



## **SCOTLAND'S INWARD INVESTMENT FORUM**

Note of Meeting of 21 March 2018

Present:

### **Chair of the Inward Investment Forum**

Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work

### **Forum members**

Martyn White, Computershare UK  
Lesley Black, CS Wind  
Fiona Hamill, Johnson and Johnson  
Medical Ltd (Lifescan)  
Kathleen Grieve, MSD  
Margaret Johnson, Morgan Stanley  
Nicola Spence, Spirit Aerosystems

Karen Bingham, Reprocell Europe  
Julian Taylor, Scottish Development  
International  
Stephen Pathirana, Scottish  
Government  
Judith Hill, Scottish Government

### **Apologies**

Colin Stewart, Citi Investor Services  
Dave Tudor, GlaxoSmithKlein  
Ken Sutherland, Canon Medical  
Ruth Minnican, Diageo  
Ben Hadfield, Marine Harvest

John Reid, Michelin  
David Turner, Webhelp  
Allan Watson, Kyowa Kirin  
International Ltd.

### **Guests**

Jamie Hepburn, Minister for Employability and Training, Scottish Government  
Chris Brodie, Skills Development Scotland  
Gordon McGuinness, Skills Development Scotland  
Paul Smart, Scottish Government

### **Secretariat**

Anne Buchanan, Scottish Government

### **Welcome and introductions**

The Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown, MSP, provided a brief overview of the focus for the meeting, Attracting, Retaining and Developing a Skilled Workforce. The Minister for Employability and Training would be joining the meeting shortly due to an earlier engagement.

Mr Brown commented on his recent discussions with Talent Canada on the global demand for high-skilled employees and the subsequent retention challenges that arise. The issues being discussed at this meeting are also being considered through the Enterprise and Skills Review.

Scotland has a high percentage of employees with a further or higher education qualification and, whilst that is commendable, does it fulfil the skills requirements of employers? Should we be investing at a different level? How easy is it for companies to access to training or mentoring? Are there retention problems? Where are the good practices and successes happening in companies? These are all potential areas for discussion.

The Cabinet Secretary concluded his opening remarks by assuring the Forum that actions identified at this meeting would be followed through, citing a meeting organised between NHS/Pharma and Forum members Johnson and Johnson and MSD in response to issues raised at the previous Forum meeting.

### **Marketing Campaign presentation**

Julian Taylor (SDI) previewed the new global campaign "[Scotland is Now](#)" that will launch in April. There is a need for us to have a strong Scotland brand that differentiates us from our global competitors. For example, New Zealand has a strong national identity and branding which it has capitalised on to deliver impressive export sales to China. Our pioneering past has helped to define our present – this new brand speaks to a modern, innovative, inclusive Scotland that is a destination choice for businesses, students and visitors.

Scotland is Now is intended to be a movement behind which public and private sector can stand behind. There is an opportunity for the Forum members to participate through, for example being "brand ambassadors" – promoting the messaging through case studies, social media etc.

A brief video presentation was followed by a discussion on opportunities to use the new campaign in marketing and through existing support structures including:

- Opportunities for promotion through the offshore renewable supply chain.
- Need to promote the whole of Scotland brand – not just the central belt.
- In the United States, English cities have strong individual identities but Scotland has a strong national identity and this campaign should reinforce that view.
- Harnessing the collective capacity of the industry leadership groups (ILGs) through, for example, the international workstream of the Life Science ILG.

This point was further discussed to incorporate the opportunities through the cross-functional ILG Leaders Group and Innovation Centres.

**An Action Point** to clarify the current status of the ILG Leadership Group was taken away.

#### **Presentation by Morgan Stanley.**

Margaret Johnson, HR Executive Director Morgan Stanley talked the Forum through the company's participation in a range of initiatives and co-created, award-winning skills programmes. A summary of those initiatives is at **Annex A**.

Post presentation discussion identified the challenge for investors without existing academic relationships to connect with the Higher or Further Education institute that offers the best match for their needs. Having a single point of entry providing a brokerage service between companies and HE/FE institutes would be valued.

**An Action Point** was taken to look at the viability of this proposal, possibly as part of the Enterprise and Skills Review work.

#### **Introductory remarks from Minister for Employability and Training**

The Minister for Employability and Training joined the meeting and provided a snapshot of the latest [Scottish Labour Market Statistics](#) which were announced that morning.

He reiterated the Government's aim of ensuring that Scotland's investments in skills delivers a talented and flexible workforce that is agile and meets the needs of employers and of the jobs of the future including in design, technology and automation.

