



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EQUAL OPPORTUNITIES COMMITTEE

Thursday 29 November 2012



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**EQUAL OPPORTUNITIES COMMITTEE**

**23<sup>rd</sup> Meeting 2012, Session 4**

**CONVENER**

\*Mary Fee (West Scotland) (Lab)

**DEPUTY CONVENER**

\*Marco Biagi (Edinburgh Central) (SNP)

**COMMITTEE MEMBERS**

\*John Finnie (Highlands and Islands) (Ind)

Annabel Goldie (West Scotland) (Con)

\*John Mason (Glasgow Shettleston) (SNP)

\*Siobhan McMahon (Central Scotland) (Lab)

\*Dennis Robertson (Aberdeenshire West) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Julie Ann Bilotti (Scottish Government)

Fergus Ewing (Minister for Energy, Enterprise and Tourism)

Alex Johnstone (North East Scotland) (Con) (Committee Substitute)

Iain Murphy (Scottish Government)

**CLERK TO THE COMMITTEE**

Douglas Thornton

**LOCATION**

Committee Room 4



## Scottish Parliament

### Equal Opportunities Committee

*Thursday 29 November 2012*

[The Convener *opened the meeting at 09:01*]

### Decision on Taking Business in Private

**The Convener (Mary Fee):** Good morning, everyone, and welcome to the Equal Opportunities Committee's 23rd meeting in 2012. I remind everyone to switch off their mobile phones rather than putting them on silent.

Around the table, along with members and witnesses, are the clerking and research teams, the official reporters and broadcasting services. Around the room, we are supported by security staff. I also welcome the observers in the public gallery at the rear of the room.

My name is Mary Fee and I am the convener of the committee. I ask the other committee members to introduce themselves.

**Marco Biagi (Edinburgh Central) (SNP):** I am the deputy convener.

**Dennis Robertson (Aberdeenshire West) (SNP):** I am the MSP for Aberdeenshire West.

**Siobhan McMahon (Central Scotland) (Lab):** I am an MSP for Central Scotland.

**John Mason (Glasgow Shettleston) (SNP):** I am the MSP for Glasgow Shettleston.

**Alex Johnstone (North East Scotland) (Con):** I am an MSP for North East Scotland and a substitute member of the committee.

**John Finnie (Highlands and Islands) (Ind):** I am an MSP for the Highlands and Islands.

**The Convener:** Under item 1, members are asked to agree to take item 3, which is a discussion about potential witnesses, and such discussions at future meetings, in private. Is that agreed?

**Members** *indicated agreement.*

**The Convener:** Thank you.

## Supported Employment

09:01

**The Convener:** Item 2 is oral evidence from the Scottish Government on supported employment. I welcome our witnesses and invite them to introduce themselves in turn.

**The Minister for Energy, Enterprise and Tourism (Fergus Ewing):** I am the Minister for Energy, Enterprise and Tourism.

**Julie Ann Bilotti (Scottish Government):** I am policy manager in the employability policy team in the Scottish Government's directorate for employability, skills and lifelong learning.

**Iain Murphy (Scottish Government):** I am from the Scottish Government procurement directorate.

**The Convener:** Thank you. The committee has a number of questions for you. We will start with Siobhan McMahon.

**Fergus Ewing:** Sorry, convener, but I thought that you might want me to make an opening statement just to set the context, if that is all right.

**The Convener:** I am happy for you to do that, minister.

**Fergus Ewing:** I think that it might be helpful. I am grateful to you.

Thank you for inviting me to update the committee on progress on supporting those Remploy staff who are affected by the decision by the Department for Work and Pensions earlier this year to withdraw funding from Remploy. As the committee knows, since the announcement in March of the withdrawal of that direct funding, we have seen three factories in Scotland close in stage 1 of the process, with 65 people, 61 of whom are disabled, losing their jobs. On Monday, we heard the very bad news that the Springburn site will also close. Stage 2 of the process will see the remaining businesses considered for sale or closure.

As the committee will know from my written updates, I have had concerns from the outset about the handling of the matter by the United Kingdom Government. We can discuss those in greater detail, but basically, they fall into three categories. First, we fundamentally disagree with the decision that Remploy should disengage in the manner proposed. Secondly, there has been a lack of effective communications and unnecessary secrecy around the process, which resulted in staff, commercial bidders and stakeholders alike being left uninformed at crucial stages of the process. Thirdly, the lack of proper preparation for stage 1 led to a range of difficulties for all

concerned, including the DWP and Remploy senior management.

Despite the lack of co-operation from the UK Government on the matter, the Scottish Government has taken the following action. First, we have put in place initial support for organisations looking to take over stage 1 Remploy businesses through Scottish Enterprise and the Just Enterprise provision for social enterprises. Secondly, we have delivered support through partnership action for continuing employment—PACE—for individuals who have been made redundant. That support is aligned with the DWP and Remploy support package. Thirdly, we have taken action to ensure that the surviving sites, alongside other supported businesses, have the opportunity to secure increased levels of both public and private contracts.

