

# **WORKING WONDERS**

**THE ROLE OF EMPLOYABILITY  
IN TACKLING POVERTY**

**Philip Whyte**

March 2024

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This paper was first published in February 2024. © IPPR 2024

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## ACKNOWLEDGEMENTS

Our thanks go to The Robertson Trust who have financially supported this research, in particular, Russell Gunson and Terri Merricks for their support throughout the project.

We also thank Fife Gingerbread and Fedcap who have provided invaluable support throughout the project, including helping to identify and bring together people with lived experience.

At IPPR, thanks to Dave Hawkey and Casey Smith for all their work and support in helping to bring this research together.

Finally, we extend a very special thank you to all the service users and practitioners who contributed through focus groups and expert interviews for their time and inputs which have helped to shape this research.



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# SUMMARY

Scotland should be proud of its child poverty ambitions. When the UK government scrapped UK-wide, statutory child poverty targets, the Scottish government and parliament stepped in, unanimously passing the Child Poverty (Scotland) Act 2017.

As positive as that was, however, targets alone will not lift the tens of thousands of children out of poverty required to meet them. Following steady declines throughout the 2000s, progress has stalled. Today, one in four children – one-quarter of a million – live in poverty. Hitting the final statutory target of 10 per cent by 2030 would mean a historic reduction in child poverty levels – which will require significant action.

To date, much of the ‘heavy lifting’ has been done through social security, particularly the Scottish child payment. However, while the social safety net can do more, it cannot do it all – significant shifts will be required in wider social policy, starting with employability.

## **The scale of the prize on offer from boosting employment outcomes is immense.**

- Simply ensuring everyone already in work is paid the living wage would lift around 70,000 people out of poverty.
- Going further and bringing all people out of work into either part-time or full-time work would lift 90,000 and 110,000 people, respectively, out of poverty.
- While good for people, increasing positive employment outcomes is also good for the economy – our scenarios would see a combination of higher tax revenue and lower social security payments of up to over £2 billion a year.
- Set against this, however, while work should be a viable route out of poverty, it still traps too many people in low-paid and insecure work, and ultimately in poverty. Employment support requires an equal focus on helping people progress in work.

Given its importance, the Scottish government has made employability central to its child poverty strategy – recognising that enduring progress can only be secured through a combination of boosting incomes from work, cutting household costs, and providing adequate social security assistance (Scottish Government 2018a).

Through this research, however, we have found a devolved employability system that – while hugely valued by people accessing it – arguably is not yet meeting its ambitions.

## **While hugely valued by users, devolved employability schemes falter through their scale of delivery, outcomes and funding.**

- Service-user views point to an overwhelmingly positive experience – however, as a route to meeting child poverty ambitions, programmes suffer from a lack of scale.
- Meeting the Scottish government’s stated employability aims could require a 200 per cent increase in the number of parents entering work each year – though the actual increase required may now be much higher given recent funding cuts.
- To secure the ambition to reach 86,000 parents supported by programmes would in turn require a near 300 per cent increase in the number of starts.

### **The devolution settlement limits the employability offer in Scotland – and can bring damaging experiences and outcomes for users.**

- Despite some devolution seeing some welcome reforms, the scale of devolved employment support powers is dwarfed by the scale of what remains reserved which only works to ingrain stigmas around worklessness. That sits as part of a wider story of contrast – between a roundly negative perception of Jobcentre Plus and more positive engagement with devolved employability support.
- Most people out of work will find their main interaction coming through a reserved Jobcentre Plus – with vast disparities in philosophy and culture of approach; service levels and engagement of staff; and, ultimately, the extent to which people using services feel supported.
- In the most recent quarter, the numbers of people starting on the Fair Start Scotland or No One Left Behind support services represented less than 3 per cent of the total population out of work and/or who want to work.
- In interviews with service users and experts, the (reserved) Jobcentre Plus system was typified by:
  - a broken social settlement which pushes people to take any available job
  - fails people with the greatest barriers to work
  - doesn't meet the needs of users or the economy.
  - focusses on compliance which causes harm and holds people back.

Employability support, within a working welfare state, should offer a viable route out of poverty but is being held back from reaching its full potential. Establishing a credible pathway to final child poverty targets in 2030 will need a marked shift in policy.

That requires reforms within existing schemes, and we identify improvements which can be made now to existing programmes within the competence of the Scottish parliament. That includes strengthening the role of the third sector, providing the necessary scale of funding and delivery, and ensuring greater accountability for outcomes.

But it also necessitates strengthening that offer in more fundamental ways – including through increasing the powers available to the Scottish parliament.

### **RECOMMENDATIONS**



**Policy and delivery responsibility for all employment support, including the administration of Jobcentre Plus in Scotland, should be devolved to the Scottish parliament.**

- Our research lays bare an often disjointed and complex system that has been created through joint responsibility across the UK and Scottish governments, and the negative impacts this has on delivering a genuinely person-centred approach.
- Current devolved powers have enabled some positive reforms but arguably still restricts scale and impact – while subjecting many people to a punitive sanctions and conditionality regime that does not provide positive outcomes.
- Devolution of full powers over employment support would enable a public service available for anyone, at any time; a more integrated and place-based employment system which works for everyone; and allow for more rounded support including a greater focus on in-work progression.
- It would enable separating out two distinct functions: benefits processing (which is often punitive) and employment support (which should be positive).

- It could also see existing Jobcentre functions spread more across the third sector, delivering more ‘whole person’ focussed support which offers long-lasting positive outcomes, while retaining larger-scale support for specialist services.

Ultimately, further devolution would be a natural continuation of what has come so far, building on longstanding powers, such as skills and education, and relatively newer ones over social security. It is also an issue which has received greater political focus in recent years, most recently in the Commission on the UK’s Future. It recognised the benefits of a system that would be brought closer to people, increasing flexibility and integrating a broader range of (already devolved) public services – and ultimately came to a recommendation that the administration of the Jobcentre network should be devolved to the Scottish parliament (The Brown Commission 2022).

While that process would take time to deliver it could deliver significant reform which drives progress towards Scotland’s final child poverty target in 2030. But that long-term ambition should not stand in the way of short-term action.



**Local and Scottish government should use the process of previously Fair Start Scotland-delivered support moving to No One Left Behind (NOLB) to enhance the offer available.**

- While the focus on out-of-work support in devolved employability support is right to maximise its centrality to the government’s anti-poverty strategy, our analysis shows that simply getting a job is not always a viable route out of poverty. As such, a far greater focus should be placed on in-work support and career progression.
- While benefits processing and administration might remain with the DWP, the Scottish government should press to ensure that any individual receiving support through a devolved programme is exempt from universal credit work search requirements and the need to access employment support through a Jobcentre Plus.
- Local and Scottish government should work together to ensure a ‘twin-track’ approach to service provision is available in every local authority area, with a pre-support pipeline that can identify the most appropriate route. This would identify and separate individuals closer to the labour market who may only require short-term and more ‘functional’ support from those who require broader, ‘whole person’ support, and ensure an appropriate pathway for both. Crucially, this should also come with some ringfencing of NOLB funding to protect services and opportunities specifically for disability and ill-health support, previously delivered through FSS.
- While avoiding any requirements for ‘payment by results’, NOLB grant funding should more transparently come with clear detail on the outcomes expected in return for it. This should set out clearly the numbers of people expected to be supported and the range of outcomes expected – beyond simple job outcomes. This could ensure a spread of provision remains – protecting specialist support, particularly for disabled people, which may not lead to immediate job outcomes while also encouraging more functional support which may – while aiding a collective understanding of what is being achieved.
- Services should move immediately to a ‘no wrong door’ footing ensuring people can access information and advice on employability support where and when they need it. Despite repeated commitments to this approach, it is still caught in pilot mode rather than being fully integrated into service delivery. This should sit alongside an automatic proactive offer for anyone in receipt of a devolved benefit.



**The Scottish government should set a credible pathway and infrastructure to securing the necessary scale of employability provision.**

- Annual funding – often delivered months into a financial year – should end and government should commit to a multi-year funding cycle. This would provide security and certainty for delivery organisations, particularly the third sector, and enable the commissioning of services which work with people over a longer time frame, particularly where that supports a wider set of outcomes beyond pure employability.
- The strategy, commissioning and delivery role of local employability partnerships (LEPs) should be strengthened and enhanced. This could include transferring all responsibility for the planning and commission of services to LEPs.
- Using improved data and metrics, LEPs should work collaboratively to identify population groups, specialist services and geographical areas which may benefit from larger-scale and alternative provision and work with LEPs to deliver this.
- Local delivery should still come with national accountability. There should be a stronger process for local and national government working together to set clear targets and outcomes, with both having responsibility – through funding and delivery – and accountability for achieving these. The chairs of each LEP should then come together into a national forum – together with the Convention of Scottish Local Authorities (COSLA) and Scottish government – to oversee progress and identify areas for improvement.
- Pooling of resources, joint commissioning, and shared delivery models should be encouraged and enabled across local authorities/LEPs where there is a labour market or population need which would be met through scaling up of services.
- Local authorities should ensure their employability delivery and commissioning functions are held by separate teams. In tandem, the default assumption should be the outsourcing of services to third sector partners who can provide services at an arms-length from local authorities particularly where those services are intended to provide ‘whole-family’ support.
- A local delivery model shouldn’t mean 32 different frameworks for how they’re used. LEPs should have a clearer and stronger governance model and a common framework should exist across the country – including, enhancing their role in commissioning (removed from LAs). This should also support working across LEPs to undertake joint commissioning of services which may benefit from scale.



# 1. THE CASE FOR A WORKING WELFARE STATE

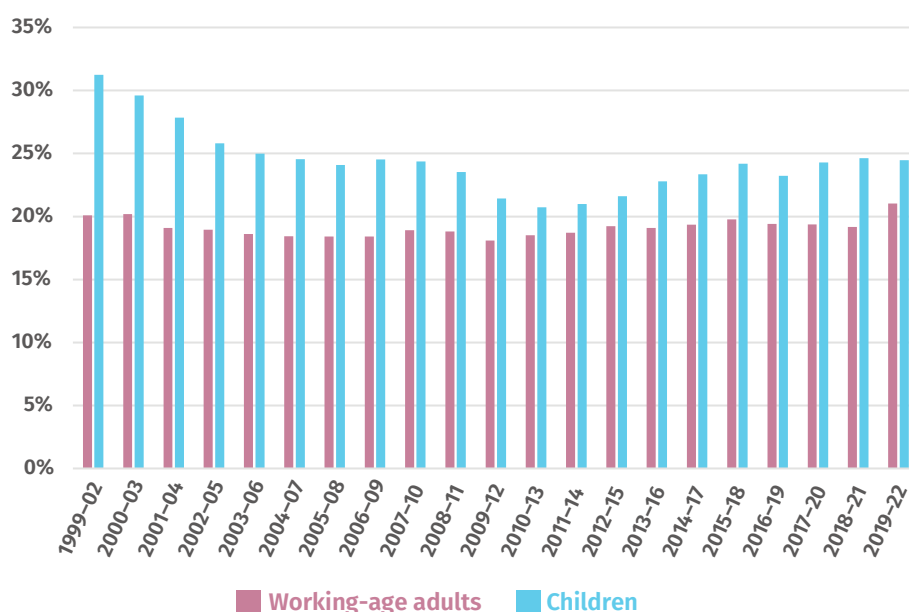
## THE SCALE OF THE CHALLENGE

The Scottish government has made several significant commitments around poverty – most prominently, setting statutory targets to reduce child poverty to a historic low, through the Child Poverty (Scotland) Act 2017. However, while targets are important to focus minds, significant effort is required to meet them.

Scotland witnessed consecutive years of declining child poverty through the 2000s but that has since stagnated – and even gone in the wrong direction – with a quarter of a million children (one in four) now living in poverty (Scottish Government 2023a).

Most of the ‘heavy lifting’ to reach an interim target (of 18 per cent of children living in relative poverty, after housing costs, in 2023/24) has, to date, been done through social security, particularly through the positive impact of the Scottish child payment. But that will not be sustainable in meeting the final targets. Equally ‘game changing’ efforts will be required – particularly through fair work and employment.

**FIGURE 1.1: AFTER YEARS OF STEADY DECLINE, THE CHILD POVERTY RATE IN SCOTLAND ROSE THEN STAGNATED – BUT FOR WORKING-AGE ADULTS IT HAS ONLY BEEN STAGNANT**  
Relative poverty rate, after housing costs, 1999–02 to 2019–22



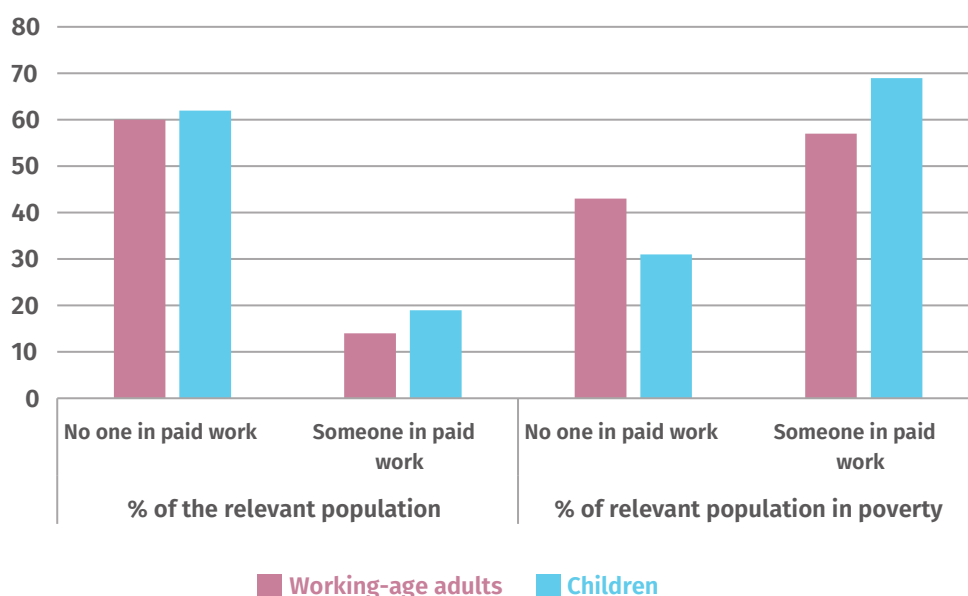
Source: Author's analysis of Scottish Government, *Poverty and income inequality in Scotland 2019-22* (Scottish Government 2023a)

However, while *child* poverty declined across the early 2000s (before rising again in the mid-2010s) – in part due to increased cash transfers for households with children, through the introduction of tax credits (Resolution Foundation 2012) – the *working-age adult* poverty rate remained stubbornly persistent (figure 1.1).

