

## **CASE STUDY: SCOTLAND**

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### **INTRODUCTION AND BACKGROUND**

Although the fact is not widely recognised, even within the UK, the UK is now effectively a kind of federal state. Some policy areas, of which education, training and skills is one, are fully devolved across the four UK nations (England, Wales, Scotland and Northern Ireland). Other issues, such as fiscal and foreign policy, remain the preserve of the UK government. Devolution and the creation of national governments in Wales and Scotland took place in 1999, but the Scottish education system had always been different from and separate to that in England, whereas prior to 1999 training policy as it related to government-funded schemes tended to be UK-wide in design, although delivery was often managed at national level, particularly in Scotland.

The one area of skills policy that is not yet devolved is training for the unemployed, which currently remains under the UK-wide control of the Department for Work and Pensions (DWP). Under the next tranche of devolution, elements of control over DWP programmes will be transferred to the Scottish government – powers which it has long sought.

### **Divergent skills strategies across the UK**

Since the introduction of devolved government, the four UK nations have developed divergent policies in many areas (Lodge and Schmuecker, 2010), and skills policy has been one of the more important of these (Payne, 2009; Keep *et al*, 2010). In essence, the UK government's skills policies for England remained locked into a very traditional supply side model, whereby the main assumption is that the skills problem is one of inadequate or mis-focused supply, and that policy therefore needs to increase the volume of education and training, and possibly to re-focus the areas and levels of skill being provided. Within this model, it is believed that there are no fundamental problems with either the underlying level of demand for skills within the economy, or with the way in which skills are deployed within the workplace.

By contrast, the Scottish Government has taken a different view, and rejected much of the analysis and policy prescription outlined above (Payne, 2009; Lowe and Gayle, 2011). This was in part prompted by the fact that Scotland had invested more heavily than England in skills and already out-performed much of the rest of the UK, not least on the proportion of degree and sub-degree level qualifications in its workforce, and yet had seen little benefit regarding levels of GDP relative to England (Scottish Government, 2007). *Skills for Scotland – A Lifelong Skills Strategy* (Scottish Government, 2007) suggested that the nation's difficulties stemmed not just from problems with the supply of skill, but with deficiencies in

the underlying levels of demand for better qualified workers within the economy and labour market, and also with the ineffective utilisation of existing skills within many workplaces.

Scotland's approach to skills policy is nested within an economic strategy that aims to boost competitiveness and also tackle social and economic inequality. The strategy has four key priorities:

1. Boosting levels of investment
2. Increasing the internationalisation of the economy
3. Increasing levels of innovation
4. Improving levels of growth

Scotland has what is, by UK standards, a relatively well-developed industrial policy, which focuses upon targeting government support for a limited number of key sectors - energy, life sciences, food and drink, financial and business services, tourism, creative industries, engineering, ICT, and construction. Improving skill levels, improving the flow of appropriately educated and trained applicants into these sectors, and using skills to improve innovation are strands within this strategy, as is improving the way skills are deployed and utilised within the workplace. Two long-established economic development agencies – Scottish Enterprise (SE), and Highlands and Islands Enterprise (which deals with the remote rural areas of Scotland) – deliver this agenda. SE and HIE have strong links with the agencies that deal with skills policies (see below).

In addition, Scottish education, training and skills policy is being designed and delivered within the wider context provided by a Fair Work Framework (Scottish Government, 2016), which aims to improve job quality, reduce pay inequalities, and promote higher levels of employee engagement in the organisation for which they work. The Scottish government is currently developing a new Labour Market Strategy, which will reflect the over-arching aims enshrined in the Fair Work Framework, and which will seek to address five key goals:

1. A skilled and productive workforce capable of meeting the needs of employers
2. Equality of opportunity to enter employment and progress within it
3. Decent, well-paid jobs that improve well-being and the quality of life
4. A low unemployment, high employment economy
5. Successful businesses that boost national competitiveness

It is against this policy backdrop that that national workforce planning and skills forecasting activities take place. In contrast to England, where the general drift of policy has been to rely upon market forces, and to try to provide better LMI and data on the returns to investment in skills by both individuals and employers in order to support better employment and career choices and galvanise investment from those other than government, Scotland has opted to try and develop a system of indicative planning.

