

**CREATING
A FAIRER
SCOTLAND**

**A NEW FUTURE FOR
EMPLOYABILITY SUPPORT
IN SCOTLAND**



**The Scottish
Government**
Riaghaltas na h-Alba



Foreword by the Cabinet Secretary for Fair Work, Skills and Training

In July 2015 I published a discussion paper, **Creating a Fairer Scotland: Employability Support**. This aimed to draw upon the wealth of experience within our communities and our employer and provider networks, to shape future employability support in Scotland.

I would like to express my thanks to the individuals, groups, bodies and organisations who either responded to the consultation or attended one of the consultation events held across the length and breadth of the country. I have listened carefully to and reflected on all of the information we have heard from stakeholders to develop a vision for the future of employability support in Scotland. This is a vision that resonates strongly with the core aims of this government – namely, sustainable economic growth, inclusion, fair work and social justice.

In this paper I outline that vision – that **we should provide greater support to those who struggle in the labour market**. This is supported by **six principles, and a set of core values**, which together will govern our decisions on employability policy and delivery. The core values focus on dignity, fairness and respect, and a commitment to continuous improvement in collaboration with our partners and stakeholders.

As a Government, we are committed to achieving a Fairer Scotland through the levers available to us, now and in the future. In our Programme for Government we set our commitment to a Scotland where no-one lives in poverty and all people, no matter who they are or where they are from, can achieve their full potential. We also committed to introducing a replacement for the Work Programme and Work Choice by April 2017. With powers being devolved to support those at risk of long-term unemployment and disabled people, this offers a real opportunity, over time, to make Scotland a fairer country.

Throughout this programme of work, our first priority is to make sure that as the powers are devolved, those in need of support, can access person-centred services which address their barriers to sustaining high quality employment.

However, there can be no question that the UK Government Spending Review of November 2015 will impact on the reach and scale of those services. The UK Spending Review has magnified the challenge we face, and the proposed fiscal settlement for devolved services is inadequate for the task. But the Scottish Government, in partnership with our stakeholders, will rise to the challenge and work to deliver the services unemployed people in Scotland are entitled to receive.

The transfer of employability powers to Scotland will take place in April 2017 and, in the first instance, we will ensure continuity of service for those who most need it. In 2017-18 we will adopt the following transitional arrangements:

- We will replace Work Choice with a 1 year contract between Scottish Ministers and current third sector providers of Work Choice in Scotland, investing up to £20m to support unemployed disabled people into work.
- We will ask Skills Development Scotland to use the mechanisms currently in place for the Employability Fund to deliver a new employability service for vulnerable clients with a health condition and at risk of long-term unemployment who want to enter work.

This approach will allow us to continue to work collaboratively with stakeholders to redesign the more enduring approach to employability support in Scotland. During this initial phase we will begin to take forward a programme of integration and alignment of existing employability services in Scotland, whilst beginning to differentiate the Scottish offer from that available in the rest of the UK. Where opportunities exist for immediate improvement we will grasp them in our transitional plans, with a view to evaluating their success at an early stage.

Placing dignity and respect at the heart of all we do means that the delivery of employability support is as important as the policy. In this paper, I outline the key principles underpinning both areas. As we develop and deliver new services in Scotland we will continue to work with stakeholders, practitioners and experts from local government, the third sector and representative organisations across Scotland. In doing so, we will work to derive maximum advantage from existing and new partnerships and services and build on the excellent relationships and innovative approaches that are already in place.

I believe that full transfer of employability powers, programmes and policies would provide the coherence to allow the Scottish Government to better support its most vulnerable citizens into sustainable employment. The Scottish Government will continue to make the case for transfer of full powers over employability support services, including transfer of the functions and programmes of JobCentre Plus to Scotland. Ahead of that, the vision and principles set out in this paper will shape our approach to both the powers currently being devolved, and any further measures in the future.

INTRODUCTION

From 1 April 2017, employment support services in Scotland will change. New powers to provide employment support for disabled people and those at risk of long-term unemployment will be devolved to Scotland. This means the current Work Programme and Work Choice schemes run by the UK Department for Work and Pensions (DWP) will be replaced by Scottish services to provide support, work experience and training to help Scotland's people find work, and stay in work.

