



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 26 March 2025

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

10th Meeting 2025, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

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

*Jamie Halcro Johnston (Highlands and Islands) (Con)

*Daniel Johnson (Edinburgh Southern) (Lab)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lorna Slater (Lothian) (Green)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Gordon McGuinness (Skills Development Scotland)

Frank Mitchell (Skills Development Scotland)

Lynne Robson (Skills Development Scotland)

James Withers (JR Withers Advisory Ltd)

Damien Yeates (Skills Development Scotland)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 26 March 2025

[The Convener opened the meeting at 09:47]

Decision on Taking Business in Private

The Convener (Colin Smyth): Good morning, everyone. Welcome to the 10th meeting in 2025 of the Economy and Fair Work Committee.

Our first item of business is a decision on whether to take in private items 3 and 4 and all future consideration of our evidence on skills delivery. Does the committee agree to take those items in private?

Members *indicated agreement.*

Skills Delivery

09:47

The Convener: Our second item of business is the first of a series of evidence sessions on skills delivery. The purpose of the sessions is to consider how the current skills system is or is not working and to identify the actions that are needed to support businesses and improve the skills supply chain, including green skills.

On behalf of the committee, a number of members recently visited Lothian Buses and Ashleigh Building in order to meet apprentices and staff. Many members will also have carried out individual constituency visits during apprenticeship week—in my case, I visited Dumfries and Galloway College. The visits gave us invaluable insight into the experience of skills delivery and a chance to meet some inspiring apprentices. I give a big thank you to Ashleigh Building, Lothian Buses and all the colleges and employers for welcoming us on our visits, and I thank Skills Development Scotland for organising visits during apprenticeship awareness week.

We have two evidence sessions this morning. First, I welcome James Withers, the author of the independent review of the skills delivery landscape, which was published in June 2023.

Time is tight today, so I ask members to keep their questions as concise as possible—I will fail miserably in that regard—and I ask the same of our witnesses with their answers.

I will kick off the questions. I mentioned apprentices in my opening comments. Before you reviewed the skills delivery landscape, the Organisation for Economic Co-operation and Development carried out an extensive review of apprenticeships in Scotland. How did that review influence your thinking and the work that you carried out on apprenticeships?

James Withers (JR Withers Advisory Ltd): Good morning, everyone. Thank you for having me along today.

I spent nine months inside the skills system, and it struck me that a lot of reviews were taking place not only in Scotland but internationally. The OECD's work probably shone a light on the different cultures relating to apprenticeships internationally. In Switzerland and Germany, for example, a culture of technical and vocational training is much more embedded. That is very different to where we are in Scotland. I used some of the OECD's work to look at whether any overseas models would be a better fit for Scotland, but there were no lift-in-place options. When I looked into the system in Scotland, I came across

a lot of passionate people who were doing an awful lot of great work, but the system was fragmented.

The main thing that stuck out to me about apprenticeships was that that part of the system was carved out, with a separate agency and separate funding, so it was detached from the mainstream of learning. An apprenticeship was considered to be the thing that people did if they could not go to university or collect highers along the way. The OECD's work, as well as the work that Audit Scotland had done before I started my review, emphasised some of the fragmentation that I found when I met people in the system.

The Convener: You mentioned economies that have a much higher level of apprenticeships. As well as Switzerland and Germany, there are the Scandinavian countries and others. Did you take account of that when making your recommendations?

James Withers: Yes. I felt that Scotland should aspire to having the culture that exists in those countries. I spent time with pupils in the senior phase of high school across Scotland. I was not supposed to spend much time in schools, because Louise Hayward was doing her qualifications review, but I was asked to review the careers system and the apprenticeship system, which start with high school. I found a culture in which kids had ingrained in their minds the idea that there was a golden pathway: they should collect highers and go to university, with everything else being, to varying degrees, second best. That culture has, in part, prevented us from embracing apprenticeships in the way that other countries have done.

Every year, we spend £3.2 billion on the post-school skills system. So much of the debate is focused on apprenticeships, but so little of the budget is spent on them. Only about 3 per cent of that funding is spent on apprenticeships, even though the subject dominates so much of the debate. However, I avoided going down what I thought would be the simplistic route of saying that we should just throw more money at apprenticeships, because my view is that, unless we addressed the fragmentation in the system, we would just be throwing more money at a fragmented system, and we would probably deepen the silos that already exist.

If I had wanted an easier life, I would have come to the simple conclusion that we should throw more money at apprenticeships. Some of the business community might have embraced that recommendation more, but my view is that, structurally, we need to address the fragmentation in the system rather than just take away money from some parts of the system and throw it at other parts.

The Convener: That is an interesting point. There was a lot of positive feedback on the delivery of apprenticeships, and there was a desire for there to be more of them, given that the level is still below what it was before Covid.

One of the key messages that we got from our visits was the importance of engagement with employers when it comes to influencing the apprenticeship landscape. Industry representatives were surprised by your recommendation to wind up the Scottish apprenticeship advisory board, even though your report recognises the excellent work that it has done on influencing the shape of apprenticeships in Scotland. You propose a structure of regional and national workforce boards that seems quite complex and convoluted. Why not harness that valuable contribution from employers that support the board and build on what was undoubtedly seen by them as a strength, with cross-sectoral support?

James Withers: My view is that SAAB has done a very good job in threading the views of employers into the apprenticeship system, but nobody I met in any sector viewed the apprenticeship system as working optimally. Most people were asking for radical reform. Although SAAB has done, and continues to do, a good job, the principle of stitching the views of employers and businesses into the entire learning and post-school system requires a more cohesive approach. An economic network is being built through regional economic partnerships, and skills planning is being done in those areas, so my view is that we should be stitching into the system employers' views at that level, with an overarching national employers board feeding into not just the shape and development of apprenticeships but the entire post-school education landscape.

I have described the fragmentation in relation to apprenticeships being carved out and removed from the mainstream, and I think that SAAB is an example of that. That is not the same as saying that I want to end employers having a voice in how apprenticeships are developed. It is the very opposite of that. My view is that, if we continue to carve out the apprenticeship world and view it as being separate from the mainstream of learning, apprenticeships will always be deemed to be second best or the ugly duckling in the system.

My view is not that SAAB should be culled overnight. There should be a transition, because its members have a lot of skill and passion. I met SAAB members on more than one occasion, and they are passionate people in the industry who are keen to shape the system. We should harness those skills and stitch that passion and energy into the entire system, rather than apprenticeships being separate from the rest of the system.

The Convener: That sounds very much like an industry-led approach, but you do not seem to be proposing industry-led expansion across other areas. You seem to be talking about the industry feeding into the model, but we would not be harnessing what was very much an industry-led model.

James Withers: The principle behind regional employers boards and a national employers board is about doing just that—stitching business views into the heart of the system regionally and nationally. Although SAAB was working well, I saw an apprenticeship system that was working well for some sectors but not for all sectors. The system works better for sectors that are marked by bigger employers. Those individual companies can, in some cases, take on hundreds of apprentices. However, I got the overwhelming view that the system is not working for sectors such as food and drink, tourism and hospitality or for the small independent retailers and small and medium-sized enterprises that—as the committee will know better than me—underpin a lot of the economy.

The Convener: I will bring in Murdo Fraser to follow up on some of the points on apprenticeships.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, James. It is nice to see you again.

One thing that has struck me, both from the visits that the committee has made and from our wider engagement with business, is that we have major issues with skills shortages in Scotland, particularly in areas such as the green economy. We continually hear from employers that we do not have the throughput of people with the skills they need in science, technology, engineering and mathematics and in technical subjects. There is a huge black hole that will stymie our opportunity as a country to maximise those economic opportunities, and some of that comes back to the availability of apprenticeships.

I know that you do not want to talk about the funding issue per se, but what is your sense of where we are with the availability of apprenticeship places and the opportunity and demand? Some employers have been telling us that, when they advertise for apprentices, they get a huge volume of applications and they cannot take all the people who apply. There seems to be a mismatch between the number of apprenticeship places that are being offered and the opportunity and demand for them.

James Withers: I agree with that analysis, and I am happy to touch on funding. I think that we should be spending more on apprenticeships. My point, more broadly, was that the structural deficiencies in the system need to be fixed, which

would be a longer-term process than just throwing more money at the system as it is currently built. We need to invest more in any work-integrated learning, from the senior phase in school onwards.

Although there is demand for apprenticeship places, part of the challenge is the pipeline of people—particularly young people, but people of all ages—looking to do apprenticeships. That could be strengthened by promoting greater awareness of the career opportunities and a greater sense that it is not a second-best option to university but equally valid. You will have seen, in business, the career opportunities and the quality of work that are available to people and how much of a positive destination an apprenticeship is.

I said that there should be additional flexibilities built into the system. Let us take graduate apprenticeships, for example. Manchester delivers more degree apprenticeships than Scotland does as a whole, so more flexibility needs to be built into the system. Universities should be free to determine how much of their funding goes into full-time study degrees versus graduate apprenticeships, but they do not—the funding is capped. Glasgow Caledonian University could almost certainly do more if it had greater flexibility in that funding.

There are some things that could be done in the short term to address that mismatch. However, it is fair to say that the exam question that was set for my review—“Is the skills system fit for purpose?”—required a longer-term view. Perhaps I frustrated the Government and others because, at the end of my work, I did not present the Government with a list of the things that it should be doing to fix the system now. I gave a longer-term vision—a five-to-10-year vision—of where the skills system could get to. Nevertheless, there are flexibilities that can be looked at now that do not require changes in legislation but that probably require a bit of a change in culture.

10:00

Murdo Fraser: Thank you. That is helpful.

The Government is taking forward a bill that is about shifting funding to the Scottish Funding Council, which will then be responsible for all post-school training. I think that that is in line with your suggestion. You will be very familiar—as we all are—with the crisis in university funding that we have right now. We have seen that in Dundee and we are seeing it at other universities—the University of Edinburgh is making cuts. At the same time, colleges are coming up with similar complaints. Is there not a risk that, by putting all the funding together in one place, we will see the apprenticeship funding being raided to fill the black hole in the universities?

James Withers: It is a risk. How do you mitigate that risk? You build into the culture of the SFC and the provisions in the bill—it is already there—the importance of apprenticeships. My view was that a broader dividend of bringing the funding into one place is that you stitch up the system.

I will be very blunt: a lot of the work that I did during the review and a lot of the people I met showed me two parts of the system that were—it might be a slight exaggeration to say that they were at war with each other—not playing nicely together. Higher education was busy telling me why it was a more important route than vocational training—I do not like that phrase, but I will use it because everyone knows what we mean by it—and those who were funding modern apprenticeships argued that the higher education pot should be raided to fund more apprenticeships. To me, that was symptomatic of a system that had no common definition of what good looked like and was not playing together as collaboratively as it should. My view was that we needed to get past that and put the funding into one place.

There are risks in doing that, as you are putting the provision of funding for more apprenticeships into an agency whose muscle memory is not of that route. The movement of staff and expertise from Skills Development Scotland to the SFC will help, as will very clear political and ministerial leadership on the importance of apprenticeships. However, I am alive to the risks. My view was that there is a broader dividend and that, if you want a joined-up system, you need to join it up.

Murdo Fraser: Thank you. I have one more question, which is on the apprenticeship levy. The issue keeps being raised with us by employers who are frustrated that they put money into the apprenticeship levy but do not see any return on it. Do you have a view on how we can create better transparency around where that money comes from?

James Withers: To be honest, on transparency, the only way is up. The way that the apprenticeship levy has worked in Scotland has damaged faith and trust in the system among businesses, because there is no clear line between money going in and money coming out, as there is south of the border. A new skills and apprenticeship levy is being looked at south of the border, but I have not seen the detail of that.

My general sense from businesses—in part, probably because I met a lot of SMEs that are not paying the levy—was that they were interested in having a system that was delivering for them, which they felt that they could help to shape and have their voice heard in, rather than wanting to see the pound going in and then being able to extract that pound. The issue with the

apprenticeship levy is less about ensuring that we have that ring fencing by businesses and more about whether they feel that the system is working.