### **An integrated approach**

Although Scotland faces challenges in trying to meld together and reconcile national, local, regional, sectoral and technology-driven skill needs and forecasts, it has established a set of cross-government and agency mechanisms that can help support and inform decision making. To begin with, in marked contrast to the practice in England, the Scottish government is not organised into conventional, strongly demarcated ministries or departments. Responsibilities for education, training and skills are split across two members of the 10-person Cabinet, with the Deputy First Minister (effectively the deputy prime minister) overseeing education, and the Cabinet Secretary for the Economy, Jobs and Fair Work dealing with some aspects of training and the relationship between skills and the labour market. In addition, the senior civil servants meet regularly at a Scottish Government Strategy Board to review overall progress and ensure co-ordination between different strands of government activity. There is a single, integrated national performance management framework that covers the whole of the government's suite of policies, and this has been developed around a set of measures that span individual cabinet secretaries' portfolios.

Within the field of education, training and skills, the institutional architecture is relatively simple. The Scottish Funding Council (SFC) funds (via a block grant mechanism) both higher education (universities) and further education (which is delivered through a set of vocational colleges). Skills Development Scotland (SDS) is the agency responsible for funding and managing apprenticeship training for young people, publicly-funded adult training and re-training (for example, for those who are at risk of redundancy due to company restructuring or closures), advice about and support for workforce development, and the provision of careers advice and guidance. Both the SFC and SDS are being more closely integrated around a wider skills and workforce development 'offer' to firms. To facilitate this, the governance structure embraces close working between:

- the Scottish Funding Council (SFC);
- Skills Development Scotland (SDS);
- and, increasingly, the enterprise agencies (Scottish Enterprise [SE] and Highlands and Islands Enterprise [HIE]), which deal with economic development and business support.

These arrangements are cemented by a Joint Skills Committee (co-managed by SFC and SDS), and by shared members of SDS and SFC's respective board and council. The Joint Skills Committee has observers from SE and HIE, and members from universities, colleges, private training providers, employers, social partners, students, and experts on vocational training and the labour market. It offers advice to both SDS and SFC across the full range of skills and workforce development issues including:

- post-compulsory,
- apprenticeship
- sub-degree,
- degree,

- postgraduate,
- continuing professional development,
- adult training,
- workforce development,
- and E&T for the young and adult unemployed.

As the Joint Skills Committee has evolved and developed, one of its key aims has been to secure closer working relationships between all the parties that deliver skills. The author has been a member of the JSC since its inception, and some of what follows draws on his experience as a committee member.

## **WORKFORCE PLANNING – NATIONAL DIRECTION, SECTORAL AND REGIONAL DELIVERY**

The SFC and SDS work closely together in seeking to ensure that the national workforce planning system operates effectively. The system, which has evolved since it was introduced in 2012, is based on three basic building blocks:

1. Regional Skills Assessments (RSAs)
2. Regional Outcome Agreements (ROAs) and Outcome Agreements (OAs)
3. Skills Investment Plans (SIPs)

It is to the details of these that we now turn.

### **Regional Skills Assessments and Regional Outcome Agreements**

*Regional Skills Assessments (RSAs).* RSAs were created to meet a number of challenges that were facing the traditional system of LMI at both national and local levels, and which were reducing the ability of localities and the education and training institutions therein to gather data on and understand future skill requirements. These changes included significant cumulative economic change, not least in the scale of employment in different sectors; the growing inability of UK-wide employer bodies to develop LMI relevant to Scotland; and the closure by some local authorities of their LMI analysis functions.

The RSAs provide a single, agreed evidence base for developing thinking about skills supply at regional level within Scotland. The RSAs are developed in partnership between:

- Scottish Enterprise
- Scottish Funding Council
- Scottish Local Authorities Economic Development Group (SLAED)

A separate skills assessment has been created in conjunction with HIE to cover the rural and isolated areas (highlands and islands) of Scotland. RSAs are constructed around a common template, using information gathered from the large-scale, UK-wide National Employers Skills Survey and the UK-wide Employer Perspectives Survey, as well as other economic forecasting and labour market and occupational modelling undertaken by SE and Scottish

local authorities. The bulk of the work of assembling the RSAs has been undertaken by the SFC.

