



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Energy and Fair Work Committee

Tuesday 16 March 2021

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Tuesday 16 March 2021

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
COVID-19 (IMPACT ON BUSINESSES, WORKERS AND THE ECONOMY).....	2

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

9th Meeting 2021, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

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

*Maurice Golden (West Scotland) (Con)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Alex Rowley (Mid Scotland and Fife) (Lab)

*Graham Simpson (Central Scotland) (Con)

Andy Wightman (Lothian) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jamie Hepburn (Minister for Business, Fair Work and Skills)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

Virtual Meeting

Scottish Parliament
Economy, Energy and Fair Work
Committee

Tuesday 16 March 2021

[The Convener opened the meeting at 09:30]

Decision on Taking Business in
Private

The Convener (Gordon Lindhurst): Good morning and welcome to the Economy, Energy and Fair Work Committee's ninth meeting in 2021. Apologies have been received from Andy Wightman.

Under agenda item 1, does the committee agree to take items 3 to 5 in private?

That is agreed.

Covid-19 (Impact on Businesses,
Workers and the Economy)

09:30

The Convener: Under item 2, we will look at the impact of Covid-19 on businesses, workers and the economy. I welcome the Minister for Business, Fair Work and Skills, Jamie Hepburn. With him, from the Scottish Government, are Gavin Gray, deputy director for the young persons guarantee; Stephen Garland, head of the fair work unit; and Gayle Mackie, head of the labour market analysis unit.

I invite the minister to make a brief opening statement before members ask questions.

The Minister for Business, Fair Work and Skills (Jamie Hepburn): The pandemic has created unprecedented challenges for young people in going about their daily lives. Through no fault of their own, they are among the people who have been hardest hit by the economic harms that have resulted from the virus.

The pandemic's impact is also exacerbating inequalities that have existed for some time across the labour market. Those who are on low incomes and who have insecure contracts, which are more prevalent among young people, have been the worst affected. Sectors such as hospitality and non-essential retail that employ large numbers of young people have been heavily affected by Covid-19 restrictions. If those sectors cannot take on new workers or if more businesses have to make people redundant once the furlough period ends, we will need to work with a wider range of employers in other sectors to create job opportunities.

We are working on the issue through our national mission to create jobs and through our young persons guarantee. In facing the unprecedented challenges, we must all work together to help the young generation make the transition into work and to ensure that youth unemployment is not a legacy of the pandemic.

When I appeared before the committee in October, I said that we were in a different position from the one that we were in after the previous recession. We have strong foundations in place to support young people, such as the developing the young workforce programme; strong partnerships with local government; a well-established skills agency in Skills Development Scotland; locally responsive and person-centred employability programmes, which are delivered through the no one left behind approach; and world-class universities and colleges.

We have created opportunities, and a primary focus of the young persons guarantee is to ensure that young people know what support is available to them and how they can access it. Through the guarantee, we have intentionally adopted a no-wrong-door approach, under which delivery partners work collectively to ensure that all young people who require support can access it through existing points of contact that they are familiar with, such as Skills Development Scotland, careers advisers, developing the young workforce school co-ordinators, local authority employability support officers, colleges and specialist service providers in the third sector. The young persons guarantee website also provides details on the range of opportunities that are on offer and on additional points of contact for young people.

Our discussions today about the impact of Covid-19 on young people are vital as we work collectively to ensure that young people's prospects are not permanently damaged. I know that all of us share that ambition.

I am happy to take questions.

The Convener: Thank you very much, minister.

The United Kingdom Government has announced an extension to the coronavirus job retention scheme until September, as part of its fairly generous support during the coronavirus situation. The extension was announced after the Scottish budget was proposed. How does it affect the Scottish Government's expectations for unemployment this year?

Jamie Hepburn: It would be churlish not to welcome the fact that the coronavirus job retention scheme has been extended. It would have been still better if there had been a longer lead-in period and greater certainty for employers at an earlier point. Nonetheless, it is welcome.

We still anticipate that there will be an uplift in unemployment when that scheme ends. In effect, the scheme will shift the anticipated peak of unemployment out of quarter 2 of this year and into quarter 4, when the scheme will end. Largely, that reflects our experience thus far. Every time an extension of the furlough scheme has been announced, that has pushed back our expectations on unemployment.

There are different measurements and forms of analysis that can be used to forecast unemployment. The Office for Budget Responsibility has forecast that unemployment will be at around 6.5 per cent in quarter 4 of this year.

Over the recent period, our unemployment levels have remained relatively stable, which has been welcome. That has happened largely because of the furlough scheme. However, we have seen that that has not been evenly spread.

There has already been an uplift in unemployment among young people. The 6.5 per cent figure is a concern, because unemployment is currently at around 4 per cent. We know that the figure could be higher still for some cohorts of the population, particularly young people. We must bear it in mind that unemployment will not spread itself evenly.

The Convener: The Covid situation is not a result of either Government's handling of matters. The question is how best to come out of it. There might be no perfect answer to that, but would you agree that extending the support will allow more time for businesses and the economy to recover, and that it will lessen the level of unemployment that you foresee arising when that support comes to an end?

