OFFICIAL REPORT
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Education and Skills Committee

Wednesday 19 April 2017

Session 5

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Wednesday 19 April 2017

CONTENTS

EDUCATION AND SKILLS COMMITTEE
11th Meeting 2017, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Johann Lamont (Glasgow) (Lab)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Ross Greer (West Scotland) (Green)
*Clare Haughey (Rutherglen) (SNP)
*Daniel Johnson (Edinburgh Southern) (Lab)
*Ruth Maguire (Cunninghame South) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Liz Smith (Mid Scotland and Fife) (Con)
*Ross Thomson (North East Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Russell Gunson (Institute for Public Policy Research Scotland)

CLERK TO THE COMMITTEE

Roz Thomson

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education and Skills Committee

Wednesday 19 April 2017

[The Convener opened the meeting at 10:00]

Interests

The Convener (James Dornan): I welcome everyone to the 11th meeting in 2017 of the Education and Skills Committee, and I remind everyone to turn their mobile phones and other devices to silent for the duration of the meeting.

We have had a change in committee membership since the last meeting. I was sorry to see Richard Lochhead and Fulton MacGregor go, but I warmly welcome Clare Haughey and Ruth Maguire to the committee. Item 1 is an opportunity for the new members to declare any interests that are relevant to the committee's remit.

Clare Haughey (Rutherglen) (SNP): Thank you for your welcome, convener. I am looking forward to working with the committee. I have no interests to declare.

Ruth Maguire (Cunninghame South) (SNP): I refer members to my entry in the register of members' interests. I was formerly a North Ayrshire councillor.

The Convener: Thank you very much.

Decisions on Taking Business in Private

10:00

The Convener: The second item of business is to decide whether to take a number of items in private. Item 4 is consideration of evidence and item 5 is consideration of a draft report on the children's hearings system. Are members content to take items 4 and 5 in private?

Members *indicated agreement.*

The Convener: The committee plans to consider further reports on additional support needs and personal and social education in the coming weeks. Do members agree to consider those reports and any further drafts of the children's hearings system report in private?

Members *indicated agreement.*

Skills

10:01

The Convener: Agenda item 3 is an evidence session on the Institute for Public Policy Research Scotland report, "Equipping Scotland for the future: Key Challenges for the Scottish Skills System". The purpose of the session is to receive an overview of the skills system, to inform the committee's work in this area. I welcome to the meeting Russell Gunson, who is director of IPPR Scotland and who will present the key themes and findings of the report. Russell, the floor is yours.

Russell Gunson (Institute for Public Policy Research Scotland): Thank you for the invitation to come to speak with you today. As you say, I am director of IPPR Scotland. For those who do not know, IPPR Scotland is a cross-party think tank that has been based in Edinburgh for the past 18 months. It is part of IPPR across the United Kingdom, which has a history of more than 30 years.

We have undertaken two reports on skills and we will be undertaking a third over the next month. I will talk you through the "Equipping Scotland for the future" report, our findings, our process and the next steps. Members have a handout to help them follow what I am saying.

We developed "Equipping Scotland for the future" with the Further Education Trust for Leadership, which is a cross-UK trust that is interested in further education and skills. We wanted to consider the skills system in Scotland, the future challenges that it faces as far as we can see and as far as the skills system can see, and to outline some potential priorities for action over the longer term that will equip Scotland for the future.

The report built on our June 2016 report, "Jobs and skills in Scotland: Addressing productivity, progression and in-work poverty", which considered Scotland's labour market and the economy from a skills point of view, particularly since the 2007-08 financial crash. To give you some context, the June 2016 report was the quantitative report—the numbers report—which partners up with the more qualitative work in this report on equipping Scotland for the future.

What did the "Jobs and skills in Scotland" report find? It found that the labour market has performed well in Scotland since 2008. We have had a large jobs recovery: our employment rate in Scotland has reached almost unprecedented levels and is almost back up to where it was. In particular, youth employment in Scotland is a success story compared with youth employment in the rest of the UK. However, we have problems around pay, productivity and progression. We are beneath the UK averages on all those things, although we are catching up on pay and productivity.

We got some innovative data on skills supply and demand. We worked with a multinational US company called Burning Glass Technologies to get real-time data from the labour market on the skills that were being demanded, and we matched that up to the supply from the skills system. We found that there is a big gap between what the labour market is demanding and what the skills system is supplying. If we look ahead with projections based on things such as demographic and technological change, we see that that gap may well increase. That is what the "Jobs and skills in Scotland" report found.

As I said, in the "Equipping Scotland for the future" report we have built on that numbers report, because we wanted to get an insight into what the skills system sees as the challenges that it faces and what some of the priorities for action are. We undertook interviews, research events and focus groups, all under Chatham House rules, with employers, employees, learners, the college system and the learning and training system. That gave us a qualitative understanding of what we saw as the challenges facing Scotland.

I am not going to talk you through all 10 slides, but slide 4 outlines the 10 future challenges facing the skills system. Included in that is funding, inclusive growth, how we develop the high-skill business model and get employers to focus on it, demographic change, technological change and automation. We can, by all means, drill down into the detail of anything that members find to be of interest.

We outline six priorities for action. If we have the 10 future challenges, what do we need to do now and what areas do we need to work on to ready ourselves for that future? I will talk you through all six of the priorities.

We found that an outcome approach and a clear national purpose seem to be missing from the skills system. Why do we have a skills system? What purpose does it serve? Can we better measure the outcomes that it is trying to achieve?

The second priority is regional integration. There is a cluttered landscape of regional entities across the skills system: regional colleges, regional skills assessments, skills investment plans, educational regions on the school side, youth employment regions and so on. They all have different boundaries and there are potential overlaps of people but, equally, there might not be overlaps of people. How do we better integrate the system at the regional level?

We also need to clarify the roles of the system. For example, we have seen a drift in the role of

further education. It used to be a work-focused route, but now 75 per cent of 16 to 24-year-olds are going on to further study on the back of further education. That is a really positive thing; let us not in any way argue the opposite. However, it leads to a gap in some of those work-focused routes. That is just an example.

