



The Scottish Parliament
Pàrlamaid na h-Alba

Published 13 November 2020

SP Paper 853

8th Report (Session 5)

Economy, Energy and Fair Work Committee Comataidh Eaconamaidh, Lùth is Obair Chothromach

COVID-19: impact on businesses, workers and the economy and pre- budget scrutiny



Published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish Parliament website at:
<http://www.parliament.scot/abouttheparliament/91279.aspx>

For information on the Scottish Parliament contact Public Information on:
Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot

Contents

| | |
|---|-----------|
| Section one- Background and impact on businesses | 1 |
| Initial economic impact estimates | 2 |
| COVID-19 - business support | 3 |
| Impact on businesses | 6 |
| Supply chains | 8 |
| Data | 8 |
| Sectors | 10 |
| Regions | 12 |
| Debt | 13 |
| Section 2 - Enterprise and local economic development agencies | 15 |
| Enterprise agency activity | 15 |
| Enterprise agency response to COVID-19 - evidence | 16 |
| Process | 16 |
| Consulting businesses | 17 |
| Alignment | 18 |
| A place-based approach | 19 |
| Regional selective assistance (RSA) | 20 |
| Local economic development response | 21 |
| Role of local authorities in delivering COVID-19 business support | 23 |
| BUDGET | 24 |
| Enterprise agency budgets | 24 |
| Scottish Enterprise budget | 24 |
| Commitment of funds | 25 |
| Highlands and Islands Enterprise budget | 28 |
| South of Scotland Enterprise Agency budget | 28 |
| Targets - Scottish Enterprise | 29 |
| Highlands and Islands Enterprise | 30 |
| South of Scotland Enterprise | 31 |
| Targets - conclusion | 31 |
| Scottish Growth Scheme | 31 |
| SNIB: Role in COVID-19 recovery | 32 |
| Long-term approach | 32 |
| Working with wider economic development ecosystem | 33 |
| Brexit | 34 |

| | |
|---|-----------|
| Section 3 - Economic recovery | 36 |
| Background | 36 |
| Advisory Group on Economic Recovery (AGER) | 36 |
| Evidence on economic recovery | 38 |
| Wellbeing and green economy | 39 |
| Role of procurement in economic recovery | 41 |
| Economic recovery - measuring outcomes | 42 |
| Section 4 - Impact on young people and the labour market | 44 |
| Background | 44 |
| Views of young people | 45 |
| Regional impact | 46 |
| Labour market evidence | 50 |
| Government policies | 51 |
| Advisory Group on Economic Recovery report and the Young Person's Guarantee | 52 |
| Response to the Young Person's Guarantee proposal | 54 |
| Incentives for employers | 55 |
| Costs | 56 |
| Community Jobs Scotland | 57 |
| Developing the Young Workforce | 58 |
| Enterprise and Skills Strategic Board sub-group on labour market impacts | 59 |
| Impact of the COVID-19 crisis on graduate recruitment | 61 |
| ScotGrad Programme | 61 |
| Role of universities and colleges | 62 |
| Apprenticeships | 63 |
| Recruitment and retention | 63 |
| Graduate and foundation apprenticeships | 64 |
| Work experience | 65 |
| Adopt and apprentice scheme | 65 |
| Impact on the wider labour market | 66 |
| Female workers | 67 |
| PACE | 67 |
| Wider labour market policies | 68 |
| Labour market - budget | 69 |
| Not just any job | 69 |
| Role of procurement in incentivising the employment of young people | 70 |
| Financial impact on young people | 71 |
| Executive summary | 71 |

| | |
|--|-----------|
| Impact on businesses | 72 |
| Enterprise and local economic development agencies and the Scottish National Investment Bank | 72 |
| Economic recovery | 74 |
| Impact on young people and the labour market | 75 |
| Annex A - Minutes of Meetings | 77 |
| Annex B - Written Evidence | 81 |

Economy, Energy and Fair Work Committee

Remit: To consider and report on economy and fair work matters falling within the responsibilities of the Cabinet Secretary for Economy, Fair Work and Culture; matters relating to the digital economy within the responsibilities of the Cabinet Secretary for Finance, and matters relating to energy falling within the responsibilities of the Minister for Energy, Connectivity and the Islands.



<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/economy-committee.aspx>



economyenergyandfairwork@parliament.scot



0131 348 5403

Committee Membership



Convener, Convener
Gordon Lindhurst
Scottish Conservative
and Unionist Party



Deputy Convener
Willie Coffey
Scottish National Party



Colin Beattie
Scottish National Party



Maurice Golden
Scottish Conservative
and Unionist Party



Rhoda Grant
Scottish Labour



Alison Harris
Scottish Conservative
and Unionist Party



Richard Lyle
Scottish National Party



Gordon MacDonald
Scottish National Party



Andy Wightman
Scottish Green Party

Section one- Background and impact on businesses

1. COVID-19 has triggered the most severe economic recession in almost a century. Its impact is being felt by businesses and people across the whole country. The Committee has been carrying out an ongoing inquiry on the impact of the crisis on businesses, workers and the economy.
2. Over the summer, the Committee sought written evidence on four key strands of the inquiry:
 - Impact on businesses and workers
 - Role of the enterprise agencies and SNIB
 - Plans for economic recovery (including scrutiny of the Advisory Group on Economic Recovery (AGER) report)
 - Impact on young people.
3. The Committee would like to thank all those who provided written and oral evidence and attended the focus groups. This evidence was valuable in informing the Committee's ongoing scrutiny of the response to the impact of the pandemic.
4. This is an extremely difficult time for many businesses and workers. They play a central role to life in Scotland, providing vital services and the revenue to fund public services. The Committee would like to thank Scotland's businesses and workers for their resilience and hard work throughout the pandemic and to acknowledge the trying times that many are facing.
5. This is an interim report as the Committee's inquiry is ongoing. This report covers the Committee's work from March to early October 2020; the report is a snapshot in time and does not cover the period after early October. As this crisis continues to evolve, we have not sought to make firm recommendations in every policy area. Over the next two months, the Committee plans to take evidence from witnesses across Scotland to find out the impact in different places. The crisis is affecting regions in different ways; this is explored later in this report.

Initial economic impact estimates

6. From the onset of the pandemic, it was apparent that traditional economic statistics, such as GDP, are not the most useful to gauge impact in the current extraordinary times. They are published with a lag and they are built upon 'sectors' as defined by national accounts rather than type of business activity (which is most relevant for social distancing).
7. The Scottish Government statisticians in response to this challenge developed new monthly economic statistics to track the immediate impact on the economy and to assist decision makers in relation to the response:
 - They have published a [Monthly Business Turnover Index](#) from March 2020 onwards. This is an early indicator of business activity, broken down to Manufacturing and detailed Services sectors, based on the survey data used for GDP
 - They have also published [estimates of Monthly GDP](#), which are a flash estimate of changes in output across the whole economy. Results are available shortly after the release of the equivalent UK monthly GDP statistics, at around 45-50 days after the reference period.
8. The latest estimates from the [State of the Economy](#) report (29 September 2020) forecast that in the short term the central scenario is for economic output in Scotland to fall 9.8% in 2020, broadly in line with the Bank of England's projection for the UK, while unemployment in Scotland may peak at around 8.2% in the fourth quarter. Recovery in the medium-term is still expected to be gradual with economic activity returning to pre-crisis levels by the end of 2023.
9. [Data](#) published at the end of September show that while economic output remains 10.7% lower than pre-pandemic levels, the Scottish economy grew for the third consecutive month in July, at 6.8%, and has now recovered more than half the fall in output we saw in March and April.
10. Headline [labour market measures](#) of employment and unemployment have held up primarily as a result of the substantial Government support through the furlough scheme. In June, around 32% of Scotland's [workforce was furloughed](#), which gradually fell to around 15% at the end of August, equivalent to around 217,000 jobs, with 67.2% of businesses with a presence in Scotland reporting having staff on furlough leave.
11. Looking forward, the [State of the Economy](#) report stresses global economic uncertainty remains high, and risks to the outlook are very much skewed to the downside. Trading conditions, particularly for those sectors that have been disproportionately impacted, remain extremely challenging with many operating at reduced levels of capacity and facing ongoing cashflow challenges. This is reflected in wider labour market indicators with businesses reporting reductions in staffing levels and downward pressure on wages to adapt to lower levels of demand. The variation in how sectors are faring is striking and recovery is likely to be slow for many parts of the economy.

12. There is great uncertainty around future economic estimates with significant negative risks from further waves of coronavirus cases (domestic and global) and further local and international restrictions, as well as a possible failure to agree a trade deal with the EU.

COVID-19 - business support

13. During the crisis, both governments have offered various packages of business support to address the impact on businesses and economic activity. Comprehensive measures were needed to protect businesses and individuals during the crisis.
14. The Committee has heard evidence about support for businesses; as this is a fast-moving crisis, many of the issues raised early in the inquiry have already been addressed or superseded. Given this, the Committee is not seeking to make recommendations in relation to the type of business support on offer, but the report does cover business support processes and the role of economic development agencies in providing support.
15. At the time of writing this report (October 2020), the following business support had been made available. The Scottish Government's initial response introduced a package of measures worth £2.3 billion to support businesses. This has included:
 - 100% rates relief for properties in the retail, hospitality, leisure and airport sectors
 - 1.6% rates relief for all non-domestic properties across Scotland
 - a local authority-delivered Business Support Fund with grants. These funds are now closed and the most recent data show local authorities reported that over 106,000 applications have been received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of these applications, over 90,000 grants valuing over £1,014m have been awarded.
 - Pivotal Enterprise Resilience Fund £120 million
 - Newly self-employed Hardship Fund (incl. £3m re-purposed from 15 June to support Bed and Breakfasts) £34 million
 - Creative, Tourism, Hospitality Enterprises and Hardship Fund £30 million
 - a package worth £60 million agreed with the water industry to help businesses facing difficulties with water charges during the outbreak
 - an initial package of more than £5 million for the fishing industry to help more than 650 vulnerable seafood fishing vessels
 - a £10 million scheme will provide financial support for seafood processors
 - a £3 million scheme for around 100 businesses which make a full time living from shellfish growing and trout farming
 - a £3.5 million package to help large sea fishing vessels.

- two tourism funding packages, worth £15 million - £1 million grant available for self-catering businesses and £14 million Hotel Recovery Programme.
16. Furthermore, in June the Scottish Government announced a £230 million economic stimulus package. Initiatives cover construction, low carbon projects, digitisation and business support. It is funded by the reallocation of underspends from schemes interrupted by COVID-19. New projects featured in the package include:
- £51 million for business support, including boosting high growth companies
 - £78 million for construction, including £40 million for regeneration projects and £20 million for roads maintenance
 - £66 million to kick-start green recovery, including £7 million to equip buses for physical distancing and the return to work
 - £35.5 million for digitisation, including justice and education services.
17. According to Audit Scotland business support announcements from the Scottish Government have totalled £3,272 million (as of 31st July), as detailed in the table below.¹

| Business support measures | Costing (£m) |
|--|--------------|
| Business support grants (total cost) | 1,202 |
| Business rates relief (total cost) | 875 |
| Pivotal Enterprise Resilience Fund | 120 |
| Newly Self-Employed Hardship Fund | 34 |
| Creative, Tourism & Hospitality Enterprises Hardship Fund | 30 |
| Bridging bursaries fund | 1 |
| Scottish Water Support for Business Water and Sewerage Bills | 60 |
| SME Housebuilders Emergency Loan Fund | 100 |
| The Private Rent Sector Landlord Covid-19 Loan Scheme | 5 |
| Support for reopening zoos | 3 |
| Total support for seafood and fishing industry (3 funds) | 23 |
| Return to work package | 230 |
| Community and Renewable Energy Scheme and Low Carbon Infrastructure Programme | 6 |
| Energy Transition Fund | 62 |
| Support and economic stimulus for Scottish newspaper industry through additional marketing spend | 3 |
| Investing in Scotland's entrepreneurs and innovators | 38 |
| Agriculture loan scheme | 340 |
| Charity sector | 110 |
| Tourism and cultural sector (in addition to business support grants) | 31 |
| Total SG business support announcements | 3,272 |

18. In addition to the schemes introduced by the Scottish Government, Scottish businesses can also access a number of UK-wide schemes that have been introduced (and funded/guaranteed) by the UK Government. As these are UK-wide schemes, the Scottish Government does not receive Barnett consequentials in relation to them as Scottish businesses can benefit through applying directly for the relevant support. Up to October 2020, UK Government schemes and support measures that could be accessed by Scottish businesses included:
- A Self-Employment Income Support Scheme that will pay self-employed individuals up to 80% of their profits for three months, up to a £2,500 per month cap. The scheme will not apply to those who operate under a company structure and take dividends

- A Coronavirus Business Interruption Loan Scheme that will see banks offer loans of up to £5 million to support small and medium size enterprises (SMEs). The Government will cover the costs of interest on these loans for the first six months. The scheme was extended to larger businesses from 20 April
 - The Bounce Back Loan Scheme helps small and medium-sized businesses to borrow between £2,000 and £50,000. UK Government guarantees 100% of the loan and there won't be any fees or interest to pay for the first 12 months. Loan terms will be up to 6 years. No repayments will be due during the first 12 months
 - A Coronavirus Job Retention Scheme that will see HMRC pay 80% of "furloughed" workers' wages, up to a £2,500 per month, currently for up to 4 months starting from 1 March 2020, but it may be extended if necessary and employers can use this scheme anytime during this period
 - The Job Support Scheme expanded to support businesses across the UK required to close their premises due to COVID-19 restrictions; the UK Government will pay two thirds of employees' salaries and cash grants for businesses required to close in local lockdowns have been increased to up to £3,000 per month
 - Statutory Sick Pay (SSP) costs for businesses with fewer than 250 employees will be met by the UK Government in full for up to 14 days per employee
 - A COVID-19 Corporate Financing Facility (CCFF) for large businesses
 - Tax deferrals are available on both self-assessment tax returns and VAT returns
 - Up-scaling of HMRC Time To Pay service, allowing businesses and the self-employed to defer tax payments over an agreed period of time.
19. Submissions to the inquiry were received from across Scotland, from Ullapool to Glasgow's pub scene. No sector of Scotland's economy has been left untouched; the Committee has heard from agriculture, health, creative industries, energy, food and drink manufacturing, and construction to name just a few.
20. Some common issues from across the submissions received over the summer included:
- further clarification from the Scottish Government on the guidance on which businesses can continue to operate in compliance with social distancing
 - many are frustrated by the complexity or lack of flexibility in eligibility criteria across support interventions
 - a need for different COVID-19 policy responses between urban and rural areas (e.g. around social distancing and business operation guidance, specific rural funding schemes)

- concern that loans, deferrals (such as VAT) and payment holidays were not adequately supporting businesses as they created short- and medium-term debt that businesses were unwilling to take on with such future uncertainty
 - increased costs associated with social distancing requirements (flexi-plastic at tills, additional signage, additional cleaning, PPE, extra security for marshalling)
 - concerns around the mixed messaging from both the UK and Scottish Governments
 - likely supply-chain impacts, especially if a different pace of reopening across geographies or sectors
 - the need to look at non-domestic rates, planning and procurement as part of support for businesses during the crisis
 - concerns that reduced productivity across the supply chain, due to the pandemic, will lead to gaps in orders for some businesses (such as manufacturing businesses)
 - concerns about the ‘double whammy’ of COVID-19 and Brexit.
21. The Committee commissioned an international comparison of support for business during the crisis from the Institute for Government. As in the UK, the bulk of policies in the countries examined were aimed at helping all businesses survive the initial shock caused by the spread of the virus and, in most cases, extensive economic lockdown. A second set of policies has focused on helping the economy recover and restructure once the threat of COVID-19 wanes.²
22. Many of the schemes covered have been open to all businesses but all the countries in the study also provided some sector-specific support, mainly to those firms that have been hardest hit, usually the travel, tourism or hospitality industries, but also to start-ups, exporting firms and strategically important businesses. All governments have targeted the most generous support at smaller firms. This latter targeting has been justified in most cases by the fact that the majority of employees in those countries work for small and medium-sized enterprises (SMEs) and that those firms had fewer resources to deal with a crisis.³
23. The Committee welcomes the business support made available to date. Given the fast-changing nature of this policy area, we are not making any specific recommendations in this report on the packages offered to businesses. The Committee has corresponded with both the Scottish and UK Governments on issues with business support. That correspondence can be found [here](#). In this report, the Committee will explore evidence from businesses on support measures going forward. The Committee has also looked at the delivery of support.

