



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 3 November 2015

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EDUCATION AND CULTURE COMMITTEE
25th Meeting 2015, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Mark Griffin (Central Scotland) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Liam McArthur (Orkney Islands) (LD)

*John Pentland (Motherwell and Wishaw) (Lab)

*Mary Scanlon (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Katie Hutton (Skills Development Scotland)

Danny Logue (Skills Development Scotland)

John McClelland CBE (Skills Development Scotland)

Damien Yeates (Skills Development Scotland)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Education and Culture Committee

Tuesday 3 November 2015

[The Convener opened the meeting at 10:00]

Skills Development Scotland

The Convener (Stewart Maxwell): Good morning and welcome to the 25th meeting in 2015 of the Education and Culture Committee. I remind everybody to switch off all electronic devices and keep them off throughout the meeting.

Agenda item 1 is an evidence session on Skills Development Scotland. It is our final session to examine the spending decisions made and the outcomes delivered by some of the key public bodies in our remit. I welcome to the committee, from Skills Development Scotland, Damien Yeates, chief executive; John McClelland CBE, chair; Katie Hutton, deputy director of national training programmes; and Danny Logue, operations director. Thank you for giving up your time to come to the committee. I believe that one of you wishes to make a short opening statement.

John McClelland CBE (Skills Development Scotland): Thank you, convener, and good morning. We are pleased to be here and to have the opportunity to contribute to the committee's important work. In our recent submission, we provided a comprehensive overview of our work and an outline of our corporate plan to 2020.

I would like to highlight a couple of our goals. One is that we want to ensure that employers are better able to recruit the right people with the right skills at the right time. We also want there to be opportunity for all and for people to have the appropriate skills and confidence to secure work and achieve their full career potential. In short, our ambition is for Scotland's economy to be fuelled by a highly skilled workforce, with each one of us able to contribute our talents, skills and commitment.

Our staff seek to deliver that ambition within the framework of our skills planning model, which follows a systematic approach to skills planning and development. Working closely with industry leadership groups, we gain a comprehensive understanding of current and future skills demand by industry sector and by region, and we respond to those needs with skills investment plans and regional skills assessments.

Those plans include critical actions for our learning systems. Annually, Scotland invests

nearly £7 billion in schooling, further and higher education, and work-based learning programmes such as modern apprenticeships. It is therefore vital that that substantial investment is aligned with the needs of Scotland's people, its businesses and its economy. Skills investment plans are helping to do that. We want to make skills work for Scotland.

Another important part of that is our daily work in schools, where our dedicated careers professionals help young people to build their career management skills, and inform and inspire them to choose the right careers. In our 47 customer-facing locations throughout Scotland, we provide careers and skills support for all people, regardless of age or need. Where skills needs are particularly urgent, we develop and implement interim measures such as skills academies. The recently established digital skills academy is an example of our responsiveness.

That urgency is also evident in our leadership of a group of agencies working in the partnership action for continuing employment, where our staff are physically on site within hours of, or sometimes even prior to, formal news of potential redundancies.

At Skills Development Scotland, we are never happy with the status quo and we take pride in our innovations, such as our online services My World of Work and our skillsforce. That natural tendency to innovate is also evident in our recent securing of funds to deliver enhanced careers guidance to younger school pupils; to pilot new foundation and graduate apprenticeships; and, given that equality and diversity are at the very heart of our work, to do even more to drive change that will make an enduring difference for those at risk of being marginalised.

Everything that we do is characterised by partnerships. In addition to engaging directly with individual employers, employer bodies and 17 industry leadership groups, we work closely with every local authority, have partnership agreements with nearly 400 secondary schools and membership of every community planning partnership or one of its committees. We also work closely with the third sector, trade unions, Jobcentre Plus, and of course our sister agencies within the Scottish Government.

We are sure that that commitment to partnerships will stand us in good stead as we now seek to make a substantial contribution to the shape of the newly devolved and integrated employment service in Scotland, which I am sure is of great interest to the committee.

The Convener: Thank you, John. We go straight to questions from members.

John Pentland (Motherwell and Wishaw (Lab): In 2014-15, the main focus in the ministerial

letter of guidance to Skills Development Scotland was how SDS would meet national outcomes, how it would respond to the recommendations from the work of the commission for developing Scotland's young workforce and the importance of partnership working with relevant bodies. To what extent is SDS able to influence the priorities that are set by the Scottish Government, rather than simply being the delivery vehicle for Scottish Government policy?

Damien Yeates (Skills Development Scotland): One of the areas that we spend quite a bit of time looking at is best practice and what works well, in Scotland and elsewhere. I can give a number of examples of policy areas in which we have had a significant influence on the implementation of plans.

Specifically in respect of developing Scotland's young workforce, there are probably three areas. The first is careers advice and guidance. We have shifted significantly in the last number of years away from the notion that a career is about a simple choice at a point in time to the notion that we must build the career management skills of young people. We recognise that, in the future, they will typically have up to 14 different career paths in the first 10 years of their working life. The ability to migrate and jump between jobs and to progress is crucial. Our work on that area was embedded in the curriculum for excellence.

As part of that, we made a strong case to the commission for developing Scotland's young workforce for SDS doing a lot more work in early years education. We also secured funding to support young people from primary 7 to secondary 3, specifically with regard to subject choice and the degree to which subject choice can be supportive of much better career progression after school.

Our second area of work that is quite transformative is on work-based pathways. The committee may be aware that there has been a significant shift over the past 50 years in progression into the workplace. If you were born in 1958—many of us around the room would remember that year—you came out of school in 1976, when you were 18 years old. Back in those days, 74 per cent of people went directly into the labour market through wrap-around school programmes, which were typically apprenticeship or professional apprenticeship-type programmes. Fast forward to 2013, and just about 20 per cent of young people were going directly into the labour market. The vast majority were going into FE and HE.

There is a sense that, somehow or other, as we look ahead, there is a disconnect between the choices that young people make and the world of work.

Through developing Scotland's young workforce, we are currently trialling new work-based pathways. We have proposed to the Scottish Government that, during S5 and S6, in addition to core highers, young people undertake the first year of a modern apprenticeship. They would have a sponsoring employer that would take them through on-the-job and off-the-job training throughout S5 and S6. It would have very beneficial outcomes. At a minimum, it would help young people who have a view about a career path to be in the workplace and experience that job.

If a young person wants to progress within an MA, they should be allowed to progress into year 2. If they want to go to university, we have examples of how the MA would help. The University of Strathclyde is now saying that, for example, if the convener of the committee has his higher maths and physics but he has done higher geography, and I have my higher maths and physics but I have done the first year of an engineering apprenticeship, I will get into Strathclyde before the convener does. The work-based pathway has very strong academic tariffs, but equally it has very strong work-based tariffs.

That work was based on research that we did across the globe on economies that have strong work-based learning programmes. Those are two good examples of work that we have done to influence future policy.

John Pentland: Obviously, the money that you receive from the Scottish Government has to be used in a particular strategic direction. How do you answer to the Government on that, and how do you report it?

Damien Yeates: We report on quite a number of different levels. We align all our outcomes with the national performance framework. We specifically support about eight of the indicators in the framework.

Those indicators are around the confidence and learning capabilities of young people, successful transitions from schools, the acquiring of qualifications and having a skilled workforce, supporting young people and those in the workplace to progress and secure jobs—that is a major part of the apprenticeship programme—and responding to large-scale redundancy programmes to ensure that those who are under threat of redundancy can positively return to work and sustain their careers beyond that. Right across the suite of national performance indicators, we have mapped exactly what we contribute to those areas.

Beyond that, we look at what we are doing in our own programmes. We undertake both internal and external evaluation of our programmes and

report on the activities that we deliver and the impacts that they have. We support 26,000 apprentices every year and have a completion rate of between 74 and 78 per cent, which is among the best that you will find in any work-based programme. Six months after completion of the programme, 92 per cent of those apprentices are in sustained employment. We report extensively on both internal and external measures in respect of what we deliver through our investments.

John Pentland: Much of your funding comes from the Scottish Government through grant in aid. To what extent is Skills Development Scotland able to generate other income streams?

Damien Yeates: There are probably not many other areas in which we could actively look to develop income streams, although the My World of Work website has emerged as an international example of best practice and there has been interest in it from New Zealand, Wales and Norway, which want to acquire that infrastructure and deliver a similar service. We are in advanced discussions with the Norwegian Government about transferring expertise through a reciprocal relationship. However, outwith that area, it is difficult to identify specific areas in which we could generate income.

John Pentland: Can you advise the committee of the reasons for the in-year transfers of funding to SDS from the Scottish Government in 2014-15 and 2015-16?

Damien Yeates: What, specifically, were they?

John Pentland: They were recent in-year transfers.

Damien Yeates: Typically, we get grant in aid at the start of the year and, at the autumn or spring budget review, we get additional income based on commitments against our priorities. It is pretty much just the way in which moneys come to us so that we can deliver our services. They come through grant in aid at the start of the year and then by way of top-ups at the autumn and spring budget reviews. That is the method by which we get our money.

The Convener: To be fair, John Pentland was asking why that is the method. What are the reasons for in-year transfers? You get £180 million-odd at the start of the year and most of the rest of the money comes as in-year transfers.

Damien Yeates: That is a matter for the Scottish Government. It is how we get our money. I am not sure why—I cannot answer that. It is to do with the Scottish Government—

The Convener: You have never had any discussions or engagement with Scottish Government officials about how your money comes to you.

Damien Yeates: Yes, we regularly have those discussions, but it is more about our receiving a direction saying, “You’ll get this money through grant in aid and this money through ABR or SBR.” It depends on the type of commitments. For example, the ABR and SBR money is typically for one-off spends, and we may get spend in respect of our support for the Government’s response to the digital and information communications technology sector. We would get that money on a one or two-year funding cycle, but it would not be part of our core grant; it would be an exceptional, additional amount that would come over and above the grant in aid.

John Pentland: Does that process cause you any problems? What would happen if the Government did not agree to give you the additional money?

Damien Yeates: If we had already made legal investment commitments but the money to meet those did not come through, there would be an issue of liability. That has never happened. We have never had a situation in which the Government has not been in a position to honour the liabilities that we have set out.

10:15

Mary Scanlon (Highlands and Islands) (Con): In March last year, Audit Scotland published a report on modern apprenticeships, following which you appeared before the Public Audit Committee, of which two members of this committee are members. Given the background of the cuts in college funding and the huge cuts in the number of college places, we were intrigued by and extremely concerned about the fact that only 10 per cent of apprentices received their training through further education colleges.

