

# **ENTERPRISE AND LIFELONG LEARNING COMMITTEE**

Wednesday 23 February 2000  
*(Morning)*

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### ENTERPRISE AND LIFELONG LEARNING COMMITTEE

#### 5<sup>th</sup> Meeting 2000, Session 1

##### CONVENER

\*Mr John Swinney (North Tayside) (SNP)

##### DEPUTY CONVENER

\*Miss Annabel Goldie (West of Scotland) (Con)

##### COMMITTEE MEMBERS

\*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

\*Nick Johnston (Mid Scotland and Fife) (Con)

\*Marilyn Livingstone (Kirkcaldy) (Lab)

\*George Lyon (Argyll and Bute) (LD)

\*Ms Margo MacDonald (Lothians) (SNP)

\*Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

\*Dr Elaine Murray (Dumfries) (Lab)

\*Elaine Thomson (Aberdeen North) (Lab)

\*Allan Wilson (Cunninghame North) (Lab)

\*attended

##### THE FOLLOWING ALSO ATTENDED:

Professor John Bachtler (University of Strathclyde)

Professor Mike Danson (University of Paisley)

Professor David Deakins (University of Paisley)

Professor John Fairley (University of Strathclyde)

Professor John Ward (Macfarlane Group (Clansman) plc/Scottish Post Office Board)

Mr David Davidson (North-East Scotland) (Con)

Alf Young (*The Herald*)

##### CLERK TEAM LEADER

Simon Watkins

##### SENIOR ASSISTANT CLERK

David McLaren

##### ASSISTANT CLERK

Mark MacPherson

##### LOCATION

Committee Room 1



## Scottish Parliament

### Enterprise and Lifelong Learning Committee

Wednesday 23 February 2000

(Morning)

[THE CONVENER opened the meeting at 10:03]

**The Convener (Mr John Swinney):** Good morning, ladies and gentlemen. We have a fairly long agenda and an even greater pile of paper than usual, which we have all been wrestling with over the past few days.

### Local Economic Development

**The Convener:** The main purpose of today's meeting is to consider the feedback from our advisers on the local economic development inquiry, and to begin to examine some of the issues thrown up by the primary research that has been carried out, particularly by the exercise led by Mike Danson. We also want to consider some of the contributions from our other advisers.

Item 1 on the agenda, the first of the items covering the inquiry, is a report of the business in the chamber event, which took place on Friday. Well over 100 businesspeople were there to debate the interim conclusions of the committee's inquiry, which were published in December.

A paper from Alf Young has been put on our desks this morning. It summarises some of the points that emerged from that discussion. I apologise that it has been circulated to members only this morning.

The approach that I intend to take for this morning's meeting is to have a round-table discussion, in which our advisers can discuss with members the contents of the various reports.

Before we proceed, I invite the advisers to introduce themselves so that we are all clear about who everyone is. I will then invite Alf Young to speak about his paper.

**Professor John Bachtler (University of Strathclyde):** I am John Bachtler, professor of European studies at the University of Strathclyde.

**Professor John Ward (Macfarlane Group (Clansman) plc/Scottish Post Office Board):** I am John Ward, chairman of the Macfarlane Group (Clansman) plc and chairman of the Scottish Post Office Board.

**Alf Young (The Herald):** I am Alf Young, deputy

editor of *The Herald*.

**Professor Mike Danson (University of Paisley):** I am Mike Danson, professor of Scottish and regional economics at the University of Paisley.

**Professor John Fairley (University of Strathclyde):** I am John Fairley, professor of local economic development at the University of Strathclyde.

**Professor David Deakins (University of Paisley):** I am David Deakins, professor of enterprise development at the University of Paisley.

**The Convener:** Thank you. I now ask Alf Young to make his initial remarks to the committee.

**Alf Young:** I am conscious of how much paper members have in front of them, and, as a newspaper man, I am also conscious that a large volume of paper is something that everyone in my business wrestles with. I have therefore restricted my paper to a tight two sides of A4.

Everyone to whom I spoke—I think that this was the general feedback—said that the business in the chamber event was a success in public relations terms, as an exercise in widening the debate and in bringing a key constituency into the heart of the debate.

It was a success was not only because of the number of people who turned up, but because of the number of people who wanted to speak. In each of the three debates, there were queues of people wanting to speak when the final bell rang.

There was overwhelming support for the first and third motions, and slightly less support for the second motion. In some ways, the second debate was the best of the three, because there was genuine discussion about not only the structure of economic development services but about the kind of advice that is being delivered. There was a clear distinction between the needs of emerging new technology businesses and the needs of more traditional businesses in terms of economic development and support.

Those representing the newer industries argued strongly that some of the services provided by, for example, a superannuated bank manager who was offering help with a business plan, were not exactly what they were looking for. They want better flights to California and better access to venture capital and to people who understand the rather racy road that they are going down in trying to launch dotcom businesses.

There is no consensus, even in the business community, about what economic development services there should be, or indeed about what kind of structures there should be for the delivery

of those services. That adds to the challenge that the committee faces in trying to come up with some clear conclusions.

In the debate there was very little focus on the eight points in the committee's interim conclusions about structural exchange. Only one or two delegates focused on them. The clearly expressed view was that the present system generally works better in rural Scotland than in urban Scotland. There was overwhelming consensus about the frustration at best practice not being rolled out more quickly to areas where it does not exist.

It was emphasised that business advice should come more in the form of mentoring rather than as a standard package of advice. Much of the discussion was about the need for some sort of accreditation system for advisers to improve the quality of the advice that is given.

On lifelong learning, doubts were expressed about the quality of training provision, particularly from specialised training providers. There was more support for the traditional education system. Doubts were also expressed about whether some initiatives, such as modern apprenticeships, are working, or whether they are mired in form-filling and other bureaucratic exercises that make effective delivery of them difficult.

**Miss Annabel Goldie (West of Scotland) (Con):** I tried to note carefully the evidence of all the speakers in the event in the chamber. I agree with Alf that it was difficult to discern any consistent feeling running through the meeting. However, time and again, I heard the view that initiatives should be business driven rather than programme led. Might one draw that general conclusion?

**Alf Young:** There is still a strong view in the business community that it should have some kind of ownership of that process. If members will cast their minds back to the early 1990s, when Scottish Enterprise was set up, they will remember that the point of the reforms at that time was to deliver a system that was more business driven.

That view was refined in some ways on Friday. What stuck in my mind were the words of the gentleman who said that business people want to be treated as customers. As customers, they want a system that is efficient, effective and proactive, and that delivers what they are looking for. They do not necessarily have such a system.

**George Lyon (Argyll and Bute) (LD):** It would be fair to say that we got the sense that the business community wants local economic development to be customer driven, efficient and good value for money. However, it was disappointing that the first debate did not focus on the current structures and examples of best practice. Speakers did not focus on the role of

local authorities, local enterprise companies, enterprise trusts, and business shops; neither did they focus on such questions as who does what well, and which areas of the country use recognised best practice. A number of committee members left the debate as confused as they ever were about what is the right road to take.

**Dr Elaine Murray (Dumfries) (Lab):** We might want to reflect on how successful the format for business in the chamber was in getting the information we wanted. I, too, left the meeting no more enlightened than I was when I went in. Many different views were expressed but we did not tease out the arguments. It might be that a meeting in which many delegates have only a short time to put forward a point of view is not the best forum for developing arguments. Perhaps if we had used smaller groups of people, who could argue things through at greater length, we might have come up with answers to the questions that George Lyon raised.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** The first debate failed to home in on where the confusion and duplication lies. Perhaps the difficult challenge that faces us as we move forward from our interim report is to identify how the report's conclusions can be supported and implemented.

I am sorry to raise this matter without having given you prior notice, convener, but after speaking to Duncan McNeil and making informal inquiries this morning, I understand that there might not be available to members and other interested parties an *Official Report* of Friday's proceedings. I had to leave after the first debate and would like to study what was said in the other two debates—I guess that I might not be alone in that. I would find a report of Friday's meeting very useful.

**The Convener:** Even without receiving prior notice, I can reassure you instantly. The wonderful clerks of the committee have passed me a note to say that a full report is now on the Parliament's website. The official report staff are looking exhausted because of the extra work that they had to do on Friday, so it does not surprise me to learn that it is available. Provided that we can all use the internet, we are on safe ground.

Fergus Ewing made an important point and the committee is still posing the question: if there is overlap, duplication and confusion in the provision of services, what is the solution? Finding that is the purpose of the inquiry. One of Alf Young's key points is that there was no unanimity on Friday. We should probably accept that there never will be unanimity in the business community, but I hope that the committee will achieve consensus.

It is our job as legislators to consider the

information that the delegates gave us on Friday. We must also consider what our advisers tell us and what is said in the submissions that we have chewed over in recent months. We must give to ministers recommendations that address the questions that are posed by the conclusion that there is overlap and duplication. If we cannot answer those questions at the end of the inquiry we will have a problem, but at this stage we have more work to do.

10:15

**Allan Wilson (Cunninghame North) (Lab):** I do not know whether it is possible to achieve consensus across the board, although it should be possible to achieve a fair degree of consensus on individual recommendations. We should not be in the business of providing solutions that are mutually exclusive—that apply in a rural but not an urban setting, or that apply to high-tech businesses but not to traditional manufacturing enterprises. Our challenge is to develop a strategy and operational structures that are applicable to a wide range of enterprises and geographical areas.

I, too, found the lifelong learning debate instructive. I was interested in the dichotomy that emerged between training providers and traditional education providers. It seemed to me that many people were arguing that the driving force ought to be value for money—what options produce the best results. There was an impassioned plea for greater support for traditional apprenticeships in manufacturing and small engineering operations, which certainly struck a chord with me.

The issue that arose on Friday, but which did not appear in our preliminary studies, was whether the account manager system is effective. We said, based on the evidence that we had, that that system was the right road to take. However, doubts were raised in my mind as to whether that system is the answer to some of the problems about which the business people spoke in the chamber.

**The Convener:** My feeling about the account manager system is that businesses that are fortunate enough to be selected to be a managed account are probably very well served, but those that are not so fortunate are pretty much on their own.

On the lifelong learning agenda, Allan Wilson mentioned many of the issues about which we spoke when we compared the Fife case study to the more traditional routes. The committee's work on those issues is not concluded.

