

BRIEFING NOTE FOR JAMIE HEPBURN, MINISTER FOR EMPLOYABILITY AND TRAINING

MEETING WITH MARI TUNBY, ASSISTANT DIRECTOR POLICY, CBI (SCOTLAND)

DATE: THURSDAY 27 OCTOBER 2016

Key Message	CBI Scotland is a key partner in helping the Scottish Government to build a fairer and more prosperous society in Scotland.
Who	Mari Tunby , Assistant Director Policy, CBI Scotland
What	You have agreed to meet with Mari Tunby to discuss the Apprenticeship Levy and Labour Market Strategy
Where	T404, Parliament
When	Thursday 27 October from 14:00 – 15:00
Supporting Official	[Redacted]
Attached documents	<p>Annex A: Agenda Annex B: Biography/ Background Note on CBI Scotland Annex C: CBI 2016 Manifesto Annex D: Apprenticeship Levy Annex E: CBI Scotland submission to the consultation on the Scottish Government Response to the UK Apprenticeship Levy – Sent Separately Annex F: Labour Market Strategy background note with speaking points Annex G: Scotland's Labour Market Strategy Annex H: Enterprise and Skills Review Annex I: CBI Response to Enterprise and Skills Review – Sent Separately</p>

AGENDA

ANNEX A

Mari Tunby, CBI (Scotland) has indicated that she would like to discuss the following topics:

Areas for discussion

1. Apprenticeship Levy
2. Labour Market Strategy



Mari Tunby, assistant director (policy) - looks after public affairs and public relations engagements and leads policy work around devolved economic powers in Scotland. Originally from Northern Norway, Mari has public policy degrees from University College London and the University of York and previously worked in the CBI's head office in London. Before that she worked in political monitoring and media analysis in UK and conducted freelance social research for the independent research and advisory group Counterpoint.

Key facts

- The Confederation of British Industry (CBI) was incorporated by Royal Charter **50 years ago**, in **1965**.
- CBI Scotland is an independent not-for-profit business advocacy organisation funded by its members in industry and commerce and representing firms of all sizes and from all industrial and commercial sectors across Scotland.
- Across the UK, the CBI has **190,000 member businesses** which together **employ nearly 7m people**, about one third of the private sector workforce (**1,200** of these are in Scotland, employing around **500,000** people, around a quarter of the private sector workforce). These include many in the FTSE 100 and FTSE 350, mid-caps, SMEs, micro businesses, private and family owned businesses, startups, universities, and trade associations.
- The CBI's mission is to help create and sustain the conditions in which businesses in the United Kingdom can compete and prosper.
- The CBI consults and supports its members through a regional organisation and has a network of offices in Scotland, Northern Ireland, Wales, North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East England, London, Thames Valley, South East, South West, Brussels, Beijing, Washington DC and New Delhi.

Activities/Campaigns

- The CBI have urged the Scottish Government to do more to support exporters and make Scotland an even better location for indigenous businesses and inward investors.
- CBI Scotland Director, Hugh Aitken CBE, indicated following his appointment in January 2015 that he was looking forward to building a positive relationship with the Scottish Government: "It's critical (to repair relationships). We don't look backwards, we look forwards and there's so much opportunity here with devolution coming through and my job is to put a plan in place that allows that devolution to have a positive effect for the business community."
- Mr. Aitken also reacted positively to the publication of Scotland's Economic Strategy in March 2015, saying: "The Government's economic strategy rightly prioritises making Scotland more competitive by investing in infrastructure, education and apprenticeships. To make sure growth benefits everyone, we need to boost productivity by fostering investment and making sure our workforce get the skills they need to compete in a globalised world. Businesses will also welcome the focus on making it easier for them to access growth finance and support to sell their products and services to new markets around the world."

Senior Changes

- **Paul Drechsler**, became CBI President in July 2015
- **John Cridland** stepped down as CBI Director General in November 2015. His successor is **Carolyn Fairbairn**.
- **John Howie** stepped down as Chair of CBI Scotland in December 2015. His successor is **Alison McGregor**, HSBC's CEO for Scotland.
- **Hugh Aitken** has announced that he will step down from his CBI Scotland role and retire in 2018.

