



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 12 December 2012



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**ECONOMY, ENERGY AND TOURISM COMMITTEE**  
**33<sup>rd</sup> Meeting 2012, 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)

David Torrance (Kirkcaldy) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

James Alexander (Scottish Council for Development and Industry)

Jacqui Hepburn (Flybe)

Donald MacBeath (North Highland College)

Joan McAlpine (South Scotland) (SNP) (Committee Substitute)

Gordon McGuinness (Skills Development Scotland)

Paul McKelvie (Scottish Further and Higher Education Funding Council)

Sylvia O'Grady (Scottish Trades Union Congress)

**CLERK TO THE COMMITTEE**

Jane Williams

**LOCATION**

Committee Room 4



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 12 December 2012*

*[The Convener opened the meeting at 10:02]*

### Decision on Taking Business in Private

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

We have received apologies from David Torrance and Chic Brodie, and I welcome Joan McAlpine, who is here as a substitute for Chic Brodie.

Members will be aware that John Park, who was a member of the committee, has resigned as a member of Parliament. John took a very active part in the committee's discussions. I am sure that he will be missed and I put on the record the committee's thanks to him for his contribution to the committee and all his work over the past year or so.

Agenda item 1 is a decision on whether to take in private item 4, which is a discussion on our forward work programme. Are members content to do that?

**Members** *indicated agreement.*

## Skills

10:03

**The Convener:** Agenda item 2 is on skills. The committee has been interested in looking at that issue and we will take evidence today in the form of a round-table discussion. The minister, Angela Constance, is coming to the committee next week to answer some of our questions. It would be helpful for committee members to get a feel from our visitors about the key issues for the sector so that we can formulate lines of questioning for the minister.

To start with, it would be useful if we were to go round the table and introduce ourselves. I do not want you to make long speeches; just say who you are and where you are from. That will be useful for committee members and the official report. I am Murdo Fraser MSP, and I am the convener of the committee.

**Dennis Robertson (Aberdeenshire West) (SNP):** I am the MSP for Aberdeenshire West, and the deputy convener.

**Donald MacBeath (North Highland College):** I am the vice principal and the director of learning and teaching at North Highland College. I am based at the college's main campus in Thurso.

**Mike MacKenzie (Highlands and Islands) (SNP):** I am an MSP for the Highlands and Islands region.

**Paul McKelvie (Scottish Further and Higher Education Funding Council):** I am on the board of the Scottish Further and Higher Education Funding Council, and I chair the joint skills committee that advises the boards of the funding council and Skills Development Scotland.

**Joan McAlpine (South Scotland) (SNP) (Committee Substitute):** Good morning. I am a regional member for South Scotland. I do not normally attend the Economy, Energy and Tourism Committee, but I am substituting for a Scottish National Party member who is ill today.

**Sylvia O'Grady (Scottish Trades Union Congress):** I am the manager of Scottish union learning, which is part of the Scottish Trades Union Congress.

**Rhoda Grant (Highlands and Islands) (Lab):** I am an MSP for the Highlands and Islands region.

**James Alexander (Scottish Council for Development and Industry):** I am the senior policy manager at the Scottish Council for Development and Industry.

**Marco Biagi (Edinburgh Central) (SNP):** I am the MSP for Edinburgh Central.

**Jacqui Hepburn (Flybe):** I am director of training at Flybe UK and Europe.

**Alison Johnstone (Lothian) (Green):** I am an MSP for the Lothian region.

**Gordon McGuinness (Skills Development Scotland):** I am from Skills Development Scotland. I head up our activities in industry and enterprise, focusing on key sectors and developing services for employers.

**The Convener:** We want to cover three broad areas, and we will allow about an hour and a half for our discussion. First, we want to look at some of the challenges that face skills, such as skills gaps, whether we have the right education and training in place, the relationship between skills and the economy, and the soft skills that employers talk about quite a lot, for example.

The second area is specifically on the Scottish Government's skills strategy and how it is progressing. We are looking for some feedback on that so that we can take it to the minister next week. The third area is partnership working, which includes how everyone, including the third sector, SDS, education bodies, the funding council and so on, can work together to deliver a better workforce.

We will try to get through those three areas in the next hour and a half or so. I want the meeting to be reasonably free flowing, but because everything has to be recorded by the official report I do not want people to just jump in. Please indicate that you want to speak and I will invite you to make your contribution. That will enable us to get a proper record of what is said. If you want to answer a question or make a point, catch my eye and I will bring you in as quickly as I can.

I will start with the first general point about skills gaps and the economy. The committee has just done a big piece of work on renewable energy and the one thing that came out loud and clear from the evidence that we heard was that the energy sector has concerns about a shortfall in the number of people who are coming forward for training in energy industries. Many companies complained that they could not fill vacancies because they were not getting people who had the right skill set. Perhaps I could start by asking SDS how we identify the gaps in the economy, and what SDS is doing to ensure that those gaps are addressed.

**Gordon McGuinness:** We have done a fair amount of work in the renewables sector and we have a relationship with the sector through the industry leadership groups, such as the Scottish energy advisory board and the subgroups that work under that, such as oil and gas, renewables, the national grid, and carbon capture and storage.

We have run a process and are now rolling it out across the key sectors and some of the subsectors. It involves detailed desk research and analysis of available labour market information. We will then go back and work with industry on forward projections and try to understand where the challenges to growth will be. We published the energy skills investment plan in March 2011 and we are in the process of refreshing that just now.

We have worked with Scottish Enterprise and Highlands and Islands Enterprise to look at the planned growth of renewables, which includes everything from the consenting process through environmental impact assessments to planning permission. We tried to get a better picture of when activity would start to take place and be implemented.

An offshore wind route map that was published by Scottish Enterprise, the Government and the industry itself contained projections on the increase in labour, and we have worked off that to drill down into the range of skills required and to try to do some modelling around that type of activity.

Alongside that, we looked at the oil and gas sector, which is still paying premium rates. Initially, everyone thought that oil and gas engineers would be attracted into renewables and would migrate from one sector to the other. However, the price per barrel remains strong, which means that the sector, too, has continued to be strong, and as a result of improving techniques it is forecast that oil and gas activity will continue for another 30 to 50 years.

We have therefore had to rethink our approach to renewables. Working with the Scottish Further and Higher Education Funding Council, we have established a college energy skills partnership that is running in around 20 colleges; six of the colleges are taking a strategic lead. The partnership co-ordinator, Jim Brown, is working with the colleges, Scottish Renewables and individual companies on skills requirements not only in the subsectors of oil and gas, renewables and carbon capture and storage but on a regional basis, which includes consideration of skills and provision in, say, travel-to-work areas. As a result, we have been doing more work in the Highlands and Inverness, where we have been working with the private sector—for example, Global Energy and the Nigg skills academy—to develop not only a forward-looking plan for skills requirements but practical activities on the ground. Recently, we used our £2 million energy challenge fund to fund through public contracts Scotland eight contractors who are now delivering transition training skills in relation to future skills needs.