The council tax might provide an analogy. The anger or concern about an increase in council tax is perhaps more to do with whether services are being delivered than with the cost itself. What I heard from businesses is that the apprenticeship levy is a little like that. There is no doubt that how it has worked in Scotland has damaged businesses' confidence in the whole system.

Murdo Fraser: Okay. Thanks.

Lorna Slater (Lothian) (Green): I have two slightly smaller questions—Murdo Fraser has been asking bigger questions.

I was an electromechanical engineer in my former life, and one of my abiding interests is in how we get an improved gender balance in the green skills area. Did you look at that? Where might the key points be in the system to address the terrible gender imbalance in things like construction and engineering?

James Withers: As I said, Lorna, I was not supposed to spend much time in schools, but I got drawn in. I had to really, and I maybe abused my remit slightly by spending a lot more time there. Since the review, even though I have had no formal role in implementation or any formal role with the Government since I published my report, in June 2023, I have spent time with headteachers, and I sense that the perception of STEM subjects and the gender imbalance that exists are quite deep-rooted at an early age. Greater flexibility for schools to shape the curriculum and to build in more work-integrated learning will help. I did not spend a huge amount of time on this, but I met a variety of different groups during the review and my instinct says that the gender imbalance in STEM subjects and others, such as engineering, is ingrained at quite an early age in school.

My sense is that, from a business point of view, because of the labour shortages that we have talked about and the burning platform of “Where are the skills?”, employers have a pretty progressive and open view about where those skills come from. However, there is an issue about what happens at school age with STEM subjects more broadly as well as the ingrained gender imbalance.

Lorna Slater: Did you look at careers advice or anything like that? One of the challenges, anecdotally, is that everybody says that careers advice is terrible. When you speak to careers advisers, they say, “Oh, but we have to be neutral. We can't direct children.” However, as you have just described, children are coming to that stage of their life, the teenage years, with ingrained biases,

and if careers advisers are not working against those biases—if they are letting the children lead—we cannot undo the damage that society has done. Would you say that careers advice is one of the areas where we may be able to make inroads?

James Withers: Yes, I would. That bias is ingrained in parents, too. That presents a challenging issue, because kids are then fighting the system in school and also, probably, what is happening in the majority of their lives out of school, in the home.

I did look at careers—it was part of the work that I did—and I saw that the careers system in schools was often not stitched into the heart of what schools were doing. Often, for kids who maybe had poor attendance and were poorly behaved, the careers service was the place they went to as an outreach—a wider extension of pupil support—as opposed to being deeply ingrained in what was going on.

I looked at the developing the young workforce school co-ordinators and the SDS careers advisers, and my view was that, although they were two distinct roles, they could work well together and be complementary to each other. I felt that skills was an area that SDS could be world leading on. If it had a real arrow-focus on skills provision, that could be game changing, but, for sure, it requires resource.

Skills provision is patchy across schools and it is patchy out of schools. A lot of the careers system is focused on young people, whether through the young person guarantee or the developing the young workforce strategy. We need to take a more all-age look at careers, not least because we have a declining working-age population. There will also be a lot of transitioning and people needing to move from existing jobs into others, so there is a need to move beyond the careers service being just a youth provision. It is not just a youth provision, but there needs to be a culture of its being for all ages.

Lorna Slater: My final question goes back to apprenticeships. How do we achieve parity of esteem between apprenticeships and the highers and university route? One suggestion that I have heard is that we should change the name from “highers” or make apprenticeships higher equivalent. What are your thoughts on that?

James Withers: Foundation apprenticeships are already higher equivalent. However, if you asked 100 young people and 100 parents whether they thought that they are higher equivalent, my guess is that over 90 would say that they are not—and no wonder: if you call something higher English and something else foundation apprenticeship, the names are a problem. The

foundation apprenticeship is a brilliant concept—I think they originated in Switzerland, and Skills Development Scotland has done a phenomenal job in embedding them—but it is a terrible name. It is not an apprenticeship and it is not foundation-level learning.

My view—which is quite radical—is that we should ditch all existing terminology and just use the levels that exist on the Scottish Credit and Qualifications Framework. It has mapped every qualification beautifully from level 1, at a very young age, through to the doctoral thesis, at level 12. Higher English and a foundation apprenticeship in software development are both at level 6, so we should just call them level 6 English and level 6 software development, even though one is currently called a higher and the other a foundation apprenticeship. It is unlikely that that will be done, though, because we have these altars in the education system that seem to be unchangeable: the four-year degree, free tuition and “higher” as a term. If the system is determined to hold on to the higher because it thinks that it is a real kite-mark differentiator for Scotland, it should just call foundation apprenticeships highers.

Lorna Slater: Thank you very much.

The Convener: My apologies to Daniel Johnson, whom I was going to bring in for a brief supplementary question after Murdo Fraser. We may jump back.

Daniel Johnson (Edinburgh Southern) (Lab): I am amused by that last comment, given some of our discussions about whether we should call them SCQF qualifications or highers. It is a good point.

I want to take you back to your proposal that we merge the funding streams, so that the funding is all in one place, to stop the either/or. We all understand the logic, but is there not a danger that we have been down that path before? The Scottish Funding Council was created through a merger of the Scottish Higher Education Funding Council and the Scottish Further Education Funding Council, yet, when we look at how the funding streams work, that merger did not produce the integration that was hoped for. Is there not a danger that we are pursuing structural change that will not actually deliver that? That way of doing things has been tried before and it did not work.

James Withers: That is where political and ministerial leadership comes in. That leadership has been absent in the skills system, and I was very clear in my review that the system had been allowed to evolve itself. There were thousands of very well-meaning people evolving it in their own ways and different agencies viewing how it should evolve, and it had just splintered into different

directions. There needs to be a very clear view from Government of what good looks like and what the system is trying to achieve, and everyone must be held to account for delivering that. That is not what we had.

The other thing that I would say about the training and apprenticeship funding is that even that was not cleanly split. The SFC was doing graduate apprenticeships, SDS was doing modern apprenticeships, both of them had a role within foundation apprenticeships, and SDS had a voice in graduate apprenticeships. So, it was already blurry and mixed. If the idea is to have different agencies dealing with different parts of the funding, we already had that.

My view was that, if you stitch it together, you will have a much better chance of achieving parity of esteem—to go back to Lorna Slater's point—and really stitching in the concept of apprenticeships, work-based learning and non-university routes to attainment. I am a huge fan of our universities, but there should be parity of esteem for non-university routes to further and higher education, and my view is that, ultimately, stitching the two into one agency is the most likely way to achieve that. However, it will require leadership. Systems evolve really well on their own, but they do not reform really well on their own—for that, they require leadership.

Daniel Johnson: Thank you.

Michelle Thomson (Falkirk East) (SNP): Good morning. Thanks for joining us. My question arguably follows on from Daniel Johnson's question.

Recommendation 1 in your report is that there should be a new culture of leadership. We have talked about leadership, but I want to probe a bit more about culture and what you have seen since you produced your report, in 2023. I assume that you meant much more than not focusing only on university degrees as being the appropriate route and much more than that it was a fragmented landscape. Given your summary that

"Culture does not shift easily",

what changes have you seen in the culture thus far?

James Withers: It is about taking baby steps. I remain concerned about the lack of courage towards wider education reform, which really matters in schools. I spent time with other people who were reviewing things at the same time as me, including Louise Hayward, who was reviewing qualifications. I thought that she came up with some interesting routes forward, some of which have, I think, been jettisoned. I am concerned that we can tweak the curriculum but, as long as the school system is either celebrated or slaughtered

on the basis of schools collecting higher grades, we are not going to make the cultural change that we need.

I would say that the Government has shown much firmer leadership. One of the challenges in Government is that there are multiple ministers who think that they are skills ministers. If you are a minister of any portfolio in the economy, you are asked about skills, so we have lots of ministers rushing to announce bits and add bits to the systems, including funds here and funds there, which can lead to fragmentation. I have been really heartened by Graeme Dey's approach as the skills minister. I think that he is the right guy for the job at the right time. He is really passionate and interested in wanting to drive things forward.

More widely, in the past 18 months, when I have not been in the midst of it all but have been an interested observer and have spent some time with the Government around the implementation of the review's recommendations, or at least been informally consulted on it, I have seen just how difficult public sector reform is. It will probably take at least five years—most likely 10 years—before we see all the benefits. In the meantime, we will see all the disruption. Public sector reform requires time and tolerance, and I am not sure that we have much of either, in all honesty. The difficulty will be in sticking to the journey and sticking to the guns. There will be lots of ways in which the system will be resisted, and those in the system who are resistant to change will find ways to resist change.

10:15

Michelle Thomson: Classic. Absolutely. Thank you very much for that.

The Convener: We have a brief supplementary from Kevin Stewart. Every time I say that, Kevin, it is not normally brief, but we will do our best.

Kevin Stewart (Aberdeen Central) (SNP): Convener, that is very naughty of you.

My supplementary is on the subject of changing the culture. Over the years, I have met quite a number of apprentices. When I ask them what they think of their apprenticeships, they say that they are not paid enough—that is always at the top of their list. I can understand that. However, the second thing that they usually raise as a bugbear is that their further education and college courses do not match what they are doing on the job. You will have talked to a lot of apprentices about that. Do you think that we listen enough to those who are in apprenticeships on tailoring courses to meet their needs on the day or days that they attend college?

James Withers: That is a good question. The system spends more time listening to the voice of employers and businesses than to that of employees and learners.

Before doing the review, I had spent my career in business representative organisations advocating for various sectors and had spent years saying, “The business voice needs to be heard.” I was clear in the review that the most important voice to be heard should be that of the learner, whether they are someone making choices in their fifth or sixth year at school, someone with care experience looking for a positive career destination or someone switching careers at a later age.

I am not sure that we spend enough time listening to learners. Good systems are in place in the apprenticeship system to capture the voice of apprentices. However, there can be a mismatch when you have, for want of a better phrase, key performance indicators or at least outcomes and process targets set for colleges, and, indeed, for universities, versus the outputs that the real world wants. There can be a mismatch in the drivers for different actors in the supply chain.

Kevin Stewart: How do we change that culture and get to the point at which we listen to the learners and apprentices, rather than listen to somebody who quite possibly has never been in the front line of the business that they are carrying out or, if they have been, they have not done so for a long time? How do we put the learner first? How do we make courses relevant?

James Withers: It is a cultural piece. Learners are less well organised than the business community. How many witnesses do you have along here who are learners as opposed to organisations such as the Confederation of British Industry, my old organisation Scotland Food & Drink, and NFU Scotland? The employer, the business voice and, indeed, colleges and universities are well organised, including quasi-politically. Learners are not; they are individuals. You were all learners. I would encourage you all to go back to the point at which you were learners. Presumably, you would argue that you still are learners.

There is maybe something about the culture and about how the system works and how it captures voices. The parliamentary system likes organisations because it is easy to access things that are organised; sometimes, groups are less easy to grasp.

It would be wrong to characterise the system as ignoring the views of learners. I do not think that that is right. I spent time in colleges during the review and was blown away by the quality, the passion and the energy of what was happening in

our college system. I met fantastic people at universities and fantastic groups of apprenticeships, as well as agencies that are passionate about learners’ voices. I do not think ears are deaf to it, but sometimes how reform is taken forward, because of the lack of natural organisation that exists in the learner community, their voice can be lost amid the noise of more organised and sometimes more articulate voices.

Jamie Halcro Johnston (Highlands and Islands) (Con): You said in your report that the recommendations

“form a package of public service reform, which ... would need to be implemented in full”

to be successful. The Government response to the report was that it is

“minded to follow the direction of travel that it outlines”.

Those two are not necessarily the same. How confident are you that the recommendations will be implemented in full? What are your concerns about the impact that it might have if they are not?