Looking ahead, I continue to consider further support for the remaining businesses and those staff who have already been made redundant. I am sympathetic to the calls for additional support for those individuals. I am aware of the unions' position; I work closely with Lyn Turner and Phil Brannan from the trade unions, and I heard Ian Tasker on the radio just this morning. Later today, I will advise the Parliament that I have asked my officials to develop a model of support in Scotland. Full legal and technical details remain to be agreed, but I hope to bring a full proposal to the Parliament before the Christmas recess.

In your letter of invitation to me, convener, you indicated that you would like to discuss whether there should be a broader inquiry into sheltered or supported workplaces. That is, of course, a matter for committee members. The majority of disabled people in Scotland work in mainstream employment without the need for supported employment services. However, many people require support, either in mainstream employment or in a supported business.

The needs of disabled people vary enormously and we must recognise the importance of assessing those needs and offering the appropriate level of support for each individual. For example, I do not subscribe to the view, which has been expressed by some, that none of the Remploy staff could work in other jobs or in mainstream employment. The Remploy staff whom I have met on my visits to factories lately are hard-working and hugely committed employees. Many have levels of skills that would surprise those with no knowledge of Remploy workplaces. I do not believe that we could find harder-working people. However, I believe that some of them would find it very difficult to move from supported employment.

For some disabled people, it seems clear that a place in a supported business may be the right option. That can be either a step towards mainstream employment opportunities or, for some, an employment destination in itself, although hopefully one with opportunities for progression and skills development.

Crucial for supported businesses in today's tight funding environment, however, is the way in which they are funded and the approach that they take to securing contracts. Early findings from the review of supported businesses that the Scottish Government has commissioned, which will be complete by March next year, support the view that there is a continuing need for supported businesses in Scotland. In other words, some or many of the employees who work in supported businesses would find it very difficult to work in mainstream employment.

The review is helping us to understand the support that some of those businesses need to help them to survive and grow. I will be happy to report back to you, convener, and the committee on the review when it has progressed further.

Thank you for the opportunity to make those opening remarks.

**The Convener:** Thank you, minister. That was helpful.

Siobhan McMahon will ask the first question, followed by John Mason.

**Siobhan McMahon:** Thank you for your statement, minister, which went a long way towards addressing some points.

What dialogue did you and the Scottish Government have with the factories at stages 1 and 2? I am sure that we will move on to discuss the stakeholder group, PACE and other bodies that are involved, but what dialogue did you have directly with the employees?

**Fergus Ewing:** I have had fairly substantial dialogue with those who represent the Remploy workers—particularly the trade union representatives—and also management. That dialogue has continued throughout. There have been five meetings of the stakeholder group, for example.

More recently, I have had five visits to Remploy factories at Stirling, Dundee, Cowdenbeath, Leven and Clydebank, and those visits let me understand, from my own experience and from discussions with a great number of the staff there, just how committed the employees are. For example, one gentleman told me that he had worked in one of the Remploy factories for 38 years. Some of the staff are so devoted to doing the work that they seemed unwilling to stop

working even for a few moments to have a wee chat.

The staff are all extremely concerned about their future. There is a persistent lack of clear information about what their future holds. Some of them are completely confused about whether they are going to be made redundant this month, next month, early next year or whenever. I think that that lack of clarity, which has characterised the whole situation, is of profound concern to us all, irrespective of which political party we represent.

**Siobhan McMahon:** That is very helpful. I asked the question because, as you will know from speaking to the workers, there is a lot of concern not only about the lack of communication from the UK Government but about the way in which the management of Remploy has conducted itself; sometimes, in the view of the staff, its conduct has possibly not been the best. You mentioned that the stakeholder group has met five times since it was established on 3 April. What was the reason for including the managers of Remploy in the membership of that group?

**Fergus Ewing:** When one has a group of that kind, it is important that all relevant and key players are around the table so that we can have sensible and fruitful discussions. Remploy was represented and its contribution was useful. It would be inappropriate and perhaps unfair in a whole variety of ways for me to go into individual cases, but I think that many of the Remploy managers in situ feel as passionately about these things, convener, as you or I or committee members do—probably more so, because they have been around and have been trying to do their best for the staff for a long time.

I should say—I can tell you this quite candidly—that yesterday I had a conversation, at my arrangement, with Tim Matthews, who is the chief executive officer of Remploy in the UK. I reiterated to him my concern about the process, of which he is aware, especially in relation to the events in Springburn this week. As you are aware, convener, we believe that there should be a halt to any further proceedings to allow for a full analysis and, if necessary, investigation into how stage 1 has been handled and what lessons can be learned from that. That view was put to Esther McVey when she visited here—in late October, I think—and we had a good engagement with her. Indeed, I think that some MSPs present were part of that.