**Mr David Davidson (North-East Scotland) (Con):** If members are confused, is there any mileage to be had from a follow-up written report

from participants, who might also have been a little confused on the day but have since had time to think and talk about matters? Perhaps Alf Young and his colleagues could advise members on that. I have organised a meeting to get feedback from the people whom I invited from the north-east. Now that the delegates—many of whom know each other—have returned to their workplaces and have had the chance to think about issues, it will be useful to tap into their experience again.

**Alf Young:** On Friday, I raised with the clerk the idea that, if the involvement of outside groups in the formal parliamentary process, and getting them to share in decision making—however peripherally—is to continue, it will be valuable to get some feedback from those groups, so that the procedure can be refined for use in other areas of the Parliament.

It was clear from the vote on motion 1 that people agreed that there is confusion in the current system of delivery. However, there was no task-driven agenda in the debate. The motion did no more than ask people whether they agreed with that principle. It did not ask how the system could deliver better the objectives that were sought. Perhaps there should be some follow-up on that, although I know that that will add to the burden on the clerks. Because there is anecdotal evidence that that first chamber event was successful, it might be a good idea to get some formal feedback on it.

**Elaine Thomson (Aberdeen North) (Lab):** That would be useful. We have all spoken informally to various participants; I have spoken to the delegates from Aberdeen. The business in the chamber day was useful because it included the business community in our work and was well received.

Motion 2 was much less clear-cut than motion 1. Yesterday, I spoke again to one of the participants who spoke against that motion on Friday. His company is high-tech, and such companies feel that they are not getting enough support. Alf Young and he both made a useful point that has not been mentioned in any of the evidence that we have heard before—many of the new dotcom companies do not feel that they are getting the support and assistance they require.

**Miss Goldie:** Going back to those who attended the event, Alf mentioned that there seems to be an absence of focus on some of the suggested solutions that we were careful to say we did not endorse. Many of the people who were at the event had probably considered the solutions and had decided that they were not tailor-made for them. Our challenge is to establish what general shape might suit the people who expressed concerns. We do not want to put them in a corner by asking what specific remedies they want. If we

are doing a follow-up, it might be helpful to ask whether the suggested solutions are adequate, deficient or irrelevant. Some of them seem to be prescriptive, rather than to have evolved out of the problems that we are beginning to identify.

**Alf Young:** There is another point about feedback. As Elaine Thomson said, we must encourage an e-commerce environment, so we should encourage our participants to respond by e-mail. It would be easy to ask for information over the internet and to invite them to respond over the internet. There would be nothing better than forcing people to respond using that method to get more active participation in that form of communication. It might do companies who have not started to think about getting on to the internet the world of good to talk to their Parliament through the internet.

**George Lyon:** As we get nearer to a final solution, I wonder whether there would be any mileage in reconvening the meeting—perhaps not on the same scale, but including some of those who took part. We should bounce our final recommendations off the business community and give it a chance to say whether our conclusions are right or wrong and whether those conclusions address their concerns. That might assure the business community that it is part of the process and that it is not for Parliament alone to come up with solutions. Such collaboration would enable us to test our solutions to ensure that they addressed people's concerns. It is worth considering involving people in the discussion again.

**The Convener:** With those comments, I shall close this part of the discussion. Friday's event was the first of its kind and the Parliament's first experiment in social partnership. We learn our lessons as we go along. Using the parliamentary chamber probably made the meeting more formal than we would have liked it to be, but that is what one gets when one uses the chamber. We could do other things to make the debate less formal.

The clerks have been developing proposals to take soundings from the audience in the form of a questionnaire. We should probably have had that available on Friday, but we will send it out, perhaps by e-mail, to test the water—or the cyberwaves, as we should say.

George Lyon makes a good point about continuing to test the ideas that we come up with. We must accept that absolute uniformity is not going to work in this debate. A number of concepts and styles of approach and advice may have to be tested before we reach our conclusions.

Next, we will consider a report on the commissioned research undertaken by Professor Mike Danson of the University of Paisley and his committee. A substantial document was issued

last week; I apologise if members have had difficulty in obtaining a copy in the past few days. I ask Mike Danson to introduce the report and to talk to its contents. I will then open up the meeting for a wider discussion.

**Professor Danson:** Thank you for the opportunity to undertake the research. Initially, it seemed a fairly mundane exercise; in fact, it was extremely interesting. Given our research backgrounds, we know that the exercise was unique, not only in Scotland but probably in Europe. It is unusual to map out the detail of who delivers what, how they deliver it and in partnership with whom.

I will talk about the methodology of the research and then about the findings. Our deadline was 4 February. The material that we used included: the submissions to the committee, verbal evidence and the committee's debates; materials collected by the sub-groups that went out on case study visits to Renfrewshire, Tayside, Ayrshire and so on; and our own visits to and interviews with a number of key players. We were also able to call on research that we had undertaken in the past.

We were therefore constrained by resources and by the time available in which to undertake the work. I hope that we have given members a fairly informative snapshot of an evolving process. Even since we completed the work some three weeks ago, we have seen further developments—partnerships, co-operation and so on—in different areas.

The team that undertook the work is noted on the front page of the report. I will make introductory remarks and then hand over to David Deakins, who will talk about the business development activities, which are discussed in more detail in the paper.

John Fairley undertook the research into training elements for the unemployed, for those in work and for young people. We do not intend to talk about that directly, as John will talk about training more generally later and will answer members' questions. I will then make some brief concluding remarks.

We produced the grid—members will find it on the yellow sheet near the beginning of the document—fairly late in the day. It is meant to show a typical area and maps out what appears to be the practice in many parts of Scotland. I do not suggest that it represents best practice, but it shows the sort of model that is evolving in many areas.

In most areas, we found that the local enterprise company and the local authority worked in partnership to create a strategy. Sometimes that approach was almost forced on them, because of local endemic decline, redundancies and so on. In



other areas, they had a longer-term, strategic involvement in the local economy. We also found that a number of forums had been created, dealing with economic issues and with training and learning issues. Moreover, each of the partners is often involved with other organisations, such as chambers of commerce and enterprise trusts.

Our research concentrated on five generic business development areas and three training and lifelong learning areas. In a typical area, a partnership approach and some sort of networking were used to develop those business development services.

10:30

In the subsequent pages of the report, we have taken the grid in a different way and looked at each of the organisations and their involvement in a typical area. Local enterprise companies tend to be involved in just about everything, local authorities in most things, and other organisations and agencies are involved in different activities to a greater or lesser extent.

The next 20 to 30 pages of the report are occupied by area profiles, which usually comprise local enterprise company or local authority areas. In many cases, those areas are coterminous—for example, in Shetland, the LEC, the council and the local tourist board occupy the same area. For each area profile we have listed the area covered; the development agency; European structural fund designations; the parts of the area that are on the new assisted area map; key organisations, which we split into core organisations and other organisations; and the key issues for the area, which include the economic problems and challenges that the area faces. We then list partnerships and strategies in relation to business and economic development, and, more generally, training, careers and so on. A lot of interest has been shown in those profiles.

At the back of the report, a number of pages are dedicated to a grid listing the business and economic development support that is available at European, UK, Scottish and local levels. The grid demonstrates that support can come from different organisations at different levels, and in different forms for different areas. The data strongly suggest, first, that the opportunity exists for different projects to be put in place to develop different delivery mechanisms in areas that are next to each other, because different agencies will have drawn up different proposals to go to Europe, the UK or wherever. Some of the confusion in the eyes of the public and businesses may be due to that freedom to put forward proposals to organisations at different levels and in different ways.

Secondly, there is a need for signposting of gatekeepers to assess not only businesses, but agencies, the work force, the unemployed and so on. As an example, one exercise that the clerks undertook for us was to look at export support. The Euro Info Centre in Glasgow provided 99 pages on support mechanisms. The matter is complex, and there is a lot of information on potential projects, funding opportunities and so on. Because of that, there is a wide variety of delivery mechanisms across the country. Much of the detail of the report looks at generic areas of business development, about which David will talk.

**Professor Deakins:** As Mike Danson said, given the time scale, we have tried to bring out some general principles and issues on generic themes. The grid gives an idea of the complexity and range of support that is available. I would like to make a couple of comments in light of some of the points that have been made this morning.

Clearly, there are different methods of developing an integrated model of support. One could take a business-shop approach—using a sort of hub-and-spoke model. Equally, there could be different integrated models, depending on the range of agencies involved. Those could be based on the enterprise trusts in an area.

Developing long-term relationships is important, and there are a number of methods of achieving that, of which mentoring is one. High-tech firms—dotcom firms—have been mentioned. Facilitation is equally important for them. One example of facilitation is the first Tuesday meetings that have started recently; the next one will take place in Glasgow. Agencies can play a role in facilitating involvement by the business community.

One point that is made about high-tech firms concerns the need to share expertise. We could identify specific expertise in certain types of technology-based firms, such as biotechnology and information technology firms.

Mike has mentioned the five areas and I do not want to comment on those. However, the issue of segmentation that has been raised with regard to start-up and after-care support is important. Start-up and after-care support is an important priority, but the same model of support may not be appropriate in all areas. The important distinction between rural and urban areas has also been mentioned.

**Professor Danson:** Partnership is not unique to Scotland, but it is important in pulling together a series of agencies and organisations. Apart from the LECs and local authorities, which we have discussed in detail, there are other agencies that—to use David's word—facilitate an environment of co-operation and co-ordination. They include the European partnerships and the

structural fund teams, which have been important in creating an atmosphere and way of working that ensures that partnerships are more likely to occur at a local level. Many other agencies and departments are important in giving advice and assistance and filling in the gaps. They range from the Scottish Low Pay Unit—from which the private sector often finds out about minimum wage policy, employment conditions and so on—through to trade unions, the voluntary and community sectors, and employer associations.

As David Deakins has said, there are great differences across Scotland. Often, that is as it should be. There is good practice in many areas, but there is not necessarily a best practice that should be rolled out across the country.

**The Convener:** I thank Mike Danson and David Deakins for their contributions and for producing a substantial piece of work in a relatively short time.

Near the beginning of the document there is a chart entitled “Economic Development: The Typical Scottish Area Model”. Having examined that and a variety of breakdowns of what is happening on the ground, I was left with the impression that what you set out was an attractive model, but not necessarily representative of what is happening across the board. How representative is the chart of practice on the ground, in terms of formulation of strategy and at the level of driving co-operation and collaboration in the provision of service? Although I do not doubt that it is easy for organisations to get together in a forum to agree a strategy, I am sceptical about whether that can be translated into programme compatibility between organisations.