Moreover, while not working is the primary driver of whether a household will fall into poverty, work still does not pay. Across the whole population, almost two-thirds of workless households are in poverty; however, for just those households already in poverty, a majority have at least one person in paid work (figure 1.2).

**FIGURE 1.2: WHILE WORK CAN HELP ENSURE A HOUSEHOLD DOESN'T FALL INTO POVERTY, IT CAN ALSO TRAP A SIGNIFICANT NUMBER OF PEOPLE IN POVERTY**

**Proportion of all children and working-age adults in poverty and as a share of those in poverty, by household work status, 2019–22**



Source: Author's analysis of Scottish Government, *Poverty and income inequality in Scotland 2019-22* (Scottish Government 2023a)

There are also specific and significant inequalities for multiple household types. It is well recognised that certain groups have far higher incidences of poverty than the general population. That led to the Scottish government identifying six 'priority family' groups as part of its child poverty strategy (Scottish Government 2018a).

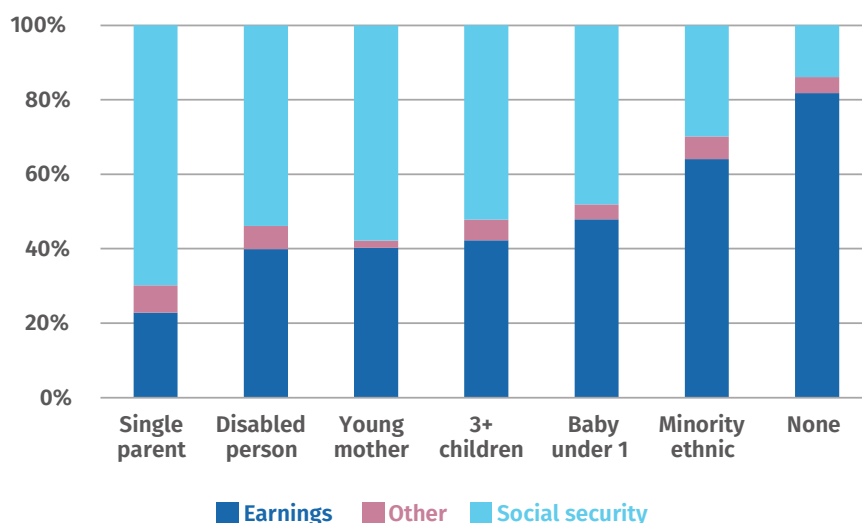
For many priority groups, their ability to work (or progress in work) is a primary driver of this higher incidence of poverty (Birt et al 2022) – but this sits alongside a broken social security system. For most households in those priority groups, much of their income comes from social security (figure 1.3), demonstrating (i) the inadequacy of work and (ii) the poor levels of support available.<sup>1</sup>

In part, this is a function of a failing labour market – employment should be a viable route out of poverty but instead traps many people there, through low paid and insecure work.

<sup>1</sup> The higher rate of households in poverty with earnings among the minority ethnic group is related to their higher incidences of low paid work (see for example Low Pay Commission 2023).

**FIGURE 1.3: FOR MOST PRIORITY GROUPS LIVING IN POVERTY, THEIR PRIMARY SOURCE OF INCOME IS SOCIAL SECURITY**

Income breakdown for households in each priority group who are living in poverty

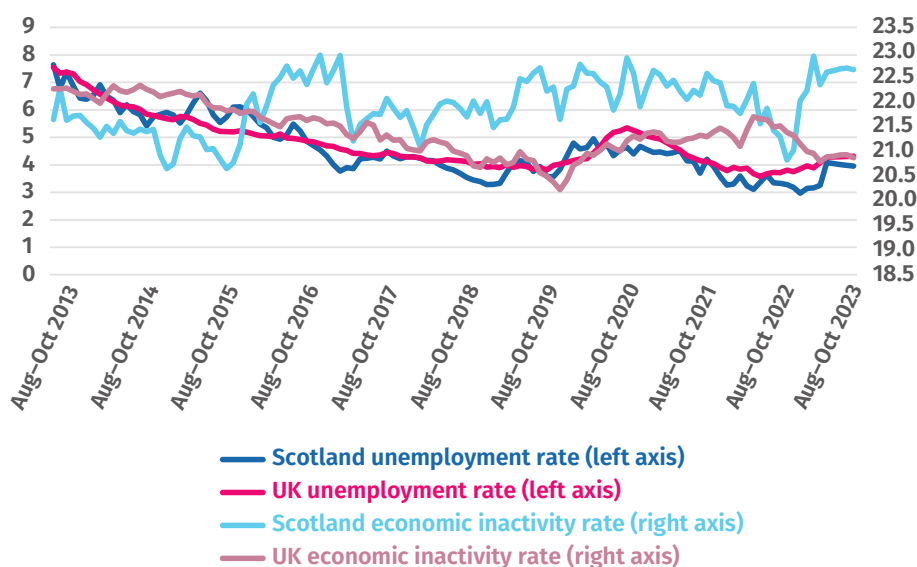


Source: Author's analysis of Scottish Government, *Poverty and income inequality in Scotland 2019-22* (Scottish Government 2023a)

## SCOTLAND'S LABOUR MARKET

As a starting point for examining the role of employability, we can consider key trends in Scotland's labour market. Unemployment has – on its face – been a positive story, with Scotland generally seeing lower unemployment than the UK over the past decade. Conversely, however, Scotland experiences a lower employment rate than the UK – in part driven by a higher proportion of people who are economically inactive (that is, those, predominantly, who are out of work and not looking for work) (figure 1.4).

**FIGURE 1.4: AGAINST A (BROADLY AND MARGINALLY) LOWER UNEMPLOYMENT RATE, SCOTLAND HAS SEEN HIGHER LEVELS OF ECONOMIC INACTIVITY, COMPARED TO THE UK**  
Unemployment (left-hand axis) and economic inactivity (right-hand axis) rates, Scotland and UK, 2013–2023

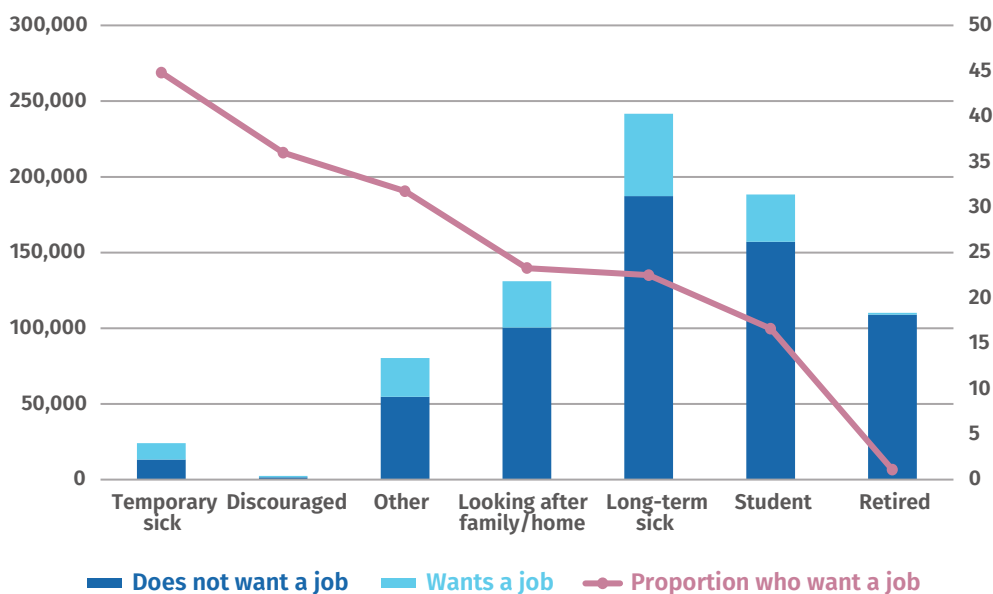


Source: ONS, 'Adjusted employment, unemployment, and economic inactivity' (ONS 2023a)

While a higher economic inactivity rate could be taken to imply there is a substantial proportion of people who do not want to work, and so wouldn't benefit from employability support, that is not the case. In many instances, substantial numbers *do* want to work but may experience barriers or a lack of support (figure 1.5).

**FIGURE 1.5: MORE THAN 150,000 PEOPLE IN SCOTLAND ARE ECONOMICALLY INACTIVE BUT WANT TO WORK**

Economic activity in the 12 months to June 2023, Scotland, by reason



Source: Author's analysis of ONS, *Annual Population Survey* (ONS 2023b)

Together with the latest estimate of the out of work population (using the claimant count as a proxy), our analysis implies **there are more than a quarter of a million people in Scotland not in employment but who are looking for work and/or want to work.**

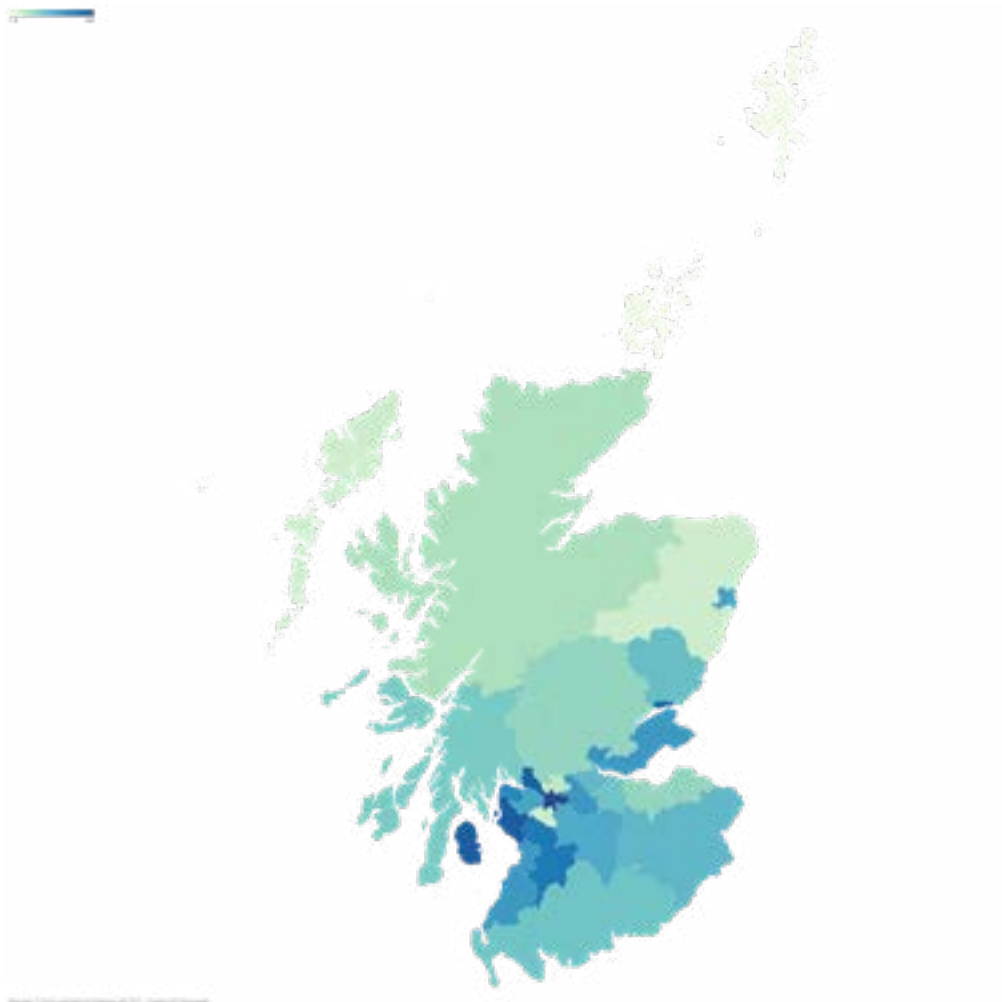
Unsurprisingly, when we consider where these people are, there are significant geographical variations – ranging from 1.5 per cent of the working-age population in the relevant local authority area, to 4.6 per cent (figure 1.6).

With the shift in how Scotland delivers employability support, and a move to a locally delivered model through No One Left Behind, this raises potential issues of ensuring the right scale of support to deliver an impactful service (considered later in this report).

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**FIGURE 1.6: THERE ARE SIGNIFICANT GEOGRAPHICAL VARIATIONS IN PEOPLE OUT OF WORK ACROSS SCOTLAND**

**Claimant count as proportion of residents aged 16–64 by Scottish local authority**



Source: Author's analysis of ONS, 'Claimant count – seasonally adjusted' (ONS 2023c)

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### **THE PRIZE ON OFFER**

The Scottish government's child poverty strategy, *Best Start, Bright Futures*, set positive commitments on employability, sitting alongside a wider ambition to become a 'fair work nation' by 2025. However, based on available evidence (see chapter 2), it is not clear that those are operating at the scale required or having the impact needed.

While the government provided an assessment of the cumulative impact of *Best Start, Bright Futures* policies on child poverty rates – estimating a 9-percentage-point reduction (Scottish Government 2022a) – the Scottish child payment is the only individual policy with any quantifiable impact assigned to it. It is not clear what impact the employability offer will have.

While not everyone will be able to work, and the current economic model means that it will not always be a viable route out of poverty, a strong employability offer is vital to ensure work provides a lifeline to those who can take it. As a starting

point, we can consider what the poverty reductions might be if there were far higher shifts into work.

