
Report To:	Environment & Regeneration Committee	Date:	7th March 2013
Report By:	Corporate Director – Environment, Regeneration & Resources	Report No:	RC/13/03/04/SJ/JH
Contact Officer:	Stuart Jamieson	Contact No:	01475 712401
Subject:	Employer Recruitment Incentives		

1.0 PURPOSE

- 1.1 The purpose of this report is to apprise Members of proposals to offer targeted employer recruitment incentives to recruit unemployed residents within the private sector and to note compliance with state aid regulations.

2.0 SUMMARY

- 2.1 Across Scotland and the U.K. youth unemployment has soared to its highest level since the mid 1990's. In October 2012, a total of 655 young people living in Inverclyde under the age of 24 were registered for Jobseekers Allowance.
- 2.2 In 2011/12, one in 5 graduates left University without gaining employment and this national shortfall in suitable career opportunities is evidently the case for Inverclyde graduates.
- 2.3 In an economic recession, employer recruitment incentives or wage subsidies can help promote economic growth, specifically allowing employment opportunities to be targeted at eligible clients. Inverclyde Council has previously delivered employment support to local companies, for example, with the recruitment of Modern Apprentices and where employees are at risk of being made redundant. A proposed development of this activity is to formalise arrangements for employer recruitment incentives and this could have the following benefits:-
- Provide additional jobs;
 - Target unemployed residents;
 - Provide a springboard to move on to mainstream jobs;
 - Contribute to addressing the jobs gap in Inverclyde.
- 2.4 The provision of employer recruitment incentives is an economic activity therefore it is essential that we comply with state aid regulations. There are two options:
1. The *de minimis* option. Under the "*de minimis*" aid regulation, there is a ceiling of €200,000 (approximately £170,000) for all *de minimis* aid provided to any one firm over a three year period. Any *de minimis* aid awarded is relevant if the firm wish to apply or have applied for any other *de minimis* aid. For the purpose of the *de minimis* regulation, firms must retain evidence of grant support for at least 3 years and produce it on any request by the UK public authorities or the European Commission. Instead of grant support being made available to all local companies, Inverclyde Council can apply its own eligibility criteria and decide, for example, which sectors to target, company size etc.

2. The registered scheme under the General Block Exemption Regulation (GBER) entitled “Scottish Local Authority Support for Training and the Employment of Disadvantaged /Disabled Workers” (Commission Regulation EC No 800/2008 – OJEC C 214 of 9 August 2008 Reference X160/2008). With respect to the Graduate Recruitment Scheme, a ‘disadvantaged worker’ means any person who has not been in regular paid employment for the previous 6 months. The maximum length of the subsidy is 12 months and the aid intensity cannot exceed 50% of the costs. The scheme must be available to all companies in Inverclyde.
- 2.5 The advantage of the GBER registered scheme over the de minimis route is that there is no upper limit on how much subsidy any firm receives, provided the aid intensities are respected. There is also no requirement to establish from the firm concerned if they have previously benefited from assistance under the GBER scheme. However, as with de minimis, records must be kept for any future monitoring exercise by either national or EU authorities.
- 2.6 Participating companies will need to demonstrate a net increase in the number of their employees. The offer of a graduate job, for example, must not be a result of redundancy nor should it lead to displacement of other employees in the firm.
- 2.7 The provision of Employer Recruitment Incentives is increasingly common in other Local Authority areas, with thirteen other areas offering incentives but crucially none of these packages exceed support of 50% which is the state aid threshold.
- 2.8 In summary, Employer Recruitment Incentives may be offered to local employers as long as there is full compliance with state aid regulations.

3.0 RECOMMENDATIONS

- 3.1 That Committee consider the options outlined in paragraph 2.4 to ensure state aid compliance.
- 3.2 That Committee delegate authority to the Corporate Director – Environment, Regeneration & Resources to develop and implement Employer Recruitment packages, directly targeted at local companies within the identified budget.

Stuart Jamieson
Head of Regeneration and Planning

4.0 BACKGROUND

- 4.1 Inverclyde Council has made available additional funds over 3 years to tackle the issue of youth unemployment. As a result, the Inverclyde Future Jobs Programme has secured an additional 23 x 1 year places, these types of posts have previously been targeted at organisations in the public and voluntary sectors. However, it is becoming increasingly necessary to focus on the private sector as for the foreseeable future that is where most employment opportunities are likely to arise.
- 4.2 This proposal is largely supply led due to the number of unemployed young people, graduates and under-employed graduates in Inverclyde. On the demand side, few employers are recruiting and those keen to offer a job to a graduate will require to make a contribution of 50% towards the graduate's wage. It may therefore be appropriate to deliver an Employer Incentive Scheme for a one year trial period to establish employer demand and ascertain the extent to which employers can be encouraged to recruit from the local labour base.
- 4.3 Graduates may find it difficult to secure the job they would like within the local area and may end up having to leave Inverclyde. If graduate job opportunities can be made available locally, this may help stem the flow of graduates out of the area. A previous graduate programme operated in 2010, 25 graduates participated and within 6 months of completion all 25 had progressed to employment or self employment.

5.0 FINANCE

- 5.1 Financial Implications – None
Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
02200		April 2013	£64, 000	N/A	Earmarked Reserves for Youth Employment Initiatives

6.0 CONSULTATIONS

- 6.1 Personnel: None.
- 6.2 Legal: None required.
- 6.3 Equalities: Full consideration is given to equality and diversity processes within employability and business support programmes delivered by the Regeneration and Planning Service which are non-discriminatory on the grounds of gender, ethnicity, religion or belief, disability, age or sexual orientation.