Economic Evaluation of Fair Start Scotland

March 2022

Scottish Government
Riaghaltas na h-Alba
gov.scot

Economic Evaluation of Fair Start Scotland

This is an independent evaluation of Fair Start Scotland, commissioned by the Scottish Government and carried out by Alma Economics

Foreword

Please note, the Fair Start Scotland: Economic Evaluation was originally published in October 2021. The original publication has now been archived and replaced with this new version.

Following the original publication of the report, the Scottish Government decided it would be preferable to present unit cost estimates (e.g. cost per programme start and cost per job outcomes) on the basis only of the 2018 Fair Start Scotland cohort so that these metrics depend only on out-turn data and make no use of forecasts. These estimates have now been revised within this new version of the report. The new report also contains additional explanatory detail on the methodology, including in Annex B.

For transparency, the original (now archived) version of the Fair Start Scotland: Economic Evaluation can still be accessed at the following link: Archived version of Fair Start Scotland: Economic Evaluation.

Contents

Executive summary

In April 2018, the Scottish Government launched Fair Start Scotland, its first fully devolved employability support service. Fair Start Scotland not only offers employability support but also a range of other services to assist people to find and keep a job based on their needs and circumstances. The service's aim is to reach out to those farther from the labour market, including those with protected characteristics, such as disabled people and minority ethnic people, as well as other groups like lone parents and those living on the highest levels of deprivation (as measured by the Scotland Index of Multiple Deprivation).

Alma Economics was commissioned by the Scottish Government to provide an independent economic evaluation of the delivery and outcomes of Fair Start Scotland. Evidence from the evaluation will help improve the economic effectiveness and efficiency of employability services to ensure that taxpayers receive the best value for money. There are three broad objectives for this economic evaluation. The first is to understand the value for money of the service by comparing costs and benefits. The second objective is to understand the value for money of the service by employing wider measures such as unit costs. The third and final objective is to understand the wider social impact of the service, including wellbeing and inclusive growth.

In order to meet the aims and objectives, this economic evaluation makes use of the latest Department for Work and Pensions (DWP) Social Cost Benefit Analysis (SCBA) model. The purpose of this model is to quantify the wider social impact of employment programmes in the UK. The model was developed to assess the cost effectiveness of labour market policies in fiscal terms, while also considering wider effects on the economy and society in general.

The results of the cost-benefit analysis estimates that the impact of Fair Start Scotland is a net positive from the perspective of society, public finance, and participants. For every £1 spent on the service, the estimated benefits are £3.60 from society's perspective, £1.60 from a public finance perspective, and £2.60 from the perspective of participants. This takes into account not just the financial benefits of the service, but also a measure of improved wellbeing for those who moved into employment and the benefits from redistribution in favour of those with the lowest incomes. Therefore, the service performed well in achieving value for money. For the various perspectives examined, the benefits of the service exceed the costs to government.

Figure 1 shows the breakdown of the costs and benefits of Fair Start Scotland from the perspective of society.

Figure 1: Costs and benefits of Fair Start Scotland from the perspective of society

Fair Start Scotland performed better than expected when compared to the business case. This is mainly a result of much lower costs than expected, as the estimated benefits are remarkably similar to that of the business case. There are two main reasons for the lower-than-expected level of costs, both of which are related to the way incentive payments to providers are structured.

Firstly, providers are paid once participants achieve a certain time period within a job (13, 26, and 52 weeks). Fewer participants reached these milestones in out-turn than was expected in the business case. However, evidence from follow-up surveys three years after participation indicate that many of the participants who did not stay long in their initial jobs were able to eventually find sustainable employment. This means that improved job outcomes are being achieved over the medium-term but without triggering payment to providers.

Secondly, Fair Start Scotland ended up attracting more people who have fewer barriers to labour market entry than expected (more Core participants than Advanced or Intense), who subsequently were able to find jobs at a higher rate. Since providers are paid at a lesser rate for people with lower barriers to labour market entry, the actual costs are lower than expected. This implies a tension between improved value for money and meeting the Fair Start Scotland objectives around wider social impact and inclusive growth.

Similarly, looking at the performance of Fair Start Scotland across different geographical locations, it is clear that the differences are driven by the composition of participants' groups. Areas with higher concentration of Core participants achieved higher value for money than those with more Advanced or Intense participants. However, from an inclusive growth standpoint, the areas with lower value for money are better able to capture the groups with more barriers to work, as targeted by Fair Start Scotland.

Conducting direct comparisons between Fair Start Scotland and other employment programmes is difficult given differences in design, target groups, scope of operation and evaluation methodologies. Therefore, conclusions need to be drawn carefully. Overall, Fair Start Scotland performs well in comparison with other programmes, achieving relatively similar results across key performance metrics. In terms of value for money, while the costs compared to the benefits were slightly higher for Fair Start Scotland than for other programmes, this can be attributed to its voluntary nature, the type of participant it aims to help, and its narrower scope and timescale in comparison to UK-wide programmes.

In terms of performance, Fair Start Scotland has a very strict definition of job outcomes compared to other programmes. As a result, while Fair Start Scotland may not have achieved as many job outcomes as other programmes, the jobs achieved are more stable. Finally, in terms of reach, it is very difficult to make conclusive claims given the differences in target population. However, evidence suggests that Fair Start Scotland reached a larger share of unemployed people than other programmes.

Findings from the evaluation reports of Fair Start Scotland based on survey data indicate that the service had an overall positive impact on the wellbeing of its participants, both in terms of improved labour market outcomes as well as with regards to their experience of the service as a whole.[1] Participants report wanting to return to work to a great extent and feeling that Fair Start Scotland motivated them to do so. They also report improved self-efficacy in terms of searching, finding, and applying for jobs. Generally, participants rated their experience of Fair Start Scotland positively and felt that the service operated in line with its principles and values of providing a personalised service that treated people with dignity and respect and put wellbeing at the forefront of its aims.

There are some differences in the experience of the service, based on certain characteristics. For example, participants from ethnic minorities were less likely to know that the service was voluntary. The service is less able to target women compared to men, with men comprising two-thirds of participants. More generally across most wellbeing and labour market outcome measures, those who have been unemployed for a long time, those with limiting health conditions, and those with no formal qualification are likely to have fewer positive outcomes and perceptions.

Overall, Fair Start Scotland performed well in achieving value for money and a significant overall net benefit to society. It helped many participants move into sustainable jobs and did so while treating them with dignity and respect. However, there are areas where further improvements could be made; Fair Start Scotland could explore doing more to achieve its aim of helping people who face very high barriers to labour market entry. Specifically, the programme could try to find ways to reach out to and help more people with disabilities, health conditions, and long-term unemployment achieve sustainable job outcomes. It is important to note that Fair Start Scotland continues to deliver services and to monitor its performance, particularly with regard to engaging with and achieving outcomes for harder-to-reach groups and individuals.

[1] Scottish Government, 2019. Fair Start Scotland Evaluation Report 2: Overview of year 1
Scottish Government, 2020. Fair Start Scotland Evaluation Report 3: Overview of year 2
Scottish Government, 2021. Fair Start Scotland Evaluation Report 4: Overview of year 3

Background

Background on Fair Start Scotland

In April 2018, the Scottish Government launched Fair Start Scotland, its first fully devolved service, built on Scottish Government values and principles of high-quality public services that are delivered with dignity and respect to individuals. Fair Start Scotland offers employability support as well as a range of other services to assist people based on their needs and circumstances related to finding and keeping a job. The services' aim is to reach out to and help people who are farther from the labour market.

Fair Start Scotland aims to take forward a uniquely Scottish approach to the delivery of employability services, including: a high-quality service that maximises delivery of real and sustained job outcomes for individuals, treating them with fairness, dignity and respect; a programme of service integration and alignment that seeks to join up public employability services; support for those farther removed from the labour market; voluntary participation, with people not driven to take part by fear of benefit sanctions; person-centred support not based on the type of benefit an individual receives; and national service standards providing a high-quality service and consistency of delivery across Scotland, meaning that no one is left without the support they need.

The Service aims to support individuals who have a disability or additional support need (with disability as defined in the Equality Act 2010), have been unemployed for a long time (those reaching 2 years on Job Seekers Allowance/ Universal Credit equivalent), or are currently in the Employment and Support Allowance Work Related Activity Group. It also aims to support people who have caring responsibilities, single parents, care leavers, minority ethnic communities, refugees, those with health problems, or persons with a conviction. It also aims to reach those who live in the 15% most deprived Scottish Index of Multiple Deprivation (SIMD) areas.

Providers can also make further specialist services available for participants who require more intense support. These include elements such as specialist support for specific physical or mental health conditions, for those recovering from substance misuse and support addressing barriers arising from convictions.

Fair Start Scotland received participants in 2018, 2019, and 2020. For performance management purposes, the service groups its participants into three categories, Core, Advanced, and Intense. The characteristic of each group is defined in Table 1.

Table 1. Characteristics of Fair Start Scotland service groups

Service Group	Primary Relevant Barriers	Likely key customer groups	Max fee available per client
Intense	Disabled and in need of specialist support services, to include physical disabilities and learning disabilities; or severe and enduring mental health conditions; or likely to be over 5 years unemployed; or a significant proportion of the barriers within advanced.	Disabled Employment and Support Allowance (ESA) Universal Credit (UC) (Any work prep group as long as they are not in work)	£10,422
Advanced	Unemployed for more than 2 years, and in addition the following barriers will be prevalent: Mental and/or Physical health barrier; or in recovery from addiction; or with a conviction and additional barriers; or Disabled and in need of a specialist key worker; or Housing issues. FSS Early Entry Groups – including lone parents; refugees; care leavers and those with convictions are eligible after 6 months of unemployment (this has now changed to Day 1 unemployed entry from April 2020).	Disabled ESA Jobseeker's Allowance (JSA) 24+ JSA Early Entry UC (work-focussed interview group, work prep group, all work -related requirements group) IS (lone parents)	£7,083
Core	Unemployed for less than 2 years and/or health is not a barrier to work; and the following barriers will be prevalent: Skills deficit; or Literacy and numeracy requirements; or English language requirements; or Lack of confidence and resilience; or Environmental barriers: including travel, childcare, debt, a conviction (but no additional barriers).	JSA Early Entry UC (All work related requirements group) IS (lone parents)	£4,626

Source: Fair Start Scotland business case.

Because of the complexity of individual circumstances, Fair Start Scotland is designed to take a long-term approach to people's needs, by increasing the length and intensity of the support. It is delivered across nine geographical areas (Lots) with the intention to customise the service according to each area's characteristics, while also ensuring it meets the national standard of service delivery. Service providers are financially rewarded when they support people to remain in work for 13 weeks within a 16-week period, 26 weeks within a 30-week period, and 52 weeks within a 60-week period.[2] 30% of the contract value is paid as a service fee over a period of 48 months, with 70% paid based on the achievement of job outcomes. The proportion of total outcome fees is set at 15% for job outcome at 13 weeks, 35% for sustained job outcome at 26 weeks, and 50% for sustained job outcome at 52 weeks. Fees also differ based on participants' groups; providers are paid at a lesser rate for Core group than Advanced or Intense groups as detailed in Table 1.

Background on the economic evaluation

Alma Economics was commissioned by the Scottish Government to provide an independent evaluation of the delivery and outcomes of Fair Start Scotland that will be used to improve the effectiveness and efficiency of employability service provisions and to ensure that taxpayers receive value for money for these services. This economic evaluation relates to the first three years of the service, from April 2018 to March 2021.

The overall Fair Start Scotland evaluation includes three phases. This economic evaluation fits in Phase 2 of the overall evaluation, focusing on ongoing service delivery and participant outcomes. It will complement findings from Phase 1 on implementation and early delivery as well as set the stage for Phase 3 on the long-term outcomes and impact measures (to be published in 2022 at the earliest).

There are three broad objectives for this economic evaluation. The first is to understand the value for money of the service by comparing costs and benefits. This is accomplished by identifying and defining the costs and benefits of the Fair Start Scotland service over the delivery period both to the government and society; measuring and valuing the costs and benefits of the Fair Start Scotland service; comparing the realised costs and benefits of the service with the business case estimates; providing an assessment of the service's impact on the economy as a whole; and assessing the value for money of the service to the taxpayer.

