



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 29 February 2012

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ECONOMY, ENERGY AND TOURISM COMMITTEE

7th Meeting 2012, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*John Wilson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Rhoda Grant (Highlands and Islands) (Lab)

*Patrick Harvie (Glasgow) (Green)

*Angus MacDonald (Falkirk East) (SNP)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*John Park (Mid Scotland and Fife) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Hugh McAloon (Scottish Government)

Angela Constance (Minister for Youth Employment)

John Swinney (Cabinet Secretary for Finance, Employment and Sustainable Growth)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 29 February 2012

[The Convener *opened the meeting at 09:30*]

Youth Employment

The Convener (Murdo Fraser): Good morning. I welcome you all to the seventh meeting in 2012 of the Economy, Energy and Tourism Committee. I welcome the Minister for Youth Employment and Hugh McAloon, and members and guests.

I remind everyone to turn off all mobile phones and electronic devices—he said, while checking that he had turned off his own. We have no apologies. A couple of members are still to arrive, but I assume that they are on their way.

Item 1 is an evidence session with Angela Constance, the Minister for Youth Employment, and Hugh McAloon, head of youth employment and skills in the Scottish Government, on ministerial plans and priorities for youth employment.

Thank you for coming along, minister. Would you like to say something by way of introduction before we go to questions?

The Minister for Youth Employment (Angela Constance): Yes, but I will be as brief as possible, which is perhaps uncharacteristic of me.

First, I thank the committee for the opportunity to be here this morning. I am keen to outline my new role and responsibilities as the first dedicated Minister for Youth Employment. Today is an opportunity for me to map out my priorities and the way forward, and to engage in a dialogue with the committee and to listen to members' views, particularly as we have still to finalise the youth employment strategy that was produced a few weeks ago in draft form. I aim to finalise the strategy by the end of March.

I am sure that I do not need to tell anybody on the committee that the cost of youth unemployment to this country is too high. It is not only a lost opportunity for our economy, but a social problem and a fundamental issue for the fabric of our communities and for individuals and families. Undoubtedly, it is a national challenge and a massive job that will require a national response. I firmly argue that it is everybody's job to ensure that our young people get the right start, and the best start, to their working lives.

The Scottish Government is determined to do everything that we can within our powers. Despite the scale of the challenge that we face, there are a lot of opportunities to support and nurture conditions for job creation. We need to ensure that our young people have the right skills, and to encourage employers of all sizes in all sectors to recruit young people and create opportunities for them.

In particular, I want to ensure that every part of Government is focused on youth employment and that it is core Government business. I and the Government will work with everybody and anybody who can make a difference, and we want to marshal efforts across the public, private and voluntary sectors.

That is what I had in mind a few weeks ago when I laid out the draft youth employment strategy, which indicates the approach that we will take as we go forward. I will give a brief overview of the strategy. It highlights what we are already doing through post-16 education and training, and how we can build on that and develop some fresh impetus and thinking.

One example of that involves looking at how we can build on the work that we have been doing around positive destinations for school leavers by providing opportunities for all. We want to take an all-Government approach, and I will develop opportunities from across the Government's entire spend.

The youth employment strategy gives an indication of the flavour of the work that I will do with other ministers—for example, with Richard Lochhead on rural Scotland; with Fergus Ewing on key sectors such as energy and tourism and how we can engage better with employers; with Shona Robison on the opportunities in and around the Commonwealth games; and with Alex Neil on infrastructure, investment and procurement.

We need an all-Scotland response, and I am keen to continue our work with employers, local authorities and the third sector, and of course with the United Kingdom Government.

Apart from young people, the crucial group is employers, both big and small. One opportunity among many in my post is the opportunity for me to be a conduit between the world of work and the world of education.

The strategy articulates the changing nature of youth unemployment since the start of the recession. A significant number of young people still face complex barriers, but other young people would undoubtedly be in work if we were in better economic times. We need a range of targeted interventions, and we must remember that not all young people are the same. We need to support those who are furthest away from the labour

market and those who are closer to it as well as young graduates. We need to ensure that youth unemployment does not become long-term unemployment.

I have made some funding announcements to date, which I will summarise just now. Just before Christmas, I announced funding of £1.5 million to support up to a thousand of our most disadvantaged young people—in particular care leavers and young carers—with an employer recruitment incentive. There will also be tailored individualised support from Skills Development Scotland, including aftercare once a young person is in a position.

Before recess I announced to Parliament a further £6 million to continue the community jobs Scotland programme into 2012-13. There is a £2.5 million challenge fund, for which social enterprises in the third sector can bid, to create a space for innovation. I am continuing to discuss the remainder of the funding with local authorities and employers.

Once again, I thank the committee for the opportunity to be here. I will happily answer any questions and report back on progress as things unfold in the weeks, months and years ahead.

The Convener: Thank you, minister. I am happy to let in members who want to ask questions. I will start off with a couple of questions to get the ball rolling.

On the youth unemployment rate, we have historically done better in Scotland than the UK has done, but the latest statistics show that youth unemployment in Scotland is now higher than it is in the rest of the UK. According to the Scottish Parliament information centre briefing, the rate in Scotland is now at 24.3 per cent, in comparison with 21.9 per cent in the UK. Does it concern you that the figure in Scotland is higher than that in the UK? Are you aware of any particular reason why there should have been such a change in comparison with the historical position?

Angela Constance: Irrespective of whether the figure for Scotland is higher or lower than the UK figure, I reassure the committee that I remain concerned. Whether unemployment for 16 to 24-year-olds is at 24.3 per cent, 19 per cent or 14 per cent, it is too high. We must remind ourselves that when the unemployment rate for 16 to 64-year-olds was at 4 per cent, youth unemployment was at 14 per cent. It is an issue that has been with us for a long time.

Last night, I looked at the figures for between 1999 and 2007, which oscillated between 11 and 14 per cent. Sometimes, when times are hard and in times of recession, we are forced to do things that we should have done better in the first place. Young people are always disadvantaged in the

labour market primarily because of their lack of work and life experience. Therefore, we need to be in it for the long haul.

Some of the arguments are well rehearsed. The employment rate is better in Scotland, and we have a higher proportion of young people in full-time education. I say that for context; I do not want to minimise the scale of the problem by any stretch of the imagination. We must simply accept that, whether the figure is 102,000 young people this month or was 105,000 last month or 101,000 the month before, it is too high. The problem is endemic and we simply need to get on and address it as best as we can.

The Convener: My second question is on the slightly different subject of modern apprenticeships. In Dundee on Friday, a number of other local members and I attended a very helpful briefing by Skills Development Scotland at which we heard interesting presentations on modern apprenticeships and skills. An issue came up that has also come out of my mailbag. I am not sure that employers who want to take on apprentices are necessarily aware of the support that is on offer. We know that many young people are looking for training and apprenticeships, and that packages are available from Skills Development Scotland to support those young people and employers, but in my experience, which was borne out by comments that I heard from members on Friday, many employers are simply not aware of the support that is available. Perhaps that is a barrier to apprenticeships being offered. From your experience, is that a fair point to make? If so, can more steps be taken to try to be more proactive in raising awareness about the support that is available for employers who want to take on young staff?