What modern apprenticeships are for might be clearer. The new graduate apprenticeships or technical apprenticeships might begin to blur whether apprenticeships are an early or pre-career route, or whether they are a topping-up, mid-career route.

On co-designing a responsive skills system, how do we get learners and employers much more involved at the micro level? We have seen governance changes, particularly in colleges, that bring the learner to the centre of the system as well as bringing the employer and employees into the system. How do we get that right down to the local level so that what people are learning and how they are learning is co-designed by learners and employers?

Flexibility was a key priority. We have seen a reduction in part-time FE, particularly the most informal parts, and again, there are some positives in that. We have seen a reduction in non-recognised qualification courses, and we have seen a greater focus on full-time learning. That focus might have made sense on the back of the financial crash, with higher levels of unemployment, but we have to ask whether it makes sense as we look ahead. Do we want to restrict learning opportunities to full time or do we want to take a more flexible approach so that people can study at their own pace, based on their circumstances?

The sixth point was about how we can improve the transferability of the system across learning settings. The situation that is most often talked about is articulation between HE in college and university. There is a problem with the recognition of higher learning that has taken place in a college setting when it comes to applying to university. However, that is as much of a problem as articulation between college and university or between a workplace and a college setting, or even between employer and employer. If we look to the future, and to demographic and technological change, we are likely to see people working for longer in many more roles, with many more employers and having many more careers. How do we make sure that people do not go back to scratch with their learning as they move through their journey? Transferability of learning is therefore crucial. It is about how one builds a career of learning rather than going back to square one when one moves.

We saw those key areas—an outcome approach, regional integration, clarifying roles of learning routes, co-design, flexibility and transferability—as being priorities for action. That is where "Equipping Scotland for the future" stops; it sets that challenge.

We take up our challenge in our next report, which is due in early May—or it was up until yesterday's announcement, at least. The first two reports—"Jobs and skills for Scotland" and "Equipping Scotland for the future"—set out the problem. The next report will discuss the solutions as we see them, which we can get into in our discussion. I have mentioned some already, and we can focus on the mid-career learning gap and some solutions. On regional integration, we will see what comes out of the skills and enterprise agencies review, where there will be things to pick out. On focusing the skill system on outcomes, our view is that those outcomes should be around productivity, pay and progression. Lastly, on the architecture of the system, the reviews of the learner journey and the enterprise and skills agencies will have things to say, and there will be more thinking and more work to do on the back of those.

I will stop there, at 10 minutes. I am happy to take the discussion wherever you wish.

The Convener: Thank you for that. Gillian Martin and I were fortunate to hear some of that presentation at the cross-party group on skills, which was very useful and one reason why you were invited here.

I have a question about the regional integration of the skills system. Did you hear suggestions in your evidence gathering about how to take that forward, particularly with regard to the role of the developing the young workforce regional groups and with regard to leading a coherent regional approach?

Russell Gunson: In the evidence gathering for "Equipping Scotland for the future", the big feedback was that there is clutter. All the new regional groups make a lot of sense in and of themselves, but across the system they may make less sense. The solutions suggested depended on who we spoke to from the skills system. One part of the system would think that it has it right and that everyone else needs to adapt around it—I am sure that committee members get that feedback too. There were fewer solutions from the people whom we spoke to on that issue.

The two skills agencies at the regional level—Skills Development Scotland and the Scottish Further and Higher Education Funding Council—fund provision that overlaps. We considered how to better align the agencies and funding so that national priorities can be converted to regional

need and, in turn, converted to meet local employer and learner demand.

The Convener: What did you find about the role of colleges in the developing the young workforce groups and the regional system?

Russell Gunson: The colleges have faced reform that other parts of the system have not faced. We have seen mergers, the creation of college regions, and outcome agreements between the SFC and college regions—although universities have those agreements as well.

Other parts of the skills system have not seen that attention to governance and structural change. It can be argued that, in some respects, that is for the good, but there is a point when we need to take a breath and work out whether the system in the round is coherent, which is why the enterprise and skills agencies review is well timed. My view is to see what can sensibly be brought together to bring much more alignment between college regions and other regional groupings including the developing the young workforce groups and city region deals. We do not want to increase the number of regional bodies; we want to reduce that number and bring coherence—or if not reduce, then allow the bodies to work together better.

The Convener: I was going to work through the six priorities in my questions, but instead I will open the discussion to my colleagues. If any areas are not covered, I will ask a question about them or you can cover them at the end.

Liz Smith (Mid Scotland and Fife) (Con): I will ask specifically about outcomes, which Russell Gunson is right to focus on as a priority. Does evidence suggest that the process by which outcome agreements are made—whether in a college or university or through interaction between the skills agencies—is not functioning particularly well, or are the right outcomes not necessarily being agreed? Those are two separate things, and you could help us to understand a bit better where the issues are.

10:15

Russell Gunson: As you know, outcome agreements are in place for colleges and universities. There is less focus on outcomes in the rest of the skills system. Part of the issue is the attempt to bring that culture across the skills system. If the focus is on outcomes, it should be on outcomes across the skills system and not just in parts of it. More directly, the statutory basis for the outcome agreements process comes from the fair access elements. As the breadth of outcome agreements grows, the focus is—arguably—at risk of being lost.

The question about outcome agreements is whether they are too wide. Do we need to narrow them to get back to what we see as the biggest priorities for those that we are bringing under the outcomes regime? Fair access absolutely has to be there but, for those who are outcome focused, positive destinations are no longer enough. In our view, that is not ambitious enough—having any job or any learning, training or education place is not enough. What screams out to us from the evidence is that we need to get underneath what we hope to achieve through a supposedly positive destination.

If a school leaver goes into a low-skilled, low-paid job, and if we have progression rates in Scotland that are likely to leave that person in that low-skilled job for the rest of their career, that is not a success as far as we are concerned. If a school leaver goes into a low-skilled job with wraparound training provision or into a modern apprenticeship, that is a success, because it is beginning to achieve the outcomes for progression, pay or productivity. It is hard to judge just now, but the process would be tested if we narrowed down the outcomes. It would seem sensible to narrow them down to the three Ps of pay, progression and productivity, with a cross-cutting approach to widening access.