Each RSA contains the following:

1. **Context** – covering the policy and economic context for the region
2. **Regional economic performance** – covering areas such as gross value added (GVA), productivity, earnings, etc
3. **Profile of the workforce** – covering, for example, total employment, industrial and sectoral structure, and occupational profile.
4. **People and skills supply** – covering, for example, population and demography, labour market participation, qualifications and attainment.
5. **Education and training provision** – covering, for example, modern apprenticeships, college place allocations, university provision, graduate labour market destinations
6. **Skills mismatches** – covering issues such as recruitment activity, vacancies, skill gaps
7. **Economic and skills outlook** – covering expansion demand and new jobs, replacement demand and labour market turnover, impacts of technological change, etc.
8. **Questions arising** – issues to be addressed

The RSAs are intended to support:

- The SFC's negotiations with colleges on Regional Outcome Agreements (see below);
- Provision of a framework whereby SDS's investment in individuals and businesses (for example, in apprenticeship provision) is aligned with likely current and future need;
- Local authorities' Community Planning Partnerships in order to help them to direct their investment in skills towards forms and areas of provision where there is greatest need;
- And the identification of any gaps in the evidence base

In overall terms, the aim has been to provide a single, commonly-agreed evidence base on which all agencies and stakeholders can plan the future, using information on the economic structure and business base, demography, and current patterns of investment in skills, as well as on demand for education and training from individuals and firms, to make informed choices about where best to invest.

Besides colleges, universities, and local authorities, other key partners who use the information in the RSAs include:

- Department for Work and Pensions;
- Employer representatives – e.g. Federation of Small Businesses, Chambers of Commerce;
- Scottish Trade Union Confederation (social partners);
- Scottish Training Federation (private training providers); and
- Scottish Council for Voluntary Organisations.

Outcome Agreements. The other, closely-associated planning device, which is directly tied to the SFC's funding of both colleges and universities, is the system of Outcome Agreements (OAs) and Regional Outcome Agreements (ROAs). In the college sector the introduction of ROAs has taken place in tandem with moves to regionalise the organisation of provision through a series of college mergers to create 13 college regions.

Under the Outcome Agreements model, institutions set out and agree with the SFC the outcomes that they expect to generate in the coming academic year. Outcome agreements are expected to reflect both sectoral skill needs as identified in the SIPs, and (particularly for colleges) regional skills needs identified via the RSAs that give voice to employer and local community demand for learning in terms of the balance between different types of courses, levels and subjects. The agreements are also intended to make clear how the institution is meeting the priorities of the SFC and the government. The SFC describe the Outcome Agreements thus:

*“Outcome agreements between SFC and the colleges and universities that we fund have become an integral part of how SFC monitors the impact and outcomes of our funding. They also play an important part in demonstrating the impact of the sector and its contribution to meeting Scottish Government priorities..... Regarding the university sector, outcome agreements are intended to help demonstrate and enhance their contribution to the something for something funding settlement.....their purpose is to demonstrate what universities deliver in return for public investment. By doing so they can help individual institutions to show how they meet Scottish government priorities, how the sector as a whole meets these priorities and how SFC can better support institutional missions and specialisms”.*

**SC/15/06, Agenda item 9, JSC, 11 February 2015**

Besides these general objectives, the agreements are also meant to embed the government's over-arching objectives for education, which include 'right learning in the right place', and contributing to 'a developed workforce'. In terms of what Outcome Agreements cover, those for universities include the following:

- Efforts to ensure that students are employable and graduate labour market destinations and outcomes
- Their responses to SIPs and other forms of LMI
- How the institution engages with employers, including small and medium sized enterprises (SMEs), and how this activity helps inform the development and delivery of the curriculum
- Current work placement provision and ambitions for expansion

For colleges, the SFC's guidance requires that the key driver for the desired strategic outcomes of 'right learning in the right place' and 'developed workforce' is that each college region can clearly demonstrate it possesses a coherent plan for how the region will start to meet the seven-year agenda of the recommendations contained in the Scottish

government's strategy for preparing young people for the labour market (*Developing Scotland's Young Workforce*). As colleges cater for a diverse range of learner groups the ROA guidance requests that each outcome agreement demonstrates how the region is meeting the needs of people from a wide range of backgrounds and students from protected characteristic groups, such as those with disabilities, care leavers and those with complex needs. The guidance also sets out seven specific measures under the strategic objective 'right learning in the right place' relating to the volume and focus of STEM provision. These measures range from quantifying the overall volume of STEM provision, to STEM provision delivered for specific groups of learners, such as young people or those with specific additional needs.

Under a 'developed workforce' outcome the guidance asks colleges to demonstrate clearly:

- how the region meets the needs of its local labour market;
- how schools and colleges and local authorities are working in partnership to develop new vocational pathways;
- in what ways employer engagement informs the development, and where appropriate the delivery, of the curriculum; and
- their aspirations to develop and grow provision which contains a significant amount of work experience or helps to enhance work-based learning.

The system of Outcome Agreements is still evolving, as both the funding council and the colleges and universities become more used to the process and seek to refine it. For more detailed snapshot views of the system as it currently exists, see SFC, 2016a&b). As the system evolves, it seems likely that new priorities and additional categories of evidence will be added.