Angela Constance: That is not an unfair comment. Many employers out there are aware of the opportunities that exist, but there is no shadow of a doubt that, although a lot goes on that involves engagement with employers through Government agencies, schools, colleges and universities, we need to be more focused. We need to get a strong and simple message out to employers of all sizes—particularly small to medium-sized employers—about what is on offer.

Part of the aim of the national economic forum was to engage with employers. I will be doing regional events, and I am speaking closely to our partners at the local level to ensure that local employers go to them. We need to manage that effectively.

I am glad that you were at the Skills Development Scotland briefing. I know that it has just started to brief members proactively, and I am glad that the briefing was useful.

John Wilson (Central Scotland) (SNP): Good morning, minister. I will use the SPICe briefing that the committee has received as a starting point to ask a couple of questions.

In your opening remarks, you commented on positive destinations for those in post-16 education. One issue that is highlighted in the SPICe briefing is that we are using a youth unemployment figure that is based on the International Labour Organization's measure for calculating unemployment, particularly youth unemployment. Full-time and part-time students who are also seeking employment come into those calculations. Is the Government finding that more students in full-time education are seeking part-time or full-time jobs to supplement their income while they study?

09:45

Angela Constance: I think that that has been the case for a long time. Although this Government has been making progress on ensuring that there are no upfront or back-door tuition fees in Scotland, I can well understand why either full-time or part-time students would want or need to seek work. Arguably, it is a positive thing that students seek work, given that work experience is vital for their CVs.

The fact that we have quite a high number of young unemployed people who are in full-time education probably reflects our overall drive to keep young people in education after the age of 16, as we know that the longer that young people continue education and training, the more their long-term prospects are improved. We know that graduates are still doing better than non-graduates in terms of employment. There is quite a stark difference. The employment rate for graduates is in excess of 80 per cent. The fact that we have a lot of full-time students seeking work reflects our policies to keep young people in learning. It is an issue of context. I do not say that to minimise the issue in any way.

John Wilson: I accept that response. The difficulty is that some of the statistics that we are dealing with are gathered at a UK level, and we are trying to focus on what is causing the underlying problems. Can the Scottish Government identify whether there has been an increase in the number of full-time students who are seeking employment? That might be part of the reason for the figures that I mentioned, and might be something for the minister to reflect on.

Angela Constance: Perhaps Hugh McAloon can respond.

Hugh McAloon (Scottish Government): We are alert to the issue that you raise. For some reason, more of our youth unemployed cohort in

Scotland are engaged in full-time education and seeking work than is the case in other parts of the UK. We have highlighted that in the context of the draft youth employment strategy. The briefing document that is before you shows that there has been an increase in the past year or so.

For good policy reasons—not just for presentational reasons—we have tried to break the cohort down into the three groups that we have identified: those who are in full-time education; those at the far end of the market, who have low numbers of or no qualifications and often have quite significant barriers that put them at a disadvantage in the labour market; and those who might, in better times, have had better employment prospects. The point that you are making is that there is a significant group of people who are engaged in positive activity to improve their long-term prospects.

It would be wrong to focus our interventions on the entire youth unemployed cohort in a way that does not consider the needs of each group in the cohort. Of course, we must bear in mind the point that the minister made, which was that all young people are individuals, that there might be people who are quite far removed from the labour market but who could make rapid progress, and that there could be people in full-time education who need to find work if they are to remain in full-time education.

With regard to the point that you are making, you are right to say that, within the ILO figures, a higher proportion of our youth unemployed cohort is engaged in full-time education than is the case elsewhere in the UK. However, we still have a significant number of young people—around 60,000—who are not engaged in full-time education and are looking for work. It would be wrong to use the figures to try to suggest that the issue is less of a problem than it is. I do not think that we would ever want to do that. I think that that is the point that the minister was making.

John Wilson: I accept that. As I said, I am just trying to dig into the figures so that we are clear that the 102,000 who are registered as unemployed are not all in positive destinations. The minister mentioned positive destinations, and according to Mr McAloon's figures, almost 50 per cent of the 102,000 who are on the register are in positive destinations—they have taken up full-time or part-time education.

Hugh McAloon: Our figure is about 35 per cent—it is not quite half.

Angela Constance: The positive destinations to which I referred in my opening statement were for school leavers. Of school leavers, 88.9 per cent go on to employment, further education or training.

John Wilson: You will be aware that a discussion is to take place today in number 10—I understand that the Prime Minister is pulling in a number of major employers because of the adverse publicity about the work experience scheme, which the Department for Work and Pensions has used to conscript people into what it describes as work experience—short-term work with major employers and some smaller employers.

Do you have views on whether the continued use of the work experience scheme benefits the people whom the DWP is in many respects conscripting into it under the threat of the loss of benefit? Can we find a better solution to encourage employers in Scotland to provide meaningful work experience that could lead to full-time employment?

We have information that says:

“The UK Government states that, 13 weeks after joining the scheme, 51% of participants are no longer claiming benefits.”

Are those people no longer claiming benefits, or are they no longer receiving benefits because they have been taken off the work experience scheme under its criteria, which say that if people do not take part in the scheme, their benefits will be withdrawn?

Angela Constance: On the statistics that Mr Wilson quoted, it is for the United Kingdom Government to explain and defend its policy. Notwithstanding that, I hope that the issues that employers have raised will be resolved. The key word that Mr Wilson used was “meaningful”—work experience needs to be meaningful and high quality.

We need to be vigilant—in this instance, the United Kingdom Government needs to be vigilant—about displacement. We cannot have employers taking on young people for work experience—whether through the work programme, the work experience scheme or other schemes—at the expense of recruiting young people or of other workers. I would have thought that employers, the DWP and the United Kingdom Government had an opportunity to engage with the trade unions on the work experience scheme's detail, to ensure that neither young people nor other workers are exploited.

Leaving aside DWP issues, meaningful and high-quality work experience is in principle very important to young people. It helps many young people to get into work. What young people lack—often as a result of their age—is direct and tangible real-life work experience. Irrespective of whether a scheme is run by the DWP or is another initiative, we need to ensure that work experience for young people who have been unemployed in

the longer term and for young graduates is meaningful and productive for them. I know that many young people want to do work experience, because they ask employers about that.

Chic Brodie (South Scotland) (SNP): Good morning. How helpful would it be if Jobcentre Plus was part of a Scottish operation rather than directed by the DWP down south?

Angela Constance: My response to Mr Brodie's question will not surprise him or other committee members. Politics aside, for pragmatic practical reasons it would make sense for work, skills and employability to sit together and for the whole area to be devolved. Nonetheless, we are where we are just now. I reassure members that Skills Development Scotland works closely with Jobcentre Plus. There is a project called BASES—I am not very good at acronyms, but I think it stands for better alignment of skills and employability in Scotland. Work is going on to try to simplify the landscape, particularly for the user—for both employers and young persons or adults who are seeking work. However, my preference is well known.

Chic Brodie: I will move on. You mentioned Skills Development Scotland, whose management team I had a productive meeting with. One issue that cropped up was whether there is the infrastructure to support the mobility of young people across the country. As the map attached to the SPICe briefing shows, there are significant areas of unemployment, yet people in other areas of Scotland are bemoaning the fact that they cannot get skilled people or cannot get the requisite people to achieve modern apprenticeship goals.

