The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 30 January 2013

Session 4

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ECONOMY, ENERGY AND TOURISM COMMITTEE
4th Meeting 2013, Session 4

CONVENER

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

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Marco Biagi (Edinburgh Central) (SNP)
*Chic Brodie (South Scotland) (SNP)
*Rhoda Grant (Highlands and Islands) (Lab)
*Alison Johnstone (Lothian) (Green)
*Mike MacKenzie (Highlands and Islands) (SNP)
*Margaret McDougall (West Scotland) (Lab)
*David Torrance (Kirkcaldy) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jackie Brierton (Women's Enterprise Scotland)
Garry Clark (Scottish Chambers of Commerce)
Gerry Higgins (Community Enterprise in Scotland)
Kenny Richmond (Scottish Enterprise)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 4

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 30 January 2013

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the fourth meeting in 2013 of the Economy, Energy and Tourism Committee. I remind everyone present to turn off their mobile phones and other electronic devices.

Agenda item 1 is a decision on taking business in private. Do we agree to take in private item 3 and all future items on the business in the Parliament conference?

Members *indicated agreement.*

Underemployment Inquiry

10:00

The Convener: Item 2 is the continuation of our inquiry into underemployment in Scotland. We have one panel of witnesses, whom I will introduce from left to right: Garry Clark, head of policy and public affairs, Scottish Chambers of Commerce; Jackie Brierton, managing director and policy director, Women's Enterprise Scotland; Gerry Higgins, chief executive, Community Enterprise in Scotland; and Kenny Richmond, economics director, Scottish Enterprise. I welcome you all and thank you for coming along. Before we get into questions, would anyone like to make a brief introduction?

Jackie Brierton (Women's Enterprise Scotland): Good morning. I hope that I am not the token woman here.

The Convener: Far from it.

Jackie Brierton: I would like to give evidence from a gendered perspective. I apologise that I was not able to provide a written submission, but I hope that I will be able to back up anything that I say today.

The Convener: Thank you. Would anybody else like to say anything? It is not compulsory; we can go straight to questions.

We have a large panel with four witnesses, so it would be helpful if colleagues could direct their questions at particular witnesses. If any witness wishes to respond to a question that has been directed to somebody else, please catch my eye and I will try to bring you in as best I can, as time allows.

I will start by asking a general question about the impact of underemployment. We have heard a lot over the past few weeks about the impact of underemployment on individuals who are employees and the impact that reduced working hours has on benefits and household incomes. What we have not heard is how, in the current economic situation, underemployment might be a useful tool for employers. Instead of being laid off, people are put on reduced hours, which could be a positive alternative to making people unemployed.

Do witnesses have any examples of that or where, from an employer's perspective, they would see underemployment being a useful tool?

Kenny Richmond (Scottish Enterprise): From our work with the number of companies that we support, we found—especially at the beginning of the recession—that a small number of companies looked at reducing work hours, taking shifts off and reducing overtime as they saw demand

decline. We found that many of those companies worked with their workforces on that: there was give and take on both sides, which companies found useful.

As demand has risen for a number of companies, they have been able to increase activity and, through using their workforce flexibly, increase hours rather than necessarily take on more employees. A number of companies found that flexibility very useful, especially at the start of the recession.

The Convener: Among the companies that are account managed by Scottish Enterprise, have you found more reliance on agency working, zero-hours contracts and temporary workers? Has that been a developing phenomenon?

Kenny Richmond: It has been for some companies. It tends to be sector dependent. In the food and drink sector a number of companies have looked at using contractors or recruitment agencies rather than taking on full-time staff.

That is because of two things. One is seasonality, which affects companies in the tourism sector as well as those in food and drink. The other is that sometimes companies do not feel confident enough to take on full-time staff. If they see demand rise but are not sure how long that will be sustainable, some look at using recruitment agencies or contractors. However, I would say that they are the minority rather than the majority.

The Convener: Are you aware of any other sectors apart from the food and drink sector where that is happening?

Kenny Richmond: Food and drink and tourism are, I think, the two sectors where it is happening the most.

Gerry Higgins (Community Enterprise in Scotland): We are also seeing the same approach in the manufacturing and distribution sector.

As an agency that places people in businesses, our perspective is different. Businesses are coming to us more often and they are aware that their recruitment costs are higher, that they are experiencing greater churn and turnover, and that they are dealing with a workforce who in many cases have lower than ideal job satisfaction. The flip-side is that the businesses are able to manage costs in line with demand and can be more competitive.

The sense is that the approach is not sustainable in the long term. The employers we deal with want properly and adequately engaged workers with good conditions, but they need to make relevant adjustments for this period.

The Convener: So it is very much seen as a temporary tool to deal with economic factors rather than a more permanent shift.

Gerry Higgins: Yes.

The Convener: That is interesting.

Jackie Brierton: The impact on women over the past three or four years has been more negative than positive, mainly because their jobs have been hit slightly more than men's as a result of a decreasing public sector. We are also seeing more zero-hours contracts for the sort of low-pay service sector jobs that many women have.

On the other hand, we are also talking to female-owned businesses that want to expand and, if they have the wherewithal to do so, the labour market is allowing them to take people on in a more flexible way. However, the statistics show that the overall impact on women has been quite stark.

Garry Clark (Scottish Chambers of Commerce): Having spoken to businesses throughout the recession, we know that some businesses have found shorter-hour and part-time working an appropriate means of maintaining their viability and staff skills. Instead of letting staff go, many businesses have tried to retain their staff and their skills.

That is one of a number of different options that businesses have used. For example, I know of some businesses that, instead of cutting staff, cut pay across the board to maintain staff levels in order to fulfil contracts and so on. However, as the recession bit, large numbers of members undoubtedly moved towards more flexible working patterns.

In the years leading up to the recession, there had been some movement towards voluntary flexible working to fit in with family lives and so on. Indeed, that was a trend during the years of high employment. Perhaps over the past few years, there has been an increase in what one might call involuntary part-time working, partly in response to the recession. Given that our economy and output are still nowhere near the levels in 2007-08, it seems that the trend has continued to an extent.

The Convener: I am interested in the question whether the rise in underemployment is permanent or cyclical. We have heard quite a lot of evidence that, even before the current economic downturn hit and even when we had a strong economy, the levels of underemployment were rising. Gerry Higgins said that he felt the recent rise to be temporary, and in its submission the Confederation of British Industry Scotland argues that it

"is a cyclical rather than a structural issue".

As a result, the expectation is that, when the economy improves, levels of underemployment will drop if not disappear. Do you agree?

Garry Clark: To an extent, that is true. Many businesses are working at undercapacity. As they grow, reach capacity and look to expand, they will look to increase either staff levels or staff participation.