For us, the important issues are good understanding of labour market intelligence;

working with industry to start to shape provision in the areas where we think it is needed; and fulfilling our account management role by working with key employers on workforce planning and some of their more creative solutions. Engineering has also been referenced across the board; probably because of what has happened historically, there are pressure points in the system with regard to engineering skills but we are working with the industry to address that issue and to come up with innovative solutions.

**The Convener:** That all sounds great, but it does not really explain the current problem. Is there a time lag between collecting market information on future skills and actually delivering those skills?

**Gordon McGuinness:** Renewables are a new and emerging market. From the really good work that Donald MacBeath and his team at North Highland College have been doing on developments and activities in and around Scrabster, they know that there is going to be wave, wind and tidal activity in that area but that, with regard to up-front investment, there will be a time lag in deciding on the need for skilled technicians and engineers. Using European funding, North Highland College is carrying out innovative work on those engineering matters and on preparing the engineers of the future.

In our submission, we highlight certain related issues such as transition skills for companies. We will not be able to meet all companies' future needs through modern apprenticeships and graduates, so we will need to think more about how we transition people who might have skills in different engineering disciplines—from, say, agricultural engineering to motor vehicles—and give them specific technical training in turbines, for example, to allow them to migrate. It is a complex area, but I hope that our huge range of activity will start to address it. After all, the real spike in employment in renewables is planned to take place in 2014-15.

**Rhoda Grant:** We have heard evidence of people leaving school without the necessary qualifications to enter sectors that have skill shortages. How do we get recognition of the required skills into our schools? Are you working with schools and the like to ensure that when young people leave they are prepared to take on such challenges? Obviously they are keen and willing, but are they coming out of school with the right skills?

**The Convener:** Gordon, I am happy to let others come in, rather than have all the questions being fired at you.

**Gordon McGuinness:** I will offer a view and then others can contribute.

There has been a strong focus on that in recent years. We operate the Saltire energy challenge, which involves working with primary and secondary schools on engineering competitions. It is built on the main Saltire prize, so it considers wave and tidal technology. We run the challenge in conjunction with the SCDI and its programme of young engineers clubs. It has been successful so far.

10:15

In a number of areas, we are working with an initiative called primary engineer, which takes engineering experience into primary schools. There are also good organisations such as the Engineering Development Trust, which has a comprehensive programme that involves not only one-off interventions but activities across primary and secondary school and the important transition to college or higher education.

At one time, something like 180 different engineering initiatives were at play in Scotland. There is scope not for rationalisation—companies are doing things themselves—but to identify good practice, what works and what fits strongly with the learner outcomes in the curriculum for excellence and to start building a more structured programme that connects to apprenticeships and college programmes.

A lot of work is being done on that. East Ayrshire Council is doing some interesting work in its schools with primary engineers and an engineering initiative is being kicked off through Dumfries house with the Prince's Trust.

A range of activities are taking place, but it is about how we harness good will from companies to support the teachers' activities and maintain a tight focus on the curriculum so that the activities are meaningful and can be delivered during the school day.

**Donald MacBeath:** It may be helpful if I illustrate what one college is doing on partnership working with schools as far as energy and engineering are concerned.

Gordon McGuinness referred to the fact that North Highland College has recently been involved in fairly innovative approaches to developing skills for renewables. The most obvious manifestation of that is the creation of a new engineering, technology and energy centre—ETEC—in Thurso. That is an £8.8 million investment, which drew largely on support from the European regional development fund, the Scottish funding council, Highland Council and the Nuclear Decommissioning Authority.

We are keen to ensure that all age groups use that facility to best effect. In particular, we were

keen to ensure that our progression pathways started from school level. We run skills for work courses for youngsters from Thurso high school and Wick high school. From secondary 3 and secondary 4, those youngsters are engaged in learning about engineering in a real workplace environment, which is the ethos of our new ETEC.

Over the past few years, we have seen increasing evidence that those young people who engage initially with colleges on skills for work courses progress to full-time programmes of learning with us, perhaps at national certificate level or perhaps through the range of apprenticeship opportunities that we provide in association with their employers. As a University of the Highlands and Islands college, we can also provide progression opportunities all the way through to higher education, particularly at bachelor of engineering honours level in both mechanical and electrical engineering, which we are now providing in the context of energy and renewables as well.

There is a fairly well-defined progression pathway from Scottish credit and qualifications framework level 4 all the way through to SCQF level 10 in engineering in the north Highland area.

**James Alexander:** Renewables are a good place to start. Scotland can really build a renewables industry and build a large part of its economy around it. We strongly support that.

Scotland can use its high-quality college and university education to create a competitive advantage in skills that can help its renewables industry develop and grow on the innovation side and the mechanical, operational and manufacturing side. We can be involved in a range of renewables industries, but that requires that the right skills are developed.

There is a chicken-and-egg challenge: do we create the skills first and hope that the jobs will come, or do we wait for the jobs? Global companies that are looking at where to invest in their manufacturing and operations divisions will look at the skills on the ground and the people whom they could recruit, if they were to base themselves here. If we do not necessarily have the skills right now, we certainly need to show international companies that we have a serious plan to develop those skills, so that we can have a pipeline of people moving in as those companies bring their operations here. That is very important.

I am glad that Gordon McGuinness mentioned the young engineers clubs. Clearly, renewables is largely about engineering and lots of engineering and science skills will be involved. With SDS and a number of private sector organisations, we run a network of young engineers and science clubs across Scotland; about 10,000 kids are involved in

the clubs, which take place in about 600 schools. We try specifically to get girls as well as boys involved in engineering at a young age in schools. The evidence suggests that that really enthuses people with the potential of a career in science, technology, engineering or maths. It opens up people's eyes at a young age to the opportunities. Young people are very keen on being greener and environmentally friendly, so they see renewables as a positive destination and STEM as a mechanism for getting into that industry. That is a good way forward.

**Paul McKelvie:** When a sector such as renewables is said to have skills challenges, we imagine that the skills that that sector requires are fundamentally different from the skills that are required in other sectors. However, all the evidence suggests that the skills that are needed by renewables can be found across a range of sectors. We need to be careful not to pigeonhole sectors by saying that they require unique skills that do not apply in other sectors. That is one of the challenges.

A challenge that is faced across the sectors—Gordon McGuinness mentioned this—is that some of the most-skilled and most-qualified people move into the sectors that pay the most. The challenge is not always one of skills provision; it can be a competitive challenge that applies across sectors, at both industry level and geographic level. We should not forget that when we analyse the landscape.

I want to mention some things that the funding council is doing, many of which are in partnership with SDS. We should not forget the role of employers in this, but it is important that the action that we take in the publicly funded skills system is evidence based, as far as possible. The chicken-and-egg challenge is a real challenge in new sectors; we do not want to train people for jobs that will not be there, but we need to ensure that the training that we provide will help inward investment and the development of new sectors.

