

THIRD SECTOR EMPLOYABILITY FORUM: a statement on the Smith Commission, further devolution and employability services in Scotland.

Introduction

The Third Sector Employability Forum (TSEF) was established with the support of the Scottish Government to provide a place where third sector organisations involved in employability issues can:

- Develop their capacity to influence both policy and delivery at the Scottish level;
- Learn from each other and share views/best practice.

The Forum feeds into the wider Scottish Employability Forum (SEF) and the National Delivery Group (NDG).

In 2014 it commissioned research from Glasgow University to help provide a better understanding of the services delivered by third sector organisations in Scotland on employability, how they are funded and the impact they have.

TSEF is not an 'industry' body, nor does it represent the third sector as a whole. It is a specialist body, where the third sector can have a conversation about the best way to deliver employability services and can express a range of views to government.

TSEF held a learning day in February 2015 to bring together providers, other interested third sector organisations and the Scottish Government in order to start the discussion on how to deliver employability services in Scotland in a way that:

- Meets the needs of clients;
- Fits in with the fairness and equalities agenda of the government;
- Is sustainable;
- Is efficient and effective; and
- Will lead to improvements in services to unemployed individuals.

It is important to note that this is a long-term agenda. The initial changes in the commissioning, procurement and content of employability services in Scotland may be superseded by more integrated funding and joined up programmes in the future.

TSEF has also engaged in a broader consultation with the third sector through events in Edinburgh and Dundee. The views expressed at these events have been fed into this statement.

The rest of this statement looks at the process through which such services might be agreed, what those services are and how they might be delivered and procured. It is intended to influence both the thinking of the Scottish Government (SG), other partners and the third sector itself.

Employability services: getting the consultation process right

The initial report of the Smith Commission in November 2014 and the command paper issued in January 2015 have indicated the broad areas in which responsibility for welfare to work programmes should be devolved. These are now the subject of more detailed discussions between UK and SG ministers, DWP and SG civil servants. Part of the timeframe is to ensure that the re-contracting of both the Work Programme (WP) and Work Choice (WC) can take place under any new arrangements, with time to bed in any new procurement arrangements.

This means that there is time to reflect and consult.

Our view is that employability services are a much wider issue than DWP programmes, which, according to Cambridge Policy Consultants (CPC) research commissioned by SG, provide only 11% of spend in this area in Scotland. The rush to judgement following the Smith Commission report in November, and the speed with which opinions were expressed about devolving the WP to local authorities or the third sector were ill-advised.

For reasons set out below, we suggest that a wider debate needs to take place on employability services within the context of SG policy (and Scottish funding). This will involve consultation with:

- Funders identified by CPC to see where funding can be aligned in the short-term and pooled or integrated in the longer-term. These will include:
 - Local authorities (mainly, but not exclusively through CoSLA);
 - Skills Development Scotland;
 - DWP;
 - Other SG departments (e.g. those dealing with EU funding);
 - Big Lottery Fund and charitable trusts;
- Those currently delivering services, including:
 - WP and WC Prime contractors (especially those in the private sector) where we can learn some of the lessons from WP and WC;
 - ERSA as the 'trade body' for organisations involved in delivering 'employment related services';
- Those third sector organisations who might deliver services in the future;
- Employers through the CBI, IoD, SCDI, FSB and Chambers of Commerce;
- TSEF as a body identified with a specific status by SG in relation to the third sector and employability;
- SCVO, Social Enterprise Scotland and other membership or intermediary bodies with an interest in employability services in Scotland.

It does not follow that a consultation process will produce a consensus. Different players will have different views and priorities. For example, funders may be more or less willing, or unwilling, to pool resources or to agree common criteria for awarding funds to projects (and assessing performance). There may be disagreements about the core client groups to be supported or criteria for success. There may also be differences within the third sector about the role of

a representative body and the conflict in bidding for funds against its members (as has been the case in the past).

Our point is that a well-grounded consultation process will flush out these issues and identify where a consensus can be reached, or where SG will need to take decisions which may not find universal favour. This could then lead into a 'pre-commissioning dialogue' around the design and scope of any Scottish wide employability programmes. One of the strong themes to emerge from our consultation is that there is a lack of clarity at the procurement stage about what outputs and impacts those commissioning services think they are buying and why. A pre-commissioning dialogue will lead to greater clarity and, therefore, better procurement.

