

**Report by the Enterprise
& Skills Strategic Board
sub-group on Measures to
Mitigate the Labour Market
Impacts from COVID-19**

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Foreword

The Coronavirus (COVID-19) pandemic quickly evolved from a health crisis to also being an economic crisis, with sharp rises in unemployment experienced across the global economy as governments halted economic activity. The unprecedented events of the past few months are expected to have more lasting economic implications as countries look to restart their economy and rebuild.

Given the pace of events, the need to act fast in responding to the current economic challenges posed by the pandemic has never been more important.

Since its creation over two and a half years ago the Enterprise and Skills Strategic Board has been focused on driving greater collaboration and action across the enterprise and skills system to tackle some of the longer-term challenges facing the Scottish economy, such as raising its productivity performance. However, its immediate focus in these past few months has pivoted to the more immediate challenges the Scottish economy faces and how the enterprise and skills agencies can support the recovery.

The Deputy First Minister has made clear that the status quo is not an option as our skills and business support needs to change to meet the scale of the challenges we face. Therefore, he asked that a sub-group of the Strategic Board be set up to consider what practical actions can be implemented quickly to not only help keep people in employment, but also support those either facing the threat of redundancy or who have already lost their job. In addition, specific attention should focus on how we can help support young people and those who are about to enter the labour market for the first time.

The sub-group has focused on practical actions which can be taken forward immediately to mitigate the labour market impacts of the crisis. It has worked closely with the Advisory Group on Economic Recovery and has put forward a range of ideas for how best to accelerate the recovery. A key part will be to ensure the enterprise and skills system works together with business in delivering a truly

integrated package of support considering the challenges the Scottish economy faces.

This report highlights a range of recommendations which attempt to do just that. The focus has rightly been on both the labour demand side in terms of how we can support Scottish businesses to do everything they can to retain workers, and also on the labour supply side to ensure people have the skills and training to either re-enter or progress through the Scottish labour market. Now is the time for a society wide, civic approach with the real integration of government, agencies, local authorities, learner providers, third sector and businesses to work collectively and at pace to help mitigate the scale of the rise in unemployment and the longer-term scarring effects which we have witnessed in past economic downturns.

Businesses need to step up and play a key role in avoiding taking short-term decisions which will exacerbate the rise in unemployment. At the same time Ministers need to clearly signal priority areas that will drive the recovery and enable education establishments to have greater flexibility to tailor training provision, co-designed with business, to provide clear pathways for people into employment.

We are grateful for the contribution from members of the sub-group, their networks, the wider Strategic Board and the many other contributors in shaping this report.



Nora Senior



Frank Mitchell

Co-Chairs, Enterprise and Skills Strategic Board Sub-group

Executive Summary

Over £2.4 billion is invested each year in Scotland's enterprise and skills system. The need to fully realise the potential benefits from this investment by driving collaboration has never been greater. It is crucial that we build on the work of the Strategic Board in seeking alignment right across the system, including local authorities and private sector partners, to directly tackle the challenge our society will face over the next few years from a sharp rise in unemployment. This requires flexibility, both in terms of budgets and how services are delivered, recognising the unique challenges facing sectors and regions, and will have to consider new models of working and delivery whilst sharing best practice.

The economic fallout from COVID-19, as with past economic downturns, is expected to disproportionately affect young people, women and vulnerable groups including disabled people and those from ethnic minority groups. There are a range of measures currently in place right across the enterprise and skills system to help support young people entering the labour market, people looking to reskill or upskill, and those facing the threat of redundancy. There are a range of mechanisms and structures currently in place to support the labour market provided by a number of delivery partners. However, it is vital that we quickly build upon and scale up the measures currently in place, drawing on lessons from what has worked well and experiences from past downturns to meet this unprecedented challenge.

Actions Identified by the Sub-group

The immediate actions identified by the sub-group include measures that can help prevent a 'lost generation' by mitigating the expected rise in Scottish unemployment with interventions targeted both at individuals and businesses. Most individuals impacted by the economic downturn will want to take ownership of their approach and the Scottish Government, agencies and training providers need to ensure there are appropriate options open to them. However, there is a recognition that some groups fare worse during economic downturns, which is why the sub-group had a specific focus on under 25s.

The scale of the unemployment challenge we face will require all parts of society to work together as never before if Scotland is to recover swiftly and minimise the risk of long-term scarring effects as happened in the 1980s. Women are likely to be disproportionately affected as they tend to dominate sectors that have been hit hardest by the crisis. Therefore a number of recommendations identified by the sub-group will help women to either remain in work or find employment.

A partnership approach is required; with the business sector, trade bodies and the public sector working together to ensure there are opportunities to inspire our young people and a skills systems working hand-in-hand with business to deliver skilled workers that will enable them to flourish. Therefore each recommendation will require co-production to ensure it is tailored to meet both the needs of individuals and businesses. This will require a departure from the status quo but is essential if we are to maximise the impact from the collective investment across the enterprise and skills system.

The sub-group has identified a number of top priorities for immediate action:

1. Assistance to support employee retention, including:

- Work collaboratively with local government and the key national and regional business organisations such as the Chambers of Commerce/ the Federation of Small Businesses (FSB) to ensure an offer of support, informed by industry insight, which is integrated and accessible and tailored to meet business needs across Scotland.
- Coherent offer to business on preventative measures to retain employees through upskilling and reskilling, recognising the unique challenges facing different parts of Scotland.
- Various schemes to incentivise retention and employment.

2. Assistance for those facing redundancy, including:

- Scale up Partnership Action for Continuing Employment (PACE) to offer tailored support with a package of services co-designed by business i.e. skills assessment, job search and training advice to redundant workers and

companies considering making redundancies, that maximises web resources, digitally delivered interventions and contact centre.

- Scale up resources and frontline advisers, in partnership with business organisations such as Chambers of Commerce and FSB and where possible, support from industry through secondments and volunteers, to enable individualised and tailored information, advice and guidance on Fair Work, upskilling/reskilling opportunities and support for moving back into employment.
- Reshape models of working across PACE and local authority, third sector and industry partnerships to secure commitment and flexibility to meet greater demand from employers of all sizes, and individuals seeking support directly (currently 18 PACE Partnership Boards).
- Adopt a supporting sectoral/regional specialist approach using local authorities' insights and intelligence.

3. Training to enable unemployed people to transition into employment: including:

- Introduce Apprenticeship Pathway Programmes for those encountering difficulty finding employer-led programmes or employment as an apprentice. Student bursary or industry aligned training allowance to attract apprenticeship candidates until industry place becomes available.
- Maximise the flexibility of college and university provision to meet the critical skills needs of employers and the future economic vision of Scotland, addressing key challenges and opportunities including; digital, automation, artificial intelligence (AI); the transition to a net zero carbon economy; health & social care; early years; construction; technical STEM-D. (Consistent with AGER, SE/HIE/SOSE economic growth plans).
- Scaling up of online learning from universities of high level skills for those in employment or those seeking employment targeted towards areas of critical skills demand from employers.
- Re-introduce Transition Training Fund to support training as pathway to a job.
- Support expanded use of virtual learning environment for off-the-job training – Foundation Apprenticeships SQA level 4/5; Level 6 in schools.

4. Helping vulnerable people into employment, including:

- Adapted delivery model for Developing the Young Workforce (DYW). Move from a pilot to full implementation of funded DYW dedicated regional school coordinators delivered through budgets controlled by DYW Regional Groups to provide a dedicated, long-term link between young people and teachers with employers.
- Short placement schemes re-introduced providing work experience for under 25s who have been out of work for six months to include essential employability skills, with employer subsidy.
- Scottish Government to lead Social Security Scotland, local authorities, Skills Development Scotland, Third Sector and businesses to review additional measures to support threat to long term unemployed and vulnerable groups, covering: scale up the provision of key worker support for at risk groups; options to extend industry-led work experience programmes; best models for intermediate labour market programmes; and industry led schemes to support vulnerable groups into meaningful work.

We have identified a number of actions focused on unemployment, but this needs to work alongside labour demand stimulus in order to succeed. Therefore the sub-group identified a number of actions which extend beyond the enterprise and skills system which would help support Scotland's recovery and therefore help mitigate the rise in unemployment. These actions were shared with the Advisory Group on Economic Recovery led by Benny Higgins and covered areas such as the continuation of the furlough scheme for the hardest hit sectors; acceleration of digital transformation of Small and Medium Enterprises (SMEs) and micro businesses; acceleration of infrastructure investment and the transition to a net zero carbon economy; promotion of shorter supply chain; and a tax/voucher rebate on Research & Development (R&D).

Further Actions

While the focus of the sub-group was on identifying practical actions that could be implemented quickly, during its work a number of further actions were identified. These included potential measures that could support the long-term unemployed and groups most at risk. Over the summer the sub-group will develop these ideas further and report back at the end of August.

This includes contributing to the review by the Scottish Funding Council (SFC) which is considering how best to achieve coherence and sustainability in the delivery of further and higher education during the COVID-19 crisis and beyond, with the initial recommendations presented to Ministers by the end of August. However, given the scale and immediacy of the challenge, SFC is working with colleges and universities to take action now around flexing provision to meet immediate demand.

Now is the time to accelerate reform in the enterprise and skills system to drive greater collaboration and alignment. We need to enhance structures and processes and ensure greater flexibility as we respond to the unprecedented challenge we face over the next few years. Adapting to change has never been more important and we need to act quickly to scale up the support on offer, particularly for young people and vulnerable groups so we can secure an inclusive recovery. The sub-group will continue to consider specific interventions for vulnerable groups as it continues the next phase of its work.

1. Introduction

The Enterprise and Skills Strategic Board seeks to maximise the impact of the collective investment that Scotland makes in enterprise and skills development, and to create the conditions that are conducive to delivering inclusive and sustainable growth.

In light of the labour market challenges Scotland faces in the coming months as the effects of the COVID-19 pandemic continue to play out, the Deputy First Minister asked that work be taken forward under the Strategic Board to identify actions which can help mitigate the expected rise in unemployment.

A sub-group of the Strategic Board was established to take this forward, drawing on a number of members of the Board and additional representation from the business community (see Annex A). The specific focus of the sub-group was on:

1. What actions will minimise an increase in unemployment that is a consequence of COVID-19?
2. For people who are under real threat or who lose their jobs, what upskilling and reskilling actions will return them to good work as quickly as possible in areas that will support Scotland's economic recovery and growth?
3. For people who do not return to work quickly, what actions will allow them to acquire skills that will maximise the probability that they will secure work in future?

Particular focus was paid to the detrimental impact to young people, older low skilled, low waged workers, women; and limiting the growth of long-term unemployment.

The sub-group worked on the basis that actions would be funded from the resources currently allocated by Scottish Government to the agencies and for related purposes. Thus, the focus has been on aligning and maximising the impact of expenditure. However, given the size of the challenges facing the Scottish labour market, the scaling up of activity is likely to require additional resource.

The sub-group received a range of evidence to help support its deliberations, including input from leading academics.¹ In addition, the sub-group received contributions from a wide range of stakeholders.

This process was undertaken in close dialogue with the work of the Advisory Group on Economic Recovery, led by Benny Higgins. Many of the ideas identified by the sub-group extended beyond the enterprise and skills system and therefore were fed into the Advisory Group alongside the views from the Strategic Board².