One important area of the funding council's work is the creation of collaborations across colleges. North Highland College is an example of a college that does very innovative work in that area. It is part of the renewable energy college partnership that has been established, which is linking into the work that is happening in higher education. Gordon McGuinness mentioned creating learner journeys that are not restricted to a technical level but allow people to move professionally. That is an important development that we should not forget. We should create careers for individuals so that no matter at what point they enter a career, they can progress to its highest level if they so choose. The renewable energy college partnership is an example of that work.



Another important development is the funding council's move to a fund that is based on outcomes rather than inputs. Increasingly, the funding council is looking at funding colleges and regional clusters of colleges on the basis of the impact and outcomes of a provision as much as on the amount of provision that is being delivered. Part of that must be about how the provision faces into the local economic need of the colleges' communities.

Those are important developments in changing the way by which funding is provided in the college and university sectors.

**Dennis Robertson:** We have talked about renewables and about transferable skills, but I have a slight quandary about how we got to where we are. Why is there such a skills shortage? The oil and gas sector has been around since the early 1970s and we have known for some time that there is still a future in it. We have also been bringing in renewables. I do not know whether the education sector has turned a blind eye to what skills the market needs in order to progress. Perhaps there has suddenly been an awakening and everybody is getting into a panic and saying, "Let's get the engineering skills sector up and running."

We certainly have a lot of traditional skills, and I was delighted to hear about the work that is being done on the gender mix. I know that there are various initiatives, certainly in Aberdeen and Aberdeenshire. There are programmes such as your future in energy, which goes into schools at secondary 2 level. It is not just focused on engineering and the STEM subjects. It also covers the wider aspects, because we also need project managers, administrators and a raft of other skills to support the industry.

My question is not just about energy, because we are also finding that there are skills gaps in tourism. How did we get into the situation of having such gaps without realising what was happening?

**The Convener:** I ask Jacqui Hepburn to give us a private sector perspective on that.

**Jacqui Hepburn:** I will make a couple of points from a private sector perspective. I have been in the public sector and I moved over to the private sector only recently, which has given me an interesting view of what the public sector offers to private sector companies. I will make some observations on that.

First, Gordon McGuinness and I were chatting before we came into the meeting about the benefits of the public sector and the fact that it is there to support learning in a very broad way. I recognise that, but as a major employer across the United Kingdom and Europe, when we look at

people coming out of colleges and universities in the UK, we anticipate about 15 per cent productivity for a young person who comes into our business.

**The Convener:** Fifteen per cent?

**Jacqui Hepburn:** Yes. That is the level of productivity that we expect in the first year. Their productivity will be nothing in the first six months, because they need to get used to the culture and issues about working, occupation and the work environment, so there is really not a lot of productivity in the first six months. Their productivity will be about 15 per cent in the first year, probably about 30 per cent going into year 2 and anything between 50 and 75 per cent in year 3, depending on the nature of the individual.

Much of the discussion this morning has been about engineering. The main reason why we have difficulty in that area, as an industry and as a sector, is because of the lack of hard skills. Much as young people in colleges and universities are getting skills within simulated work environments, if we stick them into a Q400 prop or an E-Jet plane, it is not the same as sitting in a college environment, where they work on simulated activities. There is an issue there about what the public system offers.

As a company, we overtrain for our local area at the moment, and we will be doing some work up here shortly. We provide young people in the area that we are based in with opportunities to get real, hands-on skills in our maintenance, repair and overhaul sections. That helps with the productivity issue that I mentioned because, when they leave us at the end of the programme, their productivity is sitting at 60 to 75 per cent. Employers are able to maximise the benefits of that training.

The second issue is the qualifications that the public sector delivers to business. I work in a very regulated industry and this is not the case in all areas, but we do not recognise many of the qualifications that are delivered by colleges across the UK because we are regulated by the European Aviation Safety Agency and the Civil Aviation Authority. Engineers have to be type rated. There are opportunities in modern apprenticeship programmes to allow that work to be done, but at present it does not fit. However, that is not to say that we cannot do something about that. In other areas that I will perhaps talk about later, it is just not possible because of the regulations. I am sure that other sectors such as oil and gas suffer from the same issues.

10:30

The other issue on which we suffer greatly is gender equality. Rhoda Grant mentioned primary and secondary schools. Looking at our throughput

into the business at present, and the recruitment in some of our areas in the next six months, we can see that it is very traditional. It is men who become engineers and pilots, and women who become cabin crew, and it is very difficult to get over that gender bias.

As an employer, I would look for better engagement with industry with regard to specific qualifications, not just the recognised qualifications in the Scottish school system that we all know. There needs to be much more direct work with employers on what they have to have to be able to deliver in their sector, for their regulator.

**The Convener:** Thank you; that is very interesting. We have identified a couple of points around which we can continue the discussion. A few members want to make other points, but we will come back to those issues.

Dennis Robertson asked why we have not sorted such issues by now.

**Dennis Robertson:** Why did we not see it coming?

**The Convener:** We have known that the issues have been around for quite a while, so why is it taking so long to catch up? Jacqui Hepburn made a good point about college qualifications not fitting with what the private sector wants.

A few other members have indicated that they want to come in, so I will bring them in, and we can come back to those points.

**Alison Johnstone:** I will focus a bit more on the gender equality issue. Donald MacBeath, and James Alexander in particular, spoke about targeting in that regard; I think that we need to be targeting children from nursery.

We have a hard job, because if you go into any toy shop you will see that there is a whole blue bedroom/pink bedroom thing that we must deal with. It is a relatively new phenomenon, but it is having such an impact. We see toys for girls and toys for boys—in my opinion, a lot of the girls' toys are far less challenging and a bit more passive, so we end up with young women who aspire to be cabin crew and young men who aspire to be pilots. That is a massive difference that has financial consequences, and consequences for pensions and society and so on.

There is work going on to address that—for example, Donald MacBeath spoke about the pathways. We need to look at what we can do to ensure that we do not lose the young women who have had those positive messages, and that they engage. The committee's report on Scottish renewables identified as a major issue the need to ensure that young women take up the subjects that make it possible for them to have an important career in such areas. Perhaps you can expand a

bit more on how we can ensure that we hang on to those talented young women.

I recently visited Carnegie College and its Whitlock energy collaboration centre, and I was really impressed, as the college seems to have it right in the skills area. I do not think that there are any issues with regard to whether its courses are applicable to the industry that they seek to serve. I met the first group of wind turbine apprentices—they are largely male, but the centre is working on that—who said that the challenge for them is that because their skills are so transferable, there is a question around whether they will end up working in renewables or go into the more traditional established industries. There is such a demand that the college feels that if it could offer more places they would be filled, so there is also a funding issue in that regard.

I have one other point, on which Sylvia O'Grady might like to come in. There are two surveys in paper 2, one of which suggests that our young people lack softer core skills. The STUC refutes that view, so I would be interested to hear more about that.

That is enough from me.

**The Convener:** I will bring in Mike MacKenzie because he caught my eye a while ago, and I will bring in Sylvia O'Grady after that.

**Mike MacKenzie:** I had intended to stay on the original theme, because I do not think that we have heard a reasonable explanation. Unless we understand the nature of the problem, how can we begin to fix it?