Therefore, when I looked through your grand plans, I was expecting to discover that perhaps 20 or 30 per cent of your modern apprenticeship training was going to further education colleges, but instead of 10 per cent, the figure is now 8 per cent, so the situation is getting worse rather than better. Given the quality standards and the robust testing and inspection regimes in colleges, why are you giving them less modern apprenticeship training than you did two years ago?

Damien Yeates: Katie Hutton will be able to give a fuller answer, but I want to make the point that we guarantee that we will fund the places of any provider, whether it is a college or a private training provider, that can provide a level 3 apprenticeship in a science, technology, engineering and maths area for a 16 to 19-year-old and which can deliver a 74 to 78 per cent completion rate and a 92 per cent retention in employment rate six months after completion.

Whether it is a college or a training provider, we guarantee that we can deliver that.

Mary Scanlon: I asked—

The Convener: Let us hear from Katie Hutton first, Mary, and then I will bring you back in.

Mary Scanlon: It is just that the colleges bid for 44 per cent more places than they were allocated—that is in Colleges Scotland's briefing. There is quite a significant difference between the number of MA places that colleges bid for and the number that they were allocated.

Katie Hutton (Skills Development Scotland): Colleges are a valuable partner in the delivery of modern apprenticeships. As well as direct contracts with colleges, there are indirect contracts through other providers that subcontract part of that work to colleges.

The key point is that we operate a procurement approach to modern apprenticeship provision that is open, transparent and competitive. Every provider, whether it is from the third sector, the private sector or the college sector, is treated in exactly the same way. A key determinant when it comes to measuring quality is to do with things such as achievement rates and whether, in the previous year, the provider delivered what it set out to deliver. Achieving the 25,000 target is a quite a balancing act.

Colleges are great deliverers, but sometimes we find that some—not all—of them with employer links lobby for the number of places to be upped, only for them to be handed back at the end of the year. That can sometimes happen. In addition, we sometimes get feedback from employers that the mode of delivery is not flexible. The main point to make is that it is a market-based, competitive approach, and that colleges are treated in exactly the same way as other providers.

In the future, the foundation apprenticeship model that SDS has developed will involve colleges playing a greater role, because they are the main delivery agents for that. That model might act as a methodology for gaining greater employer contact when the young person is at school, which could continue when they progress on to their modern apprenticeship.

Mary Scanlon: Given that you have both mentioned achievement rates, is there a problem with colleges in that regard? Colleges get 8 per cent of your work, but they bid for 44 per cent more than that, so is there a problem with colleges' achievement rates? You mentioned flexibility, and I understand that point. Do achievement rates in the college sector not compare well with those in the private sector?

Katie Hutton: In some cases, that is true. It is a question of looking at the achievement rates that

relate to the different frameworks that are available. It is not the case that there is a problem with all colleges' achievement rates. We cannot generalise—we have to look at every bidder and judge them on the basis of their achievement rates and whether they delivered against the contract levels that they were previously set. It is not just colleges that can let us down—a number of providers can say that they will have 50 engineering places, but then they wait until the end of the year and hand a lot of them back. We just cannot have that, which is why we manage our contracting process very tightly.

Mary Scanlon: The Audit Scotland report made another point about operational activity. It was very critical of the fact that your performance measures did not look at whether the apprenticeships were value for money. In looking at the link between national outcomes, it also said that it was not clear whether there were details of the number and type of apprenticeships that were needed to meet employer needs. The same report noted that the Wood commission said that modern apprenticeships should be better aligned with Government priorities and skills needs in order for people to get jobs. What have you done to ensure that modern apprenticeships are aligned with employers' needs and Government priorities in economic growth?

Damien Yeates: I have a couple of responses to that. First, all the work that we do through our skills investment plans to understand the future demands of key sectors—we now have 10 of those—looks specifically at the stock and flow of skills through apprenticeships, further education colleges and universities. We ask whether we have enough flow in the system to meet what we anticipate the future demand to be. We make specific shifts in the apprenticeship programme to respond to that. A recent good example of that is the year-on-year increases of 500 apprenticeships into the energy sector at a time when the sector was in growth. That responsiveness is built in.

Audit Scotland recommended that the Scottish Government evaluate the longer-term impacts of the programme. We have engaged the Organisation for Economic Co-operation and Development in that work. Strangely enough, very few countries do long-term evaluations of the outcomes of investment in work-based learning, so we are right at the start of agreeing a framework with the OECD. We have funded a PhD student to work with us and the OECD to put in place the longitudinal studies that will track the long-term benefits for the participants, the participating companies, industries and the economy. We will be able to provide Parliament with a comprehensive set of econometric and social data that underpin why you would invest

£75 million a year in a programme such as the modern apprenticeship programme.

Mary Scanlon: To be frank, there may be an econometric, longitudinal OECD study that we will get very excited about seeing, but you were asked to bring something forward two years ago and today you are telling me that you are going to start to look at longitudinal econometric data.

You have answered the question and are now doing what Audit Scotland asked you to do—it was very critical about you not aligning modern apprenticeships with jobs, which is what we all want to see—but what have you done on information technology and computing? There is a critical national shortage in that area. Given that your careers advisers are based in schools, what have they done to ensure that pupils get the qualifications that they need in order to go on to do higher national certificates and higher national diplomas?

Damien Yeates: I will ask Katie Hutton to answer the evaluation question in terms of what we do today. I will then answer on the ICT and digital aspects.

Mary Scanlon: I asked you the questions two years ago and I do not want jam tomorrow. I am looking for a follow-up on, say, March 2014, rather than longitudinal studies in two years' time.

Katie Hutton: We have been working on the long-term econometrics in the interim. I do not know whether you have ever worked with the OECD, but it takes quite a bit of time to put forward a proposal to it and so on.

We have also been working with Government. The nirvana of long-term evaluation is to do it in a way that is cost-effective—it is very expensive to survey people, as you will appreciate. A bill was going through Parliament about access to things such as HM Revenue and Customs data. Mr McArthur said previously that he was a bit concerned about that, but the data would be anonymised. We would use all the publicly available information to match data together. We are developing a new system for modern apprenticeships that will match the data that is sitting in careers databases and so on. We have done an awful lot on the infrastructure that is required to support long-term economic evaluation.

Your other question was specifically on IT. Since the big jump from 20,000 to 25,000 apprenticeships in 2009-10, the number of starts in the "other services" grouping, which includes IT frameworks, has jumped by 1,000 per cent. That represents about 15 per cent of the growth from 20,000 to 25,000 apprenticeships.

Damien Yeates: Specifically on the ICT aspect, we completed the ICT skills investment plan, with industry, which considered the future demands of the sector, including a prediction that we will need 11,000 jobs year on year over the next five years—largely replacement posts, but with some additional posts. We identified the critical areas, which tend to be in support sectors relating to finance, the creative industries and so on.

With support from the Scottish Government, we have co-financed the establishment of CodeClan, which is a specific and rapid 20 to 26-week programme to retrain individuals who have a science, technology, engineering and mathematics background and turn them into skilled ICT workers. CodeClan has been established as an industry-owned academy, and a lot of work will be done in terms of responding to that.

Our chair engaged in discussions with the Scottish Further and Higher Education Funding Council. He might want to comment on that.

John McClelland: Having spent most of my life in it, I can say that the ICT industry realises that it has a role to play in getting involved in skills academies, helping us to arrive at the right forecasts for skills and attracting young people into the industry. We have a real push in terms of more college places, university places and apprenticeships, and we are making a significant effort to encourage young people to take up the opportunities that digital offers, not only through our career centres and our schools activities but through a major marketing campaign in print and on television. Even in the past few weeks, we have seen some quite significant interest in the campaign, in terms of people taking time to engage with all of that.

It is clear that having knowledge and awareness of the demand is important, but, along with industry, we have to encourage more people to take an interest in the area.

Mary Scanlon: I have to be honest. The Public Audit Committee gets a lot of reports about NHS 24 and so on and I know that there is a critical level of demand for IT in Scotland. I had hoped that there would be an increase with regard to national 4s and 5s, but 29,000 school pupils did them this year, and there have been falls in every STEM subject. These problems have been highlighted to you in the past and, whatever you are saying, longitudinal econometric OECD studies in a few years' time are not going to do it for us.

It is disappointing that the level of disabled modern apprentices in Scotland remains at 0.7 per cent, compared to 8 per cent in England. I am sure that my colleagues would agree that we would like everyone in Scotland to have the opportunity to do

a modern apprenticeship. England does not always do things better than us but, if it can manage 8 per cent, why can we not do better than 0.7 per cent?

Katie Hutton: We have done a lot of work with stakeholders on available evidence on equalities.

The issue around disability is that there is an early focus on what people cannot do—stakeholders talk about negative stereotyping, particularly in the labour market. Research by the University of Edinburgh shows that one of the big issues is that there is a fear of rejection if someone discloses their disability, so people lack the confidence to do it. There is a lot of unconscious bias, which all of us are party to.

Our figures are self-declared. The quarter 1 statistics jumped to 3 per cent. We use the definition in the Equality Act 2010, which is not comparable to the approach that is taken in England, where a much wider definition of disability is used.

We have done some work on the issue and we have matched our modern apprenticeship start database with details about individuals that are held in the careers database. Having done that, we think that we are in the range of the annual population survey, which is at 8.1 per cent.

A lot of the issue is about disclosure. We believe that there has been an increase this year because of the training that we have done with training providers about issues around disclosure, along with other measures.

Because of the definitional issue—other agencies using different definitions—we have engaged the Equality Challenge Unit to investigate definitions and agree one with stakeholders and other parties. It is a respected organisation that does such work throughout the United Kingdom and it is due to report later this year.

The Equality Challenge Unit will also identify the strategies that help individuals freely to disclose that they have a disability so that they get the support that they need, which stakeholders tell us is as important as the definition. Studies show that university students will disclose a disability freely at university but will not when they go into the labour market.

10:30

Chic Brodie (South Scotland) (SNP): Good morning. I was going to ask a question about training providers, but I will come back to that in a minute. John McClelland talked about ICT in answer to Mary Scanlon's question. What he said does not sit easily with the submissions that we received from the games industry in Scotland when we brought representatives from it before

the Economy, Energy and Tourism Committee to talk about the opportunities that we have in creative work. I hear what he says about engagement, but there is evidence to the contrary.

As Damien Yeates will know, we have a crisis in the heavy goods vehicle industry—we are 11,000 drivers short. On the basis that SDS engages through third parties, how does it assimilate the need with the supply not only nationally but regionally? I have been told that my request for a members' business debate to discuss the HGV industry has been approved because it is an absolute crisis. How does that fall through the net?

John McClelland: I will comment first on ICT and then Damien Yeates will talk about the transport industry, although there are parallels.

I made the point that our thirst for knowledge on skills demand has demonstrated, and our skills investment plans show, that few industries or employers have a long-term view of their skills needs. That point is relevant when it comes to acting when we need skills and when it comes to the lead time.