Our view is that TSEF, as a neutral body with no conflicts of interest, should lead this process within the third sector employability 'constituency' and feed those views into the SEF and SG over a timescale to be agreed with the SG.

Employability services: getting the programmes right

The wider employability agenda

We noted at the learning day, and in the further consultations, that the Smith proposals fall short in a number of areas; in particular around linking employability programmes into the wider economic activity of creating jobs, the minimum wage, the role of JCP and spending on benefits.

This has some importance when we consider how employability programmes and services might fit into the emerging Fair Work policy, the refreshed SG economic strategy, community justice changes, and the skills agenda.

It means we need to look at the wider employability agenda and the overall recommendations on welfare in the Smith Commission, including;

- The challenge left by the Smith Commission omitting conditionality as a power to be devolved;
- Measures for those who are 'failed' by the WP (i.e. those who are outside of the mainstream JSA client group) and how these can be funded and supported through related programmes.

We need to recognise that employability sits (for SG) under a broader economic theme of 'equality and fairness'. How can third sector organisations delivering employability programmes/activities contribute to this objective?

An implication is moving from 'work first' to 'fair work' as an indicator/measure of progress in this area and a need to move beyond the simple 'off benefits/into work' measure into a better/more sophisticated measure of success for employability programmes.

There is also a need to look at the issue of early intervention for some/ all of the groups furthest away from the labour market (i.e. before they are 'failed' by the

WP because it is inappropriate) This relates to another central issue; that of developing a person centred approach for the individual which can reflect the need for flexibility within a programme (both in terms of activities and funding). This will require discussions with other agencies, for example, those working in health, regeneration, justice and skills.

One implication of the views expressed in our consultations is the need to consider two types of employability intervention. One, based perhaps on the best features of the WP could be aimed at those JCP clients who, as a group, have benefited from the WP and its predecessors. Another could be aimed at those clients who are further from the labour market and need either more time, or a different type of intervention (similar to individual supported employment). This might include re-vamping WC to build on its best features and to eliminate some of the difficulties identified by clients and contractors. By definition the second type of programme would be more expensive, but might avoid the cost of re-cycling individuals to no real benefit or the blunt instrument of increasing sanctions and, through work experience might produce added value at the local or community level.

The views of TSEF need to be fed into several parts of SG, including those currently consulting on public procurement, not just the employability team. We look at this in more detail in the next section.

A central part of this debate will be the scale at which services are procured. Too large (national), and smaller players may be squeezed out, too small and they will not reflect the actual labour market.

Our view is that 32 contracts based on local authorities misses the point. A labour market measure should reflect the labour market, and this implies five or six contract areas based on regional labour markets where the third sector can operate effectively and add value to clients and for funders.

Co-production at the regional level, and around programmes for those further from the labour market could be piloted and tested prior to the renewal of the WP/WC in 2016/17.

Capacity

Clearly if the third sector is to play a role in delivering future employability programmes it will have to develop its capacity, both to actually deliver activities at scale/quality and to manage more complex arrangements in terms of partnerships (colleges, private sector) and consortia. In short, both contract management and performance management skills.

This will require both additional resources and new/additional skills in management. These will be very different because providers vary in size and geographical spread, as well as having a different range of client groups.

The lessons from the Public Social Partnership model will be of relevance here in terms of collaboration and partnership with other agencies and the skills/capacities required.

It will also require recognition by funders (especially local authorities) that reducing existing support to the third sector may undermine existing capacity and make increases in the sector's capacity less likely to happen.

The other element worth mentioning in relation to capacity is the need for the third sector to invest in better information systems that can capture data and turn it into evidence of a strong performance. If payment by results continues (and in principle it should) this will remain a critical need for the sector to address. This, of course, is not an issue for the third sector alone (as the CPC and TERU research demonstrates).

Our view is that the third sector needs to take steps to lead by example to LAs & others by putting its own house in order as a signal that it is serious about delivery. It will also require support from SG and others to first sustain, develop and then build capacity in the longer-term with regards to Management Information, data capture, etc.