Using IPPR’s highly respected tax-benefit model,<sup>2</sup> we modelled three hypothetical work scenarios (table 1.1).

**TABLE 1.1: MODELLED EMPLOYMENT SCENARIOS**

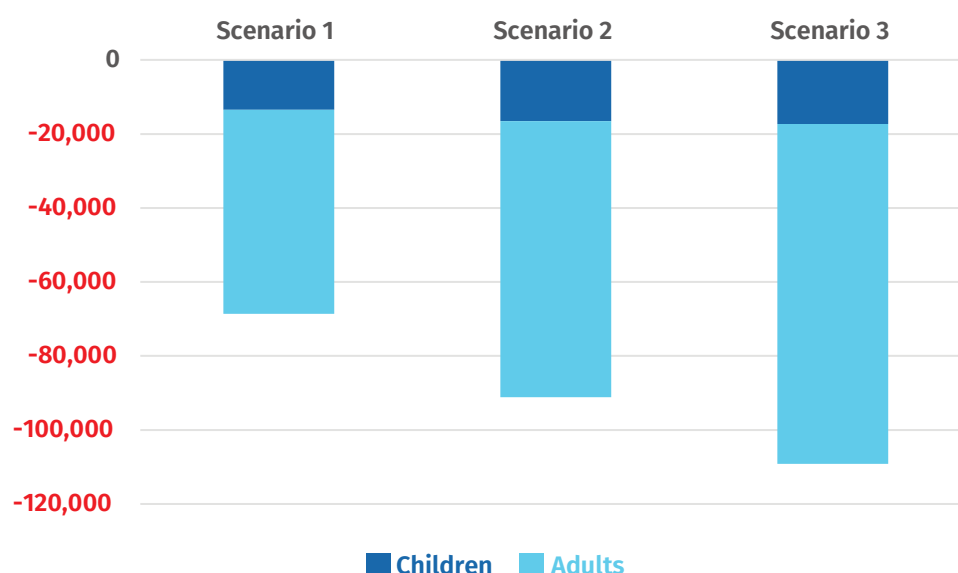
<b>Scenario 1</b>	Increase all working people’s income to the real living wage, for those currently earning less than this.
<b>Scenario 2</b>	As 1 – plus bring all non-working people (except where they have a child under the age of 3) into part-time work.
<b>Scenario 3</b>	As 1 – plus bring all non-working people into universal credit-required working hours. <sup>3</sup>

Source: Author’s analysis

Our analysis demonstrates the significant poverty reductions that could be secured through big gains in employment. Simply ensuring everyone already in work is paid the real living wage (RLW) would lift around 70,000 people out of poverty, increasing to around 90,000 and 110,000 for part-time and full-time work, respectively (figure 1.7) – though the child poverty gains represent only a small portion of this, at just under 20,000 (between a 1.5 and 2 percentage point reduction in child poverty).

**FIGURE 1.7: GOOD, SECURE AND WELL-PAID WORK PROVIDES THE POTENTIAL TO LIFT TENS OF THOUSANDS OF ADULTS AND CHILDREN OUT OF POVERTY**

Estimated numbers of children and adults lifted out of relative poverty (after housing costs) in each work scenario, 2024/25



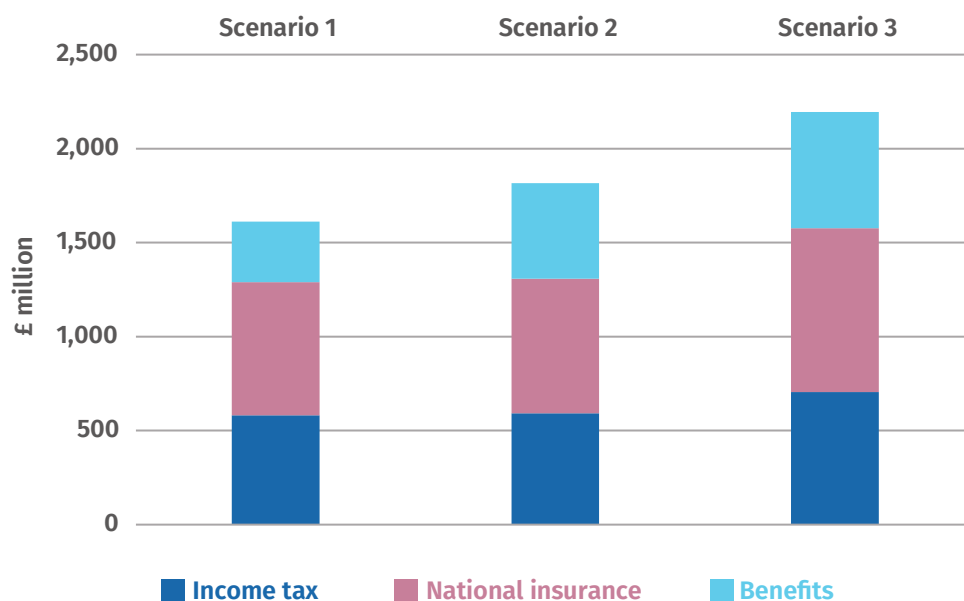
Source: Author’s analysis of IPPR tax-benefit model

2 The IPPR tax-benefit model is a micro-simulation model that estimates the impact of policy reforms prior to any behavioural effects.  
 3 Assumed to be: 30 hours per week for people with a child aged between 3 and 12, and 35 hours per week for people with a child aged 13 and above or with no children. To align with UC work search requirements, our scenarios exclude people with children aged under 3 (who are similarly excluded from work-related requirements).

This demonstrates the gains for individuals and for progress against Scotland’s poverty ambitions – but there also significant gains for the economy and public funding. Helping more people into employment brings increased tax revenue while reducing social security spending as incomes go up (figure 1.8).

**FIGURE 1.8: SECURING BETTER EMPLOYMENT OUTCOMES IS GOOD FOR THE INDIVIDUAL – BUT ALSO GOOD FOR PUBLIC FUNDING**

**Estimated impact of higher tax receipts and lower benefits expenditure across three employment scenarios**



Source: Author’s analysis of IPPR tax-benefit model

While these scenarios are hypothetical – and personal circumstances and the wider labour market mean achieving them may not be wholly possible – they do demonstrate two different but complementary findings.

First, the size of the prize on offer is immense. There are significant gains to be made in driving down poverty while simultaneously driving up wider economic benefit. Second and somewhat conversely, however, it also demonstrates that getting people into employment alone is not enough, particularly in tackling child poverty. Even under our hypothetical reforms, large numbers of households, and children in particular, remain trapped in poverty – pointing to more fundamental issues with our economic model.

There are two factors that limit the impact of these scenarios on poverty numbers:

- the extent to which they change the circumstances of people experiencing poverty
- the extent to which that change is enough to bring them over the poverty line.

Around one-third of children in poverty would see an increase in household income if all unemployed adults were in full-time work and all wages were at or above the real living wage (scenario 3). While this boost would be important, a wider range of factors – including inadequacies in the benefits system and high housing costs – conspire to keep most of these children below the poverty line.

For the two-thirds of children in poverty whose household income is unchanged in our scenarios – either because their parents already earn above the RLW, or because their parents are unable to work – the received wisdom that work is the best route out of poverty rings hollow. That then is an issue not just of getting people into work but also of supporting them to progress in work, alongside wider reform to the social security system.



## 2. LEAVING PEOPLE BEHIND?

Beyond reserved Jobcentre Plus, in Scotland there are two main sources of employability support that fall within the competence of the Scottish parliament: Fair Start Scotland (FSS) and No One Left Behind (NOLB).

Following the 2014 Scottish independence referendum, the cross-party Smith Commission was established to propose new powers to be devolved. This included recommending – subsequently legislated for in the Scotland Act 2016 – that:

***“The Scottish parliament will have all powers over support for unemployed people through the employment programmes currently contracted by DWP [the Department for Work and Pensions].”***

(Smith Commission 2014)

As a result, two schemes delivered by DWP – Work Choice and the Work Programme – stopped taking new referrals in Scotland and the Scottish government introduced two new transitional programmes from April 2017. These were then replaced by the existing FSS service in April 2018. Most recently, the Scottish government announced that, when existing contracts expire (in April 2024), previously FSS-delivered support will transfer to No One Left Behind (Scottish Parliament 2023a).

To be eligible for FSS, participants must be living in Scotland and eligible to work in the United Kingdom. To have access from ‘day 1 unemployed’, participants must meet certain criteria<sup>4</sup> or beyond this, after 12 months of unemployment.

A key issue of contention around the devolution of those employability powers through the Scotland Act 2016 was the compensatory funding transferred from the UK to Scottish government. Pre-devolution, UK government reforms to employment support saw deep funding cuts which followed through post-devolution: from an estimated spend of DWP-commissioned services in Scotland of £53 million to an estimated allocation of £7 million for the new devolved services (SPICe 2016).

NOLB itself has existed – in, broadly, its current form – since 2019, when previously nationally commissioned services were stopped and funding transferred to each of Scotland’s 32 local authorities, to commission or deliver their own, local services (Scottish Government 2018b).

Each year, the Scottish government provides local authorities with grant funding to provide employability services. This will often come with a specific focus/ringfencing of funds – for example, the current priority of parental employability, and previously for the Young Person’s Guarantee through the No One Left Behind approach.

Unlike FSS, there is no set eligibility criteria to access NOLB – people can self-refer to services in their area or be referred from a variety of sources. This includes DWP – though it does not replace any work-related requirements an

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<sup>4</sup> This includes: lone parents; care experienced young people; people with a conviction; refugees; unemployed with a health condition that is a barrier to work; ethnic minorities; people resident in the 15 per cent most deprived data zones per the Scottish Index of Multiple Deprivation; people with a health condition and limited capability for work; and people defined as disabled per the Equality Act 2010.

individual might have – and, increasingly, other third sector services, health services and school settings.

While local authorities are responsible for the delivery of employability services through NOLB (either in-house or via commissioning), they are supported by a ‘local employability partnership’ (LEP) which brings together a range of public, private and third sector partners to help support the implementation of local and national employability policy. However, as discussed below, the extent of their input and role varies.

## A QUESTION OF SCALE

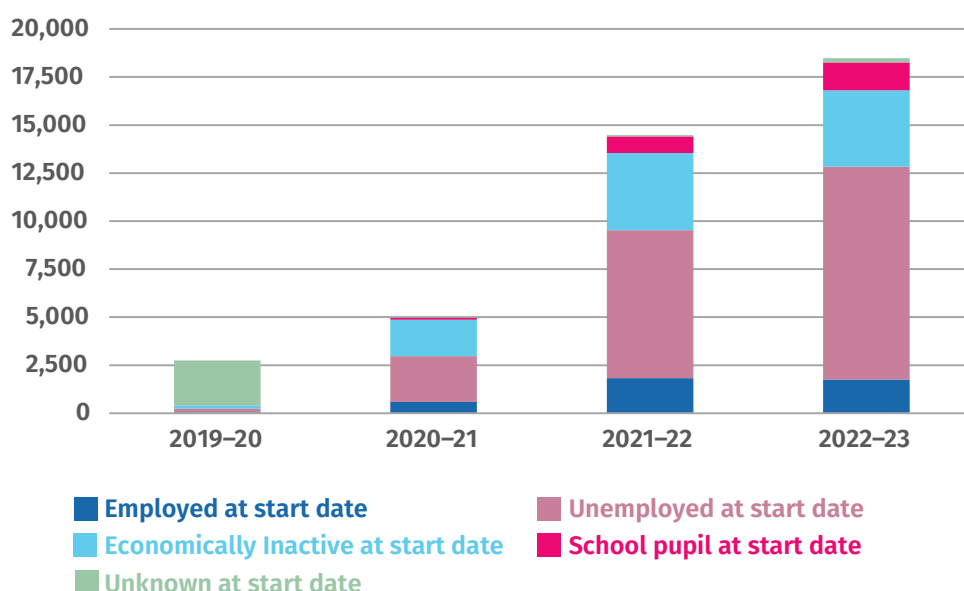
While both FSS and NOLB have undoubtedly supported many individuals into work who may not otherwise have done so, a common theme of our discussions with service providers has been one of scale – of delivery, impact and funding – and the extent to which this does, or under the status quo even can, meet the scale of the Scottish government’s ambitions.

### Delivery

When the Scottish government published its child poverty strategy for 2022–26, employability was a core focus, promising an enhanced offer and coming with a variety of aims and targets. These are scrutinised later in this chapter, but a natural starting point is the initial inputs, and the number of people accessing programmes.

**FIGURE 2.1: SINCE ITS ESTABLISHMENT, THERE HAS BEEN A CONTINUAL INCREASE IN THE NUMBER OF PEOPLE ACCESSING SUPPORT THROUGH NO ONE LEFT BEHIND**

All participants starting to receive employability support, by economic status, April 2019 to June 2023



Source: Author’s analysis of Scottish Government, *Scotland’s devolved employment services* (Scottish Government 2023b)

Since 2019, there has been a continuous increase in the number of people accessing NOLB services, with just over 17,500 people starting to receive support in 2022/23 (figure 2.1) As would be expected, the vast majority of these were people either unemployed or economically inactive. However, while this

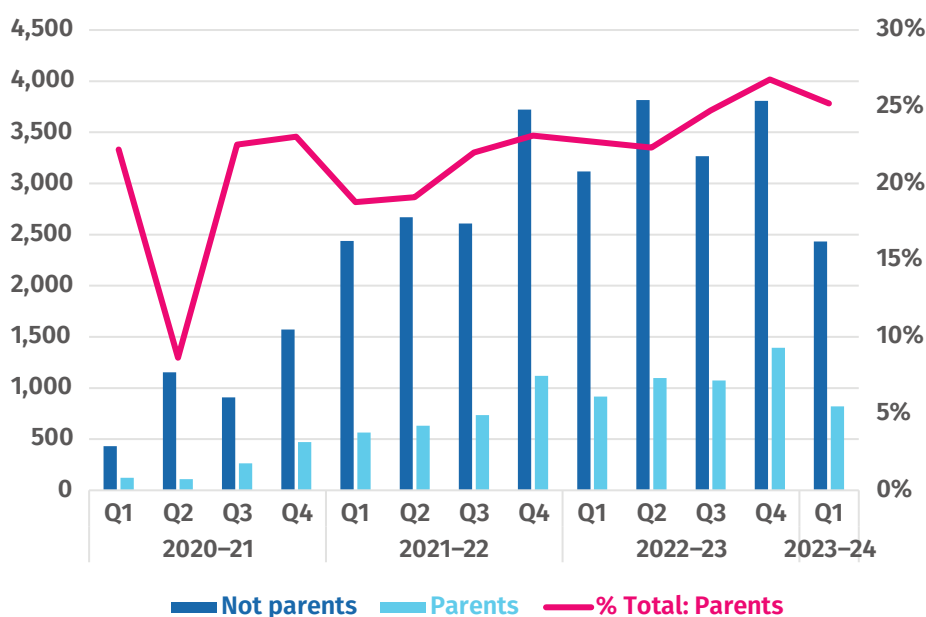
is valid from a service-offering perspective –traditionally designed for those out of work and looking to re-enter the workforce – given what we know about the risk of in-work poverty, detailed earlier, the ‘employed at start date’ group would seem to be a prime group to look to expand in future years.