2. Challenges facing the Scottish Labour Market

The Scottish economy was facing a period of uncertainty prior to the COVID-19 outbreak, with the uncertainty over the UK's departure from the European Union (EU) and the potential future trade agreement with the EU and other countries, coupled with a global slowdown and rising trade tensions.

This economic backdrop was contributing to modest economic growth and weak business investment in the months leading up to the pandemic.

Despite weak economic growth, the overall Scottish labour market position was positive with high levels of employment and low levels of unemployment. The strong overall position masked a number of specific challenges facing the Scottish labour market. This included: Fair Work and quality of work; the persistence of precarious and insecure work; inequalities of labour market outcomes across groups and regions; significant proportion of people earning below the national living wage; labour market shortages in key sectors; proportion of graduates undertaking non-graduate employment; and low levels of in-work training. The Strategic Board's Annual Analysis highlighted these challenges³ (Annex B provides a brief summary).

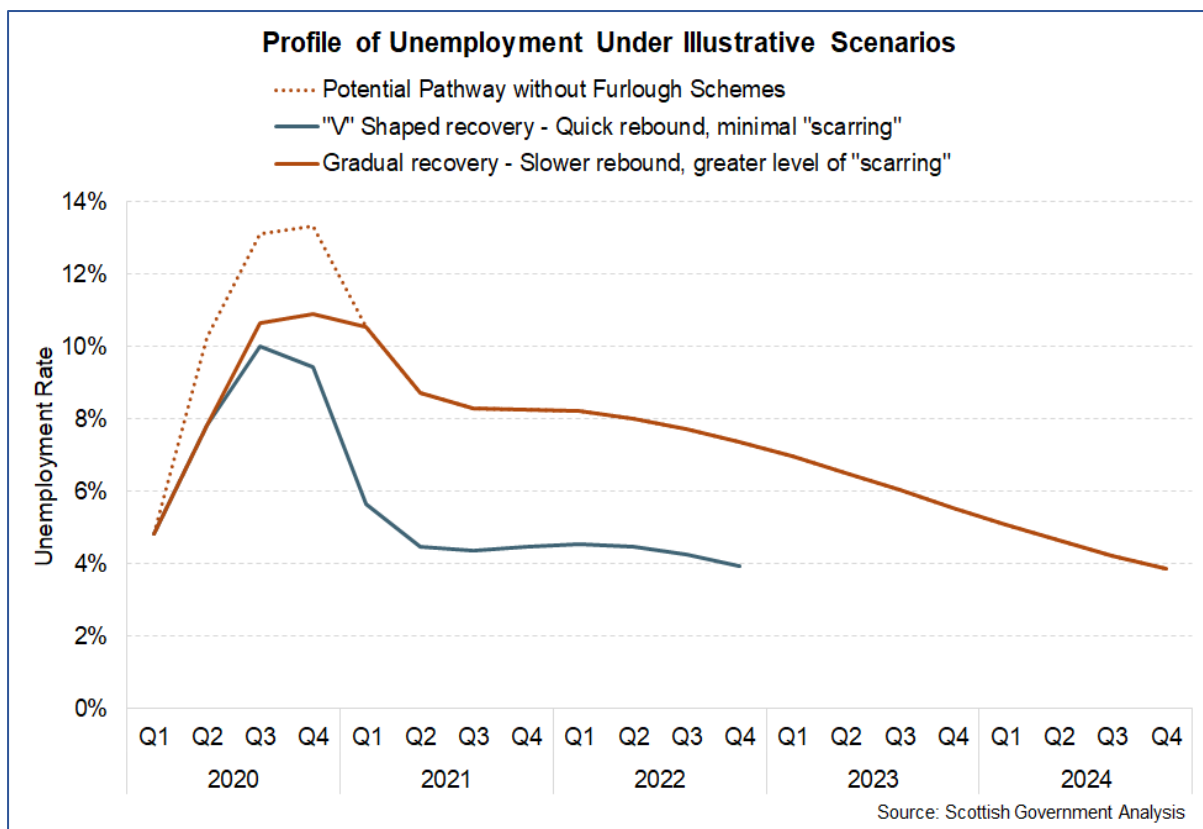
¹ Reference Alan McGregor and Ewart Keep

² Response from members of the Strategic Board to the Advisory Group on Economic Recovery consultation can be found here: <https://www.gov.scot/publications/initial-submissions-supporting-the-advisory-group-on-economic-recovery-report-june-2020/>

³ <https://www.gov.scot/publications/enterprise-and-skills-strategic-board-january-2020/>

The magnitude of these challenges has increased in light of the pandemic and the expected impact this will have on the Scottish labour market over the next few years. The latest set of modelling from the Scottish Government highlight that unemployment in Scotland could rise to between 10% to 14% by the end of 2020 and that it could take a number of years before the unemployment rate returns to pre-crisis levels. For vulnerable groups, the unemployment rate is expected to be much higher, in some cases around three times higher than the national average.

Figure 1: Profile of Unemployment Under Illustrative Scenarios



The crisis will also bring a number of new challenges to the Scottish labour market. These include the significant weakening of the demand for labour which will not only bring a large increase in the number of people facing redundancy, but also affect those entering the labour market for the first time, including the current cohort of school leavers and graduates. It is essential that the data and intelligence on new opportunities in sectors and regions emerging during the recovery are collected centrally and easily accessible to these groups in order to mitigate the period of time spent looking for employment.

A number of businesses have had to adapt their business model to continue trading these past few months, including having more home working, greater e-commerce and changing the way they interact with customers. As Scotland progresses through the different stages of the Route Map⁴, these innovations are likely to continue, and businesses will need to continue to adapt as they restart and scale up their activity.

There is still a degree of uncertainty whether all sectors will bounce back to their pre-COVID-19 position. It is likely that some sectors will contract, and others expand as the economy adapts to the post-COVID-19 world. Furthermore, there will be new sectors Scotland will wish to focus on to drive the long-term change to a zero carbon, wellbeing and inclusive economy. These changes will potentially see large volumes of people having to look for employment opportunities in different sectors. This will require additional training and support in order to mitigate a rise in structural unemployment where there is a fundamental mismatch between the skills workers have and those employers require.

⁴ <https://www.gov.scot/publications/coronavirus-covid-19-what-you-can-and-cannot-do/>

3. Existing measures supporting the Scottish labour market and key gaps

The sub-group received evidence on the impact of different labour market interventions, drawing specifically on the input from two experts.⁵ Box 1 provides a brief overview of which active labour market policies tend to be more effective, with a more comprehensive summary in Annex C.

Box 1: What are effective labour market policies?

Active Labour Market Policies (ALMPs) are used across the world to support those unemployed into work. A 2019 meta-analysis of multiple studies highlights that the most effective measures – both in terms of earning and employment impact – are wage subsidies (Yeyati, et.al., 2019). Vocational training and support to micro-entrepreneurs and self-employed are the next most effective measures.

A long-term view is key for these policies as human capital policies generally show benefits approximately 2-3 years after program completion (Card, et al., 2015).

However, the main challenges will be scaling up the right activity to meet the large volumes of people requiring support and ensuring there is enough labour market demand within the Scottish economy.

Figure 2 illustrates the broad range of measures in place to meet the range of challenges facing the Scottish labour market. Aspects of this support were under review prior to the outbreak of the pandemic, with the Cumberland-Little⁶ and the Muscatelli⁷ reports on the college and universities sector respectively containing a range of recommendations which are under consideration by Scottish ministers.

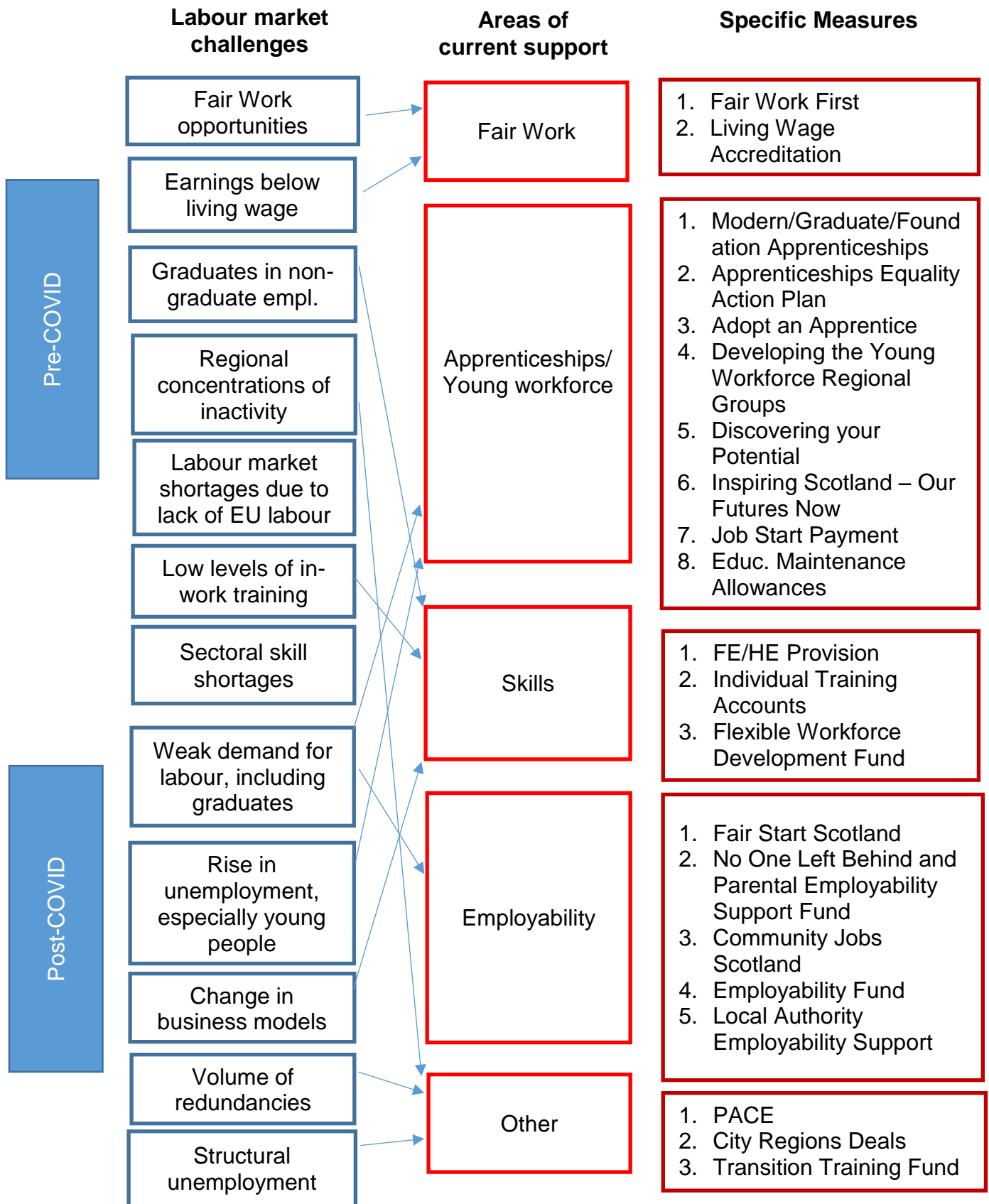
⁵ Professor Alan McGregor, University of Glasgow, and Professor Ewart Keep, University of Oxford.