The second objective is to understand the value for money of the service by employing wider measures. This includes estimating the average cost per job outcome and comparing this to other employability programmes; comparing the performance, cost-effectiveness, and efficiency of Fair Start Scotland to other employability programmes; and providing an assessment of how effective the service has been at meeting its strategic objectives as outlined in the business case.

[2] At the end of the third year, it was clarified to the providers that the 26- and 52-weeks outcomes can be standalone outcomes that no longer need to include the initial 13-week period within the 26- or 52-week period. This is likely to result in a slight increase in costs.

The third and final objective is to understand the wider social impact of the service. This includes assessing wider social impacts through social cost-benefit analysis; assessing whether the service has contributed to inclusive growth and wellbeing ambitions; and considering the distributional impacts of the service including the impacts on particular groups supported by the service.

In order to meet these aims and objectives, the economic evaluation uses the latest Department for Work and Pensions (DWP) Social Cost Benefit Analysis (SCBA) model. This model provides a way of quantifying social impacts associated with the implementation of employment programmes in the UK. The model was developed to assess the cost effectiveness of labour market policies in fiscal terms, while also taking into account wider impacts on the economy and society in general.

The DWP social cost-benefit analysis model

Overview of the literature

There are several impact assessments conducted by the UK government which contain a cost-benefit analysis element that relies on the DWP SCBA framework. These include the Work Programme evaluation,[3] Sector-Based Work Academies,[4] the Work Experience evaluation,[5] and the Future Job Fund evaluation.[6] All these evaluations use a very similar methodology following the work of Fujiwara (2010),[7] which will be discussed in detail in the next section. This section will outline some of the key decisions undertaken in this evaluation and how and why they diverge from those undertaken in the aforementioned impact assessments.

In terms of the parameters used, this work follows similar steps to the other DWP SCBA evaluations. It makes use of redistribution effects, costs of childcare and transport, and benefits accrued from improvements in health outcomes. The magnitude of these effects and how they are modelled within the DWP SCBA framework are discussed in Annex A and in the next section.

Similar to the other evaluations outlined in this section, central to this work is estimating a realistic timeframe for how long the benefits of the intervention last for based on the best available data (the persistence effect). Since the participants of Fair Start Scotland are observed for a short period of time, assumptions on their future labour market behaviour need to be made to approximate the persistence effect. The other evaluations outlined in this section do the same, but since the results are based on assumptions, they vary the timeframe for the sensitivity checks. Following this approach, this evaluation will also estimate the results for a pessimistic and an optimistic scenario based in part on varying assumptions on the length of the persistence effect.

There are several areas in which this evaluation diverges from the rest. Firstly, in terms of parameters used, the other evaluations make use of the social cost to public finance to conduct sensitivity checks. This is excluded from this analysis due to Scottish Government precedents for treatment of public finance costs and concerns about how robust the underlying parameters are for this aspect of modelling. Secondly, in terms of defining the counterfactual, most of the studies use an Intention to Treat methodology to capture the additionality of their programmes. Since such data is not available for Fair Start Scotland, this analysis makes use of assumptions built into the model to account for the counterfactual. Again, since this is based on a level of uncertainty, it is varied in the sensitivity checks.

---

[3] DWP, 2020. The Work Programme: a quantitative impact assessment.

[4] DWP, 2016. Sector-based work academies: a quantitative impact assessment

[5] DWP, 2016. Work experience: a quantitative impact assessment

[6] DWP, 2012. Impacts and costs and benefits of the Future Jobs Fund

[7] Fujiwara, D., 2010. The Department for Work and Pensions Social Cost-Benefit Analysis framework. Working Paper no. 86

Finally, it is important to highlight that there are some implications due to Fair Start Scotland being a Scottish policy and not a UK-wide one like the other programmes that use the DWP SCBA model. This is especially the case when it comes to the meaning of public finance costs in the Scottish context. Despite this, public finance improvements from the reduction in Universal Credit are still included in the DWP SCBA to accurately capture the performance of Fair Start Scotland and to enable its comparability to other policies.

Overview of the DWP Social Cost Benefit Analysis

This chapter outlines and summarises the DWP SCBA framework and its methodology for estimating and incorporating the wider social and economic impacts of employment programmes.

Fujiwara (2010) provides the framework of the DWP SCBA, discussing the different factors that movement into employment are likely to impact from a society, individual, and public finance perspective. Based on that, the report gives recommendations on parameters to include and why, citing evidence for the inclusion, exclusion, and caution surrounding each parameter. The DWP SCBA gives the user a choice of which parameters to include in their evaluation and which to exclude. The evidence for each of the parameters as discussed by Fujiwara (2010) are summarised and discussed in this section. The implications on the Fair Start Scotland evaluation are discussed in the next section.

In order to capture the full effect of an employment programme, Fujiwara (2010) discusses evidence on the impact of employment programmes on increases in income, in-work costs, leisure time foregone, effects on employment rates (substitution effects), social costs associated with funding programmes through taxation, improved health outcomes, reductions in crime rates, multiplier effects on the economy, and the value of increased economic output. Based on the evidence, recommendations are given on whether and how to include these parameters in the DWP SCBA.

Starting with the increase in income, the value that individuals place on each additional pound they receive or lose is higher for people with low incomes relative to people with higher incomes. To account for this in employment programmes, monetary gains for programme participants should be weighed higher than the costs for taxpayers who fund the programmes (welfare weight). The weight for programme participants is set at 2.5 (relative to the average taxpayer).[8] This weight is applied to any increases or losses in income incurred by participants as a result of the employment programme.

As for in-work costs, when someone moves into employment from unemployment/inactivity there are some unavoidable costs they may incur. These costs reduce the real gains from working. They include travel to and from work, and possible childcare costs for lone parents or families with second earners. Average childcare costs and average transportation costs should be subtracted from the income received from employment.

There is strong evidence of a positive causal effect of employment on individual health outcomes. Robust quantitative evidence comes from studies that look into the effect of

[8] HM Treasury, 2020. The Green Book: appraisal and evaluation in central government

employment on medical service usage rates. This evidence is used to estimate the National Health Service (NHS) savings per additional person employed. NHS savings are predicted to be larger for Employment and Support Allowance (ESA) participants who find work, as they incur greater initial public health costs. These resource savings should be included in the cost-benefit framework. It is estimated that one person moving from unemployment to employment incurs £508 less in NHS costs per year (non-ESA programmes). This figure rises to £1,016 for a person with disability who moves from unemployment to employment (ESA programmes).

The latest version of the DWP Model allows for the inclusion of a Quality Adjusted Life Years (QALYs) element. QALYs are a measure of disease burden, including both the quality and the quantity of life lived. They are used in economic evaluations to assess an intervention, where one QALY equates to one year of perfect health. The size of this effect is not discussed in Fujiwara (2010), but Public Health England sets it at 0.0675 QALY gain per person moving from unemployment to employment, when assuming the benefit is sustained for one year.[9]

The framework also points to benefits and costs incurred from foregone leisure, multiplier effects for the wider economy, and increased economic output. These parameters are difficult to measure and, in some cases, may be offset by other hidden benefits or costs. Therefore, the DWP SCBA model recommends not including these parameters in the cost-benefit analysis.

Finally, the DWP SCBA framework recommends that some parameters be used for sensitivity checks. These include social costs associated with funding programmes through taxation and effects on employment rates (substitution effect). For the social cost of taxation, it is estimated that the net fiscal benefit from additional jobs should be multiplied by 0.2 to get the social cost of public finance. However, the evidence on this is weak and relies on strong assumptions. Therefore, it is recommended that it is not used in the main analysis.

As for the substitution effect, it is estimated to be 0.2 for supply-side programmes (like Fair Start Scotland) and 0.4 for demand-side programmes. The substitution effect also relies on weak evidence, and the recommendation is for it not to be used in the main analysis. There is no built-in measure in the DWP SCBA to account for a counterfactual. That is, the deadweight arising from the people who would have found a job without participating in the employment programme. According to DWP however, the 0.2 substitution effect is sometimes used to account for the counterfactual in the absence of a control group.

The DWP SCBA framework excludes a number of potentially significant costs and benefits due to a lack of robust evidence. These measures include the additional leisure time which participants forego, the non-pecuniary benefits associated with additional time in unsubsidised employment, and the economic multiplier effect which may result from the programme. The programmes outlined above also do not account for the reduction in

[9] Public Health England, 2017. Movement Into Employment: Return on Investment Tool: Estimation of benefits from moving an individual from unemployment into sustainable employment

crime that may result from movement to employment and do not include the costs of hiring and training incurred by employers (Fujiwara 2010).

Model choices and perspectives

The DWP SCBA allows for the analysis to be considered from different perspectives. These include participants, public finance, employers, and the wider society. This analysis will mainly consider the perspective of society. This is because it shows the richest picture of the impact of the programme as it takes into account wider determinants and incorporates the perspective of various stakeholders, including both taxpayers and programme participants. The public finance perspective will also be considered, given the implication that this has on the value for money of the service. The participants' perspective will also be briefly discussed to isolate the impact of this service on those who sought it. There is not enough information to capture the cost-benefit analysis from employers' perspective, so it will be excluded.

The DWP SCBA model takes values at the individual level, which can then be aggregated to represent their groups. The approach is, therefore, to create a number of groups of Fair Start Scotland participant types, which will be considered separately. The groupings capture the range of different Universal Credit treatments based on characteristics such as age, disability status, and number of children. Details on group choices, data decisions, and summary statistics are available in Annex A and Annex B. For participants in later cohorts, forecasts were used to provide estimates of any remaining employment outcomes and associated costs beyond the period for which data is held. This allows a comprehensive estimate of the full costs and benefits associated for the three cohorts. It should be noted that aggregate results rely very little on these forecasts (which represent only a small proportion of overall job outcomes) and any inaccuracies in forecasts will increase or decrease both costs and benefits (with job outcomes causing both costs and benefits).

With regards to parameter choices, the model includes distributional analysis to capture the higher welfare achieved from the distribution of public finance. The social cost of the exchequer is excluded because of the weak evidence on its size and impact. The substitution effect is not included for similar reasons.

The model also includes benefits that come from the improvement of the health of participants upon finding employment. This happens through two channels, the first is savings to the NHS and the second is improvement in the quality of life because of movement from unemployment to employment, measured by QALYs.

The counterfactual will be set at 20% as recommended by the DWP SCBA. This implies that 20% of the benefits would have still been achieved even in the absence of the programme. This is one of the central assumptions that greatly impacts the results and will therefore be varied for the sensitivity checks to account for a more pessimistic scenario and a more optimistic scenario.

The scale of benefits will depend on how long the benefit of the programme lasts. For the case of Fair Start Scotland, the persistence effect translates to the length of time in which

participants have a job and earn a wage. Because participants are only observed for a certain period, it is not possible to tell for certain how long the benefits last for. Therefore, some estimation and assumptions need to be made. These are detailed in the next chapter. Given the significance of this measure and the big impact it has on the results, it will be varied for the sensitivity checks.

Inclusive growth and other well-being measures

In the Scottish Government's definition, inclusive growth means growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly. The aims and design of Fair Start Scotland inherently lead to some aspects of inclusive growth at the Scotland-wide level. By increasing total economic activity of low-income groups, Fair Start Scotland by definition achieves inclusive growth.

However, considering other aspects of equality, this analysis will look at the different ways in which the programme may have benefited certain groups over others, based on location, disability status and gender. Therefore, to understand the extent to which Fair Start Scotland led to inclusive growth, measures of inclusivity can be captured by disaggregating the analysis. The results will show performance of the policy under different dimensions of inclusive growth.

One of the key differences between Fair Start Scotland and other employment programmes is the focus on wider wellbeing measures and impacts as it is built on the Scottish Government's key values for public services of dignity and respect, fairness and equality, and continuous improvement. Cost-benefit analysis allows for the inclusion of some aspects of wellbeing, namely the positive impact of having a job on participants' QALYs. However, there are other impacts to participating in Fair Start Scotland that are not captured by the cost-benefit analysis, both positive and negative. These will be discussed as part of the analysis.

