



# Final Report



**The Moray Council for the  
Moray Employability Action  
Group**

**Strengthening the ties  
between Employability and  
Employers**

Rocket Science UK Ltd with Richard Macfarlane

May 2013

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*We would like to thank the wide range of local business owners and the staff of partner organisations for their time and insights.*

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## Executive Summary

Rocket Science with Richard Macfarlane were commissioned by the Moray Council on behalf of the Moray Employability Action Group and with the Moray Economic Partnership to explore how to create strong links between the economic development task and the employability task and specifically how to create more coherence routes to work for those more distant from work.

Our specific brief was to:

- To find ways to strengthen the ties between Employability agencies, Economic Development and Moray Employers that will help to strategically address employability issues and promote economic growth.
- To establish the feasibility of creating a single point of contact for Moray employers (“an employability temp agency”), helping to relieve HR and administrative pressures amongst local employers.
- To establish what scope there is for being able to include community benefit clauses in local public sector procurement that requires the provision of training places to be offered through the proposed temp agency.

We have summarised our brief in a three part question: What can the MEP partners do to:

- Support the creation of more local jobs and training?
- Align the skills and attitudes of those seeking work with the current and emerging needs of employers?
- Create effective routes to work for those furthest from the labour market?

Our work has included a wide range of interviews with stakeholders across Moray, and interviews with over 60 local businesses. We have discussed our provisional findings, conclusions and recommendations with local businesses and stakeholders during two workshops. A draft report was produced as background for a workshop with members of the Moray Employability Action Group on 10<sup>th</sup> April 2013 and we have drawn on their feedback and insights to refine this Final Report.

Our key conclusions are:

- There are a number of aspects of current practice around employability and employer engagement in Moray that represent good practice in a Scottish context.
- There is considerable scope to build on existing structures to make support for recruitment more accessible and coherent for employers. The approach needs to focus on the needs and situation of businesses and it is this perspective which has driven our work.

- It is reasonable and realistic for the partners in Moray to aspire to providing the best business support service in Scotland – which will in turn enhance start up rates and business growth and so help to maximise local job creation.
- As part of this approach there will be benefits from having a high profile contact point for all forms of business support. This will not replace direct connections between a range of existing organisations and businesses – rather it is targeted at transforming the proportion of businesses in Moray which is aware of the array of local business support and knows where to go to get the support they need. There are a number of options for how this objective can be put into practice.
- There is a specific opportunity (already being taken forward by Moray Council with Business Gateway) to develop a locally appropriate micro-business development service which will help micro-business owners minimise the perceived risks of employment and help them to recruit the people who can help them grow their business. The design and development of this service can draw on significant good practice elsewhere in terms of providing a widely known service which promotes business growth through recruitment.
- There is scope for the partners to use their procurement to enhance opportunities for local skill development and job creation that will help those furthest from work gain sustainable employment.
- There is an opportunity for the partners to work together to provide a better match between candidates and vacancies and to work with a range of partners in the public, third and private sector to make this happen. We recommend the development of an approach we call 'Moray Match' which will provide confidence to employers with vacancies that the best match is being sought for their need.
- We have not identified a significant unmet need in the local market for temporary staff. The most significant local employers have well developed and trusted agency relationships in place and Ringlink has a well established position in land-based and construction temporary posts. This means that there is little scope to create a viable 'temporary agency' which might help local people gain short term jobs from a secure 'host'. There is an opportunity to work with Ringlink locally to help them develop their role in the Moray labour market and in particular to build a skill development aspect to their role.
- The Work Programme is the UK wide support service for long term unemployed people. The way that the partners engage with this programme locally is therefore at the heart of helping those 'furthest from work' to make progress into a job. The current financial model makes it unappealing for both Prime Contractors and sub-contractors to provide the support needed for those furthest from work to find a job. We have explored the feasibility of Moray Council building on its existing skills and resources to provide the local Work Programme sub-contractor with a more viable way of helping those furthest from work. Our initial conclusion – presented in this report – is that this is a feasible approach. It will require some short term pump priming but our model shows that over the medium term a significant number of Work Programme clients could be helped at no net cost to the Council.

- One of the most significant opportunities flows from the partners finding ways of drawing on the intelligence held by all the partners about businesses and the current and emerging needs around skills – and translating this into usable insights for pupils, teachers, parents, mentors and training providers, so aligning the skills available (particularly among young people) with the needs of employers. This also suggests the development of a range of innovative relationships between local employers and schools and Moray College UHI which will include work placements, curriculum design, and the use of business insights in aspects of Curriculum for Excellence.
- There are two further areas where this can be further built upon: the active management of school-work transition and the development of skills in work for young people and we suggest some approaches that fully draw on the contribution that employers can make.
- One of the areas of good practice displayed by the Moray partners is the volunteering approach developed by Moray Council which is one of the best (and pro rata one of the most substantial) we have come across. There appears to be an opportunity to spread this across other organisations on a locally significant scale.
- Finally, there is a strong case – underpinned by a growing weight of evidence – that an 'invest to save' approach by Moray Council to the employability task will bring a significant return in terms of reduced service demands and costs at a later stage. This would apply particularly to investing in significant support for the active management of school-work transition and extensive employer engagement in an array of engagements with schools and with support for young people at the beginning of their working lives. This is an issue which it would be appropriate for the Moray Community Planning Partnership to focus upon.

# 1 Context and principles

Our work has been carried out against a background made up of macro-economic issues, related Scottish policy development and the development of local structures and practices.

The most important aspects of the context for this assignment are:

## ***The refreshed Employability Framework for Scotland ('Working for Growth')***

This Framework retains some key aspects of the original Framework ('Workforce Plus') with its focus on joining up actions and aligning resources locally through active management by local employability partnerships. But it develops a new emphasis on five specific areas which are relevant to Moray:

- Strengthening the connection between economic development and employability against the background of a sluggish economy. Identifying how this can be done in practice has been a key part of our work.
- Making a stronger link between skills development and employability.
- Drawing more substantially on the skills, experience and resources of additional partners, in particular Further Education Colleges, and the third and private sectors.
- Developing the prevention agenda around employability – in other words getting to grips with the issues underpinning the difficulties some face in gaining the right skills and the attitudes needed to gain a job and thrive in work.
- Actively managing performance at a local level to ensure that the greatest return is being achieved for the resources applied to the task of enhancing skills and employability.

## ***Work Programme and outcome focused funding***

Work Programme is the national support service for long term unemployed people and so the Prime Contractors and their sub-contractors are critical local players when considering how to provide effective support for those furthest from work. While for the first part of the contract part of the overall fee was paid at the point when clients joined the Programme, most of the funding is paid when clients enter and then stay in work.

The performance figures from DWP are revealing that performance in placing people in sustainable work is not strong (and in most areas is lower than the preceding New Deal) – and that in nearly all areas those furthest from work appear to be being 'parked' (usually involving passing them to a telephone contact service) because the additional financial incentives for helping them find sustainable work isn't enough to make it worthwhile to provide effective support.

We have therefore explored in detail in our work the scope to build on the Council's specialist support service for those distant from work to see if there is a role they can play in providing additional support for those furthest from work and currently on the Work Programme.

This opportunity is even more important in the context of the 'evolution' of the Work Programme. In June/July the first Work Programme clients who have not been able to find work during a 24 month stay on Work Programme will be leaving the programme and entering the Community Action Programme and there is an opportunity for Moray Council to work with Jobcentre Plus and their partners to ensure that this is a high quality experience that provides the support needed to help these long term unemployed people find a way back into work.

The other expected development is that of 'Work Programme 2' (an informal title) and there may be a possibility that with the objective of reducing benefit payments this will include support to help people in work progress to higher paid roles – so reducing the significant proportion of benefits that is paid to people in work. This suggests that there will be scope to strengthen the link between employability and skills development and as the design and delivery of the WP successor becomes clear the partners should consider the role they can play to drive this agenda.

### ***Welfare Reform and the introduction of Universal Credit***

The UK Government has now (on April 1<sup>st</sup>) introduced some of the biggest changes to the welfare system in 60 years, with the aim of saving around £18 billion by 2015. Though the ability to make this scale of changes partly depends on the overall performance of the economy, there is no doubt that the Coalition government is serious about both major policy change and major structural change to produce savings.

The Welfare Reform Act 2012 has a number of key elements in this policy direction, including:

- The introduction of Universal Credit (which will include housing benefit and not pay this directly to landlords, as well as the under occupation penalty or 'bedroom tax')
- Reforms to Disability Living Allowance
- Reforms to Employment Support Allowance
- Changes to child support
- Measures to reduce fraud, with stronger penalties.

The basic themes are around making work pay, streamlining benefits, ensuring those who can work are working (or looking for jobs), zero tolerance of fraud and a move towards online provision of services. Universal Credit will affect 19 million individuals and 8 million households across the UK.

These changes will clearly have a major impact on those individuals and families affected by the benefits system (or who may be affected) and an impact on those responsible for delivering these services, including Local Authorities and their partners. There will also have an impact on third sector organisations who deliver services in disadvantaged areas and to disadvantaged groups. The Institute of Fiscal Studies (IFS) estimates an additional 400,000 children in poverty in the UK because of the changes.

'Welfare Reform' involves both reductions in benefits and a re-design of the benefit system to create easier transitions to work. The most significant part of the 'reform' is the rolling up of a range of benefits into the new 'Universal Credit' which can help unemployed people make a more successful transition to work – but many will need sustained support for this opportunity to be fully exploited, and they will need jobs to go to.

However, reductions in the income of many households create a significant threat that some households will slip into crisis and that this will have a detrimental effect whether they are in work (on low pay) or seeking work. The impact of welfare reform and the introduction of Universal Credit in Moray is therefore relevant to this study. There is an important role for Local Authorities to:

- Help people exploit the opportunities created by welfare reform by a sustained focus on business growth and inward investment to strengthen local job creation and helping those seeking work to compete for the vacancies through enhancing employability.
- Reduce the risks created for individuals, families and communities: this will require a sustained effort at the strategic and operational level.

In addition, Universal Credit makes new demands on claimants – for example in terms of managing a monthly budget which is paid into a bank account, and maintaining an up to date profile on the web. The Department for Work and Pensions (through their Local Support Services framework) describes the basic support that is likely to be needed from Local Authorities and their local partners to help individuals respond to the features of Universal Credit:

- 'Triage' – ie benefits advice
- Support in getting online and managing online 'accounts'
- Support for those with complex needs or barriers to applying for UC – aimed at building confidence and self-sufficiency
- Money management advice
- Evidence of identity and/or verification
- Housing advice (around housing options in Universal Credit)
- Home visits – where this is a cost effective way of helping clients with very complex needs
- Identifying 'exceptional cases' eg where weekly payments and/or direct payment to the landlord may not at least initially be appropriate
- Drawing in specialist support (eg around immigration, drugs/alcohol/gambling addictions, literacy, and mental health issues)
- Work focused support.

Our recent detailed work for Fife Council on the impact of welfare reform and the introduction of Universal Credit identified those individuals and families who are likely to be most affected financially and the communities where they are concentrated which are likely to lose significant local income which in turn may threaten locally based businesses, some of which may be important in terms of social capital (eg local cafes and pubs).



We also identified the risks around individuals and families who may find it difficult to:

- Appreciate the implications of Universal Credit and act on this in an informed way
- Manage their monthly budget when it is paid directly to them
- Get access to and use a computer to monitor their Universal Credit account.

Our work identified a range of responses that Local Authorities with their partners can put in place to help people exploit the advantages of UC while minimising its impact.

The impact of welfare reform and the related introduction of Universal Credit ***will increase the demand on a range of support services in Moray – and is likely to lead to more people taking low paid work and/or more part time roles.*** Helping those seeking work to benefit from the ‘upside’ of Universal Credit – making it easier to take short term work or put together a mix of part time roles – while mitigating the ‘downside’ of possible significant reductions in household income is a challenge facing Councils over at least the next year.

The changes outlined above will all be applied to Scotland. Where the Scottish context differs is in the fact that the current Scottish Government will have its own views on how devolved services (including social work, housing and education) will be funded to respond to the consequences of the reforms and on how, in general, it will work with local authorities to mitigate some of the impacts (in the same way that it is taking a distinctive view on tackling youth unemployment).

The Scottish Government may also want to look at ways in which it can encourage and support other funding streams, such as the Big Lottery to collaborate with local authorities and partners in tackling short-term hardship as well as long-term problems.

This said, there is no doubt that after nine years of relatively benign public spending settlements since 1999, there will be a prolonged period of retrenchment, exacerbated by demographic pressures in terms of, for example, a larger number of older people living longer and requiring more expensive services.

## **Support for Young People’s employment and skills in Scotland**

The context for young people’s employability and skills development in Scotland is provided by the Government’s Economic Strategy, the Employability Strategy for Scotland (see above), the refreshed Skills for Scotland Strategy, the More Choices, More Chance Strategy (which focuses on the 7 Local Authority ‘hotspots’ at the top of a list in which Moray is 22<sup>nd</sup>), the 16+ Learning Choices model, the Opportunities for All initiative and the Youth Employment Strategy.

The opportunities include:

- Modern Apprenticeships
- Employability Fund opportunities (designed for NEET 16-17 year olds and 18-24 year olds who have been unemployed for over 9 months)
- Flexible training opportunities
- Community Jobs Scotland
- Inspiring Scotland 14:19 Fund

- Action by local employability partnerships along the lines first established by Workforce Plus and refreshed as Working for Growth<sup>1</sup>. This action is likely to be taken forward in partnership by aligning resources and be structured around the Strategic Pipeline stages.

In addition, as part of 'Get Britain Working', the Department for Work and Pensions (DWP) operates a number of UK-wide schemes aimed at alleviating youth unemployment, including the 'Work Experience' scheme.

Skills Development Scotland (SDS) has developed the 'My World of Work' online careers information and guidance service, as well as SDS's face-to-face and telephone services and its 'Youth Coaching' employability service. Support is also available from UK-wide Jobcentre Plus advisers but only for those on Jobseekers Allowance.

Employers are offered financial incentives to take on young people through the Scottish Government's 'Adopt an Apprentice' scheme and employer recruitment incentives (now focused on targeted young people). Financial incentives for employers are also available at a UK level, as part of the Work Programme.

Scottish National Training Programmes and youth employment initiatives are mainly funded by the Scottish Government, primarily through SDS and – through FE Colleges – by the Scottish Funding Council (SFC), and through European Social Funds. Local authorities also use funds from their budgets, including block grant to support training and employability activity in their areas.

A Commission for Developing Scotland's Young Workforce was established by the Scottish Government in January 2013 charged with bringing forward a range of recommendations designed to improve young people's transition into employment. The Commission will publish its interim report in the third quarter of 2013 and final recommendations in the second quarter of 2014.

One of the most significant recent publications pertinent to this Report is the Commission for Rural Communities 2012 report on 'Barriers to education, employment and training for young people in rural areas'. Although this is a UK and not specifically a Scottish report with a focus on recommendations to the UK Government it provides a valuable context for this work and we present a summary of its key points in Appendix 1.

## **Skills for Scotland**

The Scottish Government launched a refreshed Skills Strategy, 'Skills for Scotland' in October 2010. The Strategy describes a partnership approach to meeting Scotland's skills needs for economic recovery and has a renewed focus around 'the skills required to accelerate economic recovery and to sustain a growing, successful country with opportunities for all of Scotland to flourish'. It identified some important challenges, notably the fact that an improved skills base had not led to higher productivity and

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<sup>1</sup> <http://www.scotland.gov.uk/Publications/2012/09/5609>

economic growth, and pinpointed the need for better anticipation and delivery of the strategic skills required for future economic challenges.

## **Scottish Government's Youth Employment Strategy**

Over the three years of the current spending review period the Scottish Government has made available an additional £30 million of funding to support youth employment policies, and in June 2012 its Youth Employment Strategy was published<sup>2</sup>. The Strategy highlights the importance ensuring that, wherever possible, policy and spending decisions seek to promote potential opportunities for young people.

It also stresses the importance of working with local authorities, employers and third sector organisations to ensure effective use of resources. The strategy aims to provide, coordinate and support as many opportunities as possible to assist Scottish young people in accessing the labour market.

The strategy themes include: adopting an all-government, all-Scotland approach to supporting youth employment; enhancing support for young people; and engaging with employers.

## **16+ Learning Choices and Opportunities for All**

The aim of 16+ Learning Choices is to give every young person moving into the Senior Phase of the Curriculum for Excellence the guarantee of an offer of post-16 learning. Local authorities have been given the lead role in developing a partnership approach and the initiative also involves schools, community learning and development, FE Colleges, SDS, training providers and the third sector.

The intention is for local authorities, working in partnership with schools and SDS, to identify and track 'vulnerable young people' and ensure that they have an offer of learning. If this learning ends before a person is 18, SDS will try to find them another offer. If no alternative offer is available then SDS will provide them with information, advice and guidance.

Opportunities for All is aimed at 16-19 year olds and was announced in September 2011. It is a commitment that every 16 – 19 year old in Scotland will be offered a training place if they are not already in a job, education or a Modern Apprenticeship.

This commitment is aimed at the estimated 35,000 16-19 year olds in Scotland who are not in work, education or training. It aims to build on existing activity underway through 16+ Learning Choices and wider youth employment. The Youth Employment Strategy states that Opportunities for All will take the 16+ Learning Choices approach to the next level, with a focus on continuing engagement in education and training for those 16-19 year olds at greatest risk of becoming long term unemployed.

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<sup>2</sup> Action for Jobs – Supporting Young Scots into Work: Scotland's Youth Employment Strategy. Scottish Government, June 2012. <http://www.scotland.gov.uk/Publications/2012/06/9210/0>

The range of commitments made by the Government include the following:

- 46,000 training places including 25,000 Modern Apprenticeship opportunities in each of the next 5 years
- Prioritising provision in colleges for 16-19 year olds
- Providing £4 million to support local authorities in the on-going national rollout of Activity Agreements (Activity Agreements provide a package of tailored activity and learning to re-engage young people furthest from the labour market.)
- Providing a more in depth range of support to young people around career options through My World of Work and other channels
- Introducing a more intensive support service for those young people most likely to disengage from learning and employment through Work Coaching – Youth Employability Service to be delivered through SDS.

Opportunities for All officially became operational on 1 April 2012, with the Scottish Government stating that this initiative is supported by £30 million for improving youth employment.

### **Modern Apprenticeships**

MAs are available across all sectors through SDS and they are co-designed with the relevant Sector Skills Council. Amongst the MA frameworks of relevance to Moray are agriculture, food manufacture, horticulture, hospitality, land-based engineering, and trees and timber.

Additional support is available at the national level for MAs through the Employer Recruitment Incentive for Targeted Young People (which offers employers up to £1500 when they take on an apprentice) and Adopt an Apprentice<sup>3</sup> which can help employers with the costs of apprenticeships. Support may also be sourced locally through *More Choices, More Chances* programmes.

There are two specific plans/strategies that are of particular relevance to Moray:

### **The Food and Drink Skills Investment Plan**

Modern Apprenticeships are at the heart of the plan to support the growth of Scotland's £12.5 billion food and drink industry. This was launched in June 2012 with the aim of encouraging closer working between the public and private sectors and promoting the career opportunities that the sector offers young people. The Food and Drink Skills Investment Plan has been developed by Skills Development Scotland, Scotland Food and Drink, Scottish Enterprise, Highlands and Islands Enterprise, Lantra and Improve.

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<sup>3</sup> This scheme allows apprentices made redundant as a result of the economic downturn to complete their apprenticeship.

The four strategic priorities of the plan are:

- Raising the attractiveness of the sector to new entrants
- Supporting company capacity to innovate
- Delivering leadership and management excellence in the sector
- Supporting the development of skills for growth in the workplace.

The main features of the plan are:

- Providing better information about the skills needed to work in the industry and the range of jobs available on SDS's online My World of Work<sup>4</sup>
- Carrying out a feasibility study into development a Modern Apprenticeship Share Scheme for small primary food producers
- Developing new 'technical' MA frameworks for the sector
- Introducing a pledge from industry to Mas and work placements and the creation of a database of work experience opportunities.
- Identifying around 500 companies that have good growth potential who will be targeted by Scotland Food and Drink Skills Academy and the Lantra Land-based Business Centre with the offer of training support
- Creating a new undergraduate sandwich course in food engineering/graduate internships.

### **Skills Investment Plan for the Tourism Industry**

SDS, on behalf of the Scottish Government, has recently produced a Skills Investment Plan (SIP) for the Scottish Tourism Sector<sup>5</sup>. The SIP identifies four key skills priorities:

- Enhancing management and leadership in the sector
- Ensuring that staff have the skills to deliver a high quality visitor experience
- Raising the attractiveness of the sector to new entrants
- Ensuring that appropriate and high quality training is available.

The plan identifies the way in which employers in the tourism sector can help achieve these ambitions:

- By enabling staff to access training, and, specifically, leadership and customer service training
- By recognising that skills are vital to business success
- By offering shared work experience or apprenticeship schemes with other employers
- By getting involved in the design and delivery of training and education.

The launch of the Hospitality and Tourism Academy at Moray College is a significant local resource in the context of this Plan.

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<sup>4</sup> <http://www.myworldofwork.co.uk/the-food-and-drink-industry> for sample career management information pages.

<sup>5</sup> <http://www.ourskillsforce.co.uk/media/77320/tourism%20leaflet%20final.pdf>

## The Moray context

The strengths and challenges in the Moray economy are clearly set out in Moray 2020 and the Moray Economic Strategy (and associated 'Elgin City for the Future') produced on behalf of the Moray Economic Partnership.

These documents focus on the need to diversify the Moray economy and restore Elgin's role as a key driver of the Moray economy. The purpose of action will therefore be to:

- Reduce the Moray economy's dependence on defence
- Create more higher wage opportunities
- Create more full time opportunities or opportunities to make progress through temporary work to full time opportunities.

One of the most important points to make about the ambition to create higher wages in Moray is that these cannot be created by helping people gain additional higher level skills. Moray has a low wage economy because it has a relatively high proportion of sectors which pay below average wages. This means that the only way of raising wages is to attract businesses which pay higher wages.

