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Ms Michelle Ballantyne MSP
Convener – Economy, Energy and Fair Work
Committee

By email: economyenergyandfairwork@parliament.scot

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Dear Ms Ballantyne,

Enterprise and Skills Strategic Board – COVID-19 Update

Thank you for your letter on 8 July 2020 regarding the Committee's inquiry on COVID -19 and the request for an update on the work of the Strategic Board in light of the pandemic.

I last appeared before the Committee on 10 March 2020, just prior to the lockdown, and since then the Board has pivoted its focus to supporting the agencies and government in their response to the economic crisis due to the pandemic.

The Board has met three times in the last four months, supported the work of Advisory Group on Economic Recovery and established a sub-group that worked rapidly to develop recommendations for actions for Scottish Ministers to consider to help address the risk of increased and potentially sustained unemployment, particularly amongst young people and more vulnerable groups. The Board has also recently published a review of Industry Leadership Groups. I have set out additional detail on these work streams in Annex A.

At present, our focus is on considering how the Board's original missions - the four factors identified as possible sources of faster economic growth - remain relevant in light of COVID-19 and whether they should change to support the recovery. Work is also underway to investigate new or improved ways the Board and enterprise and skills agencies can work together to generate the greatest impact, reflecting the original objective of the Board to get the maximum value from collective investment.

I hope this update is helpful and I look forward to appearing before the Committee again in the coming weeks where I will be happy to provide further information on the work of the Strategic Board.

Yours sincerely,



Nora Senior, Chair.

Enterprise and Skills Strategic Board – COVID-19 Update

Advisory Group on Economic Recovery

1. The Strategic Board (and the Board's sub-group) has worked closely with, and supported the work of the Advisory Group on Economic Recovery (AGER) led by Benny Higgins. The Group were guests at two of the Board's meetings and the Board held a number of smaller sessions to discuss the specific issues being considered by the Group. A summary of these feedback sessions is included in ANNEX B, with the full report submitted to the Group available at the following link: <https://www.gov.scot/publications/initial-submissions-supporting-the-advisory-group-on-economic-recovery-report-june-2020/>.
2. Overall, the AGER report and Board's Sub-Group recommendations are in agreement across a wide range of proposals, including:
 - Greater partnership with business;
 - Expand Fair Work criteria for businesses support;
 - Expanding existing structures to support young people, in particular Developing the Young Workforce and the Flexible Workforce Development Fund;
 - An introduction of a Scottish Jobs Guarantee;
 - Ensuring a regional and placed based approach;
 - Prioritising apprenticeships; and
 - Rapid expansion of PACE.

Sub-group on Measures to Mitigate the Labour Market Impacts from COVID-19

Background

3. In May 2020, the Deputy First Minister asked the Board to form a short-life working group to focus on the practical actions which could be taken forward immediately to mitigate the labour market impacts of the COVID-19 crisis. A sub-group was established that I co-chaired with Frank Mitchell, Chair Skills Development Scotland (SDS). Membership of the group consisted of Board Members, business and other relevant representatives.

Focus

4. The sub-group agreed a remit to consider what practical actions could be implemented quickly to not only help keep people in employment, but also support those either facing the threat of redundancy or who have already lost their job.
5. In developing its recommendations, the sub-group recognised the specific challenges facing young people at this time. Alongside this, importance was placed on alignment with the Scottish Government's wider strategic objectives, in particular the transition towards a net carbon zero emissions economy and the importance of continuing to embed Fair Work principles in the labour market.

Recommendations

6. The sub-group worked rapidly to deliver a number of significant recommendations to minimise unemployment as the economic impact of the crisis continues. The recommendations have been considered at a very high-level, against the following criteria:
 - Deliverability
 - Affordability
 - Value for money
 - Private sector buy-in
 - Impact
7. The sub-group identified a number of top priorities for immediate action:
 - **Assistance to support employee retention**, including the development of new models of working with local authorities, Chambers of Commerce/FSB, Trade Bodies to align support schemes and offer an integrated and accessible approach.
 - **Assistance for those facing redundancy**, including the scale Up of PACE Plus to offer skills assessment, job search and training advice to redundant workers and companies considering making redundancies.
 - **Training to enable unemployed people to transition into employment** including the introduction of Apprenticeship Pathway Programmes for those encountering difficulty finding employer-led programmes or employment as an apprentice.
 - **Helping vulnerable people into employment**, including strengthening the implementation of funded Developing the Young Workforce (DYW) School Coordinators through creation of DYW Regional Group hubs, and working closely with local authorities, to better link young people with local employers. Additionally, the re-introduction of short placement schemes that provide work experience for under 25s who have been out of work for 6 months to include essential employability skills, with employer subsidy.
8. The recommendations can be found in full in the sub-groups report at the following link:
<https://www.gov.scot/isbn/9781839608650>

Funding

9. In developing its recommendations, the sub-group worked on the basis that actions would be funded from the resources currently allocated by Scottish Government to the agencies and for related purposes. This includes re-purposing and re-allocating existing activity and budgets, with a close eye on aligning and maximising the impact of expenditure across agencies. However, given the size of the challenges facing the Scottish labour market, the scaling up of activity is likely to require additional resource in some areas.