I do not expect an answer today, but will you work with the Cabinet Secretary for Infrastructure and Capital Investment to consider what might be done to make young people more mobile and to make the necessary facilities available to ensure that we align the goal of employing young people with our economic development strategy?

Angela Constance: Yes. I do not want to be flippant, but skills shortages are an opportunity. Where there are skills shortages we need to look at converting them into opportunities for young people. We have to proceed sensibly and sensitively.

Housing is an issue that prevents young Scots from being mobile, and the new housing benefit rules are another factor. Many young people would want to go elsewhere to seek the appropriate opportunity, but we must remember that communities themselves need to be sustainable. That is why I am in dialogue with Richard Lochhead about the possibility of holding a rural skills summit, because we must ensure that

the discourse around youth unemployment is not dominated by urban Scotland.

It is about striking a balance. We must take the opportunities afforded to us by skills shortages in specific sectors—particularly growth sectors—that employ young people, but we must recognise the need for communities to be sustainable.

Chic Brodie: I will ask another couple of questions, if I may, convener.

The Convener: Briefly.

10:00

Chic Brodie: As well as YouthLink Scotland, there are organisations such as the Boys Brigade, the Girls Brigade and the scouts. Some 110,000 youngsters are involved in such organisations. How joined up is the overall youth network in absorbing the good programme that you project? Is there effective communication with the youth network?

Secondly, how effective are local authorities in picking up and running with the baton with regard to public procurement, ensuring that young people are employed, focusing on unemployment in their areas and generally bringing communication of the challenge that is facing us to a focal point? I know that you are having meetings, but the youth network should be connected to local authorities, which, after all, have dedicated officers, groups and whatever that are really focusing on the issue and working with local employers.

Angela Constance: Indeed. Communication, including mine, can always be sharper. Your point about youth working and youth organisations is well made, although I think that Young Scot and the Scottish Parliament bring together many of those voices and that overview.

As for procurement and local authorities, we need to think about the further opportunities that we can squeeze out across the public sector via community benefit clauses in procurement contracts. Good work is being done in that regard. For example, 133 of the 171 Commonwealth games contracts have been awarded to Scottish companies, which can only be a good thing for both young people and adults who are seeking employment. However, in our on-going dialogue and engagement with the public sector, we will seek to ensure that we have a sharper focus on young people. I think that the sustainable procurement bill will present opportunities in that respect.

The Convener: A number of members wish to ask questions. Bearing in mind the point about sharper focus, I point out that, if we have succinct questions and answers, we will get in everyone in the time available.

Patrick Harvie (Glasgow) (Green): Following on from John Wilson's questions, I note that you called the document a draft strategy and said that work is continuing to complete it and sign it off. Towards the back of the document, there is a presumption that the Scottish Government will not duplicate anything that the UK Government is doing. One of the most important things that has changed since the draft was published is that there is growing momentum against the UK Government's work experience programme, which many people regard as deeply exploitative and demeaning. In effect, it tells young people to commit to full-time work for weeks on end without getting paid for it.

In developing the draft into a final strategy, might the Scottish Government have an opportunity to relax the presumption against duplication and start working with the employers that have expressed concern about—or, indeed, withdrawn from—the UK scheme on an alternative version that might involve some public and private sector investment and which will lead to young people who commit to a full-time working week to get work experience, or whatever it might be called, getting a minimum wage for the hours that they put in?

Angela Constance: Although I understand Mr Harvie's concerns and the point of view and principles that he has articulated, I would be accused of living in la-la land if I thought that I could realistically duplicate what the UK Government has responsibility for and what it has the finances to fund. Those resources are also ours—after all, we pay into the DWP and so on through taxation—but we do not have direct control over them as yet.

I would be concerned if we went down the road of duplicating, whether for good or bad reasons, what the UK Government has responsibility for. Irrespective of whether I like the fact that it has responsibility for certain areas, we have on-going dialogue with the DWP and the key thing is to push for its systems and policies to work effectively for young people in Scotland. Although I would prefer to have all the responsibility for skills and employability, I would just be—

Patrick Harvie: That is a longer term issue on which we might have some common ground, but I am a wee bit unclear whether the minister likes the programme that the UK Government has put in place. Does she think that an employer who gets two months of full-time work out of somebody should pay them a minimum wage?

Angela Constance: I do not think that we can categorically say that all unpaid work experience is a bad or negative thing. What I am clear about is that young people should not be exploited. The issue that employers are trying to resolve with UK

ministers is what happens after a young person has been with an employer for a week or two and they decide that what they are doing is not for them and does not suit their needs. That seems to be the point at which sanctions or the risk of benefit loss come in.

Work experience must be meaningful for young people so that they want to do it, and they must be able to benefit from it. The Scottish Government has an interest in ensuring that all aspects of the youth contract work well in Scotland. If there are issues that we need to articulate to the United Kingdom Government, whether they are about what young people say to us or what employers say to us, we must represent them and get improvements in the system.

Patrick Harvie: Have you done that?

Angela Constance: There is on-going dialogue with our colleagues in the DWP about a range of welfare benefit issues. John Swinney and I met Chris Grayling about six weeks ago, but we need to have on-going dialogue with the United Kingdom Government.

Patrick Harvie: I think that you do.

Angela Constance: Yes, indeed.

Stuart McMillan (West Scotland) (SNP): Good morning, minister.

Angela Constance: Good morning, Stuart.

Stuart McMillan: I have just a couple of quick questions. The first relates to John Wilson's question to you earlier. Approximately 36,000 students are counted in the unemployment figure of 102,000 that was mentioned. The first thing that struck me when I read the SPICe research briefing on the subject was that there seems to be double counting in that someone who is a full-time student is also considered to be unemployed. For how long has that been the practice? The SPICe briefing shows that, in the period January to March 2007, just under 51,000 16 to 24-year-olds were unemployed. How do the current figures compare with that? Has there been an increase in the number of students who are counted as unemployed?

Angela Constance: In the interest of brevity, I ask Hugh McAloon to respond to that question. He might be able to give a sharper, more focused answer on the statistics than I can.

Hugh McAloon: The figures that you refer to are based on the ILO definition, which enables comparisons between countries. My understanding is that the figures that you quoted from 2007 would have included students. We use the figures to make comparisons with other countries. They are generally recognised by users out there as definitive figures that are put together

on an international basis, which is why we use them.

Stuart McMillan: I am the deputy convener of the Equal Opportunities Committee. Last Tuesday afternoon, during Scottish Trades Union Congress week, that committee had a session in which the point was made that there is no specific mention of women in the youth employment strategy. As a result, I read the document again, as that had not struck me beforehand. I found that, sure enough, the comment is true. Figures that have been provided to us show that there has been an 80.4 per cent increase in female unemployment, but the increase in male unemployment has been higher, at 83.7 per cent. Is it fair to suggest that the youth strategy should have more of a focus on women rather than simply being about youths, irrespective of gender?

Angela Constance: It is a fair point to say that there needs to be a better focus on gender. We will sharpen up on that when we finalise the strategy so that it speaks more specifically about young men and young women. Excluding full-time students who are unemployed, we find that young employed men outnumber young employed women by two to one. The statistics are that just over 30 per cent of young women are employed, compared with 68 per cent of young men. There have been times when the unemployment rate for young women has risen sharply, for reasons that are not entirely explainable.

