

Employability Response to Covid-19

Context

1. In April 2017 employment support services in Scotland changed, the Fair Work Employability and Skills Directorate commenced a new approach to a wider programme of integration and alignment of employability support in Scotland.¹ A review of the Scottish Government Funded Employability Services was published to coincide with a Ministerial Summit on Employability on 5th December 2018 which signalled the intent to develop a new delivery model in collaboration with Local Government.² A Partnership Working Agreement was signed off by Council Leaders confirming agreement by COSLA and Scottish Government to take forward these shared ambitions.³
2. Despite the ongoing financial pressures local authorities have consistently made substantial investments in employability support services and programmes including European Funded local employability pipeline services as leading Local Employability Partnerships and many delivering a range of competitively secured contracts. At present approximately £130m is invested annually with more than half of this from Local Government supporting Around 45,000 individuals. This does not take account of many of the complementary and support services delivered by other areas of the council. In addition most local authorities if not all have strong delivery partnership with local third sector organisations, colleges, government agencies and local employers. The delivery of a range of business support measures complements the employability activities within local and regional labour markets.
3. This long standing involvement and commitment alongside the new partnership agreement with Scottish Government creates a solid basis from which to effectively respond to the disproportionate impact of Covid-19 on individuals and communities avoiding the potential increase in social and economic inequalities.
4. Local Government will be at the forefront of a place based approach to recovery and is in a unique position to work with third, private and public sector partners across a range of complementary and interdependent services to improve outcomes for individuals and communities at a local and regional level. Through an effective employability response Local Government can help drive forward an inclusive, sustainable and resilient economy with income, jobs and wellbeing at the core of the approach.

¹ [No One Left Behind - Next Steps for Integration and Alignment of Employability Services March 2018](#)

² [No One Left Behind - Review of Employability Services December 2018](#)

³ [Scottish/Local Government Partnership Agreement](#)

Background

5. In planning an appropriate response to Covid-19 it is helpful to look at past experience of dealing with recessions and labour market down turns. Intelligence provided by the Cambridge Policy Consultants review in 2014-15 enables a good overview of some key points when considering re-purposing existing interventions and designing new support.
6. All emerging evidence suggests unemployment set to peak to its highest level for decades, it is therefore useful to consider the approach in previous recessions when unemployment peaked at 8.1% and 21.2% for 16 – 24 year olds in 2011/12 with variations in the increase in rates from the 2008 crisis impacting of different age groups as follows:
 - a. Up 10.5 % for 16-19s
 - b. Up 8% for 20-24s
 - c. Up 2% for 25 plus
7. The early indications are that the changes in the labour market brought about by the COVID-19 will have the biggest impact on those on the lowest incomes and in the most precarious, least secure jobs. It is also expected there will be a significant increase in the number becoming unemployed or displaced in the labour market disproportionately affecting young people, women, those with disabilities and minority groups and as a result social and economic inequalities will increase.
8. Some academics are forecasting an increase to 10% from the current lowest levels of 3.8% all age and 9.1% for young people, this could see rates triple amongst some groups and communities. This will have a substantial impact on young people Not in Education, Training or Employment and vulnerable households entering or remaining in poverty.
9. Whilst unemployment will be wider spread than in some previous downturns due to the nature of the recession the severest impacts will fall disproportionately in the No One Left Behind (NOLB) client Group. As in previous recessions there will be large variations by age groups and social/economic circumstances. However, the scale and growth of the long term unemployment problem for the 25 plus age group is often overlooked when rates alone are the only impact measure used.
10. Numerically the over 25s represented around 60% of the unemployed but have historically received services equivalent to around 25% of the employability investment. In addition only 14% of the expenditure has gone on dealing with the serious issues experienced by the most disadvantaged groups which prevents them from participating and progressing towards employment.
11. Due to the consequences arising from the impact of Covid-19 individuals are likely to have a range of finance and health related issues to deal with as well as traditional employability, skills and experience support needs. The Scottish Approach to Service Design will be fundamental to delivering the right support, in the right way at the right time.
12. The policy landscape since the last recession has changed with the movement from the Work Programme to Fair Start Scotland and the introduction of Universal Credit. There has also been a consistent focus through the Youth Employment Strategy on improving the senior phase, supporting school transitions increasing Modern Apprenticeships.