Jamie Hepburn: I recognise that the furlough scheme gives businesses more certainty. The fact that the Chancellor of the Exchequer has announced a significant extension, which is longer than the extensions that were previously announced, is welcome. Again, I am trying not to be churlish about it. The extension is welcome, but we know that other jurisdictions announced extensions much earlier and for significant periods of time. It would have been preferable if the UK Government had done that early on, as was done in France and Germany with their equivalent schemes, because that would have given businesses more certainty.

The scheme allows businesses to plan ahead and to know that that form of support is available to help them to retain as much of their workforce as possible, but I am conscious that that is only part of the equation. We must try to support businesses in the round. It is welcome that that support is there for employees, but we must continue to leverage in business support to help to sustain businesses through what continues to be a difficult period. We have done that over the past year, and we will continue to do that as we work our way through Covid-19.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. You mentioned in your opening remarks that unemployment is not evenly spread among different cohorts of the population and that young people are being hit because they tend to be employed in hospitality and retail, which are sectors that have been hit hard by the pandemic.

A report that was published in February by the House of Commons library highlights the fact that youth unemployment across the United Kingdom has increased by 13 per cent and now stands at 14.2 per cent for young people under the age of 24. Can you give the numbers for Scotland? What is the Scottish Government doing to mitigate the scarring effects of unemployment on young people?

Jamie Hepburn: Yes, I can give you those figures. The latest figure that I have is that the unemployment rate for 16 to 24-year-olds in Scotland is 11.1 per cent, so we are still doing slightly better than the UK overall but, nonetheless, the figure is still about 2 per cent up over the year.

As I said to the convener, despite the fact that the labour market is broadly remaining stable at the macro level, we are already starting to see a difference for younger people. That is why we have sought to respond by creating the young persons guarantee and leveraging in that significant resource in an attempt to do everything that we can to support young people through what is a very difficult period. You will be aware that we announced £125 million of specific funding for skills, training and employability initiatives in response to Covid-19. Some £60 million of that has been leveraged specifically into the young persons guarantee.

I should make it clear that the young persons guarantee in effect encapsulates a lot of pre-existing activity. The £60 million is an enhancement that comes on top of the existing support that we leveraged into Skills Development Scotland, the developing the young workforce programme, our tertiary education system and so on. That support specifically has created around 18,000 new opportunities for young people this year through a range of provision, including through local authorities working with us as partners; through the college sector trying to support more young people into apprenticeships; and through interaction with the third sector involving Inspiring Scotland, the Prince's Trust, Barnardo's and Action for Children, all of which are excellent at supporting young people, especially vulnerable young people.

I made the point that, for young people overall, there is an uplift in unemployment, but we know that that will not spread itself evenly—young people who are in cohorts of the population that are already furthest from the labour market will be impacted more severely still. We must bear that in mind in our approach to supporting young people as we work our way through this difficult period.

Gordon MacDonald: It is good news that we are supporting young people to go into training, an apprenticeship or employment, where it is available.

Another issue that we have to contend with is underemployment, which might take many forms. People might want more hours in their current job, they might want a replacement job with longer hours or they might want an additional job. Has any analysis been done of the labour market for young people to consider the number of people who are currently underemployed? Can the

Government do anything to support people to get the additional hours that they want?

Jamie Hepburn: As you mention, there are in effect two ways in which we can talk about underemployment. There is the established technical analysis of hours of employment, which we have information on. There is a well-established process for measuring that through the Office for National Statistics annual population survey. For the period 2019-20, the estimate for Scotland for hours-based underemployment was 7.8 per cent. We have that hard and fast statistical information, but that is across all ages, so I would need to find out whether we have anything more specifically on young people, and I commit to doing that.

You spoke about the fundamental issue of trying to make sure that young people can get more hours, or another form of employment that will give them those hours. That is a core part of our guarantee. We work with employers to make sure not only that young people are getting into work—important though that is—but that their experience of work and the quality of the work are good, and that the work will sustain them through the remuneration and the core hours that it provides.

09:45

The other measurement, which you alluded to, relates to people who might be overqualified, for want of a better term. I use that word carefully, because I recognise that any job that a person does in any part of the labour market requires a skill set. I mean “overqualified” in the sense of, for example, a person who has a degree-level qualification undertaking a form of employment that does not require that qualification. We know that that is a facet of our labour market, but it is not as straightforward to get that information as it is to get information on the measurement relating to hours.

Through the Association of Graduate Careers Advisory Services, Skills Development Scotland and Young Scot, we are working to engage with university graduates and college leavers to get a sense of their experience of matching up the qualification that they have with the type of work that they are doing. We recognise that it is important to have a better understanding of that, and work is under way in that regard.

Richard Lyle (Uddingston and Bellshill) (SNP): Will you give an update on how many apprenticeships have been supported through the apprenticeship employer grant and the adopt an apprentice scheme? How does that compare with the reduction in the number of modern apprenticeship starts due to Covid-19?

