

Enterprise and Skills Strategic Board - Feedback to Advisory Group

Following the presentation to the Enterprise and Skills Strategic Board from Benny Higgins on the work his group are undertaking to support the economic recovery, the Board were keen to feedback views and held a number of smaller sessions to facilitate this. The sessions were structured around 10 key questions with a specific focus on the enterprise and skills system. The table below summarises those discussions.

Please note that we were clear that these sessions should not preclude Board members from also providing feedback directly should they wish to do so. A number of Board members have already done so and we will also forward any individual responses we receive.

1. How will the pandemic impact your business/sector? Specifically, which regions do you expect to be most affected?

Universities sector. This sector is very exposed to the effects of the COVID-19 pandemic as funding highly reliant on overseas income (tuition fees for foreign students). Students in the UK could defer courses as they are nervous about returning to studies (could be up to 20%). This leaves a huge gap with around £500m loss for Scottish universities predicted. Unique universities with campuses in the Scottish Borders and Orkney, this will impact those campuses that are already more vulnerable. Universities and colleges need to focus on young people and keep them out of unemployment. There is a need to increase college places, university places. Incentivise postgraduate study to encourage younger people to stay in education and also to upskill. But of course recognise there are other options to keep young people out of unemployment.

Food, drink and agriculture sectors. The impact on food and drink and service sector high impact especially in terms of exports and service sectors. Despite this Scotland Food and Drink ILG have responded very well, in terms of coordinating response and getting comms out. Acutely impacted because of centralisation of food systems and how commoditised certain industry sectors are. There has been an opportunity in terms of growth in providing food locally. Agriculture mainly business as usual (except dairy sector who have taken a large hit) although impacts may be further down the track for e.g. in the autumn we may see this with certain crops for e.g. malt and barley and the impact from the closure of distilleries. Recovery plans from SF&D underway, really focused on opportunities and looking at big, bold ideas - not necessarily new but those that may not have been looked at fully before. Innovation required for the food and drink sector, links between R&D and market intelligence, leadership that will be required (skills wise) to take these opportunities forward.

Life Sciences Sector. 1) Visibility of the sector has improved greatly and provided an opportunity to have more impact on policy decisions and advisory roles. This could inspire young people into the world of science as it has highlighted the breadth of roles and the impact the roles. 2) Capital is a dichotomy - some companies can pivot very rapidly (those that already have strength) and especially those with diagnostic capabilities but other have challenges and cannot pivot. Barriers have been broken down

between public and private, open innovation that should continue in the future. Fluidity with skills sets and moving into areas they would not normally do. Evidence of rapid training and the opportunity to experience different skills. Questions around funding (US funding), mindful of supply chains where things break down and ensure that we have strength where there had been weaknesses in the past in manufacturing and diagnostics to ensure investment and to not leave us exposed in the future. Evolution of e- technologies and digital infrastructures in this sector.

Local Government (including business gateway) and the Islands economy. Local government financial positions have been suffering from 2008, situation compounded by this crisis (reduced incomes from fees and council rate, non-payments, commercial activities ceased). Lack of adequate funding for local government in the future may mean that irrespective of national measures/policy, a degree of austerity will be felt at local levels. LA will be expected to respond in terms of care provision, employability (in conjunction with the 3rd sector) and business development. A clear understanding emerging that a placed approach to a green recovery will be most productive. A place based focus approach to the recovery is a necessity as is making use of the structures we already have such as CPP. Sectoral - tourism, hospitality, leisure and retail (including supply chain impacts such as food services) have had a major hit. Geography wise, peripheral regions that suffer less from deprivation but rely on tourism and agriculture/food and drink will also be very badly affected.

Multiple sectors - hospitality, dentistry and manufacturing. Demand has fallen massively and prediction that this demand will take at least two years to come back. How does government help drive this demand? Would like to note that some business fall between the eligibility criteria for the grants announced. SG position of excluding companies who have holding companies abroad is unfair and this needs to be carefully looked into - not all companies do this for tax purposes.

Digital services/digital economy. Serve a lot of multinational companies, the impact of this right now is a reduction 50% in business. One way to look at it is to see it as going through a tunnel and to make sure we can emerge through the other side there is the need to take actions such as reducing costs. One key point is that the sector will not come back to the same level. Businesses will still be viable but spend less and a percentage of their previous customers may not come back. Estimated up to 30% redundancies in this sector. Furlough grants great but a deferral in some ways that may ultimately lead to redundancies. You then have to think about how the unemployed will affect the economy overall. City based. The company will spend less (eg changing office space) as for eg work from home becomes a more permanent reality - so real estate/landlords will receive less. Cities will be changing how they use office space, this will ultimately leave a surplus.