**Recommendation:** While the focus on out-of-work support in devolved employability support is right to maximise its centrality to the government’s anti-poverty strategy, our analysis shows that simply getting a job is not always a viable route out of poverty. As such, a far greater focus should be placed on in-work support and career progression.

While this continuous increase is encouraging, where it is less positive – particularly when set against child poverty ambitions – is in the numbers of parents starting to receive support. Despite an explicit focus on the role of employability in tackling child poverty, this has remained relatively steady, at around a quarter of all starts (figure 2.2).

**FIGURE 2.2:** Despite the government’s child poverty ambitions, less than a quarter of NOLB starts have been parents

No One Left Behind starts by parental status, Q1 2020/21 to Q1 2023/24

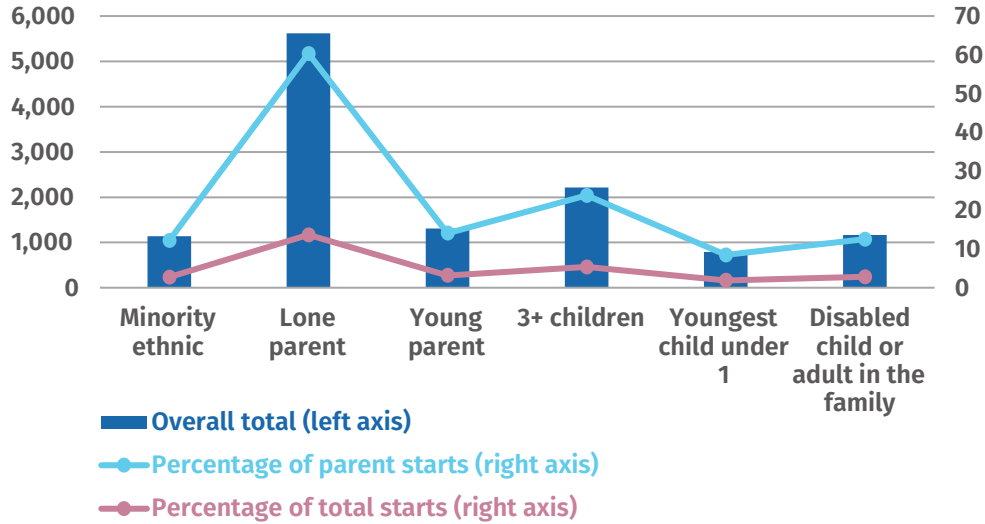


Source: Author’s analysis of Scottish Government, *Scotland’s devolved employment services* (Scottish Government 2023b)

More concerning yet, and again when set against an explicit focus on driving down poverty among those most affected by or at-risk of it, both the numbers and proportion of parents who are in one of the priority groups are incredibly low, with the exception – at least as a proportion of parents – of lone parents (figure 2.3).

**FIGURE 2.3: PARENTS FROM THE GOVERNMENT'S PRIORITY FAMILY GROUPS MAKE UP A FRACTION OF ALL NOLB STARTS**

Parental starts by demographic group, 2020/21 to 2023/24 total

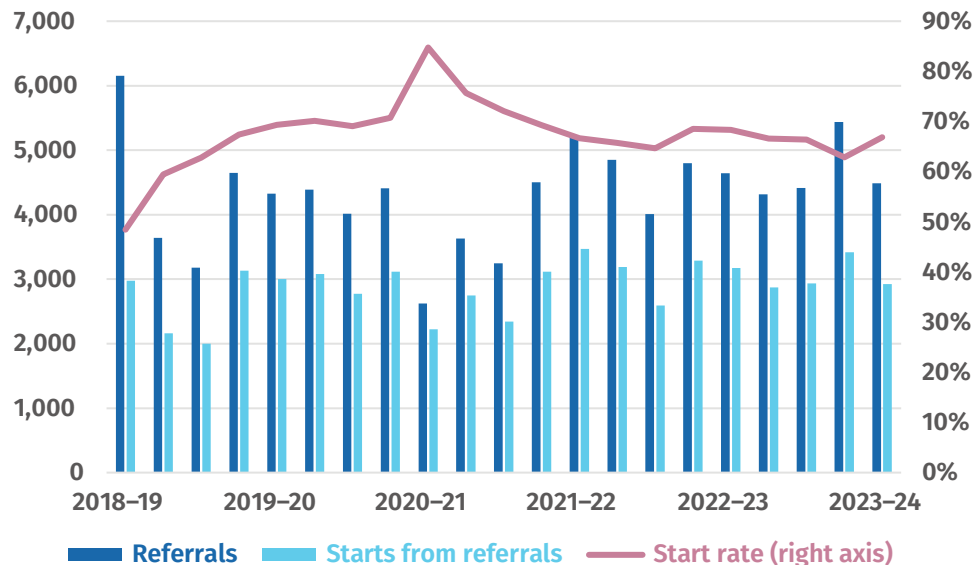


Source: Author's analysis of Scottish Government, *Scotland's devolved employment services* (Scottish Government 2023b)

Turning to FSS, barring some downturn through the pandemic, referrals to the service have been broadly consistent, at between 4,000–5,000 in each quarter. So too has the start rate (the proportion of people who start receiving support after being referred) at around two-thirds (figure 2.4) – though this is lower than one of the equivalent services FSS replaced, Work Choice, which had a 75 per cent conversion rate (Scottish Government 2022b).

**FIGURE 2.4: THE START RATE FOR FAIR START SCOTLAND HAS GENERALLY SAT AT AROUND TWO-THIRDS – WITH 57,601 PEOPLE STARTING TO RECEIVE SUPPORT OVER A 5-YEAR PERIOD**

Fair Start Scotland referrals and starts, Q1 2018/19 to Q1 2023/24

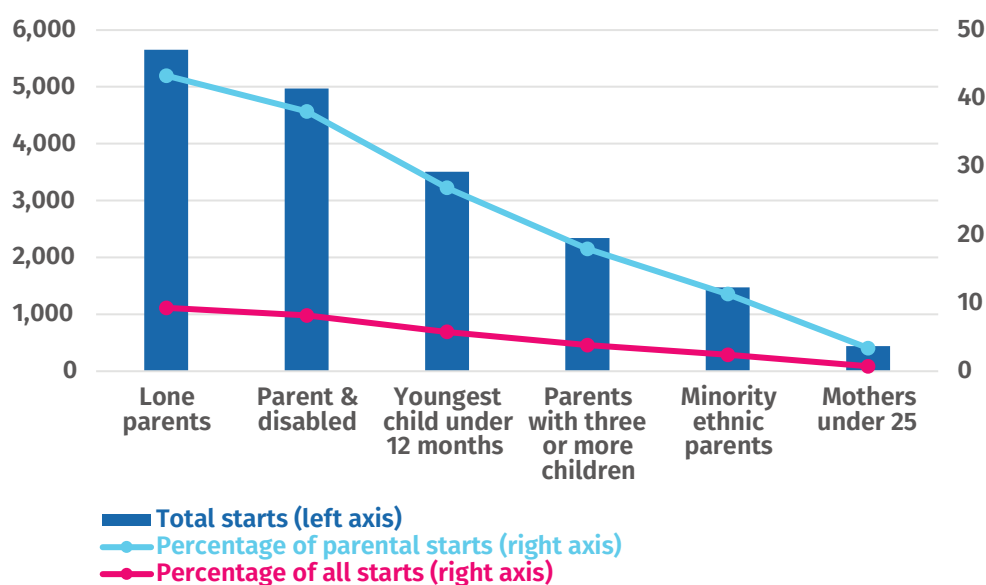


Source: Author's analysis of (Scottish Government 2023b)

These are sizeable numbers and show that the system can operate at scale – albeit with questions over whether that goes far enough – but mirroring NOLB, uptake among parents is far lower. Lone parents, again, make up the highest proportion of starts (at just under 10 per cent) – unsurprisingly, given their specific inclusion in eligibility criteria – but this then declines across every other group, to a low of under 1 per cent among mothers under the age of 25 (figure 2.5).

**FIGURE 2.5: IN KEEPING WITH NOLB, JUST A FRACTION OF PARENTAL STARTS ON FSS COME FROM THE PRIORITY FAMILY GROUPS**

Starts on FSS by demographic group, April 2018 to June 2023 total



Source: Author's analysis of Scottish Government 2023b

While, at a headline level, there appear to be reasonable efforts to increase the overall number of people accessing services – albeit still low relative to the overall population who are out of work – there remain issues with boosting the number of parents accessing services, and even more so priority group parents.

From discussions with service providers, this was recognised as a clear priority, with examples of best practice and innovative services across Scotland. It was also something which was recognised as a particular strength of third sector providers – engaging with people far from the labour market, in settings and ways which work for them.

***“If you're in poverty you might go to a small community organisation and feel safe. You might not feel the same going to a council/DWP run service”.***

NOLB service provider

At a most basic level, this includes taking steps to proactively identify and reach out to those who may benefit from support – and, importantly, doing so in places where parents are (for example, schools and early years centres), with less of a focus on taking referrals from traditional sources.

It also requires efforts to overcome – particularly for some of the priority groups – what can be ingrained barriers to accessing support. For some, this can be cultural, with a more proactive approach required. But it can also be an issue of trust,

particularly when many people's only interaction with official systems will have often been through a negative interaction with a Jobcentre Plus.

**Recommendation:** Services should move immediately to a 'no wrong door' footing ensuring people can access information and advice on employability support where and when they need it. Despite repeated commitments to this approach, it is still caught in pilot mode rather than being fully integrated into service delivery. This should sit alongside an automatic proactive offer for anyone in receipt of a devolved benefit.

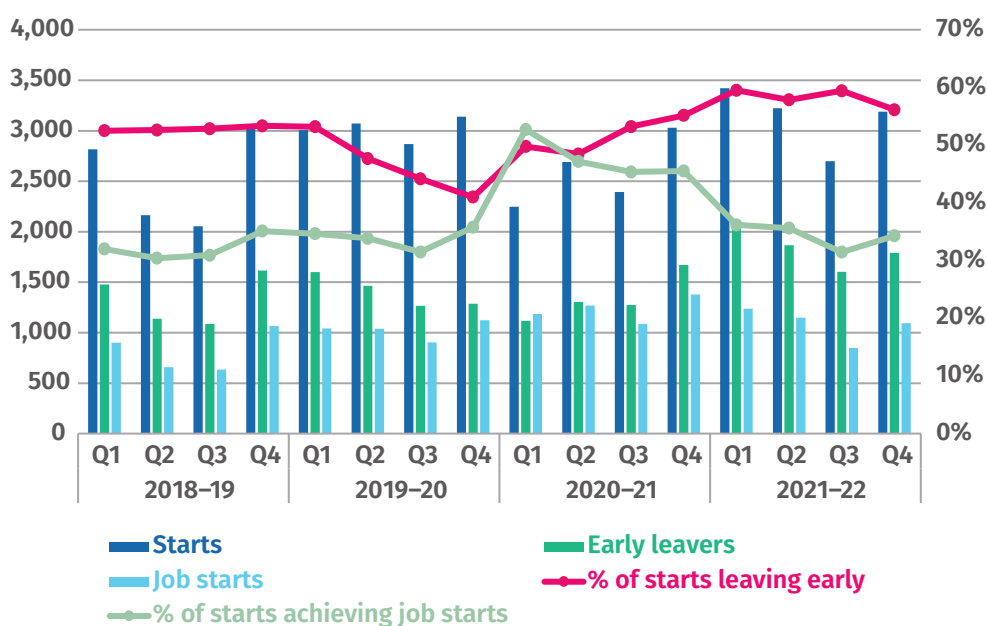
### Impact

Following on from the scale of delivery, we can then consider the scale of impact. Given the government's stated ambitions, that can be most simply assessed through the number of people progressing to work. Here the picture is less encouraging.

Looking first at FSS, the proportion of people who progress to a job start has been relatively consistent at around one-third – but, more worryingly, the proportion who leave the programme early has generally remained far higher, at two-thirds (figure 2.6).