Cost-benefit analysis

Timeframe

The scale of the benefits for any programme will depend on the length of time for which the benefits last. Indeed, per the aforementioned model parameter decisions, the assumption for how long the benefits last has the highest impact on model results. Therefore, it is important that the timeframe is chosen carefully based on the best available evidence. As mentioned, since the timeframe has such a significant impact on results, sensitivity checks will vary the length of persistence to show an optimistic scenario and a pessimistic scenario.

For the case of Fair Start Scotland, the persistence effect translates to the length of time in which participants have a job and earn a wage (after accounting for the counterfactual). This is not straightforward to measure for several reasons. The cohort that has been observed the longest (the 2018 cohort) has only been observed for three years (up to March 2021).[10] This means that any benefits past the three-year mark are unobserved. Programmes like Fair Start Scotland may change the life trajectories of its participants, meaning that they will be more capable of finding and keeping a job throughout their entire life cycle.

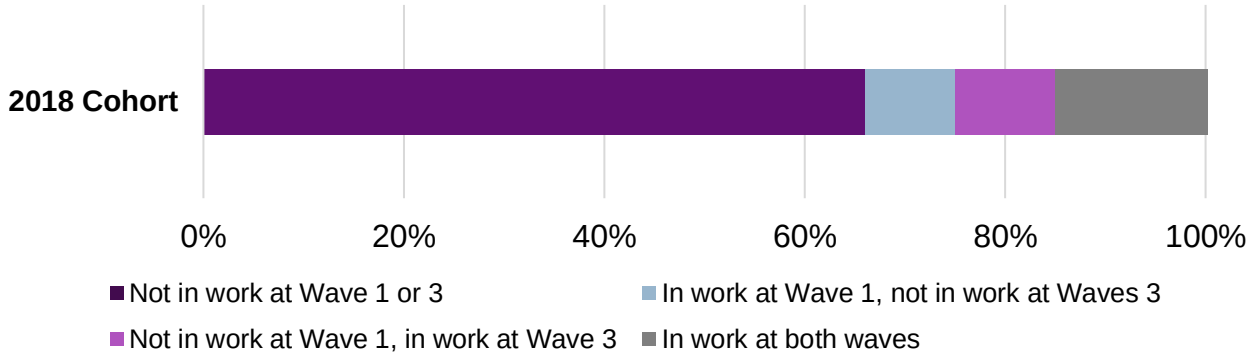
As mentioned, the tracking period used for this analysis is three years after the start of the programme. It is clear that impacts will not cease immediately after the end of the tracking period, so it is reasonable to extrapolate estimated impacts into the future, especially for the 2019 and 2020 cohorts, who have a shorter period of observations available.

From the survey, it is possible to observe how long Fair Start Scotland participants keep their jobs for. Figure 2 shows how long the 2018 cohort stayed in work for between 2019 (Wave 1) and 2021 (Wave 3). In 2019, 25% of participants recorded having a job. By 2021, 26% participants were in work. From the survey data, it is evident that between 2019 (Wave 1) and 2021 (Wave 3), 9% of participants lost their job, but 10% gained a job. This means that the percentage of Fair Start Scotland participants who have a job is relatively constant (between 25% and 30%), but with some participants throughout the years either losing jobs or finding jobs, at a similar rate.[11]

[10] At the time of publication, the latest available data goes up to June 2021. However, these were not used in the CBA.

[11] It is important to note that, while the survey provides the best estimate given the long timeline, it is based on a very small sample relative to the management information.

Figure 2 Change in working status between Wave 1 and Wave 3 for the 2018 cohort



Source: Wave 3 survey of the 2018 cohort.

Additionally, Table 2 shows the observed average number of days that each cohort had worked for up to March 2021. Unsurprisingly, the average number of days with a job decreases for each cohort, as they are observed for a shorter period of time. Therefore, the 2018 cohort shows the fullest amount of information as it has been observed the longest.

Table 2. Average number of days that each cohort had worked for up to March 2021

Cohort	Length of time in which the cohort is observed	Average number of days with a job (up to March 2021)
2018 Cohort	Up to 3 years	1.5 years
2019 Cohort	Up to 2 years	298 days
2020 Cohort	Up to 1 year	110 days

Source: Wave 3 survey of the 2018, 2019, and 2020 cohort.

Focusing on the 2018 cohort, the conclusions that can be drawn from Figure 2 and Table 2 are that: (a) the percentage of individuals who have a job since the start of the programme is relatively stable over time, and (b) on average, individuals have worked for 1.5 years in the span of three years. Extrapolating this for the 2019 and 2020 cohort, the assumption for the central scenario is that the benefits last in total for 1.5 years.

Two main issues emerge with this assumption. Firstly, it assumes that for the 2018 cohort, the benefits do not last longer than the observed period of time. This is a very conservative assumption, as it is unlikely that those who reported having had a job for 2 years as of March 2021 will lose it immediately after the end of the survey. However, this conservative assumption will offset the fact that participants in the 2018 cohort who only had a job for a very short period of time are not observed and were not picked by the surveys.

Secondly, the 2019 and 2020 cohorts may have different outcomes to the 2018 cohort, especially because of the onset of the Covid-19 pandemic, which may result in less desirable outcomes when it comes to finding and keeping a job. However, there is

emerging evidence from more recent management information that points to stronger preliminary outcomes for the 2019 and 2020 cohort. The improved preliminary outcomes are due to stronger collaboration between the Scottish Government and the providers, which may have offset any negative outcomes from the pandemic. This is discussed in more details in the sensitivity checks section.

All in all, a persistence effect of 1.5 years for all cohorts as a central scenario is relatively conservative, but it is the best observed estimate available given the evidence. For the sensitivity checks, scenarios where the benefits last for a shorter period of time (1 year) and for a longer period of time (2 years) are explored to calculate a realistic interval of the benefits and the benefit-cost ratio (BCR).

Results

By using the DWP SCBA model, estimates can be made on the benefits and costs from the perspective of participants, society, public finance, and employer. As mentioned, the focus will primarily be on the perspective of society as it provides the most nuanced picture, followed by the public finance perspective. Participants' perspective will also be shown.[12]

As inputs, this model uses the programme costs per year, employment outcomes (hours worked, wage received, and number of days at work), as well as participant characteristics (age, marital status, disability status, and number of children). For participants in later cohorts, forecasts were used to provide estimates of any remaining employment outcomes and associated costs beyond the period for which data is held. This allows a comprehensive estimate of the full costs and benefits associated for the three cohorts.

The inputs used for cost data include service fees, implementation costs, non-supplier spend, and total outcome spend, both paid and outstanding. The costs per participant varied by year, so all costs were converted to real 2021/2022 pounds. This is why the programme cost will not add up exactly to the nominal cost provided by the Scottish Government. Total costs will also include the increase in travel costs and childcare costs, where applicable.

As discussed, 18 representative groups were used to show the range of participant characteristics and their Universal Credit treatment. Average employment outcomes were used for each of the groups to account for differences in wages and hours worked. The breakdown of the cost-benefit analysis for each of the groups is shown in Annex C.

The benefit-cost ratio is shown with and without the inclusion of QALYs and the distributional effect. The former measure helps compare the performance of Fair Start Scotland with the business case as well as the other programmes, while the latter shows a

[12] Public finance perspective includes increase in tax revenue and reduction in healthcare costs as benefits and programme expenditure as cost. Participants' perspective includes increase in wage as a benefit and reduction in UC, increased tax, and increased travel and childcare costs as costs. Society's perspective includes increase in output and reduction in healthcare and operational costs as benefits and programme expenditure and societal impacts from increased travel as costs.

more accurate picture of the benefits accrued due to the programme. The accuracy of the results is dependent on the robustness of the impacts from which they are derived. A summary of the results is presented in Tables 3, 4, and 5 from society, participant, and public finance perspectives respectively.

The tables also include the results of the business case and the Work Programme for comparison. This is discussed in more detail in the next section.

Table 3. Results of the cost-benefit analysis from the perspective of society

Society's perspective	Business Case	Current CBA	Work Programme
Total benefits	£177.8m	£167.5m	-
Total costs	£117.3m	£82.8m	-
Programme costs	£109.2m	£69.9m	
Financial BCR	**1.5**	**2.0**	**2.7**
Total benefits (including QALYs and redistributive effect)	-	£299.3m	-
Total BCR	**-**	**3.6**	**-**

Source: Analysis of management information, Wave 3 survey data, cost data and post-2021 forecasts.

Table 4. Results of the cost-benefit analysis from the perspective of participants

Participants' perspective	Current CBA	Work Programme
Total benefits	£199.3m	-
Total costs	£140.4m	-
Financial BCR	**1.4**	**1.3**
Total benefits (including QALYs and redistributive effect)	£364.2m	
Total BCR	**2.6**	**-**

Source: Analysis of management information, Wave 3 survey data, cost data and post-2021 forecasts.

Table 5. Results of the cost-benefit analysis from the perspective of public finance

Exchequer's perspective	Business Case	Current CBA	Work Programme
Total benefits	£128.7m	£110.7m	-
Programme Costs	£109.2m	£69.9m	-
Total BCR	**1.2**	**1.6**	**2.4**

Source: Analysis of management information, Wave 3 survey data, cost data and post-2021 forecasts.

The results show that the programme is a net positive to society; for each £1 spent on the programme, the estimated benefit is £2 in 'financial' terms or £3.60 in terms of overall benefit to society. The programme is also a net positive in terms of public finance, with every £1 spent yielding £1.60 in benefits to public finance. The programme is also a net positive from the participants' perspective; for each £1 spent, the estimated benefit is £1.40 in 'financial' terms or £2.60 when QALYs and redistribution are considered.

Sensitivity checks

As noted in the methodology section, there is considerable uncertainty regarding the accuracy of the baseline assumptions. For this reason, the cost-benefit analysis of Fair Start Scotland was estimated on the basis of several potential scenarios. These scenarios are defined by varying: (a) the length of time for which benefits persist, and (b) the counterfactual – how many of the participants would have had a job in the absence of Fair Start Scotland.

The rationale for varying the persistence effect is that the central scenario is based on an estimation of how long the benefits last for rather than a true, observable figure. Therefore, an assumption is made that, for all 3 cohorts, the benefits only last for one year.

Another assumption is made that the benefits of the programme last for 2 years. This takes into consideration the potential need to apply an 'uplift' for the 2019 and 2020 cohort, as they performed better than the 2018 cohort for the time they were observed. Additionally, some findings from the literature indicate that programmes like Fair Start Scotland can have a long lasting but diminishing effect over the lifecycle that cumulatively adds up to 2 years.[13]

As for the rationale for varying the counterfactual, it could be as low as 0% especially at the onset of the Covid-19 pandemic, where it is extremely unlikely that those farther away from the labour market would be able to get a job in the absence of Fair Start Scotland. However, it could also be as high as 40% due to the composition of participants that ended up joining Fair Start Scotland being overrepresented among the Core group and less so among the Advanced and Intense groups.

[13] Cribb, J., Hood, A. and Joyce, R., 2017. Entering the labour market in a weak economy: scarring and insurance. IFS Working Papers.

Given these different scenarios, the results of the sensitivity checks are shown in Table 6. The first two columns correspond to the analysis from society's perspective, while the third refers to the public finance perspective. A pessimistic and an optimistic scenario are also defined; where the first combines shorter persistence and a higher counterfactual, while the later combines a longer persistence and a lower counterfactual.

Table 6. Results of the different scenarios of the sensitivity checks from the perspective of society

Scenarios	Financial BCR (society's perspective)	Total BCR (society's perspective)	Public Finance BCR
Central scenario	2.0	3.6	1.6
1-year persistent effect (observed)	1.5	2.7	1.1
2 years persistent effect	2.6	4.6	2.1
40% counterfactual	1.6	2.8	1.2
0% counterfactual	2.4	4.3	2.0
Pessimistic scenario	**1.1**	**2.0**	**0.8**
Optimistic scenario	**3.1**	**5.5**	**2.7**

Source: Analysis of management information, Wave 3 survey data, cost data and post-2021 forecasts.

The sensitivity checks demonstrate that, even in the most pessimistic scenario and the narrowest assessment of net benefits, the programme more than breaks even, with every £1 in cost resulting in £1.10 in 'financial' benefits to society. The same is not true from the point of view of public finance, as £1 in costs yields only £0.80 in benefits. While increasing the counterfactual does significantly impact the results, the most substantial change comes from shortening the amount of time that benefits last for. It is important to reiterate here that it is extremely unlikely that the effects will only persist for 1 year, as this assumes that Fair Start Scotland participants who have had jobs for years will lose them immediately after March 2021, the last date on which they are observed.

