



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 23 May 2012

Session 4

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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1195
EMPLOYABILITY	1196

FINANCE COMMITTEE
16th Meeting 2012, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)

*Mark McDonald (North East Scotland) (SNP)

*Michael McMahon (Uddingston and Bellshill) (Lab)

*Elaine Murray (Dumfriesshire) (Lab)

*Paul Wheelhouse (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Allan Callaghan (Cruden Building & Renewals)

David Comerford (Menzie's Hotels)

Amy Dalrymple (Scottish Chambers of Commerce)

Marie-Claire Dibbern (Kelso Graphics)

Mary Goodman (Federation of Small Businesses)

Tricia Hunter (Minerva People Ltd)

Stephen Lyall (Negotiate Now)

David Paterson (Asda)

Dr Lesley Sawers (Scottish Council for Development and Industry)

Julian Taylor (Scottish Enterprise)

Gareth Williams (Scottish Council for Development and Industry)

Charlotte Wright (Highlands and Islands Enterprise)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Wednesday 23 May 2012

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

Decision on Taking Business in Private

The Convener (Kenneth Gibson): Good morning. I welcome everyone to the 16th meeting in 2012 of the Scottish Parliament's Finance Committee. I remind all those present to please turn off pagers, mobile phones and BlackBerrys.

Agenda item 1 is to decide whether to take items 4 and 5 in private. Do committee members agree to take those items in private?

Members *indicated agreement.*

Employability

The Convener: Item 2 is to take evidence on the need to improve the employability of individuals who are experiencing high levels of multiple deprivation, as a prerequisite to increasing sustainable economic growth. It is the second of our sessions on that theme, and we will consider in particular the role and perspective of businesses and the private sector.

The first part of our session will take place in round-table format. I welcome to the committee Allan Callaghan from Cruden Building & Renewals; David Comerford from Menzies Glasgow Hotel—perhaps I should pronounce it Mingis—

David Comerford (Menzies Hotels): It depends which way you want to pronounce it.

The Convener: Indeed. I also welcome Marie-Claire Dibbern from Kelso Graphics; Amy Dalrymple from Scottish Chambers of Commerce; Mary Goodman from the Federation of Small Businesses; Tricia Hunter from Minerva People Ltd; Stephen Lyall from Negotiate Now; and David Paterson from Asda.

David Scott from GTG Training Ltd and Arnold Clark Group has tendered his apologies. I will leave those present to consider that as they so wish.

As the session involves a round-table format, we will go straight to questions, but first I will give everyone a wee idea of the structure of the meeting. The committee has agreed to explore current initiatives to improve the employability of individuals who are experiencing high levels of multiple deprivation, including the use of modern apprenticeships and work and training placements.

In a moment, I will ask Mary Goodman to start us off with the FSB's view on such initiatives. We will then move on to consider how they have been evaluated, the relative success of the interventions, the barriers to success that exist and what further action can be taken. I believe that everyone has those issues listed in their papers.

As we are having a round-table discussion, witnesses should let me know if they want to speak. They should just put their hand up, and I will take people in the order in which they indicate that they wish to speak. If someone wishes to comment on something specific or ask a supplementary question on something that someone has just said, they should feel free to come in. It is not a question of everyone having a go. You may speak and then, after two other people have spoken, you may feel that you want to contribute again, so please feel free to do so—it

is not a Buggins's turn type of session. Everyone should feel free to come in at any time, but I will take people in turn as I see them.

Without further ado, Mary Goodman will kick us off by talking about the FSB's experience of initiatives to improve employability.

Mary Goodman (Federation of Small Businesses): Thank you, convener. As the committee will see from our submission, statistics show that small businesses employ more than their fair share of young people and people from the lower end of the skills spectrum, who are more likely to be from areas of multiple deprivation. Small businesses are also more likely to employ people for whom adjustments and flexibility are required. It is true to say that small businesses are already doing their bit in that area, as much as they can and as much as their capacity allows.

Our submission notes that, just as young people are not all the same and cannot be tarred with the same brush, employers are very different from one another and are not a homogenous group. Small businesses face very different challenges from those facing larger organisations, and they are less likely to have large departments full of training managers and supervisors who can help with employability issues.

Therefore, although we are very supportive of many of the initiatives that the Government has funded and put in motion, and of modern apprenticeships, which are taken up largely by small businesses, a large proportion of small businesses are effectively excluded from what is on offer because that does not quite fit with how they operate. There is merit in looking at how we can maximise the effectiveness and reach of the employability and employer offers in that regard.

That is just a summary.

The Convener: In your submission, you say:

"Small businesses are wary of national schemes as they suspect them of being overly bureaucratic, involving a high administrative burden, requiring significant compromise and cost for the business."

How widespread is the view that these schemes are perhaps not suitable for some of our small businesses?

Mary Goodman: That comment in our submission is based on the feedback that we get from our members when we ask about the schemes. The FSB is keen to help out with the publicity for the schemes that is put out on behalf of the Government, so we get around two or three inquiries a month from members about various national employer offers, modern apprenticeships and so on that we have been publicising. Members want to see what they can access.

Following a member's initial inquiry, we frequently get feedback that they were told that nothing that they wanted to do actually fitted with what was available; that they would have had to take on somebody from a particular programme although they already had somebody in mind, such as somebody who approached them; or that their training requirements did not quite fit into a particular apprenticeship framework. Therefore, the door was effectively closed to those people.

That is feedback that has been drip-fed back from members. We have not done a vast survey of all our members to find out their views. When we polled our membership in 2010, only 8 per cent had taken on an apprentice. I suspect that the figure has increased over the past couple of years, but it is still less than we would expect, given that 80 per cent of our members employ somebody.

The Convener: You suggested in your paper that pooled apprenticeship arrangements might be a more flexible and productive way of going forward.

Mary Goodman: I have spoken with a number of our members about that. They are quite often a bit nervous about committing to take somebody on, particularly in the current economic climate. They do not want to take somebody on, only to have to let them go. However, they want to be involved in employability and employment. There is a confidence issue in terms of the economic situation, but also around their capacity to cover the training. One of our suggestions is that of adding an element of flexibility to bring companies in a niche industry together to share the training of an apprentice. That would at least give somebody some training.

Paul Wheelhouse (South Scotland) (SNP): Obviously, modern apprenticeships in Scotland are done with employers, which is different from the model in England. If a number of employers decide to pool an apprentice, do you have a view on how best to arrange for that person to be employed and how to decide who would be the lead employer?

Mary Goodman: We have not explored that issue a whole lot further, because thus far it has not been taken up as an idea. However, we are keen to continue discussing it.

John Mason (Glasgow Shettleston) (SNP): I have a couple of thoughts that come partly from the FSB submission. One is the suggestion that if every small business took on one person, that would solve unemployment at a stroke, although we have also heard from bigger businesses that they feel that they are the ones that can solve the problem and if the small businesses take people on, they will just gobble each other up. I am

interested in your thoughts—and anyone else's thoughts—on that point.

Secondly, under the heading “Understanding small businesses” you say that people are often recruited “under the radar”, which often means that friends and family members are recruited. Does a small business therefore always get the best person? That approach seems to be a problem for the public sector, because it does not really understand it.

Mary Goodman: Do you want me to respond to both of those issues?

John Mason: I would be happy if you did.

Mary Goodman: The fact is that 93 per cent of the Scottish private sector is made up of small businesses. We can attract lots of inward investment and large companies—we can look for that kind of development of our private sector—and that is fine. We are not suggesting that that should not take place; we are saying that we have an indigenous small business community in Scotland that is largely ignored when it comes to economic development at a national scale.

Local authorities know that small businesses are the key employers in their area. The Scottish local authorities economic development group mentioned that in its submission. It is not an either/or; it is an and/and. Thus far, we have been guilty of concentrating too much on the large employers because—let us face it—they are easy targets. You can fill your quotas and your volume targets by going after the large employers. They do a fantastic job, but we are missing a piece of the puzzle. That is my response to your first point.

Operating under the radar is a reality of how small businesses operate. They do not have a lot of time to set up recruitment processes. Many small businesses will take on somebody who approaches them. That can be someone who is a friend or a family member, but equally it can be somebody who is just keen to work with them. A couple of months ago I spoke to a business in the timber industry whose door had just been chapped by somebody who wanted to work with wood. It took that person on, on a casual basis, and although it looked for support from the public sector to make the post more sustainable, it did not find any. However, I am sure that that business will manage because it is in a growth sector and is doing really well.

Elaine Murray (Dumfriesshire) (Lab): Micro and small businesses are particularly important in rural areas. If those businesses could be assisted to take on young people it would help not only to solve some of the fairly significant unemployment problems in rural areas but to grow the rural economy.

I am glad that Tricia Hunter is about to contribute to the discussion because I know that she has experience of growing her own business by training and retaining people, and of assisting other small businesses to do the same. I do not think that it is really a question of either/or—I do not think that the larger businesses will take on young people in remote and rural areas. We really need to address how we help small businesses to take on young people. As the FSB says in its evidence, many of the young people taken on by smaller businesses are not well qualified and find it more difficult to get employment in bigger businesses.

What are the barriers? How could we better assist small businesses? Last week, Stephen Boyd said that this is a demand-side problem as well as a supply-side problem. From the experience of the panel, particularly Tricia Hunter, what could be done better?

Tricia Hunter (Minerva People Ltd): I fully support everything that Mary Goodman said. I am in quite a unique position because I run a microbusiness. I started with two people and I now employ 14 and some freelancers. We are also a training provider and are heavily involved in modern apprenticeships and training for work. We work in Dumfries and Galloway, which is the third largest geographical area in Scotland. It is largely rural and is mainly filled with micro, small and medium-sized enterprises. It is difficult to find placements for young people, but there are some excellent micro SMEs out there, giving great support to those young people.

Because we are a business with empathy and understanding, we work with individuals on a one-to-one basis and with the employers to ensure that our programmes are customised to meet the employer's needs as well as those of trainees. That has a significant benefit and results in repeat business for modern apprenticeships and young people.

It is worth considering encouraging pooling among micro SMEs, particularly in the hospitality and tourism industry and especially for seasonal work. Some employers might be able to help when other businesses are closed—there might be a sharing there. The issue of who will employ the person will be complicated because of all the necessary documentation on modern apprenticeships. However, it is still worth looking into having somebody working part time with two organisations. Employers have to realise that they have an obligation. If they cannot provide a full-time post, they could share resources, which would be a great asset.

10:15

I valued enormously the support that I got from the business gateway when setting up my microbusiness. I really am an ambassador for the business gateway. However, I am not seen to be in one of the large growth areas. A lot of effort could be put in to support micro SMEs to be sustainable in the current climate and to encourage growth. In these difficult times, people in business require confidence to grow. People need to be encouraged and supported to take on employees. We should utilise the variety of national training programmes, which are worth developing.

Marie-Claire Dibbern (Kelso Graphics): Thank you for inviting me to submit my opinions and those of my colleagues in business down in the Scottish Borders. With my husband, I run a small printing and graphic design business that is based in Kelso in the Borders. We have been in existence since 1973 and we are still going, thank God. Most of our workforce came to us as school leavers and apprentices. We have eight employees, including our business partner, who came to us as an apprentice and who is now 40—he runs the business. We have a lot of experience. Our graphic designer, who also came to us as a young person, is a married man with two children and one on the way. Some of the guys who work on the presses also came to us as young people and are now 40. We have personal experience of the benefits of recruiting young people, who find that they can have a lifelong career.

It is all very well to talk about the good stuff to do with paperwork and so on, but the reality is that, for people in business, the situation is absolute murder at the moment. I speak as a former teacher and as the mother of a couple of young people. There is so much coming at us from all directions. We are being told that we need to take on young people and so on, but the amount of compliance work that we have to do, a lot of which emanates from Europe, makes that impossible.

I am giving up a day when I should really be looking for business, because the situation is desperate just now, but I thought that it was worth while to tell the people in power what it is really like for people on the front line in small businesses. We have recruited over the years and we have had a great calibre of people whom we got by going under the radar. We got most of our guys from the local high school. We spoke to the local physical education teacher, who said, “Yes, he’s from a good family and he’s a good kid—you can trust him.” That informal approach is a great help. We do not have time to do anything else. We do not have human resources people. We are multitasking and doing absolutely everything.

We would like to help, but there is a financial issue. Everybody who works for me has to pull their weight financially. If you take on an apprentice, you have to train them and get a senior person to take time off work, which means, to put it crudely, that they are not making money for you. You then have to make sure that everybody is happy. Even with long-established and mature people, which all my men are, friction occasionally occurs. Last year, I had to take a week off from trying to get business to sort out one or two problems. In the past, I would have gone through and banged heads together. I would have said, “Look guys, you are in a job—let’s settle down and be friends.” They expect that because that is how we used to do it.

