OFFICIAL REPORT
AITHISG OIFIGEIL

Education and Skills Committee

Wednesday 7 September 2016

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 7 September 2016

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EDUCATION AND SKILLS COMMITTEE
3rd Meeting 2016, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Johann Lamont (Glasgow) (Lab)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Ross Greer (West Scotland) (Green)
*Daniel Johnson (Edinburgh Southern) (Lab)
*Richard Lochhead (Moray) (SNP)
*Fulton MacGregor (Coatbridge and Chryston) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Liz Smith (Mid Scotland and Fife) (Con)
*Ross Thomson (North East Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Kemp (Scottish Further and Higher Education Funding Council)
Helen Martin (Scottish Trades Union Congress)
Gordon McGuinness (Skills Development Scotland)
Professor Andrea Nolan (Universities Scotland)
Vonnie Sandlan (National Union of Students Scotland)
Mark Smith (Standard Life)
Shona Struthers (Colleges Scotland)
Gareth Williams (Scottish Council for Development and Industry)

CLERK TO THE COMMITTEE

Roz Thomson

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education and Skills Committee

Wednesday 7 September 2016

[The Convener opened the meeting at 09:45]

Interests

The Convener (James Dornan): Good morning. I welcome everyone to the third meeting of the Education and Skills Committee in 2016 and remind everyone present to turn off their mobile phones, as they can interfere with the sound system.

The first item is to allow Richard Lochhead to declare any interests that are relevant to the committee's work. I welcome Richard and invite him to make a declaration.

Richard Lochhead (Moray) (SNP): Thank you, convener. It is a pleasure to be here. I have no interests to declare officially. Unofficially, I should say that my wife is a primary school teacher and therefore may be a source of free advice, irrespective of whether I ask for it. That is the only interest that I wish to declare.

Decision on Taking Business in Private

09:45

The Convener: The next item is a decision on whether to take in private items 5 and 6. Item 6 is a discussion of our approach to budget scrutiny and item 5 is a chance for us to discuss and reflect on what we hear from our witnesses today. It is also suggested that similar review items be taken in private at subsequent meetings this month. Do we agree to take those items in private?

Members *indicated agreement.*

Further and Higher Education

09:46

The Convener: Item 3 is an overview of further and higher education, for which we have in front of us a panel of witnesses. This is the first of a number of overview sessions this month to inform consideration of our future work programme. We will have a session with the Deputy First Minister and Cabinet Secretary for Education and Skills on 28 September.

I thank all the people who organised and took part in the fact-finding visits on further and higher education at the University of Stirling last week and on skills at Stirling Community Enterprise. The practical experiences that members heard about on those visits provided valuable insight and context for the overview sessions.

I welcome our witnesses. Shona Struthers is chief executive of Colleges Scotland; Professor Andrea Nolan is convener of Universities Scotland; Vonnie Sandlan is president of the National Union of Students Scotland; and John Kemp is interim chief executive of the Scottish Further and Higher Education Funding Council.

We will go straight to questions. My first question concerns a report in *The Herald* this morning about the new university scheme to lure students from the working class. Can anybody give me some further information on that?

Professor Andrea Nolan (Universities Scotland): I would be happy to update you. It is part of our response to "A Blueprint for Fairness: The Final Report of the Commission on Widening Access", which came out in March. All the principals have come together in Universities Scotland to ask how we can deliver the necessary step change. We have been working hard over the past four or five years, and even before that, to improve access to higher education as part of an holistic drive through schools and colleges—I am sure that my colleagues will speak about that—and we came up with a plan to deliver ambitious targets to which we are all committed.

The targets revolve around three areas. The first concerns reviewing and improving our admissions systems. Seventeen of our 19 universities in Scotland use contextualised admissions, with flags that enable us to identify whether people come from less advantaged backgrounds. We have been doing that individually and examining what works and does not work. We now have some evidence to show that that if we admit students from some areas who have deprived backgrounds and lower grades and who may have had more challenges in getting opportunities to develop their skills and expertise, they do really well. What is really important to us as university principals is that people succeed when they are admitted and go on to have good employment outcomes. We are looking at spreading our best practice and sharing it further.

The second area that we are considering concerns our bridging programmes. We deliver bridging programmes to make prospective students who come from school or college aware of what university is like so that they are not daunted by it and do not feel underconfident, but instead feel that there are other people like them. We have been doing that largely on an individual university basis and we feel that we should come together more and offer programmes regionally and—who knows?—potentially nationally. We will develop our bridging programmes collaboratively; if we do that, we have the potential to offer more places to people on those programmes and to those who do summer school activities that help them to transition to university and to believe that university is for them.

The third area where we plan more work, in collaboration with college sector colleagues, is to streamline our articulation routes to ensure that people have a range of opportunities and pathways into university.

The Convener: When do you expect that work to be done and to be ready to be put into action?

Professor Nolan: Many building blocks are in place because we have done a lot individually. We agreed the plan last week at our Universities Scotland away day, and we will put together a board to deliver it. We are committed to moving on the actions in this academic year, but the impact will take a while, as we get more people into the system and attaining the qualifications that are needed for university.

John Kemp (Scottish Further and Higher Education Funding Council): The plan builds on actions—tried and tested methods—that universities have been taking for some years. For example, there is quite a lot of research behind contextualised admissions to show that a person with particular grades from a particular school might perform as well as a person with far higher grades from a different school. There is a lot of strong research behind that.

Andrea Nolan mentioned streamlining, and articulation is an area of work that has grown quite a lot in recent years. It has the capacity to grow further and become an important way of widening access for a large number of students. We strongly support it.

Shona Struthers (Colleges Scotland): The college sector is looking at the articulation route to develop the learner journey. There are good examples of articulation, but not across the board;

we want to see articulation used more by colleges and universities and becoming a standard route rather than just being something that is the creation of specific partnerships.

Vonnie Sandlan (National Union of Students Scotland): NUS Scotland welcomes the fact that Universities Scotland has been so bold and decisive, even before the implementation of the proposal for a commissioner for fair access. We are excited about the opportunities for students in this collaborative national and regional approach, and believe that articulation is a jewel in the crown of the Scottish educational system. It is a wonderful opportunity for students for whom direct access into university has not been right, for whatever reason.

NUS Scotland is clear in its view that where articulation works, it is wonderful. However, in recent years, of students articulating from college to university across all institutions in Scotland, 51 per cent are being forced to repeat years of study, and only 49 per cent are entering university at the right year or level. That is not a good or reasonable use of the limited resources that are available for tertiary education in Scotland. It is genuinely exciting to hear that colleges and universities in Scotland are working more collaboratively to make that progression smoother.

The Convener: Are the figures of 49 and 51 per cent based on universities or courses?

Vonnie Sandlan: The figures represent all students who have articulated from colleges to universities. There are a number of reasons for the figures. Some institutions do not have a smooth alignment between the college course and the university degree course. In some degree courses—law is an example that I often hear—specific subject matter has to be covered in the first and second year that perhaps will not have been covered by a college student who has done a higher national certificate or higher national diploma. I believe that streamlining curriculum content, which Andrea Nolan and Shona Struthers have talked about, provides the opportunity for a smoother path.

John Kemp: It works best when the college and university have worked together to design a course so that there is seamless articulation and the student is well supported.

Sometimes people repeat a year for good reasons. For example, they may be changing subject and need additional support. However, sometimes it is because the college and university have not designed a route that works.

The Convener: Thank you. I invite Liz Smith to come in on that subject.

Liz Smith (Mid Scotland and Fife) (Con): My questions are about the role of the Scottish funding council in helping that process. Concern about the clarity of that role has been expressed in Audit Scotland's reports about both higher education and further education. The SFC briefing paper for today's meeting does not respond to those concerns.

I will perhaps come to Professor Nolan in a minute, but I am particularly interested in how you measure the success of outcome agreements, which obviously include widening access.

John Kemp: The outcome agreements are the means by which we link the Government's priorities and funding for further and higher education. They are agreements between the funding council and colleges and universities and are based on negotiations with colleges and universities about what is achievable with regard to the ends that we share.

We agree with universities a set of targets for widening access, and built into that are requirements for contextualised admissions and so on. We use them as a method for encouraging progress on widening access, which we link to funding. However, I stress that they are a collaborative agreement between us, the universities and the colleges about making progress on these things. They are not some simplistic method whereby we concoct a set of targets in our office and then tell the universities what they are. We have in our office a set of targets on widening access that we discuss with the universities, but it is a process of negotiation and agreement about how the funding is used for Government priorities. Is that the point that you were making?

Liz Smith: Yes, it is, but why do you think that Audit Scotland is not very comfortable with the clarity of that?

John Kemp: I would not say that it is uncomfortable. The Audit Scotland report on higher education suggested that we needed to update the outcome agreement guidance to reflect our new strategic plan, and we are doing that. The strategic plan is fairly recent and the next set of outcome agreement guidance has not come out.

There is sometimes an expectation that outcome agreements are more directive than they actually are. They are about collaborative working between the university and college sector and the funding council to reflect priorities.

Liz Smith: Professor Nolan, the indication is that a great deal more work is being done and will be required to be done, given that the Scottish Government's policy intentions are changing. Is the process of setting outcome agreements by institutions and the Scottish funding council well

researched, and is it well resourced in terms of the number of people who are able to help individual institutions work them up?

Professor Nolan: There are very positive things about the outcome agreement process. Given that we are all autonomous institutions, we have a discussion about our institution and how we can marry our institution's mission and strategy and deliver to the Government's agenda. It is positive to be able to discuss that.

The processes can always be improved. The discussions are bilateral and in the future it might be helpful, at the beginning of a session, to consider and say what things we want to achieve sectorally for the whole year and then discuss them individually.

Things have been very challenging for the funding council last year and possibly this year. Our outcome agreements are on a three-year basis, but our funding settlement this year has been for one year and it is likely that there will be a one-year settlement for 2017-18. That is where things become quite difficult. Universities' planning cycles run from the moment they look to recruit a student to the student's graduation, which is four years plus one year, or five years in total. That makes the situation challenging for everybody.

Johann Lamont (Glasgow) (Lab): Although I am interested in widening access initiatives, I want to look at the context for the university and college sectors.

I have been advised that it is harder now for a young person in Scotland to get into university than it was five years ago. As a consequence—this is anecdotal and comes from my own family's experience—places are being rationed by qualification. Does that not make it more difficult to address the attainment gap? Is it not the case that young people who in the past would have accessed a university course are now not doing so because of Government policy, the funding gap and capping?

10:00

John Kemp: The number of Scotland-domiciled students at university in Scotland has increased by about 10 per cent in the past 10 years or so. It is fair to say that demand has probably grown above that, which is perhaps because of the success of some of the widening access initiatives.

In the long run, the Scottish Parliament, the Scottish Government and the funding council will have to consider how we make best use of the capacity in colleges and universities to meet the widening access targets. However, over the past few years, the number of students from Scotland going to Scottish universities has been increasing. The indication from this year's Universities and Colleges Admissions Service statistics is that the number has increased again—it is doing so by about 4 per cent year on year.

The issue is perhaps that demand is increasing at a greater rate than supply. The consequence of the introduction of fees in England, and therefore the charging of students from the rest of the United Kingdom to attend Scottish universities, is that that has enabled the number of places in Scotland for Scotland-domiciled students to expand. There has therefore been an expansion, but perhaps not enough to satisfy the demand.

Johann Lamont: You talk about an increase in demand, but there is an increase in the number of people who would in the past have accessed a course but who can no longer do so. It is not that there are lots of people who want to go but are not able to go; these are people who, five years ago, would have accessed a place but can no longer do so. The way in which we are managing that demand is by increasing the level of qualification that they require. I would have thought that that would have made it even more difficult to address the gap in attainment by the time that we get to the college and university level.

John Kemp: Yes. We accept that demand has grown more than supply.

Johann Lamont: The cap on places means that, logically, there is nowhere else for the universities to go but to ration by qualification.

John Kemp: Yes.

Johann Lamont: Therefore we expect young people to achieve higher qualifications to access a place at university than they would have had to achieve five or 10 years ago. We could argue that we are in a position in which young people who could contribute to the Scottish economy are not able to access a place that would allow them to do that.

John Kemp: In the long run, that is an issue that needs to be considered collectively, and not just by the funding council. We need to consider how we use the supply of places in both colleges and universities. Some of what we have referred to as streamlining or articulation is a way of using the same number of places but getting more people through. However, we also need to consider the total supply of places.

Johann Lamont: Can we also address the college context? We talk about bridging in terms of the opportunity to get from college into university, but we know that college budgets are down by 18 per cent since 2014-15. The Audit Scotland report tells us that part-time places, women students and students over 25 have gone disproportionately from colleges. Perhaps the NUS can reflect on

how all that can address equality of access in education.

Vonnie Sandlan: The NUS has been absolutely clear that it very much welcomed the protection of full-time education places and the opportunity for more students to be able to access a full-time place at college. However, that has come at the expense of part-time places, disproportionately affecting women, disabled learners and mature adult returners. We would like to see some investment to rebalance that.

On your previous point on access opportunities, it is worth mentioning that the application to acceptance ratio for 2015 for people from the Scottish index of multiple deprivation 20 most deprived areas was 63 per cent. That is in contrast to people from the SIMD 80 to 100 least deprived areas, where the ratio is 75 per cent. There is therefore a percentage gap of 12 points between people from the least deprived communities and people from the most deprived communities in relation to acceptance of their university applications. Conversely, 29 per cent of college students come from SIMD 20 backgrounds, so colleges are seeing an overrepresentation of people from the most deprived backgrounds. I think that there is something in there about equality of opportunity.

Johann Lamont: Do you agree that we would fail an equality impact assessment of the budget if it showed the consequence that poorer students disproportionately ended up in the college sector, which has been cut, and that better-off students were more likely to access a place at university?

Vonnie Sandlan: I would not like to speculate on what the outcome would be, but I think that colleges do excellent work in an atmosphere of ever-declining resources. The chance to go to college to study is as valid for some students as the opportunity to go to university, but it is a case of making sure that students are not restricted to one path or another on the basis of where they are from.

Johann Lamont: Would our colleague from Colleges Scotland like to reflect on what she thinks that the direction of Government policy should be in order to address the question of equality?

Shona Struthers: The cuts to budgets have obviously had an impact on students, and although the target of maintaining the number of full-time equivalent students is welcome, we would like the consequential negative impact on part-time learners and therefore on women returners to be addressed. We would like the imbalance to be redressed.