In my conversation with Mr Matthews yesterday, I asked him to convey to us in writing an explanation, from his point of view, of what has occurred in Springburn. A letter was provided, which I think has been made available to members—my officials say that it has been passed to the clerk—because I wanted to ensure

that all the information that we have is made available to all members before this afternoon's debate. I am sure that the concerns about Springburn in particular will be the subject of many contributions this afternoon.

In my view, here in Scotland we have to play the cards as they fall. We may not like the way that they have fallen, but we have to deal with the situation as we find it and try to do our very best for the workforce, in particular by trying to secure the future of as many of the Remploy factories as possible. That is not easy, but that is the primary objective to which we are, and have been, fully devoted. To that end, I asked Mr Matthews whether he would be willing to meet me and my officials early in the new year in order to discuss how best we might proceed. He agreed to that, and that meeting will be arranged very shortly. I hope that that will provide an opportunity to see what can be done in practice to secure those objectives.

I hope that I have answered Siobhan McMahon's question. Plainly, it was the right thing to do to have Remploy on the stakeholder group as part of the discussion. I can assure her that many of the individuals who took part made a very useful contribution.

**The Convener:** I will allow John Finnie to ask a supplementary question before I come back to Siobhan McMahon for her other questions.

**John Finnie:** Minister, you outlined three areas of concern, one of which related to secrecy. To what extent does that continue? Is that affecting decisions such as the one about Springburn? Was the need to get through that secrecy the basis of your engagement with Mr Matthews?

09:15

**Fergus Ewing:** The phrase that I used was “unnecessary secrecy”. I appreciate that any tender process requires elements of confidentiality. As a minister, I have dealt with all kinds of different situations in which companies facing insolvency administration have had to go through an administration tendering process. I have to say that, in those cases where I have dealt with the private sector—and, unfortunately, I have dealt with many—I have genuinely found that the insolvency practitioners entrusted with the task of handling the procurement process have generally been willing to sit down around the table, co-operate with us and share information, sometimes on a confidential basis but in a way that is designed to secure the continuation of the business.

It would be improper for me to do so, but I could give a couple of examples of private sector cases involving tendering in insolvency administration

situations where such negotiations and discussions have led to success. That was because we were able to work with people, sit around the table with them and receive assistance from them. In some cases, within the bounds of commercial confidentiality, people have gone out of their way to be helpful.

Sadly, that has not been a characteristic of the process of dealing with Remploy's stage 1. There has been unnecessary secrecy. That view has been expressed not simply by the Scottish Government but by some of the companies that have participated in the process. By signing up to non-disclosure agreements, those companies are not permitted to discuss any matters—apparently not even with the Scottish Government or MSPs. On a practical level, that makes it very difficult for the people who are there to help, such as Iain Murphy and his colleagues from Scottish Enterprise or those in Just Enterprise and the social enterprise sector, to see whether we can find a solution that involves carrying on the business, whether as a social enterprise, an employee buyout or—this may be the most likely solution—part of a new commercially owned enterprise.

However, whichever of those solutions is used, it is easier to explore the solution with the full co-operation of those who are handling the tendering process. Sadly, in this case, it was just not possible for us to proceed in the way that we desired. That is one of the primary reasons why a less mechanistic approach should be taken in relation to stage 2. That is also one reason why, in my conversation with him yesterday—which was businesslike—I suggested to Mr Matthews that we try to put things right for stage 2. I am therefore relieved that those discussions will at least take place.

**The Convener:** Before I come back to Siobhan McMahon, I want to ask whether you anticipate that stage 2 will be a far smoother process, with more co-operation between Remploy and its staff and partners. In your opening statement, you mentioned the model of support that will be put in place for the workers. I appreciate that you may not be able to give us more information on that, but at our meeting with Esther McVey on 22 October Chic Brodie MSP mentioned that a number of staff from the Hillington site, which has been closed for some considerable time, were still out of work. Can you give us any more information on what that model of support will look like? Will there be any similarities to what the Welsh Government has put in place?

**Fergus Ewing:** That is a perfectly reasonable question, but I think that it is probably more appropriate that I give more detail on that this afternoon. I can say that our primary objective is to

see that the business that is carried on in the Remploy factories is enabled to continue. Many of those are at least potentially good and viable businesses, which provide excellent quality textiles that are as good as any in the market. For example, they provide excellent lifebelt products, which are used—and, indeed, are partly owned—by commercial companies. The products are not inferior and the businesses are not manufactured pseudo businesses; they are good, professional businesses with some of the most effective equipment, such as the cutting equipment that is used in the textiles businesses.

If there is a means of enabling the continuation of the business in the remaining Remploy sites, that must be our primary or first objective, and it is the best solution. However, that will be difficult to secure. Throughout the process, I have been conscious of the need to do everything that we can, but to avoid raising expectations about things that we just cannot deliver. I have shared that approach with, for example, the trade union representatives.

