

Board of Management

Date of Meeting	Wednesday 7 December 2016
Paper No.	BoM3-H
Agenda Item	12
Subject of Paper	Scotland's Labour Market Strategy
FOISA Status	Disclosable
Primary Contact	Paul Little, Principal and Chief Executive Julia Henderson, Director of Corporate Support
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Action	For information

1. Recommendations

The Board is asked to note the attached summary paper for information.

2. Purpose of report

To provide the Board with an overview of Scotland's Labour Market Strategy.

3. Overview

Scotland's Labour Market Strategy, published on 26 August 2016, provides a framework for the Scottish Government's (SG) approach to the labour market. It describes the actions they will take and how their approach to the labour market will help to drive inclusive growth.

This strategy sets out for the first time how our labour market and wider social and economic policies interact to drive ambitions for inclusive growth. It provides a framework for SG's approach to the labour market, and describes the actions they will take to deliver their vision.

This paper gives an overview of the strategy and draws out elements of key relevance and opportunity for the College, particularly as we deliver our new and innovative strategic plan.

4. Impact and implications

The Strategy recognises the need to anticipate future trends and economic or societal changes and to be able to adapt and react to them quickly. The Strategy identifies that issues such as automation and digitisation will have a significant impact over the next few decades. This will mean that the demand for skills and occupations will change as businesses and sectors adapt. We understand the need for the College to be innovative and adaptive in the face of known and unknown disruption and to ensure that we can play a full and valuable part in inclusive, sustainable growth.

Scotland's Labour Market Strategy

Executive Summary

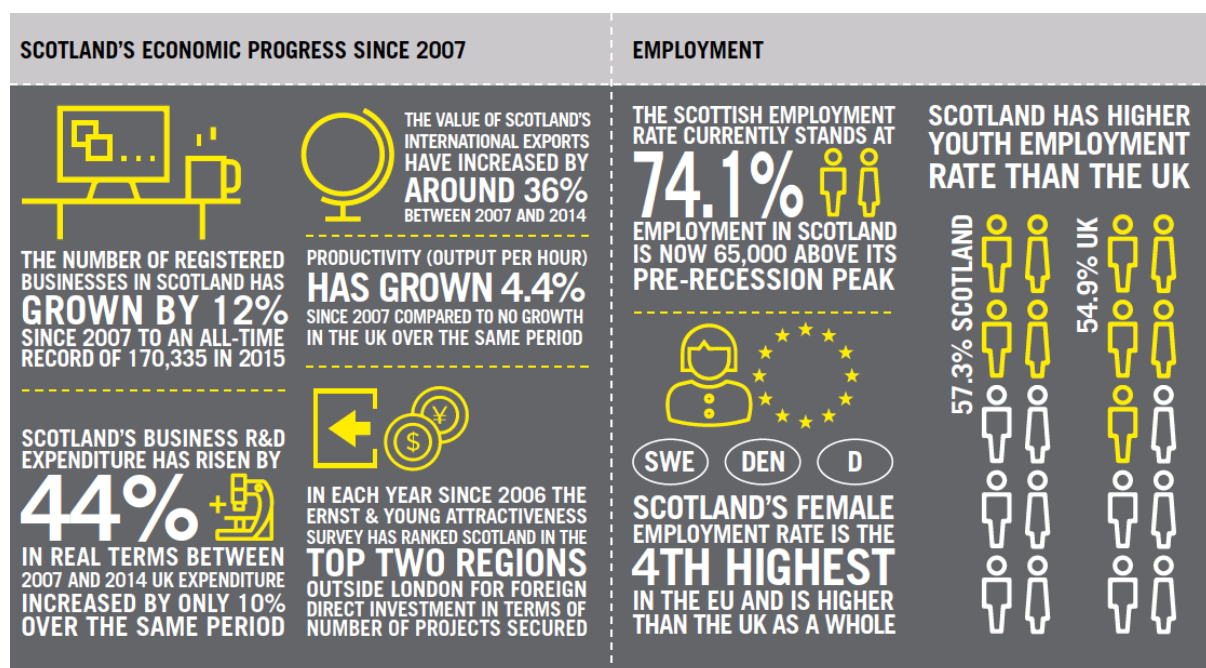
Scotland's Labour Market Strategy, published on 26 August 2016, provides a framework for the Scottish Government's (SG) approach to the labour market. It describes the actions they will take and how their approach to the labour market will help to drive inclusive growth.

This strategy sets out for the first time how our labour market and wider social and economic policies interact to drive ambitions for inclusive growth. It provides a framework for SG's approach to the labour market, and describes the actions they will take to deliver their vision.

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Vision and purpose

The Scottish Government's vision is for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.