There is absolutely no doubt that in a number of industries—such as construction, which lost a lot of people some years ago—we now have to try to catch up with a skills need. In the ICT industry, the demand from young people in particular for courses and the interest in the industry waned and fell off. In fact, at one point only a few years ago, the number of courses was being reduced.

We are catching up, but we are very much still in the mode of responding and trying to provide more places. Damien Yeates mentioned the skills academy. One is open in Edinburgh and another is to open soon in Glasgow. They are interim measures but, to some extent, they recognise the lead time that is involved in producing, for example, computing graduates or digital skills through the conventional further and higher education routes. It is also important that school pupils receive as much support as possible to understand digital and receive some sort of computing training as they move through their school years.

We are very much in catch-up mode. There will certainly be industries in which the skills investment plan is in place but has not yet caught up with demand. We know of some, and ICT is certainly one.

The Convener: Sorry, Chic, but I have a question before we move on to transport.

I hear what you say about catch-up, but surely it is not good to be catching up—it is better to identify the problem as it approaches rather than wait until it passes and then try to catch it up. What does SDS do to identify upcoming problems

such as the one that we have just been discussing and deal with the problem before you reach a situation where you have to catch up?

Mary Scanlon: Exactly. Hear, hear.

John McClelland: The interesting thing is that, until we launched our skills investment plans, there was no formal mechanism for collecting or understanding the demand that industries had or would have in the future. As we embarked on the first of the plans—one of the very first was for energy—it was clear that what we were looking for, and what we were collecting, was information that was often not available. To some extent, we are in catch-up because the industry is in catch-up. The industry did not forecast, and you might argue that it had no mechanism for injecting demand. We have now provided that.

The energy industry and other industries experience peaks and troughs. There was a trough for a while, but the energy industry has taken off again quite significantly, and we have done our very best to be as far ahead of things as we can be. Undoubtedly, however, the industry, ourselves and the nation did not previously recognise that, looking forward to the current years, there would be such a high demand for ICT skills.

Damien Yeates: It is a point worth making that, generally, workforce planning is not that good. If we were in manufacturing, we would plan well ahead to ensure the supply of a particular component. Somehow or other, the United Kingdom is alone among OECD countries in the degree to which it does not plan ahead.

There was a great example of that in the early 1980s, when the oil and gas sector switched off the majority of its graduate and training programmes. There was a huge disinvestment in the early 1980s. When the recent upturn happened four or five years ago, it was not possible to get a chartered engineer for love nor money. It takes 14 years to get a chartered accountant or a chartered engineer. You reap what you sow: you have to invest today for the future of tomorrow. Skills do not sit on a shelf, and there are not people waiting for the market to upturn who can jump out and be ready.

It is similar with the ICT sector. The downturn happened on the back of the dotcom crash in 2000. There was no big recovery until recently, when all of a sudden there was a recovery, but industry had not looked ahead and invested upstream. That disconnect between industry and its investment in the future workforce should be a specific subject for the committee to consider.

Countries such as Switzerland can be remarkably different. Switzerland is a country of 8 million people and has what is probably among the

best quality of living in Europe. Ninety per cent of its gross value added is from high-value export markets. Sixty-seven per cent of young people at the age of 15 start their senior phase as paid apprentices. The apprenticeships are designed, validated and delivered by industry, with 130 industry boards. The young people have contracts of employment in the senior phase, and the colleges deliver the curriculum on their licence to industry. The alignment between the future needs of industry and its investment in those needs is absolutely one.

The opposite is pretty much the case in the UK, where industry sits back and waits for those skills to come, so we are trying to plug a gap. There has been an absolute gap in the information, and the idea that the Scottish Government would invest £1.7 billion in further and higher education with no demand statement from industry begs a question.

We have come in and filled the gap. One of the great advantages of a new skills agency being available is that we are calling that out. We are working intensively with industry in saying, "Help us to understand what the demand is going to be." Even when we ask the question, we do not get great answers. It is quite a difficult thing.

We now have 10 sector plans and 11 regional plans, and we will get better and better at planning. Part of the role for all of us is to challenge industry to look ahead. We need to co-invest to ensure that Scotland is producing the talent that will drive the economy forward in future.

The Convener: And on the question on transport?

Damien Yeates: Katie Hutton will cover that.

Katie Hutton: The committee knows that the industry has a number of issues. There are legal issues around what people can drive by what age, and there are also insurance issues. It is apparent that there is also poaching within the industry.

The MA programme can certainly make a contribution. Some 15 per cent of all starts last year were in transport and logistics—the figure has gone up by about 22 per cent from 2009-10. We met the Road Haulage Association and Transport Scotland, and we pointed them in the direction of a range of things that they could do to assist the industry. There are good case studies, such as A&D Logistics working with GTG Training in schools to develop a national progression award at the school level—

Chic Brodie: Forgive me for interrupting, but my question was: how did the HGV industry fall through the net?

Katie Hutton: As Damien Yeates said, industries are not particularly good at predicting what their needs will be in the future. That is why

the SIP process comes into play. You may be aware that we have been talking about having a skills investment plan for the transport sector. We have developed some work around that which the road haulage industry is happy with, and it is now sitting with Transport Scotland. We will be moving quickly on that. There are a number of things that we can do, but we rely on the industry to identify its needs going forward.

Chic Brodie: And we are encouraging it to do that.

Let us return to training provision. I do not know how many training providers there are, but I have talked to some in the construction industry. What due diligence do you perform on companies that provide training to ensure that they do what they can and that they are financially robust so that there is no hiatus in provision?

Katie Hutton: We perform a number of checks on the providers. There are 11 mandatory questions on the invitation to tender, which cover a variety of things such as criminal convictions, whether the company has ever had contracts terminated, health and safety, and conflicts of interest. We also carry out financial checks. If any provider fails any of those questions, it does not get a contract.

During the contractual year, we have a range of measures in place. The providers have to complete a statement of quality assurance—a statement of assurance of controls that they send to us. We then visit the providers, using a risk rating to ensure that we focus on the providers that we think need a bit more work done with them.

We also have a compliance team that assures the payments that are made to providers. As you have heard, our payment methodology is very much back-ended on achievement; only a small percentage of our funding is paid up front, and that is only for 16 to 19-year-olds.

Our range of measures also includes speaking to the customers—the apprentices themselves and the employers—as well as the survey work that we do, which we relate back to the training providers. We have a range of measures to ensure that our contract management and our work with contractors are robust.

Chic Brodie: So there is no chance of a major gap due to a lack of diligence regarding training providers, resulting in apprentices finding their training impacted.

Katie Hutton: If a training provider decides that it no longer wants to offer a service, we put measures in place to scoop up its trainees and get other training providers involved, along with

ourselves, to ensure that they continue their training with other employers.

Chic Brodie: I have one last question. We have a rather regrettable situation in the steel industry just now, and we all have different views on how that might be resolved. You lead on the delivery of the PACE programme. Can you walk me through it quickly? What role do you play in the whole PACE project? Some of us think that we understand it, but it would be instructive to learn how you marry up those who might be made redundant with skills, particularly on a local basis.

Damien Yeates: We co-ordinate the programme on behalf of the Scottish Government. Typically, we try to look ahead at companies that may be at risk rather than at companies that are currently going through the redundancy process. There is close engagement with the enterprise agencies in respect of co-vigilance in determining who might be at risk.

If there is to be a closure, we get in as quickly as we can. On average, we find that if we get in before people leave the workplace, we get about 70 per cent into positive transitions. If the workplace shuts and people get payoffs or whatever and disappear, our ability to get to them and give them good advice is significantly diminished, and a lot of effort is spent on trying to track people down.

10:45

The advice covers a number of areas. There is technical advice about what people need in respect of payments and so on, but we quickly move into skills analysis and considering the individual's core competences, and we talk about where in the regional labour market there are the types of jobs that they might move into.

I can give you quite a good example in the context of the energy jobs task force. Over the past six months we have organised three events. We invited people who were at risk of redundancy in the oil and gas sector to attend an event; we also brought to those events 40 or 50 employers who were looking for skills in similar sectors. More than 850 people from the sector came to the first event that we ran, which was at Pittodrie. It was an amazing turnout. A lot of the individuals immediately connected with Scottish Water, which was looking for process engineers, and with folk from Dounreay, people in the pharmaceutical sector and people in the whisky industry, all of whom had lost process and fluid dynamics engineers to the oil and gas sector as it grew.

Typically, we will case manage. When we meet someone, we register them on our careers database and we will follow up with further support—for example, support to acquire

additional skills. What we call “transition skills” might be required to take someone from one sector to another. That happened in respect of code 6 welding for the Nigg yard, when we offered rapid upskilling to new industry standards.

We do CV preparation and job preparation, and we follow through as quickly as we can. Depending on the scale, we work closely with our colleagues in the Department for Work and Pensions and Jobcentre Plus, with local authorities and with anyone who can add value to supporting the process.

The position with the steel industry now is pretty much about retaining rather than retraining. We are on a watching brief in respect of the steel sector, so we are not mobilising to retrain people. All efforts are going into trying to exhaust the possibilities for retaining the sector and the jobs.

Right across the piece, there is strong engagement between all partners to ensure that we are all as responsive as we can be to the very personal and difficult situations in which people find themselves, sometimes for the first time in 30 years or so. For someone in that situation, a direct contact with someone from SDS or a partner agency, who can sit down and work through the next steps with them, is really important.

Early engagement is critical. We find that the earlier we get in, the better. The more progressive businesses have good industry relations policies and want to look after their workforce, so they are willing for us to get in and engage with their staff.

The Convener: We will have supplementary questions from Liam McArthur and Mary Scanlon.

Mary Scanlon: Yes—

The Convener: Sorry, Mary—Liam McArthur is first.

Liam McArthur (Orkney Islands) (LD): I want to follow up a couple of points that Mary Scanlon and Chic Brodie raised. In the SDS corporate strategy there appears to be a diminution of the goal of working together. Indeed, there is an absence of any mention of schools and colleges in the goals and operational objectives.

I listened to the exchanges about ICT. People talked about college and university training places and job opportunities. In other evidence, the committee has heard about a severe reduction in the number of pupils who are doing ICT at school and about problems with recruiting teachers.

My concern about the apparent change in tone or emphasis in the goals and operational objectives is that SDS seems to be focusing on the demand from industry and is perhaps slightly less concerned about what is happening in schools and the pipeline of pupils coming through.

In terms of job opportunities, the risk is that the teachers that we currently have in schools are attracted away.

There is also a problem in relation to computer programming. As I understand it, the problem is with bringing young people to computer programming; it is not just a broad ICT issue. Without that emphasis on provision in schools, I presume that provision in colleges, through training providers and universities, and even through job opportunities will meet with limited success.