Liz Smith: That is all helpful, but the key to determining what the right outcomes are is defining where the issues are. You are clear in your paper that it is not always easy to get good engagement with the groups that need to be involved in that process. Do you feel that more has to be done to identify the problems?

You said in your introduction that there is a big gap between demand and supply, not just in numbers but in what the demand and supply cover—in other words, there is a mismatch of skills. You also flagged up concerns that some provision is not flexible enough and that we are not necessarily responding to local needs. You may intend to address that in your next paper in May, or later, but will you be more specific about how we can address that? I do not think that we will solve any of those issues unless we are clear about what the outcomes need to be for the delivery of skills and about where the issues are.

Russell Gunson: Your original question was about outcome agreements. There are layers to this. The national objective needs to be much clearer as far as the skills agencies are concerned. What outcomes do we hope to achieve for the skills system as a whole? We can translate that down to regional level through outcome agreements, and better engagement with learners, employers and the economy in general would be useful in that.

However, to answer the question about demand, supply and flexibility, I do not think that that can be cracked at the national and regional level. It can be cracked at the micro level by looking at how to bring outcomes right down to learner choices or how to bring tests of demand from employers right down to decisions about who gets a place and what provision a college or training provider makes.

To give a tangible example, modern apprenticeships bring the issue right down to the fact that someone has to have a job in order to go on a modern apprenticeship course. That is a test of demand, in the sense that the employer is happy to engage and support someone through that course. That is an example of how to bring tests of demand and flexibility into that training route at local level.

How can we do the same, or an equivalent thing, across the skills system? There are options for testing demand at the point of entry. This relates a bit to our next report, but we have talked through the idea of a progression agreement—the idea that, in taking up a course, someone agrees through a tripartite agreement between them, the provider and the employer that they will achieve certain outcomes in their learning, which will mean that the employer progresses them in their career. In return for those two things, the provider will provide the course for free. We can see how building that down to a local level could be a way to bring tests of demand and supply to that level and to focus on outcomes at that micro level.

Liz Smith: My final point was raised at your conference, which you ran in September. Some employers that were present raised an issue about the supply side, which was that, although younger people have qualities that previous generations perhaps did not have—particularly their adaptability to technology—a basic concern is that literacy and numeracy are a problem for some who have the potential to be highly skilled. Will you make recommendations on what has to be done about them?

Russell Gunson: Our point of view relates less to the school side of things. We see the skills system as going across post-16 education, which includes the senior phase of school. However, the reports that we have undertaken focus much more on the post-school, sub-degree level—on what is sometimes called adult education, or FE, and skills—and less on literacy and numeracy in schools.

I was perhaps a little more polite among the company that we had in September, but I will push back a bit, because employers need to take some responsibility, too. The responsibility is not absolutely that of the Government or the publicly funded skills system, and it certainly did not use to be. Employers used to take responsibility further up the pipeline and get involved in schools—or, if not, they did not expect ready-made workers to be there for them.

We can see that the Government has a focus on literacy and numeracy through the attainment gap challenge. That is less of a focus for us; our focus is more on the responsibility that employers need to take in developing the workforce of the future.

There are interesting, if not worrying, trends on the employer side of things. In recent times, employers have made investment reductions. Now that things are tighter, we can imagine why pressures on budgets for employers are leading to cuts in training.

Some patterns of investment are a bit worrying. A high-skilled employee is twice as likely to have investment in skills and training from their employer as a low-skilled employee is. If we are trying to achieve inclusive growth and productivity across the low-skilled, low-wage sectors, encouraging employers to invest as much if not more in people who have skills needs is an aim for us in the future.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I was intrigued by pages 12 to 14 of the report and in particular by section 3.3, which is on the future labour market. Demography is obviously a big factor in what is happening out there in the market. We have always supposedly had a big gap coming from when all these elderly people would move out of the workplace and into their retirement homes.

You raise interesting points in section 3.3 about how jobs will change. Can you give us a bit more information on that? Is there optimism that those who are displaced by technology in the mid to low-skilled range will drift into what you call the absolute gaps that will appear in the economy? Does that outcome seem likely? How will those skills have to be developed and enhanced?

Russell Gunson: There are two interrelated but separate trends—demographic change and technological change or automation—and they are likely to hit us over the next 15 to 20 years. Demography is one of those things that we can project and predict quite accurately for quite a long time into the future. Immigration might change things a little, but only at the margins.

It seems as if we have been talking about the ageing population for a long time. That is already happening, but it will begin to hit in the next decade. By 2030, the number of over-85s will have increased by roughly a third. The working-age population will drop and the non-working-age population will increase. The demographic change will happen over the next 10 to 15 years. Although it can be a huge success and will bring huge

opportunities for us to reshape our society and economy, it will also bring huge financial challenges. That is the context in which we will operate over that period. That is the pessimistic side.

There is an optimistic side and, potentially, a pessimistic side to technological change. Let us start with the pessimistic side so that we can end with the optimistic side. On the pessimistic side, about a third of jobs are at risk of automation over the same period. A high potential risk of automation is identified in numerous reports from the Bank of England and PricewaterhouseCoopers and some academic papers from the UK and the US. That would be a huge disruption to the economy. There are 2.5 million people in the workplace now who will still be in the workplace by 2030, so the issue will not be fixed by training new school leavers and skills system leavers; we will have to retrain people who are already out there.

On the optimistic side, every single technological disruption in the past has created more jobs than it caused to be lost. People argue that that all depends on the time period over which that happens. In the past, more jobs were created in the long term, but there were negative disruptions in the short term.

Technological change can be the way in which we get through the demographic headwinds. If we need more tax revenue and more economic growth from fewer people of working age, increasing productivity has to be the way to get it. Technological change is one of our big hopes for achieving that. For Scotland to take advantage of the opportunity that technological change presents, we need to have a skills system across the board that will embrace it.

