

STRATEGIC LABOUR MARKET GROUP: UPSKILLING AND RESKILLING

Introduction

1. The emerging skills needs of Scotland's current and future workforce will be of critical importance in supporting the delivery of Labour Market Strategy. As such we have identified the following areas which are core to developing an appropriate policy response:
 - The extent to which we know and understand what Scotland's future skills requirements are;
 - The potential value in developing a different strategic focus within our skills system around the needs of a wider demographic of Scotland's population, while consolidating and building on our support for young people;
 - The different characteristics of our future workforce and the existing workforce, within this wider demographic;
 - An initial analysis of our current skills interventions and systems in this context;
 - An assessment of the interaction between future skills needs and wider policy areas and systems; and
 - Key areas for further work and development within the context of Education and Skills portfolio.

Scottish Skills Policy to date

2. Following the financial crisis, which coincided with the establishment of Skills Development Scotland (SDS), skills policy was rapidly refocused on primarily supporting the unemployed. Initial fears of substantial rises in unemployment following the financial crisis did not fully crystallise. Those already in the workforce largely remained in employment, although in many cases their terms and conditions were negatively affected and underemployment rose.
3. The immediate post-recession employment impact was felt instead by those seeking to move into the workforce, especially groups with historically the most significant barriers to securing sustained employment, such as the long term unemployed and those with disabilities. The most notable challenge created was on the rapid rise of youth unemployment, which reached a peak of over 20%.
4. Nonetheless, it is from within the current workforce that we will continue to rely on the bulk of our workers for the next 20 years or so. This will be within what will almost certainly be a very different working environment. The questions we must ask at this point include, whether or not our existing workforce is equipped to meet the challenges many of them will face, and whether or not our existing policies, within this portfolio and beyond, support them to do so.
5. As our workforce ages, it will become more dominated by (and dependent upon) an older age profile. The need to re-skill, and up-skill older workforce will be important to *(i)* help individuals extend their working lives and address and address current rates of disengagement from the labour market by the over 50s, and *(ii)* adapt their skills to changes in the nature of work as technology displaces 'old' jobs and creates 'new' ones to ensure they continue to make as full as

contribution to Scotland's productivity, as well as ensuring their longer working lives remain fulfilling.

Changing Labour Market Supply and Demand

6. Industrial structures are changing at a Scottish, European and global level. These are having direct impacts on labour market supply and demand. Among the factors driving changes to the labour market are:
 - technological advance
 - demographic change
 - globalisation (albeit with significant questions about its future pace and direction)
 - geopolitical factors such as Brexit and the movement of labour; and
 - environmental change.
7. There is little clear consensus on how these factors will play out in terms of skills development over the medium to long term. There are however widespread fears that the net impact on employment could, unlike previous waves of technological change, prove negative and there is a significant degree of consensus that lifelong learning/in-work training provision will have to expand to meet demand.

The role of Government in this context

8. Generally speaking, beyond apprenticeship programmes and high level direction of colleges, we have expected employers and individuals to fund workforce skills development. This approach has had mixed results in Scotland during periods of restructuring and change.
9. During the period of widespread deindustrialisation in the 1980s many highly skilled Scots left the workforce never to return. Later at the turn of the century the much narrower restructuring of Scotland's electronics industry saw a skilled workforce reabsorbed into the labour market. We may be seeing similar effects following the recent downturn in the oil and gas sector, although it is too early to say conclusively.
10. Interestingly the latter two examples above saw some government intervention to support transition in the labour market among a workforce for whom development and training was already the norm.
11. Many of the issues outlined above featured prominently at the recent PACE (Partnership Action for Continued Employment) conference, where (i) the need to up skill and reskill the existing workforce were seen as important steps to preventing redundancy, and (ii) the need for more substantial re-training support following redundancy was recognised in light of anticipated significant future labour market disruption.
12. In addition, the introduction of the Apprenticeship Levy in 2017 by the UK Government, fundamentally shifts employer expectations of public sector investment in skills support.
13. Notably, other countries (Canada, Germany, Estonia, the Nordic countries for example) are already asking themselves how they can help the existing

workforce cope with these potential changes, and are beginning to respond by putting in place new capabilities and skills via continuous education, and initial and continuous training. The UK Government Industrial Strategy also contains references to a new focus on retraining, developed in partnership with industry and trade unions.