Impact on businesses

24. FSB Scotland’s Scottish small business confidence index for Q3 2020, published in October, found that:

- almost a quarter of Scottish business owners (24%) believe that conditions for their business will get much worse over the next three months, a fifth (19%) believe they will get slightly worse;
 - over half (53%) of the Scottish businesses surveyed reported a drop in revenue growth; a similar share (49%) expect revenues to fall next quarter;
 - on a UK-wide basis, one in four (25%) small firms said that they have reduced headcounts over the past quarter; 29% expect to make redundancies over the coming three months. ⁴
25. Business organisations welcomed the support given by both governments as the crisis has evolved; this has provided a lifeline in many cases. However, they also called for sustained government support for businesses which continue to grapple with the impact of the crisis and for support to continue through the winter and into next year. ⁵ There have been calls for support to be tailored to different sectors and regions. These issues are explored below.
26. A number of witnesses stressed that the UK Government’s Job Retention Scheme is masking unemployment which will come further down the line. In August, Liz Cameron of the Scottish Chambers of Commerce (SCC) said:
- ” It is clear that 35 to 40 per cent of businesses will struggle to bring back all their employees [at that point] and are already planning redundancy consultations and packages. The unfortunate position is that a lot of redundancies will be coming our way in the next few months. ⁶
27. In September, the Cabinet Secretary for Economy, Fair Work and Culture (‘the Cabinet Secretary’) spoke of the need to extend the furlough scheme and argued that this measure would maintain productive capacity, yield tax returns and prevent the costs of unemployment. ⁷ There have been developments with the provision of job retention support since that evidence was given, but the concern remains about redundancies coming down the line. The Committee covers this in the section of the report on the labour market.
28. Giving evidence back in May, Tracy Black of CBI Scotland spoke of the need to work together at this time of crisis:
- ” Protecting lives and livelihoods and initiating full resumption of economic life in Scotland requires true partnership between both Governments— national and devolved—alongside business, employee representatives and other stakeholders. That is how we will successfully manage this complex, multifaceted and unique situation. ⁸
29. The AGER report also highlighted the need for the Scottish Government and the business community to take urgent action to develop a ‘new collaborative partnership on the strategy for Scotland’s economic recovery.’ In its response, the Scottish Government committed to a partnership approach with business, trade unions, the third and voluntary sectors, local authorities and enterprise and skills agencies, that is based on shared ambitions. ⁹

The Committee agrees that working together is key to supporting businesses and workers through the crisis. The Committee believes that it is vital that both governments work with businesses, trade unions and individuals to identify and address any delays or gaps in financial support. It is important that information on funds available, and any gaps, is made available for scrutiny (as discussed below in the section on data).

Supply chains

30. The COVID-19 pandemic has disrupted production for many businesses, leading to supply chain challenges for companies in Scotland. Some businesses told the Committee that getting supplies has been a challenge and this has affected their ability to take advantage of increased demand (for example, in certain parts of the construction sector).¹⁰
31. Speaking to the Committee in June, the Cabinet Secretary explained that the Pivotal Enterprise Resilience Fund (PERF) is for companies that are vital to Scotland's economy, which were viable before COVID-19, but have become vulnerable due to the crisis. She said that companies in supply chains are part of that as they are key to restarting the economy:

” We will not be able to restart if we do not keep productive capacity in supply chains. If companies that have sustained demand and activity cannot function fully, we will not have an integrated economic response.”¹¹
32. Demand for PERF was high and the fund was oversubscribed; there were 5069 applications for PERF and 1763 PERF grants were offered, totalling £121,792,000.
33. In September, the Cabinet Secretary highlighted the work being done by the National Manufacturing Institute Scotland to increase manufacturing self-sufficiency for Scottish supply chains.¹²

Data

34. It is important that data on business support is produced to highlight gaps and scrutinise its reach. Throughout the inquiry, the Committee has emphasised the importance of transparency regarding how funds are being awarded. The Committee asked the Scottish Government to publish detailed data, including the type of business receiving support, to allow the Committee and others to analyse the impact of the funding.
35. Over recent months more data on the uptake and distribution of various business support programmes has become available:
 - [Summary statistics](#) for the Newly Self-Employed Hardship Fund, Pivotal Enterprise Resilience Fund (PERF) and Creative, Tourism and Hospitality

Enterprises Hardship Fund (CTHEHF), and Bed and Breakfasts Hardship Fund (B&BHF) (published August 2020)

- [Grant statistics](#) for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland (initially published in April 2020 and last updated in September 2020)
 - [Coronavirus Job Retention Scheme Official Statistics](#) (published monthly) (only some breakdowns available at a Scotland level)
 - [Self-Employment Income Support Scheme Official Statistics](#) (published monthly) (only some breakdowns available at a Scotland level)
 - [Eat Out to Help Out Scheme](#) - regional data (September 2020)
 - [Coronavirus Business / Large Business Interruption Loan Schemes \(CBILS/ CLBILS\)](#), [Bounce Back Loan Scheme \(BBLs\)](#) and [Future Fund](#) (UK level only from HM Treasury), [regional distribution of loans under CBILS and BBLs](#) (British Business Bank), and [CBILS & BBLs offered by Constituency](#) (British Business Bank).
 - [Covid Corporate Financing Facility](#) (UK level only)
36. In correspondence in May and June, the Scottish Government explained that information on the business support schemes by local authority is being published but that the available data does not provide information broken down by sector.¹³ Although data on local authority grants schemes has not been made available by sector, data on PERF and other schemes is now available.
37. It is also important to establish the reach of business support across different types of business. Women’s Enterprise Scotland (WES) said that the economic and health impacts of COVID-19 will be gendered. They highlighted the need to gather gender disaggregated data and to recognise gender differences in the effects of the COVID-19 virus both physically (e.g. pregnancy) and economically. They highlighted that there has been no targeted support for women-owned businesses, who remain at increased risk. They stated that there is a mounting possibility that the impact of COVID-19 will undo decades of progress on equality if the lack of targeted action continues.¹⁴
38. In evidence to the Committee in May, Susan Love of FSB Scotland said that migrant entrepreneurs are less engaged with support systems, so they might be struggling to access what they are entitled to.¹⁵ At the same meeting, the Scottish Council for Development and Industry (SCDI) recognised that most support announced to date has been targeted at SMEs; they are concerned that some organisations in larger sectors will also need greater support given the scale of financial disruption.¹⁶
39. To represent the position of those processing business support applications, Scottish Local Authorities Economic Development Group (SLAED) highlighted that as a result of the crisis, certain data collecting processes have been simplified and ‘red tape’ has been removed to enable quicker responses. They believe that this should be built upon to permanently remove barriers around systems and evidence

gathering to make it easier for local authorities to support people and businesses. They noted that standardisation of the collection of data has been useful in responding to the crisis and means that all local authorities and the Scottish Government are able to analyse this to spot trends and make decisions. ¹⁷

The Committee understands the initial reasons for the lack of disaggregated data, given the speed at which business support has been provided during the pandemic and notes that data has since been published by both Governments. However, gaps still remain. The Committee asks the Scottish Government and its agencies to set out what steps they are taking to ensure that there is equality of awareness and access to business support during the pandemic, especially for businesses led by women, people with disabilities and ethnic minority businesses.

The Committee also asks the UK Government to provide more consistent data on the uptake in Scotland of business support packages and loan schemes.

Sectors

40. The underlying structure of Scotland's economy could look very different when we emerge from the current crisis. The impact on sectors has very much been driven by the extent that restrictions have required business sectors to close, the ability for jobs to be continued from home and the extent to which demand has enabled businesses to continue trading (including at reduced capacity).
41. This variation was particularly [evident in GDP output data](#) (published in September) in which accommodation and food services output fell 76.7%, transport and storage fell 24.9%, while sectors with more flexibility to work from home and continue working, such as financial and insurance activities, fell 3.4% and public administration and defence growth was flat (0.0%). In the production sector, manufacturing output fell 15.5% over the Q2 2020, while mining and quarrying industries fell 28.9%, with output across industries most impacted by the capacity at which business operations have been able to operate and the extent to which supply chains have remained open.
42. Some sectors and regions of the economy are particularly exposed to the major drops in economic activity. This was reflected in evidence received by the Committee; a summary is available in this [Scottish Parliament Information Centre \(SPICe\) blog](#).
43. Scottish Government analysis developed a sectoral risk rating based on exposure to international supply, international and domestic demand and labour market disruptions which shows that the cumulative economic impact appears greatest for manufacturing, construction, retail and wholesale, accommodation and food services, and entertainment and recreation. ¹⁸

44. There is a regional dimension to the impact on different sectors, as illustrated by Highlands and Islands Enterprise (HIE) in evidence given in September:

” our top priorities are retaining and creating jobs, and we will be organising all our resources to support the key sectors in the region’s economy, which depend on those jobs. Those sectors, which include tourism and food and drink, have been among the hardest hit. We also continue to focus on the key geographical areas where there has been a severe impact, including the islands and remote mainland areas. However, we are looking at new opportunities, such as growing a space sector, life sciences, renewable energy and the marine economy. ¹⁹

45. South of Scotland Enterprise Agency (SOSE) explained, in correspondence in August, that the South of Scotland has been particularly exposed to the effects of COVID-19, reflecting the rurality of their region and the composition of their economy. Their business base is heavily dominated by SMEs and high levels of self-employment, which it is widely acknowledged will be more exposed. 52.5% of jobs within the South of Scotland are in sectors which are highly impacted (including tourism, accommodation & food services, non-food retail, creative industries, manufacturing and construction). ²⁰

46. Giving evidence in May, Matt Lancashire of SCDI highlighted that the oil and gas sector in the north-east is struggling because of the global oil price and current lack of demand for oil:

” We need to think about how we can regenerate the north-east and the oil and gas sector, and support it through the crisis in a way that keeps the people with the skills, talent and knowledge employed in the north-east, so that we can look towards a green recovery and the low-carbon transition. It is possible for us to become a global leader in that industry, and the chance exists for us to do so in the transition period up to 2045. However, we will not do that unless we support the sector and retain the knowledge that exists in it right now. ²¹

47. In evidence in May, business organisations supported a tailored approach to business support, recognising the needs of different sectors.[1] In June, the Cabinet Secretary said that the Scottish Government has asked the UK Government for more support in particular areas because there are aspects of the Scottish economy that will require longer-term support:

” One is the tourism sector. We know that, even if tourism businesses can come back and have a summer season, their margins will be challenging. We must keep that capacity because tourism is a very important part of our economy. ²²

48. In August, the STUC argued strongly that employees in certain sectors which have seen a complete drop in demand for their services (such as hospitality, tourism and aviation) will be particularly in need of ongoing furlough support.[1] Giving evidence in May, Tracy Black of CBI Scotland also highlighted the differential impact:

” Some of our members reckon that they will be operating at around 60 or, at best, 80 per cent capacity. For many companies, that is not a viable proposition—particularly in industries that have very tight margins, like the automotive and aerospace industries. It is a real concern and comes back to the need for tailored support for sectors that will take time to recover. ²³

49. Although sector-specific support is important, business organisations pointed out that many businesses do not fit neatly into one sector.²⁴ In evidence to the Committee in May, Tracy Black of CBI Scotland said:

” We need a comprehensive look at recovery for all areas of Scotland and across sectors, rather than just putting sectors in silos.²⁵

50. At the same meeting, Susan Love of FSB Scotland illustrated that the impact on one sector, such as tourism, has an impact through the wider chain of businesses supporting that sector. Support is needed for that wider chain of businesses.²⁶

Regions

51. As outlined above, the impact of the crisis is not evenly spread across Scotland. Certain areas of Scotland, where particular sectors dominate, are more vulnerable to long-term impacts.

52. The AGER report said that the Scottish Government’s commitment to inclusive growth has a strong regional dimension, recognising the significant differences in economic opportunities, activities, levels of output and income per person that exist in different parts of Scotland. These derive in part from Scotland’s particular economic geography, with large remote and rural areas, coupled with recent trends towards city-based economic growth.²⁷

53. The Scottish Government has developed an index to assess relative resilience of local authorities across Scotland which considers the business base, existing deprivation and income levels, digital connectivity and productivity, factors which are likely to make areas more resilient to shocks.²⁸

54. Aberdeen and Aberdeenshire are likely to suffer from the oil price crash, as well as the impacts of COVID-19 on the capacity of the business base. Also, there is the stalling of strategic projects such as Aberdeen Harbour. Argyll and Bute and the Highlands and Islands in particular have a high dependence on the tourism sector. Other areas of high dependence include South Ayrshire, Stirling, Perth and Kinross, and West Dunbartonshire. In terms of the rural economy, Susan Love of FSB Scotland said (at a Committee meeting in May):

” ...the rural economy is more reliant on certain industries, there is a much higher proportion of self-employed people and there is more unemployment. Private sector employment in rural areas is far more likely to be in small businesses and there are issues around the available workforce and connectivity...businesses in the rural areas are more fearful about whether they will reopen than those in urban areas.²⁹

55. At a Committee meeting in September, HIE said that overall gross domestic product in the region is estimated to have decreased during the year by between £1.5 billion and £2.6 billion, which is severe in a region of just under 500,000 people.³⁰

56. Barry McCulloch of FSB Scotland expressed concern, whilst giving evidence in August, about the impact of the crisis on businesses and areas that were already struggling before COVID-19 hit:

- ” The Higgins report made clear the difference before the crisis between economic output figures in the Edinburgh economy and Ayrshire economies, for example—it showed that there was a £30,000 per head difference in output. Obviously, the crisis will just exacerbate that difference. The question is how we target action to ensure that the places that will be worst affected by the pandemic have a sustainable route out of it. I do not think that we have cracked that problem yet. The Scottish Government’s implementation plan talks about aligning resources to a regional level for Scottish Enterprise. To be honest, I am not sure what that means.³¹
57. Giving evidence in August, Liz Cameron of the SCC agreed that there is a case to be made for looking closely at local support mechanisms and customising support into specific areas:
- ” There is funding within city deals, and there is also funding in some of the other UK and Scottish Government town deals and urban deals. If we can begin to co-ordinate that funding a bit better than we are doing now, it might help to support businesses in the areas concerned.³²
58. Mairi Spowage of the Fraser of Allander Institute (FAI) highlighted at a Committee meeting in May that small businesses without cash reserves are more likely to disappear, and are especially dominant in rural areas:
- ” so there could be an impact not only on the local economies but on the communities, which are already dealing with challenges such as the ageing population and people moving to more urban areas.³³

Later in this report, the Committee will explore the ‘place based’ approach being pursued by Scotland’s enterprise agencies. Given the regional and sectoral divergence across Scotland, the Committee agrees that business support should be from the ground up and tailored to the local economy. The Committee recognises that the immediate response to the crisis could not fully embrace this approach, given the urgency of the situation. However, the Committee recommends that this approach is taken to the provision of business support going forward.

Debt

59. The AGER report said that sectors hardest hit by the pandemic are often the same as those with the highest level of indebtedness. Despite the support measures in place, businesses, households, organisations of all kinds and government will all emerge from the crisis with debt, and how this debt is dealt with will have a substantial bearing on the speed of economic recovery.³⁴
60. The UK Government has put measures in place to protect businesses from insolvency, which will be extended to give businesses some breathing space during the pandemic; the Scottish Government is seeking to agree a National Debt Plan to provide support to businesses, households and the banking system as the economy recovers by managing debt over a longer time period.³⁵

61. One of the key objectives of policies early in the crisis was to prevent viable businesses going under because of liquidity problems. Data on the prevalence of bankruptcies suggests all the countries examined by the Institute for Government's comparative report have done enough to avert widespread business failure so far. However, there are some signs that policy in some countries may be hampering the normal process of 'creative destruction' in the economy; bankruptcy rates have, for example, dropped well below 2019 levels in Canada, Germany and Norway.³⁶
62. In recent commentary published in August, FAI was struck by how many businesses had increased their debt burden during the crisis. Almost half of businesses had undertaken additional borrowing since March, with a clear correlation between resilience and rising debt levels. Whilst 1 in 4 firms which described their cashflow as 'very secure' had increased their debt levels, this figure rose to 3 out of 4 for firms whose cashflow was 'very insecure'.³⁷
63. In a focus group in September, businesses told the Committee that there is a reluctance to take on debt; some took loans through COVID-19 schemes as an 'emergency parachute' but hoped not to use them.³⁸ Liz Cameron of the SCC said, in evidence given in May, that the majority of its member businesses were not accessing the loans, because confidence in their ability to pay back loans is extremely low. They are concerned about taking on excessive debt and not being able to make repayments.³⁹
64. Barry McCulloch of FSB highlighted, during a Committee meeting in August, the impact of debt on economic recovery:
- ” The figures from the bounce back loan scheme and the coronavirus business interruption loan scheme show that those schemes have had a huge impact. However, we are unsure what impact servicing that debt will have in the longer term, and whether it will take the place of investing in the business, dampen the recovery when we get to that point, or come at the cost of doing other things that the business would otherwise like to do, such as investing in or training staff, or upgrading premises.⁴⁰
65. Giving evidence in May, Matt Lancashire of SCDI asked for risk-taking to be recognised in business support schemes:
- ” The debt will be absolutely humongous and significant—SCDI members and I believe that business support should start to reward risk in order to create new opportunities, products, services and manufacturing ideas that create jobs. If we create jobs, the tax take goes up, which can start to pay back some of the debt that we will have accumulated throughout the process. That is critical.⁴¹

The Committee recognises that debt levels are rising as a result of the crisis; this will impact on economic recovery. The Committee asks the Scottish and UK Governments to set out how their future response to the crisis will address higher levels of indebtedness by businesses.