There are many colleges that, despite focusing on the young learner, who tends to study full time, have looked at dealing with admissions on a first-come, first-served basis. That way, the older learner still has the opportunity to come to college. However, it should not be one or the other.

Johann Lamont: But it is one or the other at the moment.

Shona Struthers: Yes.

The Convener: We need to move on. Gillian Martin has questions on college reform.

Gillian Martin (Aberdeenshire East) (SNP): My question is about the admissions aspect of what Professor Nolan talked about. I am from a rural constituency and it has been brought to my attention that some of the strategies for widening access and the recording of people who come to university from a more deprived background as part of the widening access agenda tend to be postcode based. That does not really work in identifying students from deprived backgrounds from rural areas, where the postcode might be that of a small village. What are the challenges there? What would your advice be to us on collecting that data? We could be missing some targets because we are not identifying that type of student in rural areas.

Professor Nolan: It is a very good point, and it is one that we have puzzled over and considered over time. The measures and the targets have been set against the SIMD way of assessing deprivation. That is a composite measure, which has many things in it. It identifies areas of deprivation at a very high—a system or national—level. Our data suggests that it is right 50 per cent of the time if we measure what it tells us against other indicators of deprivation, such as receipt of free school meals. We find that there is an overlap of about 46 per cent in the identification of deprivation by those measures.

Therefore, the SIMD is not perfect—it is not granular and it does not give us a full picture of how to address the full range of deprivation. Universities Scotland has been looking at other measures, such as receipt of free school dinners, whether people are care experienced and their carer status. We might look at schools with low progression to higher education. There are various other indicators that some universities use in their contextualised admissions to pick up those people who are disadvantaged or who are living in disadvantaged areas but who are not being picked up by the SIMD 20 measure. You make a good point.

John Kemp: It is worth saying that we agree with Universities Scotland that the SIMD is not perfect for every purpose. However, at a high level—particularly at national level—it is an extremely useful tool in measuring progress on widening access. The latest iteration of the SIMD

came out just last week. It is possible for people to go on that, put in their postcode and find out how wealthy or deprived they are. Particularly in urban areas, the SIMD maps give a very clear indication of the background of the student.

Gillian Martin is quite correct to say that, in rural areas, the SIMD is less good, because the data zones are more mixed. We recognise that. Institutions such as Robert Gordon University and the University of Aberdeen are in a more rural area, albeit that the urban part of Aberdeen is an area of quite low deprivation. The targets that we would expect in those institutions have to be very different. In Glasgow, the percentage of the population that is from the SIMD 20 or 40 group is far higher.

Therefore, the SIMD is a very good overall measure, but it is less good at saying to an institution that it should admit one student rather than another, and it is less good at a granular level in particular institutions. However, it is still a very good overall measure.

Gillian Martin: Do you see a role for any self-declaration in admission forms, or maybe a checklist? You have mentioned criteria such as going through the care system.

John Kemp: As part of our outcome agreement process, we allow institutions to use other measures of widening access, and we are working with Universities Scotland on a wide basket of measures, including parental income, which will give a better match between what is and what is not a widening access student. It is important that that is done consistently across the country, so that we can measure the progress of one institution against another. Institutions use their own measures and, when those are added up, it is sometimes difficult to compare university X that has, say, five measures and X per cent widening access students with another university that has a different set of measures. It is difficult to say which institution is making best use of our funding to widen access if the measures are not consistent. We need consistent measures, but there is no reason why there should not be a wide basket of measures.

Vonnie Sandlan: It is worth mentioning that the application form for the Student Awards Agency for Scotland, which is filled in for a student loan and bursary, asks such questions as:

"Are you a care leaver?"

UCAS, which runs the generic application system for most people going to university, is working very productively with the NUS at a national level to consider what other questions should be asked.

The commission on widening access was very clear that the data that is available to institutions could definitely be improved. As John Kemp said, although the SIMD is not perfect, it is the best that we have now. There is definitely scope for better data production and better data use. Anecdotally, I know that the changes to SAAS and UCAS information cannot always be picked up by institutions and their computer systems—those are systemic issues of data collection that could be streamlined, including not just data collected from applicants but also data from schools.

Tavish Scott (Shetland Islands) (LD): I have a couple of questions about the SIMD. John Kemp is right; it certainly works for urban areas, but it is a blunt instrument for rural Scotland. It has not worked for 17 years, so we need to come up with a better way.

I have two questions. The first is about Audit Scotland's "Scotland's colleges 2016" report. Could I clarify with John Kemp the point that Audit Scotland made about understanding colleges' merger costs, on which the funding council published a report last month? Audit Scotland said that the funding council's estimate would

"not include costs of harmonising staff terms and conditions, which could be significant."

Is that fair comment, and is there a plan to publish those details?

John Kemp: Our report does not include the harmonisation costs. The reason is that there were a number of changes in the college sector during the merger period, some of which were related to mergers and some of which were not—we make that point when we look at all the costs of merger. It is therefore very difficult to reach a precise answer on what savings were related to the merger. Part of the change that was happening to the college sector over that time was the move towards national bargaining, and some of the colleges harmonised pay with an eye to that. For some colleges, the harmonisation did not cost much; in others it cost more, but sometimes that was related to looking ahead to national bargaining rather than the cost of the merger. For that reason, harmonisation was not included.

We agree with Audit Scotland that it is very difficult to be precise about which changes in the costs of colleges are related to mergers. We have used a robust and conservative way of looking at changes in staffing.

Tavish Scott: I take the point that John Kemp makes about it not being possible to have a precise figure, but has it been possible to come up with a broad number? Is that a number that Audit Scotland considers to be auditable, for want of a better word?

John Kemp: Part of the complication is that we did not include every merger in the savings

figures, and some of the bigger costs were at one of the colleges that were not included.

We have figures; they are not figures that I would want to give just now, as we are still working on them.

Tavish Scott: But you could at some stage.

John Kemp: Yes.

Tavish Scott: The other question that I want to ask is a more generic one that relates to Johann Lamont's line of questioning. Is the widening access agenda that you have all spoken about very logically this morning consistent with developing Scotland's young workforce? I still think that the work on that is one of the most seminal pieces of work that has been done in Scotland in the time of the Scottish Parliament, because of the concentration that Sir Ian Wood had on vocational education and blurring the lines of that and taking out so many barriers to understanding why vocational education is important. Is the widening access agenda consistent with developing Scotland's young workforce? What are you doing to make sure that they are seamless?

10:15

John Kemp: Those agendas are consistent and it is very important that we keep on working to make sure that they do not diverge. The work that has been done on developing the young workforce, particularly the parts in schools about vocational pathways, needs to be linked into a number of possible outcomes when young people leave school. If it becomes the case that the vocational pathway is seen as "not university", the whole thing will have failed. I do not believe that there is a divide that says that the vocational pathway is "not university" and the academic route is "university".

In our work with colleges on developing the young workforce, we very much want to encourage flexible vocational pathways that allow young people at an early age in school to think about areas that they might want to work in. They should not be limited to particular outcomes but taken them on to vocational courses that might lead to a higher national qualification in school, then on to college and then on to university; or any of those outcomes might lead them into work. However, it is very important that we see it all as one education system and not as a separate education system for vocational education, in a different place from the academic or widening access education system.

If we are to introduce the kind of routes that are going to implement properly developing the young workforce, they have to be ones that also help with the aspirations of the commission for widening access. That can be done by improving the learner journey and improving articulation, and creating routes that are not trying, for example, to get everyone to stay in school till sixth year and then do a four-year degree. There will be other routes, which I think are a way of both widening access and giving us a first-class vocational education system.

Professor Nolan: I want to reinforce John Kemp's points. I am quite clear that university is not for everybody. It is also not for everybody at 18 but might be for some people later when they are in their 20s or 30s, when they might want to do, for example, a masters degree. However, what we are about in terms of developing the young workforce is being totally aligned with our access agenda, which is about equality of opportunity so that people have opportunities and are not in some way negated by where they have come from, their race, their gender or whatever.

Shona Struthers: I support a lot of what has been said. Colleges are great places for many people to learn. The system that we have at the moment is a bit institutional in that it looks to schools, colleges and universities, but what we need to do is look to the individual and see, for example, that it would be much better for some young people in the senior phase of school to be in college—it would be better for the individual young person and better for society.

The technical or vocational training in college can lead on to university for some people, but it does not need to. It is not about seeing college and university as separate silos; it is very much about seeing them as choices flowing from the individual young person. The route is also not linear, because someone might go to university from school, for example, but then go back to college or they might go from college on to university. It is about ensuring that we make things simpler for the individual, and that is all part of our spending review submission around the learner journey.

Tavish Scott: That is fair. I have a question about one of Sir Ian Wood's recommendations:

"Employers and national industry sector groups should form partnerships with regional colleges to ensure course content is industry relevant".

He said that two years ago. Has that happened?

Shona Struthers: It happens daily, because that is exactly how college courses are developed.

Tavish Scott: So I could go to any college and it could show me all that.

Shona Struthers: Absolutely.

John Kemp: A college outcome agreement is based on a regional skills assessment, which you can ask Gordon McGuinness from Skills Development Scotland about in your next witness session. The outcome agreements are very much informed by the regional skills assessment and skills investment plans, and we expect to see that reflected in the outcome agreement. The employers groups that are referred to in that recommendation are being established at the moment, but a lot of workforce evidence goes into the college outcome agreements to make them reflect local need.

Vonnie Sandlan: It is important when we are talking about widening access and apprenticeships to be explicit that the widening access agenda is not just about getting more young people from deprived backgrounds into university; it is also about getting more young people from backgrounds that are not deprived at all to think about apprenticeships as a valid method of moving on after school.

That has to be taken in context. NUS Scotland's research indicates that almost half of apprentices make choices about what apprenticeships to do based on what they can afford and not on the basis of the information, advice or guidance that they might have received or, indeed, their career aspirations.

Apprentices are in a bizarre situation. They are workers and learners, but they are not treated as workers, they are paid significantly less than workers, and they are not treated as learners. They do not have the opportunity to co-create their own curriculum, for example. They are also unable to access benefits—the council tax exemption, for example—that their counterparts in full-time education can.

I shall lay things out bluntly. On the basis of the current national minimum wage for apprentices between the ages of 16 and 19, their annual salary would be £5,544, which is £2,000 below the national poverty line, assuming a standard working week. It is also £2,500 below the maximum amount of student support that is available.

Apprentices are treated very differently, and there is also a very gendered difference. For example, childcare apprentices in Scotland—of whom women make up the vast majority, of course—receive a mean hourly pay of £4.23. That is significantly below mean pay; indeed, it is the lowest amount for any apprentice. Conversely, electrotechnical apprentices, who are massively dominated by men, receive £10.10 per hour, which is the highest mean pay in Scotland. Women make up just 5 per cent of those apprentices in the statistics.

Daniel Johnson (Edinburgh Southern) (Lab): I have a brief supplementary question that follows on from Tavish Scott's point about engagement with employers. Audit Scotland report said, following its engagement with industry bodies, that maybe colleges' engagement with employers had not been as fulsome as might have been expected and that there was some way to go on that. How do you explain Audit Scotland's finding on that point?

John Kemp: I think that Audit Scotland's point was about the mergers and whether they had created a different dynamic for employers. The point that I was making was about the outcome agreement process and how outcome agreements relate to regional skills assessments. From memory, I think that Audit Scotland spoke to the Federation of Small Businesses as part of its look at mergers. Is that correct?

Daniel Johnson: Exactly.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I would like to explore college governance a little bit. As you are aware, there has been a fair bit of controversy over college governance failures in recent times. Are the measures that have been taken so far sufficient to address that and sufficiently robust to future proof against that happening again?

Shona Struthers: The college governance landscape has been massively reformed. A good governance steering group has been in place for around two years now, and it is populated by all parties—colleges, the NUS, the Government, the funding council and trade union members. Together, we have collectively developed our code of good governance, and that is now in place. The Government also had its task group, which came up with many recommendations.

We now have a different landscape and a different set of rules and regulations that make college governance much more robust. The situations that we have seen in the past belong to legacy colleges. We have a much better position now with board members who receive more robust training, and chairs are publicly appointed.

Colin Beattie: That sounds excellent, but Audit Scotland's "Scotland's colleges 2016" report says:

"College board activities are not sufficiently transparent. Only one college complied fully with the Code of Good Governance".

Shona Struthers: That specifically refers to putting agendas, minutes and board papers on websites. We have addressed that with the sector recently, and that has improved. That point has been addressed.

Colin Beattie: One of the key measures was external assurance to mitigate the risk of future

issues arising. That would have principally involved the funding council. Are measures in place to reassure us on that point?

John Kemp: The Public Audit Committee will soon consider some of this year's reports on the college sector. Last year, we had quite a lot of discussion about North Glasgow College and Coatbridge College, and whether the funding council had been robust enough in how it dealt with those issues. The issues that will be in front of the Public Audit Committee this year relating to Clyde College and Glasgow Colleges Regional Board indicate that we have taken a fairly robust line with those issues that came up last year.

A set of procedures is in place that is partly to do with the reclassification of colleges as public bodies, partly to do with the code of good governance, and partly to do with lessons learned from instances such as Coatbridge. Those procedures put us in a different place from where we were a couple of years ago.

Colin Beattie: So you can give us that reassurance.

John Kemp: I can give you reassurance that we are in a position to act robustly when there are problems. I cannot assure you that there will never be any problems. We are working with the college sector's code of good governance and I am fairly sure that the incidence of problems will be less than it might have been in the past.

Colin Beattie: I was hoping for a yes or no answer there.

John Kemp: Well, it is a yes.

Colin Beattie: It sounds like a qualified yes.

Do you think that the inequalities that were highlighted in the Griggs report in January 2012 have been addressed by the recent college reforms, notably regionalisation and activity to improve the governance of colleges?

John Kemp: Do you mean gender inequality on boards?

Colin Beattie: Yes.

John Kemp: Perhaps Shona Struthers can answer that.

Shona Struthers: Professor Griggs's report contained a list of different inequalities. What we have seen between then and now is the reform of the college sector on many different fronts. I am sure that the committee is well versed in them: we have seen the mergers, which are structural changes; we have seen regionalisation, which is where the colleges and employers tried to make sure that there were opportunities in the region; we have seen colleges brought into the public sector and having to adhere to Office for National Statistics reclassification; and we have seen the reintroduction of national bargaining.