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Line to take:

- **The Scottish Government greatly values the ties we have with business organisations – including of course CBI Scotland - as we work together to build a fairer and more prosperous country.**
- **We welcome and will actively consider proposals designed to boost sustainable and inclusive growth. These specific recommendations will feature in our on-going dialogue with CBI Scotland officials and members, recognising that the Scottish Government is already investing in skills and transport and digital infrastructure, and business support.**

Background

CBI Scotland published their Manifesto for the 2016 Scottish Parliament Election on 9 October 2015. It is entitled: *Accelerating our Ambitions - A business vision to drive success in Scotland*. It sets out high level priorities for each of the first three years of the next Parliamentary term, and for the duration of Parliament.

Priorities Year 1

- **Economy - Set out a roadmap that shows how new and existing tax powers and revenue in Scotland will be used to drive growth – as a part of this, business rates need to be overhauled to ensure rates are competitive with the rest of the UK.**
- **People - Create a new business-led board to provide Skills Development Scotland with strategic forward-looking advice to ensure that skills provision effectively reflects current and future business needs.**
- **Place - Commit to a focused shortlist of future transport infrastructure priorities that has business buy-in and cross-party support to ensure long-term delivery.**

Priorities Year 2

- **People - Commit to use the additional funding raised through the UK Apprenticeship Levy to improve workforce skills – putting business in control of the direction of this funding towards vocational education.**
- **Place - Commit to including plans for digital connectivity in government and local authority infrastructure projects before they are approved, rather than as an afterthought.**
- **Delivery - Ease navigation of business support for any type of business by making Scottish Enterprise the first port of call.**

Priorities Year 3

- **People - Prioritise closing the gap between statutory maternity pay and the provision of free childcare by extending 15 hours childcare to all one and two year-olds. Aim to further increase the number of free hours in time.**
- **Place - Link Scotland to the rest of the UK and to high-growth export markets by supporting the recommendations of the Airports Commission to deliver new hub capacity.**
- **Delivery - Business needs the Scottish and UK governments to work collaboratively to develop our future energy plan that can help providers, users and investors across the energy mix to deliver and develop the energy infrastructure we need for the long term.**

Priorities throughout the Parliament

- **Economy - Help Scottish business compete on a global stage through coordinated export support across all UK executive agencies, while stressing the need for access to European markets within a reformed EU.**
- **People - Keep facilitating the collaborations between business and universities that drive innovation, and the research that underpins it, through the successful Innovation Scotland and Interface programmes.**
- **Place - Boost the Infrastructure Investment plan with a commitment to increase housing supply to 25,000 new homes each year, while strengthening the capability of local planning authorities to help**

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APPRENTICESHIP LEVY

ANNEX D

In July 2015 the UK Government announced its plans to introduce a UK wide Apprenticeship Levy from April 2017. Employers will pay 0.5% of their annual pay bill in excess of £3m through the PAYE system. Those with an annual pay bill of £3m or less will be exempt. The Levy will apply to employers in the public, private and third sectors.

The UK Government will use the funding generated through the Levy to support its commitment to deliver its ambitions for apprenticeships in England during the lifetime of the current UK Parliament and to allocate a share to each of the Devolved Administrations through existing block grant funding arrangements.

Training levies and their collection are a matter reserved to the UK Government. However skills policy including responsibility for apprenticeships is a fully devolved matter.

[Redacted]

Levy Q & A:

What is the position on the Scottish funding from the Levy?

- Are in on-going discussions with Treasury but have yet to agree a final settlement with the UK Government.
- Is likely to come to Scotland through the existing Block Grant arrangements.
- Under existing arrangement this would not be identifiable in the overall Scottish funding settlement from the UK Government.
- Ultimately, as with all areas of devolved responsibility it will be for Scottish Ministers to decide how to use Levy funding as part of the wider Scottish block grant.

Will the Scottish Government ring-fence Levy funding coming to Scotland for apprenticeships?

- Ultimately, as with all areas of devolved responsibility it will be for Scottish Ministers to decide how to use Levy funding as part of the wider Scottish block grant.
- Haven't drawn conclusions yet on the use of this funding and will wait to see the results of the consultation before making decisions.