As young men and women go through the education system, young men who are likely to experience unemployment because of their considerable disadvantage are clearly visible, whereas young women tend to be more invisible. I have visited get ready for work programmes and seen that young women have distinct needs from those of young men. I do not want to generalise, but sometimes the issue with young women who end up not in education, employment or training is that they can be withdrawn. They do not necessarily cause difficulties at school, but they can drift and become isolated.

There are gender issues in certain sectors. We want to get more young men into childcare and, similarly, we want to get more young women into the STEM subjects—science, technology, engineering and mathematics—and related professions. I take on board the point that gender issues could be better articulated in the strategy and that there could be more focus on the needs of young men and women.

Stuart McMillan: During the recent parliamentary recess, I visited a construction apprenticeship scheme in Bishopbriggs along with a local councillor, Councillor Gillian Renwick. More than 200 young people have started the scheme in the past two to three years. One flexible approach

that the scheme adopts is that, if a small business has an influx of work that it is struggling to undertake, it can ask the organisation for apprentices to help. That ensures that apprentices have opportunities to get through their apprenticeship while learning on the job. If the minister has not already done so, I encourage her to visit that scheme to find out what it is doing. It would be interesting and worthwhile for her to meet that group of people and learn from them.

Angela Constance: I will take the member up on that invitation. In our past discussions, we have talked about the notion of companies sharing apprenticeships. That seems like a sensible opportunity for me to pursue.

10:15

Rhoda Grant (Highlands and Islands) (Lab): I will go back to an earlier line of questioning about the number of unemployed students. Given that one of the Scottish Government's big policies is no tuition fees, it seems to be counterintuitive that Scotland has more full-time students looking for work. I assume that our students are better off and that fewer of them should be looking for work because of the policy. What is not adding up?

Angela Constance: The level of debt that young graduates leave with is much lower in Scotland than in England. I am sure that that disparity will continue. The last set of figures that I saw showed that the average debt for young graduates in Scotland is around £5,000 to £6,000, whereas in England it is £14,000. Those figures are averages.

Students have always looked for employment. I do not think that your point suggests that our higher education policy is a bad thing. Many students want and need to work. We just have to accept that, work with it and try to grow the economy to ensure that they get those opportunities.

Rhoda Grant: Why do we have more students looking for work when the policy is, I assume, better and more financially positive for them? Why are a disproportionate number of them looking for work? Is our policy so far wrong?

Angela Constance: It is the other way round: it is because of our success at getting more people into higher education. It is a positive indicator on our policy to keep young people in education for a lot longer because that improves their long-term prospects. If that means that we have more full-time students looking for employment, we need to respect that and to try to respond to it. Hugh, do you have anything to add to that?

Hugh McAloon: The issue is complex and there are a couple of things to think about. I

cannot be definitive, but I have some ideas. We have to think about the nature of the student labour market and the sort of jobs that students get, which means looking at bits of the service sector. There might be regional disparities across the UK and an issue with how the recession has impacted on the sectors that students will go into. I do not have the figures at my fingertips, but our policies might have impacted differently on the social makeup of the student body in Scotland, compared to what has happened in other parts of the UK. I do not, however, think that such disparities will be massive.

We might think about how the service sector in Scotland and bits of the north of England has been impacted on by the wider aspects of the recession and consumer spending and contrast that with the sector in parts of the south of England, which will have quite a lot of weight in the figures. There might be something in that, but I do not want to be definitive about it.

Rhoda Grant: It would be interesting to get more information on that when it comes to hand.

During the previous recession, we did not skill young people and a lot of those who came out of school then are still unemployed. When we came out of the recession, we ended up needing to import skills because we did not have enough of them to cope with demand. It seems to me that history is repeating itself and that we have learnt nothing, so we will have a lot of young people who will not be equipped when the economy is in upturn.

In addition, there has been a massive cut in funding of further education, which represents a wasted opportunity. We should be skilling young people. I understand the point about there already being a lot of young people in education, but should not this be the time for us to push people into education, so that when the economy starts to follow a positive line again they are ready to take up the jobs that will need to be filled—for example, in construction? How can we do something different?

Angela Constance: We need to learn lessons from the past. As well as focusing on the current needs of employers, we need to keep a sharp and acute eye on their future needs. Skills Development Scotland has a crucial role to play in engaging with the sector skills councils and industry leaders groups in all sectors. Skills Development Scotland, in partnership with industry, puts together skills investment plans, the progress of which is reported on. It also works jointly with the Scottish Further and Higher Education Funding Council, and that is very much about ensuring that we have an eye on the future and that we train a workforce not just for today, but for the future. Skills Development Scotland is

focused on the key sectors that are outlined in the Government's economic strategy and we need to apply that focus to all sectors.

I will make a broader point about further education, because many of the arguments are well rehearsed. The reform of post-16 education is about better meeting not only the needs of learners and their journey, but those of employers. We need change in the post-16 education and training system, including in colleges. I still believe that we have a good record on the funding of further education and colleges. By the time we get to the end of the current spending review period, the Government will have spent 40 per cent more on further education than the two previous Administrations. Spending overall is up.

Rhoda Grant: Given inflation and rising costs, the spending is actually less over time when we really need more.

Angela Constance: Yes, but the context is that our spending on further education is going up by 40 per cent at a time when our budget is going down. The budgets of the two previous Governments went up by £10 billion, whereas ours is going down by £3 billion. The reality is that we are continuing to prioritise young people in colleges and universities, for whom the number of places is being maintained. I understand people's anxieties, but as we progress with reform, I think that we will all be in a much better place in a year or two.

Rhoda Grant: That might be too late for this generation.

Angela Constance: No—we are not going back to the 1980s, thank you very much.

The Convener: I do not know.

Mike MacKenzie (Highlands and Islands) (SNP): Good morning, minister. You have mentioned the forthcoming sustainable procurement bill, which I am sure we would all welcome as an opportunity to legislate for better procurement practice. Is there scope, however, for doing more in the interim to encourage public authorities and agencies to adopt better procurement practice right now?

Angela Constance: Yes. We must think about continuous improvement and how we focus on young people. As parliamentarians, we all know that legislation is an important and useful vehicle, but there are always things that we can do without legislation. The Government introduced guidelines on community benefit clauses, which has initiated more than 1,500 targeted recruitment and training opportunities. Good things are happening, but we can certainly do more and cement those good things with legislation.

The Convener: That was a model of a succinct question and answer.

John Park (Mid Scotland and Fife) (Lab): I will try to follow that, convener.

I apologise for my late arrival and for missing your opening remarks, minister. I am sure that you are aware that the public have a traditional perception of apprenticeships: somebody will leave school, go on an apprenticeship and have a qualification—and, we hope, a job—at the end of it. Nevertheless, despite the global figure of 25,000 modern apprenticeships, there is still a huge demand for apprenticeship opportunities among the constituents to whom I speak. How many of the 25,000 modern apprenticeships next year and over the subsequent years—even last year—have been earmarked for the 16 to 24-year-old age group? How many of the places for that age group will be traditional three to four-year apprenticeships?

