

REPORT TO: POLICY & RESOURCES COMMITTEE – 25 MARCH 2013

REPORT ON: YOUTH EMPLOYMENT SCOTLAND FUND

**REPORT BY: DIRECTOR OF SOCIAL WORK
DIRECTOR OF CITY DEVELOPMENT**

REPORT NO: 165-2013

1. PURPOSE OF REPORT

The purpose of this report is to provide an outline of the Scottish Government's new fund to promote youth employment; '*Youth Employment Scotland*' and to consider accessing this funding to provide short term employment opportunities in small to medium enterprises (SME's) for up to 200 young unemployed people in Dundee.

2. RECOMMENDATIONS

It is recommended that the Policy and Resources Committee:

2.1 Agrees to Dundee City Council submitting a stage one bid to the Youth Employment Scotland scheme for up to 200 subsidised jobs.

2.2 Approves the creation of a one year post to engage employers in the scheme, co-ordinate the activities required to support local employers and employability providers to access the fund, develop the employment opportunities and comply with European Funding requirements.

3. FINANCIAL IMPLICATIONS

Co-ordination of the Youth Employment Fund will require an additional one year post estimated at grade 8 (£22,591 - £26,604, £28,275 to £33,449 with on costs) to develop and co-ordinate the employment opportunities and recruitment processes with local employers, liaise with strategic and employability pipeline partners and support young people into sustained destinations at the end of their contracts. This expenditure will be met from the Council's General Contingency.

4. MAIN TEXT

4.1 The Challenge of Youth Unemployment

Scotland along with comparable nations has been facing an unprecedented challenge in relation to youth unemployment since the 2008 recession. However recent statistics published in March 2013 by the Office for National Statistics show that unemployment in Scotland fell by 4,000 over the three months to January 2013. Youth unemployment experienced the biggest fall in 20 years.

Scotland now has a lower headline (16+) unemployment rate and lower youth (16-24) unemployment rate than the UK as a whole. The headline unemployment rate in Scotland now stands at 7.4 per cent, lower than the UK rate of 7.8 per cent. This is the fourth monthly release in a row that shows unemployment in Scotland falling and Scotland's unemployment rate is now at its lowest in over three years.

The youth unemployment rate also fell to 17.0 per cent in Scotland compared to 20.6 per cent in the UK. The rate in Scotland has fallen by 7.7 percentage points over the year which is the largest decrease since 1992. The youth employment rate now stands at 56.1 per cent, 5.3 percentage points higher than the rate across the UK.

There are currently 1485 (7.7%) of 18 – 24 year olds in Dundee claiming Job Seekers Allowance (Nomis Feb 2013). This is the same as the Scottish average and is marginally above the national average of 7.2%. The majority, 57% have been unemployed for less than 6 months (this is the group that the ERI scheme is targeted towards), however 25% are still claiming Job Seekers Allowance after 12 months.

Dundee has 1364 16 – 19 year olds who are currently not in employment, education or training Through concerted partnership working we have steadily reduced the number of young people in this group and have progressed from being the 3rd bottom Local Authority in Scotland in 2007 to 16th place last year with 90% of school leavers moving into a positive destination. Dundee has a higher proportion (38.2%) of young people going into Further Education or Training but only 14.3 % of leavers entered employment which is 5.5% below the Scottish average, suggesting that there is a lack of employment opportunities for this group.

Young people are particularly vulnerable at times of recession as there is a marked reduction in entry level positions and they find it harder to compete with more experienced adult job seekers. We know from evidence from other recessions that prolonged periods of unemployment when young can scar young people and limit their life chances. Unemployment when young, increases the future likelihood of unemployment later in life, devalues skills developed at school and can be used as a screening tool by future employers. The scheme will be improve young peoples' chances to achieve sustainable jobs and to avoid serial and long term joblessness.

4.2 Scheme Details

The details and the principles of the scheme are correct at the time of writing but as the scheme is still being developed by the Scottish Government the final scheme may differ in some details.

£25 million has been made available across Scotland for the financial year 2013 – 2014. This is made up of £15m Scottish Government funds and £10m European Social Fund.

The scheme has two objectives; to provide jobs and experience to young people and to help small and medium sized enterprises expand and develop. The scheme will support businesses to create new jobs by offering a recruitment incentive to take on young people aged between 16 and 24 years.

