



The Scottish Parliament
Pàrlamaid na h-Alba

Economy and Fair Work Committee

Graeme Day MSP
Minister for Higher and Further Education; and Minister for Veterans
Scottish Government

27 May 2025

Dear Graeme

Skills Policy and Delivery in Scotland

Concerns about Scotland's skills pipeline and the reduction in workplace learning have featured in much of the evidence received by this Committee during inquiries to date. Recognising the shared interest in skills, the Economy and Fair Work Committee and the Education, Children and Young People Committee considered joint work to look at Scottish Government policy and skills delivery together. However, due to scheduling challenges, it was agreed each committee would undertake work separately and share relevant evidence and findings.

The Economy and Fair Work Committee recently took evidence over five meetings with employers and stakeholders to consider actions needed to meet industry demand for skills in Scotland, including green skills. Members also met with apprentices at Lothian Buses and Ashleigh Building. The Committee's opening session was with James Withers, followed by Skills Development Scotland (SDS).

Evidence heard by this Committee overwhelmingly emphasised the importance and value of workplace learning, both to employers and the workforce. Workplace learning is key to upskilling and bridging current skills gaps, boosting productivity and supporting sustainable economic growth in the new-tech era. The Committee is looking to the Scottish Government to drive action to create an improved culture and environment in Scotland that will promote, support and embed workplace learning.

The ECYP Committee is considering the Tertiary Education and Training (Funding and Governance) Bill. The Economy and Fair Work Committee has no formal scrutiny role. The Committee's evidence sessions covered the skills development landscape. Nevertheless, given the timing of the sessions, much of the evidence received was relevant to consideration of the Bill. The Committee agreed to bring its evidence to your and the ECYP Committee's attention for stage 1 consideration of the Bill.

Contact: Economy and Fair Work Committee, The Scottish Parliament, Edinburgh, EH99 1SP. Email: economyandfairwork.committee@parliament.scot. We welcome calls through Relay UK and in BSL through Contact Scotland BSL.

Apprenticeship funding

Apprenticeships are key to workplace learning. In Scotland, there are three types: foundation, modern, and graduate. Foundation apprenticeships for secondary school students, modern apprenticeships for aged 16 and older, and graduate apprenticeships for pursuing a degree while working. The pandemic had a significant impact on the number of apprenticeship starts. Although there has been a partial recovery, the number of modern apprenticeship starts in Scotland in 2023/24 was 25,265, below the peak of 27,875 in 2019/20. The number of graduate apprenticeship starts has stayed at around 1,160 each year between 2019/20 and 2021/22, with foundation apprenticeships at just over 4,000 between 2019 and 2021.

The Scottish Further and Higher Education Funding Council (the SFC) and Skills Development Scotland (SDS) are each responsible for delivering funding for different parts of the apprenticeship system. Funding for foundation apprenticeships is split between the two, modern apprenticeship funding sits with SDS and funding for graduate apprenticeships sits with the SFC.

Most witnesses felt that collection and distribution of the apprenticeship levy in Scotland lacks transparency and has undermined employer confidence and trust in the system. The Committee notes that in Scotland, the maximum amount of funding for an apprenticeship is £10,800. In England there are some levels / sectors which attract funding above this. Consequently, in Scotland, some apprenticeships require higher employer contributions, a point highlighted by witnesses. SCORE noted that when English companies overspend their apprenticeship levy funding, they pay only 5% of the overspend, in effect a further subsidy. Against that, it was recognised that apprentice retention rates are higher in Scotland and there had been a significant fall (40%) in the number of apprentices trained in England since the levy was introduced. **The Committee asks the Scottish Government to clarify the amount raised by the apprenticeship levy in Scotland and provide a breakdown of how it is allocated in Scotland.**

Demand and opportunity for apprenticeships

Demand for apprenticeships is considerably higher than available supply. For example, there is an oversupply of people who want to join the construction industry. The construction industry has its own training board, but the Committee was told funding is a constraint to it being able to train more people, that more college places are needed and vocational qualifications are not funded to the same level as academic qualifications.

Scotland has acknowledged skills shortages in technology, engineering and technical-based occupations. Demand for training in these areas outstrips supply and there are high volumes of applications for any apprenticeship advertised. The Committee was also told that courses for some badly needed skills are not always available. An example is stonemasonry where a college course is no longer offered as it was not seen as being economic.

Poor transport links can limit opportunity, particularly in rural locations. The Committee heard this can favour people from more affluent postcodes who, for

example, have access to private transport. Young people from rural areas often leave home at 16 to attend college to obtain qualifications. Witnesses felt more could be done to enable training to be delivered in different ways in different geographical areas. While current apprenticeship delivery does provide some flexibility, for example in length and the variety of settings where learning is delivered, the Committee also heard there is insufficient provision for older learners to retrain. A declining working age population means it will be more vital than ever that people of working age continue to gain and broaden their skillset throughout their careers, to ensure flexibility and adaptability to meet evolving employer needs. **The Scottish Government is asked what actions it is taking to improve provision for older learners to retrain.**