13. Selective employer recruitment incentives/wage subsidies, investment in ESF pipelines and a range of specialist support packages have been increasingly targeted at all ages who are excluded or at risk of being left behind (NOLB). There has also been an increasing focus around in-work poverty and health.
14. The Cambridge Policy consultants focussed on expenditure by stage of the employability pipeline and age illustrating in broad terms that:
 - Stages 1 and 2 consume less than 20% of the expenditure
 - The biggest proportion of expenditure at 55% goes to vocational activity at stage 3
 - 10% is invested in the stage 4
 - 15% goes towards in-work support and aftercare
15. Whilst unemployment and specifically youth unemployment has fallen to its lowest level in decades, many young people still find it difficult to enter and sustain employment. There has been an increase in in-work poverty, especially amongst households with children and the ongoing period of austerity and public sector financial challenges has seen a steady reduction in the overall financial resources available.

Employability – Supporting Recovery

16. As a result of the economic impact of Covid-19 there has been a five-fold increase in Universal Credit claims and emerging data suggests a rapid and prolonged increase in unemployment which will affect local communities differently depending on the nature of the local labour market as sectors will experience different outcomes.
17. The significant impacts have still to develop as the Government taper down existing business support and the Job Retention Scheme (JRS) and many workers find themselves unemployed or under-employed (it is estimated about 780,000 employees are currently furloughed in Scotland). In addition education leavers will find themselves displaced and without a next positive destination there is currently about 50,000 school leavers of which 66% usually enter FE/HE. If NEET figures reach their previous peak then up to 8000 school leavers could be without a positive destination. This is assuming FE/HE figures remain constant and that there is still some level of employment. Other Education leavers may also find themselves without a next destination and many young people will be unemployed as traditional sectors of employment cease to operate.
18. In terms of a Covid-19 response a key focus on the principles of No One Left Behind has to be maintained and any support and/or interventions must:
 - Provide flexible and person-centred support;
 - Be more straightforward for people to navigate;
 - Be better integrated and aligned with other services, in particular, with health, justice and housing provision;
 - Provide pathways into sustainable and fair work;
 - Be funded in a simple and co-ordinated way;
 - Be driven by evidence, including data and the experience of users; and
 - Support more people – particularly those facing multiple barriers – to move into the right jobs, at the right time.

19. It is also recognised that employment and income are key determinants of health and well-being which is an important factor when enhancing, re-purposing and developing employment support interventions in response to Covid-19. Any policy response and investment must continue to focus on tackling inequalities and poverty. A focus on skills development alone will leave many vulnerable job seekers behind.
20. In responding effectively a well targeted response is required to maximise the economic and social return on investment avoiding long term scarring which was prevalent in previous recessions. It is suggested that an all age, needs based strategic approach is most appropriate and that any silo strategies or action plans based on specific cohorts would be detrimental to a cohesive and collaborative approach ensuring no one is left behind. The Scottish Approach to Service design will strengthen this policy and practice. In an evidence led approach emerging intelligence suggests that resources should be targeted at:
 - a. Young People – Especially those leaving education without a positive destination and those previously working in sectors adversely affected by lockdown.
 - b. Women – Especially those in lock down sectors and/or with caring responsibilities
 - c. Low earners/low skilled – less likely to be able to work from home and a large % work in the hardest hit sectors.
 - d. Lone parents – More exposed to reductions in earnings/job losses coupled with caring responsibilities
 - e. Minority ethnic people – a higher % of the visible minority ethnic population work in the hospitality industry.
 - f. Disabled people – Already disadvantaged and may experience higher impact from workplace restrictions.
 - g. 50 years+ - Previous recessions have written off this age group who are amongst the most deprived of the working age population and will struggle to re-enter the labour market.
21. In addition it is recognised that the newly unemployed who are at risk of long-term unemployment due to their personal circumstances and/or characteristics should also be prioritised within an all age, needs based approach.
22. An all age needs based policy response is required to avoid the silo and complex approaches which arose from More Choices, More Chances and Workforce Plus and a separate Youth Employment strategy should be avoided but effective targeting of post school young people incorporated within the NOLB approach.

Emerging Local Government Proposition

23. It is recognised that the economic impact of Covid-19 will impact differently in local areas and the strengthening of the Local Employability Partnerships will be critical to deliver a place based approach to recovery ensuring programmes and provision are appropriately targeted and aligned.
24. Building on the existing frameworks for Local Partnerships aligned to the Community Planning Partnerships and local regeneration Deals led by Local Government will support the Phase 2 transition of NOLB resources to align with the Covid-19 local responses and ensure connectivity and integration with key stakeholders and partners to help support recovery and the achievement of good sustainable outcomes for the key target group.