#### **Skills Alignment Presentation**

Chris Brodie and Gordon McGuinness (SDS) delivered an overview of the role and activities of [Skills Development Scotland](#) that included the Skills Planning Model, the roles of the evaluation, regional and sectoral planning and collaborative delivery approaches.

That was followed by a more detailed examination of the new 5 Point Skills Alignment Process being implemented through the [Enterprise and Skills Review](#) actions and on the Scotland's labour market and skills challenges, both immediate and longer term. A copy of the paper setting out the key issues discussed is at **Annex B**.

The presentation and subsequent discussion covered issues relating to:

- The role of Industry Leadership Groups and the development of Skills Investment Plans of which there are currently 11 covering sectors including Financial Services, Life Sciences, Engineering and ICT/Digital Technologies.

- The continuing development of the Apprenticeship Family which includes Foundation Apprenticeships, Modern Apprenticeships and Graduate Apprenticeships. Discussion included effectiveness of Foundation Apprenticeships in addressing challenges in manufacturing and in financial services.
- Understanding and addressing demand and how to address the productivity challenge, i.e. highly educated workforce not reflected in productivity performance.
- The issues of underemployment, underutilisation, youth unemployment and non-standard work.
- Effectiveness of current approach and the need to clearly articulate what it is and how it operates to potential inward investors. Example given of how our support for STEM has been well received by US Life Science companies.
- Benefits and opportunities for early engagement in schools and effectiveness of the Developing Young Workforce model.
- MBA courses not being as well supported by employers; could a MBA-light programme be an alternative? Would it be possible to create a bespoke course using the various expertise that exists in different institutes?
- Role of businesses in shaping the skills offering, although a clearer route map would help employers negotiate through the system. Account Managers can provide assistance, but sector maps on routes to support would be beneficial.

**An Action Point** to consider how current routes to information could be simplified and provide easier negotiation for employers was agreed.

### **Time and date of next meeting**

The Cabinet Secretary thanked all for their contributions and for those who had delivered presentations. The next meeting is likely to focus on issues relating to the impact of exiting the EU with the date and venue to be arranged.

He thanked all for attending and closed the meeting.

**Secretariat**

**Inward & Capital Investment Team**

**Scottish Government**

**April 2017**

## Annex A

### Presentation by Morgan Stanley

#### Examples of University Partnerships

##### Morgan Stanley

In 2003 developed a module for delivery within the Finance undergraduate Programmes at GCU. The module has been accredited by the Chartered Institute for Securities & Investment and is embedded into the programme. The programme was awarded an Industry Excellence Award from Scottish Financial Enterprise in 2004.

<https://www.gcu.ac.uk/study/modules/info/?Module=MHN320992>

With University of Strathclyde, Morgan Stanley delivers a number of industry lead modules within the business schools Management Development Programme along with a number of other businesses.

<https://www.sbs.strath.ac.uk/newsletter/2013-10/12-mdp.asp>

##### **Glasgow Economic Leadership (GEL) – Finance and Business Services (FBS)**

GEL was established in 2012 as a public, education and private sector forum to further develop growth in the key industry sectors.

<http://glasgoweconomicleadership.com/>

The FBS work stream was established during 2012 and its people plan was commissioned during 2013 following 2 employer surveys covering skills and education.

During 2016 the work stream implemented a **University and Employer Forum** to continue to focus on the development of the sector. The work stream is chaired by Professor Anne Anderson from the University of Glasgow, with Margaret Johnson of Morgan Stanley as the industry lead. Each subsector of the FBS sector is represented, as are the 4 business universities in the Glasgow area.

The university members also act as key points of contact for inward investors, to ensure they are connected to the correct points of contact within the university. Navigating universities was a key point of issue from inward investors, and this has ensured a smooth start to employer and university relationships.

The forum is also a key piece of evidence for the various external assessments that universities undertake to demonstrate employer engagement.

The forum meets 4 times per year and current sub projects are:

- Gender
- Internships
- University Research
- Course Content
- Information sharing

A key 2017/18 project has been a trial of a female mentoring programme with Glasgow Caledonian University, which will conclude in April 2018.

<https://www.gcu.ac.uk/newsroom/news/article/index.php?id=247175>

### **International Financial Services District (IFSD) Glasgow**

IFSD Glasgow is a partnership between Glasgow City Council and Scottish Enterprise. Each year the IFSD award the “best student” award to each of the universities and colleges in Glasgow.