Jamie Hepburn: In terms of the information that we have currently, it is probably a little early to report on the specifics around the apprenticeship employer grant. We will have greater clarity as we come to the end of the financial year, because a lot of the information is still being processed. Applications have been made, and they are being checked and signed off by Skills Development Scotland. Even though we are close to year end, I am loth to give a specific figure, because we do not know precisely what it is. When the information is available, it should be reported at the same time as our overall apprenticeship statistics, which is usually around June. The statistics show the number of apprentices overall for any given year. By then, we will have greater clarity.

We have a bit more information on the adopt an apprentice scheme; however, I would advise caution, because that is for the end of the third quarter only. Around 148 applications have been approved, which is not inconsistent with the figures that we have seen over the past three years. For example, 227 applications were approved by the end of 2019-20, 262 were approved the year before, and 201 the year before that. You can see that the numbers fluctuate but not greatly.

I think that there is a possibility that the numbers could be lower this year, which takes me back to the convener's opening question. Apprentices are employees, so many of them might have been furloughed. Therefore, this year, we might see lower numbers of people who are supported through the adopt an apprentice scheme, although that is speculation on my part. As I say, we will know the figures only at the end of the financial year. However, this year's numbers might be lower as a direct result of furlough.

To go back to the point that I made in response to the convener, come quarter 4, we could see an uplift. If that is the case, it is possible that we might see an uplift in the number of people who are supported through the adopt an apprentice scheme either this coming financial year or in the following financial year.

With regard to the numbers, which is the fundamental question that you asked me, they should be available soon.

Richard Lyle: The problem is that, with Covid, a lot of firms are in flux, so I would also expect the figures to be in flux.

The latest data show the impact of the pandemic on modern apprenticeships. Can you give an update on its impact on foundation and graduate apprenticeships? Have you any information to share with the committee on those?

Jamie Hepburn: That largely falls in the same sphere in that we report those figures come the

end of the financial year. They will be reported along with the other apprenticeship figures in June 2021.

I can say that the dialogue that we have had with Skills Development Scotland tells us that the numbers have held up pretty well, although that has not come without its challenges, of course. Foundation apprenticeships are part of the senior school phase offering. We have done an awful lot of good work during the past few years to embed them as a core part of that offering, and that is still my ambition. There has, of course, been some disruption, which was inevitable given the necessity of closing schools and not letting young people into the school environment. However, by being responsive and adaptive, shifting to online learning and supporting the remote delivery of work placements, I understand that we have done pretty well in holding up foundation apprenticeships. Similarly, graduate apprenticeships seem to have held up better than modern apprenticeships.

We count those apprenticeships collectively, so they will both be in the same measurement. If you will just bear with me for a second, Mr Lyle, I can tell you what the figures are. It was remiss of me not to do so earlier because you asked it of me in your previous question and I should have said. We know that the number of apprenticeship starts has been down overall this year. When we got to quarter 3, there were 10,604 starts, which is a decline of around half on the equivalent period in the previous year. That goes back to the point that you made, Mr Lyle, about employers being in flux. To some extent, and understandably, there has been a reluctance on the part of many employers to recruit apprentices.

The good news is that the situation has improved over the year. I am not, by any stretch of the imagination, saying that being down 50 per cent come quarter 3 is good news, but we were down around 80 per cent at the end of quarter 1. You can see that things have got better as the year has gone on. It is, nonetheless, a source of significant disappointment to me that we will not hit the target that we set ourselves of 30,000 starts by the end of this financial year. If Covid-19 had not prevailed, I have no doubt that we would have hit that target, because we have hit our target year on year in the past number of years.

As we come into the next period, the task is to make sure that we maximise the number of employers who are offering those opportunities.

Richard Lyle: Covid-19 has had a tremendous effect on every business across the board—I would not expect otherwise. I agree with you, minister, that if we can bounce back as soon as Covid is over, that would be good.

The Convener: We now come to questions from the deputy convener, Willie Coffey.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): My questions are in the same area that Dick Lyle was asking about—graduate apprenticeships and the target of 30,000 starts. You will be aware that employment opportunities for young graduates coming out of uni and college have featured heavily in the committee's work. We recognise that there is a huge job of work to be done to turn the situation around and help those young people directly into work or to go through the apprenticeship route. Could you say a wee bit more about the Government's thinking on bringing together universities, colleges, graduates and employers a bit more? What assistance do we need to bring to the table to turn things around a wee bit?

Jamie Hepburn: A lot of that falls into the sphere of our young persons guarantee approach, more generally. Sandy Begbie, who, as you will all be aware, is the chief executive of Scottish Financial Enterprise, the representative body for the financial services sector in Scotland, was tasked by Fiona Hyslop with pulling together a proposition for the young persons guarantee. He has done a great job, incidentally, and continues to progress that activity. He is now making sure that we are engaging with a raft of employers across various sectors who commit to engaging with the programme and offering those opportunities to young people. Graduates, who you mentioned, are a cohort of that population to which we need to pay some attention.

As I hope that you would expect us to do, we are making a concerted effort to support those young people who are furthest removed from the labour market, and we will do that through a range of measures such as the employer recruitment incentive and the apprenticeship employer grant. However, graduates must also form part of our approach.