It seems as if there is a disconnect, which is perhaps the most serious issue. This touches on morality; on the one hand, we are producing a lot of youngsters with qualifications who cannot get work when unemployment—and most of all youth unemployment—is rising. However, at the same time, we are talking to people from Oil & Gas UK and the renewables sector who say that there is a shortage—not an anticipated shortage some time in the future, but a shortage right now.

I was taken by the written evidence from Flybe. At the risk of being controversial, perhaps the fundamental question that we need to address—Murdo Fraser will love this—is whether the public sector is just not any good at training.

**The Convener:** I will bring in Sylvia O'Grady, who has been very patient, and then we will come back to that issue.

**Sylvia O'Grady:** I will make a couple of points. Gender issues, which have been discussed, are a challenge for the engineering sector. We should not underestimate the length of time for which they have been a challenge and people have been trying to improve the situation. The issue will not

be fixed overnight. There are a lot of good initiatives, but there really is a fundamental problem, so one or two measures will not solve the issue. We need a concerted effort and approach to tackle the gender issues.

We have talked about what public sector investment can deliver. Mr Robertson asked why we are in the current situation. We must also ask what the industry has been doing to invest in skills over the period. Does everything have to come from the public sector? Is not there a requirement for industry to invest, too?

**The Convener:** Thank you.

Mike MacKenzie raised quite a challenge, so perhaps we should throw it at Gordon McGuinness.

**Gordon McGuinness:** Jacqui Hepburn spoke from the perspective of Flybe and the aircraft industry, which, through the Civil Aviation Authority and other regulatory authorities, is the most regulated industry anywhere in the world. We need to think about that in the context of what college and higher education provides. We are working on the aerospace hub at Prestwick, with Semta—the sector skills council for science, engineering and manufacturing technologies—Ayr College and Kilmarnock College. There is great engagement from companies such as Spirit AeroSystems and British Airways maintenance at Glasgow airport, which use the existing modern apprenticeship frameworks in Scotland.

Can we do more? Yes. Through the Scottish Further and Higher Education Funding Council, there has been investment of about £6 million in the facilities at Ayr College. Some really good stuff is happening. I put that in the context of the regulations 20 years back, when I worked at Glasgow airport, when there were type licences. The industry is probably the only one that can actually bond engineers. If they move on, they have to repay the funds that the industry financed.

Dennis Robertson talked about the oil and gas sector. On 19 September, Oil & Gas UK had an industry skills summit. Gordon Ballard, the chairman and country manager for Schlumberger, started the conference by saying, “We’re responsible for this.” The industry did not see the current situation coming. It has developed fairly sophisticated supply chains. Rather than have large companies and draw talent up through them, the supply chains have perhaps become a bit more fragmented. There has also been a culture of poaching, so there has been wage escalation.

Through some really good work by Robert Gordon University and Aberdeen College, practical issues that constrain greater investment are being considered. For example, offshore bed space for trainees is an issue, because bed space

is at a premium and guys need to be productive—Jacqui Hepburn touched on that issue. If there is a heavy workload offshore, apprentices are the first to get bumped off. There is an issue, and we are working with institutions in the north-east, such as Banff and Buchan College, Aberdeen College, the University of Aberdeen and Robert Gordon University to see what more can be done on that. In part, that involves simulation.

Another factor that is often missed is the growth in global activity. Neil Gordon at the industry body Subsea UK tells me that there are real opportunities for continued growth in employment in the north-east, but that we are also feeding companies in the Gulf of Mexico and off Brazil. Those are UK companies that work internationally, such as the Wood Group. There has been a real expansion of activity in that regard, which has often been done with a Scottish workforce going overseas. So, there has not just been a boom in the north-east; there has also been a global expansion that is people hungry.

**The Convener:** In essence, your message is that the nature of the industry has been changing, which has presented greater challenges to the public sector in keeping up with the changes.

**Gordon McGuinness:** As Sylvia O’Grady said, it is also partly about the industry investing. Global Energy Group in the Highlands and Steel Engineering Ltd in Renfrew are great examples of companies putting their money where their mouths are. They have put effort into developing their own training academies, which are supported by the public sector through further and higher education and our modern apprenticeships programme. There are therefore examples of companies—Subsea 7 Ltd is another one—taking real responsibility and ownership in the area.

**Dennis Robertson:** Would you also say that early retirement in the sector causes quite a large problem? There is no doubt that people who have skills are going abroad, which is probably another reason why there is a skills shortage in the UK. Is early retirement exacerbating that?

**Gordon McGuinness:** It could be a factor, because people are well paid and will have accumulated resources. However, there is evidence that some people stay longer.

**Dennis Robertson:** I think that they are being brought back in.

**Gordon McGuinness:** We sometimes forget that it is called a labour “market” for a reason, which is that it is a market that will adjust.

I should comment on some of the terminology that is used, which is sometimes just soundbites. The difference between skills gaps and skills shortages is quite important. Skills gaps can be

quite a good thing at times; it is about people learning in a job when new technologies and processes come in. The best bit of work that I have seen on defining what skills shortages are was done by the University of Strathclyde in conjunction with Aberdeen Chamber of Commerce. That work homed in on the fact that the real shortage in the north-east is in skilled and experienced engineers aged about 35 to 40 with eight to 10 years of experience. That is what the industry is looking for just now.

**The Convener:** Okay. Quite a few people have caught my eye because they want to come in. Can we have fairly brief comments?

**Paul McKelvie:** I want to highlight a couple of points from the earlier comments, the first of which is around the employability of young people. The evidence at UK and Scotland levels is that employers are overwhelmingly positive about the employability and work readiness of the young people whom they recruit, whether from school, college or university. There will be anecdotal examples of employers being unhappy in that regard, but the research indicates overwhelmingly that the education system at school, college and university produces young people who are fit for the workplace. Whether they have the specific skills that an individual employer will need is an important question, though.

That brings me to the second point, which is that the greatest enabler to getting work is work itself; work experience, whether it is an actual job or experience in the workplace, is what employers look for. Much has been done to date, but more is required to ensure that work experience, in whatever form, is embedded as far as possible into the experiences that our young people have as they learn, so that they learn by working and work as they learn. There is an opportunity for us to think about how we shape learning provision to ensure that, as far as possible, it includes real work experience so that employers can—if you like—try before they buy. Young people can get, in the workplace, experience that helps them to embed the skills that they learn through more traditional forms of training and learning.

**Donald MacBeath:** Our approach to designing the new engineering technology centre also identified the key to ensuring that we could use it to best effect, which is high-quality employer engagement. I say that because of the point that has been made about the need for us to address the gender imbalance that exists, particularly in engineering, and the point that Jacqui Hepburn made about the nature of the education experience that colleges provide. There is certainly no doubt in my mind that, through high-quality employer engagement, we can make serious inroads in relation to both those points.