I will give you some specific projections. The number of human interaction jobs in health and care services—particularly those that relate to older people—is likely to increase. However, automation is likely to hit low-skilled and mid-skilled jobs, as well as sectors that have not been hit before. The challenge is to anticipate that change and to put in place a responsive skills system that can help people to transition through that change and take advantage of the opportunities that it presents.

Colin Beattie: Section 3.3 of your report talks about the fairly substantial existing gap between the number of vacancies and the number of potential applicants—the word “potential” is important. There is quite a big gap to fill now. I am asking for what might be a finger-in-the-air estimate, but are technological advances likely to displace enough people to keep pace with the demographic changes, given that we are starting from basically a negative situation?

Russell Gunson: I can almost hear my friends at SDS and the SFC pushing back slightly against the stats that we have on that. The employer skills survey shows that the skills gap is still there, but it is smaller. We used new real-time, up-to-date data—we can even tell you what was happening yesterday in terms of demand in the labour market—that shows a bigger skills gap. The gap as reported by employers is smaller than the gap that we checked in a more quantitative way. I just highlight that caveat on the skills gap.

We are starting with a gap and we are looking ahead to the changes that will happen. Do we have learning in the right place and are we producing enough people for our care system or other sectors, such as sales? Will that number increase over time? Do we have the right pattern and the right quantity? I suggest that, on both counts, we do not have it right. That suggests that we do not have a skills system that is responsive to the pattern of demand and that we do not have the right quantity of people coming through the skills system, including those from the work-based route, to meet demand now, never mind future demand.

10:30

Some of this comes down to funding. I am not suggesting that it is all about public funding, but it comes back to the amount that is invested and the quantity that we can get through. The technological change that you referred to might help with efficiency. Could we look at a blend of online and face-to-face learning? That would be new for the vocational route, which is much more focused on face-to-face learning, for the obvious reason that people are learning how to do things that they perhaps cannot learn if they are isolated from groups. However, technology is changing all the time, and there are methods of online learning that do not risk a diminution in quality.

Could technological change bring efficiencies that would allow us to put in the same amount—if not a reducing amount—of money and get better outcomes, a larger quantity and a much more responsive skills system? I am not talking just about public funding; employers must take responsibility, too.

Colin Beattie: Elsewhere in your report, you mention employers being a bit slow to take up their responsibilities.

Russell Gunson: Yes. In the next report, we will focus much more on employers. We are tracking through the skills system. There is evidence that across Scotland—in fact, across the UK—employers pursue a low-skill business model far too often. It is a stark fact that about a third of the productivity gap between the UK and our

international competitors is in our low-wage sectors. For example, retail in the UK is less productive than retail in Germany or wherever, and hospitality in the UK is less productive than the same sector in equivalent countries. In inclusive growth terms, if we want to produce an economic model that narrows rather than widens inequalities, we should focus on the areas where inequalities exist, such as retail, hospitality, care and childcare.

That is an example of employers' business model having an effect on our ability, as a country, to achieve the outcomes that we want to achieve. I am not suggesting that we should force or dictate to employers, but we need to encourage a change in the business model for their benefit and for the benefit of the economy as a whole.

Daniel Johnson (Edinburgh Southern) (Lab): Technological change is important because the Scottish system needs to develop the technology skills that people will need to acquire and because it will change the way in which people are employed, with much more self-employment. At the moment, the skills system is based on full-time college places and apprenticeships for which people need an employer, and that is not particularly well suited to self-employment. Have you given any thought to what needs to happen to the skills system if it is to help people to sustain self-employment and access training while they are self-employed?

Russell Gunson: Yes. That is an issue for small and medium-sized enterprises as much as it is for those who are self-employed. The ability to access the skills system diminishes as the size of the company or employer diminishes, so the issue is on a spectrum.

In the current set-up, modern apprenticeships are good for larger businesses that have the administrative capability to cope with employing and looking after an apprentice throughout their framework. Without having to restructure the modern apprenticeship, we can begin to make it more accessible to smaller businesses and even the self-employed. Way back, 20 years ago, apprentices were pooled among employers in the oil and gas sector. Rather than one company employing an apprentice, a few companies pooled together to employ them. We can go back in time and try things that worked in the past and which might well work in the future.

More generally, casual workers, the self-employed and smaller businesses are on that spectrum. To the side of modern apprenticeships, we need to look at a new route to begin to plug the mid-career gap for such companies and employment structures, which would have a much lower barrier to entry with much less administration and risk for both sides. That would be a work-based route that was tailored for the future that we face.

Tavish Scott (Shetland Islands) (LD): I want to ask about the points that you have made about integration. On page 19 of your report, you talk about

"The closer integration and collaboration of skills agencies".

"Integration" means bringing them together, does it not?

Russell Gunson: In our view, it need not. In our view, the Scottish Government has made it quite clear, following the consultation feedback on the review of the skills and enterprise agencies, that all four of those agencies—there might be a fifth one coming along—will retain their current structure, albeit that there might be a strategic board above them.

Although structural change could help, the behaviour between those agencies is just as important. For us, the issue is less about what happens at the national level, where the debate has been up to now, and more about what happens at the regional and local level.

Bringing the agencies together is one option, but I do not think that that is necessary to get the benefits of integration and alignment.

Tavish Scott: So "integration", in the sense that you use it in the report, does not mean bringing the agencies together. You are arguing against that.

Russell Gunson: I am quite ambivalent on that.

Tavish Scott: Okay. Can you provide some specific examples of what needs to change to make that integration happen? I have read lots of reports over many years that have talked about integration. Yours is the latest in a long line of reports on the same theme. Why is achieving such integration so difficult?

Russell Gunson: At the start of most events that I attend, I say that old ideas are not necessarily bad ideas.

One of the reasons why integration is so hard to achieve is that we have very different types of provision. The training providers, which are predominantly funded by SDS, have a very different set-up from colleges and universities when it comes to what they teach and how they teach it. That means that we must approach the outcomes that we expect from them in a very different way.

In that context, integration is quite tricky. Where should we draw the line? Should we integrate FE and what we commonly call "skills", which includes modern apprenticeship training and learning? A case can be made for that. What about the

integration of HE and colleges? A case can be made for that. What about universities and schools? All of sudden, we would find ourselves with one agency covering the senior phase of school all the way through to postgraduate level at university, which would bring huge problems. To be frank, those are some of the issues.