James Withers: It would be naive to think that every recommendation would be implemented in full. I am still confident that a direction of travel is being followed. I am probably slightly less clear quite what the view is on the future careers element. I had a very clear view that SDS should morph into the national careers agency, which would be a careers collaborative. Grahame Smith had done excellent work in his careers review and I was not supposed to be in any way marking his homework or redoing that work. However, there are questions about that aspect.

I had some views about DYW Scotland and the developing the young workforce network, which does some brilliant things and could have rocket boosters attached to it. I would have dropped the “Y” and just made it “developing workforce” so that it focuses on all ages. I doubt that that route will be gone down.

To be fair to the Government, at the end of my work, I presented it with an incredibly difficult task and incredibly complex reform without a route map of how to get there. I painted a picture of what I thought good could look like and how Scotland could provide a world-class post-school education learning and skills system, but I did not build the route map to get there, because it was not my job to do so. If I had done that, I would probably still be working on it now, if I could.

I have been heartened that the Government has taken its time. If I am honest, last summer, I was pretty frustrated at what I felt was a lack of progress. Things have picked up now. The Tertiary Education and Training (Funding and Governance) (Scotland) Bill is a good move forward.

I do not think that every recommendation will be implemented in exactly the way that I envisaged it. Also, it might be the case that, once you get underneath the bonnet of every individual part, it will throw up unintended consequences.

If the general direction of travel is a more joined-up system, a move towards parity of esteem, and a move towards recognising that the world should not just be split between a rigid view of vocational versus of educational and it is all about learning, I will be heartened. However, some areas are more challenging than others.

Jamie Halcro Johnston: SDS mentioned potential investment of about £260 billion in various sectors, including construction, oil and gas, shipbuilding, advanced manufacturing, over the next 10 years. You spoke of a five-to-10-year vision in your report, which I imagine is about its implementation. If we accept that the system needed to be changed—which we did, because you were asked to carry out a review—what concerns do you have that the opportunities to take full advantage of the investment that is needed might be missed in that timeframe?

James Withers: There is definitely risk. The greater risk to those opportunities not being harnessed or achieved is the current system, its culture, its fragmentation and the lack of importance and value that we place on work-integrated learning alongside the importance and value of higher education.

The challenge is that systems, when they are distracted by reform, are less freed up to take the short-term opportunities that come along. That is absolutely a trade-off. I remain of the view that the broader reform is the journey that needs to be stuck to, because if we tinker around the edges—for years, we have tinkered around the edges in the skills system—we will not get anywhere close to grasping the scale of the economic prize that sits out there.

Jamie Halcro Johnston: In your response to Murdo Fraser, you talked about the need for change. That was not just a question of asking for more money, but you recognised that, certainly on the apprenticeship side, 3 per cent of the total spend is probably not enough. Government has been quite clear that it will not change its approach to tuition fees and university funding. Money is extremely limited. Do you see a contradiction in what can be delivered for apprenticeships? Having spoken to some in the college sector, I know that there is a real fear that, as has happened in the past, it will be the one to get its budget squeezed again. We all recognise that there are not enough apprenticeship places and that there is huge demand.

James Withers: I did not touch on tuition fees policy in my review other than to say that the commitment to that massively limits your flexibility with how you use money. If £1 billion of a £3 billion budget is locked into an untouchable policy, you have really limited room for manoeuvre.

I do not regret not going down the route of saying that we need to review the tuition fees policy, because I think that it would have become the lightning rod issue in the review and the only thing that was talked about. In a sense, I do not regret my complete cowardice in not going there, because that has allowed space for a broader discussion. However, the issue needs to be talked about. To think that that would happen this side of an election is probably incredibly naive.

I spent time with all parties during my review. You will have a much better judgment than I have about whether this is the case, but the one thing that I came across throughout the work that I did was the cross-party consensus on a lot of education reform and skills reform. If we are defined by the issues that divide us, tuition fees policy might be one of them. However, I would hope that, given the consensus with regard to trying to achieve a more equitable system and a sensible use of money, we could have a cross-party discussion, maybe post election, about whether the existing tuition fees policy is having unintended consequences. It might be restricting opportunities for Scottish students and restricting investment elsewhere. As I said, I did not go there in the review for the reasons I have set out.

Jamie Halcro Johnston: I will not make any comment on that.

Was the financial side part of the remit, or was it excluded from it?

James Withers: There was an on-going budget settlement as I started my review, so I did not spend much time on that. I got a full budget breakdown of how all elements of the skills budget were being spent. By the way, that was not easy to get. That had to be pulled from different agencies and from different parts of Government. It was not easy to get a wholesale view of how we are spending every penny in the skills budget. My overarching view is that we are spending around 5 to 6 per cent of the entire Scottish Government budget on post-school skills and education.

I do not think that the system is underinvested. The question is whether the system is working optimally and whether we are getting the most value for taxpayer money. I did not finish the review saying, “A key issue here is the fact that we need to double the budget,” or, “There are vast amounts of waste in there.” However, there is absolutely a question of whether that £3 billion investment—

Jamie Halcro Johnston: It is about how it is sliced.

James Withers: I would say so, yes.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. I want to ask about the attitude of employers. We have talked about parity of esteem and heard about the demand among young people to get an apprenticeship with a good employer. However, the employer skills survey shows that, in 2014, only 14 per cent of employers considered taking on an apprentice and, by 2022, that had risen to only 16 per cent. If there is demand for apprenticeships that is not being fulfilled, how do we change the attitude of employers so that they consider taking on an apprentice?

James Withers: That is an important point. The commitment of employers to apprenticeships is patchy. In bigger, more internationalised sectors, and particularly sectors that have companies in Scotland with global ownership, I have seen a greater understanding of the value of apprenticeships. The sector distribution of the 25,000 or 30,000 modern apprenticeships each year will be very patchy.

10:30

There is also the issue of SMEs versus bigger businesses. If a big business has an entire department that can look after the onboarding of and support for apprenticeships, that will be great for the apprentices, the business and the economy. I used to work in the food and drink sector, where 90 per cent of businesses employ fewer than 10 people and taking on an apprenticeship is more challenging. We can build flexibility into the system so that businesses can work more collaboratively. For example, that is about considering how five or six businesses can share an apprenticeship.

Most of the young people who I met in schools had no idea what they wanted to do at the weekend, let alone what they wanted to do for a career. Most people in a job still do not know what they want to do when they grow up. How can we build into the system an apprenticeship that gives people the chance to experience five or six sectors over three or four years? Such innovations could help and would spread the burden among businesses.

There is an issue about businesses not having it both ways. They are screaming, "Where's our skills pipeline?" but, at the same time, the reality is that they have to invest. That is happening more and more, because they see that their world is on fire. There is a burning platform when it comes to skills, which has forced businesses to consider things that they might not have done already.

However, there is a real challenge for our SME sector and for sectors that are less international and have less experience of how those systems work overseas.

Gordon MacDonald: We have a focus on the skills gap, and no company or employer stands still, because it is a changing world out there. There might be new work practices, new technology and new products and services. Is enough in-house training taking place within companies to address those issues, outwith the apprenticeship stream?

James Withers: About 10 years ago, I would have said that, if a business was having a bad year, the two things that it would cut would be the marketing budget and the training budget. I do not think that that is the case any more, in part because the labour market is so competitive. Because the next generation of employees is rightly more demanding about their development, if a business is not investing in that, it will lose people. There is probably a law of natural selection that naturally punishes businesses that are not investing in training.

I think that that investment is happening. I talked about the £3 billion that goes into the post-school skills system. You would be adding zeros to that if you added the business commitment to that. There is certainly a culture of businesses having to be continually more progressive.

We assume that businesses know what jobs they will offer in future, but that might not be the case, given the scale of change that is happening with technology and artificial intelligence—businesses do not know what they do not know. We need to consider how we support the business community in understanding how technology might disrupt existing practices and what kind of skills they will need in future compared to what they need now.

Gordon MacDonald: Thanks very much.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. Have you had a chance to look at the model that we use to provide support to colleges with places and to develop skills and so on. I am forever hearing, as I am sure colleagues hear from the colleges in their areas, that colleges do not get enough funding for this, that and the next thing. I know that the demands in Ayrshire, for example, are quite high, but there always seems to be a shortage. Did you get a chance to consider whether the model that we use is appropriate to deliver and to serve the local needs and demands of industry?

James Withers: To be blunt, I did not spend much time on that, but I certainly heard a lot about it when I was visiting colleges. Whether it is the credit system, or the system that they feel

measures bums on seats rather than outcomes, that impinges on their ability to do what they are doing. In the system as a whole, from school right through, we have a culture of measuring processes rather than outputs—again, it is a cultural point. We can measure the number of higher grades collected, bums on seats in colleges or the number going to university, but we need to find a way to measure the outputs of that and whether individual learners feel that they have reached a positive destination.

I worry that we have a burning platform in our college system. Before I started the review, I had not been in a college for 20 years and I had a very outdated view of what colleges were doing. I finished the review believing that they are an absolute jewel in the crown. They are rooted in the community and connected to businesses, schools and university institutions. If we get that bit right, that could be game changing but, from what I have seen in the college sector, I worry about its future.

There needs to be a good look at the college system. I worry that there might be a messy reorganisation based on who falls down first financially rather than anything else. There is potential for colleges to be rooted in regional skills planning and regional economic partnerships. However, I met colleges that felt that they were not rooted in the regional economic partnerships. Businesses and the ancient universities were invited in, but the colleges were not always invited in, which I think is a flaw in the system.

Willie Coffey: I will take up that issue with the colleagues who are coming in next. As an Ayrshire MSP, it is of great interest to me to try to get the balance correct. Thank you.

Daniel Johnson: I have a couple of questions about pace and focus but, before that, I want to follow on from Willie Coffey's question. You are right about the importance of colleges, and you posed a question about focus and what we are measuring. A fear has been articulated to me that we are measuring colleges on their ability to produce university graduates. As part of the culture shift, do we need to question that and think about whether colleges are producing vocational qualifications, and perhaps revisit the move away from part-time courses at colleges?

James Withers: If a college feels that it is simply a feeder into the university system, that cannot be where we want to be. I like the growing link that exists between colleges and universities. I spent time at Forth Valley College and saw what it is doing with the University of Stirling—it is effectively delivering first and second-year undergraduate courses for people to feed into university. The close working between the college and university system is valuable, but we cannot see the college system as just another feeder into

university, so that we can say that we have more kids than ever going to university. That should not be the measure of success.

Daniel Johnson: I will move on to my questions on scale and pace, which in a sense follow on from what Jamie Halcro Johnston asked about. You said that, a year ago, you were a bit frustrated, but we now have the Tertiary Education and Training (Funding and Governance) (Scotland) Bill. To reflect on the process a little, it is two years since you reported and three years since you were asked to do the review, and it all stemmed from an Audit Scotland report in 2021. Therefore, we will probably be five years on from that report before we see legislation being enacted and progressing, and it is only on the structure. Are you confident that we are moving at sufficient pace to deliver change?

James Withers: That is probably why I talked about a 10-year rather than a five-year horizon. I go back to the point that I made to the deputy convener about the challenge of public sector reform. Do I worry about staying the course? Absolutely. Do I think that it could be faster? Absolutely. However, I recognise the complexities. One senior official told me that they felt that this reform is way more complex than the creation of Police Scotland, which, to be honest terrified me, given some of the challenges with that. However, I think that it is absolutely right, because of the complexity.

The process will take time and there will be lots of challenges and real uncertainty, and I absolutely understand that. For those working in the agencies at the moment, there has been almost two years of uncertainty about what the future looks like. There is a human element to this, as well as a system and structural element. For sure, I would like the pace to go more quickly, but I suppose that I have talked myself into being a realist about the likelihood of that happening. However, it is absolutely fair to say that the Audit Scotland report was part of the reason why I did the review, and we are now four years on from that. If you want to agitate for quicker pace, I will join your army.

Daniel Johnson: There is a risk that, if we go at that sort of pace, it will be children who are starting in primary 1 now who are likely to be the first to see the benefits.