At the UK Government's Spending Review in November 2015, the announcement was made that Work Choice and the Work Programme will end across the UK in April 2017 and be replaced by a single programme, the Work and Health Programme, details of which are still emerging.

Scotland's Economic Strategy set out this Government's view that building a more competitive economy and a fairer society go hand in hand. Employability services, which are vital in improving economic opportunities for those out of work, can make an important contribution to this agenda.

Last year, we consulted extensively to inform the development of Scotland's employability services. Following careful and independent analysis of the responses received,¹ this document sets out the key principles and values of the Scottish Approach to employability which will underpin devolved employability services in Scotland from 1 April 2017.

This is not the end of the conversation, however. As we redesign and implement new employability support services we retain a strong commitment to do so in a collaborative fashion, committed to continuous improvement with our partners and stakeholders.

THE CONTEXT

The Smith Agreement

The Smith Agreement set out the basis on which DWP contracted employment support would be devolved to Scotland. Whilst Scottish Ministers have long argued for Scotland to have full control over employment powers this has been limited by the UK Government to the services provided through the current Work Programme and Work Choice contracts.

The devolution of some employment programmes will provide an opportunity to develop more effective and better-aligned services that help people in Scotland into work, but policy and financial decisions announced at the UK Government Spending Review in November 2015 will substantially reduce funding for contracted employment support from April 2017.

¹ Consultation on Future Employment Services - <http://www.employabilityinscotland.com/policy-and-partnership/scotlands-future-employment-services/consultation-on-future-employment-services/>

We remain disappointed that the UK Government has consistently refused to accept amendments to the Scotland Bill, amendments which would have seen restrictions within the Bill removed that limit our powers solely to supporting disabled people and those who are at risk of long-term unemployment for over a year.

It is now clear that, as a result of UK Government Spending Review decisions, the scale of reduction in programme spend which is being devolved to Scotland will significantly impact on the support we can offer and the extent to which we can fulfil our ambitions to support more of those who struggle in the labour market into work. We do not believe that this meets either the spirit or the intentions of the Smith recommendations in relation to employability.

Despite these significant fiscal challenges, the Scottish Government is committed to working in partnership with our stakeholders to rise to this challenge. In both the short and medium-term we will seek to maximise the potential of our devolved powers and deliver services that we believe can better support unemployed people in Scotland.

Consultation

In summer 2015 we launched our consultation on devolved employability services, *Creating a Fairer Scotland: Employability Support*,² seeking the views of those with an interest in employability services in Scotland, and everyone who has an interest in building a Fairer Scotland. Our engagement included more than 70 events and meetings with user and stakeholder groups across Scotland.

The feedback, input and breadth of experience shared throughout the consultation period has been invaluable. We received 179 written responses to *Creating a Fairer Scotland: Employability Support* and a further 36 responses to our Survey Monkey questionnaire. The majority of respondents were individuals but views were also submitted by an extensive range of private, third sector and public sector organisations.

There is no denying that a strong desire for change has emerged, together with a clear consensus around the need to provide greater support to those who struggle in the labour market.

The Fiscal Framework

On 23 February 2016, the First Minister updated the Scottish Parliament that a fiscal framework agreement³ in principle had been reached between the Scottish and UK Governments. This deal will ensure that the funding for Scotland cannot be changed without Scottish Government agreement. It protects the Barnett formula, and it will allow the powers in the Scotland Bill to be delivered.

² *Creating a Fairer Scotland: Employability Support* - <https://consult.scotland.gov.uk/labour-market-and-workplace-policy/employability-support>

³ Agreement on fiscal framework - <http://www.gov.scot/fiscalframework>

In late 2015, as part of the UK Government Spending Review, the UK Government announced their decision to significantly cut future expenditure on contracted employment support. Independent estimates put DWP current expenditure on employment support, including Work Programme and Work Choice, at between £800m - £1bn per annum. DWP have confirmed spend, post-Spending Review, on the replacement Work and Health Programme will stand at £130m by 2020-21.

