



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 30 January 2018

Session 5



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ECONOMY, JOBS AND FAIR WORK COMMITTEE
4th Meeting 2018, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Tom Arthur (Renfrewshire South) (SNP)
*Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Kezia Dugdale (Lothian) (Lab)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jackie Brierton (Women's Enterprise Scotland)
Stephanie Brown (Registers of Scotland)
Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work)
Graham Fisher (Scottish Government)
Sandy Kennedy (Entrepreneurial Scotland)
Chris Kerr (Registers of Scotland)
Dr Suzanne Mawson (University of Stirling)
Jim McColl (Clyde Blowers Capital)
Alex Neil (Airdrie and Shotts) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 30 January 2018

[The Convener opened the meeting at 09:32]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the fourth meeting in 2018 of the Economy, Jobs and Fair Work Committee. I remind everyone to turn off any electrical devices that might interfere with proceedings. We have received apologies from committee member Gordon MacDonald; I think that Alex Neil will arrive shortly to take his place.

Item 1 is to ask the committee to decide whether to take in private items 5, 6 and 7. Are we agreed?

Members *indicated agreement.*

Subordinate Legislation

Registers of Scotland (Digital Registration, etc) Regulations 2018 [Draft]

09:32

The Convener: I welcome the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown, and also the team who are with him. They are Chris Kerr, Stephanie Brown and Graham Fisher. Thank you for coming this morning.

The cabinet secretary is here to move a motion on the draft Registers of Scotland (Digital Registration, etc) Regulations 2018. I know that normally he would make a fuller statement at this time, but he was before the committee on 21 November and set out the purposes of the draft regulations. There was an issue about one regulation in the draft—regulation 8, as I recall. In the light of a majority committee decision, the regulations have been redrafted and re-presented in the form that we see today. I think that the only difference between the drafts is that the Government has taken out regulation 8. Perhaps you could confirm that.

Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work): That is right.

The Convener: The motion that is before us relates only to the new draft, but obviously with the date altered and regulation 8 removed. I am happy to allow you to make a statement, although I do not feel that it is necessary that you go into detail, unless you wish to, in the light of those circumstances.

Keith Brown: I have a very short statement to make.

Members will be aware—not least from what the convener has said—of the previous discussion, and that the regulations will facilitate the introduction of new digital services, for which I think there was, at the last meeting, substantial support in the committee. Those services will be provided by Registers of Scotland. The regulations will also provide for a presumption in favour of use of digital services, and will remove the existing land registration application form from the Land Register Rules etc (Scotland) Regulations 2014.

For our part, the Scottish Government is committed to the delivery of user-focused collaborative digital public services that are wide ranging and easily accessible, and deliver value for money for the people of Scotland. Registers of Scotland is developing a range of digital services that will provide online land registration in a way that meets the needs of its customers and the wider Scottish economy. The draft regulations are

the next step in that digital transformation: the aim is that Registers of Scotland will be a fully digital business by 2020. The regulations provide a framework to support the eventual mandatory use of digital services with a minimum six-month notice period applying, and require consultation of Scottish ministers before such mandatory use can come into effect. That will ensure that Registers of Scotland delivers the most efficient and effective land registration services possible.

The regulations will give effect to detailed proposals that were set out in Registers of Scotland's consultation, "Digital Transformation: Next Steps", for changes to the rules to facilitate the introduction of digital registration services, including a fully digital transfer-of-title service. The reaction to the consultation was very positive and respondents expressed strong support for the proposal to streamline and simplify registration services.

It is worth noting that the digital discharge service that was launched last year has already proved to be popular with lawyers and lenders, and has reduced the processing time for dealing with applications for discharges. I hope that the introduction of an online registration process will prove to be equally popular when it comes into effect—subject, of course, to the committee's approval. Thank you, convener.

The Convener: Thank you very much. There are no questions from members, so I will move to the formal debate on the motion to approve the affirmative instrument. First, I say to members that they may speak in a debate on the motion following the Cabinet Secretary moving the motion.

Motion moved,

That the Economy, Jobs and Fair Work Committee recommends that the Registers of Scotland (Digital Registration, etc) Regulations 2018 [Draft] be approved.—
[Keith Brown]

Motion agreed to.

The Convener: Thank you. Do members agree to a short report being agreed by the clerks and myself to set out what has been agreed?

Members indicated agreement.

The Convener: Thank you. I suspend the meeting to allow witnesses to come in.

09:37

Meeting suspended.

09:40

On resuming—

Scotland's Economic Performance

The Convener: Good morning and welcome to the witnesses who have joined us for our inquiry into Scotland's economic performance. Jackie Brierton is the vice-chair of Women's Enterprise Scotland and the chief executive officer of GrowBiz; Jim McColl is the founder, chairman and chief executive officer of Clyde Blowers Capital; Dr Suzanne Mawson is a lecturer in management, work and organisation at the University of Stirling; and Sandy Kennedy is the chief executive of Entrepreneurial Scotland. Thank you for coming.

It is not necessary for panel members to answer every question, but we try to allow things to flow, so feel free to indicate by raising your hand that you wish to speak at any point, if you have not done so.

We will start with a question from me and then move to questions from the other committee members. How do you see the Scottish economy's performance over the past 10 years? In particular, how do you view the developments in entrepreneurship and business growth in that time?

Dr Suzanne Mawson (University of Stirling):

We have seen quite positive development in entrepreneurial activity, and in awareness of and interest in entrepreneurship. That has been because of sustained rhetoric in policy and the building of awareness through the wider media, and the development of organisations such as are represented on the panel.

We still have a bit of work to do. I do not have the most recent figures on business creation in Scotland, but the "Global Entrepreneurship Monitor 2014 Global Report" said that Scotland was lagging behind the wider UK. There is room for improvement in developing entrepreneurial intention and new venture creation, which is partly about building confidence.

If we look at the "Global Entrepreneurship Monitor" figures, the big thing is the gap in respect of people's perceptions of the skills and abilities that they have to allow them to start a business. I see that quite often, working at a university. Individuals can have a strong interest in starting a business but almost be worried that they will be unable to do it. If we want to continue our positive trend and see even more businesses starting and more entrepreneurial activity, we can perhaps start by building understanding of the skills and knowledge that are needed to start a business.

Jackie Brierton (Women's Enterprise Scotland): Following on from Suzanne Mawson, I will focus on the two areas that I am particularly interested in and potentially knowledgeable about: women's enterprise and rural enterprise. Over the past 10 years we have seen some progress in the number of women starting and growing businesses, but we have not taken advantage of the huge potential to grow from the current 20 per cent figure.

We have probably sadly neglected a lot of our rural economy. Compared with urban areas, the rural situation is dominated by small businesses and microbusinesses and the rural self-employment rate is more than double the urban rate. We have not provided the kind of support that small businesses and microbusinesses need in order to grow; after all, they are the pipeline of businesses that will become the small and medium-sized enterprises of the future.

Those are two areas in which I think there is a lot of potential, if we can do more gender proofing and rural proofing.

Sandy Kennedy (Entrepreneurial Scotland): We should be looking at data on the past 10 years. There are questions about how good the data that we have on our performance is, and what data we will need in looking to the next 10 years, so that we can understand how well we are doing, and what is working and not working. We see from looking back at the data for the past 10 years that gross domestic product growth has been weak in Scottish terms, but it has also been weak compared with United Kingdom growth.

09:45

We have improving productivity performance, but it, too, is still relatively weak—it is only just into the second quartile. Our higher education research and development is good but our business R and D is down in the fourth quartile. There are some pretty tough messages, and maybe mixed messages in the hard data.

Another source of data on organisations that scale up—I see it as an indicator rather than as something that is thoroughly researched—is *Scottish Business Insider's* top 500. Of the top 50 firms in it, the most recently created firm was founded in 1985. That was City Refrigeration, which was founded by Sir Willie Haughey. We in this country have not created a firm that can get into the top 50 since 1985—32 years ago. That raises significant questions and has happened despite a strong focus on high growth.

Similarly, when we look at the landscape of entrepreneurial leaders from start-ups right through to scale-ups, we see that the number of female founders and female chief executive

officers is very low. I do not have the exact percentage—I believe that it is not available. There is a key point there about latent potential.

We can look at the hard data from the past and at some of the more specific point data from *Scottish Business Insider* and so on, but the key thing is how we feel. The feeling is that Scotland has much more potential than we are realising. We could accept that this is the norm—that this is where we are and this is where an industrialised economy at the top of Europe should be—but the people whom I spend a lot of time with believe that Scotland has huge potential that we are not fulfilling. For me, the pressing challenge is about how to unlock that potential in a range of different ways.

The Convener: Does that relate to the rates of business start-ups and business growth?

Sandy Kennedy: There are two points to make. Start-up rates will ebb and flow; they have done over many decades. My issue is that we need to do both—we need to keep that top-of-the-hopper start-up flow coming in, but we have then to move that on to create jobs. We create jobs by growing firms, by exporting and by increasing the talent flow in those organisations. Start-ups are important and we should track that number, but it is illusory to look at that number alone. We should be looking at how firms are growing, how they are exporting and how good we are at creating new jobs.

Jim McColl (Clyde Blowers Capital): There has certainly been a lot more interest in entrepreneurial activity and people trying to start their own businesses over the past 10 years, but it has been driven by a lack of opportunities for high-quality jobs, so people are being forced into thinking about entrepreneurship rather than doing it as a first choice. It is a good thing that they are looking at it.