Is there also a risk when it comes to focus? The bits of your report that I really like are the bits on skills passporting, flexibility and benchmarking against the SCQF to get parity of esteem. That is all the good stuff, but we have not had any detail from the Government; in fact, we have not even had a road map. Given that, whatever we do, it will take some time even if we would like it to go more quickly, is there not a real risk in the Government

not setting out what it believes are its priorities and direction of travel and the broad timeframes for implementing change? Essentially, all that the Government has done is introduce a bill that would merge the funding mechanisms.

James Withers: I think that there has been more progress than that. That is the only legislative change, but a large part of where I got to in the review did not require the law of the land to change to do it. There has been work to audit qualifications and to look at bringing skills planning back into Government, which was another of my recommendations. It would be wrong to say that, thus far, all we have had is a bill.

The purpose and principles document that the Scottish Government produced was helpful. I found that the lack of vision and agreed view of what we wanted the system to deliver was haunting the entire system and resulting in fragmentation and people with totally laudable aims creating their own visions of what they should be doing based on their particular parts. I support having as clear a road map as possible and milestones to which ministers are held to account.

There is a risk. Something could always happen that can derail reform, whether that is the current situation in the University of Dundee or a college or big employer in Scotland falling over. Understandably, that can distract the attention of ministers, MSPs and officials in a different direction. I am certainly all for having more granular detail, but I do not think that that is the reason why progress has not been as quick as some would want.

Daniel Johnson: It is not about granular detail; it is about a broad sense of what the priorities are, what we are aiming towards and over what timeframe that will be achieved. That would be helpful, and I have shared that point directly with Graeme Dey.

I think that one of the real priorities is upskilling and reskilling. We have an ageing workforce. Because of demographics, we now have almost an inverse pyramid, so essentially we have to focus on older people. However, we still have a focus on skills being about young people leaving school. We have explicit funding thresholds based on age and a focus on apprenticeships, but older workers might not need to do a whole new apprenticeship and, even if they do, people cannot do more than one apprenticeship in their career. Are we missing that part of the agenda?

James Withers: Yes. Broadly, I concluded in the review that we were missing that. Not everything is about the existing structure of learning. It is about the development of short courses, microcredentials and the modularisation

of degrees. To me, if you are doing a four-year degree but there is an opportunity out there for you, you should be able to leave at year 1, 2, 3 or 4 and go into the workplace with a qualification, whether it is an HNC in year 1, an HND in year 2, a degree in year 3 or an honour's degree in year 4. We sometimes lose that flexibility in the system.

The focus on young people is entirely understandable, but I think that it was built on a false premise. It started after the financial crash of 2007-08, when we thought that we were going to have a generation of unemployed young people because there would be no businesses to employ them. That did not happen. The same happened again with Covid, when we thought that we were going to have a generation of unemployed young people because large parts of the business sector would fall over. That did not happen—that is not the problem.

I am all for developing the young workforce and the young persons guarantee, but those institutionalise the concept that learning is a point in time and that you finish it when you leave an educational institution. As we know, that is just not the case. We need a system that is ruthlessly focused on people of all ages, not just because of the net zero transition, the digital transition and the AI transition but because, nowadays, people want to change careers way more often than they used to. It is an absolutely valid analysis to say that there is a view that the system is there to support young people more than to support people who are older.

Daniel Johnson: Thanks very much.

The Convener: As members have no more questions, that brings us to the end of our first evidence session today. I thank James Withers for joining us again and for giving us his input on the important work on skills to which the committee has turned its attention.

I will briefly suspend the meeting to allow for a changeover of witnesses.

10:45

Meeting suspended.

10:49

On resuming—

The Convener: I am pleased to welcome the next panel in our session on skills. We are joined by the team from Skills Development Scotland: Frank Mitchell, chair; Damien Yeates, chief executive; Gordon McGuinness, director of industry and enterprise networks; and Lynne Robson, head of evidence and impact. As always,

I appeal to members and witnesses to keep questions and answers as concise as they can.

I will kick off with a question that follows up on one that I put to James Withers about the apprenticeship board. What is the view of Skills Development Scotland on the recommendation to wind up the board in its current format? I am keen to get your take on the point that James Withers made in the previous session, which he has also made in his review, about the need to widen the involvement of and the engagement with employers beyond apprenticeships.

Frank Mitchell (Skills Development Scotland): Thank you. Before I answer that, I will position how I respond. I am giving evidence as chair of Skills Development Scotland, but I am a recently retired chief executive of an infrastructure energy business, and I am also on the board of two other companies, one of which is looking to create a lot of jobs in Scotland. Therefore, I do not come here as a theorist; I come here as a practitioner, and I will try to bear that in mind. I have some experts with me, who will support me through the process.

SAAB was brought together at the request of the previous chair, John McClelland. It was set up to make sure that the voice of industry and employers was at the heart of what we did with apprentices. SAAB has been very successful—an OECD report pointed that out and said that we should expand it.

SAAB plays an instrumental role. It sets out the standards and frameworks for the training that apprentices undertake and makes sure that those are kept up to date with where the industry and employers are, which is a critical area. SAAB also has a big outreach to employers through employer engagement. The Federation of Small Businesses is a member. We also have some SMEs represented in the structure of SAAB, and other companies are involved, too.

Because of the nature of SAAB's voluntary role—it is run by businesses for businesses to help with apprentices—it is often some of the larger companies that put more resource into it, because they can do some of the heavy lifting, but SMEs are involved as well, given that SMEs account for 90 per cent of the employers of apprentices in Scotland.

We believe that SAAB is a very good model. It brings industry, business and employers together with the needs of the people who are doing apprenticeships to make sure that they are doing what is required to keep them in work when they have finished their apprenticeship. That is borne out by the success rate of people in keeping their apprentice jobs when their apprenticeships have finished.

I think that there is a role beyond SAAB, but SAAB has a particular focus on apprentices because they are not just learners but employees, and that is often overlooked. They are employees of companies, not just learners. Employers have a core responsibility for the health and safety of employees and for making sure that their training is fulfilled. That is why employers are actively involved when it comes to the role of apprentices. Apprentices are not just any other learners; they are employees of companies who mostly work for those companies day to day.

Beyond apprentices, I think that employers have a key role to play, particularly in the higher and further education area. Some colleges and universities do what they do very well, while others do it less well. There needs to be a more systematic approach to the work that is done across those areas to make sure that the voice of employers affects what institutions do. When I speak to businesses that work with colleges, they say a lot of good things about colleges, but although colleges go out of their way to talk to businesses, often, they do not effect the changes that businesses are looking for. We need colleges to have the ability to affect the outcomes—the delivery on the ground—to make sure that those are what business and employers need as the outcomes of people's training.

There is a role for employers to play in that area, but that should not distract from the importance of apprentices. Apprentices are unique in that they have jobs to start with, which makes them slightly different from the broader learner community.

Murdo Fraser: Good morning. I think that you were here for the previous session. I want to ask you the same questions that I asked James Withers, the first of which is about the demand for apprentices. As a committee and as individuals who go around businesses all the time, we have picked up that there is a huge demand in the economy for skills, especially in relation to issues around the green economy, where we are seeing a rising demand, which we are not meeting with the skills that we are providing.

Part of the answer to that lies in apprentices. It seems to be the case that the level of demand for apprenticeships is not being met by the supply, which is related to issues of funding. I am interested to get your perspective on where we are with the question of supply and demand. Do we need to do much more to meet that demand?

Frank Mitchell: We know that demand among employers for apprentices is higher than the number of apprentices that we can fund through the Skills Development Scotland funding for modern apprenticeships. I will ask Lynne Robson to comment on that.

Typically, since Covid, we have been funding the training of 25,500 modern apprentices every year, which is down from the level of about 30,000 apprentices just before Covid hit. We know that, at the moment, the demand is about 35,000, but it has been as high as 40,000. When we talk to SAAB, which represents the employers, we hear that there is a high demand for apprenticeships.

There is undoubtedly a gap there, which we often see when companies advertise for apprenticeships. Last week, when I was up in the north, SSE told me that, for every apprenticeship it advertises, it gets 60 applicants. There is a huge appetite to do apprenticeships, and there is a huge appetite for more apprentices in Scotland. In the past, we have pushed the Government to expand the apprenticeship programme. Lynne Robson can provide a bit more detail on that.

Lynne Robson (Skills Development Scotland): It is important that we capture that demand directly from industry and employers, so, each year, we undertake a comprehensive process to do exactly that—we engage with industry to capture its needs and recent evidence and interactions that it has had with providers. Alongside that, we look at the forecasts in relation to the bigger strategic drivers in Scotland, the United Kingdom and the global economy.

It is important that we validate that. To go back to what Frank Mitchell said, we use SAAB as a sounding board to ensure that the information that we have gathered and the demands that we are estimating are accurate and reflect industry demand. That goes along with the information that is gathered from our providers, which also engage with employers, to inform what the demand is. As Frank Mitchell said, we can see that the demand is much higher than the number of contracts that we can award each year.

Murdo Fraser: I will follow that up with a question that is similar to the one that I asked James Withers.

For 20 or 30 years in Scotland, we have had a perennial debate about the number of people who go to university and whether that is appropriate or whether we need to encourage more people into vocational training, such as apprenticeships. I do not want to get into that today, because that would take us down a rabbit hole, but part of what the Government is proposing in its bill is shifting the funding for apprenticeships to the Scottish Funding Council. It is well documented that there is a crisis in university funding. In putting all the funding in one pot, is there a risk that some of the money that is currently spent on apprenticeships might end up being siphoned off to fill the black hole in higher education funding?

Frank Mitchell: That is a question for the Government, but business is certainly concerned about that. That is the concern that I hear when I talk to businesses.

Earlier, mention was made of graduate apprentices. SDS used to fund those directly, but in order to build flexibility into the system and to give institutions flexibility between graduate apprentices and full-time degree courses, we passed over the funding for that to the Scottish Funding Council, in the hope that that would expand graduate apprenticeships, but, to date, that has not happened. There is a lot of pressure on the Scottish Funding Council to work with institutions to deal with the unfolding crisis in higher education.

That is a risk that businesses are aware of. They are concerned about what might happen to the funding for the remaining apprentices.

Damien Yeates (Skills Development Scotland): For the committee's benefit, I will set out the position on the opportunity that is in front of us. We can evidence £230 billion-worth of investment that is coming to Scotland in the next 10 years. That is driven by shipbuilding, for which significant orders are already locked in, and energy and utilities companies' upcoming investment of significant billions in upgrading the grid. We also have an explosion in construction, which is largely related to renewables. We have onshore and offshore wind and the potential decommissioning of oil and gas, as well as the current jobs in oil and gas. The scale of that opportunity is generational. We have not seen that level of economic investment in Scotland since the 1950s.

11:00

One of the biggest challenges relates to the workforce that is available to drive that economic growth. That is a challenge because of our underlying demographics. You will be aware of the census information that was published just before Christmas in 2023, and again earlier this year, which signals that we have a shrinking working-age population.

One of the effects of Brexit has been that the immigration of talent has also been shrinking. That does not land evenly in Scotland. As we look ahead in the Highlands and Islands, we see that seven out of 10 people could be dependent. There is a real urgency in asking how Scotland can make the best of the economic opportunity that is in front of us and how we can put more workers with the right type of skills into the pipeline so that we can get better trained people into the labour market more quickly. That is the challenge. That comes on top of what we know is a very pernicious fiscal

envelope. Every year, our purchasing power is being eroded by 5 to 10 per cent, with the result that we have less purchasing power for what we are trying to drive out.

In that respect, we need to make difficult choices. It is a question of balance. All the evidence that we have on the future needs of the labour market points to a requirement to expand vocational, technical and apprenticeship-type provision, as well as upskilling and reskilling. That must be a focus. At the moment, if we track progression of the current funding of £3.4 billion, the majority of it points towards higher education outcomes. Although those are good in their own right, there is a point about balance.

