

NORTH LANARKSHIRE COUNCIL

REPORT

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| To: ECONOMIC DEVELOPMENT COMMITTEE | | Subject: EMPLOYMENT GRANTS SCHEME PERFORMANCE REPORT 1996 - 2000 |
| From: DIRECTOR OF PLANNING & ENVIRONMENT | | |
| Date: 8 June 2000 | Ref: PB/REP704 | |

1 Purpose

- 1.1 The purpose of this report is to inform committee of the overall performance of the Employment Grants Scheme in the period from the formation of North Lanarkshire Council on 1 April 1996 to the cessation of the Employment Grants Scheme programme on 31 March 2000.

2 Sustainability

- 2.1 This programme meets the sustainable development policy adopted by the Council through Local Agenda 21 by addressing elements of Section 3 "Economy and Work" and Section 8 "Social Needs". In particular the scheme addresses the following areas:

- reducing poverty and low pay
- increasing employment opportunities for local people
- helping local and community based business to set up and grow

3 Introduction

- 3.1 The Employment Grants Scheme (EGS) was established to encourage employers to create new additional jobs for unemployed people by offering employers financial incentives in the form of wage subsidy to recruit new workers. Financial incentives were paid for a period lasting either six months or one year depending on the recruit's circumstances. It is a requirement that all jobs supported under the Employment Grants Scheme must pay a wage that corresponds to levels proscribed by minimum wage legislation. The Employment Grants Scheme was operated by North Lanarkshire Council with support from the European Social Fund

4 History

- 4.1 The Employment Grants Scheme was developed and introduced by the former Strathclyde Regional Council in 1982 and was delivered by that authority within its area until local government reorganisation in 1996. Following local government reorganisation, the Employment Grants Scheme continued to be operated within the West of Scotland by ten of the unitary authorities which succeeded Strathclyde Regional Council. North Lanarkshire Council formed part of this ten council partnership and has continued to deliver the Employment Grants Scheme within North Lanarkshire since 1 April 1996.

2.

5 European Structural Funds : 2000 - 2006 Programme

- 5.1 As committee will be aware, changes to the rules governing European funding support during the 2000 - 2006 European Funding Programme period has necessitated a review of existing projects. This review is considering a number of development issues in order that projects may continue to attract European Funding Support. This process of project development is currently underway and North Lanarkshire Council's Economic Development Unit will respond to invitations for European Funding support which are expected to be issued in late 2000. This European Funding support, where approved, will support the delivery of projects which operate during 2001.
- 5.2 As a result of the rule changes discussed above and the conclusion of the previous European Funding period at 31 December 1999, the existing Employment Grants Scheme became obsolete at 31 March 2000. As previously described project development processes are currently underway and a 'pilot' successor project operating on a partnership basis between North Lanarkshire and South Lanarkshire Councils will commence during May 2000. In the forthcoming months this 'pilot' programme will be continuously monitored, reviewed and if found necessary amended in preparation for European Funding application under the European Social Fund.

6 EGS Review of performance 1996 - 2000

- 6.1 As stated at paragraph 1 of this report, the purpose of the report is to provide committee with a review of the Employment Grants Scheme during its lifetime within North Lanarkshire from 1 April 1996 to 31 March 2000. The table at 6.2 following details the turnover of applications received and approved, numbers of new jobs created and grant paid out during this period.

6.2 Turnover of Applications 1 April 1996 - 31 March 2000

| | |
|---|-------------------------------------|
| Applications received | 627 |
| Applications approved | 573 |
| Number of new jobs created | 675 (479 male / 196 female.) |
| Average Grant cost per job created | £1,908.93 |
| Total Grant paid out | £1,288,530 |

- 6.3 The Employment Grants Scheme has proved a valuable job creation tool for companies within North Lanarkshire. It has enabled companies to employ much needed workers where otherwise they would not have been able to do so. The provision of a wage subsidy has been a key element in the creation of new, additional, permanent jobs. The fact that it is a requirement that Employment Grants Scheme supported recruits are unemployed people or workers under notice of redundancy has assisted in the reduction of unemployment levels throughout North Lanarkshire and other West Of Scotland areas.
- 6.4 The type of companies which the Employment Grants Scheme has supported have been companies operating in the retail, manufacturing and services to manufacturing sectors. Specifically company types supported have included companies trading in information technology, software development, restaurant and hospitality, public transportation, mechanical, electrical and precision engineering. Job types supported have included broadcast media production jobs, care assistants, managerial, administrative, finance, building and construction, engineering and other skilled technical jobs. Additionally many companies provide further training to new Employment Grants Scheme supported employees.
- 6.5 The Employment Grant Scheme has assisted business development on a strategic basis by linking with other types of assistance provided by the Economic Development Unit. The scheme has provided additional support to start up companies by complementing the Boost for Business Grant Scheme where start up companies have used the Employment Grants Scheme to assist with the creation of much needed additional jobs. Likewise the Employment Grants Scheme has linked to the Business Loans programme where, for example, a Business Loan was provided to a North Lanarkshire company who had the need to purchase new capital equipment, then as a result of the installation of this new equipment required new additional 'operator' employees.