Professor Griggs listed a lot of different inequalities and all those reforms have addressed quite a lot of them in different ways. The landscape has been complex, with lots of different changes happening simultaneously. Some colleges are now significantly larger, so they have much more clout in their region and are working better with employers. The college sector is now set up to work better with schools, universities and employers. A lot of the inequalities that Professor Griggs highlighted in his report have been addressed.

Colin Beattie: I agree with the point about the large number of inequalities. I suppose that I was thinking simplistically about the gender imbalance on boards, which is a topical issue at the moment.

Shona Struthers: Oh, sorry.

John Kemp: I do not have the latest figures for gender balance on college boards—perhaps Shona Struthers does—but the reason why I do not have the figures is that college boards have reformed themselves during the past year or so, so the balances might have changed. It was not far off 50:50 even before the boards reformed, so I imagine that it has not changed.

Shona Struthers: Colleges Scotland recently did a survey of each of the college boards that looked at gender. I would be happy to submit that to the committee. From memory, I think that the figure is around 35 to 40 per cent for females on boards.

Colin Beattie: That sounds a lot better than it was a few years ago.

Has the original intention of college governance changes delivered on the aim of putting learners at the heart of colleges? That was in the "Report of the Review of Further Education Governance in Scotland" of January 2012.

Shona Struthers: I have two points here. There are now students on boards, and I am sure that Vonnie Sandlan will pick up on that. There is also now a student association framework that is a big improvement on where things were in the past. If we are talking about putting learners at the centre, the student voice is there.

Vonnie Sandlan: That is absolutely right. I was a college student president in 2012 when the merger process was beginning and I sat on the boards of my college and of the regional merger group, while studying full-time and being on placement two days a week, and I have got kids. No student is ever going to be in that situation again as long as the status quo continues. Every college now has a student association with at least one full-time sabbatical officer whose job is to

represent the interests of students to the college and nationally. Of course, there is work to be done in developing student associations. NUS Scotland and the Scottish funding council have a partnership project that develops and supports student associations to constantly get better.

10:30

We can compare university student associations, which have existed for a significant amount of time and usually have far higher block-grant support to fund their activities, with college student associations, which are very different bodies. College is by nature very different from university, with a far more transient student body of people, who may stay at college for only one year before moving on.

Before Professor Griggs's report came out, there was a significant difference in the way in which learners were treated in colleges. Is the situation perfect? No, but nothing ever is—the status quo is never good enough. However, the intention and the partnership approach are there.

As Shona Struthers said, the framework for colleges is used by student associations and our colleges to build a partnership approach to ensure that the learner is at the centre.

The Convener: Fulton MacGregor wants to come in briefly on a point that was raised.

Fulton MacGregor (Coatbridge and Chryston) (SNP): It is just a supplementary, convener.

John Kemp specifically mentioned Coatbridge College. As the constituency MSP, I would like to know whether that situation has been fully addressed and whether assurances can be given that it is unlikely to happen again.

John Kemp: Yes. The final post-merger evaluation of New College Lanarkshire showed that the college is operating well. On the specific instance at Coatbridge, there is no risk of that happening again.

Ross Greer (West Scotland) (Green): Colin Beattie fairly significantly beat me to the punch on what I was going to ask about, which was the relative weakness of student representation in colleges in comparison not only with universities but with schools. Looking at the education journey, and taking into account parents and guardians, the relative political lobbying power of people at school and university in terms of who represents them is much greater than the power of people at college. Perhaps that is why the college sector has experienced cuts to its budget that are disproportionate to cuts in other sectors. Vonnie Sandlan covered the issue quite significantly. How do we continue to improve the voice of college students, not just in their own institutions but in the national conversation about the sector?

Vonnie Sandlan: That is really interesting. Reflecting on the situation pre-2012 in comparison with the situation now, I feel that I have been lucky to have been involved with NUS Scotland, first as a volunteer and now as a full-time officer, since the regionalisation process was set in train.

NUS Scotland is hyperaware that the vast majority of our members are college students. I think that we are talking about issues that affect college students in a way that the NUS has never done before, because the voice of college students is being strengthened through student association development. That was funded first of all through transformation funding while the regionalisation process was happening, and now colleges are funding it themselves.

Some college student associations are doing very well. Others—perhaps because they are a bit smaller, or for whatever reason—are not quite at the same level of progress and development. We are working with them to develop their student association structures to ensure that they develop institutional memory, year on year. College student associations' biggest weakness is that while universities have in their student associations an abundance of staff members who know year on year what is being worked on and what is not, what is being lobbied on and what is not, and what successes the association has had in pursuing its agenda, that has not always been the case for college student associations. There is not that institutional memory.

Historically, before there were sabbatical officers, a new student officer team came in every year. A lot of those student officers may have dropped out of their role during the year, especially when national assessment bank items and graded units came up. It is a lot of work to take on that level of responsibility, and sometimes it has to give when the student has to focus on their academic progression. Things are significantly different from four years ago, but we are absolutely committed to working with student associations to help them to get better and to improve their voice.

Ross Greer: I have certainly seen such improvement over the past couple of years. Is that reflected in improved representation for the part-time students, mature learners and so on to whom Johann Lamont referred and whose courses have been disproportionately affected in recent years?

Vonnie Sandlan: It can be really difficult to reach some student demographics. That is not just a college representation issue; it applies to universities, as well. For a lot of part-time college courses, students come in at night, when there

might be no student association representatives around. Distance-learning students are also not around the campus.

The situation is significantly better than it was when there were no sabbatical officers. I probably could not put a figure on what the direct intervention and interaction is with—I hate this phrase—hard-to-reach students. I do not think that anyone is "hard to reach"; there are just different methods and different ways. I am talking about students with whom we do not normally have as much contact as we do with full-time daytime students.

Johann Lamont: Anybody would welcome an increase in students' ability to engage. That element of the reform programme has been really important. Should targets be established at college level or through Government policy to address the fact that while you have had increased representation over the period there has been a 41 per cent reduction in college student numbers, with a 48 per cent reduction in the number of women in part-time places? The irony for me is that although there is increased representation, you are representing a smaller number of students. What should be the next stage in addressing that?

Vonnie Sandlan: That is a very big question. NUS Scotland has been absolutely clear that there needs to be some kind of rebalancing. There has been a focus on full-time places, and it is right that there are opportunities for any student who wants to take them up. Unfortunately, however, that has come at the expense of part-time places, which disproportionately affects women, mature learners and disabled people. We would like there to be more opportunities and more part-time places, and perhaps a rebalancing of the focus.

Johann Lamont: What can be done to address the rather dismissive approach—"Well, they were only hobby courses, anyway"—that explains the disappearance of part-time courses?

The Convener: I should say that that was one person's comment—it is not anybody's official line.

Johann Lamont: When it comes to re-establishing the benefits of part-time courses—including courses for people with learning disabilities who are able to be sustained in the community as a result—has any work been done to analyse which of the courses have gone?

Shona Struthers: There is a narrative that says that the purpose of education is to get a qualification to go out into the world of work. That ignores the fact that education serves a ream of other purposes, including confidence building and getting people back into a social context where they can interact with other people. That is hugely valid, too.

John Kemp: I do not want to be at all dismissive or to suggest that all the part-time courses were hobby courses, but some of them were very short courses. At the time of the economic downturn, there was a decision made—partly by the Scottish Further and Higher Education Funding Council and partly by the Government—to prioritise full-time courses for young people at a time when that was needed. I agree with Vonnie Sandlan that we need constantly to keep under review the balance of courses. There are still part-time courses in the college sector, although there has been a rebalancing away from some very short ones. I am not being dismissive of those courses: it was about prioritisation.

Students are part of the decisions that we take about prioritisation in the funding council. If Vonnie Sandlan and I had not been here today, we would have been at our access and inclusion committee. Our skills committee also has a student member. Vonnie also attends our board meetings as an observer. We involve students in those decisions.

The changes to college provision to increase the number of full-time students and reduce the number of part-time students—without being dismissive of the courses—were about prioritising something that was needed at the time.

Johann Lamont: I get the point about prioritisation and I get the fact that you are addressing challenges at particular times, but if you do that simply according to the length of the course, you may be losing very important courses that allow people to enhance their ability to access work, while at the same time sustaining other courses that might not do that. Did you apply criteria that were more subtle than simply focusing on people who are under 18 or who are on full-time courses?

I do not know whether the college sector has looked into this, but I am advised, anecdotally, that the kinds of courses that would support and sustain people with learning disabilities in the community—which do not result in a qualification but which are critical for people being able to achieve their full potential—are disproportionately disappearing. If you do not know, can you at least give me a reassurance that you will consider that question, so that you are not—to put it crudely—getting rid of courses on the basis that they do not provide a qualification? For some groups, such courses are not just nice things to have; they are very significant for people who are being supported to achieve their potential.

John Kemp: I undertake that we will meet and give you more detail on that. The only courses—I covered the matter in the Audit Scotland report going back to 2009—to which we applied the length-of-course criteria for not funding them in the

future were those of less than 10 hours. They were very short courses and not the kind of course that you are talking about.

Johann Lamont: Is not it reasonable to look at what courses do and how they enhance people's skills, rather than putting a blanket ban on courses under 10 hours and defining them as worthless? That is not a particularly rigorous way of looking at what those courses offer.

John Kemp: I am very happy to give you more information on the courses.

The Convener: You can send the information to the committee. That would be helpful.

Colin Beattie: While we are looking at the doom and gloom in Audit Scotland's report—I am conscious that we should not be drifting into the Public Audit Committee's area—it is probably worth noting that the report states:

"The college sector has continued to exceed activity targets".

A comment was made today about women being disproportionately impacted by the termination of short-length courses, but the report says that

"The gender balance is now broadly equal overall",

which seems to be laudable. The number of students going to positive destinations is at a record 82 per cent, which has to be good. Additionally, the overall percentage of full-time further education students completing their courses has increased from 59 per cent in 2009-10 to 64 per cent in 2014-15. Those are all positive things that we need to look at, as well.

I recognise that some students who are on short-length courses—such as the 10-hour courses that have been described—have probably lost out, but we need to look at the bigger picture to see whether the Government is successfully delivering the outcomes that its policies are intended to deliver, as it appears to be doing.

Vonnie Sandlan: We should make it absolutely clear that Scotland has a world-class education system that we should rightly be proud of.

I want to return to the 64 per cent successful-completion figure. It means that 36 per cent of students are not completing their courses: That is one third of students who go to college—arguably, it is one third of our most vulnerable learners, who come from the most disadvantaged backgrounds. That is a huge number of students not completing their courses. I recognise that there are in Scotland's education system significant successes that we should celebrate, but that figure of 36 per cent of students not completing their courses is not one of them.

Colin Beattie: I agree with you. It would be wonderful if 100 per cent of students completed their courses. The point that I was making is that there has been improvement—although you can argue that there is not enough improvement and that it should be going further—and we should note it. I have not seen analysis of whether the 36 per cent represents students from disadvantaged backgrounds or a mix of students from across the community. It would be interesting to have that analysis.

Shona Struthers: Once we get our destination survey information, we will find out what has happened to that 36 per cent of students. Often, it can just be that they got a job, which is not a negative outcome.

Ross Thomson (North East Scotland) (Con): Colin Beattie has beaten me to it; I wanted to look at the drop-out rate and the reason for it.

I have quite a broad question about the impact of college mergers and regionalisation. We have had reports from the funding council and Audit Scotland, but what criteria do you in the college sector think should be in place to judge firmly and robustly the success or otherwise of the merger programme?

Shona Struthers: Do you mean the success of just the merger programme?

Ross Thomson: Yes.

Shona Struthers: I risk repeating myself. It is really difficult to look at and disentangle the benefits of just the merger programme, because it took place at a time of massive change. I will focus on just the merger programme. We now have a smaller number of colleges, some of which are large scale, which has enabled us to act more cohesively as a sector and to work more cohesively with employers. Those are definite benefits. We are bigger players and we are more influential, for example, in community planning partnerships.

Colleges do not fit neatly into the regional structures of community planning partnerships, but they are still big players. There have been benefits from the structural changes, and the mergers have also brought together colleges to avoid duplication of courses, where previously we had colleges side by side competing for the same students. There are definitely benefits and, as the merger evaluation reports that John Kemp alluded to show, there have been savings made in the pay bill of over £50 million per annum.

10:45

Ross Greer: I will back to the drop-out figure—the third of students who do not complete. I take on board Shona Struthers's point that many of

those students have found themselves in positive destinations, but a significant number have not. The summer months are an acute problem for that. What is the next stage in supporting students in that gap over the summer, which is where the funding issue becomes most severe?

Vonnie Sandlan: I will clarify the figures—I know that I have them written down somewhere. The figure of 64 per cent of students passing their courses refers to FE-level students. The successful completion rate for HE-level students within colleges is 71.3 per cent, which is quite significantly higher, and I think that there is probably something in that.

NUS Scotland is very clear that the FE student support system as it stands is unfit for purpose. We have information that we have accrued through student surveys about how students feel about applying to courses when they do not know what their income is likely to be. For example, a mature adult returner with children has to decide whether to apply for a bursary or to remain on benefits if they want to do an FE-level course. The system can be really challenging to navigate if you do not know what your options are.

Also, the current system for FE student support discriminates by age rather than by level of study. For example, if you are doing an FE-level course and you are aged up to 19, it is likely that you will be paid the education maintenance allowance of £30 a week rather than the maintenance bursary, which is between £74 and £94 a week. That is not a case of colleges doing anything wrong: they have a limited cash sum of money that they have to allocate between all their FE-level students and using the EMA rather than the bursary is a way of making sure that that pot is stretched further and can support more students.

As far as NUS Scotland is concerned, we absolutely welcome the Government's commitment to a student support review. It is fair to say that if we were starting to design a student support system right now, it would not look very much like the current system.

I hope that we will be very involved in that review and I look forward to some really strong recommendations coming out of it in the long term; certainly in the interim we should make sure that that funding gap for college FE-level students is plugged.

Tavish Scott: I have one final question. I took Professor Nolan's earlier point that it is difficult to plan when you get one-year funding but you have three-year or more extended lengths of financial planning within universities. However, a budget is about to come up. What pitch are you making for funding? Will you share it with the committee—not necessarily today but at some point in the autumn? I presume that you will ask for funding on a three-year basis. What is the justification behind the pitch? In other words, why should we give universities more money, given the financial constraints that the country faces?