The other point is about how we attract new money into the system to help with that. For every £1 of public money that we put into apprenticeships, we get £10 of co-investment from industry. Today, extrapolating from a McKinsey & Company report that was produced for the United Kingdom, typically, employers across the UK are investing about £44 billion in training. If we extrapolate that to Scotland, the figure is about £4.1 billion. If we could get more of that £4.1 billion working with the public money, we would create a multiplier, but there must be a different way of doing things. We must get industry right into this in a way that we have never done before. That is not a criticism of what has been done in the past. The issue is the burning platform and the opportunity of that £230 billion spend. In that regard, the OECD's recommendations were absolutely spot on.

Switzerland has a youth unemployment rate of 2.3 per cent. Our youth unemployment rate is running at 10 per cent, and the UK average is 14 per cent. Germany's is running at 6 per cent, which is nearly half our rate. Both those countries are brilliant examples of how legislation has enshrined the requirement for industry to co-invest and lead not only on apprenticeship funding, but on funding for upskilling and reskilling. There is a £4.1 billion prize there if we can properly leverage industry into this proposition.

Murdo Fraser: You mentioned graduate apprenticeships. I met some graduate apprentices when I was doing one of my visits during Scottish apprenticeship week, and it strikes me that the graduate apprenticeship is an absolute win-win. It provides people with on-the-job training, they come out with a degree and they do not leave after four years of studying with a pile of debt. Instead, they have had four years of employment and earning, and the employer gets somebody with work experience. However, James Withers told us that there are more graduate apprenticeships in Manchester than there are in the whole of Scotland. What is the barrier to us expanding something that seems to be an

absolutely perfect fit to meet the needs of the economy?

Frank Mitchell: When we transferred the graduate apprenticeship funding to the Scottish Funding Council, there were something like 1,450 graduate apprenticeships a year, but we knew that there was demand for about 6,000 a year. It was hoped that the transfer would unlock flexibility to achieve that, but that has not happened to date. Some of the reasons that I hear from institutions are to do with inflexibility in how the funding works and people not being allowed to transfer as easily as they should be. When £1 leaves the Government, it is £1, but when it lands in an institution it seems to be locked into a particular path that does not allow flexibility. I know that there is a big focus on getting that flexibility, which is important, because there is a huge opportunity to help individuals to undertake the graduate apprenticeship programme and also to help companies if we can get the flexibility working properly.

Damien Yeates: It is a phenomenal model. It is the fastest growing model across Europe. In developing graduate apprenticeships, we learned from Baden-Wuerttemberg Cooperative State University—DHBW—in Germany, and in the same period of time it has increased by 200, 300 or 400 per cent over us. The model is proven.

The Government is good at instructing institutions on subjects such as medicine and dentistry, where we have a known demand and institutions must respond to that. Rather than introducing that for everything, however, there are critical areas in the economy for which we need skills and on which the future of Scotland's economy is going to be built. In a way, graduate apprenticeships should be treated like controlled subjects, where we, in effect, instruct institutions on the provision of opportunities. We are currently seeing that in planning. There is a radical approach to planning, which is very welcome, but we know that critical skills in software development, civil engineering, construction and manufacturing are also in peak demand. The beauty of the graduate apprenticeship, as Murdo Fraser said, is that the individual is in the workplace straight away and is, typically, very productive by the end of year 1.

There are some terrific examples. I urge the committee to look at the work that the University of Glasgow is doing on software development with the financial services sector in Glasgow, including JP Morgan and Morgan Stanley. They are recruiting maybe 100, 150 or 200 software engineers every year through the graduate apprenticeship route because those people contribute and stick, and it is a very smart way of getting talent in.

Today, the average number of places is about 1,200, but there is a massive opportunity to grow that.

The Convener: I will bring in Jamie Halcro Johnston and then Gordon MacDonald, who have supplementary questions.

Jamie Halcro Johnston: I will resist the temptation to move on to other aspects of graduate apprenticeships and funding. However, on my visit to Serimax during apprenticeship week, I heard the same thing as Murdo Fraser—that there are a lot more applicants for graduate apprenticeships than there are places. Which route do those who are unsuccessful and do not secure an apprenticeship predominantly take? Where do they go?

Frank Mitchell: I will bring in Lynne Robson to comment on that, but they typically still try to get a positive pathway, which might be through college or university. In the broader skills area, we look at not just apprenticeships but also the other pathways that are out there. We try to make sure that they are all fruitful for the people who take them, and we consider what we can do to effect that.

The college provision is very strong in some ways, but my worry is that the outcome of college education is that only 20 per cent of students then go into the workplace. More than 70 per cent go on to do other education. Colleges used to be a real engine for the local economy. If people did not get an apprenticeship, they would get a qualification that was needed in the local economy. Colleges should really be there to help to provide economic growth in the local area. However, we typically see only 20 per cent of college leavers going into employment, which is a worry for us. It is a missed opportunity, particularly given the pace that we need to move at to get people into the workplace to cope with today's skill shortages, but also future skill shortages, which will be compounded by the amount of investment that is coming in.

Lynne Robson might have more evidence to add on the pathways that people take.

Lynne Robson: We capture a lot of information on young people's destinations. You will be familiar with the data hub. On apprenticeships—Frank Mitchell touched on this earlier—we understand apprentices' views on their apprenticeships and we also know from our large-scale, innovative way of collecting information that they have positive destinations. We know that 95 per cent of them are employed three months after they complete their training, that a large majority of them are in full-time employment on permanent contracts and that nine out of 10 are with the

employer that they completed their training with, so there is strong retention.

Jamie Halcro Johnston: Those who are unable to get a place for a modern apprenticeship may go to college and then on to university, and they will be unavailable as part of the workforce for longer. We are still investing in them, quite rightly, but we are perhaps spending more money than we might have done if we had provided them with apprenticeship places in the first place.

Frank Mitchell: That is the challenge. How quickly can we get people into the workplace, where there are definitely jobs for them, given that we have skills shortages today? We need to maximise the opportunity for individuals, but also the opportunity for the economy, including for the health and social side.

On the pathway that you have just described, in a recent Chartered Institute of Personnel and Development survey, 35 per cent of people who came out of that pathway through college and university and then went into the workplace said that they were overqualified for what they ended up doing. They could probably have done the job without having to go down that pathway and be excluded from the workplace for so long.

Gordon McGuinness might want to add to that.

Gordon McGuinness (Skills Development Scotland): There are some practical examples in work that we are trying to develop in conjunction with the National Manufacturing Institute Scotland. We have looked at what we call a pre-approved talent programme. For example, BAE Systems and Babcock are oversubscribed. They take big cohorts through fairly rigorous assessment processes and they will take the cream of the crop. They have good equality and diversity programmes that feed into that, but they will take the top candidates. Over the past couple of years, we have tried to ask them who the next 100 people are and then feed them into SMEs through a structured programme. One of the challenges is that we have overdemand for apprenticeships. We try to build young people's confidence and connect them to SMEs.

Jamie Halcro Johnston: Could that also be solved by directing more funding to apprenticeships, rather than by finding those places in businesses?

Gordon McGuinness: Yes.

Frank Mitchell: I am a visiting professor at the University of Strathclyde—I declare that interest—so I am not knocking universities. They are great institutions and they have a real strength that is needed in the Scottish economy. I also fully support colleges. I just think that we need to ensure that we maximise the outcomes for

individuals who take that route to ensure that we get the benefits for Scotland. We support the expansion of apprenticeships, but we also believe that colleges and universities are really strong institutions and we should maximise their value for the Scottish economy.

Gordon MacDonald: I have a quick question for clarification—

The Convener: I never believe anyone when they say that their question will be quick, but we will see. [*Laughter.*]

Gordon MacDonald: Damien, you said that the potential prize of investment in Scotland runs into the tens of billions of pounds, but you also said that youth unemployment is at 10.4 per cent. How did you arrive at that figure? Any information that we get suggests that overall unemployment in Scotland is 3.3 per cent and that 93 or 94 per cent of young folk leaving school go on to positive destinations. Where does the 10.4 per cent figure come from?

Damien Yeates: Lynne Robson might be able to comment on that as she is the expert, but that is the reported figure. It is the official figure.

Lynne Robson: There are always challenges with data on youth unemployment in Scotland due to small sample sizes, and that has been exacerbated because of the recent Office for National Statistics challenges with the labour force survey across the UK. However, that is the official figure—although the data from the ONS is declassified at the moment—based on the survey of young people.

Gordon MacDonald: You said that there are problems with the survey.

Lynne Robson: There are problems with the sample size for the survey, so the data has always been challenging and we would never rely only on it. At the moment, the data is declassified from official statistics and it is even more challenging for the youth population, but that is the official statistic.

11:15

Lorna Slater: I have three questions, which I will try to get through.

One of the challenges faced by not just SDS but everyone delivering apprenticeships is meeting the target of 25,000 apprentices with a fixed sum of money. Anecdotally, one of the criticisms that I have heard is that it means that there is a focus on quantity rather than quality.

I would love to hear your interpretation of that challenge—that is, that we are spending public money training young women to be hairdressers and to work in retail, and trapping them in low-

wage jobs, instead of spending money getting more people into engineering. I understand that part of that is the trade-off between the target that you have to meet and the amount of money that you have available, and I know that an engineering apprenticeship costs more to deliver than a hairdressing apprenticeship, but are we not trapping those young people in low-paying careers?

Frank Mitchell: Before I pass over to others, I will just say that apprenticeships are demand led and we try to focus, to start with, on the critical areas that Government advisers want us to direct apprenticeships at. I am very aware of ensuring that we do our utmost to get gender balance in what we do—and we can talk about that in a second if you want to—but there is a huge role for parents in trying to advise their children on what they should do.

I think that there is a bigger role for employers to play, too. When I was an employer, I saw good and bad practice. For example, when I was up in the oil and gas area at a time of real skill shortages, I saw that, in the advertisements that had gone out for people to enter the industry, the image that they were showing was of somebody offshore with a hard hat and a boiler suit on. That image represents only 20,000 of the 120,000 workforce. There were another 100,000 jobs onshore that were much more attractive to all genders than perhaps the image that was initially shown.

As for good practice, I will refer to my own practice of trying to assimilate change across society. For example, we were the first business to sponsor the Scottish women's rugby team. Why did we do that? We wanted to show that the world of sport was changing, and so was the world of work. We did a lot of work on that on social media et cetera to try to influence parents and individuals about the future role of engineering and the fact that any gender was welcome into it.

I will bring in Damien Yeates to talk about some of the aspects of this.

Damien Yeates: You have asked a really good question, Lorna. Because every pound of public money matters, how we leverage impact matters, too.

I just want to reassure you by saying, first of all, that every apprenticeship is an opportunity. For some people, it is their first step into the labour market and although qualitatively, the scope and scale of investment might not be as big as that for some others, it could be important for some people from a socioeconomic background with particular challenges. I also point out that 25 per cent of apprenticeship places are construction related, but they represent 34 per cent of the value

of the fund; 8 per cent of places are engineering related, but represent 17 per cent of the value of the fund; automotive apprenticeships and information technology and digital apprenticeships account for 10 per cent each; and retail accounts for only 1 per cent.

The relative numbers for lower-level apprenticeships are therefore quite low, but they also attract a lower contribution rate. The contribution rates are stratified according to the breadth of learning; for example, an engineering apprenticeship, which has quite a wide breadth of learning, can attract up to £10,000 of a contribution from SDS, whereas a retail apprenticeship would receive a maximum contribution of £2,000—a fivefold difference. Compared with England, our rates are way lower, but our output is way higher. We have completion rates of 76 to 78 per cent, whereas in England, the rate is 54 per cent. We have also sustained employment at between 86 per cent and 92 per cent; again, the figures are way lower in England.

I think that you should put great stock in the Scottish apprenticeship programme—it is in a good place. Indeed, the OECD said that it was in remarkable shape and was one of the most flexible programmes in Europe. However, we are hungry for more, and we want it to be better and more accessible to more young people, and to older people, too. We were asked earlier about the spread of apprenticeships and the focus on young people, but I should point out that a significant number of apprentices are aged 25-plus. I can give you the specific percentages after the meeting.

