

# Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 14 May 2024

## Employer Recruitment Incentives to Support Fair Work

Executive/routine  
Wards

Executive  
All

### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
  - 1.1.1 The updated Fair Work First criteria as established by Scottish Government;
  - 1.1.2 The resulting change to Edinburgh's Employer Recruitment Incentives (EERI) criteria, where employers must now pay the real Living Wage (RLW) or above to all employees, including apprentices, to be eligible; and
  - 1.1.3 The potential consequences of ceasing funding for apprenticeships where the RLW is not being paid.

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## Employer Recruitment Incentives to Support Fair Work

### 2. Executive Summary

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- 2.1 This report details how Edinburgh's Employer Recruitment Incentives (EERI) offer is currently delivered and changes to the offer based on Scottish Government's Fair Work First policy.

### 3. Background

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#### Employer Recruitment Incentives

- 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 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 £8,000 in the first year of employment, depending on hours and wage offered.
- 3.4 Committee agreed, following a report on [20 January 2022](#) that, in addition to other criteria<sup>1</sup>, to qualify for an ERI employers must pay the [real Living Wage](#) (RLW) unless recruiting an apprentice or where the individual would obtain a recognised industry qualification. In those instances, the national Minimum Wage rates, or above, is permissible<sup>2</sup>.

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<sup>1</sup> Full eligibility criteria and parameters of the 2023/24 funding can be found in the [EERI Employer Information Pack](#).

<sup>2</sup> This is in line with the Living Wage Foundation accreditation scheme, which [confirms](#) that employers do not need to pay the RLW to apprentices in recognition of the employer's commitment and associated training costs.

- 3.5 In 2023/2024, Edinburgh's ERI supported 24 young people with barriers to employment to access apprenticeships across the city. None of these individuals were paid RLW rates.

### **Fair Work First**

- 3.6 On 23 March 2023, Scottish Government announced that, as of 1 July 2023, all Scottish Government grant funded provision would be required to meet the updated Fair Work First criteria.
- 3.7 The [Fair Work First guidance](#) sets out the updated criteria as:
- 3.7.1 Payment of at least the RLW
    - 3.7.1.1 This is further specified as including “all UK-based staff aged 16 and over, including apprentices, who are directly employed by the grant recipient”;
  - 3.7.2 Appropriate channels for effective workers' voice, such as trade union recognition;
  - 3.7.3 Investment in workforce development;
  - 3.7.4 No inappropriate use of zero-hours contracts;
  - 3.7.5 Action to tackle the gender pay gap and create a more diverse and inclusive workplace;
  - 3.7.6 Offer flexible and family friendly working practices for all workers from day one of employment, and
  - 3.7.7 Oppose the use of fire and rehire practice.
- 3.8 Currently, only the requirement of payment of the RLW and providing an appropriate channel for effective worker's voice are mandatory, however all elements are to be encouraged.
- 3.9 This was also to include funding which 'flows through' local authorities but it was recognised that, where the grant offer letters to local authorities had been issued prior to July 2023, the criteria would not apply.

## **4. Main report**

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- 4.1 Scottish Government have confirmed that all Scottish Government grant programmes will require to comply with the updated Fair Work First conditions from 1 April 2024 onwards.
- 4.2 The Fair Work First criteria apply to the City of Edinburgh Council as the grant recipient of Scottish Government NOLB grant funding, and the conditions will also apply to any programmes implemented through the grant, including ERI's.
- 4.3 Eligibility for 2024/2025 onwards have therefore been amended to include apprentices in the requirement to receive the RLW rates or above.

- 4.4 In introducing this change, views were sought from the employers who have been receiving ERIs for modern apprentices in the last year. The feedback received was that EERI funding has been vital to employing apprentices within their organisation and that this change in criteria would likely result in them not being able to take on modern apprentices, or less modern apprentices, going forward.
- 4.5 Some of this feedback is below.
- 4.5.1 “We currently run all of our salons with 3-4 apprentices. ERI has been crucial to help us maintain that number in these extremely hard economic times. If we had to change our current pay system we simply couldn’t afford to take on as many apprentices, which would have a huge impact on the future of the company and the industry in whole. Ultimately the service and the standards would suffer. We have tried to grow our company over the years, this move would prevent that from happening.”
- 4.5.2 “The changes that are being implemented are going to make it almost impossible for any small business to get the funding to take on an apprentice.”
- 4.5.3 “This would have a huge impact on my business. Without this funding I would not be able to employ an apprentice. Even with the funding it is still a struggle keeping on the trainees. I do see an impact in the future as myself and many other businesses will be in the same position and will not be able to afford taking on apprentices.”
- 4.6 These statement support the findings from the [2022 report](#), where it was established that, in the case of 16-24 year olds, ERIs were generally used by employers to support them through a MA or to obtain qualifications and that “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.”
- 4.7 It is therefore likely that there will be a reduction in modern apprenticeships supported via ERIs going forward. If this is the case, there may be a requirement to amend other eligibility criteria and/or to remove the prioritisation for SMEs.

## 5. Next Steps

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- 5.1 EERI eligibility criteria has been amended from 1 April 2024 to reflect the requirement of RLW rates (or above) to be paid to all employees, including apprentices.
- 5.2 Officers will monitor what, if any, unintended consequences this amendment may have and report back to Committee in early 2025.

## **6. Financial impact**

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- 6.1 There is no financial impact to the Council as all estimated costs for the services identified in this report will be fully funded by the NOLB grant award from the Scottish Government.

## **7. Equality and Poverty Impact**

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- 7.1 This amendment is being taken forward in line with the requirements of the Scottish Governments Fair Work First criteria and the recommendations of the Edinburgh Poverty Commission to ensure that people in Edinburgh can access Fair work that provides enough to live on.
- 7.2 A Fair Work Charter is being developed for the city and a draft integrated impact assessment is underway which will be used to help engagement and scoping activities capture the diverse range of voices required to ensure the project provides a useful of promoting access to fair work for all Edinburgh's communities.
- 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. This may mean that 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. Climate and Nature Emergency Implications**

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- 8.1 The impacts of this report have been considered in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties requiring public bodies to contribute to climate change mitigation and to climate change adaptation, and to act sustainably. Relevant Council sustainable development policies have also been considered.
- 8.2 The proposals in this report help achieve a sustainable Edinburgh primarily by improving the areas of social justice, economic wellbeing and a just transition to a sustainable economy. By supporting local employment opportunities in local businesses there is a positive impact on inclusion, employment and training, and shared prosperity.
- 8.3 There are no direct negative impacts in the effects of climate change or improving the resilience to the effects of climate change as a result of this report.
- 8.4 There are no direct nature emergency implications as a result of this report.

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 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.
- 9.2 There will be no impact to employers who wish to recruit individuals aged 25+ or not on a modern apprenticeship as all employers receiving this funding are already required to pay RLW rates or above.

## **10. Background reading/external references**

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- 10.1 [Edinburgh's Employer Recruitment Incentives 2023-2024 Information Pack](#)
- 10.2 [Young Person's Guarantee Delivery](#) - Housing, Homelessness and Fair Work Committee, 2 September 2021
- 10.3 [Employer Recruitment Incentives to Support Fair Work](#) - Housing, Homelessness and Fair Work Committee, 20 January 2022
- 10.4 [Employer Recruitment Incentives – Targeted Additional Funds for Young People living in poverty](#) - Housing, Homelessness and Fair Work Committee, 9 March 2023

## **11. Appendices**

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- 11.1 None.