Evidence and success measures

Accepting payment by results inevitably raises the question – what results do you want? The debate needs to focus on three issues to make sure employability programmes measure the right things:

- The need to develop measures focusing on both social returns, and economic (employment) outcomes;
- The need to look at longer-term impacts, not just short-term outcomes such as;
 - Wage levels increasing over time;
 - Clients moving into promoted posts/improving skills;
 - Social return on investment;
 - Longer-term studies of client cohorts, looking especially at health and well-being;
- Broader definitions of success for employability programmes, illustrated through;
 - Healthier communities;
 - Safer communities;
 - More enterprising communities;
 - More skilled communities;
 - More resilient communities.

Each of these areas will require work over a period of time, since there are:

- Some areas where evidence exists (but is poorly collated and shared);
- Other areas where there isn't evidence at the moment, but we would know what it is and how to collect it in future; and
- Areas where we are still unsure if evidence exists and how it might be collected/ analysed.

Members already have a great deal of information (especially around WP and WC) and we need to make better use of this and share it more widely.

We need to look for partners who share this view and would be willing to support/ invest in the collection of evidence, such as BLF, the Joseph Rowntree Foundation (JRF), the Carnegie Trust and universities.

We have noted above that better information systems on employability performance are an issue for both central and local government (as the What Works Programme illustrates). SG and the third sector need to agree on levels and types of evidence that should be collected and used to drive better performance.

This doesn't mean we can ignore hard outcomes, which are clearly essential – but they are foundation blocks ('a warm up act') not the whole thing.

Our view is that TSEF should lead this area of work by approaching members to see what evidence they have, identify gaps and then approach potential partners to fill those gaps. In addition, TSEF can feed this evidence to SG and use it to build case studies around impacts on particular client groups and activities.

Employability services: getting procurement right

Finally, we return to the issue of commissioning and procuring employability programmes after 2016 or 2017.

Our point is that if we have a strategic view about what employability programmes are intended to produce then it will be easier to design a process for procurement.

We are suggesting that current programmes are based on administering a competition for funds, rather than buying outcomes and impacts. A fair and transparent process substitutes for policy objectives and market shaping by government.

How might procurement be dealt with in the future?

As we have noted, this should evolve over time. The long-term objective is better performance through the integration of funds and shared outcomes; but this cannot be achieved instantly. We see the key steps in the process as:

- SG to identify with partners the shape of the market it is trying to create and the role it sees for smaller, local providers;
- Co-design (based on some of the lessons of Public Social Partnerships) This will mean getting the third sector and others in on the ground floor and relating procurement to capacity/evidence building issues;
- Learning the lessons from WP and WC in terms of not being driven by price as the main differentiator for bids;

- Keeping payment by results (PbR) but revising results in the light of performance and re-regulating if necessary to make sure perverse incentives do not drive performance and lead to the parking of clients;
- Getting the right funding model which balances certainty (length of contract) with risk and cash flow implications;
- Designing in rewards for collaboration and bringing in additional funds;
- Designing in ways to reward track record and performance and being clear about why, how and when inadequate performance will be dealt with (learning the lessons of NCG and the WP).

Our view is that procurement should not be devolved to procurement specialists who focus on processes, but to those with professional expertise in employability. The market created should have bio-diversity in terms of scale and not copy the WP model of a small number of prime contractors.

The role for TSEF (and others)

Again, we point to the need for evolution in the roles of organisations.

At the moment our view of the roles is:

- ***TSEF – a representative body, independent of government;***
 - ***Taking views of members/wider constituency on employability;***
 - ***Having a place on SEF;***
 - ***Collecting/sharing evidence/best practice;***
 - ***Developing an information hub for the sector;***
 - ***Facilitating learning events;***
 - ***Building broader alliances with other stakeholders, including the private sector and public agencies;***
- ***SG – to recognise TSEF as the representative body and to facilitate dialogue with Ministers and officials;***
- ***Members of TSEF – to supply information to provide TSEF with ammunition to lobby SG and to continue shaping the agenda based on their experience.***