When these policy developments are placed in the context of a sluggish and long term return to economic growth some of the key features of the current landscape that are relevant to this work emerge. These are:

- A growing interest in workforce development and skills utilisation in the workplace and the contribution that this makes to productivity and GVA.
- An ever strengthening focus on demand led funding for skills. This means that funding arrangements increasing are likely to be with employers and those employers may need help to deal with the processes involved. This is matched by outcome based funding for employability support – which means that contractors don't get paid until their clients get a job, and only get paid the maximum when their clients stay in this job.
- A stronger focus on sustainability and progression in work and therefore in the quality of the match, the level of the entry point into work and the scope for enhancing skills at work and so reducing the fragility of work by embedding people more firmly in a progressive career. There is an emerging debate around good jobs/bad jobs and the extent to which economic development should focus on 'good job' creation with employability efforts not far behind. This has significant implications for integrated skills and employment approaches, perhaps suggesting a shift away from 'work first' approaches to more measured 'better jobs later' approaches.
- An emphasis on the collection and use of intelligence which can be used to identify significant trends in employer demands in terms of roles and skills and the translation of this into school curriculum and training provider and FE College provision.



- A growing interest in intermediary arrangements which help to bridge the gaps between short term employment for individuals and provide a ready source of staff for short term assignments while ensuring that the recruits experience a carefully managed joining up of these jobs in terms of pay and conditions and a progressive skills 'pathway'. These 'agency' arrangements are taking a number of forms:
  - 'Host employers' (which can be local authority or third sector organisations) who employ individuals full time then place them on a carefully managed sequence of short term contracts with employers while managing all the recruitment administration. These host employers may be able to construct apprenticeship routes which are constructed from experience provided by a range of employers.
  - Single points of contact which provide local employers with a clear and obvious 'joined up' source of advice and help around business growth and recruitment, sometimes involving bespoke skill development to meet the specific needs of an upcoming vacancy.
  - A growing appreciation that the needs of unemployed people may best be met by a clear focus on business growth and by building credibility by ensuring that businesses get the service and support they need and don't feel they are being 'sold' unemployed people – who may or may not be the best solution.
- What all these approaches have in common is a strong partnership effort between employers, local authorities, third sector organisations, Skills Development Scotland, Jobcentre Plus and sometime private sector recruitment agencies. How these partnerships are focused and structured and the way that their staff develop effective shared working practices and a ruthless focus on understanding and responding to the needs of employers is at the heart of their effectiveness.
- There is (once more) a growing interest in the imaginative use of community benefit clauses to help local authorities and others in the public sector to gain local skills development and jobs when commissioning significant capital and revenue spend from third parties.
- Finally, our recent report on micro-businesses and recruitment for the Federation of Small Businesses suggests that a local focus on business growth through recruitment can lead to the creation of significant numbers of jobs. Though this needs to be driven by business growth objectives and not welfare to work objectives the local employability partners can do much to help ensure that the proportion of these jobs which go to unemployed young people and others disadvantaged in the labour market is maximised.

In our work we have drawn on this context and these perspectives to ensure that any proposed action is robust and can 'swim with the tide' of policy and developing practice.

We have also taken forward the work with some key principles in mind:

- The approach must be ***driven by the needs of businesses***. In other words our recommendations have been based on the appreciation that only by understanding and meeting the needs of employers can we best meet the needs of those seeking work. There are some qualifications to this which we will draw out – notably the fact that employers in rural communities feel a strong sense of commitment to their workforce and the community’s next generation – but there is growing evidence that welfare to work approaches have not served individual clients well by not really responding to the needs of employers or being placed firmly enough in a context of business growth.
- The approach needs to ***draw on the distinctive features of Moray businesses and labour market*** – in other words it needs to respond to the specific local economy and its business structure and needs and is therefore likely to look different from approaches elsewhere – in detail if not in generality.
- The approach should ***build on what already exists***. It is clear from our work that there are elements of good practice already in place in Moray – and important local resources (in terms of staff skills and experience and support models) that work. So our focus has been on identifying and building on these.
- The approach needs to ***learn from others*** in terms of drawing on good practice and so maximising learning and minimising risk
- Finally, in taking forward the approach it is important to recognise the ***significance of private sector support*** (agents, banks, accountant, solicitors, peers). For many businesses these are far more significant sources of information and advice than public sector service and it will be important to both recognise this reality and draw these sources of support into the design of solutions.



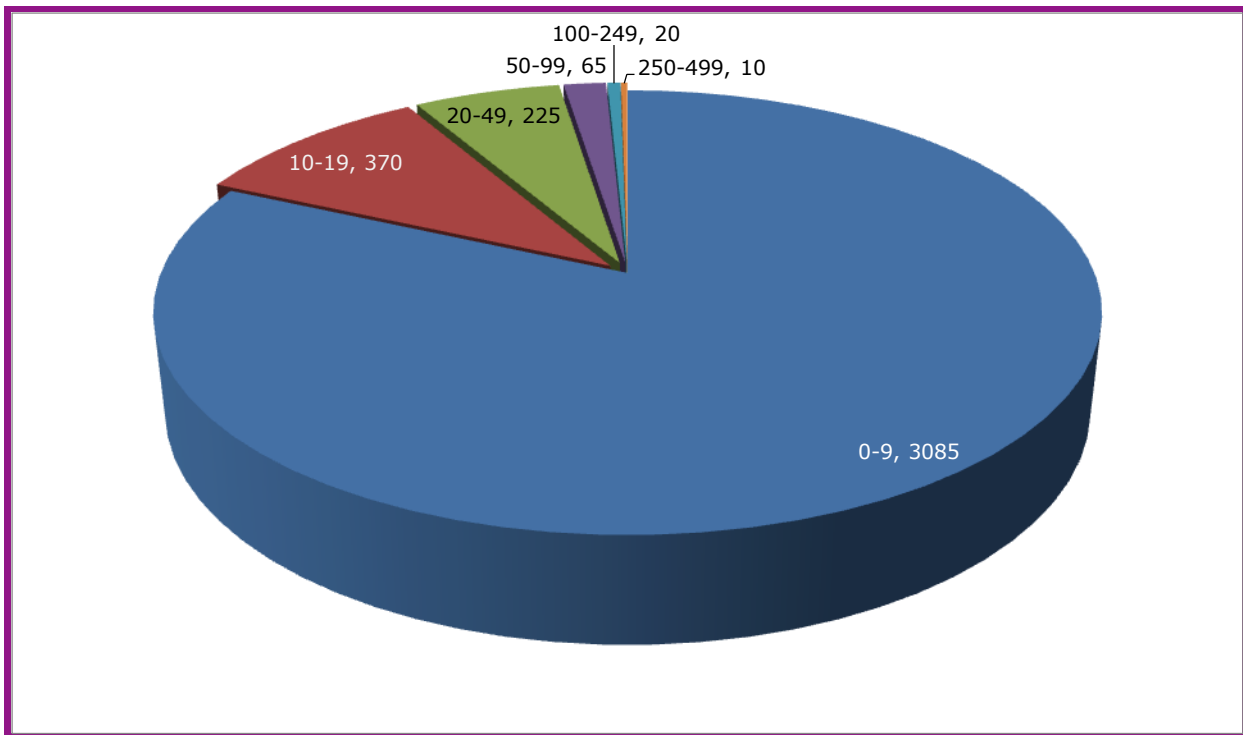
## 2 Findings

### ***The structure of employment in Moray and the agencies that currently engage with employers***

Central to this assignment is a need to understand the scale and the structure of businesses by employment in Moray. This will help us understand:

- The kind of businesses that any support service needs to focus upon in terms of employment
- The scale of the current extent of engagement with businesses in Moray
- Where the real potential for both creating jobs and enhancing recruitment may lie.

Figure 1 below describes the current structure of businesses in Moray by employment.



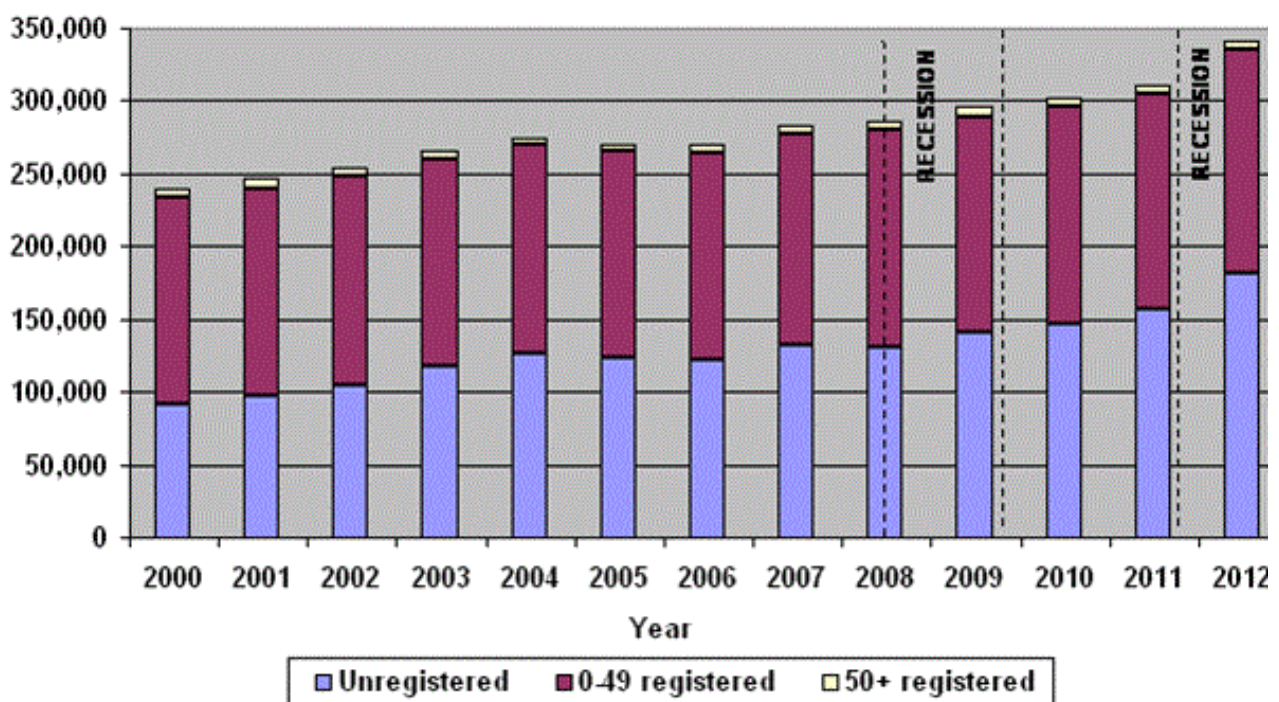
**Figure 1:** Businesses (VAT and/or PAYE registered) in Moray by number of employees [Source: ONS Statistics 2011]

As Figure 1 makes clear the majority of registered businesses in Moray employ less than 10 people (ie are technically micro-businesses). In fact most of these employ less than 5 and most of these employ nobody (Figure 2 shows the overall figures for Scotland including those that employ no one).

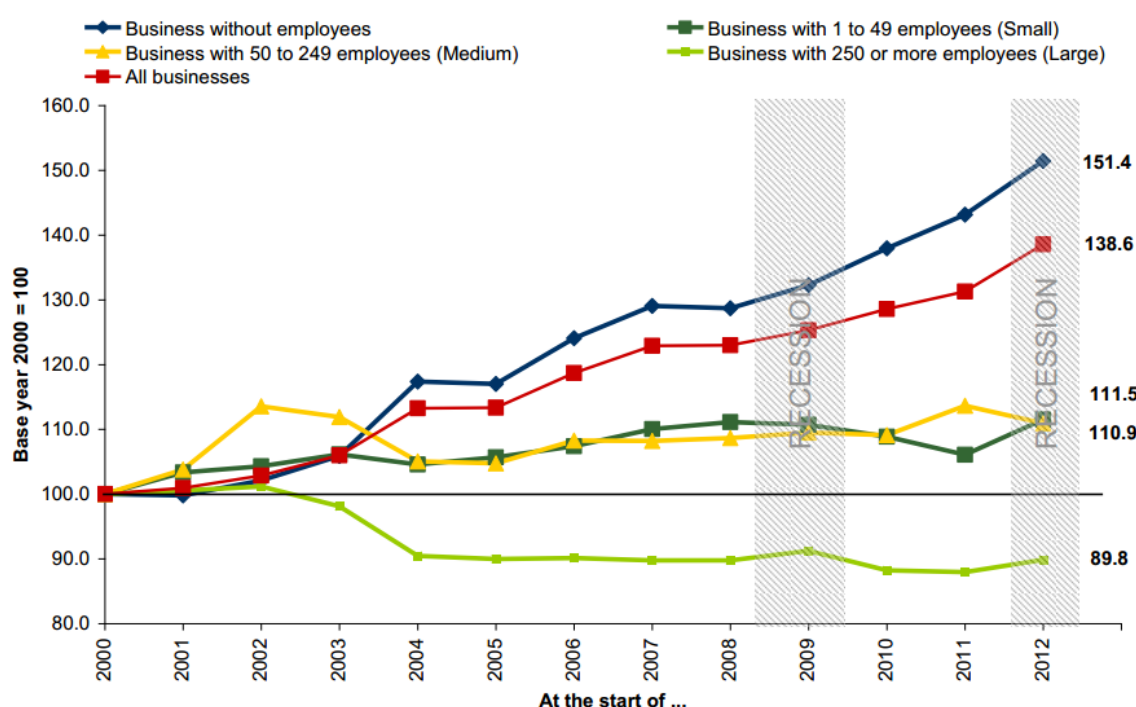
Employee Size Band	Number of enterprises in Scotland			Total Scottish Employment		
	2009	2010	2011	2009	2010	2011
0	202,600	213,050	239,080	225,710	238,200	266,330
1 - 4	60,780	59,840	63,390	172,960	170,690	180,420
5 - 9	17,885	17,515	18,465	126,150	122,860	129,040
0 - 9	281,265	290,405	320,935	524,820	531,750	575,790

**Figure 2:** Significance of businesses with no employees [Source: Scottish Government, ONS (IDBR)]

Roughly half (55.3%) of all businesses in Scotland are unregistered which means that there will be (very approximately) 4,670 unregistered businesses in Moray – making the total population of micro-businesses of the order of 7,755 and a total business population of about 8,450. There isn't data at Local Authority level for unregistered businesses so it is important to stress that this is a rough estimate. At the UK level there has been a significant increase in enterprise numbers over the last year – most of this in the form of businesses without employees (Figures 3 and 4) What these figures show is that most of the recent increase in business numbers has been among unregistered businesses.



**Figure 3:** Estimated number of private sector enterprises in Scotland [Source: Scottish Government Statistics, 2012]



**Figure 4:** Change in the number of UK private sector businesses by size band, 2000 – 2012 (indexed) [Source: BIS, Business Population Estimates, 2012]

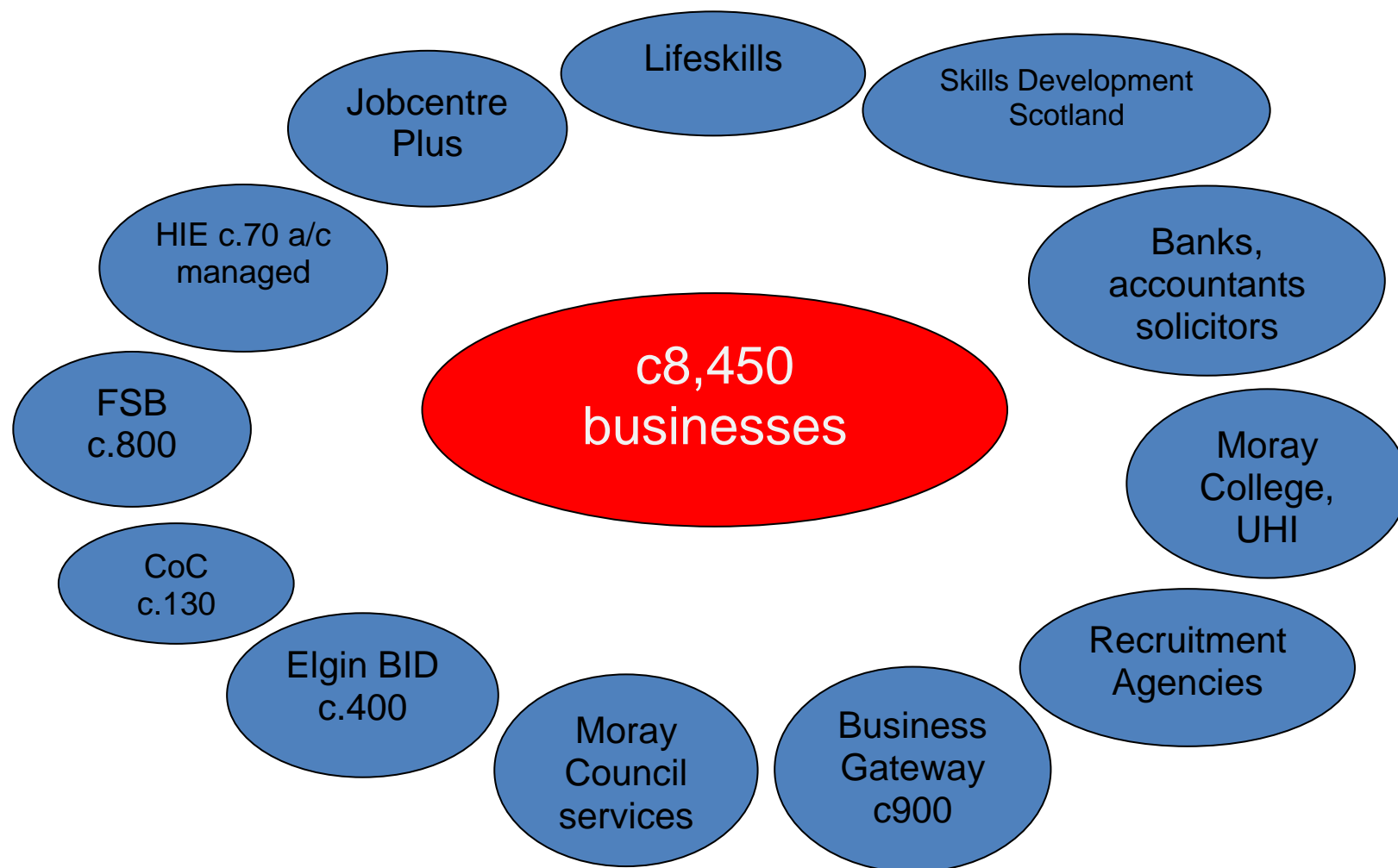
Between March 2011 and March 2012 the estimated number of enterprises in Scotland increased by 9.9% (30,835) – the highest annual increase since 2000.

Unregistered enterprises (the smallest businesses that have an annual turnover below the VAT threshold of £73,000 and do not have employees) accounted for the majority of the rise in the total number of enterprises between 2011 and 2012. The number of unregistered enterprises in Scotland increased from 156,155 in 2011 to 181,775 in 2012 – an increase of 25,620 micro businesses (16.4%).<sup>6</sup>

Unfortunately we do not know the extent to which this pattern has been reflected in Moray, but on the basis of these findings it is not unreasonable to assume that there has been a recent growth in enterprise formation in Moray and that much of this has been among unregistered businesses which have no employees.

Overleaf (Figure 5) we present the current array of organisation which engage with this business community, showing the range and scale of current engagement.

<sup>6</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Business/Corporate/KeyFacts>



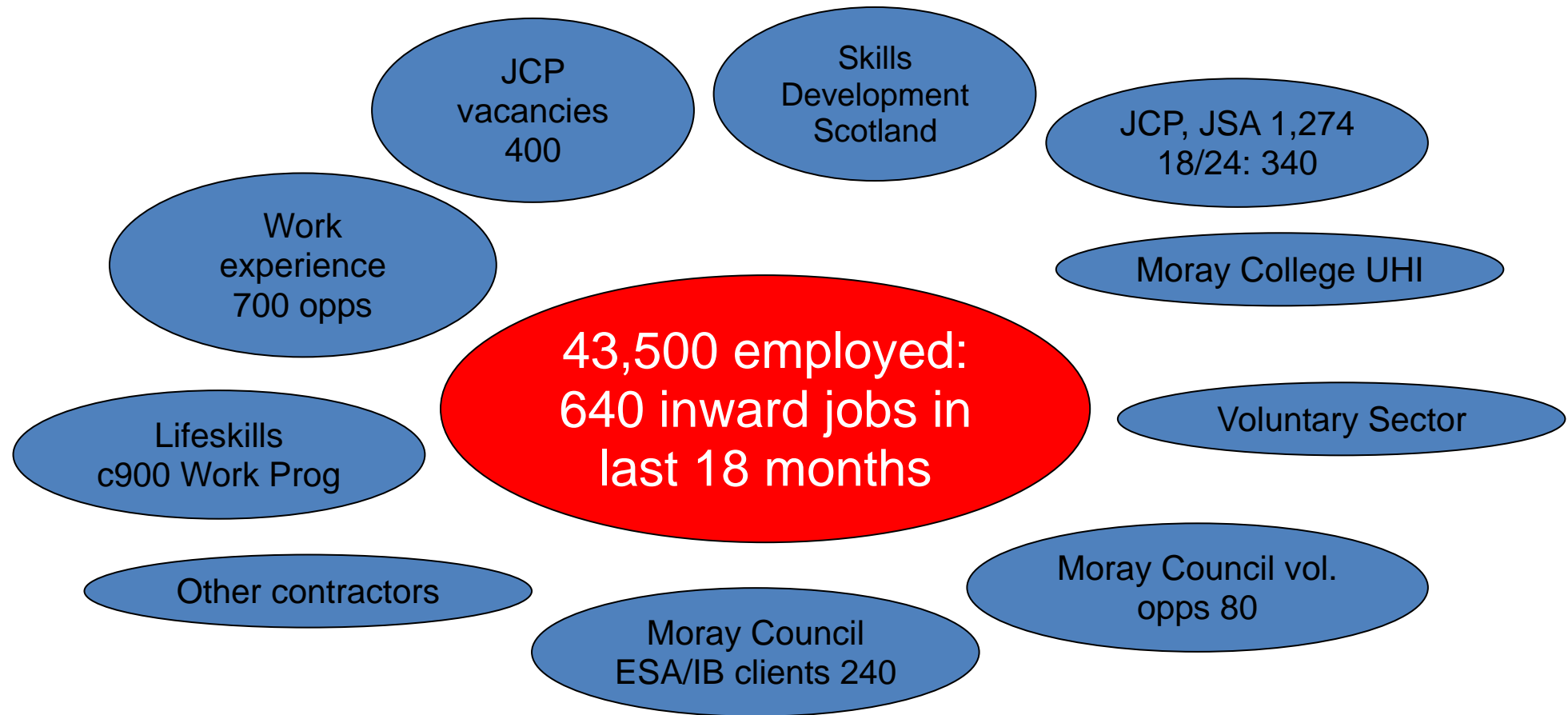
**Figure 5:** Organisations in Moray which engage with businesses, with approximate scale of employer/member contacts

Figure 5, taken together with our stakeholder interviews, reveals that:

- There is a very wide range of organisations which engage with businesses in Moray
- The scale of penetration is quite low compared with the overall population of businesses
- Many of these organisations do not see their contact as being about business development or the recruitment and skills agenda – but their engagement could be used to identify needs and issues
- There is currently little joined up intelligence between these organisations and certainly no existing systems to gather, analyse and use the intelligence gathered
- Conventional private sector connections remain significant (eg accountants and solicitors) and should be involved in any employer engagement approach
- Some of the most significant services in terms of contact with employers are likely to be those provided by Moray Council in terms of trading standards, food safety, planning applications, building standards and licensing. It would be worth estimating the scale of annual contacts between these services and local businesses and later we suggest the way in which these could be used as a vital source of intelligence and ‘cue spotting’.

