

31 July 2020

Dear Convener,

Thank you for your letter of 8 July, inviting Skills Development Scotland (SDS) to provide information to support the Economy, Energy and Fair Work Committee's inquiry into COVID-19 – impact on Scotland's businesses, workers and the economy.

SDS recognises both the scale of the COVID-19 crisis and its impact on Scotland's economy. In recent months, based on our extensive data and insights, we have worked intensively to reshape our products and services to support our customers, partners and stakeholders through the crisis.

In doing so we played an active part in shaping the *Report of the Advisory Group on Economic Recovery* (AGER), which we anticipate will provide a strong economic vision to drive recovery from the current crisis. Alongside Nora Senior, the SDS Chair, Frank Mitchell, led development of the *Report by the Enterprise and Skills Strategic Board sub-group on Measures to Mitigate the Labour Market Impact of COVID-19* (ESSB).

We therefore welcome the opportunity to contribute to the Committee's inquiry and appear before the Committee on 25 August. We note that the Committee issued a general call for evidence as part of its inquiry, and this letter will cover many of the issues in that call for views.

Strategic Plan

As Scotland's national skills agency, our purpose is to drive productivity and inclusive growth through investment in skills, enabling businesses and people to achieve their full potential.

Our services reflect best practice nationally and internationally and, through extensive engagement with partners at national, regional and local level, we adapt and shape our delivery to meet local needs and priorities.

In your letter, you ask if we anticipate changing our Strategic Plan and what the timescales for any changes might be. The core of our Strategic Plan is our aim to support and prepare individuals and businesses to adapt to a rapidly changing context, with a focus on building career management skills and resilience, emphasising the importance of reskilling and upskilling and promoting fair and progressive workplace practices. Our strategic goals are intended to ensure delivery of our distinct contribution to Scotland's shared ambition for achieving top quartile OECD performance for productivity, equality, wellbeing and sustainability.

Our Strategic Plan was designed to be responsive to existing challenges, such as Britain's forthcoming exit from the European Union, significant demographic change, the global climate emergency (in this regard, SDS is seeking to develop a 'Climate Emergency Skills Action Plan' to ensure it is supporting market demand for the skills required to deliver net zero emissions) and the uncertain nature of the future of work, in which automation and artificial intelligence seem certain to play a bigger role.

These core principles have been brought into sharp focus in recent months and will continue to be critical through the recovery. On that basis we do not anticipate a fundamental change in our over-arching strategy prior to its next iteration in 2022.

However, we are preparing for a significant shift in the nature and scale of our delivery given the economic and societal impact of COVID-19 which has accelerated the imperatives for upskilling and reskilling and business model innovation.

We are supporting those who are young, unemployed or facing redundancy to gain or sustain relevant learning and employment, and helping build business resilience, which will be significant in driving recovery from the economic crisis caused by the pandemic. A strong evidence base and the protection of work-based learning pathways will be critical in this regard.

We therefore anticipate changes in our annual operating priorities and will continue to respond to any new initiatives emerging from Scottish Government. We are in regular discussions with Scottish Government as we await its response to AGER and ESSB and will adjust our operating priorities accordingly.

Working with partners

You asked how we work with other key partners to ensure support for young people is delivered effectively and efficiently.

Our Strategic Plan is set against the context of the Skills and Enterprise Strategic Board's Strategic Plan which provides clear direction to the skills and enterprise agencies to work collaboratively to support business and individuals.

We are working closely with the Scottish Funding Council (SFC), Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SoSE) to deliver the actions identified in our Strategic Plan and to develop a shared vision for Scotland in 2035.

The principle of partnership working is embedded at all levels of our work, not just with the other national agencies, but with local and regional partners. In recent years we have worked to develop an evidence base which articulates Scotland's unique skills needs at a local authority and regional level.

This evidence base, shared with partners, drives our service delivery and engagement as we proactively engage with a wide range of partnerships including the emerging regional economic partnerships (including City Deals).

