



19 August 2020

Mike Cantlay  
Chair  
Scottish Funding Council

Dear Mike

**Scottish Funding Council: Review of Coherent Provision and Sustainability**

SDS welcomes the Scottish Funding Council's Review of Coherent Provision & Sustainability. We appreciate the complexities involved in reforming long standing legacy practises, addressing the financial shocks arising from COVID-19 and ensuring the FE/HE sector is clearly aligned to support Scotland's future economic recovery.

I would like to formally set out the contribution that the SDS Board would like to make in support of your Review as you progress through the various stages:

a) Continue to build upon the collaboration & operational engagement between SFC and SDS in support of skills alignment and maximising the outcomes from available resources. Taking account of the Enterprise and Skills Strategic Board Sub-Group recommendations, the subsequent Scottish Government response and the priority we both place on this ongoing programme of work, Maggie Wightman, our Joint Director of Skills Alignment will continue to implement and execute the 5-stage skills alignment model as agreed by the Deputy First Minister:

1. demand analysis
2. joint provision planning
3. integrated processes for outcome agreements, funding allocations and commissioning
4. co-ordinated and aligned performance management and monitoring
5. review and evaluation (integrated impact and evaluation programme covering immediate and longitudinal outcomes)

There has never been a more important time to work collaboratively in maximising our combined investment to meet the needs of individuals, employers and the economy. The evidence and recommendations from the Skills Alignment programme will be critical in supporting our respective organisations to achieve these important outcomes.

SFC and SDS are currently working in partnership with the Analytical Unit of the ESSB and Scottish Government to develop the Education and Skills Impact Framework (ESIF) which will provide a comprehensive way of measuring both economic and social return on our joint investment and I expect both organisations to continue to prioritise this work.

Building on all of the work undertaken to date, the Director of Skills Alignment will work with SFC and SDS colleagues to ensure this rich evidence is captured and codified as part of your review of coherent provision.

- b) Beyond the extensive evidence captured through our highly collaborative work on skills alignment, I have enclosed a summary of the advice we provided to the Advisory Group on Economic Recovery. This sets out our thinking around the medium-term, strategic drivers and reiterates some of the important systems change we would advocate. In order to manage the inherent uncertainty associated with sustained economic disruption we believe future coherent provision should include a greater balance across four key areas:
1. Protect and sustain academic & research provision with a focus on promoting equality of opportunities for all
  2. Expand the highly innovative, work-based provision (Graduate Apprenticeships) which have demonstrated resilience and early benefits during the COVID-19 crisis
  3. Significantly expand short, sharp industry-oriented provision to meet the needs of unemployed workers to rapidly retrain and return to work in support of Scotland's economic recovery. There are many examples of good practice however the scale and scope of provision does not match the scale of demand which is likely to be a constant feature not just during this crisis but in the future
  4. Significantly expand the provision of certified modular programmes to meet the demands of Scottish workers to constantly upskill & reskill in the workplace. As occupations change, workers will need to access high quality, industry-led provision. There are some excellent examples of industry collaboration, however, the scale and scope need to expand to reflect future demand.

The Organisation for Economic Cooperation & Development (OECD) recently completed an independent review of apprenticeships in Scotland. We would draw your attention to the recommendations of this review. [https://www.oecd.org/skills/centre-for-skills/Strengthening Skills in Scotland.pdf](https://www.oecd.org/skills/centre-for-skills/Strengthening_Skills_in_Scotland.pdf).

Key recommendations include:

### **Rebalance apprenticeship/higher education funding**

Scotland has a skills funding system which is generous to higher education, but relatively unsupportive of apprenticeships, distorting skills provision. Scotland should develop a demand-led apprenticeship funding system, based on an entitlement of apprentices to receive appropriate off-the-job training fully funded by the Scottish Government. The net impact on public expenditure might be close to zero, given that it would imply a rebalancing of participation from higher education to apprenticeships, therefore displacing expensive higher education.

*“A four-year degree at a Scottish university will cost the government around GBP 36 000 (basing this estimate on four years of the fees charged to EU and UK non-Scottish students). By contrast, no Modern Apprenticeship involves a government contribution of more than GBP 10 000, and the vast majority involve a contribution of less than GBP 5 000.”*

### **Role of employers - increase in responsibility**

Under this reform, employers would no longer be obliged to fund any off-the-job training for apprentices. The reform might therefore reasonably be linked to increased expectations on employers to deliver high quality work-based training to apprentices. Compared to some other leading apprenticeship countries, Scotland currently expects relatively little of

employers – for example in terms of the preparation of those staff in enterprises who have direct responsibility for guiding and training apprentices.