In Figure 6 overleaf we present the other side of the equation: that is, the organisations which engage with those seeking work together with estimates of scale. What this Figure shows is that:

- The scale of unemployment is relatively low and, when compared with the size of the business population, and the scope for business growth in inward investment, looks manageable – in other words it looks as though a sustained effort on inward investment and business growth could realistically make a significant difference.
- The Work Programme is hugely significant and so the performance of the programme locally and the scope to support the work of Lifeskills will be at the heart of any effective response for those furthest from work.
- Once again, the significance of Moray Council is clear – this time in terms of the scale of its engagement with those on Employment Support Allowance and Incapacity Benefit, the scale of its voluntary programme places, and its engagement – through its Education service, with work placements for those at school and its lead responsibility for those in the 16-19 age group, including those on Activity Agreements.



**Figure 6:** Organisations in Moray which engage with those seeking work, with approximate scale of engagement and opportunities

This was the background for our work and at its heart was telephone interviews with a wide range of local employers, lengthier interviews with major local employers and detailed face to face interviews with members of the Moray Economic Partnership. In the rest of this Chapter we describe our approach and the key findings to emerge.

## **Business consultation methodology**

We interviewed 64 business owners (and/or business HR leads) from private businesses in Moray by the telephone. Businesses were identified using details from Moray Council's database of businesses which have over the last few years expressed some interest in providing work experience for one or more school pupils. These interviews included:

- Self employed persons (asking why they did not employ)
- Micro-businesses with fewer than 10 employees
- Small-businesses with 11-49 employees
- Two medium businesses one with 60 and the other with 90 employees
- Major employers – Gordon and MacPhail, Forsyth's, and Baxter's
- Local branches of regionally/nationally franchised businesses.

In all a wide variety of business types participated. The businesses represented a range of sectors with multiple responses from each of the following:

- Agricultural engineers
- IT consultants
- Florists
- Car mechanics / garages
- Architects
- Trade men (eg joiners/plumbers/electrician)
- Estate owners
- Hotels
- Playgroup/nursery.

Among the businesses consulted were jobs requiring SQA Level 5 (and above) formal qualifications such as architects or engineers; some with other qualification requirements such as joiner or travel agents; some requiring much experience but no qualifications such as gillies; as well as many where there were no specific skills/qualifications required to undertake the role.

## **Consultation issues**

Some sectors were under represented as a result of the nature of their work, for example while many hairdressers and restaurants were contacted few could spare the time to participate. As employers could not be notified in advance to arrange a call many were hesitant about responding to a cold caller. As the database of employers included some historic as well as recent sign-ups to the work experience programme many contacts were significantly out of date including several closed businesses or cases where the named contact had died.



## Findings<sup>7</sup>

### ***What were business' recruitment practices?***

The employers consulted were divided in terms of how easily they filled vacant posts although most felt that overall they had a recruitment system that worked for them which they are happy to continue using.

Some suggested that they were "*benefitting from the current [economic] situation*" in the sense that they would get plenty of applicants for each position advertised. It was more common for an employer to complain about being "*inundated*" or "*overwhelmed*" with applications than for them to complain about receiving too few (although often those receiving many applications would complain that most applications were "*rubbish*".)

There is a clear divide however between, on the one hand, those employers who require low/no skills/qualifications or who require experience commonly found in the area (eg requiring manual or rural skills) find plenty of applicants for positions; and on the other hand those requiring specific/niche skills/qualifications such as travel agents, engineers, chefs and florists who find it harder to fill roles.

If businesses publically advertised a vacancy almost all said they listed the vacancy in the Press and Journal and/or Northern Scot. Many others also said that they got applicants applying through Jobcentre Plus.

Where suitably qualified/skilled individuals are not available employers train at least some people themselves. One refrigeration engineering company trains all staff from apprentices as there is no other source of suitably qualified staff available. This company, along with several other engineering companies suggested that their vacancies arose as people "*were tempted away, offshore*", and the appeal of the oil based jobs of Aberdeen was a regular refrain.

Almost all employers, including those with specific skills needs such as florists, reported that they get speculative applications delivered regularly. These are often from experienced individuals moving into the area. One estate manager noted that following some publicity about a new development on site he had received a number of such applications including excellent and "*waste of time*" applicants (he will consider these later when the vacancies arise). As expected, speculative applications are mostly only reported as successful by the employers when the applicant is fortunate to catch the employer at the correct time.

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<sup>7</sup> NB: In these descriptions: "employers" refers only to the employers responding to the consultation; "business support" refers to advice, financial support (eg grants/loans/wage subsidies), signposting, staff time and any other business support provided by a public body such as JCP, Moray Council, Moray College UHI or Business Gateway.



This pattern of recruitment practices is becoming more distinctive as employers move to the web (eg Gumtree) in other labour markets. However, it is notably that Ringlink – the local temporary staff agency for land based and construction work – uses Gumtree almost exclusively (in addition to their own website) and finds it easy and effective with a match found for a job often within a day of entry. They find that Gumtree is well used by young people and those from Eastern Europe.

As we discuss in more detail below, some businesses were not interested in recruiting and others recruited from among their network of acquaintances or through their current workforce rather than creating advertised vacancies.

### ***Businesses' uptake and experience of business support around recruitment***

We spoke to employers who, between them, were using or had recently been using a range of business support for recruitment and training:

- Jobcentre Plus advertisements
- Life Skills (Work Programme placements)
- SCVO (no longer active)
- Working Rite placements
- Other supported placements
- Modern Apprenticeships
- Training courses (free, subsidised and full cost) including mandatory training (eg health and safety) and professional training.

Employers continue to use the recruitment support they know about and are familiar with. This includes: private training providers, Jobcentre Plus, wage subsidy schemes, modern apprenticeship schemes. If these go badly (eg a wage subsidy schemes where the trainee is not useful) employers sometimes reported choosing to avoid using the scheme again. There were several examples given of placements going badly (eg placement abandoned after a few days) which emphasises the need to get the match right both for the business and the individual.

Where a recruitment strategy is working (ie the business is getting enough reasonable applications) there is no reason for employers to consider a different approach or seek support (financial or otherwise). We found very few examples of businesses – except among the largest employers who have long standing agency relationships in place – using of temporary staffing agencies and recruitment agencies. Several suggested that these were not realistic options because of a combination of high cost and lack of local availability (Ring Link is an exception).

While many of the employers (this may be due to the nature of the employer database) were taking on work experience placements, these were never seen as part of employment support, rather as an expectation for a business or as part of "*giving something back*".

Several employers mentioned unprompted that they drew on professional support for HR (eg around regulation compliance). While some said this was costly it was important to them as an employer and reduced their anxiety.

### ***Employers' awareness and identification of business support***

Lack of awareness of business support and the difficulty businesses had in finding it or knowing where to go was evidently limiting the number of businesses taking up support relevant to them.

Many employers were not expecting that there would be business support available for them around their recruitment and employment needs<sup>8</sup>. Since they did not expect this support to exist they had not taken steps to find it. Those who had already used one source of support (eg a Modern Apprenticeship or Working Rite) would often suggest that they might use it again, but rarely suggested they had looked for other similar options.

Many employers did not know where to go to find support. Some new to recruiting (eg a shop recently opened) said they had no idea where to look for support in recruitment.

A few employers suggested that they would go to Business Gateway. In these cases the business owner already had contact with Business Gateway from start-up support. Some employers specifically said they would not look to the Council for this service. *"I suppose the job centre would be my first call."*

Some employers felt they needed to be able to get information online so they can get up to date on what their options are around recruitment before approaching business support providers. They felt uncomfortable making contact if they did not know what to ask for from a provider whom they didn't know.

Where information is not readily available some employers had given up. One undertaker reported asking the Council whether he could get money for training, and since being told in response that he was not eligible for a Modern Apprenticeship he has not sought more training sources/funding. One business woman was told that her business was not eligible for a wage subsidy scheme because the position was part time so has not enquired further about the matter.

*"We have taken young people on in the past through SCVO in Elgin and the people there knew us. [Starting this again] is a possibility but we don't get calls from anyone [providing the schemes] anymore...so we don't do it."*

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<sup>8</sup> Although all employers were aware of Jobcentre Plus.

**Case study: Owner of a newly opened shop**

*"Realistically we would only be looking for somebody as part of a [wage subsidy] scheme.... we have looked into this as we thought that this would be a really good idea. But...if you don't know what the scheme is called you can't look it up and you don't know whether what you have heard is reality or not. As an employer I don't feel that I can go to a Job Centre and ask – I wouldn't even know where to start with it.*

*If I was going to ask anyone about it I would ask Business Gateway because I know people at Business Gateway and I have known them for a long time. Because I know them they are more approachable.*

*I wouldn't think of going to the Council and saying I was looking for this information.*

*I need to be able to look the information up online before I speak to someone so I know what I am talking about. I don't know who to call."*

**Finding suitable employees – local, rural and economic issues**

Employers were well aware that they are recruiting in small communities in a rural setting. Some specifically select local people because they perceive that a long journey to work may make a recruit less likely to stay with the business.

Employers requiring highly qualified or experienced individuals (chefs, surveyors, architects, conservationists) look outside the region. They might use some national networks (eg professional bodies) but they recognise that this is difficult.

Several employers including hotels, estates, florists but also other trades have a pool of employees including part time staff specifically to help them better manage their capacity through the year. For example some hotels said that having more staff working few hours each made it easier to make shifts around busy wedding weekends.

The changes through the year in the workload for many businesses were driving certain recruitment practices. For example a larger pool of part time staff rather than a few full time staff, or employing self-employed people.

**Other considerations in designing business support**

Many vacancies are never formally advertised. Some employers seek to or happen to employ someone they know (eg a customer, a volunteer, or a local young person) before they get around to advertising. Others just put a sign in the window or spread the vacancy by word of mouth to avoid too many applications. Some in small communities avoid advertising as they *"know who will apply and we don't want to reject them"*. Many have received speculative applications they choose to draw on – considering these people to be showing good evidence of motivation.

Views on wage subsidies were mixed. Some employers would only consider taking an additional recruit if there was a wage subsidy; others are not as interested in the wage subsidy aspect as they are interested in getting the right person, and some associated wage subsidies with compensation for getting unmotivated/unsuitable/uncommitted recruits so might be less likely to engage marketing about wage subsidies.

Almost all the employers seemed to want the same things:

- Not being overwhelmed with applications (especially poor applications that employers feel are submitted only because JCP force benefit claimants to apply)
- Soft skills and motivation among potential recruits
- Recruits who will be committed and will stay longer term.

### ***Training staff***

Some requiring specialist skills take on people in order to train them – eg a refrigeration business trains its staff from school leavers as there are no other people in the area they could draw on. Others seek a balance of experienced staff and training young people in their trade when recruiting, and keeping a good balance between experience and inexperience is seen as important. Some specialist employers who fund the training of their young staff need to send them out of the area for this – including surveyors (Central Belt), dental nurses (Inverness/Central Belt), and florists (Central Belt/England).

Most new staff need induction training. Employers differ in their views on how much training this involves, some recruits needing 3-6 months of support before they can work effectively alone, other requiring only a few hours. Employers vary in whether they consider this an onerous part of recruitment (although this doesn't seem to be just about the amount of training – one supermarket manager finds the few hours spent doing inductions a burden).

### ***Those not interested in growth or in being an employer***

Some small businesses (eg we spoke to a farmer with one employee who had worked 35 years; a self-employed IT consultant not interested in employing; and a self-employed car mechanic) will never be considering recruitment except in brief windows associated with succession (of the owner or a long term worker). Their perception is that the time, expense and risk of becoming an employer is too great, mostly due to the perceived need to learn and fulfil regulations which would take them away from “*doing the actual work*”.

Some of the tradesman consulted were employers but they only worked with their own family (eg wife as secretary for a building firm). They were not interested in growing as a business: “*It suits me to be working just me and my two sons*” said one tiler.

We heard from a number of businesses which, when times were too busy, subcontracted to other local businesses. One taxi company reported this, as did a joiner. However, most businesses had neither heard of nor practiced this. None of the businesses had exchanged staff at a busy / quiet time of the year with another business.

A small number of businesses reported that they were contracting self-employed people to do jobs that might otherwise be for an employee. This seemed like a lower risk option for them as it would be easier to stop using them if there was not enough work. Two businessmen who were considering becoming employers imminently had used self-employed people as a testing ground while they increased their own ability and the business (for over a year in both cases).

The key points emerging from our interviews with businesses are:

- Moray employers have an **increasingly distinctive recruitment approach** involving the extensive use of local papers and informal approaches – this is in contrast to the rapid rise of the internet in other areas in Scotland where we have done similar work (eg Gumtree has become a major recruiting tool in Scotland's larger cities). While the use of local papers provides a highly accessible source of information on jobs for local people, informal recruitment methods – while undoubtedly effective – tend to cut off those who do not have an active network of people who are employed.
- Also distinctive is the **low awareness of the current support for business growth**, training and recruitment and where to start looking for it (compared with consistent complaints in other areas about the range of apparently competing support offers). Our discussions identified a number of situations where this was constraining either business growth or recruitment or both. **This suggests that there may be significant benefits in a clear, widely promoted 'way in' to business support services.** The idea of a single point of contact was supported by business representative organisations.
- We identified a **strong sense of commitment by employers** to their employees and communities. This took two main forms:
  - Employers retaining long serving local staff when they felt that if they were being hard nosed they should 'let them go' in the current economic climate.
  - Employers having a sense of commitment to local young people and wanting to help them make progress into work.

**This sense of commitment is vital to designing a way forward and we have drawn on this in developing our recommendations.** It suggests that, if there are effective systems and help in place to support both individuals and businesses, business owners will be keen to play a role in helping young people (and perhaps others) to gain the skills and experience they need to thrive in work – and to offer opportunities when it can be justified by the growth of their business.
- **Some small businesses appear to be under-recruiting.** This fits with the Scotland-wide pattern described in the recent Federation of Small Businesses report<sup>9</sup> and the reasons appear to be the same: owners see significant risks around affordability, getting the right person and managing poor performance. Elsewhere – for example in Highland, an HR focused support service is proving

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<sup>9</sup> Micros Untapped: Realising the Employment Potential of Micro-businesses. FSB 2013

successful in helping smaller businesses minimise these risks. Our understanding is that a similar support service is about to be introduced in Moray, drawing on Business Gateway and European support and in this report we discuss how its effectiveness could be further enhanced.

- Some businesses are wary of wage subsidies – they are seen as compensation for sub-optimal recruits. For others a wage subsidy is seen as a way of reducing their financial risk. The main point is that ***a wage subsidy on its own appears to deal with only one aspect of the resistance to recruitment – and it will be important to ensure that the match is right if the short term subsidy is to lead to long term business benefit.***
- Many businesses were positive about the responsiveness and flexibility of Moray College UHI. This again is distinctive – elsewhere the role and value of the local College is rarely commented on by businesses and this is clearly something to build on. ***The existence of a significant FE – and now HE – presence in Moray needs to be central in any effective solution to the issue of employer engagement and employability.***

Our interviews with larger employers identified some common features:

- It is difficult to recruit key staff and when they are appointed many chose to live outside the area – often doing weekly commutes. This is important as it is likely to influence inward investment and will weaken the local managerial 'pool'. It raises some important questions: Is this about the reality of Moray or the perception of Moray? If it is the latter, are there things that the partners can do to help attract key staff and convey an accurate and appealing picture of what Moray can offer in terms of lifestyle, housing, schools, recreation and (professionally) the scope for career progression locally?
- They seem able to attract able young people and this is often done through informal networks.
- They are wary of training up staff who they lose to oil industry related employment in Aberdeen. The appeal of Aberdeen was a consistent refrain in terms of the availability of relatively high paid work on Moray's doorstep (although as more than one employer pointed out it was often not so much the pay but the time spent working for this pay that was appealing).
- There were no demands for more organised sources of temporary labour and some had well established relationships with agencies for short term requirements.
- There were issues arising from the relatively stability of the workforces which meant that entry level staff grew old together and limited the number and range of jobs available for young people.
- There was a consistent commitment to doing what they could to support young people on their transition to work and providing help and support on behalf of the community



The key points emerging from our interviews with stakeholders (not including the procurement related interviews which are considered in Chapter 3) are:

- There has been significant engagement with local employers in developing the Moray Economic Strategy (MES) – and there appears to be a ***sense of ownership of the Strategy by employers***. The MES was produced by the Moray Economic Partnership which is a business led grouping. The Chair of the MEP has worked hard to engage widely with business and draw them into roles in taking the economy forward.
- The ***quality of working relationships between key public sector partners is relatively high***. Notably strong are the relationships between the Council, the College and SDS, between SDS and JCP, and between HIE and Business Gateway. These relationships help to ensure that employers, where engaged, get a joined up service. The issue does not appear to be about how joined up services are but about the extent to which the employer market is currently being penetrated.
- There is an ***active, effective and widely regarded Business Gateway*** which can form the heart of any enhanced support for small businesses.
- There is a ***radical and evolving approach to 'Experience of Work'*** for pupils in Moray (being pioneered by Buckie High School) which will match good practice at a Scottish level and provides a strong basis for transforming the relationship between employers, schools and young people.
- Moray Council's support for those furthest from work and the development of a model to help them make ***effective use of volunteers*** both provide examples of good practice and in this report we describe how these can be built upon.
- The Work Programme in Moray displays above average performance. The sub-contractor (Life Skills) is the same for both Prime Contractors (Ingeus and Working Links) which helps by minimising wasteful local competition. It is run by committed people familiar with the local area and well connected to key partners. But the financial model does mean that the support for those furthest from work takes the form of telephone discussions with a distant call centre.
- There is scope to do more on gaining training and recruitment benefits from the use of community benefit clauses, in both capital (construction) and service contracts – with care being an example of the latter.

Taken together, these findings suggest that appropriate action should include:

- Creating a specific support services for micro-businesses to help them grow through recruitment and realise their employment potential.
- Maximising the local benefit from public procurement in terms of training and jobs for those seeking work.
- Ensuring that all employers who want to recruit are helped to find a match with a recruit who will meet their needs.

- Creating ways of ensuring that all those engaging with employers in Moray see themselves as part of a wider business support service and are spotting 'cues' that may suggest some current or emerging needs around business development, recruitment or skills.
- Ensuring that intelligence about current and emerging business needs across this array of services are being collated and turned into practical information that can be used to:
  - Prepare young people for current and emerging jobs
  - Help schools, training providers and Moray College align their support to identified skill requirements
  - Ensure that needs don't go unmet and so constrain business growth and recruitment.
- Ensuring that those furthest from work are getting the intensive support they need to become competitive in the labour market – despite the financial model of the Work Programme.
- The creation of a well publicised telephone number/web portal which would help businesses quickly find the best place to get the support they need – or at least talk to someone who can help them work this out.
- The promotion of a service which helps smaller businesses deal with their anxieties about recruiting.

In the next Chapter we create a strategic structure for such action and identify some of the options and issues in taking such a strategy forward.



### 3 An integrated employability strategy for Moray

In the previous Chapter we drew on our findings to identify a range of actions that on the evidence we have heard would make a significant difference to business growth and recruitment in Moray. In this Chapter we describe a strategic approach which provides a clear framework for these (and other) actions. This strategic approach has four elements:

#### 1 Enhancing business growth and recruitment

The Moray Economic Strategy has a focus on business growth and inward investment and we have identified the scope for four specific actions to contribute to this objective and so enhance local job creation:

- **Enhancing the demand for recruits** through supporting business growth and the creation of associated jobs and ensuring that the perceived risks of recruitment are minimised
- **Joining up business support services** (of all sorts) to ensure that employer needs and issues are being spotted and appropriate responses put in place – in terms of a connection to an existing service or the creation of bespoke support to meet a specific need.
- **Ensuring that sources of business support are easy to find and use**
- **Creating 'Moray Match'** – a commitment by all those helping businesses find recruits to get a match which best meets their needs.

#### 2 Enhancing the flow of intelligence on business requirements

Currently a wide range of contacts gain partial information about the situation and needs of businesses. This means that it is difficult to gain a sure sense of current and emerging needs and put in place effective responses.

We have therefore identified the importance of:

- **Joining up insights and intelligence gleaned from employers** to ensure that those supporting young people through education and training are clear about the kinds of opportunities available and the skills, attitudes and behaviours needed to fulfil these roles and lead fulfilling lives at work.
- Promoting the key findings and trends drawn from this intelligence. We envisage this happening through local promotion and specifically through the creation and promotion of a **Moray Employer Standard** which will help young people, parents, teachers and training providers appreciate the key skills looked for by employers.

### 3 Managing effective transitions to work for young people and reducing the flow into long term youth unemployment

Moray Council leads the partnership taking forward the 16+ learning choices approach. This is a critical task and bridges the gap in support between school and Jobcentre Plus (at 18) and we have identified a range of ways in which this could be further enhanced to reduce the risk of young people becoming long term unemployed with the consequent costs associated with additional demands on an array of services. In particular we have identified as an area for action:

- ***Ensuring that each young person is managed through the transition period and into sustained employment*** – including the enhancement of skills in work to ensure they are embedded in a career. Significantly we focus on long term transition management – ie not just between school and work but on early progress in work.

### 4 Enhancing support and opportunities for those furthest from work

Against a background of low or non-existent economic growth those who are longer term unemployed and 'far from work' are competing against higher numbers of long term employees who have recently lost their jobs. To compete for jobs they need to be even better prepared than usual. This places significant demands on those helping them.