SDS is embedded in City Deal structures across the country and is working with partners to support them to meet the new and existing challenges we are facing. Within these partnerships SDS will continue to work to support the decision making to meet the local skills provision needs. COVID-19 has again brought this need for collaboration into sharp focus. We recognise that the speed, scale and impact of the crisis has and continues to drive the need for a systemic approach to our economic recovery.

Throughout this current crisis, we have engaged extensively with local authority education and employability partners, including SLAED and COSLA, on the alignment of our redeveloped services and enhancing our partnership approach.

We have also engaged closely with Developing the Young Workforce (DYW) groups and the Department for Work and Pensions, while Partnership Action for Continuing Employment (PACE) partnerships have collaborated on maximising the resources within the system to prepare for the predicted rise in cases and the extended support individuals will need in a disrupted and challenging labour market.

Even throughout a fast-paced crisis, there is a critical need to take an evidence-based approach to designing and developing interventions at all levels and SDS has worked rapidly to assess and articulate the impacts of COVID-19 on the labour market and individuals.

Our Labour Market Insight [Reports](#) have been informed by deep engagement with industry bodies and partners during the course of the pandemic and are shared with partners on a monthly basis with further tailored regional datasets. We combine these insights and our datasets to hopefully ensure that all skills investment actions across the education and skills system are informed, responsive and aligned to the needs of regional economies and sectoral challenges.

Our Regional Skills Planning and Skills Alignment teams are currently leading an active programme of collaboration with Regional Colleges and Regional Economic Partnerships. These engagements are moving beyond the data and insights and are establishing coherent and regionally sensitive responses to the labour market challenges we are seeing and anticipate from COVID-19.

SDS is part of and actively engages with several working groups and taskforces set up to address the needs of different regions and sectors in the wake of the pandemic. Our Labour Market Insights allow us to collaborate with industry groups to understand and respond to the impacts felt across their sectors. We are working alongside further and higher education to ensure this information can be utilised to tailor the skills provision to the unique requirements across Scotland's various regions in response to the COVID-19 pandemic.

SDS will continue to use the levers at our disposal and will work with partners as part of the system-wide response which is required to mitigate the effects of the pandemic on individuals and employers.

Budget

When the Scottish Government set out its tax and spending plans in February 2020, a budget of £224m was identified for SDS and we continue to operate within the context of this budget.

As outlined previously, we are engaging regularly with the Scottish Government to establish their response to AGER and ESSB and what impact that may have on SDS operational delivery, budget and spending plans for the year ahead

We also note recent developments, including the Cabinet Secretary for the Economy, Fair Work and Culture's announcement of support for young people, a new national retraining scheme, and more funding to provide immediate assistance and advice if people are made redundant. We are happy to update the Committee throughout this inquiry as the situation evolves.

In response to the pandemic situation, we have implemented a COVID-19 Relief Grant Scheme – from within our existing budget - to assist in overcoming temporary hardship issues for those training providers who are continuing to deliver services to apprentices, learners and employers.

This funding is aimed at adding value to existing Government COVID-19 relief. The scheme, initially covering the period April to June 2020, has been extended to August 2020.

Adapting to the potential impacts on young people

Our evidence base clearly highlights that young people are likely to be disproportionately affected by the impacts of the crisis. Indeed, as the ESSB report notes, rapid action is required to prevent the scarring effects of a lost generation.

Immediate actions

SDS has taken immediate action to ensure those affected by recent disruptions are not left behind and has worked with partners to develop emergency response measures to support individuals.

We quickly introduced a range of measures for providers to enable continuity of learning for the Modern Apprentices in-training and Employability Fund participants (the majority of whom are aged 16-24). This includes guidance and webinars for employers and providers on adjusting delivery to physical distancing requirements.

Where learning has been disrupted due to furlough, we have contacted apprentices to provide assurance that their learning can be picked up again once they return to working and highlighted the Career Information, Advice and Guidance (CIAG) support available should they unfortunately be made redundant. A proactive offer of support is made when we receive notification of an apprentice redundancy.