When will the Scottish Government come forward with clear plans for implementing the Levy – April 2017 will be quickly upon the employers who will need to pay?

- Acutely aware of the concern that business is facing around the lack of clarity on this issue and the need for them to prepare around their own workforce planning needs.
- Currently consulting on a range of options for how Levy funding in Scotland could be used.
- The consultation closed on 26 August and I am aware of the need for a swift response and agreed mechanisms to follow as quickly as possible after that.
- Any response will have to be considered within the timings of the wider Scottish spending review.

Will employers in Scotland be able to use Levy funding to support its supply chain?

- There has been recognition from engagement with employers to date that levy funding in Scotland should be used to support the wider economy.
- No hard or fast view as yet on how that should happen, either through levy payers directing the funding to their supply chain or if this would be managed by the Scottish Government to achieve wider economic benefits.
- Consultation contains a number of options for areas that they funding could be used for, including a wider offer of apprenticeships including Foundation and Graduate Level apprenticeships, employability services that meet employer needs and a flexible workforce development fund – and will wait to see the results of the consultation before making decisions.

UK Government has recently published its proposed funding levels for apprenticeships in England – will the Scottish approach offer parity for employers.

- Early engagement with employers has offered a consistent view that the Scottish Government should not replicate the approach in England, particularly on chasing a higher volume target.
- Any difference to the approach in England will be predicated on wanting to do better, protecting quality and not simply repackaging existing training to meet funding requirements.
- The consultation is looking to develop a distinctly Scottish response to the Levy to ensure a quality offer to young people and employers.
- Officials from SG are working with UK Government and other devolved administrations to consider cross border issues and minimise any impact of different offers across nations.

[Redacted]

ANNEX E

**CBI SCOTLAND SUBMISSION TO THE CONSULTATION ON THE SCOTTISH
GOVERNMENT RESPONSE TO THE UK APPRENTICESHIP LEVY**

*******SENT SEPARATELY*******

LABOUR MARKET STRATEGY BACKGROUND NOTE WITH SPEAKING POINTS

CBI Scotland

Fair Work officials have begun undertaking meetings with key stakeholders around the Labour Market Strategy. [Redacted] met with Mari Tunby, CBI Scotland on 29 September. CBI Scotland were generally supportive of our approach set out in the Strategy and have offered assistance, particularly around providing data to support consideration by the Strategic Group with a focus on SMEs. CBI Scotland have already provided officials with some research which economists are analysing.

Strategic Labour Market Group

Officials are currently working on advice around the implementation of the Strategy and the establishment of the Group, including the remit. Officials have provided advice on proposed membership. Once approval is received, officials will look to write to proposed members with a view to holding our first Strategic Labour Market Group meeting in December 2016.

Scottish Government Position

- Creating a fairer society is not just a desirable goal in itself, but is essential to the sustained, long-term prosperity of the Scottish economy.
- Secure, well-paid jobs which give fulfillment and offer opportunities for progression in organisations where employees have effective voice are the key to increasing workplace innovation.
- We believe that this can help to deliver a measurable shift in productivity and boost business success.
- This is the first time that we have published a strategy which aligns economic and social policies in the context of what is happening in the labour market. It sets out the Scottish Government's commitment to a fairer approach to the economy which recognises the important role the labour market has to play in driving inclusive growth.
- This Strategy puts in place a framework that will help us to achieve our vision. It sets out our priorities for action and establishes the outcomes we will use to measure our progress.

Speaking Points

- Last week's Labour Market Statistics shows our unemployment rate has fallen to 4.6%, below that of the UK (4.9%), and despite considerable economic challenges over the last few years.
- We know challenges stills remain, not least the outcome of the EU Referendum and its potential impact on businesses.
- Productivity and inequality are also key considerations for us.
- Our focus is to create more, and better quality, jobs that meet the needs of both the employer and the individual.
- Having the skills to meets needs businesses, and be responsive to future changes is pivotal. This will be a key part of the Strategic Labour Market Group
- I am aware you have met with officials and would like to thank you for your offer of support.
- Support from organisations such as yourselves will be crucial as we implement the strategy, and tackle some of these challenges.