We have identified actions under this heading:

- ***Building on Moray Council's expertise in helping those furthest from work*** by supporting those on the Work Programme who have been moved to a less intensive form of support because it is hard for Work Programme sub-contractors to gain a financial return on intensive support for this group. This approach will also include those emerging from 24 months on Work Programme onto the proposed Community Action Programme.
- ***Maximising the local benefits (jobs and training) from public procurement*** by identifying those contracts for which a Targeted Training and Recruitment (TR&R) approach can be adopted.
- Spreading ***Moray Council's approach to volunteering*** to NHS and private employers and enhancing third sector volunteering opportunities.

These components could be seen as making up an integrated employability strategy for Moray which:

- Connects business development with employability
- Connects current and emerging skill requirements back into schools, so helping schools to realise the potential of Curriculum for Excellence and align the emerging 'Experience of Work' approach to the needs of businesses and the interests of young people.
- Connects young people to work which can become a progressive career.

- Provides an obvious and ready source of help for businesses which want help to grow, recruit or develop the skills they need to succeed
- Helps to align the actions and resources of all the key organisations and so helps in the achievement of the Single Outcome Agreement and the ambitions of the Moray Community Planning Partnership.
- Realises the full potential of public procurement to enhance local skills and jobs.

In the rest of this Chapter we outline the activities that could be taken forward to achieve these goals.

## 1 Enhancing business growth and recruitment

**Enhancing the demand for recruits** through supporting business growth and the creation of associated jobs and ensuring that the perceived risks of recruitment are minimised. We are aware of the current action to put in place a full time resource based at Business Gateway which links wage subsidy support to HR related support to help smaller businesses grow through recruitment. Ensuring that this service for smaller businesses (and particularly for micro-businesses) is fully integrated in Moray will be central to its success and the tasks involved could include:

- Appointing an HR specialist to work with micro-businesses with a focus on 'growth through recruitment'.
- Linking this with a wider support service that is likely to include funding (including wage subsidies), skills development and business accommodation.
- Actively promoting this service through the wide range of engagements described in Figure 5 (page 18) and through networks such as those provided by the FSB, the Moray Chamber of Commerce and local banks, accountants, solicitors and recruitment consultants.
- Ensuring that the service is driven by business growth needs and not by the need to place unemployed people into work. Only in this way will a trusted working relationship develop between micro-businesses and service staff.

**Joining up business support services.** There is a small army of people in Moray who are in touch with businesses (see Figure 5 on page 18). Only some of these currently see themselves as part of a coherent 'Moray business support service' – though all of them could be.

One of the most significant of these sources of contact may be Moray Council's own services, including:

- Planning (Development Control)
- Building regulations
- Environmental Health
- Trading Standards
- Licensing.

Our experience in other areas is that:

- Between them these services have a significant engagement with local businesses
- That most of the officers involved in these services don't see themselves as part of a business support service
- That the service is perceived by staff and by businesses as having an 'approval and policing' role rather than a supportive role which may contribute to business growth (though planning can be close to this)
- Staff in these services can play a more rounded role in their engagement with businesses, asking simple questions and following up 'cues' around the area of business growth needs/constraints and recruitment and skill needs that may elicit needs which can be passed on to appropriate sources of support.

There is therefore an internal task for Moray Council to take forward that would involve:

- Helping key managers appreciate that their staff can play an important role in contributing to business growth and the benefits that this would bring to the Moray economy.
- Developing short joint staff development programmes which bring together front line staff across these services and help them recognise the significance of their engagement with each business they work with – and realising the potential of this engagement in terms of identifying business growth needs and passing these on.
- Developing an effective referral system and a clear source of information about appropriate referrals – both in terms of organisations and individual specialists.

This internal Moray Council task mirrors the wider task that is needed to ensure that all those across the range of different services in different organisations appreciate the significance of their engagement with each business and 'make every contact count' by ensuring that needs are recognised and a response put in place.

### ***Ensuring that sources of business support are easy to find and use***

Our discussions with Moray businesses revealed low awareness of the support available for business development, recruitment and skills. This is unusual. In other areas a single point of contact has been put in place to help businesses deal with what they perceive as a crowded landscape of help. In Moray there is a strong case for creating an obvious 'first place to go' for businesses seeking help and we believe that this would transform the scale of engagement between businesses and the support services designed for them.

In line with the principles we set out on page 9 we feel that this should complement and support existing means of access rather than replace them.

The objective would be significantly to increase awareness among Moray's businesses of the support available to help them grow, recruit and enhance skills and productivity.

To achieve this there is a need to:

- Create a well promoted telephone number which provides access to all business support services. This could be provided by the current Moray Council contact centre, or be managed by another service. There are some clear requirements for this service:
  - The quality of the engagement would represent the whole business support service to Moray businesses and need to be outstanding in terms of:
  - Ability to engage quickly and effectively with business owners (particularly small business owners) and their needs, including the ability to ask questions which help to pinpoint the most appropriate service.
  - Ready access to an updated database which links the full range of possible issues and queries with the most appropriate service.
  - Effective referral procedures and follow up to ensure that the match is made and is the right one for the business.
- Create a simple and widely promoted business support 'portal' for Moray behind which lie all the existing support websites (notably Business Gateway, Jobcentre Plus, Skills Development Scotland, HIE and Moray Council business entry page: ([http://www.moray.gov.uk/moray\\_section/section\\_2029.html](http://www.moray.gov.uk/moray_section/section_2029.html))).
- Create an associated email link which will be answered within an hour.

It is important to stress that this promoted 'first port of call' must not cut across existing relationships between businesses and favoured sources of support – in other words it is a way of helping those businesses who are unaware of services or don't know where to go to get them.

The cost of the service would need to include:

- The annual cost of a dedicated member of the call centre team (annual cost £20,000)
- The cost of creating a simple web portal and email contact
- The cost of promoting these contact points.

**Creating 'Moray Match'** – a commitment by all those helping businesses find recruits to get a match which best meets their needs.

One of the risks identified by businesses in our interviews (confirming our other work across both rural and urban Scotland) is not finding the right person and having at best to manage poor performance and at worst terminate the employment of the employee. This risk can be compounded by the fact that the task of free public recruitment services – for example provided by Jobcentre Plus and Work Programme contractors – is to place unemployed people into jobs and not necessarily to ensure that the recruit matches the needs of employers. The best services try to do both – but businesses report that they can feel that they are having unemployed people pushed at them rather than experiencing a service which tries to really understand their situation and needs and respond to this.

This suggests that Moray can do something special:

- Place recruitment support within the context of business growth – which means that the initial focus is on the needs of the business and whether recruitment is appropriate, before moving on to explore the kind of roles that a recruit might play and the practical implications for other staff.
- Once this context is clear, ensure a great match with the agreed requirement – which might be someone who is already employed or may have recently come onto the jobs market. In other words, seek a match from all sources of recruits not just those who may be unemployed or long term unemployed.
- As needed, put in place an agreed pre-recruitment training programme to meet the precise requirements of a particular job – and/or post induction training when in work.

This will require the identification of a coordinator who will draw on all the recruitment and training support available and put together packages for each vacancy which is part of 'Moray Match'.

## **2 Managing effective transitions to work for young people and reducing the flow into long term youth unemployment**

The current 16-19 support service appears to be well-organised and effective. For example, at the stage of leaving Activity Agreements 90% go on to an initial positive destination. Although there appear to be some anxieties about the sustainability of the positive destinations achieved there is evidence from a limited sample that the sustainability rate is of the order of 60% which if representative of the whole group is creditable – but the long term cost of this fall off could be significant.

Activity agreements are coordinated by Moray Council with SDS responsible for tracking. Others involved include:

- SCVO
- Lifeskills
- Aberlour Youth Trust
- Action for Children – part of the care service for Moray Council
- Barnadoes – (who had LEADER funding but this ran out and Moray Council bridged)
- Moray College UHI
- Workingrite.

Most of these applied for Employability Fund support but there was no requirement by SDS for these applications to form a coherent pattern of support. We are not clear at the time of writing about the outcome of Employability Funding bids but it would be of benefit if in future rounds there was a coherent approach which ensured a clear range of progressive opportunities which meet the needs of the range of target young people and of employers. However, we understand that the Council is about to produce a Strategic Pipeline stage linked directory which will identify gaps and overlaps. The key break appears to be between being not being job ready and being job ready.

The numbers involved are relatively small and one of the problems created by the relatively small numbers is that well designed and well meaning initiatives can draw young people away from other provision and so cause participation issues elsewhere.

There would be considerable value (and a significant long term return in terms of reductions in later demands on a range of services) in putting the resources in place actively to manage the progression of those young people most at risk of long term unemployment (and certainly of those falling out of positive destinations after Activity Agreements – or of not achieving an initial positive destination). This active management task would cover transitions between particular projects and services on progressive route to work – but critically will stick with the young person through the first one or two years in work. This sustained support will work with both young employee and employer to ensure that wherever possible skills support resources are able to be called upon to enhance skills at work and help the young person to make progress towards more highly skills and responsible roles – and so ensure that they are embedded in the world of work.



Such an approach may end up being consistent with the approach of Work Programme 2 – which may have a focus not just on sustained employment but on progression in work through skill enhancement (and so moving on to higher wages and reduced benefits in work).

There is a range of support that can be called on to support such young people – including from employers committed to helping young people within their local communities – as well as Jobcentre Plus support which kicks in at 18 when young people can go on Jobseekers Allowance. The existence of a person who can actively manage the calling down of these resources and support and ensure forward motion in a young person's development at this life-forming transition is likely to bring a significant uplift in performance.

### **3 Enhancing the flow of intelligence on business requirements**

There needs to be a strong link between the intelligence gained from the wide range of engagements with businesses (in terms of current and emerging skills and recruitment needs) and the work of schools, Colleges, the Work Programme sub-contractor and other training providers. In other words, it is both possible and realistic in Moray to create a 'virtuous cycle' which connects business growth and associated skill and recruitment needs with the skills and attitudes being gained by young people and others who are or will be seeking work.

This strand could be accompanied by a range of related activities:

- A new approach to work placements – the 'Experience of Work' approach which is being developed in Moray and about to be pioneered at Buckie High School. This actively matches young people and their work aspirations with appropriate businesses over an extended period – involving work of real value to the business and developing skills which will be of wider value to the young person. This could involve an extended period of work experience at a time to suit the business and the young person or a regular commitment (eg one day a week over 6 months).
- We recommend that the approach of Johnson and Johnson at Lifescan in Inverness be explored for ideas about how to use the Experience of Work approach as the basis for a much broader form of engagement between businesses and schools with the objective of transforming school awareness of opportunities and needs and business awareness of opportunities to use staff skills and business resources in taking forward Curriculum for Excellence.
- Recognising the central significance of Principal Guidance teachers as important in this approach. We propose a carefully structured engagement with employers involving briefing sessions (but size and sector) as well as work shadowing and extended visits and exchanges.
- The active promotion of the benefits of gaining work in a small business by schools and other training providers.

Again we feel it is important that this is done with a 'light touch' and a strong emphasis on practicality and building on what exists. We therefore do not recommend the creation of a central database which all those working with businesses feed into, but rather a once or twice yearly one day gathering which creates a carefully structured way of all the front line staff working with businesses to engage with those working with schools and those seeking work and identifying:

- Any current or emerging areas of skill shortage
- Key areas of vacancies
- Trends in employer requirements
- The current and emerging needs of key sectors
- The current and emerging needs of micro-businesses.

The output from each day would be a succinct summary of useful information and insights which can help to guide teachers, parents, pupils, students and training providers and students in terms of opportunities and associated skill requirements.

Finally there is the key task of promoting the key features of the intelligence and insight gained. We recommend drawing on good practice elsewhere to develop and promote a **Moray Employer Standard** which will help young people, parents, teachers and training providers appreciate the key skills looked for by employers. This would involve:

- Drawing on the insights gained from Moray employers together with extensive research on the skills that businesses value when recruiting to create a short statement of the 5 or 6 key skills valued by employers.
- Promoting this to teachers, pupils, parents and training providers as a guide to the kind of skill development that they need to incorporate in their lessons, courses and programmes in order to help their pupils and students gain the skills they need to thrive in employment and be appealing recruits.

There is a deal to be done with employers on the Employer Standard – in other words a mutual commitment: schools and training providers will strive to ensure that those emerging onto the labour market have the skills and attitudes needed to thrive in work and meet the needs of employers; and employers will ensure that they are clear in job descriptions about the significance of the skills and attitudes set out in the Standard and will treat each applicant with professional courtesy (eg acknowledge all applications and where possible provide feedback about any lack of progress into appointment).

## 4 Enhancing support and opportunities for those furthest from work

We have identified three areas for action by the partners:

- ***Building on Moray Council's expertise in helping those furthest from work*** by supporting those on the Work Programme who have been moved to a less intensive form of support because it is hard for Work Programme sub-contractors to gain a financial return on intensive support for this group. We have carried out a detailed assessment of this option which we describe in the next Chapter.
- ***Maximising the local benefits (jobs and training) from public procurement*** by identifying those contracts for which a Targeted Training and Recruitment (TR&R) approach can be adopted. We explore this in detail in Chapter 5.
- Spreading ***Moray Council's approach to volunteering*** to NHS and private employers and enhancing third sector volunteering opportunities. We see volunteering as an important way of helping those furthest from work gain the skills and confidence they need to become valuable employees. The approach that has been developed by Moray Council represents good practice and we recommend that the approach be explored with the NHS Grampian with a view to identifying opportunities to extend this in Moray.

## **4 Building on Moray Council's expertise to enhance WP performance**

### **Introduction**

There is a widespread view that so called 'red rated' clients – those who are particularly hard to help – are not necessarily getting the support they need from current providers because the Work Programme business model does not make it worth their while.

In this Chapter we consider a number of different delivery models, to help the Moray Council's Supported Employment and Training team in assessing the opportunities to assist Work Programme Clients.

### **Background to the Work Programme**

The Work Programme (WP) was launched throughout Great Britain in June 2011. It intends to provide personalised, work-focused support for people who are long-term unemployed. It is delivered through 40 Prime Contracts held by 18 Private, Public, Voluntary and Community Sector organisations. In Moray (and the rest of Scotland) these Prime Contracts are held by Ingeus and Working Links and both subcontract locally to Lifeskills.

The factors against which DWP will judge the success of the WP include:

- Increasing off flow rates for WP clients - more people into work
- Decreasing the average time on benefit for WP customer groups – getting people into work sooner
- Increasing the average time in employment for WP customer groups - sustaining jobs for longer
- Narrowing the gap between off flow/time in employment rates for disadvantaged groups and everyone else
- Contributing to a decrease in number of workless households.

Jobseekers Allowance (JSA) and Employment Support Allowance (ESA) claimants are referred to the WP, by Jobcentre Plus, at specified points in their claims, depending on their circumstances.

## Volume of clients on Work Programme

Nationally, the total number of referrals to the WP from 1st June 2011 to end of July 2012 is 878,000.

Following the referral of a participant to a WP provider, that provider is responsible for contacting the participant to discuss the programme and begin planning the steps needed to support them into sustained employment. Once this activity has taken place, the provider registers an 'attachment' to the WP. The total number of attachments to the WP from 1st June 2011 to the end of July 2012 is 837,000.

The total number of job outcomes paid to providers from 1st June 2011 to the end of July 2012 is 31,000. The total number of sustainment payments paid from 1st June 2011 to the end of July 2012 is 58,000 and these were paid for 20,000 participants.

There were 75,000 referrals to the Work Programme in June 2011, of these 8.6% resulted in a job outcome within a year. Of the 99,000 referrals in July 2011, 8.1% resulted in a job outcome within a year

### Work Programme volumes in Moray

In Moray, there were 700 attachments to the WP from 1st June 2011 to end of July 2012<sup>10</sup>.

The table below shows attachments to the WP in Moray from 1st June 2011 to end of July 2012.

Moray	Total Attachments	Ingeus	Working Links
<b>Total</b>	<b>700</b>	<b>340</b>	<b>350</b>
JSA 18 to 24	160	80	80
JSA 25 and over	380	190	190
JSA Early Entrants	110	60	60
JSA Ex-Incapacity Benefit	-	-	-
ESA Volunteers	10	-	10
New ESA claimants	30 <sup>11</sup>	10	10
ESA Ex-Incapacity Benefit	-	-	-
IB/IS Volunteers	-	-	-
JSA Prison Leavers	- <sup>12</sup>	-	-

<sup>10</sup> Data on Work Programme is due to be released on 28<sup>th</sup> May 2013, and six monthly thereafter. July 2012 are the most recent figures available from DWP.

<sup>11</sup> Totals may not sum due to rounding

<sup>12</sup> Figures are rounded to the nearest 10 individuals.

## Age group

The Work Programme clients (attachments) in Moray can be broken down into the following age groups:

18 - 24	25 - 34	35 - 44	45 - 49	50 - 54	55 - 59	60+
230	120	130	80	50	70	10

## Job Outcomes<sup>13</sup>

Of the 700 Work Programme attachments in Moray, to July 2012, there have been 40 job outcomes claimed, representing 5.7% of caseload. DWP's year one target (Minimum Performance Level or MPL) was 5%, and the highest performing prime contractor nationally achieved 5%. Average performance on job outcomes for year one was 3.7%.

Ingeus achieved an average of 4.1% across all 7 CPAs and Working Links achieved an average of 3.6% across 3 CPAs.

So, while (or perhaps because) volumes are relatively low in Moray, the performance is good.

Moray	Total Attachments	Total Job Outcomes	Job Outcome rate
<b>Total</b>	<b>700</b>	<b>40</b>	<b>5.7%</b>
JSA 18 to 24	160	10	6.2%
JSA 25 and over	380	20	5.2%
JSA Early Entrants	110	10	9%
JSA Ex-Incapacity Benefit	-	-	
ESA Volunteers	10	-	
New ESA claimants	30	-	
ESA Ex-Incapacity Benefit	-	-	
IB/IS Volunteers	-	-	
JSA Prison Leavers	- <sup>14</sup>	-	

<sup>13</sup> Job outcomes are achieved at 13 or 26 weeks, depending on Payment Group

<sup>14</sup> Figures are rounded to the nearest 10 individuals.

## Sustainment Payments

Sustainment payments are paid every 4 weeks, during sustained employment, from week 17 or week 30, onwards, depending on Payment Group. In Moray, 30 individuals have achieved sustained employment.

<b>Moray</b>	<b>Sustainment payments (no. of individuals)</b>
<b>Total</b>	<b>30</b>
JSA 18 to 24	10
JSA 25 and over	20
JSA Early Entrants	-
JSA Ex-Incapacity Benefit	-
ESA Volunteers	-
New ESA claimants	-
ESA Ex-Incapacity Benefit	-
IB/IS Volunteers	-
JSA Prison Leavers	- <sup>15</sup>

## Payment Groups

There are nine separate 'payment groups' into which claimants can be referred, as listed below, based on their circumstances at the point of referral and the benefits that they receive.

A new payment group (PG9) was introduced in March 2012 to help provide immediate employment support to prisoners leaving custody. There is now access to the WP from day 1 for JSA claimants who are ex-offenders and have made an advanced claim prior to leaving prison and for those prison leavers who make a claim to JSA within 13 weeks of their release date.

## Payment profile of Work Programme Clients

The table overleaf shows a breakdown, by payment group, of the maximum payments available at each payment point and in total. This is the maximum<sup>16</sup> payment that could be made to the Prime Contractor by DWP.

<sup>15</sup> Figures are rounded to the nearest 10 individuals.

<sup>16</sup> We estimate that at least one discount offered to DWP in Scotland was over 50%.



<b>Payment Group</b>	<b>Summary of definition</b>	<b>Year 1 attachment fee</b>	<b>Job outcome fee<sup>17</sup></b>	<b>Sustainment payment (paid every 4 weeks<sup>18</sup>)</b>	<b>Maximum number of sustainment payments</b>	<b>Maximum<sup>19</sup> payment available</b>
PG1	18 to 24 year old JSA claimants	£400	£1200 at week 26	£170 from week 30	13	£3,810
PG2	25+ year old JSA claimants	£400	£1200 at week 26	£215 from week 30	13	£4,395
PG3	JSA early entrants: NEETs, repeaters, early access volunteers e.g. ex forces, disabled, carer, drug/ alcohol dependence, homeless, mild/moderate mental health issues	£400	£1200 at week 13	£250 from week 17	20	£6,600
PG4	JSA ex IB	£400	£1200 at week 13	£250 from week 17	20	£6,600
PG5	ESA (12 month prognosis for being work ready)	£400	£1000 at week 13	£115 from week 17	20	£3,700
PG6	ESA (3-6 month prognosis for being work ready)	£600	£1200 at week 13	£235 from week 17	20	£6,500
PG7	ESA ex IB (WRAG)	£600	£3500 at week 13	£370 from week 17	26	£13,520
PG8	IB / IS	£400	£1000 at week 13	£115 from week 17	20	£3,700
PG9	Offenders on release	£400	£1200 at week 13	£250 from week 17	20	£6,600

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<sup>17</sup> Job outcome fee paid at 13 or 26 weeks after job entry.

<sup>18</sup> Paid every 4 weeks, during sustained employment, from week 17 or week 30, onwards.

<sup>19</sup> We estimate that at least one discount offered to DWP in Scotland was over 50%.

The table does not take into consideration discounts offered by Prime Contractors to DWP and 50% of the scoring criteria for WP tenders was based on price.

As this information is commercially sensitive, we do not have access to it. However, from analysing scoring in bids, we estimate that at least one discount offered to DWP in Scotland was over 50%. It is most likely that this is back loaded into year 4 and 5.

In addition, the attachment fee decreases to £300 in year 2, £200 in year 3 and in years 4 and 5 there is no attachment fee available.