Section 2 - Enterprise and local economic development agencies

Enterprise agency activity

66. The role of enterprise and local economic development agencies is critical to the immediate response to the pandemic and working towards medium and long-term economic recovery.
67. All three enterprise agencies have adapted their day-to-day activities and plans to focus on mitigating the effects of COVID-19. This was in line with the Scottish Government's interim letter of guidance issued to all enterprise and skills bodies in April which indicated that all resources not required to meet contractual commitments should be prioritised to meet the emerging economic and social challenges arising from the pandemic. The enterprise agencies have been part of the COVID-19 Response Steering Group, which is a collaborative multi-agency. It is seeking to ensure alignment in delivery of support.
68. In March, the Scottish Government allocated £300,000 additional funding to Scottish Enterprise (SE) to support the delivery of the Find Business Support website and a helpline to support businesses through the COVID-19 crisis. The enterprise agencies are also supporting two initiatives hosted by SE: Contact (the monitoring of existing social media accounts and aims to respond to queries made via these channels in 24 hours) and Peer to Peer (a new platform that will allow businesses to link up with one another in a bid to build an online community that will help resolve problems such as supply chain issues).⁴²
69. SE, in conjunction with the Scottish Government and the other enterprise agencies, delivered the Pivotal Enterprise Resilience Fund (PERF) and the Creative, Tourism & Hospitality Enterprises Hardship Fund; the £150m funding for these funds came directly from Scottish Government. SE explained that the creation of the PERF and Hardship fund required a new approach, cross-agency in nature and at a greater volume than any enterprise agency scheme has ever faced. The funds had to be developed, implemented and disbursed in a matter of weeks.⁴³
70. The Early Stage Growth Challenge Fund is managed by the Scottish Investment Bank, Scottish Enterprise's investment arm. This fund is designed to support early-stage, high growth, innovative Scottish companies who have been negatively affected by COVID-19. In addition, the Hotel Recovery Programme will support an estimated 50 to 60 businesses with grant funding and business support from the relevant enterprise agency and partners.
71. In correspondence in August, SE said that a current workstream is 'Future Economy' described as 'identifying and prioritising future opportunities to drive the economic recovery phase, with a focus on how to build economic resilience and respond to emerging global growth opportunities where Scotland has genuine international advantage'.⁴⁴

72. SE has played a central role to the efforts in supporting businesses through the crisis. The Committee was recently informed that the SE Chief Executive, Steve Dunlop, is stepping down from his role. Given the challenges that Scotland's economy is currently facing, the timing of this change at the top is unfortunate.
73. HIE said that while many of their existing products and services are still relevant during the crisis, they have had to adapt and evolve both the delivery and content. HIE's key financial interventions in respect of the COVID-19 response phase came via the Supporting Communities Fund, PERF and the Hardship Fund. The resources and expenditure for the former were routed directly via HIE whereas for the latter they were routed through SE. ⁴⁵
74. Overall SOSE has supported over 270 businesses and organisations in the South of Scotland with over £12 million of support, 'many of which may have ceased trading had it not been for this support'. SOSE is also taking a role in delivering ongoing Scottish Government COVID support such as the Hotel Recovery Programme. In particular, SOSE has been focused on the emerging challenge of redundancies in the South of Scotland. SOSE is working with SE and other PACE partners to support businesses in distress in an effort to sustain businesses and associated jobs. ⁴⁶

Enterprise agency response to COVID-19 - evidence

75. The Committee received feedback from businesses on the activities of the enterprise agencies during the crisis; this is set out below.

Process

76. WES said that the enterprise agencies responded quickly to the pandemic, providing information on the support being made available. Having the Find Business Support platform available as a one-stop point for information was useful. The provision of telephone-based support was less helpful in practice, with repeated reports from businesses of lines being constantly engaged and the ultimate advice provided being exactly the same as the advice and insight on the Find Business Support website, leading to increased frustration with businesses expecting to gain greater insights from staff on the phone. ⁴⁷
77. The Scottish Council for Voluntary Organisations (SCVO) and Social Enterprise Scotland submitted a joint view that potential sector customers of SOSE, SE and HIE have found it challenging to do business as each agency has different processes. They asked 'how will these agencies work together to reduce the friction, effort, risk and cost within their processes, so that sector organisations have a consistent experience?' They suggested that dedicated teams joining the dots and supporting voluntary and social enterprise organisations could be a remedy. ⁴⁸
78. Highland Food & Drink Club CIC referred to receiving lots of information from the economic development system, though too much at times - all saying the same thing from multiple sources. This was 'all well-meaning - but at the same time became overwhelming and resulted in potential missing out of important updates'. ⁴⁹

79. Giving evidence in May, Tracy Black of CBI Scotland said that that businesses have stressed the need for speed and simplicity. The grants, such as PERF, were seen as hugely welcome and critically important, but the process of applying for a grant can be bureaucratic. CBI Scotland spoke of the need for continual improvement of the process.⁵⁰
80. Highland Food & Drink Club CIC also believes that enterprise agencies have become too bureaucratic and not clear if achieving their delivery goals. They ‘need to adopt a new culture - go back to what they used to be - one with aspiration and delivery - not reports and too many staff’. It was felt that the agencies had too much of a top-down approach and were removed from the actual situation on the ground, ‘they MUST get closer to reality and stop the TOP down approach - it feels like they are in a world of their own and self-interested.’⁵¹
81. In August, Liz Cameron of SCC welcomed the delivery of support schemes but identified a need for restructuring:
- ” moving forward, we should be looking closely at what all the economic agencies are going to do on wider business support. Agencies such as Skills Development Scotland, Highlands and Islands Enterprise, Scottish Enterprise and the Scottish Funding Council need to work more collaboratively. I would like them to not just collaborate but stop and look closely at how they might restructure and identify what the key business support mechanisms need to be for the next three to six months. There have been gaps, and the agencies have enough intelligence to be aware of that. We would like to see that support revisited.’⁵²

Consulting businesses

82. As set out earlier in the report, there is agreement that governments and their agencies must work together in response to the crisis and consultation with businesses is a central part of that approach.
83. Fife Council stated that there is scope for a more consistent and coordinated approach to consulting businesses, with a sense that too many agencies have been separately surveying businesses on a similar range of issues. Furthermore, they believe that there is insufficient data made available at a local level from national agencies.⁵³
84. WES wrote that the risk of an inequitable response and outcomes could have been addressed by engaging entrepreneurial support organisations in framing a response. For example, while WES was engaged and asked to promote awareness of the support mechanisms available, they were not asked to contribute to the development of the support, nor to input on the appropriateness of the mechanisms put in place.⁵⁴
85. Highland Food & Drink Club CIC highlighted that the consultation process for the food and drink sector was poor, in contrast to the tourism sector.⁵⁵

Alignment

86. Over the years of scrutinising Scotland's enterprise and local economic development agencies, the Committee has highlighted the need for strategic alignment. In these dire economic times, this is more vital than ever.
87. The AGER report said that this is an opportunity to accelerate reform and crack the longstanding, difficult problems of collaboration at pace. In that context, they believe that Scottish Enterprise should align resources more closely at regional level, while playing a leading role at international and national level in support of economic recovery. The report also said that Regional Economic Partnerships should be 'strengthened and bolstered'.⁵⁶
88. Glasgow City Council said that one of the drivers of the Enterprise and Skills review was to improve alignment of the public sector offer in terms of employability and business support and to reduce clutter but the Council's experience is that much more remains to be done on this issue. The temptation should be resisted to launch a plethora of recovery interventions. Instead the principles of collaboration, co-design and sensitivity to regional/local conditions should be embedded into any new interventions.⁵⁷
89. SE said that as the public health crisis emerged, Scotland's three enterprise agencies quickly came together with their partners to agree a response; in evidence, they highlighted this alignment as 'critical' in developing and deploying COVID-19 specific funds.⁵⁸ The new signposting service is now available and covers 45 different partner offers, underpinned by a phone service.⁵⁹ SE spoke of 'a tremendous drawing together of all the partners and different bodies.'⁶⁰
90. Highland Food & Drink Club CIC said that there appeared to be more collaboration between organisations than previously.⁶¹ The Cabinet Secretary agreed that the agencies have been collaborative:
- ” The amount of co-working, co-operation and partnership between the agencies at this time is a blueprint for how we should expect them to work in the future. In the past, one criticism has been that our agencies are not working as laterally as they could.⁶²
91. In June, the Cabinet Secretary highlighted the benefits of collaboration in ensuring that there is geographical spread of support:
- ” On the grants system and response, we were looking to ensure that there was geographical spread. That is why there is that partnership between agencies, to ensure that the Highlands and Islands and the south of Scotland receive the support that they need and that it is not all centred on where the bulk of the population of businesses are located.⁶³

The Committee welcomes the alignment that has been demonstrated as a result of the crisis. However, there is still work to be done on longer-term strategic alignment. This is covered later in the report.

A place-based approach

92. The Committee has heard about a variance in the impact of the pandemic across the regions of Scotland (as explored earlier in this report). In correspondence in August, HIE referred to research and analysis which indicated that GDP in the region is expected to contract significantly in 2020 and is estimated to decrease by £1.5-£2.6bn. HIE noted that medium term recovery forecasts for Scotland are for gradual recovery by Q4 2022; however, for the region, recovery to pre-COVID levels is unlikely until 2023 at the earliest.⁶⁴
93. SOSE noted that the South of Scotland has been particularly exposed to the effects of COVID-19, reflecting the rurality of the region and the composition of its economy. SOSE stated that it is driven and informed by its 'place-based' approach and will seek to provide tailored support to meet the needs of businesses in distress. The key drivers are to sustain employment and support pivotal businesses.⁶⁵
94. Last year SE announced a shift to a broader role in helping to create quality jobs, with security and wellbeing a priority, and to tackle inequalities in communities and regions.
95. SLAED believes that the Scottish Government should explore how national agency spend can be used to support local economies, particularly fragile regions, through more local spend and the creation of local supply chains. Furthermore, prioritisation of budget at a local and regional level is required to reflect regional differences and needs. This should be a transparent process in consultation with local government to maximise resources and ensure there are no gaps or duplication in provision.⁶⁶
96. Fife Council highlighted that a recent Local Government Information Unit report noted that 'economic development has often been geared towards attracting inward investment and foreign direct investment rather than promoting the circulation of wealth within the local economy.' They agree with the AGER that the economic development landscape in Scotland should pivot to a more regionally focused model in order to address the specific new challenges of economic recovery. The crisis has accelerated the need for responses that are tailored to regional and sectoral needs, 'Scotland is not a big economy, but it is an economy of many parts; and geographical and sectorial differences need to be recognised, respected and championed'.⁶⁷
97. In its response to the AGER report, the Scottish Government said that over the next 12 months, SE will shift to a more regionally, place focused model for economic development drawing on its national capacity and expertise. For example, SE will work intensively with partners in three regional economies (Glasgow and Clyde, Ayrshire and the North East) to 'learn by doing and demonstrate the value of deeper and more regionally focused collaboration.'⁶⁸
98. The Scottish Government wants Regional Economic Partnerships (REP) to play a strong role in leading regional economic recovery and renewal and will ask each REP to deliver an action plan for doing so. Specifically, the Scottish Government committed to:

- work with SE to support their shift to a more bespoke, regionally-focused approach across the SE area by the end of 2022 through Regional Economic Partnerships,
- work closely with local government, Enterprise Agencies and other key economic actors, including the private sector, to take a focused ‘taskforce’ approach to driving place-based recovery and renewal.⁶⁹

Evidence on the need for a more regional local approach would suggest that recent shifts in Scotland’s economic policy landscape towards a place-based approach have yet to have an impact. The enterprise agencies have committed to a more regional approach. Given the evidence set out earlier in the report on the differing local economies across Scotland, the Committee agrees that this approach must be pursued with urgency. The Committee notes SE’s pilot activity around a ‘place based’ model and asks it to set out its longer-term plans for this approach. Given that Scotland’s economy is in crisis, place-based interventions are needed across the whole country, including an enhanced role for local authorities in supporting businesses. This is covered later in the report.

Regional selective assistance (RSA)

99. During last year’s budget scrutiny, the Committee had concerns about the regional spread and uptake of enterprise agency interventions across Scotland’s regions. In its response to the Committee in February, the Scottish Government told the Committee that the enterprise agencies will work with and through Regional Economic Partnerships to ensure that their products, services and support can be flexed to meet the distinct needs and opportunities of each region.⁷⁰
100. In its report, the Committee said that regional data should be produced routinely to allow for scrutiny of the regional spread of RSA and recommended that it is produced as part of future SE annual reports. Following the Committee’s report, the Scottish Government agreed that it is important to be able to scrutinise the outcome of jobs related grant expenditure by the enterprise agencies. The Scottish Government stated that from 2019/20, SE would provide data on jobs supported through RSA across Scotland in its annual report. The 2019/20 SE report stated the following:
- ” Jobs delivered from completed Regional Selective Assistance (RSA) projects during 2019/20 totalled 3,499.5 - 2,230.5 were new jobs and 1,269 were safeguarded. Also, during the year, Scottish Enterprise offered £24.7m of new grants to support companies with future capital expenditure and job retention/creation projects.⁷¹
101. The RSA annual report does set regional data for 2019/20.^[1] However, the report does not show RSA regional spend for previous years and is lacking in context. It also does not set out the local authority areas in which there has been no spend in 2019/20 (such as Highland Council). The most recent RSA update available on the SE website is from Jan-Mar 2020; it would be helpful to see more recent quarterly data to assess the performance of RSA during the pandemic.⁷²

The Committee welcomes the provision of jobs and regional data on RSA projects. To aid transparency, the Committee recommends that all local authorities are included in the data, including those which received no grants. Regional data for previous years' spend should also be provided.

In its pre-budget scrutiny report in 2019, the Committee noted the striking regional disparities in the award of RSA over the last five years. We acknowledged that RSA is part of a wider package of support for businesses across the regions and is demand led. However, the Committee recommended that work should be carried out as a matter of urgency to maximise demand stimulation across the regions.⁷³ The Committee asks the Scottish Government and its agencies to consider how to ensure a more even spread of RSA to make sure that funds are awarded to businesses most in need of support across Scotland.

Local economic development response

102. The Committee's call for views captured the following perspectives on the COVID-19 response from the local economic development system. A strong theme was a sentiment that the local economic development system is undervalued and that there is capacity for local authorities to play a more significant role within Scotland's economic development service.
103. Fife Council agreed with the findings of the AGER that the key role played by local authorities is undervalued and constrained by a lack of resources.⁷⁴ Argyll and Bute Council believes that local authority input and added value to a nimble economic development system across Scotland is key and needs to be better recognised at a national level. The Council believes that the quick and effective response to the dissemination of NDR business support grants and hardship funds across Argyll and Bute has shown that working collaboratively across council departments and with CPP partners, it can respond to such a crisis effectively and within very tight timescales.⁷⁵
104. Glasgow City Council called for national powers - and accompanying resource - to be devolved to a regional level to allow Glasgow City Innovation District, GRID and National Manufacturing Institute Scotland to turn their respective visions into viable plans.⁷⁶
105. The overall conclusion of the Committee's Business Support Inquiry in February 2019 was:

” There is a range of business support, advice and products available to businesses and during this inquiry we heard that this is a strength of the Scottish system. There is much to be commended, but opportunities have also been missed to align local and national economic priorities and improve ease of access to services by businesses. Business Gateway has evolved organically and does not perform the function that was initially intended. A decade on from its inception, the Committee has found that revisiting this role and purpose of Business Gateway is necessary to improve alignment.

