

Education and Culture Committee
Scrutiny of the 2013-14 Draft Budget

Scottish Council for Development and Industry

Introduction

SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trade unions, local authorities, educational institutions, the voluntary sector and faith groups.

SCDI welcomes the opportunity to provide written and oral evidence to the Scottish Parliament's Education and Culture Committee on the implications of the Scottish Government's 2013-14 Draft Budget on the college and university sectors.

Skills development is a key strategic priority for SCDI's members and one of Scotland's key economic priorities. The skills of our college and university leavers and the quality of our research are key components of our international reputation as an economy and a nation. Our universities and colleges are an international and social strength for Scotland, creating the skills required for future economic growth. Universities alone support hundreds of thousands of jobs and contribute more than £6billion to Scotland's GVA. At a time when, as a country, we need to prioritise growing our export earnings, they bring more than £1billion into the economy through international students and research contracts.

SCDI believes that Scotland should be aspiring not only to retain but to build on its world class performance in higher education, adopting international best practice in order to enable our people to develop the skills that our economy needs. As well as benchmarking our performance against our competitors, this should include creating and building upon partnerships with business. Clearly an important outcome of a lifelong learning culture will be maximising the benefits to the wider economy of the higher education sector, both through producing high quality graduates and by commercialising the research expertise resource that is represented by our higher education institutions. Colleges and universities also have an important role to play in encouraging enterprise among the student and graduate population as a whole.

Scotland's Colleges and Universities should facilitate best and most effective use of the national investment in learning infrastructure. Building on the academic excellence of our universities, the skills delivery in our colleges, and the experience of our industry training bodies, we could secure Scotland's place as a world leader in skills development and academic education for all our growth sectors.

Access to Education

Scotland has a long and proud history of providing education to all who can benefit from it, irrespective of background or circumstances. It is clear that this underpins the government's spending decisions in further and higher education. In this regard, we welcome the introduction of a minimum student income for higher education students

from low income families, and additional funding to colleges, much of which is for bursaries.

Funding

Institutional funding remains a key issue for consideration. Creating financially sustainable educational institutions should be a key goal for the Scottish Government.

Colleges work in partnership with employers to deliver the core skills and competencies required by industries across Scotland. The additional funding announced for colleges goes some way towards rectifying the large cuts made to the sector in last year's budget. SCDI members remain concerned that despite this increase, the long-term trend for college funding is a substantial cut. It is important that colleges are able to maintain both student numbers and the quality of education, particularly over this challenging economic period.

Capital funding for college estates in Glasgow, Inverness and Kilmarnock simultaneously delivers an economic stimulus to the construction sector and creates a lasting legacy for learners through the replacement of ageing college campuses.

The contribution of higher and further education to Scotland's long-term economic growth needs to be maximised within a context of a public spending squeeze. Following the increasing of the fees cap in England, there had been concern that the competitiveness of Scottish universities will be eroded. The budget allocated to universities has largely closed the funding gap between England and Scotland, without requiring a greater level of student contribution. This positive trend has continued in the 2013/14 draft budget and must remain in place for the long-term.

International students are of great benefit to educational institutions and the economy. In Scotland alone, research from 2009 by the University of Strathclyde estimates that international students contribute £188m directly to Scottish universities (more than 16% of universities' total teaching income) and contribute a further £321m to the Scottish economy in other expenditure. SCDI understands that this sum has subsequently increased further. Actions by Westminster to tighten the international student immigration system are already proving damaging to Scottish colleges and universities. Industries, in particular the oil and gas sector relies on a stream of qualified and able graduates. Any restriction to international visas is therefore harmful to the long-term success of the industry. The Scottish Government must work with the UK Government to ensure that Scotland remains open for business in the extremely valuable but globally competitive market for education delivery to international students.

Business involvement

Scotland's businesses, colleges and universities have much to gain from working together on both education and research, which in turn will benefit Scotland's economy.

To be successful in the global marketplace, Scotland must match and beat its competitors. Our workforce has to continue to adapt and change in order to cope with the demands of a world economy increasingly based on exploiting knowledge and information. Indeed, SCDI believes that matching the future needs of the new economy with the supply of skilled and retrained personnel is one of the most important challenges to our future competitiveness. Demographic change will also mean that, with fewer young people entering the labour market, companies will need to focus more on re-training existing employees, with working lives possibly extending beyond current retirement ages.

Universities and colleges produce over 50,000 graduates each year, a third higher than a decade ago. It is critical that they supply the high-level skills which will determine Scotland's success in key industries such as energy and life sciences.

