

ECONOMY AND FAIR WORK COMMITTEE

3rd Meeting, 2021 (Session 6), Wednesday 8 September 2021

Evidence Session

Introduction

1. This paper has been produced for the Economy and Fair Work Committee to aid Committee members during the evidence session.
2. The discussion will focus on recovery for Scottish businesses following the Covid-19 pandemic, witnesses will appear virtually.

Witnesses

3. At today's session the Committee will hear from—
 - **Chris Brodie, Director of Regional Skills Planning and Sector Development; and Lisa Pattoni, Service Development Manager, [Skills Development Scotland](#)**

Skills Development Scotland (SDS) is Scotland's national skills agency, supporting people and businesses to develop and apply their skills with the aim of ensuring employers have the access to the right skills at the right time.

SDS aims to target the delivery of this support to those who need it most, to help all individuals to achieve their full potential.

- **Nora Senior, Chair, [Enterprise and Skills Strategic Board](#)**

The Enterprise and Skills Strategic Board's aim is to align and co-ordinate the activities of Scotland's enterprise and skills agencies (Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council).

It seeks to maximise the impact of the collective investment that Scotland makes in enterprise and skills development.

- **Mairi Spowage, Director, [Fraser of Allander Institute](#)**

The Fraser of Allander Institute (FAI) is an economics research institute based at the Strathclyde Business School. It is part of the Department of Economics.

The FAI is an impartial organisation that conducts practical economic research, helping to inform decision making within policy circles at both a national and local level.

4. Some of the organisations attending provided a written submission ahead of the evidence session, these can be found at Annexe A.

Aim of evidence session

5. The aim of the evidence session is to—
- consider what policies around employment and skills are needed to promote economic recovery; and
 - inform the Committee's input to the Scottish Government's budget for 2022-23.

**Clerk to the Committee
3 September 2021**

Written Submission from Skills Development Scotland

Thank you for your letter of 8 July, inviting Skills Development Scotland (SDS) to support the Economy and Fair Work Committee's evidence session into employment and skills for recovery, with a focus on the medium to longer-term.

When we appeared before the Economy, Energy and Fair Work Committee as part of the inquiry into the impact of COVID-19 on Scotland's individuals, businesses and the economy in August 2020, we updated members on our Strategic Plan 2019-2022. We are currently in the process of developing our new Strategic Plan, which will be published in early 2022. The strategy will focus on Scotland's recovery from the pandemic and the five dimensions of change which were facing the country before the onset of COVID-19. We will look in detail at these five dimensions later in this letter, but we would firstly like to reflect on some of the developments in Scotland in recent years, which give a sense of urgency to our work:

- A rapid rise in dependency ratios is expected due to the predicted decline in the working age population
- With in-migration being overwhelmingly the biggest driver of population growth in Scotland, the impact of Britain's exit from the European Union will likely have a long-term impact on the success of Scotland's economy
- It is estimated that as a result of automation and digitisation there will be a need to retrain a significant number of workers whose jobs may not exist in the future, and also to upskill even more workers in order to meet the skills needs of Scotland's businesses¹
- As [Scotland's Future Skills Action Plan](#) outlines, at a time when upskilling and reskilling has become increasingly important, job-related training in Scotland has steadily declined over the last 15 years – reversing this trend creates an opportunity to ensure both employers and employees in Scotland are prepared for new challenges and opportunities ahead
- [CBI/Pearson's Education & Skills Survey 2019](#) showed that over half of employers (60%) value broader skills such as problem solving and three quarters (75%) say they prefer a mix of academic and technical qualifications or that they view all qualifications equally, with wider character, behaviours and attributes being the most important consideration when recruiting school and college leavers - yet two in five (40%) employers report that they are dissatisfied or very dissatisfied with these 'work-ready' wider characteristics, behaviours, and attributes
- All of these challenges are further impacted by the global climate emergency, with the task being to ensure existing workers are able to reskill before jobs are lost in order to achieve a just transition to net zero – for example, research by the [Institute for Public Policy Research](#) (2020) suggests that in the UK more than 200,000 jobs could be created in energy efficiency by 2030, with 70,000 jobs in offshore wind alone by 2023.

¹ <https://www.pwc.com/gx/en/services/people-organisation/workforce-of-the-future/workforce-of-the-future-the-competing-forces-shaping-2030-pwc.pdf>

Five dimensions of change

Both our current and new Strategic Plans are designed to be responsive to existing challenges, such as Britain's exit from the European Union, significant demographic change, the global climate emergency, the uncertain nature of the future of work and Industry 4.0, in which automation and artificial intelligence seem certain to play a bigger role.

1. Demographic trends

The challenges presented by Scotland's aging population are expected to become more pronounced in the future, putting pressure on people to work longer while also increasing dependency ratios. Between 2018-2043, Scotland's population is expected to grow by only 2.5% compared with 9% in the UK. This projection means Scotland can expect to have the slowest population growth in the UK in the next 25 years. Over the same period, Scotland's working age population is projected to decrease from 64.1% to 62.4% of the total population, while people of pension age should increase from 19% to 23% of the total population.