⁶

<https://view.pagetiger.com/inlhij/1?fbclid=IwAR3VltHXS8UJshZEFXbz717xqqiopPFCb4REbrN5VGvs7ocLcl1eruAluG0>

⁷ https://www.gla.ac.uk/media/Media_700300_smxx.pdf

Figure 2: Current measures of support



The sub-group considered the wide range of measures currently in place and focused on the potential gaps in support and where specific types of support need to be enhanced given the scale of the labour market challenge. As part of this work evidence was considered on the effectiveness of current measures and this is summarised in Annex D.

Gaps Identified

From this assessment and based on the evidence on the effectiveness of different active labour market policies, the sub-group identified a range of gaps in support which have been grouped in the following categories:

- Ongoing fiscal support for private sector employers;
- Greater protection for Scotland's young workforce;
- Incentives for employers to retain workers;
- Innovations to maximise apprentice and other trainee schemes;
- Scale up the support offered through PACE for those facing redundancy;
- Greater training support to enable people to transition into new sectors;
- More short courses designed in partnership with industry to enable people to quickly retrain;
- Maximise the availability of further and higher education places, including short courses, prioritising where there is a pathway to employment; and
- Greater support for the long-term unemployed and the groups most affected by the crisis.

4. Identification and Assessment of Potential Labour Market Options

In response to the potential gaps in support, the sub-group and the private networks of each sub-group member identified potential actions that could be taken to address these gaps and help mitigate the future rise in Scottish unemployment.

In total over 50 options were put forward for consideration. A number of these extended beyond the remit of the sub-group and were put forward for consideration by groups including the Advisory Group on Economic Recovery led by Benny Higgins. Annex E provides a comprehensive list of all the options identified by the sub-group.

The options were grouped into broad packages and assessed against the criteria in Table 1 in order to come forward a concrete and actionable set of recommendations.

Table 1: Option assessment criteria

Criteria	Description
Affordable	Affordability of the option considering the current budget challenges and the expectation that resources should be maximised within the existing enterprise and skills system.
Deliverability	Given the need for urgent action, can the option be delivered quickly in order to mitigate the large rise in unemployment expected in the second half of 2020.
Value for money	Based on the range of current evaluation evidence, including lessons from past recessions, to what extent does the option offer value for money.
Private sector buy-in	For most options there will need to be private sector buy-in to avoid undertaking a range of training and support which will not result in people securing employment.

Annex F provides a summary of the sub-group's assessment of the options and this led to the sub-group identifying a set of priority actions to be taken forward immediately, important actions to be taken forward by other groups supporting the recovery, and actions to be considered by the sub-group over the summer. These are summarised within Table 2.

Broad categories have been used to identify the potential cost for each option based on the following scale: no incremental cost (up to £1 million); low incremental cost (£1 million to £2 million); medium incremental cost (£2 million to £10 million); and high incremental cost (£10 million+). This work was undertaken at pace with the agencies and further work is required to refine the cost estimates.

Table 2: Summary of Recommendations

Enterprise & Skills Strategic Board Sub-group – Framework for Action		
Action	Cost	Timescales
Top Priorities for Immediate Action		
1. Assistance to Support Employee Retention		
<p>Building on the Enterprise Agencies’ recent experience of scaling up information and advice and delivering the Pivotal Enterprise Resilience Fund and Hardship funds, they will now also look to support businesses during restart and recovery with the aim of helping companies “Build Back Better” and minimise job losses. A process of continuous improvement is needed, working between enterprise and skills agencies, local authorities, sector groups and regional business organisations such as Chambers/FSB to ensure an agile response to support local economies. Greater alignment of enterprise and public sector support schemes is needed to ensure whole system approach and clarity is needed on the business engagement process and a clearer customer journey to ensure all businesses can access relevant support services. Given the scale of future demand, support will need to be prioritised for those with the greatest prospect of surviving and growth companies in key sectors identified by the Scottish Government. Achieving this will require shared investment and co-ownership with the public and private sector. Over the summer there is an expectation that the Scottish Government will be considering various incentive measures for retention and recruitment.</p>		
<ul style="list-style-type: none"> Expand single portal helpline and website for businesses (findbusinesssupport.gov.uk) to enter the process for support, with appropriate marketing. Signposting to private sector intermediaries where appropriate. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Work collaboratively with local government and the key national and regional business organisations, such as the Chambers of Commerce and the Federation of Small Businesses (FSB), to ensure an offer of support, informed by industry insight, which is integrated and accessible and tailored to meet business needs across Scotland. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Enterprise agencies with relevant partners to support companies to identify funding needs, source and raise the right funding from the right provider prepare funding applications and pitches. Depending on demand, this may need to increase in scale. 	No incremental cost (Initially less than £500k to extend service to	Immediate

	strategically important companies)	
<ul style="list-style-type: none"> Coherent offer to business on preventative measures to retain employees through upskilling and reskilling, recognising the unique challenges facing different parts of Scotland. 	Medium incremental cost	
<ul style="list-style-type: none"> Identify opportunities for Employment Growth schemes focussed on sectors and regions. 	Medium incremental cost	Medium term as product requires development
<ul style="list-style-type: none"> Identify new business opportunities that can be undertaken domestically via increased exports or substitution of imports through working with business/ILGs/sector bodies. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Maximise the use of data and insight from industry partners and foster new improved channels to Industry Leadership Groups (ILGs). 	No incremental cost	Immediate
<ul style="list-style-type: none"> Support for the STUC's Scottish Union Learning should be increased and specifically targeted over the next 12 months to supporting workers to upskill and retrain in those sectors where there is a high risk of redundancies. 		
<ul style="list-style-type: none"> Inclusive Business Models with support for companies looking to shift their business to employee ownership or cooperative models. 	No incremental cost (to expand to 300 companies)	Immediate
Develop appropriate tool kit with services to enable businesses to consider innovative workplace practices consistent with the principles of Fair Work and enabling the adoption of efficient working practices.		
<ul style="list-style-type: none"> Support the principles of Fair Work First and encourage closer collaboration between the public sector, businesses and unions to understand, promote and deliver on the benefits of Fair Work. 		
<ul style="list-style-type: none"> Manufacturing Adaptation Grant targeted at hardest hit sectors and companies diversifying into green recovery. Match funding for companies who can demonstrate support would enable them to be more resilient and attain pre-COVID-19 levels of productivity. 	Medium incremental costs (£5 million)	Immediate

<ul style="list-style-type: none"> • Scottish Manufacturing Advisory Service (SMAS) will provide support to help companies review their business processes to achieve maximum productivity. 	No incremental cost (expand by 20% to 120 bespoke projects would cost £320k)	Immediate
<ul style="list-style-type: none"> • Work with employers to co-design employment schemes to encourage shared investment in Scotland's workforce. 		
<ul style="list-style-type: none"> • Accelerate approaches to ecommerce for SMEs. 	Low incremental cost (doubling existing service to support a further 4,000 businesses with online tools costs £1.5 million)	Immediate
Business Creation and Diversification		
<ul style="list-style-type: none"> • Financial support and advice for individuals facing redundancy or unemployment to start up their own business (including current advice packages from enterprise agencies, Chambers and FSB). 		
<ul style="list-style-type: none"> • 'New Opportunity' diversification support to help business to adapt to the post-COVID-19 demands and rebuild competitiveness, targeted support at the more vulnerable companies operating in markets that have shifted or diminished. 	Medium incremental cost (£10 million)	Immediate
<ul style="list-style-type: none"> • Expand Fair Start Scotland with funding support for start-up businesses. 		

2. Assistance for Those Facing Redundancy

Scale up PACE to offer tailored support with a package of services co-designed by business i.e. skills assessment, job search and training advice to redundant workers and companies considering making redundancies, that maximises web resources, digitally delivered interventions and contact centre.

<ul style="list-style-type: none"> • Move to a model which focuses on tailored support for businesses of all sizes, that maximises web resources, digitally delivered interventions and contact centre assets (i.e. tailored support for businesses any size and universal support for individuals seeking support). 	<p>Low incremental cost</p>	<p>Immediate</p>
<ul style="list-style-type: none"> • Reshape models of working across PACE and local authority, third sector and industry partnerships to secure commitment and flexibility to meet greater demand from employers of all sizes, and individuals seeking support directly (currently 18 PACE Partnership Boards). 	<p>High incremental cost (£20 - £30 million annual cost of enhanced advice depending on intensity of 1 to 1 support)</p>	
<ul style="list-style-type: none"> • Invest in scaling up job search and job matching digital tools e.g. My World of Work, and strengthening linkages and signposting to E-DYW (latter is work in progress) and other partner sites. 		
<ul style="list-style-type: none"> • Further develop systems and processes for individuals' profiles to be matched to employers' opportunities e.g. creation of an online available people register (self-completion) of skills and capabilities. 		
<ul style="list-style-type: none"> • Adopt a supporting sectoral/regional specialist approach using local authorities' insights and intelligence. 		
<ul style="list-style-type: none"> • Scale up resources and frontline advisers, in partnership with business organisations such as Chambers/FSB and where possible, support from industry through secondments and volunteers, to enable individualised and tailored information, advice and guidance on Fair Work, upskilling/reskilling opportunities and support for moving back into employment. Expert advisors required for 50+ population and women to provide targeted advice and guidance, match to specific vacancies or advise on upskilling/reskilling opportunities. 		

<ul style="list-style-type: none"> Marketing and promotion of services to businesses and individuals to raise awareness of multi-channel and multi-partner support. 		
<ul style="list-style-type: none"> Business Response Team provides a critical element of existing support to strategically significant companies who require assistance to restructure maintaining viability and jobs. Additional budget to augment very specialist skills would enable a more bespoke service to companies. 	No incremental costs (£500k to provide more bespoke service)	Immediate
3. Training to Enable Unemployed People to Transition into Employment		
The Deputy First Minister made clear that the status quo is not an option as our skills and business support needs to change to meet the scale of the challenges we face. Given the scale of the challenge, all institutes need to be flexible and re-prioritise available capacity to help unemployed people transition into employment.		
Apprenticeships and Training		
<ul style="list-style-type: none"> Implement a range of innovations and flexibilities that address physical distancing challenges while making it easier and more accessible, particularly in rural areas, for SMEs and micro-businesses to recruit and retain apprentices and trainees (allowing for different types of apprenticeships). SAAB will be fully involved in all implementation aspects for short life programmes. 	Continue provision of training provider grant support ca. £7m (per 3 x months) No incremental cost for most innovations	Immediate
<ul style="list-style-type: none"> Provide proportionate, time limited additional grant support for furloughed training providers (or those who can't operate) during COVID-19 period of 'lockdown' to ensure enough training resource post COVID-19. 	No incremental cost	
<ul style="list-style-type: none"> Re-introduce Transition Training Fund to support training as pathway to a job (building on oil and gas sector model). 		
<ul style="list-style-type: none"> Work with employers to consider options for shared apprentice approach, removing admin burden on employers by transferring to SDS/FE college during crisis period. 		