The Secretary of State for Work and Pensions confirmed on 16 December 2015 that devolved employment services will be subject to the same scale of reductions, as outlined below.

Year	Indicative DWP Programme Spend to be devolved to Scotland
2017- 2018	£7m
2018 - 2019	£10m
2019 - 2020	£11m
2020 - 2021	£13m

The Scottish Government will enhance the indicative DWP programme spend for Scotland for 2017-2018 of £7m, so that up to an additional £20m is available to provide employment support through the newly devolved services in that year. The funding to be available for 2018-2021 is still to be finalised.

It is clear therefore that there will be severe financial restrictions for us to operate within following devolution of contracted employment support. Despite the limitations, we remain committed to delivering a distinctly Scottish Approach to employability.

Our Vision

The transfer of employability powers to Scotland will take place in April 2017 and, in the first instance, we are working to ensure continuity of service for those who most need it. We are taking up these powers at the earliest opportunity while ensuring transitional arrangements in 2017 deliver continuity of support for the most vulnerable in society, and create a sound platform for future delivery from 2018.

We will take the time to consider, with those who are affected, what might be the best ways to move towards our desired outcomes. Ensuring that we develop processes and systems that work properly and reflect the needs and priorities of the people who use them, takes time – it is crucial that we get this right.

We will work to redesign employability support in collaboration with our stakeholders and take forward a wider programme of alignment and integration with their support.

The Scottish Approach

Employability support is an important additional tool in tackling poverty and inequality. The way in which we use our new powers will be critical, and has rightly been a key focus of much of the discussion with stakeholders throughout the Fairer Scotland conversations.

It is right that Scotland's new employability services are based on best evidence, and that individuals who are currently accessing employment support services, or may need to use them in the future, should have their say and are listened to.

Through our engagement with stakeholders, and following analysis of the consultation responses, the Scottish Approach to employability will be founded on six key principles, underpinned by the core values which we believe are integral to creating a fairer Scotland.

These values and principles will form the basis of our continuing stakeholder engagement and policy development. We will continue to work in collaboration, building on the strong platform of our transitional services in 2017-18, towards the Scottish Government's procurement of a new employability programme from 2018.

Our Values

Value 1: Dignity and respect

Scottish Ministers are clear that Scotland's public services will be based on a culture of respect. We will have a social contract with the people of Scotland that Scotland's public services will treat people with respect and dignity, and the public will treat staff providing those services in the same way.

Individuals can expect to be treated with dignity and respect through each step of their journey into work.

Value 2: Fairness and Equality

Our approach to employment support will not be driven solely by a need to reduce the Welfare Bill and focus on those with the best prospects of moving into work. Instead we will aim to contribute to a broader range of economic and social outcomes by supporting those further from the labour market.

Value 3: Continuous Improvement

In the first instance, our priority will be to ensure a smooth transition from existing UK services to our new Scottish arrangements.

Our policies, processes and systems will evolve in response to individual, employer and community need across Scotland. We will ensure that they remain fit for purpose through close engagement with stakeholders and service users alike.

Our Principles



Principle 1: A flexible, tailored, 'whole person' approach

Our stakeholders recognise the importance of employment to an individual's wellbeing and sense of inclusion. It follows therefore that adopting a person-centred, holistic approach to employability services can offer the best route out of unemployment and poverty for individuals and their families.

The Scottish Approach to employability must build on existing services and provide personalised support, particularly for those facing additional barriers in the labour market. Based on independent analysis of the consultation responses received,⁴ and research carried out by the Learning and Work Institute in December 2015,⁵ we will develop Scotland's new employability services to include the following features:

- Ensuring a smooth and effective transition for the individual between JobCentre Plus and new Scottish services;
- High quality individual assessment which looks at the life circumstances of individual participants;
- A personalised service delivered by highly skilled individuals, focussed on the development, delivery and ongoing review of realistic, measurable and timebound action plans suited to the needs of the individual;
- Meaningful and supported work experience, if appropriate, at the point in the customer journey at which it would be most beneficial to the individual;
- In-work support, for both the individual and the employer, to maximise the potential for job sustainability and progression;

