

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

DRAFT BUDGET 2019-20

SUBMISSION FROM SKILLS DEVELOPMENT SCOTLAND

Skills Development Scotland (SDS) welcomes the opportunity to contribute to the Committee's inquiry on the Scottish Government's Draft Budget 2019-20. As Scotland's national skills agency, our aim is to make skills work for Scotland by improving the response of education, training and careers services to the needs of our economy and employers, thereby providing Scotland's people with the best possible chance of succeeding in the world of work.

Employment support budget

A large part of our work is focused on employability, which forms part of the Committee's inquiry. We support individuals through a range of programmes, to increase their work-based and employability skills, enabling them to take their first steps into the labour market, or to make successful career changes and progression.

The Scottish Government has procured and is managing Scotland's new employability support budget. SDS is not involved in the delivery of the service so our comments are more of a general nature based on our experience of administering Government-funded programmes as well as the recently published early findings from the evaluation of the Transitional Employability Services (TES).

With regard to contract awards, which the Committee is investigating as part of this inquiry, the Government and its agencies must follow The Public Contracts (Scotland) regulations 2015. In our experience, payment by initial and sustained outcomes do focus provider activity and incentivises securing a positive destination for the individual recipient of the service. In addition, outcome-related payments also provide an audit trail to evidence the value of public investment in such service and the effectiveness of the provider. An effective balance between up-front start-related payments and outcomes are designed to enable the provider to invest in the individual from day one whilst ensuring that the aim of the service - sustained employment – is achieved. Monitoring of providers and feedback from participants as part of ongoing monitoring arrangements provides a picture of whether service standards are being met. This also must be matched with up-to-date data entry by providers to yield comprehensive Management Information.

While it also remains early in the evaluation phase of TES, which SDS delivered, indications are that the transitional services, Work First Scotland (WFS) and Work Able Scotland (WAS) have had some success in ensuring good levels of participation for voluntary programmes and positive attitudes towards the service offer. The phase one evaluation report found that 63% of WFS and 41% of WAS participants now feel more confident they could take a job while 59% of WFS and 48% of WAS participants now feel better at identifying job vacancies which are suitable for them. As for programme participation, nearly half of all customers joined because they felt the programme could help them back into work while more than a third were attracted by the idea of receiving additional help and support.

Role of the enterprise agencies in supporting and growing good quality employment

The Committee is also examining the role of the enterprise agencies in supporting and growing good quality employment. While the focus of this aspect of the Committee inquiry is on our partners, Scottish Enterprise and Highlands and Islands Enterprise, SDS would also like to take this opportunity to outline our own role in this area. SDS is committed to the creation of a demand-led skills system using robust and detailed labour market information that responds to the needs of employers, identifies skills gaps and ensures resources from all partners are invested in the most effective way possible.

SDS has played an active and positive role in the formation of the new Strategic Board, which emerged from the recent Enterprise and Skills Review. A hugely significant part of the review has been the Skills Alignment project. As part of this project, SDS has worked together with the Scottish Funding Council to develop a 5-step skills planning model that will bring benefits for learners, employers, colleges and universities. As the purpose of skills investment is to maximise the positive impact on the Scottish economy and learners, this 5-step skills planning model proposes to achieve this by:

- reducing core skills undersupply – by increasing investment in core areas deemed essential by industry and learners
- removing oversupply of non-essential skills – by releasing capacity in the system by removing oversupply in skills deemed less essential by industry and learners

The focus on the needs of business, which underpins our approach, is complemented by the development of work-based learning, with increasing targets in place for Modern Apprenticeship starts, the growth of Foundation Apprenticeships, and the development of Graduate Apprenticeships being informed by engagement with employers across a range of fora, such as the Scottish Apprenticeship Advisory Board. This is complemented by our work to enhance the Career Information, Advice and Guidance provided to individuals so they can develop the career management skills required throughout their working lives. Following publication of the report into the 15-24 Learner Journey Review, we are continuing to develop greater levels of personalisation, such as individual learner accounts on the My World of Work web service, while also working with partners to improve and simplify the career pathways open to individuals.

