

## ECONOMY, ENERGY AND FAIR WORK COMMITTEE

### DRAFT BUDGET 2019-20

#### SUPPLEMENTARY EVIDENCE FROM: Highlands and Islands Enterprise

#### MEASURING THE IMPACT OF HIE INTERVENTIONS

##### *Measuring the impact of Interventions*

Every investment or intervention made by HIE, whether at its own hand or in direct support of a third party, is assessed in terms of its output three years on, and the nature and extent of activity required to generate the output. At the outset expected activities and outputs are recorded and associated with the strategic priority (more than one if applicable) to which they contribute.

In terms of intervention output, for the measure selected, the *current* position is identified, for example the current turnover of an organisation. In addition, the *forecast* position three years hence and the *base case* position (i.e. the position of the client three years hence had HIE *not* intervened) are recorded. HIE's impact is then calculated by deducting the *base case* from the *forecast* position.

At the outset, as well as the expected output, the date by which the actual output of the intervention will be recorded is entered into the system. The actual output is logged as soon as it is known and by the target date recorded.

For some types of output additional details are recorded and feed into the calculation of overall impact. Two employment outputs where this is the case are 'number of FTE jobs supported' and 'Average wage of FTE jobs supported'. For these output measures, data are captured for every type of job and for every wage level relevant to the intervention following the same principles in recording current, forecast, base case and HIE's impact. Detail for each job type are recorded such as the employment basis (full-time, part-time, seasonal), the category within the Standard Occupational Classification system, FTE wage, and whether the jobs are being *created* or *retained* by virtue of HIE's intervention. This provides a level of granularity in the measurement data for employment that greatly enhances the analysis that can be undertaken for performance reporting.

##### *Measuring client growth*

Over and above the impact of individual interventions, the overall growth performance of each HIE client is recorded in the system. Different metrics are used depending on whether the client is a business or a social enterprise/community enterprise

Accessing the information and populating the system is the responsibility of the HIE account manager who, following agreement with the client as to the projected figures, tracks the actual growth year by year and enters the details to the system.

The metrics captured for account-managed business clients are shown in the table below:

**Business Growth Plan: ABC Ltd. Duration: 3 Years**

|   | Current     | Base Case   | Forecast    | Expected HIE Impact | Actual Year 1 | Actual Year 2 | Actual Year 3 |
|---|-------------|-------------|-------------|---------------------|---------------|---------------|---------------|
| <b>Client Turnover:</b>   | 123,856,000 | 153,856,000 | 160,000,000 | 6,144,000           | 135,678,000   | 154,456,000   | 161,324,000   |
| <b>Cost of bought in materials, energy, components and services</b> | 78,487,547  | 97,498,547  | 100,800,000 | 3,301,453           | 85,477,140    | 97,307,280    | 101,634,120   |
| <b>% of sales turnover:</b>   |             |             |             |                     |               |               |               |
| <b>in the H&amp;I</b>   | 3           | 3           | 3           | 0                   | 3             | 3             | 3             |
| <b>elsewhere in Scot</b>  | 7           | 7           | 7           | 0                   | 7             | 7             | 8             |
| <b>elsewhere in the UK</b>  | 85          | 85          | 80          | -5                  | 85            | 82            | 77            |
| <b>outside the UK</b>   | 5           | 5           | 10          | 5                   | 5             | 8             | 12            |
| <b>Employment (FTEs)</b>  | 997.00      | 1,020.00    | 1,040.00    | 20.00               | 1,000.00      | 1,025.00      | 1,045.00      |
| <b>Total Wage Bill:</b>   | 23,024,000  | 23,735,155  | 24,433,250  | 4,475               | 23,100,000    | 23,780,000    | 25,080,000    |
| <b>Productivity (Value Added / FTE jobs)</b>                        | 45,505      | 55,252      | 56,923      | 1,671               | 50,201        | 55,755        | 57,120        |
| <b>Average Wage:</b>  | 23,093      | 23,270      | 23,494      | 224                 | 23,100        | 23,200        | 24,000        |
| <b>Value Added to National Growth</b>                               | 45,368,453  | 56,357,453  | 59,200,000  | 2,842,547           | 50,200,860    | 57,148,720    | 59,689,880    |

Once a growth plan is complete, if HIE continues to work with the organisation, the growth position is re-assessed, the existing growth plan record is closed and a fresh record is created.