I recall that, in its report, the committee asked questions about the ScotGrad scheme. Specific activity is under way to learn the lessons from that scheme and create a replacement for it. There is close engagement between Universities Scotland, Scottish Enterprise and Skills Development Scotland to try to ensure that we are delivering a successor scheme as part of the young persons guarantee. I have made it clear that, given where we are, the scale and reach of that scheme will be larger than the one that was in place before it.

In the six years that ScotGrad operated, it supported around 1,400 graduates, which, by my estimation, is quite a significant cohort. My ambition—we are working this through with the organisations that I have mentioned—is that the replacement scheme will support about 500 next

year alone, so you can see that that is moving it up a notch again. If demand is higher, we will consider doing more in that regard.

That is some specific information about matching up graduates with employers. Of course, there are many more graduates than that number, and the task is to ensure that we have an environment where employers are recruiting skilled young people, and, of course, those skills can be acquired not only through university but through colleges and apprenticeships.

Willie Coffey: What are employers asking for specifically? Do they need help to take on more university and college graduates in this crucial year, when Covid has affected many of our young people? Are they asking for our help to hire people?

Both the UK and Scottish Governments have a role to play in that; it is not just the role of the Scottish Government. However, I am interested to hear what employers are telling you that they need.

Jamie Hepburn: It is a mix of things. The fundamental thing that they have told us—incidentally, this is not only in the context of Covid; it has been a long-standing request—is that we should make sure that the output of our school system delivers a raft of people who they can employ. We are not necessarily talking about young people; that might take us into the territory of the future skills action plan that we published a couple of years ago and the need to reskill the existing workforce. Employers want us to ensure that we have a population that has the requisite skill set that matches the societal and economic need, which, fundamentally, comes down to employer needs.

In the current context, the picture will be mixed. Many employers with vacancies will advertise them and recruit accordingly. Where there may be a cohort that we need to incentivise, we will do that through, in the case of graduates, the successor to the ScotGrad scheme and, in the case of young people who might be further removed from the labour market, through initiatives such as the employer recruitment incentive, which we are thinking through right now.

10:00

It is important that we deliver a range of mechanisms that support a wide range of employers to engage with and support young people, and our developing the young workforce initiative has a role to play in that regard as well. Our reach is across all young people and supporting them to get ahead in life.

Of course, you are right to observe that there is a role for others in that, not just Governments. There is a role for the UK Government, which has created the kickstart scheme. Again, I will not be churlish about it, but I quietly observe that it would have been better if we had been able to co-design the scheme, so that it would better interact with the system in Scotland from the outset. However, the scheme is in place and our approach is to try to see that as part of our young persons guarantee, as much as the range of other initiatives that exist. That goes back to my point that the young persons guarantee is not a stand-alone programme; it is about trying to maximise everything that we have in the system.

I hope that that is a full enough response for you, Mr Coffey.

Willie Coffey: That is great.

I have a final question. Clearly, because of the Covid situation, we will not hit the target of 30,000 apprentices, which you mentioned in response to Dick Lyle. Will you say—in a sentence or two—how we are trying to cope with that? Are we bringing in any short or medium-term targets to assist as best we can?

Jamie Hepburn: We will probably be quite cautious for this coming year, because of the challenge that we face, which goes back to the dialogue that we have had around the likelihood that the economy and labour market will be in a bit of flux in the coming year. With that being the case, if we have learned anything from the past year, it is that we will clearly not hit our target for this year. That is a source of regret, but I came out as early as I could to firm that up and not pretend that we would: just before Christmas last year, I answered a Government-inspired question to say that we were not going to hit that target.

In the coming year, which goes back to my last answer, we will engage as widely as we can to maximise the uptake of apprenticeships. That is my intention, and that is what we will do. What we will do when the labour market is in a more secure place is a matter of some consideration, because we must have a target that is meaningful, realistic and responsive to where the economy is.

In the past number of years, we have been very successful at meeting the targets that we had set ourselves. I have had responsibility for the Government's policy on apprenticeships since May 2016, when I was appointed as the Minister for Employability and Training, before I took on my current role. Year on year, we have hit the target that we set ourselves for apprenticeship starts. We can do it. The credit for that goes to employers, people taking up apprenticeships, our training providers, Skills Development Scotland and the

totality of our system. The system has shown that it can deliver, and I know that it will deliver again.

Willie Coffey: Many thanks for that, minister. Back to you, convener.

The Convener: I would not want to be churlish either, minister, but I wonder whether you have papers rustling about your microphone, because we can hear that quite loudly. I have been told not to do that, so you and me both.

Jamie Hepburn: I will do my best, convener. I try to remember as much of the information off the top of my head as I can. I am also reliably informed that the microphone on my laptop is not great, so I have another one attached. I will try to do better, but I make no promises; I will just talk louder.

The Convener: We can hear you and make you out, but there is a snowstorm of sound as well. We will all try to do our best.

Maurice Golden (West Scotland) (Con): Minister, £125 million was announced in the 2021-22 budget for the young persons guarantee scheme and wider employability support. Will you provide an update on how that funding is being allocated? Is that amount sufficient to achieve the aims of the young persons guarantee?

Jamie Hepburn: I was more tentative in turning my pages, so I hope that that has helped with the sound.