⁴ Consultation on Future Employment Services - <http://www.employabilityinScotland.com/policy-and-partnership/scotlands-future-employment-services/consultation-on-future-employment-services/>

⁵ Learning and Work Institute Report - <http://www.employabilityinScotland.com/policy-and-partnership/scotlands-future-employment-services/cesi-report/>

- Effective partnership working around the needs of clients between the bodies and agencies who deliver support, particularly at a local level, including strong employer engagement; and,
- Integration and alignment of services, allowing providers to access services such as health and skills interventions at a national level, whilst facilitating deeper and more effective engagement between partners at a local level.

We will develop a separately articulated offer for disabled people whose main barrier to work is related to their disability, as outlined at Principle 6.

Principle 2: Designed and delivered in partnership

Scottish Ministers have a longstanding ambition for greater alignment of employability services and related support to help individuals into work. A report for the Scottish Employability Forum – co-commissioned by the Scottish Government, UK Government and COSLA - by Cambridge Policy Consultants in 2014⁶ confirmed that the existing employability funding and delivery landscape in Scotland is complex and cluttered, with significant funds spent in this area at a UK, Scottish and local level every year. Consultation analysis demonstrates broad agreement that devolved employability services should be delivered in partnership across employability, education, health and social care services.

We see devolution as an opportunity to build on the strengths of existing national and local services, to better integrate existing employability services, as well as to develop new and better services. Individuals supported by our new services will have access to other appropriate Scottish Government funded support, such as Skills Development Scotland skills support as well as existing devolved services such as health interventions, to enable them to better manage their conditions or receive treatment to enable a return to work. We are working across government portfolios now to put this in place.

We must also work closely with local partnerships in developing delivery plans. We know some local services are already delivering to our proposed client group, for example in City Deal areas. Given reducing funding for services at all levels, it's essential that we complement and enhance, rather than duplicate or replicate, locally-available services. We will work with delivery partners at all levels to ensure we achieve the best possible value for public money.

In addition to the extensive period of consultation carried out last year, we have established Scotland's Future Employment Services Advisory Group⁷ - drawing membership from existing service providers, employers, local partnerships, national agencies and the third sector, to help Government take this work forward. The Advisory Group will play an on-going critical role in shaping future employment support services in Scotland.

Principle 3: A drive towards real jobs

⁶ Cambridge Policy Consultants Report - [http://www.employabilityinScotland.com/media/473005/sef - employability_research - cambridge_policy_consultants - final_report - november_2014.pdf](http://www.employabilityinScotland.com/media/473005/sef_-_employability_research_-_cambridge_policy_consultants_-_final_report_-_november_2014.pdf)

⁷ Scotland's Future Employment Services Advisory Group - <http://www.employabilityinScotland.com/policy-and-partnership/scotlands-future-employment-services/advisory-group/>

Employer engagement and robust labour market information is crucial in ensuring that employability support is firmly aligned with economic development plans. In this way, we can ensure that individuals access the training they need to secure prosperous careers, whilst employers are able to access the skilled workforce they need to compete and grow in a global marketplace.

Through the development of sectoral Skills Investment Plans and Regional Skills Assessments, we are already working collaboratively with employers and Skills Development Scotland to identify skills needs across Scotland and ensure that public sector investment is aligned to the challenges and opportunities forecast. It is important that the existing skills planning model is further aligned to the delivery of Scotland's employability services.

In addition, we will work with employers across Scotland to ensure that they are not limiting their potential by discounting groups of prospective employees, particularly disabled people and those with long-term health issues who may face additional barriers to work.

A significant proportion of working age people in Scotland either have a disability or a limiting long-term health condition. Supporting more people into employment who face these specific barriers is a critical step in securing a more productive and fairer Scotland.

Principle 4: Designed nationally but adapted and delivered locally

Scotland's employability services will be designed at a national level to ensure consistency across Scotland, whilst recognising that local flexibility remains key in ensuring that provision is responsive to local economies and the varying profile and needs of job-seekers across Scotland.

