

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 20 January 2022

Employer Recruitment Incentives to Support Fair Work

Executive/routine Wards Council Commitments	Executive All 7 and 31
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1. Recommendations

- 1.1 It is recommended that Committee:
- 1.1.1 Notes the change to Edinburgh's Employer Recruitment Incentive (EERI) for those aged over 25 years. Employers must now pay Real Living Wage (RLW) or above to be eligible;
 - 1.1.2 Notes that, where an employer is not paying RLW to young people under 25, EERI funding will now only be awarded to employers where the offer is for an official apprenticeship or where the individual will obtain a recognised industry qualification; and
 - 1.1.3 Agree that Officers should investigate the possibility of a 'Bursary' to support young people most disadvantaged and living in poverty to take up Modern Apprenticeship opportunities and report back to Committee within two cycles.

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Executive Director of Place

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Employer Recruitment Incentives to Support Fair Work

2. Executive Summary

- 2.1 This report details how the Edinburgh's Employer Recruitment Incentive (EERI) offer is currently delivered and how the Council can ensure it meets the needs of employers and individuals while also supporting Edinburgh's ambition to be a Living Wage City.

3. Background

- 3.1 The Council has offered Employer Recruitment Incentives (ERIs) and wage subsidies through Scottish Government funding in various guises since 2013. This funding is available to all employers, with a focus on Small and Medium sized Enterprises (SMEs), to encourage employers to offer jobs to individuals with barriers to securing and sustaining employment.
- 3.2 In April 2021, a national ERI Framework (Appendix 1) was agreed between Scottish Government and the 32 Local Authorities. This framework is based on the Edinburgh model and lays out the minimum acceptable standards of a recruitment or wage incentive under No One Left Behind (NOLB) funding.
- 3.3 In line with the Framework, the Council currently offers ERIs to employers who recruit an individual with barriers to employment. Funding amounts vary between £2,000 and £6,000 in the first year of employment, depending on hours and wage offered. Full eligibility criteria and parameters of the funding can be found in the EERI Employer Information Pack - link noted at 8.3.
- 3.4 At present, two different funding streams support this offer, NOLB, for those aged 25 years plus, and the Young Person's Guarantee (YPG) for young people aged 16 – 24. YPG funding is currently only confirmed for new starts before 31 March 2022.
- 3.5 Following a report on the delivery of the YPG at the Housing, Homelessness and Fair Work Committee on [2 September 2021](#), Elected Members asked for a report on [ERIs](#) and how the Council can ensure that, where young people's employment is being subsidised through ERIs, they are either receiving the Real Living Wage (RLW), or gaining qualifications and skills which will enable them to enter a profession and earn above the RLW on completion of their training.

- 3.6 Furthermore, Committee asked officers to:
- 3.6.1 Identify how the Council can subsidise young people who are living in poverty, and who would not be able to take on an apprenticeship, so that those young people have the same opportunities available to them as young people from households not in poverty; and
 - 3.6.2 Ensure that any employment subsidised by ERIs does not offer varying rates of pay depending on age and embeds the principle that people doing the same job should be entitled to the same rate of pay.

4. Main report

Review of Current EERI Recipients

- 4.1 As requested by Committee, a review of the profile of current recipients of EERI funding was carried out.
- 4.2 The review showed that only one of the employers who was awarded funding for an individual aged over 25 years paid below the RLW. In that specific case, the employer had pledged to provide for additional support needs of the employee through the award of EERI funding and committed to review payment of RLW prior to the end of the funding period.
- 4.3 Of the 31 awards to employers for those aged 16 – 24 years this financial year, only five of the employees were paid RLW or above. The remaining 26 were paid between Modern Apprenticeship (MA) rate of £4.30 and National Minimum Wage (NMW) rates of £8.36 per hour. All 31 awards were for official MA or trainee positions.
- 4.4 Officers also performed a review of all EERI awards from 1 April 2020 to 30 September 2021. It was found that, in this time frame, only 17 employers out of a total of 59 paid RLW to anyone under 25 years of age. A total of 43 of the 59 were apprenticeship or trainee positions.