Professor Nolan: We appreciate the financial constraints that we have had over a long period. We believe that universities add hugely to the prosperity of the country—to Scotland being fairer, wealthier and greener.

Tavish Scott: All sectors argue that.

Professor Nolan: Absolutely. We believe that the growth of the economy is fuelled by our graduates—by graduate-level skills—and that investing in those skills and beyond, in masters-level skills, is really important. If you look around the world, that is what many developing economies are doing.

Universities play on an international stage: we have five universities in the world's top 200, but it is not just about those universities. We have a world-class system. My university is not in the world's top 200, but I teach 6,000 students in Hong Kong, Singapore and India. We play on an international field and many countries really envy Scotland's higher education system.

We are pitching for sustainable funding. We have talked a lot about Audit Scotland's report "Scotland's colleges 2016", but there was also an Audit Scotland report "Audit of higher education in Scottish universities", which indicated quite clearly that the sector's sustainability is not being addressed. We need the funding for a sustainable sector that will recover the cost of our teaching and our research, while recognising that we are in difficult times.

Liz Smith: I want to ask two specific questions about funding. I will start with the topic of research and innovation. Notwithstanding Brexit and what is a very difficult and worrying situation for university research, I want to ask about the problems with the research excellence grant. That is causing some concern, given that, as I understand it, the grant is being cut. Obviously, you have to raise as much in research funding as you possibly can for exactly the reasons that you have just set out, and the cut has an impact on the balance of the funding. Will you say a little bit more about the problem with the research excellence grant?

Professor Nolan: The research excellence grant is part of our core funding from the Scottish funding council; John Kemp will probably say something about that in a minute. We use the grant to fund our facilities and various other generic research costs in our universities. It is there because the research funding that we get from research councils, charities and European sources does not cover the full costs of research.

That is absolutely clear. That is the dual support system, which we live and breathe every day.

The grant is a hugely important part of our being able to attract in research. Scotland probably spends around £280 million, invested through the REG and university research. On the back of that, we have leveraged in up to three to four times that amount, so the investment is very well used. The teaching cuts that were sustained this year meant that our teaching grant took more of a cut in 2016-17 and our research grant was a flat-cash settlement, which was better than having a cut.

On competing internationally, research is not local any more. Whatever you are doing, research is international, whether that be the connectivity of scientists or the problems. The societal challenges that we face here are the same as those that are faced by many communities around the world, so it is pivotal that we invest in our research infrastructure and maintain the funding balance.

John Kemp: I re-emphasise the point that there is no cut in this year's research grant; the core research grant was kept the same—it was a flat-cash settlement. I accept that with inflation that is a real-terms cut but, in cash terms, the amount was preserved. However, there have been changes in the distribution between institutions. As a result of the previous research assessment exercise, which had a differential outcome, some institutions did better than others. Quite a lot of institutions in Scotland did very well, which meant that they took a bigger share from a pot that was the same size as it was the previous year, while other institutions did not get as much money. There has been no cut in the overall pot.

Liz Smith: I want to put together everything that has been said on funding this morning. Obviously, the Scottish Government has decreed that 20 per cent of every Scottish university's intake will come from disadvantaged backgrounds by 2030. On top of that, we have research funding issues. Professor Nolan and Mr Kemp have flagged up the issue about the supply of places. On top of that, we have issues to do with the Brexit settlement.

I have an important question. If we are to widen access successfully and not cause the difficulties that Johann Lamont mentioned about squeezing out students because of the cap system that Mr Kemp mentioned, we must have a debate about finding more money for the sector. As I understand it, to do all that we want to do to deliver everything that the Scottish Government has set out, we must have more places and money. Is that the correct direction of travel? In addition, to return to Tavish Scott's question, to what extent will we have to increase the funding to have a sustainable future for our world-class university sector?

John Kemp: The targets for widening access are not for this year; they are for the future. The First Minister talked about a child who was born in—I think—2014, so we are talking about 2030. That means that there is time for us to make adjustments to funding levels in order to achieve the goal. The targets can be met in a number of ways, and some of the ones that we have talked about this morning, involving articulation and so on, do not involve a linear way of expanding everything to exactly the same size.

I am the interim chief executive of a funding council that funds colleges and universities and, in the spending review, I want colleges and universities to do well, because I think that the big benefit that we get from an educated population is what drives the economy. Innovation is important, but largely it is people who make the difference.

I will not sit here and say exactly what number we want from the spending review or what that should be over the next 15 or 20 years, but there are a number of ways of approaching the issue that can equalise participation without necessarily expanding the system to the highest level that we have at the moment.

Liz Smith: Could you expand on that? If we are to ensure that 20 per cent of students come from disadvantaged backgrounds but we are not to do that in a way that has a disproportionate effect on existing students, that must mean that there must be more places.

John Kemp: I do not think that I would deny that. I am saying that there is not necessarily a linear progression with everyone doing six years at school and then getting five highers and going on to do a full four-year course. If we get the developing the young workforce approach operating properly, with different learner journeys, not everyone will take the same route. Arguably, we do not want 60 per cent of the population taking that route. The economy needs a variety of different people with higher education experience. It is important to link the developing the young workforce agenda with the widening access agenda. We need to produce the output from our universities and colleges that the economy needs.

Liz Smith: Johann Lamont eloquently made the point that we know of students who are extremely well qualified but who are finding it increasingly difficult to get into university. That is a good thing in terms of the competitive edge that universities have, but it is surely not a good thing for the Scottish economy's future.

Professor Nolan: From our perspective there is a conversation to be had and political choices to be made about how we fund a higher education system. If we are to increase places in order to hit the 20 per cent target without there being a

change in demand, and if we continue to have a fixed system, there is only one obvious conclusion, which is that some people will be displaced. There might be other choices that are developed for those people, and demand might change if they take those choices.

A key point is that we need to ensure that the teaching that we are providing in the rich research environment of universities is properly funded. I would be sad to see any erosion of the unit of resource for teaching. In that regard, I point out that our tuition fees have been static for six or seven years now. There is a conversation to be had across the education system about how we prioritise issues and what is right for Scotland.

Richard Lochhead: I have a question about funding, especially with regard to Brexit, the debate that is going on in the media, the think pieces in newspapers and the evidence that has been given to various committees. What monitoring is taking place of the impact of the various Brexits on further and higher education, in terms of your own responsibilities?

Secondly, I have no evidence for this, but I have been hearing that consortiums for research that are being put together in Europe are now not including UK institutions because of Brexit. Is that the case? Do you have examples of that? Are you monitoring that closely?

11:00

John Kemp: Yes. We have heard examples, as well. The challenge at the moment is that we have heard anecdotal examples of people putting together research proposals and people from British universities being less likely to be involved, but that is in advance of anyone knowing what the arrangements will be in the future. Therefore, it is quite difficult to guess the full impact. There is a whole range of unanswered questions on Brexit that nobody knows the answers to at the moment.

We have worked to look at the potential impacts on Scottish universities and colleges, because some courses in colleges are funded through European money. There are implications for students from the rest of Europe who study in Scotland. What will be the impact on them and what will the numbers be in the long run? There are impacts on potential research funding.

We do not yet know the answers to many of those questions. We know the potential impacts and we have looked at the amounts of money involved, which are substantial, but we do not yet know when Brexit will happen, what the rules will be for some European research funds or the outcome for European students who study in Scotland.

There are a number of unknowns. We are working quite closely with the Government and the sectors on trying to reduce them, but they are still unknowns at the moment.

Richard Lochhead: Is it your understanding that research proposals and bids are being put in place in Europe at the moment and European universities and institutions are excluding British institutions?

John Kemp: I have heard that anecdotally from universities.

Professor Nolan: I have heard perhaps not quite as much anecdotally—I do not have the evidence base—but I have heard of a UK or Scottish person who was the lead being made a co-applicant just in case, as people do not know what will happen.

I agree with John Kemp. Who knows what the impact will be? It will be some time before we know that, but giving certainty to people where we can is really important for us. Therefore, we welcomed in our sector the speed with which the Scottish Government clarified the situation with EU students and their fee status for 2016-17, and the very reassuring messages about how much we value EU national staff. Many of my staff came and said to me that it was really good to hear that and that, although they did not know the outcome, at least they were appreciated and valued.

We are trying to seek clarity on EU students' fee status for 2017-18. That is my point about the long timescale. Our admissions opened yesterday for UCAS. Students apply against prospectuses, and I have in my prospectus—as all universities have in theirs—that there will be the same fee status in Scotland; EU students do not pay fees in Scotland. That is there now, and we in the universities have real concern. Is that some kind of pre-contractual arrangement? Do we admit EU students? On what basis do we admit them? We seek an early resolution about their status; it is clear that we will move out of the European Union at some point, so it is not a question for the long term. We seek an early statement on the fee status of 2017-18 students to help us to plan for the future and to continue to attract students. Most of our conservatoire's admission applications have to be in by early October, as do applications for medicine, dentistry and veterinary medicine. Such reassurance where that is possible—not for the long term—would be most welcome to help us to transition.

Vonnie Sandlan: I will pick up on that in a similar way to Professor Nolan. NUS Scotland absolutely welcomed the speed at which the Scottish Government gave that assurance, but we are not entirely clear about what the assurance will be for students who do not follow the linear route

of starting university in first year and doing a four-year degree. There may well be students with an EU background who start their education journey in college at national certificate level or even below that and whose journey through education may be six or seven years or perhaps longer if they want to progress to attain a degree. Clarity on what the guarantee will mean for students who are not taking the traditional route through education would be very much welcomed.

Shona Struthers: The points that have been made about the impact on the university sector apply equally to the college sector. There is an impact on our European funding, our staff and our students.

Gillian Martin: There is an issue that I want to raise on the back of the question that Richard Lochhead asked. We have talked about internationalisation and attracting international students. You will all be aware that a post-study visa pilot is under way, from which Scottish, Welsh and Northern Irish universities were excluded. What effect could that have in disadvantaging Scottish universities in attracting international students? Were Scottish universities consulted on the pilot? Were they asked to submit applications to be part of it? Was there a consultation period prior to the UK Government's decision?

Professor Nolan: I was not aware of it; I heard about it from a colleague. When the decision was announced, I saw it in our press. I believe that universities were chosen on the basis of visa refusal rate, although I am not quite sure. The announcement came as a shock to us.

Gillian Martin: What impact do you think that that will have on your ability to attract international students?

Professor Nolan: Given that only four universities are involved, it is not clear to me what impact the pilot will have, and it is quite a limited trial. However, the broader issue of students and immigration policy is impacting—and impacting hard—on our ability to recruit.

John Kemp: Over the past 10 years or so, the number of international students in Scottish universities has risen by about 50 per cent, but it has plateaued in the past four or five years, and that will be because of the tightening up of the visas.

Shona Struthers: In the college sector, the numbers on the international front have absolutely plummeted—they are down by about 75 per cent. Although the numbers are relatively small, the proportional impact is massive.

Gillian Martin: What impact is that having on your funding? We are talking about fee-paying students.

Shona Struthers: In the college sector, we need to bring in other sources of funding, so anything that impacts on any funding stream will have a negative impact. Therefore, the situation is not good.

Professor Nolan: As John Kemp said, the number of international students has been growing but has plateaued. The number of students from some countries has plummeted. The number of students who come from India has dropped by more than 50 per cent over the past three or four years because of changes.

I make it clear that we want good students to come. We really appreciated the fresh talent initiative that was in place in Scotland. We believed that it benefited Scottish businesses. We want to have students who are here by right, but the future will be extremely challenging. The Audit Scotland report told us to diversify our income streams. We are trying hard to do that, but it is becoming increasingly difficult with the myriad of changes in immigration policy that occur on almost a monthly basis.

Daniel Johnson: This issue has been partly covered by the line of questioning on EU funding, but given that just under 10 per cent of students at Scottish universities are non-UK EU students, has there been any communication from the Scottish Government about the status of 2017-18 applications? Am I right in my understanding that some universities are having to underwrite the funding for those places? What might the impact of that be?

Professor Nolan: We have had discussion in which we have highlighted that we would like an early statement on the status of those applications so that we can plan, but we have not had an answer yet.

Daniel Johnson: You have not yet received anything.

What might the consequences be for Scottish universities if they are left to cover those costs themselves?

Professor Nolan: They would obviously be significant. We have our prospectuses approved for the next round of recruiting. It is extremely challenging to be able to plan on that basis.

Daniel Johnson: Would it be fair to say that the universities are being left in limbo?

Professor Nolan: We need a decision one way or t'other.

Daniel Johnson: I would like to ask about the issue of sustainability, which you have raised. The Audit Scotland report highlighted that there has been an 8 per cent decline in real terms in the tuition fees that are paid to Scottish universities.

By 2016-17, there will have been an 8 per cent cut in the teaching grant. Would you classify that as a sustainable level of funding?

Professor Nolan: Obviously, it depends what happens in the discussions that are going on now about the year ahead. We appreciate that the environment is financially difficult, but for us the issue is long-term sustainability. We are working with the Government to be part of a short-term fix but we cannot go on with the current underfunding of the sector.

The Convener: I have a final question on the Higher Education and Research Bill. What will be the impact of that legislation on Scotland, including any risks for teaching or research?

John Kemp: There are two main areas of impact, one of which is teaching quality and how that is measured. The bill proposes to set up a teaching excellence framework in England. As a substantial number of students from the rest of the UK come to Scottish universities, Scottish universities will want comparability with the teaching excellence framework at some point. In Scotland, we have a separate quality measurement system that we intend to continue with, so the issue would be how we would marry those two systems. We would need comparability between the teaching excellence framework in England and the quality enhancement framework in Scotland. I was down in London yesterday, giving evidence at the committee stage of the bill, so I know that there is on-going work on that aspect of it. We are quite clear that Scotland will continue to have a distinctive quality measurement system.

There are also implications for research funding with the creation of UK Research and Innovation, which will merge some of the funding of the Higher Education Funding Council for England—which is our equivalent body in England—with the research councils to create a body that has both an England-specific role in terms of the former HEFCE funding and a UK-wide role through the research council funding. We want to ensure that Scottish universities are not disadvantaged in any way, that the body operates properly as a UK body and that Scottish universities continue to receive a fairly substantial amount—currently, it is about £250 million a year from the research councils—from that UK-wide body.