On your question, convener, we obviously want to do what we can to ensure that the Remploy workers who have been made redundant, and those in the remaining plants who might be made redundant, get every help possible to find alternative employment. Esther McVey, the UK minister, has stated that only a very small proportion—the figure of 3 per cent comes to mind—of the Remploy staff who have been made redundant thus far have found alternative jobs. If that is the correct figure, which I am told it is, that speaks volumes. The vast majority of those people have not found another job.

That illustrates many things, one of which is that there is a need to make an effort and for the Scottish Government to do what it can to help those employees to find other jobs. Therefore, we will provide those measures. We have been working for a considerable time on the appropriate measures and considering by whom they will be delivered. Because of the complexity of some of the issues, I cannot yet make a full statement on that, but I hope and expect that I will do so before Christmas. With your agreement, convener, it is probably more appropriate that I say more about the issue in the Parliament this afternoon, when all members who have a strong interest in the matter can discuss the issue and question me on it.

**Siobhan McMahon:** My question, which is similar to the convener's, has two parts, which I will ask together. The convener spoke about the employment support grant that the Welsh Government has offered, with a budget of £2.4 million for four years. In Wales, five factories have closed and 183 employees have been made redundant but, as of October, only 28 job



opportunities have been taken. Is the Scottish Government considering that approach? I do not expect you to tell me what you will announce this afternoon, but are you considering something similar?

The second part of my question is about PACE, which is involved, as you said in your opening statement. In your letter to the committee in April, you said that PACE had learned lessons from its work with Blindcraft and the City of Edinburgh Council. What lessons has PACE learned? What support has it provided, given that it has been involved in the factory closures, such as the one in Lanarkshire that I have been dealing with? I am not aware of how many people have been granted a job opportunity after PACE's involvement. It would be helpful to have the figure, so that we can compare and contrast with the figure of 28 in Wales.

**Fergus Ewing:** Iain Murphy might be able to provide practical information on progress at some of the Remploi sites. It is by no means enough, but some concrete progress has been made. I will bring Iain in in a moment.

PACE is an extremely effective method of providing support for people who are made redundant in Scotland. I chaired PACE's sixth partnership board, which brings together everybody who is involved in the service. Margaret Sutor, Calum MacLean and their team are highly effective, with a record of helping 11,000 to 13,000 people a year who are made redundant in Scotland. The client survey shows that about three quarters, or even more, of those who go through the difficult experience of facing redundancy and who are helped by PACE are satisfied with the service. I have not gone through that experience in my life—although many members might have done—but I know that it is pretty dismal, dispiriting and demoralising. The thing about PACE is that it provides hope, counselling and support. It builds up a sense of confidence among people who suddenly find themselves, through no fault of their own, on the scrap heap—as they see it—after 30 or 40 years of loyal service, in this case to a company that they thought was there for life. PACE recognises the emotional and human side, which is perhaps the reason why it is so successful.

The frustrating thing in this case has been that PACE was not permitted access to the employees when it wanted access. The key to PACE's success is early access, preferably within three months prior to the date of redundancy. For reasons that, frankly, we do not understand, the PACE team was not allowed access when it first sought that to provide the support package for people who include some of the most vulnerable in our society and who were therefore likely to

require that support more than many others would. That was extremely unfortunate, and I do not understand why it happened.

Siobhan McMahon is absolutely right, however, that PACE has been working extremely hard on the issue from the outset, and I know that some progress has been made in the three factories in Netherton, Aberdeen and Edinburgh. With your permission, convener, as it might be helpful, I ask Iain Murphy to provide more factual information on the progress that has been made for the workers in those three factories.

**Iain Murphy:** I will talk about the Edinburgh situation. I simply remind the committee that the framework contract that the Scottish Government has put in place has involved separate activity, although it has been concurrent with the problems that Remploi faces. Indeed, it was this committee that initially recommended such a contract.

During the placement of that contract, we were approached by a private company that wanted to talk to Scottish procurement services regarding an on-going activity for part of the Edinburgh business. Because of the circumstances, we had commercially confidential discussions with that company. Fortunately, those have now come to fruition, and I think that the minister will say more about the situation this afternoon. We are in the process of signing an agreement with an independent commercial company that has given us the assurance that it will continue the Edinburgh activity as a supported business.

We have received the necessary assurances from the company and its parent company, so we are confident and happy that the agreement will be concluded, which will probably happen next week. As the minister said, the number of jobs involved is not massive, but it is a positive movement.

**Siobhan McMahon:** I have one further question, which is on the national framework that Mr Murphy mentioned. In the minister's letter to the committee in April, he said that he was in discussions with the then Cabinet Secretary for Infrastructure and Capital Investment on procurement issues. I know that some developments have taken place, such as information being put on the website to make it a bit clearer to people when they can go to supported businesses for contracts. What other developments have there been? Long before my time in Parliament, the Community union called for someone in Government to champion article 19 of the European Union procurement directive. Is the Government thinking of that, given that a bill on procurement is coming to Parliament?