Cost review

- 4.5 The annual cost for 36 hours/week at the MA NMW is £8,049.60. The cost of paying RLW is £17,784, a difference of £9,734.40 (plus on costs). A full table displaying the difference between each NMW rate, employer costs and difference between payment of the RLW is shown in Appendix 2.
- 4.6 Statements from employers have indicated that, when undertaking a Modern Apprenticeship or other qualification, the additional support, training and learning required by the young person and the time taken to 'learn on the job' in their first year of employment, means that paying higher wages would not be feasible for the business. Quotes from employers are included in Appendix 3.
- 4.7 Whilst the current EERI offer is not conducive to encouraging employers to pay a young person on a MA the RLW rate, there is flexibility in the Scottish Government

ERI Framework to award up to 50% of employment costs at RLW for a maximum period of 12 months.

- 4.8 Raising the funding award to this level, would equate to over £10,000 per award to cover wage and on costs. However, this still means that employer will have to commit to paying circa £10,000, which is £6,000 more than they may pay currently. This is illustrated in Appendix 2.
- 4.9 Several employers indicated that, even if supported to pay RLW during the time of the ERI, they would be unable to sustain payment of RLW immediately following the end of the funding period, however all have said that they would consider it.

Review Outcome

- 4.10 Following the review, the funding criteria for those aged over 25 has been amended and, from 1 October 2021, is now only available to employers who pay the RLW or above.
- 4.11 From the review findings it is understood that, if a change is made to the funding parameters to only award funds to employers paying RLW, employers would simply opt not to apply for EERI funding due to the restrictive nature of the fund and instead focus on recruiting young people (likely without barriers to employment) and pay NMW.
- 4.12 Restricting the funding offer to employers paying RLW regardless of age would therefore likely focus future applications on an older age group (18+ or even 20+), and away from any apprenticeships. This could mean that disadvantaged young people aged 16 – 20 would not receive the additional support and may not sustain employment. Sustaining employment is one of the main outcomes recorded.
- 4.13 The review does however show that employers tend to use EERI funding for employees 16-24 years old to support them through a MA or to obtain qualifications. This has now been added as a criterion where the employer does not pay RLW.
- 4.14 Acknowledging that young people living in poverty may be unable to take up an apprenticeship due to the low paid nature of these posts, there may be more value in alternative funding, a form of 'Bursary' to bridge the difference in MA or NMW pay and the RLW, granted to young people who meet certain criteria. This would require further conversation with Scottish Government as it would mean using ERI funding to support the employee rather than the employer, and consideration as to what happens at the end of the Bursary payment if the employer is unable to pay RLW.

5. Next Steps

- 5.1 The EERI application process has already been amended so that, with regards to employees over 25 years of age, employers will only receive EERI if they agree to pay RLW or above. In cases where the employee is under 25 years of age, EERI funding is only awarded to employers where the wage is either at RLW or higher, or

when the offer is for an official apprenticeship or the individual would obtain a recognised industry qualification.

- 5.2 Officers will also further investigate the possibility of a 'Bursary' to support young people most disadvantaged and living in poverty to take up Modern Apprenticeship opportunities and report back to Committee within two cycles.

6. Financial impact

- 6.1 The costs for the 2021/22 EERI funding offers are covered under the NOLB and YPG funding awards to the Council.
- 6.2 All organisations who are awarded funding for individuals aged over 25 year will receive either £4,000 or £6,000 funding, depending on contracted hours offered. This equates to between 24 and 36 funding awards per annum based on current budget.
- 6.3 Whilst the Council has received a high level of funding through YPG in the current financial year, it is unclear what funding will be available for 2022/23. Scottish Government have confirmed that only ERI expenditure committed before 31 March 2022 may be carried forward to next year.
- 6.4 If there is no YPG award next year, the NOLB fund would return to an all age offer – available to those aged 16 – 67 and would be £144,000. In 2023/24 onwards there will almost certainly be no YPG funding and therefore only NOLB funding would be available.
- 6.5 If the Council were to offer a higher level of funding for EERIs, this would impact the number of opportunities that can be offered.