CIAG support for all apprentices also includes targeted one-to-one support for all Foundation Apprentices (FA) moving into year two or nearing the end of their programme.

SDS worked with the SQA to ensure that FAs who hadn't yet completed their learning were not disadvantaged and provided with learner certification and support for progression. We have also secured 1,370 contracted opportunities for Graduate Apprenticeships, with confirmation from universities that they are still able to deliver, with increased flexibility.

A responsive careers service

Young people have also been supported by the redesign of our all age CIAG service delivery to ensure it is fit for the current circumstances and the changing needs of our customers. Since lockdown, CIAG delivery moved from face to face to a blended web and telephony approach and we have continued to work collaboratively with schools, local authorities, DYW and DWP to ensure individuals receive the right support at the right time, in line with their needs.

Our service delivery for school pupils includes the continuation of one-to-one support for senior phase pupils identified as requiring targeted support as well as expected school leavers. We also delivered a five-week programme of webinars for school leavers to support them during their transition and an eight-week Career Education programme providing career related activities from P7/S1 to S6.

SDS is delivering the annual Results Helpline in August, during which the expert advice and guidance on offer from SDS advisers will be crucial to support students dealing with the cancellation of the exam diet and the impacts of the pandemic on further education and jobs.

We are currently undertaking our annual school partnership agreement discussions for 2020/21 with every secondary school to plan and agree identification of pupils in S3-S6 with the greatest need of one to one support. These conversations include an integrated approach with each school on how the dedicated SDS school careers adviser will return in line with school plans and Government guidance.

For those who have left school, we have maintained our targeted 'Next Steps' service through proactive contact with all unemployed opportunity-seeking individuals from 15-19 years in Scotland and intensive one to one support in line with their needs.

To deal with the expected increase in redundancies, we have adapted our PACE response to support individuals through telephone and online channels and have continued to respond to all redundancies. A universal helpline providing free access to one-to-one support for anyone at any age and stage of their career has also been introduced.

Our digital support has been augmented through enhancements to My World of Work – a new Job Hub to help employers advertise immediate opportunities and extending our course search to provide access to free online learning opportunities from the Open University, Google, Microsoft, Udemy and a number of other private providers. We have also worked directly with the college sector to ensure that our course search now includes content representing the sector's response to COVID-19.

SDS also relaunched Individual Training Accounts, which are available to help people develop the skills they need for work, giving learners who meet the eligibility criteria up to £200 towards a single training course or training episode per year.

Longer term support for apprenticeships and individuals

Our long-term response to the COVID-19 crisis is guided by the evidence on what has worked in previous recessions to combat unemployment. As already noted, it is also underpinned by the current evidence base being collated through engagement with partners and stakeholders across the skills system.

Apprenticeships

At the start of the financial year, there were around 37,000 (Foundation, Modern and Graduate) apprentices in training. Disruption to apprenticeships in Scotland has the potential to dramatically impact youth unemployment and damage the future skills needs of industry (at a time of demographic challenge).

We must do as much as we can to retain and build on the progress made in recent years including the expansion of the apprenticeship family; parity of esteem for work-based learning routes; greater employer involvement in the design and development of the apprenticeship system; increased volumes at higher skill levels; widening uptake by key equality groups, and use by priority industries for upskilling.

There is a vital need to protect the apprenticeship system now to:

1. sustain current apprentices to complete their learning
2. offer a career and skills pathway for young people
3. upskill the current workforce
4. ensure that apprenticeships are a key part of our recovery from the economic crisis.

The Scottish Apprenticeship Advisory Board submission to the ESSB sub-group recommends a range of measures including short term incentives and subsidies for existing apprentices, investment and support to enable the fluid movement of apprentices between employers and across sectors, changes to allow employer-led expansion of Graduate Apprenticeships and strengthening work-based learning provision nationally.