The Scottish Government's Skills for Scotland and the previous UK Government's Leitch Review both emphasise the need for decisions on investment in skills development and productivity to be based on real and collective industry need. This will require better links between employers and education and skills providers, a simplified and streamlined system of funding and delivery, and information, advice and guidance.

It is essential to ensure that graduates acquire the necessary work behaviours and analytical, interpretive and interpersonal skills for work, and their skills are utilised effectively by employers. This means long-term employer engagement and industry representation and participation.

Apprenticeships are an essential part of Scotland's skills landscape and a big success story for Scotland. SCDI is pleased to see continued commitment to apprenticeships in the draft budget and expect to see key economic sectors prioritised in apprenticeship places.

Many businesses have been unable to employ as many apprentices as they would like to due to continuing challenges of bank credit raising. The Scottish Government should investigate options available to help support companies to take on apprentices.

Maximising Research

Scotland's academic research base is one of its major global strengths. This must be maximised. Expenditure on research in the higher education sector in Scotland is 12.45% of the UK total. By contrast, business R&D conducted in Scotland underperforms the rest of the UK, contributing 0.56% of GDP in 2006 compared with 1.08% for the UK as a whole. Scotland's universities should, in consequence, have key roles in raising the level of business birth rates and business R&D in Scotland.

The higher education sector has worked with SCDI and others to develop proposals for a single knowledge exchange organisation, which could transform the way business interacts with university research. SCDI continues to believe the Scottish Government should ring-fence 0.5% of the procurement budget to stimulate innovation across the economy.

STEM

SCDI believes it is especially important for the education sector to supply a pipeline of economically-useful skills for key industry sectors.

Science, technology, engineering and mathematics (STEM) subjects are particularly important for Scotland's future growth and necessary to rebalance and internationalise the economy. It has been estimated that the UK economy will need 2.4m people to work in scientific occupations by 2014. SCDI believes there should be no limit to the recruitment of students in STEM subjects. The Scottish Government and Scottish Funding Council should request industry input from the demand side on future decisions about places. There should simultaneously be a concerted effort to promote STEM subjects in schools, particularly to engage females at school to redress gender imbalances in scientific and engineering occupations.

The new Energy Skills Academy is an exciting proposal. We are keen to hear more detail on how this Academy will operate and expect it to link closely to SCDI's network of Young Engineers and Science Clubs operating in 600 schools across Scotland. We expect to see the Academy working in partnership and close alignment with educational institutions and industry training bodies across Scotland.

The colleges and universities delivering the work of the Energy Skills Academy must be resourced with up-to-date equipment to ensure student learning is relevant to the activities being undertaken by employers.

Unemployment

Unemployment, particularly youth unemployment, is of great concern to SCDI. The Association of Chief Executives of Voluntary Organisations' Commission on Youth Unemployment estimated that in 2012 the total cost to the UK Economy of youth unemployment at current levels in terms of lost output is likely to be £10.7 billion. While graduate unemployment is a significant problem, young people with lower levels of skills are far more likely to be unemployed.

As a result of the increasing priority which these issues have had for SCDI and our members, SCDI has organised two discussions over the last year, the second of which was held in December 2011. This involved senior representatives from Scotland's largest private sector employers, the Cabinet Secretary for Finance, Employment and Sustainable Growth and the Smith Group.

SCDI welcomes the announcement in the Draft Budget of a National Employer Recruitment Initiative to create up to 10,000 opportunities for SMEs to recruit young people. We look forward to further details on the development of this programme and are keen to provide support to ensure its success.

Budget Principles

SCDI has previously published a series of budget principles¹ that we believe should be applied to decision-making by the Scottish Government and Parliament and by business and civic Scotland. A number of these principles are relevant to the debate on education funding:

- Increasing sustainable economic growth is now an even higher priority for the Scottish Government and public services
- Scottish budgets should ring-fence priority outcomes, rather than departmental budgets
- The core functions of public sector bodies must be identified and resourced. This represents an opportunity to develop new models and partnerships for public service delivery.
- Public spending should be subject to a 'Scottish Exports Test'
- Scotland's public spending should be reviewed to ensure inter-generational equity and funding to create new education, training and job opportunities for young people

We would urge the Committee to keep these principles in mind when scrutinising all aspects of the Scottish Government's spending plans.

Scottish Council for Development and Industry
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¹ SCDI Budget Principles, www.scdi.org.uk/pi/2010/SCDI_Budget_Principles.pdf