7. Stakeholder/Community Impact

- 7.1 This funding is available to businesses who have committed to offering employment to a person with barriers to securing and sustaining employment. It can be used for a variety of purposes, from equipment, travel costs, training, additional support and wage costs.
- 7.2 There will be very little impact to employers who wish to recruit individuals aged 25+ as almost all employers receiving this funding had previously paid RLW.
- 7.3 Feedback from employers who have received funding to support young people aged 16 – 24 have indicated that it is unlikely that they would recruit a young person if they had to pay RLW for a variety of business reasons.
- 7.4 Employers who received EERI funding since 1 April 2020 were asked for feedback on the proposed change to only supporting those paying RLW. A selection of responses are noted at Appendix 3.

- 7.5 Young people who are already disadvantaged through having barriers to employment, may have their opportunities limited if employers are not receiving funding to support recruitment and sustainment of their employment.

8. Background reading/external references

- 8.1 [Young Person's Guarantee Delivery](#) – Housing, Homelessness and Fair Work Committee, 2 September 2021
- 8.2 [Scottish Government Funding for Employability Support](#) – Housing, Homelessness and Fair Work Committee, 14 January 2021
- 8.3 [Edinburgh Employer Recruitment Incentive 2021-2022 Information Pack](#)

9. Appendices

- 9.1 Appendix 1 – Scottish Government ERI Framework.
- 9.2 Appendix 2 – Additional Information
- 9.3 Appendix 3 – Quotes from employers

Framework for Employer Recruitment Incentive

BACKGROUND

This document sets out the minimum standards for a public funded Employer Recruitment Incentive (ERI) to help stimulate demand in the labour market while also protecting, supporting, and creating good quality jobs that support a greener, fairer, and stronger labour market. ERIs also play an important role in supporting those with the greatest barriers to employment, to enable them to obtain and remain in sustainable employment.

The ERI has been developed to integrate and link fully with existing employability and skills programmes and is available to use as a contribution to the additional costs of recruiting and sustaining eligible individuals in employment. The ERI can be utilised in several ways such as for additional supervisory costs, training, initial travel to work costs, specialist in work support, or wages. No single use is prescribed. This framework supports the commitment to deliver the No One Left Behind (NOLB) approach to employment support in Scotland including the delivery of Young Person's Guarantee.

The framework is based on principles which underpin the approach contained within the [Partnership Agreement](#) for employability [Local Employability Partnership Framework](#) agreed by Scottish and Local Government.

This framework will help to provide consistency across partners to effectively implement the policy intent for a better aligned and integrated approach to national and local employability support in Scotland, reflecting the need to deliver a more coherent employability provision locally, in line with the Local Outcome Improvement Plan and aligned to the National Performance Framework.

ERIs will build on the strengths of existing employment support services, to better align funding to improve outcomes for individuals and employers.

OBJECTIVES

The **objectives of the Framework** are to provide consistency across Scotland with flexibility to adapt to local circumstances enabling a responsive approach which meets the needs of individuals and employers. The Framework provides clarification on core minimum standards, consistency in processes and practice in a way that builds trust, achieves improved outcomes, and helps to ensure that there are no unintended consequences such as causing labour market displacement. The specific objectives are:

- To prioritise an inclusive approach to ensure that no one is left behind, including those who were already further from the labour market prior to the impact of Covid-19 and Brexit.
- To align as appropriate with regional and national actions to support recovery and growth.
- To ensure easy access to support with simplified processes.
- To align with emerging future labour market opportunities, including green jobs.
- To tackle inequalities within the labour market, including employment gaps and occupational segregation.
- To ensure the right support is available in the right way at the right time and it equitably provided, specifically to the target groups.
- To support high quality and fair work for all.

The **objectives of the ERI** are to positively contribute to a fairer more inclusive economy and to help address many of the deep-seated challenges of inequality and disadvantage within the Scottish labour market. The specific objectives are:

- To reduce the number of people unemployed.
- To create a person centred, more joined up, flexible and responsive form of support.
- Provide a seamless set of interventions that complement each other.

