

1. Introduction

1.1 This paper has been developed by the Employment Related Services Association (ERSA), the representative body of the employment support sector, in response to the Smith Commission call for evidence on devolution of further powers and responsibilities from Westminster to the Scottish Parliament. In particular it considers the impact and potential transition process of devolving employment support provision. It also touches upon some of the wider powers and interdependencies linked to employment support policy. The paper specifically looks at:

- Preferred options for change for employment support commissioning and delivery
- The future of Jobcentre Plus and relationship with employment support schemes
- Social security schemes and wider welfare policy
- Transition arrangements

1.2 About ERSA and Scotland

ERSA has nearly 180 members spanning the public, private and voluntary sectors. The majority of its members are not for profit and includes charities, social enterprises, social housing providers and local authorities. This submission has been developed following consultation with ERSA's members. Specifically feedback has been gathered from those members who currently deliver or have an interest in the delivery of employment support provision in Scotland. It does not address all of the points in the Commission's inquiry but focuses on those that are of most relevance to the employability sector.

1.3 ERSA members include the prime providers of the Work Programme and Work Choice in Scotland, and many of the subcontractors. Members also deliver other employment support schemes funded and commissioned by the Westminster government, local government, European funds and other funding sources, such as the Big Lottery Fund. Information on the Scottish labour market statistics and performance of existing employment support provision in Scotland is included as Annex 1.

2. Overview: Synopsis of ERSA views

1. ERSA members are in favour of the devolution of responsibility for all employment support services to the Scottish Government. This should include responsibility for Jobcentre Plus, plus outsourced support for long term unemployed jobseekers and those with disabilities.
2. ERSA members believe that, in tandem with responsibility for employment support, the Scottish Government must be sufficiently incentivised to ensure that employment support programmes are focused on increasing the number in work and thus decreasing the claimant count. This would be achieved through the devolution of responsibility for all in work and out of work welfare policies and benefits to the Scottish Government. If the decision were taken not to devolve such policies and benefits, an alternative mechanism would need to be put in place which would provide direct tangible incentives for the Scottish Government to decrease unemployment and benefit dependency.
3. If employment support is devolved the Scottish Government should be bound to honour existing employment support contracts commissioned by Westminster and operating in Scotland.

4. Many longer term unemployed jobseekers have substantial needs, necessitating collaborative support from across a range of public services. In the event of the devolution of employment support to Scotland, the opportunity should be taken to put in place a substantial service redesign, which sees employment support services in the context of other services, including skills and health support.
5. The design of future employment support programmes for Scotland should draw on the existing evidence base of what works. As such, these programmes should be designed in partnership with providers of employment services, many of whom have a substantial evidence base on which to draw.

3. Devolution of employment services

- 3.1 ERSA members favour the devolution of responsibility for currently outsourced employment support provision to the Scottish Government. Their belief is that this should allow the development of programmes which suit the Scottish economic and labour market landscape, whilst providing the opportunity to offer jobseekers a holistic and person centred provision.
- 3.2 Current Westminster government outsourced employment provision, including the Work Programme, is delivering well in Scotland. Performance targets set by the Department for Work and Pensions have been met and performance is above the average for Great Britain. (See Annex 1 for more information.)
- 3.3 However, it is also clear that the current employment provision landscape could be improved upon. In particular, ERSA members have been able to gather much better demographic information about jobseekers on their programmes, which has highlighted the substantial health and skills needs of those referred to employment support. The devolution of responsibility for both employment support policy and funding would allow the Scottish Government a 'golden opportunity' for a substantial system redesign which better integrate support from other services, including health, housing and skills, for jobseekers. Such a system redesign would be a substantial undertaking, necessitating a partnership between different parts of the public, private and voluntary sector.
- 3.4 The devolution of services is also favoured in order to avoid the current situation whereby jobseekers on Westminster government schemes are denied access to support from certain other funding streams and programmes operating in Scotland. This in particular manifests itself through jobseekers on DWP schemes not being able to access the equivalent of the Adults Skills Budget funded provision in Scotland (or Wales), although they are able to do so in England. Given that the design of schemes such as the Work Programme and Work Choice was predicated on the ability to combine funding streams around individuals, this is a major issue for employment support in Scotland.
- 3.5 ERSA members also favour the devolution of responsibility for the Jobcentre Plus network to the Scottish Government. We would question whether it is feasible to conceive of a system whereby Jobcentre Plus remains a Westminster Government responsibility whilst employment support schemes are devolved to Scotland. All parts of the employment support system need to work in tandem, with clarity about the overall 'customer journey', responsibility for support at all stages understood by all players and with arrangements in place to allow systems to work effectively, including those related to data sharing. Any other arrangement risks a fragmented and expensive system insufficiently focused on moving people into work.

4. Social security schemes and wider welfare policy

- 4.1 The operation of the employment support system and social security schemes are interdependent. As such, ERSA members believe that it would not be desirable to devolve responsibility for employment support, without the Scottish Government having some level of responsibility for in and out of work benefits policy and administration of the system. The consequence could be that the Scottish Government were given insufficient incentive to ensure that employment support was clearly focused on employment outcome.
- 4.2 The majority of contributing ERSA members felt that in order to incentivise the delivery of devolved employment support provision and to enable the Scottish Government to have appropriate leverage to reach policy goals, it would also be appropriate to devolve responsibility for some social security schemes. Specifically this would include in work and out of work benefits and housing support. Members did not comment upon the subject of devolving social security schemes for attendance allowance or pensions as ERSA considers these to be outside of its remit
- 4.3 If the decision were made not to devolve responsibility for in work and out of work benefits to the Scottish Government, ERSA believes the social security system could still be designed so that the Scottish Government received benefit from its efforts to move people into work and reduce the benefits bill. This might take the form of some level of sharing of the proceeds of a fall in out of work benefits or similar.