### **Skills Investment Plans**

A key priority for the Joint Skills Committee is dealing with SDS and SFC responses to sectoral Skills Investment Plans (SIPs). The SIPs were set up following a request by the government to SDS in 2011 to help align public skills investment with demand in the government's economic strategy priority sectors. SIPs offer a single planning process that embraces the entire range of further and higher education (from Levels 1 and 2 training for operatives to doctorates), as well as apprenticeship and those other forms of training that are supported by state funding. The sector development programme, led by SDS and each sector's Industry Leadership Group (representing employers) and the SFC, has delivered 10 SIPs. In many sectors, the Industry Leadership Group, which is responsible for developing an overall strategy for the sector's development, has established a Skills Group to address the topic of education and training needs in the light of current circumstances and the demands liable to be generated by implementation of the sector's development strategy. The first SIP, for the Energy sector, was published in 2011, and has recently been revisited and updated.

At the heart of the SIP process has been the relationships established with ILGs and the Skills Groups which the ILGs have established to gather and analyse employer demand for skills. The structures put in place across sectors to ensure industry consultation and endorsement

for the SIPs, and support for their subsequent implementation have been central to the programme's success. Employer support is critical because each SIP having identified a set of skill needs, covering initial labour market entry and adult workforce training and upskilling, has to also allocate responsibility for tackling these in ways that demonstrate that employers will be playing their part and paying for some of what is required. In other words, the SIP is not just a 'shopping list' from a sector's employers to government to be funded wholly by taxpayers' money.

Each SIP is based upon detailed sectoral labour market forecasts, developed by SDS from national (UK and Scottish) LMI modelling and surveys and from work with employers and sectoral bodies to identify future skill needs and gaps. In some sectors, such as energy, these forecasts are in turn linked to major investment plans (for example, for new offshore wind turbine sites and the construction and maintenance workforce needs these will generate). The SIPs aim to present a strategic approach to stimulating systemic change and more effective alignment through a mix of short, medium and longer term action.

A review of the SIPs and the associated action plans undertaken by SDS suggests that there are a number of consistent themes that have emerged in SIP action plans:

- a. Inspiring and preparing the future workforce to engage with the career opportunities provided in the sector (i.e. sector attractiveness)
- b. Creating and investing in pathways to enable people to enter and build their skills in the workforce (i.e. entry routes, apprenticeships, FE and HE provision)
- c. Providing support to address immediate workforce development needs (i.e. tactical projects to fill short-term gaps and transition training)
- d. Stimulating change in the skills system to better align provision with the needs of employers and the economy (i.e. right content, right place, right time)

Further to these common themes in the action plans, there are other issues that have been raised consistently across most SIPs, namely:

1. The increasing importance of teaching in STEM subjects to support the needs of the economy (at school, college and University)
2. The underpinning importance of digital skills and capability in both skills and learning system and the workforce to meet Scotland's economic growth ambitions
3. The importance of leadership and management skills in the workforce to support the deployment of skills in the workplace – and to support growth
4. The persistence of gender imbalance – and under-representation of other groups in the workplace – in some occupations – and its impact on skills and recruitment challenges in some sectors
5. The role of international talent attraction in meeting the skills needs of some of Scotland's growth sectors

It is intended that the future evolution of SIPs will concentrate upon:

- a. Understanding any **changes in the context** the sector is operating within, including any skills system / policy change

- b. Identifying **progress against actions** identified and any associated impact or change created
- c. Understanding any **changes in industry demand** for skills
- d. Incorporating evidence relating to **new priority themes such as fair work, workplace innovation and productivity**
- e. Assessing **changes in priorities / actions required** on the back of the above
- f. Setting a clear **forward direction** with a suite of actions and performance measures

In developing the SIPs, SDS and the SFC have agreed a set of principles as a means of ensuring continuity and an alignment of purpose across the partners. These are:

- a. Cross cutting skills requirements are addressed in a way that is efficient and take advantage of economies of scale and enable transferability across sectors
- b. At the same time the strong level of industry ownership and engagement, generated through ILG involvement in SIP development, should be maintained and strengthened
- c. Levers for development and decision making in the system are deployed to best effect
- d. There is cross-partner commitment (in particular, SDS, SFC, and the Scottish Government) to ensuring the evidence base is maintained and strengthened

Examples of the SIPs for Construction and Energy are attached as Appendices 3 and 4.