**Professor Danson:** In most cases, there is a joint economic strategy. Strategy is different from framework; it is stronger than that. As we saw on our visit to Ayrshire, strategy may appear different from the bottom and from the top. It may be drawn up at the top but, if the troops on the ground do not know about it, have difficulty implementing it or do not understand how it is resourced, the strategy may be little more than a bit of paper.

If we go down to the third layer of the chart, which shows general business development, we see headings that show who tends to be involved. The chart does not suggest that there is co-operation, partnership or formal networking; it simply shows the people who tend to be the key players in each area. General business development, for example, helps existing business to mature, grow and develop. In most areas, that role is fulfilled by LECs, local authorities, chambers of commerce and enterprise trusts. The chart does not suggest that those organisations work together or that there is no overlap or duplication; all it says is that those are the players in a typical area.

We put that together at the end, after we had done the profiles and conducted detailed discussion. To examine general business development in more detail, we must look at what David Deakins discussed to see what happens on the ground.

**Professor Fairley:** When Mike Danson approached me to contribute research on training and lifelong learning, I was concerned about a possible conflict of interests, given that I am also an adviser to the committee. I checked that with the clerk before proceeding and was advised that it was okay to contribute.

Area specificity is even stronger for training than it is for business development. Our time frame and the committee's desire to produce information by theme and by area made it difficult to get decent pictures of what is happening in training. The data that we have tend to be by theme or by area; it is difficult to get data by both. In the time frame available, I could not get some of the major players to provide information even if they had wanted to. They simply do not collect data on a combined basis of theme and area.

In considering the major players and the main programmes in training in Scotland, we have to consider 22 different LEC stories. Some areas and activities are common to all the LECs, but there are also significant differences. There are 71 different national training organisations, which interface with the 22 LECs. Even though the new deal for young people between the ages of 18 and 24 appears to be homogeneous, there are 22 different new deal stories in Scotland. Glasgow and West Lothian have had two quite different experiences of the new deal so far.

**Allan Wilson:** I have a question for Mike Danson about the chart's boxes on a typical Scottish area. Ayrshire and Renfrewshire are the areas that I know best, and myriad partnerships and strategies are identified in both areas, with further initiatives and partnerships also identified. Do you think that those partnerships fall easily within the five identifiable boxes, or are they extraneous? Are the partnerships, strategies and initiatives linked into the typical Scottish area model and, if so, where?

10:45

**Professor Danson:** The thinking behind the typical model was to try to boil down a huge amount of information into something manageable to let us examine how things tend to be collected together. The categories are not exhaustive. We did not examine things such as venture capital and finance directly.

**The Convener:** How many more boxes could you put on the general business development

level?

**Professor Danson:** As many as you want. General business development could include anything.

We find that, whoever we talk to, people think that what they do is extremely important and unique and will say that we have missed out some part of what they do. However, in order to provide a simple model to start from, we have had to sacrifice some detail.

Some of the partnerships—for instance those in Ayrshire and Renfrewshire—follow the model less than others. That might cause difficulties or it might cause synergies. The lines between the boxes in the typical area model should not be hard; it should be possible for connections to be made between them.

**Ms Margo MacDonald (Lothians) (SNP):** I do not object to there being a hundred flowers blooming in terms of local economic development, but how much of the development is driven by the personalities of local business people and their ability to commit time? In other words, how much of the process is guaranteed to be random?

**Professor Danson:** I could answer that in a number of ways. My experience of observing, researching and working in organisations has shown me that personalities are important. Certain personalities embrace co-operation and partnership. Certain parts of Scotland do not have forums where people can discuss different approaches. Where there have been endemic problems over many years, a strategic, partnership-driven approach has developed, as it has in areas where opportunities arise that can be capitalised on only through a partnership approach. The typical model might not fit parts of Scotland that have not been subject to crises. Personalities are important, but local structures and the wider economy are also relevant.

**Professor Fairley:** The two main factors that drive the training aspect are statutory requirements on agencies such as LECs to meet targets and the availability of funding to which the plethora of bodies respond opportunistically.

**Dr Murray:** How different from the typical model is what happens in practice? Boxes on the grid show LECs, local authorities and the chambers of commerce working together to provide business development through the business shop network but, in Ayrshire, the business shop could not give advice about planning. When we tried to tease out information on an issue, the business shop was wrong about how long it would take to get planning permission.

**Professor Danson:** I will comment briefly and then ask David Deakins to expand on some

points. The grid lists the key players under certain headings. However, just because several organisations are grouped together does not mean that they work together.

**Professor Deakins:** It is important to recognise that although the grid is representative, the agencies involved vary in importance from one area to another. An obvious example is the chambers of commerce, which take an active role in business development in some areas, such as Edinburgh and Glasgow, but are relatively weak in other areas. The committee might want to consider how the support of bodies such as the chambers of commerce could be extended throughout Scotland more proactively.

There are great variations in the importance of different agencies in different areas. We comment on that in the report. We have considered five generic subjects, but we could have included several others, such as finance. I noticed that, on one of the case study visits, issues arose about the provision of finance. The grid includes the main business functions that the agencies carry out. The model of support tends to be built around the strengths of the agencies in the area. In some areas, enterprise trusts are strong, but in other areas they have disappeared.

**George Lyon:** We heard evidence in Ayrshire, and in other areas, about significant changes in the development of partnership working and strategic overviews of key objectives. How much of that is happening in response to the customer? In the business in the chamber debate, we heard a lot about what the customers wanted. Are the structures being put in place in response to what the customers in certain areas require? How much of the change is driven by the previous structures and agendas?

**Professor Deakins:** The issue is the extent to which change is driven top-down, rather than from the customer up. In my view, very little is primarily customer driven. One of the issues that has cropped up is the involvement of the business community. The debate in the chamber was an important step in trying to involve the business community. Other, more formal mechanisms to allow the voice of small businesses to be heard—such as a small business forum—could be explored to ensure that the needs of businesses are translated into the developments in the support structure.

Another issue that was mentioned in the introduction to the report, but which was not really developed, was the role of information. At the moment, there is a need to develop intelligence and information on the small business community, which, as well as ensuring a voice for small business, would inform any new developments.

**Professor Fairley:** The committee may remember my philosophical diatribe against best practice from the last time we met. I do not want to repeat that, but I do want to urge caution about the concept of something being customer driven. It is an important concept, but for something to be genuinely customer driven, the customer must have certain attributes: he or she must be an expert and must be able to express effective demand. There are real difficulties in achieving that in the fields that we are discussing this morning. That was reflected in the lack of focus in the debate that we had in the chamber. The putative customers often did not have expertise in the things that were being discussed.

Faced with the lack of an articulate expression of customer need on the ground, those providing services respond as best they can. They seek new forms of partnership in response to a number of different pressures: a decline in funding; people at the top of local authorities who want to knock heads together; an awareness that people providing similar things should come together; and a general feeling that things are not working as well as they might. There is a desire to change for the better, even though it is not always terribly well focused.

**The Convener:** That is an interesting observation.

**George Lyon:** Alf Young is shaking his head. Does he have a view on that?

**Alf Young:** I do not agree.

**The Convener:** That is important. Can you tell us why?

**Alf Young:** I do not believe that customers have to be experts for something to be customer driven and for customers to have any right to express what they seek. That is perverse. The whole system, as I understand it from a non-academic standpoint, is supposed to be there to help people to start, build, grow and develop businesses. By definition, that means that some people will not be experts. They want to acquire and develop expertise.

**The Convener:** Are there any other views? We should debate this point, as it is an important one.

**Miss Goldie:** I am glad that Alf intervened. Having been in business, I know that, whether someone is expert or not, the test is very simple: businesses either survive or fail. That is a strong discipline. When people try to expand business or encourage business to develop, they need to know where to go for expertise. It is slightly patronising, Professor Fairley, to say that business is deficient because it does not have expertise. Business exists or fails. We are trying to establish a workable model at local level for modern times,

which gives complementary support to ensure that business has an opportunity to survive and that new business has an opportunity to start.

**The Convener:** We will come back to John Fairley later. Members should also remember the issue raised by George Lyon about how we can get customer drive into the system, if that is desirable.

**Mr Davidson:** I have served on an enterprise trust. Part of the problem was to establish what the customer wanted or needed. The first thing he needed was help to decide for himself what the priorities were—what the options were—for development. The business community, particularly the small business community, is screaming out for assistance at that stage, before it gets to high-powered delivery.

I agree to some extent with John Fairley that it is difficult to clarify what businesses need, but I am totally with Alf Young on where they need it. They are good at doing business, but the various models that I have seen do not home in clearly enough on how businesses can be helped to assess the position that they are in and to face the opportunities rather than the challenges.

**Fergus Ewing:** I would have thought it axiomatic that potential customers are not expert in the way in which economic help is delivered. Nevertheless, all customers want help to be delivered quickly, efficiently and in a friendly manner. They also want to be told no, if that is the answer, within a month or two, rather than after six months or a year of paperwork.

I wanted to take a step back, to focus on the purpose of this paper, which, on one level, I found useful. This inquiry is focused on the way in which economic development and lifelong learning is delivered in each part of Scotland, rather than on the efficiency of that delivery. We seem to be confusing those two issues. This document is a useful statement of the way in which services are delivered. It should not be regarded as an assessment of whether best practice is followed in each area, or whether each area is providing support efficiently.

**The Convener:** We will return to that point later, Fergus. I want to conclude this discussion.

11:00

**Nick Johnston (Mid Scotland and Fife) (Con):** As someone who has been involved in business for 27 years, I would regard it as dangerous to depart from the idea that the customer is king. The Scottish Enterprise network is surely a network to support new and existing businesses. If we forget the needs of those businesses, in the provision of that support, the necessity to have that

organisation is brought into question. Business does not exist in a vacuum. Business is dynamic and ever-evolving, and the enterprise network must keep up with it.

At the back of the report, 31 different organisations appear to be involved in the provision of support to start-up businesses. Those organisations are surely not consulting with the business community all the time, as they should be. The cynicism of the business community is driven by the attitude of people in Scottish Enterprise and the local enterprise companies, who sometimes appear to pay no heed whatsoever to what it thinks.

**The Convener:** I want us to remain tightly focused on the issue of services being customer driven. Do members have any focused comments to make on that point?

**Dr Murray:** Members of the business community may not know exactly what they need, but they know when they do not get what they need. They can tell us when they are not being given the right sort of advice and what they find obstructive or difficult.