Suggested Questions

- In your experience, what are the main barriers businesses face with regards to the labour market?
- What further actions might the Scottish Government consider in implementing the strategy which would help address those challenges?
- What are the key actions CBI Scotland are taking that feed might complement our strategy and promote Fair Work?

[Redacted]

The Scottish economy remains strong and recent positive news of **investment** includes:

ISSUE: The latest labour market data, for Jun to Aug 2016, were published on Wednesday 19th October. The data showed that Scotland's employment level decreased by 8,000 over the quarter whilst unemployment fell by 25,000 and inactivity levels increased by 26,000 over the quarter.

Spirit AeroSystems – The Prestwick-based aerospace supplier is set to create 16 new jobs and safeguard 52 with a recent award of £1 million training aid grant from Scottish Enterprise. SE also supported the company with a Regional Selective Assistance grant of £450,000 which will also safeguard 75 jobs.

Farmflo – The Irish farm management software company has launched a new software research and development centre in Glasgow with support of a Regional Selective Assistance grant of £350,000 from Scottish Enterprise which will create 29 jobs at its first UK base.

Liberty House - The owners of the Dalzell plate mill in Motherwell has officially reopened the plant and is aiming to re-open the Clydebridge plant in the near future. The Liberty Group has hired 120 staff to work at Dalzell - many of them former employees of TATA Steel - and hopes to increase employment to 200 within 18 months.

Top Lines

- **The Scottish economy has been resilient over the past 12 months in the face of the most challenging external economic conditions in recent years.**
- The Labour Market figures released on 19 October are welcome, but the Scottish Government is absolutely committed to taking further action
- £100 million in extra spending in this financial year (16/17) through our Capital Acceleration Programme to support and create employment.
- In my 2016 Programme for Government, I announced a £500m package of financial support through a three-year Scottish Growth Scheme which unlocks investment for the private sector.
- Brexit poses a real and direct risk to continued economic recovery in Scotland.
- Labour market figures continue to show the utmost importance of Scotland and the UK as a whole retaining membership of the European single market, which will enable us to build on this encouraging progress, and ensure that everyone in Scotland benefits from economic growth.

Scotland's Labour Market Strategy launched on 26 August 2016, within the first 100 days.

- The Labour Market Strategy sets out a vision for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.
- The Strategy puts fairness at the heart of our drive to develop a skilled workforce capable of meeting future economic demands. It commits to:
 - provide up to £500,000 to support **the Fair Work Convention** and to work with them to embed their framework in workplaces across Scotland
 - **double the number of accredited Living Wage** employers from 500 in March 2016 to 1,000 by autumn 2017.
 - provide £200,000 to Business in the Community Scotland to support the **Scottish National Action Plan for Responsible Business**

Scotland's Labour Market is Strong and Fair

- Our economy is strong, wealthy and productive. With 54,000 more people in employment now than compared to the pre-recession high (March- May 2008) and employment standing 180,000 above its lowest during the recession (Feb-Apr 2010).
- The unemployment rate in Scotland fell by 0.8 percentage points to 4.6% over the quarter - its lowest rate since May-Jul 2008 – and lower than the UK's rate of 4.9%. Furthermore, our employment rate of 74.0% is the second highest of the four UK nations (UK as a whole is 74.5%)
- For Scotland the percentage of children in workless households has decreased from 15.4% in Apr-Jun 2010 to 12.4% in Apr-Jun 2016.

Promoting Fair Work and Responsible Business to drive sustainable inclusive economic growth

- The OECD estimates that rising income inequality in the UK reduced GDP per capita growth by 9 percentage points between 1990 and 2010. [*Trends in Income inequality and its impact on Economic Growth(2014)*]
- Scotland has a higher female employment rate (70.5% vs 69.7%), a lower female unemployment rate (4.1% vs 4.9%) and a lower female inactivity rate (26.5% vs 26.6%) than the UK as a whole. **The employment rate for women is the 6th highest in the EU.**
- The number of Registered Businesses in Scotland has grown 12% since 2007 to an all-time record level of 170,335 in 2015
- **Almost 300 businesses have made their Scottish Business Pledge**, collectively employing around 60,000 people (2.4% of all jobs).
- **Business R&D expenditure within Scotland has risen by 44% in real terms between 2007-14** against UK expenditure increase of only 10% over the same period.
- An Ernst & Young Attractiveness Survey (May 2016) shows that **in 2015 Scotland attracted 119 Foreign Direct Investment Projects, a 51% increase than the year before and more than any part of the UK outside of London**
- **Scottish Development International helped 2,500 companies internationalise last year**, up from 1,400 four years ago.