- To ensure resources are co-ordinated to improve opportunities and outcomes.
- Prevent and reduce the number of people long term unemployed.
- Support more people into sustainable, greener, and fairer employment, and have due regard to tackling inequality in all its forms including occupational segregation.
- Increase the number of people in employment who are engaged in learning and skills development.
- Increase the number of people achieving qualifications.
- To reduce levels of in work poverty by providing security of pay and contract.
- Support career progression.
- Increase the number of people accessing apprenticeships with a specific focus on equalities groups.
- To stimulate demand for employment within the labour market.

ELIGIBILITY

Individuals, including Graduates, are eligible for ERI support if they are unemployed (or on a paid work experience programme such as Kickstart and Community Jobs Scotland) and if they meet **one or more** of the following criteria:

- Disabled and or D/deaf person (includes those experiencing mental health issues and those who have an impairment or long-term health condition)
- Care experienced young people
- Primary Carer
- Person with a conviction (including CPO's)
- Person aged over 50 years
- no or limited work experience
- Early leavers from the armed forces, veterans, and ex-forces personnel
- Long-term unemployed (6 months or over) who are not on Community Work Placements
- Person who has failed their ESA Work Capability Assessment
- People from Ethnic Minority backgrounds and racial groups, with a targeted approach informed by local population data.
- Gypsy/travelling community
- Partner of current or ex-Armed Forces personnel
- Person requiring support with language, literacy, or numeracy, including those for whom English is an additional language
- Lone parent
- Low skilled¹
- A young person who was receiving additional support for learning in school
- Refugee or other granted leave to stay in the UK
- Homeless person (including temporary or unstable accommodation)
- Person affected by substance misuse.
- Living in a household with children in poverty
- Person living in the 15% most employment deprived SIMD geographies (see ESF Scottish Local Authority Employment Deprived Area Postcodes list).
- Person living in an area defined as "rural area"² or "very remote rural"³.
- Living in a jobless household

Specific priority should be given to those with multiple barriers to gaining sustainable employment.

¹ Individual's highest level of qualification is at SCQF Level 4 or below. .

² a person residing in thinly populated areas according to the Degree of urbanisation (DEGURBA category 3) classification. Thinly-populated areas means that more than 50 % of the population lives in rural grid cells

³ in the Scottish Government 8 Fold Urban Rural Classification (see 'Rural Area Rating' column on ESF Scottish Local Authority Rural Area Postcodes list

EMPLOYMENT

Participants must receive a written contract of employment (it is a legislative requirement that an employee receives a contract of employment within 2 months of starting) - the employment contract should be a permanent contract or a fixed term contract for up to 18 months or more.

Employers who employ individuals on precarious or flexible contracts inappropriately⁴ for example zero hour contracts will not be eligible. Participants must work a minimum of 16 hours per week and a maximum of 40 hours per week in line with working time regulations. *(If the post is for an apprentice then the hours per week must be sufficient to enable attainment of the qualification).* **Exceptions can be applied at local discretion, with the agreement of participants, where it is clear that: i) the participant feels this offers greater flexibility in recognition of their personal circumstances (e.g. due to the nature of the participant's health or disability, caring responsibilities, etc); and ii) participants understand the implications for their employment rights.** The delivery partner must ensure that participants are informed of their employment rights and levels of pay (including National Minimum Wage/other negotiated industry rates), before commencing employment.

EMPLOYERS

Employers from all sectors are eligible for ERI and there is no restriction on the size of employer, but an emphasis should be given to private SMEs⁵ and third sector organisations (including social enterprises).

The number of individuals an employer can recruit and appropriately support using ERI will be determined on a case by case basis and determined by the local delivery partner. All employers in receipt of an ERI should promote and embed fair work in line with the Fair Work First Guidance, [available here](#). The ERI is a beneficiary employment support measure and relates to the resident's post code but the employer can be located throughout Scotland. Employers should use ERI to fill vacancies and create new and additional jobs.