25. The role of Local Government and the public sector in general will be crucial in a time where there is no forecast economic growth and much of the nature and scale of the economic recovery is unknown. The role of the public sector in helping to support recovery will be critical and the local economic footprint in many areas will be a significant enabler to recovery.
26. Job creation and the role of anchor institutions in generating positive economic impacts as employers, procurers and service providers will be essential. Inclusive Growth needs to be re-purposed to encapsulate economic inclusion and investment criteria refreshed to include well-being, resilience and sustainability.
27. Aligned with the economic recovery action plans it is suggested that a number of existing approaches can be increased and enhanced to cope with greater levels of demand. However, it is also proposed that flexible job creation initiatives are developed to respond to the lack of opportunity within local labour markets exploiting the role of the public and third sector to provide quality work experience and an opportunity for the acquisition of necessary skills to enable full participation as the economy recovers. In addition, employer recruitment incentives for SMEs and Micros will helpfully contribute to skills development and business growth. The increase in volume and scope will require significant additional resources.
28. It is suggested in the short-term that action is taken on the following measures:
 - a. **Key Worker Support** – Individuals require dedicated and trusted support to engage and navigate the system whilst being enabled to develop a tailored action plan based on their individual needs and circumstances. The NOLB phase 1 resources can be enhanced to support increased demand from Education leavers at risk of becoming NEET and to support the all age approach with anticipated increased demand from the priority groups identified in section 12.
 - b. **Barrier Removal** – Access to a wide and diverse range of local specialist advice and support services to help address the issues individuals see as preventing them from engaging and moving forward and or sustaining employment.
 - c. **Increase Work Experience (Project and Employer based)** - Develop Core and Meta skills building a foundation for further Vocational/Occupational skills development and enabling active participation contributing to increased confidence, health and wellbeing.
 - d. **Targeted Pathways to Apprenticeships (all age)** – Building on sector based academy approaches for the at risk groups a bit closer to entering a supported pathway to available opportunities preparing for work based vocational qualifications/Modern Apprenticeships primarily within SMEs/ Micros businesses
 - e. **Supported Jobs/Job Creation (Stage 5)** – This will include a variety of options responsive to local needs and circumstances but all will include Fair Work and an element of skills development and includes:
 - Transitional/Intermediate Labour Market Approaches aligned to public/third sector workforce development plans
 - Supported Employment for this with disabilities aligned to the disability employment action plan
 - Individual Placement Support for those with mental health issues
 - Employer Recruitment Incentives for SMEs/Micros

- Sponsored Apprenticeships for both young people and adults (Note MA contribution Policy Issues around guarantee group and older Apprentices needs to be addressed to help support upskilling for at risk groups)
29. Active labour market measures at a time of economic decline are essential and well-structured responsive Job creation programmes are important to keep people actively engaged and earning enabling the groups most at risk to prepare for recovery and avoid the long term scars of unemployment, poverty and disadvantage. The UK Government's Future Jobs Fund provides a good example of an active labour market policy intervention. This requires discussion across the spheres of government in relation to benefit transfer.⁴

Next Steps and Way Forward

30. **An effective co-ordinated response by the three spheres of government working with stakeholders is essential given the nature and the scale of the challenge.**
31. **The Scottish and Local Government Partnership approach should be reinforced and strengthened to incorporate the response to Covid-19 aligned to the NOLB action plan and it is recommended that:**
- a) **The work plan and work-streams into account the additional challenges in the labour market as a result of the economic impact of Covid-19 avoiding disparate additional plans and strategies;**
 - b) **Work is accelerated to ensure Local Authorities and Local Partnerships are ready for the Transition of Phase 2 from October 2020 with a go live in April 2021, some key supporting actions are:**
 - **Assess Readiness and actions required;**
 - **Strengthen Local Partnership Frameworks and Agreements aligned to Community Planning Partnerships**
 - **Develop an overarching all age, needs based approach aligned to NOLB**
 - **Agree allocations methodology for additional financial resources to help fund required interventions and support measures**
 - c) **Expand existing local services via ESF pipelines, NOLB and PESF to support increased demand and the introduce additional financial resources/levers from three spheres of government including funding for a Job Creation Programme**
 - **Consider the transfer of appropriate phase 2 elements from October 2020**
 - **Agree additional Funding methodology and allocation**
 - **Agree a refreshed guarantee group to ensure effective targeting and prioritisation**
 - **Include health and well-being outcomes and consider a SROI approach**
 - d) **To develop a public sector Inclusion Pledge/Guarantee built around current duties and responsibilities (Equalities, Fairer Scotland and Child Poverty) to support the creation of additional diverse employment opportunities aligned with workforce planning, recruitment, procurement and service delivery.**

⁴ [Impact and Cost Benefits - Future Jobs Fund](#)