The Committee is concerned about the lack of transparency, accountability and alignment in relation to Business Gateway services. In this report we have recommended a number of ways in which this can be addressed, including the publication of budget and performance information.

The approach in Ireland provides a mix of tailored local delivery and national strategic direction. We ask the Scottish Government to review the Irish model and consider whether this model, or elements of it, are applicable in the Scottish context to overcome the current accountability and alignment challenges. The Committee believes that such a review is necessary to improve the offer to businesses across Scotland.⁷⁷

106. In its report, the Committee noted the variance in spend on Business Gateway services in different areas across the country and that the spend has not increased in the last decade.
107. In response, the Scottish Government committed to work with the Environment and Economy Spokesperson for COSLA to co-produce solutions that will allow Business Gateway to most effectively be a core part of the Scottish Government’s single-system approach to business support. And also to work with local authorities in a number of specific areas including the transparency of performance information.⁷⁸
108. In a letter to the Committee in July 2020, the Cabinet Secretary reiterated that the Scottish Government was committed to ensuring that Business Gateway is part of a joined-up enterprise support system where businesses can get the right information, advice and support at the right time. The letter stated:

” The Scottish Government’s response to the Committee’s inquiry report stated that we would work with local authorities, which have lead responsibility for Business Gateway, while respecting local accountability and balancing local needs with national objectives. The focus of that work over the past year has been developing a common business support delivery environment with a view to improving the business customer experience through more effectively targeted and joined up support.⁷⁹

The Committee welcomes the alignment between the enterprise agencies and local economic development partners to deliver business support during the pandemic. The Committee asks the Scottish Government to set out how it will ensure that there continues to be such strategic alignment in future.

Role of local authorities in delivering COVID-19 business support

109. Local authorities have played a pivotal role in distributing funds to businesses across Scotland. By 8 September, councils had received and processed more than 100,000 grant applications for the small business grant, more than 90,000 applications had been approved, and funding of more than £1 billion had been awarded.⁸⁰

110. Given the scale of the challenge and the need for a quick response, a number of issues arose in relation to delivery of the funding. There have been concerns from some about variances in how local authorities have been interpreting eligibility criteria, resulting in potential inconsistencies.

111. In August, Barry McCulloch of FSB Scotland highlighted concerns regarding capacity and systems used within local authorities for processing the grants. He said:

” Local authorities have different processes and they approach the scheme in different ways. Some have done very well and have got the money out quickly. They interpreted the guidance flexibly and they got the money to where it was needed. Other local authorities have stuck far more closely to the guidance that was issued. That creates an unacceptable situation in which lots of local businesses are still waiting to receive support funding.⁸¹

112. In correspondence in April, the Scottish Government said that local authorities were instructed to administer grant funding schemes in accordance with guidance outlining the parameters of the business grant schemes and the eligibility criteria. They acknowledged that, due to the breadth of businesses falling within the scope of this fund, the guidelines could not comprehensively instruct local authorities for every individual case. As such, they said that they allowed local authorities a degree of discretion. The Scottish Government said:

” The local discretion afforded by the guidance will naturally create some variation in approach across local authorities. However, our direct contacts with all local authorities, facilitated by both COSLA and the Institute of Revenues Rating and Valuation, are intended to provide a degree of consistency on how this discretion can be applied. The Cabinet Secretary for Finance has written to all Chief Executives asking them to provide grant funding in keeping with the spirit of the guidance which is to support as many businesses as possible.⁸²

113. Susan Love of FSB Scotland, whilst giving evidence in May, highlighted the need for better digital-facing public services, including the rates system, for businesses, and said that there are important lessons to learn about the delivery mechanisms and how these services are set up to enable support. Susan Love explained that Scottish assessors hold a register of properties on the valuation roll, but local authorities work from a different database of ratepayers whom they bill, and there has been confusion about who holds which business information on which database. There has also been the difficulty of getting different computer systems to process all the pieces of information.⁸³

114. Looking ahead, Mairi Spowage of FAI said in May that it is important to consider what investment is needed in local economic development to ensure that local government can properly support businesses to recover in their local areas.⁸⁴

The Committee notes the scale of the challenge met by local authorities in delivering funding to businesses across the country. The Committee would like to thank all those involved in delivering such a swift response. The Committee recommends that local authority delivery of COVID-19 business support is reviewed so that lessons can be learned for future funding programmes, including a review of digital systems and looking at how they can be aligned across the economic development agencies.

BUDGET

Enterprise agency budgets

115. At the time of scrutiny, the total Scottish Government budget allocation for economic development partners in 2020/21 is £868.3 million. This includes:

- SNIB **£276 million**
- Scottish Enterprise **£493 million^[1]**
- Highlands and Islands Enterprise **£74.3 million**
- South of Scotland Enterprise **£25 millionⁱ**

116. This total is greater than originally estimated due to in-year allocations received from the Scottish Government to deliver COVID-19 support; the allocations may change further depending on any future COVID-19 support announcements. Individual enterprise agency budget allocation figures are analysed in more detail in the following section.

Scottish Enterprise budget

117. The revised SE Operating Plan budget for 2020/21 is now expected to total to £529.2m. This overall budget is comprised of Scottish Government funding of £492.9m and anticipated business income of £36.3m. The overall budget is comprised as follows:

- Capital DEL £118.5m
- Financial Transactions £98.5m
- Resource DEL £312.2m

ⁱ The figures quoted here do not reflect an additional £8.3 million capital funding to SE mentioned in evidence on 22 September by the Cabinet Secretary.

118. The updated budget includes in-year allocations received from the Scottish Government to deliver the PERF, the Creative, Tourism & Hospitality Enterprises Hardship Fund, the Early Stage Growth Challenge Fund and the Hotel Recovery Programme.
119. Originally, SE had been allocated Scottish Government funding totalling £212 million for 2020/21, which was a decrease of 17% on the previous year (some resources and functions have been moved to SNIB and SOSE).
120. SE's 2019/20 Annual Report was recently published. Key points include:
- SE's net under-spend against its allocated budget for the year to 31 March 2020 was £7.3m. SE drew down Grant in Aid of £268.8m, including £69.2m of Financial Transactions funding net of repayments, against the 2019/20 Grant in Aid provision of £271.0m
 - The provision of rental concessions for tenants within investment property portfolios, and the re-scheduling of loan repayments due to COVID-19 will potentially result in a significant shortfall against the Financial Transactions income budget as part of the 2020/21 budget settlement. This has been highlighted to the Scottish Government and will be kept under review as part of the normal budget monitoring process
 - SE entered the 2019/20 financial year with a high level of contractual legal commitment in place (set out further below)
 - During 2019/20 SE received a further non-cash allocation of £35m to cover expected credit losses, the estimated future cash shortfall from financial instrument held at amortised cost, and financial assets that have been written off. They state that due to the high-risk nature of many of their investments, there are occasions when SE is required to write off balances which are no longer recoverable. In the year to 31 March 2020, there were 76 Claims abandoned or waived totalling £20.1m. This was up significantly on 2018/19 when abandoned/waived claims totalled £12.3m and £8.4m in 2017/18.⁸⁵

Commitment of funds

121. SE entered the last financial year (2019/20) with a high level of contractual legal commitment in place; during the course of that financial year, most of these projects progressed as planned. This meant that, unlike historic experience, no significant budget flexibility arising from project slippage emerged during the course of the financial year. Consequently, SE did not have the financial capacity to absorb any new project proposals that resulted in additional expenditure during 2019/20. Action was taken during the final quarter to ensure that no new commitments were approved in order to achieve the primary financial objective of delivering a balanced budget with a marginal bias towards underspend.⁸⁶
122. SE also entered the current financial year (2020/21) with a high level of legal commitment already in place, particularly across its resource and capital budgets. These commitments largely pre-dated the onset of the COVID-19 pandemic and are

orientated to supporting companies in potential growth sectors. In correspondence in August, SE said:

” The projects that Scottish Enterprise will support via these commitments will be essential as economic activity hopefully begins to re-emerge across different business sectors later in the financial year.⁸⁷

123. For this financial year (2020/21), SE said that in February, before the impact of COVID-19 was fully apparent, they set a budget of about £342 million, with an expectation that they would be able to generate nearly £50 million in business income from property and investment assets to support that planned expenditure during the year. Throughout the financial year, they have seen some erosion of that business income due to significant changes to the investment market. They have also had to reschedule loan repayments with companies, as part of the response to the pandemic. SE explained that the business income forecast remains volatile; although it has recovered slightly, it is still 20 per cent lower than they anticipated at the beginning of the year.⁸⁸

124. Despite entering this financial year (2020/21) with a highly committed budget, SE had anticipated that, as a result of COVID-19, there would be attrition and slippage, releasing budget resources that they could then pivot to use for other things. Scottish Enterprise said:

” That was all in line with the interim guidance from Scottish Government. It was clear that it wanted us to halt, in effect, all but the most critical business-as-usual activities, and to contribute to support for businesses and communities in Scotland, but it also recognised that we would need to deliver our contractual commitments.⁸⁹

125. However, SE has, to date, seen very little of that anticipated attrition or slippage emerging, and their legal commitments have converted into expenditure.⁹⁰

126. Giving evidence in June, the Cabinet Secretary emphasised the importance of continuing to support commitments in place for growth areas:

” There is a shift and a pivot in how the enterprise companies are servicing and supporting businesses. We are assessing what funding can be released for different areas. It would not be wise to renege on commitments that we have made to companies in the growth sectors, because they will be the companies that will have jobs in the future. We need to ensure that we have growth companies in order to face large-scale unemployment, particularly for young people.⁹¹

127. Excluding funds deployed for PERF and the hardship fund, SE's expenditure over the five-month period to the end of August was £105 million, the highest level of expenditure that they have incurred in the past five years. Douglas Colquhoun of SE said:

” the budget is finely balanced on a knife edge. To illustrate the way that it could move, I note that any additional volatility and erosion in our income forecast could move us into overspend fairly quickly. We are currently running with slight deficits on our capital and resource budgets. Equally, if the attrition or slippage that I referred to earlier start to emerge significantly, particularly in the latter stages of the year, we could quickly move into underspend. At the moment, as I said, we are sitting with deficits that we think are manageable. However, I have worked in Scottish Enterprise for 32 years, and this is the most challenging set of circumstances that I have faced in my career.
92

128. SE explained that commitments made in past years have an impact on the budget this year, because there are drawdowns for projects that have been approved. That implies that, in past years, when projects were approved, funds were not hypothecated or set aside against a particular project, and that future drawdowns were simply budgeted forward, thereby automatically reducing SE’s ability to do future projects.

129. Douglas Colquhoun of SE confirmed that they report on the current year’s commitments and monitor the build-up of commitments going into future years, so that they are ‘very clear’ at any point in time what kind of discretionary funding they have available. He highlighted the annuality of the budget settlement process and referred to the possibility of receiving allocations, particularly in capital, to give them more certainty over the next two to three years, which would be ‘extremely useful’.
93

130. SE is in discussion with the Scottish Government about budgetary requirements for the 2021/22 financial year. These discussions are likely to continue for some time yet, particularly as they evaluate the ongoing economic impact of COVID-19. In correspondence in August, SE stated that ‘this is a dynamic and challenging position and it is therefore too early to provide the Committee with any meaningful information at this stage’.⁹⁴

131. In September, the Cabinet Secretary indicated that there would be an additional £8.3 million of capital funding during the period of this year’s budget to help address challenges and pressures in 2020-21.⁹⁵

132. The Committee notes that prior to the pandemic, SE’s budget was decreased by 17% on the previous year (some resources and functions have been moved to SNIB and SOSE).

Whilst the Committee agrees that support for growth companies is important, the lack of flexibility in SE’s budget is a cause for concern. The Committee recommends that more flexibility and contingency is built into Scottish Enterprise’s budget to allow them to respond to unforeseen circumstances. The Committee asks the Scottish Government and Scottish Enterprise to set out how this can be achieved.

The process of awarding funds on a multi-annual basis has led to a lack of funds for new projects. It is important that there is transparency in this multi-annual

allocation of SE resources and that these commitments are published for scrutiny. The Committee notes that discussions on SE's forthcoming budget are underway and asks to be informed of the outcome.

The Committee notes Scottish Enterprise's evidence that the annuality of their budget can be challenging, particularly in relation to capital commitments. The Committee invites the Scottish Government to consider this and any other measures which can assist SE with forward planning and budgeting.

Highlands and Islands Enterprise budget

133. HIE's budget for 2020/21 totals £78.8m. This overall budget is comprised of Scottish Government funding of £74.3m and anticipated business income of £4.5m. The key categories of budget are as follows:

- Capital £41.2m (includes £2m of capital receipts and £8.6m for Wave Energy Scotland, funded by the Scottish Government)
- Financial Transactions £2.0m
- Resource £35.6m (includes £2.4m of revenue receipts and £4m grant from the Scottish Government in respect the COVID19 Supporting Communities Fund and £0.2 for Wave Energy Scotland).

134. Correspondence from HIE in August noted that they entered the financial year with over-commitments on both Capital and Resource budgets and the pandemic may exacerbate this situation due to potential reductions in operating income. To free up budget to enable a response to the pandemic they will need to remove or defer commitments that they had already made to businesses and social enterprises. This process takes time, as the consequences of any changes to plans need to be ascertained at individual project level, including ongoing engagement with businesses and communities to determine whether revision to their support will ensure projects take place is a key part of the process.⁹⁶

135. HIE set a £1 million deficit budget, in expectation that there would be some attrition, which allowed them to mount a response to the pandemic. This was done as a 'considered risk', and they have seen some attrition.⁹⁷

South of Scotland Enterprise Agency budget

136. SOSE assumed legal duties on 1 April 2020. The majority of their budget, other than carried forward SE/SOSEP and early investments, has been directed towards aiding and assisting organisations in the South of Scotland through the pandemic. SOSE's overall budget comprised of Scottish Government allocated funding of £24.8m (cash) and is split as below:

- Resource DEL £11.4m

- Capital DEL £8.4m
- Financial Transactions £5.0m

137. In evidence in September, SOSE highlighted that their budget will see further adjustments as a result of the Autumn Budget Revision process, as well as small adjustments for income and expenditure matched (net zero change) due to inheriting land and property assets in a legislative transfer on 1 June 2020. SOSE said:

” Like Scottish Enterprise, we are currently forecasting through budget revisions. We started at £24.8 million, and we are now forecast to spend £26.6 million, as a result of autumn and spring budget revisions. However, again like Scottish Enterprise, we will see some volatility as we move towards the year end, therefore we need to monitor the situation closely over the rest of the year.⁹⁸

Targets - Scottish Enterprise

138. SE’s 2019/20 Annual Report states that they successfully delivered all five published targets for 2019/20 with all of those exceeding the target ranges, as per the table below.⁹⁹

| Primary Outcome Measures 2019/20 | Result | 2019/20 |
|--|--------|---------|
| 8,000 - 10,500 planned new/safeguarded jobs paying at least the real living wage | ▲ | 11,188 |
| £300m - £350m planned R&D investment by businesses and sectors | ▲ | £485m |
| £150m - £200m planned capital expenditure by businesses and sectors | ▲ | £355m |
| £ 160m - £255m growth funding raised by businesses | ▲ | £437m |
| £ 1.25bn -£ 1.5bn planned international export sales | ▲ | £2.22bn |

Key: ▲ Exceeded; ◀▶ Achieved ; ▼ Not Achieved

139. SE further states that beyond the primary outcomes set out above, there is a fuller performance framework which management teams use internally, to track and monitor not only what they deliver but how they deliver. They use this framework to monitor how inclusive their actions are by tracking a number of indicators aimed at giving more insight into how far activities reach in terms of people and place.¹⁰⁰

140. In relation to this year’s targets, SE said in evidence in September:

” We have low confidence that we will achieve all our targets this year, given everything that is happening, but we remain highly committed to reporting regularly on our overall performance—not just on our normal targets, but on some of the additional work that we have been doing over recent months.¹⁰¹

141. SE said that its achievements demonstrate ‘a strong performance in challenging economic times.’¹⁰² In previous budget reports, the Committee has noted that the enterprise agencies created their own targets and assessed their own performance. The Committee has previously recommended that the Strategic Board must ensure that the enterprise agencies set ambitious and stretching targets.¹⁰³

142. The Scottish Government is leading a piece of work that SE will be part of. They are evaluating their work on the PERF and the hardship fund, starting with some survey work in October to look at, for example, the gender and ethnicity mix in the companies that have been supported.¹⁰⁴
143. The Cabinet Secretary confirmed that the Office of the Chief Economic Adviser has a programme to monitor and evaluate the results of the COVID-19 response and committed to providing the Committee with the results.¹⁰⁵

The Committee notes that Scottish Enterprise has achieved all of its targets again for the last financial year. Whilst this is to be commended, the Committee asks the Scottish Government and the Strategic Board to set out progress in ensuring that challenging and aligned targets are set for Scotland's enterprise agencies.