Angela Constance: This is a discourse that John Park and I have with increasing regularity. Our priority is, indeed, 16 to 24-year-olds but we have a particular focus on 16 to 19-year-olds, for whom the majority of MAs are earmarked.

Hot on the heels of that, we need to balance the needs of older young people, if that is not a counterintuitive term—20 to 24-year-olds—because young women, particularly young mothers, and care leavers may be a bit older before they are ready to take up a modern apprenticeship. We need quite a balanced approach.

What was your second question?

John Park: It would be helpful if you could get the detailed figures in answer to my first question to us afterwards.

Angela Constance: Obviously we will not know this year's figures until the end of the year.

John Park: I mean last year's figures. It would be useful to have them because that would allow us to see how things stood. I suppose that all the contracts for next year have now been placed, so you will be able to provide those figures.

Angela Constance: Yes.

John Park: People view apprenticeships as taking three or four years. What percentage of the 25,000 will last that long and what percentage of the 18,000 that we had last year lasted that long?

Angela Constance: Do you know that information off the top of your head, Hugh?

Hugh McAloon: I do not.

Angela Constance: We can get that information to you, Mr Park.

John Park: The other perception about apprenticeships is that people start them when they leave school or have been out of work for a while and that those people are embarking on a career path that we hope will take them into skilled jobs. However, there are also a lot of people in work who are sitting at desks on the Friday and who, on the Monday, start apprenticeship courses that last however long. Are they included in the 25,000? If they are, what percentage of the 25,000 apprentices will be people who were already in work?

Angela Constance: We want most of the modern apprentices to be new starts because we want to get people into work and training. However, I do not want to throw the baby out with the bathwater. It is good workforce development for a young person to have an opportunity within their current employment. Although I take the point about the need to ensure that a hefty number are new starts, I do not necessarily want to preclude any young person whose job might provide them with better training opportunities and therefore improve their future prospects. We need to strike a balance.

10:30

John Park: I absolutely agree. However, there is a perception that the 25,000 modern apprentices are 25,000 people embarking on a career. If someone works in a job on the Friday and undertakes an apprenticeship on the Monday, that is not an apprenticeship; it is a vocational qualification that they are undertaking as part of their current employment. If that kind of thing has been included in the figures, we need to understand the scale of it and think about the perception that it might be creating outside the Parliament.

Angela Constance: Indeed, but more modern apprenticeships mean more opportunities all round.

The Convener: On the issue that John Park has raised of collecting statistics, when I asked Skills Development Scotland, during its briefing, whether it had any figures on the employment rate for people who have completed modern apprenticeships, I was told that it is difficult to collect that information. Does the Scottish Government have any figures on that? Given that we are—quite rightly—encouraging greater use of apprenticeships, it would be interesting and useful to find out how many people are going into full-time employment at the end of their apprenticeship.

Angela Constance: We know that the completion rate for apprenticeships is at a record high of more than 70 per cent; however, it is

genuinely difficult to collect the information to which you refer. I do not know whether Hugh McAloon has anything to add.

Hugh McAloon: The issue came up in the “Making Training Work Better” consultation that we carried out at the tail end of last year. Given our interest in the matter, we have asked Skills Development Scotland to research it and it is now considering how to carry out that research despite all the difficulties that exist. Nevertheless, the minister makes the important point that the apprenticeship programme has one of the highest completion rates—if not the highest completion rate—of any part of the post-16 system. You might expect that to be the case, given the fact that an apprenticeship is tied to someone’s job.

The Convener: Lastly—and, I hope, briefly—we will hear from John Wilson.

John Wilson: First, I should have declared that, many years ago, I went through the apprenticeship scheme and completed a traditional four-year apprenticeship.

John Park: I should have declared the same interest.

The Convener: Anyone else? [*Laughter.*]

John Wilson: As a result, I have a vested interest in the apprenticeship scheme and know the benefits that apprenticeships can have for individuals with regard to the skills that they can learn and the trades that they can move into.

A couple of years ago, the First Minister introduced the apprenticeship guarantee scheme. How often has the scheme been used and how many young people’s apprenticeships have been safeguarded as a result? A number of young people who started apprenticeships found that they had been misled by their employer and were not actually in a traditional apprenticeship, while others who were going into the fourth year of their traditional apprenticeship discovered that their employer no longer had work for them. Of course, it might have been a coincidence that that was the very point at which they became entitled to the national minimum wage.

Angela Constance: I think that Mr Wilson is referring to the adopt an apprentice scheme.

John Wilson: Indeed.

Angela Constance: The scheme continues and, to date, has assisted 1,234 young apprentices. The reason why I remember that precise figure—

The Convener: That was very impressive, minister.

Angela Constance: It is quite an easy figure to remember, convener.

The Convener: As members have no more questions, I thank the minister and Mr McAloon for coming to the meeting and answering our questions. The session has been extremely helpful and it would be useful to continue the dialogue as we move forward. I am sure that members are very interested in following the issue of youth employment and what happens with the strategy.

Angela Constance: Thank you for that, convener. I very much welcome the opportunity to come back to the committee. I should also say that my door is always open to members.

10:34

Meeting suspended.

10:36

On resuming—

Enterprise Areas

The Convener: Item 2 is an evidence-taking session on enterprise areas. I welcome the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, and two Scottish Government officials: Karl Reilly, social policy adviser, enterprise and tourism; and Peter Ford, team leader, enterprise co-ordination and partnership. In asking their questions, members should bear in mind that Mr Swinney is on a tight schedule and needs to be away by half past 11.

Do you wish to say something by way of introduction, Mr Swinney?

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): If I could, convener.

On 17 January, I announced the locations that we expect to make up Scotland's enterprise areas and I am grateful to the committee for the opportunity to discuss the subject this morning. The Government, in partnership with Scottish Enterprise and Highlands and Islands Enterprise, identified a number of potential enterprise area locations across Scotland. The sites were consistently and rigorously assessed against four criteria: evidence of market failure that enterprise areas could help to reduce; evidence of the opportunity to create additional economic growth and new employment; evidence of the need for improved local economic performance; and development challenges that might constrain short-term opportunities.

In deciding the locations that might benefit most from enterprise area status, ministers carefully considered the outputs of the assessment along with the need for a reasonable geographic spread of sites to ensure equity; the desire to support manufacturing opportunities in renewable energy and other growth sectors; and the ability to complement rather than overlap with other initiatives such as tax increment financing to allow public sector resources to have as wide an impact as possible. Given the available resources, we could select only a limited number of enterprise area sites and settled on 14 sites in four areas. We have focused on the locations where enterprise area status can have the greatest additional impact within the policy's five-year timescale and have selected sites that can exploit opportunities in known growth sectors but which in many cases will help to create jobs in areas of Scotland that are performing at a level below that at which the Government believes they can perform.

The additional attention on enterprise areas should be considered alongside other existing opportunities for economic development support that we pursue with our enterprise agencies, principally the small business bonus scheme and regional selective assistance.

The enterprise area policy has been moving at pace since the announcement. Rapid development, including details of incentives, has been necessary as we aim to have enterprise areas open for business from April. Business rate discounts, which will be a core financial incentive available at the majority of enterprise area sites, will also be available from April. Enhanced capital allowances may be more attractive than rates discounts to the largest companies that are planning significant capital investment.