In the most optimistic scenario, Fair Start Scotland yields £3.10 in financial benefits to society or £5.50 in total benefits for each £1 spent. Again, this is more a result of increasing the length of time the benefits last for rather than a result of decreasing the counterfactual. Whether a 2-year persistence effect is realistic or not is hard to tell given the available data. The central estimate is still relatively conservative, however, given the strict cut off at 1.5 years for the 2018 cohort.

Other measures of performance

The BCR gives the best measure of value for money for an evaluation as it considers a wide range of impacts of a programme. One drawback of the BCR, however, is that it may not always be available for comparison with other programmes, as it is relatively complex to calculate. Therefore, the purpose of this section is to show more straightforward value for money measures – namely cost per outcome – that can be more easily compared across different programmes.

Interpreting and comparing these cost effectiveness measures of Fair Start Scotland with other programmes should be done carefully. As mentioned earlier, while this service did not draw as many participants or achieve as many job outcomes as anticipated, it still performed well because of the of the stability of jobs achieved. Cost effectiveness measures are only able to capture quantity relative to cost which, for the case of Fair Start Scotland, does not give the full picture. Table 7 shows the cost per job start across participant groups and Lots. The cost per job start is calculated based on information for the 2018 cohort only. This is because the job starts of the participants, as well as programme costs from the 2018 cohort have been most fully observed by the time this analysis has been undertaken. Consequently, the advantage of calculating the cost per job start for the 2018 cohort only is that it provides the most accurate representation of the actual costs and outcomes that took place. On the other hand, it should be taken into account that the fact that only the first cohort of the programme is studied may overestimate the total cost per job start, as we expect costs to be higher at the beginning of a programme (e.g. due to start-up costs). More information about the methodology for calculating the cost per job start across participant group and Lot is detailed in Annex B.[14]

Table 7. Cost per job start for Year 1 across participant group and Lot

Participant group	**Cost per job start**
Core	£4,849
Advanced	£8,516
Intense	£10,261
Lot	**Cost per job start**
Glasgow	£6,586
Lanarkshire	£5,469
Tayside	£5,461
Forth Valley	£8,897
East	£6,005

[14] Start refers to participants who were referred to the service and recorded a start date on Fair Start Scotland. Job start refers to participants who joined the service and were able to find a job (recorded a job start date) regardless of how long the job lasted for.

South West	£7,189
North East	£9,129
Highlands and Islands	£11,442
West	£8,886
Total	£6,754

Source: Analysis of management information and cost data for the 2018 cohort.

On average, the cost per job start is £6,754. However, there is a significant difference in cost across characteristics. Unsurprisingly, the cost per job start for participant group is lower for the Core group than Advanced or Intense. This is because, as mentioned, the providers are paid at a lower rate for the Core group than the other two. Finally, some Lots had a much higher cost per job start than others, going as low as £5,461 in Tayside and as high as £11,442 in the Highlands and Islands. The reason for this discrepancy is discussed in the chapter on inclusive growth.

Benchmarking Fair Start Scotland's performance

In order to put the Fair Start Scotland evaluation in context, the results of the analysis will be compared to the business case and other similar programmes. The former will allow for assessing the actual performance of Fair Start Scotland compared to the expected performance, while the latter will help benchmark the experience of Fair Start Scotland against comparable programmes.

Comparison with the business case

Overall, as illustrated in Tables 3 and 5, Fair Start Scotland performed much better than expected compared to the business case. This is mainly due to the lower implementation cost of Fair Start Scotland than initially expected, as the benefits are remarkably similar ex-post and ex-ante. There are several differences between the expected and actual performance of Fair Start Scotland. Some of these are shown in Table 8.

Table 8. Comparing business case indicators with the actual performance of Fair Start Scotland (Year 1 to Year 3)

Indicator	Business case	Actual performance
Share of referrals that turned into participants and started on the service	70%	67%
Number of participants that started on the service	38,000	32,504
Number of participants that started on the service per year	12,642 per year	10,063 (2018) 12,085 (2019) 10,356 (2020)
Percentage of Core group participants[15]	14%	41%
Percentage of Advanced group participants	50%	33%
Percentage of Intense group participants	36%	24%
Percentage of participants who achieved the 13-week outcome	36%	23% (for the 2018 cohort)[16]
Percentage of participants who achieved the 26-week outcome	30%	18% (for the 2018 cohort)

[15] Percentage of Core, Advanced, and Intense participants is based on older data than the rest of the table. However, they are not likely to significantly change with the new data.

[16] Job outcomes are only shown for the 2018 cohort as it is too early to capture the full outcomes for the 2019 and 2020 cohort.

Percentage of participants who achieved the 52-week outcome	25%	14% (for the 2018 cohort)
Programme cost per start	£2,928	£2,186 (for the 2018 cohort)

Source: Business case, management information data, and performance data.[17]

Fair Start Scotland had lower overall participants starting on the service compared to the business case (38K vs 32.5K). It also had a much higher representation among the Core group in the actual performance than the business case. Subsequently, it had lower participation in the Advanced (33% compared to 50% in the business case) and Intense groups than anticipated (24% compared to 36% in the business case). Finally, fewer participants achieved the 13-, 26-, and 52-weeks outcomes (for the 2018 cohort) than anticipated in the business case.

These discrepancies can explain why costs were lower while benefits were higher when compared to the business case. This is best illustrated when comparing the management information to the survey results regarding how long the benefits last. For the 2018 cohort, the share of people who achieved the 52 weeks outcome is 14%. But when people were surveyed (up to) three years later, 25% reported that they had a job. This provides evidence of job outcomes being achieved but without triggering incentive payment to providers. Therefore, despite perceived underperformance compared to business case expectations, evidence suggests that Fair Start Scotland may have achieved higher benefits once long-term benefits are considered.

An additional reason for the discrepancy between the actual and anticipated performance is the reduced costs due to the higher share of Core participants. Providers are paid less for Core participants than for the other two groups, resulting in similar benefits but lower costs. This has an implication for the inclusive growth aspect of the programme, as it was less able to target individuals with high barriers to labour market entry than it set out to do. This will be discussed in more detail in the inclusive growth section.

Comparison with other programmes

It is important to be very careful when comparing the Fair Start Scotland evaluation results with those of other employment programmes. Even if programmes have similar overarching goals, they may still differ in their specific aims, design, and reach. The way outcomes are defined and measured is likely to be heterogenous. The scale of the programme can also distort results; for example, bigger, nation-wide programmes that operate for longer are likely to benefit from economies of scale.

In addition to specific programme characteristics, evaluation design and context may also hinder direct comparisons. For example, other programme evaluations are likely to include or exclude different aspects of cost-benefit analysis compared to the choices made in this evaluation. Some programmes may use control groups to assess the counterfactual or may follow participants for a longer period of time. Additionally, in many cases, the

[17] Scottish Government, 2021. Scotland's Devolved Employment Services: statistical summary.

relevant information is not shared clearly and transparently, making it unclear whether comparisons are on a like-for-like basis.

Nevertheless, it is important to benchmark Fair Start Scotland against similar services to understand how well it performed relative to others. This section compares the performance of Fair Start Scotland to other programmes on several measures, including value for money, performance, reach, costs, and job outcomes achieved. The programmes used for comparison are either UK-wide or Scotland based. The reason international comparisons are not undertaken is to ensure that the context is as similar as possible.

In terms of cost-benefit analysis, the most suitable comparator to Fair Start Scotland identified in the literature is the Work Programme. This is mainly because the evaluation of the Work Programme uses the DWP SCBA, meaning BCR comparisons are relatively straightforward.[18] The Work Programme also aimed to move people into employment and has a payment-by-results model similar to Fair Start Scotland.

However, there are also many key differences. The Work Programme was a very large, UK-wide programme that operated for 6 years with close to 2 million participants.[19] Unlike Fair Start Scotland, the Work Programme was not voluntary and did not target people with particular characteristics.[20] These differences mean that comparisons need to be interpreted carefully, and any conclusions made need to be caveated within this context. Table 9 shows a comparison between the different BCRs of Fair Start Scotland and the Work Programme.

Table 9. Comparison between Fair Start Scotland and the Work Programme evaluation results

Comparison measures	Society 'financial' BCR	Public Finance BCR	Participant BCR
Work Programme	2.7	2.4	1.3
Fair Start Scotland	2.0	1.6	1.4

Source: Analysis of management information, Wave 3 survey data, cost data, post-2021 forecasts and the Work Programme's quantitative impact assessment.

The results are relatively similar, with Fair Start Scotland performing slightly less well than the Work Programme in terms of BCR measures of value for money. This is likely due to the differences in design and scope, as discussed previously. This includes distance and the size of the population. Having to work in remote and scarcely populated areas of Scotland may mean that employment provision is more difficult and costly when compared to the Work Programme. Additionally, Fair Start Scotland is specifically designed to work with participants who have high barriers to finding a job and are further from the labour market. This means that the cost per participant is likely to be much higher than that of the

[18] While the Work Programme also uses the DWP SCBA model, it combines it with an Intention to Treat methodology. The BCR shown for the Work Programme is based on three-year extrapolation. This is to make it comparable to the Fair Start Scotland measure, which looks at benefits over three years.

[19] DWP 2020. The Work Programme: A quantitative impact assessment

[20] Not all payment groups of the Work Programme are mandatory.

Work Programme. Finally, as previously mentioned, the Work Programme was a very large programme that lasted 6 years and included more than 2 million participants. This will have led to economies of scale that are likely to affect value for money positively.

The voluntary nature of Fair Start Scotland may also have implications for the results. Unlike the Work Programme, participation in Fair Start Scotland is not a condition for receiving or continuing to receive benefits. This may have several effects. On the one hand, this means participants may have less incentive to remain in the programme until they find employment, potentially implying higher incurred costs for Fair Start Scotland that are not offset by benefits. However, because participants voluntarily decide whether they want to participate in Fair Start Scotland or not, the programme likely attracts those who are genuinely motivated and want to find employment. This means that, compared to the Work Programme, Fair Start Scotland is likely to help fewer people achieve job outcomes but those who do achieve better and longer-lasting outcomes.

Beyond BCR measures, there is some scope for comparison between Fair Start Scotland and the Work Programme regarding participants' experience. Participants with experience in the Work Programme felt that Fair Start Scotland key workers are more supportive and respectful than Work Programme advisers. Participants also disliked the compulsory nature of the Work Programme and the risk of sanctions for non-completion or non-participation.[21]

It is also possible to benchmark how well Fair Start Scotland performed relative to other programmes by using alternative measures of performance. Given the design and the available information on performance and reach, the Work and Health Programme and the Work Choice Programme are identified as suitable comparators. The two programmes share some similarities with Fair Start Scotland. All three aim to help people find and stay in employment. They also target similar (but not identical) groups, namely people with disabilities and those farther away from the labour market. All three programmes are, for the most part, voluntary.[22]

Table 10 compares Fair Start Scotland with the Work and Health Programme and the Work Choice Programme on reach. Other information about the programmes is also shown, including years and location of operation and target population. This is to ensure that the context is taken into account when the comparison is undertaken.

[21] Scottish Government, 2019. Fair Start Scotland Evaluation Report 2: Overview of year 1

[22] The Work and Health Programme becomes mandatory if claimant reaches 24 months in long-term unemployment.

Table 10. Fair Start Scotland's reach performance compared to the Work and Health Programme and the Work and Choice Programme

Comparison measures	Number of starts	Number of years in operation	Average number of starts per year	Target population	Operation locations
Work Choice Programme	158,440	2010/11 - 2017/18 (8 years)	19,805	People with disabilities	UK wide[23]
Work and Health Programme	150,104	2017-2021 (3.5 year)	42,887	People with disabilities, long term unemployed, early access[24]	England and Wales
Fair Start Scotland	32,505	2018/19-2020/21 (3 years)	10,835	As per definitions in Table 1	Scotland

Source: Performance data of the Work Choice Programme,[25] Work and Health Programme,[26] and Fair Start Scotland.