I will lay that out for Maurice Golden. As I said earlier, £60 million was identified this financial year for the young persons guarantee. In the coming year, our intention is to uplift that to £70 million. I have laid out—in some detail, I hope—the activity that we want to progress as part of the young persons guarantee, which is related to developing the young workforce and to some new, short and sharp provision of training in our college sector.

In the past year, we also committed to continuing to invest in the national transition training fund. The young persons guarantee, by its very name, is a commitment to young people aged from 16 to 24. The national transition training fund is an equivalent commitment to people aged 25 and above, who have fallen out of the labour market or who are in danger of so doing, to support them to acquire a new skill set so that they can get back into or progress employment as quickly as possible. We are continuing to work through how that might work in practice. The approach has to be responsive—it must meet the challenge that I laid out earlier of being responsive to social, economic and employer need.

There is also a commitment to providing additional resource for our no one left behind agenda, which is a partnership primarily between the Scottish Government and local government, as

the commissioners of employability services, but works more widely with the third sector, training providers and employers, to make sure that we are meeting everyone's requirements. That comes on top of the investment that we are already making—it is additional to the significant resource that we have already committed and that we deploy in those areas.

Maurice Golden: Thank you, minister. Will you provide an update on how alignment between the young persons guarantee and the climate emergency skills action plan has been tracked?

Jamie Hepburn: Yes. That goes to the very heart of my point about trying to meet our societal and economic imperatives. One of the societal imperatives, as we know, is to be responsive to climate change—to make sure that we are doing better on that and that we meet our commitments on transitioning towards a net zero economy. That transition will take place over many years, but we know that, if we are to get there, we have to act now.

That is why we published the climate change emergency skills action plan towards the end of last year. In it, we make specific commitments as part of the wider challenge of being responsive to the needs in our economy and labour market, and to have the requisite skill set in our population in order that we can achieve our climate change ambitions.

We have committed to establishing the green jobs workforce academy, which we will progress later this year. We are also committed to establishing the green jobs and skills hub, to better identify what jobs will be needed, so that the workforce academy can deliver what is required.

The young persons guarantee and our national transition training fund must be matched to that. We must ensure that the output of those initiatives and of our skills system more widely is better matched to the needs of our employers, economy and society. There is a commitment to achieving that end.

We also seek to be informed by people who have expertise and interest in the sector. We have created a steering group to better inform our approach to the climate emergency skills action plan. Coincidentally, the steering group, which is chaired by Professor David Reay, who is a professor of carbon management and education at the University of Edinburgh, met for the first time yesterday. The activity that the group is undertaking will inform what we do in relation to creation of the green jobs workforce academy, the green jobs and skills hub, and all the other commitments that we have made through our climate emergency skills action plan and our skills system more widely.

Maurice Golden: You mentioned the green jobs workforce academy. How many people will it train? What budget will it require?

Jamie Hepburn: The number of jobs relates to the green jobs and skills hub that we want to create so that we better understand what the scale of requirements might be. It will have an important role, in that regard.

On the budget for the academy, clearly, we will need to resource it. We are not talking about a bricks and mortar academy to which everyone will be sent and which would be akin to a college or a university. The purpose of the academy is to ensure that there is a wider approach across the system more generally, to make sure that every element of it is better geared towards the objective of having people with the appropriate skill set take advantage of the opportunities that the jobs that are created will provide.

Clearly, there are resource implications. As I sit here, can I tell you precisely what they will be? Again, that will be informed by the work of the steering group and the hub that will emerge. I cannot give you specific details at the moment; they will emerge as we progress our action plan.

Colin Beattie (Midlothian North and Musselburgh) (SNP): The Scottish Government is working on a framework for measurement and assessment of the young persons guarantee. Outcomes are everything in that regard. Can you provide an update on that work, including when you expect the framework to be in place?

Jamie Hepburn: I am still moving and shuffling my papers tentatively, convener. I hope that I am doing better in that regard.

I can provide some information. I completely agree with the point behind Mr Beattie's question, which is that we need an appropriate measurement framework so that we can understand what difference the guarantee is making for young people the length and breadth of Scotland.

Currently, we are working through how the framework might look. That goes back to my point in response to—I think; I cannot remember—one of Mr Coffey's questions. The guarantee is not a stand-alone programme; it is about marshalling the sum of all the different parts of the system that we have already, albeit that we have leveraged in additional resource to progress the guarantee. That speaks to our looking at a range of sources of information to appropriately measure the impact of the young persons guarantee.

10:15

Right now, we are going through the process of engaging with all the relevant partners that would

be involved. As members can imagine, those partners are organisations such as Skills Development Scotland, Colleges Scotland, Universities Scotland and local authorities—everyone who has a role to play. We are working with them to develop the measurement and evaluation framework so that we can properly understand the impact that is being made. We do not intend to take long to develop the framework, and we hope to be able to provide more detail and to report on that information around May. We are not resting on our laurels; we are getting the work under way.

We are already in the process of providing more statistical information on what is happening in the labour market for young people. Obviously, some information is already available. For example, Skills Development Scotland publishes its participation measure annually. From January, we began publishing the young persons labour market dashboard. SDS publishes a monthly snapshot of the participation of 16 and 17-year-olds and we are continuing the work that I mentioned to provide hard and fast statistical information from our monitoring of the impact of the programme.