Following on from what Nick Johnston was saying, much can be learned from the negative approach. If the business community is cynical about the advice and support that it is receiving, perhaps we should ask what the source of the cynicism is and whether the situation can be improved. For example, the business community may not like planning regulations, but planning regulations are necessary to protect the community. From listening to people's ideas of what is wrong, we could come up with ways in which to put things right.

**Allan Wilson:** There is a danger in making services solely customer driven. The wider question is whether agencies should be more proactive than reactive. A great cultural divide must be approached, certainly in central Scotland, if we are to stimulate interest in business start-up. We are not here simply to provide a support network for existing businesses; we must create an operational framework that will encourage new start-ups.

I never tire of citing the example of Renfrewshire, where I tried to discuss with representatives of local business the importance to them of e-commerce. They did not recognise it: they were small, west of Scotland engineering businesses, and did not regard e-commerce as important to them. However, when I started to tease out how they would respond to procurement requirements going electronic, they began to appreciate that e-commerce would have an impact on them.

Services do not address problems of that kind if

they are simply customer driven. We must be proactive—evangelical, if you like—in those areas.

**The Convener:** The last comment will come from Margo MacDonald.

**Ms MacDonald:** I want to continue where Allan Wilson left off, on peace-making.

Although it is true, as Elaine Murray says, that some of the business people who spoke in the chamber, and some of those whom we met on the site visits, were full of complaints about the bad information that they had received, they did not know that it was bad until they had put it to the test in their businesses. Each piece of advice that is given is customised. There is some truth in what John Fairley has said; a range of options has to be identified and discussed with the person looking for business support.

We heard some scepticism on the part of the business people speaking in the business in the chamber event, who felt that the people employed in the agencies were not able to give a comprehensive and uniformly high quality of advice and support. This committee is examining structures, but we should be considering quality as much as anything else. I do not think that we should say that the customer is king, because big multiples are proving that customers can be made to want whatever the multiples want them to want.

**George Lyon:** One of the reasons for setting up the enterprise network and one of the justifications given in relation to enterprise trusts was that they had businesspeople on their boards who were customers, so that they could give good advice on how the services should be run. How do people get on the board if they do not have sufficient expertise? How are they picked? When you pick someone to go on an enterprise trust or an enterprise board, do you select ones with expertise, or do you select them just because they are customers?

**Professor Fairley:** There is not a conflict between what Alf Young said and what I said, despite the way in which we polarised our contributions.

Alf Young is right that every citizen is entitled to access information and training to help them develop businesses. They should receive a similar quality of information whether they are in Shetland or Shettleston. Another step or two is necessary to turn that person from an information recipient into a customer. A customer is a person who, having been given information, is able to decide on his or her own needs and make contact with those who can help to satisfy those needs. In every situation that we consider, we must ask, is this service user a customer? Is he or she making decisions about their future and driving the provision, or are they consuming a predetermined service, which

somebody else has designed for them?

We must go further than making the service customer driven. That is a good principle to aim for, but it does not take us beyond the limits of voluntarism. This must be customer driven within a national strategic framework—or perhaps a regional strategic framework in the Highlands and Islands.

If we consider what happens across the range of issues that this inquiry is examining, if I can use the dreadful academic jargon that is used in those matters, some situations are genuinely customer driven and, at the other end of the range, there are situations in which service users are prisoners of public policy.

**George Lyon:** I wanted to follow up on the evaluation of the effects that the changes have had. We have examined various models. Is any evaluation going on within the various bodies to find out whether they are delivering value for money and efficiency once the changes have been made? Have measures been put in place, apart from the good old bums on seats one, to evaluate efficiency?

In discussions that we have had with enterprise trusts, I was told that many of these organisations believe that their role is to spend £500,000 each year, tick all the boxes and ensure that the bums on seats are delivered. Is there evaluation of their efficiency and evaluation of whether the changes that have made mean that they now work more efficiently and provide better value for money?

**Professor Danson:** There is a move, in a number of directions, to best-value management approaches within local authorities. There are evaluations at the European partnership level, and individual LECs, Scottish Enterprise and local authorities increasingly evaluate and monitor what they do rather than only carrying out an audit.

A problem is that the more we want that to happen, the more we then tie it up with performance indicators, which become the bums on seats in the next round. It is difficult to get the trade-off between having the freedom to address particular needs and problems on one hand and, on the other, not wanting to have to tie up with very strict performance indicators.

Another problem is that many of the benefits and much of what we have just discussed—about whether the customer is empowered to know what to ask and about training providing socialisation skills and improving self-esteem and so on—are qualitative and difficult to measure. The problem of using performance indicators for evaluation is that one loses many of the advantages of the schemes.

**Fergus Ewing:** Is it correct to say that the

extremely helpful information that we received from you is a map of economic development support across Scotland rather than a document offering judgments about the quality or efficiency of the way in which that support is delivered in different parts of Scotland?

**Professor Danson:** There are different elements to the document. The map of the typical model and the profiles of each area are, I hope, factual representations of what is happening. The generic discussions in the middle of the document by David Deakins and John Fairley contain factual descriptions as well as some commentary. Those two components are separated so that the difference is, I hope, clear.

**Mr Davidson:** I wish to return to what was said a minute ago about customers becoming the victims of public policy. That is an interesting concept, which leads one to ask where policy comes from and what is the strategic policy and framework. George Lyon made an unfair hit on the enterprise trusts when he talked about what they delivered. He should remember that they compete for their contracts, so there is a quality element in what they try to do.

We need to know who sets strategic policy. Is it the LECs or some other body? It was made clear on Friday that there is uncertainty in the business community about who does what where. If the customer could become a victim, as John Fairley suggested was a possibility, we need to know where we should apply strategic policy.

**Alf Young:** I find the word victim unhelpful in this context as, presumably, a publicly funded economic development system has other goals than to satisfy the individual customer seeking advice on specific problems. Some of those macro-goals are enshrined in the act that set up the Scottish Enterprise network, and relate to achieving prosperity, developing a full labour market and so on. There is no clear distinction between satisfying the individual customer and he or she being a victim of public policy.

**Mr Davidson:** You will appreciate that I did not use the word victim first, but used it as a starting point for a question.

**The Convener:** To be fair to John Fairley, he did not use the word victim either.

**Alf Young:** I suspect that the committee will want to recognise that the macro-objectives are also important. Over the past 10 years, at micro-level—in the detailed implementation of macro-policies or of the Scottish Enterprise strategy, which is upgraded year on year—LECs and other agencies have taken their own view of what matters in terms of delivery.

In the early stages of Scottish Enterprise, a

number of the LECs decided that the only customers who mattered to them were, for example, the top 200 growth companies in their area, and that everybody else was somebody else's business. There was a conscious move to shunt off those other people, notably the very small businesses, to other agencies, in most cases to the trusts. Micro-decisions were being taken in individual LECs on what were their priorities and what were other people's priorities.

Recent developments such as cluster strategies have focused on specific sectors such as microelectronics, optoelectronics or semiconductor technology. If cluster strategies designate sectors such as those as priorities and devote resources to them, they are, by definition, excluding others. If, as we heard a couple of times during the debate on Friday, you want to do something in traditional engineering, you are perhaps not a priority, because you are seen to be in a declining industry with a declining customer base.

11:15

**Professor Fairley:** Sometimes we use words that we do not intend, convener; but I certainly intended to use the word prisoner.

**The Convener:** You did indeed use the word prisoner.

**Mr Davidson:** I beg your pardon. I misheard.

**Professor Fairley:** The distinction is that a customer, by definition, is someone who has a choice; a prisoner is someone who does not have a choice. There were certainly areas of public policy covered by this inquiry in which the putative customer might be faced with a take-it-or-leave-it situation. In some of the training schemes that we were asked to consider, participation was compulsory.

**The Convener:** I wanted to ask about the organisations listed under the headings of business development and general business development. What encouragement, incentive or obligation do all these partners—I mean, parties; I will use that word deliberately—have to work together in a complementary fashion in the delivery of services?

**Professor Danson:** That goes back to some of the previous questions. In certain cases, for example, to get European money, they will have to work in partnership. They will have to demonstrate synergies and so forth. In other cases—and this has been true of LECs—people can only get access to additional funding if they are innovative and different. That may not necessarily mean working in partnership in the way that they have before. There are therefore some factors that lead towards working in partnership, and others that

lead away.

In the best of all worlds, people would come to the table because they had things to offer and that would be recognised. As I said earlier in my introduction, the longer the partnerships go on, the greater the trust and co-operation becomes, and therefore the more open people can be. It is difficult to allow yourself to be fully evaluated if you believe that you may be criticised and that you may have funds withdrawn. But the longer the partnership goes on, the better the environment for being full and frank with each other as well as with yourself and with the outside world. The environment in which partnerships, co-ordination and competition arise is as important as what can come out of those partnerships.

**Professor Deakins:** I disagree with what Mike says. The incentive to forge partnerships is sometimes built into funding regimes such as the European ones, which are often numbers driven. For most agencies, if partnerships exist, it is because of the particular environment and funding regime that exists in the area. Strong committed individuals can develop partnerships and rise above particular environmental circumstances.

**The Convener:** Thank you very much for the report. The committee will reflect on its contents.

We move on to item 3 on our agenda in which we will hear from our advisers, and I invite John Bachtler to begin the discussion. John's paper was circulated in the past couple of days—by e-mail, Alf Young will be happy to hear—and I now invite him to make some comments.

**Professor Bachtler:** I should begin by apologising for the fact that my paper was late, due to a minor injury that I sustained last week.

Given that my colleagues' paper on economic development in Scotland runs to a couple of hundred pages, trying to compare very complex models in other parts of Europe in five or six pages will obviously mean that there will be some generality and simplification.

It is axiomatic that institutional arrangements for economic development, in particular, are highly culture/region specific, and that there is a limit on transferability, although we can still learn some lessons. There might be merit in following up some ideas that are of interest and in getting a perspective from outside Scotland. Although my paper mainly focuses on smaller western European countries, there are some references to larger states such as the German Länder and the Italian regions, where some interesting issues have been raised.

The first point raised in my paper is that issues of congestion and competition, which we are discussing today and which run through this

inquiry, are commonplace in many other countries. It is worth reflecting on the reasons for that and on the limits on what we can achieve through integration.

Over the past 20 years, economic development, and our understanding of it, has become more complex with the different dimensions of business competitiveness or regional economic performance. That complexity is also due to different levels of intervention. At one time, central government was the main actor in economic development in many countries; now, intervention is happening at many levels, from the community up to the European level.