Vonnie Sandlan: The NUS has significant concerns, and I would be happy to submit the documentation that the NUS has prepared and sent to Westminster for its consideration if that would be useful to you.

We have grave concerns that the metrics that are proposed for the teaching excellence framework do not align well with the Scottish system and the students-as-partners approach that Scottish institutions have developed very well. We have concerns about the proposed office for students, which, as the bill stands, will have no guaranteed student representation on its board. To me, that would make the office for students an oxymoron.

A number of amendments to the bill have been tabled, which seek to address the major concerns that the NUS has. The NUS—not just NUS Scotland, but the NUS in its entirety—is gravely concerned about the proposals.

Professor Nolan: I agree with John Kemp's points about the areas that give us concern and that we are working on—the TEF and the UKRI's reconfiguration of the research landscape. We want to make sure that Scotland has a clear voice in that.

The Convener: How can we get the Scottish Government or the Scottish Parliament to oversee the proposals as well? At this stage, the UKRI would be accountable only to Westminster ministers.

Professor Nolan: We have lobbied quite strongly to get Scottish representation on the UKRI board and we have flagged up the need for that where we have been able to do so. It is an issue not just for Scotland but for Wales and Northern Ireland.

The Convener: Of course.

Professor Nolan: We are pushing hard. Our concern is that, if research England is in the middle of it, there will need to be a financial firewall between that organisation and the research councils that fund a lot of our research. Scotland is hugely successful in accessing research council funding—far more than our population share would determine. We have lobbied hard on that and have tried to get representation from Scotland on the UKRI board.

The Convener: I thank you all for your time and your very useful evidence. That is the end of our first panel. We will take a short break and resume with our next panel of witnesses.

11:15

Meeting suspended.

11:22

On resuming—

Skills

The Convener: I thank our second panel of witnesses for their attendance. Mark Smith is head of early careers strategy at Standard Life; Gareth Williams is head of policy at the Scottish Council for Development and Industry; Helen Martin is assistant secretary at the Scottish Trades Union Congress; and Gordon McGuinness is director of industry and enterprise networks at Skills Development Scotland.

I want to ask about modern apprenticeships. Mark Smith, will you talk about the work that Standard Life is doing in the context of the challenges and potential benefits of increasing the number of apprenticeships?

Mark Smith (Standard Life): Yes. We have done a lot in the early careers space over the past three or four years. Formal apprenticeship in the modern apprenticeships framework is probably the lowest-volume aspect of what we have done; most of our focus has been on graduate entry, early career, entry level and school leavers as opposed to formal apprenticeships—although we have still had more than 300 in the past five or six years.

There has been an interesting shift in the past three years. The vast majority—almost 90 per cent—of the modern apprenticeships that we have had were taken by people under 25. For a long time, the apprenticeship route was available to existing staff members to further their careers, as opposed to being targeted specifically at entry-level roles. We have done a lot in that regard.

The apprenticeship route has to be aligned to the skills that our business uses. If an apprenticeship is available that will enhance what we do, we will offer it—it is as straightforward as that. We have been pleased to work on the foundation-level apprenticeship, and we have spoken to Skills Development Scotland about graduate-level apprenticeships.

If we can focus on areas that are of interest to us, we will be supportive. If that means taking on more apprentices, we will be delighted to do so. If it means that we reduce the number of graduates that we take so that we can take more apprentices, we will look at doing that, because it is about getting the right skills blend that we need if we are to move forward. We are happy to look at any solution that takes our skill set forward.

The Convener: What drove the large increase in the type of apprentices that you described?

Mark Smith: Six years ago, we did not employ anyone aged under 21 in the business. We will not be a sustainable business for another 200 years if we do not reach out to our communities and give young people their first career opportunities. We therefore started a school leaver programme, which was not tied to any skills training or formal accreditation but was just an opportunity to give a formal, structured work experience to young people who deserved it—they were more than talented—irrespective of their background or qualifications or anything else.

The approach was driven by two things: the realisation that we did not have the numbers of young people, which was a failure on many levels; and a determination not just to do the right thing but to build a skills base that would take us forward.

That was the start point for us. Back in 2010, less than half of 1 per cent of our staff were under 25. That was the driver for, first, the school leaver programme, and then a refocus on traineeships. The investment 2020 scheme comes into our investment operation, and we have foundation and graduate-level apprenticeships. The suite of opportunities in our early careers programme started with our Edinburgh guarantee scheme—the school leaver programme, which offers a six-month paid internship—and now cuts right across the business.

It is important to us that we have the skills to move the business forward. We have done the right thing, by trying to connect with communities and be as diverse as we can in our employment practices, across lots of groups. Whether we are talking about school leavers, ethnicity or whatever, we try to target groups wherever we can.

It is exciting to see what we have done and I am delighted to have taken on the role of looking at how we join up our internal programmes, from school leaver programmes right the way through to postgraduate programmes, and at how we internationalise the frameworks for openness and diversity that we have established here, because for us, a business in which staff are just ageing and do not have the right skills is not a sustainable business.

The Convener: How many apprentices continue through the programme and how many drop off?

Mark Smith: It depends on the programme. Of the people who enter our school leaver programme—the guarantee scheme, whereby school leavers are given the living wage and put through our development programme—just under 70 per cent remain employed with us at the end of their paid six months, and 28 per cent go on to other employment or higher education. Only 2 per cent do not go to a positive destination.

For graduates, we have a more than 90 per cent retention rate, and for apprentices the retention rate is also 90 per cent. We have lots of anecdotes about people who have progressed from an apprenticeship or trainee scheme and are still with us. We have very high retention rates.

A lot of the programmes are still quite young, so there is still time to see the benefits fly through the business. I have been filled with pride when, for example, someone does a programme such as career ready, which involves being mentored by one of our staff members for two years and doing a paid internship in summer, then spends six months on our school leaver programme, then becomes a modern apprenticeship and after that starts working towards professional qualifications.

That has been happening over the past five years, and it demonstrates the power of unlocking a latent talent stream, which we were not tapping into five or 10 years ago. The transformation of our age profile is extraordinary. As I said, in 2010, half of 1 per cent of our staff were under 25; at the start of last week the rate was 7.3 per cent. We have worked hard and we are pleased with what we have done. We acknowledge that the internal potential is massive as we ensure that the talent that we have recruited progresses and takes our business forward.

The Convener: Will the other panel members talk about challenges and potential benefits in relation to the modern apprenticeships scheme? Will you also talk about the role of employers, organisations such as SDS, the third sector and education establishments in delivering apprenticeships?

Gordon McGuinness (Skills Development Scotland): Thank you for the invitation to come along.

Mark Smith has described a model that we have been encouraging many businesses to take up. Too many companies in the private and public sectors get out of the way of recruiting young people and inducting them into the business. The development of modern apprenticeships and the wider apprenticeship family that Mark Smith talked about—foundation and graduate apprenticeships—is something that we are keen to promote further to businesses.

Scotland has had a strong apprenticeship model and a stable policy environment for apprenticeships, which I think that employers have welcomed. There is a commitment that all apprentices should be employed.

Earlier in this meeting, Vonnie Sandlan gave you some statistics on wages, but those were minimum levels; apprenticeship rates are set as part of the national minimum wage at UK level. Many employers in Scotland, particularly in the private sector, pay significantly above that. Not all but many public sector employers pay the living wage for apprenticeships.

11:30

Employers in the private sector recognise the need to compete for young people, which also influences their wage rates. An organisation such as Scottish Water may take into account that its investment in training will cost it around £120,000, combining wages and its top-up training, over and above what SDS gives it as a contribution to take a young person through their apprenticeship. Such organisations are making a not insignificant investment. As Mark Smith says, the young person is getting the right skills that are the right fit for those organisations' business.

We see the introduction of the apprenticeship levy, which Government officials would say has been imposed on Scotland and the other devolved nations by the UK Government, as an opportunity to take that apprenticeship investment further. SDS has formed the Scottish apprenticeship advisory board, which is chaired by our chairman but has a large representation of senior people from across the business community. There is a good gender balance, too. The board met for the second time yesterday in Glasgow and had input on the quality and standards measures that we plan to undertake.

We have had engagement with senior officials from the Scottish Government. The Minister for Employability and Training, Jamie Hepburn, met our employer engagement group two weeks ago and had a presentation from foundation apprenticeship participants in engineering. We have discussed the issue of vocational or academic routes. There were two young people there who had experience of the foundation apprenticeship; one was targeting a university programme and the other was looking for a vocational route back into the workplace.

It is an exciting time for us. There is a lot of work and we have an extensive programme of engagement with many of the levy-paying companies in Scotland. We are trying to get them, as we would put it, "levy ready", and ensure that they have a good awareness of vocational routes and can tap into the latent skills and talents that Mark Smith referred to. It is an important time for us.

The provider networks and the third sector have been touched on. There is good, strong engagement there. There will be a Scottish apprenticeship advisory board, which will be supported by our employer engagement group, our standards and quality group and a group that

will look specifically at equality issues. That is backed up by our current MA equality action plan.

Gareth Williams (Scottish Council for Development and Industry): The modern apprenticeship programme is one of the skills programmes that our members report most positively on and we welcome the plans to increase the number of starts in this session of Parliament. That is based not just on our members' their experience but on the international evidence linking apprenticeships with higher productivity. We think that we need to protect and sustain the Scottish model, which emphasises quality, rather than moving towards more of a volume approach. I welcome the comments so far from the witnesses about diversity and looking at gender stereotyping in particular areas. That is an issue that we would endorse.

We welcome the introduction of graduate-level apprenticeships. Many of our employer members want to make the link between working and learning in relation to higher-level skills. We also welcome the introduction of foundation apprenticeships and hope that, over time, those can be made available to young people in every school. At the same time, we recognise that there are challenges, for example in rural areas. The apprenticeship programme will not be suitable for all; it will be industry led and we need to look for particular solutions in some areas, including in rural areas.

Helen Martin (Scottish Trades Union Congress): I would echo a lot of what other panel members have said. We are very supportive of the apprenticeship scheme in Scotland. As others have said, we think that it is very good quality. That is one of its key strengths—the fact that we have defended the status of apprenticeships as employed by employers and paid at a decent rate. Unions argue for the living wage for apprenticeships, and we achieve that in many instances.

We have concerns about some of the equality aspects of the apprenticeship system, as there is still clear gender segregation in the frameworks. SDS is doing a huge amount of work on that, and we are continuing to prioritise changing that profile to ensure that people get the right opportunity to work and that gender segregation is not maintained in our economy through the apprenticeship system.

We are also concerned about the number of disabled workers who gain access to apprenticeships. There are some simple things that we can do to support the trainers who deliver the frameworks so that they understand how they can make reasonable adjustments and how they would support a disabled student. That could help as we move forward.

We are equally concerned about the numbers of black and minority ethnic people who take up apprenticeships; again, more work could be focused on that area. We are very supportive of graduate-level apprenticeships, which we see as a move in the right direction. We would like them to be used to bring people into high-level sustainable careers and to provide high-quality opportunities for workers.

We support the concept of bringing people from schools into workplaces, and we think that foundation apprenticeships are a good innovation in that respect. However, we have concerns about the fact that a foundation apprentice is not employed and not paid, which is a departure from the employed-and-paid status in the apprenticeship scheme. We can see some of the arguments for why that should be the case. However, we believe that it is important that it should not start to erode the employed-and-paid status in the wider apprenticeship scheme; that the young people who are in foundation apprenticeships should not be exploited in the workplace; and that there should be proper consideration of how foundation apprenticeships link with apprenticeships and with the minimum wage requirements that come with that.

As Gordon McGuinness said earlier, employment law from Westminster means that there is a minimum wage rate for apprenticeships. Simply calling something a foundation apprenticeship does not take away the need to pay the minimum wage. There are some practical issues there, and we think that it is very important that we design a skills system that supports young people into work and gives them access to good-quality opportunities, and which makes sense in the wider employment context.

Johann Lamont: My question is specifically on equality of access. Disability organisations have put a number on the level of involvement of people with disabilities in apprenticeships. Can you give us any figures on that?

Secondly, to what extent is SDS working with NUS Scotland on those issues? What is SDS doing specifically to address the question of segregation, because Helen Martin is right to say that apprenticeships are in danger of reinforcing an inequality that is already there? What has SDS done to respond to those disability groups that have highlighted the very low numbers of people with disabilities who are accessing apprenticeships?

Gordon McGuinness: I will come back to the committee on that so that I am rock solid on some of the statistics for participation levels.

We have done a lot of work in the past two years that is reflected in our action plan. Helen

Martin sits on our group, which has worked with a number of representative groups such as BEMIS—empowering Scotland's ethnic and cultural minority communities; the close the gap project; Engender, Capability Scotland; Glasgow Disability Alliance; and Glasgow Centre for Inclusive Living. Those are just some of the groups that we have worked with. We have targeted issues around not only disabled young people, gender balance-related activity and the number of black and minority ethnic people but care leavers, who are an important group in terms of equality of access to the labour market.

We have developed an action plan in conjunction with our partners. It is a five-year plan with SMART—specific, measurable, attainable, realistic and timely—targets attached. We have received £0.5 million from the Government as part of the investment programme to initiate progress on those issues. There has been a lot of development of projects with the specialist groups that deliver them so that, as Helen Martin said, learning and understanding can be shared with our network of providers in a way that builds capacity. There is a big focus on employers, with an attempt to communicate messages about the abilities of disabled people, rather than allowing them to maintain jaundiced views about what disabled people cannot do. The five-year programme has touched on the science, technology, engineering and mathematics agenda, with big projects being undertaken along with the Institute of Physics, Engender and others.

We have found there to be a disparity in relation to self-declaration of disability. There has been a tendency for people to withhold that information from employers or training providers when making applications. That is an important point, because we have resources that we can use to support young disabled people in the workplace, where we are aware of them. That is a key aspect for us. We are working across partners to come up with agreed definitions of disability across the sector.

Johann Lamont: Do you have figures for the number of people with disabilities who have accessed apprenticeships in the past three years?

Gordon McGuinness: I will get them for you. I have them in my pack here.

Johann Lamont: I certainly do not want to create a hierarchy of discrimination, and I recognise that there are particular issues to do with job segregation for women in work, but are there specific things that disability organisations have highlighted to you around the extremely low figures? To what extent are you able to approach that as a separate stream of work rather than as a general issue to do with attitudes to inequalities? It cannot simply come down to the attitude of a young person who perhaps does not want to declare their disability. I understand that the numbers are very small, so there must be fundamental barriers.