10:45

I will give an example. As far as our facility is concerned, employer engagement is not about consulting employers on which modules or units we should include in courses or programmes of work; it is about inviting them to co-deliver and co-provide the education experience. Staff from local employers are co-located in our new centre in Thurso, and one of their primary responsibilities is to ensure that we provide training in workplace conditions. They advise us on our health and safety systems, our work methods and various other aspects to ensure that the learning experience is provided genuinely in the context of the workplace.

Another key benefit of such engagement is that we can bring in very good female role models who have excelled in engineering. They work with our students and pass on the benefit of their experience as accomplished engineers. That is an extremely powerful incentive to the young female apprentices who are increasingly coming forward to follow that career path successfully. We have some female apprentices, but we do not have enough, so we are actively trying to address that.

**James Alexander:** What Donald MacBeath has just said is a really good example of how industry engages in the skills and education sector. Colleges, universities and employers have over the past decade, at least, worked very closely together to ensure that the skills that are delivered by our education providers are what employers need in the workplace. Other examples include the setting up of industry skills bodies. OPITO—the oil and gas academy—is an excellent example of the industry getting together to develop a skills product and to train a workforce to meet its needs.

We have recently done some work with BP and its supply chain in the North Sea. There was a bit of discussion about the North Sea and the oil and gas industry, the outcome of which was that BP's entire supply chain expressed a willingness and a commitment to do what it could to tackle the challenges of youth unemployment. That includes looking at industry-specific issues to do with taking on apprentices, such as providing bed spaces offshore, as well as the wider challenges. The outcomes were extremely positive. There was widespread agreement that the industry overall should commit to working together to tackle the problems of youth unemployment.

I want to address the points that Jacqui Hepburn made about the challenges that organisations face in taking on young people. That is not just a problem that Flybe has—many of the SCDI's members say that after they take on people who have come straight out of education, it can be quite a long time before they benefit the bottom line. Big employers such as Flybe can afford that

investment; they can afford to bring in young people, knowing that they will not have a positive bottom-line effect for a year or 18 months. Many small to medium-sized enterprises—which make up a large part of our economy—cannot afford to take on young people, despite the fact that they want to. They need to have people who can bring a bottom-line benefit to their business straight away.

That is why the core skills are so important. We call them soft skills; I think that “soft” is absolutely the wrong word, as it makes those skills sound as if they are add-ons or just things that are nice to have. Such skills are essential to the way in which employers work. They include customer service, team working and sales skills, as well as wider skills such as leadership and entrepreneurship, which employers in Scotland desperately need. Paul McKelvie’s comment on work experience is useful; work experience is what helps people to develop those core skills. Certainly, we should be looking to embed those “soft” skills, which are core skills, across the curriculum, from school level upwards.

**Jacqui Hepburn:** I welcome Donald MacBeath’s comments about industry engagement, and the comment that I am going to make will fully support them.

The model that we use involves our asking local colleges and universities in an area in which we operate to take on the underpinning skills and knowledge element, which is the theory part of what we want to deliver. We have 3,000 members of staff across the UK and Europe, and we train our own staff to become instructors and trainers. They deliver core components of our provision for us. A pilot who was on the line today will be in the classroom tomorrow. An engineer who did some maintenance work in our repair and overhaul section yesterday will be in the classroom today. We have real-life experience going into that provision. If I were to ask for one thing, it would be for the education system to develop those links with industry even more strongly, because that would deliver real applied skills.

We commit a substantial amount of money to our youth programmes and our training programmes; our youth programme alone costs £250,000 a year. We live in difficult times, and the current funding system can be difficult for employers to navigate—I have said that time and again in all the roles that I have had—so I ask the publicly funded system to work with large employers and with small and medium-sized enterprises when those companies are investing real money to support their youth agendas. To Donald MacBeath I say that the model is absolutely what I think it should be, but partnership working should be strengthened.

I am sorry, but I do not agree with Paul McKelvie on core skills. Research by the UK Commission for Employment and Skills suggests that employers are broadly okay with the situation but, as a representative of a major employer, I can say that what we get is not always good. The lack might not be around reading, writing and arithmetic; it might be more to do with fitting into a culture and people’s behaviours.

The number of times we have to exclude apprentices or young people from our training programmes or our company environment because of lack of respect or tolerance in the working environment is pretty significant. In the past month, the issues that we have had around training young people have been to do with not the normal core skills that people talk about, but the wider things. There is a big issue about social interaction in society because of the nature of young people and how they grow up. The education system is going to have to think about how to build social interaction more formally into the curriculum. The curriculum for excellence does that, to an extent, but the issue is having a greater and greater impact.

**The Convener:** That is interesting. I wonder whether people are spending too much time on Facebook and not enough time in face-to-face interaction.

We have had a good discussion around the first of the three points before us. I am conscious that time is passing, so I want to move the discussion on a bit. Of course, what we have discussed so far overlaps into the second and third areas that we wanted to talk about today.

The second broad area that I want to get some feedback on is the Scottish Government’s skills strategy and how it is being taken forward. Its aims are to empower people, to support employers, to simplify the skills system and to strengthen partnerships. It might be quite useful to get a sense of how that is progressing, first of all from the public sector partners.

**Paul McKelvie:** Gordon McGuinness might have more to say on this than I have, but I can focus my input on the work that the joint skills committee has been doing.

Points have been made this morning about how we can better connect the publicly funded skills system to its stakeholders and customers. I guess that there are two prime customers: the individual learner; and the business community in the broadest sense—employers at large. How do we ensure that the skills system points in the right direction, so that the demand for skills from our young people is appropriate, because they have been appropriately guided to make the most informed choices about their learning, and so that,

as Jacqui Hepburn said, the skills that young people are provided with resonate with, and are appropriate to, the needs of employers, who will welcome those learners into work? From a skills committee perspective, our focus is on gathering the best possible evidence on which to advise boards on the best way to shape provision in order to ensure that it meets employers' needs today and tomorrow.

We talked a little about why that is difficult. I ask everyone here to reflect on their learning journey. What did you study at school, college or university, and how does it directly relate to the job that you do now or to what you have done in the past? You might argue that my French degree is not particularly relevant to what I am doing, but I argue that what I learned at university has absolutely helped me with my career. We need to be careful not to create narrow streams of development for people, and say, "If you study this you will become that." For many people, that is not how it works.

We can do more. We are at an early stage of the journey in relation to articulating meaningfully, at sectoral and spatial level, the current and longer-term needs of employers, and ensuring that the system more broadly, from apprenticeships to the higher-level degree provision that is available in our best universities, is aligned to the needs of the economy. Our work on skills investment plans, in partnership with SDS, is exactly the direction of travel that we should be taking. We need sectoral plans at Scotland level and spatial plans at region level, to ensure that we do our best to provide learning of a nature and quantity that is appropriate for the economy.

**Gordon McGuinness:** We made a fairly detailed submission to the committee. I will pick up on our four development areas. The first is empowering people. A transformational programme has been introduced, which builds on the concept of career-management skills. The idea is that rather than careers information being given in a one-off intervention, young people think more about their resilience and future careers, building on their understanding of their strengths and their horizons and networks.