The impact varies across Scotland, with rural and island communities particularly vulnerable. For each of the next 25 years, all of Scotland's population growth is projected to come from migration, which could be impacted by BREXIT. For Scotland's economy to grow and flourish, the country requires innovative solutions to attract and retain skilled workers from the rest of the UK and beyond. Pandemic-related increases in technology use and remote working may enable remote and rural communities to access learning and employment opportunities and attract and retain the people and skills they need. With less migration expected, technology presents employers and individuals with both increased opportunity and competition; with employers able to potentially recruit workers not domiciled in Scotland, but with workers in Scotland more able to take up jobs based elsewhere.

SDS developed a [Skills Action Plan for Rural Scotland](#) to help ourselves and partners address the skills challenges facing rural areas. SDS also produces Regional Skills Assessments (RSA), including one for [Rural Scotland](#), which provide a robust evidence base for skills investment. As we support people through the pandemic, we are also working with partners to upskill and reskill individuals developing the right skills for our workforce, and to try and ensure we retain talent within Scotland.

2. BREXIT

The impact of BREXIT continues to be assessed but an expected outcome is that international migration to Scotland is projected to decline. The difficulty of untangling the impacts of COVID-19 and BREXIT upon migration mean that the distinct impacts of the UK's new immigration system have yet to emerge. However, the Scottish Government's Expert Advisory Group on Migration and Population [maintain their position](#) that the new system could result in a 30-50% cut in overseas net migration to Scotland. Public and private sector partners will need to work closely to mitigate any impacts.

From the outset, SDS has worked with our partners (Highlands and Islands Enterprise, Scottish Enterprise, Business Gateway, Scottish Development International and the Scottish

Government) to advise businesses and individuals on the support available to them. We will continue to provide support as any implications become clearer.

3. Industry 4.0

For the last four years, SDS has been leading a programme of work addressing the technological and societal disruptions that are taking place across the world, including here in Scotland. While we cannot predict the future, we can prepare for a future that is increasingly unpredictable. The people of Scotland need the skills not only to cope with change but to thrive in it, as well as creating change themselves.

SDS has been looking at how this is to be achieved, and what these changes mean for the workplace and the skills the workforce will need. This future-focused work is driving innovation in our products and services, ensuring the people of Scotland and employers are prepared for this complex future. We have been collaborating with our Strategic Board partners to chart out a vision we have been calling [Skills 2035: a Human Future](#).

We invite the Committee to view [this short video](#) which explains how we envisage the world changing and what we regard as the best way for Scotland's people to equip themselves for the challenges of the future.

Our paper '[Skills 4.0: a skills model to drive Scotland's future](#)' was published pre-pandemic, but its message is more relevant than ever given the disruption caused by the pandemic.

4. Transition to Net Zero

At the end of 2020, SDS published the [Climate Emergency Skills Action Plan](#) (CESAP) which sets out a clear direction for the reorientation of the skills system in the context of COVID-19 economic recovery.

Measures identified in the CESAP to support a green recovery from COVID-19 include:

- targeted investment to support new jobs in sectors central to the transition to net-zero,
- supporting people to upskill and reskill into emerging green jobs through measures such as the Flexible Workforce Development Fund and the National Transition Training Fund,
- providing support to those facing redundancy in sectors facing job losses
- ensuring collective regional responses to labour market challenges and opportunities resulting from COVID-19.

The CESAP also highlights that the transition to a greener economy requires new skills, both for newly emerging jobs and for existing jobs that are evolving. It is crucial that traditionally carbon intensive sectors (e.g. transport, energy) ensure their workforces are equipped with the green skills needed to reach net zero, but many other, if not all, jobs need workers to be equipped with appropriate green skills. This includes ensuring higher technical skills, particularly in sectors such as engineering and construction. We must also ensure that the current workforce is prepared with the skills to transition to greener jobs, which includes harnessing their transferable skills and reskilling before jobs and livelihoods are lost.

5. The Future of Work

As new businesses and industries emerge and grow, supported by new technology-driven business models, there is an impact on jobs and the labour market; with the need to ensure individuals have the right skills, knowledge and capabilities required by employers.

There is also a need for individuals to develop new mindsets in approaches to work, job design, skills development, and careers guidance/development if we are to succeed in acquiring the adaptive expertise and capabilities to navigate the new world of work. In a rapidly changing and complex world, the workforce needs to be truly learning for life.

- A hidden revolution: work redefined

The future of jobs is dynamic and hard to predict with precision. Most facets of work are undergoing transformation: how we work, where we work, what jobs are growing and what skills are required. In some industries and jobs, the impact is very visible, however many more jobs and industries are also transforming in ways that are more hidden from view.

- The race to reskill: death of the linear career

Unlike the past, where job design and occupational structures reflected the needs of industries and services where workers required a relatively fixed set of skills and knowledge, traditional, linear career trajectories are rapidly becoming outdated. With work changing so rapidly, the workforce must be enabled to swiftly up-skill and/or re-skill in new areas to secure and maintain employment.