Gordon McGuinness: They are small. If somebody else wants to pick up on your point just now, I will get back to you in a moment with details.

Helen Martin: Our disabled workers committee raised issues around the specific point about disabled people getting access to apprenticeships. It had heard reports that one of the big barriers for disabled workers was that the training provider did not have enough understanding of disability equalities and how to make reasonable adjustments to support the young person through the entire scheme. The problem was not so much with the employer but with the training provider. In some ways, that is extremely worrying, because that should not be happening in the system. However, the other element is that, because those training providers are commissioned by SDS, there is a simple institutional fix, as people can insist on better understanding of and outcomes for disabled workers within the contract. The situation with employers is more challenging but, if the main barrier is with the training providers, there should be things that we can do this year and next to correct that issue.

Johann Lamont: We already know that phenomenal numbers of people with visual impairments are unable to access work. That connects to the debate about the extent to which we support people with disability through the benefits system. That is very important, but the other part of the issue relates to the fact that there are things happening in the system that are actively stopping people working. In terms of priorities for the work of SDS, we need to ensure that there are no trainers who do not get the point that I am talking about and that people understand the broader significance of the issue in terms of the potential of people with disabilities to work, which is that it is not just an issue about fairness within apprenticeships but a broader issue about fairness in the world of work.

Gordon McGuinness: I do not disagree.

The work that we undertook around the 2014-15 starts for modern apprenticeships shows that only 0.41 per cent of people in the programme declared that they had a disability. When we undertook an exercise with our training providers that involved negotiation with the young people in the programme, those numbers increased to 3 per cent. When we went back and analysed their school records, looking at equal cohorts, something like 12.5 per cent had been recorded as having disabilities.

We have a range of measures that target both young people and employers, and those young people in the education system, particularly at that transition period. We have a data-hub structure, which is a record system that is shared with all education institutions—schools and colleges—the Department for Work and Pensions, SDS and SAAS. It is about using that type of big data to analyse and understand where young people are in the system, then getting careers coaches and careers advisers working with them and linking them into our training organisations to try to pull more young people with disabilities into the training system.

11:45

Johann Lamont: Would you set quotas within the programme?

Gordon McGuinness: We have targets. I will send you a copy of our five-year action plan, and we are more than happy to come back with some of the specialists in our team and sit down and have a more detailed session with you. However, we have a published five-year action plan that is a real focus for our work and our training organisations, and there are targets in that.

Johann Lamont: With respect, those targets are not working, so would you consider looking at quotas? That would mean identifying a certain amount of your funding to deal with apprenticeships that would go only to people with disabilities.

Gordon McGuinness: We have a number of incentives that are target driven, such as wage incentives and incentives to tempt young people into the workplace. Those targets exist and we will be measured against them.

Johann Lamont: But would you ring fence part of your budget?

Gordon McGuinness: Yes, that has already been done.

Johann Lamont: It is ring fenced.

Gordon McGuinness: Yes.

Liz Smith: I want to ask about the apprenticeship levy. My feedback from businesses is that they very much hope that it is an additional source of income and that it correctly dovetails with lots of the other programmes that are already happening. I think that the Scottish Government and the UK Government are consulting about how that money should be allocated. What do you think a good allocation would be, in terms of how it should be done rather than the amount? I note that the Scottish Government has said that it is possible that the levy undermines the discrete Scottish aspect of apprenticeships. Will you comment on that?

Gordon McGuinness: We have met the Minister for Employability and Training, Jamie Hepburn, a few times now in relation to business consultation, so there has been significant consultation at the Scottish Government level, which has been appreciated by individual organisations and by representative organisations such as the Confederation of British Industry Scotland. I think that there is frustration at the Government level about the lack of detail on how funds will come to Scotland and whether they will be ring fenced or part of the Barnett formula. The Scottish Government's consultation exercise, which closed last week, prompted six questions that were broadly around whether the Government's ambition of 30,000 MAs by 2020 was the right level or whether there should be more or fewer, and whether the foundation apprenticeships should be part of the levy system. There are also questions around more flexible use of the levy in terms of workplace training and support outwith the apprenticeship programme and around whether some of the funds should be used to support young people into work through employability programmes.

We have not had the outputs from that exercise, but we have heard concerns from employers who operate both north and south of the border who want a programme of activity that is not too dissimilar north and south of the border. You asked about the English system, and England has set a target of 3 million apprentices over the course of the UK Parliament. The equivalent figure for Scotland if it followed that target in percentage terms would be about 60,000 apprentices. Our gut feeling is that that would be too many and would be just about chasing numbers.

We have an expansion plan to take the number to 30,000 apprenticeships by 2020, which involves undertaking a fair amount of work with industry bodies and looking at sectors on a regional basis. For example, we can identify clusters of engineering companies, and the percentage of apprentices in that area is lower than we would have anticipated. So it is very much about having a targeted marketing campaign, and off the back of things like foundation apprenticeships we have a growth programme that will complement that.

I do not know whether I am fully answering your question. There is a lack of detail at present. There is a recognition that the UK Government has said that a pound in will mean a pound out in terms of an employer, but there are some fairly complex structures appearing in terms of a levy payer wanting to use that within their supply chain. It comes across as potentially fairly bureaucratic.

Liz Smith: What is your understanding of the timescale for a decision being made about the allocation?

Gordon McGuinness: I imagine that it would be best to ask a Government official about the timescales. The consultation exercise has been concluded and I understand that the announcements will be made around November, but that will be for the minister to decide.

Daniel Johnson: It is good to hear that there is widespread recognition of the importance of apprenticeships. Last week, the committee's visit to Stirling Community Enterprise demonstrated to Fulton MacGregor and me the opportunities that apprenticeships can provide when they are delivered well.

However, we are only eight months away from the introduction of the apprenticeship levy and, despite all the good work that has been done in Scotland, I suggest that you are being slightly diplomatic in the language that you use to describe employers' reaction to the levy, Mr McGuinness. Over the summer, employers have said to me that there needs to be clarity and that there are serious risks. Are we ready for the apprenticeship levy? If we are not, what must happen to ensure that we are ready?

Gordon McGuinness: Government ministers themselves would express a degree of frustration about the amount of detail that is available at the UK level. On top of that, a number of changes have been made to the UK Commission for Employment and Skills that undermine the support structures around things like national occupational standards, which have greater importance in Scotland because much of the Scottish Qualification Authority's portfolio is built on national occupational standards, and those structures were designed at a UK level. Colleagues have been taking action to address that.

If an engineering company makes a commitment to an apprenticeship, that is a four-year commitment to take a young person through their apprenticeship, and there are issues about what the future financial landscape will look like. That is not within our control, and at this stage it appears not to be within the control of the Scottish ministers, who are waiting for information from the UK Government.

Daniel Johnson: I put the same question to Mr Smith, Mr Williams and Ms Martin. Mr McGuinness is sitting in the middle and waiting for things to happen. What is your feeling about the risks and opportunities from the apprenticeship levy and what needs to happen between now and April?

Gareth Williams: The majority of our members would not be opposed to the principle of an apprenticeship levy. The biggest concern has been around the lack of clarity, principally at the UK level. There is a degree of sympathy with the Scottish Government's position. That said, earlier this year, the Scottish Government went around and spoke to a couple of hundred businesses, and the outcome of that was not clear in the consultation that was issued over the summer, to which businesses had only a very short time to respond. That is another concern.

Gordon McGuinness has highlighted some of the issues, including the concern about the Scottish model and how the funding will come back to Scottish businesses, the cross-border issues for businesses, and the impact on existing levies such as the Construction Industry Training Board levy and the industry support for the continuation of those. There are also concerns around the thresholds and whether they will be linked to inflation or changed if there are continuing pressures on public sector budgets, which could bring a lot more businesses into the system.

We have been picking up issues for the public sector, sectors of the economy that have different training models, such as the legal sector, businesses that place a lot of temporary workers in other businesses and therefore do not necessarily offer their own training schemes, and businesses whose work and workforces fluctuate—the point in the year that is chosen for making the calculations might draw some such businesses into the system, and ways of addressing that would have to be found.

I return to the point that the lack of clarity is the overriding concern. We understand that significant amounts of money will come to Scotland. As has been said, businesses want to have a strong voice in how that is spent and want strong evidence of additionality in relation to the plans that were in place.

Helen Martin: We see the levy as a tremendous opportunity. We support its introduction because it is important that employers take a strong role in providing skills in their workplaces, and that role has been lacking to an extent. We can already see that the levy is increasing employers' interest in getting involved in training and skills policy and in having a strong voice in how the money might be spent.

The levy provides a really good opportunity to put in place proper infrastructure for the training and skills environment, as envisaged by the Wood review. The SAAB—I think that the initials stand for the Scottish apprenticeship advisory board—will be crucial and will provide an opportunity for employers and unions to sit together and talk about what apprenticeships should look like and what the numbers in different sectors should be.

There was no opportunity for such discussion previously because the level of buy-in from employers was not the same; now, the level of interest is higher.

The system has potential dangers. For example, will it just suck up employers' training budgets and mean that being an apprentice becomes the only training and lifelong learning that is available to employees? We must guard against that, because apprenticeships cannot be the only training that we offer; there must be a good range of options for a range of workers who are in a range of circumstances.

Whether everything is funded from the levy, whether the levy does a distinct thing and other money is drawn down for lifelong learning and other training or whether employers are expected to provide such training in addition are all up for discussion. A lot of the decisions about where the lines are drawn concern the level of funding that we will receive from Westminster. Until the question about funding is answered, it will be difficult to understand how much the levy will provide in the education and training system and whether it will stretch to foundation apprenticeships, unemployed workers and the workplace as a whole. All that depends on the amount of money that is in the system.

We are clear that we need a training and skills system that can do all the things that I described and which fits together nicely, and the levy must play a role in that. In an ideal world, we will meet the challenge and maintain the best aspects of the Scottish system, which relate to the quality of apprenticeships, the status of apprentices as paid employees, employer and union involvement and the industry standards that underpin all the training. However, serious technical issues need to be resolved.

Mark Smith: Clarity would be nice. The sooner we know the position, the sooner we can make plans and provision. We know what the levy will cost us, so we know that a cash amount will go out. We also know that we will not be able to reclaim a great deal of that; it will go and we hope that it will feed necessary skills development and evolution. That is okay—we are comfortable with that and we think in principle that it is a good thing.

12:00

We are cautious of chasing volume—the idea that we should just go for a target and have however many tens of thousands or hundreds of thousands of apprenticeships. They must not be in spaces that are not needed and do not meet the demands of business and employers. What are we training our young people for if the apprenticeships are not for real jobs with decent wages at the end?

Nobody wants to pay the same money twice. We already invest a lot in pre-employment training. We invest in our own trainees and graduates because we need their skills. We get that, but my fear is that someone in another part of the fiscal process will say, "We are paying this money every year. Why are we paying for all those trainees and interns? The money is going out on that levy, so justify why you spend it." Currently, we have a strong business case for why we spend the money in the way that we do to bring young people in, and long may that continue.

There is a lot of detail. We would like some clarity. I am looking at how we can align our internal programmes to an apprenticeship framework in Scotland and England. The majority of our training, development and recruitment is still here and that will continue, so we need to align it to what is available in Scotland. For us, it would be ideal to get the greatest flexibility possible through the levy funds. We would love to get back out every pound that goes in. I do not think that that will happen, but it would be great to have the maximum flexibility in how we claim those funds.

Daniel Johnson: Many different aspects of the matter need to be considered and clarified, and one of them is age. It is absolutely right that we ensure that our young people have the right skills for the world of work but, as we see in the north-east, big economic changes can happen. I come from the retail industry, which has seen huge technological change. We need to deal with that sort of thing. Is there a danger that, if we overfocus the levy and the wider skills system on young people, we will fail to build a system that can cope with such economic changes and the reskilling that we will need to do in the future?

Mark Smith: That is absolutely right. We have done a lot of work supporting veterans into the workplace. The focus on early careers does not necessarily relate to the young early career: it can be somebody returning to the workplace—for example, a parent or carer. That is about tapping into the necessary skills. We do not want to put a cap on who we work with and where we draw our talent from. We have seen people coming out of the forces with amazing technical ability that we need. Our investment 2020 programme has taken in people who have rejoined the workforce after 12 years raising children. It is important to have the right skills and training capability to maximise those people's potential. The focus for us has been on youth but it is by no means the only focus.

Tavish Scott: I take your point about clarity but are you saying that, when it is announced how the levy will work, you will lose X amount of money into the system, it will come back to Scotland and you want the Scottish Government to put all of that

into training and skills but not just into the narrow measure of modern apprenticeships? Am I right about that?

Mark Smith: That would be our preferred outcome. My understanding is that the English system has a kind of digital voucher and it is run through the pay-as-you-earn system so it is possible to see how much goes out every month. I think that employers can claim monthly—although that might not be technically correct. A system that allows us the maximum flexibility to claim for the training of our people would be good.

Tavish Scott: Gareth Williams, as an industry representative, is that a fair perspective on how Scottish business would like to maximise what goes into the system and, therefore, what it gets out of it?

Gareth Williams: It is fair. There is a recognition that not all businesses will be able to get everything out, but they still want to influence how the money is spent to maximum benefit.

Tavish Scott: Helen Martin, you made some interesting points about the potential conflict if the policy is narrowly focused, as it could be south of the border—again, we do not yet have clarity. I asked earlier about developing Scotland's young workforce. It seems to me that there would be a straight-up clash if we had a narrow focus that took a lot of money out of Mark Smith's business, as he has just reflected, and did not allow us to continue developing Scotland's young workforce. Is that a fair observation?

Helen Martin: It depends on how the system is designed. One of our challenges is how we make it align with the other skills policy requirements in Scotland.

There is also the opposite challenge. If we design the scheme too broadly and people are allowed to do pretty much anything with the money, does that undermine the entire concept of an apprenticeship? We have been very tight in Scotland about what we consider an apprenticeship. It has been based on industry standards and it has been tightly designed. In England, the concept is already much looser.

It is not beyond our ability to marry all those things together, but we have to recognise that there are going to be tensions within the systems. There are principles that we are trying to defend as we try to design a system that actually works for the Scottish economy. We have the opportunity to get into the idea of creating an infrastructure that allows us to think about what we need for the Scottish economy and to get away from an arbitrary, target-driven process involving a top-down policy lever.