**Fergus Ewing:** Thank you very much for that question. Plainly, that is an important area. In the debate on the issue in March, members asked

what steps we were taking to increase procurement opportunities for supported businesses in general, and Remploy in particular, through greater use of article 19, which provides a derogation or exemption from state aid rules that applies to supported businesses in which half the workforce are disabled.

I am pleased to say that, since March, after a great deal of work by Alex Neil and his officials, and the officials who are here today, we have launched a reserved framework for supported businesses, with four lots covering a range of goods and services.

09:30

The framework was established on 12 September. Twelve suppliers have been successful in gaining a place in the framework. In lot 1, furniture and associated products, there is Beltane Products in Wishaw; Dovetail Enterprises in Dundee; Glencraft in Aberdeen; Matrix Fife in Dalgety Bay; Palatine Beds in Newcastle; Remploy in Swansea; and Royal Strathclyde Blindcraft Industries in Glasgow. In lot 2, document management, there is Remploy in Edinburgh and Royal Strathclyde Blindcraft Industries in Glasgow; in lot 3, textiles and personal protective equipment, there is Remploy in Stirling; and in lot 4, signage, there is the Sign Factory in Falkirk. That represents practical contract work that has been provided under the framework for supported businesses, which is starting to work.

However, we need to do a lot more. We must never be complacent about this. If my memory serves me correctly—I do not want to make the mistake of getting a figure wrong in this place—supported procurement in Scotland is worth £24 million. *[Interruption.]* I have just been advised that the figure is £24.1 million. In any case, it is not enough. We want to do a lot more and we will do so.

As for champions, we are all champions, are we not? I have written to all ministers to ask them to consider what they can do in the public services. We are taking steps to mobilise the public sector further on this matter. We cannot direct police and fire services or local authorities with regard to what to buy. We cannot stand over their shoulders and do their jobs for them. However, we can encourage people to ensure that we do better, and we are using article 19 to do that. I should say that I think that we are pushing at an open door. The impression that I get is that, all over Scotland, there is a feeling among leaders in the public and private sectors that they want to help.

Putting it baldly, we need to mobilise Scotland in order to save the rest of the Remploy factories, if

we possibly can. That is the task to which I am devoted.

**John Mason:** You mentioned Royal Strathclyde Blindcraft Industries. As I come from Glasgow, I am more familiar with it than with some of the other organisations that you mentioned. Are there any lessons that the sector in general could learn from RSBI, which seems to have been quite innovative? It has changed the products that it produces, built up a relationship with Glasgow Housing Association, for which it now does a lot of kitchens, and is moving into storage and so on. Like any business, it needs to keep innovating and changing its product. I get the impression that Remploy was perhaps not doing that. I am sympathetic to supported employment in general, and I feel that RSBI's model is a good one. Do you agree?

**Fergus Ewing:** I will ask Julie Ann Bilotti to speak in a moment, as she has a knowledge of the company that I do not have. First, however, I would say that, having visited five of the Remploy factories, I think that they are operating successfully as commercial businesses. I am sure that there is scope for improvement. I know that there are questions about the current viability of the factories and whether a commercial profit is being made. Incidentally, we analysed those matters in a report that we commissioned Scottish Enterprise to carry out. It actually visited the factories, unlike KPMG, which did not.

John Mason asked whether Remploy could do more to make its businesses successful. The answer to that is a resounding yes. From the visits that I have undertaken, I know that requests have been made to Remploy head office for extra ability to market products, for example, and that those requests have been turned down. Even when a business has a good product, how on earth can we expect that business to become more profitable if nobody markets the product?

That is one little snippet of information that I gleaned by the simple device of going to speak to people, which is what we do. I thought that I would share that with Mr Mason, because he is right on the mark. These are businesses with excellent products, and if they were to promote themselves in the way that commercial companies would, with sufficient effort put into things such as marketing, and perhaps take on more employees to do more of the work that is available, they may—I say “may” because I do not want to raise hopes that we cannot fulfil—have a secure future.

Sadly, because of the way in which the tendering process has been thrust upon us, it has been extremely difficult to explore the options in a satisfactory way. I hope that the meeting that I will have with Mr Matthews in the new year will prove

to be a new start, and that the United Kingdom Government takes a different approach.

**Julie Ann Bilotti:** We agree with Mr Mason's view that RSBI has fairly turned itself around and is now operating successfully. Remploy and many other supported businesses could learn a lot from the examples of best practice that can be found in RSBI and other supported businesses.

The review that Mr Ewing asked us to commission of all the supported businesses in Scotland is a much more practical piece of work than an ordinary review would be. The team is visiting every site, examining the business and the financial circumstances and gathering examples of good practice with the aim of sharing them with the other supported businesses. We want to promote the good learning that exists.