<ul style="list-style-type: none"> Relaxation of single employer status for short-life apprentice products to allow multi-employer approach or ease of transfer between companies for crisis period. 		
<ul style="list-style-type: none"> Introduce Apprenticeship Pathway Programmes for those encountering difficulty finding employer-led programmes or employment as an apprentice. Student bursary or industry aligned training allowance to attract apprenticeship candidates until industry place available. 		
<ul style="list-style-type: none"> Extend period of off-the-job training (12 months), focusing on vocational learning aligned to competencies as part of the course where employers cannot accommodate work based learning due to physical distancing. 		
<ul style="list-style-type: none"> Support expanded use of virtual learning environment for off-the-job training – Foundation Apprenticeship SQA Level 4/5; Level 6 in schools. 		
<ul style="list-style-type: none"> Bursary or training allowance for furloughed employees in ‘incubated’ sectors to study short term courses. 		
<ul style="list-style-type: none"> Explore ‘group training’ scheme approach to share training costs & HR support for micro businesses in partnership with businesses, Chambers of Commerce, FSB, Trade bodies and sectoral ILG’s (in line with the guidelines in Strategic Board ILG review recommendations.) 		
<ul style="list-style-type: none"> Expand scale and support for Individual Training Accounts (ITA) immediately for key sectors (TBC from Economic leadership Group). 		
Further and Higher Education Actions to Prioritise how the Sector Responds Now with a Focus on Flexibility		
<ul style="list-style-type: none"> Refresh catalogue of college, university and private training providers information on short, sharp courses and publish on a monthly basis by SDS and SFC as directory to facilitate retraining/training in line with market demand (with monthly course updates on My World of Work). 	No incremental cost (links to changes in My World of Work website)	In progress
<ul style="list-style-type: none"> Maximise the flexibility of college and university provision to meet the critical skills needs of employers and the future economic vision of Scotland, addressing key challenges and opportunities including; digital, automation, artificial intelligence (AI); the transition to a net zero carbon economy; health & social care; early 	No incremental cost	In progress

years; construction; technical STEM-D. (consistent with AGER, SE/HIE/SOSE economic growth plans).		
<ul style="list-style-type: none"> Short course accreditation and awards working with SFC, SDS, SQA and SCQF and professional awarding bodies. 	No incremental cost	Developed in the short term
<ul style="list-style-type: none"> FE and HE should deliver as a priority new blended models across more courses with high quality digital pedagogy to provide vocational, technical and professional skills training in light of physical distancing (building on the recommendations by the Advisory Group on Economic Recovery in developing Scotland's digital infrastructure). 	No incremental cost	In progress
<ul style="list-style-type: none"> In partnership, FE, HE and private training providers to consider a National Online Training Academy where learners would sign up to skills development courses which would focus on the needs of jobs in growth sectors or gaps in public sector provision. 		
<ul style="list-style-type: none"> Scaling up of online learning from universities of high level skills for those in employment or those seeking employment targeted towards areas of critical skills demand from employers. 	No incremental cost	
<ul style="list-style-type: none"> Encourage co-design and collaboration of courses and join up across institutions to ensure maximum impact and a good return on public investment. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Expand Flexible Workforce Development Fund (beyond levy payers) for college provision and repurpose 2020-21 funding short courses for transition; upskilling/retraining for workers made redundant; any remaining funding used for transition training for employees in sectors facing risk of significant job losses. (This allows £20M of funding to be repurposed quickly for the crisis following the commitment by Scottish ministers to increase investment in workforce development from £10M to £20M in academic year 2020/21). 	Medium incremental cost (£10m currently identified by SG)	Could be expanded from Autumn 2020 and January 2021 if funding available.
<ul style="list-style-type: none"> Expand one year post graduate study and Masters provision, prioritising those disciplines that match future growth areas in the economy. 	Medium/High incremental cost (additional £35 million could train 5,000 students or	

	£10 million could partially fund 5,000 students, with the rest in the form of student loans)	
<ul style="list-style-type: none"> Roll out programmes such as Future Made for Success (industry linked scholarships for postgraduate study); virtual internships working in partnerships with business to solve critical business challenges. 		
<ul style="list-style-type: none"> Industry led engagement to inspire young people to consider careers and training in key sectors backed up with support from education partners to develop key influencing strategies to attract students into these sectors. 		
Skills Planning		
<ul style="list-style-type: none"> Local authorities and colleges/universities should work more closely together on regional labour market and economic planning development to ensure there is a skilled workforce to meet the demand from local businesses. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Use of live data to identify existing and future skills demands (e.g. alignment of skills courses with R and D outputs and key growth sectors) including intel from ILGs. 		
<ul style="list-style-type: none"> Monthly real-time labour market intelligence and data at national and regional level shared between SDS, SFC, local authorities and colleges and universities support the planning of additional or redeployed capacity aligned to the needs of employers and individuals. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Skills Alignment programme and model to be utilised to analyse demand, provision and evaluation data on an ongoing basis. Up to date and robust labour market intelligence is shared monthly with colleges, universities and private sector providers as they seek to plan provision. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Align new provision to regions and sectors that are assessed as high risk & high opportunity and work with Employer Led Groups, Chambers of Commerce, FSB, Trade bodies and sectoral ILG's/ILG bodies to identify regional/sector needs on an ongoing basis. 	No incremental cost	Immediate

<ul style="list-style-type: none"> Employers to co-design schemes (with funders, providers and learners) to support school leavers into sustainable employment and work with skills agencies to resource, plan and cohere the expansion of work-based learning in schools 	No incremental cost	Immediate
4. Helping Vulnerable People into Employment		
Action for Young People		
<ul style="list-style-type: none"> Adapted delivery model for DYW. Move from a pilot to full implementation of funded DYW dedicated regional school coordinators delivered through budgets controlled by DYW Regional Groups to provide a dedicated, long-term link between young people and teachers with employers. Universal coverage across all secondary schools with funding channelled through DYW Regional Groups. 		
<ul style="list-style-type: none"> Enhanced DYW (Employer)/School/College relationship. Local authorities and schools will be focused on new learning approaches and maximising the number of young people spending time in a school setting. It will be vital for DYW, Scottish Government, Skills Development Scotland and local authorities to work in partnership to implement the roll-out of DYW Coordinators across Secondary schools and align this with the role of SDS Careers Advisers available to every secondary school delivering services that support young people in planning and making decisions for post-school that are informed by the needs of employers. Colleges will continue to underpin DYW across Scotland. 		
<ul style="list-style-type: none"> The new DYW industry co-ordinators will intensify employer long-term engagement in senior phase apprenticeships and maximise the 5,000 opportunities available to young people in S5 and S6 during 2020/21. 		
<ul style="list-style-type: none"> Accelerate alignment of DYW - Online portal and My World of Work to simplify and streamline opportunities for young people to find everything they need about their options, support, pathways and opportunities including support to develop their work ready skills. 		
<ul style="list-style-type: none"> Increase support for schemes that mentor young people in developing business enterprise skills, with a particular focus on areas of deprivation. For example, pilot schemes based on Career Ready and MCR pathway - coordinated and promoted through DYW regional groups. 		

<ul style="list-style-type: none"> Short placement schemes re-introduced providing work experience for under 25s who have been out of work for six months to include essential employability skills, with employer subsidy. 		
Action for Wider Vulnerable Groups, Including Women		
<ul style="list-style-type: none"> Public buyers should build on the existing practice of considering community benefit requirements in public sector contracts, by considering use of proportionate requirements in all contracts, regardless of value and, where relevant to the contract, focus such requirements on economic recovery and tackling inequality - specifically opportunities to tackle unemployment and to protect jobs. Young people and other vulnerable groups should be a target group for support. 	No incremental cost	Immediate
<ul style="list-style-type: none"> Consideration should be made for enhanced, tailored support for vulnerable groups, such as under 25s and disabled individuals, made redundant and women as they may require additional support from agencies (e.g. through more case management support). 		
<ul style="list-style-type: none"> Scottish Government to lead Social Security Scotland, local authorities, Skills Development Scotland, Third Sector and businesses to review additional measures to support threat to long term unemployed and vulnerable groups, covering: scale up the provision of key worker support for at risk groups; options to extend industry-led work experience programmes; best models for intermediate labour market programmes; and industry led schemes to support vulnerable groups into meaningful work 	High incremental cost (£33m already committed to Employability programmes including Fair Start Scotland)	
<ul style="list-style-type: none"> Colleges and Open University to focus on support for vulnerable adults and families through to access learning consistently across Scotland. 	No incremental cost	Immediate

Important Actions to be Taken Forward by Other Groups Supporting the Recovery

5. Ongoing Fiscal Support for Private Employers

Scottish Government must look at fiscal options directly or via the banks to minimise company failures of otherwise successful businesses. Furthermore, the Scottish Government must use its convening power to get banks, equity investors, creditors and other partners together to support the recovery.

- Preserve viability in key employment sectors through ‘incubation’ e.g. tourism (through banks; finance, government, agencies) and support furlough in these sectors for extended period (particularly apprentices and trainees).
- Financial rescue package for companies (deemed viable) under threat of failure. Government equity investment.
- Grant support to meet social distancing requirements.
- Clear process of assessment to determine level of support and whether responsibility of agency or bank intervention.
- Ensure companies know how to access any emergency available funding working with enterprise agencies other organisations on administration.
- Investigate merits of ProAct programme, modelled on the programme developed by the Welsh Assembly Government, that provides employers who are working at less than fully capacity with support to upskill and retrain those of their workforce on short time working.

6. Social Responsibility

Public sector bodies need to lead on social responsibility.

- In conjunction with local authorities, employers and trade unions, prioritise schemes that provide opportunities for unemployed workers with the opportunity to work on projects of community benefit, linked to the net zero carbon transition and City Deal priorities, paid at the rate for the job and including accredited upskilling and retraining opportunities.