### Attachments broken down by Payment Group

The table below shows that the majority of attachments are in Payment Groups 1, 2 and 3. These are all JSA claimants, and the maximum value (before discounting) attached to them is:

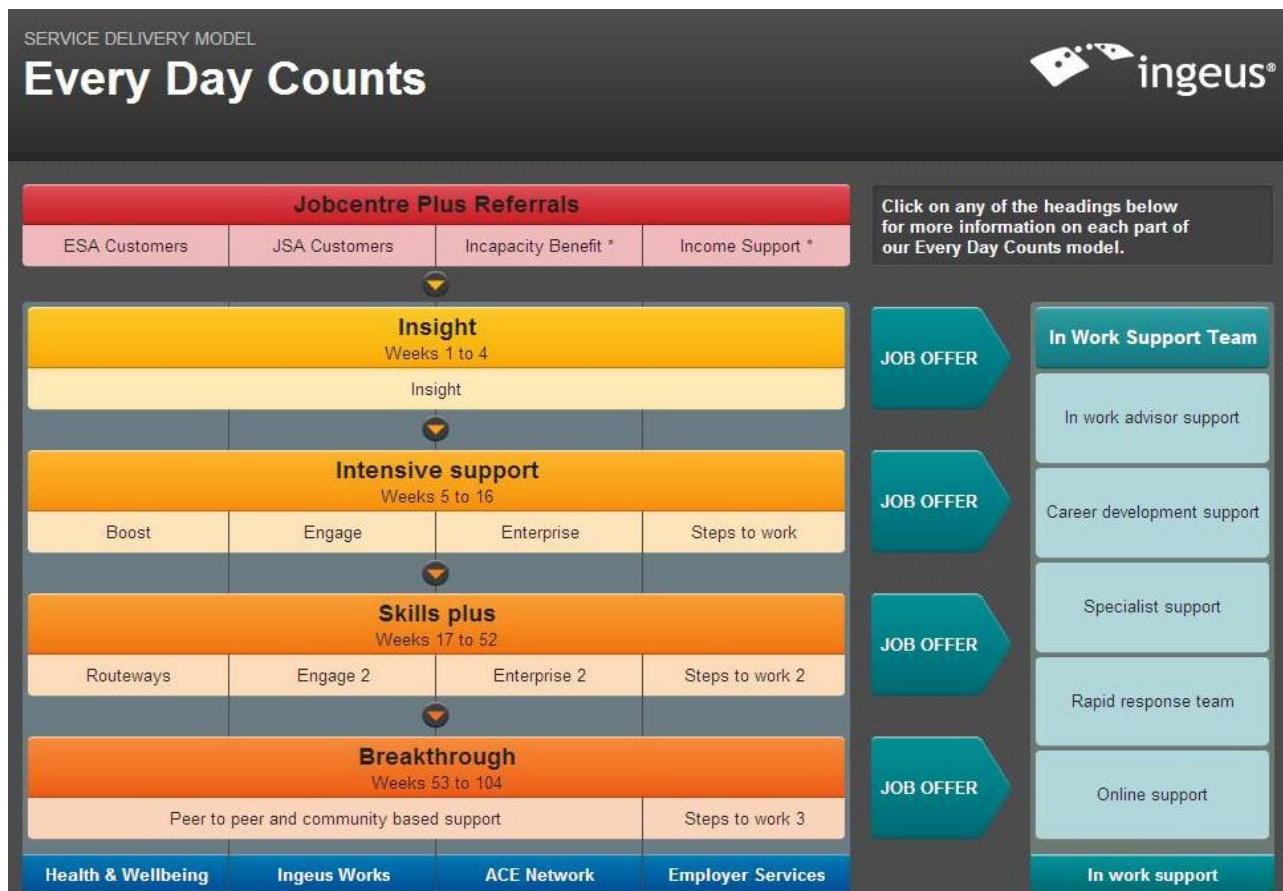
- PG1- £3,810
- PG2 - £4,395
- PG3 - £6,600

<b>Payment Group</b>	<b>Total attachments (Scotland) to July 2012</b>	<b>83,190</b>	<b>Percentage of total attachments in Scotland (July 2012)</b>
<b>PG1</b>	18 to 24 year old JSA claimants	16,460	20%
<b>PG2</b>	25+ year old JSA claimants	40,530	49%
<b>PG3</b>	JSA early entrants	18,080	22%
<b>PG4</b>	JSA ex IB	790	1%
<b>PG5</b>	ESA (12 month prognosis for being work ready)	1,480	2%
<b>PG6</b>	ESA (3-6 month prognosis for being work ready)	4,700	6%
<b>PG7</b>	ESA ex IB (WRAG)	630	1%
<b>PG8</b>	IB / IS	-	Less than 1%
<b>PG9</b>	Offenders on release	520	1%

## Brief introduction to Work Programme Prime Contractors in Scotland

**Ingeus** has a total of seven WP contracts across the UK, one of which is Scotland, and a UK market share of 23% of total WP volumes. They have experience in Scotland delivering the Flexible New Deal, Pathways to Work and other Jobcentre Plus contracts across Edinburgh, Lothian and Borders, Ayrshire, Dumfries and Galloway and Inverclyde and Lanarkshire. In Moray Ingeus has subcontracted to Lifeskills.

The Ingeus delivery model, Every Day Counts, is outlined below:

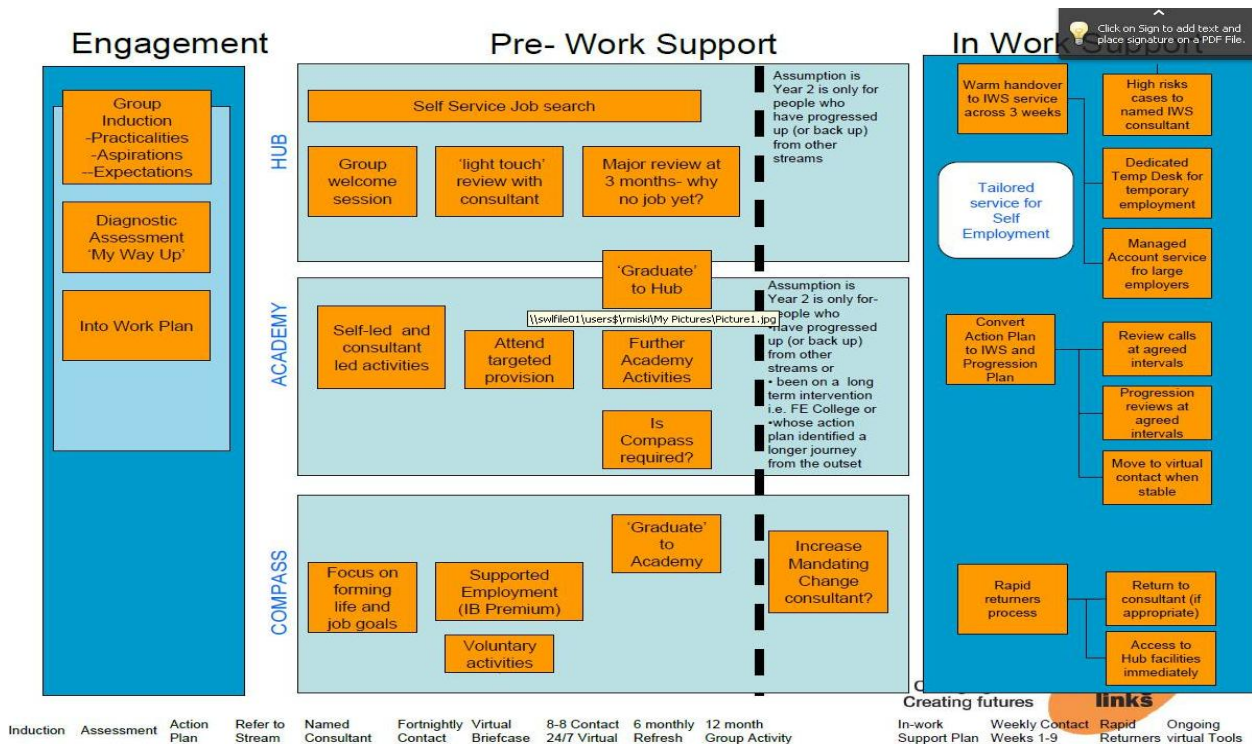


**Working Links** have WP contracts in Scotland, Wales and South West England, giving them a market share of 9% of total WP volumes. A4E is one of their main sub-contractors in Scotland and in Moray they, like Ingeus, have sub-contracted to Lifeskills.

The Working Links delivery model includes:

- 'Hub' services for those who need motivation and coaching but can be progressed to employment within a relatively short time;
- 'Academy' services for those who need more intensive support over a period of months;
- 'Compass' services for those who are further from the labour market and will need specialist interventions – it is envisaged that this support will be sub-contracted out to voluntary sector, colleges and other specialist providers.

The Working Links delivery model is outlined below:



Our discussions with Lifeskills suggests that they use their own approach with clients and are not required by either Ingeus or Working Links to use the models we have set out here.

The WP Prime Contractors in Scotland currently subcontract the following proportions of delivery (based upon DWP figures):

	Ingeus	Working Links
Direct delivery by Prime Contractor	54%	41%
Voluntary sector sub-contracting	8%	6%
Public sector sub-contracting	2%	10%
Private sector sub-contracting	36%	43%

## Moray Council Work Programme delivery model

Moray Council could take on a role as an end to end or specialist subcontractor, specialising in red rated clients, furthest from the labour market.

## Target clients and viability

The most appropriate **target clients** for Moray Council support could come from any of the Payment Groups. PG's relate specifically to the benefit that is an individual is receiving and is a poor proxy for the barriers that an individual is facing.

We know that the majority of clients referred to WP fall within the Payment Groups with a lower financial value attached to them (1, 2 and 3).

- As of the last data release (July 2012), 69% of clients were JSA claimants 18 to 24 or 25+ (PG 1 and 2).
- A further 22% of attachments were JSA early entrants (PG3). That is JSA claimants who are considered, by the Jobcentre Plus Adviser, to be at a disadvantage. This includes: NEETs, Repeaters (signing on / off JSA on a regular basis), early access volunteers e.g. ex-forces, disabled, carer, drug or alcohol dependence, homeless, mild to moderate mental health issues.

This does not accurately reflect the significance of the barriers faced by the clients. That is, there are clients with significant barriers in the payment groups with the lowest financial value attached to them.

The **maximum** financial value of these payment groups to Prime Contractors from DWP is as follows:

- PG1- £3,810
- PG2 - £4,395
- PG3 - £6,600

However, we know that the Ingeus delivery model is significantly discounted (we estimate they would receive less than 50% of these values from DWP) and has a management fee of around 18% (i.e. only around 82% of the DWP payment would be given to an end-to-end subcontractor). We estimate Working Links is discounted by around 15 to 20% but do not have information about their management fee.

As the Work Programme has already been sub contracted to Life Skills in Moray, there may be less financial resource available to support clients.

## Exploring the impact of changes in different variables

Our Work Programme Cashflow Assessment Tool helps to assess and compare different performance and payment offers, alongside forecast client volumes. This means that monthly cash inflows and cash outflows, annual cash surpluses or cash deficits can be estimated.

Presented below are a number of possible scenarios, used to illustrate a range of variables.

### Scenario 1:

- The project begins in April 2013, and Moray Council continues to receive clients until March 2015 (two full financial years), with follow up to March 2017.
- Clients are received from PG 1, 2 and 3.
- Three to four clients are attached per month, for 24 months.
- At a maximum, in year 1, caseloads are at 40 clients (if no one goes into work).
- At a maximum, in year 2, caseloads are at 80 clients (if no one goes into work).
- The financial offer is £200 attachment fee person.
- There is no additional payment made upon job outcome or sustainment.
- All clients are supported using existing programmes and other funding streams.

If all costs are met by existing Moray Council supported employment and training programmes then, on the basis of this illustration, Moray Council will make a cumulative **surplus of £16,000** over the lifetime of the programme.

### Scenario 2:

In Scenario 2, Moray Council takes on clients in each month, from PG's 1, 2 and 3. A fixed fee is paid upfront of £300 for PG 1 and 2, and £350 for PG3. There is no payment by results element to the financial offer.

3 or 4 clients are received each month for 24 months (40 per year). There no performance targets associated with this offer.

Moray Council uses existing staff and programmes, and incur additional expenditure of £9,600 per year. This is a contribution to a salary, taking on a 'brokerage role', as well as tracking clients for the Prime contractor.

This model makes a **surplus of £6,100** over the lifetime of the programme, and supports 80 Moray residents over a 2 year period.

**Scenario 3:**

- Project begins in April 2013, and Moray Council continues to receive clients until March 2015.
- Clients are received from PG 1, 2 and 3
- 3 to 4 clients are attached per month, for 24 months.
- At a maximum, in year 1, caseloads are at 40 clients and in year 2, caseloads are at 80 clients.

The financial offer is as follows:

<b>JSA 25+</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£300	£200
Sustainment payments	£100 (up to 13 payments)	£100 (up to 13 payments)
<b>JSA 18 to 25</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£300	£200
Sustainment payments	£100 (up to 13 payments)	£100 (up to 13 payments)
<b>JSA early entry</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£500	£500
Sustainment payments	£125 (up to 20 payments)	£125 (up to 20 payments)

If performance is as follows:

- 50% of clients achieving job entry
- 45% sustaining employment to 13 weeks
- 30% sustaining employment to 26 weeks
- 28% sustaining employment to 30 weeks
- 25% sustaining employment to 52 weeks

....and if costs are £24,000 for a full year of delivery.

Then, on the basis of this illustration, Moray Council will make a cumulative **surplus of £391** over the lifetime of the programme.



**Scenario 4:**

- Project begins in April 2013, and Moray Council continues to receive clients until March 2015.
- Clients are received from PG 1, 2 and 3
- **4 clients** are attached per month, for 24 months.
- At a maximum, in year 1, caseloads are at 48 clients.
- At a maximum, in year 2, caseloads are at 96 clients.
- The financial offer is as follows:

<b>JSA 25+</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£300	£200
Sustainment payments	£100 (up to 13 payments)	£100 (up to 13 payments)
<b>JSA 18 to 25</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£300	£200
Sustainment payments	£100 (up to 13 payments)	£100 (up to 13 payments)
<b>JSA early entry</b>	2013/14	2014/15
Attachment payment	£100	0
Job outcome payment	£500	£500
Sustainment payments	£125 (up to 20 payments)	£125 (up to 20 payments)

If performance is as follows (this is higher than current, year one, performance for the Work Programme):

- 50% of clients achieving **job entry**
- 45% sustaining employment to 13 weeks
- 30% sustaining employment to 26 weeks
- 28% sustaining employment to 30 weeks
- 25% sustaining employment to 52 weeks

...and if costs are **£24,000 for a full year of delivery**.

Then, on the basis of this illustration, Moray Council will make a cumulative **surplus of £11,222** over the lifetime of the programme. This scenario shows the sensitivity of increasing volume of clients from 40 to 48 per annum.

All of these scenarios assume that Moray Council would work with clients for two years, and it would take an average of 26 weeks to get a client in to work.

All of these scenarios also assume that Moray Council would supplement or subsidise the delivery of Work Programme, from existing resources and programmes, to some extent.

## Summary and recommendations

As can be seen from the model, the delivery of the WP is **very** sensitive to fluctuations in **volume** and **caseload**, **price** and **performance**. However, almost all projections show a loss at low volumes and working with the 'hardest to help' clients.

Our analysis raises some important questions for Moray Council:

- Is running WP, for the benefit of individuals who are a WP client / Moray resident a desirable option in the sense that it can provide a good quality programme that will help them progress into work?
- Can such a programme be delivered so it does not make a loss for Moray Council? If it would make a loss, is Moray Council able to raise funds from other sources to cover it because of the benefits of the programme as a whole to clients?
- Does the organisation have the financial strength to take on the level of risk implied in any of our illustrations?
- Can volumes (and key worker caseloads) be increased sufficiently to meet the financial constraints of the WP? Is Moray Council willing to adopt a different delivery model? Is a brokerage type model appealing?
- In terms of other funding sources, are there employers who would be willing to subsidise this type of activity, or other government agencies (SDS?) who might fund elements?
- Can existing programmes and placements be used to support WP clients and reduce costs/risk?

***As WP is very sensitive to fluctuations in volume and caseload, price and performance, careful consideration of all of the variables and adjusting each one to see what is viable and preferable for Moray Council.***

## 5 Enhancing opportunities through community benefit clauses

### The Role of Community Benefit Clauses

Our work required an assessment of 'community benefit' clauses as a way in which the Moray Economic Partnership could support employability work in Moray. The brief anticipated that the main opportunities would come through public procurement and this is the main focus of this Chapter. However, despite the importance of public expenditure in the Moray economy it is likely that most job-creating investment will be made by organisations that are not part of the Partnership, including the private sector. The main leverage that Partnership members have on these organisations is through Moray Council as the Planning Authority, and some consideration will be given to the potential for it to use community benefit clauses to support employability work.

In the context of the resources available for the current commission it hasn't been possible to work with all of the Partnership organisations to assess relevant issues and opportunities. We have therefore focused the work on Moray Council, but the principles can usefully be considered by other public bodies within the Partnership (notably NHS Grampian).

In this Chapter the term 'targeted recruitment and training' (TRT) is used in place of 'employment' or 'employability'. Most public sector contracts support employment, most of which will be for existing skilled and experienced workers and some of which may be delivered by people that don't live within the 'travel to work' area of Moray. In this context the 'added value' of including general 'employment' requirements within contracts is likely to be limited: this value increases as the benefits are targeted at people that face barriers in accessing the labour market, which is the task of 'employability work'.

But TR&T also focuses attention on one part of the route from non-employment to being employable. This is the importance of a 'first job' that also provides the training and support that will lead to the three key elements of 'employability': skills and accreditation, productivity, and social skills. Much 'employability work' is focused on the preparation of the beneficiaries for work, but this is wasted if the first job is not available or does not help the beneficiary convert their prior learning into a sustainable career. This is widely recognised, for example as seen in the previous Chapter in the scale of Work Programme funding that is paid after the beneficiary is sustained in work for several months.

Notwithstanding the focus on TR&T as a way of supporting 'employability work' it may be noted that community benefit clauses may have a wider application in relation to the recommendations in this report, for example:

- Ensuring that all vacancies are advertised locally and that local applicants have a genuine recruitment opportunity - in a context where contractors may have recruitment agents based elsewhere in Britain or (for construction at least) in Europe
- Ensuring that all workers have the opportunity to qualify at SVQ Level 2 or above
- Ensuring that local companies have a supply-chain opportunity which could enable them to sustain local employment and possibly provide 'first job' opportunities.

In relation to 'employability' these approaches should be supplementary to TR&T because the outcomes are less certain: it is difficult to track vacancies and check that all are being offered locally, and expensive to monitor in-work training. And for both jobs and supply-chain opportunities local people/firms may still lose out to more competitive applicants/bidders, fairly or otherwise.

## Procurement Methodology

The Scottish Government has published a good deal of information on the powers, methodologies and good practice for including TR&T requirements in public contracts as a part of material on 'social issues in public procurement' (SPPN 06/2007). In particular its publication *Community Benefits in Public Procurement* (2008) sets out a methodology and details of 5 pilot projects. The headlines from this material are:

- The inclusion of TR&T requirements in a contract specification (and as contract conditions) can be compatible with Scottish, UK and EC procurement rules
- Such requirements should be included as core elements of what is being procured provided this is supported by the purchaser's powers and policies
- As a core requirement TR&T should be included in all stages of the procurement process: the business case; the OJEU Notice; the PQQ; the specification; tender evaluation and award; and contract documentation
- TR&T requirements should be clearly specified, ideally in a measurable and verifiable way.

Appendix 1 provides a summary of how TR&T requirements are compatible with the current Scottish, UK and EC procurement frameworks.

For Moray Council the power to include TR&T as a core requirement can be found in Part 3 of the Local Government in Scotland Act 2003: 'the power to advance well-being'. This power is limited insofar as the LA is constrained by other legislation, but the Act (in Section 7) sets aside the 'labour force matters' elements of S.17(5) of the 1988 Local Government Act that would otherwise have been a constraint on LAs including TR&T elements in the award of a contract.

The above Act also sets out a LA's duty (Part 1) to secure 'best value', which is 'continuous improvement in the authority's functions' which is best assessed against the Authority's adopted policies.

In relation to employability Moray Council has made a commitment in the sense of maintaining an organisational capability', but more specific policy commitments are difficult to identify. For example, The Moray Economic Strategy includes 'targeting resources to achieve the highest return for Moray's businesses and communities', refers to community benefit clauses in helping to develop the social economy, and includes a commitment to create over 5000 jobs, but does not refer to the reduction of unemployment and associated deprivation.

The Single Outcome Agreement 2012-15 is likewise 'light' on specific employability commitments although more detail may be available in the Delivery Plan. There are general commitments to 'employability and employment skills' and 'well-being' within a context where relevant indicators like the employment rate and numbers of young people not in education, training or employment are below national average.

The SOA suggests a priority to increasing overall skills levels and inward movement of workers rather ensuring that all non-employed people get access to employability support and then a 'first job'.

The Moray Council Procurement Strategy 2010-2014 includes reference to 'delivering community benefit' in its section on Sustainable Development but there is no specific reference to TR&T. There is also a reference to 'address corporate social responsibility': this could be interpreted as the Council's considering its CSR obligations, or perhaps encouraging contractors and suppliers to consider CSR. The first of these options might include TR&T, but the second would refer to voluntary action by contractors and suppliers that is outside of the procurement/contracting process.

From the above it can be suggested that the 'best value' case for including TR&T in contracts is somewhat weak in Moray and it may be appropriate for the Council to consider adopting a specific policy of maximising opportunities for people facing barriers in the labour market through contracting for works and services. Alternatively, the MEP could consider adopting such a policy pending the inclusion of more specific commitments in forthcoming SOAs and any revised Economic Strategy.

As can be seen from Appendix 1 the EU procurement frameworks are generally supportive of contracting authorities including social issues like TR&T in their procurement. However, a key proviso is that this is done in a way that doesn't disadvantage non-local bidders. The key concern is that a specification that requires the provision of TR&T and other locally-focused community benefits could disadvantage non-local bidders because they may lack an existing local workforce and supply-chain and 'local knowledge' of the labour market and training regimes. To address this the specification should refer to 'targeted' rather than 'local' – which also better expresses the aims of the Council's 'employability and training' team – and the Council should ensure any bidder has equal access to the target beneficiaries e.g.:

- By providing a locally-focussed job-matching or training service that is available to whichever contractor is appointed
- By providing all bidders with contacts for locally-based suppliers and sub-contractors.

There are two schools of thought about how this 'targeting' is reflected in the specification/contract:

- The contractor should be required to recruit the 'target beneficiaries' through a single named source (or several named sources): this makes it easier for the purchaser to monitor the outcomes (by working with the agency) and takes away the advantage of firms with an existing local method of recruitment
- The requirement to use a named agency is extended to 'or a suitable equivalent approved by the Client' since this will allow firms with their own 'source' to continue to use this source provided it meets the Council's CB aims.