However, I had to take a week with my husband to interview everybody to ask them whether they had the risks right, whether they were happy and whether they had done the right thing. I have to sit down with youngsters when they come in, too. I am supposed to go out and get business to keep everybody in a living, but we are drowning in paperwork that emanates from the Government—with the best of intentions, I am sure. It would cost us and the country a lot less money if we paid people in Europe, particularly those in Brussels, to go on gardening leave so that they cannot go into work every day and find another little bit of compliance for us to do.

I am just telling you how it is for us—I am glad to have the opportunity to do so.

The Convener: You are at the sharp end and that is why we wanted people such as you here. It is one thing for politicians to talk to one another about the issues, but it is important that we get every angle on it in order to get the correct answers. We appreciate you and others giving up your time to come before us today.

David Paterson (Asda): On the small versus large issue, it is clear that small businesses and large businesses have different roles to play within the mix and that a one-size-fits-all approach does not work. We view the current skills and work-support landscape as complex, and we have people in place to deal with it. I understand the problems that small businesses have in that regard.

As the index of multiple deprivation in Scotland shows, we have six stores in the top 5 per cent most deprived areas in the country, supporting about 2,000 people in work. We employ another 1,000 people in the next top 5 to 10 per cent of most deprived areas. We look at where we can make some big-bang impacts, particularly in deprived areas, and growth can happen quickly and effectively in some of those areas.

My next point relates to what Mary Goodman and others have said. We are just beginning to look in more detail at our supply chain. A number of businesses rely on us for their work, but we have not done much to share with them our learning about skills and apprenticeships. However, as we are taking on a number of fresh apprenticeships in bakery, we are working with our small suppliers and inviting them to bring some of their people in to get involved in our scheme.

I wonder whether there is something worth pursuing in that regard with reference to the pooling idea that was mentioned, not just between small businesses but between small businesses and large businesses.

Paul Wheelhouse: I would love to pick up on a number of things, but I am conscious of the time.

The Convener: We still have plenty of time.

Paul Wheelhouse: During previous round-table events, I have raised the problem that we have in some regions, such as the south of Scotland, with what is described as a low skills equilibrium, or low demand for skills from employers. Those employers are largely in low-margin manufacturing sectors where they make small margins on products that are fairly generic and not high value added. That feeds into lower demand for skills, lower wages and poorer opportunities for young people.

A lot of the debate in the committee is about people who are distant from the labour market and how we get individuals into employment—full stop, regardless of how good or bad the jobs are. There are perhaps two issues here. To pick up on Dr Murray's point about rural areas, the first is how we stimulate demand for employment in rural communities. I would use small businesses as the base for that, but it would also apply to growth companies.

The second issue is how we encourage employers that may not have considered taking on apprentices before—perhaps because the business is family owned—to take that step. It is quite a big leap for such a business to expand suddenly and take on somebody from outside the family.

It is unfortunate that Dave Scott is not here today, because I would have challenged him on some of the points in his evidence. What are the views of the employers who are present on the real-world experience of young people going into employment from school? Do you have a slightly more positive message for the rest of the world about the quality of your trainees? We have evidence from the annual employer skills survey that 59 per cent of employers are happy that the school leavers whom they take on are prepared for the world of work. The figure rises as we go up

through college leavers and university leavers: a higher percentage of employers feel that they are well prepared for work.

What is your perception of the quality of young people coming from schools? Are there issues in that regard that we must address?

Amy Dalrymple (Scottish Chamber of Commerce): I am glad that Paul Wheelhouse asked those questions, because he raised a point that I wanted to come in on. That is serendipitous.

We have to drill down into the issues facing those who are leaving school, to see what lies behind all yesterday's press controversy and the sensational quotes about the views of some employers of the young people who apply to them. The employer skills survey is about the young people who are taken on by employers, but the committee is looking at the young people who are not being taken on.

The public sector does not need to worry so much about those who are being taken on. The employers are looking after them now; that is great, and good luck to them with their careers. It is the ones who are not being taken on that are the problem. We need to decide how the business community and the public sector can work together to provide best value for the money that the public sector is putting into making those people more employable.

We have talked to chambers of commerce and our members about that, and we have identified the fact that most success is about relationships. Marie-Claire Dibbern talked about the relationship that she and her husband have with the local high school, and Tricia Hunter talked about relationships that her company develops and how her programmes are more successful when it has a good relationship with employers.

The relationship between employers and schools and colleges is also crucial in determining young people's expectations of and attitudes to the world of work that they are going into. Nothing can prepare young people better than knowing about that.

That is the main point I wanted to make. I have several other things that I would like to say, but I will let other people come in first.

Stephen Lyall (Negotiate Now): Hi there. I started a business 14 months ago, and I am now based in and have come up from our offices in Bridgeton, as John Mason knows. We have 8,500ft² of offices and although we started with one person a year and a half ago, we now have a workforce of 32, 22 of whom were unemployed. We take on unemployed people if possible, if they have the required skills in programming and information technology.

Bridgeton is a deprived area and our target is to employ within the next 12 months 100 unemployed people. Some of our employees have been with us for more than 10 months. We put them through 13 hours per week of training on attitude, motivation and the product. We train them up—we upskill them. I can honestly say that I know that the staff I have at the end of the month are going to be with me at the end of next month and in six months' time.

Amy Dalrymple made the hairs on the back of my neck stand up. I could talk about this subject for hours because there is no support for companies such as mine.

We have exciting businesses—we are the main sponsor of John Higgins the snooker player. When I started 14 months ago, I started in my mother's kitchen. I went to agencies for help and I was told that I was underfunded and that I would not get anywhere—John Mason knows the story already because I have spoken to him. We had four directors who had to work 20 hours a day, seven days a week. That helped me because, believe it or not, 14 months ago I was about 17.5 stone, so I have lost a lot of weight. That is a good thing that has come out of it. [*Laughter.*] Of course, it is not funny when you have to work 20 hours a day, seven days a week. We were communicating at 2 in the morning or at 10 at night. I used to e-mail Alan, my business partner, at night time to ask him to look at work, but because the poor guy was knackered, he was not able to. When I went to the office in the morning, I walked into the walls, but when the staff came in at 9 o'clock, we had to start training them. The staff I have are fantastic. We are taking on another 15 in July.

The biggest hurdle out there is the agencies, although I would not say that about them all. Tricia Hunter said that the business gateway is great. It is good, but the agencies and all the red tape put people through a demoralising process.

Of course, you have to go to the banks first. I will not name my bank, but it does not have the internet in its offices. My bank manager came to see me three months ago and said, "Stephen, I can't believe you have created all this." When I asked him why he had not looked us up on the internet, given that we are an internet-based company, he told me that he was not allowed to use the internet in his office.

When we went to the banks, they which sent us to Scottish Enterprise, which then sent us to the business gateway. The business gateway sent us to various agencies for grants and loans, such as the west of Scotland loan fund. The accountants got involved and, nine times out of 10, the answer would be no. All they did was give a slow no, and that just burnt up so many hours and so much money because of the time that was spent with

two accountants in putting together all the business and cash-flow plans—if only we had been told no in the first place.

10:30

At the end of the day, I am trying to take on 100 staff. We are doing that—we have 22 staff who were unemployed and 15 more will start in July. That requires a lot of work. We base ourselves at the Wise Group for three days a week. A lot of the unemployed people who go to the Wise Group do not really think that they will get a job out of it, but we train people there for six weeks. That costs my company a fortune because I am obviously not out there doing what we are good at, but we have a long-term objective, which I hope we will reach.

It is good to be here today.

The Convener: Thanks very much. You are certainly welcome.

Mark McDonald (North East Scotland) (SNP):

I will touch on the points that Stephen Lyall and Marie-Claire Dibbern made about regulation. During the better regulation debate in Parliament a while back, Fergus Ewing, the Minister for Energy, Enterprise and Tourism, said that he wanted to hear from people about specific regulations that are a barrier to their business. I therefore encourage any individuals around the table who have that experience to make it known to Fergus Ewing, because he is keen to unblock blockages where that can be done.

Like Paul Wheelhouse, I am disappointed that the representative from GTG Training, which is part of the Arnold Clark Group, is not here, because the language that is used in the GTG submission is fairly provocative, and the contents merit some probing and challenge. I am interested to hear what others at the table have to say about some of the things that are said in that submission. For example, to describe people as "not employable at all" is too general.

We need to look at where the soft skills are. Are such things as interview techniques and attitude down to soft skills? Can the skills be improved by the changes that are being made through curriculum for excellence or through the young enterprise schemes that are being undertaken at schools? Will those measures address some of the concerns? We perhaps need to focus on how to fix the situation and what the positives are that come out of that.

My father runs a small business in Aberdeen. A general issue is how to get small businesses on the radar. The coverage often goes to the big companies, in terms of the big contracts they get or the large numbers of people they employ. However, if a small business takes on four

apprentices, that is much more significant per capita of its workforce than it would be for a large company. I guess the issue is how to address that perception.

I am interested in hearing about the role of the work experience programmes that are operated by local authorities. I remember that, about a decade ago, there was coverage in the north-east newspapers of the fact that, despite engineering, agriculture and fishing being some of the largest industries in the north-east, they were not being offered as work experience opportunities for young people from north-east local authorities. I do not know whether that situation has changed, but how do we ensure that appropriate opportunities are available when children reach the stage of looking at what future career they want and where they want to go to experience life in the workplace? Are young people's work experience placements adding value or, as is often the case, are they simply sitting in an office watching other people work? How do we ensure that placements work?

I got some news coverage following last week's obesity debate for slagging off Asda for selling pies and chips to young kids. I worked at the local store in Dyce as a student, and one thing that I would mention is that that store has a very strong record of employing individuals with disabilities. Asda needs to be commended for its attitude to access to work. I am nothing if not balanced.

The Convener: Yes, indeed.

Amy Dalrymple: Chambers of commerce get more queries from the education sector about work experience than they do about anything else. People in the education sector often say, "Please provide work experience placements," but there is a lack of clarity from the sector about what the work experience needs to be. As the business-side partner, we are involved with a collection of colleges in a programme called education into enterprise, which is funded by the Scottish Further and Higher Education Funding Council. The programme is about bringing employers, students and their lecturers together to ensure that work experience placements are valuable to the employer—so that students are not, as Mark McDonald suggested, sitting about in an office taking up people's time—and are valuable to the student, possibly by being accredited as part of their course.

Such a programme requires relationships to be in place. It is very easy for an employer or student to get on to the scheme, because there is a website. The process does not involve all the paperwork that people are saying is an impediment in other situations. One of our most surprising findings from running the programme is that the issue with signing up is not on the employer side. They have found an easy route in,

which enables them to say, "This is what we can provide." If you make it easy for them, they will come. The issue is on the other side and is about encouraging students to sign up to the programme. That is why I said that we need to tackle attitudes in schools and colleges to make students ready for work and enthusiastic about work.

The Convener: I have taken on folk for work experience and found that the hoops that I had to jump through just to have someone in for a week were unbelievable. You would think that they were working in a coal mine, given the number of safety checks. That is shocking.

Marie-Claire Dibbern: The onus is on the employer to ensure that it is all done right.

The Convener: Absolutely. It gets to the stage at which you wonder whether it is worth the time that you put into it. I have certainly felt that way, although I have persevered.

John Mason: I will continue the previous theme. I have also had a good relationship with my local Asda. I see that, throughout Asda's submission, the word "colleagues" is used rather than "employees", which I realise is your company's style, although it uses words such as "unemployment". I was particularly interested in the phrase

"we hire for attitude and train for skill".

I give you the opportunity to expand on the issue of attitude, because Stephen Lyall also used the word.

I am not sure whether everyone has seen the GTG submission, but it states that, out of a group of people that it sought to interview, 309 were employable but 1,850 were not. The submission mentions factors such as

"Poor attitude ... No concept of citizenship"

and

"Poor communication skills".

That can be seen as quite negative. Similarly, an organisation called Clyde Gateway, which is based in the east end of Glasgow, is trying to recruit people but has failed to get them. It advertised apprenticeships and jobs but nobody applied, so it has had to go outwith the area, despite the high unemployment rate there. What is the problem?

David Paterson: I am glad that you picked up on that. Essentially, Asda is qualification blind in our recruitment. We hire entirely for attitude and have significant training programmes in place to train for skills. Every new start in the business does a 12-week accredited City and Guilds training programme in the first three months of

their employment and we have a skills academy that goes on from there.

About a third of our colleagues in Scotland are aged 16 to 24. Our overwhelming view is that the young people who come to us are extremely ambitious, driven and positive. However, there is an issue with confidence, which is one of the soft skills that are very difficult to teach. Apart from getting an externally validated qualification, by far the biggest improvement that we see in our colleagues who go through the apprenticeship programme is in their confidence. You see them raise their heads; it is a fundamental shift.