**FIGURE 2.6: OVER TWO-THIRDS OF PEOPLE STARTING ON FSS LEAVE EARLY AND JUST A THIRD GO ON TO ACHIEVE A JOB START**

Fair Start Scotland starts, early leavers, job starts and outcomes

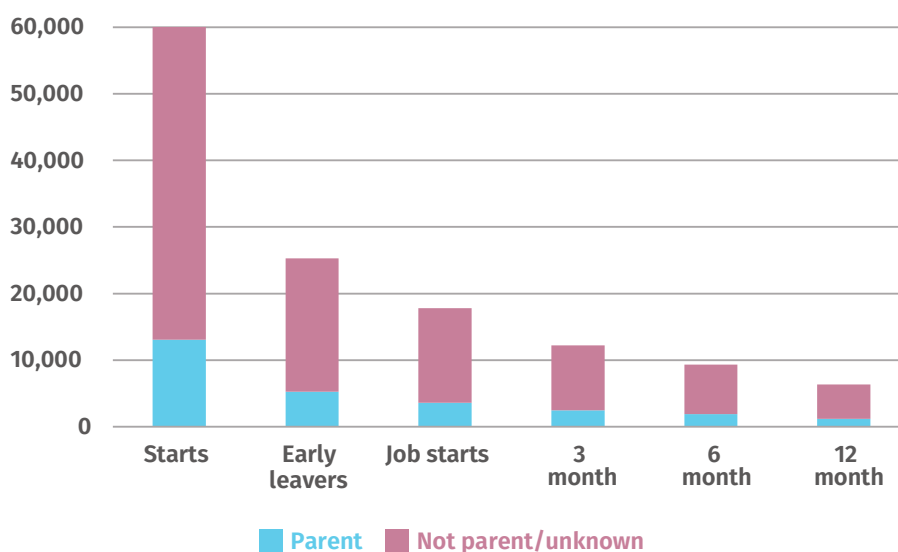


Source: Scottish Government, *Scotland's devolved employment services* (Scottish Government 2023b)  
 Note: Figures are only given for April 2018 to March 2022 to ensure only those who have enough time to record final outcomes are included.

Repeating the same pattern seen in start figures and worrying in the context of the government's child poverty commitments, only a fraction of these job starts could be defined as sustained (lasting at least 12 months) and even less so when we only consider the outcome for parents (figure 2.7).

**FIGURE 2.7: THERE IS A SIGNIFICANT GAP BETWEEN PROGRAMME STARTS AND JOB STARTS ON FAIR START SCOTLAND – PARTICULARLY FOR PARENTS**

Fair Start Scotland starts, early leavers and job outcomes, April 2018 to March 2022

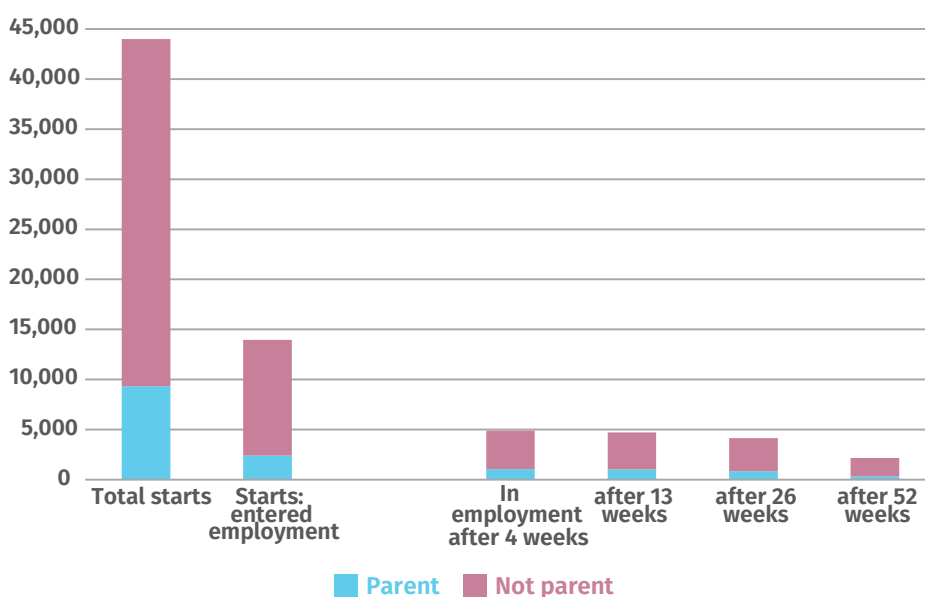


Source: Scottish Government, *Scotland's devolved employment services* (Scottish Government 2023b)  
 Note: Figures relate to the period April 2018 to March 2022 to ensure only those who enough time has elapsed to record final outcomes are included.

This pattern of a low conversion rate from service start to job start is also seen in NOLB. Between April 2020 and June 2023, from 44,000 overall starts, 13,953 entered employment and just 2,144 of those were 'sustained' – of which only 314 were parents (figure 2.8).

**FIGURE 2.8: TO DATE ONE-THIRD OF NOLB STARTS HAVE PROGRESSED INTO EMPLOYMENT – BUT THOSE GOING INTO SUSTAINED EMPLOYMENT DROPS EVEN FURTHER WITH PARENTS JUST A FRACTION OF THAT FIGURE**

NOLB participants receiving support and achieving outcomes, April 2019 to June 2023



Source: Scottish Government, *Scotland's devolved employment services* (Scottish Government 2023b)

Based on all the evidence to date, there is a significant gap between the government’s ambitions and reality, with a high degree of optimism attached to meeting the goals they have set and likely requiring further resources to get close to them (table 2.1).

**TABLE 2.1: BEST START, BRIGHT FUTURES (BSBF) PARENTAL EMPLOYABILITY AMBITIONS AND PROGRESS**

BSBF ambitions 2022/23 to 2025/26	Current progress
51,600 parents supported through out-of-work support (an average of 12,900 a year). 34,400 parents supported through in-work support (an average of 8,600 a year).	Between April 2018 and June 2023 (62 months), 13,052 parents started on FSS – an implied average of 2,526 per year. Between April 2020 and June 2023 (38 months), 9,316 parents started on NOLB – an implied average of 2,942 a year.
6,225 parents supported into work (an average of 1,556 per year) and a further 2,160 to increase their earnings.	3,603 secured a job start through FSS (including those who had one of less than three months) – an implied average of 697 per year.  'Sustained' employment drops even lower – just 1,205 parents secured a job start of 12 months (an implied average of 233 per year).
In total, reach an anticipated 86,000 parents (an average of almost 21,500 per year) through in-work and out-of-work support.  A stretch aim of moving 12,000 parents into sustained employment (an average of 3,000 per year).	Meeting the overall target would require a 293% increase in the number of parental starts onto programmes.  Meeting the stretch aim could require a 202% increase in the number of parents entering work each year.

Source: Author’s analysis of Scottish Government, *Tackling child poverty delivery plan 2022-2026* (Scottish Government 2022a)

These goals are (rightly) ambitious – however, they become even more so when you consider the assumptions underpinning them, particularly the conversion rate of people reached to people achieving outcomes, as set out in the government’s methodology (Scottish Government 2022a).

- The out-of-work offer assumes a conversion rate of 20 per cent – compared to an observed conversion rate of 8–16 per cent seen in FSS for out-of-work participants.
- The in-work offer assumes a conversion of 10 per cent – compared to an implied conversion rate of 6 per cent seen in the Work Programme for in-work participants.

Equally, the actual increase required for both targets may now be much higher given recent funding cuts and in turn reduced capacity.

### Funding

Central to any consideration of scale and delivery within employability support is the funding committed to it. If meeting the government’s ambitions requires a scaling up of programmes, that also requires a scaling up of funding.

This made even more concerning the government’s justification for cutting £53 million from employability support in 2022/23 through its ‘Emergency Budget Review’ – that programmes were not being cut but rather extra capacity would not be added. Extra capacity is precisely what is required if commitments are to be met.



Given that cut, and in turn the added capacity which went unrealised in 2022/23, further scaling up will likely now be required across the remaining period of the government’s plan just to get back on track. However, while additional funding was provided for employability through the 2023/24 budget it remains unclear how much of this is specifically earmarked for parental employability (as opposed to wider initiatives) and the 2024/25 draft Scottish budget has in turn announced a further cut in overall support.

While FSS received £26.7 million in 2023/24, with the current contracts coming to an end and services being transferred to NOLB this is being reduced to £13 million in 2024/25. However, funding for Employability and Workforce Skills (which includes NOLB) is also being cut – from £99.7 million to £86.3 million (author’s analysis of Scottish Government 2023c).

The government has indicated this is due to various budget transfers between portfolios being baselined, and this figure now represents the amount solely for devolved employability activity. However, the published budget figures for local government, which delivers No One Left Behind, demonstrate a more concerning trend of budget cuts, particularly – on its face – for parental employability (table 2.2).

**TABLE 2.2: ESTIMATED LOCAL GOVERNMENT FUNDING FOR NO ONE LEFT BEHIND (NOLB)**

Budget line	2023/24 (£m)	2024/25 (£m)
NOLB (including Parental Employability)	30.5	75.5
Parental Employment Support Funding	69.7	0
<b>Total</b>	<b>100.2</b>	<b>75.5</b>

Source: Author’s analysis of Scottish Government 2023c

Published figures show that £455.6 million<sup>5</sup> was expected to be spent on the employability offer to parents across 2022/23 and 2025/26 (Scottish Government 2022a); however, no information is given on the profiling of this – or if indeed it was genuinely all for *parental* employability. This would be a substantial amount – an average of just under £114 million per year – but sits against a budget which appears to have eroded over the past two years.

In the absence of further detail from government, this ultimately represents a significant cut in funding for local employability support – at a time when local authorities are about to be asked to do more, with the transfer of previously FSS delivered responsibilities – and on its face only serves to undermine those previously stated ambitions.

While the *quantum* of funding clearly poses risk to delivery and impact, the *model* of funding was also highlighted by service providers. While it was most succinctly summed up by one as “a disaster” three common issues were raised across all our interviews.

### 1. Lack of certainty

**“Quite often it’s not even one year funding – by the time it comes through, we’re sometimes commissioning services for 6 months. But you need to be able to work with people over a much longer period.”**

NOLB service provider

5 The exact figure is £455,640,000.

The timing of individual NOLB allocations – and a protracted delay between overall local government funding being announced as part of the Budget process and local authorities receiving notice of their specific NOLB grants – was raised consistently as a negative.

The funding year 2023/24 was highlighted as a particularly egregious example, with local authorities not being notified until the end of May 2023 – almost two months into the financial year. Given the lead-in time required to procure services, this led to a range of consequences. In some instances, services would not start to be procured until funding was confirmed – and that could lead to those then not being in place until the end of the year and only confirmed for a few months. In others, services were procured ahead of funding confirmation but that brought huge risk to local authorities and the third sector, should the expected funding not materialise.

Instead, multi-annual funding, allocated with sufficient lead-in time to plan and commission long-term services with certainty, was identified in all our interviews as one of the most immediate steps the government should take to improve delivery.



**Recommendation: Annual funding – often delivered months into a financial year – should end and government should commit to a multi-year funding cycle. This would provide security and certainty for delivery organisations, particularly the third sector, and enable the commissioning of services which work with people over a longer time frame particularly where that supports a wider set of outcomes, beyond pure employability.**

## 2. A political process

***“Routing money through local authorities ultimately makes it a political process”.***

NOLB service provider

While employability providers we spoke to, involved in the delivery of NOLB, felt that there were many positive aspects of a local model – not least in knowing local labour markets and communities – their views on the effects of routing funding through local authorities were often less positive.

For some, the internal workings and requirements of local government meant it was viewed as a time-consuming and bureaucratic exercise. This included hindering an ability to work across areas on a wider geographical basis (where a larger cohort of people or more specialist services may work better at scale), and for others it created duplication of services and functions, with the same service being commissioned in multiple areas.

Relatedly, compared to a previous model of funding distributed through one organisation, the current model was viewed as more opaque – with it often being unclear how much money went in to local authorities and in turn what came out. In part, this is an issue of transparency, with individual local authority allocations for NOLB not published.

This also then interlinks with the role of local employability partnerships (LEPs) – which bring together a range of partners in local authority areas, to support implementation of employability policy – which had mixed views. In some instances, we heard examples of best practice and where LEPs had genuinely helped to drive strategy and delivery; however, in many others, the role of LEPs was seen as unclear and inconsistent.

***“Local employability partnerships don’t have enough power or governance to ensure that money doesn’t get creamed off before it gets to services.”***

NOLB service provider



**Recommendation:** The strategy and delivery role of local employability partnerships should be enhanced, particularly around the planning and commissioning of services. In time, this could include strengthening the governance and accountability mechanisms of LEPs to provide funding directly to them.

Enhancing the role of LEPs up to and including the point of giving them responsibility – or at least greater say over – commissioning would also go some way to addressing a perceived issue within the existing system: the same part of a local authority that receives employability funding also delivers employability services.

The picture on internal delivery versus external commissioning is varied across Scotland, with figures ranging from 90 per cent of services delivered through the third sector in one area to all but “very niche or specialist” services being delivered by the local authority in another (Scottish Government 2023d). While it is legitimate for local authorities to deliver services, the potential for a *perceived* conflict of interest was noted during our interviews.

At a time when budgets are being squeezed, it risks adding incentive to retain services (and funding) in-house, restricting the role of third sector providers – organisations which our interviews with service users show deliver vitally important functions, particularly for harder to reach groups and those who might not engage with ‘official’ services.



**Recommendation:** Local authorities should ensure their employability delivery and commissioning functions are held by separate teams. In tandem, the default assumption should be the outsourcing of services to third sector partners who can provide services at an arms-length from local authorities, particularly where those services are intended to provide ‘whole-family’ support.

### 3. Dilution of local funding

*“Local authorities have stripped back all the money they used to spend and are only using Scottish government and Shared Prosperity Fund money instead. That has just reduced services, not enhanced them.”*

NOLB service provider

Finally, there was a perception among providers that the transfer of responsibility – and funding – for employability to local authorities, together with funding provided by the UK government through the Shared Prosperity Fund, had led many to cut money they would otherwise have provided through core budgets, diminishing the overall budget available.

In many – though not all – instances, however, respondents did not direct anger or blame for this at local authorities. Instead, it was viewed as a natural consequence of:

- an overall squeeze on funding for local authorities
- a ‘local’ service still being delivered through nationally determined funding/direction
- the increasing ring-fencing of local authority budgets for specific, national, priorities.

Across many of the interviews this echoed a broader sentiment that the shift of NOLB to local authorities, despite it nominally being a shared priority with national government, did not come with attendant accountability or responsibility from national government.

## REALISING SHARED AMBITIONS

None of these issues should detract from – nor do they necessarily contradict – what is often an overwhelmingly positive view of the services available through NOLB and FSS, particularly among service users.