The review is being carried out in partnership between Rocket Science and Forth Sector, which itself manages a number of successful supported businesses. We are hopeful that all the supported businesses in Scotland will benefit from the process.

Certainly, RSBI is doing very well.

**Fergus Ewing:** I missed something out, and I want to give the committee the complete information that I have, so I should say that, in the first six weeks of the framework being in place, the following contracts were placed using it: the Scottish Government signed a £40,000 contract with the Sign Factory for signage; the City of Edinburgh Council signed a £50,000 contract with Dovetail Enterprises in Dundee for furniture; Argyll and Bute Council signed an £8,000 contract with Matrix Fife for furniture; and Highlands and Islands Fire and Rescue Service signed a £7,000 contract with Dovetail in Dundee, also for furniture.

It seems that, all round Scotland, those who are in charge of procurement are not only expressing principled support for the agenda, but starting to deliver what I hope is a new approach to supported employment.

**John Mason:** I am encouraged by those comments. If we can share best practice and have formal or informal partnerships between those groups, that would be helpful. I remember that RSBI was struggling at one time and was assisted by inputs from the council and other groups. The quality of its products is tremendous, and it is willing to offer assistance to others.

**Julie Ann Bilotti:** It is participating helpfully with the review.

**Iain Murphy:** I agree with Mr Mason's comment. We have arranged a best practice visit by the procurement directorate to RSBI to view the business. That will take place on 14 December.

**Dennis Robertson:** Mr Mason should go into sales and marketing for RSBI.

There are good examples of best practice. I remember the situation with Glencraft in Aberdeen. Bob Keiller of the Production Services Network, in the energy sector, sent in his management team, who turned Glencraft from a failing business into a successful commercial business by applying a commercial ethos to its work.

Given that there are such examples of good practice, are you surprised by the UK Government's decision to close down Remploy factories without trying to use best practice, perhaps from the private sector, to turn round businesses that might be failing?

My understanding is that Remploy, as a sheltered workplace, was set up initially to get people back into the open market for employment, rather than to provide a lifetime of employment. The intention was to upskill and restore people's confidence, whether they had an injury or an illness, and to get them back into the open employment market. It seems, however, that in many instances Remploy became a place of long-term employment and that it moved away from its original ethos.

**Fergus Ewing:** Yes. Dennis Robertson has made a number of points with which I agree. First, he made a comparison with Glencraft, which had an intervention by the private sector. Robert Keiller and Duncan Skinner of PSN, which is now part of the Wood Group, came forward with a business plan to launch a new Glencraft social enterprise business, with assistance from Scottish Enterprise. All the redundant personnel were offered jobs in the new enterprise and, out of 51 staff, 36 returned, 26 of whom were blind, disabled or visually impaired. All the personnel were re-employed at the same or higher salaries, but without the final-salary pension scheme and sick-pay terms that they had received before. In addition, six disadvantaged trainees joined the company in supported places, increasing the number of staff to 42.

In the company's first year of trading, productivity increased by 20 per cent and overheads were reduced by 60 per cent, which raises a number of obvious questions even if one is not, like John Mason, a hot accountant—or an accountant, I should say. [*Laughter.*] Maybe those days are in the past. Anyway, the serious question is, if the overheads were reduced by 60 per cent, why were they so high in the first place? The introduction of a new commercial owner was therefore very much welcomed. I was extremely disappointed that we did not achieve a similar result with Blindcraft in Edinburgh. I have to say that, because otherwise Mr Biagi would probably

ask me about it. Glencraft and Blindcraft were in difficult situations, and it was only the intervention of a major private sector player and a company with a sense of moral duty that saved Glencraft.

The second part of the question is whether we could have achieved more if the UK Government had gone about matters differently. I think that, without a shadow of a doubt, the answer is yes. The first of the three objections that I said made up our thematic approach was a fundamental disagreement with the decision that Remploy disengage in the manner proposed. Once a tender process is started, it goes on apace. The scope, if any, for third parties to come along and for agreed sales or informally negotiated sales is reduced, because there is a tender process going on. That opens it up to everybody and removes the scope for private sales. That is just the way it is. That is why I felt that the way in which the UK Government and Remploy decided to proceed was fundamentally wrong. I felt that for precisely the reasons that Dennis Robertson identified.

Julie Ann Bilotti can give a bit more information about Aberdeen, as Iain Murphy has done but, before I ask her to do so, I point out that there are obvious business opportunities for Remploy's marine solutions in the offshore energy industry. With that in mind, I have written to—and, indeed, spoken to, in various visits to Aberdeen in the past couple of months—a range of energy sector contacts, including the Offshore Contractors Association, whose representatives I met again in Aberdeen on Tuesday of this week; the oil and gas industry advisory group; and Oil & Gas UK, to encourage them to make contact with, and potentially consider working with, Remploy or a successor company.