Given the reduced funding pot, it is necessary to balance economies of scale with the commissioning and delivery of services which encourage collaboration and alignment of support through a range of local partners. The Scottish Government will be the contracting authority for Scotland's new employability services from 1 April 2018, with Skills Development Scotland building on their existing role as Scotland's national skills body.

We are clear that working collaboratively with the established and effective local employability partnership network will be critical to the success of Scotland's employability services. We will work with suppliers to consider what support we can provide to encourage consortia approaches that reflect the existing "mixed economy" in employability services in Scotland of private provision, and local authority and third sector delivery.

Principle 5: Contracts should combine payment by job outcomes and progression towards work

We must carefully balance the rationale that funding should directly support positive progression towards and into work with the experience that an outcome-based

funding model can drive the undesirable “parking and creaming” behaviour reported on Work Programme. It is important that we also consider the need to develop a sustainable funding model which provides the financial stability and flexibility required by third sector and SME providers if they are to compete successfully in this market.

Scotland’s employability services will be delivered within a pricing model which provides a combination of service fee and outcome-based payments rewarding job achievement and sustainment. In-work poverty continues to blight many in Scotland so we are keen to explore whether service provider support for individuals to progress in employment can be rewarded. Underpinned by guaranteed national service level standards, we will demonstrate value for the public purse whilst also ensuring delivery of quality services for people across Scotland, regardless of where they live. The service fee will reflect different and complex barriers some individuals face in entering, or staying in, the labour market.

Existing DWP contractual arrangements create an incentive to place individuals in low quality jobs, and drives activity that supports those closer to the labour market. We will take steps to incentivise fair work practices and also to help those further from the labour market. This is an important step in striving towards a fairer and more equal Scotland.

Principle 6: Responsive to those with high needs

Existing DWP services do not wholly meet the needs of those further from the labour market. We believe that it is wholly unacceptable that individuals with higher needs, such as those suffering long-term health issues or disabled people, face the most significant challenges in accessing the support that they require to move into fair, secure and sustainable jobs.

From 1 April 2018, we will develop a separately articulated offer for disabled people. The key focus will be a tailored and personalised service for those for whom work is a reasonable objective. We know that effective planning, person-centred services and in-work support are crucial in helping people who have disabilities find and sustain jobs and our model will reflect this. The provider will be expected to offer the very specialised support that disabled people need and help them to access other support such as DWP’s Access to Work. Equally, it is important to recognise when mainstream services can adequately and more appropriately support the individual.

NEXT STEPS

For 1 April 2017 (transitional arrangements)

Scottish Government will contract with the current Work Choice providers for a one year transitional period from April 2017, with Scotland’s new employment services starting from April 2018. This decision has been taken to allow the transfer of these devolved powers to be effectively and seamlessly implemented ensuring that service continuity is delivered.

At the same time, we will ask Skills Development Scotland to use the mechanisms currently in place for the Employability Fund to deliver a new employability service for vulnerable clients with a health condition and at risk of long-term unemployment who want to enter work.

For 1 April 2018

We will develop new Scottish employment services to commence from April 2018. As we move towards procurement of these services by the Scottish Government's Procurement and Commercial Directorate in the coming months, we will continue to engage with stakeholders and partners across Scotland to ensure that we hold true to the principles and values set out in this document.

We are keen to work with partners to support the development of partnership and consortia approaches to service delivery in line with the stated ambitions of Scottish Government Ministers to enable more third sector and SME businesses to bid successfully to deliver public services in Scotland.

From 2017-2021

We will work to align and redesign employability support in collaboration with our stakeholders, taking forward a wider programme of alignment and integration. It is right that we take the time to do this properly, when we are confident that we have all the correct systems and processes in place and when a transition plan is agreed with the UK Government.

The aim is future employability services that meet the needs of unemployed Scots and employers. Employability services that are inclusive, effective and responsive. Employability support that involves communities, reflects economies in all parts of Scotland and is built on partnership. Employability services that treat people with empathy and respect. These are the employability services unemployed Scots want. And they are the services they are entitled to expect.



**The Scottish
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Riaghaltas na h-Alba

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