As a programme of investment in and with its leverage against Scotland's economy, it is outperforming all the home nations. However, our benchmark is those countries that do even better, and the two benchmarks that are leading by a distance are Switzerland and Germany. As I have said, in Switzerland, youth unemployment is 2.3 per cent, and 70 per cent of young people start their senior school phase as apprentices.

Frank Mitchell: Role models are important for gender balance, too. This year, our apprentice of the year is a lady who works as an aerospace engineer. It is important that we have such strong role models as a beacon not only for individuals but for parents and to show that there are good careers in engineering for girls. However, employers need to do a lot more in that area to attract everybody into their businesses.

Lorna Slater: Thanks for that.

My next question is about the delivery of apprenticeships through colleges versus other training providers. I realise that there is some push and pull in that respect: colleges are always

desperate for more funds, so they would like to take on more of the apprenticeship training role, but employers including Lothian Buses, which the committee has visited, say that colleges are inflexible. They work to the academic year, which means that, if you employ someone in January, they cannot start training at the college until September. Moreover, colleges have trouble getting lecturers to do this kind of work, and it can mean an apprentice having to go to college three mornings a week instead of one day a week, which disrupts their work.

How do we deal with that balance? Colleges definitely want more money, but they do not seem to be up to the job of delivering the skills in the way that businesses need them to. They cannot keep up with the tech, and they cannot deliver on the timelines.

Frank Mitchell: Again, you have hit on an area that is a key focus for us. Indeed, it is why employers are doing their own training programmes and why there are private providers out there. They are filling the gap in provision that they cannot get from the colleges.

There is a huge opportunity here, as we have already heard. What can we do with the £4 billion that employers are already spending? Can we co-invest that with public money and focus on what employers need rather than what colleges can provide? I should make it clear that, regardless of the channel that it provides for training, all the money that SDS provides will not cover the cost of an apprentice. It is a contribution towards the cost, and it has to be topped up by employers doing the training, too.

Equally, our concern is that, although there are some very good colleges, their completion rates are typically less than the rates we get through the private provider or employer routes. Therefore, we are trying to move forward at pace with putting SDS in a position to bring the coherent voice of employers to bear on all college provision systematically and to focus on the needs of those employers rather than on what the college can do. We want to address those practical issues, but we also want to bring co-investment into those opportunities. We can help with co-investment, if employers can see that they can get what they want out of that channel.

Perhaps Damien Yeates can come in here.

Damien Yeates: I keep looking ahead, and at the £230 billion prize. What is it going to take for us to get the right workforce? There are brilliant centres of excellence in some of our colleges, and we need to build on them. For example, Ayrshire College has some great expertise in aerospace.

It might be a case of rebalancing the colleges' policy direction more towards vocational and

technical education in order to lead young—and older—people into the labour market faster, but doing that with industry through co-investment in, say, industry academies that might be housed in colleges or in some composite way, and driving the volumes forward that way. By doing so, we might switch off some of the higher education pathways for more direct access to the workforce. Undoubtedly, we have expertise and centres of excellence in the college network, but the trick is to find ways of building on that. How do we leverage it and grow it to a certain scale?

I would just highlight what is arguably a really good example of a missed opportunity in Glasgow. Sir Simon Lister, who heads up BAE Systems, with its huge shipbuilding order book and billions of pounds of investment, has been struggling to get talent and skills into his workforce, so he has invested £12 million in an engineering academy in Govan. It has received no public investment, and when we asked him, “If we could have matched your £12 million with £12 million of public money and built a regional engineering academy, to service not just BAE systems but other engineering companies in Glasgow, would you have done it?”, he said, “Absolutely, but I struggled to get traction in the system.”

SDS can play that brokerage role. Where are the areas of excellence in the system, where is private industry needing the workforce, and how can we bring both together to co-invest? The fact is that there is no more public money; because we have no new money, we have to prioritise and introduce other money into the system, and the only place to get that other money, now that European structural funds have gone, is through the private sector.

Lorna Slater: Is there an issue with the funding model for colleges, too? Colleges seem to be very fixed when it comes to the academic year, with the struggle to get lecturers and so on. One of the things with apprenticeships is that the funding is only available once you have achieved a certain outcome, whereas colleges get their funding every October, no matter what. Would conditionality of funding on outcomes for colleges help them shift faster?

Frank Mitchell: I will probably ask the experts to come in on this, but when I was looking at the structure of the outcome agreement in this respect—after all, these things are measured on the basis of outcome agreements through the Scottish Funding Council—I was struck by the fact that there was no mention of industry. That worried me. The agreement was institutionally focused; it was not about employment, but there was nothing in it about engagement with the industry or agreement that industry would get the outcomes that it was looking for. Therefore, we

need to divert the focus from the institutions to the employers right across the skills landscape, and focus on what we really do well.

As I have said, there are pockets of that out there, but it is not consistent. We need to build upon that and get the employer voice into the heart of the provision. Indeed, we need to expand that voice and make sure that it is powerful, because it must not only be listened to, but affect the outcomes on the ground.

When I was a young engineer, I used to help with lectures at the local college, because it was a pipeline for people coming into the industry. Even though I was an engineer with South of Scotland Electricity Board at the time, I used to give my time at Coatbridge College to help young people apply the theory to what happens in practice.

We have to re-establish that engagement with industry, and we need that partnership on the ground so that we get the benefit of bringing together the academic bit and the practical bit, with people coming from industry to help support that provision. Industry needs it, given the £230 billion opportunity that is coming through. We have skill shortages now; industry needs to step up, but we also need the public sector to step up, too, and work properly with industry to drive that opportunity and maximise it for Scotland.

Lorna Slater: Thank you.

Finally, I have heard good things about the expertise in SDS with regard to supporting apprenticeships, particularly from the trade unions, which are very concerned that that expertise will be lost with the move to the Scottish Funding Council. I forget how many staff you have working on this—I think that it is in the region of 100 or so—and we do not yet know how many of them will be moved over. The trade unions are very worried about losing the skills and expertise in delivering apprenticeships when that funding is moved to SFC.

Frank Mitchell: I will bring in Damien Yeates in a second, but my concern is that the move will not be done quickly. We will have to go through all the processes, get all the detailed analysis, have all the Transfer of Undertakings (Protection of Employment) Regulations 2006 considerations and so on, and it could take a year minimum, or perhaps longer, as is outlined in the legislation. That will be a distraction when it comes to moving £80 million to £90 million into a £3.2 billion budget that is already there. I am just not very clear what this enabling legislation is enabling.

James Withers made a lot of good points, but the fact is that the world has moved on and the pace has to move on, too. There is a risk that what you have suggested will happen, and I know that businesses are very concerned about the voice of

business and employers being lost in the transition. Indeed, the role of employers in future is not very clear, either; the only thing that they see is SAAB, which is a strong voice for employers, being closed down. As I have said, their role in any future model and what that model will look like is not very clear.

My fundamental concern is that this is another distraction that could last a year to two years, while there are real issues on the ground that we need to get on with and, indeed, could move on today. We could try to give effect to the provision today in order to achieve the maximum opportunity for Scotland with regard to this generational investment of £230 billion that is coming our way.

I do not think that we have time to wait. We have to move at pace and do the things that we can do now, instead of getting distracted with an organisational change some two or three years after the reform programme has begun.

11:30

Damien Yeates: James Withers hinted at this when he talked about the human factor. I would say this, but I just wanted to highlight the passion and commitment that staff have shown with the apprenticeship programme; indeed, where the programme is at now is huge testament to that. They have put a hell of an effort in, but they are feeling really disconcerted now. They believe they have done an incredible job, and this feels like a punitive decision.

That uncertainty has persisted for the past two years. Who will be transferred? When will they transfer? What will be the cost of TUPE, and what will be achieved at the back end of it? They feel very vulnerable—and to what end?

Therefore, I just wanted to give a shout-out to the staff. They matter, and they have delivered incredibly well, notwithstanding the uncertainties that we are facing.

Lorna Slater: Thank you.

The Convener: I will bring in Kevin Stewart for a very brief supplementary, and then I will bring in the deputy convener.

Kevin Stewart: Mr Mitchell has mentioned employer focus and the employer voice. You will have heard my question to James Withers about the apprentice voice in all of this, because I feel that apprentices are often not listened to. I focused my question to James Withers on colleges not listening and adapting to meet apprentices' needs, but in recent times, some people have felt that SDS does not listen to what folk have to say either. I would like your comments on that, please.

Frank Mitchell: I will pass over to Damien Yeates, but we survey employers and our stakeholders. We agree with a lot of what James Withers said. He was kind enough to come along to the Skills Development Scotland board, and one of the things that he made clear for us was that his report was opinion-led, not evidence and data-led. He also clarified how he came to his opinion. There is undoubtedly a lot of opinion in this area, which is why we try to do surveys to understand holistically the views of what is going on. That is by no means to say that we do not want to improve what Skills Development Scotland does—

Kevin Stewart: Can I stop you there, Mr Mitchell? You immediately went on to speak about a survey about employers. My interest is in apprentices—the folk who are currently in apprenticeships, who often feel that they are not listened to. As I said, their number 1 point is about how little they are paid, but the second point is always that they are not listened to. You just jumped straight into giving answers about an employer survey.

Frank Mitchell: Sorry—I know that you started with the voice of apprentices and I will come on to that. You said that some people say that SDS does not listen and I just wanted to refer back to that. I will pass over to Damien Yeates to talk about apprentices.

Damien Yeates: Thanks for the question. Because of the systems we run, we have live access to 40,000 apprentices in training. I can make this information available to the committee. We surveyed all apprentices six months after they started. We got responses from 6,000, and we have all the data on their views about the programme, what they were seeing and what they were hearing. Similarly, we surveyed them three months after they left their apprenticeship and had 4,000 responses, which is a very high response rate. We surveyed them again 15 months after they left, and got the views of 2,500 apprentices. These are all annual surveys, and I can provide you with all the feedback and the processes that we put in place. We invest a lot of time in understanding the views of apprentices and how they experience the programme as they progress through their apprenticeship.

We make our payments quarterly, so if it is a four-year programme, there are 16 payments. Part of the payments will relate to the progression that the apprentice undertakes and satisfaction with their progression. If they are not achieving that progression, the payments will not be made. I reassure the committee that we gather extensive information on the apprentice voice through the Scottish Apprenticeship Advisory Board. We also have an apprenticeship ambassador programme. I can give you a truckload of evidence—

Kevin Stewart: You have a survey—you survey quite a lot, by the sounds of it. Quite simply, you have all of that data, so can you give me an example of where you have adapted to respond to the results and information that you have had from apprentices?

Damien Yeates: Yes, I will give you a very powerful example. When young people were questioned about the choice that they make on leaving school and their awareness of apprenticeships, they said that they would value hearing from apprentices about the pathway, the experience and its value, and based on that we established the Scottish apprenticeship ambassador programme. We now have ambassadors in every school. During apprenticeship week, we launched apprentice for a day, which allows young people to shadow someone who is an apprentice to experience what a day is like for an average apprentice in a particular framework.

The voice of the apprentice and how young people choose that pathway are fundamental. We listened to young people and heard that they respond best to their peers, who they believe and trust maybe more than they believe and trust more senior folk, and the ambassador programme is now in place. If you were at the parliamentary reception, you would have met some of those apprenticeship ambassadors and heard about the great work that they do in promoting the programme in schools right across Scotland.

Gordon McGuinness: Behind the scenes, my team runs the apprenticeship voice programme. It is probably one of the most sophisticated feedback systems that we have; it certainly exceeds anything in further and higher education. However, sitting behind project management—so it involves the staff that would be up for transfer to the SFC—is a complete programme management approach that uses a quality assurance framework that is based on fair work for individuals. The contract managers interview apprentices on every quality assurance visit that they undertake. We have extensive relationships with the Scottish Trades Union Council, which promotes a fair voice for the individual and makes employees aware of their rights. On fair pay, we recommend that all employers pay the real living wage. The average starting salary for engineering apprenticeships is probably about £15,800. I was looking at the weekend and saw one advert with a starting salary of £24,500. Apprenticeship salaries are attractive. In some sectors—retail and tourism, for example—the rates will be lower, but it is certainly our intention to help drive up wage rates. It is a listening campaign with the apprenticeships themselves.