On retention of current apprentices, we have not yet seen the full impact of the pandemic as the Job Retention Scheme is likely to be masking potential redundancies. SDS currently manages the existing Adopt an Apprentice scheme, on behalf of the Scottish Government, which offers employers £2,000 (£5,000 for the oil and gas sector) to recruit a redundant apprentice. As soon as an apprenticeship redundancy is notified, we offer proactive, CIAG support to redundant apprentices to help them re-enter the labour market or further learning.

We know that in the short, medium, and even long term, the number of opportunities available and the ways in which apprentices learn and train will be affected. SDS is working with the Scottish Funding Council, learning providers, businesses and others to ensure maximum flexibility in responses to COVID. It will take the combined efforts of partners to develop and implement a range of responses including:

- Developing agile, industry-endorsed pathways to apprenticeships, directed to where job opportunities may be more readily available (based on local, regional and national information) in at least the medium term
- Maximising available funding currently within the system, and capitalise on new funding streams and mechanisms (e.g. proposed Job Guarantee Scheme) to promote job and industry relevant learning and certification
- Adjusting current apprenticeship delivery and exploiting technology and innovation in learning to reflect the impact of physical distancing requirements and new ways of working
- Considering the coherence of interventions and avoiding the unintended consequences of new measures displacing or delaying apprenticeships.

Digital disruption is changing the skills requirements of industry whose expectations of digital skills have heightened and broadened. The long-term effect is likely to be a step change in the use of online and virtual platforms for both learning and working. This means that apprenticeships will need to adapt quickly to a world of learning and work in which, increasingly, both the workplace and the classroom are virtual rather than physical locations.

Wider Workforce and Unemployment Responses

The ESSB sub-group report makes recommendations on the retention of employees (including apprentices) as an immediate action, detailing support which could be provided to employers and employees.

Interventions such as the Coronavirus Job Retention Scheme have been hugely valuable, however as noted previously they are likely to be masking the potential large-scale impact on the workforce. Therefore, we need to consider all options to support employment, including a Job Guarantee Scheme, as advised by AGER, offering apprenticeships, employment, training and access to Further and Higher Education courses that are highly relevant to our economic recovery.

Over time, there is also a pressing need to support those facing redundancy or who are made redundant. PACE has a track record of successful delivery, with client experience surveys demonstrating that high percentages of those supported by PACE advisers are back in work, often at the same level as before, within six months.

The volume of people facing redundancy is likely to cause significant challenges to the current delivery model. Therefore, the offer needs to be scaled up to offer skills assessment, job search and training advice to redundant workers.

ESSB called for the reintroduction of the Transition Training Fund (TTF) to provide redundant workers with personal funding accounts to purchase access to appropriate training that will lead to a job now or a job that will be in demand in the future. SDS successfully delivered the TTF which launched in 2016 and supported those facing redundancy from the oil and gas sector.

Associated with this is the crucial importance of supporting people to commit to personal upskilling and reskilling which significantly improves the pace and quality of assimilation into new roles and to enable rapid transition from declining occupations to areas of growth.

Conclusion

Earlier in our letter, we highlighted the critical importance of the system-wide response which is required to help Scotland recover from this crisis and mitigate the effects on individuals and employers. We have demonstrated in our letter how SDS has responded, and is continuing to respond, and critical to this has been the partnership working which has underpinned our approach.

Our Labour Market Insight Reports, informed by our engagement with partners, will enable our collective skills investment actions to be informed, responsive and aligned to specific needs.

The ultimate outcome should be around ensuring solutions cater for the most vulnerable, and in particular young people, who are likely to be the hardest hit from this crisis. It is therefore imperative that we ensure apprenticeships are not only an integral part of the post-crisis recovery but are maximised, with alternative pathways available where necessary.

Additionally, an enhanced PACE offer, transition training and a jobs guarantee, all enabled by an increased focus on activity at a local and regional level, will be critical in ensuring we avoid the lost generation which has rightly been cited as a possibility of this pandemic. SDS is committed to working with partners and stakeholders to respond effectively to the emerging economic conditions and we look forward to appearing and discussing further at the Committee.

Kind regards,

Neville Prentice

Senior Director of Service Development and Delivery

Skills Development Scotland