### **Investment aligned to industry need**

Qualifications, programmes and the scale and mix of provision all need to be able to adapt rapidly to fast-changing labour market requirements. The mix of provision needs should be driven primarily by employer requirements and student needs, rather than by training providers and other skills delivery institutions. The mix should be modifiable according to strategic policy requirements, such as the desire to increase STEM provision, and to ensure equity in provision. Scotland has addressed these issues in a number of respects, but more needs to be done such as reforming the funding system to ensure the scale and mix of provision responds more directly to the needs of labour market actors.

### **Lifelong learning and supporting the adult workforce**

#### **A non-apprenticeship route to apprentice qualifications**

For experienced adult workers, Scotland should establish direct access routes to the qualifications currently realised through apprenticeship. This would follow the model of other countries and fill a gap in provision. Such routes would not be apprenticeship programmes but would require previous relevant work experience. This approach would also lend itself to the immediate requirements of the COVID-19 crisis, in offering a route to certification for those individuals who have had their apprenticeship programmes interrupted. Scotland will need to grant a greater role for upskilling and reskilling, relative to initial education and training, in developing the skills of its workforce. Apprenticeships are a valid vehicle for upskilling and reskilling adult workers

#### **‘Master craftperson’ qualifications**

For apprenticeship to be attractive to young people, it needs to open up future learning opportunities. This means options for transition to higher education, but it also requires pathways to higher level technical qualifications within a professional field. In the German-speaking countries in Europe, this is partly addressed through the ‘master craftsperson’ qualification. This allows qualified apprentices, often with work experience, to acquire higher level professional skills, learn how to run their own small business, and develop skills in training further apprentices. Scotland should develop such qualifications, starting with a pilot in selected occupational sectors where there is employer support.

#### **E-enabled WBL**

In the coming years, lasting effects could emerge from the current, shorter-term experience of lockdown, social distancing and travel restrictions. This is because many different human and physical systems for working and learning will have adapted to the current constraints, primarily through the use of different online communication tools. There is likely to be a step change in the use of online and virtual platforms for both learning and working. This means that apprenticeships may need to adapt quickly to a world of learning and work in which, increasingly both the workplace and the classroom are virtual rather than physical locations. Some apprenticeships could at least in part become virtual apprenticeships.

#### **COVID-19 specific responses/recommendations:**

- In the short-term, support existing apprentices through programme breaks, supplementary online learning, modified assessments and financial incentives.
- In the medium-term, sustain further apprenticeship recruitment through incentives, and offer alternatives that also provide work-based learning.

- In the long-term, develop a model of apprenticeship that can work with virtual workplaces – virtual apprenticeships.

c) In relation to **Foundation Apprenticeships**, under the lead of the Director of Skills Alignment, SDS & SFC colleagues undertook an initial review of school-college provision within the senior phase. Alongside this review, our teams considered funding models & the demand analysis for future provision & sustainability of FAs. Building upon this work, the Director of Skills Alignment will lead a joint group of SDS & SFC to ensure that this evidence is presented to our CEOs and into the Review.

You will no doubt, also want to take into account the Deputy First Minister's written advice to you and I and consider some of the following;

1. Foundation Apprenticeships represent a highly innovative and enhanced provision for senior phase pupils
2. The managed expansion of Foundation Apprenticeships beyond 5,000 opportunities will be aligned to meeting universal pupil entitlements
3. SDS & SFC will embed the funding of Foundation Apprenticeships into core teaching funds following the withdrawal of European Structural Funds
4. Foundation Apprenticeship frameworks and standards will be overseen by the Scottish Apprenticeship Advisory Board
5. SDS & SFC will work together to take forward the future joint planning, funding and delivery model for Foundation Apprenticeships

d) In relation to **Graduate Apprenticeships**, under the lead of the Director of Skills Alignment, SDS & SFC jointly reviewed the funding model and the demand analysis for future provision and sustainability. Building upon this work, the Director will lead a joint group of SDS & SFC colleagues to ensure that this evidence is presented to our CEOs and into the Review.

You will also want to take into account the Deputy First Minister's written advice to you and I and consider some of the following;

1. Graduate Apprenticeships provide a very welcome route for pupils and older workers to complete a degree level qualification, while working and contributing to the Scottish economy
2. The managed expansion of Graduate Apprenticeships will be fully aligned to employer demand and the future skill needs of the Scottish economy
3. SDS & SFC will embed the funding of Foundation Apprenticeships into core teaching funds following the withdrawal of European Structural Funds
4. Graduate Apprenticeship frameworks and standards will be overseen by the Scottish Apprenticeship Advisory Board
5. SDS & SFC will work together to take forward the future joint planning, funding and delivery model for Graduate Apprenticeships

e) SDS colleagues are liaising with SFC colleagues to help amplify the views of employers, industry and industry bodies.

f) SDS colleagues are liaising with SFC colleagues to help amplify the views of end customers in the form of learners and recent graduates. During this crisis, understanding

and supporting positive transitions into sustainable and meaningful employment will be increasingly important for all.