It is also expected that the Employers:

- Ensure that the participant receives formal training as part of their job and as part of their investment in workforce development
- Ensure that quarterly reviews are undertaken to ensure a quality experience for both participant and employer.
- Be proactive in their collection and use of data to address specific equality issues. For example, public sector employers publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.
- Will take action to create a more diverse and inclusive workplace⁶.
- Will provide a commitment to consider payment of the real Living Wage during or at the end of the ERI *(the salary must be greater than funding received)*.
- Ensure a safe and healthy working environment.
- Make a commitment to retain the participant beyond the period of the ERI support

Employers cannot use ERI funding to:

- Create a job to cover sickness or maternity leave.
- Replace a redundant post.

⁴ [Fair Work First: guidance to support implementation - gov.scot \(www.gov.scot\)](#)

⁵ Micro business and small to medium sized companies or organisations from the Private and Third sectors with up to 250 employees

⁶ This could include for example sign up to the Business Pledge; publishing an action plan to tackle pay gaps; publishing an inclusive recruitment and retention plan; providing appropriate flexible working opportunities.

PAYMENT

Local partnerships will have the flexibility to decide what level and duration of ERI should be allocated, based on the needs of the individual, for example support can last up to 18 months. However the minimum ERI available, if supported by Scottish Government funding, will be:

- A part-time job on minimum wage 16-25 contracted hours per week, paid at an hourly rate between National Minimum Wage and real Living Wage rates - £2,000
- A part-time job on real Living Wage - 16-25 hours at real Living Wage rates or above - £4,000
- A full-time job on minimum wage - 25 hours or above between National Minimum Wage and real Living Wage rates - £4,000
- A full-time job on real living wage - 25 hours or above at real Living Wage rates or above - £6,000

If paid as a wage incentive, then the minimum would be 50% of the National Minimum Wage for 12 months; a £500 supplement will be paid to the employer if they paid the participant the real Living Wage by the end of the period of support.⁷

Local partnerships can decide to use other sources of funding to supplement the ERI. The payment arrangements and financial compliance will be agreed between the funding partner/delivery partner and the employer reflecting public sector financial regulations and procedures.

Payment should not:

- Duplicate costs that will be paid for other programmes such as [Job Start Payment and Access to Work](#). It can be used to pay for support for a period prior to Access to Work funding being established, in order to ensure the job is retained, but it does not replace an employer's duty under the Equality Act to make reasonable adjustments. This is particularly relevant to Public Sector employers, who have a duty to provide reasonable adjustments which must be funded directly.