Damien Yeates: I have a couple of points, and then I will ask Danny Logue to come in specifically on schools.

The committee can be absolutely assured that we engage intensively in partnership working and supply side partnerships. We have more than 400 school partnership agreements—with every secondary school in Scotland. We deliver very little of what we do independently. It is a necessity for us to be heavily engaged with schools.

That engagement is not just directly with the schools but with parent-teacher councils and parents themselves. Parents are the number 1 influence on the choices that young people make, teachers are number 2, peers are number 3 and careers advisers are actually number 4. More of our effort is increasingly being spent on getting the messages and information about future demand across to parents and teachers. We absolutely need to stimulate and inspire young people to aim for careers in growing sectors.

Liam McArthur: Does that include helping schools to address their recruitment problems? I do not know whether it is a crisis, but it certainly is a significant problem.

Damien Yeates: I guess that there are two parts to that, one of which is the fact that the direct management of the school curriculum delivery is a matter for the schools and not for Skills Development Scotland. However, we can provide support through industry engagement. Through the apps for good programme and a whole range of other STEM-based programmes, we have shown that we are able to leverage industry into the schools to add to the direct teaching capability and to support the process of inspiring young people.

We have done that with the school environment as well our strategy with the My World of Work experience at the Glasgow Science Centre, which shows the relationship and connections between having a science education and the careers beyond that.

In schools, we are working with the parent-teacher councils, and the national parent forum of

Scotland. We are currently running a massive campaign through the “Nutshell” communications tools that the national parent forum uses to highlight the ICT and digital sector and the opportunities that exist there.

Specifically in college and higher education, all the evidence that we produce informs the outcome statements for further and higher education colleges. There is a really good example in energy. We funded the establishment of the energy college partnership. At the time, 43 colleges said that they were all expert in renewable energy, but we said that we want to work with a smaller network of those who actually have the distinct competence. Therefore, for example, Carnegie College and Dundee College transferred their capacity in overhead linesmen technician training down to Dumfries and Galloway, and we now have a network of 10 colleges that are capable of delivering the supply training for the renewal work around the Beaulieu to Denny line. The supply side is absolutely critical.

I will ask Danny Logue to speak about the schools.

Danny Logue (Skills Development Scotland):

I just have a couple of additional points to mention. We have referenced the sector investment plans and the regional skills assessment plans a few times today. They give our own staff intelligence and make them aware of where the jobs of the future are and the skill sets that will be required.

As Damien Yeates has said, we have been working extensively with the various parent-teacher forums to get that information over to parents. We are not going to see that particular communication to parents happening traditionally from S4 at the transition stage; we are talking about raising awareness of opportunities and what there is within the curriculum at a much earlier stage—all the way through the early years and in primary schools.

The recent launch of the care education standards has been a significant development in looking at what is taught within careers education. “I can” and “can do” statements have been introduced as part of the three to 18 curriculum. We are trying to communicate that information to young people and to parents much earlier.

At the same time, we are working closely with teachers on some of the capacities of what they are teaching in the curriculum. In “Building the Curriculum 4: Skills for learning, skills for life and skills for work”, particularly the work dimension, we look at how we see labour market information in careers and career education standards permeating subjects. Those standards are not a bolt-on or an addition to what a young person will

experience in the curriculum; they are part of the curriculum and integrated within it.

I have a couple of other points. It is really worth mentioning the key role for employers. We work very closely with schools, local authorities and employers to ensure that they are more built into and referenced in the curriculum. That is where career education standards come in. There are a number of initiatives. For example, learning through work week is imminent. Some committee members have probably heard about learning through work and will be involved in visiting some of the schools. In that initiative, employers are going into schools with their modern apprentices and talking about the opportunities that are available in the labour market.

Scottish apprenticeship week is coming up in March and that is also about raising awareness of all the opportunities available. There is currently a big digital skills campaign, which is also about raising awareness. As Damien Yeates said, there is a lot of information and intelligence out there that we want to ensure gets through to the key people who influence the young folk, whether it is parents, teachers or our own staff.

Liam McArthur: I want to pick up on what Katie Hutton was saying in response to Mary Scanlon’s questions on colleges. We have been through a fairly radical reform process in the college sector. Each of us takes a view on the way in which that happened, but nevertheless one of the defining objectives for reform was to better align colleges to the needs of industry and our economy.

It is therefore more than a little surprising that there is a drop in the provision of apprenticeships by colleges from 10 to 8 per cent. Is that a reflection of the college sector going through the reform process and is the expectation that the figure will get back to 10 per cent and beyond? I am struggling to understand why we have gone through the process, at some cost to the sector, with the result that the colleges seem to be less able to attract the sorts of work for which they are wholly geared up. I accept that they are not the only ones geared up for it, but they seem to be in a worse position in the competitive procurement process than they were before.

Katie Hutton: There are always fluctuations in terms of relative share because it is a competitive market that can change from year to year, depending on employer demand. You must remember that the 8 per cent also builds on the subcontracting that the colleges do. They are much more involved in the modern apprenticeship programme than just through direct contracts. Some colleges prefer to take the subcontracting role rather than have a direct contract with us.

Liam McArthur: But Mary Scanlon has already pointed to the 44 per cent more places that they applied for. There may be a lack of appetite among some of the colleges, but—

Katie Hutton: Mr McArthur, every provider overinflates what they can actually do. We get bids for 100 engineering MAs from providers who, in the previous year, were given a contract for 20 and have delivered, say, 8 MAs. We look at bids in relation to the previous allocation.

Every college is different. Some of them have increased and others have gone down. We have big college contracts out there, some of which are worth more than £1 million—those are direct contracts. There are also indirect contracts. With foundation apprenticeships and the pivotal role that colleges play, you will see greater employer connections.

It is a competitive process, and it would be unfair of me to prejudge any competition next year.

Damien Yeates: I would say that you are right, Mr McArthur, in the sense that the direction of travel will be more aligned. In time, more of what the very good colleges do will become the norm.

The difficulty is that, for direct contracts, a provider needs to have very high quality employer engagement because it is responsible for delivering the jobs. You should remember that every apprenticeship is a job, and not just delivery of training. For some colleges, that is a great thing because they have really good industry engagement; for those colleges that have not had the same history, delivering the jobs is challenging. Through the regional approach, all the colleges should have good strengths in employer engagement. I predict that, in time, we will see quite a growth in that area.

We had a meeting with a number of the chairs of the regional colleges, and we had a good discussion on alignment and the investment in work-based pathways. The colleges are well placed to be a key bulwark in the delivery of work-based pathways. We hope to have 20 per cent of senior phase pupils undertaking work-based pathways alongside core subjects by 2020. At that point the colleges will have a majority role to play in that delivery. The trajectory will be up.

11:00

Mary Scanlon: Thank you for letting me in again, convener.

I want to return to the point that Miss Hutton made to Chic Brodie. I am in favour of the private sector and I am also, as an ex-lecturer, in favour of colleges, but what I am most in favour of is

high-quality training for young people that can get them jobs.

In the Audit Scotland report “Modern apprenticeships”, under an exhibit on quality assurance, it says that, apart from in colleges,

“There are no equivalent independent reviews of the quality of training provided by other (including private) training providers.”

You are not independently reviewing the quality of training providers, and we all know the inspection regime around colleges. Are colleges missing out on the basis of cost? I do not believe that it is on the basis of the quality of training. Are you going for the cheaper option? Is that what it is about?

Katie Hutton: It is certainly not a cheaper option—the contribution rate is the same irrespective of the training provider.

Since the report from which Mary Scanlon quoted came out, we have been working with Education Scotland on application of its inspection regime to the whole MA programme. The first such inspection report is coming out today; it is on engineering. The inspection was of colleges as well as private providers, and the scores were “excellent” and “very good”.

Mary Scanlon: Is this the first time that you have independently reviewed—

Katie Hutton: It is the first independent external inspection of the type that Education Scotland does, but you must remember that the Audit Scotland report also pointed out the quality assurance procedures that we have in place. There are also the quality assurance procedures that the accrediting bodies have in place for individual training providers to be awarded accredited learning centre status.

Mary Scanlon: Are the private training providers reviewed independently on the quality of their training in the same way as our colleges are? That is the question that I want to ask. Is there equally high-quality training from both, and is there a system for assuring that? There was not such a system in place last year.

Katie Hutton: Audit Scotland was specifically referring to the Education Scotland regime. After the report, that regime was applied to all MA training, starting with the engineering sector. As I said, that review has now been completed and the engineering sector inspection report is out today on the Education Scotland website.

Mary Scanlon: So the process is just starting.

Katie Hutton: No. We had to develop an approach to it. If you also remember, Education Scotland—[*Interruption.*] Can I just finish?

Mary Scanlon: I just want a clear answer.

Katie Hutton: Education Scotland would also point out that, in its college inspection regime, it did not specifically single out modern apprenticeships. That was a gap in its inspection regime. The engineering sector review is the first one by Education Scotland to be focused on modern apprenticeships.

As I have also said, training providers were held to account through other quality assurance measures.

Gordon MacDonald (Edinburgh Pentlands) (SNP): On the back of what Mary Scanlon has been asking, obviously this is about getting young people ready for the world of work, getting modern apprenticeships going and upskilling the workforce.

Is there any difference between the outcomes of people who have taken the college route for their MA and the outcomes of those who have gone through private training providers? Are the percentages of successful passes at the same level?

Katie Hutton: It is dangerous to generalise about the different sectors within the provider base. There will be some colleges in which the achievement rate is lower than the rate of third sector providers, councils, companies and so on.

We tend to look at it on a framework basis. For example, we look at engineering across the board when we allocate the engineering places. There are differences. Some providers have higher achievement rates and some have lower rates.

The Convener: Before I bring in Colin Beattie, I would like to check something with Damien Yeates. You raised earlier, and mentioned again fleetingly in your last response, the idea of bringing in in-year modern apprenticeships to S5 and S6. Could you explain a bit about that and when it is coming in? S5 is an extremely busy year for pupils, so I am struggling to understand how someone could have an in-year modern apprenticeship on top of an S5 curriculum.

Damien Yeates: That is about broadening what we consider to be success. At the minute, it feels as though success is defined in quite a narrow academic sense. For many parents, success means Sally getting her five As and her place at university, and then they feel that they have done a great job. For many other people however, that is not the clear pathway.

The discussion that we had with the commission for developing Scotland's young workforce was to do with whether the senior phase is a productive phase for young people. When we look at the subjects that they take and the experiences that they have, we see that the convener is absolutely

right that S5 is a very busy space. However, is it busy doing the right things?