- g) Given the critical role of the Scottish Apprenticeship Advisory Board you will want to engage directly with industry members to seek their views around the coherent provision and sustainability of Foundation and Graduate Apprenticeships.






We are committed to working with you to help inform each phase of the Review with robust evidence and enriched insights, so that our future skills provision puts Scotland's people at the heart of our economic ambitions.

Yours sincerely



**Frank Mitchell**

**Chair, Skills Development Scotland**

Mid-distance drivers	 Demographic trends	 Brexit	 Industry 4.0	 Net zero carbon	 Nature of work
Insights	<ul style="list-style-type: none"> <li>Shrinking working age population – down 116k by 2035</li> <li>Rising dependency ratios</li> <li>Rural de-population</li> </ul>	<ul style="list-style-type: none"> <li>90% of population growth due to immigration</li> <li>New restrictions</li> <li>Recessionary effects on economic growth</li> </ul>	<ul style="list-style-type: none"> <li>Constant disruption</li> <li>Recurring occupational change</li> <li>New business models</li> <li>Shifting economic competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>New green jobs</li> <li>Retrofit heating</li> <li>Smart grid infrastructure</li> <li>Renewables growth</li> <li>Transport revolution</li> </ul>	<ul style="list-style-type: none"> <li>New working patterns</li> <li>Split working</li> <li>Remote &amp; digital locations</li> <li>Productivity tools</li> <li>New definition – employed/unemployed not relevant</li> </ul>
Opportunity / threat	<ul style="list-style-type: none"> <li>War on talent</li> <li>Maximise all talent &amp; skills available in Scotland</li> </ul>	<ul style="list-style-type: none"> <li>Incentivise young workers to stay</li> <li>Talent attraction</li> <li>Quality of living</li> </ul>	<ul style="list-style-type: none"> <li>Upskilling &amp; reskilling</li> <li>Revolutionise ‘in-work’ skills &amp; learning</li> <li>Agile, short sharp courses</li> </ul>	<ul style="list-style-type: none"> <li>Invest in new skills aligned to digital &amp; zero net carbon</li> <li>Accelerate infrastructure investment</li> </ul>	<ul style="list-style-type: none"> <li>Digital literacy</li> <li>Agile &amp; mobile</li> <li>Meta skills</li> <li>Constant learning &amp; relearning</li> </ul>
Systems change	<ul style="list-style-type: none"> <li>Population matters for economic growth</li> </ul>	<ul style="list-style-type: none"> <li>New economic vision</li> <li>Focus on population growth</li> <li>Rural de-population crisis</li> </ul>	<ul style="list-style-type: none"> <li>Agile, adaptive resilient workers</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate investment in transition to zero net carbon</li> <li>Be the world leaders as we were in oil &amp; gas</li> </ul>	<ul style="list-style-type: none"> <li>Re-imagine work</li> <li>Split working</li> <li>Scottish ‘<i>Kurzarbeit</i>’</li> <li>Workplace Innovation</li> <li>Progressive leadership</li> </ul>

# A Human Future

Agile, Adaptive, Resilient

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**Skills Development Scotland**

Submission to Benny Higgins, Chair Advisory Group on Economic Recovery

June 2020

# Top five recommendations

## Compelling Economic Vision



- Scotland needs a compelling economic vision to drive economic recovery, growth & prosperity at a pace & scale never previously achieved
- Currently ca. 2m of Scotland's 2.5m workers earn £45k or less & 1m workers earn between £24k - £14k. That's before COVID-19.
- Skills investment & 'good' jobs are derived from industry demand and a high performing economy
- The work of the Advisory Group on Economic Recovery is critical in determining future skills investment & good jobs

## A fundamental restructuring and rebalancing of Scottish skills investment is required



- Greater skills investment aligned to industry needs; supporting economic recovery & new economic vision. Despite ca. £1.8bn investment in skills we had persistent skills shortages sitting alongside graduate under employment, pre-COVID-19
- Fundamental rebalance of provision towards a mixed model of; work based learning; traditional undergraduate provision; rapid upskilling & reskilling
- Make space for agility & responsiveness

## Empower Scottish workers to commit to personal 'upskilling & reskilling'



- 'Skills Wallet' to incentivise workers to upskill
- Stratified entitlements based on economic & skills needs
- Enable more rapid transition from declining occupations to areas of growth, in advance of disruption

## Create a National Workforce Academy



- Aggregate & commission industry led content on 'open – platform'
- Breadth of learning for all types of transition training; bite sized; short sharp 10-week courses
- Facilitated by tutorial support; learning performance assessment; accredited to SCQF qualifications
- Leverage the assets of FE colleges; Universities; private providers

## Meta-skills



- Invest in agile, adaptive & resilient workers
- Enrich all learning with a greater emphasis on applied learning
- Consolidate capacities across the META skills of; problem solving; critical thinking; creativity; collaboration; communication