***“They [FSS-delivered service] are genuinely looking for work for you as well – tailored to what you can and cannot do – whereas the dole is the other way around.”***

FSS service user

Throughout our focus groups, we heard service users speak very highly of the support on offer and what it had done for them, particularly when set against the contrasting, negative view they had of interacting with DWP. Those views are reinforced by positive responses in evaluations of FSS around issues such as being treated with dignity and respect, individual needs being taken account of, and having a choice in the support provided (Scottish Government 2021).

***“When I first started my job, I didn’t have shoes or a jacket, and [my service provider] paid for all that – and if I needed anything else for my job [or] I was having a difficult period in my job, I got support through that. If I wasn’t here, I wouldn’t be able to work properly.”***

FSS service user

While, at an individual level, services may be highly thought of, the analysis does reinforce a common view that the scale and delivery of those services are not yet at the level required to truly shift the curve on child poverty (Scottish Parliament 2023b).

Among service providers, this then feeds into contrasting views around the delivery model and what employability support is trying to achieve, heightened by the shifting of previously FSS delivered support into NOLB from April 2024. We heard often – perhaps not surprisingly – conflicting views on the question of how services were delivered and to what ends, with three potential tensions highlighting a common theme.

### 1. Local versus regional support

The most-repeated tension among all our interviews was the level at which services are delivered – with diametric views between current providers of NOLB services (commissioned and delivered at a local authority level) and FSS services (commissioned and delivered on a quasi-regional model, across nine geographic areas).

Local service delivery bodies favoured continuing with that model, on the basis that it brings services closer to people. Providers, and service users, spoke positively about how local services can enable support to be delivered in a smaller and more bespoke fashion and that this helped to engender trust with individuals. There were a number of fears that any shift away from that type of model would risk outcomes for people which – as discussed below – quite often go well beyond purely employment outcomes.

***“If you talk to people who are using employability services they don’t want a national service. They want somebody they know; they want an organisation that their friends refer them to, they want something which is relevant to their community, and something which they feel comfortable with.”***

NOLB service provider

National service providers, however, spoke positively about the economies of scale that can be achieved and the ability to deliver for a larger cohort of people

– particularly where they might require more specialist support. Again, this is understandable. The current contract model for FSS enables a scaling up of services and ultimately (in their view) the opportunity to deliver for more people, while also cutting down on the risk of duplication across ‘back office’ functions. It was also seen to offer a clearer service, with greater certainty about what was available, where.

*“The systems and processes that [FSS services] have in place can only be afforded if you’re delivering at scale. The economies of scale get diluted at a local level and I suspect the numbers that have been achieved, will significantly drop [when contracts come to an end].”*

FSS service provider

Contrasting views are perhaps unsurprising – both sides are advocating for the model as they know it. However, to ensure a successful shift of support out of FSS and into NOLB, it will be vital to manage that tension, to ensure existing expertise is not lost. In part, that responsibility should rest with LEPs but experiences of these vary across the country.

While bringing together relevant partners at a local level was viewed as a positive, in many areas their role was seen as ill-defined and lacking in any genuine governance or accountability role, particularly around funding and commissioning.

Clarifying and enhancing their role, giving them a more direct say in commissioning, and enabling them to work with neighbouring LEPs where appropriate would go some way to establishing a more coherent offer across the country.



**Recommendation:** There should be a common framework for the operation of local employability partnerships across Scotland, underpinned by clear responsibilities and accountability – including, enhancing their role in commissioning.

While the default position of most of the NOLB providers we spoke to was for services delivered at a local level, some did recognise the benefit of being able to scale up support where required and operate across larger areas.

*“When you have the scale of funding required to tackle poverty it needs to have some kind of accountability and governance but I’m not sure doing that through local authorities has been helpful ... local is too small, national too big – regional removes some of the politics and allows you to scale up and gives you a chance of partnership working across local authorities.”*

NOLB service provider

That ability to pool resources and deliver support at a larger level was seen as particularly beneficial for groups who may require specialist support – which may not be as relevant in a smaller geographic area and not receive the necessary attention or funding – and in turn for third sector organisations equipped to operate at that scale. This is particularly the case for disabled people and those with an ill-health condition – who make up a significant part of the large, and growing, economically inactive population, but, importantly, many of whom also want to work – where specialist provision may have been lost or diminished through the move to a local model of support.

With support previously delivered by FSS soon to be transferred to NOLB, there has been no suggestion that its regional model will also follow; however, many providers (and service users) operating under that model spoke positively about its benefits and the risks of losing scale and specialist support.

While a proscribed approach would not be appropriate – and it should be for each area to determine specific needs – time and again we heard how the commissioning model could act as an automatic barrier to exploring alternative models beyond one local authority.



**Recommendation:** The strategy, commissioning, and delivery role of LEPs should be strengthened and enhanced. This could include transferring all responsibility for the planning and commissioning of services to LEPs. Together with a clear governance framework, this could better enable the pooling of resources, joint commissioning and shared delivery models across local authority areas where there is a labour market or population need which would be met through scaling up of services.

Using improved data and metrics, LEPs should also work collaboratively to identify population groups, specialist services and geographical areas which may benefit from larger-scale and alternative provision and work with LEPs to deliver this.

Finally, a recurring theme of views on local delivery was the risk of divesting any national responsibility by Scottish government. This was echoed by NOLB delivery partners, who – while welcoming local delivery – felt it shifted all responsibility onto local authorities, with no accountability on the part of national government. It was also echoed by FSS providers, who raised concerns about a loss of accountability and dilution of national standards once support was shifted into NOLB this year.

While local delivery enables a more targeted and granular approach, that doesn't have to mean devolving all responsibility and accountability. Globally, there are numerous examples of strong, locally delivered systems which retain an element of national oversight, guidance and support (Learning and Work Institute 2017) – ensuring that local links and expertise are respected and utilised while sitting alongside clear accountability for objective setting to, and support from, national government.



**Recommendation:** Local delivery should still come with national accountability. There should be a stronger process for local and national government working together to set clear targets and outcomes, with both having responsibility – through funding and delivery – and accountability for achieving these. The chairs of each LEP should then come together into a national forum – together with the Convention of Scottish Local Authorities (COSLA) and Scottish government – to oversee progress and identify areas for improvement.

## 2. Employability support versus pastoral support

*“The barriers that people face can be chaotic, like domestic abuse, poor housing, mental ill-health. That makes employment difficult to think about. If they can't get past those, employment has no chance.”*

NOLB service provider

A second theme in our discussions was the perception that FSS provided something more approaching pure 'employability' support. That is, services designed to support people close to the labour market with the 'functional' skills needed to get there – for example interview techniques and CV writing – whereas services delivered through NOLB (particularly third sector provision) provided more holistic and 'pastoral' support.

While this is not to be entirely founded – and in focus groups we heard FSS service users talk positively about the non-employability support they had received – it would not be wholly surprising given the makeup of people accessing those different services.

Existing research has shown that FSS service users are more likely to be closer to the labour market than initial expectations (Scottish Government 2022b). As such, while specialist services were the ones deemed most useful in surveys, they were also the ones taken up by the smallest proportion of participants. For the vast majority, what would be deemed ‘employability’ was far more likely to be the main service they required. However, it cannot be ignored that the devolution which led to the creation of Fair Start Scotland was, partly, explicitly about supporting disabled people, with a subsequent fear that this more specialist support has been diminished.

In contrast, in our discussions with NOLB delivery partners and service users, employability was often the “last piece of the puzzle” and would not come until much later in a person’s interaction. Instead, wider issues and ‘whole-family’ support – including childcare, housing, and debt advice – were far more likely to be required. Essentially, recognising that for many people – particularly those furthest from the labour market – there are immense barriers in their life to taking on a job.

*“This is the only project like it in the area – it’s really important to have something that’s not pure ‘employability’”*

NOLB service provider

This speaks to a need to ensure a spread of provision – and funding – continues once previously FSS delivered support shifts into NOLB. Some people will be closer to the labour market and may just require some practical support to take the next step. Others will be much further away and require more intensive support. For both groups, the risk of a ‘one-size fits all’ model – which either asks too much of them or holds them back – needs to be avoided.

That means ensuring a pre-support pipeline is available that can identify individuals and direct them to the most appropriate source of support which will also require a more granular level of data collection and analysis. Where services would then be better delivered at scale, for example in providing that more functional support, that could then be commissioned and delivered on a broader geographic basis, while protecting smaller-scale, third-sector services for those who require more intensive support.



**Recommendation:** Local and Scottish government should work together to provide a ‘twin-track’ approach to service provision in every local authority, with a pre-support pipeline that can identify the most appropriate route. This would identify and separate individuals closer to the labour market who may only require short-term and more ‘functional’ support from those who require broader, ‘whole person’ support (where employability may not feature prominently to start), ensuring an appropriate pathway for both. Crucially, this should also come with some ringfencing of NOLB funding to protect services and opportunities specifically for disability and ill-health support, previously delivered through FSS.

### 3. Outcomes based funding versus needs-based funding

Finally, we heard differing views on the issue of how funding is provided and for what outcomes and ensuring the right balance between striving for tangible and positive employment outcomes while recognising that, for many people, those outcomes may not be immediately achievable.

FSS funding was awarded in nine publicly procured contracts in 2017/18. Its model seeks to avoid any incentive for providers to ‘cream’ the easiest cases (which can arise from provider payments based on employment outcomes irrespective of the needs of the individual supported) by setting out three service groups (from ‘Core’ with the lowest requirements, through ‘Advanced’ to ‘Intense’) with increasing

support needs and correspondingly higher maximum per-client fees. However, it has still retained a payment by results model, with providers paid at stages of a client's sustained employment.

While this ensures a focus on delivering employment outcomes, it retains the risk of incentivising 'creaming and parking' where clients closer to the labour market are prioritised over those whose prospects of sustained employment may be further away; essentially, those people for whom employment support was described as the last piece of the puzzle and coming after more intensive whole-person support.

For its part, NOLB does not have the same outcome-based funding requirements – with funding instead allocated to local authorities on a pro-rata share and it is then for local authorities to determine spend, whether in-house or commissioned externally – and an explicit part of the review and redesign of NOLB in 2018 was a recognition that success should be measured by more than job outcomes (Scottish Government 2018b). Funding can, however, be used to offer an 'Employer Recruitment Incentive' which provides payments to businesses to 'recruit and sustain' eligible employees, provided they meet certain criteria (for example, not offering precarious or 'zero hours' contracts) and the contract is either fixed term, up to 18 months, or permanent.

This again can be viewed as much of a symptom of the potentially differing client groups the two services provide for – NOLB very often delivers broad support which may not even explicitly be about getting people into work, while FSS, by virtue of its devolution from formerly DWP-commissioned services, more often is. Again, there were diverging views here across service providers – between those who felt that outcomes-based funding gives rise to the risk of parking and creaming and those who felt that it added accountability and better returns for investment.

As noted above, the Scottish government's modelling shows that, with £455.6 million of (then planned) funding in its employability offer across 2022/23 to 2025/26, it hopes to help 6,225 into work and a further 2,610 to increase their earnings in work. Even based on optimistic assumptions, that is an investment of almost £55,000 per positive outcome.

While all our research points to a need to protect against employability being viewed purely through a job outcomes lens, we will only see significant poverty shifts through helping more people into fair work.

In any system that is seeking to support people with a range of needs and at differing levels of readiness for the labour market, parking and creaming must be avoided or you risk pushing people even further away. However, that does not mean that transparency and accountability of funding should not exist. Indeed, while an explicit purpose of NOLB was to judge success by more than job outcomes, there is no clear measurement framework, or data collection/publication, to evidence what those outcomes are.

While the government provides grant funding to each local authority for NOLB – and this will be supplemented by funding for previously FSS-delivered services – it is not clear on what basis these grant amounts are arrived at or what is expected in return.





**Recommendation:** While avoiding any requirements for ‘payment by results’, NOLB grant funding should more transparently come with clear detail on the outcomes expected in return for it. This should set out clearly the numbers of people expected to be supported and the range of outcomes expected – beyond simple job outcomes. This could ensure a spread of provision remains – protecting specialist support which may not lead to immediate job outcomes while also encouraging more functional support which may – while aiding a collective understanding of what is being achieved.

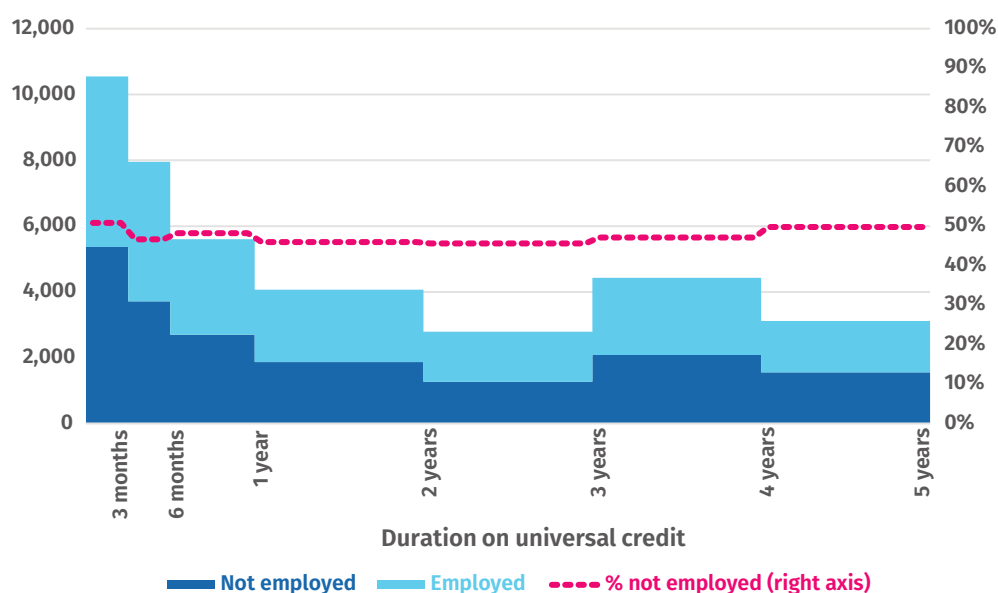
### 3. DEVOLVED AMBITIONS AND RESERVED POWERS

The evidence so far indicates that the scale of employability programmes in Scotland is unlikely to match the scale of ambitions set out by the Scottish government. However, it is also the case that the potential impact of those interventions in part depends on the size of the cohort able to benefit from them. Under the current devolution settlement that pales in comparison to the total number of people receiving out of work or low-income benefits.