The Committee welcomes the evaluation of COVID-19 business support schemes. The Committee asks to be kept updated on this work.

Highlands and Islands Enterprise

144. The timetable for laying the HIE 2019/20 Annual Report and Accounts in Parliament has been delayed until 2021. Thus, an update on performance was received via correspondence. HIE explained that the Scottish Government has not agreed with them a set of targets for this year, but their board is using last year's targets and tracking performance against that.¹⁰⁶
145. HIE said that in 2019-20, regional economic performance was mixed with continued uncertainty over Brexit impacting business confidence and levels of private sector investment. This had an effect on new exporters and international sales, where out-turns for the year were just short of the target range. They noted that there were two other measures that did not meet the targets set and these relate to fair work and community capacity. The targets were impacted by the decision to pause data requests, as it was not felt appropriate to ask for these when clients and staff were focusing on the emerging impact of COVID-19.

| 2019/20 Performance Measures | Target range | Out-turn |
|--|--------------|----------|
| Increase in business turnover (£m) | £90-110m | £95.7m |
| Increase in international sales (£m) | £35-45m | £33.1m |
| Increase in turnover in social economy (£m) | £2.5-3m | £4.5m |
| No. of new international exporters | 25-30 | 13 |
| No. of jobs supported (FTEs) | 400-500 | 646.7 |
| No. of jobs supported fragile areas (FTEs) | 80-100 | 80.5 |
| Average wage of jobs supported | £26,000 | £28,000 |
| Capital asset investment (£m) | £14-18m | £46m |
| Turnover generated in social economy by community owned assets | . | . |
| Funding raised by supported enterprises/orgs (£m) | £16-20m | £29.8m |
| No. of clients newly engaged in fair work practices | 35-40 | 21 |
| No. of community orgs with increased capacity | 20-25 | 17 |
| New/improved income-generating community assets | 16-20 | 30 |

146. For the current financial year, HIE agreed with the Scottish Government that the focus was on resilience, restart and recovery support, and planning and targets were not set. HIE is currently continuing to monitor against a combination of the key

measures they reported last year and will consider targets on further advice from the Scottish Government.¹⁰⁷

147. HIE published its three-year strategy in June 2019, aligned with the vision set out by the Enterprise and Skills Strategic Board for sustainable and inclusive economic growth for Scotland. HIE stated that ‘this framework remains valid and our long-term vision of the Highlands and Islands as a highly successful, inclusive and prosperous region in which increasing numbers of people choose to live, work, study and invest is even more pertinent’. However, they will need to reconsider the actions they will take as they take stock of the evolving impact on the region and how best they can use our resources to support recovery. HIE said:

” All the enterprise and skills agencies are working collectively with the Scottish Government’s analytical unit on the national performance framework to improve consistency of measurement and develop a shared understanding of common outcomes, to ensure that those are aligned with the framework.¹⁰⁸

South of Scotland Enterprise

148. The SOSE Operating Plan states that they are working closely with the Scottish Government and partner agencies to develop a consistent framework which better captures progress on delivering inclusive growth and a fairer society. This work will help inform the development of a comprehensive and locally specific measurement framework which will be progressed as part of their Action Plan. Once in place this framework will, across future years, measure the effectiveness of their actions and progress towards their aims and vision.¹⁰⁹

Targets - conclusion

The Committee notes evidence from HIE about work with the analytical unit on the NPF to improve consistency of measurement of outcomes. The Committee has previously recommended alignment of targets and outcomes and asks to be informed when this work has been completed. This strategic alignment should reach across local economic development agencies and the new Scottish National Investment Bank, for which missions are currently being set.

Scottish Growth Scheme

149. The Committee has previously explored the lack of progress in committing the money for the Scottish-European Growth Co-investment Programme (SEGCP). The original timeline for the Scottish Growth Scheme was for a 3 year period to June 2020.
150. The Committee had concerns about the limited progress made in allocating the £500 million funding for the Scottish Growth Scheme. As at 31 July 2020, under the

Scottish Growth Scheme, £258.9 million of investment has been unlocked for SMEs, in the form of debt and equity, for 441 companies. From this total leveraged: £40.3 million was from the Scottish public sector, £198 million from the private sector, and £20 million from EU funds.¹¹⁰ In September, the Cabinet Secretary said:

” The past six months has been challenging, and it would have been a difficult matter to pursue. On the enterprise side, there is a pipeline of interest in different areas, but there has not necessarily been the take-up of activity that we would have expected. The situation is as much private sector led as anything else. In addition, European funds tend to require match funding in those areas. That is problematic, given the current challenges.¹¹¹

The Committee notes that an additional £100 million of investment has been made over the past year through the growth scheme; however, £240 million is still unallocated. The Committee asks the Scottish Government to clarify how it intends to use these funds. The Committee notes the challenges in securing match funding but asks the Scottish Government to consider how to stimulate demand or re-purpose the fund to ensure that the money reaches businesses in need.

SNIB: Role in COVID-19 recovery

151. It is hoped that SNIB will be launched in late 2020, in what will be a much different environment than was envisaged, with the Scottish economy feeling the effects of the COVID-19 pandemic. The draft missions set by the Scottish Government for SNIB are: net zero by 2045, place making and innovation.

There is a need for SNIB to be launched as soon as possible to support the recovery. The Committee is conscious that this depends on State Aid clearance and, as stated in the Committee’s response to the consultation on the bank’s missions, we ask to be kept up to date on any delays that would prevent the Bank launching prior to the end of 2020.

Long-term approach

152. Some have questioned whether SNIB should pivot from its intended purpose of providing long-term finance to fulfil more immediate business needs in the wake of the pandemic. In September, SNIB Chairman Willie Watt said that he believes that the long-term mission-oriented approach remains the right one:

” There is no point in looking at them on a short-term basis, because if we do that we will not move the dial. The reason why they are grand challenges is that they are persistent issues that require attention. It is right that there is a long-term time horizon for them. The reason why 2045 was picked for the low-carbon mission is obviously so that it coincides with the Government target for net zero. A 20-year time horizon for the other two missions should allow real change to embed itself.¹¹²

153. In August, the STUC said that they agreed that SNIB should pursue long-term goals rather than shoring up the economy in the short term, which should come more from actors such as Government, enterprise agencies and local authorities.¹¹³ However, they highlighted existing projects which would fit with the bank's long-term missions, citing the example of Alexander Dennis, a world leader in green buses, which is experiencing difficulties due to the pandemic, 'we would not want to lose that key strategic asset so SNIB should look at that'.¹¹⁴
154. Barry McCulloch of FSB Scotland sees a role for SNIB in promoting economic recovery and highlighted difficulties in securing private sector finance:

” introducing long-term flexible recovery finance. There is a concern that the bank assumes that the private sector will be able to partner and provide that finance but, because of the data that we have at our disposal, we do not necessarily share that assumption, so there is a debate to be had about what the bank does in the next six to nine months.¹¹⁵

The Committee agrees that SNIB should maintain its long-term focus. The Committee will keep a watching brief on the impact of the pandemic on SNIB's ability to leverage funds.

Working with wider economic development ecosystem

155. SE highlighted that 'Access to Finance' is a current priority workstream: ensuring current and proposed UK and Scottish Government initiatives, including from partner organisations such as SNIB, are used to best advantage in supporting Scottish businesses. SE stated that they will continue to use their insights and intelligence work to identify where there are gaps in provision.¹¹⁶
156. The Committee has previously noted enterprise agencies' plans to increase their demand stimulation activity, particularly with SNIB offering new opportunities to businesses in the next year. The Committee recommended in previous budget scrutiny that sufficient resources were allocated to this activity.
157. Jane Martin said that SE will have a role in stimulating demand for SNIB, but highlighted the challenges ahead:
- ” I do not think that there will be a quick fix. The bank is a new player and some businesses in Scotland have deep-rooted challenges around persistent non-borrowing, as it were—I mean companies that are not comfortable taking on debt. Having a player in the public sector that is involved in patient long-term capital will be a welcome addition. We need to work with businesses to get them comfortable in that space in order to invest in their growth. That will be a key opportunity for us.¹¹⁷
158. SNIB Chairman Willie Watt explained that the bank will have a team of people originating investment across the whole spectrum of their missions. He said that SE has demand stimulation at the centre of its remit, and that SNIB needs to work in partnership with it:

- ” It is a deeply resourced organisation that focuses on, if you like, bottom-up demand stimulation. It is important that we work closely with it so that there is a seamlessness around support for enterprise that starts with small grants at one end and has scaleup capital of many millions of pounds at the other end. It is important that there is that seamlessness and that we work well with Scottish Enterprise. ¹¹⁸

The Committee notes the role of the enterprise agencies in stimulating demand for SNIB, and the potential challenges in encouraging uptake. It is vital that SE is sufficiently resourced to perform the demand stimulation function.

Brexit

159. The Committee’s call for views asked whether economic development agencies are still providing support on Brexit and preparing for a possible ‘no deal’. SE and HIE have continued to co-chair the Brexit Response Steering Group, co-ordinating a single Brexit response across the enterprise and skills agencies and Business Gateway.
160. SLAED note that there is information available for businesses on Brexit and how they can get support, and some areas have held local events around this. However, support needs to be increased and further promoted as the deadline gets closer. ¹¹⁹
161. Fife Council say that Brexit support is being provided to a degree, but this has largely been pushed into the background given that businesses are fighting for their immediate survival. This will become a greater focus in the run-up to December 2020 and will require linkage to regulatory aspects of Brexit. National agencies need to be clear in restarting the national campaigns of what support will, and will not, be provided. ¹²⁰
162. Glasgow City Council note that, notwithstanding the launch of the UK Government’s ‘Check, change, go’ campaign on 13th July 2020, there is still considerable uncertainty about whether and in what form any future trading relationship between the UK and the EU will be upon expiry of the transition period on 31st December 2020. This hampers the ability of economic development agencies to provide bespoke advice to companies on Brexit. ¹²¹
163. The UK Government is planning a Shared Prosperity Fund (SPF) to ameliorate any loss of access to EU funding. Full details of the SPF are not known, with the UK Government indicating that more information will be made available as part of the Comprehensive Spending Review in October/November 2020.
164. The Scottish Government has established a Future Funds Team, sitting alongside the existing Structural Funds team in the Business Directorate. Working with a Steering Group, they undertook a consultation early in 2020, to understand stakeholder views on future funds. This indicated support for a regional approach to governance and delivery.
165. HIE noted the creation of the SPF; their view is that it should take a medium/long term view and be regionally focused with ring-fenced allocations:

” HIE has been a significant contributor to the development and delivery of EU funding support in Scotland over the past 26 years and access to this funding was fundamental in delivering some of the HIE led, major partnership investments in the region.¹²²

166. In its findings in 2018 on its European Structural and Investment Funds inquiry, the Committee said:

” The Committee believes what comes next, if it is to live up to its proposed title of shared prosperity, must show strategic ambition and policy ownership, be based on the best characteristics of ESIFs – including longer timeframes (beyond electoral cycles), the focus on regional development and an ethos of partnership working – and shaped around that core structural approach. It should therefore be directed at people and places, informed by the experience of practitioners, based on good practice and local knowledge, and, above all, needs-driven.¹²³

The Committee asks both the Scottish and UK Governments to clarify the arrangements that will apply to support economic development in Scotland at the end of the transition period, including in the event of a no-deal exit from the EU.

Section 3 - Economic recovery

Background

167. Given the negative impact of the pandemic on the economy, it is vital that work begins now to promote economic recovery. The Scottish Government explained that its recovery phase is focused on developing greater resilience through building and strengthening local supply chains, and social, natural and human capital.¹²⁴ In May, the Cabinet Secretary described the type of recovery that is anticipated:

” At one point, analysis predicted that the recovery would be a sharp V-shaped dip and that demand would then come back. Just now, we are facing a reduction not only in local demand but in global demand. There is therefore a possibility that, with restructuring and other changes, we will have a W-shaped recovery.¹²⁵

168. Devising an economic policy response in Scotland is complicated by the fact that responsibility for the economy is shared between the Scottish and UK Governments. While the fiscal powers of the Scottish Parliament have been expanded over recent years, many economic policy areas, such as monetary policy and a range of tax powers, are reserved to Westminster.

169. The Committee received some evidence on fiscal powers in relation to economic stimulus, but this not covered in this report. The Committee is aware that, as part of its budget scrutiny, the Finance and Constitution Committee is considering the implications to the Scottish Government's existing taxation policy arising from COVID-19 and whether there needs to be temporary adjustments to the Fiscal Framework in response to the economic and fiscal impact of COVID-19.

Advisory Group on Economic Recovery (AGER)

170. The Scottish Government established the AGER in April 2020; the Group was asked to provide expert advice on Scotland's economic recovery once the immediate emergency, created by COVID-19 has subsided. The Group published its report on 22 June 2020.¹²⁶

171. The AGER report set out the challenges the Scottish economy was facing prior to the crisis:

- Extended steady but low economic growth combined with relatively full employment, indicating structurally low productivity;
- narrow export base;
- ageing population;
- the jeopardy, as well as the opportunity, of the transitions associated with climate change and the so-called fourth industrial revolution, which will be characterised by digitisation, the use of data, machine learning and artificial intelligence;
- the long-term ramifications of Brexit.

172. The report set out that, in the year leading up to the crisis:

- the Scottish economy grew 0.7% in 2019, significantly below trend, while business investment had fallen 13%;
- Scotland's labour market continued to perform strongly over 2019, with unemployment remaining around 4% and close to record low levels and high employment. This fed into stronger wage growth over the year;
- Annual productivity slowed to 0.5% growth in 2019, after increasing by 3.2% in 2018;
- Despite the uncertainty caused by Brexit in 2019, Scotland retained its position as second to London in attracting new Foreign Direct Investment projects in 2019.

173. The report suggests that the Scottish Government 'considers using the 'Four Capitals' approach in forming its economic strategy, both in the recovery phase and for the longer term. This will require considerable technical work in order to measure and monitor our assets, notably in natural capital, as we have already noted: but we think that the potential long-term benefits in terms of policy provide sufficient justification'. The 'four capitals' refers to Scotland's major capital assets: natural capital, social networks, collaboration and interaction, human skills and knowledge, and economic capital.

174. In its response to the AGER, the Scottish Government set out its economic recovery implementation plan, accepting all recommendations from the AGER report and identified six key areas for action:

- Business recovery and sustainable, green growth
- Engagement and partnership approach
- Employment, skills and training
- Supporting people and places
- Investment-led growth for wellbeing
- Monitoring progress and outcomes.

175. Scottish Government's economic recovery implementation plan sets out a focus on the more immediate actions needed to support Scotland's economy and protect jobs. This will include developing sector-led recovery plans with industry, trade unions and other stakeholders.¹²⁷

The Committee will continue to monitor the Government's response to the AGER report, their implementation of the recommendations, and the appropriateness of recovery plans given the fast-changing circumstances.