Implementation

10. The sub-group is clear that the response to the emerging economic crisis and rising unemployment must be addressed by a society wide, civic approach with the real integration of government, agencies, local authorities, learner providers, third sector and businesses to work in partnership and at pace.

11. The whole of the Scottish Government, its agencies, partners such as local authorities, and crucially, employers in all sectors must come together immediately to contribute to the effort that is required to address rising unemployment and the long term scarring effects on those who we know suffer most in times of economic downturn.

Next Steps

12. Following Phase one, the sub-group reflected on the group's original remit and a decision was taken to focus on delivery and to disband the group. The rationale behind this is that the actions identified as part of Phase One which were to be further developed in Phase Two are now being taken forward in different ways through other groups or pieces of work that are in train, including the review underway by the Scottish Funding Council, and the work by Sandy Begbie on a Jobs Guarantee.
13. The Enterprise and Skills Strategic Board will seek to ensure that the other actions that were identified for further consideration are fed into various reviews being undertaken by other non-ministerial departments and agencies.

Review on Industry Leadership Groups (ILGs)

14. On 28th July 2020 the Strategic Board published a review of Industry Leadership Groups (ILGs) <https://www.gov.scot/publications/industry-leadership-groups-review/pages/7/>. This work was originally intended to be concluded by March 2020, however it was delayed by the COVID-19 lockdown and the need to address the immediate and unprecedented economic challenges associated with the pandemic.
15. The review was initiated to understand the activities of each ILG, their key outputs and how they can increase their impact, particularly working with companies 'outside' the system. Within the context of COVID-19, the value of optimising the impact of ILGs in a transformed environment, becomes even more important, a finding also shared by the Advisory Group on Economic Recovery.
16. The report recommends a range of substantive changes to Scottish Ministers, to agencies, ILGs and other business leaders around how industry groups should recalibrate in order to drive sectoral growth more cohesively and more dynamically. The Board has recommended that this work begin immediately and be concluded by the end of 2020.

Summary of Feedback the ESSB submitted to The Advisory Group on Economic Recovery

1. Impact on members' specific business/sector

Every part of the economy across Scotland is impacted in some way, including in the public sector such as colleges and local government. In the private sector, tourism, hospitality, food and drink and aerospace have been acutely affected.

2. How will recover vary for different groups?

Young people, women and other disadvantaged groups will be most impacted. People with mental health conditions may also take longer to recover.

There are distinct differences between employed and self-employed and the measures in place to help each. Elevation in status of essential workers is a positive development and we must not lose sight of this as we move towards a well-being economy.

3. What enterprise/skills agency activities more/less important now?

All agencies must work collaboratively not just among themselves but with local government and community based services. Rapid adaptation and working fluidly across agency/organisation boundaries must continue.

Digital infrastructure is key and the need to address issues such as digital poverty.

Investment support – bar has become higher and companies not investing in the short term will have longer-term effects. Particular issues around sustaining innovation investment in order that Scotland does not fall further behind.

4. Do the actions in Strategic Board's Plan remain valid?

Yes but we will need to change, adapt and re-prioritise - looking particularly at how our business models and workplace innovation mission faces into recovery from the COVID 19 economic crisis and re-examining the recommendations from the Future Skills mission in light of the sub-groups work.

5. What actions can enterprise and skills agencies take to accelerate recovery

Priorities include:

- Supporting young people.
- Agencies should help businesses/individuals to navigate the policies.
- Flexibility in funding models and approaches.
- Communication is key and particularly helping businesses and individuals navigate through information and guidance - translate messages from government for different sectors.
- Business continuity and rapid access to capital.
- More emphasis on a green recovery.

- A place based recovery requires intelligence that can be gained through working with CPPs, local authorities and other partners.

6. What are the key lessons from past recessions most relevant for this recovery?

- Austerity is not the answer.
- Investment and moving fast are critical.
- Support employers and protect supply chains.

7. What one policy would make the biggest difference to ensuring the recovery of the Scottish economy?

- Build on inclusive growth.
- Leadership skills are key in order to accelerate and innovate.
- build on strengths especially around open innovation and cross sectors working together.
- stimulate and support investment in innovation and prioritise this towards net zero opportunities.
- Infrastructure investment particularly digital, alongside investment in digital skills. (Must recognise digital poverty and that investment in digital services and infrastructure must be accompanied by access)