No incremental cost

Immediate

Further Actions to be Considered by the Sub-group Over the Summer

7. Incentives for Employers for Employment of Trainees

<ul style="list-style-type: none"> • Scale up incentives for employers to retain and recruit trainee workers of all ages including: recent school leavers; FE/HE graduate support programme; Vulnerable young workers; and c. 37,000 apprentices currently in training. • Carry out review of all training funds available to business to train/retrain young people and build in flexibility over the summer to review the sub-group’s recommendations to ensure they support business and individual needs. This includes agreeing appropriate evaluation approaches and measures to better understand the impact of the different interventions. • Support the restructure of UK Government’s Apprenticeship Levy, recognising the Scottish Government’s recent call for the scrapping of the levy. • Over the summer there is an expectation that the Scottish Government will be considering various incentive measures for retention and recruitment. <p>Employer Support Package</p> <ul style="list-style-type: none"> • Targeted % wage subsidy from Scottish Government for vulnerable groups • Government job guarantees training • £ direct grant for trainee retention • Multi-employer trainee support scheme (admin support administered by SDS or Chambers) • £ direct grant for ‘adopting an apprentice’ Incentive to accept trainee/apprentice transferred from failed company, especially SME and Micro businesses • Short life product to introduce scheme to bring trainees in to workplace to complete specific business ask e.g. digital enhancement; web development • Specific financial incentives for small/micro employers • £ direct grant for training/ retraining in declining/hard hit sectors e.g. Hospitality and Tourism 	<p>Modelling of volumes and interventions costs underway.</p> <p>UK approach would be cost neutral.</p> <p>Potential amalgamation of funds from Universal Credit/ skills and education budget</p> <p>‘Adopt an Apprentice’ £5,000 per outcome</p>	<p>Immediate</p>
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8. COVID-19 Transition Training Fund (aggregate all programmes in single COVID 19 fund; TTF, ITAs, bursaries etc.)		
<p>Reintroduce the Transition Training Fund to provide redundant workers with personal funding accounts to purchase access to appropriate training that will lead to a job now or a job that will be in demand in the future;</p> <ul style="list-style-type: none"> • Use labour market insights / Burning Glass/ILG intel to identify local economic opportunities. • Apply a themed approach to training around exporting, new technologies, new modelling, energy transition. • Focus on key growth areas to include; digital; zero net carbon; construction; health & social care; early years; technical; STEM-D (link to SE/HIE/SOSE economic growth plans). • Private training provision to accelerate immediate intervention response. • Additional funding for STEM students (or incentives for future skills needed to support R&D tracked innovations). 	<p>Typical cost of intervention is £2,500/£3,000</p> <p>Ca.750,000 on furlough resulting a potential ca 250,000 redundant workers.</p> <p>80,000 workers accessing TTF @ £2,500 = £200 million</p>	<p>Immediate, with rapid scale up in the coming months</p> <p>UK funding/City Deals funding</p>
9. Maximise Graduate Apprenticeship Provision with Pathways to Employment, Focusing on Sectors and Jobs that will Support Economic Recovery		
<ul style="list-style-type: none"> • Maximise Graduate Apprenticeship provision with the critical skills needs of employers and the future economic vision of Scotland, addressing key challenges and opportunities including; digital, automation, artificial intelligence (AI); the transition to a net zero carbon economy; health & social care; early years; construction; technical STEM-D. (consistent with AGER, SE/HIE/SOSE economic growth plans). • Alignment of skill system to medium term sectors identified by Economic Recovery working group recommendations. 	<p>Additional funding for Graduate apprenticeships.</p>	<p>Immediate</p>
10. Further Business Creation and Growth and Demand Stimulus		
<ul style="list-style-type: none"> • Continue to review employment growth schemes over the summer in light of emerging sectoral and regional challenges. • Optimising the City Region and Regional Growth deals. 		

Options Fed into the Advisory Group on Economic Recovery

The sub-group identified several actions which extend beyond the enterprise and skills system which would help support Scotland's recovery and therefore help mitigate the rise in unemployment. These actions were shared with the Advisory Group on Economic Recovery and are summarised in Box 2.

The sub-group is clear that the successful implementation of the actions will require collaboration across a range of delivery partners and stakeholders including not just the enterprise and skills agencies but also businesses, colleges and universities, the third sector and local authorities. We also recognise the need to be flexible and different solutions may apply in different parts of the country and in different sectors. will require sustained collaborative effort and communication among all partners.

Box 2: Summary of options fed into the Advisory Group on Economic Recovery

1. A time limited continuation of furlough scheme in some form for those most affected, such as tourism and hospitality.
2. Closer working relationship across the enterprise system, including Business Gateway.
3. Rescue & protect strong but vulnerable businesses by creating equity matching service/government funded body
4. Accelerate digital transformation of SMEs & micro businesses by investment in broadband infrastructure upscaling
5. Accelerate infrastructure investment for job creation and long-term competitive advantage e.g. Digital fast broadband across Scotland
6. Bring forward investment in green projects – such as £10-12 billion programme for retrofitting energy efficiency into homes – to create construction jobs and accelerate transition to net zero carbon
7. Capital investment programme to enhance job creation and balance Scotland e.g. Improved transport links
8. Explore import substitution – export more aggressively with focus initially on UK upscale opportunities
9. Tax/voucher rebate on R and D that has a commercial business case
10. Incentivise banks to support business start-ups and expansion in local economy -
11. Support to revisiting procurement criteria to increase weighting on domestic market provision
12. City Deals – accelerate known projects or repurpose some of funding to support initiatives that have job creation projects or support high risk businesses e.g. build outdoor covered public spaces for use by restaurants and bars to expand capacity during social distancing

While the focus of the sub-group was on identifying practical actions that could be implemented quickly, during its work a range of longer-term actions were identified. These included potential measures that could support the long term unemployed and groups most at risk.

Over the summer the sub-group will develop these ideas further and report back at the end of August. This will feed into the current review underway by the Scottish Funding Council on the current provision and sustainability of further and higher education in Scotland which is due to report to Ministers by the end of August. However, given the scale of the immediate challenge, SFC is working with colleges and universities to take action now around flexing provision to meet immediate demand.

5. Next Steps

This is a national emergency and now is the time for even greater collaboration right across the enterprise and skills system to ensure we put in place measures to help Scottish businesses and individuals in the coming months. We need to ensure that support is joined up, that the measures in place to help business works in tandem with the training and learning opportunities provided so Scotland can seize the economic opportunities as the recovery gathers pace.

The sub-group has closely engaged with the Advisory Group on Economic Recovery and the recommendations tie in with the broader actions they identified. Therefore, Ministers may wish to consider this report alongside the Advisory Group's which has sought a response to its recommendations by the end of July. By setting out clear priority sectors to support, Ministers can help accelerate the recovery and enable skills providers to align with future demand.

We need to move at pace and several of the recommendations should be implemented quickly to ensure the necessary support is scaled up to respond to the rise in unemployment we are already witnessing.

In addition the sub-group recognise that SFC have been asked to consider how best to achieve coherence and sustainability in the delivery of further and higher education during the COVID-19 crisis and beyond, with initial recommendations presented to Ministers by the end of August. Given the immediacy of the crisis we would ask that ministers indicate in July, in their response to the report of this sub-group, which of the recommendations pertaining to colleges and universities can be taken forward now.

The sub-group worked on the basis that actions would be funded from the resources currently allocated by the Scottish Government to the agencies and for related purposes. Thus, the focus must be on aligning and maximising the impact of expenditure. However, given the size of the challenges facing the Scottish labour market, the scaling up of activity will inevitably require additional resource. Ministers need to clearly signal priority areas that will drive the recovery and enable education

establishments to have greater flexibility to tailor training provision, co-designed with business, to provide clear pathways for people into employment. Ministers will wish to consider this when setting out an action plan for implementing the recommendations.

The Strategic Board has a key role in overseeing this implementation to ensure not only greater alignment and co-ordination right across the enterprise and skills system but also greater connection with local authorities and private sector partners and measuring impact. As part of this, the Strategic Board will expand its membership to include local government representation.

The crisis calls for a 'Team Scotland' approach and the Strategic Board is uniquely placed to drive this forward to support the recovery. Businesses need to step up to lead the recovery and avoid short-term decisions which will exacerbate the rise in unemployment. Furthermore, they need to work with skills providers in co-designing training to provide a clear pathway for people into employment.

Agencies have already demonstrated their agility and ability to come together to provide vital urgent assistance to businesses and learners following the outbreak of COVID-19. This has evolved into supporting businesses restart as different parts of the economy begin to reopen. Going forward the attention will rightly shift towards tailoring this support to help businesses rebuild and seize new opportunities as the recovery gathers pace.

The sub-group recognised that some vulnerable groups require specific support and this will be considered over the summer alongside further actions the enterprise and skills system needs to take to support the recovery. The sub-group will report back to Ministers by the end of August.

Annex A: Membership of the Sub-group

- Nora Senior CBE, Chair Enterprise & Skills Strategic Board
- Frank Mitchell, Chair Skills Development Scotland
- Dr Caroline Barelle, CEO, Elasmogen
- Dr Liz Cameron OBE, Director & Chief Executive Scottish Chambers of Commerce
- Dr Mike Cantlay OBE, Chair Scottish Funding Council
- Simon Cotton, CEO Johnston's of Elgin
- Philip Grant, Chief Operating Officer, Lloyds Banking Group, Scotland
- Alan Savage, Chairman Orion Group
- Grahame Smith, General Secretary STUC
- Rob Woodward, Chair Developing the Young Workforce National Group

Annex B: Labour Market Challenges

The table below sets out some of the main labour market challenges - the last four being mainly linked to the economic crisis brought on by the COVID-19 pandemic. These are in the first column in the framework and the following gives a summary description of these challenges. These are just some of the challenges facing the labour market at this time.

Table 3: Main Labour Market Challenges

Pre-2020 economic crisis	<p>Fair Work Opportunities and Quality of Work</p> <p>Fair Work is the ambition to improve the quality of work in Scotland so that in Scotland work offers effective voice, respect, security, opportunity and fulfilment. Beyond headline labour market indicators, the quality of work in our economy can be informed by sector trends, pay levels, whether someone works full time or part time, opportunities for progression, levels of job satisfaction and other metrics. Pre-COVID-19, economic improvements were not being felt across the board, leading to some concerns about the quality of work in our labour market.⁸</p> <p>Insecure employment, such as zero-hours contracts, remain a feature of work. In Scotland, 2.6% of people in employment, 69,000 were in zero hour contracts in Oct-Dec 2019.⁹ This had decreased from 72,000 (2.7% of people in employment) in the same period in 2018.</p> <p>Hours based underemployment (percentage of people in employment aged 16+ who want to work more hours) was 7.1% in 2019, still higher than the rate pre-2008 recession (6.7% in 2007).¹⁰</p>
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⁸ Ibid.

⁹ [Labour Force Survey, 2019](#).

¹⁰ [Scotland's Labour Market: People, Places, and Regions - Statistics from the Annual Population Survey 2019](#)

In the year to December 2019 Scotland had 116,000 temporary workers. This is about 4-5% of the total workforce and is down slightly from previous years.

400,000 employees (16.9% of people in employment) in Scotland earned less than the real Living Wage (£9.00) in 2019, decreasing from 473,000 in 2018. That said, the proportion of employees earning less than the real Living Wage has fallen from 20.1% in 2016 to 16.9% in 2019.

Women are still more likely to earn less than the living wage than men; workers are more likely to earn below the living wage if they work part-time; the largest proportion of workers earning less than the living wage is in the 18-24 age group.

The gender pay gap for all employees (full-time and part-time) decreasing from 15% in 2018 to 14.3% in 2019, although the gender pay gap for full-time employees in Scotland increased from 5.6 % in 2018 to 7.1% in 2019.

Earnings below the living wage	In Scotland, 400,000 employees (16.9 per cent of people in employment) earned less than the Living Wage (£9.00) in 2019, decreasing from 473,000 in 2018. The proportion of employees earning less than the living Wage remained relatively constant between 2012 and 2016, decreasing to 16.9 per cent in 2019. ¹¹
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Graduates in non-graduate employment	Pre-COVID-19 there was some indication of low labour market demand in some areas. For example, the 2016 figure for graduate skills underutilisation ranges from 40.8% of graduates (five or more years after graduating) working in non-graduate roles based on the Annual Population Survey, compared to 28% of first degree leavers entering 'non-professional' roles based on Higher Education Statistics Agency surveys. ^{12 13}
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¹¹ [Annual Survey of Hours and Earnings, 2019.](#)

¹² Scottish Government (2019), '[Just Transition Commission: Background report](#)'.