It is important that any named agency is prepared to offer support to people from any EU nation, even if it primarily targets its work at disadvantaged local communities. This is to accommodate the EU rules about the free movement of labour, although 'procurement professionals' should not seek to apply case law from procurement into this alternative field: it has its own and somewhat distinctive case law.

So there is a methodology that Moray Council can use to incorporate TR&T in its procurement within the Scottish, UK and EU procurement frameworks. However:

- In terms of 'best value' the Council should consider strengthening the policy support for such action
- In terms of EU procurement rules care needs to be taken to maintain a level playing field between local and non-local bidders.

Legal advice should be taken on how TR&T and other social issues are included in Council procurements.

For other contracting authorities within Moray (e.g. those that are in the MEP) there may be a need to examine their legal powers to incorporate TR&T in their contracts. There are examples of social housing, NHS and Scottish Prison Service contracts including recruitment and training requirements, and it looks likely that the Scottish Government's Procurement Reform Bill will include a general power for 'sustainable public procurement' that would include community benefits like TR&T.

## **Identifying potential TR&T Opportunities**

There is extensive experience of including TR&T requirements in works contracts in Scotland and elsewhere in the UK. This includes use in a range of contracting approaches including multi-client frameworks that require quite a sophisticated methodology for targeting and providing delivery support. There is much less experience of including such matters in services contracts but the principles from activity in works contracts can be transferred to services. In the context of the draft Procurement Reform Bill much of the new activity is likely to be in services.

The benefits of including TR&T requirements in supplies contracts is generally considered to be low: the local benefits (e.g. in terms of recruitment and training opportunities) are small relative to the officer time required to make the intervention.

It is understood that the modest size of Moray Council is reflected in its procurement and contracting activity. In some activities the Council may be part of a larger buying consortium e.g. Hub North Scotland for construction. This scales-up the potential TR&T outcomes that could be achieved while potentially making an intervention more difficult because other agencies would need to cooperate. It may also be difficult to obtain TR&T outcomes from existing contracts: if there are significant contracts that are not due for re-tendering in the near future then voluntary agreement on TR&T may be possible, but otherwise the TR&T requirements would need to wait for the re-contracting process.

In the context of the weight that the Scottish Government gives to training and recruitment as an example of a community benefit there would appear to be scope to take forward a TR&T initiative through the procurement process in Moray. This should be at the Business Case stage and it is understood that the Council has, as a result of this work, incorporated TR&T in its Draft Business Case Planning Document and associated Guidance.



The critical action is an early discussion between a Council employability and training officer (or a community benefits lead officer) and the procurement team to determine whether the type and scale of opportunities that could be derived from a contract justify the work involved in adding TR&T to the procurement process. Where there is justification the 'employability officer' should become a part of the User Intelligence Group (UIG) for the procurement.

It would be useful for the Council to develop a policy that will help procurement teams know when they should get in touch with 'employability' colleagues. Birmingham City Council has a mandatory policy for the inclusion of TR&T requirements in contracts. This includes threshold values of contract where the policy applies, together with a process for a procurement team to seek exemption if there is a sound reason.

Essentially, a policy should give employability colleagues the chance to decide whether they want to discuss TR&T requirements in relation to a specific procurement or not. Where TR&T is to be included considerable input to the procurement process and contract facilitation and management by the employability/community benefits officer will be required, as well as additional inputs from the procurement team. This has a cost, and this should be assessed against the scale of likely outcomes: it will take as much officer input for a contract that hopes to deliver small benefit as one that will deliver much more benefit.

Other organisations in the MEP would need to look at how TR&T fits into its procurement strategy and its procurement processes. The Partners could consider adopting a standard approach which each organisation is asked to adopt.

## Setting Targets

Setting TR&T targets is a critical part of the process because:

- Good procurement practise determines that tender/contract requirements should be measurable and capable of being monitored and verified
- Adopting a rational process for setting targets is important in obtaining the support of the whole procurement and contract management team
- The targets should be compatible with other contract priorities like quality, timely delivery and affordability.

Also, understanding how targets can be set for each type of contract will enable projections of potential outcomes to be made (see below, for example) that can influence which contracts should be prioritised for TR&T purposes, and therefore what supply-side support should be secured.

In the construction sector there is a fairly well-established process for setting targets for 'new entrants' to the industry based on:

- A calculation of the overall labour requirement to deliver the contract e.g. number of person-weeks
- A judgement of what % of these can reasonably be delivered by 'apprentices and new trainees', in the context of other contract requirements like quality, cost and timely completion.



This has been possible because there is a profession – quantity surveyors – that have this knowledge and can offer this to clients to help set targets for individual contracts. One of the biggest firms, Davis Langdon, has developed a forecasting model based on their analysis of ‘contract outturns’ e.g. actual labour usage. In this approach the type of construction (house-building, public building, office etc.), the anticipated value of the contract, and a target ‘new entrant %’ is fed into the forecasting model and it provides a breakdown of the labour requirement for the contract by trade area, and the potential ‘new entrant’ weeks for each trade. However, most surveyors working on a project could replicate this quite quickly: they have the knowledge but just haven’t been asked to apply it in relation to community benefits.

A key issue in using the above approach is deciding what is the right % for ‘new entrant’ weeks. However, there is considerable experience of this that suggests a bench-mark for works contracts in the region of 10% of total labour usage. The Glasgow Housing Association framework contractors (see Scottish Government *Community Benefits in Procurement*) had this as an overall target and in the early years of operation the outcomes exceeded 12% across a range of quite difficult work in occupied homes: electrical rewiring, new kitchens and bathrooms, roofing and guttering and (less difficult) environmental improvements.

As the case studies in the recent report for the Scottish LAs Economic Development (SLAED) Employability Theme Group show the 10% target in construction is quite widely adopted: Clackmannanshire, Edinburgh, Glasgow, Inverclyde, and Midlothian use this target, and most feel that it was being achieved. Others like Falkirk express the target as an absolute number of trainee opportunities which is likely to be based on the use of some standard calculation like that set out above.

Discussions with Moray Council officers involved in works contracts suggests that the following indicative values of works contracts are likely to be let over the next three years

**Table ... Indicative values of Moray Council new Works contracts**

<b>Contract</b>	<b>£2013-14</b>	<b>£2014-15</b>	<b>£2015-16</b>	<b>£Total</b>
Civil Engineering Framework	3.0m	6.0m	6.0m	15.0m*
Schools refurbishment	2.0m	2.0m	4.0m	8.0m
Speyside High School refurbishment	0.7m	0.7m		1.4m
Elgin Town Hall refurbishment		1.3m		1.3m
Swimming Pool refurbishments	0.5m	0.5m		1.0m
Elgin High School			10.0m	10.0m**
<b>Total</b>	<b>6.2m</b>	<b>10.5m</b>	<b>20.0m</b>	<b>36.7m</b>

\*estimated at £30m over 5 years but spend profile uncertain at present

\*\*part of a £20m spend, but this may go through the Hub North Framework

As can be seen from the above the forthcoming works contracts are in three broad categories that will impact on the potential for securing TR&T outcomes:

- Civil engineering contracts that generally have a lower % of the budget spent on labour, but a higher proportion of the latter is utilised by 'general operatives', a job where 'new entrants' can become productive much quicker than in trade occupations
- Refurbishment which may involve many specialist sub-contractors doing short pieces of work, which reduces the opportunities for 'new entrants' relative to the value of the contract
- A new build school which may be procured through an existing Hub North framework which may or may not enable the Council to achieve its TR&T goals.

Taking these factors into account the scale of TR&T opportunities in the construction sector from new Council contracts is likely to be modest. A reasonable target would be 26 weeks employment for 'new entrant trainees' per £1m in contract value. This is roughly half the common target of 52 weeks per £1m (which roughly equates to 10% of the labour time required per £1m in contract value) because (it is assumed at this stage) much of the work will be too specialist or delivered by subcontractors that are only on site for a short period. This would suggest a target of 18 person-years of work for new entrant trainees over three years.

On the other hand it is anticipated that most 'new entrant' positions will be general operative rather than trade opportunities. If each person is allowed 26 weeks on site before being moved on to a permanent position then the number of opportunities would increase to 36.

This methodology can be applied to other sectors, albeit that the appropriate target % is different. For example, in work for Birmingham City Council the approach was used for their home care contracts. An initial problem was that the procurement team did not know what the labour content of a contract was, or what typical wages were at different levels in a delivery organisation. However, this was overcome with 'soft market testing' (talking to a supplier before the procurement process started), and by engaging with a care training organisation. From this it seemed that a 15% new entrant target would be possible, but this was reduced to 10% to be conservative.

Initial discussions with the Moray Council adult care commissioning team indicated support for the inclusion of TR&T requirements, especially as a means of helping clients of the service to get back to work which would generate long-term savings for the Council. The Council spends £12m per year on adult care of which 80%-90% is for labour costs: so roughly 9.6m per year. Savings targets may reduce these budgets in future years.

If a typical adult care worker costs £10 per hour including on-costs, this equates to £18720 per year. Insofar as this is a reasonable estimate the Council expenditure is supporting 518 fte posts. In reality there will be many more jobs than this because of part-time working. If 10% of these were 'new entrant' posts this would generate 52 posts per year.

The number of opportunities would depend on how long each new entrant stays in the post, and this will depend on the approach that is developed. Options could include:

- Each new entrant progresses to a full-time post with the employer, but this makes assumptions about labour turnover in suitable posts that will create vacancies
- The opportunities are used as a temporary 'first job' for new entrants that are then helped to find a permanent work either in the care sector or in other sectors, in which case the opportunity could be time limited to perhaps 26 weeks and the 52 posts would support 104 new entrant opportunities per year.

Another consideration in identifying the scale of opportunities (and later the targets to be included in contracts) is the scale of demand for the opportunities that will be created, and what training is available locally. To assess this it is useful to involve training providers that work in the sector being procured, and possibly general employment agencies: what number of trainees and job-seekers do they need opportunities for?

From the above it can be seen that there are significant issues and options about how many TR&T opportunities a contract can support, and how these should be utilised. However, these are not entirely pre-determined: the Council (and/or other MEP organisations) can influence this by:

- The weight it wishes to give to TR&T in the contract: it is possible to reverse the balance and issues a tender for the support and training of defined 'beneficiaries' while delivering (e.g. environmental maintenance), thereby shifting the core requirements of the contract towards TR&T
- The 'employability regime' that is developed and resourced which can reduce affordability issues and increase beneficiary numbers relative to the size of the contracts being utilised.

## **Affordability**

By including TR&T (or other community benefits) as core requirements of the contract they can be taken into account in assessing value for money (VfM) or 'best value': they are part of what is being purchased. In this context it cannot be argued that the inclusion of these requirements will result in poor VfM.

However, a legitimate concern for procurement teams is whether the addition of TR&T requirement in the specification and contract will add cost, and if so whether this is affordable. In part this debate will reflect the commitment of the procuring entity to the 'social issues' to be addressed, and this will be influenced by adopted policies and priorities.

Whether or not the inclusion of TR&T or other social issues in a procurement process results in additional costs to the client is a factor of:

- The type and scale of the requirements e.g. requiring 10% of the work to be delivered by apprentices is likely to be more expensive for a contractor than requiring all vacancies to be notified to a local agency
- The availability of external resources that a contractor can use to help fund the social benefits e.g. training organisations that are already funded to deliver training and support trainees in the workplace
- The complexity of the learning and skills that need to be obtained before a new worker in the sector can cover their costs from the work they deliver e.g. it can be up to 2 years for a construction trade apprentice to become self-funding, but perhaps only two weeks for a care assistant or catering assistant to become self-funding
- The labour market context e.g. if, as the Economic Strategy suggests, there are skill shortages in Moray then expanding the pool of employable labour by requiring all contractors to take part in the training and staff development process will in the end reduce costs for employers, and then for their clients
- What costs are counted in the cost/benefit analysis e.g. the SLAED report quoted above refers to research for The Prince's Trust that puts the weekly cost of youth unemployment in the UK as £155m: what element of this costs is carried by Moray Council and is it possible to count the benefits of reduced youth unemployment against any additional costs to procuring departments if they use their procurement to achieve this.

A key lesson from the above is that unlike some other 'extensions of the specification' the inclusion of TR&T requirements does not automatically result in increased cost. There may or may not be an immediate increase in costs – and to a considerable degree these can be avoided when drafting the specification – but even if there is some cost increase this may be recovered over the lifetime of the contract, or later.

In practical terms it is reasonable for procurement teams to ask employability colleagues to demonstrate how any potential increases in cost can be ameliorated. For this the employability colleagues need to be working with 'supply-side agencies' that can explain how contractors can eliminate additional training and recruitment costs.

Finally, it is important to note that different procurement teams have different attitudes to the identification of costs for TR&T elements. These include:

- Specifying that the TR&T outcomes must be delivered at no cost to the client: no opportunity to identify a specific cost is provided and the client cannot identify any cost
- Specifying that the TR&T outcomes must be delivered within a specified Prime cost sum (that is perhaps provided to the client department as an additional budget): so the cost is fixed and the TR&T proposals are judged on quality alone
- Requiring each bidder to complete a cost schedule that sets out the makeup of the cost for the TR&T element that is included in the tendered sum: the cost becomes part of the overall price and therefore subject to competitive pressures.

So there are choices for Moray and MEP organisations to consider.

## A Community Benefits Officer

The SLAED report identifies the appointment of a community benefit lead officer with overall responsibility for community benefits as a 'key success factor'. This officer should act as the 'champion' for the approach but also hold the expertise on what contracts are worthwhile intervening in and how to set targets. To do this across a range of sectors – most existing officers will mainly have dealt with works contracts – will require good connections with employability and training organisations in a range of sectors. Over time the person should build up knowledge of the labour force required in different types of contract, and the local training resources and organisations that contractors should work with.

This lead officer should also establish a suite of documents that are agreed with procurement and legal officers for including community benefits at different stages of a procurement process. Using a standard approach will minimise the risk of challenge and make it easy for new client departments to become engaged.

It is recognised that in a small authority like Moray Council it may be unnecessary to appoint a full-time community benefits officer. In this context the preferred route may be for a full-time officer to be shared amongst the Community Planning Partnership. However, if a part-time role is preferred then the procurement work needs to be carefully programmed: there is often a relatively short 'window' where an intervention needs to take place e.g. before and during the Business Case development; in the drafting of the specification; in pre-tender presentations; in the evaluation of the tender; contract start-up, and the officer needs to be available at these points.

## Supply-side Partners

From the above it can be seen that a critical element of success in using TR&T in contracts is having training and job-matching 'partners', especially organisations that have specialist knowledge in the sector where the opportunities will be created. These 'supply-side partners' can provide:

- Information on and access to training and employability resources
- Knowledge of sector-specific training arrangements
- Help with setting measurable and appropriate targets
- A named agency that contractors can work with to ensure that all have equal access to the 'target beneficiaries'
- A supply-chain for the contractor: they are the source of potential beneficiaries from the target communities.

One issue in selecting supply-side partners is the extent to which their objectives – often determined by their funding sources – align with those of the Council (or other procurement body). How willing or able are they to 'bend' their programmes to maximise the objectives of the procurers? Are they willing to act as a genuine 'partner' or are they mainly interested in achieving their own priorities.

One example here is the Construction Academy programme promoted by Construction Skills. The latter is the training body for the construction industry but it offers a set of training requirements that public bodies can include in their tenders/contracts. However, these requirements essentially aim to achieve the aims of Construction Skills and may not achieve the policy objectives of the procuring body.

The lesson here is that there needs to be a negotiation with potential supply-side partners to establish that if they get access to the opportunities provided by the contracts they will use these to further the objectives of the Council/client. The latter may or may not have additional resources to offer as a part of this 'bargain': its currency is the access to the job and training opportunities through contracts.

## **Monitoring and enforcement**

Under European Court case law a contracting authority must enforce the conditions of a contract or it could face challenge from an unsuccessful 'bidder'. It is therefore important that any TR&T requirements are enforced.

The key elements of achieving this are:

- Setting measurable targets with clear definitions of the terms
- Include the provision of stated monitoring data as a contract condition, and enforce this
- Set up a system to verify the monitoring data e.g. by asking supply-side agents to confirm the contractor's information or including a contractual right to meet the beneficiaries
- Include a contract condition that each 'beneficiary' signs a form permitting their employer to provide 'personal data' to the Council for contract monitoring purposes
- Ensure that monitoring reports are provided from early in the contract (or contractors will get the message that this is not very important)
- Read and respond to monitoring reports: if targets are not being met then take action early.

A frequently-used way of obtaining verification data is to require that each 'beneficiary' is registered with the Council or the named supply-side agency (as agent of the Council) using a pro-forma that collects the personal data that the Council requires. This data can then be analysed and reports provided.

A good example of this is Inverclyde where the Council and River Clyde Homes (the housing stock-transfer body) have included TR&T requirements in their construction contracts. They appointed Inverclyde Community Development Trust to act as the supply-side agency and to provide monitoring reports. The Trust has a data-base system that registers job-seekers and 'tracks' them as they are employed on construction contracts, and this system is used to provide monthly reports to each contractor on how they are performing against the TR&T elements of the contract, with copies also going to the client.



## Model Tender Requirements for TR&T

Appendix 2 provides a set of 'model clauses' for a construction contract. They are provided here as an illustration of the level of detail that is appropriate. This detail will of course vary with the type of contract and the sector, but it illustrates that the addition of TR&T or other community benefit clauses requires similar attention to 'desired outcomes' and detailed drafting that other element of a specification will normally receive.

## Community Benefits in Planning Agreements

As noted above the use of TR&T in public procurement will not provide leverage on private sector investors in Moray: these may be approached by MEP organisations and asked to support the 'employability activity' but this would be on an entirely voluntary basis. While any support would be welcome this CSR approach has the following weaknesses:

- Commitments may be abandoned as circumstances and key personnel change over time
- Companies take their contractual commitments more seriously than informal agreements
- Commitments may not be appropriately defined and measured
- Access to monitoring data is likely to be at the discretion of the employer
- Delivery of the outcomes may be dependent on the provision of funding from public sources.

Where an employer is seeking planning permission for a development that could provide TR&T benefits then there is scope for Moray Council as the Planning Authority to consider including TR&T as part of a Planning Agreement. A 2008 example was the Scottish Government determination for the 'Donald Trump' golf course and resort development in Aberdeenshire which included a requirement to agree a Training and Employment Strategy with detailed provisions.

The grounds for negotiating a TR&T agreement with a developer are much stronger if the intention is included in the Local Development Plan and Supplementary Planning Documents. Moray Council is currently consulting on a 'key issues paper' for a new Local Development Plan and as a part of its work on 'employability' for the Council we have submitted a response to the draft key issues paper setting out:

- The rationale for including 'the provision of employment and training opportunities for local people' in the Development Plan, based on the 'specific challenges' Moray faces if it is to achieve the 'core targets' in the Moray Economic Strategy
- How TR&T concerns are compatible with the duty of the Council to exercise its planning functions with the objective of contributing to 'sustainable development', a term that includes 'a just society' which the Government has defined as '.....providing prosperity and opportunities for all'.

The Council will be rightly concerned that any TR&T requirements should not deter investment in Moray. However, there are developers who cannot easily take their investment elsewhere and for whom any TR&T obligations will not be a deterrence (e.g. wind-energy developers, retail developers, some house-builders, public bodies and social housing providers), and others for whom the offer of support in recruiting locally is an attraction rather than a disincentive.



Some or many of these investors will have encountered similar requirements in other areas and may be surprised when they are not asked to make formal commitments on TR&T in Moray.

If the Council does agree to use the leverage from its Planning functions to support TR&T and other community benefits then much of the good practice set out for public procurement will be relevant, including:

- The importance of good specification and measurable targets
- The inclusion of standard measures for setting TR&T targets e.g. as a number of opportunities per sq.mt of development, unit of housing, or 100MW of energy production
- The provision of monitoring information
- The role of supply-side partners in helping employers deliver the obligations at minimum cost.

In areas where investment is buoyant Planning Authorities have obtained funding from developers towards pre-employment costs for potential employees. This may not be appropriate in Moray.

Whereas it is possible to devise financial penalties for developers that do not deliver their TR&T obligations it is better to use the TR&T obligation as a basis for developing a good relationship between the employer and the local employability agencies rather than relying on the threat of penalties to obtain cooperation.

## Conclusions

There is considerable scope for Moray Council to use community benefit clauses in contracts to support the employability work that is taking place locally. Initial discussions have indicated support for such action from procurement officers, but uncertainty about its appropriateness from Planning policy officers.

However, the scale of procurement undertaken by the Council alone will limit the numbers of TR&T opportunities that can be supported by contractors. To increase the numbers and widen the range of opportunities it would be helpful if:

- Other MEP organisations worked with the Council to develop and implement a common approach, including speciality support and monitoring /reporting functions
- More explicit policy commitments to tackling unemployment and associated deprivation are included in MEP and Council strategies and policies
- The Council included specific policy references in its forthcoming Local Development Plan, and uses the early discussions with potential developers to introduce the employment and training colleagues and work towards the agreement of TR&T Plans for employment-generating developments
- Employability programmes are designed and resourced with a view to maximising the TR&T opportunities that are obtained from each contract and making it easy for contractors and developers to deliver their TR&T commitments.

## 6 The business case for investment

### Introduction

We have identified a range of activities which are designed to both support business growth in Moray and associated increases in employment – and in particular the development of progressive routes into and through work for those most distant from work.

These activities will cost money and at this stage we have not assessed the full costs of these options. However, our experience elsewhere and the wider research suggest that if these activities are well designed and effectively implemented the cost should be seen as an investment which brings a significant return to the public bodies involved – and notably to Moray Council, mainly through strengthening the local economy and reducing in the medium and long term the demands on a range of services. In this Chapter we articulate in more detail this 'business case' for upfront investment in the programme that we have identified.

The costs of an unemployed person are twofold – not only do they not produce output, but they are also paid benefits by the state. A person claiming JSA and housing benefit will cost the tax payer circa £9,000 per year. In February 2013, there were 1,430 claimants of JSA in Moray, 415 of which were aged 18-24. The total revenue lost per person aged 18-24 from tax and NI receipts is calculated at £1199.20<sup>20</sup>; for Moray this is currently close to half a million pounds (£497,668) a year.