We are trying to be more sophisticated in what we are doing, by not just providing investment grants—as was perhaps the case many years ago—but addressing many aspects of business development, human resource development or technological change. As the process of economic development has become more sophisticated, there has been some fragmentation of the public sector effort with the involvement of more and more organisations and agencies.

The same is true of our attempts to be more area specific in our management of economic development. We must realise that, in this country and elsewhere in Europe, economic development has become an industry that creates not only its own inertia, but its own rivalries as organisations compete for leadership and influence and to justify the resources that they receive.

We must also recognise that it has become much more difficult to retain an collective institutional memory of what has been tried before and works—or does not work—and of sharing experience to avoid being driven by what is fashionable. That has been seen in debates about clusters or concepts such as the learning region. Such issues need to be borne in mind when we think about achieving an integrated and effective system.

Before we consider what lessons we can learn from other countries, perhaps it is worth trying to identify aspects in Scotland where we might be ahead in our thinking and which might serve as a model for other countries. Not everything we do is deficient, and, as people involved with the continuous flow of visitors from Sweden and Norway will know, Scotland's long history of economic development and policy making has been, and still is, watched with interest elsewhere.

From an international perspective, the first of Scotland's three strengths is our approach to managing European funding; particularly the partnership model we employ, the use of independent programme executives for managing the flow of European funds, competitive bidding

processes and project selection mechanisms for distributing funding.

A second is the development agency approach that has been pioneered in Scotland, first through the Scottish Development Agency and then through Scottish Enterprise and the LEC network. The combination of a strategic think-tank, a local delivery network and a key role for the private sector has served as a model for other countries.

The third strength is our approach to community development and, in particular, the involvement of community and voluntary groups in the local development process. There we are in advance of what is happening in other countries—although it may be argued that the fact that economic development needs to engage in that area reflects a failure of policy in other areas.

More interesting for this committee are perceived areas of weakness where we can learn from other countries. I would like to draw your attention to three key issues. The first is that of a strategic framework for economic development. In contrast with many other countries, we have a good record in local partnerships and, to a certain extent, local strategies, but we lack a strategic framework on a national basis for what we do in economic development. This is partly an issue of what is called in the jargon vertical co-operation—in other words, the way in which different levels of the system, such as the Scottish Executive, local authorities and other agencies, work together. It is also an issue of horizontal co-operation—the way in which organisations operate within a given area.

The lesson from other countries is that if we are discussing a strategic framework—we are—we need to be clear about what kind of framework we want to put in place; what kind of leverage we want it to have, and at what level. We need to be clear about how it should be managed and what kind of accountability or monitoring we expect. There are key differences between what has been called the plan model of strategic framework, which comprises aspirations or guidelines, and a more contractual approach, which involves much more commitment and a much clearer division of responsibility and influence among the participating organisations.

The second area in which we can learn from abroad concerns the private sector orientation of the economic development system, which is characterised by misunderstanding and misconceptions. As the paper points out, there is scope for learning from abroad about the use of the private sector in the delivery of economic development; the use of private sector experience in generating and promoting a private sector ethos in economic development organisations; and the involvement of the private sector in the strategy-making process. Those are three ways of bridging



the practitioner-business divide.

The third area in which we can learn from abroad relates to the knowledge base on which policy is built and monitored. We have something to learn from other countries and regions in Europe about the way in which data should be collected and the degree to which it should be available to support policy making and provide intelligence. One way in which we can strengthen our knowledge base is by re-examining our approach to the academic expertise that exists. In that respect there is a real contrast with some of our competitors. Government departments and agencies have displayed a lack of consistency or continuity in the use of academic expertise, and that is reflected in the poor quality of data, the lack of analysis and the desire to get research on the cheap.

Some departments and agencies are very inward looking and have a poor understanding of the research and analysis that is being carried out. There is distinction in the relationships between Government and universities in the Nordic countries, Germany and Austria. They also have a more active interchange between personnel in academia and economic development organisations. That also applies to relationships with the private sector.

11:30

Finally, there are some problems to which no country has the answer, but in respect of which some sharing of expertise could be helpful. One difficulty is the division of responsibilities between economic development organisations. The paper draws attention to the distinction between business and non-business aids. Another problem is the way in which we divide up policy-making, strategy development and delivery and how we build effective monitoring and evaluation. That also applies to accessibility—how we can rationalise information and advisory systems. The paper mentions some of the concerns that have been addressed in other countries in relation to single access points for business advice, for example, and highlights the issue of the gateways through which businesses could pass to ensure that they receive the optimum support.

**The Convener:** Thank you, John. You have provided an interesting additional perspective on our work. You mentioned the strategic framework for economic development and said that there is some deficiency at national level. We are conducting an inquiry on the local dimension, where some of the same difficulties seem to apply. From what you know of the committee's inquiry, do you agree with that? Are there stronger parallels with the experience of our European partners that may identify how they deal more

effectively with these issues at local level?

**Professor Bachtler:** Yes. The key difference between Scotland and some other countries is that the operation of strategies and partnerships at local level is not nested within a wider strategic framework. We tend to have a multiplicity of local strategies and partnerships—in some cases competing with one another—involving different types of organisation. There is some strategic partnership overload in the system, which has negative consequences for the extent to which organisations are prepared to make commitments to such partnerships. The key issue is how we can bring some sort of order to the local strategic approaches within an overall framework.

**George Lyon:** Given that you are comparing Scotland unfavourably with other countries, have you found models in other countries to be particularly successful? I have examined the Irish and Dutch models, where the partners—the trade union movement and private business—are involved in developing the overall national economic strategy. Is that something we should consider in Scotland? In those models, there is input from the private sector and the trade unions at the highest level—they have a powerful influence on the future direction of economic policy. That seems to be very successful in Ireland and Holland.

**Professor Bachtler:** Yes. Support for an economic development strategy is crucial. Where it does not exist, those who do not sign up to the strategy continue to follow their own direction or the relationships are characterised by rivalry and competition.

Another important aspect comes back to the role of the private sector. One of the problems about the divide between practitioners and business is that there are misconceptions on both sides about what the other side intends to do. On the business side, there are misconceptions about what specific organisations have been set up to do and what the limits of public sector action are. On the economic development practitioner side, there is some second guessing of the needs of business. For example, the German chambers of commerce play a large role in the highest level of policy development for small and medium industries in Germany. As in other countries, it is important to get the private sector and other organisations to be supportive of a strategy and to communicate it to their interest groups.

**Miss Goldie:** You talk about the debate around individual reliance as opposed to a co-operative approach. Does Scotland have anything comparable to the corporatist approach that you say can be found in the Netherlands, Austria and Germany?

**Professor Bachtler:** Not to my knowledge. The evidence that was presented to the inquiry by the business sector organisations, particularly the small firms organisations, showed the distance between organisations that represent businesses. In other countries, those organisations would be involved in the process of policy and strategy development. I am not suggesting that the private sector is not involved in Scotland—this document clearly shows that it is, particularly through the LECs—but there is a question about the degree to which it is involved at the policy-making level.

**Miss Goldie:** In paragraph 4.5 you talk about gateway analysis of business. Can you explain in greater detail how that happens?

**Professor Bachtler:** I will take an example that I have looked at quite closely in Finland. The problem that was touched on before is that a small firm that is looking for business support often does not have the right analysis of what it needs.

What has been found is that, before business advice is supported to any meaningful to significant extent, it is worth engaging in dialogue with the inquirer to get an understanding of why a certain kind of aid or information is being sought.

The Finnish example involved setting up a gateway for all inquiries that came in to the system. If the inquiry was anything other than a request for a simple clarification of a point, the firm would undergo various levels of advisory discussion with experts about what it needed. That enabled more targeted support to be provided.

In some cases, the problem was not an issue of product development, but one of marketing. Many of the client businesses involved found that approach more effective. It also enabled more effective and better co-ordinated delivery of business support.

**Miss Goldie:** And a database.

**Professor Bachtler:** Yes, it also provided a database, which provided a real-time understanding of what business needed.

**Allan Wilson:** You mentioned strategic co-ordination of economic development. I am moderately familiar with the examples in France. Are the contracts to plan and the contracts to pay between regional and central Government the strict equivalent of our European partnerships? Is ad hoc economic development dealt with outwith the five-year plan, or is it entirely integrated? Does sectoral planning exist beyond the region?

**Professor Bachtler:** Sectoral planning has tended to decline significantly as part of the French economic development system by comparison with the situation two decades ago. Planning contracts run in parallel with European funding programmes over the same time periods.

The European funding programmes are intended to operate within the state-region planning contracts. That is another example of the nesting I mentioned, with one programme operating inside the other.

It is therefore possible for European programmes to focus on specific issues within the state-region planning contract. That does not mean that everything is covered. There is ad hoc activity as well, in technology transfer and innovation support, for example, but there is symmetry between national and European funding.

**Allan Wilson:** Is there a parallel between our own European partnerships and regional contracts?

**Professor Bachtler:** Not really. Our European partnerships are in advance of the partnership approach in France. Partnership as such is not particularly well developed. There are agreements between the regional council and the state, but many people are on a second tier—the trade unions, the private sector, voluntary environmental community groups, and so on. Our problem is that Strathclyde European partnership, for example, has to try to marry its strategy to a whole variety of different sectoral, regional and local strategies.

**Ms MacDonald:** I would like to return to the gateway in Karelia, because that seems to tie together a number of things that we have been talking about. You said that businesses applying for advice and support for business development spoke to experts. I would like to know who those experts are. Two pages earlier, you mention a common thread of complaint from business people who are approaching organisations that there is no continuity and no confidence in the qualifications of the person giving the advice. You also said that there is a greater interchange between academics and business people. Perhaps you could expand on that point.

Karelia's example seems to be a microcosm of what we are trying to get at. It is not a region that has leaped ahead in terms of economic development; it is progressing very slowly. How does it determine whether its programme is successful? How has the monitoring changed its approach? It is still not the best economic growth area in Finland.

11:45

**Professor Bachtler:** Who are the experts? The German system is the only one of which I am aware that truly gets close to private sector support being provided with a private sector ethos. As it says in the paper, in the German system, much is delivered through the banking system and the chambers of trade and industry and of

commerce. That is a highly German-specific approach. On the principle of self-help, business takes significant responsibility for its own economic development services and—if you like—marketable business intermediaries are used wherever possible for the delivery of services.