The previous decade—1997 to 2007—was a more golden era for Scotland. Many businesses grew and a lot of entrepreneurs came to the fore and encouraged others. If you were to ask why the situation has changed, I would say that it is because support for growth and support for businesses, including microbusinesses and SMEs, has disappeared: we do not have the support structure that we need.

Before 2007, we had good support mainly from two of the Scottish banks. You might hear a quip that that is how they got in trouble: it is not how they got in trouble. They gave very good support to small businesses, which they do not give now. They are very restricted in the support they can give and have pulled back quite a bit.

We want to encourage our SMEs to export, but the existing export finance system does not

support SMEs. There is, theoretically, a UK support system that says that the Government will underwrite 80 per cent of the export finance, but that has to be done through one of the big banks. If you go to them they say that that is all very well but they want additional security. SMEs cannot get support to export.

We do quite a bit of work in Finland. The national investment bank there, Finnvera, is very supportive of SMEs—Clyde Blowers has been a beneficiary. I think that, in absolute terms, it has given three times more export finance support to its companies than the UK has given; Finland is a country with a population of only 5.5 million. Finland has a very good infrastructure for supporting start-ups and supporting growth companies through its national investment bank.

I know that the Scottish Government is developing a Scottish national investment bank. My worry is that we will kind of half cook it and not provide proper support that gets around European state-aid rules. Every other country in Europe has a national investment bank that is set up to get around state-aid rules. Those banks can raise their own finance off the Government's balance sheet and on the bank's balance sheet, and can raise bonds to support small companies.

The problem that we have here is that such finance raised in the UK goes on to the national debt. It does not go on to the national debt in any other European country because the national investment banks are set up so that they finance separately the commercial entities that are owned by the Government and they make money for the Government. Those banks can raise money, support their infrastructure programmes, small businesses and growing businesses, and they can do import substitution.

When I compete with Polish, German or other European company in bidding for local work, as I do in my shipyard, there is an uneven playing field. I do not have the support to put in place the guarantees that the Germans and the Poles and every other European country has. That is why we have a very weak industrial base.

John Mason (Glasgow Shettleston) (SNP): I want to press you on the point that you made about other countries' national investment banks. Are you saying that we could not set up a bank in the UK that is completely off balance sheet because, at the moment at least, European rules govern all those things, or are you saying that we are not planning to set up a bank that is off balance sheet?

Jim McColl: It is often quipped that we are the only ones who stick to the rules and that all the others—the French, the Italians and everybody else—cheat. They do not cheat. There is a method

to do that, and we can do it, but we have chosen not to—or the politicians in the UK and Scotland have chosen not to.

That has probably been more difficult in Scotland because it is governed by UK rules on the amount of debt that it is allowed to raise but, arguably, if it sets up a separate investment bank, it should be outside those rules. Every other country raises money on the markets and, because the debt is Government backed, there can be borrowing at low rates and then lending and giving guarantees to companies to support their growth. However, they charge a bit more than they pay for their bond.

I recently commissioned a report from University College London, and some astonishing facts came out. One quite surprising fact was that, if the debt that Germany's national investment bank, KfW, raises were put on to the German national debt, Germany would be the third most indebted nation in Europe after Greece and Lithuania. However, it is not part of the national debt. Such debt should not be viewed in that way.

We could choose to do that here, but we need to be ambitious enough to do it properly. I hope that, with the national investment bank that we are setting up here, we are ambitious enough and that we will ensure that it can get around European state-aid rules. Obviously, after Brexit we will have some sort of trading relationship with Europe, so there will be state-aid rules. If there is a trade agreement of any sort, there will be state-aid rules. We need such an investment bank now more than ever.

Andy Wightman (Lothian) (Green): The remit of the inquiry is as much to look forward as to look back. Jim McColl has already talked about challenges in investing in the economy. Will the panel members give us some sense of the key challenges and risks that face the Scottish economy and businesses over the next 10 years?

Sandy Kennedy: On our talent pool that can enable businesses to grow, the ScaleUp Institute has done research for the UK and Scotland which has highlighted that access to talent is the biggest barrier to growth.

At the other end of the spectrum, we run a programme in which we have 18 businesses that are at the lower end of scaling but have ambition to scale up to £50 million to £100 million. They say that their number 1 problem is access to talent. Even in that group, about 50 positions are currently vacant.

A recent report from the Fraser of Allander institute highlighted specific issues relating to recruitment. It is clear that there is a skills and talent issue that could become even worse with Brexit, because a lot of our technology and life

science firms in particular have enjoyed a flow of talent from Europe. At best, the situation is uncertain, and it creates issues.

Access to talent is really important, but it is also important to emphasise a side issue. We run the saltire scholar internship programme, for which we had nearly 1,500 applicants this year. In the past few weeks, we have interviewed 600 people. The quality of young people who are coming through at that end is really good, but we have to be careful that we do not swing too far the other way. Those people could be looking for opportunities in London, New York, Europe or around the world, so we have to ensure that there is transparency in respect of the opportunities that exist in Scotland for our best young talent. I do not believe that that is happening.

Jackie Brierton: I want to go back to the data question that Sandy Kennedy mentioned earlier. If we analyse trends over the past 10 years, we can see that the only growth area has been in self-employment and unregistered businesses. Therefore, in the next 10 years, one of the key ways in which we will get the economy to grow is to work with those self-employed people and unregistered businesses and help businesses that want to grow to get to the next stage. There are challenges there, which I will come back to.

Women's Enterprise Scotland has surveyed women business owners several times over the past few years. Some 87 per cent of them want their business to grow, so there is obvious potential there. However, they do not necessarily want to grow the business in the way that the agencies stipulate they must grow in order to get support. For example, to access the pipeline support, they must target a £400,000 increase in turnover over 18 months to two years—something along those lines. For many women, that is not feasible or sustainable. They often start part time, and they must often balance other responsibilities. They want to grow their business, but they want to do so organically.

To take advantage of the opportunities and the potential over the next 10 years, we need to look again fundamentally at how we support businesses at the early stage and how we help microbusinesses and small businesses to get to the next stage. Once they have passed start-up, there is nothing for them unless they fulfil the criteria for high-growth support. A vast array of missing middle businesses in Scotland cannot access support.

10:00

One of the other huge challenges is the digital challenge. There is an enormous opportunity. If we reach the target for 2021 and every business and

household can access high-speed broadband, that will increase the number of microbusinesses that can operate efficiently. Such businesses can use e-commerce to expand and to do all sorts of things that they could not do 10 or 15 years ago. However, recent statistics show that fewer than a third of our businesses use digital technology for cloud computing, customer relationship management and data analysis. A third of businesses still do not have any digital presence at all. The digital ability and resource that will be available to businesses could be lost because the business community does not have the skills and confidence to use that resource to its fullest extent.

Even with the ambition to have high-speed broadband, we are talking about an average of only 24 megabits per second. Practically the only priority in South Korea's economic development strategy is that every single business should have access to broadband speed of 1 gigabyte per second. If we had something ambitious like that in Scotland, we could transform the economy in the next 10 years.

Jim McColl: Sandy Kennedy mentioned access to talent. We produce a lot of really good talent here, but we do not produce opportunities for those people, so we lose them.

I am supportive of Entrepreneurial Scotland: my company has supported some young people. I have spoken to them after they have been through the course, and they have buzzed with energy. My big fear is that they will go into a company and get that knocked out of them. They are enthusiastic and they want to do things. The fundamental problem is that we need to produce more high-quality well-paid jobs that can provide a career path for people. We are currently producing low-cost jobs. Unemployment is low, but the quality of jobs is not as good as we want, here.

Another issue that comes up is productivity, which is always linked back to R and D. Productivity may have a small connection to R and D, but the three big productivity factors are happiness at work, security and fair pay. If people have those three things, productivity—surprisingly—goes up. I have experienced that in my businesses. Productivity shoots up and has nothing to do with our plugging in a lot more R and D. We need to focus on higher-quality jobs, fair pay and security. Higher productivity will then follow.

The support that Jackie Brierton says is needed for smaller businesses is just not there. A lot of the entities to support businesses are musclebound. I have tried to get support with a couple of things, but we get to a dead end and we are told that we do not fit the criteria for support. We need a more

flexible approach, and there are ways we can have that.

Gillian Martin (Aberdeenshire East) (SNP): I am very interested to hear what you are saying about skills. One of the things that I have been aware of as a former further education lecturer is that there are a lot of young people in FE who are doing the type of courses that would lend themselves to setting up in business—for example, in hair and beauty or the creative industries—but there does not seem to be a lot in place in the curriculum to give them the tools to set up in business. Has it been your experience that we may be missing a trick by not having that?

When I was in a school yesterday, one of the kids in fourth year said that one of the most useful things he could learn in school would be how to fill in a tax return. Today is 30 January, so obviously we are all keenly interested in that right now. Has that been your experience as well? There are the skills to do the job but also the tools to make confident entrepreneurs. At the moment, as Jackie Brierton said, people are falling into self-employment, rather than looking at it as a goal and thinking, “I want to be an employer; I want to set up in business.”

Sandy Kennedy: As an addendum to that, one of the biggest influences on young people—indeed, on all of us—is what our peer group is doing and then what people we come into contact with are doing. For young people coming through schools or in colleges or in universities—or apprentices or whatever—the quality of contact that they have is very important. To take the example of the fourth-year you mentioned, if the only person who is teaching them and influencing them is somebody who has never worked in the workplace or has never had experience of that, what they learn will be at best abstract and at worst ill informed. The more porous we can make the boundaries between schools, colleges and the business community, the better.