Evidence on economic recovery

176. In evidence, the Committee heard the following thoughts and suggestions around economic recovery policy options:
- Sector responses need to recognise complicated supply chains. This is particularly relevant for the rural economy where a broad range of businesses would need to be targeted. Is there an opportunity to redesign supply chains and bring more in house?
 - Scottish Chambers of Commerce were keen to focus on reducing business costs
 - Business without connectivity are at a disadvantage. Can more be done to improve broadband?
 - Crisis has forced some businesses to make positive step changes around embracing technology. Are there other opportunities around business behaviour that can be nudged for positive change?
 - Keen to see opportunities around procurement policy and buy local initiatives feature in the recovery plan
 - Role of Skills Development Scotland (SDS) – important need for a skills plan to retrain lower skilled. Can this be achieved at the pace required?
 - Explore options to develop partnership opportunities for young people and SMEs (e.g. young people tend to have IT and social media skills that many SMEs often lack)
 - Do we know what works with various employment schemes?
177. Some witnesses had concerns about high level ‘grand statements’ being produced rather than practical suggestions; there are concerns from some that the Group’s outputs are too high level and strategic. They highlighted the need for specific policies and actions with clear plans for roll out, administration and budget; there will also need to be clear linkages to existing policies and priorities.
178. In evidence, business organisations asked for the AGER to produce practical action points and provide a plan for immediate recovery as well as long-term; there was also a plea for the recovery plan to fit in with other ‘numerous strategies’ already in existence. In August, Tracy Black of CBI Scotland stressed the need to:
- ” balance the need to invest in a long-term and sustainable recovery with our response to the urgent challenges that companies face today. Such an approach is still missing from the Scottish Government’s response.¹²⁸
179. Barry McCulloch of FSB Scotland agreed:
- ” it is difficult to reconcile the aspirations of the implementation plan... and the harsh commercial realities that small businesses face at the moment—not least those that are affected by the current lockdown restrictions.¹²⁹

180. Giving evidence in May, SCDI highlighted the importance of increasing productivity to promote economic recovery:

” Before the crisis happened, we had very low productivity across Scotland and the UK. One of the key outs for the recovery is to increase productivity as much as possible...Increasing productivity would start to build the resilience of many businesses, both public and private, which would help if anything similar to the current crisis ever happened again. I am talking about a national drive on productivity. ¹³⁰

181. Glasgow Chamber of Commerce (GCOC) recommended the establishment of a Business Remodelling Fund to support SMEs to redesign their business models to increase their long term resilience. GCOC also called for a ‘Back into Business’ Fund to provide working capital to help business owners restart SMEs that have failed during the crisis:

” These will often be perfectly competent business people who will have all the experience and expertise needed to recommence business and bring back jobs that might otherwise be permanently lost. ¹³¹

Wellbeing and green economy

182. It has been argued that the pandemic is an opportunity to rethink how we operate the economy. The AGER report recommended that the green economic recovery is central to recovery overall:

” The Scottish Government now needs to establish a priority on delivering transformational change with clear sector plans, where the coincidence of emissions reductions, the development of natural capital and job creation is the strongest. ¹³²

183. In its response, the Scottish Government said:

” Economic recovery offers an opportunity to accelerate, or lock-in new ways of approaching an economic and social revival through a green recovery, across all parts of Scotland. ¹³³

184. The Scottish Government has made a number of commitments and proposals as part of their response to the AGER report and in the recent Programme for Government that seek to support a green recovery. In particular, the Programme for Government highlights commitments to:

- Create a £100 million Green Jobs Fund
- Allocate £60 million to support industrial and manufacturing decarbonisation
- Maintain current levels of spend on active travel at £100million per year
- Uplift spending in Heat and Energy efficiency from £112m in 2019/20 to £398m p.a. in 2025-26
- Continue to develop the Agricultural Transformation Fund

- Bring forward recommendations for new mechanisms of agricultural support
 - Provide an additional £100 million to support new forestry planting.
185. The Committee notes the work of the Environment Climate Change and Land Reform (ECCLR) Committee on a green economy which complements this Committee's ongoing inquiry. Recent evidence to that Committee has flagged up risks associated with a lack of coherence in policy making – in particular where natural capital considerations are not routinely factored in; they have suggested that a 'green coherence principle' should be embedded in all future government policies. The AGER report notes that 'responding to climate change needs to be a thread through every policy action'.
186. The ECCLR Committee wrote to the Committee highlighting the following from their evidence to date:
- Innovation: It has been shown, through the response to Covid-19, that innovation and social cohesion can go hand in hand – demonstrated through local businesses innovating and people more inclined to support local businesses where they can;
 - Finance: Whilst Government can develop the framework for the green recovery from Covid-19, it is imperative that finance, from both the public and private sector, is aligned properly to build resilience in the economy, and to make it more adaptable to shocks;
 - Green Investment: The Committee has heard evidence that investment now in a green economy saves spend further down the line;
 - Governance: It is imperative that decision makers across our economy and society are well sighted on, and aware of, the risks that going back to the 'normal' can bring, and the opportunities in doing things differently. Increased awareness of environmental risk must be embedded, and catered for, at director level across the private and public sectors;
 - Enterprise Agencies: To that end, we heard that the enterprise agencies have a key role in signposting these risks to businesses and to helping them navigate through them. The enterprise agencies must also ensure that their activities align with both a green recovery and the associated route towards net-zero;
 - Policy Coherence: It has clearly come out in evidence that policy coherence is a significant issue – for example, witnesses pointed to the issues in declaring a climate emergency but offering ongoing support to build in high-carbon activities across the same time period;
 - Joined Up Approach: The Committee heard calls for a climate commissioner, or a climate emergency committee (in Parliament) to provide the expertise and focused attention across the public and private sectors. It also heard evidence regarding the need for better cross-sectoral working to ensure a more holistic, joined up approach to progressing a green recovery and tackling the twin crises of climate change and biodiversity.¹³⁴

187. It is important to ensure that recovery policies help businesses play their role in promoting the green recovery agenda. This has been brought into sharper focus by the impact of the pandemic on Scottish businesses (the majority of which are SMEs). Susan Love of FSB Scotland said:

” We are all aware that our shared priorities are exactly the same as they were before this crisis. We all want to move towards a net zero economy and we all know that we need to have a fairer economy. Those challenges are still there; if anything, they are more difficult now because there is less finance to help us achieve those goals. How we ask small businesses to adapt to a net zero economy, given the nightmare that many of them are in at the moment, will be an immense challenge. ¹³⁵

188. This highlights the need to match the ambition to promote a green economy with specific policy interventions to support businesses on the ground. This is also linked to support available from economic development agencies. In addition, there is a key role for the SNIB in helping Scotland move towards its net-zero target by 2045.

Role of procurement in economic recovery

189. The Committee explored the role of procurement in promoting economic recovery. Susan Love of FSB Scotland stressed the importance of resilient local supply chains, which are often underestimated in economic strategies:

” I hope that this crisis has demonstrated why resilient local supply chains are important. My fingers are crossed that that can be reflected in new priorities. ¹³⁶

190. The STUC highlighted the need to build opportunities for firms through Government procurement and sourcing of contracts, making sure that there are opportunities for British and UK firms to receive work that provides employment here in the UK. ¹³⁷

191. Liz Cameron of the SCC agreed:

” When we start to look at returning, we should look at our procurement policies, at buying local and at sharing resources from business to business. That might not sound very innovative but, by gum, it can make an awful difference if we start sharing costs at a local level and start building procurement alliances at local and Scottish levels. I would like a wee bit more of that thinking to come into the recovery plan. ¹³⁸

192. In its economic recovery implementation plan, the Scottish Government set out its intention to ‘maximise the economic impact of public procurement’, including:

- Leveraging the full procurement rules to exploit opportunities that will support economic recovery
- Strengthening their partnership working and engagement with stakeholders (buyers and suppliers)
- Promoting and delivering scaled and market-friendly approaches to procurement that consider the capacity of sectors restarting post-COVID to respond

- Maximising the opportunities for local suppliers and the Third Sector, we will continue to fund the Supplier Development Programme and explore options to increase capability and capacity to develop and grow local markets
193. The Scottish Government also committed to publish research carried out on the impact of the Sustainable Procurement Duty within the Procurement Reform (Scotland) Act 2014, and to responding to its findings 'to support our ambitions for public procurement and maximise its impact for the benefit of people and communities across Scotland'.
194. There is also a role for procurement in promoting community wealth building (as referred to in the section of the report on the role of procurement in promoting opportunities for young people). Community wealth building is a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people. ¹³⁹

The Committee recognises the role of procurement in promoting fair work, the role of SMEs and the green economy. A number of issues relating to procurement were highlighted in the Committee's Construction inquiry. The Committee had planned to do a full-scale inquiry to examine the effectiveness of the Procurement Reform (Scotland) Act 2014. However, due to pressures on the work programme caused by the pandemic, the Committee has scaled down that work. The Committee has launched a call for views and will explore evidence received in an oral evidence session with the Cabinet Secretary in early 2021.

Economic recovery - measuring outcomes

195. Benny Higgins of the AGER confirmed that the barometer of success for Scotland's economic recovery from the pandemic is the National Performance Framework. ¹⁴⁰
196. In its economic recovery implementation plan, the Scottish Government said:

” Delivering wellbeing to the people of Scotland is central to Scotland’s National Performance Framework. To understand how well we are performing as a wellbeing economy, we need to ensure we are monitoring more than GDP and headline indicators.

In order to capture an assessment of the needs of both current and future generations, we will adopt a four capitals approach to understand how we are impacting on our key economic, human, social and environmental assets, and thereby gain an understanding of the long-term strength and resilience of the economy, environment and society. This approach will help us understand the interconnectedness of the drivers of a wellbeing economy.

To support this, we will develop a Wellbeing Economy monitoring framework, based on the National Performance Framework, that will assess how well Scotland performs across the multiple dimensions of wellbeing and whether we are reducing the gaps between groups, as set out in section 2 above. This will provide a detailed understanding not just of how the economy develops and changes as a result of COVID-19 its impact on people’s wellbeing and living standards, it will also provide us with a clear and robust measure of the impact of our policies and interventions. We will use this understanding to review and refine our policies to ensure that the actions we take are fully contributing to our longer-term strategic aims.¹⁴¹

The Committee notes the intention to measure economic recovery policies against the NPF and a new wellbeing economy monitoring framework. The Committee asks the Scottish Government and the enterprise agencies to set out how this will tie in with existing performance measurement frameworks. The Committee also asks the Scottish Government to provide a timetable for setting up the new wellbeing economy monitoring framework.

Section 4 - Impact on young people and the labour market

Background

197. The Committee has heard from many witnesses of the ‘scarring effect’ the pandemic could have on young people; AGER member, Dame Julia Unwin said, ‘if time is lost for that age group in the labour market there is a scar across their working lives and income until they retire.’¹⁴²
198. [IPPR Scotland’s analysis](#) (published in June) estimated that 41% of young people in work in Scotland were furloughed in April, compared to 22% of all workers in Scotland. Their analysis shows that there will be just over 50,000 people in Scotland leaving school, college or university this summer and will be looking for work - the vast majority of whom will be under 25.
199. The Scottish Government referred to the labour market figures covering June to August 2020, which showed a youth unemployment rate of 12.5% amongst 16-24 year olds in Scotland, higher than a year ago (9.7%), with 44,000 young people unemployed, 9,000 more than a year ago. The Scottish Government’s analytical work suggests that in a worst-case scenario over 60,000 young people may become unemployed and not be in education as a result of the impacts of the pandemic.¹⁴³
200. [The International Labour Organisation believes](#) that there are a number of reasons why young people are disproportionately affected by economic downturns. For example:
- Young people constitute a large share of all new job seekers
 - Young people are often cheaper to fire
 - They are more likely to work in less protected jobs such as temporary and informal employment
 - Productivity tends to increase with experience, so older workers may be considered more valuable.
201. The Committee heard from the Resolution Foundation; its survey on young workers and the pandemic carried out in May highlighted the impact of the crisis on them including:
- one-third of 18-24-year-old employees (excluding students) have lost jobs or been furloughed, compared to one-in-six 35 to 49 year olds, with these experiences also more common among employees in *atypical jobs* (ie. those in agency work, on zero-hours contracts or on temporary contracts).
 - nearly one-third of lower-paid employees have lost jobs or been furloughed, compared to less than one-in-ten top earners, with these experiences also more common among atypical employees

- even three years after having left full-time education, the employment rate of today's graduates are projected to be 13 per cent lower, three years down the line, than they would have been without the crisis
- a large proportion of non-graduate leavers tend to begin their careers in sectors that are currently shutdown and likely to suffer declines over the medium-to-longer term, such as retail and hospitality.¹⁴⁴

202. The Committee has heard about the impact the crisis is having on sectors which traditionally employ high numbers of young people, such as hospitality and retail. Businesses want to employ young people and have a role in investing in their future workforces, but their current financial situations may be preventing them from doing so.

203. Economist Professor Blanchflower stressed the need for urgent action:

” As a labour economist, I have seen lights flashing red in the past, but I have never in my lifetime seen lights flashing as red for the young as they are in this crisis. If that is not a wake-up call, I do not know what is. We have an opportunity to grab a little time, but if we thought that the previous recession was bad, this one is going to be incomparably worse.¹⁴⁵

204. Hope Laing, Orkney Youth Forum and Member of the Scottish Youth Parliament (SYP) referred to the SYP's Lockdown Lowdown report (published in April with YouthLink Scotland and Young Scot);¹⁴⁶ it found that one third of respondents were moderately or extremely concerned about their employment and financial situation, 'showing that this is a very important issue for young people and that more must be done to alleviate their worries and fears.'¹⁴⁷

Views of young people

205. The Committee has been particularly impressed by the articulate and informed contributions made by young people to the inquiry. Their views are reflected in this section of the report.

206. Using a digital engagement tool called *Your Priorities*, the Committee sought views from young people over the summer about their concerns and what they would like the Government to do to provide support. This engagement focused on young people who were looking to enter the workplace and those in their early careers. Overall, 73 young people participated; the following ideas illustrate the range of issues facing young people today:

- Make student accommodation cheaper
- Stop asking people to put their age on job applications
- More volunteering opportunities for young people
- Give public bodies funds earmarked for employing and retaining young people

- More national programmes to gain practical skills.
- Employers should offer more internships
- Debt relief for students who were out of work over summer
- Help new graduates get into work
- More online careers advice
- Cutting taxes for business
- Introduce some changes to the UCAS points systems temporarily.

207. Speaking to the Committee in September, Maya Tams-Gray of Orkney Youth Forum and MSYP highlighted the need to consult young people on policies aimed at them:

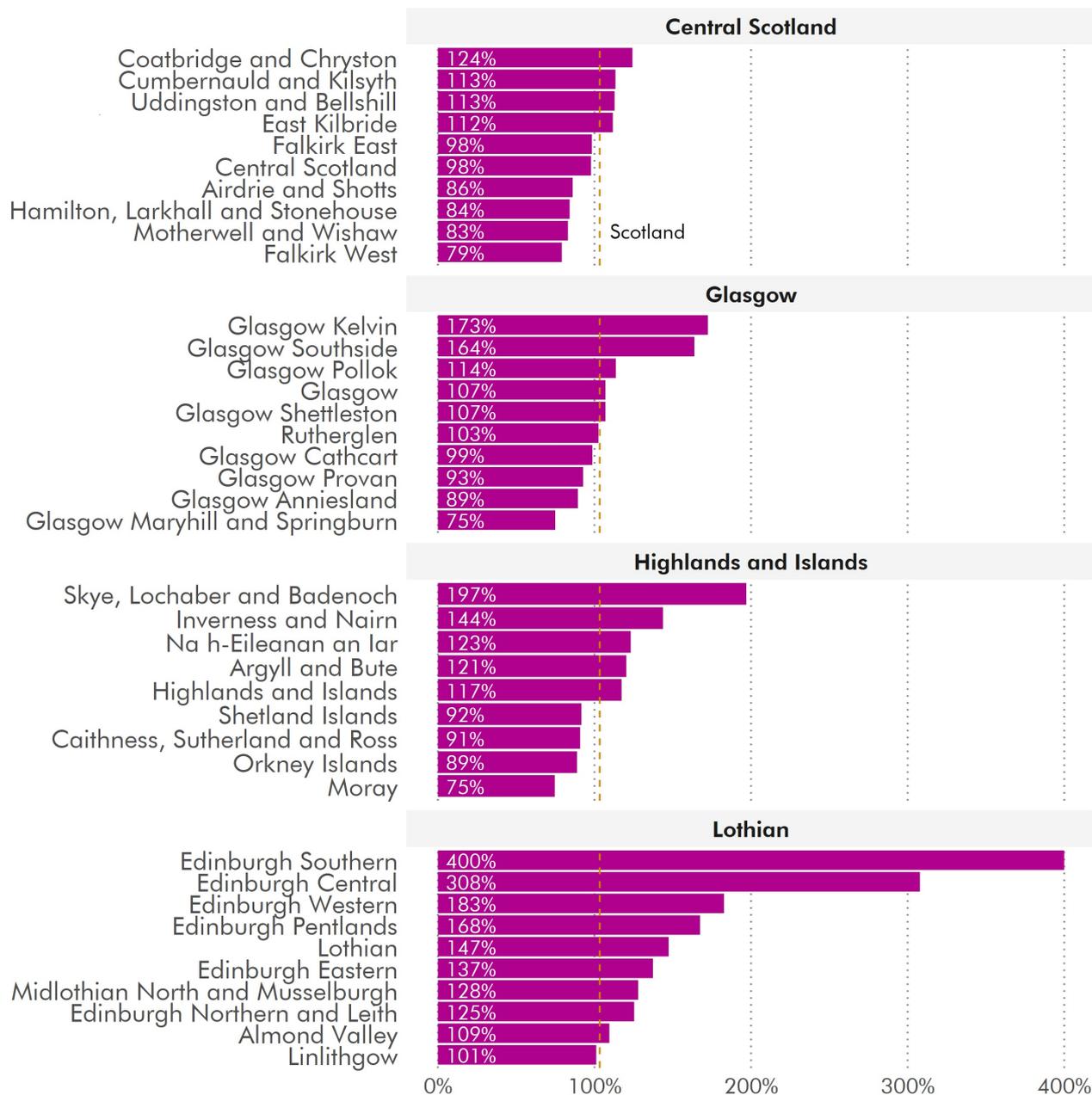
” It is important that young people are involved in meaningful decision making and that we are listened to, exactly as is happening now in the committee. I am grateful to have the opportunity, and I am sure that the other three girls are as well. It is important that young people have opportunities like that to have a say on the issues that are going to have an impact on us. ¹⁴⁸