We have created a web environment in the my world of work website. The convener mentioned social media, but the website is more interactive, and young people will probably spend more time using it to research careers and get information in a format that they are more used to. The website does not replace the face-to-face service and support in schools; we regard it as an additional environment in which young people can work.

The second area is supporting employers. The Government has made a huge commitment to the modern apprenticeships programme. Apprentices are employed, so it is a demand-led programme.

There were 26,000 apprenticeships last year, which represents significant investment. There are flexible training opportunities—7,000 this year—which are particularly for small and medium-sized companies. We want the system to be as flexible as possible.

Thirdly, we are working with industry leadership groups to simplify the skills system. On 2 November we launched a web service called our skillsforce, which builds on support from local authorities. As youth unemployment has increased, many local authorities have invested discretionary resource in supporting young people into the labour market. Probably for the first time, there is a single site for employers, on which they can see offers from the Department for Work and Pensions, Scotland's 32 local authorities and Skills Development Scotland. We will continue to develop that. We are looking at the recent report from the Federation of Small Businesses about the challenges that it has identified in recruiting and developing young people.

Paul McKelvie touched on the fourth aspect, which is strengthening partnerships. With the funding council and the enterprise agencies, we are making a collective effort to link in with areas such as the third sector through the third sector challenge fund. We are trying to push more decision-making processes in relation to national programmes to a local level, to get the best fit and to integrate funding resource to local levels. We are making good progress in what is obviously a difficult financial environment.

11:00

**The Convener:** Two aspects of the skills strategy that you talked about are supporting employers and simplifying the skills system. The committee constantly hears in evidence sessions how complex the landscape of what is available is. Will James Alexander or Jacqui Hepburn say something from a private sector perspective about how the strategy is working to support employers and simplify the landscape?

**Jacqui Hepburn:** I changed jobs only three months ago but I was astonished to see, even in that brief time, how many new acronyms were in the paper from Skills Development Scotland. We have OSFs and all sorts of things now.

As a private sector employer, I know the skills system inside out. New terminology and new acronyms do not simplify the system. An example is the number of groups that have been mentioned so far. A big company such as us can probably deal with that, because we can understand what is going on, but any average Joe Bloggs employer outside here would find it difficult to access that.

Unless people know the system and the programmes, they are difficult to access.

The trouble is that there is no magic answer, because of how funding works in Scotland. The funding council has money, SDS has money, there is joint provision and there is work by the DWP and local authorities. The situation is not and never will be simple. The work that SDS is doing to provide the portal is great, but we will probably sit here in five years' time and say that the position is complicated, and employers will complain about it. I do not believe that there is an easy solution.

**James Alexander:** I echo what Jacqui Hepburn has said. SDS has just launched the our skillsforce website, which I hope should benefit employers. We look forward to continuing to engage with employers on that.

We work quite closely with SDS on its engagement with employers and on connecting SDS and employers. We always have a positive response from the SCDI's members when we do work and events on the skills system.

Complexity is an issue that arises. One challenge, particularly for small businesses, is that employers can relate the skills system only to the skills system that they went through. Even relatively new graduates or people who left education relatively recently might not recognise some of the changes that have happened and the difference in the education system. Educating people about the education system now is difficult when they do not have first-hand experience of it.

I suppose that Jacqui Hepburn is right—I do not know what the magic solution is, but initiatives such as the our skillsforce website can only be of benefit. Continuing engagement between skills bodies and employers must be another way forward. We must remember that different solutions will be required for larger organisations that have the time and resource to put into the arena and for smaller businesses that have next to no time.

**The Convener:** You are right. Having sat O grades at school, I can never understand standard grades, although they have been around for I do not know how long—about 25 years.

**Dennis Robertson:** I thought that you were younger than that.

**The Convener:** The deputy convener says kindly that he thought that I was younger—a gold star for him.

**Sylvia O'Grady:** People will have heard us say before that the system is not necessarily so complex that employers could not get to grips with it if they put their minds to it. However, through some projects in which we are involved, we have experienced the lack of time that employers have

to sit down, navigate the landscape and work out what they need.

The union has been working on a pilot project over the past year with Warburton's and Dawnfresh Seafoods in the Lanarkshire area. We have set up a learning committee through the union's development fund—initially with the employer and the union—to look at the learning fund that we administer to provide funding for workers in those workplaces. From that learning committee and steering group, we have expanded the discussions to include modern apprenticeships, the new school college programme and all the other things that are coming through. We extended the offer to come on to the learning committee to SDS. By doing that, we have formed a bridge for the employer from the demand-led learning that we had from workers in the first place to the public sector offer that is out there. The numbers are small, but it has resulted in the employer taking on, I think, eight modern apprentices who will each have a work experience placement.

That model demonstrates what unions can do in the workplace to help the employer and to change and influence employer behaviour, which is something that is perhaps more difficult for external panels to do. The web and other information that is available are useful and it is good to have back-up for what you are doing, but the face-to-face contact that a person has with somebody that they are already working with acts as a catalyst to move that on.

**Paul McKelvie:** On the complexity of the system, I completely agree with Jacqui Hepburn that there is no easy answer. In previous lives, I have been involved in trying to help there to be an easy answer, but I have not had any success. In some ways that does not matter, but two things do matter. First, it is important that the system makes consistent decisions that are based on consistent evidence and information, so that we do not end up with a system that makes decisions based on different premises. Secondly, if we assume that, from an employer's perspective, the system will continue to be complex, the way to solve that is to ensure that no matter what system door an employer knocks on, it is not the wrong door. If they knock on the door of a college and the DWP can help them or if they knock on the door of SDS and a local authority can help them, then those are the correct answers. There needs to be a single-door system for the employer and one that makes life easier for the employer and the learner. That is the opportunity here. We should not get wrapped up in simplifying the system; we must ensure that the system is informed about itself and the decisions that it makes. Those are the two key points.

**Dennis Robertson:** We applaud a lot of the work that is going on, in North Highland College for example, to address some of the problems that we have. We have looked at the work in the north-east and the collaboration in universities, colleges and, to some extent, industry.

As an aside, I had a meeting with BP, whose recruitment programme is still for graduates only. It only supports the infrastructure through training—through OPITO, for example—and by looking at opportunities, but it does not do anything else other than recruit graduates.

I am wondering about the unemployment framework in Scotland. If we look at the north-east, we see that the unemployment rate in the Aberdeen and Aberdeenshire areas is about 1.4 or 1.6 per cent. In areas such as Westhill, the rate is about 0.6 per cent. Are we targeting the right colleges and universities? Are we targeting high unemployment areas to offer the appropriate training and courses to get that skills market ready for the market that is available?

Also, when Stephen Boyd of the STUC spoke to the Education and Culture Committee in March, he was a bit cynical about some of the evidence that was emerging. He seemed to believe that a lot of people in industry—certainly in the private sector—were looking for work-ready employees rather than perhaps taking people on and providing them with the skills that they need.