On Amy Dalrymple's point and your point about Clyde Gateway, we find that there is a lack of awareness and understanding among young people about the career opportunities in retail. We continually fight with the stereotype about shelf-stacking jobs, although retail is a meritocratic business—it is one of the few businesses in which someone can come in with no qualifications and end up running the company. Our chief executive left school with one O-grade and started by stacking shelves, and there are similar examples throughout our business. Through the work experience programme, we are trying to get into schools and tell young people a bit more about what is involved and what goes on behind the scenes.

We have offered work experience for some time, but in the past I think that we fell into the trap of having young people just making the tea and coffee or sitting rocking in a back office somewhere. Last year, we sat down with City and Guilds and said, "If we are going to do this, we are going to get it right." We now offer a two-week work experience placement for 14 to 16-year-olds, and every store links with at least one school in its area. The big change is that City and Guilds has given us a two-week training programme as part of that, and the young people who get through the programme get vocational credits and a certificate that they can take away. We are building in the world-of-work aspect, alongside a qualifications framework.

Gavin Brown (Lothian) (Con): I will make a couple of observations. GTG said towards the end of its submission:

"We would be delighted to support the Scottish Parliament Finance Committee in any way we can".

I propose that the convener write to GTG to ask how it reached the conclusion that 1,850 people were "not employable at all". The committee can discuss whether we should do that, but I think that it is an important question. I would be interested to know how many of the 1,850 it met or interviewed, as opposed to doing a paper-based exercise for. That is not clear to me from the submission.

Asda said in its submission that it received 5,000 applications for positions at the Straiton store and went on to say:

"Of the colleagues recruited, a quarter were previously unemployed and a quarter are 16-19 year olds."

Did you get those outcomes by accident or by design? If it is the latter, what was the design? I would be interested to hear what David Paterson can tell us about that.

For small businesses, pooled apprenticeship arrangements are an excellent idea. Does Mary Goodman have a view on how they might be achieved and who should lead the process? Should it be the public sector, whether it is Scottish Enterprise or the business gateway, or should the FSB or other business organisations lead on the matter? Must that happen at trade-body level?

Finally, the FSB said that it is difficult for small businesses to know about all the many initiatives that are going on at various levels of government, if there is not a dedicated person who looks at all the initiatives. Mary Goodman mentioned a website that Skills Development Scotland is putting together. I think that we will take evidence from SDS in the next few weeks. Do you know at what stage the process is? Are there things that must happen if the website is to be of any use and not just a box-ticking exercise?

Tricia Hunter: Gosh, I do not know where to start. You made many points, which I have been writing down. I went through the business gateway process in 1998, when there was a different climate, and the programme was amazing. I appreciate the problems that are faced today.

As Asda said in its submission, it is all about attitude—then we can develop skills training. When we get the confidence on the vocational qualifications side of things, in particular, it is amazing. I have seen that in my work with the leadership and management in the micro SME sector. If we work with owner-managers on the levels 4 and 5 management qualifications, we really show them the value of vocational training, because we look at their business and their objectives. Their valuing of VQs starts to filter down—it filters all the way up, too. There is a lot of good work in that regard.

10:45

As for the website that local authorities and Skills Development Scotland are developing, I have to say that the number of websites, initiatives and programmes out there for micro SMEs is causing confusion. As a private training provider, a microbusiness and a recruitment agency, I hit many of those areas. I am also a board member of the chamber of commerce and am going to

become a member of the Dumfries and Galloway strategic partnership. I hope that I can bring to the table knowledge and experience of close working, and I think that, if the local authority and its services can link with organisations such as the chamber of commerce and the FSB, such an approach might provide the support that small businesses need.

As for getting hard-to-place people into employment, I am sorry but I have to agree with some of GTG's comments. When, during the targeted pathway pilot, we got seven young people who did not know one another into a group, that group did not work well. On the other hand, when we have worked one to one with hard-to-place people to find their skills and talents and nurture just one small bit of what they can do, the results have been amazing. However, although we as providers work closely with trainees and employers in a very strong triangle, what is missing is a key or link worker who might have worked with these young people as they have gone through the various processes. None of that information comes to us or the employer, which means that trainees have no track record. One person whom we managed to place had been in care, but we found that out only after five weeks—and it came out only because of our close partnership and relationship with the employer. The person received additional support, but the fact is that we do not know who to go to for such information.

Although I welcome the idea of the local authority working and having a partnership with Skills Development Scotland, I still have to understand the nature of that relationship. I believe that it is happening through the community planning partnership, but private training providers like ourselves cannot get involved and I have no idea who will speak for us. I am trying to get involved by going through another door—the chamber of commerce—but in any case we must be careful that we do not have confusing initiatives or websites that are nothing but switch-offs for micro SMEs. The chamber of commerce and the FSB are doing very good work and we would love to link in and work with the larger employers, who are doing amazing things.

David Comerford: I want to comment on a lot of points that have already been raised, but from my experience as a hotelier. I agree with Tricia Hunter about the number of initiatives. Since January, I have received 20 or more calls from different types of organisations, funding bodies and so on and, as was said earlier, it is really difficult to deal with them all. A company usually has only one person to do that work—and in my company that person is me.

Amy Dalrymple has already touched on this, but one of the best things that we do is get young schoolchildren in to look at the hotel as a workplace and so on. As for work placements, however, the situation is impossible. Recently, Glasgow City Council surveyed the hotel for a work placement and, in its paperwork, it probably went into more detail than the environmental health officers go into. The person in question was not allowed to pull out a bed, touch anything in the leisure club or do this, that or the other. How are young people supposed to get experience if all this paperwork says that they are not allowed to do certain jobs? For me, that is one of the biggest problems.

Interview techniques are also a problem. David Paterson mentioned attitudes—and, for us, attitude is everything. We do not mind taking on people who have no experience, but the fact is that you can see in their eyes that they have a certain attitude. As David Paterson said, you know that you can take them on and train them up. I think that everyone around the table will agree that you can tell these things at an interview. However—and I realise that this will be difficult for smaller businesses—larger businesses such as ours like to go to, say, Jobcentre Plus, Remploi and the Wise Group and give young people actual experience of interviews in order to build their confidence. Indeed, Stephen Lyall talked about doing the same thing. That way, they can have a couple of interviews from different companies behind them. I do not think that bigger businesses do that enough to assist initiatives and so on.

A barrier in the hospitality sector in particular is that, within a week of employment in the sector, one person can cause a lot of difficulty for us. Every website has customer feedback on it, and a lot of people choose hotels on the basis of customer feedback. If one employee gets eight negative reviews on one website, that is the first thing that our next potential customer will see. Before they get to us, potential employees do not have enough skills to deal with the public. I do not know whether customer service and customer care need to be taught in schools—that is just a suggestion.

As for bigger problems, what Mary Goodman said about pooling is a fantastic idea, especially for the likes of us. In summer and the high season, we can take on up to 10 or 11 employees—we will do that in my hotel in the next four weeks. We will advertise through the bodies that I mentioned and we will get about 400 or 500 applications, which we will have to sift through. Pooling would work if another industry could help in quieter times—that is January to March in my industry—when I cannot afford to take on anybody because I am under constant wage pressure. If somebody else could look after staff in the early part of the year, that

would be perfect, and I could take on the staff when I got busy. That idea is excellent.

That is pretty much all that I have to say.

The Convener: That is all right—you can always speak again later.

Michael McMahon (Uddingston and Bellshill) (Lab): Amy Dalrymple touched on the idea that we are talking about the people who are the most difficult to get into employment. Mr Scott of GTG Training has been mentioned. I, too, am quite critical of his submission but, to be fair, it says that GTG works with a lot of people through the Prince's Trust and that 10 per cent of the people whom GTG deals with fit into the category of being the most difficult to get into employment. I know that he is not here—I hope and am sure that he has a good reason for that and that he does not have a

“Poor attitude ... No concept of citizenship ... Poor communication skills”

or a

“Poor understanding of standards expected”.

Another problem that Mr Scott has listed is

“A culture of wholly unrealistic expectations”.

That could be reversed and we could ask whether businesses have “wholly unrealistic expectations” of what schools can do to get people ready for the workplace. I left school at 15 and went into an apprenticeship. I am not sure whether I was entirely ready for what I encountered—it took me a long time to get into my stride.

The Convener: Some people say that you are not ready now.

Michael McMahon: You always leave yourself open to such comments.

I did a four-year apprenticeship and an extra year for a City and Guilds qualification at college, and I came out with the highest City and Guilds qualifications that people can get. I do not know whether I was qualified to do that at the outset of my apprenticeship. My eyes were opened by walking into a factory to work with experienced men who had practised their trade for a long time. I did not know one end of a welding rod from the other, while those guys were doing things with their eyes shut.

Sometimes, the needs of the trainee—not the employer—need to be looked at. How geared up are companies to be ready for school leavers? We should not try to fit square pegs into round holes. Companies must have realistic expectations of the people whom they bring on, who can be trained. Someone who might not be employable in Arnold Clark might be a good joiner or welder. Their skills or abilities might not match the criteria for

becoming a good car mechanic, but that does not mean that they are unemployable. They might be better suited to the service sector, and perhaps they could work in a hotel rather than a car maintenance shop.

Should we expect some people to fail? We have drop-out rates at universities and failures of small businesses. Not everyone can be a success. Some people might think that they are good at running a shop, but they can do it only for a short time, until they eventually can no longer do it. We must build in some expectation of failure.

The Convener: Funnily enough, I was planning in the next session to compare Arnold Clark's positive comments in relation to the Prince's Trust, with which I have been involved a lot, with paragraph 17 of the Scottish Council for Development and Industry's submission, which says the opposite thing. Given that members have made a lot of comments about the submission from Arnold Clark, it might be fair to invite it to come along next week, if a representative is available.

Elaine Murray: We have the SCDI, Highlands and Islands Enterprise and Scottish Enterprise coming immediately after this session. I get the impression that some businesses believe that the support that they receive is not what they need. I hear what Marie-Claire Dibbern says about her difficulties with getting through all the paperwork and bureaucracy—some of which does not emanate from here or even the United Kingdom, but from Europe.

Does the support that public sector agencies give to smaller business deal with some of those issues? What needs to be done? What do we need to say to the public sector agencies in the next session about how they could improve the support that they give to SMEs, particularly on growth and taking on younger people? If you have an issue that involves a lot of bureaucracy, should there be somebody who can provide you with a template and say to you, “This is how to do it,” so that you do not have to spend hours and hours working through it? What sort of support do you need from the public sector?

Marie-Claire Dibbern: There seem to be two strands here. You want to know what it feels like for an employer, whether in large industries or small businesses. If you really want to understand it, you have to empathise with us and what we are going through. When I want my customers to put in a printing order to me, I am aware that they have a million things going through their head at that moment, and that their print requirement is just a tiny bit of that. I have to empathise and try and work with that.

You have to empathise with us and understand the pressures that we are under and the amount of bureaucracy that we face, which, as I said, is all very well intentioned. I might add that it is produced and generated by people who are in quite well-paid jobs. However, there is no sense of reality there at all. If you want to know how you can help us, empathise with us. If my business goes down, I am out of work, out of my house, and all the guys who work for me, who are married and have children, are also out of work. With all the pressure that is on us, what possible benefit is it to anybody for me to take on a youngster, who is perhaps ill prepared, and spend hours and hours with them? I just do not have the time to do that. I clean the toilets in my place; I am so busy doing all those sorts of things. However, I am a mother as well; I want my children to work. I look at my daughter, who is 17, and think that I do not want a potential employer to say, "Oh my God, she's going to go off and get pregnant!" and not give her a job because they will have to pay maternity leave.

The other thing relates to what Michael McMahon said. We are talking particularly about youngsters who are very difficult to reach—the so-called NEETs, people who are not in education, employment or training. I am a former teacher and I have lived and worked with those people. I have been locked in the classroom for an hour with somebody who was in my face and was very close to lamping me—I was supposed to be teaching them French. I am not a teacher anymore, but I have great sympathy for teachers and schools who are supposed to take on yet more things on to the curriculum. Teachers are almost being asked to be parents and some of the youngsters they are dealing with have serious problems. They are also supposed to deliver something—are they delivering a curriculum, or are they being social workers or psychiatrists, or what?

Some of those roles are needed. I do voluntary work in the field of domestic abuse and I know for a fact that some of those people come out of the most hellish backgrounds, yet there is the idea that they will come into school and be articulate. How do you deal with them and how do you reach them? Why are those young people not coming forward? I saw from the youth employment strategy that Professor Susan Deacon is going right back to primary schools. You need to go into schools, nurseries and pre-schools, and work on empathy with small children. What does it feel like to be growled at or scowled at? That would put a customer off.