Now that we have identified our enterprise area sites, officials are in discussions with the UK Government about offering enhanced capital allowances in Scotland. Her Majesty's Treasury is considering our case for offering enhanced capital allowances at Nigg, Dundee and Irvine in the west of Scotland. Enhanced allowances would enable businesses to claim 100 per cent allowance against investment in plant and machinery until 31 March 2017. We would hope to have those enhanced allowances available by April.

We have been in discussions with individual local authority planning departments to build on the enterprise area planning protocol agreed last month with the Convention of Scottish Local Authorities. The protocol sets out how we propose to deliver a streamlined approach to planning within our enterprise areas.

Progress has been made with other incentives. On broadband, we are establishing existing levels of connectivity at each site and we will then make the case to the telecommunications industry to accelerate its plans for providing next-generation broadband at each location. Where possible, we will expect those upgrades to be delivered on a commercial basis. Scottish Development International is developing site marketing plans that will promote enterprise areas overseas, and it will liaise with UK Trade and Investment to ensure that that body actively markets enterprise areas.

Skills Development Scotland is considering how the emerging skills investment plans for each of our growth sectors can best be utilised to maximise the opportunities that are presented by enterprise areas.

In taking forward this agenda, we will develop a benefits realisation plan in consultation with Highlands and Islands Enterprise and Scottish Enterprise that will monitor developments and progress and provide us with the opportunity to revise any of the arrangements that I have set out

today if we consider that the evidence does not support the aspirations of the policy.

The Convener: Some commentators have said that there might be better ways of approaching the broader policy objective of enterprise areas. For example, PricewaterhouseCoopers said that research and development grants would be a better way of attracting life sciences companies than providing tax breaks.

When did the Barnett consequential from the UK Government's development of enterprise areas south of the border become available? Did the Scottish Government look at other ways of using that money to incentivise business growth rather than going down the route that you have gone down?

John Swinney: The best way to look at this is to view the enterprise area approach as another complement to our economic development strategy. There are a range of interventions that the Government has at its disposal to encourage economic development and investment, such as regional selective assistance, the core small business bonus scheme and the R and D grants that are already available, which are provided through the enterprise agencies.

We were looking for an approach that would provide us with another intervention to strengthen our competitive proposition and create opportunities to encourage growth. That is not to suggest that there is not a strong case for using R and D grants—of course there is—but we felt that this was an opportunity to add resources to what had flowed in the Barnett consequential and provide another opportunity to encourage growth in key sectors of the Scottish economy.

The Convener: Have you modelled the likely impact that the package of incentives that you are putting in place will have on business growth and the economy?

John Swinney: Not at this stage, although my last point in my opening remarks was about the formulation of a benefits realisation plan. The decisions that we have taken are consistent with the Government's wider economic strategy. We are adding another element of incentive and encouragement. That is what has driven our policy choices on enterprise areas.

We now need to be clear about what benefits we believe will be realised through that approach and to monitor the realisation of those benefits over the five years of the policy timescale and beyond, so that we can form a view on whether the plans that we have put forward need to be revised or whether other enhancements need to be made to ensure that the policy is as effective as it can be in contributing to economic growth.

The Convener: Thank you. A number of members have indicated that they want to ask questions. I will start with Rhoda Grant.

10:45

Rhoda Grant: I want to ask about the displacement effect of enterprise areas. One of the criticisms that have been made of enterprise areas in the past has been that, rather than creating new jobs, setting up an enterprise area brings in jobs from other areas. In other words, there is a honeypot effect in the enterprise area but an adverse effect in areas close by. What thought have you given to that well-known concept? What steps have you taken to ensure that that does not happen?

John Swinney: I recognise the concern about displacement, which has been the subject of one of the most sustained criticisms of previous enterprise areas. In the past, enterprise areas consisted of zones of the country in which a preferential, incentives-based financial regime was provided. Essentially, that regime supported anything that happened in those zones.

We have designated certain parts of the country as enterprise zones, but we have done so on a sectoral basis. For example, we have designated Nigg—a part of the country that Ms Grant knows well—as an enterprise area for renewables purposes. If a life sciences company wanted to set up in Nigg, it would not get the benefit of the enterprise area regime in that area. We have limited the opportunities to benefit from the preferential financial regime and other support to the growth sectors of the economy. That has been deliberate.

The growth sectors that we are talking about are all sectors in which the Government believes—this has been an implicit part of our economic strategy since we took power in 2007—that we need to perform significantly better than we do at the moment to realise the opportunities that exist.

For example, we do not have a large renewables industry to displace from one part of the country to another. We must ensure that we have the best and most competitive conditions to attract investment in renewables and to create and stimulate such investment in particular parts of the country in a fashion that is consistent with the Government's economic strategy and with the national renewables infrastructure plan, which guides and drives most of our direction in the sector.

The principal way in which we avoid displacement is by making the approach to who benefits from enterprise area status be driven by the classifying of sectors that have the potential to grow in the Scottish economy and which, as a

consequence, have the potential to deliver fresh economic impact rather than to shift economic impact from location A to location B, which past enterprise areas could fairly be criticised for doing.

Rhoda Grant: Following on from that, we were circulated with a useful document about the various areas that were considered and their scoring. It is quite clear that some areas were not given enterprise area status even though they got a higher scoring than areas that were chosen.

I will be a bit parochial, if I may. In my area, Dunstaffnage, Machrihanish and Kishorn all got a higher scoring than other areas that were granted enterprise area status, but they did not get it. If we look at the map, we see that swathes of north-west Scotland have not been given enterprise area status, even though they include areas that I would have thought are crucial to development because of previous investment and areas that could really do with such economic input.

John Swinney: It is clear that there are many more expressions of interest in, and opportunities and possibilities for, enterprise area status than the Government has been able to approve. If everywhere is an enterprise area—although Rhoda Grant is not suggesting that—that rather denudes the purpose and point of enterprise areas. Choices must be made.

We must focus on the basis of the choices that have been made. I am quite happy to go through all the sites that were considered, but I will mention a couple of them in particular. Although the Dunstaffnage site scored very highly, I made the point in my opening remarks that we want the enterprise area initiative to be complementary to other Government initiatives. The tax increment financing project in Dunstaffnage has been approved, of course. The Lorn arc proposal is a very impressive project under TIF. We want to ensure that there is access to different opportunities and support around the country. The Machrihanish facility has already benefited significantly from public expenditure to support the development of renewables there.

A key consideration, particularly in the renewables sector, is that a lot of the expected renewables development in the next five years, which is the duration of the enterprise area policy, will be more east coast than west coast based. That is simply because of how the industry expects to develop. That affects a number of the west coast developments that Rhoda Grant has raised with me. The offshore developments on the west coast are likely to be later rather than earlier in the decade. Ensuring that we have the manufacturing capability on the east coast involves a judgment about when we need sites to be in an attractive position to be able to fulfil their potential. The enterprise area sites that have been

approved include ones at Hatston and Lyness in Orkney, and Scrabster in the north of Scotland, so a number of developments have been supported in the Highlands and Islands.