Meanwhile, in addition to costs incurred while unemployed, there are many long-term costs of high unemployment:

- **Unemployment leads to more unemployment.** People who are unemployed for a prolonged period of time are less likely to find work in future, and when they do, they are likely to earn less. For young males, every extra month spent out of work brings an average 0.67% wage penalty leading to future lost earnings of £3,339 per year.<sup>21</sup>
- **Youth unemployment** is particularly damaging as it can 'scar' a whole generation from future employment. The average 16-17 year old claimant costs £3,558.90 per year, and the average 18-24 year old claimant £5,661.51 per year. Long-term unemployed youth are more likely to claim benefits and to fail to contribute to economic output as adults.
- **Crime and vandalism** tend to rise when unemployment increases. The average cost per prisoner place in Scotland was £32,146 in 2010-11.<sup>22</sup>

<sup>20</sup> <http://www.bristol.ac.uk/cmpo/publications/other/youthunemployment.pdf>

<sup>21</sup> <http://www.bristol.ac.uk/cmpo/publications/other/youthunemployment.pdf>

<sup>22</sup> <http://www.sps.gov.uk/faq.aspx#FAQno21>

- **Drug and alcohol abuse** is more prevalent in the long-term unemployed. 25% of young NEETS reported increasing their intake due to unemployment. In 2009, alcohol/drug abuse cost Scotland £5 billion.
- **Homelessness** can result from loss of income. Each homeless person costs the taxpayer on average £26,000 per homeless person. Enabling the homeless into work saves an estimated annual £3,157 per person.<sup>23</sup>
- **Depression and other mental health problems** have consistently been linked with unemployment, putting pressure on health services. It is estimated that the economic cost of depression in Scotland is £3.7 billion which “equates to £360 per person, per year”.<sup>24</sup> The cost of treating depression to the NHS in Scotland in 2012 was £31.3m.<sup>25</sup>
- **Child poverty** is substantially higher in households with unemployment.
- Long-term unemployment of parents increases the likelihood of their children entering unemployment. 26% of the poorest young people in Moray become unemployed immediately after leaving school.

Unemployment therefore levies significant long term costs on a local authority – in terms of:

- The demands on its services – notably social work and housing – and on those of its CPP partners – notable the NHS and Police.
- Reduced local incomes which makes itself felt on a range of aspects of the Local Authorities activities in terms of support for those distant from work and the promotion of economic activity.

## Introduction

The most obvious costs of unemployment are loss of earnings, lost output to the economy during an unemployed person’s period of unemployment, and benefits paid by the state to those out of work. A person claiming JSA and housing benefit will cost the tax payer circa £9,000 per year.

However, unemployment also has multiple social and economic “consequences lasting well beyond periods of no growth”<sup>26</sup>. There are many ways in which investing in reducing unemployment by accelerating a return to work can be seen to prevent these longer-term costs in the near future. This approach has been promoted by the UK Government as ‘Invest to save’.

Studies have repeatedly linked unemployment to rising crime, delinquency, vandalism, drug/alcohol misuse, homelessness, suicide rates and the deterioration of mental and

<sup>23</sup> [http://www.crisis.org.uk/data/files/TMD\\_London/costs\\_and\\_benefits\\_of\\_work.pdf](http://www.crisis.org.uk/data/files/TMD_London/costs_and_benefits_of_work.pdf)

<sup>24</sup> <http://www.actionondepression.org/campaigns>

<sup>25</sup> <http://www.bbc.co.uk/news/uk-scotland-19717592>

<sup>26</sup> <http://www.cis.org.au/images/stories/policy-magazine/2002-spring/2002-18-3-andrew-norton-3.pdf>

physical health, all of which puts pressure on, and requires increased funding for, local services.

Unemployment has the effect of “scarring” (Arulampalam et al 2001), meaning that a person who has been unemployed is more likely to be unemployed in the future: “after a period of disheartening job search, unemployed individuals often adjust to unemployment as a different life style” (Layard, 1997, 335). This leads to potentially productive individuals moving further from the labour market, and becoming less likely to rejoin it when opportunities are more abundant.

Therefore, a main concern is that persistent unemployment will “eventually result in widespread deterioration of human capital, discouragement and labour market withdrawal”,<sup>27</sup> which means higher poverty and inequality.

This “scarring” particularly affects people who become unemployed early in their career. As a result, youth unemployment is of particular concern because the disproportionately high numbers of young people out of work suggest the possibility of a future generation who will struggle to enter the labour market.

In addition to individual entrenchment of unemployment, some researchers argue that “the incidence of LTU [long-term unemployment] has an impact on the aggregate unemployment rate in the economy” (Machin, 1999, 3125)

The consequences of high unemployment amongst the working-age population are projected to affect other groups through child poverty and also insufficient contributions to pensions. It should also be noted that geographic concentration of unemployment can compound problems in the area, by taking unemployed people out of the informal networks that can both pass on information about jobs, and in some cases establishing employment as a social norm.<sup>28</sup>

In February 2013, there were 1,430 claimants of JSA in Moray, representing an increase of 12.2% (or 156 claimants) on last month, and 2.6% of the total working age population. 285 people had been claiming JSA for over a year, and 175 people for 26-52 weeks. 740 people had begun to claim JSA in the last 13 weeks, and this represented a 20% increase on last month.<sup>29</sup>

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<sup>27</sup> <http://www.oecd.org/social/labour/47656668.pdf>

<sup>28</sup> *ibid*

<sup>29</sup>

[http://www.skillsdevelopmentscotland.co.uk/media/8734/SDSLMI\\_Moray%20February%202013.pdf](http://www.skillsdevelopmentscotland.co.uk/media/8734/SDSLMI_Moray%20February%202013.pdf)

## Youth unemployment

Young people have been disproportionately affected by unemployment. At the start of 2012 there were over 250,000 long-term unemployed young people in the UK, and in Scotland, there has been a 351% increase in long-term youth unemployment.<sup>30</sup> The Prince's Trust estimates this youth unemployment to be equivalent to losing a maximum of £9,484,400 in productivity every week.<sup>31</sup> Almost half of the rise of unemployment since mid-2008 in Scotland has been among people aged under 25.<sup>32</sup> In March 2012, there were 103,000 Scottish people aged between 16 and 24 who were out of work.

Withdrawal from work has been particularly significant among young people throughout OECD countries,<sup>33</sup> which fits with research that shows that unemployment in the early stages of a person's careers can have a significant effect on their future employment patterns. The Work Foundation notes that, "youth unemployment has scarring effects on the wages, employment and health of those who undergo it. The longer people are out of work while young, the more severe the effects can be".<sup>34</sup>

Interventions are recommended as particularly important at this stage in a person's professional development because, "[t]he literature on the effects of scarring highlights a twofold impact; damaging the individual's future employment prospects and/or lowering their subsequent earnings; effects which potentially may last for the individual's entire remaining working lifetime".<sup>35</sup> The economic costs consist of state spending on welfare to support those out of work, and lost productivity and output, both now and in the future.

The Prince's Trust found that the weekly cost of young people claiming Jobseeker's Allowance in the UK is £22 million, and "a conservative estimate" places the cost of lost productivity each week to be at least £26 million, although the upper bound estimate is as much as £133 million. The revenue lost from taxes is predicted to top £600 million by the end of 2012, resting on the assumption that young unemployed people earn less in work than their average currently employed peers, or might be subsidised by working tax credits at extra cost to the exchequer.

Because unemployment while young is detrimental to a person's future prospects, "the cost to the public purse will be compounded each year in terms of future benefit payments and lost output", estimated by the ACEVO Commission to be a cost of £2.9 billion per annum (The Work Foundation 2012). For young males, every extra month spent out of work brings an average 0.67% wage penalty, and for young females 0.47%, leading to future lost earnings of £3,339 and £1,779 per year respectively.<sup>36</sup>

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<sup>30</sup> <http://www.thirdforcenews.org.uk/2013/01/young-people-in-scotland-are-depressed-and-unable-to-cope/>

<sup>31</sup> [http://www.princes-trust.org.uk/pdf/COE\\_full\\_report.pdf](http://www.princes-trust.org.uk/pdf/COE_full_report.pdf)

<sup>32</sup> <http://www.jrf.org.uk/sites/files/jrf/poverty-exclusion-scotland-summary.pdf>

<sup>33</sup> <http://www.oecd.org/social/labour/47656668.pdf>

<sup>34</sup> [http://www.theworkfoundation.com/DownloadPublication/Report/314\\_short-term%20crisis\\_long\\_term\\_problem.pdf](http://www.theworkfoundation.com/DownloadPublication/Report/314_short-term%20crisis_long_term_problem.pdf)

<sup>35</sup> <http://www.bristol.ac.uk/cmpo/publications/papers/2004/wp97.pdf>

<sup>36</sup> <http://www.bristol.ac.uk/cmpo/publications/other/youthunemployment.pdf>

## Crime

Although there is no simple cause and effect model that can be identified, researchers in different countries have found that “a given increase in adult unemployment is predicted to lead to a higher percentage increase in most crimes” (Carmichael and Ward, 2001), and that there is “remarkable consistency” in the effects of unemployment on crime rates “at the county, state and national levels, and for a variety of different crimes” (Phillips & Land 2012).

According to the Social Exclusion Unit (2005), nearly two-thirds of young offenders were unemployed at the time of arrest, and 46% of offenders aged over 25.<sup>37</sup> The same report confirms that “there is robust evidence in the that reducing unemployment or educational under-achievement would lower the crime rate.” Also relevant is that unemployed people are more than twice as likely to be the *victims* of crime as employed people.<sup>38</sup>

Exclusion from the labour market increases an unemployed person’s propensity to function outside of the labour market, i.e. through illegal activities and black market transactions. (Machin, S & Manning, A, 1999) An unemployed person’s engagement in criminal activity will create additional obstacles for him or her to return to work in the future, should they incur a criminal record. This creates a cycle whereby “involvement in crime reduces subsequent employment prospects which then raises the likelihood of participating in crime” (Machin, S & Manning, A, 1999, 3128).

The Prince’s Trust estimated the cost of youth crime in Great Britain to be in excess of £23 million a week (more than £1.2 billion a year); they also calculated that reducing youth unemployment by one percentage point could save over £2 million in terms of youth crime avoided.

The Scottish government spent £273 million on the prison service in 2009/10, with a further £108 million on criminal justice social work. The average total cost for a prisoner place for a year was £34,279.<sup>39</sup> Meanwhile, as criminal justice budgets in Scotland have been significantly reduced (by 64% in 2011/12)<sup>40</sup>, it is possible to predict risks associated with insufficient resources to cope with an unemployment-related rise in crime.

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<sup>37</sup> [http://www.princes-trust.org.uk/pdf/COE\\_full\\_report.pdf](http://www.princes-trust.org.uk/pdf/COE_full_report.pdf)

<sup>38</sup> <http://www.tuc.org.uk/extras/costsofunemployment.pdf>

<sup>39</sup> [http://www.audit-scotland.gov.uk/docs/central/2011/nr\\_110906\\_justice\\_overview.pdf](http://www.audit-scotland.gov.uk/docs/central/2011/nr_110906_justice_overview.pdf)

<sup>40</sup> [http://www.audit-scotland.gov.uk/docs/central/2011/nr\\_110906\\_justice\\_overview.pdf](http://www.audit-scotland.gov.uk/docs/central/2011/nr_110906_justice_overview.pdf)



## Homelessness

Homelessness grew 14% in England in 2012 as a result of the economic downturn.<sup>41</sup> "Analyses of previous UK recessions have suggested that unemployment can affect homelessness both *directly* – via higher levels of mortgage or rent arrears – and *indirectly* – through pressures on family and household relationships."<sup>42</sup> The Crisis Homelessness monitor: Scotland 2012 suggests that growing unemployment and poverty may have a particularly marked impact on homelessness levels in Scotland.

In another vicious cycle, people who become homeless are less able to find employment due to their lack of access to technology, hygiene, and factors such as not having a home address which may lead to discrimination. Homelessness also "damages people's capability through loss of skills, through an inability to think about employment while worrying about housing, and through their health becoming impaired whilst homeless"<sup>43</sup>. A 2012 survey of St Mungo's clients found that just six percent are in paid employment. However, previous research has indicated that 77% of homeless people want to work now, and 97% want to work either now or in the future.<sup>44</sup>

UK Government estimates homelessness to cost between £24,000 - £30,000 per person, and anything up to £1 billion (gross) annually.<sup>45</sup> These costs include housing and other benefit payments, employment programmes, health costs (in particular for mental health problems and substance dependency), and policing costs. A study in 2008 by the New Economics Foundation into specifically 'job ready' homeless people (who as such have lower than the average amount of associated problems, and are mainly aged under 27 or between 40-55) calculated that each person would cost the state £26,000 a year. If this group could be prevented from entering homelessness in the first place, the costs associated with helping them back into employment would also be saved.

## Child poverty

Children living in households without employment are substantially more likely to be living in poverty. Save the Children says that unemployment is "at the heart of child poverty in Moray", with 8,800 children living in households that are dependent on out of work benefits or Child Tax Benefits.<sup>46</sup> In Moray 13% of children live in poverty.<sup>47</sup>

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<sup>41</sup> <http://www.guardian.co.uk/society/2012/mar/08/homelessness-jumps-repossession-unemployment>

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[http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

<sup>43</sup> [http://www.crisis.org.uk/data/files/publications/Valuable\\_Lives.pdf](http://www.crisis.org.uk/data/files/publications/Valuable_Lives.pdf)

<sup>44</sup> <http://homeless.org.uk/sites/default/files/attached-downloads/The%20Programme's%20Not%20Working.pdf>

<sup>45</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7596/2200485.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7596/2200485.pdf)

<sup>46</sup>

<http://www.savethechildren.org.uk/sites/default/files/images/Child%20Poverty%20in%20Scotland%20-%20local%20snapshots.pdf>

<sup>47</sup>



This has knock-on effects relating to those children's ill health, malnutrition and under-development, which along with poor educational performance contribute to poor future employment prospects and thus lower earnings over the course of a working life. The annual cost of below-average employment rates and earnings levels among adults who grew up in poverty is currently "about £13 billion, of which £5 billion represents extra benefit payments and lower tax revenues; the remaining £8 billion is lost earnings to individuals, affecting GDP".<sup>48</sup>

Children from low-income families are also more likely to "face pressures in the lives that help to explain an association with anti-social behaviours and criminality" in the near future.<sup>49</sup> Public spending to deal with the fallout of child poverty is estimated at about £12 billion a year, of which about 60% goes on "personal social services, school education and police and criminal justice"<sup>50</sup>. In total, the Joseph Rowntree Foundation therefore estimates that child poverty costs the country £25 billion a year.

At age 16, there is a 26% gap in attainment levels between the poorest pupils and their classmates in Moray, and 26% of the poorest young people in Moray become unemployed immediately after leaving school.<sup>51</sup>

## Health

Unemployment significantly increases the probability of illness, mental stress, helplessness and depletion of self-esteem, which can all lead to depression and thus greater distance from both finding work and staying in work. Job insecurity has also been shown to increase stress, and consequently "sickness absence"<sup>52</sup>, costing employers in lost productivity.

A literature review carried out for the World Health Organisation in the 1980s concluded that "it is almost certain that unemployment damages mental health and probable that it damages physical health".<sup>53</sup> This results in a greater number of people claiming sickness benefits whenever there is a rise in unemployment, and the longer unemployment lasts, the more dependent people may become on these as "the unemployed have much higher use of medication and much worse prognosis and recovery rates".<sup>54</sup>

In 2009, a study of mortality and employment in 26 EU countries between 1970 and 2007 found that every one percent increase in unemployment was associated with "a 0.79% increase in suicide amongst those under 65", a "0.79% increase in homicides", and that "every US \$10 spent on active labour market policies reduced the effect of unemployment

<sup>48</sup> <http://www.jrf.org.uk/sites/files/jrf/2313.pdf>

<sup>49</sup> <http://www.jrf.org.uk/sites/files/jrf/2313.pdf>

<sup>50</sup> Ibid.

<sup>51</sup>

<http://www.savethechildren.org.uk/sites/default/files/images/Child%20Poverty%20in%20Scotland%20-%20local%20snapshots.pdf>

<sup>52</sup> [http://www.ippr.org/images/media/files/publication/2013/03/analysis-tax-benefit-changes\\_Mar2013\\_10436.pdf](http://www.ippr.org/images/media/files/publication/2013/03/analysis-tax-benefit-changes_Mar2013_10436.pdf)

<sup>53</sup> "Recession and Health – a literature review", S. Watkin, in Health Policy Implications of Unemployment, World Health Organisation, 1985.

<sup>54</sup> <http://www.ucl.ac.uk/gheg/marmotreview/FairSocietyHealthyLives>

on suicides by 0.038%”.<sup>55</sup> Research has also found that social support “buffered the impact of stress related to unemployment”; for example unemployed men without social support had higher cholesterol levels than those with social support (Gore 1978).

An increase in inequality and poverty arising from employment will have its own associated costs; for example, the most deprived areas in Scotland have double the mortalities for heart disease as the Scottish average, 50% higher rates of cancer mortality,<sup>56</sup> and higher proportions of teenage pregnancies and lone parent households.

According to a UK YouGov survey carried out by the Prince’s Trust, a quarter of young NEETs said that unemployment played a part in their increased intake of drugs and alcohol.<sup>57</sup> 48% of NEETS said they felt depressed “always” or “often”. In British young men, unemployment was found to “play a significant part in establishing life-long patterns of hazardous behaviour”, with higher likelihood of having a drink problem.<sup>58</sup>

A BMA report in 1997 meanwhile found that around 75% of drug users seeking help were unemployed. According to some researchers, “unemployment de-structures people’s lives [...] This is especially true in communities where most people do not have jobs. The need to structure one’s life around obtaining the money for drugs [...] re-creates a daily timetable”.<sup>59</sup> In this scenario, intervening to support those distant from work can help to add a structure which is missing to unemployed persons’ lives and assist them to move away from habits of dependency. In 2008, drug abuse was calculated to cost Scottish taxpayers £3.5 billion every year.<sup>60</sup>

## Whole-place pilots

Now known in England as community budgets, the UK government launched a pilot programme at the 2011 LGA Conference which aimed to describe new delivery models which would “eliminate duplication”, “align targets and systems”, and “fix the problem that bodies which could save other bodies money have no financial incentive to do so”.<sup>61</sup> This means that budgets and services are pooled to tackle problems from a variety of angles, whilst the persons using the services have a single point of contact to get the help that they need. Local authorities have used this to “develop more local and flexible services and use resources more effectively, investing in proving inventions to reduce costs to the public purse in the long run”.<sup>62</sup>

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<sup>55</sup> <http://press.thelancet.com/crises.pdf>

<sup>56</sup> <http://www.jrf.org.uk/sites/files/jrf/poverty-exclusion-scotland-summary.pdf>

<sup>57</sup> [http://www.princes-trust.org.uk/about\\_the\\_trust/what\\_we\\_do/research/youth\\_index\\_2013.aspx](http://www.princes-trust.org.uk/about_the_trust/what_we_do/research/youth_index_2013.aspx)

<sup>58</sup> <http://www.tuc.org.uk/extras/costsofunemployment.pdf>

<sup>59</sup> <http://www.tuc.org.uk/extras/costsofunemployment.pdf>

<sup>60</sup> <http://www.telegraph.co.uk/news/uknews/scotland/6265815/Drug-abuse-costs-Scottish-taxpayers-3.5-billion-per-year.html>

<sup>61</sup> [http://www.local.gov.uk/web/guest/community-budgets/-/journal\\_content/56/10171/3692233/ARTICLE-TEMPLATE](http://www.local.gov.uk/web/guest/community-budgets/-/journal_content/56/10171/3692233/ARTICLE-TEMPLATE)

<sup>62</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6272/2009783.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6272/2009783.pdf)

According to research by local government leaders, a new local approach to tackling long-term youth unemployment could see the number of young people out of work cut by 20% in three years. The move would “result in savings of £1.25 billion a year to the taxpayer and contribute an additional £15 billion into the economy over 10 years”.<sup>63</sup> For example, the Tri-borough Whole Place Community Budgeting pilot proposed an Employability programme, which they calculate would cost £320,000 over two years, and would generate net savings to public services between £1.5 and 2.5 million each year. Aggregated analysis of community budgets for work and skills suggest annual savings of up to £1.7 billion.<sup>64</sup>

## **The implications for Moray Council**

The long term costs – on Government, Local Authorities and society – of unemployment has led many local authorities to place tackling unemployment at the heart of their policies – on the understanding that the local authority and local communities will win significant long term benefits.

As a result some Local Authorities have been exploring:

- An ‘invest to save’ approach – particularly to efforts to reduce the flow into youth unemployment and helping young people break out of sustained unemployment, on the basis that the long term savings on reduced demands on a range of services will bring a significant return on the original investment
- An exploration of the way in which each of their services can maximise their impact on reducing unemployment.

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<sup>63</sup> [http://www.local.gov.uk/web/guest/media-releases/-/journal\\_content/56/10171/3863141/NEWS-TEMPLATE](http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/3863141/NEWS-TEMPLATE)

<sup>64</sup> [http://www.local.gov.uk/c/document\\_library/get\\_file?uuid=fe612120-4c27-4d97-a855-74244b511410&groupId=10171](http://www.local.gov.uk/c/document_library/get_file?uuid=fe612120-4c27-4d97-a855-74244b511410&groupId=10171)

## 7 Conclusions and recommendations

Our **conclusions** are:

- There are a number of aspects of current practice around employability and employer engagement in Moray that represent good practice in a Scottish context.
- There is considerable scope to build on existing structures to make support for recruitment more accessible and coherent for employers. The approach needs to focus on the needs and situation of businesses and it is this perspective which has driven our work.
- It is reasonable and realistic for the partners in Moray to aspire to providing the best business support service in Scotland – which will in turn enhance start up rates and business growth and so help to maximise local job creation.
- As part of this approach there will be benefits from having a high profile contact point for all forms of business support. This will not replace direct connections between a range of existing organisations and businesses – rather it is targeted at transforming the proportion of businesses in Moray which is aware of the array of local business support and knows where to go to get the support they need. There are a number of options for how this objective can be put into practice.
- There is a specific opportunity (already being taken forward by Moray Council with Business Gateway) to develop a locally appropriate micro-business development service which will help micro-business owners minimise the perceived risks of employment and help them to recruit the people who can help them grow their business. The design and development of this service can draw on significant good practice elsewhere in terms of providing a widely known service which promotes business growth through recruitment.
- There is scope for the partners to use their procurement to enhance opportunities for local skill development and job creation that will help those furthest from work gain sustainable employment.
- There is an opportunity for the partners to work together to provide a better match between candidates and vacancies and to work with a range of partners in the public, third and private sector to make this happen. We recommend the development of an approach we call 'Moray Match' which will provide confidence to employers with vacancies that the best match is being sought for their need.
- We have not identified a significant unmet need in the local market for temporary staff. The most significant local employers have well developed and trusted agency relationships in place and Ringlink has a well established position in land-based and construction temporary posts. This means that there is little scope to create a viable 'temporary agency' which might help local people gain short term jobs from a secure 'host'. There is an opportunity to work with Ringlink locally to help them develop their role in the Moray labour market and in particular to build a skill development aspect to their role.