Most people, whether they go down the academic route or the non-academic route, will have two or three core subjects that they want to pursue—English, maths, physics or whatever. An increasing number of students are taking what we might call make-weight subjects. They are not subjects that they have any great ambition in and they are not subjects that are necessarily aligned to the career path that they are going to go down, but they are subjects that will give them an easier academic tariff than their core subjects.

We are saying to students that they can run their core subjects alongside the work-based pathway. This is part of a development process. If, in time, we make the tariff for work-based learning—the on-the-job and off-the-job training that is a core component of the framework of apprenticeship training—equivalent to a higher, students will get a return for the effort that they put in. Better than that is that they would get direct experience of the sector in which they are interested in working, and would find out whether they want to pursue a career in it.

We have a range of pathfinders. We started with two last year and this year we will have 19 in 19 local authorities. We are looking to offer them in five key sectors that are in high demand—health and social care, engineering, construction, ICT, digital, and so on. We think that the rump of the work will be at different points depending on pressures. Some schools run an asymmetric week, so Fridays are available for some of that work. Some schools, for example in Shetland, are running the on-the-job training over the summer holidays. Young people are incredibly motivated to do the on-the-job training so they are doing it at times when school pressures are not so significant.

It will really depend on the volume of academic subjects that young people are taking over S5 and S6 and the degree to which the school manages that, but the work should not put a huge burden on them. Better than that, it should produce an outcome that has great benefits.

We have found that among young people who have taken the first pathfinder in engineering, motivation in their core subjects increased significantly because they have begun to see the relevance of why they are studying what they are studying and what the pathway might look like for them.

The Convener: Just for clarity, because I am trying to understand, is it envisaged that the work-based option would be a replacement for highers that some pupils would study in S5, or is it an

addition for pupils who are not taking five highers, but one or two?

Damien Yeates: We are testing both options. A high academic achiever might want to run the work-based option alongside their core subjects and be confident that they can do that, acquire the learning and have the benefit of it.

Some young people might decide that they will swap out a higher and take the core highers and be very clear that they want an apprenticeship when they leave school, and so want to complete the first year so that they get accelerated entry into year 2 on the back of the foundation apprenticeship. The provision will be student centred and will focus on schools' ability to deliver.

Colin Beattie (Midlothian North and Musselburgh) (SNP): We have already touched a bit on measurement, but I would like to look at a couple of specific aspects. The SDS submission reports on a wide range of activities, but it is difficult to make direct links between what SDS spent its money on and the outcomes that have been achieved. Much of what is included in the outcomes sections of the submission refers to financial and other inputs and the outputs from that spend—such as specific activities or the number of starts on specific programmes—rather than on the success of SDS in achieving positive change as a result of that activity. I hope that that was not too convoluted.

Damien Yeates: No—I completely understand the question that you are asking.

SDS reports on activity, impact and outcome measures. The apprenticeship programme is a really good example. An activity measure would be the 26,000 starts, and the final outcomes would be sustained employment and completion rates. The Scottish Parliament can be assured that it has, for the £75 million that it invests in apprenticeships, a five-star programme, because the completion rates are 74 per cent to 78 per cent, which compare well to the rates for any such programme. The figure for sustained employment six months beyond completion is at 92 per cent.

When we survey employers and individuals on what has transpired as a result of the individual's completed apprenticeship, we find an increase in earnings and an increase in the young person's productivity in the workplace and their contribution to the sector. That information might not be specifically in our submission, just because of the nature of what we can put in there, but be assured that we have very clear outcome measures that are aligned with the activities that are funded.

Similarly, on the work that we do on careers advice and guidance in schools, the positive transitions of young people from schools are critical. The outcome measures of the school

leaver destination reports show that, over the past six years, there has been a significant increase in the progression to positive destinations. We have played a small part in the contribution to that, in respect of good careers advice. Clearly, schools have a substantial role in that.

Right across the board, with all our substantive investments, we can track exactly where we deliver outcomes that align with the national performance indicators and where those outcomes are real and tangible. We should remember that every apprentice is an employed apprentice—it is a real job.

Colin Beattie: That sounds good but, as you said, your submission did not really bring that out. The submission seems to be more about inputs and outputs, which do not really give the result of the spend and activity and the positive things that come out of that.

Damien Yeates: I guess that that is to do with the nature of what we can provide. However, right across the board, we can absolutely align what we do with the national performance indicators, in terms of positive transitions from school, the acquisition of qualifications in support of a more skilled workforce, sustained employment and responding to redundancies. We have discussed the number of people whom we work with to support them back into positive destinations. There is also the production of the intelligence that we have talked about. The spend on that is very low—you will see from the submission that it is a relatively small spend—but it is absolutely critical in influencing how the supply side meets future demand. I hope that that answers your question.

Colin Beattie: It is perhaps trickier to assess success where there is partnership working. Measuring success can be challenging for the individual partners in any activity. How do you capture the impact of partnership working—I suppose that it might be a return on an investment of time or whatever—and the influence that you have had in what are sometimes complex partnership arrangements?

Damien Yeates: That is a really good question. I will give you an example of that in practice. About three years ago, we had discussions with colleagues in Highlands and Islands Enterprise and we attended the convention of the Highlands and Islands. At the time, there was a belief that the future economic growth of the Highlands and Islands region could be arrested by lack of skills and that schools could be the key block to the future growth of the area. We decided to do a comprehensive regional skills assessment and investment plan for the Highlands and Islands, in partnership with all six local authorities, the University of the Highlands and Islands, Highlands

and Islands Enterprise, the national health service, the Forestry Commission and so on.

As a result of that work, we discovered that the number 1 issue for future growth in the Highlands and Islands is not skills, but population. The Highlands and Islands have the fastest-growing population in the UK, but the growth is all in the 65-plus age group. The out-migration of young people from the region is still running at between 7,000 and 8,000 per year. Crucially, we found that what is required is in-migration of working families. That clearly raises a whole set of questions around transport, housing and the lifestyle proposition that will attract people.

Beyond that, we looked at very granular information on each of the regions. The Moray Firth and Inverness area is very different from the Western Isles, which is very different from Shetland, which is different from Orkney. We now have separate regional skills plans for each of the island communities.

Three years down the road, at the most recent convention of the Highlands and Islands, the universal view round the table was that we had done a seminal piece of work that will influence future provision by UHI in that it will now deliver more work-based pathways. If we deliver learning via the workplace, that anchors people in the region. The alternative is that they have to leave the region and we have to hope that they will come back. The requirement for a major strategy to attract talent into the region is crucial. I think that Alex Paterson was quoted this week as saying that, compared to when the Highlands and Islands Development Board was set up, the Highlands and Islands is now an area of opportunity, and we now need to communicate strongly that the region has a lot of opportunity. It should be easier to attract families to the region.

11:15

Colin Beattie: You have certainly described a success, but I am not sure that that gives me an insight into how you value your input into partnership working and how you assess the impact.

Damien Yeates: That is a difficult question. Our budget is not insignificant but, relative to the budgets of other organisations, we are a junior partner. Largely, we have to bring to bear our influence, intelligence and innovation in order to influence decisions. We do absolutely nothing on our own. We have 12,000 to 15,000 businesses that provide apprenticeship opportunities. We do not provide the opportunities; industries step up and commit to offering jobs and we work to convince industry to deliver that.

I do not know whether I am missing the point, but partnership working is absolutely central to what we do. We could not do our job without strong partnership engagement.

Colin Beattie: I have no doubt that—

The Convener: I am sorry, Colin, but Danny Logue wants in.

Danny Logue: John McClelland referred in his introductory remarks to SDS's membership of community planning partnerships; we are involved in all 32 community planning partnerships and the various sub-groups that support the priorities. That has come from the recognition that SDS has a key role to play in community planning partnerships. Previously, we were not involved in all of them, so it is a major step for us to be involved, in terms of the contribution that we can make.

It is worth mentioning a couple of other partnerships. It is easy to talk about partnerships, but the essence is how we work jointly. Our partnership with schools is key; we have in place nearly 400 partnerships with secondary schools. The partnerships detail the services that we provide in conjunction with the schools and how we deal with those priorities.

Another key partnership is with Jobcentre Plus, on integrated employment and skills. That is mainly about working together on data sharing and client referrals.

The other big one that we have talked about and that was mentioned in earlier questions is PACE; we manage the 18 PACE partnerships in Scotland to bring all the relevant organisations together to ensure that we deal with situations that arise.

Damien Yeates talked about positive destinations. Last year, 92.3 per cent of individuals went to positive destinations. That was very much a result of the partnership approach with schools. The committee will be aware of the participation measure that has been introduced this year. We are moving from dealing with 52,000 school leavers to dealing with more than 225,000 individuals aged 16 to 19 who fall into that participation measure. That is about how we support those individuals to secure positive destinations in employment, training or work. That very much brings out the key role that SDS plays through the data hub that we manage and which is supported by our partners and through which we support individuals into employment, training and further learning.

Colin Beattie: I am certainly hearing lots of positive statistics, but I still do not know how you evaluate what you are doing in those partnerships, whether they are a success or a failure and what can be done better. How do you evaluate the

investment that you are making in terms of time, which is money?

Danny Logue: A recent example on evaluating relates to Education Scotland's reviews. As the committee will be aware, Education Scotland is undertaking a series of careers information, advice and guidance service audits or reviews. So far, we have had seven reviews this year, five of which have been reported. A common theme in all of them has been good practice in the school partnership agreements. Education Scotland has talked to headteachers, senior members of staff, pupils and our staff about how the partnerships have engaged SDS and the schools. A key recommendation from the reviews of partnership agreements—particularly for schools, but also for us—is about embedding career management skills and all the developments in careers advice in the curriculum. I referred to that earlier when I talked about the importance of early intervention.

Colin Beattie: Okay. I will leave it at that and move on to a different facet, which is: quite simply, how does SDS assess its value to employers?

Damien Yeates: We do that in a number of ways. Our ambition in working with employers, as we state in our goal, is to make sure that they can recruit the right people with the right skills at the right time. That sits at the heart of what we do. As we have said before, the first part of that is about asking whether we are able to work with industry to articulate demand and future needs. It is then about whether we can put in place short, medium or long-term measures to ensure that supply meets that demand.

Separately, we have two other programmes where we work with companies that want to invest in and grow their workforce. We seek to ensure that they get the right support to bring forward those investments.

Finally, we have a web environment—the our skillsforce website—where we try to aggregate all the offers that are available to business in respect of schools in one location so that we make it easy for industry.

The ultimate test will be whether those sectors and businesses are growing and whether their staff are contributing to the long-term competitiveness of those businesses in respect of the challenges. We see ourselves as helping those companies by providing the future skills and ensuring that that pipeline, right across all the partners, is meeting their needs. We are also challenging them to co-invest in that model. Beyond that, the challenge is then to understand whether that approach is delivering the competitive advantage for individual businesses, for sectors and for the Scottish economy.