To that extent, underemployment will improve to some level. However, during the times of high levels of employment before the recession, there was a substantial increase in voluntary part-time working to maximise access to skills in the labour force because skills were difficult to access in those days.

There is a changing set of circumstances. To some extent, there will be a cyclical pick-up in participation but, by the same token, society is changing and there will be continuing high levels of voluntary part-time work, for example.

We also need to draw a distinction between visible underemployment, such as part-time working, and invisible underemployment, such as skills not being used fully or people working in jobs that do not match their skill set. That is a different challenge and will take a wee bit of solving.

Jackie Brierton: On the gender aspect of the issue, we could argue that there has been underemployment among women in the workforce for a long period. That shows up in all sorts of things, such as the occupational segregation that still exists in the Scottish economy and the lack of women in senior positions in the public and private sectors.

That is a bigger issue, which is beyond the impact of the current recession. However, some aspects of it are being considered, and some difficult issues within the infrastructure need to be examined. The lack of childcare is one that is in the news at the moment, and it is a considerable problem. We had a round-table discussion of 12 businesswomen a few weeks ago, and 10 of them identified childcare as the singular issue that was preventing them from expanding their businesses.

Gerry Higgins: Some practices may remain embedded in companies that have begun to use zero-hours contracts and different forms of flexible working for the first time. The real test will come when there is increased market demand. Companies will have to change in order to have the staffing to meet that demand, and flexible contracts and part-time working may not be acceptable. That is the point at which, even in our business, we will have to consider what we need to do to secure and retain good-quality staff.

Dennis Robertson (Aberdeenshire West) (SNP): Good morning. My questions are for all the witnesses, but I will start with Jackie Brierton on the gender aspect.

We have heard a little about childcare and flexible working. I am wondering about the situation of women who come back into the workforce after maternity leave and make a request for flexible working to enable better childcare. If at some point they want to increase their hours for whatever reason—perhaps because the childcare need becomes smaller when the children go to school—are employers unable to do that due to the austerity programme? Is that a reasonable suggestion, or is it the case that, when employers initially agree to the flexible working pattern, they are forward planning and thinking that the women will increase their hours later on?

Jackie Brierton: There is certainly some evidence of that, but many of the women to whom we speak still have issues once their children go to school. In some ways, some of the problems become even greater simply because they have to be at the school at certain times of the day. A couple of women could not even come to the round-table discussion that I mentioned simply because there would be issues if they were not at the school at a certain time.

The issue is complex. Many bigger employers are making better facilities or enabling better flexible working, but there is still sometimes a lack of imagination or acceptance that, by making simple changes, they could retain some of their most skilled and talented people.

Dennis Robertson: Has the legislative programme on maternity leave and returning from it been positive for women, or is it having a slightly negative impact?

10:15

Jackie Brierton: All the evidence is that it has had a negative impact. You just need to look at some of the comments that have been fed back to some of the business organisations. Their members would probably not say it on record, but many are avoiding employing women of childbearing age. It is a tricky one, because a lot of people would probably not admit to doing that, but we know that, unfortunately, it happens.

Dennis Robertson: Therefore, there is not enough planning for women who go on maternity leave to come back into the workplace and perhaps have a flexible work pattern over a number of years.

Jackie Brierton: It is not just about a company saying that a woman can work part time; it is about looking at more innovative ways of enabling flexible working that would help a lot of people.

With regard to big companies, I heard recently that PricewaterhouseCoopers has made great efforts to enable its female staff to come back after maternity leave in a way that suits them, which might be very different from one person to another.

Of course, we should not fall into the trap of thinking that this is solely a women's issue, because the ability to work flexibly to accommodate childcare is just as important for a lot of men as it is for women. The problem is that we sometimes put the problem into a silo in that regard.

Dennis Robertson: But were you suggesting that that is perhaps one of the prime reasons for women not getting into senior positions?

Jackie Brierton: All the evidence points to that, because women often have a career break at a critical time in their career pattern. If we look at the other end, there has been a lot of discussion and dialogue in the past year following the Davies report, "Women on Boards". There is a lot of focus on how we get women on to boards, but if we look at where women who might eventually get to board level are in companies' pipelines, we see that they are missing during the vital period, which is often when they are between their mid-30s and mid-40s, when promotions happen. That means that not enough women go into senior positions in order to be promoted to boards.

Dennis Robertson: So you are suggesting that the underemployment trend is having a greater impact on women than on men.

Jackie Brierton: I was interested to read some of the written submissions to the committee, which seemed to say that the problem was more one for men than for women. However, I would hold quite strongly that it is a bigger issue for women generally.

The Convener: We will perhaps bring in Garry Clark, given what was said about employers' organisations and that he represents one.

Garry, do you think that there is evidence that employers are shunning younger women for their workforce because of concerns about maternity leave and the rights that that brings?

Garry Clark: It is difficult to point to evidence about that. What is certainly true is that different sizes of businesses are differently equipped to respond to changes in personal circumstances and employment patterns. In the early part of the previous decade, we began to see pretty substantial efforts by employers of all sizes to attract and retain staff.

Dennis Robertson: Employers of all sizes and all sectors?

Garry Clark: It happens across the sectors. It is easier in some sectors than in others to introduce flexible working patterns. Certainly, employers across the board tried very hard to attract the right staff with the right skills. They looked beyond the traditional labour market and towards people who were not participating as much as they would like or who felt that they did not have the opportunity to participate, and they tried to open up new ways of working, whether that was part-time working, homeworking or flexible hours.

We saw a lot of that before the recession hit. However, since the recession hit, if employers are recruiting staff, they are certainly not being underwhelmed by the level of response that they get to recruitment advertisements—quite the opposite.

Marco Biagi (Edinburgh Central) (SNP): On the question of the gender divide, I would be interested to get Jackie Brierton's views on a particular hypothesis.

The earlier statistics that we were presented with suggested that there is little gender gap in underemployment or that—if anything—once all the factors are controlled for, males are more likely to be underemployed. Those statistics looked at hours underemployment—at people who wanted to work more. Based on what you were saying, could it be the case—if all the data was investigated and everything was looked at—that, although hours underemployment might be balanced, skills underemployment might not be? Skills underemployment, with people working at a level that is not at the level of their qualifications, might be more of an issue for women, given the difficulty of getting quality part-time jobs. Is that fair to say?

Jackie Brierton: That is probably fair, although it would be worth looking at the figures again in terms of hours underemployment. The figures that I have, which I think came from the Scottish Trades Union Congress, show that the underemployment rate for the past year was 8.7 per cent for males and 11.3 per cent for females. That would seem to undermine the argument that it is more of a problem for males. Of course, the part-time issue definitely skews the figures for females. Undoubtedly, quality part-time jobs that use women's skills and education are still lacking in the economy.