SDS also works collaboratively with partner agencies in a 'Team Scotland' approach to attracting new inward investment and supporting existing investors with workforce development support. SDS plays a key role in developing sustainable workforce development solutions, which connect local communities and the skills supply system to employment opportunities. SDS is committed to expanding this programme of work to build a stronger people and skills proposition, incorporating this into *Scotland is Now* and projecting a positive and dynamic skills proposition to potential investors.

Our support for employers includes Skills for Growth, which is a free skills diagnostic service which is provided jointly by SDS and Re:markable to businesses with between five and 250 employees. This is targeted at companies with growth ambitions and is available to employers across every region and economic sector in Scotland.

Our Skillsforce, the SDS web service for employers, helps employers to find and access national and local support. It includes free advice, skills planning, HR support and funding.

There's also information to help businesses engage with education. It helps companies build a skilled and motivated workforce and prepare for the future with a succession plan. Building closer links with schools helps make sure young people are entering the workplace with the right skills.

Overall, our Corporate Plan for 2015-2020 sets out our ambition and goals for the five-year period, demonstrating how we are responding to Scottish Government policies and how we contribute to the National Outcomes. Each year, our Operating Plan confirms our delivery commitments for the year ahead within the framework of our Corporate Plan.

The following are our strategic goals for 2015-2020. We work with partners at national, regional and local levels to create a Scotland where:

1. employers are able to recruit the right people with the right skills at the right time
2. employers have high performing, highly productive, fair and equal workplaces
3. people have the right skills and confidence to secure good work and progress in their careers
4. there is greater equality of opportunity for all
5. we are an employer of choice, an exemplar of fair work and internationally recognised for excellence, innovation and customer focus

Our annual plans are further informed by the annual Letter of Guidance from the Scottish Government as well as any changes in the economic, policy and wider external contexts. Policies include the Scottish Economic Strategy, the Career Information Advice and Guidance (CIAG) Strategy, the Youth Employment Strategy (which aligns with the recommendations of the Commission for Developing Scotland's Young Workforce) and the Scottish Government's Labour Market Strategy.

Improving skill levels of the existing workforce, as well as the future workforce, is fundamental to improving productivity and economic growth. Improving skills levels is ideally accompanied by business and capital investment, innovation, new products and processes and developing new markets. As such, skills are a part of a high growth economy, alongside other factors, and we are working as part of the Strategic Board to critically review the return on investment from skills in Scotland. Our Skills Planning Model provides a unifying approach for future skills and employment strategies.

Skills intelligence helps us to understand the current and future demand for skills and jobs across Scotland, by geography, industry sector and occupation. We develop the depth and quality of the intelligence base, through the collation and analysis of labour market information, and by working in partnership with industry to identify and articulate current and future skills demand.

We are committed to working with the Scottish Funding Council and other partners, to use this intelligence base to better inform skills provision, and to support all stakeholders in the Scottish skills system to do the same. Skills intelligence already informs our own work, such as the provision of career information, advice and guidance, and the contracting of apprenticeships. It also empowers our partners to make evidence-based decisions on their own investment in skills, contributing to the creation of a more responsive, demand-led skills system for Scotland.

Scotland's system must see young people experience the world of work in a significant way. Developments such as Foundation Apprenticeships are a new way in which young people are already experiencing the world of work while still in school, and Marketplace is an online tool connecting schools and colleges with business; schools and colleges use it to bring industry insight into the classroom.

The Career Education Standard sets out what children and young people will learn about the world of work and what parents/carers, teachers/practitioners, employers and SDS will do to support their learning. It aims to improve young people's ability to make informed decisions about future pathways.

Apprenticeship Levy

The Committee is also looking into the Apprenticeship levy which came into force in April 2017. Scotland's share of the levy is used to support skills, training and employment, including apprenticeships. Apprenticeship funding continues to be administered by SDS through contracted training providers and direct employer contracts.

The number of apprenticeships starts continues to expand, with 27,145 Modern Apprenticeship starts in 2017/18, confirming that Scotland is on course to meet its commitment of 30,000 apprenticeship starts per year by 2020.