¹³ <https://www.hesa.ac.uk/news/28-06-2018/sfr250-higher-education-leaver-statistics-subjects>

In addition, skills under-utilisation is high. The proportion of establishments with at least one employee with skills and qualifications more advanced than required for their current job role was 35% in 2017 compared to 32% in 2015.¹⁴

Inequalities between regions and groups	Pre-COVID-19, there were persistent gender, disability and ethnicity related gaps in labour market outcomes, and these inequalities can originate long before people enter the labour market.
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There were also large variations in labour market outcomes across regions of Scotland and these have remained largely unchanged over time. In 2019, there was a gap of 19.8 percentage points between the local authorities with the highest and lowest employment rates (Orkney Islands, 87.1%; and Glasgow City 67.3%)¹⁵

Labour market shortages due to lack of EU labour	There are 219,000 (non-UK) EU nationals living in the UK, 4.1% of the population. Brexit and the end of freedom of movement puts this supply of labour at risk. We know that 77% of EU citizens are in employment compared with an overall rate for Scotland of 73% and EU citizens account for over 5% of all employment in Scotland. Rural areas are also more reliant on EEA workers. ¹⁶ At the sectoral level, over 30,000 EU citizens are employed in distribution, hotels and restaurants in Scotland, and EU citizens make up over 7% of employees in the manufacturing sector. EU citizens also make a vital contribution to NHS Scotland where they fill skilled vacancies in hard-to recruit specialisms and geographical regions.
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In addition, there are an estimated 60,000 seasonal migrant workers in Scotland which accounts for 2% of the total workforce in Scotland. More than two-fifths of non-agricultural seasonal migrant workers originated from Poland and almost a third (31%) from Romania (FAI,

¹⁴ [National Performance Framework: Skills underutilisation, 2020.](#)

¹⁵ ONS, Annual Population Survey, Jan-Dec 2019

¹⁶ [Scotland's place in Europe: people, jobs and investment, 2018.](#)

2020).¹⁷ Internal SG calculations suggest a monthly figure of 40,000 people would be working in seasonal employment for the months of May to August 2020. As many workers would be due to start in May and June, they would not be covered by the Job Retention Scheme.

Low in-work training	The percentage of employees who reported receiving job-related training in the last 3 months has been decreasing over time. In 2009, slightly over a quarter of workers (27.6 per cent) received job related training in the last 3 months, decreasing to 23.7 per cent in 2019. ¹⁸ Though increasing slightly from 22.5 per cent in 2018.
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Sectoral skill shortages	Vacancies that employers find hard-to-fill due to applicants lacking relevant skills, qualifications or experience are termed 'skill-shortage vacancies. Skill shortages can have widespread negative impacts through reduced productivity, increased operating costs, delays to new product/services development and difficulties introducing technological change. Just 3% of employers with skill shortages said they had no impact. ¹⁹
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In 2017, 6% of Scottish workplaces had a skill shortage vacancy (a steady rise from 3% in 2011) i.e. experiencing external recruitment difficulties due to low number of applicants with the required skills, qualifications or experience. Skill-shortage vacancies accounted for 22% of all vacancies in the UK in 2017, relatively unchanged from 2015.

Skill shortages were particularly prevalent in certain sectors. In Construction, over a third of all vacancies were reported to be hard to fill for skills-related reasons. The density of skill-shortage vacancies has increased since 2015 in Primary Sector and Utilities, Arts and Other Services, Education, and Public Administration.

¹⁷ Source for data on non-agricultural seasonal migrant workers: Fraser of Allander Institute, 2020. Non-Agricultural Seasonal Workers in Urban and Rural Scotland.

¹⁸ [Annual Population Survey, 2019.](#)

¹⁹ [Employer skills survey 2017: UK findings](#)

Weak demand for labour, including graduates

Due to the restrictions on economic activity there will be medium term unemployment, but also as businesses lose their ability to maintain operation, unemployment could continue to rise. Over the past few years, Scotland has had near historic high levels of employment and low unemployment. The latest modelling provides a projection of unemployment rising to over 10% by the end of 2020. Assuming this analysis is right, then we can presume there will be weak demand for labour in the coming period.

Prior to the current economic crisis, there was already evidence pointing to potentially weak demand for graduates. Of the approximate 1 million jobs expected to be demanded in our economy between 2019-2029, 92% are expected to be “replacement” demand – where jobs are vacated through retirement, change of occupation or migration and are required to be re-filled.²⁰

This level of churn in the labour market has implications for skills demand but also supply. Where replacement demand is higher (e.g. professional occupations, elementary occupations and sales and customer service occupations), the skills associated with those jobs would be expected to be in greatest demand. Of all qualification grades, SCQF 7-10 (HNC to Honours degree level) is expected to make up around half of this labour market churn, followed by SCQF 5 (National 5) making up around one quarter.²¹

Disproportionate impacts on groups in the labour market, including young people

Equalities groups were disproportionately impacted during previous recessions and there are indications that certain groups in our labour market could be disproportionately impacted again. Drawing on multiple evidence sources the following groups are anticipated to be hardest hit financially by COVID-19 – younger people, women,

²⁰ Skills Development Scotland (2019), '[RSA Data Matrix](#)'.

²¹ Skills Development Scotland (2017), '[Job and Skills in Scotland: the evidence](#)', page 15.

minority ethnic people, disabled people, those living in more deprived areas, and lone parents.²²

Although we should treat it with caution due to small sample sizes, unemployment amongst 16 to 24 year olds was 13.1% for the period February to April 2020²³, an increase of 7.1 percentage points in comparison to the same period in 2019²⁴ and evidence from previous crises indicates that those entering the labour market from education during a downturn may suffer reduced pay and employment prospects lasting several years²⁵. In addition, young people are particularly vulnerable to unemployment in the current crisis due to their concentration in the most exposed sectors of the economy, with 26% of men under 25 and 39% of women under 25 working in sectors which shut down as part of the response to COVID-19²⁶.

Change in Business Models	It is possible that adaptations made by some employers to allow them to continue to operate during the COVID-19 crisis may be permanently incorporated into business models. A major shift towards remote working has taken place with survey responses suggesting that 41.7% of the workforce of businesses across the UK continuing to trade are working remotely ²⁷ . A greater instance of remote working in the long term may result in reduced demand for employment associated with the servicing of business premises as well as in the transport sector.
Volume of redundancies	Survey data indicates that the Job Retention Scheme has been relatively successful in reducing the number of redundancies that may otherwise have occurred. Businesses that are continuing to trade or that have temporarily paused trading report that less than 1% of their

²² Scottish Government (2020) [Economic Impact of Coronavirus Led Labour Market Effects on Individuals and Households](#)

²³ This result is from the Labour Force Survey (LFS). Due to the relatively small sample size and subsequent sampling variability, the figure should be used with caution. The Annual Population Survey is the official source by age, although the LFS is designated Official Statistics and more up-to-date. The Annual Population Survey is currently only for the period Apr 19-Mar 20.

²⁴ [Labour market monthly briefing: June 2020](#)

²⁵ See The Resolution Foundation (2020) [Class of 2020](#)

²⁶ [State of the Economy: April 2020](#)

²⁷ [ONS Business Impact of Covid-19 Survey Wave 5, 4 to 17 May-Proportion Working Arrangements](#)

workforce across the UK has been made redundant. The large portion of the workforce currently furloughed, however, implies that there is potential for large numbers of redundancies to occur when the scheme is curtailed. Survey responses indicate that the portion of the workforce currently furloughed across the UK is 29.8%²⁸.

Structural unemployment	<p>A recession resulting from the COVID-19 pandemic and the measures taken to combat it could have effects which persist over a prolonged period. These may include mismatches between skills demanded by employers and those possessed by newly unemployed workers; and loss of productive capacity due to business failures. The most pessimistic recovery scenario modelled by the Scottish Government assumes a supply shock sustained over the medium term as a result of these structural issues²⁹.</p> <p>The Monthly Business Turnover Index gives an indication of which sectors in Scotland have experienced the highest loss of revenue and may therefore be at greater risk of loss of productive capacity through business failure. While almost all the industries had a net balance of less than 50 in March (indicating the majority of businesses having lower turnover than the previous year) Accommodation and Food Services had the most alarming proportion of businesses with a lower revenue with a net balance of just 8³⁰. Businesses in the Accommodation and Food Services Industry at the UK level were also most likely to have either no cash reserves or cash reserves sufficient to last less than one month³¹.</p>
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²⁸ [ONS Business Impact of Covid-19 Survey Wave 6](#)

²⁹ [State of The Economy: April 2020 page 17](#)

³⁰ [Monthly Business Turnover Index, March 2020](#)

³¹ [ONS Business Impact of Covid-19 Survey Wave 4 20 April to 3 May-Cash Flow](#)

Annex C: Overview of the evidence on Active Labour Market Policies

Governments across the world are known for using Active Labour Market Policies (ALMPs) to support the unemployed into work. The effectiveness of these ALMPs is challenging to measure due to their complexity and context specific nature. However, wage subsidies, job search assistance programmes and targeted training programmes show the most consistently positive results.

In countries similar to Scotland, ALMP's can broadly be grouped into four categories:

- job search assistance,
- wage subsidies
- support to micro-entrepreneurs and independent workers
- training

All the above are, to varying degrees, active in Scotland. Overall their impact is hugely dependant on contextual factors and implementation. But several recent studies highlight key commonalities across evidence reviews.

The majority of ALMP's create mainly longer-term benefits. Programs focused on increasing human capital (training and private sector employment subsidies) show benefits approximately 2-3 years after program completion. Policies that emphasis 'work first' - such as job search assistance - show larger short-term impacts.³²

A 2019 meta-analysis of multiple studies highlights that the most effective measures – both in terms of earning and employment impact – are wage subsidies.³³

Vocational training and support to micro-entrepreneurs and self-employed are the next most effective measures. Job search assistance is less effective than other

³² [Card, Kluve and Weber \(2015\). 'What works? A Meta-Analysis of Recent Labor Market Program Evaluations.' IZA Discussion Paper No. 9236](#)

³³ [Yeyati, Montane, Sartorio \(2019\). 'What works for Active Labor Market Policies?' CID Faculty Working Paper No. 358.](#)

programs. To note, the former three program types also have similar costs per participant.

Wage subsidies and support to self-employed workers both show the greatest impact on earnings relative to the control group, with improvements of 16.7% and 16.5%, respectively. Vocational training has a median impact of 7.7%, higher than the impact of employment services which are almost negligible on earnings.

Wage subsidies also show the highest impact on employment outcomes, following by self-employed support and vocational training, which show a median impact of 11% and 6.7% respectively. The evidence shows the employment services have a median impact of 2.6% to employment outcomes, in improving the propensity to find employment.

In terms of impact across people groups, women and those in long term unemployment see larger effects of ALMP's (youth and older workers see smaller impacts) (Card et al, 2015). The long-term unemployed are also benefited more than other groups by training and private sector unemployment; job search assistance appear more beneficial for disadvantaged participants.