Rhoda Grant (Highlands and Islands) (Lab): We are seeing that unemployment rates are, if anything, going down, but the number of people who are "economically inactive"—I think that is the new buzz phrase—is rising. Could it be that a lot of the women who are impacted are just stepping out of the workforce altogether? Is that maybe skewing the figures? Women are maybe saying, "Well, actually, I am not even entering into work".

Likewise, people who are working part time because of issues such as childcare are maybe not answering that they could do more work because they are not available to work due to being affected by structural issues in the employment market that go far beyond underemployment.

Jackie Brierton: That is true. There has been a large increase in self-employment, but the analysis of the figures shows that all of the increase has been in part-time self-employment. Some of that employment is for less than 13 hours a week, and it mostly involves women. Therefore, they are opting out of the broader employment market and perhaps doing some activity so they show up somewhere, but it is the invisible underemployment among women that is very difficult to measure.

We do not have good data sources for that invisible underemployment, but anecdotally we see it all the time. I run a project in Perthshire that helps people to get into business, and 70 per cent of my clients are women who have been economically inactive. They often just come with a vague idea of trying to do something. They have sometimes not been active for five or six years—not voluntarily but because they cannot see a way of getting a job.

I have not seen much analysis of the situation in rural areas versus urban areas, but I suspect that underemployment is an even bigger problem for women in rural areas than for women in urban areas. That shows up with the proportionately large number of female self-employed in rural areas compared with urban areas. Often, it is their only choice. Although we generally promote self-employment as a positive thing with the potential to grow the economy, sometimes it can be quite a negative thing—particularly for women.

Rhoda Grant: I will move on to the impact of underemployment on those affected. Earlier in the evidence session, people were saying that it was good to have underemployment because it means that the workforce are ready to respond to an upturn in the market, for example. However, we have heard evidence that the impact of underemployment on the individual is much the same as the impact of unemployment. There are mental health issues, health issues and issues of esteem—not to mention poverty—in the mix.

How long can someone be underemployed and remain able to respond to an upturn, given that negative impact? How long can underemployment continue before people are really not very productive at all?

Kenny Richmond: The evidence suggests that such levels of underemployment are not sustainable. I think that you are right that, over time, there may be issues to do with skills erosion. Obviously, there are issues of poverty for some people who are affected by underemployment. The current position with the number of companies that have reduced hours and so on is not sustainable.

The answer to the question of how long people can be underemployed before they start to be affected obviously depends on personal circumstances and will change from person to person. However, the current situation is not sustainable.

Garry Clark: I agree with that. Underemployment can be used as a means of sustaining a business and retaining staff, but there are effects on individuals. Perhaps they will work at a level below their skill, in which case they may not be very happy in their employment, or they may look for a second or additional job, which might have an impact on their ability to do both jobs. From that point of view, most businesses would not want to have underemployment for a significant length of time.

Jackie Brierton: There is quite a lot of evidence that both unemployment and underemployment can have a long-term scarring effect, particularly on young people who are unemployed or underemployed for the first few years after they leave school, college or university. Obviously, that is really worrying. We saw it in the 1990s: the impact of young people's unemployment lasted and affected their ability to hold down a job and their health for at least 10 to 15 years after the initial experience. Obviously, the same thing is currently affecting our economy.

Gerry Higgins: I certainly support what has been said. Our particular experience is that many jobs that would traditionally have been filled by young people—entry-level jobs in particular—are being filled by people who are overqualified for them, as an economic necessity. We can understand that but, from an employer's perspective, that is creating a significant knock-on effect on our ability to get young people into jobs.

Rhoda Grant: We heard evidence last week that sometimes those who are underemployed are financially worse off than those on benefits, and they are trapped in that situation. What impact does that have on the economy as a whole?

Jackie Brierton: I think that it has a huge effect. Obviously, it affects everything from spending in the economy to housing issues, and there is an impact on children. The effect is enormous. For example, some of the evidence that we have seen shows that lone parents are probably the worst off because of the current circumstances and their inability to work in the current economy. We will

probably pay in the future for the long-term impact on them and their children.

Kenny Richmond: As well as facing underemployment in the hours that they work, some people have seen their real wages reduced as their wage rates have remained stable while inflation has been higher. Some people have therefore been hit in two ways.

Chic Brodie (South Scotland) (SNP): Good morning.

I would like to go back to the point about young people not being excluded but being offered fewer jobs because more experienced people are being employed. We can understand why some employers would pursue that course in the current environment. What are your views on the cohesion of the youth employment programmes and processes with the work that you do—in the CES, for example? Community jobs Scotland is making a difference but only for a small group of young people. Is there a black hole in which there is no connection with the youth employment programmes and what we are trying to do to overcome underemployment?

Gerry Higgins: I am not sure about there being a black hole. There is a whole range of initiatives that are targeted at different groups. There are schemes such as the Commonwealth graduate fund and the intern programmes that try to assist young graduates into jobs. There is also the community jobs Scotland scheme, which has more of a focus on entry-level jobs. I guess that every public sector agency has made a commitment to do what it can to provide opportunities for young people but, from our perspective as a provider of services, we do not see that those efforts are necessarily joined up.

10:30

Chic Brodie: How engaged are the local authorities in all this employment activity?

Gerry Higgins: Many authorities struggle because they have limited opportunities to engage a significant volume of young people or people who present with support needs or disadvantages. In some cases, the systems are not designed to take on people with high support needs. Although there may be a commitment to do what one can, sometimes the processes get in the way. However, in general local authorities are introducing initiatives to try to complement national and Department for Work and Pensions initiatives to tackle the issue. Some are doing very well at that, but others probably have significant room for improvement.

The Convener: Do any of the other witnesses want to comment?

Jackie Brierton: One issue within youth employment is the segregation that still goes on. For example, even when young people get into apprenticeships, segregation still means that more than 98 per cent of engineering, plumbing and construction apprentices are young men, whereas hairdressing, childcare and social care apprenticeships tend to be taken up by young women. That has hardly changed over the past 20 years. Even when young people get an opportunity such as an apprenticeship, they are still being siloed into particular areas. For example, young women who go into those service industry trades may end up in a job, which is great, but they will be on a lower income, be lower skilled and have fewer prospects going forward. That is an education issue that perhaps needs to be addressed much earlier, but its impact restricts the opportunities that are available to young women.