Whilst HIE measures growth over a three-year period as standard, its system accommodates extended durations to allow for the longer time period required for some developments to come to fruition.

**UPTAKE BY WOMEN OF HIE PROGRAMMES**

The information provided below provides further detail on the uptake by women of HIE programmes. This shows good gender balance since 2016 across HIE’s leadership, entrepreneurship, internationalisation and graduate/student placement programmes, with more women than men attending social enterprise/communities programmes as set out in Table 1 below.

| Programme  | Female participation rates prior to 2016 | Female participation rates from 2016 | Change in female participation rate from pre-2016 |     |          |
|--|--|--------------------------------------|---|-----|----------|
| <b>Business Focus</b>                                    |  |                                      |   |     |          |
| Emerging Leaders   | n/a                                      | n/a                                  | 2016-17   | 49% | New prog |
| Leadership for Growth                                    | To 2012                                  | 26%                                  | 2016-17   | 44% | Increase |
|  | 2012-14                                  | 37%                                  |   |     |          |
| Mentoring  | n/a                                      | n/a                                  | 2018  | 35% | New prog |
| Entrepreneurial Spark (virtual pilot)                    | n/a                                      | n/a                                  | 2017-18   | 71% | New prog |
| Entrepreneurial Academy (pilot)                          | n/a                                      | n/a                                  | 2017-18   | 50% | New prog |
| Smart Exporter (now International Highlands and Islands) | 2011-13                                  | 43%                                  | 2015-18   | 48% | Increase |
|  | 2013-15                                  | 48%                                  |   |     |          |

| Programme                                    | Female participation rates prior to 2016 |     | Female participation rates from 2016 |     | Change in female participation rate from pre-2016 |
|--|--|-----|--------------------------------------|-----|---|
|  |  |     |                                      |     |   |
| ScotGrad (Graduate and student placement)    | 2013-15                                  | 51% | 2015-18                              | 49% | Similar rate                                      |
| <b>Social Enterprise / Communities Focus</b> |  |     |                                      |     |   |
| Social Enterprise Venture Development        | 2014                                     | 50% | 2018                                 | 64% | Increase  |
| Governance Health Checks and Skills Audit    | 2015                                     | 58% | 2018                                 | 43% | Decrease  |
| Governance Workshops                         | 2015                                     | 52% | 2018                                 | 59% | Increase  |
| Social Enterprise Connect                    | 2016                                     | 58% | 2018                                 | 78% | Increase  |
| Getting Ready for Investment                 | 2016                                     | 75% | 2018                                 | 71% | Similar rate                                      |
| Maximising Community Assets                  | 2016/                                    | 43% | 2018                                 | 41% | Similar rate                                      |

Table 1: Changes in women's participation on HIE's programmes

The mentoring programme has the lowest rate of participation by women at 35%. Participants are typically operating as directors, aspiring directors, senior managers and owners of medium, small and micro businesses, including social enterprises. The lower rate of participation by women may reflect the current proportion of women in leadership roles in the Highlands and Islands as set out in Table 2 below.

|   | HIE Account Managed Businesses | HIE Account Managed Social Enterprises |
|---|--------------------------------|--|
| <b>Female Ownership or Senior Partnership</b>     | 33%                            | See below                              |
| <b>Female Board Representation (for SEs only)</b> |                                | 84%%                                   |
| <b>Female CEO</b>                                 | 14%                            | 45%                                    |
| <b>Female senior leadership positions</b>         | 48%                            | 64%                                    |

Table 2: proportion of women in HIE's account managed businesses and social enterprises

Mentoring is provided by a range of male and female mentors (Institute of Directors scheme) and participants are matched with a mentor who has expertise of greatest relevance to their mentoring topic. Men and women are able to request a male or female mentor if they wish.