These are the people who would most benefit from training, upskilling and employment support, but hit up against programmes which are (broadly) limited to supporting long-term unemployed and disabled people. For most people out of work, their main (and often only) interaction with employment support will be through a reserved Jobcentre – which brings limitations for them, through a system with many shortcomings, and for government, in the ‘pool’ of people they can reach through devolved powers. Even where an individual is on a devolved programme they will more than likely still be subject to the conditionality and sanctions regime within universal credit (UC).

**FIGURE 3.1: MOST PEOPLE STARTING UNIVERSAL CREDIT RECEIVE IT FOR LESS THAN A YEAR – THOUGH THERE IS A LONG TAIL CONTINUE TO DEPEND ON IT FOR YEARS**

Number of universal credit claimants in Scotland (excluding those with no work requirements) by months since first claim, October 2023



Source: Author’s analysis of (DWP 2023a)

The most recent Scottish data indicates most people deemed able to work who join universal credit stop claiming within a year (figure 3.1). However, a significant number – almost 200,000 people – continue to receive UC long after this first year. In particular, the number of people who have been claiming UC for two to three years is almost identical to the number who have been claiming for one to two years, showing a core group who continue to depend on benefit payments.

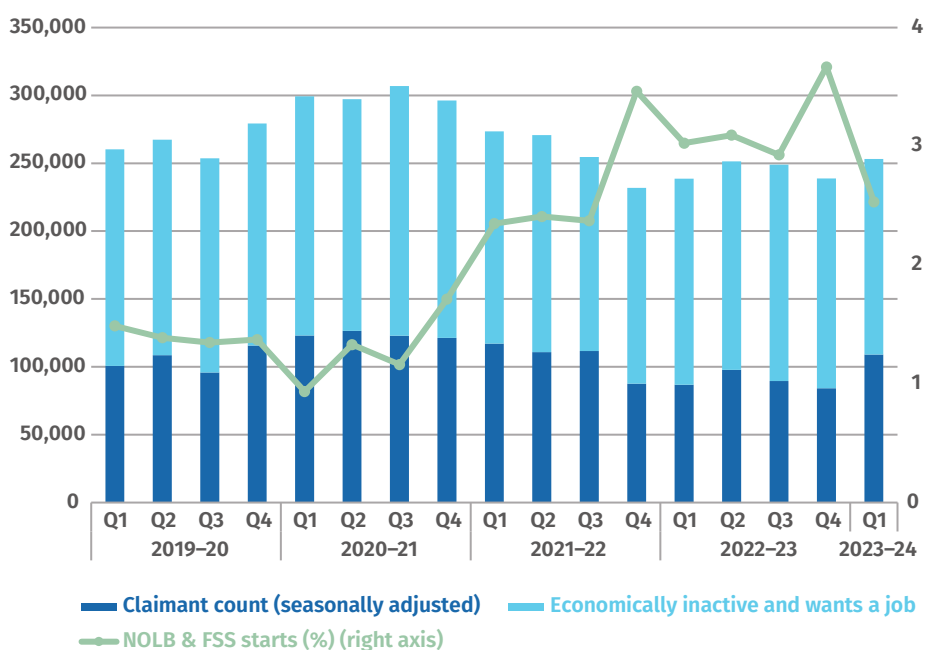
Strikingly, the proportion of UC claimants who are not employed is stable at around 50 per cent as claim durations grow. Only a minority, if any, of these people will have been continuously unemployed. The punitive sanctions regime is designed to push claimants into work, and the 100,000 people without work who have been claiming UC for more than a year is a much larger group than the 30,000 people unemployed for more than a year.

This reflects people cycling in and out of unsuitable, precarious or low paid work – a pattern that the sanctions regime has been found to actively promote (Dwyer 2018). The stability of the proportion of people out of work as UC claim duration lengthens indicates this cycling is persistent. It also means periods of unemployment are regularly experienced by more than the 100,000 people who happen to be unemployed when snapshot data is recorded – but whose only support comes through a reserved Jobcentre.

One way to look at the ‘pool’ of people who might benefit from employment support in Scotland – but in turn the low proportion who benefit from devolved provision – is to compare the numbers of people who are out of and/or looking for work, through the combined claimant count and ‘economically inactive but want a job’ population, and the proportion of this represented by starts on NOLB and FSS.

**FIGURE 3.2: PEOPLE STARTING ON FAIR START SCOTLAND AND NO ONE LEFT BEHIND REPRESENT A FRACTION OF THOSE OUT OF AND/OR LOOKING FOR WORK**

**NOLB and FSS starts as a proportion of the total number of people who claiming unemployment benefits or economically inactive and want to work, Scotland**



Source: Author’s analysis of (Scottish Government 2023b), (ONS 2023b) and ONS, ‘Claimant count’ (ONS 2023c)

Note: Claimant count is a three-month average of the relevant quarter.

While there were a quarter of a million people out of work and/or looking for work across the first quarter of 2023/24, 6,412 people started on FSS and NOLB in the same period – less than 3 per cent (figure 3.2).

While this analysis comes with caveats, it paints a striking picture and underlines the fundamental issue with the current system for both providers and users: it is complex and disjointed, with responsibility shared across UK, Scottish and local government.

At its worst, the devolution settlement and design of the system could actively work to undermine the Scottish government's ambitions, by severely restricting the numbers of people eligible to get support from NOLB. Their main, if not only, interaction with 'support' will be through a Jobcentre Plus.

***“If you are solely with Jobcentre Plus, they put you into a job and that’s it [but] there could be issues through that work-life as well [but] I have to be working there because they’ll be on my back again ... there is [no support] – whereas for [NOLB-funded service] the support is there. They need to back off and let [NOLB-funded service] do what they need to do – and then hopefully the end result is a good one”.***

FSS service user

Time and again, the DWP model was raised as an issue and viewed overwhelmingly as a negative – particularly when compared to support received through NOLB and FSS.

At its worst, the current model, and the main component of the 'claimant commitment', "will not help all claimants to achieve better labour market outcomes and, in some cases, could have a detrimental impact, especially on claimants in vulnerable circumstances" (SSAC 2019). Previous IPPR research has also examined the flawed model of employment support currently provided at a UK-level (Wilkes et al 2023) and this research affirms four key issues identified through it.

### **A broken social settlement**

Throughout this and previous research, we have seen how employment support is often typified by the 'ABC' model: any job, better job, career. This can push service users to apply for any role which generates some earnings, before, in theory, progressing in work and towards a career. There is scant evidence, however, that DWP services facilitate this final step, with outcome measures that only focus on getting a job and do not take account of earnings, working conditions or scope for progression.

Such an 'ABC' approach has only got worse following UK government reforms in 2022 which reduced the amount of time people could limit their job search to chosen occupations to just four weeks (down from 13), after which they must take any job. Not only is there little evidence this will deliver better, or sustained, job outcomes, there are fears it could bring negative consequences (SSAC 2022).

***“No compassion, no flexibility, or anything when it comes to the Jobcentre or DWP for that matter ... They put on pressure, ‘just get a job’. Regardless – ‘just get a job’”***

FSS service user

There is real potential in investing in careers advice and support for workers to identify training opportunities and navigate the skills system. Instead, the system simply prioritises getting people off UC, with the – entirely avoidable – outcome that individuals are pushed into taking low quality jobs which are inappropriate to their circumstances.

While much of this can stem from a punitive sanction regime, with people feeling compelled to take on any job, we heard it can also be a symptom of the relationship and dynamic between service users and their work coach.

***“Depends on who you get – to be blunt you’ll get some nice people who want you into a job and [others] who just want you off the stats”.***

FSS service user

While many work coaches provide a supportive role, they are junior roles and may have inadequate training or support which impacts on the service they can provide, particularly for people with more complex needs. Understanding of job roles and local labour markets can be limited, compounded by working in a system with split responsibility, across the Scottish and UK governments. A repeated issue from focus group participants was the fact that work coaches could also change throughout the duration of a claim, further undermining any sense that they provide individualised support.

***“Every time I go in its [a new work coach] that I am meeting with – they don’t know anything about me or my situation. It’s just like starting again ... [you] constantly have to explain your situation. You’re not treated as an individual, [you’re] viewed as a collective”.***

FSS service user

Over and above this, as we heard from practitioners and those working closely with Jobcentres, there can also be a fundamental conflict in the role: work coaches are both careers advisors, which should be a supporting role, and benefits processors, with strict compliance requirements and targets to meet. That creates an inherent tension between the two roles – which should be separated – and undermines the trusting relationship required between work coach and individual to enable positive outcomes.

This latter element then combines with a further sign of a broken social settlement: the link between social security and work. Any successful transformation in employment support will hinge on providing an adequate level of financial support to individuals in and out of work. Low levels of social security are themselves a barrier to finding good work, with a recent evidence review finding negative associations between lower levels of income replacement and employment outcomes (Porter and Johnson-Hunter 2023).

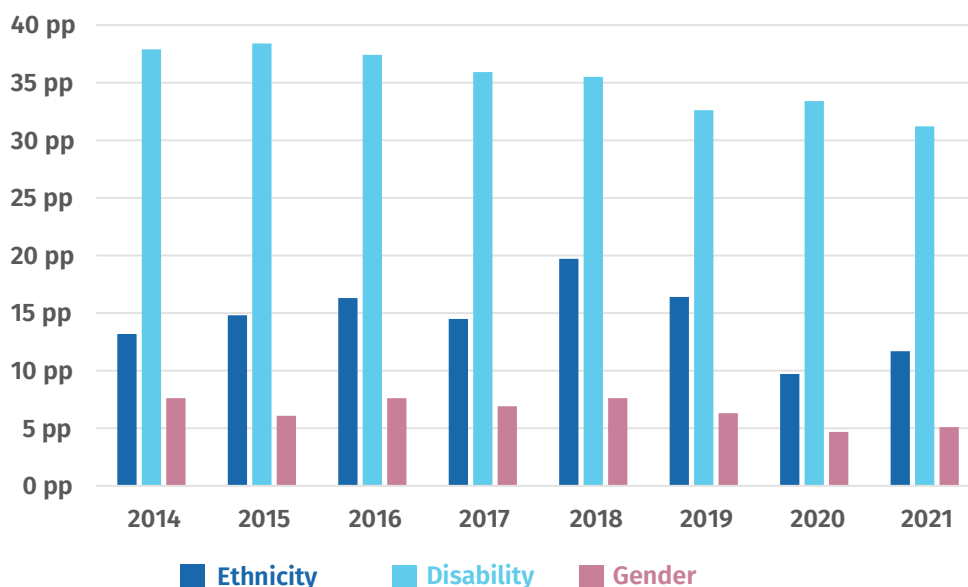
With additional costs such as transport and childcare, which were repeated issues in focus groups, increased working hours may not leave many on UC meaningfully better off. Our focus groups affirmed, despite continued negative stereotypes, that people want to work. However, the current model holds them back or pushes them into a job that is unsuitable or even unaffordable.

### ***A system failing people with the greatest barriers to work***

Given the higher risk of unemployment and poverty associated with certain demographic groups, good employment support becomes even more important to help them overcome the specific barriers they can face. However, throughout our interviews and focus groups, we heard how, for disabled people, parents and carers – who already face a persistent employment gap (figure 3.3) – the Jobcentre system is ill-equipped to respond to their specific issues. A combination of insufficiently specialist support and rigid social security rules exacerbates structural barriers to entering and staying in work.

**FIGURE 3.3: DISABLED PEOPLE, ETHNIC MINORITIES, AND WOMEN FACE A HIGHER GAP IN EMPLOYMENT COMPARED TO THE GENERAL POPULATION**

**Employment rate gap 2014–2021, Scotland**



Source: Author’s analysis of ONS, *Annual Population Survey* (ONS 2023b)

Worryingly, given the significantly higher disability employment gap, our research suggests that jobcentre support is not meeting the needs of disabled people. The DWP has reduced capacity for specialist support through disability employment advisors while increasing the scope for discretion among generalist work coaches, leading to concerns that some are not sufficiently trained to support disabled people and may be setting inappropriate requirements (House of Commons Work and Pensions Committee 2023).

*“I am diagnosed autistic and ADHD, and I went down on assessment, and it doesn’t affect my life enough for me to get any support, so they ignore it ... I don’t get enough points, so I don’t get any extra money or any help. I am expected to do jobs, interviews, go to recruitment days and stuff. Some days I just can’t do stuff like that”.*

FSS service user

To some extent this issue has been mitigated in Scotland with FSS delivering employability support for disabled people. Throughout our interviews with FSS participants we heard how the support provided there was much more positive than experiences through a Jobcentre but with two specific and continuing issues.

First, there is a perceived lack of understanding and empathy around non-physical health conditions in Jobcentres which could mean support was denied or simply not available. Second, and more pressingly, even where an individual is referred to a devolved service, including FSS, while attending *may* count towards their work-search requirements *they are still required to attend a Jobcentre*.

In some instances, this can mean that even where support is more positive and helpful, participants can be expected to drop it for a job – even where that might not be appropriate or beneficial in the long term. For others, participation is not even counted as part of the work search requirements – in the words of one service

user: “If they’ve [Jobcentre Plus] got a job opportunity for you, this [FSS] is done with – which is a joke.”



**Recommendation:** While benefits processing and administration might remain with the DWP, the Scottish government should press to ensure that any individual receiving support through a devolved programme is exempt from universal credit work search requirements and the need to access employment support through a Jobcentre Plus.

Alongside disabled people – and important in the context of Scotland’s child poverty targets – carers and single parents continue to struggle to find work that offers flexibility to fit in with their lives (Clery et al 2022).