Another interesting point is that fewer young women go into self-employment or business ownership. It is still the case that four times as many young men as young women start a business by the time they are 25. It is difficult to see the reason for that, because we assume that many young women are as confident and as able and are getting the same messages. Over the past 10 years, the entrepreneurship message has been reasonably strong in schools, but we are still seeing that segregation. That is another lost opportunity, particularly where young women are more than able to develop an idea. For example, we were recently contacted by the Scottish Institute for Enterprise, which said that most of those who are attracted to its courses and internships are young men, so it was looking for our help with attracting more young women.

All of that has an impact going forward and, in the longer term, it has an impact on the economy.

Chic Brodie: One frustration, or perhaps lack of understanding on my part, is that we have a fairly cohesive economic strategy on which sectors we want Scotland to be successful in, but we are not meeting the current demand for engineers. If we look at the demography of engineers, we can see that it is quite worrying that we are not filling the pipeline. We need something like 60,000 engineers. I know that mobility and location are a problem, but how might we fill the pipeline that is required for life sciences, engineering and, to a lesser extent, food and drink? Where are we missing a trick?

Kenny Richmond: We are finding that a number of companies that are experiencing skills issues are looking at apprenticeship schemes. They are also working with local colleges to develop skills training courses to try to address that problem with the availability of skills,

particularly in sectors such as engineering and life sciences. There are good examples of companies that are taking action on that to try to address the skills issues that they face.

Chic Brodie: Let me attach another question as an addendum to that. When we talk to, as we do, social enterprises and small businesses, we hear that there appears to be a lack of business support and a proliferation of funding mechanisms instead of a focus on supporting that type of activity. Are we missing a trick? Should we be changing something to encourage the type of activity that we want to see? When we last talked about this matter, I said that that will not happen overnight. Should we be looking to move people out of employment at an earlier age so that we can backfill? That is a cultural shift. What is the silver bullet that will enable us to get the balance of employment right and reduce the level of underemployment?

Kenny Richmond: I do not think that there is a silver bullet—

Chic Brodie: There is always a silver bullet.

Kenny Richmond: It is a case of various actors having to work together. For example, in each of the key sectors that have been identified, skills groups have been set up to specifically consider skills issues. That could be one mechanism by which, at a sectoral level, we identify what the skills needs are and consider appropriate ways of addressing them.

Garry Clark: If the answer were easy, we would have come up with it by now. There is a combination of factors. The Scottish Chambers of Commerce, in partnership with the Scottish Government, is working on the graduate recruitment incentive, which is an attempt to create new and sustainable jobs for graduates in small and medium-sized businesses, which has the advantage not only of getting graduates into jobs but of getting them into the right jobs, which frees up some of the jobs that they might otherwise have ended up in for people of an appropriate skill level for those jobs.

For many years, we have been working to find a way of matching the supply side to the demand side, but we are not quite there yet. There needs to be greater collaboration between business and Government to try to identify where the skills needs are going to be and how we fill those skills needs and respond to the demand that exists within business. There is a responsibility on business in that regard.

Chic Brodie: With all due respect, we know that we are looking for something like 60,000 engineers over the next eight to 10 years. Why are we not focusing on that to the level that we should be?

Garry Clark: We are not focusing careers advice on young people at an early enough age. It is difficult to provide careers advice without significant extended input at an early age from the business community. The other week, I read about a proposal to give people careers advice at the age of 12. It strikes me that we might be better starting a bit earlier than that. Kids are always talking about what they want to do when they grow up. We should help them to make better decisions.

Chic Brodie: Is it possible that we are going through a cultural shift now, that the whole employment market is changing and that we are fighting old wars with old resources? Given the developments in technology—and the developments that are likely to come—might it be the case that the whole structure of the workplace is changing rapidly, which is why we have underemployment?

Jackie Brierton: You are probably right, to an extent. We have not adapted what we offer to the changes, even to the extent of redefining what sectors businesses are in. A business that is offering something completely digitally that might have been offered in a different way five years ago finds it difficult to slot into an area with regard to business support. Kenny Richmond might have more to say about that.

We see small businesses that are turning over large amounts of money literally from their kitchens because they are using digital technology. We see that particularly with young people, who have innovative ideas about how you can build a business. However, how we support businesses is still stuck on the old model of how businesses are built. That is important in terms of employment, because there is evidence to suggest that the new type of businesses will employ fewer people than businesses would have done before but will have a big impact on the economy.

Such businesses also expand their workforce in a different way. They might not employ people; they might work in association with other companies or take a more collaborative approach. That works in women-owned businesses, which tend to collaborate more with other businesses rather than take on their own staff. However, that means that they are classified as very small businesses. They might have quite a big impact, but they are classified as small businesses, so they do not qualify for business support under the current criteria.

We are seeing a lot of more innovative ways of supporting businesses bubbling up from the grass roots—from the bottom up. People are less reliant on the public sector for business support; they are looking to their local communities, their peers and local organisations that can provide more

immediate support than bigger agencies. However, the bigger agencies still have a role, because they can provide higher-level support and the web-based support that is difficult for small organisations to provide.

Dennis Robertson: I have brief supplementary questions to Mr Brodie's points about youth employment. Is too much reliance placed on Government initiatives instead of employers taking on young people? Employers could provide something like a secondment that upskills a young person and provides on-the-job training. Are employers just looking for productivity from day 1?

Garry Clark: There is probably an element of truth in that. Employers certainly need to play their part. In our experience, they are usually happy to provide training to get people into jobs. Many of our members are small and medium-sized enterprises and many of them probably do not recruit enough young people—they look more towards people with experience. As has been said, the current job market can provide difficulties for young people.

The employment of young people is closely linked at the moment to Government schemes on apprenticeships and what we are doing through the graduate recruitment incentive. You are probably right that employers need to consider employing young people more. If we are to do that, we must ensure that young people are job ready when they come out of schools, colleges and universities. That allows the employer to train them on the job that they will do. Universities and colleges are achieving that reasonably well, but schools need to do a bit more work.

Dennis Robertson: A skills academy and so on would help to fill that gap.

Garry Clark: Possibly.

Marco Biagi: Garry Clark talked about giving careers advice when people are 12. I will draw on personal experience—I make no apology for that. When I was 13, I made subject choices. I did not take standard grade biology, so I could never become a doctor thereafter. Right now, I have no particular wish to be a doctor—that is not a great driving force in my life—but, at the age of 13, I could not predict what I would want to do six months down the line, let alone 20 years down the line.

I will posit an idea for comments. Instead of focusing on ever-earlier selection, might it be better to have positive portrayals from an early age and to allow much later specialisation, so that people find it easier to get into specialist professions such as engineering in their 20s, when they might have some idea of what they want to do with their lives?