Given the significantly narrower operation of Fair Start Scotland compared to the other two programmes, it performed remarkably well in terms of reach. While both the Work and Health Programme and the Work Choice Programme reached a larger number of people per year, they operated at a much larger scale than Fair Start Scotland.

In order to draw firm conclusions about Fair Start Scotland's reach relative to the other programmes, performance should be benchmarked against population measures. However, given the diversity of groups, locations, and years, this is not straightforward and needs to be interpreted carefully. Population measures are illustrated in Table 11.

[23] Except for 2017/2018 where Work and Health Programme operated only in England and Wales

[24] Early access in Work and Health Programme refers to people who may need additional support to move into employment and are in one of a number of priority groups (e.g., homeless, ex-armed forces, care leavers, refugees, etc.)

[25] DWP, 2020. Work Choice statistics: number of starts, referrals and job outcomes

[26] DWP, 2021. Work and Health Programme statistics to February 2021

Table 11. Fair Start Scotland's reach of unemployed people compared to the Work and Health Programme

Comparison measures	Average annual number of starts	Average number of unemployed people in the region/time period of operation	Percentage of starts against unemployed population
Work and Health Programme (2017-2021)	42.9K	1.3m[27]	3%
Fair Start Scotland (2018-2020)	10.8K	110K[28]	10%
Comparison measures	**Average annual number of starts with disabilities**	**Average number of unemployed people with disabilities in the region/time period of operation**	**Percentage of starts with disabilities against unemployed population with disabilities**
Work Choice Programme[29] (2013-2018)	18.2K	404K	5%
Work and Health Programme (2017-2021)	32K	351K[30]	9%
Fair Start Scotland (2018-2020)	4.7K	29.5K[31]	16%

Source: Performance data of the Work Choice Programme, Work and Health Programme, and Fair Start Scotland and national statistics on the number of unemployed people.

Table 11 shows that the reach of Fair Start Scotland was higher than the Work and Health Programme. However, these results need to be interpreted carefully as the population figures are imperfect. Additionally, there may be some inconsistencies across definitions of the targeted population across the years, locations, and programmes. Suffice to say that Fair Start Scotland performed comparatively well in terms of reach.

[27] Refers to the average number of unemployed people in England and Wales during years of operation (2017-2020). Retrieved for England and for Wales respectively from https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ycmy/lms https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ycmz/lms

[28] Refers to the average number of unemployed people in Scotland during years of operation (2018-2020). Retrieved from https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ycna/lms

[29] These numbers correspond to the years 2013-2018. Previous years are not considered as number of unemployed people with disabilities are only comparable after 2013.

[30] Refers to the average number of unemployed people with disabilities in the whole of the UK, including Scotland. Since the Programme only operated in England and Wales, the percentage is likely understated. Both UK-wide unemployment figures are retrieved from https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusofdisabledpeoplea08

[31] This refers to the number of unemployed people in Scotland in the year 2020/2021. Retrieved from https://www.gov.scot/news/disabled-people-and-the-labour-market-in-scotland/

It is also possible to compare the performance of Fair Start Scotland to the other two programmes in terms of job outcomes achieved. It is important to note that each one of the programmes defines job outcomes very differently, as noted in the table, so any conclusions made need to be considered carefully.

Table 12. Fair Start Scotland's referral to start and job outcome performance compared to the Work and Health Programme and Work Choice Programme

Comparison measures	Referral to start rate	Job outcome 1	Job outcome 2	Job outcome 3
Work and Health (2017-2021)	62%	5% (Reached a level of earnings once in employment within 6 months)	14% (Reached a level of earnings once in employment within 12 months)	-
Work Choice Programme (2010-2017)	75%	34% (Job is sustained for 3 months in a 12-month period)	21% (Job is sustained for 6 months in a 24-month period)	-
Fair Start Scotland (2018)	67%	23% (In work for 13 weeks in a 16-week period)	18% (In work for 26 weeks in a 30-week period)	14% (In work for 52 weeks in a 60-week period)

Source: Performance data of the Work Choice Programme, Work and Health Programme, and Fair Start Scotland.

Fair Start Scotland performed relatively well compared to the other two programmes. In terms of retention, Fair Start Scotland's referral-to-start rate was between that of Work Choice and Work and Health. Job outcomes for Fair Start Scotland and the Work Choice Programme are more comparable than the Work and Health Programme because the latter takes into account the level of earning, not just the longevity of the job outcome. Fair Start Scotland achieved a lower rate of job outcome 1 than the Work Choice Programme. This is likely due to the time needed for the job outcomes to be achieved, which is much tighter for Fair Start Scotland (16 weeks) than the Work Choice Programme (12 months). The rates of achieving job outcome 2 confirm the evidence that Fair Start Scotland leads to stable jobs; 78% (or 18 out of 23) of Fair Start participants who achieved the first job outcome went on to achieve the second one, as opposed to 62% (21 out of 34) for the Work Choice Programme.

Finally, it is possible to compare Fair Start Scotland with other programmes in terms of cost per job outcome. Similar programmes identified in the literature that use these measures are the Working for Families Fund and New Futures Fund. Table 13 compares the cost per participant and job outcome across the three programmes. The cost per participant and cost per job outcome 1, 2, and 3 are calculated based on information for the 2018 cohort only for Fair Start Scotland. This is because the programme starts of the participants from the Fair Start Scotland 2018 cohort had been fully observed, and job outcome and programme cost figures for the 2018 cohort were near final at the time this analysis was undertaken.

Table 13. Comparing Fair Start Scotland to the Working for Families Fund and New Futures Fund

Comparison measures	Cost per start/participant	Cost per job outcome 1	Cost per job outcome 2	Cost per job outcome 3
Working for Families Fund (2004-2008)	£1,642 nominal £2,430 real	£3,382 nominal £5,004 real	-	-
New Futures Fund (1998-2005)	£2,100 nominal £3,395 real	£6,100 nominal £9,863 real	£9,300 nominal £15,037 real	£21,100 nominal £34,116 real
Fair Start Scotland (2018 cohort)	£2,186 real	£9,361 real (outcome 1) (£6,754 real per job start of any type)	£11,827 real	£15,394 real

Source: Performance data of the Working for Families Fund,[32] New Futures Fund,[33] and Fair Start Scotland (2018 cohort).

The two programmes are suitable comparators to Fair Start because all three operated in Scotland and targeted people with similar profiles. However, since the other two programmes are significantly older than Fair Start Scotland, it is important to use real costs when making the comparison.[34] Additionally, job outcomes are defined very differently in the three programmes. As mentioned, Fair Start Scotland defined job outcomes 1, 2, and 3 as achieving 13, 26, and 52 weeks in employment, respectively. The Working for Families Fund defined job outcomes as the transition into employment. The New Futures Fund defined job outcomes 1, 2, and 3 as moving into education, supported employment, and employment, respectively.

Taking all of this into account, Fair Start Scotland had lower costs per programme start compared to the other two programmes. Regarding costs per specific job outcome, when comparing real values, Fair Start Scotland performed better than the New Futures Fund but worse than the Working for Families Fund.

This is not surprising, given Fair Start Scotland's much stricter definition of a job outcome than that used in the Working for Families Fund. Indeed, accounting for differences in job outcome definitions, it may be fairer to compare the cost per job outcome 1 of Working for Families Fund (£5,004) to the cost per job start of Fair Start Scotland (£6,754). Considering this, Fair Start Scotland still had a higher cost per job start but the difference between the two programmes is much lower.

[32] Scottish Government, 2009. Evaluation of the Working for Families Fund (2004-2008)

[33] Scottish Government, 2005. Evaluation of the New Futures Fund Initiative

[34] Real costs obtained from Bank of England inflation calculator. Retrieved from: https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator

Inclusive growth and wellbeing

Inclusive growth

As mentioned, the Scottish Government defines inclusive growth as growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly. The aims and design of Fair Start Scotland inherently led to some aspects of inclusive growth by increasing the total economic activity of low-income groups.

However, it might be the case that Fair Start Scotland may have benefited certain groups over others. Therefore, to understand the extent to which Fair Start Scotland led to broader inclusive growth, the analysis will be disaggregated across different characteristics. The results will show the performance of the policy under different dimensions of inclusive growth.

A limitation of inclusive growth analysis is that cost data is not disaggregated across different categories, limiting the scope for accurate disaggregation of results. The exception is Lots (geographic area) and participant groups (Core, Advanced, or Intense), for which disaggregated cost data is available (cost methodology for Lots and participant groups is detailed in Annex B). It is possible to look at the cost-benefit analysis for different groups assuming that the cost is constant across participants. This option is better suited for some categorisations than others. For example, assuming a constant cost across gender is reasonable, whereas the same cannot be said about costs across disability status.

Therefore, for the inclusive growth measures, the analysis will be disaggregated across Lot, participant group, and gender, the last of which assumes a constant cost. A detailed breakdown of the cost-benefit analysis across these three characteristics is provided in Annex D.

Starting with gender, Table 14 shows the results of the cost-benefit analysis separately for men and women. Since the analysis assumes a constant cost across gender, the results show only differences in outcomes. While the BCR for both is very similar, men achieved both higher costs and higher benefits. This is because 64% of those who achieved a job start are men. Indeed, looking at all participant data (not just those who achieved a job start), this mirrors the percentage of men who joined the service. In the Scottish population, men constitute 54% of those who are unemployed.[35] This means that some of the gaps can be attributed to the characteristics of the unemployed population, but there is still evidence that Fair Start Scotland worked disproportionately with men. However, it is important to note that this gender gap is declining, with women constituting 40% of participants in the 2020 cohort.

[35] Scottish Government, 2021. Labour market monthly briefing: July 2021

Table 14. Results of the cost-benefit analysis disaggregated across gender

Gender	Women	Men
Total benefits	£54.7m	£112.5m
Total costs	£29.6m	£53.2m
Total benefits (QALYs, redistributive effect)	£102.0m	£197.3m
Financial BCR	**1.9**	**2.1**
Total BCR	**3.4**	**3.7**

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts.

Table 15 shows the BCR for different geographic locations. There is quite a high variation in the BCR across Lot, going as high as 2.2 and as low as 1.3 (for financial BCRs). The best performances are observed in Tayside and East, and the worst performances are observed in Forth Valley and Highlands and Islands.

Table 15. Results of the cost-benefit analysis disaggregated by Lot

Lot	Financial BCR	Total BCR	Public Finance BCR
East	2.2	3.9	1.7
Forth Valley	1.3	2.4	0.9
Glasgow	2.1	3.7	1.7
Highlands and Islands	1.5	2.6	1.1
Lanarkshire	2.0	3.6	1.5
North East	1.7	3.0	1.3
South West	2.1	3.9	1.7
Tayside	2.2	3.9	1.7
West	1.7	3.1	1.3

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts

The Lots with the lowest BCRs also had some of the lowest percentages of recorded job starts and the highest percentage of Intense participants. This is shown in Table 16. Having a lower percentage of job starts means that the non-supplier costs are divided across a smaller pool of participants, meaning a lower BCR is expected. Similarly, having a higher percentage of Intense participants implies higher costs since providers are paid higher for Intense participants than for other groups.

Table 16. Share of participant group and job starts across Lot

Share of participant group across Lot	Core	Advanced	Intense	Job starts
East	59%	32%	9%	32%
Forth Valley	38%	21%	42%	20%
Glasgow	65%	21%	13%	33%
Highlands and Islands	51%	17%	32%	27%
Lanarkshire	59%	23%	18%	34%
North East	54%	18%	27%	26%
South West	69%	23%	8%	33%
Tayside	61%	20%	19%	42%
West	49%	35%	16%	31%

Source: Analysis of management information**.**

To capture even more clearly the discrepancy in outcomes between Core groups on the one hand and Advanced and Intense groups on the other, Table 17 provides a breakdown of BCR by participant group. As expected, Core participants had a much higher BCR than Advanced or Intense participants. Again, the same conclusion can be reached; since the providers were paid less for Core participants, the BCRs for the Core group are significantly higher than those of the other two.

Table 17. Results of the cost-benefit analysis disaggregated by participant group

Group	Financial BCR	Total BCR	Public Finance BCR
Core	2.5	4.4	2.0
Advanced	1.7	3.1	1.3
Intense	1.3	2.5	1.0

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts

The main implication of this analysis is that discrepancies in the performance of different geographic locations is driven by participant groups; areas with a higher concentration of Core participants achieved higher value for money than areas with a higher concentration of Advanced or Intense participants. However, from an inclusive growth standpoint, the areas with lower BCRs could better capture the groups with more barriers to work that Fair Start Scotland set out to help.