We will finally have employers and unions around the table together, so they can sit and talk about skills needs and skills development, and they can design solutions and pipelines that work sector by sector, rather than necessarily always having to be driven from an outside, Government forum.

Tavish Scott: None of you are arguing that we have to reinvent the whole wheel again, are you?

Helen Martin: No.

Tavish Scott: The last thing we need to do is to rip the whole lot up and start again, just because there is a new thing called the apprentice levy. I still think that developing Scotland's young workforce is a great programme. We should be doing an awful lot more of it. Is it your collective view—I am sure that SDS takes this view—that we should not reinvent it all but that, if we are going to have some new moneys, they should be concentrated on the programmes that are working effectively? Fine—I see you all nodding.

I want to ask about the skills review. We have had sight of an SCDI submission that states:

"there is some duplication and confusion among users, and some interventions lack scale."

That is a line in the submission that you kindly provided to the committee on the skills review. Could you talk to that line? What is the

"duplication and confusion among users"

that your members are concerned about?

Gareth Williams: It is widely recognised that the skills landscape is cluttered. As you will have seen in our submission to the committee, we are most directly involved in the STEM area. When we start to map out all the interventions in that area, we find that we cannot fit them on a side of A4—nowhere near it—and the situation is replicated in other areas.

Much of the work that is going on is very good, and we would not want to denigrate it in any way, but it becomes more of a challenge for employers to navigate their way in and for the initiatives to achieve a scale and national reach with input from employers—which, as we all know from the work that the Wood commission has done, is essential.

Another example is in the digital area, which is obviously a high priority. There are a number of initiatives in that area that are specifically aimed at tourism businesses or on which tourism businesses can draw. They would all appear to be struggling to achieve their aims, partly because of that confusion.

We think that there are a lot of positive things in the system. I have mentioned apprenticeships. There is the work that SDS does on digital and

there is My World of Work. Those are all widely appreciated.

Tavish Scott: Why is the confusion there? Those bodies that the skills review is considering are all Government bodies. Presumably the minister or the civil servants who are sponsoring those bodies are responsible for ensuring that there is no confusion and that there is clarity.

Gareth Williams: It is important to note that our comments in our submission do not just reflect the number of Government bodies—not just the four agencies that are specifically referenced in the review—albeit there are issues between those bodies. We would always want a no-wrong-door approach to be applied across all those bodies.

My reference was more to the wider interventions that take place from the public and private sectors and the need for greater clarity across them. It is not necessarily about reducing them all to one but at least making it easier for employers.

Tavish Scott: Mark Smith, do you have a view on this as an employer?

Mark Smith: The landscape is very cluttered. I sit on the developing young workforce board for Edinburgh, Midlothian and East Lothian. One of the ambitions is to take a strategic view of the landscape and ask how we cut through some of the noise to connect employers who want to do something with schools and colleges that want to do something with them. In essence, that is a simple and noble ambition but, in practice, there is an awful lot of noise.

From colleagues and different things that I am involved in, I can maintain that most employers are doing something but we do not have a strategic view of whether they are doing the right things. Are they connecting the right skills gaps? Are they planning the right interventions that are needed with schools and colleges? Do schools know what provision is out there? Do we have a sense of what the gold standard interventions are that are available to all the skill sets and all the age groups? We should do, but we do not.

The landscape is absolutely crowded and cluttered. There are a lot of good intentions out there. The fear with DYW and city deals is that we are adding more complexity and more layers that will make it harder for employers, schools and young people to connect.

We do a number of things under our own steam because it is something that we feel passionately about, and we will always try to offer the provision that we make available to all schools. We do not want to have just one relationship with one school, for example, because we want everyone to have the opportunity. It is not easy.

Tavish Scott: How would you simplify the situation? Presumably you are talking about Edinburgh because you are a major employer there. I am not expecting you to solve Scotland's problems; we have not got all day. What would you do in Edinburgh?

Mark Smith: A tool called Marketplace has recently been launched; it invites every employer to list their offer or proposition. It is a space that joins education and employers. Schools and colleges can access it to see what is available and draw it down to make the connection.

I am pleased that we try to work in partnership. The DYW board took the bid to work with SDS to build a platform so that we did not end up building a platform that is good only for one part of the country. It can be replicated across Scotland because it is a good piece of software. That is just one aspect.

There is a danger of making things too complicated. We want a forum in which young people and employers can connect. That might be digital or real. We worked with the Prince's Trust on a concept called get hired, which is funded by our charitable trust. It is straightforward: the Prince's Trust finds disengaged young people, works with them and helps them to get job-ready. In the morning of each get hired day, the young people do skills sessions with volunteers on CVs and interviews, and, in the afternoon, real employers come into that environment and interview them for a real job there and then.

That system has brokered the introduction between talented young people who might not have been formally recognised as having a talent, and employers. A physical environment in which young people and employers can come together on neutral ground cannot be hard to engineer.

Tavish Scott: Gordon McGuinness, presumably you would accept that there are different ways to do this in different parts of the country. Edinburgh's circumstances, where it has major employers like Standard Life, are very different from those in the rural areas that some of us represent that have, for example, a combination of big oil companies and small engineering companies. Is SDS's approach to reflect that? Developing Scotland's young workforce is a good example of how different partnership boards in different parts of the country are doing different things to reflect their circumstances at the same time as getting rid of the noise, as Mark Smith elegantly put it.

Gordon McGuinness: I was going to refer to the development of Marketplace because there is a danger that we will end up with multiple employer-facing websites. We have done good work with Mark Smith and the team at the

Edinburgh DYW group, and we are working hard across the national DYW group with Rob Edwards and others to adopt the Marketplace system as a national model that can be adapted at the local level. A larger employer such as Arnold Clark with multiple locations or, indeed, Scottish Water could identify the geographical locations that it could play into.

12:15

The wider cluttered landscape is a mix of charities, initiatives and local activities. Things are probably most congested in the STEM area, and we have started a piece of work with the Scottish Government in order to produce a co-ordinated STEM strategy across the education system. We found that, although colleges had rightly focused on STEM, they were coming up with a strategy that potentially did not sit comfortably with, say, a local education authority. The aim is to bring more cohesion into systems at a strategic level and, importantly, to make a strong link with the curriculum and the learning outcomes that have been designed. The key thing is to design initiatives that fit and work with lesson plans instead of having some new initiative that sits outwith the curriculum.

Locality is important. Because I sit on the University of Highlands and Islands FE regional board, I am familiar with many of the challenges in the Highlands and Islands, particularly for the larger employers in that area, which are seen as the go-to businesses. We also need to be creative in using digital content for basic stuff such as interview skills. I think that UHI uses technology far more effectively than many other regional colleges, simply through necessity.

This is an issue that we need to work at. In regions such as the Highlands and Islands, there is probably a bit more work to be done at a national level with regard to the DYW groups, but we are working with people on that.

Tavish Scott: Finally, two of the challenges that Ian Wood set out in his report, which was published in June 2014, were that

"Less than 30 per cent of Scottish businesses have any contact of any kind with education"

and

"Only 27 per cent of employers offer work experience opportunities."

Have those numbers got better in the past couple of years?

Gordon McGuinness: They are getting better. DYW groups have run a very aggressive campaign with local employers; I am thinking of Ayrshire in particular, where they have a history of co-ordinated work experience at a school level.

This is something that more employers are becoming aware of, and we have tried to co-ordinate activities through some of our sectoral work, through industry leadership groups and through groups such as Scotland Food and Drink. That kind of co-ordinated approach provides better-quality engagement and more consistency at a national level, although it can also be taken at a local level.

Ross Thomson: I will follow on from Tavish Scott's line of questioning. When, in the previous evidence session, which focused on further and higher education, I asked Shona Struthers about regionalisation, the merger of colleges and what she saw as a criterion for success, she said that she had seen greater co-operation between businesses, employers and colleges. Has that been your experience since the merger programme? Have you found co-operation to be greater than before? I just want to get a sense of how the changes have impacted on your relationship and your co-operation with colleges across the country.

Mark Smith: To be honest, my insight into that is limited. We have had a good relationship with Edinburgh College, especially around the formation of the foundation apprenticeship and its role in shaping the developing the young workforce programme. It is a key partner in that in this region. Therefore, my experience and interaction so far have been positive.

However, that is really all I can say. We have engaged, and that engagement has worked well. To be perfectly honest, I do not know of anything that went before that I can benchmark it against.

Gareth Williams: It is important to recognise that some of the colleges had very strong links with employers prior to the changes; indeed, some of them had been set up on a more regional basis.

We think that progress has been variable. Some of the college regions—Ayrshire, for example—have certainly stepped up and are forging closer links. Some of that is related to the development of city region partnerships or regional partnerships. In other areas, progress has been a bit slower, and I hope that that will soon become more evident.

In principle, the merger programme is a good move that should provide greater clarity in the relationships between schools, colleges and employers. We would also like universities to be more plugged in to the system. While relationships might be diverse, at least every school knows the college that they would draw on for mutual support in their endeavours, and the situation would be similar with universities. Employers would also be clear about those relationships regionally.

Helen Martin: We maybe have a slightly different perspective. I do not think that it is fair to say that relationships with colleges are improving at a workplace level, although that might not apply so much at an employer level. For workers who are trying to undertake learning, opportunities at college are much reduced as there is much less part-time provision, fewer night courses and much less community learning.

Our own learning project, Scottish union learning, commissions learning courses that are designed according to the needs of workers. We decide that we want to do—for example, a sign language course, a course on a specific skill or a type of workplace skills course—and we design the course and tender it out. However, the number of colleges that are in a position to even respond to those tenders has gone down. That is, in effect, commercial work, but there is now much more of a focus among colleges on full-time learning for 18 to 24-year-olds than there is on lifelong learning and flexible learning for workers in the workplace.

We have had very goods links with employers in the past. Through Scottish union learning, we have done quite a lot of skills pipeline development in specific areas. For example, in the bread industry, we designed a skills pathway in partnership with a local college for a particular level of baker who was in very short supply in one area of Scotland. Colleges have an essential role in the skills pipeline. We have the impression that the merger process was very disruptive to that role, and it is now about trying to build those relationships back up.

I think that there are still some issues about how the mergers are bedding in and how staff can be used. There are potentially still quite a few issues in Scotland in the college sector.

Gordon McGuinness: As Gareth Williams said, some colleges had a strong relationship with local employers. I am on the board of Clyde College. One of the colleges involved in the merger was Cardonald College, which had a long history of industrial partnerships, particularly in gas, water projects and that type of thing, so there was a legacy.

It is early days for regionalisation. Everybody thinks that it just happens and that that fixes everything but, as colleagues have said, there is a process of bedding in. In the case of Ayrshire College, two and a half colleges have been brought together in a stronger form and the college has a strong relationship across the Ayrshire region with much more engagement with industry to help to shape provision and the curriculum.

As John Kemp said, SDS produces evidence bases around regional skills assessments, which are a detailed analysis of the demographic profile of the region and economic conditions within it. That work is informed by Scottish Enterprise and is done through the funding council, and it is supplemented by the work that we will do on sectoral development plans, of which there are 10. Those will be cornerstones on which the regional colleges plan their regional outcome agreements.

As part of the planning process that I have mentioned, Dumfries and Galloway College, for example, used the early outputs from that work to adjust its provision. It grew its engineering provision and it developed the technicality of the provision to a higher level, which was what local businesses needed. The college did not abandon hairdressing and beauty altogether, but reduced numbers a little so that there was a better spread of activities. It also deepened its engagement regarding vocational experience and modern apprenticeships within the region. That was done through conversations from the senior management team—Carol Turnbull—and through the board.

What we want is to use the evidence base to get a better picture of what the curriculum plan should be for an area. For Glasgow, we have been doing work with the local authorities within the city deal region, as well as the three large colleges on the Glasgow Colleges Regional Board. There were nine colleges in Glasgow before, so they never planned a curriculum across the city centre in the way that they now can, and they are making good use of the evidence base that we have prepared.

There are positive developments in terms of planning. Helen Martin described pressure in the system regarding the fluidity of budgets and Johann Lamont made the point earlier about women returners programmes—it is worth investing in getting the evidence base from those kinds of things and proving their worth. All too often the colleges did not capture what the outputs and outcomes from those types of activity were.

Ross Greer: My question relates tangentially to Ross Thomson's point. The workers who often do not have access to further education opportunities or who are passed over for skills and development training tend to be those in the most precarious forms of employment: zero-hours contracts, temporary work and so on. How do we ensure that we are not creating a vicious circle for those people, in that other workers will pass them by because those opportunities are simply not available to them?

Gordon McGuinness: That is a good question. Digital exclusion is an issue and literacy and numeracy are also still big issues for us. Local authority budget cuts impact on community education, which would have been the traditional portal for people to enter the system—your visit in

Stirling would have been to that kind of venue. Those are the areas where provision has fallen back fairly significantly.

We have been doing some work on literacy and numeracy levels, and a priority has been placed on closing the attainment gap. It is fine to put a strong focus on schools, but kids might go home in the evening to parents who cannot help them with their homework to a sufficient standard, or the kids themselves might struggle with literacy and numeracy. There needs to be a broader recognition that those basic skills are needed for employment. A 25-year-old who is in the workplace and struggling with literacy and numeracy could be there for another 40 years. The use of digital technology to support those skills more effectively is an area that we can look at and apply some scrutiny.

Helen Martin: That is an issue that the STUC feels strongly about, as you might imagine. The prevalence of precarious workers is increasing within our economy, and it is a real problem that we are creating a two-tier workforce. There are groups of workers who are in precarious contracts, be that agency worker contracts, zero-hour contracts or umbrella contracts. There is a whole range of contracts that are designed to keep workers in a precarious situation, that enable employers to use workers' labour at their will, and that mean that employers do not have to worry about paying sick pay, training workers or bringing them into the workplace in a way that we would want to see. That is unacceptable and there has to be a policy focus on precarious work. There has to be an expectation that employers do not keep people in precarious work for years and years, excluded from training opportunities and apprenticeship offers under the apprenticeship levy, for example. We have to ensure that those workers are either moved off those contracts or given proper skills pathways into other forms of work.

Employers often say that those contracts are good as they provide flexibility, but there are better ways to provide flexibility within our labour market than to keep people in a position where they do not know whether they will be able to pay their mortgage each month. We also find that there are big equality dimensions to the issue: BME, female and young workers are clustered in precarious grades. It is not necessarily the case that those workers have skills shortages; actually that they can be graduates or very highly skilled people who have got into this kind of work and are finding it extremely difficult to get back out of it again. It is a structural problem in our labour market that we have to focus on.