10:45

Garry Clark: The concept of lifelong learning has become ingrained into the way in which we approach skills issues in Scotland, which is a positive change.

Careers advice is about allowing young people to make more informed decisions. Where possible, we try to ensure that our members get into schools to share their experiences and set out what it means to be involved in the work that they do. That is the way in which we can give young people more information to allow them to make better decisions that are suited to their needs. We cannot tell people what to do, but we can give them more information to allow them to make more informed decisions about something that will affect their lives in future.

Kenny Richmond: There are great examples of sector-led initiatives that focus on that. For example, the chemicals sector has done work that involves going round schools to promote what the sector does and to try to get across the point that the chemicals industry is not a dirty one and can be quite exciting. There are good examples of industries that are doing that to promote themselves.

Marco Biagi: As someone who took standard grade chemistry, I am supportive of chemistry.

Chic Brodie: He wants to be a chemist now.

Marco Biagi: I am not a chemist—that is one of the many things that I am not.

One issue is to do with skills underemployment, which is when people have higher skills than they use in their employment. However, I presume that there are other people who would like to have higher skills and to seek higher-skilled employment, and I suppose that that is a form of underemployment, too. We have talked about lifelong learning opportunities, but do they have the same ultimate impact on people's employment? Do returners to learning have the same esteem in the job market as those who go through the conventional, old-fashioned or traditional route for the graduate professions by becoming a full-time undergraduate at the age of 18? Do people who take the lifelong learning route perhaps have difficulty competing?

Garry Clark: I am not sure that I know the answer to that. There are pluses and minuses. Someone with a greater degree of hinterland and variation in their career history might in some cases be more attractive to an employer, but that will depend on circumstances. Other factors probably have a bearing on that.

Margaret McDougall (West Scotland) (Lab): I wanted to ask about underemployment among young people, but Dennis Robertson has already

asked the question that I was going to ask. However, I can widen it out a little. I think that Mr Clark said that it seems that most young people who are underemployed are on Government schemes. Did I pick that up correctly?

Garry Clark: No—I said that the Government schemes are the most visible mechanisms for getting young people into work.

Margaret McDougall: What are employers doing to attract young people? It seems that the high number of young people with fairly low qualifications are the most underemployed. Is it possible that they are in those jobs because that is the only thing that they can get and that employers are not training them up as they should unless a Government scheme is available?

Garry Clark: There are good examples of employers that have not historically employed young people in their businesses changing their way of working. One is Standard Life, which a few years ago looked at itself and said, "Hey, wait a minute, we do not employ anyone under 20." It now has a scheme in Edinburgh to get young people into employment. It is often difficult to get smaller businesses to consider taking on young people, because the labour market is so flexible these days and businesses have a great deal of choice.

As has been mentioned, if a small business has a variety of candidates for the job and it needs that member of staff to achieve results for the business from day 1, it will probably be more likely to go for someone with a degree of experience, if that is an option, which I think is more likely to be the case these days. Young people face a difficulty as regards competition in the labour market at the moment.

Margaret McDougall: Many young people are caught in a circle in which employers say that they want experience but the young people cannot get experience unless they get a job. That means that they are forced into underemployment, if they can get a job in the first place.

Garry Clark: Yes. That is one reason why we proposed the graduate recruitment incentive. Thankfully, the Scottish Government has taken that up and we are getting young people into jobs at graduate level in SMEs. That focuses the employer's mind by means of a grant, but we need to work with our members to ensure that they are looking at the positives that young people can bring to their company. On paper, a young person might not have the experience of another applicant, but they might have fantastic social media skills that the other applicant might not have, although they might not think that that needs to be on their CV. That is an example of what young people can bring to the table, which we need to encourage our members to consider.

Margaret McDougall: If a young person eventually gets a job with an employer and they are underemployed time-wise, will they get the same training as they would if they were in full-time employment?

Garry Clark: I suppose that it would depend on the circumstances. If they are there for less time, I presume that they will not learn as much on the job.

Margaret McDougall: Which means that they will lose out, in that they will never get the opportunity to become fully qualified.

Would anyone else like to comment?

Jackie Brierton: A fundamental issue is that the Scottish economy is largely made up of very small businesses, which means that, proportionately, there are just not that many bigger businesses that can take the risk of taking on young people and investing in them. For very small businesses with one self-employed person or one self-employed person and one other employee that would like to take on a young person, doing so is almost a burden. The bureaucracy involved in employing anyone, regardless of whether it is a young person, often puts off self-employed people from taking on someone. That is the bottom line.

I have spoken to dozens of people who say that they would love to take on someone but who have looked at what would be required in terms of all the legislation, the pay-as-you-earn system, health and safety and so on, and who have decided that it is just not worth it. I know that the United Kingdom Government has a desire to reduce red tape, but that has not happened for very small businesses. It is not that businesses lack the desire to take on young people. Many people would genuinely like to help young people, but they think that it would just be too difficult.

Kenny Richmond: As Garry Clark mentioned, there are some great examples of companies that are looking specifically at apprenticeship schemes. We are finding that that is particularly the case in engineering-related sectors, where companies that cannot find people are proactively developing apprenticeship schemes and are sometimes working together to put on joint schemes. There are some good examples where that is working.

Margaret McDougall: Those people would not be underemployed—they would be in a full-time apprenticeship.

Kenny Richmond: That is correct.

Gerry Higgins: I think that the issue of the time and resources that are required to prepare young

people for work also needs to be considered. Many of the current national schemes do not allow for adequate preparation of people. What the employers need are work-ready young people with a good attitude. Sometimes it can take quite a bit of assistance to prepare people for that first step with an employer. Where I have seen that working well, local authorities have put in additional measures to allow agencies to support young people and mentor them through the first steps of their employment. Where it works poorly, people get the minimum assistance, which leads to further problems because they are not able to get jobs.

Garry Clark: As has been said, there are good examples out there of employers' positive work in this area. An example in the engineering field is the renewables skills academy at Steel Engineering Ltd in Renfrew, which is a fantastic scheme. It not only equips young people for a potential career in engineering—they are pretty much guaranteed a job if they complete the course—but provides them with general employment and life skills to enable them to have a better chance of getting a job should they not wish to pursue a career in engineering.

Margaret McDougall: As time goes on and more young people experience the crisis of being unable to find a job because they do not have the skills or of being unable to get a job to get experience, will more courses be available to make young people employment ready? For example, there are courses that ensure that young people get into the habit of getting up for work, learn how to dress for work and know what is expected of them when they get a job. Is that where we are heading, given that more young people cannot find work?