**The Convener:** We will leave that hanging for the moment. Mike?

**Mike MacKenzie:** I was struck by what Jacqui Hepburn said about 15 per cent productivity in the first year and so on. That is all right for a big company, which obviously accepts that—it may not like it, but it accepts it and it can deal with it. However, no SME could live with that level of productivity. If core skills, work readiness and the complexity all manifest as problems much more in the SME sector, that is important because a lot of economists and economic commentators are now suggesting that the recovery, when it comes, will be led by the small to medium-sized enterprises. To what extent is the skills and training public sector generally engaging with those smaller employers—with no disrespect to Jacqui at all—who find it extremely difficult to deal with all aspects of those problems?

**Alison Johnstone:** This question is probably best directed at Paul McKelvie, although I know that others can answer it. You say in your submission that the “key forum” for identifying

“skills gaps in the key sectors and then relating those ... gaps to ... actions for ... colleges and universities ... is the joint SFC/SDS Skills Committee.”

You also say that the committee is where the main activities on the Government skills strategy are

discussed. Who is on that committee? The FSB? The STUC? Major employers? How did the committee come to be? How often does it meet? How often does it provide documentation and reach out to industry and education at large?

**The Convener:** Okay, we will come back to that in a second. Marco?

**Marco Biagi:** I was going to ask two things. One of them was very close to what Mike MacKenzie said, because clearly the model that we are talking about is that of major employers engaging with one particular part of a complex landscape—a local college or a local provider—and developing a relationship. That may work for a large employer, but small and medium-sized enterprises would have difficulty imitating that model, so I echo Mike's question.

Also, Dennis Robertson mentioned BP recruiting university graduates. Whenever we talk about skills issues, it is easy to move instantly to talking about further education. Do the witnesses consider—I would be interested to hear from Flybe in particular—that we need to look at skills issues in terms of graduate output as well?

**The Convener:** There are a good range of questions there from members: Dennis Robertson asked whether we are targeting the right colleges and universities and the right places; Mike MacKenzie asked whether the SME sector is fully engaged; Alison Johnstone asked specifically about the skills committee; and Marco Biagi asked again whether we are focusing on the right places in terms of skills issues.

**Paul McKelvie:** That is quite a mix of questions. I will start by answering the one about the skills committee. As our submission said, it is a joint skills committee that advises the boards of the Scottish funding council and Skills Development Scotland. It tries to ensure that the decisions that those boards make around provision are as joined up as possible and phase effectively into the economic needs of Scotland.

Membership is broad, but the committee is increasingly led by employers. We have representatives from the Government's key sectors—from a number of companies—who link back directly to the industry leadership groups. We also have a representative from the Scottish Chambers of Commerce so that we get the view of smaller employers; it is important that we do not just hear the voice of large employers on the committee. We also have representatives from the providers of learning—training providers and college and university representatives—and learner representatives. The STUC is represented on the committee, as is the National Union of Students. The committee is broad and includes other experts in policy development in this area.



11:15

Although it does not do the work, I guess that the skills committee provides the focus for the work and is the conduit through which advice is channelled back to the two boards. For example, the SDS work with industry leadership groups that Gordon McGuinness outlined comes through the skills committee, which will endorse the skills investment plans that are being produced and will be involved in endorsing and challenging the regional skills investment plans that Gordon McGuinness mentioned in the SDS submission.

The skills committee meets quarterly. The minutes of our meetings and workshops are posted on the funding council's website, so please feel welcome to have a look at how we have advised the respective boards. In my time as chair of the skills committee, I have worked hard to ensure that our work is focused on providing specific advice back to the boards on what they should be doing to ensure that their funding decisions are aligned with the needs of employers and the economic needs of learners so that they have successful lives. The advice covers a broad area, from the careers service right through to the top postgraduate level of learning.

There is real merit in having a single committee that can look across provision in the way that the skills committee does; I think that it has an important role.

I should perhaps stop there—I am conscious that that was long, but I hope that I have answered your questions.

**The Convener:** Will you also pick up Dennis Robertson's question about whether the funding council targets support in the right places?

**Paul McKelvie:** Let me come to that. I think that some of this comes out of the work that the skills committee has done.

There is a real challenge in ensuring that we deliver the right skills in the right place. We have spent some time today talking about the north-east, and you could say that the north-east's challenges are partly skills related and partly demographic. The level of unemployment that we see in parts of the north-east may indicate that this is less a skills issue and more a demographics/mobility issue.

Nonetheless, the funding council's direction of travel is much more about needs-based funding to ensure that the provision reaches the parts that it should reach, if you like. Among the criteria underpinning that, demographics plays an important part so that we ensure that the provision made available by the funding council and SDS relates to the demographic requirements of the local communities that we fund, whether through

college provision or through the other provision that Gordon McGuinness's organisation looks after. We are moving in that direction, but I think that we could move faster to ensure that the mapping is appropriate and that the amount of provision that we make available absolutely reflects demographic changes and local economic need.

**Gordon McGuinness:** The questions covered a range of issues.

On SMEs, the one statistic that I do not have logged in my brain is the percentage of SMEs that are involved in the modern apprenticeships programme. However, the vast majority of young people and adults who are involved in modern apprenticeships will be employed by SMEs. I will come back to the committee with that statistic.

On the introduction of flexible training opportunities, as I touched on earlier, we genuinely try to leave any bureaucracy around training requirements as flexible as we can. We support anything from £50-worth of training up to £500 for 10 episodes of training, which could be either for the same employee or for 10 different individuals within the SME company. A lot of activity has been guided at SMEs.

On the our skillsforce website, we have genuinely worked as hard as we can with chambers of commerce, the Federation of Small Businesses and the Scottish Council for Development and Industry to get the employer's perspective. We spent a lot of time with them at the design stage to see what works for employers, and we continue to learn from that. We have created a single contact number, a single website and the skill alert function that we refer to in our submission, so companies that face challenges can simply lodge an inquiry with us and our team will respond and help them as best we possibly can.

On the location of colleges, labour mobility is, as Paul McKelvie has pointed out, an issue. In the north-east, that is linked to transport and the availability of housing. We are working with Highlands and Islands Enterprise on understanding some of the challenges, and will extend that work to include Highland local authorities. After all, although the population in the Highlands is growing, the working-age population is contracting and we need to understand the future economic ambitions for the area. The pipeline of inward investment is healthy and our work is focused on balancing our support with that from the UHI and achieving greater alignment between all that and future economic ambitions.

**Mike MacKenzie:** I wonder whether the association between modern apprenticeships and SMEs looks back at a very traditional view of

business—one that says, “That is the appropriate training need or provision for small businesses.” There are and will be SMEs in all kinds of sectors, including cutting-edge industries such as the life sciences and biotechnology, and perhaps there is too much of a focus on the modern apprenticeship route as the appropriate skills sector assistance for SMEs looking at yesterday’s problem, not today’s and tomorrow’s problem.