We will monitor progress over time as the Labour Market evolves and changes

- This Strategy puts in place a framework that will help us to achieve our vision. It sets out our priorities for action and establishes the outcomes we will use to measure our progress.
- To ensure successful delivery of these outcomes, we will:
 - improve the range and quality of **labour market data** and **develop new labour market indicators**;
 - work with the **Fair Work Convention** to develop employment and **work quality indicators**; and
 - establish a **Strategic Labour Market Group** which will work alongside the independent Fair Work Convention, to advise Ministers on **future developments in the labour market**. This Group will contain members drawn from the trade unions, business, the third and public sectors and academia and will ensure that our Strategy is delivered and remains responsive to any changing circumstances. It will inform future policies and advise on how best to deliver our vision as new challenges emerge.
- This Strategy sets out a number of commitments. In addition to our existing spend on education, skills and the economy the Strategy sets out how we will invest £820,000 in a range of activity to promote Inclusive growth, including, continuing support for the Fair Work Convention, workplace equality and developing new networks around responsible business and workplace innovation.

ISSUE: The Enterprise and Skills Review was announced by the First Minister on 25 May 2016, covering the work of SG and 4 agencies (SE, including SDI; HIE; SFC; SDS). The public Call for Evidence formally closed on 15 August with around 330 responses received. A two phase process was announced in Parliament on 15 September. Phase 1 has now concluded and key recommendations were published on 25 October.

Top lines

- The Review is evidence-led, wide-ranging and inclusive. It **focuses on improving outcomes** – how we can work within Scotland’s Economic Strategy, building on Scotland’s strengths and successes, to further improve the enterprise and skills support in Scotland. It is not institutionally focused, but aims to create a simpler system that takes full account of the needs of users.
- All of the bodies featured in the Review make a significant contribution to Scotland’s business, education and skills landscapes, and have done so for some time. It is right that we review the work they do to ensure that this continues to offer the best possible support.
- 2015 was a record year for inward investment in Scotland, and we have had great success in attracting investment and in helping companies to innovate, export and expand. We have real strength in our colleges and universities and a record of achievement in our skills agencies to build on.
- We need to ensure that we deliver the joined up support that our **young people, universities, colleges and businesses** need to make the **step-change** in our economic performance.
- If we are to reach the top quartile of OECD nations for economic growth, productivity and social inclusion, moving from the third quartile, we need to **‘shift the dial’** and do some things differently. ‘More of the same’ will not achieve this.
- This includes through the £500 million Scottish Growth Fund, which is designed to support business, the workforce and the economy to grow. This was announced in the Programme for Government.

Phase one process

- The Review has been led by Cabinet Secretary for Economy, Jobs and Fair Work on behalf of the Scottish Government, supported by relevant Ministers and involving the key agencies, stakeholders and users.
- The Ministerial Review Group comprises of experts and individuals with experience across business, business organisations, colleges, universities, student unions, STUC and economists. It has met 5 times during the Review - 12 July, 17 and 31 August, 20 September and 11 October.
- The Review has benefited from high levels of stakeholder engagement, with 329 responses received to the call for evidence. This opened on 15th July and concluded on 15th August.
- Minister’s decision to take forward the Review in two stages was announced in Parliament on 15 September. The EU Referendum result has affected the context since the start of the Review, and the two stage approach allows us to take account of this and build fully on stakeholder views.
- The input review evidence was published on 21 September. This consists of two specialist advisory reports (by David Skilling & Prof Alan McGregor); a report on business and learner user journeys; a summary of the Call for Evidence responses, and responses from those who agreed publication.
- We are currently considering emerging recommendations in response. The Review will report recommendations shortly.

[Redacted]

*******SENT SEPARATELY*******