Kenny Richmond: To an extent, that would depend on how the wider economic conditions play out. Some of the evidence that has already been provided suggests that some underemployment is due to wider demand issues. I guess if we see a continued period of weak demand and poor economic conditions, we will still have underemployment issues.

Garry Clark: But what we do not want to be left with when the upturn arrives is a pool of people who do not have the talents that would allow them to enter the workforce. Again, it comes back to lifelong learning. Opportunities must be available for such people to get the right skills, which will probably be done through the college sector, so that they can fit into the workforce when the upturn happens.

Gerry Higgins: There is a cost argument that intervention now will be more effective. I do not want to deal with young people in three years' time who have had five years of unemployment or difficult employment situations with very low aspirations, because the work that it will take to provide good options for such young people will be very difficult.

Alison Johnstone (Lothian) (Green): I have two questions. Last week, we heard evidence from a representative from the women in Scotland's economy research centre that suggested that out of the 12 most popular modern apprenticeship frameworks, eight were severely gender segregated—there was an 85 per cent dominance of one gender over the other—following the traditional model: there were lots of young men in engineering, construction and vehicle maintenance and lots of young women in health and social care and hairdressing. Obviously, that will have an impact on people's future economic security.

Professor Ailsa McKay, who wrote about the issue, said that the Scottish modern apprenticeship programme receives a great deal of public funding but that, if we leave the apprenticeship system untouched, then instead of challenging gender segregation it will reinforce it. I know that there are campaigns such as close the gap and be what you want that are trying to target children from an early age, but I wonder what we could do now. Are there any policies that we could put in place now to try to do something about the problem at an earlier stage? It is a historical issue, but I would hate us still to be saying in 20 years' time, "This is a historical issue." What could we take action on now? That is my first question.

The Convener: Do you want to get that, Jackie?

Jackie Brierton: I was hoping that one of the blokes would take that one. [*Laughter*.]

Obviously, I totally agree with what Alison Johnstone said. I am familiar with the work of Ailsa McKay and WISE, and it is true that the apprenticeship system is very segregated.

The issue comes back to all the things that we know need to happen to change that. That starts at education level in terms of messaging, providing role models and encouraging young women and young men to think differently about careers and so on. When I visited the University of the Highlands and Islands campus in Perth yesterday, the head of the aeronautical engineering curriculum, who originally came from industry, told me that he would love to see more young women come into his faculty because, in his experience, the young women have performed better than the young men. That is probably because those young women had to do really well even to get there in the first place; one of them won a competition in which she was up against all males. The issue is nothing to do with ability; it is to do with the sense

that a particular employment is just not a woman's job or a girl's job.

11:00

To change that, we need to look at so many things in Scottish culture. We need to look at the way in which the media portray men and women and what they do for a living. We need to change the messages in education. We also need to look at the opportunities within policy, where we could emphasise more readily the gender aspects or gender differences that exist within the Scottish economy that we need to try to do something about. Often, those differences are invisible. For example, we do not even gender disaggregate a lot of the employment and economy data that come out, so sometimes it is difficult even to see what the true picture is.

We need to be aware that we are continually reinforcing those differences—sometimes without even realising it. We need to try to think a bit more actively and not be nervous about looking at how things affect men and how they affect women. Even in the written evidence for today's meeting, very little is said about the different experiences that men and women have of underemployment, yet the available research and data show that their experiences are significantly different. Part of the solution is just being aware of the issue and ensuring that all the organisations that can contribute are aware and are helping.

Kenny Richmond: There is also a role for employers. If we can get more employers to understand the benefits of having a diverse workforce, there will be more demand from employers for, for example, women engineers or women in other sectors that are currently not popular among women.

Garry Clark: Providing better information to people at a young age to allow them to make career choices would be one way of trying to tackle those stereotypes, as would providing role models, as has already been mentioned. Twenty or 30 years ago, the role model for chefs was perhaps Delia Smith, whereas now it is Gordon Ramsay—although I am not sure whether that has had a positive impact. We need to try to get the message across that every job out there is for anyone.

Alison Johnstone: Perhaps we have just fallen into that because hairdressing and health and social care may be easier to do on a part-time basis. We perhaps need to emphasise the economic impacts of those choices to young women at an earlier age, as they may not even be thinking like that when they are very young.

My second question picks up on a point in CBI Scotland's written submission, which states:

"Underemployment has a lower cost for individuals, the state and business than unemployment".

Paragraph 12 in the submission states that

"Being in work must"—

I am not quite sure about that "must"—

"always be preferential to being out of work."

The CBI very much takes the view that underemployment is better than unemployment, which is a view that was shared by the Scottish Council for Development and Industry in its evidence. However, the STUC and the Joseph Rowntree Foundation certainly took a more nuanced position. They said that one size would never fit all and we cannot take it for granted that one size fits all because, for some people, that is clearly not the case. The Barnardo's report "Paying to work: childcare and child poverty" highlights the fact that, because of childcare, it can cost people more to go to work than not to go to work.

Is it your view that one size does not fit all? Do you agree that we cannot simply say that underemployment is always better than unemployment for everyone?

Gerry Higgins: Being employed but underemployed is not economically advantageous to certain individuals on a short-term basis. Many of our clients are in that position because they want their kids to see them in work, and they want the work ethic and aspiration to be strong. They are aware that it is not a sensible thing to do economically, but it is what they wish to do. Statements that people must be better off in underemployment compared with unemployment certainly need to be qualified.

Alison Johnstone: In your evidence you highlight the fact that, although many people who are underemployed could fill the rest of their time, it is very difficult, because they are doing shift work. In many of the businesses that we engage with, employees have taken a reduction in hours to maintain employment. In many cases the nature of that employment involves shift work, variable hours or on-call work, and that makes it difficult for the person to fill the other half of their time. Is there more that we could do around that?

Gerry Higgins: In the circumstances that we are seeing, people who have zero-hours contracts or who are on flexible working have available hours that they would like to fill, but they simply cannot do that. Some of them are trying, but it is difficult. That leads to economic hardship in families, because the family income is not what it could be. I am thinking from the perspective of our clients and the employers who are engaging them—I can see both the employer and the client perspectives. Right now, I do not see many people

with the option of straight shifts, knowing that they will be employed on a Monday and Tuesday, for instance, in which case it is easier to fill the rest of the week with something. That is the position that we find with our clients.

Alison Johnstone: It is almost as though their flexibility is making them less flexible.

Gerry Higgins: That is so particularly at the lower-value end of the market. At the higher-value end of the market, where people are on consultancy rates, they have far more options, even though there is less demand at the moment. The issue is particularly stark for us in cases of people who have jobs that pay the national minimum wage or just above. It is difficult to balance flexibility and benefits. A young man with autism had to turn down a job recently because it could not guarantee him the length of employment that would be needed for him to come off benefits—and going back on again could have put his housing situation at risk. It can be difficult on an individual basis, and to say that people will be better off in work is not accurate.