**Gordon McGuinness:** I should point out that life sciences form one of the 80 modern apprenticeship frameworks—

**Mike MacKenzie:** Forgive my ignorance.

**Gordon McGuinness:** That is okay—it is a common issue. Modern apprenticeship vocational qualifications are designed by sector skills councils very much in conjunction with industry so, where demand is identified, the relevant sector skills council has the opportunity to develop a relevant qualification for those areas. Life sciences is one of those areas.

Nevertheless, there are gaps that we have been seeking to address through work with, for example, Diageo. Although good qualification structures are available through the Scotch Whisky Association, there is no career-entry path into, say, malt distilling. We will pick up that issue and perhaps improve the sector skills council’s approach through a focus on need, the careers structure and workplace training requirements. There are plenty of development opportunities; for example, we have already mentioned the MA in wind turbine technology that has been developed and is delivered at Carnegie College. The qualifications structure is pretty flexible, and there are also add-ons and options within the core engineering qualifications.

**Mike MacKenzie:** That is reassuring.

**Donald MacBeath:** A very valid point has been made about the significance of the small business sector in assisting economic recovery across the country. Having encountered a specific issue with small businesses, we have tried to assist them in developing their capacity, particularly with regard to qualified engineers, through increased recruitment into apprenticeship programmes. A fairly obvious point at the margin is that taking on an additional apprenticeship represents a four-year investment, which is a significant outlay for a small business, especially at a time of economic uncertainty. We have tried to come up with a fairly innovative approach that brings small business employers together and gets them to share in the training of apprentices, and one of the real benefits of that is that the apprentice leaves with a very rounded training and skills development experience.

My other point, which relates to our earlier discussion about the complexity of the current funding system, is not so much about complexity as about the need for flexibility. In any area where you are trying to come up with innovative, distinctive and different approaches, you need room for manoeuvre in the funding system to accommodate such moves and to help them become sustainable in the longer term.

**Dennis Robertson:** Stephen Boyd is not here, but would anyone like to comment on his remark that, rather than investing in a training programme, industry is looking for people who are work ready? We have a high unemployment rate among young people, but it appears from his comments that industry is looking for people who are work ready.

**The Convener:** We are almost at the end of our time for the session. We have touched on partnership working, which ties in pretty well with Dennis Robertson’s question. I suggest that we get final comments in response to Dennis Robertson and on the broader issue of how partnership working is going.

**Sylvia O’Grady:** I am—obviously—familiar with the comments that Stephen Boyd made. The STUC’s view is that the education system produces a lot of really great kids and does a really good job. The young people whom we come across are well rounded and well developed—that is what we want the education system to achieve.

We have a concern that comments are sometimes made anecdotally about young people not being work ready or able to participate in the workplace right away. The education system can do only so much, and it does a lot to provide a broad education. It does a lot to promote active citizenship—I think that that is the phrase, although I am not quite sure what the strands are now. The education system does a tremendous amount of work on social education for young people in schools, but it can do only so much.

Paul McKelvie, I think, made the point that young people need to fit into the workplace culture at some point. Schools cannot achieve that; the workplace must take responsibility for that for young people. Schools cannot do everything.

Stephen Boyd’s comments were about the fact that employers in industry have a responsibility and must contribute, too.

**The Convener:** I will bring in Jacqui Hepburn, because she made interesting comments about the subject. Committee members have heard regularly about school leavers and other people who are coming out of education lacking skills. I am interested in whether that is new or whether that has always been the situation.

My impression is that youngsters at school today have many more opportunities to gain work experience as part of the school programme than when I was at school many years ago, so it is not as if things are not happening. Are we just more aware of the situation, which has always been around? I am interested in Jacqui Hepburn's perspective.

**Jacqui Hepburn:** I do not know—perhaps we are a bit more aware of the situation. The fundamental question today is: what are employers looking for? An employer tests the skills system and looks for somebody who can fit into the business, be productive and help the bottom line. The issue is not about the nuts and bolts of what the system offered but about what the company will get and whether that will help to deliver the business.

Are we more aware of the situation? If I look back over my years in the skills system, I would say that it has changed to move much further away from the basic core skills to the wider skills that are needed, such as teamwork, social interaction and applying yourself. As an employer, our company looks for a key set of entry requirements. Some of them, but not all, relate to academic performance. We also look for people with the ability to fit into the business, apply themselves and do the training that they need to be a productive employee.

**Gordon McGuinness:** The make-up of the overall workforce in Scotland—and probably more so in the UK—differs significantly from that on the continent. Even from 2002 onwards, when economic conditions were good and the economy was growing, the youth employment rate flatlined. The percentage of the workforce that is young people differs markedly from that elsewhere. In Germany, probably 39 in every 1,000 employees are apprentices. In Austria, the figure is about 41, and it is 40 in Australia. However, I think that the figure is about 15 in Scotland.

Companies need to be able to recruit and induct young people. Rather than recruiting and developing an office junior, many companies go to an agency and pull in someone for six months before dropping them, so there is an issue in that regard.

11:30

Today, by coincidence, we are working with the UK Commission for Employment and Skills and Angela Constance to launch a youth employment strategy. We are also working in partnership with Diageo to encourage companies to look at their workforce and understand their demographic profile. If a company's workforce contains certain

critical skills, what actions will it take to replace those people?

If companies have a technology business, they should have a technology strategy, but they should also have a workforce plan that reflects the nature of their business. Government and public sector bodies should also consider that aspect and ask how many 16 and 17-year-olds and 18 and 19-year-olds they have in the workforce. I think that we would be surprised by some of the answers that we would get.

**James Alexander:** On the small business issue, we should not underestimate the number of different hats that owners, managers and leaders of small businesses have to wear. They have to do accounts, respond to regulation, engage in health and safety and do many other things in addition to developing a business and trying to create more sales, which is challenging at the moment. On top of that, we are saying that they should think about their workforce and its development.

Some of Jacqui Hepburn's points about what employers are looking for from the system are important and valuable. One of the ways in which we can address that—and we are already moving towards this—involves considering a more flexible system in which employees engage directly with colleges and universities. That can lead to a flexible output of skills delivery within that partnership framework—particularly with small businesses—to allow the training to match the employer's needs on a small as well as a broader level. That is already happening, but we must continue to build on it.

**The Convener:** Okay—we are pretty much out of time. If no one is desperate to make a point that we have not already covered, I am happy to draw the session to a close. I thank all our witnesses; the discussion has been helpful and wide ranging, and it is useful for the committee to have such engagement and feedback. We will hear from the minister next week when we can take some of those points forward.

11:32

*Meeting suspended.*

11:39

*On resuming—*

## **Subordinate Legislation**

### **Diligence against Earnings (Variation) (Scotland) Regulations 2012 (SSI 2012/308)**

**The Convener:** Item 3 is consideration of a statutory instrument on diligence against earnings and the variation of the limits on the money that debtors are allowed to have in their accounts before they can be attached.

I see that members have no comments. Are we therefore happy simply to note the instrument and agree to make no recommendation?

**Members** *indicated agreement.*

**The Convener:** Thank you. We now move into private session.

11:40

*Meeting continued in private until 11:58.*

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