<https://www.glasgowchamberofcommerce.com/news-media/news/2017/june/19/glasgows-top-financial-students-recognised/>

### **Scottish Investment Operations (SIO)**

SIO is the industry body for Investment Operations in Scotland. In recognising that operations roles in Scotland were demanding different skill sets, as more production roles were being off shored, it developed a training programme to address those needs.

The programme was designed and developed by industry leads and Glasgow Caledonian University and covers a range of modules including:

- Leadership in Financial Institutions
- Offshoring and Vendor Management
- Risk Management, Examining the Three Lines of Defence
- Talent Management in Financial Institutions
- Managing Technology and Organisational Change
- Operational Risk and Risk Culture
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This has been a successful partnership, and the body is seeking to develop this format further and implement accreditation.

## Annex B

### Introduction

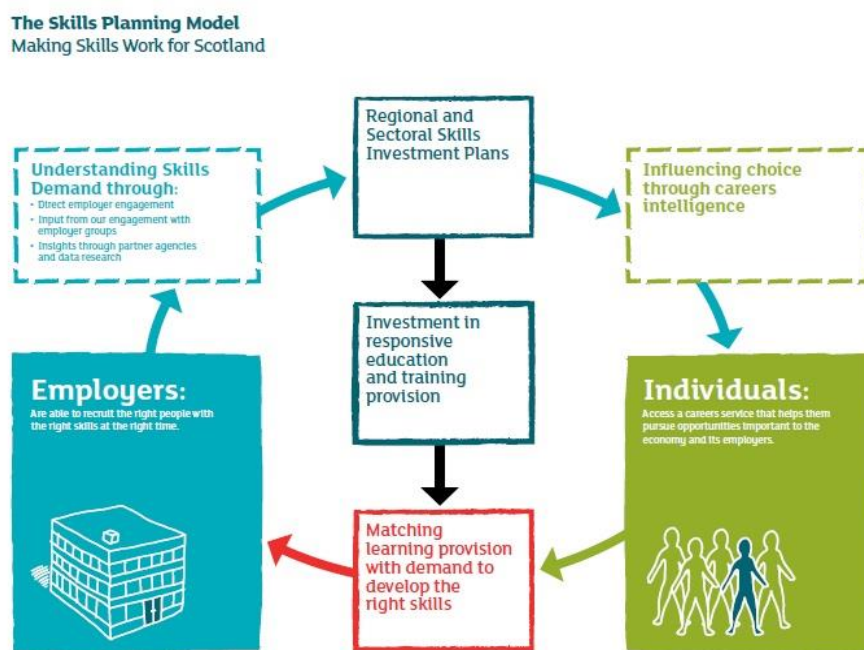
There is increasingly collaborative working across Scotland's Enterprise and Skills agencies in response to inward investment enquiries. Within that Skills Development Scotland (SDS) has played an increasingly sophisticated role in ensuring that Scotland's offer remains world-class, joined up and responsive, and can be tailored to company needs.

This paper describes our approach to skills planning and future plans for skills alignment. It also highlights some of the key skills challenges facing Scotland and concludes with a case study to illustrate the ways in which SDS are helping to meet the needs of inward investors.

### Skills Planning and Employer Insight

Figure 1 describes the skills planning model in Scotland.

**Figure 1: The Skills Planning Model**



To support this model, SDS has a skills planning team with responsibility for developing a robust evidence base to inform skills investment planning and supporting skills planning at sectoral and regional level.

Our **Evidence Base** Team generates a range of evidence and insight to inform planning such as:

- The development of forecasts on the economy, employment and ‘total job openings’ over a ten-year horizon cut by industry, occupation, qualification and by a range of regions (College Regions, City Regions and Local Authorities).
- Detailed Skills Assessments at national, regional and sectoral level, drawing on published economic and labour market intelligence, forecasts and direct insight from employers.
- Bespoke research on issues of relevance to skills including the skills and labour market implications of Brexit, skills implications of digitisation, automation and Industry 4.0, workforce demographics and labour market participation.
- Development of bespoke evidence to influence skills policy and the contracting of provision. Examples include:
  - Informing SDS’ contracting strategy for the Apprenticeship Family, through a robust tailored Demand Assessment. This includes consultation and validation with Industry Leadership Skills Groups and other stakeholders.
  - Working with the Scottish Funding Council (SFC) and Regional Colleges to embed an evidence base approach to the development of Regional Outcome Agreements.