Garry Clark: Economically, it is better to have underemployment than unemployment but, on an individual basis, for the many reasons that have been mentioned, it might not always be the appropriate choice for the individual, depending on their circumstances. We need to ensure that businesses get the right support to succeed, to grow and to create proper full-time opportunities for as many people as want and need those opportunities.

Jackie Brierton: From a woman's perspective, the statement that underemployment is better than unemployment cannot be right. We need only take the typical example of a relatively low-paid woman in a part-time job, who is reliant on benefits to top up her income. It just needs a slight shift. It might be that, post-March or post-April, that slight shift could push a lot of women from what might be classed as underemployment into unemployment, but they will be better off because there is such a small margin between the costs of childcare and what they are bringing in. If child tax credits go down by the 10 per cent that they are due to go down by, that could be enough to tip a lot of women into a situation in which it is not worth working. For a lot of people in that situation, the statement cannot stand.

Margaret McDougall: Childcare is one of the barriers to getting women into work. I wonder what employers are doing in that regard. I was fortunate that, quite a few years ago, I was able to get back to work because there were crèche facilities at the place where I worked. Is that happening nowadays? We do not hear about it very much. Is that because of the costs or the regulations? Do you have any thoughts about what employers could do to provide such facilities or to assist with childcare costs? Is it purely down to a requirement for more public subsidy to help with childcare costs?

The Convener: Does anyone want to deal with that?

Garry Clark: The cost of childcare is a major factor in people's decisions on whether to go into the workplace or remain outside it.

The Convener: You are talking from personal experience.

Garry Clark: There is an element of that. Some employers in Scotland, such as Dell, are flexible and allow home working for their employees to deal with family issues. However, for smaller employers, it is difficult to justify that kind of investment. Any contribution that they make towards childcare has to be factored against staff costs, the costs of running the business and other overheads. It is difficult. For SMEs, we would always look for the state to provide tax breaks, or subsidy where appropriate, to help more people to access the opportunities that exist.

Margaret McDougall: You have all said that we want to attract more women into sectors such as engineering. Is childcare not one of the issues that you should be looking at?

Garry Clark: An awful lot of employers were thinking about the issue 10 years ago, but with the current economic imperative, the pressures on margins and the wider labour market situation, the issue has probably gone off the top of the agenda, because many businesses simply cannot afford such measures. However, as the economy picks up, businesses will have to look more and more towards the issue, as they did a decade ago.

The Convener: I presume that it is much easier for a large employer to do something on that than it is for SMEs, which make up the bulk of the employment market.

Garry Clark: Absolutely.

Jackie Brierton: Yes. The costs are prohibitive for smaller employers. Another factor is the legislative burden of setting up facilities, as a huge number of regulations have to be complied with.

On childcare generally, one advantage for people who work for companies is that they can get childcare vouchers through their employers, but that is not open to women who run their own business or who are self-employed. I realise that this is a UK rather than a Scottish issue, but we have been advocating that childcare costs should at least be an allowable tax deduction for self-employed people—not just women, but all people. That would make a huge difference.

Mike MacKenzie (Highlands and Islands) (SNP): We have had a discussion about the gender and cultural stereotypes that are perhaps inhibiting women from entering certain career paths, but is there a more general cultural problem whereby young people are driven towards careers that they perceive to be exciting, glamorous or interesting when in fact the opportunities are limited? The issue was drawn to my attention by a headmaster of a large secondary school whom I met recently and who feels that the issue is a significant problem in trying to direct youngsters to genuine career opportunities. Do you agree that there is a problem and, if so, what can we do about it?

11:15

Garry Clark: That is undoubtedly a problem, and it has existed for a number of years. An obvious example would be forensic medicine. People watch "CSI" on television and think, "That would be great." However, although there are plenty of courses out there, there are not too many jobs at the end of them.

Education providers need to identify demand. For us, demand is what business looks for from young people when they come out of educational institutions—whether they are schools, colleges or universities—whereas many colleges look to students for demand. If enough students want to do forensic medicine, that will be provided, even if there are no jobs at the end of the course. Demand should be led by businesses and the public sector, in relation to where jobs are.

I return to what I said about ensuring that young people make the right decisions. If a young person knew that they had, say, a one in 500 chance of a job in forensic medicine, they would be less likely to pick that option. We must ensure that as many of our members as possible say what work they do, what work they will do in three or four years' time, where they would like to be as a business and what kind of people they need.

Mike MacKenzie: I am very interested in and will home in on your remark that educational establishments will run courses if there is enough demand for them. I have talked to a young chap with a PhD who served me at a checkout and to a waiter with a pretty good degree who worked in a coffee shop. I do not like to discourage youngsters, but I was not sure whether the subjects that they chose to study would make it easy for them to find better employment.

Is something wrong here? Should a filter be applied in further or higher education to stop the conveyor belt that churns out such students, because we know that no opportunities exist? Employers in different industry sectors might be sending signals that we are not running sufficient courses in their areas, so is the problem in the education sector?

Garry Clark: There is an issue, but it is extremely difficult, if not impossible, to tell people what they should do. People need to arrive at such decisions themselves, and their demand should drive and be aligned with overall demand.

Mike MacKenzie: So if loads of folk wish to be astronomers, we should churn out millions of astronomers, irrespective of the employment opportunities.

Garry Clark: The way to address that is through proper careers advice and careers guidance to ensure that, when young people make a decision, they are, as far as is possible, aware of the implications of that decision.

Mike MacKenzie: I say with respect that part of my frustration, and why I am trying to take us out of that dialogue, is that I have heard that since I was at school, which really was not yesterday. We need to give kids better careers advice, but my perception is that things are getting worse, not better.

The Convener: The line of discussion is interesting. When I studied law many years ago, the law faculties of the Scottish universities collectively produced what they thought that the legal profession would require. We have now moved way beyond that to produce a multitude of law graduates. Of course, we are paying for that—that is all publicly funded. The question is the extent to which command and control can be exercised over that element from a Government angle and whether that would work.

Jackie Brierton: At the University of the Highlands and Islands Perth College campus yesterday, I saw a good example of an approach that could work. The curriculum head for media, drama and music there talked about what the college does. People say, "Everybody's doing media studies—what's the point?" because they see the glamorous front end. However, when students join the college, they are immediately confronted with many opportunities to learn about other aspects, such as audio engineering, production facilities and project management. They can learn about all the skills that are needed in reality to go into any career in the media. Multiple opportunities are open to audio engineers. It is quite interesting: the students think that they are going to study to be a TV presenter or whatever, but much wider opportunities could open up to them. I presume that a lot of colleges provide a variety of options, once students are there. It sounds like getting people in by the back door, but it may be a way of making a wider choice

more attractive and opening up new jobs that people had not even thought about.