Jim McColl can probably talk to this very powerfully, particularly with the work that he has been doing in Glasgow with his school. When you get young people engaging with people who have all sorts of backgrounds, who maybe did not go to university but who have done phenomenally well, or who have the ambition to start a business and sell into another country, it really affects those young people. There are programmes such as Founders4Schools and Young Enterprise Scotland that are doing that. We need to get into that, but we need to do it together, so that we do not have a pocket of schools over here, business over here, the public sector over here and the health service over here. We need to start working together much more.

Gillian Martin: You mentioned that R and D is very good in universities but not so good in businesses. Who is facilitating the merging of business into universities? Is anyone taking responsibility for that?

Sandy Kennedy: There are organisations such as Interface that are looking at that, but I would look at it a bit more holistically and ask what the driver is for somebody taking all that R and D into universities. Somebody with the data would be able to say it better, but I suspect that the driver is that there are many academics who want to get academic research funded. Their goal is not to start a business or to connect back into business. It ends up being siloed. If you look at the fancily named higher education R and D data versus the business R and D, we are in the top quartile for higher education R and D and the bottom quartile for business R and D. That says to me that there is a massive gap between them. There is a disconnect.

I do not have the broken-down numbers, but the amount of money that the Scottish Government currently invests is £2 billion a year in economic development, R and D and support skills for the economy. You have to look at where the return is on that investment.

Dr Mawson: I wanted to come back on the issue of skills. I think that this is a critical point and it may be where we have our biggest stumbling block. Every day, I see so many young people who are passionate about doing something for themselves, about starting a business, even about working in a young venture or an SME, and very often I see a confidence issue. We are great at having a dialogue about entrepreneurship as a potential career choice, but we are not necessarily so great at giving young people the tangible training or tools that they can engage initially and build on and develop their confidence from.

We have seen a huge development in what is available at elementary school and high school level, in colleges and at universities. Even in the past five years, things are so much better, but I think that there is work to be done and a balance to be found. It is about giving young people a chance to be inspired by having businesspeople come into institutions, schools and universities to share their experience and build that passion and enthusiasm, but it is also about moving beyond that and giving concrete education with specific tools that go beyond business planning, such as thinking about the tax return and other specific elements that may help not only in starting a business but in giving a platform for development and growth later on.

There is a lot of potential there, but it is fair to say that we have come a long way, even in the

past five years, so we are on a positive trajectory even if we have some areas for improvement.

Andy Wightman: In answer to my original question, Jackie Brierton said that we need to get self-employed people to the next stage, and Jim McColl mentioned something about self-employment in answer to an earlier question. My understanding is that a lot of self-employment is not through choice but through necessity. Can you say a little bit more about the extent to which you think that self-employment, as it currently exists, can move on to create bigger businesses? You mentioned also the inappropriate level of support that was available, particularly for women. What is the latent capacity in the economy that we are missing out on?

Jackie Brierton: From a self-employment perspective, GEM measures opportunity versus necessity statistically, and opportunity outplays necessity. Undoubtedly, there are people in the economy who do not choose self-employment as a first priority, but in rural areas often there is no choice. Instead of saying that they are doing it because they have to so we should not be helping them, we should be engaging with them and finding out how we can support them to build a stronger way of employment. Even if it ends up that they are only creating their own job, that is still valuable, particularly in a rural context.

GrowBiz, which operates in rural Perthshire, is the only model of its kind in Scotland. We are a community-based enterprise support organisation, we are independent and we provide the support very much from a perspective of helping businesses to engage with each other and support each other. It is a peer support model and there is a mentoring programme within it. There are a lot of different ways in which we support the businesses. It ends up becoming a very sustainable local economy, because they all feel part of a community of business, which is very important for their sustainability.

Survivability rates are very high. The last time we measured, over 90 per cent of the businesses that we have worked with in the past five years are still operating. They might be just one, two or three people, but in a rural context that is critical. The multiplier effect of having 100 businesses turning over £30,000, £40,000, £50,000 in a rural context is much greater than the effect of having one with a £3 million, £4 million, £5 million turnover, which would be unusual in most rural areas.

From a rural perspective at the self-employment and micro-business level, the only source of support in most areas is the business gateway. The business gateway is very centralised, so it rarely provides outreach support or goes to where people need it. Probably more importantly, it also does not really value most self-employed

occupations, so it dismisses businesses too readily. We have many clients coming to us at GrowBiz and saying that they have been to the business gateway but been told basically that they are not worthy of support, which I think is appalling, because we are putting off so many people who have potential.

It is not necessarily the business gateway operator's fault that that is happening. I think that the business gateway contract is not fit for purpose in 2018. It is an approach that is very similar to the one that we were taking to supporting business 15 or 20 years ago. It is a transactional approach, it is minimal and it misses out on a lot of opportunity and potential because of the way it works. I do not think that it is the operator's fault; we just need to rethink it.

Perhaps controversially, I would say that we missed an opportunity in the enterprise and skills review to review how that worked. That would have been a chance to take a more radical approach to how we support business. It is not that it is more costly. We have costed out how GrowBiz operates. We have supported 300 businesses in the past year, which works out at about £700 or £800 a business, but the business gateway cost is about £1,100 or £1,200 a business, so it is not about cost. You can create a really effective relational model of business support that works, and if you do it in a facilitative way at a local level, it does not need to cost a lot of money.

10:15

John Mason: I would like to focus on the whole question of growing businesses. I look at the business pages of *The Herald* sometimes and see that some small growing business has sold itself to Microsoft or Google or some other huge international organisation. That is seen as a success and a few people have made quite a lot of money. I always feel disappointed when I read that kind of story, because I wonder whether that company could not have grown more as a Scottish company with its headquarters in Scotland. We have talked already about there maybe not being enough support for small businesses to grow, so is it not a bad thing when we sell off all our small companies? Is it a lack of confidence on the part of the people running the companies, or is it a lack of support from the public sector?

Dr Mawson: You have raised a very interesting point. It is something that has also been a bugbear for me personally over the past few years when watching the media footage. In our high-growth business base in Scotland, we have about 1,500 high-growth firms at any given point in time, and I am always surprised just how quickly that stock replenishes itself. For example, a couple of years

ago I did a small study looking at eight companies: within three years all eight high-growth firms had been acquired by large multinationals.

There are a number of factors at play. It is a very good thing for the owners of the business to be able to sell out and move on. For me, the question is less about the rationale for that decision—I am not sure how effective policy would be on what is a very personal decision on the part of a business—than it is about the issue of embeddedness: how can we keep businesses growing in Scotland for as long as possible to avoid being a branch plant economy, where we maybe keep a head office as a business is acquired? It is also about embedding CEOs, managing directors and their employee base within Scotland so that there is a desire for people to stay here and continue to grow businesses here. If an acquisition happens and a business is sold, how do we make sure that we have—I know that the academic term is kind of silly—entrepreneurial recycling? How do we make sure that we get serial entrepreneurs—people who are reinvesting in new business creation in Scotland time and again rather than going to other ecosystems or down to London? Those are critical issues.

Support might be part of the issue. I strongly suspect that, given the nature of support through the enterprise agencies, if a company is trying to meet the growth targets year on year for support, it is probably building for growth for sale. Having such discrete targets may lead to companies having an exit strategy, or it may make companies more visible to potential buyers from outside the UK or even in the UK. If we focus on embeddedness and trying to get individuals and their organisations to see the benefit of staying and growing in Scotland, for however long that may be, we will end up in a much better situation than we are in currently. We are giving an awful lot of funding—tons and tons of support, financial and otherwise—to very promising, early-stage businesses only to then help line the pockets of big multinationals and give away our intellectual property and other benefits that should be kept here and should be benefiting Scotland and the Scottish economy.

Jim McColl: I think that that is a very healthy part of the whole entrepreneurial cycle. What we are missing is stronger businesses based in Scotland that can buy those smaller businesses. That is the whole tier that is missing here. We are missing the bigger businesses that can take them to the next stage or elsewhere. We do not have the businesses that can say, “I will take this business that has been growing very strongly and it is a great business with a good future.” However, the commitment that is needed to finance that is big, and some people are not up for the risk of

that. It plays into the other kind of support that is not here in Scotland to go to that next level.

We have to break the logjam and grow a tier of bigger business that can take the smaller ones or the medium-sized ones on to the next stage. They have to be based in Scotland and have to be Scottish businesses. We have not broken through that and we are in danger of not breaking through if we do not put in place the infrastructure to get above that level. It is back to creating good-quality businesses with high-quality jobs to retain the talent. It is not rocket science.

The Convener: To follow up on those points, is it not slightly more complex than that, because it is not just about the company and the actual ownership? When a company is sold to a large multinational, that does not mean that the money that is paid leaves Scotland. I am thinking of a company where a similar situation occurred but the people who have the money now wish to invest it back into Scottish companies. The capital is an aspect, whether or not the intention is that it is put back into business. Can that be measured? If the capital that comes from the sale is invested back into Scotland to grow new businesses, it is not lost in that sense, although I appreciate that the on-going profitability of the company that is sold may be lost. Is that part of the scenario?

Dr Mawson: Yes. To be honest, I am not sure of any data sources that would be able to track that, but I do not see why systems could not be put in place to try to measure that. I agree that, if we could determine exactly how much of that money is recycled in Scotland, that would give a far more accurate picture as to whether anything is really lost or whether we are just seeing a bit of recycling and rejigging.