In the Finnish case, support is delivered through what is nominally a state bank, but is very close—in terms of the way it operates, its personnel and its ethos—to a private sector organisation. It is not specific to Karelia; it operates nationwide. Its evolution has been driven by the feedback it has got through its analysis. It has therefore shifted progressively from providing basic investment and grant support, and basic lending, to more risk-oriented products such as venture capital.

**Ms MacDonald:** Does it also have responsibility for learning and training?

**Professor Bachtler:** No.

The interchange that I was trying to draw attention to is less between academia and the private sector and more between academia and economic development organisations, and between the private sector and economic development organisations. Within economic development organisations, there is an ability to operate at the crossroads between thinking and analysis, and between what public policy needs to do and what the private sector needs.

**The Convener:** Thank you, John. I will have to conclude this discussion, as we have further papers to consider. I apologise to those who I have been unable to call. There will be other issues that we will wish to debate further, when the committee considers this again.

I move to the paper from John Ward, which gives a business perspective on the issues that we have been considering. I invite John to make his comments to the committee.

**Professor Ward:** Thank you.

Much of the debate is about the supply side: how much money is provided and through what structures that money eventually gets to people. The thrust of my paper is that these structures are facilitators but do not deliver anything. If we are to tackle Scotland's problems, we have to come at it from the other side—from the point of view of people's attitudes.

There was much discussion earlier about what measurements might be. The Advisory Scottish Council for Education and Training Targets report tracks skills in Scotland over the five years to 1998. The workplace skills at level three are the key measurement of the work force. Myriad initiatives in Scotland told us about the wonderful things they were doing with workplace skills, but when we came to measure them, they did not

improve by one percentage point over the five years.

We have to watch that we do not kid ourselves with supply-side measurements. All that matters is whether what we are putting on the ground will make Scotland more competitive in the world. If we do not do that, we will not do our job of improving the value-added in the economy and the lifestyle of the people in Scotland.

Before I come to the recommendations that I suggested in the paper, it is worth focusing on a Scottish phenomenon for a moment. At the beginning of the 20<sup>th</sup> century, Scotland led the world with inventions—we were the world leaders during the industrial revolution. In the first quarter of the century, Glasgow had, at £4,300, the highest gross domestic product per head in the world. We were the role model for the world for skills, and Scotland was the byword for anything to do with engineering.

As we entered the latter part of the 20<sup>th</sup> century, the primary economic development in Scotland was branch industry investment, with indigenous investment largely being squeezed out. We have a low rate of business start-ups and create almost no global companies. In most skill rankings—such as the Third International Mathematics and Science Study, the World Economic Forum competitiveness report or whatever—we rank about 25<sup>th</sup> in the world.

We have moved from leading the world to following it. We are top of other league tables that we would prefer not to be top of, such as the world's poor health league, with bad cardiac and bronchial health, the drug abuse league or the single parent league. We must consider that and ask how on earth it happened, given that we have these wonderful agencies pumping money into the system. We also have the Barnett formula, which apparently gives Scotland more money per capita than is allocated elsewhere in Britain. We have myriad organisations that we have just been exploring, which deliver learning and enterprise and which have been in place for many years. Indeed, partnership has almost become a new profession in Scotland. Partnership in itself is not a solution to anything—it is a means of trying to combat complexity. It would be better to tackle the complex issues rather than to try to put in place more partnerships.

Through something that has nothing to do with this committee, I am involved in some 250 partnerships across Scotland. I find it impossible to get those partnerships to agree to a bottom line for output measurements. Unless a partnership can agree that, I see no purpose in its existence.

In my paper, I suggest several points on which we should focus, of which attitude change is the

first. There is no point talking about what business customers want, as there are simply not enough of them. We must create an enterprise economy in Scotland—the economy that we had at the beginning of the last century led the world. Support structures did not create it, so what drove it?

We must tackle the issue of risk, as we are a risk-averse economy. We should encourage people to take risk, which is the fundamental starting point to wealth creation. The fact is that there will be no wealth creation unless risk is taken. We must persuade people that self-improvement is vital for them and for all those around them—one can call it lifelong learning or a miscellany of other names, but self-improvement is at the core of an enterprise economy, as is international competitiveness.

In Scotland, if one fails, one is seen as a bit of a villain. Equally, if one succeeds famously, one is seen as a villain. It seems to me that we are between both of those positions, caught in a mediocrity trap. We must focus the nation's attention on value added, which is the key to describing the creation and product of the economy. Job creation is not the key, as we can create rotten, low-skill jobs.

I recommend that, instead of the myriad funnels for money, there should be a single budget for each task the Parliament sets, which should be allocated to an agency, which, in turn, should be responsible for output measurements—not supply-side measurements such as those I referred to earlier. The measurements should be carried out by an independent body because, if people measure themselves, we are less than likely to get an objective conclusion.

We live in a small country; that is both a disadvantage and a huge advantage. We are a community at a variety of levels below the Scottish level and therefore we can do things. We are a hugely creative country. I have worked in America and on the continent of Europe, and although America may lead the world in terms of enterprise and Europe may lead it in terms of thoroughness, I have always found that people from Scotland are tremendously creative. Our problem is that we are incapable of turning that into wealth creation. We must find the knack of doing that. Whether the creativity is in research in a university or in thinking up a new way of representing something in dotcom, it must find its way through.

The assets that are available to us include the environment, and leisure and food, which I mentioned in my paper as opportunities for value added, but our main asset is the people who live here. School is highly important because it forms personality and attitude, but the majority of people are not at school but in the work force. If we are

serious about lifelong learning and self-improvement, we must focus on the work force. I am not decrying what happens at school, because over time things can change because of people coming into the work force, but to succeed we need leadership, inspiration—which, I hope, the Parliament can and will provide—and management.

Management is about clear, measurable outcomes and independent tracking. It is also about finding the best in the world. There is no point in looking to Europe for enterprise, because it is not very good at it. We must look to America. Again, there is no point in looking to Europe for learning. We must look to somewhere such as Singapore, where learning really is a priority. We need to compare ourselves with the best, rather than with England, as we often do, so that we can say that we are better. That counts for nothing. We need to find a way of tracking ourselves against the best.

**Fergus Ewing:** I was heartened to read your paper and agree that we should start by encouraging an entrepreneurial attitude in schools. You will be pleased to hear that at our previous meeting, we decided that we would like that to be reflected in the Standards in Scotland's Schools etc Bill that is going through Parliament.

We are charged with examining the enterprise delivery system, and I wanted to follow up on your comments about strategic partnerships. In your paper you say

“Strategic Partnerships have become a new profession in Scotland, and are at best a means of living with the complexity and confusion, and at worst a means of protecting unnecessary power structures and cost.”

We can agree in principle that there is much truth in that statement, but how can we apply it in practice? Would you designate a lead agency in every area? How would European funding develop, given that it would be difficult to disengage it from the strategic partnerships that exist in, for example, the Highlands and Islands? How would you cut out the waste of time and effort in partnerships that you have described?

**Professor Ward:** We can be direct or we can take a roundabout route. I recall that in Highlands and Islands Enterprise we had great difficulty in persuading companies to take up the Investors in People scheme, so Fraser Morrison decided that if a company did not embrace Investors in People, it would not get any money. Guess what happened? Suddenly, everyone was involved in Investors in People. We must realise that money is an immensely powerful lever. The problem today is that money funnels down through so many routes that nobody has a clue what all those routes are.

You are right to say that it is difficult to have a

lead agency in all cases, but the Parliament must decide what outputs it wants and then tell Scottish Enterprise and Highlands and Islands Enterprise what those outputs are. The lead agencies should be given six, eight or 10 outputs, rather than a couple of hundred, and told that those are what must be achieved with the money that they are given. They should also be informed that there will be an independent tracking mechanism. It would then be up to the lead agencies to sort out the means by which the money flows down. That will only work if the soil is fertile, so at the other end of the scale we need to create a willingness to participate.

**Miss Goldie:** I, too, found your paper fascinating. However, I want to take you outside it and ask you, given our situation and that of our international competitors, how much time we have.

12:00

**Professor Ward:** Traditional industries have been and gone. The new industries, which are based largely on knowledge and on electronics in one way or another, are developing with incredible speed. Twenty years ago the computer that ran the Bank of Scotland would have cost £3 million or £4 million and required 50 staff. Today one could have the same power in a laptop for a couple of thousand pounds. Within five years, we will have megabit chips in our phones or watches—that is the speed at which things are moving.

In electronics, there may be a physical product, but one is basically selling the pure intellectual property. Because we rank at such a low level in terms of skill, only limited parts of our population are able to participate in the industry, which is completely skill based.

In tourism, which is an area that could take up the middle and lower skills, if we run only a six-month industry, our chance of ever building a competent skill base is very small indeed. New Zealanders, Australians and so on flood over at the same time for the summer season—we have only one shot at it. There are possibilities for lower skills, but employers have to recognise that the skill base has to be optimised according to what is required.

If the nation is to prosper, it will have to do so in the information age, and sell its capability through the internet and other innovations.

**The Convener:** Needless to say, numerous members now wish to speak. They should make their questions brief.

**Elaine Thomson:** Given the speed with which the economic environment is changing, which was apparent from business in the chamber and from our discussions with the business community, how

will our interim conclusions need to be changed? How do our models of the delivery of economic development need to change to match what is happening?

**Professor Ward:** As I said to Fergus Ewing, a lead agency would be an important starting point. Much of our intellectual property is in our universities—we are very fortunate in the capability that we have there. Today we tend to think of universities spinning out. I suggest that a different model could be created: the academics could be better rewarded for what they create in their system, but we could encourage entrepreneurs, who will take risks, to take the ideas out.

Equally, it is important that we use the new tools that are available; that applies very much to young people. In my paper, I suggested that every teenage pupil should have a computer, should be linked to the internet and should participate in global learning. Learning products can be obtained from all over the world. We need to create the notion that pupils live not in Edinburgh, Glasgow or Aberdeen, but on the planet.

**Marilyn Livingstone (Kirkcaldy) (Lab):** I agree that an in-depth review of lifelong learning is required. Perhaps we have not given enough time to that this morning.

**The Convener:** That is me rebuked.

**Marilyn Livingstone:** Yes.

I agree with what you say about the need for continuous self-improvement, but we should look outwith universities and consider colleges of further education and community-based training, where self-improvement usually takes place. I am concerned about the perceived barriers to education and training. We should examine why people do not continually self improve and why some people do not even get on the first step.