There are several reasons that may explain the discrepancy between the Lots. Each of the Lots had a different delivery model in response to varying estimates of local need. For example, Forth Valley was entirely local authority led and their delivery model was focused on engaging participants in need of more intense support. Overall, their performance has been significantly poorer than the other Lots in terms of BCR, but they managed to capture by far the largest percentage of Intense group participants.

Additionally, while the majority of referrals are made by Jobcentre Plus, providers are able to generate their own referrals through their social media or other marketing campaigns. These are referred to as Third Party Organisation (TPO) referrals. The majority of TPO referrals are likely for Core participants. The rural Lots performed poorly with respect to TPO referrals and, therefore, had fewer Core participants. Relatedly, rural Lots are likely to incur disproportionately overall costs for delivery of services to all participants due to distance and logistical difficulties.

Finally, providers' interpretation of which categories participants should be placed in may explain some of the differences across Lots. As is evident from the categorisation in Table 1, the groupings are not strictly defined, and participants may fit into more than one. In that case, providers may make varied decisions regarding which groups the participants belong to, creating the differences across Lots. It is unlikely that demographic characteristics drive much of the difference between the areas.

Wider wellbeing impact

One of the key differences between Fair Start Scotland and other employment programmes is the focus on wider wellbeing measures and impact as it is built on the Scottish Government's key values for public services of dignity and respect, fairness and equality, and continuous improvement.

Cost-benefit analysis allows for the inclusion of some aspects of wellbeing, namely the positive impact of having a job on participants' QALYs. This was estimated to be around £61m. It also implicitly includes measures such as the wages of those who achieved job outcomes, the number of hours they worked, and the length of time they spent in employment.

However, there are other impacts to participating in Fair Start Scotland that are not captured by the cost-benefit analysis. For participants who achieved job outcomes, for example, the type of contract is not included, neither is the longevity of each job they keep.

The wider impact on all participants – not just those who achieved a job start – is also not captured by the analysis. This includes labour market outcomes such as increased labour market attachment or increased job searching and applying skills, as well as non-labour market outcomes such as increased confidence or improved mental health.

Quality of jobs achieved

Table 18 shows the average real wages in 2021 pounds and the average hours worked for different Fair Start Scotland participant groups. On average, Fair Start Scotland participants who get a job earn £8.70 per hour, slightly higher than the average real minimum wage across the three years at £8.60. As is evident in Table 18, there are minor differences in wages achieved between participants across cohorts, participant groups, and Lots.

Similarly, when it comes to hours worked, Fair Start Scotland participants work on average 30 hours per week. There is slight variation across groups, but again the difference is minor. Just under half of the participants (45%) work full-time (35 hours per week or more). This may explain lower levels of Intense participants; feedback from disability organisations shows that focusing on the provider payments for jobs that are 16+ hours per week may disincentivise disabled people and those with severe health conditions, especially mental health conditions from joining the service.

The similarities in outcomes between the different participant groups (Core, Advanced, and Intense) indicate that the discrepancy in BCR between areas with different group composition is driven by two factors. The first one is the costs paid to providers for the different groups, as discussed earlier. The second is differences in job start rates, with Core group participants being disproportionately more likely to start a job than Advanced or Intense group participants. However, the job quality that the Advanced and Intense groups achieve is as good as the one that the Core group achieves. This means that once participants with high barriers to entry achieve a job start, they perform just as well as those with low barriers to entry.

Table 18. Average real wages and hours worked across various characteristics

Cohort	Real hourly wage	Hours worked per week
2018 Cohort	£8.40	29
2019 Cohort	£8.70	30
2020 Cohort	£9.10	30
Group	**Real hourly wage**	**Hours worked per week**
Core	£8.70	30
Advanced	£8.70	29
Intense	£8.50	28

Lot	Real hourly wage	Hours worked per week
Glasgow	£8.60	29
Lanarkshire	£8.60	28
Tayside	£8.60	31
Forth Valley	£8.40	28
East	£8.80	31
South West	£8.80	30
North East	£8.50	27
Highlands and Islands	£8.60	28
West	£8.80	29
Total	**£8.70**	**30**

Source: Analysis of management information.

The types of job contracts and employment sectors are not consistently measured across different providers in management information. However, they are captured in surveys. The occupations with the highest concentration of Fair Start Scotland participants are shown in Table 19. A large percentage of participants work in elementary administration and service occupations and administrative occupations. There are slight variations across cohorts; for example, caring personal service occupations became more prominent in 2019 onwards, likely due to the onset of the Covid-19 pandemic.

Table 19. Share of participants in top employment occupations

Job description	2018 Cohort	2019 Cohort	2020 Cohort
Elementary administration and service occupations	18%	30%	24%
Transport and mobile machine drivers and operative	10%	5%	6%
Customer service occupations	14%	10%	13%
Caring personal service occupations	2%	14%	11%
Administrative occupations	20%	10%	7%
Other	36%	31%	39%

Source: Analysis of Wave 3 survey data.

Table 20 shows the type of job contracts that Fair Start Scotland participants are on. The decline in permanent contracts across years is striking, going from 70% for the 2018 cohort to 43% in the 2020 cohort. Since Table 20 is based on Wave 3 survey data, the

increase in temporary work across cohorts is likely due to more recent cohorts having spent less time at work and, therefore, being less likely to find permanent work. It could also be partially due to the onset of the Covid-19 pandemic and the accompanying economic decline.

Table 20. Share of participants in different contract types

Contract type	2018 Cohort	2019 Cohort	2020 Cohort
Permanent contract	70%	52%	43%
Temporary contract	14%	34%	33%
Zero hours contract	6%	9%	10%
Self-employed	9%	4%	8%

Source: Analysis of Wave 3 survey data.

When looking at wage rates, sectors, and contract types, it is evident that, on average, the jobs that Fair Start Scotland participants achieve are at the lower end of the quality and fair work spectrum. The wage rates, for example, are barely above the legal minimum and below the real living wage. Even for the 2018 cohort, Fair Start Scotland participants are still overrepresented in temporary work compared to the general population.[36] This is not surprising given that many of those who joined the service were far from the labour market and found work during an economic recession. While it is important to work towards improving these outcomes, this context needs to be kept in mind.

Another important dimension of job quality is job stability, which can be proxied by the type of contract as well as time spent in employment. As mentioned earlier, only 14% of the 2018 cohort achieved the 52 weeks job outcome. Additionally, many participants recorded several jobs start dates without achieving the 13 weeks outcome. This provides evidence for employment instability and job-hopping.[37]

Whether this is detrimental to the wellbeing of Fair Start Scotland participants, however, is unclear. Findings from the literature on work and wellbeing indicate that having a job is better for a person's health than having no job.[38] Having unstable employment or a low-quality job is associated with worse wellbeing outcomes when compared to stable and

[36] On average, those on temporary contract make up 5% of the working population in Scotland. Scottish Government, 2021. Labour market monthly briefing: July 2021. https://www.gov.scot/publications/labour-market-monthly-briefing-july-2021/

[37] It is important to note that the survey results, as mentioned, show that participants in the 2018 cohort (the longest observed cohort) do eventually settle and stay in one job for a long period of time (1.5 years on average over 3 years).

[38] Health Foundation, 2021. Unemployment and mental health

good quality jobs. However, it is unclear if this relationship still holds if the alternative is no job at all, which is the case for most Fair Start Scotland participants.[39]

Additionally, it is also unclear to what extent job-hopping indicates bad quality jobs. In some cases, quick changes between jobs could indicate instability or poor working conditions. However, it could also be the case that participants who re-joined the labour market are now able to use their new-found experiences and network to move into better paid or better-quality jobs quickly.

All in all, the quality of jobs that Fair Start Scotland participants have achieved is reasonably good given the barriers to work that many of them face and the deteriorating economic conditions due to the onset of the Covid-19 pandemic midway through the programme. On average, participants earn just above the minimum wage, work 30 hours a week, and are concentrated in services and care occupations. While there is some indication of job instability, especially from 2019 onwards, it is unclear to what extent this results in deteriorating wellbeing for participants, especially given the alternative of unemployment. In the Wave 1 survey, those in work reported higher wellbeing scores than those who were not at work and to the population average.[40]

Other labour market outcomes

A key aspect of employment programmes like Fair Start Scotland is improving the motivation to return to work and, more generally, attachment to the labour market. This is partially captured in the cost-benefit analysis by including the timeframe in which the benefits (having a job) persist for participants who recorded a job start date. However, improvement in labour market attachment and motivation to return to work for participants who did not record a start date is not captured in the analysis.

As discussed earlier, 25% of participants from the 2018 cohort indicated having a job three years after joining the programme. Additionally, 31% of the 2019 cohort indicated having a job two years after they joined the programme. The percentage of people who lost their job and did not find another one is 9% in the 2018 cohort and 6% in the 2019 cohort. Overall, this indicates a good level of labour market attachment.

The surveys capture Fair Start Scotland's effect on motivation to work for those who do not currently have a job. The results are shown in Table 21. Throughout the three survey waves, the majority of respondents said that they wanted to return to work to a great extent. The majority also stated that Fair Start Scotland increased their motivation to find full-time employment. This indicates that the programme positively impacts labour market attachment and motivation to work, even for participants who were unable to find a job.

[39] Recent studies have in fact shown that being in a bad quality job is as bad for your health as being unemployed. Chandola, T. and Zhang, N., 2018. Re-employment, job quality, health and allostatic load biomarkers: prospective evidence from the UK Household Longitudinal Study. International journal of epidemiology, 47(1), pp.47-57. https://academic.oup.com/ije/article/47/1/47/4079898?login=true

[40] This is based on the Warwick-Edinburgh Mental Wellbeing Scale, which was not measured for participants in subsequent Waves of the survey.

Table 21. Results on the impact of Fair Start Scotland on motivation to work

Extent to which participants would like to return to work[41]	Wave 1 survey	Wave 2 survey	Wave 3 survey
To a great extent	69%	75%	80%
To some extent	17%	16%	11%
A little or not at all	11%	9%	5%
Extent to which Fair Start impacted motivation to find full-time work	**Wave 1 survey**	**Wave 2 survey**	**Wave 3 survey**
Increased	65%	63%	61%
No effect or decreased	32%	37%	35%

Source: Wave 1, 2, and 3 survey data.

However, there is some indication that the motivation to return to work declines over time. For example, the share of participants in the 2018 cohort who said they were motivated to return to work to a great extent declined from 69% in the Wave 1 survey (in 2019) to 61% in the Wave 2 survey (in 2020). The perceived impact of Fair Start Scotland support on the 2018 cohort participants' motivation had also fallen, with 65% saying that the support increased their motivation in Wave 1, and 52% in Wave 2.

The same is also true for the 2019 cohort, with the share of participants indicating that they are motivated to return to work to a great extent declining from 75% in the Wave 2 survey to 62% in the Wave 3 survey. Similarly, the perceived impact of Fair Start Scotland support on the 2019 cohort participants' motivation fell from 63% in Wave 2 to 52% in Wave 3 (in 2021).

Fair Start Scotland is also designed to help participants develop a sense of self-efficacy.[42] Self-efficacy can give participants the confidence and ability to search for and find jobs and maintain employment. It also touches on wider wellbeing measures that go beyond labour market outcomes.

In the survey, respondents completed a nine-item measure of the strength of an individual's belief that they have the skills to undertake a range of job search tasks, known as the Job Search Self Efficacy (JSSE) Index. Table 22 shows the results across the three waves for people who do not currently have a job.

[41] Some of the columns don't add up to a hundred because some participants replied "I don't know" or "prefer not to say" to the question.