Sandy Kennedy: There are some data sources. For instance, Young Company Finance tracks all deals that are done in the high-growth sector, so I would have thought that it would be able to get that data pretty quickly. To re-emphasise a point that has already been made but that is worth repeating, there are different types of sales. There are sales of businesses for, say, £20 million, when those have a latent potential to be £200 million businesses in the Scottish context, or maybe even more, and that is a lost opportunity to Scotland. John Mason asked why sales happen. It is often about confidence and the peer support that sits around people, which might suggest that that is what success looks like whereas, in parts of America or Asia, someone with £20 million would be a distant hundredth in their local area on how well they have done.

John Mason: Does it matter what sector people are in? Information technology is maybe more centralised worldwide.

Sandy Kennedy: Yes—it varies.

John Mason: Is it harder to grow an IT company to that size than it is with other companies?

Sandy Kennedy: Taking Skyscanner as an example, I see that as a positive sale, given where Scotland has been in the past. It was based on venture capital backed out of Scotland by Scottish Equity Partners. Its founders were based and lived—and still live—in Scotland. The shareholders, many of whom were employees, took a lot of money out of that sale and are therefore recycling that finance. In terms of talent, the quality of jobs that were created was excellent, and a number of people are staying in the Skyscanner group, while a number have started new ventures and are mentoring and going on the boards of other ventures. The truth will be told in the next two or three years, but I think that the net effect of that recycling, not just of cash but of talent, expertise and connections in Skyscanner, could be profound.

However, if we contrast that with an engineering business that was located and grew here, but where the senior team has been taken out and at best there is a small sales office still based here—or, worse than that, nothing—in that case, the value of recycling to Scotland is close to nothing. Another layer on top of that is where businesses receive a lot of Government support through things such as smart grants and R and D grants—sectors such as life sciences can be more prone to that. If we aggregate up the capital and look at where it has come from, we see that the public sector has paid a lot in but, when the returns come, the public sector gets none of it back.

John Mason: On Mr McColl's point about the need for some bigger companies in Scotland that potentially could take over and do other things, are other countries getting that right or doing it better? In Germany, the banks seem a bit more local and they support local businesses. Are there other countries we can look to for that kind of example?

Jim McColl: We can look to most other countries in Europe for examples of that. One that we are involved in and that is a similar size to Scotland is Finland, where there are many big companies. Another example is Norway. It comes down to the infrastructure to support companies, and at the core of that are the national investment banks, which work with what is called patient capital. In the public markets, there are too many short-term goals—it is all about next month's performance and there are all sorts of ways to get the share price up, such as buying back shares and not putting that back into the company. Companies need patient capital behind them, and all of those countries have that.

Other things are needed. At the moment, we are raising a debt fund that will plug a £5 million to £15 million gap in lending, but I am also in the process of pulling together a consortium to start up a new Scottish bank to support small and micro companies. That bank will initially lend up to £5 million. We have to apply for a licence, so it is 18 months away, but we will start the process in, I think, March. I approached the Scottish Government to ask how it can help with that, but there is no way for it to help. I am not doing it to make money out of a small bank; I am doing it because there is a real need in Scotland for support for small companies, as that is not being delivered by existing Government agencies or the banks. There is a big gap—we have identified thousands of companies that need access to that kind of support.

Alex Neil (Airdrie and Shotts) (SNP): I can think of a number of ways in which the Scottish Government can help you. You need to go back to it because, with a wee bit of imagination, it should be totally supportive of that, in my view.

Jim McColl: The vehicles that it has are available only if we cannot get the capital elsewhere, and the response to me was, "You'll find a way to do it." I think that we need a more collaborative approach rather than saying, "Well, you go on and try to do something."

Alex Neil: Sandy Kennedy pointed out that the Scottish Government spends £2 billion a year on economic development and asked what return we are getting for that. Jackie Brierton rightly said that current delivery mechanisms might be part of the problem, because they are out of date and are no longer fit for purpose, and Jim McColl made that point in relation to the national investment bank. I am not being critical of Scottish Enterprise, Highlands and Islands Enterprise or anyone else particularly. I was the founding chief executive of the Prince's Scottish Youth Business Trust, and one of the benefits of it was that we were not a Government agency and we therefore set the rules. There was minimum bureaucracy and businesspeople were involved in making the decisions and deciding whether business plans were viable.

I often used to think that, if Tom Farmer had gone along to the business gateway, and certainly to one of the high-growth support units, he would have been chased away, because he would not have been perceived to have high-growth potential. I suspect that many retailers would have been in the same position. If Amazon had gone to the business gateway or to Scottish Enterprise, it might have been sent packing as well.

From what you are saying, there are a lot of things that we need to change, but one of them is the whole delivery mechanism. We need to make

it much more flexible, much freer of Government and much more imaginative and dynamic. It is 10 years since we reorganised Scottish Enterprise and the business gateway and all that stuff, and a lot has happened in those 10 years. I think that you are both saying that it is no longer fit for purpose.

10:30

Jackie Brierton: That is what I said, so I totally agree. We are putting only £12.5 million of that £2 billion investment into the business gateway operation. If the whole small and micro sector is reliant on that as the main source of support, that is proportionately not enough to spot the future Tom Farmers and support them in the right way.

We have to make the system more flexible and responsive. It also needs to be decentralised because, of course, now that the business gateway is delivered through the Convention of Scottish Local Authorities, it has come within the context of local authority pressure. Rightly or wrongly, local authorities are now looking at budget restraint and I think that they are spending less on business gateway than they were two or three years ago. That area, which is critical for our economy, has been pinched because it is possibly not in the right place.

We have also centralised the Scottish Enterprise and HIE operations since the local enterprise companies went. There were possibly all sorts of good reasons why that happened, but the PSYBT model is a good one to look at, because—

Alex Neil: The good enterprise trusts were in my view much more local and dynamic. I ran one of them as well.

Jackie Brierton: I was just going to say that when I started my first business in the 1980s, it was the local enterprise trust that supported me. It involved local people, including local businesspeople, who wanted to help new businesses. There was an independence and a flexibility that we just do not have now, because everything has been bureaucratised. We have a business adviser in our area who is a perfectly nice guy, but he has never been out of the public sector, which is not uncommon in that context, because a lot of the economic development personnel in local authorities have transferred to the business gateway.

We have to relook at it all. Some good stuff has been captured. For example, the rural review from the European network for rural development considers what traditional business support and smart business support look like. It is about taking away from that one-to-one, transactional, top-down approach and getting businesses involved in

delivering alongside professional and adviser facilitators. It is about loosening everything up and making things more possible.

Alex Neil: I presume that one drawback of the existing system is that we have a national approach that is applied across the country irrespective of whether it is the right solution. You talked about rural areas, which are entirely different from urban areas. We need a much more diffuse approach to allow flowers to grow and so on.

Jackie Brierton: GrowBiz came about because a group of local people in eastern Perthshire decided that they needed a support system that suited the area. We have always listened to what our business clients are looking for rather than say, "This is what you are getting." That approach works. We have had a lot of interest from other areas, so we may start to get a little more traction, although that needs to be supported as well.

The new south of Scotland enterprise agency is surely a fantastic opportunity to try out some of those ideas and take a different approach, rather than just make it work on the blueprint of the current SE or HIE models. There needs to be some activation and involvement from other bodies to ensure that that does not happen, because that is the easy option.

Alex Neil: To go back to national investment banks, I totally agree with everything that Jim McColl said, because I have seen those operate very successfully in other countries. Benny Higgins is in the last throes of preparing his report to the Scottish Government about how we set up the national investment bank here. Have you given him your thoughts on that? It is important that you do.

Jim McColl: As I said, before Benny Higgins was appointed, I had commissioned a paper from University College London by Mariana Mazzucato, who is on the Council of Economic Advisers. I have been lobbying for the investment bank for a while, because of my experience in other countries, and I am glad to see that it is being done. I have not spoken to Benny directly about it, but he has a copy of the report. I was supposed to see him on Thursday, but he has been called to another meeting. I am aware that we are nearly at the end of February and I worry about what might come out. However, it has to be a positive move.

It is a great opportunity to relook at a number of the supports that we have for business. I know that there will be push-back on that, with people saying that we do not want to make it too complicated to start with by lumping everything in, but we really need a vision for where that is going. There is no use just plugging something else into

the mix and confusing people about the roles of the different entities.

It would be good to try to get some responsibility for export finance from the national Government in Westminster. Small and medium-sized companies need more flexible support in export finance, and it would be better as a devolved responsibility than handled from London. That should be part of the national investment bank, because what is happening now is not working for SMEs.

Alex Neil: Is the report that you mentioned public, or is it possible for us to get a copy?

Jim McColl: I am happy to send you a copy.

The Convener: We invite witnesses to send in writing any further thoughts that they have on any of the issues and points that have been raised.

Dean Lockhart (Mid Scotland and Fife) (Con): Alex Neil has covered some of the issues that I was going to address, but I have a quick follow-up question. We spend £2.5 billion each year on enterprise skills development but do not see the return in business growth or economic growth. Hopefully, the Scottish national investment bank coming on stream will make a difference. Is there a risk that we have a cluttered landscape with all the different agencies—Scottish Enterprise, HIE, the new south of Scotland enterprise agency, the business gateway and the various agencies that are involved in economic development? That was one of Audit Scotland's key conclusions. Is that a risk with the accessibility of enterprise help for small businesses?

Sandy Kennedy: Let me take a step back. When we look at the healthcare system in the public sector, a decision is made by the state that all the professionals exist either within the national health service or within a small group outside that. Something similar is proposed when we look at education. However, in the business support area, it is the other way round. The vast majority of people who can help young businesses and established businesses to grow are other business people; therefore, those businesses should have access to such people. Peer groups, in particular, are very powerful. The ScaleUp Institute emphasises that peer networks are the most powerful way to transfer learning and expertise.