On top of that, the agencies have interests, the Government has interests and MSPs have constituents with interests. That is why integration is so hard. Focusing on the governance architecture is one element, but it is only a means to an end—the end is getting to some of the outcomes-based approaches that we have been discussing. It is not necessary to restructure in order to do that. As members will know better than I do, restructuring can sometimes distract from getting to that end.

Tavish Scott: Do you think that the skills review is doing a lot of distracting at the moment? Anyway, that is another matter.

Russell Gunson: We had the report on that just last month.

Tavish Scott: The report that Ian Wood's commission produced on developing Scotland's young workforce is probably the one report that I have read over all that time that was very clear in its recommendations. Why do we not just concentrate on developing Scotland's young workforce and nothing else? Employers are involved in that process. I could not quite work out whether you were saying that the employer-led boards were good or bad, so perhaps you could clarify that.

That work has cross-party support, and it is well led and ministerially driven. Should we not just try to get that right? It starts at school level, which fits in with your point about the micro level. I would invert your pyramid; I would start with what will work locally, rather than with national priorities, because that will help people. That is how it should be. Should we not concentrate on that?

Russell Gunson: You asked whether the employer-led boards are good or bad. They are doing some really good work. If we focus just on youth employment or tackling youth unemployment, they are doing some excellent work. Some are stronger than others, but they are new. The strategy is good, as is Sir Ian Wood's paper, in the development of which NUS Scotland, where I previously had a role, was involved—we had a representative on the commission.

It is a good strategy, and the fact that it has cross-party buy-in is a strength. In and of itself, it is strong, but if we look across the sector rather than just taking a vertical snapshot of youth employment, we suddenly start to see where there could be better integration—I use that word again—with other parts of the system. If we go down that route, having regions for youth employment that do not match up with regions for schools or college regions could lead to some inefficiencies in the system and some missed opportunities.

In and of themselves, I think that the employer-led boards are good but in terms of coherence across the system, I think that we can do better. Should we just focus on youth employment and unemployment? We have to focus on that—I do not think that it is an either/or question. It almost brings us into the lifelong learning versus young people debate, which I think is also a false dichotomy. We have to focus on youth employment but we cannot focus just on that because of some of the things that we have talked about. There are 2.5 million people out in the workplace already who will need to be helped to transition to the economy of 2030. Focusing on youth employment will not help those people. Equally, if we lose the focus on youth employment, we will be storing up problems for later. We need to focus beyond youth employment—we need to focus across the range—but we need to do so without losing focus on that really crucial issue.

Tavish Scott: You know and understand, because you were involved, that Ian Wood's report covers a much broader area than just youth unemployment and employment. It is also about young people, the learner journey and so on.

My point is that if you have one agreed strategy, you should get the rest to work around that and to deliver. I take your wider point about adult employment and the changing workforce, with 50 per cent of people doing different jobs in 15 years' time because of artificial intelligence, robotics and so on—I totally get all that. However, my worry about all Governments is that we see strategy after strategy—endless strategies—and lots of reports such as yours, but there is never any long-term focus on one issue.

Russell Gunson: I understand. In terms of implementation, focusing on one issue—a narrower issue, albeit a wide one—

Tavish Scott: So it is not a narrow issue.

Russell Gunson: No, but it is a narrower issue than the whole thing. Focusing on a narrower issue has its advantages, but there is a risk that you would drop the ball in other parts of the system if you did that.

Tavish Scott: Okay. Thank you.

Gillian Martin (Aberdeenshire East) (SNP): I want to cross over into the remit of the Economy, Jobs and Fair Work Committee, which I am also a member of. That committee is looking at the gender pay gap, and quite a lot of evidence has

been thrown up around gender segregation in particular sectors, which could be a potential problem in terms of skills gaps. It will not be a surprise that I mention the construction, engineering and care sectors. They are all areas that are under a little bit of stress, particularly with Brexit approaching.

We need to look at how we can perhaps have more women and girls going into the construction sector and more men going into the care sector in order be able to sustain those sectors. There was not much mention of gender segregation in your report. Will you be looking at the issue? It has been flagged up as being problematic in relation to potential skills gaps.

Russell Gunson: Yes. Both in terms of gender and in terms of socioeconomic factors, the areas that we need to work on in relation to increased pay, productivity and progression—care, retail, hospitality and so on—are dominated by people who are from poorer backgrounds and/or who are women. There is low pay in those sectors, but it is gendered low pay, I would argue. I am conscious that I am a white man so I do not want to get into it too much, because there are other people—women—who could speak much more strongly than I on the issue. However, tackling those low-productivity, low-pay, low-progression sectors is a gender issue as much as it is a socioeconomic issue and an economic issue.

If you are trying to get higher productivity rates from a working-age population that is narrowing and growing smaller, purely from an economic point of view, you cannot afford to leave whole chunks of the population behind based on gender or other factors, never mind the social justice issue. For me, inclusive growth has to include tackling that gender segregation but also social class segregation.

Gillian Martin: That has an impact on what you have been talking about in relation to employers getting involved in schools, because it is at school age that you may want to start to encourage either gender to go into a sector that is traditionally gender segregated. Will you be looking into solutions to that gender segregation in the next report?

Russell Gunson: Less so in our next report, but it is absolutely something to take on after that, whether that is done by us or by others. There are two approaches. You are right: it is about getting in very early with education and aspiration raising to some extent, but it is more about linking those aspirations, which I think exist, to how to achieve them and how to navigate the system, so it is about information, advice and guidance.

10:45

One approach is to get more women into those sectors where there are not as many women. Another approach—and you would have to take both approaches—is to take the gender-segregated sectors, particularly where there is low pay and injustice, and tackle those issues at the same time.

First, we need to look at how we get women and people from poorer backgrounds into various sectors, including the construction and engineering sectors. However, I would focus as much on digital and new technology, which, by 2030—the timescale that we are looking at in our report—are likely to be an even bigger part of our economy. Secondly, we need to improve pay, progression and productivity in the areas that are dominated by people from poorer backgrounds and women, such as care and retail.