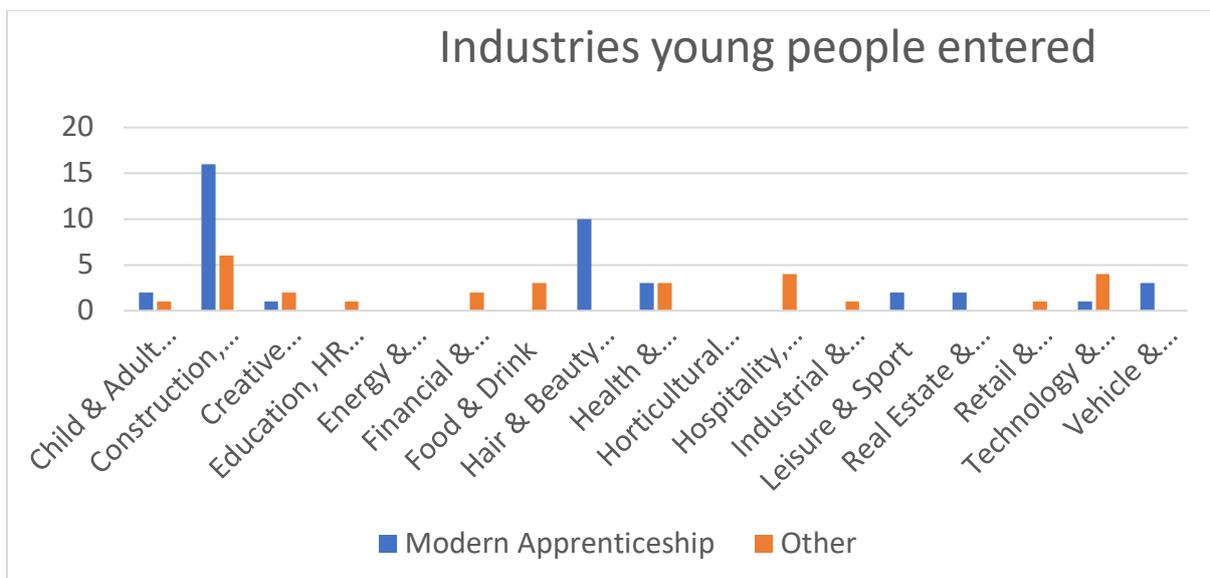
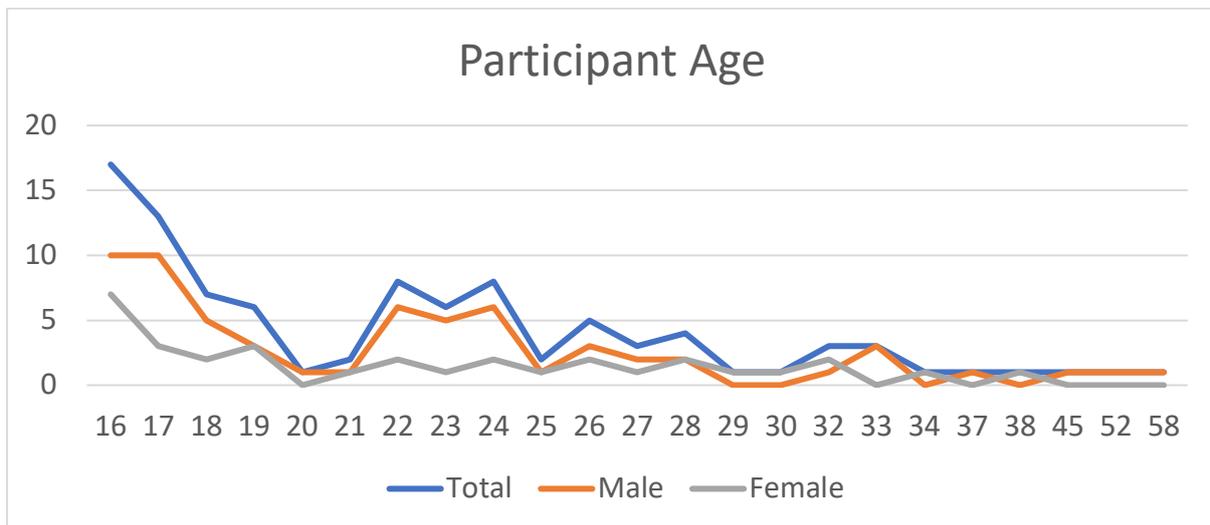
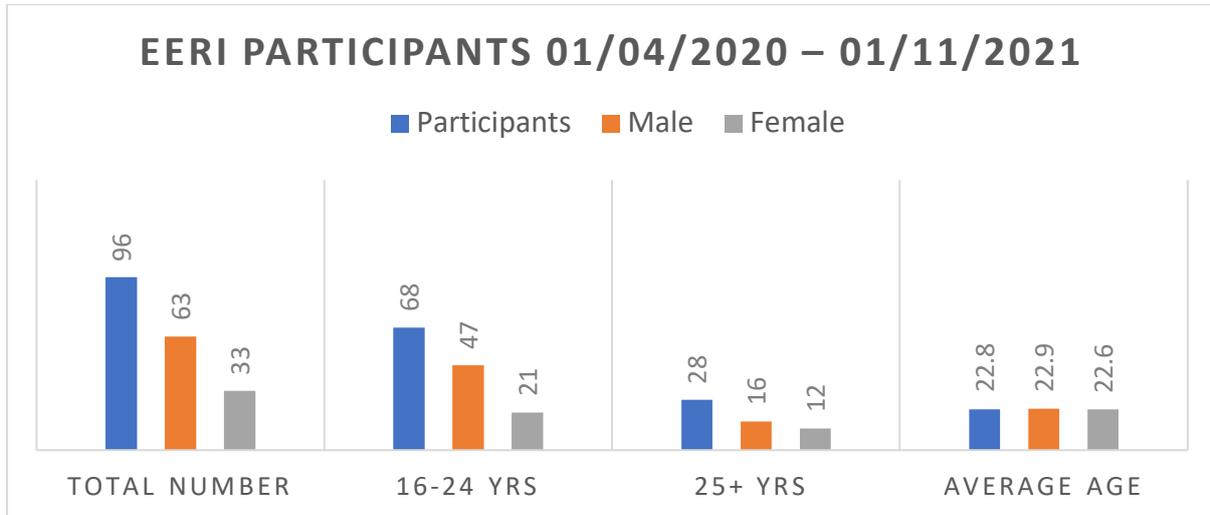
The ERI can be aligned to other employability programmes where appropriate to support the sustainability of employment, however they can't be used at the same time.