Colin Beattie: As regards evaluation, how do you determine what investment will be made in different aspects of support for employers? How do you decide which is most successful and where to focus your resources?

Damien Yeates: Early emphasis on responding to future needs has dominated our work. Future skills demand has been the area that we have focused on most heavily. In many respects, it is not a case of either/or. We have four areas that we continually look at. In relation to the long term, we look at what we need to do better or differently around informing young people who are eight, nine or 10 today about the future jobs that might be there as well as helping their parents and their teachers understand those progressions. Inspiring the pathways around careers is a critical part of what we do.

We also need to make sure that the system is responsive so that the outcome agreements are aligned with future demand. We put in place immediate measures through the academies. If there is a need today, there is no point in saying to a sector, "It will be four years before you get a graduate." The CodeClan is an example of an initiative where we are responding today to need.

Finally, we try to create better connections between industry and the supply side so that in future we do not have the peaks and troughs that we are witnessing just now. That area is still in its early phase in respect of which elements are working better. We will continue to evaluate that to determine whether direct intervention such as CodeClan is working significantly better than alternative approaches.

Katie Hutton: There are also some specific measures that came out of the returns that we got from the survey of more than 2,500 employers that are involved in MAs. We asked them whether MAs helped to improve productivity, and 75 per cent of them said yes. That is up 7 per cent from our previous survey. We also asked whether MAs helped to improve product service quality, and again the results have increased. Therefore, we can measure things in that way. We also asked a question this year about the different frameworks, how productive people were at the start when they came in and how productive they became as part of those different frameworks.

It is a pity that Ms Scanlon is not in the room at the moment. Quite a lot of selective excerpts from the Audit Scotland report have been given today, but one of the main points from that report was that we have managed the MA programme well, and Audit Scotland recognised that.

John Pentland: In reply to Colin Beattie's first question on outcomes and the fact that most of your submission was about financial inputs and

outputs, you said, Mr Yeates, that one of your outcomes is the delivery of 25,000 modern apprenticeships. You also said that the relationship that you have with industry could be significantly improved and that you were unable to identify where the future voids were because—stemming from that relationship—of a lack of information. Chic Brodie mentioned the HGV industry and Mary Scanlon mentioned IT. Who gives you information about the 25,000 modern apprentices that you need to deliver, if there is such a void? That begs the question whether you are meeting that outcome target of 25,000 MAs by quantity rather than quality. We know for a fact that we are going to be 100,000-plus engineers short by 2022, so how many of the 25,000 MAs are engineers? My concern is that you are just meeting the target by quantity rather than quality.

Damien Yeates: I completely understand your question. I will ask Katie Hutton to talk about the details, but, to be clear, we start with a proposition in respect of what we want to buy, for want of a better description—a clear articulation of where we want to invest in terms of future skills. That is driven by the key sectors in Scotland and the Scottish Government's economic strategy: where it sees future growth for Scotland's economy and where it would like to see that investment in skills go to drive future economic demand. That is very explicit.

We have clear priorities around the key growth sectors, around STEM—where we understand there will be future demand—and around specific groups of young people. All that is factored into an annual buying statement in respect of procurement. It is a very detailed process.

Katie Hutton: Every year we use the skills investment plan information that is available and the regional skills assessment plans, and we ask every sector skills council or body in Scotland to predict the demand for MAs. We overlay that with, as Damien Yeates said, the policy focus on young people, STEM and level 3 plus.

Thus far, 82 per cent of all growth in the extra 5,000 apprenticeships from 2009-10 has been for young people—for 16 to 19 year-olds. We have also had more 20 to 24 year-olds and a decline in apprenticeships for 25 year-olds, in line with Government policy.

Mr Pentland asked specifically about engineering, where there has been growth of 29 per cent on the position in 2009-10—the share is now 7 per cent. For the growth industries—the financial services—the increase is 1,700 per cent, which is 9 per cent of the growth that we have achieved. We can give you all the statistics on that.

Comparators have been mentioned. In Scotland, 64 per cent of our MAs are level 3 plus; in 2013-14, it was 62 per cent, so we are on an upwards trajectory. By contrast, the position in England is that 41 per cent of MAs are level 3. We have a much better programme in Scotland than there is in the rest of the UK. As Damien Yeates said, we try to match demand, overlay with policy and create the buying proposition from that. We also have to respond to changes in demand in year 2.

John Pentland: Would it be possible to get a breakdown of the 25,000 MAs?

Katie Hutton: Yes. We publish that information every quarter and annually.

John Pentland: Thank you.

My next question is for Damien Yeates. You mentioned the sustained employment rate at six months. Can you add anything on that?

Damien Yeates: Apprentices have a contract and their status is employed. Down south, there was no history of employed status—it has only recently been introduced. There has been criticism of some providers down in England that offer a contract of employment and then, as soon as the apprenticeship ends, toss the young person on to the heap. We survey at six months past the completion date, and at that point, 92 per cent are still in sustained employment—they are still in a job.

Mark Griffin (Central Scotland) (Lab): The Scottish Government, trade unions and others have been pushing the issue of fair work up the agenda recently. How has SDS responded to the letter of guidance from the Cabinet Secretary for Fair Work, Skills and Training? What new priorities does that focus on fair work bring for your organisation? Have you been able to adapt to those new priorities within your current budget?

11:30

Damien Yeates: There are two aspects to that. One is being a fair work employer ourselves, meeting the living wage and getting investors in young people accreditation. We have achieved all those things. Our suppliers are meeting the living wage, so we have made progress with that.

Fair work is an emerging policy area, and we are contributing to that debate as we speak. I gave a presentation to the fair work convention about six weeks ago, and we were clear that the opportunity for Scotland is around the productivity gains that can be achieved by having very progressive working practices in the workplace.

I know that some members do not like to look at international comparators, but they show that we

typically lag behind other OECD countries by 20 per cent in the productivity stakes. There is real potential for Scotland to achieve significant growth if it can make inroads into the productivity conundrum. That productivity conundrum could be addressed by having much more progressive working practices in the workplace.

If we look at the underlying performance of the labour market over the past 10 years, we are left with a lot of concerns that relate to the nature and quality of work. Employment rates have increased, but part-time and zero-hours working have also increased. The in-wage welfare bill—working tax credits and so on—has doubled from £2 billion to £4 billion. There is a sense that, to some degree, a large tract of the UK economy may be driven by low-wage, low-skilled business models that are propped up by an in-work welfare bill. That is certainly not sustainable.

The Finnish model is among the best. Finland has an agency called Tekes, whose strapline is, believe it or not, “joy at work”. Finland wants to demonstrate that it has the most productive workforce among OECD countries. Part of the reason why its workforce is so productive is that, in Finland, low-wage business models do not exist. Labour is expensive, and companies that have labour in their workplace need to put it to good work and to create a culture where people come to work every day of the week with a spring in their step and a belief in the organisation. The contract has something about the person bringing their skills to the organisation and anticipating that they will get a decent wage, which will allow them to be able to look after their loved ones, and the employer being concerned about their welfare and development. For that contract, they will work their socks off. Every hour of every day, they will consider the asset that they are and they will think about how they put that to good use in the workplace.

That requires a fundamental shift in an organisation’s culture. The best of organisations do that, and the worst of organisations do not. The opportunity for Scotland is to articulate what interventions it can put in place that stimulate highly productive workforces, so that people bring their skills to the workplace and work incredibly hard—but the deal is that they get looked after, they get a decent wage and they get progression. There is a reciprocal relationship there, which does not often exist.

Mark Griffin: I asked about budget allocation. You said that fair work is a new and emerging theme and area of work for you. How have you been able to adapt to it within your current budget? Is your current budget allocation enough to see through the Scottish Government’s priorities on fair work?

Damien Yeates: Much of what we do would be as a horizontal contributor to the fair work agenda, which is emerging with new and additional work. One area that will be very significant in contributing to that space will be the potential new devolved welfare powers, particularly in relation to the work programme. We are heavily engaged with the Scottish Government in understanding what that might look like and what the service might look like. Specifically, we are looking at how the interventions that are put in place during the two-year period of the work programme relate to a commitment to fair work and, in effect, a new business model for a future Scotland where productivity is significantly higher than it is now.

A lot of what we currently do contributes to the fair work agenda. New and additional work will emerge, and one of the spaces where there is significant potential is around the devolved powers.

Mark Griffin: You have said that SDS is contributing to the debate on fair work, and the Cabinet Secretary for Fair Work, Skills and Training has asked you to lead and innovate. Can you demonstrate that SDS is really leading the debate on fair work and driving through that change?

Damien Yeates: Much of what I have discussed in the past 10 minutes is the evidence on what works well elsewhere and what is required in Scotland. We believe that probably three things need to happen, and we are in discussions about how they would come to fruition. We need national conversations that last for some time and which involve industry talking to industry about best practice in creating high-performing workplaces. Members might recall the Department of Trade and Industry demonstrator programmes back in the mid-1980s, through which successful businesses shared with other businesses and industries their success and the factors that might help. We need a national conversation that has industry talking to industry and public sector talking to public sector about how we do that and what strategies will drive it forward.

We need to build more capacity in our colleges and universities so that graduates come out with an understanding of high-performing workplaces. We then need direct positive action.

Mark Griffin: You have spoken about the fact that our country lags behind others on productivity. Is an increase in productivity the measure of success of a fair work agenda? If not, what is the measure?

Damien Yeates: Much of the measure of success will be inclusive growth. That is the holy grail. It means economic and social positive gain. With productivity comes improved

competitiveness, which should mean sustained employment and good wages. The individual benefits because they get a decent wage, a good working environment and progression, and the company succeeds because it is more competitive and can win more contracts and generate more wealth.

Mark Griffin: The cabinet secretary has set out that the Scottish Government believes that fair work means sustainable jobs, fair contracts and fair wages, particularly for those who face disadvantage or significant barriers to employment. Mary Scanlon has already raised the issue of the number of disabled modern apprentices, but I would like to raise the particular issue of young deaf people. There are issues about whether people with a disability feel confident to declare their disability, but many young people who are deaf do not define themselves as being disabled at all—they do not see deafness as a disability. How does My World of Work cater for young deaf people and how do you ensure that they are included in the fair work agenda?

Damien Yeates: We are working directly with the appropriate agencies in that space. We work specifically on supporting people with particular issues in that respect.