Gillian Martin: I mentioned Brexit. How much did that inform your work on the report? There are already gaps in people going into certain sectors—the care and health sectors in particular have recruitment issues. How much has that aspect informed your thinking?

Russell Gunson: The report came out earlier this year. The fieldwork, if you like, was pretty much started as the vote came in last June. Brexit was certainly on the minds of people in the skills system—and how to respond to it was certainly on our minds.

There are a few factors that are related to Brexit. The first one, obviously, is to do with the skills gap. Fewer people will be coming from the EU or from outside the country more generally to fill the skills gap in the sectors that you have mentioned and in other sectors, so employers in those sectors will have to tackle that short-term issue. The long-term issue is how people should be trained in this country to fill the gap.

Equally, there is the impact on the wider economy. Brexit is a headwind blowing against the economy that we will face over that time—demographic and technological changes are other headwinds—and it will affect the ability of employers and Government to invest in skills and training. In a way, Brexit is a double whammy.

We are less convinced that Brexit will, in and of itself, bring the opportunity to train people domestically or that that is a good thing. We have talked about the reasons for that. It is not as simple as saying that employing people from outside the country has allowed employers to get away with not investing in training. The opportunities that are available in that regard have perhaps been overplayed.

To summarise, some of the challenges that come from Brexit hit the skills gap and the economy more generally.

The Convener: Ross Thomson is next. His intervention could not be better timed, I suspect.

Ross Thomson (North East Scotland) (Con): My question is not on Brexit, but on priority 5, which is "improving flexibility of learning". In your presentation, you referred to that as being key, and you touched on the reduction of part-time places in further education. My understanding is that, between 2007 and 2016, the number of part-time courses more than halved—there has been a 54 per cent reduction. As you said, we do not want to restrict opportunity, because we need to ensure that there is a balance between those who want to work and those who want to study. In your presentation, you posed the question whether that makes sense. I want to ask you your own question. Does that make sense? From your evidence, what has been the impact of that reduction?

Russell Gunson: Let us get underneath the reduction a bit. It comes predominantly, but not entirely, from very short courses and non-recognised qualifications. Short courses are those that take fewer than 10 hours in their entirety, potentially across a year. Also, although there are good non-recognised qualifications—on access, for example—there are less good ones that allow people to be trained, but not to take that training to another institution or, indeed, out into the workforce.

It is not, by all means, as simple as saying that we should get back what we have lost. Our point is more general than that. If you are in a multiple-career, multiple-job and longer working-life scenario, what you need will change throughout your career. There will be points when you are in between jobs and will need really intense bursts of learning, and there will be points when you are in a job and will need low-frequency learning alongside your job.

At the moment, it does not seem as if we are set up properly across the skills system to cater for that and everything in between. It is not quite as simple as saying that we need more part-time courses and it is certainly not as simple as saying that we need to get back what we have lost over that 10-year period. We need to allow flexibility, so that employers and learners can get short bursts of learning, all the way through to very long, low-frequency learning, and everything between, to suit their needs. That is what we will need in future.

Ross Thomson: What does the system of flexibility look like? I understand what you are saying about short bursts and so on, but how does that system function?

Russell Gunson: There are some examples in the system already. CodeClan is an interesting example in the coding industry. In essence, it provides a 16-week intense burst of training for pretty much anyone who has a degree of any sort. I am sure that CodeClan has a strong admissions policy, but you need the aptitude rather than the qualification before you start. By the end of the 16 weeks, you will be trained up to be a coder, and there are really high employment rates at the other end. That is a real skills-gap sector. We did not have enough people in Scotland who had the skills and we responded to that with CodeClan.

CodeClan is an example at the intense end of the scale. Another example that is out there in the system right now within HE is the Open University. It takes a modular approach—you can study full time all the way down to 30 credits, which is about quarter time. You can build blocks of learning at your own pace, and according to your interests and capabilities, that allow you, by the end, to have an open degree that is built by you.

Those are tangible examples of good practice that we have developed in this country. If we took some of those principles and applied them, either across different sectors, as in the case of CodeClan, or across other parts of the skills system, as in the case of the Open University, we could extend them throughout the skills system. That would suit the future that we are going into much better than trying to get back what we have lost over the past 10 years or so.

Ross Greer (West Scotland) (Green): There is a lot of positive stuff in the report—I am particularly interested in the issue of automation—but I cannot help but wonder whether, in the absence of a coherent national industrial strategy to dovetail with, some of this is working with one hand tied behind our back.

Russell Gunson: We have, in essence, an industrial strategy through the Scottish Government's economic strategy. I am not here to review or comment on that strategy, but it sets out a vision for the future and some priorities within that. I am not sure that we lack an industrial strategy per se, even though the strategy might be one that you or others do not agree with. Where the focus probably should be is on the implementation of the priorities within that strategy. Whether it is inclusive growth, innovation or internationalism, what do we do underneath that in order to deliver on them? A focus on inclusive growth is one that we support, and I am sure that it would gain quite a lot of support across the political spectrum. The delivery of sustainable growth that is inclusive and narrows inequalities rather than widens them is getting a little bit

motherhood and apple pie. Who would disagree with it? On the other hand, it is absolutely the right aim. If we can crack it in Scotland, we would be among the first to do so. It is through that lens that we operate the skills system work. In essence, how can the skills system be at the centre of driving that inclusive growth and delivering on that economic strategy in a way that has an impact on the ground? For us, some of these ideas are really focused on that territory.

Ross Greer: I suppose that I should have said that "national" is a relatively politically charged term these days. I was referring to a UK-wide industrial strategy. Even with the criticism that I might have of the Scottish Government's strategy, the Scottish Government is relatively limited by the powers of devolution, and a UK-wide strategy is required.

Automation has been covered quite a bit already, but a lot of the recent public policy debate on how we deal with it and potential job losses has focused on the social security response. A couple of local authorities will be trialling a universal basic income for a range of reasons, including, partly, to combat that automation agenda. How do we ensure that we have a joined-up approach and do not have John Swinney, Keith Brown and Jeane Freeman taking approaches to automation in three different silos?

Russell Gunson: Your point about a UK-wide industrial strategy would be a fairer criticism of the UK Government—for now; I understand from colleagues in the rest of the UK that it is developing a strategy.

When it comes to automation, there are almost two views: a utopian one and a dystopian one. Apparently, we will all have our feet up either because, in the utopian view, we are willingly and happily allowing the machines to do the work for us, or because, in the dystopian view, they are doing the work and we are slaves to them. I am not sure that I buy into either view. We are much more likely to see change than annihilation of jobs. Take car engineering, where automation is already happening to some extent. The mechanic needs to know how to operate a computer as much as how to use the traditional tools of the job. That is an example of how automation is changing the role as opposed to eradicating it.

For at least the demographic change period—the next 10, 15 or 20 years—there will be attrition and, so, replacement demand. As the ageing population retires, there will be new roles for new entrants, even in contracting sectors. Therefore, even if automation reduces jobs, that does not annihilate opportunities for young people to come into those jobs.

That is context for the universal basic income and more of a cross approach to automation. We will see whether we need to go as far as those ideas. You can hear that I am dubious that we might need to go as far as a wage for everyone. There may be other reasons to do that, but addressing automation may not be one of them.

The cross or connected approach is absolutely right. As far as the skills system is concerned, it is crucial that we set out the national objectives—the national outcomes that we wish to achieve—and try to ensure that the approach goes across portfolios as opposed to being something for the minister with responsibility for skills or the minister with responsibility for further and higher education. I back that. How we do it brings us back to Tavish Scott's point. We have talked about it for a long time and we need to begin to achieve it sooner rather than later.

Clare Haughey: I am keen to ask about transferable skills. Number 5 in the future challenges that you mention is

"Encouraging employees and learners to upskill and progress"

but number 6 in your priorities for action is "increasing transferability of learning." You said that there were some barriers to that. Will you expand on what they are?

Russell Gunson: Articulation—in other words, people moving between HE in college with a higher national certificate or higher national diploma to university without having to go back a step or two—is the area on which people often focus, and rightly so. There are some quite old issues with transferability in that sense but I guess that there will be some new ones coming. Articulation between HE and university is, I think, that kind of old issue, and another old issue that has not received much attention is moving from FE straight to university. Non-advanced FE learning can reach just as high as highers—actually, it can be highers—but school leavers have much more breadth of choice than college leavers with qualifications of the same level. That does not seem, first, efficient or, secondly, right—or perhaps they should be put the other way round.

The new transferability issues that are coming—indeed, which already exist—are more out into the distance of time. If somebody learns throughout a career that lasts, potentially, 50 years, how do they ensure that their learning from 10 years ago can be updated and taken with them in the same way as their much more recent learning? How do we ensure that their learning in the workplace is recognised by their next employer or, if they go back into the skills system, by an institution?

Transferability gets a bit greyer in the future into which we are going.

11:00

There are examples out there that we are interested in. In Singapore, there is a workforce qualification that allows the kind of modular approach that I talked about in response to Ross Thomson. It allows accreditation of prior learning, whether informal or formal, and flexibility from full-time learning to part-time learning. I am not suggesting that that is something to be transplanted to Scotland, but we can look at it and be inspired by it. It could be interesting as a way of allowing transferability within the workplace, and it is in our minds for our next report.

Clare Haughey: Does there have to be some formal recognition of the skills that have to be transferred if they are to be transferable between workplaces or educational establishments, or do you see another way of doing that?

Russell Gunson: It could be argued that employers would not be doing their job properly if they did not understand the skills that their employees had acquired either informally or otherwise. We have what is called a skills utilisation problem in that around a third—I think—of employees in Scotland have formal qualifications that outstrip their current role. We have a really good record on improving skills levels within our population but we are beginning to see a problem with employers not using those skills in work.

The recognition could be informal or formal. We have a problem with the utilisation of even formal skills and there might well be an equivalent problem with informal skills if employers are looking not at how they can stretch their employees in their roles but at whether they can perform the roles that they want them to perform. Formal recognition could be helpful in allowing the passporting of learning across different employers.

Clare Haughey: If the convener will indulge me, I want to ask one more question. Can we expect you to look at such issues in your next report?

Russell Gunson: Absolutely, yes.

Johann Lamont (Glasgow) (Lab): I want to go back to two things that you said. First of all, you talked about positive destinations and part-time courses at colleges. My view of the decision on part-time courses is that colleges might have got rid of some courses that were not of much value but by making a crude distinction between the importance of part-time and full-time courses they have accidentally got rid of a lot of other, particularly valuable courses. I do not know whether you have done any work on that.

Secondly, do you think that there is a tension between the needs and rights of people to access education and the need for a skills strategy that meets our economy's employment needs?

Russell Gunson: I cannot comment on the intentions behind the decision on part-time courses. You are right that some valuable courses have been lost through the reduction in part-time courses, but some less valuable courses have also been lost. For us, the matter goes beyond colleges, because we are looking at the skills system as a whole. It is as much about whether someone can do a modern apprenticeship in a flexible way as about whether someone can do an FE or HE course in a flexible way.

On your specific question whether there is a tension between access to education and our economic needs, as far as we are concerned, you have to align the two. If 2016 tells you anything, it is that, if you do not look after the levels of inequality—of income, wealth, power or whatever—and if you focus just on economic growth, that will bite back over a certain period of time. Never mind that—in our world view, it is a just thing to seek to narrow inequalities and grow the economy instead of seeing them as distinct from each other.

It comes back to the earlier point about gender and people from deprived backgrounds. If we are entering a world in which we need to get more from fewer people—to put it bluntly—in order to get through demographic change, Brexit and whatever else we face, we cannot afford not to be getting the most out of 20 per cent of the population and a proportion in terms of gender. In short, access to education and the needs of the economy cannot be in tension; they have to be addressed together. You need strategies that get the most out of everyone and which, in doing so, grow the economy, too.