[42] Self-efficacy refers to an individual's belief in their own ability to organise and carry out actions in order to successfully achieve a task. It is based on a person's perceptions and beliefs about themselves

Table 22. Results of the Job Search Self Efficacy Index for Fair Start Scotland participants

Confidence in job search activities	Wave 1 survey	Wave 2 survey	Wave 3 survey
Searching for jobs online	71%	72%	71%
Applying for jobs online	66%	66%	68%
Making a good list of all the skills that you have and can be used to find a job	60%	59%	67%
Talking to friends / other contacts to find potential employers who need your skills	60%	53%	63%
Talking to friends / other contacts to discover promising job openings suitable for you	61%	56%	60%
Getting help in order to become familiar with a new job	59%	56%	57%
Completing a good job application and CV	58%	61%	68%
Making the best impression and getting your points across in a job interview	52%	54%	58%
Contacting and persuading potential employers to consider you for a job	45%	43%	58%

Source: Wave 1, 2, and 3 survey data**.**

Generally, the majority of participants who did not have a job still indicated having confidence in undertaking job search activities. While this cannot be entirely attributed to participating in Fair Start Scotland, it is likely to be a major contributing factor given the programme's type of support in improving job application and search skills.

Non-labour market outcomes

Fair Start Scotland is rooted in the principles of dignity and respect, and the programme is designed to treat individuals in a way that reflects these values. This manifests in a number of ways that go beyond labour market outcomes to encompass other areas of wellbeing.

As mentioned, one of the most important ways that Fair Start Scotland differs from other employment programmes is its voluntary nature, with participation being unconditional on receiving benefits. This is to ensure that people will not be driven to take part by fear of benefit sanctions. Table 23 illustrates how the service was perceived by participants.

Table 23. Results of participants perception of Fair Start Scotland across the three survey Waves

Non-labour market outcomes	Wave 1 survey	Wave 2 survey	Wave survey
Aware that the service is voluntary	94%	95%	90%
Felt they were treated with dignity and respect	92%	91%	95%
The support took account of their individual needs and circumstances	80%	80%	82%
They felt they had choices about the support they received	80%	81%	83%
Felt the service offered support to improve their general quality of life and wellbeing	78%	81%	84%
Felt they were in control of their progress	79%	80%	83%

Source: Wave 1, 2, and 3 survey data.

In all three surveys, the vast majority of participants were aware that Fair Start Scotland is a voluntary programme. The vast majority also felt that the support that they received aligned with Fair Start Scotland's principles and values of providing a personalised service that treated people with dignity and respect and put wellbeing at the forefront of its aims. Indeed, the perception of Fair Start Scotland across most measures improved throughout the three years.

Fair Start Scotland had an overall positive impact on the wellbeing of its participants, both in terms of improved labour market outcomes as well as their experience of the service. There were some discrepancies in the experience based on certain characteristics. For example, those from minority ethnic backgrounds were less likely to know that the service was voluntary. More generally, across most wellbeing and labour market outcome measures, those who were unemployed for a long time, those with limiting health conditions, and those with no formal qualification were likely to have worse outcomes and perceptions.

Tying these findings to those from the inclusive growth section, it is important that, moving forward, Scottish employment services ensure that their programme benefits those who face barriers to employment in terms of their health and disability status. This does not mean that Fair Start Scotland did not have a positive impact on people with disability or limiting health conditions, but that more could be done to ensure that these services are better tailored to engage and help them.

Implications and recommendations

From this evaluation, several implications can be drawn out on how to improve Fair Start Scotland and similar employment programmes in the future. The evaluation reveals that, overall, Fair Start Scotland performed well. However, there are areas where some improvements could be made. The purpose of this chapter is to draw out what worked well in the design, reach, and delivery of this programme and where further improvements could be made.

Firstly, in terms of design, two elements stand out in Fair Start Scotland. The first is the way job outcomes are defined. As mentioned, the providers are paid based on how long participants last in a job. The categories are 13 weeks within a 16-week period, 26 weeks within a 30-week period, and 52 weeks within a 60-week period. The time periods in which participants are expected to achieve the job outcomes are very short compared to other programmes. This strict definition means that incentive payments were not always triggered for providers even when participants do achieve job outcomes because they did so outside the specified time period. This resulted in lower overall costs to the programme but could mean both that outcomes are being undercounted and that providers are not being compensated for all outcomes achieved. Future programmes could account for that and potentially introduce a more flexible definition of job outcomes.

The second design element that stands out in Fair Start Scotland is the way in which participants were divided into different payment groups according to specific characteristics (Core, Advanced, and Intense). While other employment programmes do distinguish between different referral groups, their definitions tend to be more straightforward. The complexity of Fair Start Scotland's groupings (provided in Table 1) meant that there may have been a discrepancy in the way providers interpreted the criteria and, as a result, where they placed different participants. This caused some inconsistencies across Lots and a lack of clarity in terms of whether variations in performance metrics (especially reach) were due to 'real' differences or to differences in providers' interpretation. This also meant that it is difficult to accurately tell who Fair Start Scotland benefited and if it did indeed capture those farther away from the labour market. In the future, clearer information and definitions may be helpful to provide consistency and allow for appropriate comparisons and benchmarking.

In terms of reach, Fair Start Scotland was able to help those further away from the labour market, but not as much as it set out to do. This is captured in the number of Advanced and Intense group participants compared to Core participants. Again, because of the design element, it is difficult to say to what extent this is an issue of reach as opposed to differences in providers' interpretation. Generally, however, even after reaching the service, people with disabilities and health conditions did not perform as well as other participants. They also had a less positive experience of the service. This is likely to be partly due to labour market conditions, especially during the Covid-19 pandemic. However, in the future, more can be done to ensure that the service is reaching out to and accommodating people who are furthest removed from the labour market and need the most help. This could be done, for example, by changing the incentive payment structure to providers to accommodate people who cannot work more than 16+ hours a week.

Finally, in terms of performance, Fair Start Scotland helped people achieve sustainable labour market outcomes. Once participants reach a job, they are more likely than other programme participants to keep that job. However, the jobs achieved are at the lower end of the quality and fair work spectrum. Again, this cannot be attributed entirely to Fair Start Scotland, especially given labour market conditions during the Covid-19 pandemic. Since fairer work conditions and pay are priorities for the Scottish Government, future programmes could adjust programme design to incentivise these outcomes. One way to achieve this is by offering providers further payment incentives if participants achieve a full-time job, a permanent job, or a job that pays above the Real Living Wage.

Conclusion

The purpose of this report was to conduct an economic evaluation of Fair Start Scotland, the first fully devolved Scottish service aimed at helping people further away from the labour market to find work.

Fair Start Scotland performed well in achieving value for money and an overall net benefit to society. It succeeded in helping some participants find sustainable jobs while upholding its values and principles of dignity and respect to individuals. By taking into account the impact of Fair Start Scotland on the broader society and economy, including public finance savings, improved quality of life, and income redistribution, the results indicate that for every £1 spent on the service, the estimated benefit was £3.60 to society, £1.60 to public finances, and £2.60 to Fair Start Scotland participants.

Fair Start Scotland performed better than expected when compared to the business case. This is mainly due to: i) the composition of participants, most of whom have lower barriers to labour market entry than expected, and ii) the way in which job outcomes manifest, indicating long-term benefits to participants without triggering incentive payments to providers.

Overall, FSS performs well in comparison with other programmes, achieving comparable results across value for money and performance metrics. The costs relative to the benefits were slightly higher for Fair Start Scotland compared to other programmes. This is likely due to design elements such as its voluntary nature, the type of participant it aims to help, and its narrower scope and timescale compared to UK-wide programmes. In terms of performance, Fair Start Scotland may not have achieved as many job outcomes as other programmes, likely in part due to the strict definition of job outcomes used. However, the jobs achieved by Fair Start Scotland participants are more stable. In terms of reach, it is very difficult to make conclusive claims given the differences in the target population. While Fair Start Scotland did not reach as many people with disabilities and health conditions as it set out to do, evidence suggests that it did reach a larger share of unemployed people than other programmes.

The evidence also indicates that Fair Start Scotland had a positive impact on the wellbeing of participants, both in terms of the quality of jobs achieved and improved labour market outcomes as well as their experience of the service as a whole. Participants report improved wellbeing, increased self-efficacy, and overall satisfaction with the provision of services and the way they were treated.

Fair Start Scotland set out to help people further removed from the labour market and, while it did succeed in reaching some of them, the numbers were not as high as expected. This is of particular importance, especially given that, across most wellbeing and labour market measures captured in Fair Start Scotland surveys, those who were unemployed for a long time and those with limiting health conditions and disabilities are likely to report worse outcomes and perceptions.

Annex A: Data cleaning and grouping

This annex summarises model parameters and data cleaning decisions and provides some characteristics and averages for the 18 groups used. It is important to note that group formulation and choices make very little difference when it comes to the final results of the CBA. The 18 groups that were formulated are already higher than needed, as is evident by the number of participants in each group, some of which are zero[43]. The number of individuals belonging to each group as well as some of their other characteristics are detailed below. Also note that the analysis was done on different data cleaning decision and different group formations, and the change in the results were extremely minor.

For the purposes of this evaluation, the groups are constructed based on the type of claimant, age (under 25), and the health journey element. The first parameter refers to relationship and parental status and takes three values: single, couple, and lone parent. The second parameter takes two values, whether the claimant is under 25 of age, or 25 of age and older. The third parameter refers to disability status and takes 3 values: No, Yes Limited Capability for Work (LCW), and Yes Limited Capability for Work and Work-Related Activities (LCWRA)[44]. Taking all the different combination of the aforementioned characteristics, a total of 18 groups are used to capture the different Universal Credit treatments.[45]

Table A1. Participant characteristics that the DWP SCBA model considers

Claimant characteristics
Claimant cares for severely disabled person?
Type of claimant
Number of children
Number of children under 14
Rental costs (monthly)
Health Journey Element
Under 25?
Benefit unit capital
Non-Wage income
Hours worked per week

[43] DWP typically uses around 6 or 7 groups.

[44] Having LCWRA means you will not have to work or do anything to prepare for work. Having LCW means you will not have to work, but you might need to do some work-related activities.

[45] Since only 14 participants care for severely disabled persons, this dimension will not be considered for group formulation.

For each of the groups, the average wage and hours worked are calculated as well as the mode of the number of dependent children. Benefit unit capital[46] and non-wage income are set at 0 as suggested by the model because they are unobserved in the data. Rental costs are estimated using Universal Credit Full-Service guidance for the mean cost of rent in Scotland for different groups.

Regarding data cleaning, the following decisions were undertaken. For claimants who care for a severely disabled person, there are only 11 individuals who care for people with severe disabilities, but an additional 28 new groups would be required to reflect them (many of which will be empty). Therefore, this is kept at 'no'.

For types of claimants, the data is able to distinguish between claimants that are lone parents, and claimants that are parents but not a lone parent (couple). For claimants who do not have children, the data cannot distinguish between single and couple, so they were all coded as single.

For number of children and number of children under 14, the number of dependent children is used as the age of children is not captured in the data.

For rental costs, the average rental cost provided by the DWP SCBA model combining private and social renter is used. The data is from 2017, so CPI was used to get the real values for the year 2021/2022.

For health journey element, the data is derived from the variable ESA WRAG. The data does capture those who have no health journey element. However, it does not completely distinguish between LCW and LCWRA. Those coded as receiving 'other' are considered LCWRA.

For benefit unit capital & non-wage income, they are set at 0 because they are unobserved, as recommended by the DWP SCBA guidance.

For wage and hours worked, some of the cleaning decisions include:

- Choosing the last wage and hours worked for participants with multiple jobs.
- Combining employment and participant data to come up with the most comprehensive hours and wage data.
- Converting yearly wage into hourly wage (by dividing 52 then by 35).
- Replacing wages that are lower than minimum wage with the minimum wage of the respective year (based on job start date).
- Capping hourly wage at £20 and replacing anything higher with the minimum wage of respective year.
- Replacing missing values with minimum wage of respective year.

[46] This refers to money in the bank, cash over £6,000 reduces Universal Credit amount and claimants are illegible above £16,000.

- Converting wage data to real 2021/2022 wages using the CPI provided by the model.

Finally, the cost data used included forecasts up to the year 2023/2024. It also combines provider costs, support costs, and non-supplier costs. It is disaggregated by participant group, Lot, and year where appropriate. The forecasted costs are related to participants from cohorts 2018 to 2020. The use of forecasts was necessary to allow a comparison between the findings of the cost-benefit analysis in this report and the original business case, as well as enabling a comprehensive assessment of the costs and benefits of the first 3 years of Fair Start Scotland. The forecasts were based on management information provided by the Scottish Government. Since the cost was accrued over the course of 6 years, the figures used correspond to real costs for the year 2021/2022 using CPI provided by the model.

