

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 24 March 2022

Employer Recruitment Incentives – Targeted Additional Funds for Young People Living in Poverty

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

- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
 - 1.1.1 Agrees the proposed allocation of £100,000 from the Scottish Government's Young Person's Guarantee funding for a pilot of 10 enhanced funding awards, to fund an uplift in wages for young people who are most disadvantaged to take up Modern Apprenticeship (MA) opportunities;
 - 1.1.2 Agrees the proposed eligibility criteria for the enhanced funding, as set out in paragraphs 4.15 and 4.16; and
 - 1.1.3 Note that officers will report back to Committee in Spring 2023 on the profile of participants and interim outcomes delivered by the project.

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Employer Recruitment Incentives – Targeted Additional Funds for Young People living in poverty

2. Executive Summary

- 2.1 This report responds to a request from Committee to investigate the possibility of creating a bursary' to support young people who are most disadvantaged and living in poverty to take up Modern Apprenticeship (MA) opportunities and recommends piloting an approach with an initial 10 enhanced funding awards.

3. Background

- 3.1 As reported to the Housing, Homelessness and Fair Work Committee on [2 September 2021](#) and [20 January 2022](#), EERIs are paid out to Small and Medium Sized Enterprises (SMEs) in the city who have committed to offering employment to a person with barriers to securing and sustaining employment. EERIs can be used for a variety of purposes (from equipment, travel costs, training, additional support and wage costs).
- 3.2 Following the report on 20 January 2022, Committee asked officers to investigate the possibility of a 'bursary' to support young people who are most disadvantaged and living in poverty to take up MA opportunities.
- 3.3 The National Minimum Wage (NMW) is for those of school leaving age and is currently between £4.62 and £8.36 per hour, depending on age. The National Living Wage (NLW) increases this further to £8.91 for those aged 23 and over.
- 3.4 MA rate applies if they are either:
- 3.4.1 Aged 19 or under; or
 - 3.4.2 Aged 19 or over and in the first year of an apprenticeship.
- 3.5 The Real Living Wage (RLW) is based on the cost of living and aims to meet our everyday needs. Unlike NMW and NLW, which are statutory, this is voluntarily paid by nearly 9,000 UK employers.

3.6 These rates increase from April 2022 as noted below:

	MA rate	16-18	18 – 20	21-22	23+	RLW
Current	£4.30	£4.62	£6.56	£8.36	£8.91	£9.50
April 2022	£4.81	£4.81	£6.83	£9.18	£9.50	£9.90

4. Main report

- 4.1 Edinburgh currently offers Employer Recruitment Incentives (ERI) using Scottish Government funding (for No One Left Behind and Young Person's Guarantee). Awards range from £2,000 to £6,000 in staged payments over 52 weeks based on age, contracted hours and wage rates.
- 4.2 The process has recently been amended so that, when the employee is over 25, EERIs are only awarded where employers pay the RLW.
- 4.3 For employees aged 16 – 24, the employer must pay RLW unless the offer is for an official apprenticeship or where the individual will obtain a recognised industry qualification.
- 4.4 In almost all previous EERI awards to employers recruiting MAs, the young person was paid at NMW (so between £4.62 and £8.91 per hour) but some were paid at MA rate (£4.30 per hour).
- 4.5 It is recognised that some young people living in poverty may need to contribute to family income and therefore opt not to apply for MAs, due to their low paid nature. This is supported by anecdotal evidence from employability providers.

Current cost of a MA opportunity to an employer

- 4.6 From 1 April 2022, the cost for an employer to take on a young person on a MA role within their organisation would equate to an annual salary of £9,004 plus employer costs based on a 36 hour week, if paying the MA rate.
- 4.7 If an employer was to pay RLW of £9.90, the annual salary cost would increase to £18,532 plus additional employer costs – an increase of almost £10,000.
- 4.8 As outlined in the 20 January 2022 report, feedback from employers has been that they see the value in recruiting young people to their organisations but they would be unable to take on apprentices if they had to pay RLW, due to the additional support that is required in the first year.

Review of current EERI beneficiaries aged 16 - 24

- 4.9 A review of the profile of current recipients of EERI funding showed that, out of the 58 EERI awards made between 1 April 2021 and 22 February 2022 to young people up to the age of 25, only 10 lived in the 15% most employment deprived,

Scottish Index of Multiple Deprivation (SIMD) areas and seven were living in a jobless household.