Danny Logue: We work closely with the National Deaf Children's Society and other organisations that support and work with young people and adults who may have additional support needs. For example, a few years ago, we created a partnership framework with the Royal National Institute of Blind People called template for success. That model has now been rolled out to include the National Deaf Children's Society, the Scottish Consortium for Learning Disability and Values into Action Scotland. That is about working with young people, their parents and the organisations that support them, including us, to provide the additional support that they require, whether that is in a school or in accessing employment or further education and training.

In fact, in Ayrshire we have a model that is a statement of intent, which involves work across the three Ayrshire councils to support young people who have an issue and disability around being deaf to access employment, learning and training and to consider the careers advice and support that we give parents and young people at an earlier stage, as well as later on in school.

Linked to that, Mr Griffin mentioned the SDS website, My World of Work. We have been working very closely with the national organisations to make sure that the website's content and materials are suitable for all young people with additional support needs. We want to make sure that those young people have access

to that content, whether they access the website themselves or through an intermediary such as their parents, teacher or careers adviser.

The Convener: My question is for Damien Yeates. Forgive me if I am wrong, but in response to Mark Griffin's question, in which he mentioned innovation in leading and delivering fair work, you seemed to be saying that SDS's response to that challenge about being the innovator and leading in the delivery of fair work was that industry should talk to industry and public sector should talk to public sector. What specifically is SDS doing to lead and innovate on the fair work agenda?

Damien Yeates: One of the key developments for us in particular will be around leadership practices. The three components are conversations, capacity and then direct support. We are in discussions with HIE and Scottish Enterprise about the nature of the direct support that would be offered to organisations that wanted to create more high-performing workplaces.

Currently, we have a partnership with Investors in People and last year we helped more than 250 companies, I think, to engage with a direct resource to help them understand how to start to put in place the culture that would give effect to a high-performing workplace. We ourselves are working on a proposition called everyday leadership, where literally everybody in the organisation understands their roles and responsibilities and contributes to where all that needs to go.

We have all of that direct support for companies. We are actively promoting the living wage and the business pledge, both through our supply chain and directly to companies. We are undertaking a lot of specific work right now.

The Convener: I would be interested to hear about that in more detail. I am sure that you can write to us afterwards with some of the detail. We need to move on.

Chic Brodie: I have a quick supplementary in relation to Damien Yeates's answer to Mark Griffin. It is not so much about leadership as about management. Is there a gap as regards training managers to look at workforce planning and so on? Where is that done? Is it done?

John McClelland: I think that there is a gap. Part of the answer is to do more—not only by the public sector contributing to more being done but, very clearly, by the private sector and companies themselves doing more. I think that the phrase has been used a few times today—some do it very, very well and others do not do it at all.

Scotland has a particular challenge. We are very much an economy where a huge proportion of the workforce works in small and medium-sized

enterprises, and in small businesses in particular. I am involved with a couple of small businesses that undoubtedly find it a real challenge to find the time to invest in the development of management skills and capabilities that a larger organisation may see as just being part of how it has operated for many years.

There is a gap. I will not mention individual institutions, but when I look at some of the attributes that are being developed through the education system, through curriculum for excellence and through what is happening with developing people in further and higher education, for example through work experience, it is clear to me that some programmes make a significant effort to equip people to be managers and leaders as they come through the system.

Over time, we will upgrade the attributes of the management of our businesses—not only the large businesses but, I hope, the small ones. However, I think that you are right. Management education is an important aspect of achieving the holy grail.

11:45

Liam McArthur: I was going to ask about the national performance framework targets, but I think that quite a bit of that ground has been covered in response to Colin Beattie's questions. However, I will pick up on the element of narrowing the gap in participation between the different regions. Damien Yeates talked about the work that has been done by the convention of the Highlands and Islands and it being a mapping exercise that is clearly useful, but the question is what is then done to respond to the issues that the exercise throws up.

If we assume that the Highlands and Islands is one of the areas in which participation presents challenges, it would be interesting to know what is being done to address that. For example, in the construction sector, Orkney College does a lot in terms of delivery but some of the training provision has to happen in Inverness or the likes. What support can be given by SDS, working with the Skills Council and so on, to ensure that such training is delivered closer to hand in order to reduce the cost to business, reduce the incentive for a young person to go away—and potentially not come back—and address the issue of participation?

Damien Yeates: That is a really good question, which is live today. As part of the action plan that supports the Highlands and Islands skills investment plan, we have a set of things that we want to work together to change. The implementation board is chaired by Norman Macdonald from the Western Isles and all the

relevant partners attend that board. We are looking specifically at the challenge of near-to-home delivery of training.

The issue is the scale and scope of the training and the extent to which we can leverage in more industry investment. There is a three-way play. First, can UHI do more to ensure that the delivery is more localised? Secondly, can we take better advantage of some of the distributed methods such as video or web-based learning? Thirdly, can employers do more? If employers have some capacity for on-the-job training that can work as a hybrid model with the colleges, could that deliver more? We have seen good examples of hybrid models in aquaculture around the Western Isles and in the growth around the salmon sector.

If we can anticipate future investment, we can start to work with schools, industry and UHI to ensure that that provision is delivered in whatever format is required in order to minimise the leakage of young people from their close neighbourhoods to Inverness or beyond.

Liam McArthur: Is the validity of the localised dimension of what you are doing borne out by the unit cost of delivering anything in the Highlands and Islands—particularly in the islands—being more than it is in other parts of the country, particularly the more urban parts? The age profile of those who are looking to train and reskill is almost certainly higher in the Highlands and Islands than it is in other parts of the country. You alluded to that earlier. Is the SDS approach geared to reflecting that rather than to adhering to the delivery of a national programme?

Damien Yeates: Yes. It is about balancing national priorities with local flexibilities. For the island communities in particular, we have to be flexible with regard to the cost models, which we are constantly looking at—perhaps Katie Hutton can comment on that—and the shared apprenticeship-type models that we are looking at. How do we protect the importance of the employed status and allow smaller companies to come together to share the training? Our commitment to the Highlands and Islands has been to demonstrate that flexibility. There is no point in us being round that table if we cannot respond to those flexibilities, and we are working very hard to do that. We will be able to demonstrate that.

The majority of the early pathfinders on the foundation apprenticeships were in the Highlands and Islands region. If we can get an increase in the work-based pathways in the Highlands and Islands, that will be one way of anchoring young people. We will never prevent young people from wanting to explore and live their lives in that early part, but they leave for the want of jobs and people being connected to the local economy. A recent

study by Highlands and Islands Enterprise said that the majority of young people still want to stay in the region, but they migrate because of jobs or learning. If we could anchor those young people through more apprenticeships and work-based training, with the rump of the delivery being a hybrid model between industry and UHI, that would be a great recipe for success. However, that absolutely has to be flexible.

Liam McArthur: Lest I be accused of focusing solely on the Highlands and Islands, are there other parts of the country where there is a gap in participation that requires a specific response from SDS?

Damien Yeates: The Borders is a good example of that, although Dumfries and Galloway is probably even better, particularly because there are large tracts of rural population, the density of employers is not high and there is not a great wealth of provision in the area. There is a big challenge about how to respond to all those agendas.

We have done a huge amount of work with North Ayrshire Council around the measures that we need to put in place to respond to the local economy, and the progressions and the pathways that are needed.

The national agenda is important, but local flexibility is crucial because people live their lives locally, not nationally.

Gordon MacDonald: I am in a similar position to Liam McArthur, in that a lot of my issues were touched on in response to the previous set of questions. The commission for developing Scotland's young workforce identified that 27 per cent of employers offered work experience, 29 per cent recruited direct from education and 13 per cent had modern apprenticeships. What steps has SDS taken to encourage more employers to train young people?

Katie Hutton: As you say, 13 per cent of employers had modern apprenticeships, but that is a slightly false baseline because one-man bands would not necessarily have the capacity to take on individuals as apprentices and provide the supervision and training that would be required.

We have looked at the expansion issue and developing further plans around that. There is a range of things out there. Scottish apprenticeship week is our big week for employers. Next year, that will be moved forward to March, which will make it easier for the school system.

We do an awful lot of promotion. I do not know whether you saw *The Times* and *The Sun* this week, in which we promoted the modern apprenticeship awards. We also have regional skills investment plans. For example, a goal in the

Highlands and Islands plan is to increase modern apprenticeships by 7 per cent. That is about how we engage employers locally on the ground, and we use the trade bodies and so on to do that.

A lot of promotion and marketing activity is aimed at employers. The apprenticeships.scot website is used for fulfilling the traffic around apprenticeships, which pushes out messages. It is also linked to ourskillsforce.co.uk, which is the main website for employers.

One of the recommendations in the report and the strategy was around setting up a supervisory group to gain more employer engagement in modern apprenticeships. That would certainly be helpful. We went to our board fairly recently on plans for that. Indeed, we have a whole plan around employer engagement.

Gordon MacDonald: An increasing number of young people have moved into positive destinations when they leave school. I want to ask about the proportion of young people who are not in employment, education or training. What are you doing to support them to find employment or to take up a modern apprenticeship?

Danny Logue: Back in 2003-04, young people not in a positive destination represented 13.3 per cent of school leavers. In 2013-14, the figure was 6.3 per cent, so a lot of work has been done in the intervening years to ensure that young people have that positive transition.

From an SDS perspective, all young people who are in a negative destination—those who are not in a positive destination when they leave school—are case managed. We have our work coach service, which provides intensive one-to-one support with individuals in our SDS centres locally. We have 47 centres throughout the country, so the case management service is intensive.

My second point on that relates to the point that I made about the data hub. In essence, with the data hub, and now with the participation measure, we are trying to say that although SDS has a key role through work coaches and its intensive case management support, others do, too. Many of the young people face a number of barriers, some of which are not employment or learning related. It is really important that we work in partnership with other organisations locally. We do that through local employability partnerships, which are a subset of community planning partnerships. We work closely with other partners and organisations in the localities.

Another area in which SDS plays a key role is the employability fund. That is how we ensure that we arrange in local areas the requirements for support measures to help young people to access the labour market. Some of them require further skills training, which could be job-specific training

or generic employability skills. We have contracts across all 32 local authority areas to deliver that employability fund work.

The data hub allows SDS and its partners to monitor and manage young people in the group who have not entered into a positive destination. It applies to the 51,000 school leavers, 6.3 per cent of whom ended up in a negative destination. With the participation measure, that number expands to include 16 to 19-year-olds.

Damien Yeates: As I mentioned, I hope that the foundation apprenticeship opportunity in the senior phase will significantly increase the awareness among young people of the different pathways that they can choose—that there is not only an academic pathway but a work-based pathway. The work-based pathway does not need to be less academically rigorous, but the extent to which it connects to the labour market is really important.