I know from the contacts that I have sought to make that there is potential for more orders for a product that is needed offshore, namely top-quality life jackets that ensure that the position of someone who finds themselves in the sea is corrected by an inflatable element to the life jacket that makes them buoyant facing up and not down. It is an excellent product that is used in many parts of the world and for which there are contracts in many parts of the world. There is a huge market for the life jackets in many sectors, such as offshore wind, oil and gas and marine. It therefore seems logical to try to mobilise the private sector to do what it did in the case of Glencraft, or something like it, for factories that provide items such as those life jackets.

09:45

I mention that as a particular example of the work that we are doing in partnership with the private sector in Scotland. I am cautiously optimistic that opportunities will emerge from that

engagement, but the shape and form of how things will proceed has yet to be determined. However, the worry is that we are doing that while we have the gun placed to our heads of a deadline and a tender process that must be gone through. How on earth can we persuade companies to place orders, when the companies think that the company with which they would have to do business will no longer exist? How does that make sense? If I seem a bit impassioned about the issue, it is because I am, because the tender process is, I think, impeding the successful achievement of the objectives that we largely share.

Julie Ann Bilotti wanted to come in, but I think that Iain Murphy wants to add something to what I have said.

**Iain Murphy:** I simply want to state that I spoke to Remploy yesterday. Following the Aberdeen presentation, three formal meetings have been arranged with private companies, which will speak to Remploy about the range of marine products and personal protective equipment.

**Fergus Ewing:** I am sure that there are other MSPs who, like Dennis Robertson, have long-standing connections with the oil and gas sector and who can play a part here. We can all use our privileged position in public life to good effect. The debate in the chamber this afternoon might be an opportunity to explore that aspect further.

I ask Julie Ann Bilotti whether she wants to talk about the situation of Remploy in Aberdeen. It would be useful to provide what factual information we can to the committee.

**Julie Ann Bilotti:** Prior to the Aberdeen site closing as part of the Remploy modernisation process, it had been working towards a move to a social enterprise model. It had in recent months worked closely with Co-operative Development Scotland in that regard. Following the closure of the factory, the new Aberdeen Textiles and Workwear Services Ltd was set up and it moved to a new site. At present, it has five shareholders, three of whom are recent ex-employees of the Remploy factory that closed and two of whom are ex-Remploy contract staff, and a further three part-time ex-Remploy staff have been employed. There is positive work going on there and they are hopeful that the business can grow. They are receiving the appropriate support from CDS and working closely with other social enterprises in the city towards operating collectively. We are very hopeful about the future of that particular organisation.

**The Convener:** Do you have any further questions or comments, Dennis?

**Dennis Robertson:** I just want to refer again to the initial reason for Remploy coming into being—

okay, it was post war, but then it changed in the late 80s. Again, my understanding is that Remploy's purpose was to upskill people and get them back into the open employment market as soon as possible; for those who could not get back into that market, Remploy would provide a stable workplace to enable people with disabilities, which were sometimes complex, to gain employment. I am not sure that the Remploy board continued that ethos. It seemed to me that a lot of people who went into Remploy stayed there and did not move on. I am not sure whether the minister is aware of that.

**Fergus Ewing:** There was certainly an ethos at that time of wanting to provide employment to soldiers returning from the war who were injured. I am no expert on the history of Remploy but, looking forward, I think that our ethos should be that those with a disability should be able to work with dignity. Whether it be in supported or mainstream employment will depend on the needs, capabilities and wishes of various individuals. I do not think that sweeping statements about disability are of particular value; indeed, they tend to be wrong.

I do not know whether this is an answer to Dennis Robertson's question—as I said, I am not qualified to talk about the full history of Remploy—but on the question of where we want to go in the future, which is my prime concern, our ethos is to provide every conceivable support to people with a disability to ensure that they can maintain their working lives and that they do not see their work prematurely and cursorily curtailed.

**Dennis Robertson:** Do you think, therefore, that the move to close down the opportunities for people with disabilities to stay in work runs contrary to the UK Government's welfare reform aim to get people off benefits and into work?

**Fergus Ewing:** Yes, I would agree with that. We do not support the UK Government's approach to either Remploy or welfare reform.

**Marco Biagi:** Following on from Dennis Robertson's last point, I wonder whether you see the potential for negative interaction between the Remploy process and welfare reform, which is leaving the same population facing a double whammy. Do you expect that to be a further complication?

**Fergus Ewing:** I confess that I have not studied the area in detail, although I have a fairly detailed briefing with me. However, I cannot see how this move will make things easier. The reduction in welfare benefit receipts could be very substantial and, as a constituency MSP, I know that there is a concern that many of the most vulnerable will suddenly find themselves in even more dire and difficult straits. Every day, I get letters from

constituents describing situations that none of us would wish to be in and which are, in some cases, heartbreaking, and I cannot see how the combination of the impending introduction of welfare reform and the redundancies at Remploy give the individuals affected any cause for celebration.