Chic Brodie: Good morning. The convener asked about research and development, which I would like to address. I welcome the sectoral approach to enterprise areas—as I would, of course—but will the cabinet secretary comment on how the enterprise areas are to be developed in relation to the Government's knowledge transfer strategy? In South Ayrshire and East Ayrshire, I have been trying to encourage the local authorities, the colleges, the university and indigenous businesses to form a task group that will look at, if not the incubation, at least the virtual incubation of ideas and innovations that come from the colleges and university. Is that, or can it be, part of the overall strategy, so that there is cohesion between the Government's knowledge transfer strategy and the development of the enterprise areas?

John Swinney: I stress that the enterprise area strategy should not be seen as a bolt out of the blue that will create a new and completely different direction for our economic strategy. The enterprise area approach has been configured—as all our other interventions have been—to be consistent with the Government's economic strategy, which we published in 2007 and updated with minor changes in 2011. Mr Brodie's point is important, as it gives me an opportunity to reinforce the point that we will look for clear connections between the approach and the existing elements of our economic strategy. The knowledge transfer approach is an important part of that.

Yesterday, I was with a group of representatives of further and higher education institutions that have benefited from European development funding that is designed to enhance new developments in the low-carbon economic sectors. The degree of collaboration between those institutions was exemplary and welcome. That contributes significantly towards our wider agenda on making connections between institutions with an economic purpose. That is exactly the same as the work that will be taken forward under the enterprise area approach. Of course, it is not outwith the realms of possibility that our academic partnerships will result in developments that decide to locate in those enterprise areas. In a sense, that makes the connection that Mr Brodie has raised.

Chic Brodie: It is well known that I am a great supporter of Scottish Development International. What connectivity will there be between the enterprise areas and SDI that will accelerate their development?

John Swinney: As the committee is aware, SDI is focused on supporting efforts to increase Scotland's international business activity. There are some pretty demanding aspirations in that respect.

SDI will be playing a strong role in relation to the enterprise areas. They will be another part of the prospecting for opportunities that SDI will be involved in. When it is talking to companies that are interested in, for example, foreign direct investment into Scotland, it will have another part of the story to explain and will be able to demonstrate to companies the incentives that there are to locate in Scotland as opposed to another part of the globe. SDI will be heavily engaged in using its contacts around the world to raise companies' awareness of what is on offer from the enterprise area sites in Scotland.

Mike MacKenzie: Some weeks ago, when we were scrutinising the budget and talking to the enterprise agencies, I was struck by the fact that Scottish Enterprise had developed what seemed to be impressive methods of evaluating the effects of its work. That methodology seemed to be much better than that of HIE, for example. Have you given thought to establishing an evaluation process to monitor the effectiveness of the enterprise areas?

John Swinney: We will do that. That is one of the next elements. Having taken decisions about sites, we will put in place a methodology to assess the performance of each site and what is realised as an accumulation of the initiative. The first purpose of that will be to monitor whether some of the issues and concerns that were raised about enterprise areas in the past have been avoided, particularly with regard to the point about displacement, which is possibly the most significant criticism that has been levelled. The second purpose is to give us the opportunity to test whether the policy needs to be revised during the term. I remain willing to do that if we find that the way in which we have configured the initiative does not deliver the economic returns that we are looking for. We will be very open about that process.

11:00

John Park: Good morning. I want to ask about the likely quality of employment in the areas. The main concern is to try to increase the number of employment opportunities. I was pleased to hear you say that you are looking at a skills framework.

We would be keen to see predominantly directly employed jobs that enable people to have careers and skills opportunities. The Scottish Government has an important role in setting the tone for that. Do you agree with what I have described? In

developing the plans, will you consider talking openly about the type of employment and employers that you would like to attract to the areas?

John Swinney: I agree with that point. The sector-based approach that we have decided to pursue is perhaps an insurance policy for the delivery of the aims that Mr Park is talking about. If we go down the route of defining an enterprise area by geography and saying that people in that geographical area will be able to get a lower-cost business location, that gives no protection against the concern that Mr Park frequently raises in parliamentary debates and other discussions, which is about the quality of the employment that emerges.

On the decision to select particular growth sectors, I can discuss my experience of developments in the life sciences, such as the campus in the Highlands. The quality of employment that exists in the life sciences sector in and around Inverness is fantastic. There are high-quality jobs, great skills-development opportunities, excellent training infrastructure and strongly remunerated posts. That is one of our selected areas, and we have an objective of building on what has been done there. The same thing applies across the field of renewables, where there are clearly major opportunities to develop manufacturing and engineering skills, which I know that Mr Park has established as a priority in his parliamentary work.

Going beyond that, Skills Development Scotland will be very much involved in the propositions that are put forward in relation to developments in the enterprise areas—in that regard, its role will be similar to the role of SDI, which I outlined to Mr Brodie.

The other week, I opened the new premises of Avaloq software designers in Canonmills in Edinburgh. The deciding factor for the company to come to Edinburgh was the access to the pool of skilled talent, particularly in computer science and mathematics, that emerges from our university base in central Scotland. That is one example of the way in which skills can be used as a competitive bargaining tool to attract investment into Scotland.

We will ask Skills Development Scotland to play its part in the dialogue that SDI has with foreign investors in order to make the case that Scotland has a great reservoir of talent—which is no surprise, given the investment that we make in the university and college community. I am optimistic that those judgments will assist in realising the objectives for enterprise areas that Mr Park set out in his question.

That is one of the elements that we will monitor. We might find that it is one that we have to reflect on during the course of the initiative, but it is an issue that we would want to focus on.

Stuart McMillan: You will be aware that I was lobbying on behalf of an area in the west of Scotland to try to help it to secure an enterprise area. As you will know from our correspondence, I was disappointed by the decisions, but we have to move on.

I will describe one point that has struck me in relation to the enterprise areas and moving forward. I am keen that local authority areas in the west of Scotland, particularly those that have high levels of unemployment among 18 to 24-year-olds, are not hampered from taking advantage of other opportunities that may arise in the future. You mentioned the medium-term to longer-term opportunities for the west coast in the renewables sector, although the immediate priority for the sector is the east coast. I am keen to have some reassurance that the Scottish Government will promote opportunities for areas on the west coast in the future.

John Swinney: I am happy to give that assurance. I understand that areas of the country were disappointed that we were unable to take decisions to deliver enterprise area status in those localities. We set out in our published document information on 34 sites that were explored in detail as part of the exercise. We discounted a further 16 very early on because of what I would describe as insuperable problems with the sites that meant that they merited no further investigation.

Of course, areas in the Inverclyde area were examined in the analysis and many other areas could be suggested for involvement. The point on the Greenock site is very much the point that I made to Rhoda Grant about the timescale for development of renewables, because that has been driving a great deal of our consideration of the sectoral approach to enterprise areas.

I do not want to give the impression to the committee that, suddenly, the only component of the Government's economic strategy is enterprise areas. That is most expressly not the Government's approach. This is one of a number of approaches that we will take to encourage and incentivise development and increased economic activity. There are many others, some of which are being taken forward. For example, work clearly continues on the Government-supported regeneration activities in the Inverclyde area. Through our agencies, the Government has been able to encourage other investments to take place in Greenock.

I give Mr McMillan the assurance that the whole range of support and analysis that goes into trying

to encourage developments in particular areas will continue right across the country. There will just be an extra element of it, which is the enterprise area approach.