Is it right that there is almost a nationalised public support system? We should not necessarily be looking to the public sector to deliver that support. The issue has been highlighted in work by Professor Ben Spigel, who is based here although he had to go to Canada to do a lot of his research. Is the state's role to nurture the so-called ecosystem rather than to be the key point of delivery every time? That is not to say that the

public sector does not have a role to play, but it is a role to play in partnership with others.

That addresses your point about clutter, as that would help to reduce clutter. There are a lot of people shouting to be heard, whereas we—I very much count ourselves as part of that and work closely with both Jim McColl and Women's Enterprise Scotland—have to work out that the hero of the story is the person who is trying to grow the business, not us. We need to work out how we can collaborate to deliver for them and not be the ones either shouting for money or doing this or that and causing confusion.

Jim McColl: You are absolutely right in saying that the landscape is too cluttered and the support needs to be focused. It is always difficult to take things away from people, so you will have to be quite assertive in doing that, giving the vision for where the new investment bank is going and saying, "We want to put that under the bank." I take it that the bank will be managed by professionals—to be blunt, you do not want it to be managed by civil servants.

Jackie Baillie (Dumbarton) (Lab): I am sure that we will return to the national investment bank in a moment, but I want to explore the issue of exports, not least because we are a net importer of goods and services.

We operate an annual trade deficit. This week, we found out from the "Export Statistics Scotland" series that, from 2016, there has been quite a substantial drop of something like 11.6 per cent in exports across Scotland, particularly to our largest market, which is the rest of the UK. I am curious to know what you think we can do to boost the number of firms in Scotland that are exporting goods and services overseas or, indeed, to the rest of the UK.

Jackie Brierton: Generally, I think that we do not measure the correct level of exports, because we are kind of out of date with the way that people export. A lot of the small businesses that we deal with are exporting, but they are doing it through e-commerce, individually sending goods off to customers all over the world. Those exports are not being tracked anywhere, so they will not show up in any statistics, particularly if they are from small businesses.

The statistics for how many businesses in Scotland are generating sales generally, not exporting, through e-commerce show that it is only 30 per cent. We have huge potential to build on that, going back to the availability of the new broadband that is going to come. If you could increase exporting through that means, it would make it more normal for businesses to think of selling their goods and services outside Scotland.

Jim McColl: For medium-sized businesses, the support that is needed may be delivered through some sort of export finance and even competition with other European countries. I will give you an example involving a medium-sized company—a pump company that I bought in 2007. We bid to put in the equipment when the Olympics were held in London. They were renewing the sewer system and so on, which had not been replaced since Victorian times. Weir Pumps, in Glasgow, was the company that had supplied the original equipment. We bid for that contract and were very close in price, but it was awarded to a German company because the German company had more financial support from KfW, the German national investment bank. Can you imagine the Olympic games being held in Frankfurt and the Germans giving a contract for the infrastructure to a British company? Again, it was down to the support mechanism not being in place to fund the working capital and put up guarantees, because guarantees were required.

Guarantees are a big part of exporting. Up until the banking crisis, all banks provided businesses with bank bonds or guarantees because it was a contingent obligation. It was not money that they had to give businesses, and they would charge 3 per cent for it—it was easy money for them. The export credit system had fallen away because the banks had stepped in to get that easy money. After the banking collapse, and with the new regulations that came into force, even though bonds were contingent obligations, they had to be counted as core debt. Therefore, all of a sudden, the banks were not supplying bank bonds to make it easy for companies to take on contracts or support guarantees—even national guarantees for somewhere else in the UK. That whole infrastructure disappeared and nothing has replaced that flexibility.

We have export finance, in theory, but it does not work for small and medium-sized businesses. When I talk about export finance, it is more about the guarantees that must be in place to deliver the goods or services that a business is going to deliver.

10:45

The Convener: You mentioned the Olympic games being held in Frankfurt. The rebuilt German Bundestag was designed by a British architect.

Jim McColl: I am sure that you can come up with examples like that, but I am talking about the mass of business. The German industrial sector does not even compare. It goes along and has gone down slowly as a percentage of the GDP. In the UK and Scotland, the industrial sector is just collapsing and will continue going that way if we do not do something about it.

Jackie Baillie: What you are describing is an opportunity lost not just for companies but for subcontractors, the whole supply chain and jobs to stay local. I am with you on that.

The national investment bank has been announced several times and we are now going to see it, because the Scottish Government finally has the capital, through financial transaction money, to make it a reality. Taking all the flexibility off the balance sheet that you have talked about and being creative to get around European Union procurement rules and state-aid rules, the Government is looking at the figure of £340 million. Is that enough, or are we in danger of undercapitalising the national investment bank?

Jim McColl: No, it is not enough by a long shot. I cite the example of a bid that we could have put in for a shipyard to build vessels for Irish Ferries. The value of the contract was £315 million and the vessels had to be built by 2020. That would have taken our workforce in Port Glasgow from 360 to about 1,000. However, we could not bid for the contract because the terms were that we would get 20 per cent in progress payments and 80 per cent on delivery of the ships. KfW backed a shipyard in Flensburg, in Germany, to take that contract. We could have taken the contract, but an 80 per cent guarantee would have been £250 million. Is the Scottish Government going to tie up £250 million out of the investment bank for one contract? No way.

I have personal experience of what happens in Finland, which is why I have mentioned that country a few times. Last year, its support in guarantees, bridging finance and capital for start-ups and growth was €2 billion. Finland is a country of 5.5 million people—it is the same size as Scotland—and it needs its support to be up at that level. I understand that the funding for the national investment bank is going to be £1 billion to £1.5 billion and that there may be a question in the minds of the people who are looking at it as to whether you will need EU approval. There is no question in my mind that you want to get European approval for it, because, if you do not, Europe is going to hold it up as state aid. You have to get around the European rules for being able to support businesses, and I am not sure that that is happening.

Jackie Baillie: You envisage there being almost a two-tier operation whereby the bank will provide guarantees and, indeed, loans to very significant projects as well as engaging with SMEs on export finance—is that correct?

Jim McColl: Yes. A key part of the process is being able to raise a bond for the bank outside the national debt. That will get around state-aid rules, because the bank will be independently financed and a commercial entity. Although it will be

Government owned, it will work under commercial rules with outside money. Those are the two boxes that you will have to tick in order to convince Europe that the funding is not state aid. You can then point to all the other national investment banks that are set up in the same way. If you do not set the bank up in that way, Europe will say, "They are different—they do it in a different way. You cannot do this," and you will be blocked.

Jackie Baillie: That is very helpful. Let us return to the theme of institutional clutter. Is it clear which of our public institutions support exporting, and are they doing a decent enough job?

Jim McColl: The only institution that I know supports exports is UK Export Finance, and it does not work for SMEs because it has to go through the major banks. Although it will tell the Government officials at Westminster that it is being very supportive, it asks smaller companies for additional security and, very often, those companies do not have the security to give up because they are already fully secured elsewhere.

Jackie Baillie: I was thinking of Scottish Development International and Scottish Enterprise. Do you have any experience of those agencies?

Jim McColl: They do not provide support for the bond; they provide other types of support, which are also important.

Sandy Kennedy: For those other types of support, we also have UK Trade & Investment—although I think its name has changed. It is an important access point for firms, and I think there will be examples of people having received excellent, fast and clear support. However, there will be other examples of people having got lost for potentially 12 months and having received no advice. For a growing business that is looking to export, 12 months of going to the wrong doors can be fatal, certainly to its export ambitions.

Jim McColl: Those agencies give good support, but support is also needed at the next step, when a business has to get the contract and fund it through the guarantee. We have used those agencies to good effect for introductions—we have even used their office space—and have found their support to be excellent. That part of the process is quite good, and I would not do away with it. However, all the financial support that we have in different forums needs to be more efficiently organised.

Dr Mawson: Yes, I think that clutter is an issue. Many of the businesses that I speak to are at quite an early stage and do not know where to go. The big problem is that, to access UKTI or SDI assistance, they have to go through the business gateway and Scottish Enterprise, and there is a

language issue. If firms do not say, "I am a high-growth-potential business and I want to internationalise," or, "I am a technology-based firm," using all the different language identifiers, they do not make it through the front door. We are seeing a huge problem with access to more general support even at that early stage, before firms get further along their export journey. The clutter is a bit of an issue, and there is a big discussion to be had about how we signpost individuals and organisations to relevant sources of support. That links back to the need to renegotiate or reorganise the support landscape in Scotland.

Like Jim McColl, I think that all the organisations have a role to play and that we should not do away with anyone or anything. Nevertheless, how can we make sure that lay people, students, young people and individuals who are starting a business without an existing network access the right types of support in a timely manner and do not sit around waiting for 12 months? I am unconvinced that that is currently what happens. A lot of people are turned away or spend ages looking for support but cannot find it or access it effectively.

Gillian Martin: Government can do only so much when it comes to businesses, and the Scottish Government has already done a few things—the Scottish business pledge, for example, which is voluntary. The UK Government has introduced gender pay gap reporting—again, that is voluntary; there is no action plan associated with it, and the UK Government is not asking for one.

Business support comes from agencies such as Scottish Enterprise and the business gateway. If the Scottish investment bank gives out finance to companies, should that finance be dependent on companies promising to deliver fair work? A few of you have said that a sustainable economy comes from having opportunities for good jobs and fair work, and from people who are satisfied with what they are doing. Do you see any movement towards encouraging people to deliver fair work in that way?