In addition, context is vital when it comes to outcomes – with GDP and unemployment rate playing a role. There is also a slight indication in the evidence that 'non-public' sector funding can result in more effective programs.

In recent weeks, reports have highlighted how best – based on recent evidence – to use labour market policy in response to the current unique economic crisis. A response that must be tailored to the key features of the crisis: sectors affected, sudden nature of shut down in businesses, young people.

Aligning any ALMP with other policy (business support, Fair Work etc) is vital. (Keep, 2020)

In addition, job creation schemes are generating discussion in relation to the current crisis. Evidence is differing, with individual schemes running in the UK having seen

some positive impact.³⁴ However, evidence from whereas the OECD finds that these generally do not work.³⁵ (OECD, 2015).

The timing of policies is also important. Evidence suggests that ALMP's work most efficiently if targeted at appropriate stages of an economic crisis. For example, job search assistance programmes are not effective early in a crisis when demand for labour is suppressed (Brown, A. & Koettl, J., 2015).

Box 3: Lessons from 2008-09 Recession

In relation to policies effective following the 2008-09 financial crisis, evidence points towards job search (in the short run) and job/wage subsidies as the most effective. Overall, ALMPs were found to be potentially highly useful to alleviate unemployment and poverty – but the evidence points to mixed results. The report noted that studies also tend to highlight that a longer-term perspective could make ALMP's, such as training, more effective.

The same report finds that in high income countries training was the most common intervention, both for those potentially losing their job and those already unemployed (this incorporates apprenticeships and work experience); following by work sharing. The next most implemented policy was public employment services (i.e. job search assistance), and then job/wage subsidies. The policy implemented the least was public works programmes; which the paper argues is based on the evidence of poor effectiveness associated with these programmes.

³⁴ [Petrie, Shepherd, 2020. 'A new safety net: Guaranteeing jobs and training after the crisis'. Social Market Foundation.](#)

³⁵ [Martin, 2015. 'Activation and active labour market policies in OECD countries: stylised facts and evidence on their effectiveness'. IZA Journal of Labor Policy.](#)

Annex D: Evidence on the Effectiveness of Existing Labour Market Measures of Support

The below table highlights some of the available evidence on measures of labour market support which the sub-group has been able to consider. The Strategic Board values the importance of evaluation evidence and the below summary will be added to when more information becomes available to aid the next phase of the group's work. As a matter of course, any recommendation of the Strategic Board's sub-group should be subject to appropriate evaluation.

Table 4: Evidence on the effectiveness of existing labour market measures of support

Areas of current support	Specific Measure	Labour Market destinations /outcomes	Evidence	Potential gaps
Fair Work	Fair Work First (FWF) Living Wage Accreditation (LWA)	NA	FWF: Evaluation plans are still in development. LWA: Evidence from the UK suggests that employers taking part in Living Wage schemes results in significant benefits to the lowest paid workers.	Dependant on sufficient demand for labour.

Apprenticeships/ Young workforce	<p>Modern Apprenticeships (MA) (£80 Million)</p> <p>~38,000 in training (2019-20) >27,800 starts >12,000 MA employers</p>	<p>MAs have a 78% achievement rate with 91% of MAs still in work around six months later.</p> <p>75% of leavers who completed are still working with their MA employer.</p> <p>MAs report high levels of well-being: higher levels of satisfaction, happiness and feeling their life is worthwhile compared to the general population</p>	<p>Evidence available for MAs on employment outcomes, well-being, wider benefits, skills gained, skills utilisation, progression, earnings, satisfaction and employer outcomes over time.</p> <ul style="list-style-type: none"> • 96% of employers would recommend MAs to other employers in their sector. • Similar evidence for FAs and GAs although not as extensive as they are relatively new forms of apprenticeship in Scotland. • GA retention rate of 84.5% • 100% of employers would recommend. • Work underway to estimate impact and ROI. • Employers report a productivity rise over time for all apprentices, including 83% of MA employers. 	<p>Physical distancing may make it harder for people to complete their apprenticeship.</p> <p>SMEs and micro businesses are often reluctant to take on apprentices, with uptake low in rural areas.</p>
	<p>Graduate Apprenticeships (GA) (£12.8 Million)</p> <p>Starts: Y1 (2017/18): 278, Y2: 921; Y3: 1,160</p> <p>>350 Employers and 13 institutions delivering GAs in 2018/19</p> <p>Completion rate: retention rate for cohort 1 84.5%</p>	<p>Most GAs are still in training/study</p> <p>87% of GA employers reported improved workforce sustainability</p> <p>72% of GA employers reported improved skills development - filling skills gaps</p>		

<p>Foundation Apprenticeships (FA) (£10.8 Million)</p> <p>6,570 FA opportunities over first four years (2016/17 to 2019/20)</p> <p>482 employers and 32 local authorities participating.</p> <p>90% of maintained secondary schools have pupils undertaking an FA in Cohort 4</p>	<p>45% of FA achievers who left school go to college, 28% go to university and 24% are in employment or doing a MA. 1% are unemployed. (cohorts 1 to 3).</p> <p>78% of FA learners report they developed skills that will help them in the workplace.</p>	<ul style="list-style-type: none"> • Adopt an Apprenticeship programme results in 87% in training or employment. <p>Apprenticeships Equality Action Plan:</p> <ul style="list-style-type: none"> • MA starts by 16-24 year olds from BME communities increased from 1.4% in 2014/15 to 1.5% in 2015/16. • MA starts by disabled 16-24 year olds increased from 0.4% in 2014/15 to 4.3% in 2015/16; • In 2015/16, 0.9% of MA starts by 16-24 year olds were care experienced and this had risen to 1.4% in the first two quarters of 2016/17; • The percentage of MA frameworks with a worse than 75:25 gender balance increased from 69% in 2014/15 to 77% in 2015/16. 	
<p>Adopt an Apprentice (ESF & match funding)</p> <p>1,109 (97% of the target of 1,145 between June 2009 and Aug 2011)</p> <p>Completion rate: 58% still in training; 29% into employment</p>	<p>87% in training or into employment; 70% achieved their apprenticeship.</p>		
<p>Developing the Young Workforce (DYW) Regional Groups</p>	<p>NA</p>	<p>DYW: Process evaluation available/annual reports – positive impact demonstrated but lack of controls. Engagement across secondary</p>	

			schools is variable and depends on the Head Teacher.	
	<p>Education Maintenance Allowances (EMA)</p> <p>29,135 young people received payments (2017-18), a decrease of 8.0% from 2016-17.</p>		Historical evaluation data from the UK suggests that EMA payments have a net positive impact.	
Skills	<p>Higher Education (HE) Provision:</p> <p>253,475 university enrolments. With 44,890 of these entering full-time first degree courses.</p> <p>49,189 HE enrolments at College. Of this, 31,806 were full-time and 17,383 were part-time.</p>	<p>Around 90% of all graduates from Scottish providers were in a positive destination 15 months after graduation. (71% were in work, 10% in employment & further study and 9% in further study only).</p> <p>72% of graduates from Scottish universities (in UK work) are employed on permanent contracts. 21% are on fixed term contracts, 3% are on zero hour contracts and the remaining 4% are on other categories such as volunteering, internship or temping.</p> <p>69.8% of full-time HE students ay college successfully completed their courses: a</p>	<ul style="list-style-type: none"> • Cumberford/Little report highlighted need to move from full time to shorter, more focusing training provision at colleges. • Digital challenge for staff and students in terms of skills and access. • Employment outcomes & earnings (HE) and destination for FT leavers (FE), with work underway to measure the ROI of FE & HE. 	<p>Expected to be a significant rise in demand for short, sharp training courses for those either facing the threat of redundancy or have already lost their job.</p> <p>There is a huge range of short courses on offer from colleges and universities but in some cases up-take has been low. There is a huge communication challenge to ensure</p>

		<p>decrease of 1.5 percentage points on the previous year.</p> <p>71.0% of successful full-time HE (SCQF 7+) college qualifiers from 2017-18 are known to have left the sector and 29.0% remained at college to complete another course or to advance in their studies. 56.3% of full-time HE sector leavers went to university and 37.9% were working. Therefore 94.2% of sector leavers were in positive destinations.³⁶</p>		<p>people are aware of these opportunities.</p> <p>Ensure the provision of short courses matches the demand from major local employers.</p>
	<p>Further Education (FE) Provision:</p> <p>279,704 FE enrolments at College. Of this, 43,472 were full-time and 236,232 were part-time.</p>	<p>65.2% of full-time FE students successfully completed their courses which is a decrease of 0.9 percentage points since last year.</p> <p>26.9% of successful full-time FE (SCQF 1-6) college qualifiers from 2017-18 are known to have left the sector and 73.1% remained at college to complete another course or to advance in their studies.</p>		

³⁶ SCQF 1-6 is broadly similar to FE and SCQF 7+ is broadly similar to HE; Note 2: Looking at confirmed destinations only

		16.0% of full-time FE sector leavers went to university and 65.7% were working. Therefore 81.7% of sector leavers were in positive destinations.		
Individual Training Accounts (ITA) (circa £3.5M) As of 30 March 2020, 13,128 of the verified ITA applications had been claimed. Completion rate: 80% completed an ITA-funded course (ITA Customer Survey 2020).		60% customer survey respondents report having an employment-related outcome - 32% progressed in current work; 11% got into work; 10% got back into work; 7% changed career (ITA Customer Survey 2020)	98% are satisfied with the ITA experience. Average satisfaction score – 9.4 (out of 10) (ITA Customer Survey 2020)	
Flexible Workforce Development Fund (FWDF) In 2018-19 the numbers enrolled at College on these programmes increased to 23,695.		NA	Process evaluation exists as opposed to an outcome evaluation. Monitoring data includes participant characteristics, employer take up, type of training. Cumberford/Little report highlighted need to move from full time to shorter, more focusing training provision at colleges.	