I want to comment on section 3.1 of your summary opinion, on funding and structure. We are having a debate on modernising government this afternoon in Parliament; working in partnerships will be one of the key issues that will underpin that debate. I have experience of working in skill-based partnerships in Fife, and for three years I was chair of the Fife vocational educational strategy. I disagree with your comments. In some instances your model might be okay, but to have a Big Brother that would drive the way in which the partnership was funded, rather than having the partners working together to deliver for the public, would worry me.

**Professor Ward:** I mentioned Investors in People. When it first appeared, its aim was to give Britain some standing in the world of management and to give a national endorsement. Scotland then

took its particular part of the programme and ran off with it. I recall, at the time, that Fife Enterprise did not agree with that, as it thought that a Fife standard would be better than a UK standard.

Things can always be invented. People divide things up and say, "We've got this little bit, and actually it's better than anyone else's". I do not agree with that. Specific things might be better. However, Scotland can hardly be seen on a globe—we are that little. We must recognise that we cannot separate Fife from this, that and the next thing. Scotland stands or falls and is a tiny wee place.

I am involved in hundreds of partnerships and find it almost impossible to get output measurements. There is no point in joining together to sit and have coffee once a month, if there are no clear output measurements of what is to be achieved. The big test comes when I must give up my budget to fit your priority. When that point is reached, the partnerships fall apart.

**Marilyn Livingstone:** That is not my experience. People around the table are nodding, so I presume that that is not their experience either. Outputs are important and the measurement of outputs—both qualitative and quantitative—is necessary. I do not understand why you think that outputs cannot be measured in a partnership.

I am concerned about the social inclusion agenda and getting people back into employment, education and training. In my experience, the partnership model is the one that works. If a lead agency is involved, that agency will determine what is done—there will be no agreement between the agencies or collective ownership of that strategy.

**Professor Ward:** If we were talking about social inclusion, my answer would be different. We are not talking about social inclusion; we are talking about enterprise.

**Marilyn Livingstone:** We are talking about social inclusion.

**Professor Ward:** I am the chairman of Scottish Homes. Our whole agenda is the creation of communities and partnerships at a community level, and I agree with that. However, we are talking about the economy of the country.

**Marilyn Livingstone:** Yes, but you are talking about skill-support organisations. Part of our remit is lifelong learning and within that we are considering the socially excluded. In some areas your model would not work.

**Professor Ward:** I agree with that. Returning to one of your other questions, the ghetto estates create problems for our health, education, and so on. I totally agree with you that we should be

creating a proper community structure, with proper stepladders and ways in which people can move up them. I have no problem with that.

**The Convener:** Elaine Murray will ask the final question in this section.

**Dr Murray:** I agreed with some aspects of your report, but had problems with some others. Capital letters in sentences have the same effect on me that white socks have on Nick Johnston.

I want to address point 6 in section 3.4 of your summary opinion. I find it difficult to conceptualise a

"Political crusade, with media support, to persuade the public of value of wealth creation and the need for competitiveness."

Surely that is what was going on in the 1980s. Surely the political crusade should be to allow all our people to feel involved and included, rather than to sit back saying, "Isn't Richard Branson wonderful, and isn't wealth wonderful." Our people should feel that this development is for them, and gives them some power and influence over their own lives. I have great difficulty with that sixth strategy.

**Professor Ward:** I am sorry, but I did not know that I was suggesting Richard Branson.

**Dr Murray:** That is what it sounds like.

**Professor Ward:** I do not think that I was suggesting that. In fact, I thought that Scottish Enterprise's short, 20-second television snatches of people in Scotland offering up what they had achieved were rather good. They featured people who had made perhaps small, but for them significant, achievements. That sort of thing is extremely powerful. I am not suggesting Richard Branson.

**The Convener:** I apologise that we have not had more time to deal with those matters, but I want to get on to one other major input from the advisers, which relates to lifelong learning. Marilyn Livingstone will be happy to hear that. I thank John Ward for his paper, and for his contribution. Some of the issues that have been raised about outputs and performance measurements have permeated all our discussions, and will be implicit in how we draw together the issues at the end of the inquiry. None of us around the table has any idea of how simple that will be.

**Ms MacDonald:** Convener, I suggest that we pick up from where Marilyn Livingstone left off. Although this morning's discussions and the examination of the paper have been extremely useful and educational, right at the end of the discussion we got to the importance of the attitude towards learning and self-improvement. We need to give more time to that matter, so we need a

session at which we will major on that issue. I do not want us to be Philistines.

**The Convener:** Margo, you will not be surprised to hear that none of the rest of us wants that either. We are following an agenda, and a tight time scale. I am sorry that we have run up against the buffers of time, but we always do. This is not our final meeting on the inquiry. Many more discussions will take place, and there will be much more on which to reflect from our discussions with our advisers.

The final paper is from John Fairley, whose input will be on the vocational, educational and lifelong learning aspects of our inquiry. I invite him to make some opening remarks.

**Professor Fairley:** I have submitted a short paper, the main virtue of which is that it illustrates the fragmentation in what we call lifelong learning—the training that is available to people in work and to the unemployed.

I will structure my remarks differently to the paper, because it would take too long to go through the paper. I will deal separately with two sets of activities. First, training for people in the workplace, and secondly, training for unemployed people. It would be a misnomer to describe either set of activities as a system, because there is fragmentation in both. There is crossover—people get jobs when they have been unemployed, and lose jobs and become unemployed—and there is the possibility of bringing the two closer together through a common qualifications framework. However, at the moment, we are talking about two distinct sets of activities.

Training in the workplace is defined by a number of characteristics; the fundamental one is the continuing tradition of volunteering, which has characterised vocational training in Britain in peacetime—certainly since the second world war. The role of the state has been limited to encouraging employers to take their responsibilities seriously within a voluntary framework.

The second characteristic is the high degree of fragmentation. To illustrate that point, the key agencies in Scotland include: 22 local enterprise companies; 71 national training organisations, a number that is rising, and three of which are cross-border authorities with statutory levy powers; and 47 further education colleges, 90 per cent of the activities of which are vocational. I think that I unintentionally misled the committee earlier when I said that there were 45 FE colleges. Of course, there is a much larger number of FE centres.

A third characteristic, and a contrast with other parts of the education system, is that, while we know everything we need to know about our schools, most things about colleges and a lot of

things about universities, we know very little about vocational training, especially for those in the workplace. We do not know a lot about what goes on there. That is reflected in the note which I gave members on training in the workplace in the Highlands. I could have found out more—but not a lot more—with more time.

12:15

It is impossible to say at this point how much public expenditure goes into training for people at the workplace. I tried to find that out at the request of the International Labour Office. I sent it some numbers, all with large question marks against them. We also have a lack of information on the activities and performance of both the NTOs and the LECs, except in terms of bums on seats, if you will pardon the expression, performance indicators.

Fourthly, there is a lack of strategy. That point was better made in the chamber on Friday than I could make here, particularly by the businessperson from the board of Enterprise Ayrshire. Some aspects of training for the workplace, it seems to me, are driven by targets that have no demonstrable basis on reality. The main new initiatives are currently driven Britain-wide, arguably by the Chancellor of the Exchequer. They include modern apprenticeships and individual learning accounts, the latter being the resurrection of an idea floated and then rejected in the mid-1980s, but which has now come back into fashion. Since 1992, there has been devolution to Scotland of control of policy for that area of training, as confirmed by the Scotland Act 1998.

There is a history of centralised, or centrally driven, schemes for training for the unemployed—not the decentralisation of voluntarism. Those began in the late 1970s, with the new deal for young people, the youth opportunities programme. There is slightly less fragmentation in training for the unemployed, because the plethora of agencies are loosely glued together by a genuine and common concern to help the unemployed, and by funding streams.

There is a persistent problem of what is known as the revolving door, with people leaving schemes and going back on to the unemployment register. Not surprisingly, that has brought scheme after scheme into disrepute and made them unpopular with users. The research indicates that users would prefer jobs to training places if ways could be found to provide those jobs.

There are now a number of new deals related to social inclusion and focused, to a greater or lesser extent, on vocational training provision. The largest of those is the new deal for 18 to 24-year-

olds. From April, the new new deal for people over 25 comes on-stream.

The new deals that are focused on education and training aim primarily, and strategically, to promote employability, not to provide jobs. That is a European fashion, but there are differences across Europe in how employability is defined and approached. The belief is that, having made more people more employable, jobs will follow, and that, if we do not return to full employment, we will get closer to it than at present.

The programme for 18 to 24-year-olds is currently worth around £260 million across its four or five-year life. It is focused on a relatively small, shrinking client group. We have lots of data on it, primarily on outputs, as defined in the programme.

What characterises the new deals most of all, or what distinguishes them from other areas of lifelong learning and education, is that participation is compulsory. This is the only area, apart from the schooling system, in which people are compelled to take part in training programmes.

**Marilyn Livingstone:** Thank you, John. I found your report very interesting. You say that the review into vocational education and training has not been as comprehensive as that into business development. I think that we have managed to hit on many of the key issues.

One issue that is important to the committee is the question of how funding is driven. Another is the question of whether we are meeting the needs of the people whom we want to serve. A lot can be said about modern apprenticeships, though that is perhaps not a matter for today. The main issues for me are whether the qualifications are appropriate for the people to whom we are delivering them, and to the market, and whether they are mobile. Can they be moved from further or community-based education to universities? Often the answer is no. Someone can spend two years studying for a qualification, which then cannot be used as credit towards, for example, a degree. That has been alluded to.

There is great concern about the guidance and support that people get, particularly whether the guidance that people get in schools is appropriate. What happens when people move on to a training scheme? Where can people go for advice throughout the learning experience? I want to move the debate on to discuss those issues.

Professor Fairley has suggested that we seek advice from Dr Gillian Raab at Napier University. I agree with that suggestion. However, it would also be useful to take evidence from those in practice and who come up against the problems, particularly with young people who drop out. That is a big problem. We can get people into further and community education, but we need to know

why on some courses 48 per cent of them are dropping out. Is it because of the support and guidance that they get? Is it because they get bad advice at school? What are the issues? We need to look at that whole agenda. How are universities linking with further and higher education colleges?

**Professor Fairley:** I will comment on the areas where I think I have something to say, but I know very little about that agenda, which is a huge one.