You can get to a stage when a youngster does not know how to behave. Sometimes that is because of immaturity—angst, and that type of thing—which I can sympathise with, because I am a mother of teenagers. We should get right back to

the very early learning days, and get a bit of empathy going by seeing what it feels like when playing at work. How do you get to somebody who has no experience of seeing anybody in their family, extended family or neighbourhood going out and doing a damn day's work?

11:00

The Convener: The committee is convinced of the importance of the early years, from the pre-five stage right back almost to conception. We have taken evidence on that from other parts of the United Kingdom and the Netherlands. We are looking into the issue, because we realise that it is critical for the future.

Marie-Claire Dibbern: Both my children were air cadets. My 18-year-old son has just completed a tour of Afghanistan—he came back in January. I was running a business and worrying about whether someone was going to kill him, because he was in a combat role, so it was just stress, stress, stress. One thing that I will say about the cadets is that it gives the many youngsters who do so—particularly the young men—tremendous confidence. Young men need somewhere to channel all the testosterone that they have flowing about. In the estates that we are talking about, they are in fear of their lives—they cannot go outside their postcode area because they might get stabbed, or something like that.

Therefore, I suggest—I just throw this into the mix—that we use those incredible soldiers. I have had the privilege of seeing those men up close and personal and they are absolutely awesome. They are as fit as hell and are so impressive. These guys are coming back from places like Afghanistan and Iraq and are going to be paid off. We should get them into communities, which would give the young men and women there positive role models and give them opportunities to stretch themselves and to see that being physically fit does not mean going around stabbing someone. These guys who have been paid off after coming back from Afghanistan and Iraq want to know what they are going to do. I think they should go and be role models for the young men we are talking about. They could get them into activities to build their confidence and articulacy. The cadets are amazing. The people who go away are pushed, but they come back full of confidence, but not arrogant, which is a different thing.

Paul Wheelhouse: I endorse the point about the cadets. As a former Army cadet, I am, I hope, confident but not arrogant.

An issue that has not been touched on is the fact that the challenge that we face in getting young people, especially those who are distant from the labour market, into employment is made

greater because of the state of the labour market in general. A lot of people who have skills and long employment histories are available to be employed and are in competition with young people who have not been exposed to the world of work and who do not yet have the attitude or skills that are required to get posts. How do we help those young people to get over that barrier? From what has been said, it seems to me that half the battle is about exposing people to the world of work and ensuring that they have right attitude before they go in front of a big or a small employer so that they are oven-ready and have the aptitude for work, regardless of whether they have the vocational skills.

Later, we will hear from people from the public sector. You have talked about the role that the public sector can play by offering information and running the various schemes that are available, but I want to explore the role of public sector organisations as employers.

Last week, we heard evidence from a representative of Falkirk Council, which has set out that the equivalent of 5 per cent of its workforce should be modern apprentices. I think that it was said that about 340 modern apprentices are going through the council, some of whom are gaining vocational skills, while others are simply being exposed to work and gaining transferable skills that they will be able to take into the workforce. I believe that until recently, Scottish Borders Council, in my area, hosted only six modern apprenticeships although—I do not want to be too unfair to the council—it also provided a number of work placements. On a pro rata basis, it should have had more than 100 modern apprentices.

What is your view on the role of the public sector in providing opportunities for people to be exposed to the world of work and to acquire transferable skills before they come out into a world in which they might be employed by private sector employers?

I also have a question for Allan Callaghan on regeneration and urban renewal. Many contracts are commissioned by local authorities and other public sector agencies. We heard evidence from the Cuthberts on procurement. Do you have a view on the role that companies such as Cruden Building & Renewals can play in exposing people who might be distant from the labour market to the world of work through regeneration projects?

The Convener: Allan Callaghan is actually next to speak, so he can answer that question and then say whatever else he wants.

Allan Callaghan (Cruden Building & Renewals): I do not want to repeat everything that we have heard so far, convener.

I represent Cruden Building & Renewals, which is a small to medium-sized business—probably more medium, as we are part of a bigger group. Although I would echo many of the points that representatives from small and large businesses have made, I note that the word that has come up over and over again in relation to teenagers and young people has been “attitude”.

Apprentices come to us via our client base, through third-party organisations or by what we call invisible means—they might be children of employees or whatever. Although we tend to get pre-screened children, we also go into schools to coach children on interview technique and on tests that they might have to sit. Over the past 15 or 20 years, construction has raised the bar in order to move the industry away from being seen as a transient job market and to make it much more attractive as a career. However, that approach has also raised the entry-level bar for many children. The first thing entrants to apprenticeships have to do is a written test. Although many of the kids are perfectly capable of doing the jobs they simply have not engaged academically at school, so we coach them for the tests as well as for interviews.

Our human resources manager tells us that the thing he sees most in the kids who start with us is the growth in their confidence. I do not know whether members have seen our submission—it was submitted late—but it points out that we take on about 13 or 14 young people a year, that we have more than 50 working with us at the moment, and that the retention level is quite high, at 50 to 60 per cent. We see it as part of the recruitment process. We also take on new entrants, who are young and older adults, for the construction skills certification scheme for training and tradesmen. We also carry out a lot of upskilling.

As Paul Wheelhouse said, we do a lot of regeneration work, most of which is with registered social landlords, is publicly funded and tends to be carried out in areas that have been classified as being deprived. As someone from the east end of Glasgow—I am from Dennistoun in John Mason’s constituency—I would never class myself as “deprived” because in my view you do not miss what you never had. Nevertheless, we were brought up with a hard-work ethic and to believe that you can get what you want if you work hard enough for it. Many of my school friends went to university and have succeeded in their careers.

We tend to forget what it is like to be a teenager; my children keep reminding me of how long it is since I was a teenager. One of them, fortunately, is at the Glasgow School of Art, but the other is trying to secure a work placement and is finding it difficult. I would certainly echo many of David Comerford’s comments about health and safety. He was talking about his hotel: members can just

imagine what the health and safety requirements are like on a construction site for children who are on work experience.

We tend to pair the kids with tradesmen to ensure that they are being looked after and we also buddy up apprentices with tradesmen to ensure that they are exposed to the marketplace. Going back to the transferability of skills and confidence issues, I point out that although we have full four-year modern apprenticeships and although those apprentices tend to stay with the tradesmen for the full term, the difficulty is that, unlike large regeneration projects, small construction projects do not last four years, so we need to think about how we transfer those apprenticeships into sustainable employment.

At the moment, 12 to 15 per cent of our workforce is on some kind of apprenticeship scheme; we also work a lot with the likes of the Wise Group and Barnardo's and are discussing with the Scottish Prison Service possibilities for involving people who have not gone down the academic route. Twenty-six permanent employees have come through that placement route, having been recommended to us by the Wise Group or some other support organisation after additional training.

There is currently a broad spread of initiatives. Because of our size, we have an HR team and I know the amount of paperwork they have to get through and the contact they have with each of the apprentices. I imagine that even if we had fewer than our current 50 apprentices the work would not decrease pro rata; I assume that the smaller businesses that are represented around the table do not do much less paperwork than we do. There is a lot of bureaucracy and the costs of that prevent many businesses from taking on young people. Our analysis suggests that the cost to us per apprentice is about £30,000. We recover some of that through grant funding and at the moment we are getting funding from the Commonwealth apprenticeships initiative. We are also doing some stuff with Clyde Gateway and are involved in other such schemes. What we need, however, is investment in construction to create sustainable jobs.

I am sorry—I might have thrown up more questions than answers. The fact is that we straddle a lot of the aspects that have been highlighted this morning.

The Convener: There is no need to be sorry at all. Many of the questions that are being asked are rhetorical, but the committee will reflect on them and we will, when we have the minister before us, put many of the questions that you are raising in order that we can produce a report that the Scottish Government will act on, where possible.

Stephen Lyall: There is an organisation in Luton called Marsh Farm Outreach—I do not know whether you have heard of it. Luton organisations and agencies were given £50 million to get people back to work, but the unemployed people in Luton totally disagreed with everything that was being set up. It seems that they were left with £3.5 million, and so they created Marsh Farm—they became self-employed, selling fruit. I have been looking at the Marsh Farm community over the past few days and it is absolutely fantastic. One of the organisers is coming to Glasgow next week to have a meeting with me, and he says that it has changed the whole outlook of Luton. The unemployed people were left with only a small budget, but they became self-employed and the farm created value. They have not been earning thousands of pounds a week—they might have been earning between £50 and £150—but the farm has been a huge success.

Allan Callaghan talked about the things that companies do. I will give my humble opinion about where I think it goes wrong, why there are so many unemployed people, why small businesses are failing and everything else. When small businesses fail, that creates unemployment. The process starts in Parliament and is then dripped down to agencies that are told to do this or that. The people who work for the agencies do not, however, have the right experience: most have never run a business, although a few have. Most of them do not know what it is like to work after 5 o'clock and on until 12 o'clock at night. When I open my doors each month, there is no guarantee that I will have within my business the staff's wages for the end of the month. I have to work my butt off because I cannot let the staff down.

The process then goes to the councils such as Glasgow City Council, which set up the Go Group, the business gateway and the West of Scotland Loan Fund Ltd. The loan fund is advertised in *The Herald* just now, but it takes 16 weeks to get through the application process and, after 16 weeks, seven times out of 10 the answer is no: another slow no. Because I knew that I was coming here, I spent three days last week going round industrial estates in Glasgow, including in Hillington and Queenslie. Although the Queenslie industrial estate is quite good, 70 per cent of the businesses on those industrial estates have closed and the properties are all available to let, although they used to be full.

The problem with SMEs is that there is no training. I am lucky because we have a company that takes on a lot of people. We have another company that is a team of six internationally recognised specialists—I think that John Mason has met a couple of them—that helps small to medium-sized businesses to grow. It was set up because we know that 80 per cent of businesses

go bust within two years. To make it simple, we say that they do not know what they do not know. They spend vast amounts of money and waste all their resources, and after two years they have no money left. The business owner might be a good engineer or a good plumber, but might not be good at marketing, training staff or doing their accounts when, all of a sudden, they are no longer just a tradesman. Allan Callaghan is lucky because he has a human resources team. He has earned that—I was looking at his company before I came here. Usually, the business owner is all those things and has 10 different roles. At 5 o'clock at night, his staff say, "I'm going home" but he stays there.

We then come to unemployment, which is the main issue for today. We are creating jobs in Bridgeton, where we are based. I like a pint, by the way, so I go to the pubs in Bridgeton and speak to the guys there. We did a wee survey last night and asked them why they do not go back to work and why they have been unemployed for so long. They are applying for jobs that 40 or 50 people are going for. They might have left school with no qualifications and there is no training available, which means that they have to go for jobs at the lower end of the scale. They have no hope of getting back into work, so they become bitter towards employers and the people here. Then, there is all the stuff that happens in their homes—their marriages break up, their kids suffer and, eventually, they just give up.

I do not know whether anyone saw the article last week quoting Sir Tom Hunter, who is a great ambassador for Scotland, but who said that the people from the east end of Glasgow are pampered and do not want to go back to work and should get a sense of reality. My company created a debate about that on LinkedIn, Facebook and Twitter and received more than 1,000 comments. The good thing was that 98 per cent of the comments on LinkedIn, which is used by a lot of owners of small businesses, disagreed with what Sir Tom Hunter said. They feel that people do want to go back to work but there is just nothing out there for them.

11:15

People have been talking about attitude: we train in attitude first. Someone here said that you can see people's attitude in their eyes, which is true. I see guys' eyes lighting up when they come in for training from half past 7 in the morning until half past 9, even though they do not get paid for that time. If we give every letter a number according to its position in the alphabet—A is 1, B is 2 and so on—the word "attitude" adds up to 100 per cent. The phrase "hard work" adds up to only

93 per cent and "honesty" adds up to 84 per cent, but "attitude" adds up to 100 per cent. [*Laughter.*]

That is where businesses are losing out with their staff. A lot of companies are conveyor belts that just bring people in, who then become disheartened. That is how we create more unemployment.

The Convener: Thank you. We will have to wind up this evidence session at half past 11, which is about 14 minutes from now, but five people still want to speak, the first of whom will be David Paterson, to be followed by Tricia Hunter. If anyone has any burning issues to add, please let me know now, because I want to wind up on time, given that we have another evidence session, then further work for the committee to do.

Perhaps people can think about further action that they want us to take on employability.

David Paterson: Gavin Brown asked whether we employ the long-term unemployed by chance or by design. It is partly due to the nature of how we recruit, which is for attitude and training for skills but qualification blind. We have started allowing stores that know that they have vacancies coming up in the next three months to advertise up to half of those vacancies for people to start on work placements. They will be structured work placements for four to six weeks, accredited by City and Guilds through the work placement scheme. It is early days, but we think that our scheme is working.