- 4.10 None of the beneficiaries identified as care experienced, however this is not a mandatory question. However, eight young people identified as having a disability or long-term health condition, with another five identified as being Black, Asian and Minority Ethnic (BAME).
- 4.11 An additional eight young people were registered as being long term unemployed – this means they had not taken part in education, training or employment for over six months.

Bursary/Enhanced funding

- 4.12 Officers have considered the possibility of a bursary to support young people who are most disadvantaged and living in poverty to take up MA opportunities.
- 4.13 Due to the complexity and individual nature of benefits payments, which may be affected by such a bursary, and in line with Scottish Government advice on providing funding through ERI, it is recommended that any enhanced funding should be awarded to the employer with the sole intention of providing a wage uplift, rather than to the young person directly. This can be managed via the existing ERI processes.
- 4.14 An enhanced ERI payment would enable employers to uplift pay to RLW rates and so it offers employers a way to recruit a young person at 'MA cost', but with the young person benefitting from a higher rate of pay. The enhanced payment would be up to £10,000 per person, depending on how much the employer pays.
- 4.15 Based on the review of the current ERI beneficiaries, officers recommend implementing a trial where an enhanced funding offer is paid to employers, in staged payments over 52 weeks, in order to support young people (up to age 25) from the following priority groups when taking up a MA:
 - 4.15.1 Living in SIMD 1 and 2;
 - 4.15.2 Living in a jobless household; and
 - 4.15.3 Care experienced.
- 4.16 The young person would also still be required to meet at least one other of the No One Left Behind eligibility criteria (contained within the [Edinburgh Employer Recruitment Incentive 2021-2022 Information Pack](#)).
- 4.17 It is recommended that £100,000 is earmarked for this funding, to support at least 10 young people.
- 4.18 Officers recommend that this additional funding is not promoted widely, through the usual ERI marketing process, and is instead aligned to funded employability providers and other partners who support these very specific client groups (including Activity Agreement Hubs, Throughcare and Aftercare Service and Skills Development Scotland).

- 4.19 Direct marketing through partners will ensure that the funding reaches the young people most in need as caseworkers understand the individual circumstances of the young people and are best placed to support the young person to apply for MA posts. The caseworkers can also subsequently offer information to the prospective employer regarding the additional funding.

5. Next Steps

- 5.1 If the recommended trial is approved:
- 5.1.1 Officers will implement this from 1 April 2022. The ERI application process will be amended to incorporate the enhanced award, with separate recording processes put in place to record any additional outcomes and learning from the pilot; and
 - 5.1.2 Officers will work closely with employability providers to advise them of this offer and to ensure that caseworkers understand the parameters of the funding and how it can be used to support the most disadvantaged young people.
- 5.2 A report, reviewing the trial and setting out recommendations for the future, will be brought back to Committee in Spring 2023.

6. Financial impact

- 6.1 The Council has been awarded Young Person's Guarantee funding from Scottish Government for delivery of activity in 2022/23, although final amounts are still to be confirmed. The recommended £100,000 to offer enhanced EERI awards would be contained in the spending plan for the year ahead.
- 6.2 The management of the pilot project will run alongside current EERI processes and will be managed by the current EERI staff team.
- 6.3 The funds would only be awarded to SMEs offering accredited MAs, following due diligence and following the current framework used by all LAs and approved by Scottish Government.
- 6.4 Payments are made on a staged basis and are dependent on completed action plans, invoices, payslips and additional evidence.

7. Stakeholder/Community Impact

- 7.1 EERI 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 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.
- 7.3 Including care experienced young people in the eligibility for the enhanced offer will help the Council to meet established corporate parenting commitments.
- 7.4 It is very difficult to understand the financial impact that this funding will make, as each individual has a very different set of circumstances. Where young people are supported by employability services, caseworkers will ensure that the young person, and their families, have access to benefit and in-work money advice.
- 7.5 The young person and the employer will receive ongoing support from the EERI team and an employability provider to ensure that all relevant support is in place to help sustain the opportunity.
- 7.6 A full evaluation of the effectiveness of the funding – from the young person and employer’s perspective - will take place upon completion.

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 None.