Career Development Edinburgh and Lothians submitted as evidence an interesting report on initiatives in some schools in West Lothian. I do not blame the schools for this, but there appears to have been a problem historically with schools not being able to provide appropriate support to young people identified as early Christmas leavers.

The problems are multifaceted and are due in part to the attitudes of the young people and their parents, but also to the attitude of the schools. They have seen their primary purpose as being to help those who want to go on to higher education, so those at the bottom of the pile have received rather less attention. Real attempts have been made in West Lothian to address the problem. Some of the low-cost initiatives have apparently been quite successful.

Mobility within the system has never been better. We now have the potential to tie together all aspects of post-school education, including higher education, if it is willing, not into a common qualifications system, but into qualifications systems that recognise one another. One university has recently been considering one of the modern apprenticeships as a possible means of entry into university. Once that happens more generally, we will know that the barriers are coming down.

Currency is an important issue in terms of social inclusion. Everyone should be entitled to qualifications that recognise their achievements. That is almost a democratic right, which our system does not yet fully address. On the other hand, at the short-course end of provision for the unemployed, particularly the young employed, we must beware of giving people qualifications that have such low currency that they have no credibility with employers or trainees. We do not do a lot of that in Scotland, but it still exists in some places.

**Mr Duncan McNeil (Greenock and Inverclyde) (Lab):** I want to return to the sugary word "partnership". Do you agree that the partnership concept has created a safe learning environment for the workplace, and has promoted a change in attitudes to the benefit of individuals and businesses? Secondly, should a single body promote such work, to overcome resistance to the



continuous learning process and fear of change? Finally, is it time that we extended the right of people who are older than 16 or 17 to take time off to pursue further education?

**Professor Fairley:** As I do not have any research basis for my answers, except for the first question, you will just have to accept my personal opinions. Some interesting sociological studies have suggested that the safety of young women entering the workplace has benefited from the public sector taking on the responsibility of responding to unemployment through a partnership approach to training. Although it is difficult to look back on such an issue with any certainty, it seems that that transition is much better in many parts of Scotland than it was 20 or 30 years ago.

I have serious doubts about a single body that would promote partnership. From 1974 to 1989, we had such a body, which at the peak of its powers was spending more on training the unemployed than was available to UK universities, with no great success. It took a long time to get rid of that body. In the light of that mistake, if we are going to create another such single body, we will have to put a lot more thought into its design.

As for right to time off, I was very interested in Scottish Enterprise's submission to the inquiry by the Department for Education and Employment into the new deal in 1997 or 1998. Instead of regarding right to time off as a static concept, the paper argued that perhaps a third of people would find themselves in and out of work and in temporary, seasonal and part-time work, and would acquire a variety of different supports, such as training, advice, guidance and education, from public sector agencies at different points in their lives. I prefer a lifelong learning approach that recognises people's entitlements throughout their lives, rather than giving the right to time off to a particular age group. However, I do not disagree with the concept in principle.

**Mr McNeil:** That is what I am saying. Perhaps the right to time off should be extended beyond 16 and 17-year-olds. Sometimes employers prevent people from taking up opportunities for training and education.

**Professor Fairley:** It is also very difficult for many small employers to allow that.

**Mr McNeil:** Yes.

**Professor Ward:** I think that that is an important point, which comes back to persuading the employer of the huge value of training and education. If employees are focused on improving themselves, they will more likely be easier to manage when making improvements to the business itself. Investors in People helps slightly, but not completely.

**George Lyon:** I want to refer to individual learning accounts. Grampian Enterprise gave evidence at our previous meeting that one of its target groups was the 35 per cent of people who have never been involved in any form of training since they left school and who are not interested in their employer providing training for them. Grampian Enterprise spent a significant amount of money on television and marketing campaigns to encourage those people to access the individual learning accounts pilot programme. The result was a big fat zero, and I was very disappointed to hear representatives from GEL saying that it would be very difficult to promote individual learning accounts and to encourage that client group to take them up. Do you think that that calls into question the methods that are used to get people interested in the ILAs, and should we re-examine the matter?

12:30

**Professor Fairley:** We have known about that marketing difficulty for two decades; it is not a new issue. Perhaps it is disappointing that in setting up structures we do not encourage learning from past experience; structures are always driven by forward-looking targets.

The ILA pilot in Grampian is fascinating. The marketing strategy that was employed might have been appropriate for the ILA pilot as it was defined initially, but at some point the criteria were changed. It is obvious from the data on the entrants and activities that the criteria must have been changed quickly to achieve such a sharp hike in participation.

At the beginning of the programme, as I understand it, ILA participants had to be vocationally focused in the course of study or learning that they undertook. The criteria must have been relaxed to achieve that increased participation rate. Perhaps the rationale for that is an extension of John Ward's point, that an active learner—wherever he or she is learning and regardless of whether the learning is vocational—might be a better worker.

**Mr Davidson:** I have had quite a bit to do with the Scottish Council of National Training Organisations and the Engineering and Marine Training Authority and I understand where they are coming from. In light of some of the comments made by John Ward, for example, we must consider how we can enlist the NTOs to go to areas in which there is a skill base but where jobs are seeping away and there is a risk that jobs will be lost. We must be able to retrain an existing skill base and make it attractive to investment—whether indigenous or inward. There does not seem to be a mechanism to pull those organisations in—they are just floating about doing

their thing. How can we harness their work?

**Professor Fairley:** The fragmentation of the NTO system might be the price of voluntarism. It must, perhaps, be fragmented to encourage employers to take full ownership. However, the problem is that NTOs are driven partly by business plans; they must generate parts of their own income. If 90 per cent of an NTO's membership base is around the Birmingham conurbation, that NTO is unlikely to worry too much about Ross and Cromarty. There is, therefore, a difficulty if a business in Ross and Cromarty requires the NTO's expertise.

In the Highlands and Islands, HIE has been good at devising mechanisms to encourage and maximise NTOs' interest in the Highlands, but that is difficult and success in different sectors has been patchy.

The Department for Education and Employment, in its function of licensing and loosely regulating the NTOs, now requires them to consider Scotland explicitly in their forward planning. Perhaps the committee could encourage that by discussing some of those forward plans.

**Professor Ward:** Something that was tried successfully, albeit with larger companies, was to get them to open their in-house training courses to people in their local community. That achieved two things: first, there was training and, secondly, it kept people in touch with work. It was successful, but it was done very much as a goodwill gesture. It might be possible to do something of that nature, perhaps not in the Highlands, but in the central belt.

**Allan Wilson:** I have a simple, yet fundamental question that relates to the first sentence of your paper, which encapsulates much of what comes later. It states:

"The evidence which has so far been made available . . . has not been as comprehensive as that put forward for business development."

You go on to suggest a comprehensive catalogue of evidence-gathering sessions, which would take the committee a considerable amount of time. Is that compatible with the short-term objectives and targets that we have set ourselves in our timetable?

**Professor Fairley:** The list of suggestions is my idea of what would be required to cover this part of the agenda in the same depth as business development and support were covered. There is a lot of work in that, and it probably would not be compatible with your timetable.

**The Convener:** Allan Wilson's point is a good one, in that we have been focused primarily on business development and examining its compatibility with vocational education and

training. I suspect that John Fairley's paper sets out many of the issues that the committee would consider in an inquiry of the magnitude of that which we are undertaking on enterprise and development. We will have to reflect on that in relation to the committee's future priorities. The clerks will take note of that for our work programme.

I draw this part of our agenda to a close and thank all our advisers for their input. My apologies for the fact that things have been rushed today—in this committee, they are always rushed as there are many things to be said. We will reflect on the material that we have been provided with before coming to a conclusion.

We will now deal with the final report. Simon Watkins has given us a note that sets out the options that the committee included. Bearing in mind the amount of information that we have heard today and the stage that we are at in the proceedings, I do not intend to have a discussion on solutions. We need to reflect on the material that we have received in the course of the inquiry.

I draw members' attention to Alasdair Morrison's intervention in the tourism debate last Thursday. He confirmed that he and the Minister for Enterprise and Lifelong Learning hoped that, in the course of the inquiry, the committee would consider the issue of delivery of support to tourism services as part of the economic development mainstream. We should focus on those points as they emerge from the Government's review of tourism and the discussions that we will have with the minister and the Scottish Tourism Forum in two weeks' time.

Members should make any comments on the final report to the clerk, who will be working on options that the committee will want to consider in private.

## Petition

**The Convener:** Item 5 on the agenda is a petition that has been referred to us by the Public Petitions Committee. It was submitted by Napier University Students Association and calls for the Scottish Parliament to adopt in full all 52 recommendations that were made in the Cubie report.

The Public Petitions Committee clerk has drawn to our attention the fact—which I am sure we all know—that Parliament has debated this issue.

**Allan Wilson:** More than once.

**The Convener:** Indeed, more than once.

We should notify the students association that the parliamentary debate has taken place and that representations such as the one that it has made were raised in that debate. We should inform the association that the committee will soon examine student finance, particularly in relation to any legislation that might come forward and that it would be appropriate for us to reflect on the points raised in the petition at that time.

## Industry and Parliament Trust

**The Convener:** The final item on the agenda is consideration of a verbal report from Nick Johnston and Elaine Thomson on the Industry and Parliament Trust.

**Elaine Thomson:** There is general agreement that an organisation such as the Industry and Parliament Trust would be useful. It is strongly supported by Henry McLeish, among others. We talked about how it might operate here and how it might be set up. We will invite representatives from other parties to join the working group on the trust.

There appears, however, to be another group of people who are interested in setting up an almost identical body. Some of the assumptions that were made about what might be available in terms of assistance from the University of Edinburgh might not be true. We should not make any firm decisions on the matter until all parties are brought together. Scotland is too small a place to support two such bodies that want to achieve similar things. It is important that we have a unified group, which would be productive in developing and continuing the dialogue between Parliament and business, giving politicians access to some of the day-to-day processes of companies and bringing people from the business community into the Parliament.

**The Convener:** Bearing in mind this morning's discussion, we should try to avoid the creation of organisations with duplicate functions.

**Nick Johnston:** Elaine and I were the only people from the parties who were at the meeting. We are keen to have representatives from all the parties, including the minority parties, if they want to get involved. I have asked Richard Lochhead—as he is on the Confederation of British Industry working group—whether he would like to get involved and he expressed some interest.

We should not progress further until we find out about the other group. Elaine and I will do that and report back.

**The Convener:** That is acceptable. We cannot overstate the need to avoid the duplication of bodies.

Thank you for your attendance.

*Meeting closed at 12:40.*



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