5. Implementation: design and commissioning of provision

- 5.1 As outlined above, ERSA believes that the devolution of responsibility for employment support services, including Jobcentre Plus, gives the Scottish Government an important opportunity for the redesign of services, incorporating greater integration and/or co-ordination with other services, such as skills and health, on which the success of employment support services are dependent.
- 5.2 ERSA considers that if employment support were devolved it would be necessary to view this in line with the recommendations made by the Christie Commission on reform of all public services. In particular the Scottish Government would need to consider the outcomes it would wish to see in a wider context such as encouraging social mobility and reflecting the needs of local and national labour markets. There is scope particularly to emphasise the importance of early intervention in preventing long term unemployment.
- 5.3 ERSA also strongly believes that, in the development of the aforementioned system redesign and, particularly in the design and commissioning of future employment programmes, the Scottish Government would need to draw upon the strong evidence base that now exists about the delivery of employment programmes. The evidence base covers issues such as the operation of conditionality, the assessment of jobseekers, integration of employment and other forms of support, plus the effectiveness of different interventions. Much of this evidence exists within the provider base rather than within public institutions and thus the Scottish Government should be encouraged to develop systems and programmes in partnership.

- 5.4 Although outside the substantial scope of the Smith Commission, ERSA members have responded on a number of the principles they would like to see enshrined in the commissioning of future Scotland specific employment programmes. These include the Scottish Government committing to:
- A fair and transparent procurement process which is clearly focused on ensuring that the best organisations, with strong track records, receive contracts to deliver employment support and associated services
 - An appropriate split between commissioner and delivery agent. ERSA is aware that there might be interested in devolving commissioning responsibility to local authorities or other entities in Scotland. Although outside the scope of this response, ERSA would want to see a suitable commissioner/delivery provider split in procurement arrangements.
 - Commissioners to be equipped with the skills to commission in the best interests of jobseekers, taxpayers and the Scottish economy.
 - Evidence based commissioning and strong partnership arrangements in place at all stages.

6. Transition

- 6.1 In the event of the devolution of responsibility for employment support and in and out of work benefits, the transition process would need to be carefully handled. In particular, ERSA believes that the Scottish Government should honour the current contracts for Westminster commissioned employment programmes. This would prevent any unnecessary cost to the public purse in the event of compensation for early contract termination and more crucially allow sufficient time for the Scottish Government to develop and commission its own programmes. It would also allow time to put in place a policy framework to align employment provision with wider public service delivery. Should the existing contracts not be honoured a significant gap in delivery may develop whilst national programmes are suspended and new Scottish specific employability support programmes are implemented. This would not be in the interest of jobseekers or Scottish employment related services providers, many of whom are third sector organisations and substantially reliant on contracts.
- 6.2 It is anticipated that, if employment support were devolved, that there would be costs attached to this process. Although it is expected that these would be the responsibility of the Scottish Government, it would be as well to be cognisant of these at an early stage. Costs could potentially include rebranding of Jobcentre Plus and the development of new IT systems, both those facing the jobseeker and those related to employment support schemes. That said, ERSA does not believe that these additional costs are a significant reason not to devolve employment support services.

7. Conclusion and further information

- 7.1 ERSA believes that, if implemented, the recommendations included within this paper will have the potential to increase employment, improve Scotland's economic performance and tackle poverty and social exclusion. In particular, a move to devolve employment support would give the Scottish Government the power to redesign services that place jobseekers at the very centre of a new Scottish programme of employment support, thus meeting their needs in a holistic and integrated way. It is crucial however that, in the event of a decision to devolve employment support policies, that the Scottish Government moves forward after consultation and in partnership with the employment support sector.
- 7.2 For further information please contact: Gemma Hopkins: gemma.hopkins@ersa.org.uk /0203 757 9416.

Annex 1. Employment statistics in Scotland

ONS Labour market statistics

- Scotland currently has the highest employment rate of the four countries in the United Kingdom and over the past year the employment rate has increased by 1.3 percentage points.
- Latest ONS Labour Market Statistics show that 73.9 per cent of 16-64 year olds in Scotland are employed. Unemployment is significantly lower than for both England and Wales at 5.5 per cent.
- By way of background Scotland's employment rate has steadily been increasing since the 1990s, reaching a peak of 74.9 per cent during the second calendar quarter of 2007 (Apr-Jun).

Work Programme

- The Work Programme is performing well in Scotland achieving minimum performance levels for each group in the last full financial year (April 2013 to March 2014) and with over one in nine of those with a year on the scheme having at least three/six months in work at that point.
- 155 880 referrals have been made to the Work Programme in Scotland
- The Work Programme has delivered 29 570 Job Outcomes in Scotland

Work Choice

- Work Choice is performing well in Scotland with 41 per cent of those who started the programme having had a job outcome. This compares to an average of 36 per cent across all of Great Britain.
- 10 400 individuals have been referred to Work Choice in Scotland, of these 8 210 individuals have started the programme
- In total there have been 3 390 job outcomes across Scotland through Work Choice.