Johann Lamont: Who is responsible, then, for the equality impact assessment of the Government's skills strategy? Under the current strategy, folks who can learn only part time because of their caring responsibilities cannot access courses, and people who are far away from the jobs market because of their circumstances do not have access to the wee courses that would take them to a point at which they would be job ready.

Who is responsible for carrying out a really honest equality impact assessment of policy decisions in this area? My own view is that we need a world in which there are a lot of job-ready people available for work—indeed, you might argue that this issue comes up in relation to Brexit—because it is a no-brainer for the employer to choose a person who is work ready. If the Government takes away the courses that get

people to the point at which they may be job ready, is it denying those people access to economic opportunities?

Russell Gunson: There are two points underlying that question: who is responsible in the system as it stands, and whether they are doing well in exercising that responsibility. The Government, or the agencies of Government, would be able to give a fuller answer, but in short the systems that are responsible at present operate through outcome agreements for colleges and universities, which track gender segregation and fair access through certain measures.

Although they are not really outcome focused, there are equivalents in the SDS-funded skills system that track, for example, modern apprenticeship frameworks, which have traditionally been gender segregated, to try to improve the situation. That is the system, and that is who is responsible, as things stand. Perhaps a more important question is, as you said, whether it is doing well enough in all the areas that are hidden underneath.

The use of positive destinations potentially hides quite a lot. It looks great to have 92 per cent of FE qualifiers reaching positive destinations, but underneath that there is the question whether any learning opportunity, or any job, is a positive destination. Within those categories, are the really "good jobs"—in inverted commas—going to certain groups, and are the "bad jobs" going to others? We do not track that as well as we could.

Moving away from positive destinations and becoming a bit more ambitious than that is an important part of the work that we are trying to push forward in our three reports. That approach would enable us to get underneath what looks like a really positive picture, depending on how you look at it, and to look at some of the inequalities that are hidden just now.

Johann Lamont: The colleges are meeting outcome agreements defined by policy that one might regard as unequal in its approach. For example, they are tracking gender inequality or whatever in the context of a policy that favours full-time rather than part-time courses, even though part-time courses might benefit women disproportionately. Who is asking those questions? Is it part of your role to look further at those questions?

Russell Gunson: There is an almost unlimited amount of questions that we could ask, and I would love to get on to some of that stuff. Before I took on my current role, I served as a commissioner on the commission for widening access, so it is an issue that is close to my own professional and personal interests. At present, though, we have no plans to look at that area, because in essence, as we are a charity, everything that we do requires a funder who is interested in funding us to look at a particular subject. We are therefore not looking at that area currently, although I would love to do so.

More generally—and this goes back to my previous answer—the question is whether we are getting underneath some of the trends that look positive. Yes, gender balance has dropped, but on the other hand the focus on gender segregation seems to be improving in parts of the skills system. However, focusing on the overall point might mean missing some important and much more detailed points underneath, which is what you have hit on.

Gillian Martin: I have a short supplementary. Obviously, the route to employment, retraining and acquiring skills is now more diverse, and modern apprenticeships are playing a big part in that. However, there is still a perception among employers, and perhaps among the wider public, that modern apprenticeships are only for school leavers. Was that something that you came across when you spoke to employers? After all, modern apprenticeships also offer a route for older people who want to retrain.

Russell Gunson: Yes. That is particularly the case with the advent of technical or graduate apprenticeships, which are focused not only on different skill levels but on different age groups.

Because the modern apprenticeship route is focused predominantly on those who are at an early stage in their career or who are at the pre-career stage, the proportion of people have had less than six months of working prior to taking up a modern apprenticeship is quite high. We are opening up routes that are potentially for people throughout their career, but the system is still dominated by people who are at an early stage in their career or who are pre-career.

Do we want to promote the two routes have been mentioned to older people and those who are mid-career? I think so, but there is a question in my mind about whether the modern apprenticeship route can do that all by itself or whether we need something in addition that focuses on older and mid-career workers. It is a matter of doing both—we do not need to do just one or the other—but what makes the apprenticeship route difficult for much older people is the minimum wage that apprentices are paid under the legislation, which is obviously a reserved matter. SDS has a real focus on a minimum wage more generally rather than on employers paying apprentices the minimum wage.

Modern apprenticeships are opening up to people beyond the pre-career and early career stages, but I am not sure that they can do it all by

themselves. They are part of the picture, but we need something else in addition.

Ruth Maguire: I would like to hear a bit more about your recommendation on learners and employers co-designing the skills system. Co-designing and co-production are inherently sensible, but they are quite challenging to achieve. In your report, you say that the skills system is often seen as confusing for learners, and you mention the challenge in promoting a high-skills business model and getting employers to value skills. I would like to hear your reflections on how we can act on that recommendation and meet those challenges.

Russell Gunson: Co-designing brings principles right down to the micro, local level. Where there is a gap in meeting demand, it can be filled much more easily if employers are involved in designing courses and testing the demand for their workers to go on those courses. In that way, we can—I would hope—begin to narrow the gap. We need learners in the non-university, non-HE parts of the system to get used to the idea that they need to be able to shape their learning as much as those in school can, in principle, through curriculum for excellence and as much as those at university and college can through quality improvement and enhancement. I am not sure that that principle is embedded across FE and skills in the same way at the moment.

Those are some general reflections, but I will also give a specific example. I have mentioned a few international examples; there is a model in America called the career pathways approach, which, in essence, sets out clearly for a number of careers—if not an unlimited number—the qualifications, education and experience that will allow someone to progress either in educational or in career terms. If we got into that territory in Scotland, it could be really interesting. The crucial element would be to ensure that the career pathways were not designed just by the employers and the sectors but had flexibility for employees or learners to bring their interests and potential to them. That would bring into the FE and skills side of things a little bit of the culture that is coming through curriculum for excellence and which is already in the university side of things—at least in theory.

Ruth Maguire: Thank you.

The Convener: As there are no more questions, I will draw the session to a close. Thank you very much for your time and your interesting responses, particularly the tantalising glimpses of your next report. We were hoping to see that in May, but it now looks as though it will be June before we will get that chance.

Thank you again for coming along today. That ends the public part of the meeting.

11:14

Meeting continued in private until 11:52.

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