

FINANCE COMMITTEE CALL FOR EVIDENCE

DRAFT BUDGET FOR 2013-14

SUBMISSION FROM FSB

Introduction

1. The FSB is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper. We welcome the opportunity to respond to the Committee's Call for Evidence. We have focused this submission on the Committee's questions about employability. In particular, the need to ensure Scottish Government spending plans maximise the potential for small business expansion and job creation.

Context

2. Over the last two years we have responded to the Scottish Government's spending plans by highlighting the need for economic stimulus, to ensure Scotland remained competitive and returned to growth. We focused on the importance of having a broad base of businesses to sustain and create jobs across the country.

3. Despite a small reduction in unemployment, the outlook remains uncertain. Business confidence remains lukewarm¹. We remain concerned that public sector spending cuts could present a further risk to the economy. This may be a particular problem for small businesses for whom public bodies and their employees are a key market². We therefore believe that economic recovery must remain the priority for the Scottish Government's Budget.

4. An upturn in consumer confidence and spending is clearly the most important trigger to encourage businesses to invest, recruit and grow. Notwithstanding measures the Scottish Government may take to promote confidence, as outlined above, we have restricted our comments in this response to the Committee's questions around employment.

Employment

5. As discussed with the Committee earlier this year, with more jobs created in micro and small businesses, the FSB is keen to explore how government action to

¹ In our May 2012 membership survey, around 40% of Scottish members believed business prospects for the next 3 months to be approximately the same (as the previous 3 months), with just under a third believing they would slightly improve and a fifth believing they would be slightly worse.

²As many as 58% of FSB members say that over half their sales take place in the local area – FSB Voice of Small Business Annual Survey, 2010

boost employment could be better targeted at these firms. We recently commissioned a report³ to explore various aspects of small business recruitment such as how, when and why they choose to expand.

6. Job creation incentives and youth employment strategies generally focus on providing training places for individuals and finding employers to pick up those places. However, the experience of many small businesses suggests that this approach is unsuitable. Consequently, we are not capitalising on those businesses' potential to expand. This is often due to the rigid eligibility criteria.

7. We believe that, in addition to this traditional approach, we need greater emphasis on employment measures as part of a business growth approach. Specifically, we think more flexible funding solutions will help support jobs growth in small businesses. Our initial evidence suggests that locally-developed solutions, which take account of business priorities/labour demands and direct engagement with local businesses, may be more successful at creating sustainable employment in local small businesses than national schemes. This approach may be more resource-intensive in the short term but aligns well with preventative spending principles.

8. We anticipate that our report findings will provide greater detail on how the current approach should be complemented by additional measures to better target small businesses. We would be happy to share the report with the Committee upon its completion.

9. Linked to the discussion about employability is the need for a stronger focus on enterprise and entrepreneurship. Setting aside the perpetual debate about Scotland's lack of entrepreneurialism, the youth employment strategy, for example, notably lacked reference about how to empower and support young people to start up and run businesses. We also need to ensure we capitalise on opportunities from Scotland's colleges. This means not only improving links with employers so courses and students' skills can be better aligned with local employer demand, but ensuring students receive the right advice and support about setting up their own business.

³ Due to be completed in October 2012