Understanding the key challenges facing the labour market

Some challenges are long-standing, some have been exacerbated by economic recession and some are more immediate. Key challenges include:

- improving the **quality of employment**, in terms of hours, earnings, and security;

- addressing the '**hollowing out**' of the labour market, a trend seen in many other advanced economies, whereby the number of middle income jobs has been reduced and jobs have become more polarised on either side of the income scale;
- **improving productivity**. Despite a rise in real terms the gap between Scotland and the top performers remains largely unchanged;
- **tackling inequalities between regions and groups** in Scotland. The unemployment rate varies widely across local authorities, from 2.6 per cent in the Shetland Islands to 8.7 per cent in Dundee City. Employment rates for minority ethnic communities and disabled people are lower than the Scottish average and a gender pay gap persists despite some reduction in the size of the gap; and
- responding to the **structural shifts in the economy** experienced in many advanced economies, away from manufacturing and towards generally lower pay services sectors.

In addition to these challenges, the nature of work is changing; globalisation, technological change and automation as well as demographic changes will all influence the labour market of the future. We also face the continuing possibility of further sudden major economic changes which could impact on the labour market. We must be able to adapt to such changes.

How we will deliver inclusive growth



The diagram shows how SG will deliver **inclusive growth** with activity in five priority areas:

1. promoting the **Fair Work Framework and encouraging responsible business** to create a fair and inclusive jobs market that is resilient, innovative and sustainable over time;
2. supporting **employability and skills**, so that all of our people, regardless of background, have the opportunity and can develop the skills required to participate successfully in the labour market;

3. **investment** in our people and our infrastructure in a sustainable way that improves connectivity between people and places and access to labour markets, raises skills, promotes inter-generational social mobility and tackles inequality of opportunities;
4. fostering a culture of **innovation** which goes beyond research and development, where innovation spurs on job creation, creates high-quality and skilled jobs across our labour market and where workplace innovation boosts the productive capacity of our business and employees; and
5. promoting Scotland on the **international** stage and improving the competitiveness of our businesses to boost our trade and investment.

A shared agenda

Whether through local or national government, health or education, everything the public sector does impacts on the economy. What happens in the labour market can be impacted by a range of interventions such as: investment in our physical and digital infrastructure; improving health outcomes; provision of good quality housing; improving attainment and access to further and higher education; providing opportunities for skills; how we operate our tax and welfare systems; or extending early years child care.

Inclusive growth

Scotland's workforce must continue to be dynamic and able to adapt to emerging opportunities in the labour market; this is a key factor behind inclusive growth. To achieve this dynamism and adaptability the following issues need to be considered:

- **the challenges facing women, the young workforce, disabled people, older people and minority ethnic communities.** SG's aim is to enable equal access to an increased range of opportunities while challenging bias and systemic institutional barriers;
- tackling inequalities in **health, wellbeing and education** across Scotland, **including widening access to Higher and Further Education;**
- promoting **gender equality in providing unpaid care** and providing access to affordable early learning and childcare to support those with caring responsibilities to participate in the labour market;
- ensuring that the **workforce is adequately equipped with the skills businesses need**, both now and in the future. Skills formation and development is important at all ages. Quality early learning is essential to build basic skills, as is formal education and lifelong learning. Scotland has a highly-skilled workforce, with the highest percentage of the population with tertiary education of all EU countries. However, there is evidence of both skills shortage and underuse. Addressing this requires government to work with employers to help them retain their workforce through continued training, workplace learning and up-skilling;
- employers and industry leads are also essential in **establishing their skills requirements** to ensure our approach is shaped, informed by, and meets current and future employer demand;

- the growing integration of technology into jobs and workplaces across all sectors of the economy requires a workforce with a range of specialist as well as general digital skills. We must also ensure that our population is equipped with the necessary **digital capabilities, qualifications and specialisms, as well as the leadership and management skills to take advantage of emerging opportunities.**

Trends shaping UK jobs and skills

The Strategy recognises that we need to take account of the evolving economy and societal change if we are to ensure our labour market remains resilient and adaptable to the future needs of both employers and of workers.

In its 2016 report on ***The Future of Work: Jobs and Skills in 2030***, the UK Commission for Employment and Skills identified a range of trends that would shape future jobs and skills up to 2030 such as:

Societal change:

- desire for an improved work/life balance and changing work environments, potentially leading to a further increase in flexible working arrangements, with 57 per cent of employees saying flexible working is important to them;
- changing demographics, which project a continuously ageing population, leading to workplaces becoming increasingly multi-generational;
- growing diversity, such as women being projected to take a larger share of net job growth in the next decade and an increase in multiculturalism in the workplace; and
- growth in income uncertainty, with income not expected to return to peak (2009) levels until the next decade and inequality in income.

Technology and innovation:

- converging technologies and cross-disciplinary skills, such as the increasing use of digital technology like bioinformatics in sectors such as Life Sciences;
- digitalisation of production, meaning production no longer has to be factory centralised. This de-centralisation of production could lead to increases in employment by 100,000 to 200,000 by 2023 (UK);
- ICT Development and 'big data', with ICT development characterised by performance increases. The amount of data produced by the digital economy is ever increasing and the analysis of this data has the potential to contribute to increased business efficiency; and
- the increasing automation through technological advance in processes and services in many workplaces, especially in professional tasks, could dramatically reshape the labour market in the future.