12:30

Ross Greer: Is there a significant difference in how easy employers make it for those workers to be organised and unionised compared with workers in more secure kinds of employment?

Helen Martin: It is much more challenging to organise a precarious workforce, but we are putting a big focus on it. I do not know whether you have seen our better than zero campaign—

Ross Greer: I have.

Helen Martin: The difficulty is that, because this workforce is so precarious, they are simply not taken back if you try to advocate in the usual way for them. There is no dismissal as such; they just do not receive their hours, just because they are unionised and are causing problems in the workplace. After all, you can stop receiving hours just because you have taken your child to the doctor. Becoming a union representative is not really an option, and it is therefore very difficult for the union to organise in the traditional way. That is why we are using leverage campaigns to organise for vulnerable workers; they are all about direct action instead of traditional forms of organisation. Indeed, what happened at Sports Direct this week started as a leverage campaign by Unite, so such an approach can have really quite dramatic impacts on how workers are treated in the workplace.

That said, we must start to see precariousness at work for what it is—a form of exploitation—and ensure that the people who are in those grades get opportunities to improve their skills and move through into the workplace. Such contracts are increasingly being used in the public sector, the national health service and universities, and they are becoming more and more legitimate as a form of work. It is therefore important to ensure that those workers are not being carved out of our skills agenda and that we find ways of bringing those people into a better situation.

Mark Smith: We do not have zero-hours contracts; we are a living wage employer and a living wage friendly funder for our charitable stuff. We believe passionately in real jobs and real wages, and we provide them throughout our supply chain.

However, there is obviously a problem here. When we started to get involved in this work five or six years ago, it was easy to carve out opportunities for school leavers. I will share with the committee an anecdote: when I was asked to take over this work, I went up to our seventh floor and found rows and rows of desks with 16 and 17-year-olds under exam conditions. I turned to the woman who was running the programme and asked, "What are we doing?" She said, "They're doing their aptitude tests", and I said, "We know

that they're no good at maths. What are we learning here that's new?" We stopped that approach; I am not a human resources professional, but I instinctively knew that it was putting additional barriers in the way of people accessing genuine opportunities with us.

We then turned off the minimum qualification attainment for school leavers. If someone wants to work with us and has the ability to do so, do I care whether they have one higher? If they are the right person, they are the right person, and they deserve a chance.

It is easy for us to take a principled position, because we have the financial resources to do so, but we also try to influence and help others where we can. If we get our own house in order, we can start to talk more publicly about the living wage, skills and that kind of stuff. I remember once using the terrible corporate phrase "moving further upstream", which got me into a wee bit of trouble. It is fine to help people post education find jobs and access, to pay the living wage and so on, but how do we make sure that we turn off the tap? How do we start influencing things further upstream to ensure that people who are coming through education, who are transitioning from primary to secondary education or who are vulnerable or come from chaotic households get the support that they need? As an employer, we cannot do much in that space; however, as a funder, we are able to do something, and we have started to partner with a charity called SkillForce on an award to help people transition from junior to secondary education and with the career ready programme to ensure that people from disadvantaged backgrounds get access to employers like us and jobs like ours and get mentoring from our staff to ensure that they are not excluded.

There are things that employers can do, but it comes back to the question whether the employers who want to get involved know what is available and know the best interventions to get behind and support. In response to the earlier question about what I would like to see, I have to say that I would love us as a country to strip things back and make some brave decisions about some of the things that we fund and support and really focus on the things that make a difference. However, I will leave far more qualified people to identify what they actually are.

Gareth Williams: The fair work convention and the labour market strategy offer an opportunity to start addressing these issues. We need to generally raise our sights on workplaces and have more of a focus on that, including the quality of leadership, management and how people are treated. Helen Martin referred to a number of disappointing cases that tell a larger story. At the same time, we have to acknowledge that the world of work is changing and people will work more on a project basis where they come together for a particular task. There are also higher aspirations around working flexibly and changed expectations of careers and the number of different roles that they involve. Balance is the wrong word to use, but in addressing those fundamental issues, we should not try to push people to make choices that they would not necessarily want to make.

The Convener: Gillian Martin has some questions that she would like to ask. I will soon draw the meeting to a close, so these will be final questions.

Gillian Martin: I have a short question about something that was mentioned a long time ago now, about the challenges for rural areas, because I represent a rural area. I am interested to know what you think those challenges are and how they could be addressed so that people in more remote areas can get apprenticeships.

Gordon McGuinness: The misconception is that only larger employers take apprentices. The vast majority of apprentices will be with small to medium-sized companies. Part of the work that we are doing around the expansion plan is to report on a detailed geographical basis on apprenticeship uptake across the apprenticeship groups in occupational areas. There are challenges in the island communities, which is where we see the foundation apprenticeship model as being a better model for connecting young people to local employers and creating a relationship rather than the young people thinking that they need to move away to get a job. There are opportunities there.

Earlier we touched on the number of employers within a local area and the opportunities to consistently deliver foundation apprenticeships. That is challenging and we are working on that with stronger partnerships between colleges that support apprenticeships and local schools. We will need to think creatively about how we use things like digital technology and so on to get people started with their career.

Gillian Martin: I suppose that there are issues around smaller businesses. Mark Smith's remit is to deal with the problem for a very large company, but a small employer taking on the additional responsibility needs support.

Gordon McGuinness: That is a challenge that has been identified. The Federation of Small Businesses undertook a study two years ago through Rocket Science, which identified the challenges that face small businesses that make that commitment, especially if they do not have a human resources team.

A number of models for shared apprenticeships have been piloted within geographical regions. There is one in Dundee and Angus just now, and one in the construction industry in the Highlands. Coming back to the apprenticeship levy and its potential additional and flexible resource, could similar models be created? It comes back to the structure of the apprenticeship model. We want employers to make a commitment to employment for young people and that could be a stumbling block. If it is, it is a good stumbling block and the principle is a good one, but more needs to be done to provide information and support for small and microbusinesses to recruit young people.

The Convener: Fulton MacGregor has a question, and then we will go to Richard Lochhead.

Fulton MacGregor: My question is on skills for the future. What role do you have in identifying future skills rather than those for the here and now? The committee's papers contain an amazing statistic that I was not aware of—they say that 65 per cent of the children who are in primary school now will end up in jobs that do not currently exist. In your various roles and functions, what are you guys doing to look at future skills?

Gordon McGuinness: We undertake a lot of that work with sectors. The industry leadership groups for Scotland's key and growth sectors, which Scottish Enterprise and the Scottish Government support, help to set the industrial strategy for sectors. We work alongside those groups to look at growth ambitions for companies and future skills as the groups understand them. We produce skills investment plans, which articulate the types and volumes of skills that will be needed.

Some stuff is emerging. Dialogue took place yesterday about fintech, which is a merger of financial and technical skills that it is said could transform the financial services industry. With Scottish Enterprise and Deloitte, we are looking at the opportunities and threats from that. A threat is that digitalisation could take swathes of employment out of operations such as call centres.

We consider future skills needs. We look at international research and we are concluding a report on jobs to 2022. We make projections and we want to understand where the growth areas are and where the demand for replacing skills is—somebody touched on that in relation to health services and other areas. There is jobs growth, but the largest requirement for jobs in the labour market will come from replacement demand, which is the need to replace those who are coming up to retiral age.

Health boards will be quite heavily hit by the apprenticeship levy, but they will not be able to put another few percentage points on the bills to their customers. We and the Government need to think creatively about how to support that. An example is that NHS Greater Glasgow and Clyde could pay £6 million into the levy fund and will have significant skill challenges because of the age profile of its workforce, but that could be applied to engineering companies or any other organisation. We need to understand the balance of what the skills system needs to produce to meet the replacement demand as well as to respond to new stuff.

Fulton MacGregor: Can we link that to another discussion point that all witnesses have mentioned, which is—to use a phrase—about getting to the hardest-to-reach people? Daniel Johnson talked about the initiative in Stirling that he and I were at last week, and I have visited a routes to work programme in Coatbridge in my constituency. Such initiatives are doing a lot of work to get to people who find it difficult to get into employment. Have you thought about identifying skills for the future in conjunction with looking at the people who are hard to employ?

Gordon McGuinness: The Scottish Government's policy structure includes a skills pipeline, which is segmented into four strands. That is how public sector organisations such as us, local authorities and colleges view provision. The first line of the pipeline involves engagement with those who are disengaged. An aim is to help young people—and adults—to move through the skills pipeline. We can come back to the committee with a bit more detail on that Scottish Government framework, which has worked well. The approach has helped local employability partnerships to ask how much provision they have for each part of the pipeline and whether they have stepping points—transition points—for young people to move through the system towards more sustainable jobs.

The Convener: Richard Lochhead will ask the last question.

Richard Lochhead: I will keep my points brief. My questions are about Brexit, given all the debates that have taken place over the past few years about the challenges of skills gaps and the need for taxpayers of the future. That leads us into discussion about people from overseas coming to work in Scotland. How do you feel about the potential impact of Brexit on meeting those challenges? What steps can you take to try to prepare Scotland for those potential future challenges?

12:45

Gordon McGuinness: Finish with an easy question, eh?

The Scottish Government has established a cross-agency group, which has been pretty well publicised, and Skills Development Scotland has been working with the Government, Scottish Enterprise and Highlands and Islands Enterprise to look at the evidence base and reform it.

A UK-level report—I am trying to remember its name—gives us a breakdown and a Scottish sample size that looks at the industrial sectors and the make-up of foreign nationals and UK migrants in the workforce. We have done an initial analysis of that. It will not come as a surprise that areas such as tourism and food and drink depend heavily on such people. In some sub-sectors, up to 35 per cent of the workforce can be made up of EU nationals. The decision is about what will happen to individuals in that category—whether they will be able to stay or will have to return to their home countries. Even if they stay, we need to think about what the future flow would be like, because some of our sectors have heavily depended on them. The life sciences sector, for example, has depended on international recruitment, although maybe more from the United States.

Any immigration system, whether it is points based or whatever else, needs to support the Scottish Government. The current migration policy is quite challenging. A new levy system has been introduced into it with the condition that the home nation needs to demonstrate that a skills plan is in place to meet the needs of employment categories that are identified as suitable for recruitment. Therefore, in digital coding, which is currently on the recruitment list, for example, we have responded to and with industry through CodeClan.

We can therefore demonstrate that we are taking actions, but in the longer term things will depend on decisions that are taken at UK level for some sectors, including seasonal sectors such as the soft-fruit sector. It will be pretty challenging if that potential flow of labour is turned off.

Gareth Williams: There is also a short-term pre-Brexit issue in respect of uncertainty among people who are here already—about the possible impact on their ability to get a mortgage, for example—and whether they will just choose at some point to return home, given all the uncertainty.

Helen Martin and I are involved in the cross-party post-study work working group, which has involved Liz Smith and others. We have presented a strong case to the UK Government on why there is an economic need to reintroduce the flexible route. We have not had a very positive response so far, despite what was said in the Smith commission, the cross-party support and the broad business, education and trade union support that exists, but we keep trying to make the case. The new minister is in post and there is a new context, and I hope that we will at least be able to get a foot in the door at some point and develop a scheme.

I also want to mention our own young people. If our international priorities change and we need to export more to non-Europe parts of the world, we will need to think about whether different language and culture skills will be required and prioritise that, especially because we all know that we need to improve exporting know-how in our businesses.

Mark Smith: I am tempted to say that it is way above my pay grade to talk about our strategic approach to Brexit. I will focus on skills. Standard Life recruits locally, nationally and internationally, and that is not going to change. The key thing is that we get the right candidates. We will invest in skills in the pipeline to ensure that we have a broad, rich and deep talent stream to fish in. That was a terrible analogy. We believe in that, and we will continue to work and invest in it. We will continue to recruit internationally, nationally and locally.

I would like to focus on the development of people's core skills. Earlier, we touched briefly on the question of the future world of work and what skills will be needed. We do not know what will be needed in 20 years—although we can make some wild sci-fi led guesses—but people's ability to build strong career foundations on core skills such as teamwork, confidence and communication will not change. If we can make good interventions in education in the early years, that has got to be good for society as a whole and for us as an employer, because we will all reap the benefits.

Helen Martin: The STUC has some concerns about the effect of Brexit on certain sectors of the economy. The effects will depend very much on the deal that is struck with the European Union, what access we have to the common market, what deals we do with other parts of the world through trade agreements and what conditionality comes with those. We can identify certain sectors as being more vulnerable than others to some of the challenges—manufacturing sectors, in particular—and we are looking to the Government to support sectors that face particular vulnerabilities during the transition.

The STUC is also concerned about the status of European nationals. As others on the panel have suggested, some workplaces—the NHS, for example—simply would not function without European nationals. Our universities fall within that category as well. We are hopeful, but not

confident, that good outcomes can be achieved for European workers who are currently in post.

However, as Gordon McGuinness rightly said, the question is about what will happen to the flow of labour for seasonal workplaces and workplaces that are dependent on low-skilled labour from the European Union. To date, we have an immigration system that has no low-skilled labour element within it because that labour has all come from the European Union. Therefore, the question is about how we can design an immigration system that contains a component for low-skilled labour. I do not think that we, as a country, have had any discussion about the principles that we would like to see behind a system of that nature. It is a serious question not only for how our workplaces will survive, but for what is acceptable to the wider community and what people want to see in such systems, going forward.

I do not want to overstate our concern, but we also have an eye on the tensions within workplaces. Those tensions are not just between European and non-European workers but stretch to more general tensions between workers of different ethnicities. It is important to ensure that, throughout the process, we do not allow a racist discourse to creep into our policies or allow that to play out at workplace or community level. Trade unions are very concerned about that, and we will focus on that over the next period.

The Convener: I thank Richard Lochhead for finishing on that simple question.

Gordon McGuinness: I would like to return briefly to the target that we have set on disability, which is to increase the employment rate among young disabled people to the population average by 2021 and to have a correlation in modern apprenticeship starts to match that. That figure is currently 12.5 per cent, and we have a mid-point target for 2017-18 of 6 per cent of all MA starts. The figure will be reviewed annually thereafter.

The Convener: Thank you very much for attending the meeting today.

12:54

Meeting continued in private until 13:03.

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