October 2016

CBI Scotland response to the Education and Skills Committee pre-budget scrutiny of Skills Development Scotland

1. CBI Scotland welcome the opportunity to contribute to the Education and Skills Committee’s pre-budget scrutiny of Skill Development Scotland (SDS).

2. The CBI is the UK’s leading business organisation, speaking for some 190,000 businesses operating across the UK. CBI members directly employ at least 500,000 people in Scotland, which represents a quarter of the private sector workforce. This includes companies headquartered in Scotland as well as those based in other parts of the UK with operations and employees in Scotland.

3. SDS has a central role in the effective articulation and delivery of skills demand in the Scottish labour market. SDS helps employers work out what their skills needs are and subsequently supports the supply-side delivery of those skills needs through working in partnership with industry, government and the education sector. Challenges include the potential bureaucratic nature of interactions, opportunities for simplification due to numbers of initiatives and risk of duplication and the need to match international competition by supporting current workforce and the next generation.

4. The outcome sought by employers and SDS alike is a workforce equipped with the skills needed in the current and future labour market, both for those already in work and young people in education due to eventually join Scotland’s labour force.

5. Scotland has a widely respected apprenticeship system developing high-quality apprentices. The approach to vocational and academic pathways of education through the Curriculum for Excellence is also supported by business as they tend to value academic and vocational qualifications equally or as a mix.

6. Building on the strengths of the apprenticeship system, businesses advocate a continued focus on high-quality apprenticeships, alongside support for initiatives for reskilling those already in work. Business is committed to supporting the entire education and skills journey from early years, through to school, apprenticeship and in-work development. In this response the CBI outlines four ways that will help SDS improve performance and deliver its objectives:

- Increase the number of young people in work and apprenticeships through more business inspiration in schools
- Improve Scotland’s skills profile with flexible use of the UK-wide Apprenticeship Levy to support employers’ needs
- Focus on quality as well as quantity as apprenticeship programmes continue to develop
- Build strong partnership by streamlining industry input through one business board on skills

7. Business also supports development of robust evidence gathering of all of the initiatives above, alongside regular publication of data to help stakeholders across all sectors to see and contribute to improvement. As part of this intelligence gathering, it would also be beneficial to track the reasons why employers and sectors take on apprentices and what would support more in taking on apprentices in light of demand from young people.
a. Businesses do not have access to an industry-wide overview of long-term skills needs so will necessarily look to the Scottish Government and SDS to provide that insight. Employers are ready to support and contribute to skills investment, school engagement, work-based learning and addressing long-term skills demands, but that will also require administrative facilitation and economy-wide evidence which government can provide.

**Increase the number of young people in work and apprenticeships through more business inspiration in schools**

8. Government and its executive agencies can enable and facilitate more business involvement in schools through easing and facilitating the navigation of partnership opportunities where initiatives like *Our Skillsforce* and the Developing Young Workforce groups are steps in the right direction.

9. Business and SDS, alongside other government agencies, schools, and colleges need to work together to give teachers, careers advisers and young people a better understanding of the world of work, and to support the next generation to realise their ambitions as they enter the workforce – schemes like *Career Ready* are excellent examples of this.¹

10. Businesses need people with a broad set of aptitudes, attitudes, knowledge and skills. Which is why businesses champion the strengthening of vocational education so it has parity of esteem with academic pathways.

11. The Curriculum for Excellence (CfE) already has many of the principles of a world class education system. The programme of work flowing from The Commission for Developing Scotland’s Young Workforce will help put the principles of CfE into practice and ensure Scotland’s vocational education and training systems support young people into employment. At the same time, business should do more to provide opportunities for school leavers by offering them a first stepping stone into the world of work. The Edinburgh Guarantee is an example of how this can work in practice.²

12. The CBI recognises the importance of business working with teachers to support the teaching of valuable subjects like science, technology, engineering and mathematics (STEM). Most young people attribute their decision to pursue STEM subjects to an inspirational teacher, which is why working with teachers is an excellent way to increase our future STEM workforce. In response to this, the CBI has developed a practical guide with The Royal Society for businesses wanting to work with schools and colleges to ensure relationships are beneficial to teachers, pupils and the businesses themselves.³

**Improve Scotland’s skills profile with flexible use of the UK-wide Apprenticeship Levy to support employers’ needs**

13. The successful introduction of the UK Apprenticeship Levy in Scotland depends on the joint effort of employers, government and training providers in supporting people to progress throughout their working lives and ultimately strengthen Scotland’s skills profile. In order to improve Scotland’s skills base, the CBI believes that it will be important to prioritise a flexible fund available for levy-payers to draw down on for skills investments, while maintaining a focus on quality.⁴

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⁴ CBI Scotland *submission to the consultation on the Scottish Government Response to the UK Apprenticeship Levy*, August 2016
14. In the 2015 CBI Scotland business manifesto *Accelerating our Ambitions* we made it clear that levy funds should be ring-fenced in Scotland with business taking the lead on how the funding is spent. Ring-fencing would not take away from the continued importance and business support for apprenticeships and the work of SDS but distinguishes the levy funds as a direct employer payment to support increased skills investments, rather than a business tax to replace public funding.

   a. The levy-funds transferred to Scotland should be ring-fenced for a flexible skills fund that allows levy-payers to draw down cost for certified training, as well as costs associated with apprenticeships. The CBI sees the role of SDS to administer such a flexible fund with direct cost recovery mechanisms, while at the same time ensuring the systems across the UK are to an extent integrated to allow both ease of cross-border funding flows and commonality of standards so apprentices can move between cross-border operations.