One of the reasons why the scheme is working is—to pick up on something that Tricia Hunter said—the hugely important work that training partners do in advance of hard-to-place people getting to us. They are screened for numeracy and literacy issues, which are then addressed. There are very high levels of failure, but they are addressed. The training partners work on training in skills, attitude and time management, so that by the time people are presented to us as candidates for work placements, we are happy to take on most of them. At the end of the placement, the vast majority get through to the next phase and quite a number are getting jobs. We will see in a year's time whether they have remained in their roles.

There being agencies that can continue to support candidates throughout their employment is hugely helpful; we see that particularly with Remploy. For a person who has not been in work for two or three years or who has multiple learning difficulties, it is not enough just to get them a job, and nor is it enough for just the employer to give support. We know that there will be times when such people will drop out and when other problems will arise in their lives, so they need additional support.

We are pleased with our partnership with Remploy because it checks up on its candidates that are placed with us and asks how are things going, whether the person is getting the support that they need and whether they need more help. It asks what it can do above and beyond what it sees being done within Asda. It is one thing to raise something with your line manager; it is another to be able to say to somebody from outside the business, "D'you know what? I need some help because I feel like my head's getting a bit underwater just now." That is important.

Businesses cannot be expected to do everything themselves in that regard. If work placements are done right, with training in pre-employment skills and continuing development right the way through, we can get results with hard-to-reach people.

Tricia Hunter: I have four points to make. First, I will pick up on what Elaine Murray said about what help businesses need from Scottish Enterprise. My company is a growth company, but not a high-growth company. I do not know what questions to go and ask, and there is nothing between the business gateway and Scottish Enterprise. Greater help should be given to micro SME businesses that have the potential to grow and want to grow because—again—we need confidence. I do not have that confidence with what I am doing, so I would appreciate it if the committee could look into that.

Secondly, I was interested in the comment that Stephen Lyall made. I am not sure how many people round the table were aware of what he described. I have read the rule with regard to modern apprenticeships, and I was delighted to hear everything that he said—it was a breath of fresh air.

I was also interested to hear about people becoming self-employed. Under the guidelines for modern apprenticeships, there is no funding for people who are self-employed. A few years ago, I was involved with the Prince's Scottish Youth Business Trust in helping people who were self-employed to be owner-managers. That was done under the management framework, and it allowed them to get some qualifications for all the work that they were doing, so that if the business did not work, they had something to fall back on. We need to look at why we are not supporting self-employed people—particularly 16 to 24-year-olds.

Thirdly, I applaud David Paterson's comment on having somebody outwith the organisation in support. When there is a strong triangle of an employer, a candidate and a provider and they all support each other, it is excellent. As an employer, if I realise that there is an issue with any of the young people that I take on, I need access to the local authority network. It is important that there is

a link or key worker in that organisation, because I do not have the expertise to know whether social services should be involved or who else can help. They know the family background. If we are motivating somebody to go into the workplace but they do not have the support that they need in their community or their home life, we could all be doing them a disservice. I would therefore like to a link with the local authority as an add-on to help with hard-to-place people and ensure that they are fully supported.

Fourthly—again in relation to micro SMEs—Asda is just wonderful, as is Allan Callaghan's organisation. We value the training. When we place people in microbusinesses—I do a lot of work with the hospitality and childcare sectors—it is difficult for them to release people for training. We go out to work with people on a one-to-one basis, but if businesses could release them more often to come into our centre and work with other people, much more training could be given. However, employers are not keen on releasing people for training.

Amy Dalrymple: I go back to Michael McMahon's question about whether businesses expect too much of schools. I suppose the question is where the responsibility lies for employability and supporting people to be employable. At present, businesses are struggling to survive. When times are easier and better, businesses have more capacity and it is easier for them to do the training that we are discussing. If we are looking at what the state can do in the current economic situation, it could do the job that employers do not have the capacity to do at present because of the economic situation. I hope that that makes sense to you. If you are asking how the Government can get value for the money that it invests in employability, it can do so by filling the gap that has unfortunately arisen because of our economic situation.

That leads me on to Allan Callaghan's point about infrastructure investment. I know that the UK Government is talking about doing more of that, and that the Scottish Government is keen on it as well. Everyone round the table realises the value of infrastructure investment in allowing and enabling firms like Allan Callaghan's to create jobs and modern apprenticeships for young people.

We talked earlier about stimulating employer demand. When employer demand is high, employers have the capacity to do more training in attitudinal and applicational skills. When their bottom line is more precarious, as it is at the moment, they do not have the space to do that and need support from state employability funds and schemes or from agencies such as Remploy, which David Paterson mentioned. That is the difference between the situation that has been

described and where we are at the moment. I hope that that is helpful.

Mary Goodman: I am just picking up on Gavin Brown's question about the information that is available to employers about what is out there on the internet and how we can best engage employers. I am becoming known in the circuit as the woman who hates the word "engage". What does it mean, after all?

SDS is just about to finalise its skills force website, which is supposed to pull together all the national and local programmes in one place for people to look at them. That will solve some of the problems, but whether it can solve all the problems resulting from the confusion about the amount of things that are going on is not so certain.

Also, to follow up something that Amy Dalrymple and Kelso Graphics mentioned, one of the things that makes a real difference to small businesses is building relationships. We publicise offers, modern apprenticeships, flexible training opportunities and all the things that SDS is administering and asking employers to get involved in. When small businesses phone up, they use the one helpline. That is brilliant—it is one helpline, but they are talking to someone hundreds of miles away who does not understand the context of their business and who has been told that they have to meet a volume target of X number of funded apprenticeships. They therefore tell the person on the phone that they have not got anything for them because they do not fall into the right category. Meanwhile the business has spent a week running around trying to get information. That echoes what Stephen Lyall was saying earlier.

One of the key successful things about education into enterprise that Amy Dalrymple mentioned is that someone in the college is building relationships with local businesses and negotiating with them. They are telling the businesses what they can expect from young people and asking them what they need that young person to contribute. Businesses cannot be successfully engaged without our building those relationships. A website cannot do that. It helps, but it cannot do it.

Mark McDonald: Michael McMahon raised an interesting and valid point by asking whether it is the role of the young person simply to fit or whether there has to be a bit of give and take. That is worth exploring at some of our future meetings.

The point about expectation management is also highly relevant. I also wonder about what happens next. To go back to the GTG submission, what happens next to those young people who are being assessed as being not employable at all?

Are they trapped in a ludicrous pass-the-parcel from employer to employer and assessed as being unemployable, or are they referred some place where they can be given the required skills or—at least—be given assistance in finding ways of making themselves employable? If we just write off those people as being unemployable, what will that do for their confidence or the likelihood that they will actually get into the workforce? We need to explore that.

I agree with what Gavin Brown said about writing to GTG, asking some questions, and getting a representative to come to the committee. The submission says that GTG is happy to help the Finance Committee; coming to the committee is one way that it could do that. Obviously no one was available to come today.

We need to ask what happens to the so-called unemployable people? Do they just go on to some sort of unemployability merry-go-round, or do they actually get the help they need to get access to work?

The Convener: I have already said that we will invite GTG, but a lot of those questions are really for the Minister for Youth Employment and Skills Development Scotland and I look forward to interviewing, taking evidence from or questioning them—however you want to put it—in the next couple of weeks.

This evidence session has been fascinating and the contributions around the table have been excellent. There is certainly a lot for the committee to mull over. I thank the witnesses for giving up so much of their valuable time to come here. It is important that we take evidence from people like yourselves who are on the front line and delivering for the Scottish economy.

We will have a 10-minute suspension. I thank the witnesses.

11:30

Meeting suspended.

11:40

On resuming—

The Convener: In the second part of our evidence session on employability, we will take evidence from Dr Lesley Sawers and Gareth Williams from the Scottish Council for Development and Industry; Julian Taylor from Scottish Enterprise; and Charlotte Wright from Highlands and Islands Enterprise. I welcome the witnesses. Rather than hear opening statements, we will go straight to questions.

As usual, I will start then open it out to questions from members. In that regard, I see that I have a

bid from Michael McMahon before I have even asked my first question, so there is clearly enthusiasm from the committee.

My first question is for the SCDI, so I invite Dr Sawers and Gareth Williams to respond. As you have probably heard, there was a bit of kerfuffle in the press this morning about the written submission that was made by GTG Training Ltd, which is a subsidiary of Arnold Clark. Michael McMahon raised a point that I want to ask you about. The Arnold Clark submission states:

“Since 2009, 10% of the AC Apprentice intake has been specifically targeted at the most seriously disadvantaged youngsters in a partnership with the Prince’s Trust”.

From my involvement with the Prince’s Trust, I know that that is true. The submission also states that

“typically each year’s Prince’s Trust intake outperforms the traditional intake.”

However, paragraph 17 of the SCDI submission states:

“Businesses which have offered lower entry level requirements for young people experiencing high levels of multiple deprivation have reported negative outcomes such as poor motivation and extremely high levels of dropout rates.”

Why is there a contrast between what a hard-nosed commercial organisation says and what your organisation says?

Dr Lesley Sawers (Scottish Council for Development and Industry): First, may I say for the record that we are not a public sector organisation?

The Convener: Yes, indeed.

Dr Sawers: We are a membership organisation, so we are independent. You said earlier, convener, that you would be talking to the public sector next, but we are not the public sector and we are completely independent.

I am pleased that you started with the point that Michael McMahon raised, because I think that it is quite valid. As I said to John Mason earlier, we must ensure that we involve young people in this conversation and discussion. Young people are very capable of telling us where the issues and challenges lie and giving their perceptions of the recruitment and training process.

We recognise some of the comments that Arnold Clark has made and I recognise a lot of the comments that were made in the committee’s earlier evidence session. However, our point is that the situation is variable and one size does not fit all. We cannot talk about young people as an amorphous group. We have done quite a lot of work in the area and although we recognise that there are challenges because a lot of young

people come from disadvantaged, chaotic backgrounds and have challenging lifestyles, there is also a need for employers to look at their recruitment processes.

We have done quite a bit of research and we have been talking to Skills Development Scotland about our work. It is becoming apparent that there is a disconnect between the skills sets of contemporary young people and those of the very different workforces of the past. We think that work needs to be done with employers and young people to ensure that skills are correctly matched. The fact that a person does not make it in a particular organisation does not mean that they do not have skills, experience and talents that can be applied elsewhere.

Gareth Williams (Scottish Council for Development and Industry): The part of our written submission that you quoted was based on comments that we received from a number of businesses that we asked about the issue. I am not sure why the view from Arnold Clark should be different, although it could be because there are different types of roles in the companies. Arnold Clark might have more manual roles, whereas some of the other businesses might have more office-based roles. I am afraid that I could not get to the bottom of that. However, in the businesses that I spoke to, there certainly was not a lack of trying to support people with such backgrounds coming into the business but, unfortunately, those businesses had had negative experiences.

11:45

The Convener: We hope that Arnold Clark will give evidence to the committee, so that we can ask why it has had success in the area. The Prince’s Trust has another perspective on the issue, but we will not go into that now, unless members want to ask about it.

I turn to Julian Taylor. I have looked through the written submission from Scottish Enterprise thoroughly, but I am not convinced that you have addressed the issue of employability. You talk about

“encouraging employers to provide jobs and work experience opportunities”,

and say that you

“make companies aware of the benefits of introducing fresh talent to support their growth plans”.

However, the committee is specifically considering how people who are on the fringes of the employment market can make a contribution to society and to themselves and their family through employability. Therefore, will you say a little more about what Scottish Enterprise is doing specifically to promote employability?

Earlier, the representative of the Federation of Small Businesses commented that small businesses feel “ignored” by Scottish Enterprise. We realise that it is important that Scottish Enterprise focuses on exports and growing the biggest companies, but 93 per cent of companies are small, so there is a balance to be struck. Will you comment on those issues?

Julian Taylor (Scottish Enterprise): Given the range of speakers from whom the committee has heard, we thought that it was worth while to set the context for the role of the development agencies in addressing employability. To be frank, for us to promote economic development, our role has to be around growth and growth in companies. We have to be clear, based on the evidence, about where growth comes from and how it drives job creation. I hope that that is clear now. In previous submissions, we have said that the evidence shows that a very small proportion of companies create the lion’s share of job opportunities. We wanted to ensure that that was absolutely clear, up front and central.

To drill down into employability, we try to maximise job opportunities in every intervention that we have with companies. There are big job opportunities through inward investors and growing large companies, but there are also opportunities through growing small companies. In some of the earlier discussion, there was an inaccurate differentiation between large and small companies—it is growing companies that are important, whether they are large or small.