Aerospace a sector that has been hit acutely by this crisis. 90% global fleet grounded, 95% volume of traffic stopped – which has knock on effects for travel, tourism etc. Revenue and impact on manufacturing down 40%, most industries in this area looking at headcount reduction 30%. This then has a knock on effect to the supply chain. Particularly hit are tier 2/3 suppliers (predominantly a UK issue) – there is a UK taskforce set up to look at this. The sector is hugely regulated and the impact on one

supplier closes can be huge as there are a lot single source failures in the supply chain. Protecting skills is an issue, protecting high value jobs that take a lot of time to train for (engineers 20+ years), how to keep these busy and employed. How to minimise this impact. Another issue is the likely pause in innovation and cut investment in growth. How will the innovation started be completed? Effects on global competition. If this is considered then recovery in the industry is more 6-9 years.

Textile manufacturing. Would expect this sector in Scotland to be down a third of its capacity - bankruptcies and downsizing. 10-15% staff reduction over the next few months.

Reduction in resilience -Ability to invest will be down. There is also significant impacts on the retail side from the reduction in travel and tourism that could last 12-18 months.

Viability of those in retail will be significantly affected.

College Sector. Impact substantial in this sector - projected £600m lost income for universities and colleges projected loss is c£100m. Fast approaching a point where drastic actions are required to survive. These are not necessarily conducive to the economic needs of up-skilling, training, addressing unemployment etc - there is a challenge here. Downsizing at a time when the sector should be a large part of the solutions required for the recovery. The operating model likely to be impacted significantly due to physical distancing - hybrid of remote learning and some in campus delivery (prioritised).

2. How will the recovery vary for different groups of people?

Young people, women and those already **economically deprived** - includes the unemployed but also those in precarious/less secure employment - will be most likely to be economically affected.

But must be careful that age not the only lens - **risk of inequality across all age group widening**. There are some advantages that young people may have in terms of flexibility that may be less prevalent among older workers with specific skill sets or expertise in sectors that may not recover.

This may wipe out large percent of **SMEs** who are struggling.

People who have transferable skills, people with comfortable environments and able to work from home less affected.

Consider the **mental health issues** behind home working and lock-down more generally - especially among those already vulnerable.

Distinct differences between employed and **self-employed** and the measures in place to help each. Elevation in status of essential workers is a positive and we must not lose sight of this as we moved towards a well-being economy. This doesn't

necessarily have to be financial recognition, it is very much dependent on the sector and more around understanding how their contribution is impacted.

People will be leaving education and will be entering a world they did not expect. Facilitate rapid adaption into other opportunities (such as digital and e commerce).

3. What activities undertaken by the enterprise and skills agencies are now more/less important during the recovery phase?

All agencies must work as **collaborative**, multi partner consortiums, public/private approach, **open innovation** would require focus. **Partnership working** even more critical and effective interventions that are multi stranded - everyone will have to be more efficient and use digital tools and we should not shy away from that. Keep Scotland Working could be enhanced by being more collaborative.

Rapid adaptation and working fluidly across agency/organisation boundaries must continue. In particular with skills, there are other opportunities out there and a clear communication strategy for this is key. Mental health and well-being requires strategies for tangible information for opportunities they may not have identified - this needs to be accessible and clear and agencies should support that.

Partnership working transcends agencies and requires a place based approach and **involve LAs, communities and the third sector**. The bulk of response in the past 8 weeks has come from local authorities including Business Gateway in terms of business support, grants, pastoral care etc. The agencies already have a job and we need to address inequality and not lose focus on the existing roles especially people not in work, people who have difficulty accessing work, and trying to upskill those in jobs.

Protecting skills, how to sustain innovation – support companies to continually innovate, revisiting company strategies and look at business models and how we reinvent the workplace. Radically changing business models particularly around homeworking which presents opportunities and threats. The need to train people eg digital skills to support this. Focus on young people.

Digital infrastructure is key and the need to address issues such as digital poverty.

Localism, community building – to some extent there will be variability here. Some can off shore more but we should be in shoring, need to becoming more self-sufficient (particularly rural).

Conditionality important in terms of supporting the type of recover we want to see but requires hard choices and may be difficult to implement uniformly.