*“When I was doing supply work, I wasn’t doing enough hours per week, and they were saying you need to start looking for more. But, when I am fitting this in between trying to work so many hours a day, working around the children ... there’s no more hours I can do.”*

NOLB service user

In large part, this is again an issue of specialist support. While previously Jobcentres had lone parent advisors, and evidence has shown they played an important role (Lane et al 2011) these were gradually cut to the point where similar provision is no longer available. However, in common with many other groups, there is also the issue of the requirements and expectations placed on lone parents which are exacerbated by their circumstances.

In many instances we heard how a lack of understanding on the part of work coaches – whether in the jobs and working patterns offered, or general recognition of the additional pressures and requirements of childcare – could mean unrealistic expectations were placed on parents with the threat of sanctions hanging over them.

*“You’ll get a phone call from the school because something has happened, and you need to attend but you can’t – well, that’s a fail to attend. Well, I am sorry. I’ll take that fail to attend; my child comes first.”*

NOLB service user

#### **A system that doesn’t meet the needs of users or the economy**

While our research, especially the perspectives of service users, shows the importance of support not being viewed purely through an economic lens, it still has a role to play. However, recent research has found many employers frustrated by the ‘ABC’ model.

For some, it has led to high volumes of unsuitable applications and often wasn’t conducive to finding a candidate with the right skills or motivation for the role (Jones and Carson 2023). But these are also frustrations that exist on the part of service users.

*“A lot of the time the Jobcentre will keep recommending certain jobs that either you are not trained to do, you’ve never done in your life, or its jobs that you are really not confident enough ... not the jobs you really want to do.”*

FSS service user

We heard service users describe a system that pushed them to take on roles which they were unqualified and unprepared for – care being cited as a common example. While these roles would often come with promises of training, we heard examples of this not always happening but even when it did, it often simply

added further pressures. That was particularly the case for parents, who spoke of being pushed towards roles which were entirely new, with the attendant time requirements of training, and the inflexibilities of roles, detracting from the time available for childcare.

***“All the jobs ask you to be fully flexible – and I can’t commit to that ... cover holidays and stuff, I can’t work – I need term time, I can’t even do the holidays cause it’s too expensive.”***

NOLB service user

A system which pushes people to take any job, with little regard for existing skills or interests, risks becoming a vicious cycle. It increases the chance of jobs not being sustained, with people finding themselves unemployed again and going back into the system. For employers, it creates constant labour shortages.

At the same time, politicians speak ambitiously about transforming the economy despite skills gaps across a range of important sectors that could hamper workforce growth (Green Jobs Taskforce 2021); while some workers will face acute challenges as our economy evolves beyond traditional industries and sectors (Statham et al 2021). In each of these circumstances, there is a clear and compelling case for targeted support which is better able to respond to the specific needs and circumstances of communities – but which an overly centralised, and reserved, model of support is unable to provide.

#### ***A focus on compliance which causes harm and holds people back***

The continued reservation of Jobcentre Plus, and associated social security policy, means that most people out of work (and many in work) remain subject to one of the most punitive aspects of our current system: sanctions and conditionality.

***“You are terrified you are going to be sanctioned for the slightest thing ... If you don’t apply for a job because you are hardly going to be a bit better off ... depending on who your job advisor is, they will sanction you without blinking.”***

NOLB service user

Employment support has long been shaped by conditionality: everyone who receives means-tested support is required to prepare or search for work, and face a financial penalty where they don’t comply, or provide justification for an exemption from the rules.

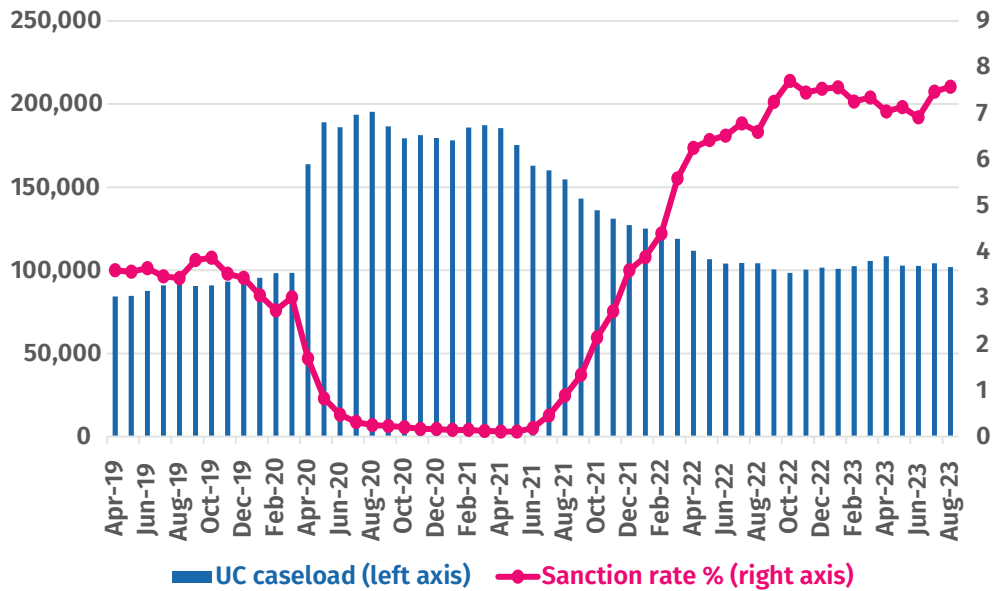
This means Jobcentres are perceived as a means of enforcing rules, rather than providing meaningful support to re-enter or progress in work (Pollard 2019). Recent evidence even estimates that £350 million, and 13 million work-coach-hours, is spent each year just on monitoring claimants (JRF 2024). There is growing evidence that this approach is actively causing harm and is ineffective at supporting people into sustained work. Most damningly, the UK government’s own research indicates that while people who have been sanctioned may spend slightly less time on universal credit they are more likely to exit without PAYE earnings, or into lower paid work (DWP 2023b).

In Scotland, around 100,000 people are subject to ‘full conditionality’ (in the ‘searching for work’ category). However, while that number has come down following the pandemic, the *rate* of people being sanctioned has increased (figure 3.4).



**FIGURE 3.4: WHILE THE NUMBER OF PEOPLE SUBJECT TO FULL CONDITIONALITY IN SCOTLAND HAS FALLEN, POST-PANDEMIC, THEIR SANCTION RATE HAS INCREASED**

Universal credit ‘searching for work’ conditionality group caseload and sanction rate (Scotland only)



Source: Author’s analysis of sanction rate dataset DWP 2023c

While there is often a negative stereotype of people receiving social security in the first place, heightened by perceptions of why an individual would be sanctioned, it is even more concerning *why* people are being sanctioned. Far from it being scores of people refusing to take on work, the UK government’s own figures indicate that it is overwhelmingly related to work coach interviews (table 3.1).

**TABLE 3.1: ALMOST ALL ADVERSE SANCTIONS DECISIONS ARE RELATED TO PARTICIPATION IN WORK COACH INTERVIEWS**

Summary of original UCFS adverse sanction decision reasons from May 2022 to April 2023, (UK-wide)

Original adverse sanction decisions made by reason group	Latest year (n)	Latest year (per cent)
Failure to attend or participate in a mandatory interview	505,510	97.2
Availability for work	5,400	1
Employment programmes	5,480	1.1
Reasons for leaving previous employment	2,840	0.5
Other	630	0.1
<b>Total</b>	<b>519,860</b>	<b>100</b>

Source: DWP 2023d

While it is impossible to know the extent of the ‘failure’ to participate, we heard people reflect on a system that is inflexibly unaccommodating. Appointments that were constantly shifted, work coaches changing repeatedly, and personal responsibilities taking precedence – particularly caring – were all cited as reasons

for sometimes not being able to make appointments. But it is wholly a postcode lottery as to whether they will receive a sympathetic ear or an automatic sanction.

Most pressingly, and in keeping with all the common issues we heard, while failure to participate is the most common reason, we don't question *what* people are being asked to participate in: something which is often seen, by users, as an impersonal system which treats them purely as a statistic.

*“I've had an experience with phone call appointments, where there is a certain time they are meant to phone you, and they didn't. They phoned me while I was dropping off my daughter and didn't answer, and they phoned me again while I was picking up and I got sanctioned ... they were supposed to phone me at 10 o'clock but they didn't, they phoned me twice in the afternoon while I was busy.”*

NOLB service user

Ultimately, using conditionality and sanctions – which uses a threat that financial support will be reduced or stopped – to induce people to meet specific requirements rests on an assumption that people on low incomes wouldn't want to take steps to improve their situation of their own free will. It fails to recognise that many people want to work or increase their earnings, but face barriers to doing so.

In our focus groups, people spoke strongly about wider factors in their life which can all play a significant role in labour market participation – such as debt, childcare and health – alongside inflexible job opportunities and employers. Ultimately, the *threat* does not contribute to improved outcomes – rather, people respond to a *positive*, whether in the support available or even the opportunity to engage.

## 4.

# THE (D)EVOLUTION OF EMPLOYMENT SUPPORT

Our research has laid bare many of the shortcomings of both the devolved system of employability and the reserved elements which make up the bulk of support on offer, risking Scotland's child poverty ambitions. But it also points to where more fundamental reform can instead enable a new offer built on the principles of dignity and respect and drive progress on those ambitions.

- **Impact at scale:** Scottish programmes often operate at the margins of those who could benefit most from support – meaning both scale and impact go unrealised – while service users are caught in the middle of two competing systems. A single system could ensure the necessary scale and deliver stronger outcomes.
- **Dignity and respect at the heart of the system:** The current dual route and split responsibility leaves many individuals at the hands of an often-punitive reserved welfare system, built on the threat of financial penalty. A reformed system can instead ensure a system that strives towards positive and sustained outcomes.
- **No wrong door:** The demarcation lines between reserved and devolved services are already blurred. The design of the system(s) creates a “cluttered landscape” (Scottish Government 2021), with potential pitfalls for individuals and child poverty commitments. Bringing responsibility for all employment support together can enable holistic and integrated person-centred support.
- **Support in the right place, at the right time:** Control over all employment support would ensure a better spread of provision – underpinned by the strong work done by a thriving third sector to deliver positive outcomes together with the functional support required to help people enter, stay and progress in work.



**Recommendation:** Policy and delivery responsibility for all employment support, including the administration of Jobcentre Plus in Scotland, should be devolved to the Scottish parliament.

### A SERVICE THAT WORKS FOR PLACES AND PEOPLE

Full devolution of employment support, including the administration of Jobcentres would enable a refresh and the creation of a system that plays a positive and enabling role in wider national priorities, including tackling child poverty.

While further work would be required to develop the infrastructure and policy detail of what that system should look like, there are three key principles which should guide it.

#### 1. A public service for everyone, available any time

In time, there may be an argument to be made that all social security functions should be devolved to the Scottish parliament. Employment support is only one aspect of the system – it also sits alongside issues like social security payment tapers, work allowances and childcare support which have as much of an impact on a person's ability to enter and progress in work, while means tested benefits

overall today provide record low levels of support relative to average earnings (Parkes and Wilkes 2023).

However, as a starting point, devolving the support aspect would remove some of the most harmful aspects of the current system. That starts with breaking the link between a system which currently administers benefits and provides support, but with the former role often being the primary – and harmful – one.

A new offer, enabled with full employment support powers, would instead build on many of the strong foundations we have while ensuring the necessary spread and scale of provision – underpinned by a broad range of public services and a ‘whole-person’ approach.

## **2. Offering a comprehensive menu of community-based support that works for people and employers**

A common criticism of the current (reserved) system is the depersonalisation and disempowering nature of support, including in their relationship with their work coach. The ever-present threat in the system, through sanctions and conditionality, gives rise to an often tick box and disempowering system. Support should instead become more personalised, focussed on reaching goals that feel right to the individual getting support, and fit with their personal interests, needs and circumstances.

Current employment support offered through Jobcentre Plus – beyond those programmes which have now been devolved – is centrally designed and nationally commissioned. However, specific local area and regional circumstances will mean that a spread of provision is required which should be based on those needs and circumstances.

Full devolution enables the creation of an integrated, place-based and holistic service, and one which can better harness the third sector – supporting the unanimous child poverty ambitions of the Scottish parliament and offering a natural next step for the more limited devolution through the Scotland Act 2016.

Devolution could enable many of the existing functions of the Jobcentre Plus network to be broken up and distributed across third sector organisations who are best placed to provide such support, rooted in their local communities, while retaining scope for specialist services or those which are better delivered at scale to be offered on a larger geographical basis.

## **3. Supporting long-term retention and progression in secure and good quality work**

While getting people into work is key to realising Scotland’s child poverty ambitions, just as important is having sufficient support for people to stay and progress in work. This means developing a greater variety of support for people in work to progress in to more secure and well-paid jobs, including tailored advice and high-quality, job-relevant training and apprenticeships.

By limiting support to people on universal credit, however, the current system stifles the potential impact of employment services. Instead, a new offering should be open to everyone who wants support to enter or stay in work – including a far greater focus on in-work progression. The devolution of all employment support would then sit alongside increased devolution of social security powers, as well as existing devolution of education, training and skills to support this, and ensure a more integrated offering.

This would ensure a service which rejects the current ‘any job’ model – and getting people into precarious work which often results in a negative cycle of poverty – while also providing a safety net for people at risk of falling out of the labour

market who should be offered support to navigate transitions in their lives, and providers should play an active role in brokering adjustments and flexible working.

## **CONCLUSION**

While devolution does not need to be the automatic starting point for policy reform, based on the evidence it appears that the current system of dual responsibility for employment support across the UK and Scottish parliaments has not led to improved outcomes for people or the economy – rather, it risks engendering duplication, confusion and complexity, hindering them instead.

Meanwhile, greater devolution from a national system – detached from local circumstances – has been recognised as a positive in previous inquiries (House of Commons Work and Pensions Committee 2023).

Full devolution of employment support would be the natural next step in delivering a system that is both fit-for-purpose and that can realise its full potential as a route to fulfilling Scotland’s child poverty ambitions.

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