15. The 2016 annual CBI/Pearson Education and Skills Survey found that nearly half of Scottish firms said they were willing to offer more apprenticeships under the new levy system (46%). At the same time 43% foresee having to make cuts to non-apprenticeship training as a result of the levy. It is important that we continue to support the business commitment to apprenticeships, at the same time as employers are also supported to invest in their existing staff to help people progress and develop throughout their working life.

16. The flexibility to not only use levy-funds to support apprentices but also address skills needs across the workforce give firms the impetus to address how they can widen the training they offer and address skills gaps across their organisation and within their industry, which will strengthen the Scottish economy as a whole.

17. Many companies are raising reskilling of their workforce as a pressing skills investment need with 82% of Scottish firms operating with a dedicated in-house training and development budget. One Scottish manufacturer reported that to keep pace with the continued technological competition from abroad, the firm needs to focus their reskilling investment on the vast majority of their employees who are not apprentices, which is why funding flexibility on broader training and the opening up of the age restriction on apprentices would help address the reskilling challenge.

**Focus on quality as well as quantity as apprenticeship programme continue to develop**

18. In light of the current government commitment to 30,000 Modern Apprenticeship starts a year by 2020, the CBI would emphasise that targets for apprenticeships should be grounded in business demand to ensure they are business driven and not compliance driven. Quality needs to be the prime focus before quantity, so as to not jeopardise the value of apprenticeships and ensure that they are followed by job opportunities.

19. Giving employers greater flexibility on age of apprentices is one way that apprenticeships can be encouraged more broadly, as businesses have expressed the potential for further expansion of their apprenticeship offer if broader age-ranges are accommodated. This would help develop those returning to work, looking for part-time training opportunities or requiring more experience to progress in their current role.

20. The ongoing expansion of the SDS apprenticeship programme to Graduate and Foundation apprenticeships is welcome by business as different sectors will have different workforce profiles and skills requirements. Graduate apprenticeships are seen as a useful vehicle to help progress employees within higher-skill industries, especially when it comes to IT and digital skills, as well as

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6 CBI, *Getting Scotland's skills system right more important than ever post referendum – CBI/Pearson Survey*, 25 July 2016
7 Ibid.
in industries like energy and manufacturing where people are looking to expand their experience and develop more technical skills.

a. In terms of further development of the programme, it should be noted that Level 2 apprenticeships play an important role in sectors like retail as they are an important route into work for those building a new career. The focus here must then be on progression to higher levels.

Build strong partnership by streamlining industry input through one business board on skills

21. Industry voice and industry leadership is vital to addressing Scotland’s long-term skills needs and the government focus on inclusive growth. Business is committed to improving productivity, skills and innovation to help lift prosperity across Scotland and the whole of the UK, which leads to faster growth, better pay and more jobs. Skills and enterprise agencies in Scotland are not alone in working to improve economic development and inclusive growth and are part of the broader effort of business and government.

a. Ultimately, a successful Scottish economy will depend on a supportive environment where businesses of all sizes can contribute through job creation, innovation and investment. This matters more now than ever before, particularly against the backdrop of the country’s challenging fiscal situation.

22. In the recent Enterprise and Skills Review the CBI advised that the industry voice be streamlined on skills for the future, which would mean going beyond only advising on apprenticeship programmes and instead also taking the broader workforce skills needs into account. A more joined up approach between government enterprise and skills agencies is also important in light of business feedback about differing approaches to skills and training between Scottish Enterprise and SDS in some sectors.

23. The establishment of a new business-led board would provide SDS with strategic forward-looking industry advice to ensure that skills provision effectively reflects current and future business needs and it would provide a useful starting point in the de-cluttering of the skills landscape.

a. In light of the announcement of a new Scotland-wide statutory board to coordinate activities across government agencies as part of Phase 1 of the Enterprise and Skills Review, we would emphasise the importance of ensuring the industry voice is clearly heard both at a strategic policy level, as well as on a practical level advising on apprenticeship content and programmes.

Skills funding post-EU referendum vote

24. The CBI’s role is to help business create a more prosperous society and success will depend on world-class industries and infrastructure; the right climate for cutting-edge innovation and investment; and equipping people and business with the skills needed now and tomorrow.

25. Continued funding in skills, infrastructure and innovation will therefore be the key to success and in light of the UK referendum on EU membership and the vote to leave, the CBI has called for the protection of current programmes and projects receiving funding beyond the timelines currently considered for the UK exiting the EU. The CBI has also pointed to the need for clarification on funds that are open to applications.

CBI Scotland, October 2016

8 CBI Scotland response to the Scottish government Enterprise and Skills Review, 15 August 2016
9 CBI, Shaping Our Future 21 July 2016