Assessment of risk. Crisis highlighted single points of failure and reliance on foreign countries and supply chains. How do you onshore more, move up value chain, how do you view risk and turn that into an opportunity.

Investment support – bar has become higher and companies not investing in the short term will have longer term effects.
Particular issues around sustaining innovation investment in order that Scotland does not fall further behind.

Urgently acceleration of some plans already in place - but which were difficult to implement. **There is a risk because of the pressure the instinct is to revert to what we are comfortable with but the agencies need to collaborate more.**

4. Do the actions within the Strategic Board's Plan remain valid? For example, do some of the missions need to be repurposed to support the recovery or additional actions need considered?

Missions do not necessarily need to change in the longer term but what do we need to do in the short term to be responsive. Missions valid because core focus but we need to consider the backdrop is different and we need to review against that. Some industries will recover, some will reshape and remodel and some won't. Not a re write but things have changed and we do need to take stock and review.

We need to change and adapt and we will need to address what business models look like this now and how can be enhance (innovation) and skills development for the future. Some businesses have been really susceptible to what has happened so we need to think about how we can ensure skills are more transferable. We need to think about what opportunities have emerged from this crisis.

The priorities identified previously need to look at missions with this. Dummy run for hard Brexit. We need to factor in hard Brexit too. How do we make ourselves stronger? Wake up call for resilience. How do we learn from experience and refocus to look at gaps.

The focus at present is on growth and the focus going forward will be growth but from a different position and we will need to reassess the baselines and metrics going forward. We need to be more broadly encompassing in partnerships and the Board plan will not enable recovery by itself - the Board needs to come into a wider forum/ agencies looking at this more with CPPs.

5. What immediate action can the Enterprise & Skills agencies take to accelerate the recovery?

Action to ameliorate impact on young people not being badly hit by recession.

The (UK) government announcements don't always match the reality on the ground – **the agencies have a role in helping businesses/individuals to navigate the policies.**

Flexibility in funding models and approaches, funding for skills across different providers - flexibility in how funding is allocated and an approach that protects what we have now so we can recover. Youth unemployment and coming out of furlough (planning, transitions).

Communication is key and there is some scope with some messages to be clearer (eg childcare). Helping people navigate through information and guidance - translate messages from government for different sectors.

Business continuity and rapid access to capital to continue operating will also be key in the re-entry phase. The practicalities of returning to work (access, hand sanitiser etc.) in order for employees to feel safe and guidance on how we physically work. Help and information to achieve this is key.

There is more emphasis on a **green recovery** so need to review policies and plans for agencies so this is aligned to this. A place based recovery requires intel that can be gained through working with CPPs and working with local authorities.

How to we support those new opportunities by listing industry/market priorities. How do we put plans around helping those companies? Focus on those businesses with models that can be helped to recover. The schemes put in place has helped companies that are viable and the process of some schemes does make you look at whether the business is viable. **Make choices - we can't do everything.**

6. What longer-term action can the Enterprise & Skills agencies take to best support the recovery?

What are we looking at what to achieve with our economy – **all longer terms actions should focus on a clear vision.** Move on from soundbites and move to action eg business support and putting infrastructure in place. This is an opportunity to create the economy we want.

Agencies cannot lose sight of their existing strategic objectives, we need to look at funding for the recovery and whether it will be devolved to Local Government/other areas. **Would encourage agencies to retain focus as we hopefully will be back on track to obtain their objectives, and should not sacrifice the past for the future**

Don't focus too much on central economy and remember innovation is possible in the rural economy - in particular with the **green recovery** and the need to think about the potential of our **natural capital.**

Look to what we achieved in a short time, how we have rapidly adapted and how can we embrace the positive changes. **We have shown there are more rapid and effective/efficient ways of doing things and we need to engrain this into the way we run our business and the ways in which we train.**

Resilience and Risk - one important lesson is that this should not be treated as a one-off incident. Agencies need to look inwardly and assess whether they will be able to respond as quickly if faced with another crisis. Can we learn from larger organisations and can we ensure how we can plan and prepare for future incidents. We need to look at new opportunities that have arisen from this crisis for eg global teaching online or businesses focussing on more domestic markets. We need to capture these lessons learnt.