Further information on the application process, terms, and conditions on ERIs for your area is available from your [local employability lead](#)

⁷ Payment of the real living wage will be encouraged and 50% support for 12 months is available as an option.

APPENDIX 2

ADDITIONAL INFORMATION



Salary Costs per NMW rate – EERI Contribution – Annual Cost to Employer

Based on 36 hours per week	Hourly Rate	Annual Cost	CURRENT Cost to Employer after receiving EERI*	Additional annual cost to employer if paying RLW and receiving EERI contribution
Real Living Wage	£9.50	£17,532	£11,784	0
23 years +	£8.91	£16,679	£12,679	-£895
21-22 years	£8.36	£15,649	£11,649	£135
18-20 years	£6.56	£12,280	£8,280	£3,504
Under 18	£4.62	£8,648	£4,648	£7,136
Apprentice (first year and/or under 19 years)	£4.30	£8,049	£4,049	£7,735

Figures correct at 01/01/2022

The table above shows that young people aged 16 to 18 – and up to age 20 - would potentially lose out if EERI was only awarded on the basis of paying RLW, due to the additional costs to the employer.

APPENDIX 3

Quotes from Employers

RB – Garage Owner

It's getting harder and harder to survive as a small business in Edinburgh. We would simply not have been able to take a recent school leaver on and train him up as an apprentice mechanic if we had been required to pay him £9.50 an hour. On the job training takes a lot of our time. The prospect of EERI funding allowed us to make the big decision to take Alan on as an apprentice and be able to build his skills up and learn our business from the very start.*

SM – Joiner

Apprentices in their first year of training/employment do not bring any financial benefit to the organisation due to the level of training and support they require. In fact, it can actually be costly to us to provide staff support/supervision. It is not until the second year, when they are able to work more independently that we are able to see a financial benefit and are able to take on more work as a result of their training.

MS – Motorcycle servicing and repairs

I could have chosen to bring in someone to my business who already had the training and experience to justify paying RLW. However, I see mentoring and training someone from the start as an investment, both in Bob as a long-term employee and in my business for the longer term. My decision was made in full knowledge that, as a young apprentice, B is still learning and training and he wouldn't bring any immediate income to the business for some time. I think this would be the case with most apprentices. Taking him on requires a very time-heavy commitment from me in training him in hands-on work, alongside his college work. The EERI funding has been critical to me being able to do this. As a small business I absolutely could not have justified or been able to afford to pay RLW to Bob* when there was no immediate increase in business or profitability. I do pay him slightly above the minimum wage and once he starts to bring productivity to the business his pay will rise accordingly. EERI has allowed me to kick-start an apprentice's career and build my business at my own pace.*

LP - Gas Services

We took Calum on with EERI funding last year and paid him RLW due to his age and experience. However, we actually had to let Calum* go, as he just wasn't capable of the job, so his contract was terminated. He was a couple months into his trial but we quickly realised, despite being qualified, he wasn't up to the standards that we require. It wasn't an easy decision, and it is not how we like to work things but we were really left with no choice. It is a shame but a learning curve for both parties. We will stick to what has worked in the past - training 16-19 year olds over a 4 year period. EERI has since enabled us to take on 2 young apprentices (rather than 1) at minimum wage, which has been much more successful. This has always worked for us, having brought 2 staff members through this way in the past 5 years.*