## **OVERVIEW OF THE SYSTEM AS IT CURRENTLY STANDS**

The first SIP was developed in 2011, and the first set of Outcome Agreements was concluded for the year 2013-14. It is thus relatively early to try to determine what their overall long-term impact on institutional priorities and behaviours; and on the relationship between colleges, universities and the SFC; will be.

What is clear is that the government, SFC, SDS, and the various local government organisations, employer groups and trade unions with which they work are heavily committed to making the system work, and in developing the LMI base in Scotland in order to make that possible. This matters because various elements of current LMI data gathering are under sever threat as the UK government has wound up the main body charged with this role (the UK Commission for Employment and Skills), and is taking the data gathering in-house. This may result in the collapse of a UK-wide approach to LMI.

To date, the strengths of the Scottish model appear to be a realisation that perfect matching of supply and demand is unlikely, and that the role of the system is to deliver an element of

indicative planning, whereby a standardised database of labour market information (LMI) is developed with stakeholders (employers, local government, and others), and made available to E&T providers. As a result, the roles of the SFC and SDS, as the conduits for state funding to public and private providers of education and training, are to seek to put in place mechanisms that incentivise reflection by providers on the LMI with which they are being provided, and which also helps incentivise providers to offer evidence of how these reflections have been translated into decisions and actions about the future shape and pattern of skills provision.

Very importantly, the systems and processes that SFC and SDS design and implement to achieve this are seen as a 'steering mechanism' intended to directly steer and shape institutions' priorities for student number allocations between levels, courses and subject areas, rather than as any kind of direct form of 'command and control'. Thus, both the SIPs and the Outcome Agreements focus on influencing college and universities' priorities and resultant activities via their mainstream block grant funding. Although the SFC can and does allocate some research and capital funding to support the needs of the priority sectors, when it comes to mainstream institutional support for teaching there is no separate significant, long-term pot of money towards which SIPs can 'bid', although there has been some temporary additional funding in recent years to try to boost STEM provision.

Both in the gathering, processes and dissemination of LMI, and in its use by colleges, universities and other providers, SFC and SDS expect to engage in dialogue with the other stakeholders in the skills system. Outcome Agreements are the result of negotiation between the SFC and individual colleges (or groups of colleges) and universities, and SIPs are the result of detailed consultation and iteration between SDS and employers and those who represent them.

Moreover, in dealing with sectoral and regional forecasts of skill need, Scottish policy makers are aware that some employers may choose to frame their approach to forecasting future requirements and formulating what they would like HE and colleges to deliver from a zero-sum game perspective. If employers believe that there are finite resources (money and student places) and also that the supply of 'good' students (however defined) is also limited (see Keep and James, 2010), then individually and as sectors they may see themselves as being in competition for resources and for the best students. At the same time, firms often want to maximise the proportion of initial E&T that is paid for either by the state or the student rather than by themselves, and to minimise the training and induction times that the firm has to fund by demanding students who are as 'job ready' as possible before entering the workplace (Gleeson and Keep, 2004; Keep, 2012). As such, a great deal of company and sectorally derived LMI, as well as sectoral plans such as the SIPs, may perhaps best be viewed as being at least partially 'bids', rather than necessarily exact statements of requirements.

The Joint Skills Committee and staff in both the SFC and SDS, in processing the various SIPs have been aware of this possibility, and have taken considerable efforts to stress the need

for realistic expectations from employers, and also to look for indications that firms and sectors are doing all that they can to address skill needs rather than simply relying solely on taxpayer funded public provision. As noted above, to support this expectation, each SIP contains an allocation of responsibilities and actions across the different partners who are party to the SIP, including employers.

The two biggest weaknesses that are apparent at this juncture are firstly that the bulk of Scottish organisations (exactly like their counterparts elsewhere in the UK) do not engage in any systematic form of workforce or skill needs planning, and that therefore extracting reliable estimates of future skill requirements – in terms of numbers, and levels and types of skill – is extremely difficult, even when employers are provided with substantial amounts of external diagnostic help to undertake this task. In an ideal world less reliance on occupational forecasting models and greater weight on employers' own estimates of what they will require would be beneficial, but as things stand extremely hard to achieve. Too many UK organisations rely upon a spot market for skills, and claim that planning is too hard to do.

The second weakness, again one that is common across the UK, is that the bodies that seek to represent employers and coordinate their actions, are usually either very weak and fragmented, or entirely absent, at both local/regional level, and sectorally (see Keep, 2015). This makes gathering LMI and employers' views on future skill requirements hard, and the concertation of employer action around investment in skills and training even harder.

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