7. What policies can best prevent a rise in long-term unemployment, particularly amongst young people?

Thinking about interventions first, there is a lot about flexibility of skills and a **route into education instead of unemployment** - this is critical to protect the young workforce. Need to enhance the Graduate Apprenticeship model - more flexibility and higher skills. A more flexible workforce eg moving between organisations such as with secondments.

A massive **increase in training and education in the areas of strategic growth** such as low carbon and more flexibility in schemes with for eg apprenticeships so they incorporate innovation. Can we develop virtual work placements, a route into PG training rather than unemployment especially if it aligns to a Scottish business so that it contributes to the economy?

With regards to the rural economy we cannot ignore the issues and challenges that existed pre COVID-19 eg infrastructure and transport. The flexibility seen during the crisis could be an opportunity for eg that can be digital, transport or housing.

Ensuring the COVID cohort that will be most impacted are kept out of unemployment. Expansion of college spaces, expand UG, incentivise PG study. You are upskilling and protecting jobs for others. A blunt instrument but can nuance. Community scheme etc. we need to keep them out of unemployment. Education is not for everyone and those that do go in should have flexibility and new skills are learnt and work placements. To start from the core we need to show young people what opportunities are open to them from an employment perspective and this should be from an early stage. Transitioning pupils into work and supporting businesses to support eg apprenticeships/ placements.

Specific bursaries to encourage people to train/re-train in areas where we know there is likely to be demand.

Youth in training and that will buy time and allow older people to have more opportunities. Job placement schemes not always well evidenced to work. What is the role of employers? Jobs need to be meaningful and not just low skilled. Employers need to be

involved with HE and look at how you keep young people active in the workplace. Some place for conditionality– what do we mean by this and should be focus of the Board to provide recommendations. What does it look like in reality?
In a demand led economy how to keep workplace training going and encourage employers.

Infrastructure investment especially public sector capital expenditure can get construction sector going supporting employment, supply chains and apprenticeships.

The pandemic has magnified the digital skills issue and the solutions remain the same.

Stimulate demand for employment. What do employers not know that they need? Web placed marketing. Developing demand, skills and funds to help businesses find new markets. You are training, you are skilling. Bring weaknesses together, predict where skills are going to be.

8. What are the key lessons from past recessions most relevant for this recovery?

Austerity is not the answer and acting quickly is critical eg we have learnt this with the banking crisis.

Investment and moving fast are critical.

One of the lessons we have to learn is that the effects of this crisis may go on longer than we expect - we have seen that through 2008 crisis. We need to do something differently this time and this **should be rejecting austerity**.

Support employers and **protect supply chains**. More partnership approach eg not letting suppliers go under and working as a team across the supply chain. Trade bodies and how they work, eg working with agencies and government to take actions quicker. Proactive and take actions quicker – lessons learnt from 9/11 and 2008. Having a cohesive industry strategy that is linked into agency and government support.

The financial help has allowed businesses to have more time to think and strategize rather than being forced to take short term actions.

9. What one policy would make the biggest difference to ensuring the recovery of the Scottish economy?

The Scottish economy should be better placed than others as we have **inclusive growth** at its heart and we should build upon this.

Leadership skills are key in order to accelerate and innovate and we need to equip people with these going forward.

We need to identify and build on strengths especially around **open innovation** and cross sectors working together.

Would advocate higher taxation supporting **green public sector investment** channelled locally through Local Government.

Supporting domestic industry eg through **procurement policies**.

How do we stimulate and support to support investment in innovation and prioritise this towards net zero opportunities.

For a lot of industries (exception of some emerging markets) there will be an innovation pause - a 5-7 year pause in innovation for a lot of innovation.

Infrastructure investment particularly digital, alongside investment in digital skills. Must recognise **digital poverty** is immense. Investment in digital services and infrastructure must be accompanied by access for people to the right tools and access.

10. What opportunities will arise from the crisis to help achieve the Scottish Government's aims of an inclusive, wellbeing, net zero economy?

Digital and e-commerce and new digital platforms. Looking at virtual collaboration instead of physical trade missions and looking at using technology in different ways. **Data is very important** and is there a way to build a Scottish data repository?

Every opportunity does not necessarily require funding but needs transformation into different ways of working. COVID -19 has highlighted the disconnect between consumers and food supply and in F&D and agriculture the opportunity lies in realising the need to connect this to eg well-being, wealth creation etc. **Supply chain transformation is the opportunity.**

This has forced us into new ways of working and we can do things effectively digitally if we have the infrastructure in place. We need to understand what we have in Scotland, how it all connects and making that visible.