I have another important observation to make. It is important to report on the facts and figures by providing quantitative data, but we are also committed to undertaking detailed assessment through engagement with participants—the young people who will benefit from the guarantee—so that they can inform our approach. That is just as important as publishing raw statistical information, because we need to know about the experience of the young people who are going through the system.

We are doing some thinking on how we might better undertake that activity. We have done similar work in the past, such as in the learner journey review, and we engage young people in developing the young workforce activity. We do that work with a range of partners and will continue to do that in the future.

Colin Beattie: There is clearly a bit more work to be done on that.

The committee has previously heard evidence that the current DYW model is not suitable for certain types of businesses. Has the Scottish Government received similar evidence?

Jamie Hepburn: I have moved my microphone. The benefit of doing this remotely is that I can see the chat function, in which broadcasting staff have said that the sound problem might be my microphone rubbing against my jacket. I hope that it will be better now.

Colin Beattie: Would you like me to repeat my question?

Jamie Hepburn: It was my microphone that was the problem; I could hear you perfectly well. That was just a status update for the committee.

I have heard some such evidence, so I cannot deny that employers have reported that they would like to engage better with DYW and that there is an impediment. My perspective is that the fundamental design and approach of DYW is such that any employer should be able to engage with it. The way in which it has been pulled together should not act as an impediment. The issue might be about the reach of DYW and its ability to maximise the number of employers that any regional group can engage with. Members will remember that we have 21 regional groups so that DYW is rooted more locally.

As in any organisation, the issue could be capacity to engage with more employers. Again, this is part of our approach to the response to Covid-19—although, I say candidly, we were already considering it—but one of the steps that we have taken is the creation of a network of schools co-ordinators for DYW. That is so that they can better support both the senior management in our schools system—who, as you and I know, are very busy people—and the network of 21 regional groups to embed the programme better in our schools environment. That will also involve engaging with employers.

I have here a range of examples. All the regional groups are employer led, so they are informed by people's practical experience of being employers. By and large, they are doing a great job, and various activities are under way across those groups. They are responsive to their local circumstances, which enables them to reach out better to the employer base in their communities. If the committee is interested, I would be happy to write to it with a range of specific examples from various regions. I could go through them just now, convener, but it would take a while.

The Convener: Perhaps you could send us those in writing, which would also avoid the difficulty with the microphone.

Jamie Hepburn: I see that broadcasting colleagues are saying that I am sounding better; I hope that that is the case.

The Convener: Indeed, they are; I am not suggesting that they are incorrect.

Mr Beattie, have you completed your questions for the minister?

Colin Beattie: Yes. Back to you, convener.

The Convener: We will now hear from Graham Simpson.

Graham Simpson (Central Scotland) (Con): I am glad that the minister has got his microphone sorted out—that is a huge relief.

Sticking with the same subject, minister, you mentioned the co-ordinators. Pilots were also carried out in Glasgow and Fife. Is the developing the young workforce programme being rolled out across the country?

Jamie Hepburn: First, I am glad that you are glad that you can hear me better, Mr Simpson. It is good to know that, because you always like to hear what I have to say. I knew that that was the case, anyway.

We are rolling out the programme across the country. It was informed by the experience in Fife and Glasgow. There was great enthusiasm from the regional groups that took part in the pilot projects, and we supported them in doing that. The good learning that emerged informed the approach that we seek to take now, on the basis that I have just laid out, which is about better embedding the DYW programme in our schools environment.

The programme will have national reach. We have recruited more than 200 schools co-ordinators across 18 of the 21 regional groups. There is therefore still a way to go on recruitment, but we are almost there. Last year, we provided £6.25 million to begin that process, and we are increasing our investment to £8.2 million for this financial year. Our ambition—which we will achieve—is that the schools co-ordinators will be able to interact with every single secondary school in Scotland. That commitment is there, and I believe that we will achieve it.

Graham Simpson: You say that you have started the roll-out, but that you are at an early stage. Will you give us an idea of where you are actually at with it?

Jamie Hepburn: As I said, I hope that the fact that we have recruited more than 200 co-ordinators in 18 of the 21 groups is a good indication that we are pretty far down the line. Our ambition is that, by May of this year, we will have a DYW school co-ordinator for every single secondary school. That will give co-ordinators some lead-in time to find their feet before the next academic year and to work with the regional groups and the school environments in which they will be operating. They will be able to think about how they will engage with employers so that they can better embed DYW. We are quite far down the line. I hope that that is a good indication.

Graham Simpson: Our successor committee can keep an eye on that.

What is the young persons guarantee a guarantee of?

Jamie Hepburn: It guarantees that, over the next two years, every young person will be supported into some form of employment, education, training or purposeful voluntary activity.

Graham Simpson: That is over the next two years. As Willie Coffey has touched on today and previously, as a result of the pandemic, we have almost an army of graduates who have had very few opportunities. My guess is that you do not know how many graduates there are who are doing nothing. You may have indicative figures, but I suspect that there are graduates who are not on your radar. How will you reach what you describe as “every young person”?