On **regional planning**, our team of Regional Skills Planning Leads (RSPLs) lead strategic relationships with partners, including Regional Colleges, City Region Partnerships and Local Authorities. RSPLs work to ensure that skills investment decisions are informed by evidence of economic needs and ensure that national skills policy has regional coherence.

SDS supports partners to create Regional Skills Investment Plans (RSIPs), a key mechanism through which SDS is committed to working collaboratively with partners, across Local Authority boundaries. Two RSIPs are in place – Highlands and Islands and Edinburgh and the South East and RSIPs are in development in Glasgow and Clyde Valley, Aberdeen City and Shire, Tay Cities and South of Scotland.

On **sectoral planning**, our team of Sector Managers support skills planning across Industry sectors. Part of their role is to facilitate the development of Skills Investment Plans (SIPs) in collaboration with industry. These plans draw on direct evidence from employers on the skills needs of each sector, highlight the priorities that need to be addressed to support the sector’s future growth ambitions and put in place actions to address these.

In doing so, SIPs have provided a framework to support industry and skills system engagement and a basis for aligning public and private sector investment to meet these skills needs. They incorporate an action plan owned by the Industry Leadership Skills Group which addresses key skills issues identified by industry and supply-side partners. Currently there are eleven SIPs.



All of our work is **delivered in collaboration** with employers and other public sector partners including Scottish Enterprise, Highlands and Islands Enterprise, and the SFC. The relationships we have established with the Industry Leadership Groups (ILGs) and skills groups as well as direct industry engagement has been pivotal to SIP development over the last seven years.

In the case study featured at the end of this paper, support was provided for an Inward Investment Enquiry by all three parts of the skills planning team alongside our Employer Services and Work based Learning teams.

### Skills Alignment

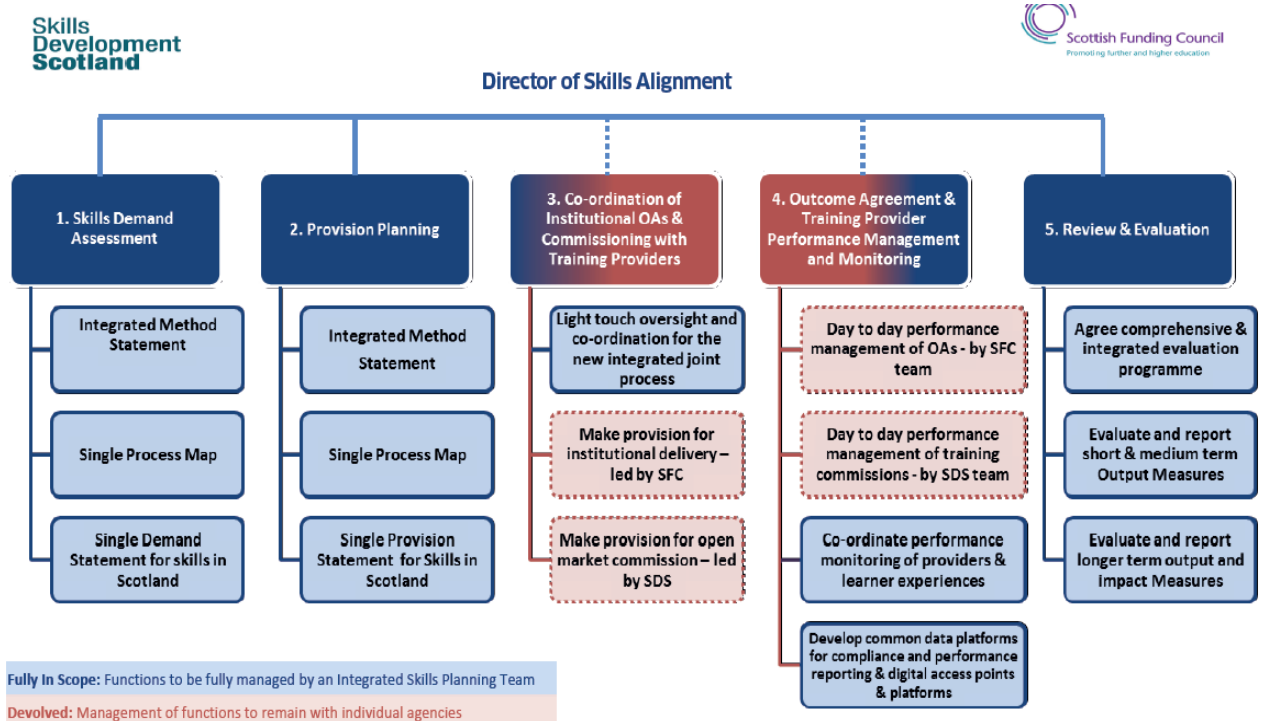
. The Scottish Government led Enterprise and Skills Review set out an aspiration:

*“To make a step change in enterprise and skills support to help progress towards our ambition of Scotland ranking among the top quartile of OECD countries in terms of productivity, equality, wellbeing and sustainability”*

The vision for skills alignment is for *“skills services to be fully aligned to deliver the learning and skills necessary for sustainable and inclusive economic growth.”*

SDS and SFC are currently working to implement a 5 Step Skills Alignment process which will realise this vision.

**Figure 2: 5 Step Skills Alignment Process**



The implementation plan for Skills Alignment envisages:

- **Recruitment of a Director, Skills Alignment** reporting to the Chief Executives of SFC and SDS in spring 2018.
- **Steps 1 & 2: Skills Demand Statement and Provision Planning:** Establishing a single demand and provision planning cycle by end of 2018/19 with a view to having a single end to end planning process in place by 2021;
- **Step 3: Commissioning Outcome Agreements and Contract Management:** enhancing use of labour market demand and provider capacity starting in 2018/19;
- **Steps 4 & 5: Monitoring and Evaluation:** establishing a common monitoring and evaluation framework by 2019/20.

It is intended that this model will result in a skills system that is much better able to meet the needs of the economy (businesses and people) and achieve our aspiration for sustainable economic growth.

## Skills Challenges

In November 2017 SDS published *Jobs and Skills in Scotland* - a major review of the performance of the Scottish economy and the labour market since the recession. The report confirmed that while Scotland's economy and employment levels have recovered since the recession there will be a number of important challenges that skills policy will need to address. These include both medium to long term strategic drivers that will have an impact on skills and also more immediate challenges facing our labour market.

### 1. Medium – Long Term Drivers

Productivity and Wellbeing	Rate of Change
<p>The Scottish Government has a specific goal of increasing our productivity to the top quartile of OECD countries. As of 2015, Scottish productivity had caught up with the rest of the UK but still lags behind other G7 nations (20%) and the US (30%) (Fraser of Allander (FOA), 2017).</p> <p>Annual median incomes declined by 2.4% in advanced economies over the last 5 years (WEF, 2016).</p>	<p>We are widely believed to be entering the fourth industrial revolution, with automation, digital disruption and artificial intelligence driving new business models and requiring new skills.</p> <p>This revolution will be characterised by an exponential rate of change which has the potential to create huge disruptions in the way we work and live.</p> <p>Technologies like artificial intelligence, the internet of things, big data and block chain are doing this already and there will be new technologies that spawn from these that we can't even imagine yet.</p>

<b>Working Age Population</b>	<b>Public funding</b>
<p>Demographic shifts mean that Scotland has an ageing population structure. The ratio of the working age population versus those at retirement age and beyond will continue to fall over the coming decades.</p> <p>Brexit also has the potential to amplify these challenges and there is already evidence that net migration to Scotland and the UK is falling.</p> <p>These 2 factors are likely to mean less people to do Scotland's jobs. Going forward we may need to take the opportunities presented by automation alongside measures to widen the labour market, particularly those that are further from the labour market</p>	<p>Public funding is likely to remain constrained over the medium to long term.</p> <p>Under the FoA's Scottish Budget Report 2017 central scenario, the total Scottish resource budget (grant and tax revenues) is forecast to fall by 2.3% in real terms between 2016/17 and 2020/21 (Fraser of Allander, 2017).</p> <p>This will require broader collaboration to share and target resources across the public and private sectors to increase the effectiveness and efficiency of our skills system.</p>