I hope that that will impact on underrepresented groups in a way that has not happened before. One area that the committee has not touched on is the remarkable fact that, in 2015, our relative gender uptake in STEM careers, particularly engineering, underperforms significantly. We have looked really hard at what prevents young girls and young women from pursuing careers in engineering. When we looked upstream, we found out that 72 per cent of the young people who get a pass or higher grade in physics in Scotland are boys. If somebody does not study physics, the chances are that they will not progress into an engineering-related career. It is really important that, early doors, we switch on the choices that young people—particularly young women—make on science subjects so that they do not switch off physics in particular as a subject. We are doing a lot of work with the Institute of Physics to understand the unconscious bias that goes on and how the way in which physics is taught in the classroom affects the issue.

There are few examples of countries in Europe that outperform the average. Most of Europe underperforms. The statistical outliers seem to be in single-sex schools, but that is clearly not a model that we will move back to. Upstream, we need to think hard about how we ensure that young people make the right choices and keep their options open.

In the senior phase, young people get a really good, low-risk opportunity to test whether they want to choose the work-based pathway. I think that 10 of the 15 young people whom we took on for the engineering pathfinder at Lochgelly high school in Fife last year were young women. The before-and-after difference in their perception, having undertaken the first year of the foundation apprenticeship, was phenomenal.

There is nothing like experience to help young people to make more informed choices. I hope that the foundation apprenticeship helps to address some of the underrepresentation because, in this day and age, it is not right that we have a 1:10 ratio in areas such as ICT, digital and engineering. It is unbelievable that that exists in 2015.

More opportunities are needed for people to gain those experiences earlier and bust the myths. Two or three years ago, National Grid did a survey of 18,000 young people and asked them what their perception was of engineering. They largely said that their belief was that it was flat capped, Dickensian, dirty, male dominated and poorly paid. As the head of engineering at Scottish Power said, our engineers are the foot soldiers in the war against climate change. Compare that as a proposition to something that is Dickensian, flat capped, poorly paid and male dominated.

The foundation apprenticeship could have a fundamental effect in changing the perceptions about the work-based pathway and the progression into apprenticeships.

12:00

Gordon MacDonald: You talked about how foundation apprenticeships might be used to tackle certain groups, but I note that one of the recommendations from the report of the commission for developing Scotland's young workforce relates to the underrepresentation of black and minority ethnic groups. It says that there should be

"A targeted campaign to promote the full range of Modern Apprenticeships".

What are you doing to address that issue, and how successful have you been?

Damien Yeates: That is a very good question, and I ask Katie Hutton to answer it.

Katie Hutton: Since the report was published, we have run a very extensive promotional campaign, and we have talked to all the stakeholders involved; we have a very active equalities advisory group that has a lot of external groups on it. The issue here—and this goes back to parity of esteem—is that the vocational route is much less valued within some BME communities. People are influenced by parents, guardians and so on, who push the academic route. As a result, although 65 per cent of white school leavers go into higher education, the figure for BME communities is 80 per cent, which shows the differential. There are also issues about what constitutes a respectable job, and I have been told by the likes of BEMIS Scotland that there is a culture of sacrificing now for later gains.

We have put in place a range of actions. We ran a big campaign earlier in the summer, and we are working with—indeed, we have two people embedded in—BEMIS, the aim of which is to target various communities, go to all the local groups and associations and spread the message about apprenticeships in order to increase the uptake in those communities. We are also focusing on BME females, because they, too, are underrepresented.

We have also put in place a number of projects. Last year, one of the training providers, Rathbone Training, undertook a very small project in Dundee in which it foot-soldiered out and knocked on the doors of local businesses. As a result of that, BME communities did an additional 30 MAs that they would not necessarily have done.

Our equalities action plan for the four groups that are mentioned in the developing Scotland's young workforce report will be coming out in the coming weeks. The plan will establish what the issues are, because they are different for each of those four groups. It has been developed on the basis of what our stakeholders have said and the available evidence, and it will set out the range of actions in which we are involved to try to increase the number of MAs. A lot of this is based on cultural norms and societal values, which it will take a long time to change, particularly with regard to the gender issue.

Gordon MacDonald: The Government has given you the target of increasing the number of MAs from 25,000 to 30,000 by 2020. Given the underrepresentation of disabled people, people not in employment, education or training and people from black and minority ethnic groups—and bearing in mind the current budget situation—how do you strike a balance between trying to achieve those numbers and providing additional support to those groups to help fill the gap?

Katie Hutton: One of the areas in the plan is extra support for individuals, particularly care leavers, disabled groups and so on. We have made a bid to Government in that respect, but it is all part of the comprehensive spending review calculations that are going on at the moment.

We are trying to strike the balance that you have alluded to, and the plan will set out key indicators with regard to the targets in the youth employment strategy for increasing the percentage of participation. Obviously, any percentage increase will mean extra numbers, and there will be milestones that will allow us to gauge our progress on that.

Damien Yeates: The simple answer to your question is that we have to do both of the things that you have suggested, because that is the commitment that we have made.

The Convener: Did you have a supplementary, Chic?

Chic Brodie: Yes, convener. With regard to tracking the Government's economic strategy, I have to say that I do not expect SDS to do everything, but I would like its input on this matter. As well as having a lack of good management, which is different from good leadership, we are very insular. Damien Yeates has mentioned the OECD goodness knows how many times this morning, but what can be done with regard to skills development? In last week's business in the Parliament event, one of the presenters talked about the lack of language training. How can we use skills development to internationalise our apprentices and trainees? How can we be a bit more outward looking in relation to those who go through skills development programmes? I know that a lot of the responsibility for that will fall on companies.

Damien Yeates: That is a really good question. I often reflect on the issue. I was brought up in Dublin, Ireland, but I have spent a long time in Scotland and there is a real difference in outlook. In Ireland, there is a sense that you will not survive unless you are outward looking and connected to international markets. That sense is not as pronounced in Scotland.

Through all our activities, that core vein of internationalisation is non-negotiable. Within our school experiences we need to switch that on early through exchange and language programmes. The digital side of things also has incredible scope, both for the ability to internationalise and the incredibly foreshortened rate at which we do it.

In the past, if we were looking at international markets we would write to the embassy and pay it 20 grand for a country market report, which it would take three months to give us. We would pay the embassy another 20 grand to find agents for us. We would then go out to visit the agents and then it would take another year before we could get into the market. Through the internet and digital technologies, we can land in a market and be trading on the same day.

There is a twin track of focus. First, how do we get an international mindset to be a core facet of Scottishness? It is there, but it is not as pronounced as it could be. Secondly, how do we get it into people's minds that the digital challenge has great opportunity and threat in equal measure? If we look at all the recent research around the disruptive potential of digital technologies, it is clear that the rate and pace of that disruption will be absolutely phenomenal. The challenge for Scotland is whether we are going to respond to that by becoming a victim or by being on the curve and leading the way.

We just need to look at things such as Uber and Airbnb. We need that fluency of international mindset, but we also need to be digitally aware and connected to the digital economy. Do we have businesses that are engineered from a digital perspective and that are not near to market? The vast majority of businesses in Scotland sell within a 44-mile radius.

Our workforce mobility is very limited. When I met an adviser to the US Treasury we talked about labour market interventions when there were major closures. When I asked what the Treasury would do if the steel mills closed in Cleveland, he said that the steel mills had closed. I asked what the Treasury had done about it and he said that it had done nothing. When I asked what happened, he told me that people had gone to work in Florida. That is like people leaving Glasgow and going to work in Athens. We struggle to get people to migrate from Glasgow to Edinburgh—and that is within the travel-to-work region.

We can focus on the mindset and the digital aspect. Both have great potential.

Liam McArthur: I am mulling over the linguistic challenge of moving from Glasgow to Athens.

I suppose that my question is more of a plea. I take you from the macro to the micro, and one of the aspects that has been introduced to support the developing the young workforce initiative, which is the employer recruitment incentive programme. The start date for that was set as July 2015. From my constituency, I know of employers who were taking on people as they left school, which was a couple of months earlier in the year than that. SDS has been reasonably pragmatic in responding to that issue, but my plea is that we look at the start dates and consider when it is likely that young people will take up the sorts of opportunities that we are seeking to promote.

Katie Hutton: As you know, the local authorities are the ones on the ground who are delivering the programme, which we administer, and there was some work to be done on eligibility, where the money was coming from and so on. That is why there was a July start date. We can ask the Government to consider eligibility in terms of the issue that you have raised.

Liam McArthur: I appreciate the time that it takes to get everything in line, but in this case it might have been more sensible to backdate it. The risk was that people might have taken on apprentices and then been faced with the choice of either ditching those apprentices and taking on someone else, or losing the benefit of the programme.

Katie Hutton: As I said, we will take that back to the Scottish Government and ask it to consider the issue.

The Convener: I have a final question for Damien Yeates. You mentioned that the model of MAs in the senior phase in school was low risk for individuals who take on MAs. Surely it would only be low risk if the Scottish Qualifications Authority and the universities accepted that it was an equivalent tariff to highers and other qualifications that are already recognised. Has the SQA done that? What work is being done on that?

Damien Yeates: The work is under way. That is a great question, which asks how we value work-based learning compared to academic learning, in its true sense. In the past, the system has worked against work-based learning. The problem for a headteacher in a secondary school is that if, say, the convener is taking higher maths and I am taking a work-based pathway, the school would get four times the tariff for the convener than it would for me.

The Convener: You said that before, and we all understand the problem and its history. You have said that the model of taking a modern apprenticeship in S5 and S6 of the senior phase is “low risk”. What work has been done by SDS on ensuring that the SQA and universities provide an equivalent tariff? If that does not happen I do not see how the model can succeed or how it will be a low risk.

Damien Yeates: In-depth work is happening with the SQA to model the certification—relative to highers—that will result from the work-based pathway. Similarly, detailed discussions with universities such as Heriot-Watt University, the University of Strathclyde and Robert Gordon University on how they would manage that are coming up. It is a development programme and those issues are being worked on.

The Convener: What is the deadline for the successful completion of the development programme?

Damien Yeates: It is a five-year programme. We have received European co-finance for it. We will probably take the first three years to develop a number of pathways and work out the elements of a defined framework, which we will then set for the last two years, when the programme will scale up. This is the first year of the programme, so in two years’ time we should have settled advice for the Scottish Government on what a national entitlement should look like and what the framework for that should be.

The Convener: Excuse me if I have not understood that, but when you say that you are working with the SQA and the universities for recognition of work-based learning and the

provision of an equivalent tariff, are you saying that that will happen in two, three or five years' time?

Damien Yeates: It will be much sooner. It is a technical exercise and I do not have the specifics here, but I could write to the committee with the information on when that will be available.

The Convener: Thank you.

It has been a productive two hours. Thank you all for appearing before the committee this morning.

12:12

Meeting continued in private until 12:50.

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