Jim McColl: I think so, but there is a danger in there for companies that maybe cannot provide high wages. We have to create higher-wage companies without damaging or killing the ones that can only afford to pay lower wages, because there is a role for those companies. If a job gets someone into work, keeps them busy and gives them a platform from which to move on, do you go with paying them a living wage or the minimum wage? There are a lot of low-paying jobs about in Scotland. Those employers are not bad people—they are providing a good opportunity for some young people, and maybe some older people as

well. On the whole, companies should be seen to be paying good wages and to have equality and all the other things that we are asking about.

The business pledge came up recently in a meeting that I was at. There was some complaint that only 5,000 companies have signed up to the business pledge out of a whole load more companies. That does not mean that the other companies are not doing what the business pledge is asking them to do. Not everybody wants to wave their hands and say, "I've signed up to the business pledge". There are a lot of businesses that do those things but which are not signed up to the business pledge. I was not signed up to the business pledge but I was doing everything that the business pledge asks people to do—and more. After I said that, I was approached to sign up to it, and I have done that for a number of our companies. We had not bothered doing so before because we were just doing what we thought was fair and the right thing to do. The business pledge fits with all of that.

It is dangerous to look at just the people who are signed up to the business pledge and say that it is not working, because I do not think that that is the case. The whole undertone is that the majority of businesses are looking to do what is in the pledge.

Gillian Martin: How can we encourage the businesses that are not doing the things that promote fair work into doing them? Is it by making the business case for that? In our inquiry into the gender pay gap, some great big organisations came here and told us how they were trying to eradicate the gender pay gap, but not many of them were able to articulate the business case for doing that—and I am convinced that there is one.

Jim McColl: It is very easy to close that gap: just be fair and pay people the same. We had a discussion at one of our meetings yesterday and all the females in our business were saying that they earn the same as—and some said that they earn more than—their male equivalents.

Gillian Martin: That is equal pay, which is not necessarily the same as the gender pay gap. There is a lot more to it.

Jim McColl: What do you mean by the gender pay gap then?

Gillian Martin: The gender pay gap is about addressing women's progression within a company, over a period of time, for example by putting things in place in the company that allow people with caring responsibilities to be promoted in a way that is fair in relation to the people who do not have caring responsibilities. There is an awful lot more to it. Is there flexible working, for example? A lot of those companies were doing those things because they were the right things to

do but they were not able to articulate whether there was a fairly strong business case for doing them. Such a business case might encourage other business that do not have fair work practices to get on board.

Jim McColl: It goes back to the productivity argument that I gave you. Maybe you should be emphasising the productivity improvements that can come from having people who are happy and have security, fair pay and fair treatment. That pays off big for companies. They get a much better return if they do that than if they do not. Maybe the emphasis should be on telling people, "Do more of this and you will get your productivity up", instead of on R and D spend.

Jackie Brierton: An aspect of Gillian Martin's point is that, for the vast majority of people who run their own one-person business or are self-employed, it takes a while to get up to what would be regarded as a fair wage or a living wage. Many self-employed people rely on the benefits system to get to that stage. The benefits system has a quite appalling approach to self-employment. The new enterprise allowance is almost unworkable for most people. It is not terribly valuable: it pays less than the enterprise allowance of 20 years ago—I think that it pays £33 a week.

We have evidence now that the roll-out of the universal credit system will have a bigger negative effect on self-employed people than on any other groups. It is a major issue. It goes back to the question of how we can get people into that whole process of building up what they are trying to do and achieving their aspirations when there is quite a lot stacked against them.

11:00

On the gender pay gap, I have some unpublished stats here from a working paper on rural stats, and I was shocked to read that women living in remote rural Scotland have the lowest annual income of any group and the largest median gender pay gap at £5,076. That is appalling, but the situation is very difficult to deal with if those women are operating in a rural economy where there are fewer opportunities. We all need to be more aware of that.

Sandy Kennedy: I echo the points that have been made. We have to recognise and appreciate that we are addressing a long-run societal issue. That does not mean that we do not have to put our shoulders to the wheel to solve it, because we certainly do need to do that.

On Jim McColl's point, the businesses that I spend most of my time with are trying to develop the sort of culture that will allow them to do what he was describing; equally, they struggle sometimes when they are being told what to do by

somebody very far away. Maybe that is one of the reasons why they do not sign up to things such as the pledge, or why they react against them.

It is a complex, long-run issue, and there are many issues that we have to address. One in particular relates to role models and the emotional appeal of people such as Jim McColl, who are doing these things because it is good business sense to do them. We need to get that out into the media and build a culture that recognises that they are the right things to do. We also need to produce hard data and evidence about why such an approach is better.

We work closely with a lot of the next generation. They have a very different value set from previous generations—the idea of profit with purpose and so on is coming through. If we can give them some nudges along the way, for me that would be better than making a big grandstanding gesture or telling people that they are bad because they have not signed a bit of paper.

Gillian Martin: You mentioned giving people nudges, which goes back to my point that nudges could incentivise people. Is there a role for Government there, or does it rest with the business support agencies and others who work with or invest in businesses making support dependent on whether those businesses have fair work practices or a lower gender pay gap? Alternatively, is it that those things have nothing to do with Government and that this is about the business community standing up and championing them?

Sandy Kennedy: I am sure that we could spend the whole meeting talking about this. There are two extremes. The first is the nudge theory—how to support the more general mass media presentation of organisations that are developing such work practices, what the results are and how those are used. The other extreme could be that part of what the Scottish investment bank looks at when considering support is a company's practices. Businesses such as Jim McColl's have those practices, and it should not come down to whether a company has signed the pledge; it should be down to what is happening on the ground. That would be a much clearer way of doing things. I would look at every single opportunity to influence that there is and then keep things moving forward, but tell companies to use those practices because it is good business.

Jim McColl: You cannot be rigid and make rules. Jackie Brierton gave a rural example. Let us say that a couple of people wanted to join a rural business and were happy to take £5,000 less and there was some system to top that up. You could not say to that business, "You have to pay them this amount of money." That just would not happen. You have to look at the particular

circumstances of the business, where it is and so on. You cannot make hard-and-fast rules and tell people, "If we are going to give you this support, you have to do this, this and this"; you will not be able to support the companies that you really need to be supporting.

Gillian Martin: I am very interested in your experience in Finland—I will be going there in about six weeks. Is there a good rural spread in Finnish economic activity, or is all the activity concentrated in the big cities?

Jim McColl: It is quite rural in Finland. We are halfway between Helsinki and Lapland. Finland is all trees and lakes, and there are communities all over the place.

Gillian Martin: So it can be done in rural areas.

Jim McColl: Yes.

Gillian Martin: Okay, thank you.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I would like to ask two questions on the same subject. The Scottish Fiscal Commission believes that weak growth in Scotland has become structural rather than cyclical since the recession. Do you agree with that and, if so, why has it happened? Secondly, do you share the view of the Scottish Fiscal Commission that Scotland, like other advanced countries, is entering a period of long-term poor economic or productivity growth?

Jim McColl: I agree with what the Scottish Fiscal Commission says, but I do not think we are necessarily entering a long period of economic decline or low growth. Of course, we are if we do not do anything or if we keep doing things in the same way that we do them now. I strongly believe that you need to set the vision and the goal of what you want to do and then work out what you need to do to get there. To get to higher growth is absolutely possible, but we need to be doing the right things.

The explanation for the current situation—and I probably sound like a broken record—is the banking crisis in 2007-08. You cannot overestimate the support that that took away from businesses. I know that Peter Cummings and others got really slated for some of the big challenges that they created in HBOS, but underlying that was a lot of support for smaller Scottish companies—more support than you would think a big bank would give. They gave that support because they were Scottish, they were based in Scotland and they had a bias towards supporting smaller Scottish companies. We do not have a Scottish bank any more. I have to go to London to speak to anyone senior at the Royal Bank of Scotland, and the Bank of Scotland is now Lloyds.

Those companies went the extra mile to support small businesses, but that has gone now and nothing has really stepped in to provide that support. That is why, unless we do something to fill that gap, we are going to see continuing low growth in Scotland.

Colin Beattie: What will change that?

Jim McColl: The national investment bank, I think. We are setting up a debt fund and a new Scottish bank to try to fill that gap and get more support into small companies. We need people doing more to get the support in. On the Government's role, we need to sharpen up all our support mechanisms—we talked already about the clutter—and get more efficient support into companies. If we do all that, that is what will bring change. We need to change the approach, and it will not change unless we aggressively go after it and change it.

Colin Beattie: Do you agree that Scotland is the same as other advanced economies in that regard, or are other economies performing better than we are and already have some solutions? The Scottish Fiscal Commission seems to think that we are the same as other advanced economies in relation to poor growth.

Jim McColl: That is because of the environment and the infrastructure around us. Of course, the Scottish Fiscal Commission is talking about what will happen if things do not change. It can comment only on the environment that we are in now. Unless the environment changes, I think that we will be the same as others. However, the others are changing, so it is possible that they will pull ahead of us and we will be further behind.

Sandy Kennedy: To echo Jim McColl's point—maybe this is a question for him as well—when we talk about Bank of Scotland and RBS support pre-2008, we are not just talking about hard cash. Too often, we talk about the financial challenge relating to the availability of finance, and, particularly for exports, that is clearly an issue. However, it was the advice, the connectivity, the inspiration and the raw experience that the banks had in them at that time—and what those things unlocked elsewhere—that provided additional support. We have to be careful that we look at not just the finance, but the support that sat around what the banks did, which has been replaced, in part, by the public sector. Our argument is that we are all in this together, but we should be much more joined up.