3.

7 Recruit Counselling and Job Mentoring Service

- 7.1 It has been recognised that many unemployed people may require additional support on returning to employment. As a result of this, a pilot Counselling and Job Mentoring service was delivered by Craigneuk Outreach - formerly Community Enterprise Motherwell - between November 1997 and March 1998. An evaluation of this pilot project was the subject of a separate report to committee in March 1998. The outcome of this evaluation was that the pilot Counselling and Job Mentoring service was considered a success, adding valuable 'recruit specific' benefits to the existing grant programme. The success of this service was evidenced by an improvement in the numbers of Employment Grants Scheme recruits remaining in employment.
- 7.2 As described above, the purpose of the Counselling and Job Mentoring Service was to complement the core wage support element of the Employment Grants Scheme. This was achieved through the provision, as an integral part of the Employment Grants Scheme, of a service offering counselling, advice, information and job mentoring to scheme recipients. As part of its approach the service was designed to be holistic involving the recipient and where appropriate his/her immediate family members. This approach is considered to be consistent with a family based approach to the problems of unemployment generally and, in particular, to those who have been long term unemployed. Improved employment retention was the core aim of this service.
- 7.3 The following tables describe the Counselling and Job Mentoring Service activity carried out, results and referral statistics during the period since committee approval to its operation was given.

Total No. of Recipients interviewed. 161

Total No. of Recipients requiring further assistance i.e. signposting and referral. 63

| Recipient Referrals | Number of recipients benefiting. |
|--------------------------------|----------------------------------|
| Employment Advice | 5 |
| Local Training Support Centres | 3 |
| Advice on Further Education | 4 |
| Advice on Training Courses | 4 |
| Personal Development Training | 3 |
| Benefit Advice | 25 |
| Money Advice | 11 |
| CV Construction | - |
| Voluntary Work Advice | 2 |
| Business Advice | 3 |
| Jobsearch Advice | 3 |
| Total | 63 |

continued/-

4.

7.3 continued/-

| Recipients Home Areas | Number of Recipients |
|--------------------------------|----------------------|
| Motherwell | 22 |
| Wishaw | 19 |
| Bellshill | 6 |
| Coatbridge | 28 |
| Airdrie | 33 |
| Cumbernauld | 13 |
| Shotts | 3 |
| Kilsyth | 2 |
| South Lanarkshire Council area | 21 |
| Glasgow | 11 |
| Other areas | 3 |
| | |
| Total | 161 |

| Length of time Recipients were unemployed | Numbers of Recipients. |
|---|------------------------|
| Under 3 months | 24 |
| 3 - 6 months | 53 |
| 6 - 12 months | 31 |
| 1 - 2 years | 21 |
| 2 - 5 years | 10 |
| 5 years and over | 8 |
| Women Returners | 14 |
| | |
| Totals | 161 |

8 Waiver of Unemployment Qualifying Period : Mass Redundancy Situations

8.1 At a meeting of the Economic Development Committee held on 13 March 1997 (Report 174), Committee approved the following amendment to the qualifying criteria for the Employment Grants Scheme, - "that the Council will have the right to decide in circumstances due to factory closures with large scale redundancies, that the usual three month unemployment qualifying period be waived." The purpose of this amendment to qualifying criteria was to lessen, where possible, through swift re-employment, the negative effects on the individual employees themselves, their families, and on the larger local economy which factory closures and consequential mass redundancies will have.

8.2 The 'waiver of unemployment qualifying period' led to a number of persons who were under threat of redundancy with their previous employers, being recruited under the Employment Grants Scheme, which would otherwise have been unable to assist. The table following provides details of recipients in the period from March 1997 to 31 March 2000 who benefited from this change to qualifying criteria.

| Mass Redundancy Recruitment. | Numbers of Recipients. |
|--|------------------------|
| Total number Recipients subject of mass redundancy | 207 |
| % of total jobs created under EGS | 30.66% |
| Males | 172 |
| Females | 35 |

5.