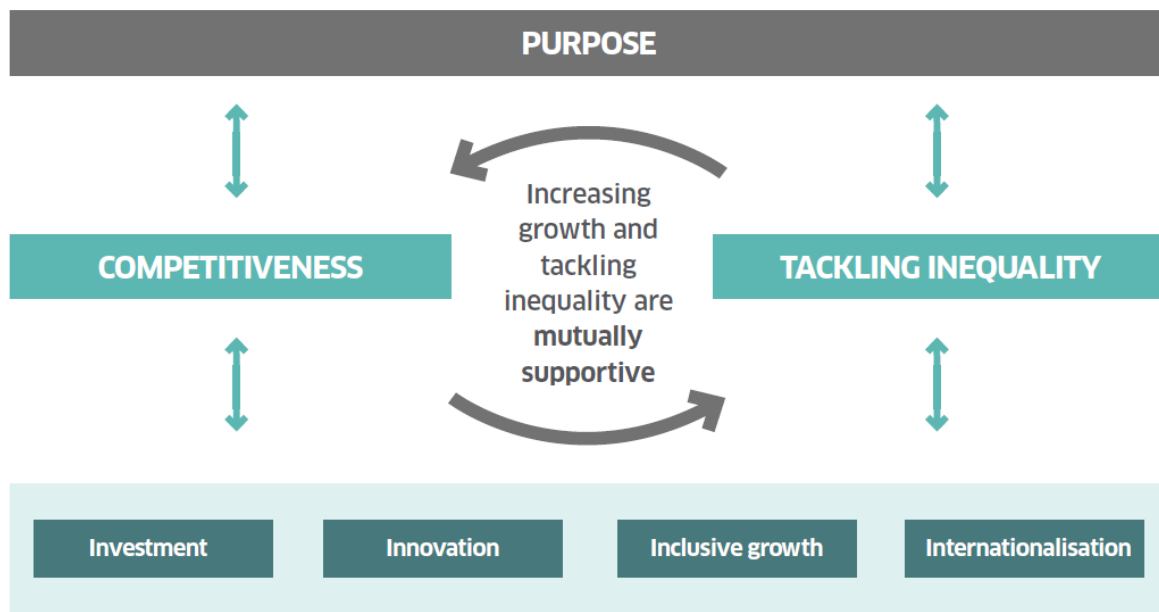
## 2. Immediate Challenges

Alongside these are immediate challenges facing Scotland's labour market:

- **The rise of non-standard work** – since 2007, there has been a rise in part time, self-employment and temporary employment.
- **Underemployment and underutilisation of skills** – based on the 2015 Employer Skills Survey, 32% of companies reported at least one member of staff with both skills and qualifications above the level required for their role,
- **Living standards** – In 2015/16 610,000 people were living 'in work' poverty (after housing costs)
- **Youth Unemployment** - The 'bottom 40%' of SIMD Deciles account for 75% of those on Jobseekers Allowance.
- **Skills shortages and Skills Gaps** – are likely to be a feature of our labour market, especially given the range of 'disruptors described above.

All of this highlights that a focus simply in economic growth will not achieve the aspirations that we have for Scotland, As, Scotland's Economic Strategy states increasing growth and tackling inequality as mutually supportive goals (Figure 3).

**Figure 3: Scotland's Economic Strategy**



This model is being brought into sharp focus by the new Strategic Board that has been established as a result of the Enterprise and Skills Review. The Board has highlighted the importance for Scotland to be a High Performing Labour Market (HPILM). It is considering approaches to achieve this alongside developing a model to benchmark Scotland against other areas.

### **Meeting the Skills Needs of Inward Investors – A Case Study**

In October 2017, SDS was approached about Project Aspire – an enquiry from an international financial and business services company undertaking a global restructuring involving concentrating staff numbers on a smaller number of central locations. There was an existing footprint in Glasgow City Region but if the destination was successful in becoming one of the hub locations, it would attract 2,500 high value jobs – primarily digital technology roles - in the short-term and the potential for a further 2,000 in the medium term.

Working across teams, SDS was immediately able to provide the following information to make the case for Glasgow City Region:

- The Glasgow City Region Labour Market through our Regional Skills Assessment.
- Sectoral insight such as:
  - Digital Technologies SIP and Activity
  - Financial Services SIP
  - Business Services Insight
  - FinTech Capability statement
  - Federation of Small Business Sector Analysis

As the business case for Glasgow City Region developed, SDS signed non-disclosure agreements and became able to talk directly to the client and provide more tailored additional information including:

- Vacancy information on similar roles within Glasgow City Region, and more widely across Scotland, via Burning Glass, including volume and type of job roles advertised, skills and competencies required, geographical location, and typical salary information.
- An assessment on the health of the current labour market to meet the forecast skills needs.
- More detailed information on bespoke interventions such as CodeClan.
- The ways in which work based learning could help address skills needs.
- A worked model of the value of the contribution rates available from SDS to meet skills training needs through the apprenticeship family.

### Further Information

Gordon McGuinness [gordon.mcguinness@sds.co.uk](mailto:gordon.mcguinness@sds.co.uk) or Chris Brodie [chris.brodie@sds.co.uk](mailto:chris.brodie@sds.co.uk)

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