14. This is an area which is attracting attention in Scotland. For instance the SCDI recently called for strategic leadership and direction from Scottish Government and partners on the future skills agenda. The joint Scottish Government/STUC report on technological change, published in April, identifies in-work training as a key priority. SDS have already begun to explore and engage on this agenda, through its Centre for Work Based Learning. In Scotland, our ambitions for inclusive growth, and for Scotland to be a Fair Work nation, introduce additional dimensions which will require specific responses.

Our current approach

15. Scotland has a mature skills system which delivers a broad range of supply side skills interventions. Overall Scottish Government investment in the system exceeds £2 billion a year. Features of the system include:

- Curriculum for Excellence, which entitles young people to experience opportunities that develop skills for learning, life and work.
- Developing the Young Workforce, which brings new work based learning opportunities into CfE.
- A growing and diversifying apprenticeship offer.
- A reformed college sector which offers technical education and a route into university.
- A university sector which includes world class provision.

16. Within the context of the Enterprise & Skills Review we are looking to better align skills provision with employer demand and economic opportunity. A significant focus of the Learner Journey Review is to ensure duplication of provision is reduced.

17. Within the context outlined earlier in this paper, our current investment in workforce skills development is a very small fraction of that provided for young people and those outside the workforce. While existing employees can access apprenticeships, the majority of apprentices are aged 16-24, and it is a programme built upon the needs of young workers. Restrictions on age and the contribution rates available to support older apprentices, remain live concerns for employers.

18. College provision does flex to support existing employees. In addition, Scottish Government funded programmes such as Union Learning and Individual Training Accounts for those on low incomes are aimed specifically at those in work, albeit support as limited at £200 per individual. The combined value of these programmes is less than £10m per annum.

19. The new Flexible Workforce Development Fund for Apprenticeship Levy paying employers is in its first year, and whilst the programme has been slow to gain traction, Colleges report that it has allowed them to build new and stronger

relationships with employers. The annual value of the Fund is £10m, which has attracted criticism, as too has the £10k limit on access per employer.

20. It is worth noting that recently both in terms of college provision and apprenticeships, we are seeing increasing numbers of older people constitute demand, which indicates that the labour market shifts outlined above are beginning to become manifest within our current skills systems.

Possible Future Direction

21. We can't say with huge certainty what the technical skills requirements of the future will be, what sectors will be the drivers of economic growth, and the nature and levels of employment these sectors will offer. It does however appear that our current strategic focus and the interventions we offer are likely to become increasingly at variance with the skills needs of our labour market in the medium to long term.

22. On the basis of previous industrial restructuring we know can expect a need for increased agility and responsiveness in our skills system., and the need for these capacities to be closely aligned to employer influence and demand. We also know that we will likely face demands for skills support from a wider demographic of our population than has been the case over the past few decades.

23. If we do want to focus on the existing workforce we are likely to require a more diverse range of skills interventions than we offer at present. The nature of skills support for those with an existing skills base which is subject to disruption and transition is likely to be very different from those transitioning into work from education for the first time. These will probably have to be more agile, potentially shorter and better reflect the need for regular bursts of learning and re-training through an individuals working life, particularly at career transition points.

Key discussion points

- How do we continue to ensure Scotland has a skilled and productive workforce in light of the issues raised in this paper, building on the strong foundations of CfE, DYW, college reform, and investment in our young people?
- How do we support our existing workforce within the context of potential disruptions to the labour market and an increased expectation on their contribution to our productivity?
- What is the role of Government in this context, and do we need to review our approach and priorities on skills?
- What is the role of employers in this context, and what levers do we have to engage them in supporting this agenda?