- Reinventing the future: powering Scotland's workforce

There is clear evidence that employers are seeking different types of capabilities and skills, moving from traditional qualifications towards 'T-shaped' individuals² with a balance of technical, meta-skills and adaptive expertise.

Scotland's education and skills system has many strengths and there have been many advances in the ways we prepare people for, and support people in, the world of work over the past 40 years. However, we must also ensure that the education and skills system leverages technology and establishes/recognises new credentials for the attainment of emerging skills.

- Precarious or prepared: towards fair work

Alongside the many positive opportunities presented by the 4th Industrial Revolution, there are also real challenges. Coursera's 2021 Global Skills Report³ finds that the economic shifts accelerated by the pandemic will be permanent, displacing some workers and polarizing the labour market.

² <https://www.forbes.com/sites/lisabodell/2020/08/28/futurethink-forecasts-t-shaped-teams-are-the-future-of-work/?sh=1157165fdedc>

³ <https://www.coursera.org/global-skills-report/skills>

We are also seeing this in Scotland with the continued decline of mid-level skill jobs, and with precarious work also on the rise – according to the ONS, during April-Jun 2021, there were 62,000 people aged 16 and over on zero-hours contracts in Scotland. This is equivalent to 2.3% of people in employment.

Almost one in five workers in Scotland (17%) – the majority of whom are women – are being paid less than the real Living Wage. If these patterns continue, the impact on Scottish society and the economy could be long lasting, creating issues around the equitable access and distribution of work.

- From endangered to in-demand: leveraging Scotland's young talent

As the economy, labour market and the landscape of work changes, young people are one of the groups most at risk of being marginalised and missing out on opportunities. Young people in work are often disproportionately concentrated in sectors that are characterised as being low skilled, low paid and which have insecure contract terms.

It is important not to reinforce the negative narrative of the 'lost generation' and instead to look towards how we can equip our young people to develop mindsets, skillsets, and networks that will enable them to become the agile workers, problem solvers, and team players of the future. Building meta skills and developing the ability to thrive in an uncertain and changing world is critical for the economy and society.

Labour Market Information and Analysis

SDS is committed to maintaining its role of providing robust evidence on the labour market in order to help inform policy direction and investment in response to economic and labour market conditions.

We recognised that our previous schedule for publishing labour market information needed to be enhanced to assess the immediate or short-term impacts of the pandemic. For this reason we began to publish monthly [COVID-19 Labour Market Insights](#) in 2020, which draw on real-time data and commentary from economic and labour market experts. These Insights and the [accompanying dashboard](#) include insight on sectors and regions, as well as the ongoing COVID-19 response from SDS and support for individuals and businesses.

These new insights are complemented by [Regional Skills Assessments](#) (RSAs) and [Sectoral Skills Assessments](#) (SSAs) which expand upon the specific impacts of the pandemic, consider the future demand for skills and jobs and identify opportunities for recovery.

RSAs are developed and published by SDS in partnership with Highlands and Islands Enterprise, Scottish Enterprise, the Scottish Funding Council, Scottish Government, the Scottish Local Authorities Economic Development Group and South of Scotland Enterprise. RSAs are available for all Regional Outcome Agreement areas, Rural Scotland and all City and Growth Deal Regions whilst SSAs cover all of Scotland's key and growth sectors. The most recent RSAs and SSAs were published in July 2021.

Conclusion

For Scotland to keep pace with the scale of change outlined in this submission and address the challenges which the country faces, a compelling economic vision is required – and SDS is playing a key role in the development of the Scottish Government's new 10-year National Strategy for Economic Transformation.

The ongoing alignment of skills investment and industry needs must be accelerated. Through the provision of our Regional and Sectoral Skills Assessments, and our substantial body of labour market information, we will continue our contribution towards sharpening our own and partners' understanding of the skills that people and businesses in Scotland will require for the jobs of the future.

We would also stress again the importance of meta skills. There is a shift in the balance of skills that employers seek, and there must be an associated shift in the balance of skills provision. Employers are looking for workers who not only have the relevant knowledge, but who can be personally effective in applying what they know in evolving situations⁴. This kind of practical, problem-solving approach to learning, which enables an individual to be effective in their work, is long-standing within apprenticeships.

The disruptive forces outlined in this submission highlight the urgent need to invest in a more effective balance of provision which aligns with employer need, is flexible and agile and which:

- Retains the best of our academic offerings
- Expands work-based provision
- Develops support to re-train/re-skill and transition to adjacent occupations
- Enables the workforce to rapidly upskill.

This is a whole system effort and requires alignment between government, industry and individuals in terms of investment. Our Strategic Plan, when published next year, will update on our actions in response to the challenges Scotland faces. In the meantime, we look forward to updating members when we appear before the Committee on 8 September.

Kind regards

Chris Brodie

Director of Regional Skills Planning and Sector Development
Skills Development Scotland

⁴ https://www.cedefop.europa.eu/files/3087_en.pdf