Jamie Hepburn: It would be ludicrous for us to say that we have contact with and sight of every young person in Scotland. No one would reasonably expect that of us, but we have a mechanism in place to attempt to do that. We have a sense of where the overwhelming majority of young people are. Much of that is led by the analysis that Skills Development Scotland undertakes.

The issue goes back to the issue of underemployment, which we discussed earlier. There are graduates who may be unemployed or who, more likely, may not be employed in the sector that they trained for. As I said, work is under way to try to better understand precisely where those graduates are and how many there are, so that we can ensure that our system is better geared for that.

We are working with the Association of Graduate Careers Advisory Services in universities and with Skills Development Scotland and Young Scot in the colleges to ensure that we can get a better measure of the challenge of underemployment for those who have acquired skills at university or college.

Graham Simpson: I have what I hope is a helpful suggestion—I am trying to be helpful.

There are youngsters who left university or college last year and others will do that this year. The universities and colleges are not following up on those youngsters. You have no idea what has happened to them. Particularly during the pandemic, it would be useful if the universities and colleges contacted all their graduates to find out what they are up to and where they are in life. If we do not do that, we will not know what the picture is.

Jamie Hepburn: I accept that that is an entirely constructive suggestion.

That activity takes place to an extent. The issue goes back to what I said about Skills Development Scotland trying to track young people’s progress. Some of that is in place. I am happy to provide

information about the methodology and process that SDS uses. There is inevitably a cohort of young people, although it is not a significant one, who will not respond to those who attempt to engage with them. It can be difficult to know where they have ended up.

I hear you say that such contact does not happen; there is activity, but it is entirely legitimate to ask the Government and our academic institutions what the reach of that activity is and how much it can be improved. That goes back to the work that we are doing to measure underemployment better among those who have left our tertiary education system. We can measure that only if we know where they are. I concede that the system could be improved, but it would be unfair to say that no attempt at contact is being made.

10:30

Graham Simpson: I will leave that with the minister. If we are both re-elected in May, perhaps we can work together on improving the system.

Alex Rowley (Mid Scotland and Fife) (Lab): I will pick up on a couple of points before talking about fair work. The minister talked about people not being able to find employment with the skill set that they have developed through their college or university place. What data is used to produce an evidence-led approach to investment in skills and training? Do you look at the climate skills action plan, for example? Do you look at projections for the construction industry? You talk about building back better to tackle fuel poverty and retrofit houses. What data set do you look at to plan and to match the opportunities to skills that will give young people a long-term and sustainable career?

Jamie Hepburn: Information is available. Through its skills investment plan, Skills Development Scotland does work that is predicated on fully assessing and understanding the requirements in sectors. That is informed by engagement with employers. If we do not ask employers what their requirements are, we will not properly understand the required output through our skills system.

I entirely accept that improvement is needed and that we need to do more to continually finesse the system to understand better the skills requirements. Mr Rowley mentioned the climate emergency skills action plan, which takes me back to my response about the green jobs hub that we seek to create. That will be designed for the purpose of engaging properly with employers and understanding precisely what jobs are available now, what jobs will be created and what skill sets we need to embed in our population so that they can take advantage of the opportunities.

We recognise the challenge and we are trying to meet it. To an extent, we do that through the skills investment plans that SDS produces, but we need to continually improve and we are committed to doing that.

Alex Rowley: I am sure that you would be the first to acknowledge that we have major skills gaps in the economy. It is not rocket science to look at where those gaps are, such as in construction. Information and communication technology also has major skills gaps, particularly in relation to graduates who are coming through. Those gaps have existed for many years, but they seem to be growing.

Therefore, if you are planning to build back properly and there are any such strategies out there, it would be good if you were able to come back to the committee to set out how we are trying to look at those skill gaps across the economy—where they are, what the plans are for the future of the economy and how we are bringing that together. I applaud the work that is going on to get the co-ordinators into schools; I think that that is spot on, as is giving 1,800 people opportunities, but the danger is that they are not gearing up the people or working with industry and skills providers to give people a sustainable future and tackle the big issues in our economy.

Jamie Hepburn: You have identified the challenge that we have, Mr Rowley; you are right to observe that we have skills gaps in certain sectors. They take two forms, one of which—although not easy—is easier to tackle in terms of reorienting and gearing up our skills system to make sure that we train people in the relevant areas.

The other fundamental challenge, which is not as easy to surmount, is lack of people in areas where we have had a high employment economy. In some parts of Scotland, there is, effectively, zero unemployment, and there are still vacancies; employers are looking for people to work, because not enough people are available. Some work is under way in that regard through the population task force, which Fiona Hyslop reported on earlier this week or towards the end of last week.

However, more widely, the challenge that you speak of is one that I have already spoken about: that of trying to ensure that our skills system is geared towards the wider requirements in our economy and society. Part of the responsibility of the developing the young workforce programme is making sure that young people make informed choices on further and higher education or the form of employment that they enter and that they are aware of where the opportunities are in the economy, where they will be in the future and the type of thing that they should think of doing in order to get ready for that.