On where we go from here, the Scottish Fiscal Commission is looking at this over the long run and comparing Scotland against the other advanced economies. There was a second industrial revolution where we were very strong, but we missed out on the third—we have been

getting ourselves sorted out. As we enter the fourth industrial revolution, we have an opportunity to ask, "What kind of country do we want to be and how are we going to front up without some of the legacy issues that others have?" The World Economic Forum recognises that it is people with grit, creativity and entrepreneurial spirit who are going to drive that, particularly in relation to the interaction with artificial intelligence. Scotland has a centuries-long heritage of such people, and we need to re-embrace that. If we do that along with the structural stuff that we have been talking about, we can buck that trend in the next stage.

Jackie Brierton: This is about people, and we undoubtedly have the people in Scotland who can change that forecast and strengthen performance going forward. I highlight two key areas that have already been discussed this morning. We are looking at a gender gap in Scotland, with only 20 per cent of our businesses being owned and driven by women. We know that there are women out there who want to be part of that business culture but, for all sorts of reasons—we have touched on some of them—they are not making it even to the first step. We have to reimagine our economy and our infrastructure, and we have to look at how we deal with that issue.

It is frustrating. We have a lot of policy commitment from the Scottish Government on making women in enterprise central to economic growth. There is a policy framework and a lot of activity around that, but the entire budget that was given to that activity in the past financial year was £400,000. That is a mere drop in the ocean compared with what we need in order to make a substantial difference. Instead of saying, "Yes, it is a good thing and we should be getting more women involved", we really need to tackle the issue head on. That could be a way of making up the difference between our economy and others. As has been pointed out more than once, there is a £7.6 billion prize if we get the same number of women as men starting businesses in Scotland. That equates to the projected deficit that Brexit may cost our economy over the next few years, and it is a prize worth going for.

On the rural economy, growth in rural gross value added has been quite strong. If you separate the rural economy out from the urban economy, you can see that there has been positive movement since 1997, whereas up until then it had been moving slightly back. Interestingly, the worst performing sectors in the rural economy are agriculture, fisheries and forestry, yet those are the sectors that get all the investment and the attention. Huge changes are coming about. There is a revolution in the rural economy, with new people moving in—people with high levels of skills, aspirations and entrepreneurial ideas. With the improved

infrastructure that we now have in rural areas, the rural economy could become a major economic powerhouse that perhaps people have not thought of it as before.

Colin Beattie: The Scottish Fiscal Commission has said that it is potentially not just Scotland that is entering long-term low-productivity growth but that the other advanced economies are doing so as well. Do you agree?

11:15

Jim McColl: I am not sure that I would agree with that across the board in relation to other developed economies. Big changes are coming about in the way that we all work. One thing that Scotland's universities have a lot of expertise in is data analytics and big data, but we have not found a way to translate that into big companies and growing companies. Other countries are looking at and investing in those things with patient capital.

The issue covers so many areas and so many problems that we have. Going back to Sandy Kennedy's comment that it is not just about the money, I add that another big difference is that the bigger banks have moved from having relationship managers who understand the local businesses to algorithms on a computer that decide whether people get a loan or not. Relationship managers now get embarrassed if their clients do not get loans. They do not even promise it any more, or push the idea, because the information just goes into a machine. We have lost the personal understanding of the business, the people who run it and the communities that are involved in it, and we need to recreate that. That is a big gap given the way that we have moved. Other developed economies have more local banks. Germany has a lot of state banks that support the local communities and make decisions based on relationships and what they want to do.

Another thing to remember about the Scottish Fiscal Commission is that this is the first time that it has had to predict what the growth is going to be, and it is not going to overdo it. It would rather be surprised on the upside than be caught out on the downside. Susan Rice is a very careful lady, so she would not want to be sticking her neck out too far.

The Convener: Right. On that point, we will move on to Kezia Dugdale's questions.

Kezia Dugdale (Lothian) (Lab): I want to take us back to the role of Government in supporting the growth of Scotland's economy. I have heard everything you have said about how important banking is, how important the national investment bank will be and how important it is to address export finance, and I do not in any sense want to belittle that. I have heard it and it is noted.

However, I want to ask you more specifically about the comments that you made earlier about how to support decent employment—high-quality companies with decent jobs in Scotland. Aside from banking, what more could the Scottish Government do, either by getting out of the way or with a direct interventionist approach, to create good and decent sustainable jobs in Scotland?

Jim McColl: You said that you have heard about banking. That is like there is something else. The public sector is responsible for a lot of the big companies that exist. In America, a lot of the big tech companies come out of Government support for defence contracts or the space programme. A lot of money goes into that, and then a lot of money goes into support for the companies that spin out of it. Companies cannot just do this on their own; it needs to be a partnership. I do not think there is anything more important than the kind of financial support that is given. There are a lot of talented businesspeople about, and in general they know what they need to do. They just need the help to do it.

Sandy Kennedy: Again, it is about the finance and the support side. In a recent paper by Professors Spigel and Harrison, they say:

"The proper role of the state is to cultivate the entrepreneurial community and culture that will eventually help to produce and reproduce these resources rather than trying to create them from scratch."

If we translate that out, the Government is definitely doing the things that Jim McColl talks about, but it can also do more to nurture the entrepreneurial ecosystem—albeit that it is cluttered at present—rather than saying, "Can everybody get out of the way? We are going to do it". That is the key thing, in conjunction with making sure that the finance is getting to the right people and there is export support and so on.

Kezia Dugdale: Let us say that the one thing that we could do is the banking, and we will not look for any other policies to address the problems: I will ask a question about the national investment bank. There is an acceptance across all the political parties that it is a good idea, and that is universally agreed by business leaders, but I am not sure whether the rhetoric matches up.

Some people think that a national investment bank should exist to fund capital infrastructure projects that will benefit the public sector, whether that is transport links or big builds such as new bridges et cetera, whereas we are hearing from Jim McColl today that we need a national investment bank that is prepared, because of the security of its finance, to be slightly riskier and to provide the finance that our high street banks will not provide at present because of the issues that they face. Is there agreement about what a national investment bank should do among the

people who are going to set it up, or is there a lot of confusion about its ultimate purpose?

Jim McColl: There are plenty of models out there, so we do not need to reinvent the wheel. All that we need to do is look at how other countries do it. Recently—in 2014, I think—the French did what I and Alex Neil were talking about earlier. They took a number of their entities that supported business and put them together to work in what they call Banque Publique d'Investissement, or BPI.

If we consider affordable housing or low-cost housing, the companies that are not getting support to build it are the small builders. I have talked to one of the people who is going to support the start-up of the new bank that I mentioned earlier, and invest in it. He is from a large building company, but he said that someone who is going to build 10 or 20 houses will not get funding or support. We could encourage building of affordable housing and get that going by supporting the small businesses that could build it, which are not getting the support at present.

The big companies are not interested in that—they want to build 200 or 400 houses. The business that I am talking to about supporting the bank is building something like 400 houses in Perth. It would not look at a development of affordable housing on a smaller scale, but if we get lots of people doing that, we will address the affordable housing issue just by being an enabler of small businesses, which could then employ more people. They all become building blocks of a stronger economy.

Jackie Brierton: An important issue at this critical stage of the development of the national investment bank is that the consultation on it has not been particularly widespread. I do not know any business that we deal with that even knows that it is coming about, and we have not been asked for any feedback on it. There is a lot of non-knowledge out there about the role of the bank, what markets it is going to serve and what size of businesses it is likely to support. There is an issue about at least having a wider conversation about it and getting more input on how it could operate.

I have no idea whether it is even thinking about the very low end of the market. Most businesses that we talk to really struggle to get anybody interested in lending them £10,000 or £20,000, which is what a lot of very small businesses are looking for. There is also hardly any grant support at that level. Four or five years ago, in our area, we could point to four or five different sources of grants that small businesses could look at. Now, there is none, apart from one small pilot that we are managing on behalf of SSE, which is imaginatively putting some wind-arm funding into a grant scheme for small businesses. When it was

launched last May, it was expected to last two years, but it is going to be fully expended by next month, which shows the demand for such finance.

Kezia Dugdale: I have one more question, which is on something that we have not touched on yet. A report that came out yesterday, "Cities Outlook 2018", projects the impact of automation on Scotland's future employment and suggests that 230,000 jobs will go over the next 10 years. It suggests that that will hit in particular places such as Dundee, which have a strong industrial heritage but may be struggling to grasp some of the new employment opportunities. Is there a greater role for Government in anticipating the challenges that are going to come from automation and what they might look like?

Jim McColl: I think that that is just scaremongering. If we look at history, we see that, every time new technologies come out that are going to do away with jobs, new jobs appear. That is what will happen: there will be other jobs. What we need to do is support the growth of those other jobs and the companies that emerge to create them. You do not need to interfere in that. It is going to work out okay—believe me. [*Laughter.*]

The Convener: That is very positive.

Tom Arthur (Renfrewshire South) (SNP): Good morning, panel. We have touched on a number of areas that fall under the fair work agenda. That comes under the broader rubric of inclusive growth, which is one of the four pillars of the Scottish Government's economic strategy. I invite the panellists to each set out their definition and understanding of inclusive growth and to speak to what they feel the relationship is between inclusive growth and more conventional understandings of growth.

Jim McColl: That is a pet subject of mine. We have an excluded group in the areas of multiple deprivation in our bigger cities such as Edinburgh, Glasgow and Dundee. Taking Glasgow as an example, I note that 700 young people a year leave school at the statutory leaving age, 50 per cent of whom will go into jobs or go to college, so they are motivated. Thirty per cent will get involved with Skills Development Scotland or activity events. Schools are allowed to put a tick against that and say that it is a positive destination. It is positive in that the young people are engaging with the support, but it is not a positive destination. The figures that we get cover that up a bit.