Employability	Fair Start Scotland (FSS) 22,138 people joined FSS by March 2020)	A total of 6,166 people joining have started a job - on average taking three months to do so after joining FSS. Of the 6,166 people who started work, 3,528 of those had sustained employment for at least 13 weeks, 2,216 were employed for at least 26 weeks and 786 were employed for at least 52 weeks.	Evaluation currently underway.	Services are largely targeted at those with multiple barriers to employment and are therefore further from labour market. It is expected that DWP provision will effectively meet need of those closer to the labour market
	No One Left Behind		Evaluation activity still to be determined	
Other	PACE (Partnership Action for Continuing Employment)	80% of clients assisted in 2017 had found new work. Most were working at the same skill level, though 54% were earning less. Follow up of clients assisted 2014-2016 found 88% had secured work at any point with 78% in work at the time of interview. The evaluation of the oil and gas events found that around half of the attendees who were unemployed when they	<ul style="list-style-type: none"> • Client experience survey data available (no formal evaluation known of) - 60%-80% re-entered employment. • 85% reported satisfaction with the service. 	The scale of the rise in the number of people facing the threat of redundancy will put the current PACE model under threat. The current model is based on providing support on a business-by-business basis. This might need to pivot towards providing

		attended a PACE event are now in employment		either sectors or regional support.
City Regions Deals			Evaluation plans are variable between deals.	
Transition Training Fund (TTF) (£12m training over three years (2016-2019) + SDS resource cost to serve) 4,091 approved applications as of 22 May 2020		68% in employment – 44% of this number transitioned to work outside Oil & Gas Sector, 56% are still employed in Oil & Gas Sector; Top 3 occupations for those who transitioned out of the Oil & Gas Sector: 32% are in Skilled Trades; 12% are in Transportation; 13% are in Renewables or Other Engineering (TTF Customer Survey May 2020)	<ul style="list-style-type: none"> • 68% in employment with 44% moving out with the Oil & Gas sector. • 91% satisfaction level reported. 	A significant expansion would be required of the Transition Training Fund if it was to support the volume of people expected to move into a different sector.
SDS Equality Evidence Review (EER)	NA		<p>The EER provides evidence to support the SDS Equality Mainstreaming report and the SDS Equality Outcomes.</p> <p>It also provides evidence for the Equality Impact Assessments; the Apprenticeship Equality Action Plan; Careers Guidance</p>	

			Equality Action Plan; and provides up to date information on equalities for all colleagues.	
	<p>Supporting Business through Recovery (SBTR) (ESF & match funding (amounts TBC))</p> <p>There were six initiatives under the programme.</p> <p>Number of starts were: MAs (16-19-year olds) – 10,951; Additional MAs for key sectors (all ages) - 4,949; Flexible training opportunities – 5,726; Incentivised recruitment places - 1,272; Targeted pathways -950; Workforce development fund-636.</p>	<p>Targets in relation to starts were either broadly met or exceeded, with the Employer Recruitment Incentive, Flexible Training Opportunities and Targeted Pathways having over-delivered in terms of the number of starts achieved</p>		

Annex E: Full list of options Identified by the Sub-group

Table 5: Full list of Options

Proposed Action	
Minimise Impact of Rising Unemployment	
Apprenticeship innovations and flexibilities that address physical distancing challenges and make it easier and more accessible for SMEs & micro businesses to recruit and retain apprentices.	E-DYW - Online portal for young people for young people to find everything they need about their options, support, pathways and opportunities including support to develop their work ready skills.
Incentives for employers to retain apprenticeships.	To offer all 16-19-year olds a place in education, training or employment should they want it.
Reprioritisation of Foundation Apprenticeships to focus on level 4 and 5 and thus targeting those more likely to take on a Modern Apprenticeship or direct entry into the labour market.	National Training Academy where leavers would sign up to skills development courses which would focus on the needs of jobs in growth sectors or gaps in public sector provision.
Encourage public sector to employ more apprenticeships and fill key labour market shortages.	Continuation of the Furlough Scheme in some form which could include assistance for flexible and part-time employment.
“Young Worker” Charter to encourage private sector to protect young workers, promote employment and Fair Work.	Community Jobs Scotland scheme should be extended and the criteria for young people expanded.
Training schemes for young people under 25 where they receive some form of remuneration whilst undertaking the training / reskilling.	Potential gaps at universities to be filled by students resident in Scotland.
Require contractors for public sector infrastructure projects to offer apprenticeships.	Maintain or increase public sector employment.
Encourage greater Head Teacher engagement with DYW staff.	
Support for Redundant Workers to Rapidly Transition into Work	
Greater utilisation of FWDF to deliver more targeted, industry focused training (informed by Industry Leadership Groups).	Extend coverage of the Transition Training Fund targeting sectors likely to experience increase in demand.

Fewer limitations to allow SMEs and non-levy paying companies to access FWDF.	Mentoring schemes with older workers leaving the workforce to help retain knowledge and skills.
Greater support for disadvantaged groups to access digital training.	Cultivate a system change to achieve even greater refocus of FE priorities and parts of HE to meet the skills needs of businesses.
Ensuring a comprehensive review of Labour Market Information and skill predications and accelerating the pace of skills alignment	Match skills training to meet the demand/skills employers require in this 'new world'
Enhance the scale and support on offer from Individual Learning Accounts.	Scale up resources for PACE
Accreditation for short training courses.	
Minimise Long Term Rise in Unemployment	
Scotland's Big (virtual) Parents' Evening – to support messaging throughout summer 2020 to parents and young people	Employability Schemes re-introduced which provide work experience for under 25s to include essential employability skills
Work inspiration for those who opt to remain at school in academic year 2020/21.	A programme for skills matching to allow those with work experience but no formal qualifications to match experience on to a qualifications framework and receive recognition for acquired skills
A bursary scheme to help those who might have financial difficulty to access education	Scottish Government to lead, Social Security Scotland, local authorities & Third Sector to review additional measures to support threat to long term unemployed and vulnerable groups.
Increase support for schemes that mentor young people and help to develop enterprising skills particularly focussed on areas of deprivation	Introduction of a tax rebate to allow business to create some training models accordingly -similar to R&D
Demand Stimulation & Job Creation	
Labour demand stimulus package (hiring subsidies/direct job creation).	Ensure Scottish firms have a greater role in public sector infrastructure projects.
Tailored business support for SMEs to help them retain staff and enhance productivity.	Increasing the food and drink produced in Scotland

Flexibility on the City Regions Deals to support the recovery.	Scope to drive forward the £9bn digital infrastructure programme
Collaborative agency support to help SMEs move to new business models, linking to support from trade bodies.	Low carbon investment
Targeted digital skills support to help businesses seize opportunities during the recovery.	A government backed campaign to encourage people to shop local, staycation and invest their money back into local economies
Shorter supply chains involving more Scottish firms.	Access to loan funding which is backed by the Scottish Government
Review of city and growth deals to take account of the green and circular economy to promote this as part of the economic recovery e.g. capital programmes to better insulate homes	
Other	
Incentivise the promotion of Fair Work Principles and offer a grant to support employers to achieve this	Remove benefit penalties for volunteering/work experience
Build all interventions to be rooted in equalities from the outset rather than retro fitted	Targeted support for young people in rural areas to learn to drive
Additional support for those who may find working from home a challenge e.g. Digital inequality	To encourage young people to remain within rural areas, employers should be given financial assistance to employ and train school leavers and our colleges should be incentivised to provide a greater range of courses which are driven by local labour market demands.
Financial assistance and business coaching to help young people set up micro businesses	Improved connectivity for rural areas.

Annex F: Summary Assessment of Short-listed Options

The sub-group undertook a qualitative assessment on the shortlisted options. This reflects the time constraints the sub-group was working under which meant a detailed cost-benefit analysis of each option was not possible. Furthermore, with imperfect information the sub-group had to use its judgement when undertaking the assessment.

The following criteria was used to assess each option:

1. Deliverability: Given the need for urgent action, can the option be delivered quickly in order to mitigate the large rise in unemployment expected in the second half of 2020.
2. Affordability: of the option in light of the current budget challenges and the expectation that resources should be maximised within the existing enterprise and skills system.
3. Value for money: Based on the range of current evaluation evidence, including lessons from past recessions, to what extent does the option offer value for money.
4. Private sector buy-in: For most options there will need to be private sector buy-in to avoid undertaking a range of training and support which will not result in people securing employment.
5. Impact: what is the expected overall impact of the option, recognising the scale of the rise in unemployment expected in the coming months.

A traffic light system was used to assess the extent to which the option met the criteria: green = high; amber = medium; and red = low. A summary of the assessment undertaken, and the overall judgement of each option is included in the following table.

Following this assessment, some of the options were merged.

Table 6: Assessment of options

Option	Deliverability	Affordability	Value for money	Private sector buy-in	Impact	Overall assessment
Top Priorities for Immediate Action						
1. Business assistance to support employee retention	G	G	G	G	G	This is an affordable option which can, alongside other measures, help support Scottish businesses to retain staff and recover.
2. Introducing a Social Responsibility Clause	G	G	G	A	G	This low-cost option could have an immediate impact and would be straightforward to deliver.
3. Helping vulnerable young people into employment	G	G	G	G	G	This is a priority area which will help mitigate the rise in long-term unemployment.
4. Innovations to Maximise options for Apprentice and other Trainee Retention, Recruitment and Learning	G	A	G	G	G	This is a priority area as it will not only mitigate the rise in unemployment but will support the reskilling necessary for people to successfully transition into a different sector.
5. Scale Up – PACE Plus to offer skills assessment, job search and training advice to redundant workers	G	A	G	A	G	This is a priority area and will be vital in helping the large scale of people facing redundancy.
6. Colleges & Universities & private training providers provide rapid, short, sharp courses, developed in partnership with industry, that will enable those unemployed to transition	A	G	G	G	G	A priority area but more work required to understand how this can be scaled up to meet expected demand (both from

rapidly from declining sectors/jobs into growth jobs. Colleges and universities to support young people into purposeful learning and training.						individuals and business). Up to date and robust LMI is needed to enable decisions on the courses to be offered.
Important Actions to be Taken Forward by Other Groups Supporting the Recovery						
7. Ongoing Fiscal Support for private employers	A	A	A	G	G	Option feeds into aspects covered by other groups supporting the recovery. The case is likely to be stronger from these groups, therefore this should not be a top priority action from the sub-group.
8. Social Responsibility	G	G	G	A	G	This low-cost option could have an immediate impact and would be straightforward to deliver.
Further Actions to be Considered Further by the Sub-group Over the Summer						
9. Incentives to Employers for employment of trainees	A	R	A	G	G	This would play a key role in mitigating unemployment rises but would need significant additional resource (potentially dependent on announcement from UK Government).
10. COVID-19 Transition Training Fund (aggregate all programmes in single COVID 19 fund; TTF, ITAs, bursaries etc.)	A	A	A	G	G	A priority area but need to consider how best to deliver this to ensure the right support is provided in the right places.
11. Maximise graduate apprenticeship provision with pathways to employment. Focus on sectors & jobs that will support economic recovery.	G	G	G	G	G	This should be part of the recovery, although unclear at this stage on the scale of gaps which could be successfully filled by Scottish students.
12. Further creation and growth and demand stimulus						Assessment to be completed
Options Fed into Advisory Group on Economic Recovery						
1. Continuation of furlough scheme in some form 2. Business Gateway – Enterprise Agencies to target support						No assessment necessary

- | | |
|--|--|
| <ol style="list-style-type: none">3. Rescue & protect strong but vulnerable businesses by creating equity matching service/government funded body4. Accelerate digital transformation of SMEs & micro businesses by investment in broadband infrastructure upscaling5. Accelerate infrastructure investment for job creation and long-term competitive advantage e.g. Digital fast broadband across Scotland6. Bring forward investment in green projects – such as £10-12 billion programme for retrofitting energy efficiency into homes – to create construction jobs and accelerate transition to net zero carbon7. Capital investment programme to enhance job creation and balance Scotland e.g. Improved transport links8. Explore import substitution – export more aggressively with focus initially on UK upscale opportunities9. Tax/voucher rebate on R and D that has a commercial business case10. Incentivise banks to support business start-ups and expansion in local economy -11. Support to revisiting procurement criteria to increase weighting on domestic market provision12. City Deals – accelerate known projects or repurpose some of funding to support initiatives that have job creation projects or support high risk businesses e.g. build outdoor covered public spaces for use by restaurants and bars to expand capacity during social distancing | |
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