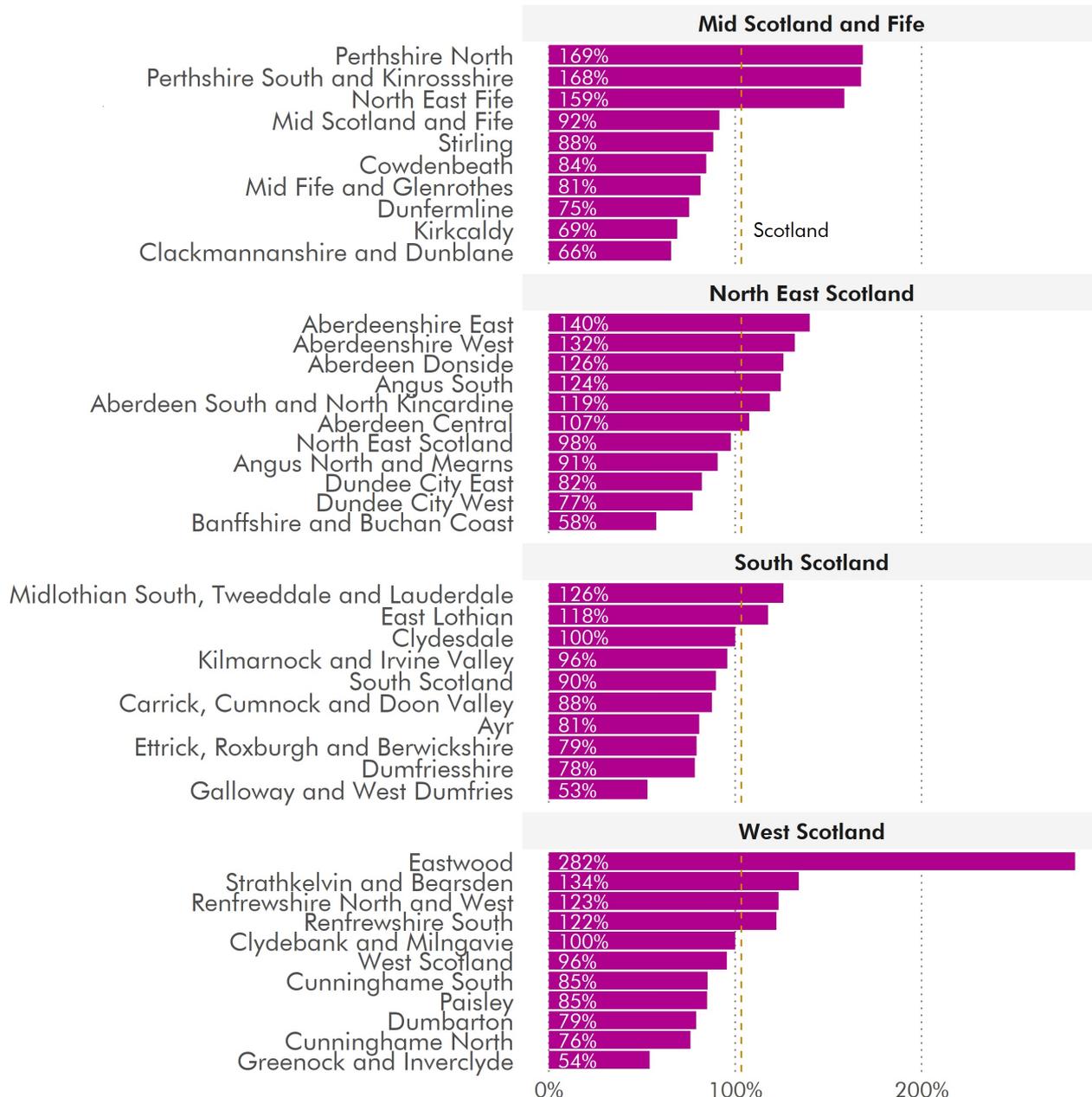
The Committee believes that young people should be consulted and actively participate in developing policy responses to the pandemic. The Committee asks the Scottish Government to set out how it will ensure that this consultation and participation takes place on an ongoing basis.

Regional impact

208. Official youth unemployment figures for local areas are not yet available for the post-March period; however, it is still possible to see some trends emerge from data showing the number of young people claiming unemployment-related benefits. The following map shows the number of young people claiming these benefits as a percentage of total 16-24 population in each Scottish Parliament constituency.
209. The graphs below the map show the percentage increase in the number of people aged 16-24 claiming such benefits between March and September (the most recent figures available).

Percentage change in number of young people claiming unemployment-related benefits, March 2020 to September 2020





210. The charts show significant increases across all Scottish Parliament regions and constituencies. Furthermore, the map shows higher than average rates of youth unemployment (using claimant count as a proxy) in areas which do not usually see high rates of unemployment, for example Edinburgh Eastern, Aberdeen Donside and Ayr.
211. Some of the sectors worst affected by the pandemic, such as retail, tourism and hospitality, employ high numbers of young people. With particularly high concentrations of tourism-related employment in our rural areas, some respondents highlighted a real shortage of employment opportunities open to them. A young person from Orkney told the Committee that there are not many jobs available at the moment, with the islands’ summer tourism season being effectively cancelled this year. ¹⁴⁹
212. Highland Council and Argyll and Bute Council called for policy-makers to understand the dispersed nature of the population in their areas, which will impact on the availability and accessibility of skills training. They want local government to be centrally involved in the design and delivery of programmes. ¹⁵⁰

213. There are concerns that too many young people leave rural areas and island communities never to return. An HIE study, carried out in 2018, said that the population of young people living in the Highlands and Islands is a key issue for economic growth; net out-migration of young people pursuing education or employment opportunities is a significant challenge. Talent attraction, retention and return is therefore a key focus of policy and is a core part of ongoing efforts to rebalance the region's population. Central to this is maximising the opportunities for young people to stay in, return or move to the Highlands and Islands to live, work and study.¹⁵¹
214. The Committee heard that job creation programmes which are designed and delivered locally, specifically targeted at the local economy and labour market, are often the most effective. For example, a youth worker from Orkney made a plea for government employment schemes to take the Highlands and Islands into account in relation to the number of placement rural employers might be able to offer.¹⁵²

The Committee notes that the sectors worst affected by the pandemic are most likely to employ young people and to be particularly important to rural economies. The Committee has heard that policy responses must be tailored to local circumstances. Job creation programmes designed and delivered locally, specifically targeted at the local economy and labour market, are the most effective. We ask the Scottish Government to set out how its labour market policy responses will be tailored to local circumstances.

Labour market evidence

215. The Committee is grateful to all those who wrote in to set out how the labour market challenges arising from the pandemic should be addressed. This section of the report sets out some overall suggestions, before covering specific policies.
216. SLAED argued that investment should be made to promote opportunities in traditionally hard to fill sectors, with a particular focus on those areas that have emerged as priorities through the COVID-19 crisis (such as care, digital and manufacturing). This view is supported by the Scottish Women's Convention (SWC) who would like to see a revaluation of jobs within sectors which have consistently been overlooked and undervalued within society:
- ” The social care sector, for instance, should be looked upon as a key site of career development for those entering the labour market. Opportunities to promote this as a skilled career path with heightened publicity and targeted career drives should be considered a priority.¹⁵³
217. SCVO and the Young People's Consortium (YPC - representing the views of The Prince's Trust, Barnados and Action for Children) believe that there is a central role for the third sector in helping young people acquire the skills needed to gain and remain in employment. However, the YPC insist that any intervention should:
- Pay at least the Scottish Living Wage

- Include meaningful skills training and qualification opportunities.
- Support young people to develop adaptable life-long learning and META skills as job markets and roles continue to change over time
- Encourage the expansion and creation of thematic programmes to support young people into the jobs of the future. This would address urgent skills mismatches in response to COVID-19 (e.g. young people working in agriculture, health and social care) and longer-term skills requirements (e.g. technology, data, creative, e-commerce)
- Include holistic wrap around support to help young people with wider long-term support in other areas of their lives
- Provide in-work mentoring
- Focus on the specific needs of different groups, including young people from Black, Asian and Minority Ethnic backgrounds, care leavers, young offenders, young carers and those with disabilities. ¹⁵⁴

218. Some witnesses said that it is better to build on and enhance measures that are already proven to be effective rather than try to invent new programmes. Supporting young people in employment or education is seen as one of the approaches. The Minister for Business and Skills confirmed that this will be the approach:

” We have a strong infrastructure already in place, including our developing the young workforce network, and a range of programmes already delivering for people who need it most. It is on those foundations that we must build as we steer our way through the difficult times to come. ¹⁵⁵

Government policies

219. The AGER report made several recommendations relating to the labour market and young people. In its response, the Scottish Government committed to the Group’s call for a Scottish Jobs Guarantee Scheme (now called the Young Person’s Guarantee) and confirmed increased investment in the existing Developing the Young Workforce (DYW) programme. Other commitments include:

- COVID-19 Transition Training Fund: a flexible and proactive programme of skills interventions, including digital skills, to support people facing redundancy in those sectors and regions most affected by the current crisis
- Refocus the skills strategy, highlighting the importance of improving access to retraining and upskilling opportunities. Additional investment has been made in supporting retraining and upskilling: £3.7 million to enable the re-opening of Individual Training Accounts and £20 million for the Flexible Workforce Development Fund

- Extension of Fair Start Scotland services for a further two years to March 2023 providing support for unemployed people with disabilities, health conditions and other barriers to moving into fair and sustained work
 - Extra funding for Partnership Action for Continuing Employment (PACE) to provide immediate advice to all at risk of being made redundant and additional support to groups at risk of falling further behind (e.g. disabled people and minority ethnic people)
 - A £5 million investment in Parental Employability Support Fund to help low income parents into and progress in work in 2020/21.
220. The UK Government has also brought forward a scheme which operates across the UK. The Kickstart Scheme provides funding to create new job placements for 16 to 24 year olds on Universal Credit who are at risk of long term unemployment. Employers of all sizes can apply for funding which covers:
- 100% of the National Minimum Wage (or the National Living Wage depending on the age of the participant) for 25 hours per week for a total of 6 months
 - associated employer National Insurance contributions
 - employer minimum automatic enrolment contributions.
221. Employers can spread the start date of the job placements up until the end of December 2021. A Kickstart Scheme application must be for a minimum of 30 job placements. If a single employer cannot provide this many job placements, they can seek out an existing Kickstart gateway, such as a local authority, charity or trade body for help. ¹⁵⁶
222. The Minister for Business and Skills stated that the Scottish Government will seek to ensure that the Kickstart Scheme is ‘as aligned and integrated as it can be’ with the Scottish Government’s interventions. ¹⁵⁷

Advisory Group on Economic Recovery report and the Young Person's Guarantee

223. The AGER report noted that over this summer a whole new cohort of young people will have left education and will be looking for work, but will have fewer opportunities, particularly in those sectors that previously provided entry-level jobs such as accommodation, hospitality and retail. The Group concluded that the scale of the likely increase in unemployment ‘will require a very significant response from the skills and education system’. There was particular emphasis on increasing the Flexible Workforce Development Fund and expanding the role of colleges to provide short courses targeted at furloughed staff and those looking to retrain. ¹⁵⁸
224. The AGER report referred to the impact of a previous scheme:

” We were struck by the success of the Edinburgh Guarantee, where businesses worked in partnership with the local authority and other agencies to offer placements of at least six months to young people. The current circumstances, and the generational challenge facing our country, demand a more ambitious, nationwide approach. ¹⁵⁹

225. They called for the Scottish Government, in partnership with local authorities, to develop a business-led Scottish Jobs Guarantee scheme:

” The scheme should offer secure employment, for a period of at least two years, to 16-25 year olds, paid at the Living Wage, with access to training, apprenticeships and the possibility of progression. It should be delivered locally, with brokerage of opportunities between employers and jobseekers: but it should be set within a coherent national framework. ¹⁶⁰

226. In the Programme for Government 2020/21, the Scottish Government confirmed a £60 million Youth Guarantee, so that every young person aged between 16 and 24 will be guaranteed an opportunity at university or college, an apprenticeship programme, employment including work experience, or participation in a formal volunteering programme.

227. Sandy Begbie, who led the DYW Group that played a pivotal role in the delivery of the Edinburgh Guarantee to young people, was asked to write an implementation plan for the Youth Guarantee. The report’s recommendations include:

- early work to identify youth employment opportunities with employers in some of the least-impacted sectors, including financial services, utilities and life sciences
- working to introduce an incentive model where government pays 50% of wages for young people who need the most help
- a call for the public sector to create more opportunities for young people
- a call for businesses who would not normally have taken an apprentice full-time to consider sharing an apprentice with other employers
- providing support to encourage SMEs to take on a young person if they are able to do so. ¹⁶¹

228. The Minister for Business and Skills explained that of the £60 million allocated to the guarantee, £30 million will go to local authorities, to support the existing local partnerships that deliver employability support, £10 million will go to colleges and £10 million will support pre-apprenticeship activity, to support young people into apprenticeships. ¹⁶²

229. When asked whether the young person’s guarantee was not a new scheme as such, but rather incentivising current schemes, the Minister said:

” To an extent, that is correct. The landscape that we are in has changed drastically, so schemes will have to operate flexibly and be responsive to our circumstances. ¹⁶³

230. The Minister went on to say:

- ” The purpose of the young person guarantee is to do exactly what it says—to guarantee a young person experience of employment, education or training. That requires us not to create an entire new system but to think about how we maximise the benefit of our existing system. I think that approaching it through the prism of its being designed and badged as a young person guarantee is an important step. ¹⁶⁴
231. The Minister explained that the young person’s guarantee encompasses and builds on the wide range of activity that already exists, while seeking to enhance that activity and act as a portal for people into existing provision. A range of different parties are involved: local government, the college sector, the DYW network and Skills Development Scotland (SDS) as well as a network of training providers, all of whom will engage with employers. ¹⁶⁵
232. To support the Youth Guarantee, the Scottish Government intends to invest up to £10 million in DYW Regional Groups to help young people access the labour market and strengthen their links with employers.

