

To: ECONOMIC DEVELOPMENT COMMITTEE		Subject: EMPLOYMENT GRANTS SCHEME - EVALUATION
From: DIRECTOR OF PLANNING & DEVELOPMENT		
Date: 23 April 1998	Ref: EB/REP.396	

1 INTRODUCTION

- 1.1 The purpose of this report is to inform committee as to outcome of evaluation of the Employment Grants Scheme which was carried out by Cambridge Policy Consultants on behalf of the 12 Councils in the West of Scotland operating this programme.

2 BACKGROUND

- 2.1 EGS is one of the best known and longest standing economic development programmes in Scotland. It was operated initially by Strathclyde Business Development over the period 1982 - 1996. Following re-organisation of local government, it has continued to operate through a consortium of local authorities within the West of Scotland.
- 2.2 EGS provides a wage subsidy for a limited period of time to SMEs recruiting additional employees who are registered unemployed. The scheme operates both as a business development measure, by assisting the growth of SMEs within the area, and as a labour market mechanism, by providing incentives for employers to recruit particular groups of disadvantaged people. Accordingly, in line with the strategic objectives of the Council, EGS operates as an instrument of both economic and social policy.
- 2.3 The advent of the Government's 'Welfare to Work' proposals has been the key factor that has led the local authority partners to agree to a review being carried out of the programme.

3 OBJECTIVES OF STUDY

- 3.1 In commissioning the review of EGS, the funders wished to achieve the following objectives:
- Assess the impact of the scheme
 - Review the role of EGS within the context of the Welfare to Work proposals
 - Assess the day-to-day operation of EGS under the new local authority set-up
 - Assess future funding options for EGS

4 CONCLUSIONS

- 4.1 The primary conclusion of the evaluation is that EGS continues to perform well and remains a cost-effective instrument to support the creation of new jobs and encourage the recruitment of disadvantaged people.
- 4.2 Its simplicity and ease-of-use are appreciated by companies and other economic development agents alike.
- 4.3 EGS recruits secure employment in a relatively broad range of occupations.
- 4.4 EGS jobs are not just replacing benefits with wages. We aim to encourage employers to pay a reasonable wage through the minimum wage recommended ie £3.25 per hour - the average hourly wage was in fact £4.18.

Overall, some 85% of recruits said they were substantially better off in their EGS job than on benefit by an average of £76 per week.

- 4.5 Although there is no requirement on EGS employers to provide recruits with training, in practice most do so. Two thirds of recruits said that they had received training and many get the chance to work towards a qualification.
- 4.6 Employers are very positive about EGS - over 90% of employers would use the scheme again if looking to recruit. Employers like the simplicity and speed with which EGS applications are processed.
- 4.7 EGS makes a difference to the recruitment practices of more than half the companies taking up the subsidy.
- 4.8 The durability of the EGS jobs looks good, with the evidence from both the companies and the individuals suggesting that most recruits keep their job in the longer term.
- 4.9 The effective performance found in EGS is attributed to two key features of the scheme.
- the focus on small firms, where wage subsidies have a relatively significant impact on cash flow and encourage employers to proceed with recruitment and expand their business; and related to this,
 - the requirement that all jobs be new to the company - that is the business must grow.

5. RECOMMENDATIONS OF CONSULTANTS

- 5.1 On the basis of its continuing good performance it was recommended that EGS should remain part of the economic development toolkit in the West of Scotland.
- 5.2 That eligibility of recruits coming from graduate placement programmes should be reconsidered. Some recruits are relatively advantaged and have not experienced the minimum 3 months on the unemployment Register.
- 5.3 The introduction of the New Deal for young people and longer-term unemployed will mean a substantial overlap in client group - estimated at around half EGS current recruits would be eligible for the New Deal. However, in the short term EGS could operate at around current levels as:
- it will be some time before the New Deal gets up to speed;
 - just over half the client group will not be eligible for the new deal;
 - there is a growing acceptance that some support will be required to place those people who follow New Deal Options Nos 2 - 4.
- 5.4 In the longer term more radical options should be considered alongside development in Councils' priorities and the emerging New Deal partnerships. It should be considered whether EGS might align more closely to business development support on the one hand or consider more targeting on unemployed residents of priority areas on the other.

5.5 RECOMMENDATION

Committee is asked to:

1. Note contents of report.
2. Note that Officers are considering the implications of the report and that any amendments to the EGS programme arising from the evaluation would be the subject of a Committee report.



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Director of Planning and Development

30 March 1998