There were frustrations from employers about some colleges' lack of flexibility and what was felt to be limited opportunities for meaningful engagement with business. Examples included a lack of co-ordination between business and colleges on the timing of when courses are run, the availability of some lecturers and an incompatibility between college and industry timetables. It was also pointed out that construction is the biggest vocational sector under SQA but the modern apprenticeship requirement for a portfolio can create difficulties for employers in construction and engineering sectors. There is also a mixed picture on employer commitment to apprenticeships. For small and medium enterprises (SMEs) it can be challenging to provide the support and time resource needed. **What action is the Scottish Government taking now to address the concerns about the capacity and flexibility of colleges and others to respond to business need? What action is the Scottish Government taking to address concerns about the ability of SMEs to take on more apprentices, for example using a shared apprenticeship model to enable an apprentice to gain experience of more than one business as part of their learning?**

The Scottish Apprenticeship Advisory Board (SAAB) is an independent, industry-led body. Working with SDS, it provides the voice of industry when developing apprenticeships and frameworks in Scotland. The Scottish Government's Bill proposes that the SFC establish an apprenticeship committee to take over these functions from SDS. Employers told the Committee that SAAB had been an effective forum to ensure that apprenticeships in Scotland were employer-led and met industry needs. There are concerns at the winding-down of SAAB, particularly given the acknowledged importance of effective engagement with employers and industry when designing and delivering apprenticeships. **The Scottish Government is asked to set out the reasons for the decision to wind-down SAAB and what the arrangements will be during the transition period, including how SMEs will be represented. The Scottish Government is also asked to outline its proposed long-term alternative to SAAB and how it will ensure that industry and employers continue to be central to the apprenticeship system.**

School, college and University engagement

The Committee heard concerns about careers advice in schools and the extent to which pupils and adults are encouraged to study STEM subjects. Comprehensive careers advice is needed in all schools for all pupils, including better information on vocational options. More fundamentally, confidence-building, aspiration, providing

inspiration and actively encouraging and fostering entrepreneurial spirit from an early age, were all felt to be lacking in the early education system. Business is calling for more to be done to provide young people with knowledge about the world of work and what employers are looking for.

Some witnesses said there is only limited collaboration between colleges and private skills academies run by businesses and that those academies could be better integrated with local colleges. It was clear to the Committee, from several businesses that it heard from, that they have successful, purposeful development programmes to bring in and develop staff and that more should be done to share and learn from those models that work and build better links with local colleges. Peter Proud (Forrit) spoke of the good relationships his business has with SDS and Edinburgh Napier University but said it had required tenacity to make it work.

The Committee heard that graduate apprenticeships are viewed very positively. There is an industry appetite for them to be scaled up and for more incentives to encourage them. However, several witnesses suggested that graduate apprenticeships were less profitable for universities and that this could be a factor in their relatively limited growth. **What actions are the Scottish Government taking to ensure comprehensive careers advice, including on vocational careers, is available in all schools for all pupils, to support better links and collaborative working between business and colleges and to increase the numbers of graduate apprenticeships?**

Parity of Esteem

There are cultural barriers holding back work-based learning, confusion about nomenclature and what the different SCQ levels mean and the career opportunities that different sectors can provide. The Construction Industry Training Board pointed to a widely held, false perception of construction as a low-skilled, low pay sector with a poor culture and working environment. More needs to be done to achieve the parity of esteem needed between apprenticeships and traditionally academic pathways. Some witnesses told the Committee that school pupils were not encouraged to consider apprenticeships, in favour of pursuing a university degree, a mindset reinforced by some parents. It is not widely understood that a foundation apprenticeship is higher-equivalent or that the Scottish credit and qualifications framework level 6 (SCQF6) is degree-equivalent. Re-naming it as a vocational degree would provide clarity and more parity of esteem. **The Committee asks the Scottish Government to look at existing terminology and how qualifications are named and to take action to ensure greater understanding of the different levels of qualification that an apprenticeship can offer.**

Pace and direction of skills reform

The Climate Emergency Skills Action Plan published by SDS in 2020, highlighted the need for co-ordinated action to ensure skills investment needed to support net zero targets. The Scottish Government had intended to update that plan but instead, last year, advised that work on green skills would be delivered through just transition plans. **The Scottish Government is asked to set out how action on green skills**

development being co-ordinated across sectoral and place-based just transition plans and who is responsible for this.

Scotland's skills landscape is complex for businesses. Simplifying it would be welcome. However, there were concerns expressed with the direction of travel. Scottish Engineering said current reform proposals do not necessarily address industry priorities and could undermine existing best practice. There was particular concern about SAAB, the ambiguity about what will replace it and how the industry voice will be heard.

A number of witnesses highlighted the SDS strong focus on the needs of business and its understanding of industry. Witnesses were worried about a loss of focus and experience when responsibilities transfer from SDS to SFC. Witnesses also expressed concerns that a focus on colleges and universities could overshadow apprenticeships and other work-based learning and that funding for work-based learning could reduce as it would only form a small part of the total budget allocated to SFC. Witnesses sought assurances that existing positive features of the apprenticeship system would be retained in any new arrangements.

This letter sets out the main points from this Committee's evidence and the questions that have emerged. The Committee and stakeholders need a clearer sense of what the Scottish Government's priority actions are and the timeframes for them. It is important to understand what is being prioritised and why. Despite significant demand for skills, for over a decade, spending by employers has declined. It is vital that effective action is taken to reverse this trend. I expect skills to be an issue that this Committee will return to in the remaining time this session. In the meantime, I look forward to hearing from you in response to the specific points raised in this letter. I am copying this to the Convener of the ECYP Committee.

Yours sincerely,

Colin Smyth MSP
Convener