To address the specific question, we are doing a couple of things on employability. We know that most employers think that the young people who come to them are well prepared. The evidence is that they speak highly of young people. However, in the current climate, and given that yesterday’s emotive discussions in the press might have started to polarise the debate, we need to ensure that all employers know about the asset that young people bring when they come to the workplace. We work closely with 2,000 companies and we touch about 10,000 others. In our work with those companies, we are starting to introduce that language about the asset of young people. That can mean contemporary skills such as social media skills, but it can just be general enthusiasm. Some of the comments earlier recognised the softer aspects of the role of young people. Part of our role is to ensure that employers understand the value and assets of young people.

To drill down a little further, we have supported some specific initiatives. For example, we support the PSYBT to help young people to set up in business directly. Around 100 to 150 businesses have been helped directly. We work with the university sector to help students enter the labour

market and to set up in business by themselves. Our graduate programme helps graduates to get into the workplace with the companies that we are growing. There is a range of direct support.

A really important change in the past few years has been indirect support and trying to get industry leaders to understand the place of young people and employability. We work in close partnerships with Skills Development Scotland and the Scottish funding council and other public sector organisations to ensure that the links are made so that, when our staff talk to companies that are interested in growing and taking on more people, they know exactly the right person to talk to in the other relevant agencies. The expression that we like to use is “no wrong door”. We do not want businesses to feel that they have to knock on a load of different doors to get the right support. If our staff are talking to companies that are interested in growing and taking on young people, we know exactly who to signpost them on to.

There is a whole set of interventions. We start with the overall message about growth; I would not shy away from that, because it is desperately important for addressing employability. We then try to take a more graded approach that finishes off with partnership working.

The Convener: Again, I am sure that colleagues will want to explore some of those issues further.

I have been looking at the paragraph in the submission from Highlands and Islands Enterprise entitled “Strengthening communities and fragile areas”. I am the only member of the committee whose constituency has areas in the Highlands and Islands—Arran and Cumbrae, the latter of which is a fragile area. I have to be honest and say that I have not seen a lot of HIE involvement in the fragile area of my constituency.

How patchy is the wide horizons programme? How widespread is it? How successful have you been in achieving the objectives that you have set yourself of making people employable so that they can be picked up by Highlands and Islands companies, and of people deciding to stay and continue to have a future in the Highlands and Islands?

Charlotte Wright (Highlands and Islands Enterprise): That specific programme is being run through the Social Enterprise Academy, and our role is to support the academy to run the programme. I do not have the result of the monitoring and the numbers going through that programme to hand, but we can certainly talk to the academy and get some more detailed information to the committee.

Perhaps I could explain more about what we do through strengthening communities to support

some of the more fragile areas in the Highlands and Islands and the challenges that rural communities there face. There is some resonance with some of the things that we heard from the earlier panel. The issue of small and microbusinesses is even more acute in rural areas, and some of those areas are challenged by underemployment. People might be employed, but the employment might not be using their skills fully. People in rural areas often have two or three part-time jobs to make up a full-time job.

Our approach is to work through strands such as our community account-managed approach, through which we work with whole communities in a focused way. We cover 50 communities at the moment, and although none of them is within the convener's patch, they are in a huge number of areas in the Highlands and Islands. We are developing a number of social enterprise responses to some of the challenges in those communities. Social enterprises are creating employment and often they address employability issues through the type of work that they are doing. We have a number of examples in which that is working very successfully. Social enterprise is providing employment directly and supporting the issue of employability in remote and rural communities. That is a key part of what we do under our strengthening communities remit.

The Convener: One of my two islands is in the 13 per cent that is designated by HIE as fragile, but it is not one of the 50 communities that have been engaged with through the community account-managed model. What are the criteria for choosing the kind of community that should be involved?

Charlotte Wright: One of the issues is about resourcing the service. We tend to do some work with the local community and identify its readiness to engage with the programme. We help the people to identify what we would call an anchor organisation, which is a community-led organisation that can support and work with its community. It is really important for HIE to embed the initiative in the community, and having community leadership is an important part of that.

Often some time has to be spent in preparation, perhaps in working with community leaders to build the community's capacity to move on to the next stage. That is a big ask of communities. After all, many of the people who are involved are volunteers who have other jobs and their willingness to engage in something like that demonstrates their commitment to and support for the community.

I am certainly happy to look at the situation with regard to the communities that you mentioned, but I point out that we are taking forward community account management in a number of communities

in Argyll, some of which, such as Rothesay, are pretty challenged and are having to deal with a number of issues with regard to the rundown of the local economy. That kind of community-based response will ensure that we get a really good in-depth knowledge of the community's capacity, capability and skills.

Of course, all of that leads into the key agenda of employability. We must make connections between the creation and development of job opportunities and available skills in the workforce in the community if we are to preserve and enhance our fragile rural communities and ensure that they can participate fully in the economy.

The Convener: Thank you. I open up the session to colleagues' questions.

Michael McMahon: Thank you, convener. Of course, it does not matter how quickly I put up my hand—you always get the first go and take my question. [*Laughter.*]

Before I ask the SCDI about comments in its submission about the value of modern apprenticeships, I have a few questions of clarification about certain statistics that are cited. As a result of the step forward Scotland discussions that you had with 13 companies, you claim that those companies employ 2,000 apprentices. That sounds like an awful lot to me. Are you concerned that those 13 companies appear to have around 10 per cent of the 20,000-odd modern apprentices in Scotland, or is that what you would have expected?

Dr Sawers: We were actually pleased with the result, as it highlights an opportunity to carry out more work with major employers in Scotland; indeed, as a group, they have realised that they can play a leadership role in addressing these challenges. We are happy to give the committee copies of that research.

That was just one piece of research that we undertook, but our information is also based on a series of dialogues and discussions with our members and other organisations, working with the Scottish Government and Skills Development Scotland. Building on that, we have continued to work with those major employers over the past 12 months and have started to see various opportunities in their supply chains. As we know, modern apprenticeships are not all linked to construction and trade—there are office space apprenticeships, for example, and social media apprenticeships are being launched—but although we have a broad range and variety of apprenticeships to cover the various roles that young people might play, there is a limit to what the major employers can do with regard to recruitment. However, they have recognised that they can add value to the Scottish economy by

supporting their supply chain and getting a number of the smaller companies that lie within it to take on more modern apprentices and young people.

I will cite two examples. Just last week, BP brought together 45 of its strategic suppliers and all of those organisations, which are quite significant companies in the north-east in their own right and already employ significant numbers of apprentices, committed to doing more to bring more young people into the workforce. BP realises that such a move will have a cost both to it and to the businesses that supply it, so we need the development agencies to come in and help; indeed, Skills Development Scotland has committed to work with that supply chain. Although BP acknowledges that it might have to pay a price with regard to the competitive tendering process and what it pays for goods and services, it recognises the importance of having responsible suppliers in its supply chain that are doing their bit for Scotland and its young people.

Secondly, when I visited Standard Life earlier this week, David Nish told me that he realises that he draws very heavily on the Edinburgh workforce. Working with the City of Edinburgh Council and its Edinburgh deal programme, the company has committed to a recruitment programme specifically targeted at the under-18s and is working with its supply chain—for example, the cleaners and caterers—to ensure that those businesses not only employ more young people but pay them the living wage. Standard Life recognises that that will have a cost, but that is part of its commitment not only to the future of its business, but to the young people of Scotland.

A lot lies behind the figures in the submission and we believe that a lot more can be done if we can bring together Scotland's major employers—including, say, Asda, which was represented in the previous evidence session—and have one focused approach and campaign to help them to support their supply chain and make a real difference.

As we have heard, the small businesses face a lot of challenges, but the bigger companies can offer resource in the form of their human resources people and their training facilities. They are all happy to do that; we just have to point them to where that can be delivered to best effect. I am sorry for the length of that answer.

12:00

Michael McMahon: No, that is fine.

You touched on a theme that I have picked up from the evidence that we have taken, which is the need to change attitudes to what training we consider to be valuable. One thing that we might have to address is people's perception of what an

apprenticeship is. I know what I went through as an apprentice. The equivalent of that is a level 3 Scottish vocational qualification, which we still have. However, the gaining of a level 2 SVQ is now counted as a modern apprenticeship. Perhaps it is snobbishness or perhaps there is just a lack of understanding of the value of people's ability to get a modern apprenticeship at a level below what we always considered to be the level of a standard apprenticeship. About 60 per cent of modern apprenticeships now fall outwith what was the traditional apprenticeship. How do we overcome negative attitudes to the value of an apprenticeship that is not at the level of SVQ that we previously understood to equate to an apprenticeship?

Dr Sawers: There is an issue with selling apprenticeships as opposed to a career in further or higher education. I also think that, as emerged earlier, we have a job to do in selling the opportunities that exist in particular sectors. What I call the Cinderella sectors contribute hugely to the Scottish economy, particularly in rural communities. We have tourism, retail, call centre outsourcing and construction. We must do more to make young people themselves and those who influence them—careers teachers, schools, their parents and their peer groups—recognise the value of the career paths and the life-changing opportunities that can exist in those sectors.

We know that Skills Development Scotland is already doing a lot. Young people want to engage. I am conscious of talking about young people as if they are a group that we do things to, but we do a lot of work with young people. Through organisations such as City Building, we spend a lot of time talking to the apprentices and involving them in our research and our work, so it is not just a top-down approach.

Leaving that aside, SDS has created my world of work, which is based entirely in social media. Its purpose is to offer practical careers advice that makes younger people and their peer groups more aware of the opportunities that exist in sectors that they will not have spoken about. We think that there is a job to be done to link the curriculum for excellence with the economic opportunities that exist in certain sectors and to ensure that we put in place role models and careers advice. That process should start way back—in primaries or secondary schools—so that we make young people and their parents aware of the opportunities that exist in construction, outsourcing, retail or tourism.

It is a question of joining up the whole spectrum of assets and resources that we have to best effect. The issue is all about jobs and growth, but we must ensure that the whole supply chain of Scotland plc is focused on working to best effect.

Gareth Williams: This year, we brought along a couple of apprentices to speak to the private and public sector leaders who gather for our forum. The pride and the confidence that those young people had developed on the apprenticeship programmes was startling to everyone who was at the conference. We need to find a way of bringing the young people who have been on those programmes, who have developed their skills and who have seen their horizons broaden out of all recognition back into schools to speak to other young people. We also need to get them to communicate, as far as is possible, with their parents, so that they sell the benefits of apprenticeships. We want the transformation to be highly visible to all those who have an influence on young people's choices.

Elaine Murray: I want to address your comments on how you would support the sort of people who we were talking to earlier. There was definitely a feeling from some of those businesses that, because they were small, they were not supported. They did not know where to go to get advice about taking on a young person or an apprentice or whatever. They did not know how they would deal with the bureaucracy of that or how they could find out whether their growth plans were sensible. Who would be there to advise them?

I have known Tricia Hunter for a long time and I know that she has been growing a business for a long time. She has grown by training up young people and taking them on. I am sure that she would not mind my saying that she feels that she got a lot of support when she was setting out. However, as a small company in a fairly rural area, when she began to grow, she felt that Scottish Enterprise was not all that interested in little companies such as hers.

Is it a misconception among smaller industries and enterprises that Scottish Enterprise and HIE will not be there to assist them?

Julian Taylor: I have huge sympathy for any individual who feels that what they perceive as the system has let them down. If that is how they feel, that will be desperately important to them. We try to analyse the situation to find out, first, whether there was a service at all and, secondly, whether there was a gap between services.

By talking to a large number of existing customers and businesses that are potential customers, we have found that they are aware of the services that are available and that there is not a gap between—in that circumstance—the business gateway and Scottish Enterprise. There will always be one or two people whose experience is different, but the evidence suggests that such a gap is not there.

However, because there are those perceptions, we ensure that we keep the research up to date. We are trying a range of new and innovative ways of ensuring that the services that are available reach everybody who wants and, to be honest, needs them. Although there was the criticism that just putting something on the web does not make it work, we want to ensure that there is a portal for all contact for any business that feels that it has to engage with the public sector. We are trying to ensure that all web presence happens through a one-stop shop, which should simplify processes. Taken to its natural conclusion we hope that that will reduce bureaucracy—one form instead of 100, if you like. That is a really powerful web portal that will ensure end-to-end service provision.

In addition, last week we launched a new campaign in the business media to try to reach out to companies that feel as if they have growth potential but have been unable to find a way to realise a campaign. It is about helping companies say yes to growth. That is desperately important in these times. Someone mentioned the spirit of confidence—a business may have resources and ideas, but it is not so sure about whether to take the next step.

In summary, our evidence suggests that there is not a gap in service, but we fully recognise that personal experiences may contradict that and are trying more ways of reaching those sorts of customers.

Charlotte Wright: From HIE's perspective, small business is not the issue; it is about the ability of a business to grow. For HIE, in a rural area, that might be growing from two people to three people. If such growth is significant in that sector, community or geographical area, it represents the kind of growth that we want to support.

On the issue of employability, through our graduate placement support programme we incentivise graduate placements for social enterprises and for the more rural areas. That makes it easier for those types of businesses to access that kind of support.

Again, it is not just about those that we account manage. As well as working more intensively with businesses that are account managed, we deal with, and are more than happy to deal with, a number of businesses that have a one-off growth project that we can help and support through finance or advice.

Elaine Murray: You only account manage the slightly larger companies; you do not account manage very small companies.

Charlotte Wright: Just to clarify, we account manage companies that have ability, capacity and growth potential. The key criterion for account

management is that ability to grow and perhaps go a stage further. A point that was picked up earlier is that often, particularly in the current economic circumstances, a business might be in a phase of what I would call thinking about the future. We would still be there, supporting them while they are getting ready for that opportunity for the growth to come, which might be when their bit of the market picks up.

It is about working with not just actively growing businesses, but those that will grow over the next couple of years. In fact, it is generally a great opportunity to work with a business on its strategy development, its management and leadership capacity and the types of support and advisory programmes that will enable it to be more resilient and to take better advantage of the opportunity to grow, when that occurs.

Elaine Murray: Will a small business that feels that it has the potential to grow and might want to take on a young person but does not really know whether it is going about things the right way be able to come to your door and speak to someone who can give them that advice, tell them about the bureaucracy that they might have to go through or point them in the direction of who might be able to support the young person in the first stages of employment? After all, people who want help quite often want to chat to a person, not use a website.

Charlotte Wright: I understand that. I guess that our role in that respect is to ensure that we work with business gateway, because that is the continuum of support. If the business in question is not one that we are working with, it will generally go through business gateway's door to begin with; however, as Julian Taylor made clear, we must be able to give anyone who comes to us some advice, even if it is only to signpost them to a partner such as business gateway. Your point about people getting some human contact and feedback in the process is certainly important.

Paul Wheelhouse: I want to raise two issues, the first of which relates to growth sectors. In its submission, HIE stresses the importance of developing such sectors, particularly "distinctive regional opportunities". When we took evidence from Lord Smith on the findings of his group's report, we discussed the challenge faced by rural economies, not just those in the Highlands and Islands but all over rural Scotland. Although those areas produce good-quality school leavers and graduates and skilled college leavers, they are quite poor at retaining them, because they simply cannot offer employment of the calibre that those graduates require.

Before I ask about the Nigg skills academy, I should perhaps highlight the example of the Scottish borders knitwear group training association, which is a group of employers who,

with the support of Creative Skillset and SDS, have created a pool of apprenticeships. I wonder whether Charlotte Wright is aware of similar examples in the Highlands and Islands. Secondly, can you explain why you think Nigg skills academy is so innovative? Obviously, the sector has fantastic growth opportunities, but can we learn anything specific from your model?

Charlotte Wright: I will try to deal with all those questions. First, retaining young talent in rural areas is definitely a challenge. The phrase "distinctive regional opportunities" that you highlighted with regard to our growth sectors strategy is certainly very important to us, because it is all about demonstrating where in the Highlands and Islands there might be added opportunity or value. With regard to food and drink, for example, the aquaculture sector has been really important in providing employment in rural areas; by its very nature, it tends to be centred on the north-west coast and can offer quite a significant range of opportunities, from scientific posts through to fish husbandry. Salmon has phenomenal export value and its very good performance over the past few years has certainly played back into Scotland's economy.

Another example can be found in life sciences and the use of natural products such as seaweed. The Scottish Association of Marine Science, again on the west coast, is carrying out some fantastic science and we are building a marine science park around that facility to exploit pharmaceutical and nutraceutical opportunities in seaweed as a natural product. We are trying to make connections between our resources and how they might play into economic opportunities.

12:15

The story of the Nigg skills academy follows on neatly from discussing how we use natural resources for renewable energy. I am sure that a lot of you are familiar with the oil fabrication yard at Nigg. It was fantastic to see that brought into active ownership by a significant Highlands and Islands company, the Global Energy Group. It challenged us about the difficulty that it foresaw for the future in finding the right level of skills to deal with not only opportunities arising from the current oil and gas sector, but those just around the corner in the renewables sector.

The Nigg skills academy involves a joint approach by Global Energy from the private sector, SDS, the Scottish funding council, North Highland College and Highlands and Islands Enterprise to develop a model for accelerated skills training. What is unique about the skills academy is that it is on-site at Nigg, so that from day 1 the trainees go into the canteen with the guys who work in the yard and get used to the

work environment; it provides 12 weeks of accelerated classroom-based training along with on-site training, which takes the trainees forward very quickly; and as an entity the skills academy offers employed status from day 1, which I suppose to a degree de-risks the training from the private sector's point of view.

The skills academy is very much a development model. We are working with Global Energy as a private sector partner, but we are interested in how the model might be used not only in other parts of the same sector but in other sectors and in other parts of the country. We have had over 3,000 applications for the skills academy and I am pleased to say that, although I have not analysed them all, they seem to be of exceptionally high quality. I met the chairman of Global Energy at an Inverness Chamber of Commerce dinner last week, and he told me that he was absolutely delighted with the level and quality of interest in the Nigg skills academy.

I am happy to provide more detailed information to the committee on the academy. What is important is not where we are at the start of the process but the end product that it leads us to, which is the retention of skilled people in the jobs that they have trained for.

Paul Wheelhouse: That is a fantastic example for modern apprenticeship week.

The Convener: I think that Dr Sawers wants to add something.

Dr Sawers: The sector approach is effective, but we also need to consider a geographical approach. We must recognise that there are specific employment needs in specific localities. For example, for the financial sector in Edinburgh, the local authority is doing work through the Edinburgh deal to encourage more people into financial services at what is quite a tough time. In Glasgow, investments linked to the Commonwealth games provide a lot of construction opportunities. Glasgow City Council is doing a lot of good work with the City Building organisation in that regard. In the Western Isles, Skills Development Scotland has recognised that the opportunities there lie in agriculture, fishing and tourism. It is working with small local businesses to ensure that they support young people to get jobs in those sectors in specific localities. We must cross-cut sector by geography.

Paul Wheelhouse: The witnesses' comments show that there are good opportunities on the basis of both sector and geography. Unless Mr Taylor wants to comment, I will move on to the issue of social enterprise.

Julian Taylor: I will bring the two themes together. It is important to see the sector opportunity at a Scotland-wide level and to play it

out at a local level. We know that the geography varies, but the Nigg academy is complemented by similar activities, such as steel engineering in Renfrewshire. We are seeing fantastic pockets of such examples. The industry leadership provides the opportunity to bind all that together to maximise the output.

Paul Wheelhouse: We might assume from the evidence that we have just heard that the individuals benefiting from sectoral opportunities are necessarily all good-quality applicants, although I appreciate Charlotte Wright's point in that regard. However, in the example of textiles in the Borders, 80 per cent of those recruited were Jobcentre Plus clients. A number of people who are finding their way in are quite distant from the labour market or are long-term unemployed young people. It is therefore not always as simple as that the growth sectors are taking the traditional, good-quality school leavers.

I want to move on to the social enterprise example. We have focused a lot this morning on those who are more distant from the labour market. HIE account manages social enterprises and it may well be that Scottish Enterprise does that as well. Can you comment on that as a vehicle in the context of some of the challenges that we face?

We talked about the fact that private sector businesses are set up to operate on a profit model. The cost of providing training opportunities and of the downtime that is involved in training people is a big factor. It is clear that social enterprises also have to wash their faces and to survive financially, but they have a more socially focused model. Is there a lesson in how successful social enterprises might be as a vehicle to get more young people into employment?

Charlotte Wright: I am sure that there are brilliant examples from social enterprise across the whole country, and we put one or two examples in our submission. A really good example is New Start Highland, which is a fantastic company. It employs 50 people, so it creates employment, and it supports training annually for about 100 people who are challenged in accessing the labour market. That company does a wide range of things that include reusing furniture and developing skills.

There are a couple of points from our experience. You are right to point out that social enterprise must wash its face, so a lot of our support is business support. It is important to support social enterprise on how to operate in what are often highly commercial sectors, while addressing the twin aims of a social remit and social responsibility. Those aspects are important to us, particularly in rural areas, where opportunities and chances are limited and delivering such things is important.

Often, a social enterprise is the only response that provides an important sector or service in a rural community, because the commercial sector is unable or unwilling to respond. A number of factors that are at play intertwine social and economic aspects.

From a Highlands and Islands perspective, that pretty much sums up what we think is important. We must look at what we are doing for the economy, but we often need to work with the community and social considerations to take a holistic approach.

Julian Taylor: The position is similar for Scottish Enterprise. We recognise that the evidence suggests that social enterprise organisations are better able than private sector employers are to help to recruit people from disadvantaged backgrounds who have suffered long-term unemployment. Because of its growth potential, we account manage the Wise Group, for example, which is one of the most significant players in the social economy.

Another organisation with which I have worked closely—I will not mention its name—has a global presence. We are helping it to anchor itself in Scotland. That is a social enterprise organisation that can represent Scotland across the world, so that is turning the tables and is seen as a genuine asset.

John Mason: I will follow up what Elaine Murray asked about—the idea of whether a gap exists in which some organisations and businesses are not getting support. I agree with the theme of growth for HIE and Scottish Enterprise—I am absolutely committed to that and all the rest of it. I understand that business gateway applies more at the beginning of organisations. Where do companies go in the middle?

Let us say that I have a company with 58 employees that is having a bit of a struggle, downsizing and just trying to keep going and that the bank is not being very supportive. The last thing that I want is for those 58 employees to lose their jobs—that is part of employability for me. To whom is such a company meant to go for support?

Charlotte Wright: I will respond but, if the committee talks to business gateway representatives, they can explain their role more fully. In theory, business gateway is there to support and help existing businesses as well as those that are in the start-up phases—that is part of the remit. I know from what we have worked with recently in the Highlands and Islands that the picture that you described is important. Perhaps the word that applies is “resilience”.

I described working with businesses that have growth potential but are not in the growth mode at this moment. Supporting them can be important,

because such a company might be challenged by something specific now. If we assist a company to get over that, the growth opportunity is waiting round the corner.

It is equally—or more—important and perhaps better value for money to protect and retain jobs than to create new jobs. We must continue to gather business intelligence about what is happening in our communities, so that we are as close as we can be to those pictures and so that we can refresh and update our response to the challenges for businesses across the board.

Julian Taylor: I echo that general ethos. Just to be clear, all businesses are important to Scotland. Most businesses do not need public sector support most of the time. Most businesses can get public sector support when they need it through the business gateway, through Scottish Enterprise or through a variety of other organisations and agencies—whether that is the regulators or the development agencies. Most of the time that system works.

I referred to the notion of account managed companies—2,000 really high growth potential companies. Well beyond that, we work with 10,000 companies, typically on specific issues, and access to finances is definitely an issue at the moment.

The committee took evidence from Philip Grant and one of his messages was about the collaboration between his bank, Lloyds, and the development agencies.

John Mason: I am basically happy with the support that you give, including support for some companies in my constituency, which is good.

Although you say that there is help out there, I am focusing on the companies that have gone for maybe 40, 50 or 60 years on their own and have done quite well. It is just during this current spell that they need help and they do not know where to go. That ties in with a point from paragraph 18 of the SCDI submission:

“Employers can be confused and frustrated by the diverse and increasing range of incentives and programmes available”.

Can any of you suggest how we can make that better?

Dr Sawers: Some of the work that Skills Development Scotland is doing that was mentioned earlier will go some way to making it better.

We cannot look just to the public sector to solve all the problems for the private sector. Organisations such as the chambers of commerce and the FSB have their own roles to play to ensure that we are cascading and educating the business

community as much as signposting it to where it can get help. It is a case of us all working together towards a common objective and ensuring that that information is clearly communicated and available for us to distribute to our various members and stakeholders.

We also have to encourage companies in relation to training and development, because we are talking about entry level jobs. We have an ageing workforce and people have to work longer. We are also finding that within companies the space and the opportunities are not being created, because people are not leaving by taking retirement or going on to new jobs. We have to ensure that we are upskilling within businesses in order to create entry level jobs that young people can come in and take. We need to take a more complex approach to business support.

Gareth Williams: In our research—we will leave a copy of it—we list all the various programmes that those 15 or so companies that we brought together had utilised or were utilising. There is a vast range of programmes—no doubt they are all doing good jobs in one way or another, but it is complex.

Julian Taylor referred to the Scottish Enterprise research on whether there is a gap between the business gateway and account management. One of the things that I remember from that research was a table being produced on every local authority in Scotland and all the various bits of support that they offered to businesses. I cannot quote from it, but there was a column on employability, for example. Some local authorities had five separate programmes in that area. Others might have one. In another area that might be completely reversed.