We need to undertake a range of activity to understand better where the gaps are and how we bridge and fill them. Work is under way. I have spoken about the skills investment plans. You mentioned the digital skills requirements, on which a variety of work has been done. The Logan review, which Kate Forbes commissioned, has made recommendations, and we are responding to those.

You asked for more information about that. I will be happy to provide as much detail as I can in writing to the committee.

Alex Rowley: Thank you. I move to the issue of fair work. Obviously, as the Scottish Government sets out, employment law is reserved to Westminster, so how does it encourage employers in Scotland to embrace fair work practices? What powers are available to the Scottish Government, or what steps can it take, when it becomes aware that an employer is not engaging in fair work practices?

Jamie Hepburn: You are right to observe that employment law is reserved. I am sure that it is not a surprise to the committee that my perspective is that it should not be reserved. That is the perspective of the Scottish Trades Union Congress, and I was delighted to see that it is also the Scottish Parliament's perspective. Following a debate on 3 March, Parliament voted overwhelmingly, although not unanimously, for an amendment that I presented that said that employment powers should be vested in this Parliament, which would allow us to take a fundamentally different approach to employment law. However, that does not stop us trying to do what we can within the context of the responsibilities and powers that we have now.

Mr Rowley is right to pose the question as being about encouragement. That is the sphere that we are in. We are trying to work with employers to espouse the evident benefits of fair work. There are benefits for workers, self-evidently, but there are also significant benefits for employers who fully engage with the fair work agenda in terms of remuneration and the provision of an effective voice for employees, better involvement for employees in the work place and flexible working arrangements that allow employees to take account of their wider life circumstances while staying in employment. All of that leads to good outcomes for employers as well as for employees in terms of reduced absenteeism, increased retention and higher levels of productivity. Employers say that all of that is important to them. There is a great story to tell about the impact of fair work for employers as well as for employees.

We engage on that basis. We speak to employers through a range of mechanisms. We issued a fair work statement on Covid-19, doing

that jointly with the Scottish Trade Union Congress, the Convention of Scottish Local Authorities, the Scottish Council for Voluntary Organisations, the Scottish Council for Development and Industry and the Institute of Directors in Scotland. That statement encouraged employers to ensure that they are adopting fair work practices. That is particularly important in the context of Covid-19, but it is important irrespective of the current pandemic. Fair work is important at any time.

We engage and encourage. There are other steps that we can take. We fund the Poverty Alliance to take forward the accreditation scheme for Living Wage Scotland. We want more employers to be accredited as paying the living wage, so that we can see an uplift in the number of people in Scotland being paid at least the real living wage. We have been successful in that. A disproportionately high number of the living wage employers accredited in the UK are based here in Scotland. The working population in Scotland has the highest percentage in the UK of those being paid at least the real living wage.

We are also deploying our fair work first programme, in which employers must commit to the fair work principles if they are in receipt of certain elements of public funding. We started with regional selective assistance, which is delivered through Scottish Enterprise. Around £2.4 billion of public investment has been made subject to fair work first terms. We want to increase that and are thinking about how we can continue to apply fair work first as a mechanism to spread fair work out across the labour market.

We are hearing good news that that is not acting as a disincentive to employers seeking assistance. We hear from Scottish Enterprise that, when employers are told what they are required to do to be in receipt of the public purse through regional selective assistance, they either already meet that standard or have embraced the standard and have made adjustments to meet it. That is making a difference.

Alex Rowley: We should hope that the next Parliament will make progress on procurement. That is the other area where we have immense power. You and I would also absolutely agree on the devolution of employment law. The case for that is clear.

The workplace equality fund was open for one month only. What was the uptake like? Should it have been open for longer, and will you look at that? How will you measure the outcomes? Please provide us with a general update, picking up on the points about the fund being open for a month only and how you will measure the achievement of outcomes.

10:45

Jamie Hepburn: As with much of the activity that we have undertaken over the course of the year, it will not be a surprise to members that we have experienced significant disruption right across Government as a consequence of Covid-19. It was certainly not the plan to open the workplace equality fund so late; in an ordinary year, it would have been open for longer. It is not a new fund. It was in place in 2018-19, 2019-20 and earlier, and it has been successful.

We are still funding 12 projects through the fund, which should not be looked at in isolation. We are starting to take forward the women returners programme, which is funding 12 projects as well, so there are 24 projects in total. In comparison, we delivered 25 projects through the workplace equality fund in 2019-20. We have done remarkably well on a short timescale, but I take the point that, ideally, the fund would have been open for applications earlier and for longer.

The positive news is that we are committed to continuing the fund. It is an important mechanism in our work with employers to ensure that they learn best practice in conjunction with the partners that are identified when they make an application to the fund. It enables people who are underrepresented in the labour market to get the opportunities that they require and deserve, and to learn from the schemes and deploy and apply their learning more widely.

We are still committed to that work, which is an important area of activity for us as part of the overall fair work agenda. We will of course assess the efficacy of the approach and each programme that we undertake. We have done that year on year. I am happy to provide details about the projects that we have funded in the past and information about how we intend to do that for future projects. I am happy to follow up in writing with that detail.

The Convener: Thank you, minister. We look forward to the written details.

I thank the minister and his officials for attending virtually.

10:48

Meeting continued in private until 11:20.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba