in to Government’s Fair Work agenda.

Employment Support – Comments and Considerations

From our consultation exercises, a number of key, common themes emerged

a) The Employability Pipeline

- The general feeling was whilst the pipeline is a helpful framework to map employability services/provision, it should not be used to map a person's journey, particularly those furthest from the labour market whose journey, as we know, is not going to be linear. The framework needs to evolve to be flexible enough to fully support people through setbacks
- People are still being placed or forced into stages of the pipeline that don't suit their needs
- Referrals at some stages of the pipeline are inappropriate, individuals are regularly referred to members as 'job ready' when this is clearly not the case
- Problems can arise when stages are driven by specific employability programmes; progression at a pace set by the programme runs counter to the person-centred process that enables progression at a pace the individual can sustain
- Our members work with many people who are 'pre-pipeline' and a distance away from even considering work. Early stage and pre-pipeline support requires significant work which is often not funded (or not funded sufficiently). This support is usually key to a person's confidence and progression so it is important this support is recognised and resourced
- Barrier removal is a strength of WISE (and wider third sector). This currently sits at stage 2 of the pipeline but in reality should be reflected through the whole pipeline for people furthest from the labour market. It is also less effective when it is too timelimited

b) Employability landscape/contracts

- Members feel that employability including commissioning and procurement of support does not work as well as it could for people furthest from the labour market. Large scale, high volume, efficiently managed contracts have been effective at helping those who are more 'job ready' but are much less successful for people with significant barriers/support needs and so a balance has to be struck in terms of where resource and efforts are going
- The pipeline has, unhelpfully, become understood as a linear journey which does not allow sufficient flexibility. This has resulted in commissioning practices that do not adjust for people's setbacks and oscillations between supports at different pipeline stages
- Members feel the current commissioning process locks out smaller, specialist providers
- Large numbers of members don't currently engage with formal employability programmes; those that do, tend towards those which are smaller and more localised in approach (eg Employability Fund). Even though members deliver significant employability and employment outcomes (as per the census), they have to seek alternative sources of funding and/or generate income for their employability work. A major issue for members is the lack of funding provision from Government to support their work providing specialist support to vulnerable people. Without this, there is a real threat to their sustainability, more social firms/enterprises could cease to exist and vital services could be lost

- Some programmes have a fixation on the achievement of qualifications, not always the best marker in someone's employability journey, and excludes certain client groups
- Programmes should be designed with sufficient flexibility to adapt and respond to changes in the external environment (market conditions, employability demand, economic turbulence) with contingency built in for such circumstances
- If employability programmes/contracts are complex and over-specified, then a disproportionate amount of time and resource is spent on addressing process issues
- A national commissioning framework needs to allow for different specifications across regions to reflect the differing economies, infrastructure, people and needs in those regions
- Some members highlighted DWP's Dynamic Purchasing System to procure local services that reflect each individual jobcentre's needs. Whilst recognising some of the drawbacks of DPS (e.g. a focus on shorter term support), it was felt that with adaptations, a similar system could be more effective in procuring local services for people with significant barriers to work.
- Questions still exist around how the current employability landscape addresses the additional difficulties of providing and accessing services in remote and rural areas

c) Payment by Outcomes

Members pride themselves on the quality and success of their services, and, in principle, have no issue with payment by outcomes. However, members believe that payment by outcomes does not work that well when supporting people furthest from the labour market for a number of reasons.

- It skews behaviour to encourage parking and creaming
- Whilst defining a job as the headline outcome can be practical and pragmatic, there is a significant issue in defining that job (to meet a contract outcome) as 16+ hours. For some people with complex needs who want to work and contribute to society, this is challenging or impossible. WISEs support individuals into work for a limited number of hours per week that the individual can manage, this is not recognised or recompensed currently and these people are therefore excluded. We are setting people up to fail which will have a detrimental effect on their health and well-being, never mind their employment prospects.
- Members believe outcomes need to adapt to recognise that progression, for some people, is also a significant and important outcome. For many individuals it is about being valued for their contribution, increasing their confidence, communication, and improving their health and well-being. Outcomes should, to some degree, take into account what's important to the individual and they – and the social enterprises that support them – should not be penalised or their outcome minimalised if a job is not a realistic outcome for some people.
- Finally, some members also felt that difficulties can arise when a number of organisations are working with the same person – who 'owns' the outcome?

d) Continual focus on growth

- The majority of our members are small (micro) businesses. Whilst scale can and should be celebrated, it is not always relevant or an ambition for some who are effective and wish to remain small and local.
- Smaller social enterprises are very much at the heart of many communities, particularly in certain locations (eg remote/rural communities). Our members in rural areas support many disabled and disadvantaged people, their focus is on ensuring their business is sustainable rather than focusing on scaling up where it is not appropriate.

In-work support is crucial to someone sustaining a job, it was felt that this is not sufficiently resourced over a long enough timeframe to meet the needs of people with complex needs.

There is an overwhelming consensus from members that much longer term support is required for people who experience significant barriers to work, that a person needs to be allowed the time to become the best person for the job.

Our members also felt that there was sometimes a focus on employability outcomes via training providers but very often there was still a lack of real jobs for people at the end of the process.

Finally, WISE do not feel their expertise (supporting people furthest from the labour market) is fully utilised and influential on employability issues and the design/development of programmes.

Work Integration Social Enterprises – part of the solution

Our members have extensive experience of working with people with complex support needs; they believe their success is founded on

- Genuine person-centred support, flexible enough to adapt to an individual's unique circumstances, allowing them to progress at a pace they can sustain
- An asset-based approach that recognises an individual's abilities, aspirations, interests and motivations
- Local, specialist provision – WISEs have built up a reputation, gained the trust of a community (of interest and location) and are responsive to the needs of the local economy
- Longer term support for both the individual and the WISE, to allow them to develop and adapt their service to ensure the best possible outcomes for the individual
- Additional social and economic value – members go the 'extra mile' providing support out with the 'usual' employability support or over and above contracted outcomes because 'it is the right thing to do'
- Social firms, in particular, highlight how crucial a real work environment is for an individual, the difference it makes to them and their employability journey

Helping someone with complex support needs into work is an entirely different industry than helping people close to the labour market. A successful 'intervention' requires not just 'any job' but exactly the right job, with the right employer, in the right place with the right support. Social firms have a key role to play here.

Whilst a paid job will be the ultimate goal for some, we need to acknowledge this may never be an achievable outcome for others. For some individuals, 'employment' will only be possible within a supportive, inclusive environment. We believe - and members report - that there is a substantive and substantial difference in terms of the individuals' experience and outcomes between participating in an employability/training programme and participating in employment within a supportive business environment. People facing significant, often multiple barriers to work can, with the right environment and support, engage in meaningful activity, contribute to a business' success and to society. This represents huge progress and is incredibly valuable to the individual and needs to be more widely recognised and valued. Support needs to be ring-fenced for this, to allow more opportunities to be created for more people currently excluded from the labour market (and to increase not only employability but social inclusion and health and wellbeing outcomes).

Within the total funding envelope, we need to reward 'distance travelled' as well as 'destination reached'

WISEs trade and generate income. However, there are obvious costs to providing personcentred support to people with complex needs which is not currently recognised or paid for. Currently resources are put into the process rather than the person, this should be flipped to a fund that follows the person and is flexible enough to be used by the organisation to meet a person's needs. We believe we need to explore alternative funding models/incentives to support more people furthest from the labour market to access jobs and/or meaningful activity.

The **SE strategy** acknowledges that the contribution of social enterprise remains fragile as ***'by nurturing some of Scotland's most vulnerable individuals, they incur higher employee support costs, lower productivity and reduced profitability and that this situation is not always recognised or adequately compensated.'***

Likewise, in the strategy, Government acknowledges they have ***'not fully recognised the role of social enterprise in supporting social inclusion health and well-being outcomes for the individuals they support.'***

We would, therefore, like to see funding specifically available for WISEs (beyond the DWP Access to Work arrangement for those supported businesses previously in receipt of work choice funding). We need a Scottish solution to support more people with complex needs and barriers into work beyond DWP protected places funding. This could potentially be

topslliced from the employability budget, allowing WISEs to increase their contribution to Government's fairer, more inclusive society; this would be a uniquely Scottish approach.

We also recognise that more work needs to be done by all involved to see WISEs delivering as an integral part of funded employability services and being an intrinsic element of the local menu of services for those seeking work.

WISEs are more likely to reach people who do not engage with mainstream provision. They work at a grassroots level, building relationships and trust with harder to reach individuals, and can better identify and address barriers and the root cause of these barriers and find the best 'fit' support for the individual. In knowing their local landscape, WISEs open up employment opportunities with employers; expertise and intelligence often ignored or missed in current employability services.

We would welcome the obvious opportunity to ensure that any new Supported Business framework, takes cognisance of the wider definition of supported business within the reserved contracts regime and to use this tool (through or out with the framework) to award contracts to support job creation and retention for people with disabilities or disadvantage in the labour market. This is reflected in the SE Strategy which promises to **'enable an expanded base of Supported Businesses to flourish commercially and sustain employment for disadvantaged and disabled people'**

WISEs already deliver real and tangible community benefits through their work and are primed to be quality delivery agents. We welcome the use of Community Benefit Clauses in contracts, however CBCs needs to be incorporated into a specification in a way that is meaningful and influences the award of a contract to ensure contracts do truly open up to all social enterprises.

We believe that Glasgow City Council and the Health and Social Care Partnership in Glasgow is developing a Quality Standard for employability providers, with a range of stakeholders including Glasgow Disability Alliance (GDA). With the caveat that a balance is found so the QS is challenging and meaningful for providers whilst also being achievable/ accessible and proportionate for organisations of all sizes, this is something we believe is worth exploring. GDA and partners are ensuring that the views of users of employability services inform the development, accreditation and assessment of the QS which we believe is vital and hope could highlight good practice and providers.

Members highlighted that 'traditional' employability support is often not the most appropriate or beneficial for people furthest from the labour market. They require person-centred support, services that build trust and understanding, change attitudes and

behaviours, instil confidence and motivation, manage health conditions, improve skills and work experience and build personal and professional networks.

Leading on from this, there was significant support from members around the idea that, for people furthest from the labour market, **employability is not the issue, inclusion is**. Focus and funding should be less on employability (and its associated outcomes) and more on a person-centred, asset-based approach enabling people to lead a meaningful and fulfilling life, contributing to society. The social enterprise sector could play a significant role in a shift away from a commercial contract culture to a broader economic and social programme that amplifies the wider impact delivered by employability support. Aligning with Government's aim that employability services help ensure prosperity is more equally shared across Scotland – tackling poverty, inequality and exclusion.

We accept that people who face additional barriers to work will require longer term support and additional funding to pay for that support and that there is a cost-benefit trade off particularly in the short term. However, this should be balanced with a longer term view. The support and funding will obviously reduce over time as a person gains experience, skills and confidence and if people who WISEs exist to support are left without hope and prospects (again) they will require ever increasing proportions of dwindling adult social care, NHS and criminal justice budgets.

A report by disability charity SCOPE published in August 2018 says nearly half (49%) of disabled working-age adults in the UK feel excluded from society and 41% do not feel valued. This shows there is still a significant amount of work to ensure no one is left behind.

WISEs create jobs and meaningful opportunities for people, however often see themselves as separate to employability provision. They deliver an important and much needed service and option for people furthest from the labour market and should be seen, consulted and included as a cornerstone of the employability landscape.

As recognised by Scottish Government (through the SE Strategy), Scotland's WISEs already make a substantial contribution to volunteering, job creation, social inclusion and employability in Scotland. Government also acknowledges that their contribution remains fragile and has not always been fully recognised - including their role in supporting social inclusion and health and wellbeing outcomes - **or adequately compensated**. We welcome Government's commitment to and ambition for the social enterprise sector, and believe that by developing an employability landscape that enables social enterprises to nurture and support more people furthest from the labour market, that this would mark a clear and real 'line in the sand' between Scotland and the rest of the UK.