Beyond that, 20 per cent disappear off the radar. They do not engage with any public support, and that is the poverty trap. It happens every year, and the statistics are the same in Edinburgh and Dundee, which are the two other cities that I have tested. The pattern repeats consistently. That is a large number of young

people who are being trapped in poverty, and we do not do anything about it. To me, inclusive growth is about giving those young people, who are talented but who maybe do not fit into the academic system, the training, opportunities and education that fits them. We should be engaging them in a way in which they will engage.

Because of my frustration with that, I started Newlands Junior College, which has been hugely successful. We have had 100 per cent success in young people going into work or going to college—100 per cent real jobs and real college places. This is the fourth year of the college. The Cabinet Secretary for Education and Skills is supporting it in some way. My real problem is the local authority. I have another meeting with the leader of Glasgow City Council this afternoon. It is letting these young people down. We are working on starting a college in Edinburgh; I have a meeting with the University of Stirling, which has asked me to get involved with Clackmannanshire Council, and we are looking at Dundee as well.

That is happening every year. It has been happening for a long time, but we do not address it. We talk about attainment as being five highers or more at a certain grade. We need those young people in the skills base as technicians, but we are not investing in them.

I gave an example to the Council of Economic Advisers. We teach Tommy from Toryglen—a rough area of Glasgow. We invest four years of secondary education in him at £6,700 a year. Two years are wasted because he stops attending after two years; he is absent. We invest in Nigel from Newton Mearns, which is a posh part of Glasgow, with six years of secondary education and four years of university education, so Nigel gets more support than wee Tommy. Wee Tommy is not worth the additional support, yet it is not a big additional amount of money.

11:30

To me, inclusive growth is about taking care of those people at the bottom. It is not about trying to push more people through a system that caters only for the majority. It caters for them in a good way, but we are leaving too many people behind, and that is not inclusive.

Jackie Brierton: I echo what Jim McColl said, and there is the enterprise parallel to that, which we have talked a little bit about this morning. A real inclusive growth economy is about helping or enabling anyone who wants to create their own job or business—or whatever it is that they need to create an economic future for themselves—to do that. It comes back to the kind of support that is available.

It also about looking outside the normal areas. We have a group of entrepreneurs in our area with health issues who come together as a peer group regularly. They do not talk about their health issues; they talk about how they can support each other to build their businesses. Across the country, there are hundreds of thousands of people who have health issues, who sometimes cannot go into traditional employment. That is a prime example of where an inclusive growth approach would help, if the right support was available for those people.

Another perspective is procurement, which Jim McColl touched on. We create an elitist version of business in Scotland because we tend to concentrate most public sector procurement on a relatively small number of businesses, and we make it difficult for very small businesses to get into that system. Various attempts have been made to address that over the years and they have not really succeeded. It needs a real effort. Ironically, perhaps post-Brexit there might be more opportunities, because often excuses involving fair tendering and European rules are used against opening up procurement to smaller businesses. To me, opening it up would be a key way of ensuring that there is equality of growth rather than exclusive growth.

Sandy Kennedy: I echo what has already been said by the panel. For us in Entrepreneurial Scotland, inclusive growth, if you look at it from an economy point of view, means that nobody is left behind. It means that Jim McColl's example of Tommy and other people like him are not left behind. It is the same for organisations: everybody is coming through together, so they all benefit. Skyscanner is a good example of that, and many of the best businesses work like that.

A small additional point is that inclusive growth includes people who have high potential—that could be women or young people, for example—making it to the top end. There should be equal opportunity for the people who could be really successful and maybe create the businesses of the future. For example, through our saltire scholar internship programme we send university students all over the world, and 40 per cent of those students come from a widening access background. We have to be careful that we do not stunt the growth of the superstars who make it through some of the low-progression schools. We have to do it for Tommy and we have to do it for his big brother, who happens to have managed to get to university and is showing stellar potential to be the next Jim McColl.

Jim McColl: I do not wish that on anyone. [Laughter.]

Jamie Halcro Johnston (Highlands and Islands) (Con): I wanted to talk about skills as well, so it is good that Jim McColl has covered

some of that. I wanted to look at what role skills can play in economic growth, particularly continuing skills training and retraining for the over-25s, which is perhaps not an area that has been focused on enough, except where there are specific issues within sectors. I would be interested to hear your thoughts on that.

Jim McColl: Training is important, but the core of the problem for the over-25s starts way back in the early years. It all goes back to our areas of multiple deprivation—it is a terrible league, but we have to have it. A lot of the early years work is really important.

I called Newlands a “junior college” so that it did not have the stigma of a special school. It takes people at 14; they are already out on the streets at that age, but if you can give them an alternative you have a better chance of saving them. I do not think that there is enough support at that point. A lot goes on, but the sort of thing that goes on is maybe a six-week course. We are trying to deal with people who are coming from really troubled backgrounds and for years have been abused mentally and sometimes physically. They are coming from disruptive homes and they are not healthy. We pick them up in the morning, give them breakfast and take them to college. We tie up with the local colleges three half-days a week, to give them a choice of three vocational skills and get them interested in something.

The other pillar that we have is life skills. The longer that you wait, the harder it is to embed the life skills that are missing from the earlier years. We take the people who we work with out to national parks and museums, we do the Duke of Edinburgh award, and we teach them things. This is eye contact week, and all week they have to make eye contact with each other. It gets overdone and they make a joke of it, but after eye contact week the young people all look us in the eye when they speak to us. I am talking about are simple things.

Then there things such as how to deal with presentations when going for a job or how to fill in a form. Life skills like that, which many of us take for granted, scare the hell out of those young people. It is still important to have them—I do not want to take away from that—but the longer that we go on with the old life-skill model, the more difficult and expensive it becomes to change it.

Jamie Halcro Johnston: You are obviously catering for those needs at Newlands, but should that be starting a lot earlier?

Jim McColl: Yes. We do a literacy test on the people who we take in, and one jaw-dropping statistic that we found is that 34 per cent have a literacy age of between six and seven. How can we expect those young people to go out and

engage with training or skills development when they have a literacy age of between six and seven? We have developed a course that can move them on a year in their literacy age every six weeks. We only want to get to 12. I probably have a literacy age of about 10 or 11—12 is the peak. They are not miles away from it; they just need to be moved up quite a bit.

The Convener: Do any other panel members have any final comments?

Jackie Brierton: There is an issue of how we provide lifelong skills development for business owners who cannot afford to take time out of the business to do an accelerator course, an expensive business management course or something like that. There is a huge opportunity to develop peer learning models with other businesses and to help people see that continuing to learn, wherever they are in the business journey, is really important, particularly given the need for learning new technology skills and the opportunities that digital will bring.

I will give you two quick examples. Women’s Enterprise Scotland is working with business gateways to provide leadership training courses for women business owners. They have just put on their third in Fife. When it was announced, it became oversubscribed immediately, which shows the demand for that sort of thing. It is a relatively informal approach—women sharing with each other—that is not taken often enough.

In Perthshire we do six, seven or eight learning sessions a month, at which eight or 10 businesses come together. Someone who knows a bit more about one subject will present, then everybody else chips in. Everybody ends up having learned a lot by the end of the night and they will have had a useful networking and development opportunity. It is not difficult to do and is very easily facilitated. It is about deformatising those skills. Skills training and development sound like they have to be done on a formal course, but they do not have to.

Jim McColl: Newlands Junior College has links with industry and local businesses to support us, but a more important part is young people coming from those businesses to talk to our young people and our young people going out to spend time with the businesses.

To make it clear, I do not want to be in education. I think that what we do should be part of the public sector, with the private sector in local areas getting involved and contributing. It needs to be part of the public sector. I worry that because we have done what we do, people will think that they do not need to help. It cannot work if it is done by the private sector; it has to be part of the education system of Scotland.

Dr Mawson: Jackie Brierton talked about informal skills development, which is a critical element. I see so many people who have come into higher education and further education late, for a number of reasons, and I am very lucky to see them when I do. Conversely, I see quite a lot of younger entrepreneurs who have not gone through that route, and all of them are lacking in confidence. They are not lacking in ambition or skills in any way, but they are lacking in confidence. To a certain extent, some skills development is needed there, but those people are very reluctant to go to formal mentoring sessions, engage with the university, go to college or be part of a local business group, because they perceive those things as high-pressure and very professional environments.

If we can implement skills development in a more casual, informal and peer-to-peer learning kind of way, we may be able to address two key issues: we could help with specific skills and knowledge bases, and we could build confidence without making people feel like they do not fit in and that they are not polished enough to be on a particular training course. Anything that we can do to try to integrate those things will be helpful for lots of disadvantaged groups and for those who are doing well.

The Convener: Sandy Kennedy, perhaps you can have the last word.

Sandy Kennedy: Oh dear [*Laughter.*]

The Convener: The last word for today.

Sandy Kennedy: I will build on Suzanne Mawson's point. We touched on this in many places. The hero of the story is the person who is out there trying to start and grow a business, and who is creating a culture of fair work and all those different things. We need to do everything that we can to gather around them and assist them in the most efficient way, in everything from finance to support.

My last point is that, as a country, we do not invest enough in our leaders or the future set of leaders, and they do not invest enough in themselves. If we can encourage a sense of continuous lifelong learning in those people who are leaders or could be leaders, that would be a huge step forward.

The Convener: I thank all our witnesses for coming in. We now move into private session.

11:43

Meeting continued in private until 13:03.

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