John Mason: How do we make that better? Do we tell the local authorities to stop that?

Gareth Williams: There needs to be some element of flexibility for local authorities to take into account the circumstances in those areas. However, it would be useful to get to the bottom of it, because businesses do not always recognise local authority boundaries and that can add to the confusion.

John Mason: Thank you. My final point was to do with paragraph 20 in the SCDI submission. It talks about the benefits system and

“household fear that there would be an impact on ... wider welfare benefits”

if a young person in the family took up an entry level job.

I do not know whether the SCDI was referring to the previous system or to the changes that are being made. Does the SCDI feel that there will be no difference, or that it will get better in future?

12:30

Dr Sawers: I am glad that you asked that, because although I am conscious of the time, that is one issue that we would like to cover. The challenge is not just a Scottish one; it is a UK-wide issue. We encourage the committee to look at best practice in other parts of the UK. Most importantly, the committee should recognise the role of the Department for Work and Pensions and the complex decisions that are made at household or community level by many young people.

The committee should also recognise that it is a multi-agency issue. As well as Scottish Enterprise and Skills Development Scotland, national health service and justice agencies operate in this space. That goes back to the point that we need to be more effective at joining up the dots in the support that we offer and we need to ensure that the support is tailored to suit particular communities, households and individuals. The system should not work against people seeking employment. We are not saying that we have such a system, but we must ensure that all the agencies offer the best support. No one should be disadvantaged as a result of taking a job.

The Convener: Can you provide us with examples of best practice? You do not necessarily have to do that now—if you could supply them in writing, that would be appreciated.

Dr Sawers: We are happy to get back to the committee on that. We are aware of some initiatives. One of the earlier witnesses mentioned a particular project, but we are aware of others.

Gavin Brown: I have a couple of brief questions. Paragraph 25 of the SCDI submission talks about a procurement system that

“produces secondary benefits in skills and employment.”

You suggest that the proposed sustainable procurement bill can assist with that. Will you expand on that and give us more specifics? I am sure that you will provide a more detailed submission in due course, but is there anything obvious that jumps out that ought to be done?

Dr Sawers: One example that we would want to bring to your attention is community benefit clauses, which have been used to fantastic effect in Glasgow. We can provide you with figures on that. We have worked closely with the procurement team for Glasgow 2014 and with Glasgow City Council. That approach is delivering real and immediate benefits, to the extent that the social enterprise sector is considering social clauses in public sector contracts, and organisations such as BP are considering how to use community benefit clauses commercially to ensure that we not only create jobs, but keep those jobs for Scots.

Julian Taylor: To build on that, in the major grant schemes that we administer, we cannot necessarily have conditions on grants to employ young people from a certain area but, in talking to employers with whom we make major grant investments, we say that we expect them to make their best endeavours to employ young people and to work with partners to think who those young people might be. That is certainly a step in the right direction.

Gavin Brown: My second and final question is aimed at Julian Taylor. The no-wrong-door approach is a terrific concept, but how successful has it been in practice and what needs to happen to make it even better?

Julian Taylor: I have used the word “evidence” several times so, as I do not have the evidence to hand to say how successful that has been, I will not make something up. We need leadership commitment to that. As recently as this week, we had a joint leadership team meeting with Skills Development Scotland to ensure that, when we say something like that, we actually mean it and we follow through so that staff on the ground get a genuine sense of the commitment. The principle is that we need absolute leadership commitment to make that happen.

Charlotte Wright: It is important that we ensure that there is close liaison between the business gateway and Highlands and Islands Enterprise or Scottish Enterprise. In a number of places in the HIE area, the business gateway and our area office are co-located, which we find makes the flow of information much easier.

Mark McDonald: My interest was piqued by the mention of emphasising the value of particular career paths, as I have beaten the drum on that in previous evidence sessions. When I was growing up, we were told that we would end up doing certain jobs that were seen as undesirable if we did not stick in at school, so a stigma was attached to those jobs. It was assumed that people did those jobs because they had not stuck in at school and had not got qualifications, and that they were somehow dead-end positions.

We need to get back to emphasising the value of employment, rather than saying that certain jobs are less desirable than others. We need to make it clear to people that just because someone does a certain job, they are not necessarily a failure. Obviously, we have a role in that, but what role does business have? Employers often say that the reason why certain people do such jobs is that there is no interest among the local population to do them. How do we get away from that kind of distinction and ensure that we emphasise the value of just having a job?

Dr Sawers: I would come at the issue a bit more positively and say that we have to start selling the economic opportunities that we have in Scotland. I have been close to that subject through VisitScotland, and retail and tourism are good examples to pick. There are huge opportunities in the investment linked to the Commonwealth games, the Ryder cup, and our bid for the youth Olympics. We have a real opportunity to make those career destinations of choice. The business community has a lot to do and retailers, VisitScotland and other agencies are starting to promote the vast array of careers within those opportunities. We must also start to change the attitudes of careers advisers and of schools; more positive role models have to go in to talk about the global careers that people could pursue if they go into such jobs. We should not position any job in Scotland as a job of last resort and say to people, “That’ll do you because you’re not good enough to work elsewhere.”

The private sector, the trade associations and other organisations need to take a joined-up approach. Information and communications technology faces a challenge in getting young people to pursue careers in computing and technology, which is unbelievable. We know that the oil and gas sector faces challenges in getting people to come up to Aberdeen. We need to take a joined-up approach and use all our resources and assets to talk up the existing opportunities.

Gareth Williams: We had a meeting with Skills Development Scotland the other week to talk about what the growth sectors in employment are likely to be. The two in which we agreed that we could almost guarantee growth are social care and the low-carbon economy. We do not really think of social care as a key sector in any way but perhaps we need to do so, given the role that it might have in supporting the wider economy through direct employment and by taking care of the need of individuals in other areas of employment to have their relatives supported in some way or other, thereby allowing them to take advantage of opportunities in their own careers.

We need to be conscious of the language that we use in relation to that. Businesses in the private sector might not have been aware of the importance of social care and we must ensure that its role is more widely appreciated by them and within society more generally.

Charlotte Wright: I want to add to Lesley Sawers’s comments about the role of industry leadership and the fact that any role or job is part of a career progression. It is important that we can paint a picture of that career progression, which might not be the traditional one of taking a series of steps with one employer; instead, the initial step into the employment market might open up

opportunities for career progression within a sector or across sectors. There is a strong role there for industry leadership in ensuring that what might be seen as entry-level or the least attractive jobs are part of the overall progression into the employment market.

Mark McDonald: Just for clarification, I was not suggesting that I view those jobs as dead-end jobs; I was simply saying that that is often the perception that exists out there.

In our earlier evidence session, David Paterson from Asda commented on the fact that Asda's chief executive started as a shelf stacker. Do we make enough use of people like that or of people such as Jim McColl, who did not go through further or higher education but is now one of Scotland's top job creators? Those are positive examples that show young people that while they might go into the workforce at a certain level, if they have the ambition and the drive, there is nothing stopping them getting to that kind of position in the future? Maybe we need to do more to sell that message to young people and take advantage of such people in the business community.

Dr Sawers: I agree. We must also recognise that there are a lot of unsung heroes: the guys who give up their time to train apprentices and mentor people in schools—many people across Scotland are doing a lot of work. We should also not forget the absolute importance of young people selling this to their peer group. Those apprentices are probably the best sales tools that we have, when we send them into school to talk to their peers about why they are better off taking a job than sitting playing video games or watching TV and not making the effort.

Mark McDonald: I noticed that the final paragraph of the SCDI submission mentions "experience requirements", which I and other members hear a lot about. People say that they have applied for a number of jobs but keep getting knocked back because they do not have the experience, and they ask how they can get that experience. Is there a need for a strategy that gives people the opportunity to get their foot in the door and develop some experience that will stand them in good stead for the future, rather than just telling people that they are not ready because they do not have the experience?

Gareth Williams: It is a hugely complex area, on which we have heard a lot of relevant views this morning. As a development agency working with companies, we are trying to stimulate an awareness and emphasise the importance of opportunities for things such as well-managed work placements. However, the regulation and management of work placements lie elsewhere, so we need to ensure that the whole system joins up,

principally with the local authorities and the education system. That is where some of the perceived burden of the process lies.

Dr Sawers: It has become apparent from our work with the major employers—and this goes back to Michael McMahon's point—that many of them recognise the need also to look at our recruitment processes. A lot of companies have recruitment processes that are based on recruitment models of the past, which are now probably not fit for purpose because of the skills set that many young people are potentially bringing to the workplace. Young people are much savvier about social media and they are much more connected. They have a range of different skills, but recruitment is still based very much on traditional values. Certainly, at the event in Aberdeen, a number of employers said that they were starting to operate almost a try-before-you-buy system, which gives people the opportunity to come into a business on a short-term basis, giving the business a chance to assess them effectively and allowing young people to find out whether it is the place for them. For some of them, it is not, and in those cases the business assists them to find more appropriate employment with someone else. It is about flexibility and changing the mindset in relation to recruitment.

The Convener: I thank colleagues for their questions. We have talked a lot about economic growth, Scotland's great potential and the need for young people to appreciate the role of work and what work entails, but we have skirted around the key issue that we set ourselves at the beginning of the session, which was how to improve the employability of individuals who experience high levels of multiple deprivation. We have skipped over that a wee bit, so my last question is to ask each of the witnesses to give an example of exactly that: how we can improve the employability of individuals experiencing high levels of multiple deprivation? Economic growth can come from higher productivity from individual workers and picking up the existing slack in the workforce, but how can we bring people who, in effect, face a lifetime of worklessness into productive employment?

Julian Taylor: Had Paul Wheelhouse not mentioned the Borders knitwear example I would have used that, because it is a genuine collaboration between the public and private sectors, based on industry leadership and with real industry ownership. It simply would not have happened had the businesses in the area not recognised both the problem—and the opportunity—and worked collectively with the public sector to fix it. As the convener said, it is not just about taking the people nearest to the labour market; it is about taking those further from the labour market, so that businesses can face the

problems that they understand deeply, not least of which is an aging workforce. Those principles of genuine industry leadership, a holistic view and absolute collaboration between the public and private sectors can definitely be applied elsewhere, but the whole challenge is very long. As someone mentioned this morning, it goes from early years intervention through to internationalisation and company growth. The more that we can do to join up that chain, the better. There are examples of where it is starting to work and perhaps we need to do a little more analysis of those examples. We would be happy to present you with some cases of where it is working really well.

12:45

Charlotte Wright: I had hoped that some of the specific examples of what we are doing with social enterprises might have addressed some of those questions. A different kind of response that might be helpful is the work that we are doing with the business process outsourcers—big companies—to pilot home working, so that people in rural and challenged communities can work for companies such as Vertex or BT from home. That assists people with childcare issues or who have difficulty getting to the big centres or towns where employment is available, which is a particular issue in the Highlands. Vertex and BT have mainstreamed that homeworking model, and we are doing a lot of work around talking to other companies about that model.

That kind of approach could roll out across Scotland, which would be of benefit not only to rural areas but to urban centres, where many of the challenges about working away from home apply equally. There is a lot of potential for using approaches like that to create new ways of delivering employment opportunities.

Dr Sawers: The example that I would cite is City Building, which shows how the multi-agency approach can be joined up and linked into commercial contracts with community benefit clauses. That can result in a workforce that is engaged in supporting young people and delivering for them. It is very much focused on the local needs of the city and the communities that it serves. Best of all, it is a social enterprise that generates a profit that it reinvests in its programmes. City Building is not only a good example for Scotland; I think that it would stand up at a UK level as a way of tackling multiple deprivation and finding career opportunities for young people and a range of other excluded people in society.

Gareth Williams: We must recognise that high levels of graduate and other forms of unemployment are putting pressure on the people

queuing behind them in the labour market. We have to try to take action across the board if we are going to take pressure off the most disadvantaged people.

Our submission refers to the Organisation for Economic Co-operation and Development's work on the attainment of pupils in the most disadvantaged areas. There is merit in considering that work. There is a recognition among people in some parts of industry, particularly the oil and gas sector, that they have not done enough in schools and that, over the years, they have been content simply to compete by paying high wages instead of priming their own pipelines. That is now being addressed. A lot of private sector funding is coming into our young engineers and science clubs. We find that the hands-on approach and the less structured environment of those clubs help pupils who do not see themselves as particularly academic to become engaged in learning and find a way of learning that suits them. I know that a lot of similar activities are going on in schools.

As has been said, we have to focus on primary schools and secondary schools if we are going to address this problem in the long term.

The Convener: That is helpful. I thank the witnesses for their evidence.

As we are going to deal with items 3, 4 and 5 in private, we will now terminate the public session.

12:48

Meeting continued in private until 13:08.

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