The Convener: We have an audio engineer here, but unfortunately we cannot call him to give evidence, as he is too busy working.

Would anyone else like to pick up on that point?

Kenny Richmond: A number of sectors have developed or are developing sector skills plans, which look at future needs with regard to the number and type of skills. Involving the Scottish Further and Higher Education Funding Council in those plans should help provide a link to the supply side and courses. I hope that we will start to see that change.

Mike MacKenzie: I have one more question, which is on a slightly different tack. I was interested to read somewhere in the written evidence for this session—I cannot remember exactly where—that SSE plc has a huge shortage of linesmen and cable layers. Given that over the next decade or so we will invest not millions but billions in upgrading the grid, SSE perceives that shortage to be a huge problem. It appears to be looking to Government to solve that problem, whereas in a previous era it would have taken on youngsters and trained them itself. Is there a sense in which certain sectors and big private employers are handing skills and employment problems to Government or the public sector to solve, rather than solving them themselves, which was the previous practice?

Kenny Richmond: In many cases companies are working in partnership with Government. Many companies will take things forward themselves if they have the knowledge and ability to do that. Other companies, especially some SMEs, may look to Government for advice and some financial support. It is great that some companies are doing it themselves, but some companies need support.

Rhoda Grant: I know that some colleges link to employers well, but should employers do more to link with colleges and universities, so that they turn out the right people for the jobs? We have skills shortages, but we heard earlier about underemployment in a sector in which people were being churned out with a PhD in the wrong thing altogether. Those people will end up working behind a till, never reaching their full potential because the jobs just are not there. If public money is being spent, surely we have a responsibility to point people in the right direction and channel them where the skills are required.

Garry Clark: Any public investment in providing skills needs to provide people with the right skills, where possible. As the economy picks up we need to support business to take on as many people as possible and we need to ensure that those people either have the skills that business needs or are able to access those skills. The college sector has a major role to play in skills provision and continuing education.

Rhoda Grant: Surely universities should have a similar role.

Garry Clark: Yes, absolutely.

The Convener: I am conscious of time. I would like to cover a couple of points that we have not touched on, but Dennis Robertson has a question first.

Dennis Robertson: I understand that some work in rural communities is seasonal and that some is linked to tourism. We know what some of the obstacles are, but can you tell us about the obstacles that you see in relation to underemployment in rural Scotland, and perhaps some of the solutions?

Jackie Brierton: There are certainly numerous issues with continuous employment in rural areas. Seasonality is one of them; the industries that are still prevalent is another.

In the GrowBiz project on which I am working in Perthshire, there is a real sense of people wanting to do things for themselves. There is more potential to encourage people to be self-employed and to consider business opportunities in rural areas than is generally thought to exist. We tend to think of business start-ups coming out of urban areas more often than rural areas but in the GrowBiz project, which has been going in Perthshire for five years now, more than 400 people have come forward with ideas for businesses and more than 100 of those have been set up and have employed people.

That project is an example of an approach that could be rolled out to other areas. I would encourage that because the tenor of the discussion on underemployment is about what employers can do and how we can change things, but we must accept that many people will have to create their own jobs because the jobs do not exist otherwise.

Although we have good policies for encouraging entrepreneurship and business start-ups in Scotland, we need to look at support for those start-ups, particularly in rural areas. Sometimes, we need to consider different ways of helping businesses to get through, not only at the start but a year, or three years, down the line, to ensure that they can continue to grow.

Garry Clark: All those points are extremely important. In rural areas, businesses often have problems with access to education and training, and with access to markets.

Dennis Robertson: Are those access problems due to connectivity and transport issues?

Garry Clark: Yes. We need not only improved transport links but improved digital connectivity, because that can provide solutions for those in geographically remote areas who need to access not only education and training but markets.

The Convener: I will ask a couple of questions about topics on which we have not yet touched.

First, productivity has come up in previous evidence-taking sessions. I direct this question to Kenny Richmond first of all. What has been the impact of rising underemployment on business productivity? Has the competitiveness of Scottish businesses increased because their workforce is more flexible, albeit underemployed, than previously? For example, has it helped productivity where graduates fill non-graduate jobs?

Kenny Richmond: Interestingly, the effects of underemployment on productivity depend on the measures that we use. I have seen some evidence that suggests that the impact on productivity has not been as severe if we look at output per hour worked as opposed to output per worker. That suggests that productivity has not really been affected for firms that have looked to reduced hours—underemployment—as a response to the recession. That has not affected their competitiveness in the wider economy. Companies that are able to use their workforces flexibly have not experienced a major impact on their productivity or competitiveness.

Garry Clark: Businesses have been trying to manage their productivity and competitiveness over the past few years. However, underemployment represents a potential danger to their ability to maintain productivity, come the upturn of the economy.

Gerry Higgins: Underemployment is not really part of an employer's strategy for growth; it is part of a strategy for survival.

The Convener: Should public support for business—for example, in the form of regional selective assistance—be tied to measures of job quality and training? Amazon got quite a large chunk of regional selective assistance to come to Dunfermline—I think that it was more than £4 million—but issues with some of its employment practices have been in the press. Should there be a closer relationship between public support and workforce issues in future policy?

11:30

Kenny Richmond: In an ideal world, we would like all companies and support to be focused on high-value activities and high-value jobs because those are the types of jobs that provide productive work for employees. However, it is in the nature of the economy at the moment that companies that are looking for support to invest will provide job opportunities across the range of skills and types of work.

Support to help companies to grow is really important. That will provide job opportunities across the spectrum.

Jackie Brierton: From a gender perspective, there is a real issue with the way that public funds are allocated because the criteria for funding, as Kenny Richmond said, are aimed at high-value and high-growth companies and jobs. Fewer women run companies in those sectors, so a disproportionate number of women do not get that help. Up to two years ago, fewer than 5 per cent of the account-managed businesses that Scottish Enterprise helped were female owned, so there is a big disconnect.

I agree that we need to focus help on the businesses that will produce the biggest number of jobs, but if we do not help the smaller businesses in other sectors, we will miss a big opportunity to create different types of employment.

The Convener: Thank you very much for your answers. This has been a helpful evidence-taking session. I appreciate that it went on for a long time, but we covered a lot of ground. I am grateful to you for your contributions and your time.

The next item on our agenda is in private.

11:32

Meeting continued in private until 12:01.

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