- 8.3 The Economic Development Unit's Redundancy Support service offers support to employees of North Lanarkshire based companies, who are under notice of redundancy. In such circumstances, through the identification of companies at risk, the Economic Development Unit was able to target individuals who were under threat of redundancy and provide them with a positive advantage in the Labour Market. This targeting of Employment Grants Scheme resources at this specific group effectively resulted in the prevention of unemployment and the potential loss of a variety of skills within the North Lanarkshire economy.
- 8.4 An example of this process in practice is illustrated with a particular company which was an international gear manufacturing and engineering company with a local base in Motherwell. In 1998 this company made the decision to close their Motherwell operation. One outcome of this decision was that management within the Motherwell plant observed that the Gear Manufacturing and Heat Treatment operations of the Motherwell plant had the potential to be developed as a 'stand-alone' business, with the parent company remaining as a global key customer. This led to local management organising a 'Management-Buy-Out' and the formation of a separate company. North Lanarkshire Council formed part of a funding partnership which assisted this company's formation and capitalisation through the provision of a North Lanarkshire Business Loan. The Management-Buy-Out was further strategically assisted through support conferred on the new company by the Employment Grants Scheme. This grant support which waived the three month unemployment qualifying period led to the retention by the new company of 45 full-time highly skilled jobs whose holders were under notice of redundancy.
- 8.5 From the example of successful results, such as that quoted at paragraph 8.4 above, and the fact that some 30.66% of the total numbers of jobs created with Employment Grants Scheme assistance were done so under Redundancy Support provisions, (Table at Paragraph 8.2 refers), a conclusion can be drawn that the waiving of the minimum three month unemployment qualifying period in mass redundancy situations has proved to be a critical aspect of the Employment Grants Scheme in its contribution towards the avoidance of the negative effects of redundancy and the prevention of unemployment within North Lanarkshire.

9. Impact of the Employment Grants Scheme.

- 9.1 An assessment of the impact of the Employment Grants Scheme on unemployment rates in North Lanarkshire and on job retention rates beyond grant period, has highlighted the following factors. It is recognised that, in general, Small and Medium sized Enterprise companies (SMEs) within the West Of Scotland have demonstrated a limited ability to invest and that the local area has a poor level of business formation relative to other parts of the U.K. By offering wage subsidies to SMEs' to encourage job creation, business growth and competitiveness will also be encouraged thus benefiting the local economy. It has been found that a substantial number of recruits to the Employment Grants Scheme tend initially to go into unskilled employment as a way of accessing the employment market after a period of unemployment. Once in employment, having proved themselves as reliable and capable employees, beneficiaries are in a stronger position within the company or to gain further skills and training in order to facilitate career progression.
- 9.2 The Employment Grants Scheme was promoted during its lifetime through the Enterprise Trusts and the Employment Service Job Centres who all described the programme as an effective, useful tool in the matching of unemployed clients to available vacancies.
- 9.3 Job retention and permanency rates were assessed through follow-up monitoring with recipient companies. This Monitoring activity was carried out some eighteen months after the conclusion of the grant period. Recipient companies were contacted and asked to provide information on whether employees originally supported under the Employment Grants Scheme were still in their employ. It was found that jobs supported under the Scheme had high level retention rates, averaging 80% of recipients still in employment.

6.

9.4 An independent evaluation of the Employment Grants Scheme was undertaken by Cambridge Policy Consultants and completed in March 1998. It focused on the performance of EGS since local government re-organisation in 1996 and covered the years 1996 and 1997. The evaluation was based on the EGS monitoring data, surveys with 170 companies, 120 EGS recruits and discussion with the local authorities delivering the scheme. Conclusions from the evaluation report stated that :

- EGS is frequently employed to reinforce outcomes from other programmes, especially Training for Work, Skillseekers and graduate placement programmes. Its simplicity and ease-of-use are appreciated by companies and other economic development agencies alike;
- employers were very positive about EGS with over 90% saying that they would use the scheme again if looking to recruit ;
- companies using the scheme came from across the full range of industrial sectors with no obvious bias towards any one group.
- the issue of 'Deadweight' was highlighted as a problem inherent in Employment Grants Scheme delivery. Some companies assisted were identified as having been just as likely to recruit without the benefit of grant support. In effect this removed the element of 'additionality' from these grant supported jobs.

10. Conclusion.

10.1 In conclusion the Employment Grants Scheme was been found to be an effective, worthwhile, financial assistance programme which was important in assisting small businesses to grow, providing them with help to recruit much needed additional employees which the company would otherwise have been unable to sustain. The Employment Grants Scheme also proved crucial in the reduction of, and prevention of unemployment, assisting as it did with the creation of additional, permanent jobs. Many of these new jobs introduced new skills to the North Lanarkshire economy, and others retained existing skills within North Lanarkshire which might otherwise have been lost. This view has been endorsed by the recipient recruits, employing companies, the Employment Service and other economic development agencies whose job creation and business support programmes the Employment Grants Scheme often complemented. The issue of Deadweight in future programmes is being addressed through the development of measures within the application process that will ensure that jobs seeking support are genuinely additional and not just part of normal cyclical patterns of employee turnover and replacement.

11. Recommendation

It is requested that Committee note the contents of this report.



David M Porch
Director of Planning and Environment

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For further information please contact Paul Buchanan, Economic Development Officer.
Telephone : 01236 616277

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