Table A2. Summary statistics and characteristics of groups used in the main analysis

Group	Type of claimant	Number of children	Rental costs	Health Journey Element	Under 25?	Hours worked	Wage rate	Number of participants
Group 1	Single	0	341	No	No	30	8.7	5929
Group 2	Single	0	341	No	Yes	29	8.6	1955
Group 3	Single	0	341	LCW	No	29	8.5	215
Group 4	Single	0	341	LCW	Yes	29	8.4	29
Group 5	Single	0	341	LCWRA	No	25	8.5	24
Group 6	Single	0	341	LCWRA	Yes	36	8.3	6
Group 7	Lone Parent	1	403	No	No	27	8.8	830
Group 8	Lone Parent	1	403	No	Yes	27	8.8	75
Group 9	Lone Parent	1	403	LCW	No	28	8.4	23
Group 10	Lone Parent	1	403	LCW	Yes	28	8.9	1
Group 11	Lone Parent	1	403	LCWRA	No	25	8.5	3
Group 12	Lone Parent	1	403	LCWRA	Yes	0	0.0	0
Group 13	Couple	2	417	No	No	30	9.1	377
Group 14	Couple	2	417	No	Yes	29	8.8	25
Group 15	Couple	2	417	LCW	No	32	8.5	8
Group 16	Couple	2	417	LCW	Yes	0	0.0	0
Group 17	Couple	2	417	LCWRA	No	28	8.9	1
Group 18	Couple	2	417	LCWRA	Yes	0	0.0	0

Source: Analysis of management information, Wave 3 survey data, and cost data.

Annex B: DWP SCBA model parameter choices and cost methodology

This annex summarises parameter decisions made during this evaluation. It also sets out the cost methodology for calculating the cost per job start and the cost per job outcome. Table B1 sets out the parameters and assumptions that the DWP SCBA model allows the user to choose from. Most of these were described in Fujiwara's work discussed earlier.

Table B1. Parameters and assumptions that the DWP SCBA model allows for

Model characteristics
Distributional analysis
Social cost of Exchequer finance
Substitution effect
Applicable substitution effect
Real or nominal values
Discounted
Travel costs
Hours worked per day - for alternative travel costs method
Number of participants

Distributional analysis captures the idea that participants who have relatively low incomes are assumed to value each additional pound more highly than those on higher incomes, i.e., higher welfare is achieved via distribution from public finance (modelled as median income) to low-income groups. This is a standard approach, detailed in the Green Book (2020) and described in Fujiwara (2010). This is built into the DWP SCBA model and is included in the central scenario.

Social cost of public finance captures the loss of welfare due to funding employment programmes through taxation. According to Fujiwara (2010) there is some uncertainty over the size of this effect and little evidence from the UK. Because of the very weak evidence on the size of this impact (which could be zero in practice), and the precedent of Scottish treatment of public finance costs, this measure is not used for the main analysis or for the sensitivity checks.

The substitution effect refers to the possibility of newly employed people displacing existing workers. However, since Fair Start Scotland is highly targeted, it is likely that this effect is negligible, with increases in employment representing a fall in the natural rate of unemployment. The substitution effect can sub in for the counterfactual – some of the participants could have found employment (or derived benefits) even in the absence of the programme. Therefore, the 20% discount is used to account for the counterfactual. This parameter is varied in the sensitivity checks to account for better and worse performance of Fair Start Scotland.

Travel costs are incurred by participants who become employed or increase the number of hours in which they work. The DWP SCBA model gives two options for including travel costs i) "linear" travel costs and ii) 8 hourly travel costs. The linear cost captures the increase in transport costs as the income of the claimant goes up from zero. The 8 hourly cost captures extra travel costs if the number of increased hours is enough to warrant a new full day (i.e., it assumes that the claimant already has travel costs). Therefore, for individuals moving from unemployment to employment (starting with an income of zero), the correct choice is to apply the "linear" costs, so this is the default assumption. Just like travel costs, this is likely to be an extra cost incurred by parents who find a job. This is built into the DWP Model for parents and lone parents, based on the number of children.

Moving from unemployment to employment is likely to lead to improvements in individuals' health. This will result in two benefits: i) savings for the NHS and ii) improvement in individual's quality of life (captured by quality-adjusted life years (QALYs)). For the former, NHS savings is predicted to be larger for Employment and Support Allowance (ESA) participants who find work, as they incur greater initial public health costs.[47] For the later, Public Health England (2017)[48] estimates improvement in quality of life to be around 0.0675 QALY gain per person moving from unemployment to employment, assuming the benefit is sustained for one year.

When it comes to the methodology for calculating the cost per job start across different characteristics, it is important to keep in mind that there are three types of costs; outcome spend, service fees, and non-supplier cost. The cost per job start is based only on information on costs and outcomes for the 2018 cohort. Job starts for participants starting during the 2018 financial year have been fully observed and thus there is no need for forecasts to be used. Many of the participants who have started in later years, especially the 2020 cohort, have only recently started the programme and are yet to achieve a job start but may go on to do so.

The outcome spend is broken down by year, Lot, and participant group; the service fee is apportioned equally by year and broken down by Lot; and the non-supplier cost is divided equally between each Lot and cohort. The costs incurred between 2018 and 2021 are adjusted for inflation to reflect real 2021 value.

[47] As mentioned previously, this amounts to £508 less in NHS costs per year for non-ESA programme participants and £1,016 for ESA programme participants.

[48] Public Health England, 2017. Movement Into Employment: Return on Investment Tool: Estimation of benefits from moving an individual from unemployment into sustainable employment

In order to calculate the cost per job start by participant group, it is necessary to split the service fees and the non-supplier cost across Core, Advanced, and Intense participants. The way that the non-supplier cost and service fee are split is in accordance with the share of participant group who recorded starting on the service as opposed to recording a job start (e.g., 40% of participants who started on the service were from the Core group, therefore 40% of the service fee went to the Core group cost). This is because these costs are likely to be more impacted by the participant group that suppliers worked with rather than the group of participants that ended up finding a job.

Finally, for calculating the cost per job outcome, the total cost of the programme for the 2018 cohort (including outcome spend, service fees and non-supplier costs) was divided by the number of participants achieving each outcome. The number of participants achieving each outcome is available in the Scotland's Devolved Employment Services statistics published by the Scottish Government.[49]

[49] Scottish Government, 2021. Scotland's Devolved Employment Services: statistical summary

Annex C: Detailed results of the cost-benefit analysis

This annex shows the detailed results of the main cost-benefit analysis from the perspectives of society, public finance, and participants.

Table C1. Detailed results of the main cost-benefit analysis from the perspective of society[50]

Groups	Total benefits	Programme costs	Total costs	Monetised Change in Quality of Life	Total benefit (net + distributional + QALY)	Benefit Cost Ratio (BCR)
Group 1	105,798,410	43,628,895	52,160,348	38,005,663	135,255,306	2.0
Group 2	34,145,826	14,385,982	17,154,042	12,531,805	45,436,252	2.0
Group 3	3,850,002	1,582,090	1,881,550	1,378,178	4,563,155	2.0
Group 4	517,108	213,398	253,657	185,894	638,876	2.0
Group 5	380,736	176,605	206,458	153,843	423,654	1.8
Group 6	126,510	44,151	53,670	38,461	143,384	2.4
Group 7	13,366,246	6,107,604	6,956,062	5,320,408	16,482,798	1.9
Group 8	1,207,793	551,892	628,560	480,760	1,561,832	1.9
Group 9	394,458	169,247	193,050	147,433	437,763	2.0
Group 10	17,604	7,359	8,417	6,410	20,501	2.1
Group 11	47,138	22,076	24,922	19,230	47,639	1.9
Group 13	7,012,533	2,774,177	3,042,109	2,416,619	10,586,334	2.3
Group 14	436,647	183,964	200,904	160,253	672,016	2.2
Group 15	157,784	58,868	64,625	51,281	230,375	2.4
Group 17	17,604	7,359	8,016	6,410	23,195	2.2

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts.

[50] Groups 12, 16, and 18 are left out because they have zero participants.

Table C2. Detailed results of the main cost-benefit analysis from the perspective of public finance

Groups	Total benefits	Total costs	Benefit Cost Ratio (BCR)
Group 1	70,163,651	43,628,895	1.6
Group 2	22,540,138	14,385,982	1.6
Group 3	2,556,628	1,582,090	1.6
Group 4	343,783	213,398	1.6
Group 5	241,319	176,605	1.4
Group 6	88,672	44,151	2.0
Group 7	8,599,782	6,107,604	1.4
Group 8	778,512	551,892	1.4
Group 9	261,043	169,247	1.5
Group 10	11,774	7,359	1.6
Group 11	30,241	22,076	1.4
Group 13	4,703,260	2,774,177	1.7
Group 14	285,836	183,964	1.6
Group 15	101,183	58,868	1.7
Group 17	11,663	7,359	1.6

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts.

Table C3. Detailed results of the main cost-benefit analysis from the perspective of participants

Groups	Total Benefits	Total Costs	Total benefit (Net + distributional + QALY)	Benefit Cost Ratio (BCR)
Group 1	126,175,183	89,681,258	138,515,479	1.4
Group 2	40,679,857	28,879,468	47,355,974	1.4
Group 3	4,372,068	3,058,795	4,556,651	1.4
Group 4	586,978	411,406	644,853	1.4
Group 5	426,755	288,857	449,618	1.5
Group 6	145,846	105,664	128,363	1.4
Group 7	15,857,672	10,699,367	17,749,073	1.5
Group 8	1,432,922	968,589	1,692,581	1.5
Group 9	445,956	300,935	440,465	1.5
Group 10	19,957	13,575	20,523	1.5
Group 11	52,777	34,806	49,750	1.5
Group 13	8,379,521	5,498,126	11,151,282	1.5
Group 14	520,203	335,549	729,995	1.6
Group 15	180,841	109,900	242,461	1.6
Group 17	19,957	12,769	24,197	1.6

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts.

Annex D: Detailed results of inclusive growth analysis

This annex shows the results of the inclusive growth analysis, detailing the breakdown of the cost-benefit analysis from the society's perspective by gender, Lot, and participant group.

Table D1. Detailed breakdown of the results of the cost-benefit analysis by gender, Lot, and participant group.

Gender	Total benefits	Total costs	Programme Cost	Total benefit (Net + distributional + QALY)	Financial BCR	Total BCR
Women	54,731,171	29,572,152	25,416,462	72,423,934	1.9	3.4
Men	112,538,736	53,150,024	44,497,205	144,132,990	2.1	3.7
Lot	**Total benefits**	**Total costs**	**Programme Cost**	**Total benefit (Net + distributional + QALY)**	**Financial BCR**	**Total BCR**
East	34,867,323	16,195,048	13,467,115	46,767,896	2.2	3.9
Forth Valley	4,482,699	3,454,480	3,095,096	4,803,404	1.3	2.4
Glasgow	33,403,583	15,888,108	13,387,033	43,453,962	2.1	3.7
Highlands and Islands	6,285,608	4,286,935	3,803,143	6,816,281	1.5	2.6
Lanarkshire	24,888,247	12,606,816	10,624,177	32,573,373	2.0	3.6
North East	7,493,582	4,516,137	3,950,498	8,907,854	1.7	3.0
South West	21,462,157	10,026,648	8,379,132	29,182,323	2.1	3.9
Tayside	19,864,436	9,139,099	7,564,713	26,689,613	2.2	3.9
West	11,303,213	6,486,755	5,642,759	13,768,534	1.7	3.1
Group	**Total benefits**	**Total costs**	**Programme cost**	**Total benefit (Net + distributional + QALY)**	**Financial BCR**	**Total BCR**
Core	103,067,527	41,625,374	33,720,195	141,037,185	2.5	4.4
Advanced	40,332,578	23,240,071	40,332,578	49,411,645	1.7	3.1
Intense	24,100,507	17,941,680	24,100,507	26,183,231	1.3	2.5

Source: Analysis of management information, Wave 3 survey data, cost data, and post-2021 forecasts.

This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80435-190-1 (web only)

Published by The Scottish Government, March 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1043690 (03/22)