An SME is classified as a business with less than 250 employees and a turnover of €50m or less or a balance sheet total of €43m or less.

The long term aim is that employment offered to young people should be sustainable after six months however this is not a condition of the contract. All jobs created should be additional to the existing workforce and must not replace positions that would otherwise be filled. Jobs supported by Youth Employment Scotland should be quality opportunities for young people to gain valuable work experience which will help them achieve sustained employment at the end of the six month period. Jobs need to therefore, relate to key/growth sectors which will be both attractive to young people and offer them experience in a role that will improve their chances of success in the job market in the future.

Third sector partners are also discussing with employers the potential for developing Modern Apprenticeships (MA) so that young people can progress on to an MA within the company following their 6 month employment opportunity. This will not only boost the number of MA opportunities within the private sector but will also ensure a more sustainable route for young people to develop vocational and employability skills. Skills Development Scotland have agreed to provide the necessary support to third sector partners to develop MA opportunities.

Youth Employment Scotland funding will pay a contribution of the wages of the jobs created (up to fifty per cent of the national minimum wage). The other half will either have to be paid by the employer or another source of funding used as match. Administration and management of schemes are not eligible for funding. The incentive will be paid for a six month period. Jobs should be a minimum of 25 hours and maximum of 40 hours per week.

If a young person is placed with an employer for one year and at higher than minimum wage, the scheme would still pay for half of six months at minimum wage and the remaining six months would have to be fully funded by the employer, and the difference between minimum wage and actual wage paid would also have to be paid from another source (employer or other funding).

4.3 Potential Funding Level Dundee

Depending on the ages of young people placed (and therefore the relevant National Minimum Wage applied), up to £3,500 per young person will be funded via the scheme. If 200 jobs are filled then this can bring up to £700,000 additional funding to SME's in the city.

4.4 Target Group

The scheme is targeted at young people aged between 16 – 24 in Dundee who have been registered unemployed for up to 6 months or longer term workless if not in receipt of benefits. Where a young person has been jobless more than 6 months but is not in receipt of benefits, they may also be eligible so long as the employer will not receive financial support from another source to employ the young person.

Where employers recruit a vulnerable young person, the recruitment incentive offered through Youth Employment Scotland may be supplemented by the existing Employer Recruitment Incentive, available from Skills Development Scotland, for vulnerable young people

5. NEXT STEPS

Stage one bids require to be submitted to the Scottish Government by 12 April 2013.

Current information is that the funding is available for the period April 2013 to March 2014 with a project start date of no later than July 2013. This means that all jobs must be started by 1 October 2013 to allow the full 6 month opportunity. Start dates on placements may be staggered throughout this period however dates, costs, etc. must be fully detailed in the application.

To date Scottish Government have not yet provided a comprehensive set of rules for the administration of the scheme however, as with all European Union programmes, there will be a significant level of compliance ruling to adhere to. Employers will need to be made aware of what level of information they need to provide to Dundee City Council in order to draw down the funds and an Employer Agreement (contract) will be drawn up and signed by Dundee City Council and each employer in the scheme.

6. CONCLUSION

This scheme provides an opportunity for Dundee City Council to expand upon the work already underway with local employers to develop measures, such as the Employers' Pledge, to tackle youth unemployment in Dundee. The recruitment incentive will assist SME's in providing young people in Dundee with a range of quality opportunities for young people to gain valuable work experience and skills which will help them achieve sustained employment at the end of the six month period.

In addition the scheme will assist employers, particularly those smaller companies who might not have the resources or spare capacity, to create additional posts and potentially grow their businesses.

7. POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no issues in this regard to report, however the recommendations contained in this approach will positively impact on the Councils Fairness, Anti Poverty and Economic Development objectives. Specifically this development will help to secure additional employment opportunities for young people in Dundee.

An Equality Impact Assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>

There are no major issues.

8. CONSULTATION

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted in the preparation of this report. The approach has also been supported by Dundee's Employability Partnership, Employer Engagement Group and Opportunities for All Partnership.

9. BACKGROUND PAPERS

Scotland's Youth Employment Strategy - Action for Jobs - Supporting Scotland Young People into Work, June 2012

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14 March 2013

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