On my visits to the Remploy sites—I believe that Julie Ann Bilotti accompanied me on almost all the visits that we have undertaken of late—many of the staff said that they did not know whether they could afford to have a Christmas, or whether they would be in a job in March. That was a constant theme. These are matters of great concern for us all and, in so far as we have the powers to assist, we must not fail to do everything we can and must not let people down. That is why I am so keen to take a different approach to stage 2. As we did with Glencraft, where a leading and very public-spirited public limited company in Scotland intervened and showed its willingness to help, we need to take time to sit down and work out the best way of dealing with this issue. I absolutely guarantee to the committee that as soon as I talk to people in leading oil and gas companies they show an immediate desire to help. I was aware of one visit that had been arranged but Iain Murphy says that there are now three, and I have raised the matter with several leading executives, some of whom are in charge of procurement amounting to billions of pounds.

Even with our limited powers, I do not think that it should be beyond our capabilities to try to find ways of maximising success not only in the stage 2 factories but in others. After all, this is not just about the factories that I have already mentioned; there are other factories, including those in Inverness, Alloa and elsewhere, that are involved with closed-circuit television and which I have not yet had the opportunity of visiting. I hope to visit some of them over the next few weeks to see what emerges, and we will take things forward from there.

I do not know whether my officials have anything to add.

**Julie Ann Bilotti:** I back Mr Ewing's comments. If the Remploy workers who are losing their jobs are unable to get back into employment, they will enter the welfare benefits system that is being implemented for the disabled and will be subject to the work capability assessment and the associated process. Given the very wide range of types of disability on the Remploy sites, this move will have an individual impact rather than some collective impact that we can say will be suffered. It is certainly clear that if the workers move from long-term employment into the benefits system full stop, they will be much worse off financially.

**Marco Biagi:** I believe that you mentioned Blindcraft. What happened there took place before I became an MSP but, at the time, it was reported that one of the problems with the proposed short-hours interim solution was the prospect of workers being caught in the poverty trap with the welfare system and it ended up that they were better off not working any hours at all. That is another example of the impact of the interaction between systems.

To return to your comment about learning lessons from stage 1, I remember that at the meeting with the UK minister you asked for a moratorium on further action to allow those lessons to be learned. Are you confident that the necessary lessons have been learned?

**Fergus Ewing:** You are right to point out that I asked for a moratorium and we repeated our request for a halt in the process in a letter to Esther McVey. However, she declined that request, arguing that it might make matters worse.

I do not think that there has been sufficient time to learn lessons from stage 1 or to undertake any proper analysis. A number of relatively serious allegations have been made about Springburn and there have been calls for an investigation. I think that it would be sensible to have an investigation, if only to clear the air and get to the root of the matter. It is best not to leave these things festering, and getting an independent body that has not been part of the process to take a very close look at and analyse them would be a sensible move. In that way, we would have a proper investigation, not just someone marking their own jotters.

We have certainly fed in our concerns and this afternoon I will repeat at more length some of our frustrations with a process that has been characterised by unnecessary secrecy and the lack of an ability for us to engage in the way that we wanted and in an effective manner. Indeed, I raised that issue at the very outset. In my first or second engagement with Maria Miller, I said, "Look, in order for us to use our powers over economic development, we need to be able to work with potential buyers, social sector businesses or organisations that might take over these sites. If we can't do that and don't have proper access, we can't use our powers properly." Sadly, that point was not taken up.

An evaluation of the stage 1 process by someone or some body entirely independent of the process would still be of benefit and would allow us to learn lessons, and it would be sensible for such an evaluation to be done before any decision was taken on implementing stage 2. Even at this stage, I hope that if Esther McVey and her officials read the *Official Report* of this meeting they will consider what I have said seriously as a

sincere and well-meant suggestion about how we can do the next stage better. Conversely, of course, should my suggestion be ignored and those in the remaining Remploi factories then find that stage 2 is characterised by the problems of stage 1—well, I think that people will make their own judgments.

**Marco Biagi:** I have a final technical question. I very much welcomed two of your comments about the Edinburgh Remploi factory: first, the recognition that the marketing support has been very weak; and, secondly, the news of an on-going operation about which we can expect more details. Clearly being part of a larger business will help with marketing capacity, but will the new operation that continues in Edinburgh have the same position in the document supply framework that has been mentioned?

**Iain Murphy:** Yes, it will.

**Marco Biagi:** I am glad to hear that.

**The Convener:** As members have no more questions, I thank the minister very much for attending. The session has been very useful, and I am sure that the rest of the committee appreciates your frankness and openness as much as I do. I can certainly make the *Official Report* of this meeting available to Esther McVey—indeed, I can send it to her in the post.

We move into private session.

10:00

*Meeting continued in private until 10:39.*

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

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