Stuart McMillan: I whole-heartedly welcome the recent announcement of the £20 million order with Ferguson's for the two new ferries, which not only safeguards existing jobs, but creates jobs and introduces apprenticeships for the first time in many years in shipbuilding on the lower Clyde. It also places Ferguson's in a very good position for future orders. Earlier this morning, John Park spoke about traditional apprenticeships, and such opportunities in shipbuilding are warmly welcomed in Inverclyde. I appreciate that enterprise areas are not the only game in town.

We heard about youth unemployment figures in the earlier session with Angela Constance. Obviously, the country faces serious challenges in that regard. However, numerous constituencies on the west coast of Scotland seem to have a bit more of a challenge in getting employment opportunities for younger people. That is the case not only in the Greenock and Inverclyde constituency but in Cunninghame North and elsewhere.

I am keen to press the point that other employment opportunities, particularly for existing industries such as shipbuilding, would be greatly appreciated on the west coast of Scotland.

John Swinney: The Government will work on that approach. As I have stressed, enterprise areas are one additional tool in our economic strategy. They are not the be-all and end-all.

Patrick Harvie: Good morning, cabinet secretary. In relation to enterprise areas, does low carbon mean only renewable electricity industries?

John Swinney: No.

Patrick Harvie: I am surprised that low-carbon building techniques, low-carbon transport and local food production, for example, have not been mentioned in connection with the sites that have been specified. This all seems to be about the renewables investment plan. I do not disagree with the plan, but I wonder whether a broader focus on low carbon is needed.

John Swinney: In terms of category and definition, there should be no sense that low-carbon interventions will not be welcome in low-carbon renewables areas. In my response to Chic Brodie a moment ago, I said that I spent time yesterday morning with representatives of various universities and colleges that are advancing low-carbon research activity. From my recollection of all the projects that I looked at yesterday, none was in the renewables field, as it would be traditionally described; they were based in the

wider low-carbon sector. There are opportunities to make progress and for such ventures to advance.

Patrick Harvie: That is helpful—perhaps we can follow that up at future meetings.

There is only one other issue that I want to address. Is there any danger or concern that the enterprise area policy in general could create a more favourable environment for external investment by big business than for small businesses to grow and flourish, particularly those that are locally or domestically owned? Even if the policy works brilliantly on its own terms, is there a danger that it will contribute to an economy that is still unhelpfully dominated by big businesses, rather than small businesses whose ownership is based in Scotland or the communities that they serve?

John Swinney: The answer to your question lies in people appreciating and accepting that this is one economic intervention among a range that the Government will make. The small business bonus scheme, for example, is focused on encouraging small companies to develop and grow in Scotland.

On the focus of the enterprise agencies—this is one point that the Government has not communicated particularly successfully—when we undertook the reforms of the enterprise network in 2007, we said that we would concentrate on supporting companies with growth potential. I think that that got translated into “big companies,” but that is most definitely not the case; it is companies with growth potential. Although an account-managed company might be thought to be a large company with 2,000 employees in Scotland, it is equally possible for a company with only two employees in Scotland to be classified as such, because of the growth potential in whatever that company provides.

We need to reinforce the fact that our enterprise agencies are focused on ensuring that small, medium-sized and large companies with growth potential are able to benefit from Government support. The enterprise areas will create a better set of circumstances in which to encourage development in the relevant sectors.

Incubator units, which Chic Brodie mentioned a moment ago, may well be developed in enterprise areas as a magnet for their economic activity. That could be an appealing prospect for smaller companies.

I do not think that the enterprise areas have to be viewed as the preserve of larger companies or external investors. For example, in Nigg, a company that is strongly anchored in Scotland is able to take forward the likely developments there. That is welcome.

Patrick Harvie: Do you expect to monitor the extent to which enterprise area opportunities are taken up by different types of businesses, such as local or global businesses; small or big ones; and social enterprises, community-owned businesses and co-operatives, rather than conventional privately owned businesses?

11:15

John Swinney: We very much expect to do that. Mr Harvie mentions a range of company structures. I put it on the record that the Government is keen to ensure that our support is available across that range of companies, be they foreign direct investment investors, home-grown family businesses in Scotland, social enterprises or co-operatives. The Government will be interested in that broader range of business models. Part of Scottish Enterprise's work is to support Co-operative Development Scotland, which does excellent work in encouraging the development of more co-operative business structures, which the Government firmly supports.

Patrick Harvie: That is helpful. I was just looking for reassurance that we will not get the answer, "That information is not held centrally," if we submit written questions on those issues.

John Swinney: I do not think that you get many of those from me.

Patrick Harvie: It has been known.

John Swinney: I am sure that one or two have slipped through the system.

Angus MacDonald (Falkirk East) (SNP): I am pleased to hear about the support for incubator units, as those have been used to great effect in the Falkirk Council area. Several small companies have emerged from the incubator units and been a success.

The SPICe briefing mentions the emphasis on enterprise areas rather than enterprise zones. I must admit that, following the announcement on enterprise areas, I was slightly surprised that there is no specific enterprise area for the chemicals industry, given the prominence in the chemicals sector of the Forth valley region, in particular Grangemouth, and the clear, significant potential for growth. I am curious to know whether there is any intention of having a second tranche of enterprise areas. The cabinet secretary has touched on this already in answer to Stuart McMillan's question, but if there is not to be a second tranche, will there be other opportunities for the Scottish Government to assist the chemicals sector in Scotland, given its strong potential for growth?

John Swinney: In relation to the chemicals sector, we have a chemicals industry leadership

group, which feeds into the work of Scottish Enterprise. I am anxious to develop the strongest possible representation and input into the formulation of Government policy via the industry leadership groups. We get a tremendous amount of voluntary participation by members of the industry, which is welcome and which helps to formulate and refine Government policy, and we will continue to build strongly on that. Clearly, the chemicals sector can access a range of supports that are on offer from the Government and through our enterprise agencies, many of which are informed by the industry leadership group.

On Grangemouth and the Falkirk area and its significance in the chemicals sector, we have taken a decision in relation to tax increment financing in that area. Having taken that decision, we were anxious to ensure that other decisions were complementary and not overlapping. That explains why a favourable decision was not taken for the sector in relation to the enterprise areas. We are beginning to see the emergence of a cumulative range of strong interventions that support economic development in Scotland. I very much look forward to working with the chemicals sector and others to support that process in Scotland.

Angus MacDonald: Thank you. I have put on record my appreciation for the Falkirk TIF scheme. However, all assistance is gratefully received.

The Convener: As ever.

Members have no further questions. I am grateful to them for being mindful of our time constraints. I thank the cabinet secretary and his officials for coming. The meeting has been helpful and we look forward to hearing from the Scottish Government in due course about progress and how targets have been met.

Decision on Taking Business in Private

11:20

The Convener: Item 3 is a decision on taking business in private. As members will be aware, it is customary to take in private discussions on approaches to inquiries. Do members agree that consideration of our approach to our inquiry into the Scottish Government's renewable energy targets should be taken in private at future meetings?

Members *indicated agreement.*

The Convener: Before we move into private, I put on record the committee's thanks to Professor Kenneth Reid for all his help and assistance in steering us manfully through the Land Registration etc (Scotland) Bill, which I am sure members have appreciated.

11:21

Meeting continued in private until 12:21.

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