Business and economy:

- due to globalisation and technological change, economy and financial systems are increasingly complex. Companies will need to make their activities and value chains more resilient to cope with uncertainty;
- economic power will continue to shift to Asian countries. If current trends continue, India and China will account for 40 per cent of all young people with a degree in G20 and OECD countries - with the US and Europe accounting for just under 25 per cent. At the same time Asia presents important growth opportunities for Scottish firms as well as offering **increased opportunities to develop educational links**; and
- it is anticipated that collaboration across businesses will be increasingly important in future. Around 40 per cent of global CEOs expect the majority of **innovation in the future to be co-developed with partners outside the organisation**.

Public sector workforce planning:

- The nature of employment demand across the public services workforce will change in the coming years as a result of key policy commitments.
- The most significant new employment demand will come in the health and social care sector.

Scottish Government's response to disruption

The Strategy recognises the need to anticipate future trends and economic or societal changes and to be able to adapt and react to them quickly.

The Strategy identifies that issues such as automation and digitisation will have a significant impact over the next few decades. This will mean that the demand for skills and occupations will change as businesses and sectors adapt. This Strategy, and the subsequent outcomes from the Enterprise and Skills Review, will allow SG to take forward the analysis of future trends and help employers respond to them positively, with the support of the Strategic Labour Market Group.

Delivering the Change

The Scottish Government identifies a number of **challenges** in delivering their strategy including:

- **improving the quality of employment;**
- **improving productivity and competitiveness;**
- **tackling inequalities between regions and groups; and**
- **responding to structural shifts in the economy.**

This is not an exhaustive list, none of these challenges is simple and they are all inter-connected.

The **strategy** and **vision** is underpinned by **five priorities** (as set out on page 2 and in the associated diagram):

1. **Promoting the Fair Work Framework and Responsible Business;**
2. **Employability and Skills;**
3. **Investment;**
4. **Innovation; and**
5. **Internationalisation.**

The Scottish Government has set out **specific actions under these priorities**; the most relevant to the college sector and to our College include:

- ensuring that the number of full-time equivalent college places is maintained;
- ensuring college **Outcome Agreements** continue to improve the progress of colleges in meeting the needs of their students and communities, providing a better service for employers, becoming stronger, more strategic, regional players as part of an efficient and effective education system;
- continuing to invest in **higher education** provision throughout Scotland, ensuring that access to higher education remains free for Scottish domiciled students taking their first undergraduate degree.
- piloting a programme with the **University of Highlands and Islands** and its college partners to deliver thousands more additional funded places per year from 2012-13 to 2015-16 to address demographic imbalances in the Highlands and Islands.
- preparing young people for the labour market of the future by delivering the seven year reform programme, 'Developing the Young Workforce', to create '**a truly world class vocational education offer**' in Scotland working to address the wider demand for intermediate skills that meets the needs of employers;
- introducing career information, advice and guidance earlier through the Career Education Standard 3-18 which sets out the support young people can expect when considering their future career path;
- improving delivery of our **Modern Apprenticeship** programme, ensuring that the opportunities our young people are given are closely aligned with key areas of growth;
- increasing the number of **Modern Apprenticeship** opportunities to 30,000 per year by 2020 and delivering 5,000 new Modern Apprenticeships in highly skilled areas, improving access to underrepresented groups across Scotland;
- exploring the opportunity to develop a distinctively Scottish approach to the use of Levy funding to both maintain the Modern Apprenticeship programme and also to support wider

skills ambitions;

- encouraging and supporting more employers to engage with education and to recruit more young people through the network of **industry-led DYW Regional Groups**. The establishment of the **Scottish Apprenticeship Advisory Board** also brings much greater direct employer influence to the development of apprenticeships in Scotland;
- increasing the numbers of young people getting industry experience while still at school to help them kick-start a successful career and expanding **Foundation Apprenticeships** opportunities for pupils in the senior phase of Curriculum for Excellence;
- continuing to develop Skills Investment Plans and **Regional Skill Assessments** through SDS and using them as the evidence base to inform the **Regional Outcome Agreements** to ensure that the provision of skills and training is geared towards the current and future needs of employers;
- continuing to build on the unique national information sharing arrangements that exist in Scotland to identify, track and monitor 16-24 year olds who need support to get back in to learning, training or work; and
- developing a **Science Technology, Engineering and Maths (STEM) Strategy** that offers young people qualifications, knowledge and training in key economic sectors with skills gaps such as engineering, digital technology, life sciences and construction.

Defining Success and Ensuring Progress

The Scottish Government's vision, as set out in this strategy, is for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.

To achieve the SG's vision they have identified **five interdependent outcomes** that provide the strategic framework against which they will measure and ensure that progress is made within the labour market.

1. **A skilled, productive and engaged workforce capable of meeting the needs of employers.**
2. **Equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential.**
3. **Fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued.**
4. **Low unemployment and high employment.**
5. **An economy that supports a sustainable working population and that can retain and attract new talent, to meet our wider economic and social ambitions.**