Kevin Stewart: Okay. I will leave it there for just now, convener.

The Convener: I bring in the deputy convener.

Michelle Thomson: Good morning. Thank you very much for attending. I have found the discussion very interesting.

One area that we have not touched on is the unknown unknowns for employers. Looking at artificial intelligence and its impact on a whole range of sectors—virtually everything—we have seen clear evidence of unknown unknowns with the green transition, which we have touched on a wee bit. I would like your reflections on how you are taking account of unknown unknowns, using AI as an example. How on earth do you help support people in industry when they also do not know what they do not know—in other words, when they do not know what they need?

Frank Mitchell: I will hand over to Damien Yeates, but it is an interesting area. The rate of change in technology now is tremendous. I have a simple mantra: the role of SDS is to help get people into meaningful employment and to keep people in meaningful employment, which requires upskilling and retraining. That is an area that we have been pushing. We need to be alert across the entire skills landscape about how we are going to do that. It is not about people taking a year out of work to be upskilled. It is about how we get a modular approach at night school that keeps people in work, upskilling and retraining them, together with business playing its part as well.

Damien Yeates: As you can imagine, we have burned a lot of hours on the research. Lynne Robson can talk about some of the research that we have undertaken. We did some work early doors with the Massachusetts Institute of Technology and Carnegie Mellon University in the US, which work with a labour market database called O*NET. They ran a set of modelling around occupational disruption as a result of deep learning, machine learning and generative AI.

Rather than getting into the field of predictive impacts, I can make three points. One thing for certain is that occupational disruption will be massive. Within that, there is a specific outcome that we need to pay attention to, which is what we call the half life of skills. That is the period within which you need a substantive uplift in your reskilling. Typically, that period was seven years. It then went down to five years, and we are now saying it could be as little as two years—that is, every two years, you need a substantial uplift in your skill set. We were asked earlier whether we should be doing that, and my response is absolutely.

There is also a question about our education system and what we need to invest in for the

future. We have produced a series of papers around what we call meta skills, or foundational skills. In a world where everything is changing, your best strategy is to be a great learner. The meta skills of critical thinking, problem solving, communication, collaboration and creativity have to be consolidated and built out strongly so that, as information and occupations change, you have a solid base on which to learn and relearn.

The challenge, though, is that those things—critical thinking, communication and collaboration—are not learned in the classroom. They are typically learned through experiential learning and project-based learning, and in the workplace. That is an important message for the education system and the work that Louise Hayward did. Disruption will be around the half life of skills dropping, our need to upskill and reskill and the need to concentrate on consolidating those meta skills right through our education system so that we are prepared for the cycle of change that will come.

Michelle Thomson: I suspect that we could talk about this for quite a long time, as it is a massive topic. However, one area that you have not given me quite enough information on yet is how you support industry to understand the juggernaut that is coming down the track.

Damien Yeates: I do not know whether you are aware that there are around 17 industry advisory boards. The financial services sector is a good example. Sandy Begbie leads for Scottish Financial Enterprise. We work independently with a range of industry advisory groups on both nearsight labour market information but also on foresight—on what is happening three to five years down the road. That is then disseminated.

Similarly, we have done a lot of webcasts and podcasts with the Scottish Chambers of Commerce and the Federation of Small Businesses. Within the scope of what we can do, we share and disseminate our insights. We carry those into schools as well, through the careers service, to make sure that people are aware of the need to invest in those meta skills, and that the sense that there is a career for life has long gone.

Gordon McGuinness: The application of AI to business does not only impact the workforce; it is about the impact on businesses as well.

Michelle Thomson: Do you mean how they do business?

Gordon McGuinness: Yes. We increasingly work jointly with the enterprise companies. My team works on workforce development as part of an account managed process. We work jointly with others, so if a big project is being undertaken, we work alongside it to assess the workforce-related issues for learning. We will hook into other key

institutions, including the National Manufacturing Institute Scotland, on the latest products. We do a lot of work around engineering. We also work with some of the innovation centres that are funded by the Scottish Funding Council, such as the Data Lab, or with UK institutions, including the Digital Catapult. We are looking to see where we can get that expertise, but also how that applied learning is taken into business.

Gordon MacDonald: I want to touch on employers again. We have talked about the need to expand vocational training to take up the challenges that are coming down the road. The employer skills survey show that 29 per cent of employers offer work placements, 16 per cent of employers take on apprenticeships, and 3 per cent of employers are part of the developing the young workforce regional groups. How do we encourage more employers to realise that there is a challenge that they will have to face in having a skilled workforce? What steps are you guys taking to encourage employers to face that challenge?

Frank Mitchell: I will reiterate something that I said earlier. Ninety per cent of the employers that have apprentices now are SMEs and micro-businesses. There is a lot of attention on the large businesses, but the majority of employers that take on apprentices run small businesses. However, it is not easy for them. It is a big commitment for small businesses, and part of what we have to do with apprentices is make sure that they have an employment contract so that there is a real job there, rather than cheap labour that is not a real job. That is one of our concerns. I will hand over Damien Yeates.

11:45

Damien Yeates: It is a great question: if we set funding aside as being a restrictive thing, what would we do? Through a DYW north mission in the Highlands and Islands, we are getting across to business the message that £100 billion of the £230 billion will land in the Highlands and Islands. The message is about the collaborative nature of what industry does. Businesses need to work across sectors and with their supply chain.

Should the committee have the chance to go out on a visit, the East Kilbride and District Group Training Association is a brilliant example of 10 to 15 engineering companies coming together. The apprentices are recruited en masse and spend their first year with EKGTA. It does the heavy lifting, getting the apprentices enterprise ready, and then they are passed out to the companies. It is effectively a shared programme.

That means that a small engineering company does not have to bear the same pressures that are borne by the bigger companies, whether it is Rolls-

Royce or whatever. We need more of those models. To go from where we are to where we need to go means switching on a big thing.

We talk to Scottish and Southern Energy, which is going to spend £20 billion to £25 billion on the grid—its single biggest contract is with the large construction companies. However, we are saying that it needs to get all the supply chain doing things together; if companies are not doing the same thing, they will have talent stolen off them.

We have been looking at a remarkable example from Germany and are trying to work out if we can do something similar. Of the 358,000 registered businesses in Scotland, 249,000 are sole traders. Typically, sole traders will not take on an apprentice. In Germany, most small businesses cannot set up in business unless they have *meister* status—that is, master craftsman status. *Meister* status allows a business to be an approved trainer for taking on apprenticeships. The *meister* status facilitates the offering of apprenticeships in Germany at a rate that we just—well, there is just no way here for that to happen. There are models that we could look at and maybe try to replicate here.

Finally, I go back to the recommendations from the OECD. There is a 1969 act in Germany, which I think was refreshed in 2014 and again in 2019, around the intrinsic role of employers in committing to and co-investing in apprenticeships. It is unacceptable not to do that. It does not have to be just apprenticeships, though. Any vocational pathway is beneficial.

You are hitting on what I think we need to be doing: we need to effect the change required to produce the workforce and to unlock the economic prize, and that has to be done through collaborative work across sectors, through the supply chains and with colleges at the heart of it in regional economies.

We should come back to the committee and update you on the work of that north mission. We are hosting a summit on 4 April. About 70 of the largest investors representing that £100 billion are coming together, and the question we are asking everybody is, “What are we all going to do differently to make sure that we have the talent to unlock the £100 billion that is coming down the line?”

Frank Mitchell: We also have all the public sector bodies involved up north. They are part of it as well.

Gordon McGuinness: In a practical sense for individual companies, we have a service called skills for growth, which is diagnostic process that probably takes three days that our staff undertake. They look at the company’s aspirations but, most importantly, they also look at where the company

is currently plugged into existing local systems, whether that is a college, a DYW group or independent trainers. Then we create jointly. The programme looks at the company but also has fairly extensive conversations with the workforce. Then we make recommendations and help the company into a fulfilment plan.

It is a modest service, numbers-wise. We probably deliver up to 120 or 150 per year. We get very high satisfaction ratings, and we get good case studies on it, too.

Gordon MacDonald: My last question is on pathway into apprenticeships. In my constituency, Compass Roofing, the National Federation of Roofing Contractors and the Scottish Traditional Building Forum have introduced a national 5 course in creative industries giving young people the experience of roof slating. Across the education system, how widespread are nat 5 courses that introduce creative skills for the construction industry? I know there is a bit of stonemasonry going on.

Damien Yeates: They are probably not as widespread as they could be. It is another action that we can take to switch on the workforce. You will be aware that foundation apprenticeships are a similar type of pathway, and there is an opportunity to replicate best practice from other areas, where young people are given the experience to test something out in the low-risk environment of school. The brilliant thing that they often get from such testers is that somebody in that business acts as a mentor for them, and before you know it they are on a pathway. We need to scale that up.

Gordon MacDonald: Okay, I will leave it at that.

The Convener: I will bring in Willie Coffey.

Willie Coffey: I wonder whether I could ask the same question that I asked James Withers, which is about the practical side of the models that we use to fund colleges to invest in skills and so on. You might have heard me mentioning the experience at Ayrshire College, where we know there is huge demand, and which might receive part of the £230 billion investment that you mentioned, Damien. There seems to be a mismatch between what the college is receiving and the local demand that we know exists. Can you offer any reflection or perspective on the black art that seems to be being applied to deliver the funding?

Frank Mitchell: I will pass that to Gordon McGuinness. If you can understand cryptocurrency, you can understand the credit system.

Gordon McGuinness: It is a challenge. I have spent about 15 years on college boards, both as a

chair of a college and as a chair of learning and teaching committees, so I know a bit about how it works. Most of the structure has been based on delivering full-time college courses in a credit-based system.

The minister has been trying to introduce flexibilities. My understanding from the conversations that I have had is that it has been quite difficult for the colleges to move quickly on that, because they have to deliver probably 96 to 98 per cent of their credits before that flexibility is freed up. Colleges will always want to do more and there is an appetite for them to do more short, sharp courses.

The challenge that I have now is that the current funding model has shrunk. What is the mainstream college offer? A mainstream college course presently is 15 hours per week, but in some colleges, vice-principals say that a full-time college course can be 12 and a half hours to 15 hours per week. That can be blended learning, not necessarily face-to-face learning. My experience is that, particularly after Covid, young people need more direct face-to-face tuition. Because of the pressure on funding and an ability or a desire to maintain student numbers, the regular offer of a full-time course has shrunk a little.

Colleges want to get a bit more freedom and flexibility into the system. The Scottish Government, the Scottish Funding Council and a group of representatives from the college sector have been working in a group called the tripartite alignment group, which has been looking at the new funding models. A paper went to the SFC board last week. I have not seen that so I cannot comment on it or on what the group will do in the future, but there is certainly a desire for greater flexibility.

I know that you are close to Ayrshire College, which should be congratulated on the work that it has done, which has included taking hard decisions around prioritisation. It has been doing work with Angela Cox and Anne Campbell, and it has done some good stuff to prioritise the demands and the opportunities from aerospace and the developments at Hunterston that are related to the green economy, which involve companies such as XLCC coming in.

The colleges have done a good job, but they are constrained in terms of capacity and workshops and in terms of revenue funding with regard to student numbers.

Willie Coffey: That was a brilliant explanation there. Thanks very much for that. I will come back to it on another occasion.

I would like to put a question to Damien Yeates. You talked positively about something that is happening in Glasgow involving software

engineering developments, with 200 places or something—I cannot quite remember exactly what you said.

Has somebody found the magic ingredient to attract more people into software development in Scotland? We have been trying for many years to develop an interest in that area and influence people to be interested in it at an earlier age in school. At long last, has somebody found the magic ingredient to get that working?