When reviewing trends in programme participation over time there has been an increase in the proportion of women attending most programmes, with the exception

of the Governance Health Checks and Skills Audit programme, which saw a reduction to 43% female participation. The programme continues to be run and the proportion of men and women attending may vary by year end.

It is likely that applying a range of delivery models such as virtual approaches and local delivery has helped increase participation rates for women.

We will continue to monitor new programmes to identify future trends in participation.

## **HIE ANNUAL MEASURE 2017/18 AVERAGE SALARY FOR JOBS SUPPORTED**

Why has HIE adopted this measure?

- Monitors objective to raise wage levels and addressing the imbalance in wage distribution across the region
- In the absence of comprehensive regional statistics, wage data is also used as one indicator of productivity growth being generated by HIE's client interventions.
- A useful inclusive growth indicator
- By focusing on creating more high-paying jobs we are diversifying the regional economic base and attracting and retaining more highly skilled workers within the area.

How is this measure calculated?

HIE has adopted the in-year performance measure – 'Average salary of jobs supported (£)' and aims to achieve a mean for jobs supported of at least £25k. As the year progresses, HIE's performance in relation to jobs supported and average salary is calculated using data entered into the HIE Management System. For projects where HIE's intervention results in employment impact for the client organisation, the net additional number of FTE jobs are determined by looking at the forecast employment position for the organisation three years hence and deducting the base case position (i.e. the position judged to be the case in three years were HIE not to intervene). The forecast and the base case figures are determined as part of HIE's appraisal process following discussion with the client. For any projects with greater than £250k of HIE funding, a formal economic impact assessment needs to be undertaken. For projects with greater than £500k of HIE funding, an independent external appraisal will be commissioned.

Key job details are then entered into the system. These include, for each separate top-level standard occupational classification and salary level, the number of FTE jobs and the forecast salary for those jobs. To calculate the average salary across all HIE-supported projects for any given period, the aggregate of the forecast salaries for every individual FTE job across all projects is divided by the aggregate number of FTEs to which the salaries relate to arrive at the average salary. The calculation is illustrated in the simple example below:

Project 1

2 FTE jobs at £20,000  
1 FTE job at £40,000

Project 2

3 FTE jobs at £35,000  
1 FTE job at £25,000

Average salary =  $((2 \times 20,000) + (1 \times 40,000) + (3 \times 35,000) + (1 \times 25,000)) / 7 = 210,000 / 7 = 30,000$

Refinements planned.

In gathering the data and approaching the calculation described above, certain assumptions are made about the extent of part-time and duration of seasonal jobs. In order to provide more confidence, particularly in relation to assessing wage levels in relation to the Real Living Wage, a change to the methodology is planned. This will involve capturing the number of weekly hours worked per job alongside the actual wage paid. This represents a refinement to rather than a departure from the established approach.

Comparison with national statistics

Whilst wage data is available for the H&I through the Annual Survey of Households and Earnings (ASHE), difficulties exist in drawing comparisons with the data HIE gathers. Two of the major differences are as follows: Firstly, information available from ASHE is for full-time and part-time jobs, calculating the overall mean and median based on no. of jobs rather than no. of FTE jobs. Secondly, the wage levels provided include over-time, premium pay, incentives etc. whereas HIE's data does not. These and other differences mean that it is not possible to draw direct comparisons.

Higher Value Jobs Supported 2017-18

The mean gross annual pay for all employee jobs in the Highlands and Islands available from the ASHE 2017 is £23,905.

**Of the 981 FTE jobs supported by HIE in 2017-18:**

- 513 (52%) are forecast to pay above the ASHE mean figure of £23,905.
- 495 (50%) are forecast to pay at least HIE's target average of £25,000;
- 218 (22%) are forecast to pay £30,000 or more;
- 106 (11%) are forecast to pay £40,000 or more; and
- 50 (5%) are forecast to pay £50,000 or more.