- The Work Programme is the UK wide support service for long term unemployed people. The way that the partners engage with this programme locally is therefore at the heart of helping those 'furthest from work' to make progress into a job. The current financial model makes it unappealing for both Prime Contractors and sub-contractors to provide the support needed for those furthest from work to find a job. We have explored the feasibility of Moray Council building on its existing skills and resources to provide the local Work Programme sub-contractor with a more viable way of helping those furthest from work. Our initial conclusion – presented in this report – is that this is a feasible approach. It will require some short term pump priming but our model shows that over the medium term a significant number of Work Programme clients could be helped at no net cost to the Council.
- One of the most significant opportunities flows from the partners finding ways of drawing on the intelligence held by all the partners about businesses and the current and emerging needs around skills – and translating this into usable insights for pupils, teachers, parents, mentors and training providers, so aligning the skills available (particularly among young people) with the needs of employers. This also suggests the development of a range of innovative relationships between local employers and schools and Moray College UHI which will include work placements, curriculum design, and the use of business insights in aspects of Curriculum for Excellence.
- There are two further areas where this can be further built upon: the active management of school-work transition and the development of skills in work for young people and we suggest some approaches that fully draw on the contribution that employers can make.
- One of the areas of good practice displayed by the Moray partners is the volunteering approach developed by Moray Council which is one of the best (and pro rata one of the most substantial) we have come across. There appears to be an opportunity to spread this across other organisations on a locally significant scale.
- Finally, there is a strong case – underpinned by a growing weight of evidence – that an 'invest to save' approach by Moray Council to the employability task will bring a significant return in terms of reduced service demands and costs at a later stage. This would apply particularly to investing in significant support for the active management of school-work transition and extensive employer engagement in an array of engagements with schools and with support for young people at the beginning of their working lives. This is an issue which it would be appropriate for the Moray Community Planning Partnership to focus upon.

Our specific **recommendations** are:

That the Moray Employability Action Group take forward and refine an employability strategy for Moray which has four elements:

## **1 Enhancing business growth and recruitment**

- **Enhancing the demand for recruits** through supporting business growth and the creation of associated jobs and ensuring that the perceived risks of recruitment are minimised. This should be done by taking forward and developing the current

proposal to put in place HR support skills as part of an actively promoted service to help micro-businesses across Moray grow through recruitment.

- **Joining up business support services** (of all sorts) to ensure that employer needs and issues are being spotted and appropriate responses put in place – in terms of a connection to an existing service or the creation of bespoke support to meet a specific need. This should be done by:
- Ensuring that staff in those Council services which engage with businesses see themselves as part of a coherent and connected business support service and use their engagements to spot 'cues' which might suggest business growth or recruitment or skill development needs which can be referred to appropriate sources of specialist help.
- Ensuring that sources of business support are easy to find and use by developing and promoting a clear 'front door' for businesses and an easy to navigate web portal.
- Creating 'Moray Match' – a commitment by all those helping businesses find recruits to get a match which best meets their needs.

## **2 Enhancing the flow of intelligence on business requirements**

We recommend that the partners:

- Create a simply way of joining up insights and intelligence gleaned from employers to ensure that those supporting young people through education and training are clear about the kinds of opportunities available and the skills, attitudes and behaviours needed to fulfil these roles and lead fulfilling lives at work. This would most effectively be done by twice yearly workshops drawing together front line staff to share insights and experience and identify key themes and trends in terms of demands around recruitment and skills.
- Promote the key findings and trends drawn from this intelligence. We envisage this happening through local promotion and specifically through the creation and promotion of a Moray Employer Standard which will help young people, parents, teachers and training providers appreciate the key skills looked for by employers.

## **3 Managing effective transitions to work for young people and reducing the flow into long term youth unemployment**

We recommend that the MEAG put in place the support needed to ensure that each young person is managed through the transition period and into sustained employment which involves progression to more responsible roles through skill development.

## **4 Enhancing support and opportunities for those furthest from work**

We recommend that the partners:

- Build on Moray Council's expertise in helping those furthest from work by supporting those on the Work Programme who have been moved to a less intensive form of support because it is hard for Work Programme sub-contractors to gain a

financial return on intensive support for this group. This approach will also include those emerging from 24 months on Work Programme onto the proposed Community Action Programme.

- Maximise the local benefits (jobs and training) from public procurement by identifying those contracts for which a Targeted Training and Recruitment (TR&R) approach can be adopted.
- Spread Moray Council's approach to volunteering to NHS and private employers and enhancing third sector volunteering opportunities.



## **Appendix 1: Summary of '*Barriers to education, employment and training for young people in rural areas*'**

### **Overview**

In 2012 the Commission for Rural Communities (CRC) published results of their research on "*Barriers to education, employment and training for young people in rural areas*". The research involved reviewing the literature, visiting people in rural communities and interviewing policy makers and the purpose was "*to look at whether there is a rural dimension to [NEET], explore whether there are any uniquely rural barriers, and assess the impact that Government policy is having.*" Using predominantly qualitative and some quantitative evidence, the CRC asserted that rural young people face unique challenges in accessing education, employment and training, and that, with few exceptions, these difficulties have been "*compounded*" by recent Government policy changes. Regarding NEET levels, the CRC notes that although the proportion of young persons NEET in rural areas is lower than in urban areas, the faster upward trend of rural NEET levels since Q4 2007 is a cause for concern.

The CRC make a number of recommendations to Government departments and Local Authorities to address some of the concerns raised in the report, including calling on the Government to appoint a Minister for Youth Affairs.

The body of the CRC reported is divided into four sections, each section focussing on one of the following four "*key factors*" which were identified as hindering rural young people's access to education, employment and training:

- Transport
- Careers advice
- Employment and training
- Youth services

Below, we summarize each of these sections.

### **Transport**

Of the four "*key factors*", CRC highlighted transport as being the "*most significant issue*" - indeed transport problems also affect all of the other sections.

CRC report that rural young people are more reliant on transport but face higher costs than young people in urban areas. Furthermore, current transport provisions are often inadequate for their access to education, employment and training, and rural young people rely heavily on parental transport or driving themselves (which can be excessively expensive). Rural bus services have been highly affected by Government cuts on local authority spending and the Bus Service Operators Grant in the 2010 Spending review. The CRC also questions the Government's decision to raise the age of mandatory participation in education or training to 18 in 2015 but not provide any extra funds for post-16 transport.

Regarding suggestions for future, the CRC questions whether increased use of community transport methods, as recommended by Government, will provide the flexibility and reliability required for young people accessing education, training or employment. Instead, the CRC is encouraged by recent successes of Wheels to Work schemes, where a young person is loaned a small vehicle (e.g., moped) to help them reach their place of education, training or employment. Noting the problems surrounding the sustainability of these schemes, the CRC welcomes a current DfT investigation of this issue.

## **Careers Advice**

The CRC describes the outlook for careers services in rural areas as being adversely affected by a number of recent Government policy changes. In essence, the Government's decision to shift the duty of providing independent careers advice to schools without providing them the extra funds to do so is seen as particularly challenging for rural schools. This is primarily because it is more costly and time consuming for independent careers advisors to provide their services in rural areas. In the absence of independent careers advice, the CRC also fear that the new "lagged pupil funding" mechanism could result in rural schools expanding to offer new courses and encouraging their students to take these courses, even if this is not in the student's best interests.

While the UK Government's recently launched online National Careers Service [in England] offers a number of useful services, the CRC point out that these cannot replace "face-to-face contact" with an advisor. Furthermore, many rural young people do not have access to broadband internet. The CRC recommends that these issues for rural young people are taken into consideration in the upcoming Ofsted careers service review.

## **Employment and Training**

CRC highlight a number of features of rural labour markets, including a high proportion of micro businesses and sole traders, less variety of job opportunities, seasonal and informal work and unskilled employment. Notably, the CRC point out that young people who take on only informal, low paid work often do not also take benefits for which they are eligible, and that the effect of this on unemployment counts in rural areas hides real problems for rural young people. Regarding apprenticeships, CRC comments that currently available funds for small and micro businesses in rural areas are insufficient and do not allow for extra transport costs. These higher costs are also deemed to deter apprenticeship providers offering their service to rural areas. CRC recommend that shared apprenticeship schemes should be backed by the National Apprenticeship Service (and that the NAS should factor in transport costs) and also encourage the rural VCS sector to do more in the way of offering work placements.

As an exceptional example of support for Government policy change, the CRC are encouraged that prime Work Programme contractors recognise the importance of sub-contracting their services to small sub-contractors for rural services. These smaller services are seen by CRC to have the specialised local knowledge required for a quality rural WP delivery. However, the CRC provide examples of smaller providers who have been forced to move away from rural areas in order to remain financially viable. Further, the CRC is unconvinced that the VCS sector is being sufficiently sub-contracted to by primes in rural areas. The CRC calls for the WP to be evaluated for its effectiveness in remote areas and, if the evaluation calls for it, more funds to be provided for sub-contractors in remote areas.

## Youth Services

The CRC reports that in 2011 all of the central Government funding for youth services was combined into a single, reduced grant (the Early Intervention Grant (EIG)). This grant is now allocated by local authorities among both child services and youth services; the CRC reports that concerns of child services being prioritised over youth services were reinforced by a 2011 survey which showed youth services among those suffering highest cuts [1]. CRC comment that rural areas are often overlooked in funding decisions, as small "pockets" of deprivation are hidden within a generally more affluent rural area.

High costs of accessing rural young people are seen as an obstacle for youth workers and for external youth service providers, and the latter are also reported to be too "urban focussed". The CRC gives a successful case study of a National Citizen Service youth programme in rural Wiltshire, but also raises concerns about delivery of NCS courses in rural areas. Alongside the usual transport and economy of scale issues for providers there is the issue of many rural youths needing to take seasonal work in summer (when the NCS courses run). CRC recommend that local authorities share example cases of where councils have successfully overcome cuts in funding and provided quality youth services.

[1]: Local Government Association Analysis & Research, 2011

## Sound Bites from the Report

### Transport

*"Government and local authority funding decisions are adversely affecting the provision of public transport in rural areas. Furthermore, transport support for college students is being reduced across many parts of the country. The combined consequences of those factors for young people in rural areas who are seeking to reach work, training or education, particularly those from families on lower incomes, are likely to be severe."*

### Careers Advice

*"The lack of additional funding to support the new duty on schools to provide independent careers advice could mean that some schools will have no choice but to rely on the online careers services, resulting in a lack of face-to-face contact with careers advisers. This will be compounded in rural areas, where economies of scale for independent careers advice providers are harder to achieve. Furthermore, the lack of modern ICT infrastructure in parts of rural England could mean that young people in rural areas might fall behind their urban counterparts in terms of their ability to access such advice."*

### Employment and Training

*"Employment and skills services are often more limited and of a lower standard in rural areas due to higher delivery costs for rural providers, and there is often an overreliance on the voluntary sector to fill the gap."*

### Youth Services

*"...with local authorities having to make difficult decisions about how and where to allocate funding for youth services, attention is mostly being focused on areas of most*

*concentrated need... This is leading to a vacuum in the understanding of the issues being faced by rural young people."*

## Appendix 2: Legal Issues – Community Benefits in Procurement

### Scottish Government

The Scottish Government has issued Guidance on social issues in public procurement<sup>65</sup> which clarifies that it may be appropriate for a public body to consider wider social benefits when undertaking its procurement. This can be compatible with value for money since the latter is related to the delivery of all of the customer's requirements including, for example, the achievement of social and economic objectives.<sup>66</sup>

The procurement guidance emphasises that any social, economic and environmental requirements must be compatible with the EU Treaty and procurement law including non-discrimination on the grounds of nationality or locality, equal treatment and proportionality.

In August 2012 The Scottish Government published a Procurement Reform Bill for consultation. This aims to 'enable sustainable economic growth' and defines a process called Sustainable Procurement "*a process whereby organisations meet their needs for goods, services works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment*".<sup>67</sup>

Sustainable Procurement is one of the four key priorities for the Bill<sup>68</sup> with 'training and recruitment opportunities' given as an example of what this might include. The Bill also refers to the *Government Economic Strategy* as including 'our commitment to improving the labour market opportunities for all in Scotland – to tackle unemployment, skills gaps and lack of opportunity', and *Achieving a Sustainable Future, Our Regeneration Strategy* in relation to 'supporting our most disadvantaged communities to become sustainable and promote well-being'. The use of community benefits clauses in procurement is given as a way of achieving these objectives<sup>69</sup> and there is a clear intention that in the future all public procurement in Scotland supports the creation of new training and employment opportunities.<sup>70</sup>

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<sup>65</sup> SPPN 06/2007

<sup>66</sup> Ibid page 2

<sup>67</sup> Scottish Government Procurement Reform Bill Consultation, Section 32

<sup>68</sup> Ibid Section 44

<sup>69</sup> Ibid Section 133.

<sup>70</sup> Ibid Section 134.

**EC Consolidated Procurement Directive 2004/18/EC**

As stated by the OGC<sup>71</sup> Note, *Social Issues in Purchasing*: “the new Directive makes explicit the scope to take social and environmental issues into account at the relevant phases of the procurement process”. The Consolidated Directive says much more on the subject of social and environmental considerations than its preceding directives, both in its non-binding but influential recitals and its articles which are now implemented in the Public Contracts (Scotland) Regulations 2006.

Recital 1 of the Consolidated Directive states: “*This Directive is based on Court of Justice case-law, in particular case-law on award criteria, which clarifies the possibilities for the contracting authorities to meet the needs of the public concerned, including in the environmental and/or social area, provided that such criteria are linked to the subject-matter of the contract, do not confer an unrestricted freedom of choice on the contracting authority, are expressly mentioned and comply with [Treaty Obligations]*”.

There are recitals which support other environmental and social issues, such as sheltered workshops, environmental requirements and the involvement of small and medium-sized undertakings in the public contracts procurement market. These areas are addressed in separate policy guidance. Specifically in the context of this report, Recital 33 states:

*“Contract performance conditions are compatible with this Directive provided that they are not directly or indirectly discriminatory and are indicated in the contract notice or in the contract documents. They may, in particular, be intended to favour on-site vocational training, the employment of people experiencing particular difficulty in achieving integration, the fight against unemployment or the protection of the environment. For instance, mention may be made, amongst other things, of the requirements - applicable during performance of the contract - to recruit long-term job-seekers or to implement training measures for the unemployed or young persons, to comply in substance with the provisions of the basic International Labour Organisation (ILO) Conventions, assuming that such provisions have not been implemented in national law, and to recruit more handicapped persons than are required under national legislation.”*

In Recital 46 there is the following acknowledgement:

*“In order to guarantee equal treatment, the criteria for the award of the contract should enable tenders to be compared and assessed objectively. If these conditions are fulfilled, economic and qualitative criteria for the award of the contract, such as meeting environmental requirements, may enable the contracting authority to meet the needs of the public concerned, as expressed in the specifications of the contract. Under the same conditions, a contracting authority may use criteria aiming to meet social requirements, in response in particular to the needs - defined in the specifications of the contract - particularly disadvantaged groups of people to which those receiving/using the works, supplies or services which are the object of the contract belong.”*

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<sup>71</sup> Office of Government Commerce

Article 26 of the Consolidated Directive has this express provision:

*"Contracting authorities may lay down special conditions relating to the performance of a contract, provided that these are compatible with Community law and are indicated in the contract notice or in the specifications. The conditions governing the performance of a contract may, in particular, concern social and environmental considerations."*

This is translated in the Public Contracts (Scotland) Regulations 2012 by regulation 39 which states:

- i) A contracting authority may stipulate conditions relating to the performance of a public contract provided those conditions are compatible with Community law and are indicated in
  - a. the contract notice and the contract documents; or*
  - b. the contract documents.**
- ii) The conditions referred to in paragraph i) may, in particular, include social and environmental considerations.*

The above text indicates that public bodies have the opportunity to include social issues as (at least) contract conditions. However, this must be done in a compliant way: there must be no disadvantage to non-local bidders and the relevant procedures and good practice should be followed.

Examples from Scottish Government publications indicate that it is possible to draft TR&T-type requirements that are deliverable equally by any contractors and are therefore compatible with the EC Procurement Directives. Clearly, the procedures set out in the Consolidated Procurement Directive must be followed, which start by including a reference to the social requirements of the procurement in the OJEU Notice. However, it seems clear from the Scottish Procurement Directorate's Community Benefits in Procurement Pilot Programme that the Government is content with procurements that include the social issues at all stages of the procurement process, not just as contract conditions.<sup>72</sup>

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<sup>72</sup> See for example the Glasgow Housing Association and Raploch URC examples. Ibid pages 32-56.



### ***Local Government in Scotland Act 2003***

In addition to national and EU policy and legal frameworks LAs also needs to take account of local government law.

Under Part 3 of the Local Government in Scotland Act 2003 Moray Council have the power to do anything that they consider likely to achieve the economic, social or environmental well-being of their area or any part of their area, except where they are constrained by other legislation. This provides the general power for the Council to include the TR&T-type requirements in the proposed contract. To do this they also need to consider Section 17(5) of the 1988 Local Government Act which lists the composition of the contractor's workforce as a 'non-commercial consideration' in the award of a contract. However, under Section 7 of the 2003 Local Government in Scotland Act this is set aside where this is necessary to ensure that the contractor (i) complies with their obligations under the contract, and (ii) delivers these obligations in a way that enables the purchaser to achieve 'best value'.

If TR&T is a requirement of the contract then (i) above would seem to be relevant.

'Best value' is defined as 'continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness'. TR&T requirements in contracts can be considered as delivering 'best value' where it helps achieve the policies and priorities of the Council, including for example the Community Plan, The Economic Strategy, a sustainable development strategy, regeneration strategies, social inclusion or anti-poverty strategies and the emerging Youth Strategy.

## Appendix 3: Example Tender Clauses for TR&T

### Targeted recruitment and Training (TR&T)

#### 1. Introduction

In pursuance of the information provided in the OJEU Notice that the Contractor is required to actively participate in the economic and social regeneration of the locality the [Contractor] [supplier] shall deliver the TR&T requirements as set out below.

#### 2. The Requirements

2 [Contractors] [Suppliers] are required to submit an TR&T Method Statement with each valid tender, using the attached pro-forma, setting out how the following outcomes will be achieved [without cost] or [at minimum net cost] to the Employer.<sup>73</sup>

3 A minimum of [... person-weeks of employment] or [... person weeks of employment for each £1m in contract value] to be provided for a new entrant trainee recruited from a source agreed by the Employer where:

3.1a person-week is the equivalent to one person being employed for 5 days either on the development site or on other sites with the agreement of the Employer;<sup>74</sup>

3.1.1

3.1.2 a new entrant trainee<sup>75</sup> is a school or college leaver, or an adult that has not been employed in the [construction] sector during the previous [12] months and who is undertaking training towards a qualification agreed by the Employer, or a 'new entrant trainee' employed by another contractor/supplier to the Employer whose contract of employment or apprenticeship agreement is being terminated and who is therefore seeking another position to complete their training period;

#### 3.2 Trainee Retention

[Contractor] [Suppliers] must use their best endeavours to retain new entrant trainees for at least the full duration of their 'new trainee' period i.e. [104] weeks for apprentices and [52] weeks for other trainees and must notify the Employer 4 weeks in advance if a new trainee position cannot be maintained.

#### 3.3 Recruitment

Every vacancy on site, including those with sub-contractors, is to be notified to agencies named by the Employer, and candidates identified by these agencies are to have an equality of opportunity in the selection process.

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<sup>73</sup> The contractor(s) appointed will be expected to cover some or all of the cost of the training requirements by accessing public sector and industry funding and by effectively managing the works/services so as to achieve good productivity from the trainees.

<sup>74</sup> The Employer will expect transport to be to alternative sites to be provided where these are not within 5 miles of the site where the trainee is initially engaged.

<sup>75</sup> A trainee could be registered as an apprentice with an industry recognised body (who can be counted as a 'new entrant' for up to [104] weeks) or a person that has a trainee contract or a contract of employment or self-employment that are not apprentices (who can be counted as a 'new entrant' for up to [52] weeks).

### 3.4 Unwaged work experience

The equivalent of [20%] of the person-weeks identified under ...2.2 above are, in addition, to be made available as unwaged work experience opportunities. Some of these may not be utilised.

### 3.5 Remuneration

Trainees and recruits must, as a minimum, be paid in accordance with industry norms and must have terms and conditions of employment that are at least equivalent to those provided to workers that have equivalent skills and experience.

Employers are encouraged to increase the remuneration of trainees in line with their experience and productivity.

## 3. Monitoring and Verification Information

Within 4 weeks of completion of each 13 week period following the commencement of each contract to provide the Employer with a Targeted Recruitment and Training Performance Statement setting out in relation to the period and the contract to date:

3.1 the numbers of weeks employment provided to each new entrant trainee, including those on sites outside of the contract where this is necessary to provide continuity of employment and training and where this has been agreed with the Employer;

3.2 a schedule showing for each contractor and sub-contractor:

3.2.1 the number of personnel starting on site in the period and cumulatively;

3.2.2 the number of vacancies notified to agencies named by the Employer,

3.3 the number of people engaged on site in any capacity that have their main residence in one of the following post-code areas ..... (*enter the relevant 3 or 4 digit postcodes*).

3.4 For verification purposes the following documentation will be required by the Employer using pro-forma documentation provided:

3.4.1 a New Entrant Trainee recruitment notification signed by the trainee to permit the provision of personal data to the Employer for contract monitoring purposes;

3.4.2 a trainee transfer notification where a trainee is moved between sites, or between employers engaged in the development;

3.4.3 a Trainee completion or termination notification.

#### 4. Costs

Please complete the following net cost table relating to the delivery of the TR&T requirements and include the net cost in Tender Cost Schedule

Cost Item	£	Basis of calculation
<b>Total cost</b>		
<b>Sources of funding and other resources</b>		
<b>Net Cost*</b>	<b>£</b>	

\*Total cost less total additional resources.

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