Damien Yeates: The case study of the University of Glasgow—it is not just the university, but the university is a dominant provider—and the financial services sector in Glasgow coming together to support graduate apprentices in software engineering is phenomenal.

That came partly from the US. My understand is that US companies were finding it difficult to recruit software engineers. Typically, they were going to what might be referred to as the top universities, and they required someone to have a first-class degree. They would get the software engineer in, and within two months that person would want to double their salary and they would want X, Y and Z, and they were not sticky. Often they were not trained in the enterprise software that the industry had.

My understanding is that there was a strong message from the US back to the UK to say, “We will switch on our apprenticeship programmes as a way of getting talent earlier, adopting and assimilating people into the business so that they are culturally part of our team, and making them sticky—and, by the way, we need the talent quickly.” The software engineering graduate apprenticeship programme is in the hundreds and is phenomenal—it is a real success. However, it should be in the thousands, and that is the opportunity. What would it take to scale that up?

You should invite the dean of the school of computing science and the financial services companies in Glasgow to come and explain that, because the programme is a huge success story. Given the growth in job opportunities in Glasgow that are aligned to software centres that are being built in financial services, we are talking about thousands of jobs, paid at well above the average wage—£70,000 to £90,000 in salary. It is a win-win for everybody: high-value jobs in a high-value sector, and young people and older people getting those opportunities. Scaling that up would be terrific.

Willie Coffey: I am sure we can follow up with you on that, as I would like to know more about it. Are the people who do that coming from a software background?

Damien Yeates: No—they are coming straight from school.

Willie Coffey: Are we seeing more women going into software development? Lorna Slater talked about that earlier. Some of the best software engineers are women.

Damien Yeates: The change has been marginal and not great. There is still quite a segregation. We see that young women are promoted quicker because they often have a more in-demand skill set that includes skills related to project management and managing software developers themselves. Again, it is worth getting a deeper view from the sector around what it is trying to do to change that.

It goes back to subject choice. If you look at the people who choose computing science and physics, you see that the split between male and female is shocking. The subjects are still heavily male dominated. Young women do not choose physics, generally—only one in five does. It is a bizarre cultural anomaly, but it is a fact. It is similar with computing science. That then often closes off potential pathways.

Willie Coffey: That is something we could probably follow up on. Many thanks for that, Damien.

The Convener: I will hand over to Daniel Johnson for the final questions. I stress that I am not staging a walkout because Daniel is about to ask a question; I have the Conveners Group meeting with the First Minister upstairs in about one minute and 20 seconds, and I am keen to ask him questions about skills. I will leave our meeting for that reason, but I am leaving you in the capable hands of the deputy convener. Over to Daniel Johnson.

Daniel Johnson: Thank you, convener. I want to begin by ensuring that I have heard witnesses correctly. Damien, we heard you say that it has been a difficult period of uncertainty for staff. Frank, we heard you say that there is a concern that we might not be moving at the required pace to capitalise on opportunities. Is that a correct understanding of your assessment of where you are? Critically, based on what the Government has brought forward, is it clear what SDS's role will be in the future?

Frank Mitchell: Let me try to respond to those three factors. There is certainly a lot of uncertainty among staff. They are concerned about what the future looks like; that includes not only those who might transfer over to the Scottish Funding Council but those who remain behind. There is a lot of uncertainty about that, which goes back to the future role of Skills Development Scotland. We are working with the Scottish Government to try to firm that up so that we can give staff the appropriate information that they need. Ultimately, this is about people and ensuring, as a board, that we respect

that we have people in our organisation who must be treated properly and fairly in the transition. We are working with the Scottish Government on that.

12:00

The question about the pace of change is perhaps more about the risk of missed opportunities. I talk to companies that are currently looking to invest into Scotland. At the top of their agenda is where they will get the people and the skills from. I am worried about another process of structural change under the guise of simplification, with £80 million or £90 million moved into a £3.2 billion budget without a discussion on what we can do now to affect the outcomes that will allow us to give confidence to people who want to invest in Scotland. I repeat the scale that we have mentioned already: £230 billion of additional investment will be coming into an area and an economy that already has skill shortages, so the concern that we hear from inward investors is about where they will get the people from. We are talking about an additional 1.1 million workers.

We are doing a programme in the north and, among the companies that I am talking to, there is a lot of openness to co-investing with the public sector and bringing in new money if they can get the outcomes that they are looking for to meet their needs as employers. That will allow us to give good jobs to the individuals who come through that route.

The issue is compounded by what we hear from employers who are listening to the unfolding financial crisis in the further education and higher education sectors. There is a lot of uncertainty out there.

If we take practical steps to effect change along the lines that we suggested in our written evidence, as well as in what we are doing practically in the north of Scotland under the convention of the Highland and Islands, bringing practical solutions together with industry and the public sector, we can do a lot now to give confidence to investors that we can meet the challenge. We can ensure that we do not have a transient workforce that comes into Scotland and disappears at the end, leaving no lasting legacy of improved standards of living and higher wages for the people of Scotland.

That is my concern about pace. It is why I am focused on achieving something at pace that gives confidence that we can deliver outcomes that will result in a meaningful and lasting legacy for the Scottish economy and the people of Scotland. That is what I am driving at.

Daniel Johnson: I will ask you what that will look like but, before I do, I have a follow-up question. Do you, as chair—or Damien, as chief

executive—have clarity about what the functional footprint of SDS will be following the passage of the bill? What interfaces will you have with other agencies, or is that yet to be confirmed?

Frank Mitchell: That is yet to be confirmed.

Daniel Johnson: That is a big uncertainty when running an organisation, is it not?

Frank Mitchell: We are trying to get clarity on that. We are working with our sponsor team and the minister to ensure that we can give staff the appropriate degree of certainty.

Daniel Johnson: That is helpful.

On making the changes and seizing opportunities, you have painted a vivid picture of those opportunities, the scale of the investment, what that will look like and even who we should perhaps seek to attract. You have talked about women and older workers in the workplace. What steps could and should we take now to deliver this? What is in the art of the possible if we move at pace with the machinery and levers that we have in front of us here and now?

Frank Mitchell: We have tried to talk about some of that throughout the course of the meeting. There are excellent examples of industry and colleges coming together to create strong skills academies. Other industries are looking to set those up in the absence of the public sector. We want to tap into that and to quickly bring together industry and colleges to deliver skills academies that are not only company specific but for a region. We think that we can move on that at pace.

Daniel Johnson: What is preventing that from happening? Is it just the college funding model aspects that we have rehearsed and which I get? How do we deliver that?

Frank Mitchell: Skills Development Scotland does not have any levers or powers to instruct colleges on what to do. We work with colleges and universities to try to influence their outcomes and what they try to achieve to deliver those, but we have no responsibility for being a bit firmer with the colleges about what they do.

However, that is something that can be done—not with universities but with colleges. It can happen now if there is a will to get it done and to move on that. I am not saying that there are no practical issues, but there are things that we can get on with now to build on good practice and to have that across Scotland rather than just to solve issues in pockets. Perhaps Damien can comment on that.

Damien Yeates: A policy direction is needed now, and it is potentially a difficult one. Given that we have a limited amount of money and that we have this economic opportunity, it comes back to

what we should spend our money on. The colleges have great strength in delivery. Predominantly, the policy direction should be on supporting people into driving economic growth in their local economies, and we should switch the emphasis away from pathways into higher education. That would not mean that people could not pick that up at a later point, but the dominant output should be towards the local economy.

Daniel Johnson: It sounds as though you are saying that we should claw back the college funding mechanism, which is based on credits—I will not go down that rabbit hole with the committee this morning—and use a model that seeks to leverage private sector investment. That would require redirecting the money that is put into the college credit system. Is that what you are advocating?

Frank Mitchell: We are saying that that money should be prioritised and focused on the areas that are leading the economy. That includes inward investment and health and social care, because there are huge demands for individuals in that sector. The funding should be prioritised in a way that delivers the outcomes and meets the needs relating to additional inward investment and health and social care in Scotland.

Gordon McGuinness: I will use the example of the Government increasing the amount of childcare provision for young people. That became a bit of a national endeavour. It was clear what was required and, over a period of probably three years, we injected an additional 11,000 education and care workers into the system. The Government built the nurseries, and we, the Scottish Funding Council and colleges provided the staff.

We should apply that model of national endeavour to other issues. First, we have a housing emergency, so what are we doing collectively with colleges to address it? Is there clarity on what needs to be done?

A second issue relates to transmission and distribution. Huge investment is coming, but we will unlock our offshore energy potential only if Scotland's national grid is fit for purpose in providing connections. Scottish Power Energy Networks is looking to increase the number of its staff by about 1,200, and we are talking about 11,000 jobs in the supply chain and Scottish and Southern Electricity Networks, which will probably be more difficult. We are moving from the Government creating the infrastructure to working in partnership with two large corporations to do that.

A third issue relates to offshore energy. There are opportunities in that regard, and we are part of

an offshore energy short-life working group that is looking at skills.

To my mind, there needs to be a national endeavour, and the Government needs to provide clarity on the opportunities. We have scoped out the employment opportunities, but the system needs to be aligned so that we can take up those opportunities as best we can. We should recognise that colleges have some constraints in relation to their staffing—there is not much point in us sitting here saying that our staff are concerned while not recognising the concerns in colleges. Colleges are a fantastic resource if we can get them pointing in the right direction to meet the needs of the future economy.

Frank Mitchell: The private sector will find solutions, and it might just do that on its own. It will provide investment because it is a necessity for it to get on and do these things. BAE Systems did that in Glasgow. It did not want welders to be getting flown into Glasgow to build ships; it wanted to have its own workforce based in the region in which it operates, so it went ahead and did that. Had we been more fleet of foot, we perhaps could have combined with BAE to do that for the region.

There are opportunities, because businesses are looking to invest and to get on and do these things. With the public bodies involved, we need to lean into that in a way that maximises the opportunities to create regional hubs not just for the next 10 years but for the next 20 to 30 years. We need to create leading skills academies that are switched on to industry needs, with co-investment from the public sector in order to deliver outcomes not just for the industry but for the people who go down that pathway, so that they get the fair employment that they deserve from the opportunities that there will be in the next 10 to 15 years.

Daniel Johnson: We probably need a national welding academy, given everything that we need to do.

I have a final question. I hear loud and clear the concerns about removing SAAB. It is not just about having employer or industry engagement at that level; it is about having that engagement when structures are formed. The recommendation has been made in an attempt to simplify the system—that is what it has been sold as—but, although the funding would be simplified by being put in one place, SDS will continue to exist, the career services collaborative has been created, and there will be regional skills planning through the regional economic partnerships that are emerging. If we are not careful, are we in danger of making the system more complicated rather than less complicated? There will certainly be more bodies at the end of this process than there were at the beginning.

Frank Mitchell: That is a potential outcome. That is not necessarily the Government's intention, but it is a potential unintended consequence. If you talk to employers, they will say that they are unclear about their future role. They are clear on what SAAB does, and they are pretty clear on how they can tap into that work. SAAB's employee engagement committee works with various employers across Scotland to try to ensure that they are tapping into that work, but they are unclear about what happens elsewhere.

What happens at a local level is not consistent across Scotland. Through our network with industry and through the work of Gordon McGuinness and others, we could bring things together fairly quickly and provide that consistency, because we already lean quite heavily on industry, businesses and employers. They are familiar with Skills Development Scotland and our role in bringing their voices into what we do across the skills landscape.

Damien Yeates: The OECD would be shocked if we scrapped an employer advisory board that was leading on apprenticeships. No successful programme in Europe operates without employers driving apprenticeships, because employers create the jobs and pay the wages, and apprentices are, ultimately, employees of the companies, so it is an odd position to take.

Daniel Johnson: Thank you.

The Deputy Convener (Michelle Thomson): That brings us to the end of the evidence session. I thank the witnesses very much for their evidence.

12:13

Meeting continued in private until 12:34.

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