Response to the Young Person's Guarantee proposal

233. Almost all respondents to the inquiry agreed with the idea of establishing a jobs guarantee scheme. This section of the report sets out some of the views expressed to the Committee in evidence.
234. Colleges Scotland believed that a job guarantee scheme ‘could be highly effective...in addressing the potential scarring effect of the crisis on the lives of young people’. The college sector would like to see this scheme expanded to be a guarantee not just in regard to jobs but also around access to learning. This, they feel, ‘will assist the longer-term picture and help ensure delivery of an engrained recovery’. ¹⁶⁶
235. SLAED and Glasgow City Council both feel that the jobs guarantee should be targeted at those with multiple barriers to employment, and not just young people. ¹⁶⁷ A view supported by Argyll and Bute Council:
- ” ...a Job Guarantee Scheme for all ages would be welcomed with priority given to those facing long term unemployment. The focus on young people is recognised, but as a result of the pandemic, early indications suggest that other groups on the lowest incomes and the least secure jobs will also be affected, such as women, those with disabilities and minority groups, resulting in greater social and economic inequalities. ¹⁶⁸
236. Based on previous experience, the SWC is concerned that many young women could be hired short term on subsidised wages and then be let go when the job guarantee initiative ends. ¹⁶⁹ Likewise, the YPC believed that the Guarantee ‘could be an excellent opportunity, but they need to be real jobs, with proper training and paid accordingly’. ¹⁷⁰

237. The STUC argued that jobs created through the job guarantee must be additional; provide a community, public or environmental benefit; meet local labour market needs and promote equality. Placements should include a training or learning element appropriate to the person's and industry's needs.¹⁷¹ Similarly, SLAED argued that funding is required to support local place-based job creation initiatives and that there should be a focus on the creation of 'green jobs'.¹⁷²
238. SCVO believes that a job guarantee is definitely needed. It should help young people to gain meaningful paid employment with support from an advisor. Training and additional barriers support (e.g. housing, debt, mental health etc.) should also be part of the process, as well as helping the young person with job search towards the end of the guarantee, with the aim of sustaining employment.¹⁷³
239. The STUC agrees that job guarantee programmes with strict conditions can support private sector employers to create new jobs. However, they also point out that one of the most straightforward ways of creating jobs is in the public sector. For example, local authority led public works programmes should be put in place in order to create jobs, invest in public benefit, and tackle climate change.¹⁷⁴
240. SLAED placed an emphasis on the use of apprenticeships. They believe the creation of more foundation, modern and graduate apprenticeships should be prioritised 'as these provide opportunities for young people, as well as assisting employers to future-proof their businesses'.¹⁷⁵
241. Tracy Black of CBI Scotland made a strong plea for the scheme to be paid, at the very minimum, at the adult rate for the minimum wage, but ideally at the Living Wage rate:
- ” We think that the youth differentials within the minimum wage rate are unjustifiable. They do not represent young people's living costs.¹⁷⁶
242. The Committee was told that the timescale for the scheme will impact on whether businesses want to get involved. One business referred to the UK Government Kickstart Scheme, which provides a 6-month placement; it was felt that this is not long enough; 'it needs to be at least a year to engage employers'. Another businessperson explained that a short placement would require them to put a skilled worker aside to do training, thus losing that worker's productivity; this is 'not attractive at all.'¹⁷⁷
243. The Committee also heard from a businessperson that employment schemes should be tailored to specific sectors. The Kickstart Scheme requires 30 people to be employed, which is difficult for certain employers, such as smaller nurseries, to comply with. A youth worker based in Orkney said that this would also be prohibitive for employers in rural areas.¹⁷⁸

Incentives for employers

244. There is some agreement that recruitment incentives (including wage subsidies) have been successful in encouraging employers to employ and retain young

people. Local authorities in particular are keen to see an expansion in their use. Businesses in our focus group suggested that half a salary paid by government would be a suitable incentive to take on a young person straight from school. ¹⁷⁹

245. For the YPC, a job guarantee scheme is a good way to encourage employers to take on young people and offer the real Living Wage. However, they want to make sure that employers are equipped to support young people who may be accessing the labour market for first time and may face challenges in sustaining employment. They would especially like to see assistance with recruitment of targeted young people, for example additional funding and specialist advice to help support employers to employ individuals with disabilities. ¹⁸⁰

246. Kay Hume, an SDS Careers Adviser in Orkney said that wage incentives are effective:

” Any kind of salary supplement or support always makes employers more willing to take young people on. I know that that has worked in the past; it has certainly worked in Orkney. ¹⁸¹

247. Tracey Innes, Head of Careers and Employability, University of Aberdeen and Convenor for AGCAS (Association of Careers Advisory Service) Scotland agreed but said that the funding landscape is cluttered and needs to be better connected:

” It can be confusing for employers to work out how best to tap into some of the incentive funding with just one university, let alone across the whole of that landscape. ¹⁸²

248. Gordon McGuinness of SDS spoke of the need for co-ordination of schemes across the UK; they must be co-ordinated so that there are not competing offers, resulting in employers making decisions that are based not on the longer term but on what they can secure financially from the system. ¹⁸³ The Minister for Business and Skills said that they are considering carefully how a specific recruitment incentive for employers might be deployed; he explained that this approach is not entirely new:

” Support has previously been provided through Scotland’s employer recruitment incentive, which is now part of the no one left behind strategy. Many local authorities still operate a financial incentive for employers to recruit young people. There is also a similar incentive through the community jobs Scotland programme, which is continuing. We are looking more widely at how we could potentially adopt that approach for the recruitment of apprentices. ¹⁸⁴

Costs

249. Highland Council broadly supports the idea of a jobs guarantee, observing that previous schemes had resulted in a number of young people gaining permanent employment. They also reminded the Committee that ‘these types of initiatives are however extremely costly and would need considerable investment.’ ¹⁸⁵ [The Fraser of Allander Institute](#) noted this proposal’s resemblance to the [Future Jobs Fund](#), introduced by the UK Labour Government in 2009. The FAI are clear that such a

scheme needs to be adequately funded in order to have a meaningful impact. The Institute provided the following rough estimate of possible costs:

” The Advisory Group on Recovery’s proposal is that the ‘scheme should offer secure employment, for a period of at least 2 years, to 16-25 year olds, paid at the Living Wage, with access to training, apprenticeships and the possibility of progression.’ The average salary of a full-time worker on the Living Wage would be around £17,000 per annum. As an illustration, a government contribution of £10,000 with 10,000 young people supported would cost £100 million per annum (of course, this can be adjusted for different public fund contributions and levels of young people supported).¹⁸⁶

The Committee notes the evidence welcoming the young person’s guarantee. There was general agreement that work placements must:

- be of sufficient length
- be paid at the Living Wage, and
- take the specific circumstances of sectors and local economies into account.

The Committee also highlights evidence that the young person’s guarantee could be used to create ‘green jobs’ and asks the Scottish Government to respond to that. The Committee will continue to monitor specific proposals for the young person’s guarantee as they are developed.

The Committee notes that the young person’s guarantee builds on existing initiatives and aims to provide a guarantee to young people of employment, education or training. The Committee asks the Scottish Government to set out what additional value the scheme will add to existing provision and how this will be monitored and reported on.

The Committee notes the cost estimates provided by the FAI and asks the Scottish Government to set out detailed planned expenditure on the scheme, including plans for wage incentives.

Community Jobs Scotland

250. Community Jobs Scotland (CJS) creates work opportunities for young unemployed people within voluntary sector organisations throughout Scotland. CJS is targeted at more vulnerable young people and is focused on groups of young people who are more disadvantaged in the labour market.

251. A focus group participant said that CJS has been ‘fantastic’ for some young people.
¹⁸⁷ SCVO would like to see an extension/expansion of CJS which, since its launch

in 2011, has created ‘over 9,500 paid opportunities with over 1,000 Scottish voluntary sector organisations for young unemployed people (aged 16 to 29) who are most disadvantaged in the labour market’.¹⁸⁸

The Committee notes the evidence of the positive impact of the Community Jobs Scotland scheme and asks the Scottish Government to provide an update on plans for the scheme in the context of the current crisis.

Developing the Young Workforce

252. The involvement of the private sector is central to the current youth employment strategy, Developing the Young Workforce, launched in December 2014:

” Fundamentally, this is about ensuring a work relevant educational experience for our young people...It is about employers playing an active role, both shaping and benefiting from Scotland’s education system by helping to create the talent pool they need and recruiting young employees.¹⁸⁹

253. As part of the strategy, a number of industry-led regional Invest in Young People Groups were established with the aim of strengthening partnerships between employers and education providers. The DYW Strategy also committed the Scottish Government to introducing youth-related conditionality to Regional Selective Assistance (RSA) grants, a theme which was taken up in the AGER report.

254. The strategy committed the Scottish Government to the overarching target of reducing Scotland’s Jan-March 2014 youth unemployment level (52,000) by 40 per cent by 2021. There is also the [related target](#) of having 30,000 Modern Apprentice starts by 2020-21.¹⁹⁰

255. The Scottish Government reports annually on performance and progress, with the [fifth progress report](#) published in December showing that in 2018-19:

- The number of 16-24 year olds who were unemployed (excluding those in full-time education) was 25,000. The target set in the Strategy is to be below 29,000, so recent performance is currently exceeding the target
- Scotland is the 14th best performing country in Europe in terms of the ratio of youth to adult employment, somewhat short of the target to be at least 5th
- With a youth unemployment rate of 6.6%, Scotland was the third best performing EU country in 2018-19. This is currently exceeding the target
- The percentage of employers recruiting young people directly from education was only 30% in 2018-19, a drop from the 2014 baseline of 32%. This target has therefore not been met.¹⁹¹

256. The AGER warned that ‘the gains made through the Developing our Young Workforce approach, which was at the heart of the response to the global financial crisis in 2008, are now at risk.’¹⁹²

257. Businesses said that DYW has been very important in driving down youth unemployment but argued that more can be done. They spoke of a cluttered landscape of organisations wanting to work with schools and young people; to alleviate this there should be a DYW coordinator in every secondary school.¹⁹³ Businesses voiced frustration at a lack of engagement from some schools when they reached out to them and argued that this should be addressed. One businessperson said that teachers should be encouraged to see the value of connecting young people with work before they leave school.¹⁹⁴

258. The Minister for Business and Skills told the Committee that £10 million has been allocated:

” to try to better embed developing the young workforce activity in the school environment, through the provision of school co-ordinators. That is a significant investment.¹⁹⁵

259. Barry McCulloch of FSB Scotland has concerns about continuing the DYW model without reflecting on the deficiencies in the implementation of the current programme:

” We are at risk of making the same mistakes, where we think that we are devising schemes that will work for small businesses when, in reality, we are not. We are in such a rush to respond to the situation—which is completely understandable—but we need to make sure that those schemes do not work only for corporate businesses in the city centres of Edinburgh and Glasgow.¹⁹⁶

The Committee notes evidence that DYW has an important role in connecting young people with employers. The Committee asks the Scottish Government to respond to evidence that the current DYW model is not suitable for certain types of businesses.

The Committee notes the need for schools to be more responsive to local employers and welcomes the Scottish Government’s commitment to establish DYW co-ordinators in every school; the Committee asks the Scottish Government to set out a timescale for their deployment.

Enterprise and Skills Strategic Board sub-group on labour market impacts

260. The Scottish Government requested a sub-group of the Enterprise and Skills Strategic Board to consider what practical actions could be implemented quickly to help keep people in employment, as well as supporting those facing the threat of redundancy. Specific attention was to be focused on supporting young people. The sub-group [reported on 3rd July](#) and made a number of recommendations, with the following being most relevant to younger workers:

- Dedicated Developing Young Workforce regional school coordinators providing a long-term link between young people/teachers with local employers
- Short placement schemes re-introduced to provide work experience for under 25s who have been out of work for six months
- Increased support for schemes that mentor young people
- Public buyers should build on the existing practice of considering community benefit requirements in public sector contracts
- Expanding the Flexible Workforce Development Fund (beyond just Levy paying employers) for college provision, specifically funding short courses for transition.
- Introduce Apprenticeship Pathway Programmes for those encountering difficulty finding employer-led programmes or employment as an apprentice
- Re-introduce Transition Training Fund to support training as pathway to a job.
- Expand one year post graduate study and Masters provision, prioritising those disciplines that match future growth areas in the economy
- Scale up Partnership Action for Continuing Employment (PACE) to offer tailored support with a package of services co-designed by business
- Various schemes to incentivise retention and employment. ¹⁹⁷

261. The EESB Chair, Nora Senior said that the sub-group is clear that the response to the emerging economic crisis and rising unemployment must be addressed by a society wide, civic approach with the real integration of government, agencies, local authorities, learner providers, third sector and businesses to work in partnership and at pace:

” The whole of the Scottish Government, its agencies, partners such as local authorities, and crucially, employers in all sectors must come together immediately to contribute to the effort that is required to address rising unemployment and the long term scarring effects on those who we know suffer most in times of economic downturn. ¹⁹⁸

262. Writing to the Committee in August, Nora Senior said that this includes ‘re-purposing and re-allocating existing activity and budgets, with a close eye on aligning and maximising the impact of expenditure across agencies. However, given the size of the challenges facing the Scottish labour market, the scaling up of activity is likely to require additional resource in some areas.’ ¹⁹⁹

The Committee notes that ESSB has highlighted that additional resources are likely to be needed to address COVID-19 related labour market challenges. The Committee asks the Scottish Government to respond to this point.

Impact of the COVID-19 crisis on graduate recruitment

263. The Committee heard evidence of a big reduction in the number of graduate vacancies; many young people are finding it difficult to secure work after completing university. In a focus group in September, businesses warned of a danger that this year's cohort of graduates may be forced into low skilled/low pay sectors as no other opportunities are available. ²⁰⁰
264. Glasgow Council believes that the impact of COVID-19 will mean higher unemployment rates for graduates as the positions they seek are less available; however this will be true for every unemployed cohort. The pandemic will force graduates to seek positions they would not otherwise have considered; 'this will have a detrimental displacement affect for those with lower academic qualifications'. ²⁰¹
265. Highland Council has particular concerns that any reduction seen in graduate level job opportunities in its area may lead to a 'brain drain' as their graduates seek work 'wherever they can get it'. ²⁰²
266. YPC has seen a 'huge impact' on graduate recruitment, with many companies delaying or suspending their graduate recruitment programmes and very few graduate apprenticeships or internships currently available. ²⁰³ Fife Council has found that new graduates are facing stiff competition from displaced staff who have both the qualifications and more employment experience. ²⁰⁴
267. Glasgow University highlighted research from the Institute of Student Employers showing that employers will be recruiting fewer graduates this year as a result of COVID-19. Graduates are potentially facing unemployment before they even embark upon their careers. It is therefore important that universities and colleges have a role in providing postgraduate skills training for Scottish students as part of the post-pandemic recovery. ²⁰⁵

ScotGrad Programme

268. Tracey Innes, Head of Careers and Employability, University of Aberdeen and Convenor for AGCAS Scotland, highlighted the ScotGrad programme, which 'plugged a gap between graduation and employment'. ²⁰⁶ This was a joint initiative between HIE, SE and AGCAS until the end of 2019 when both SE and AGCAS withdrew from the programme. ²⁰⁷
269. ScotGrad continued to offer placements in the Highlands and Islands region to HIE account managed clients up until March this year; at that point the decision was made to temporarily pause the programme to enable HIE to re-assess priorities for the coming year. However, the ScotGrad Programme has recently re-started in the Highlands and Islands, in response to increased interest from businesses who feel they are now able to support a graduate. A limited number of graduate placements

will be available to SMEs and social enterprises across the region, to be part-funded by HIE and ERDF.²⁰⁸

The Committee notes the evidence about the impact of the pandemic on graduate recruitment and asks the Scottish and UK Governments to set out what specific policies they are pursuing to assist graduates to find quality employment. The Committee heard evidence of the value of the ScotGrad programme and asks the Scottish Government whether it has plans to roll this programme out across the country.

Role of universities and colleges

270. The Committee heard that there is a need to increase the number of college, apprenticeship and university places. Some highlighted the need to delay people's exit from education into the labour market, while also skilling them up for whenever the labour market comes back. It was suggested that there may be a role for universities beyond their usual function. The Committee heard that colleges and universities have been using the Workforce Development Fund to provide more short courses.
271. Colleges Scotland believes that young people will need to learn employability skills at college in order to give them a greater chance of moving into the workplace post COVID-19.²⁰⁹ Likewise, Glasgow University sees an opportunity for universities, alongside colleges, to deliver training, upskilling and reskilling based on the needs of the economy.²¹⁰
272. In correspondence to the Committee in September, Professor Muscatelli, Principal of the University of Glasgow confirmed that universities are receiving additional funding from the Scottish Government to accommodate more Scottish-domiciled students this year, and they have been more flexible than usual when it comes to admissions requirements.²¹¹
273. James Thomson of Ayrshire College highlighted the role of colleges in working with industry to ensure that young people acquire the skills businesses require; he believes that existing structures should be invested in to support young people during the crisis.²¹²
274. At a Committee meeting in May, Liz Cameron of the SCC highlighted a need to explore potential partnerships between young people who are coming out of colleges and universities and SMEs:
- ” Such individuals could have the level of technical skills that many such businesses do not currently have. Would it not therefore be better to come up with partnerships that would utilise their talents, at the same time as helping such businesses to gear up for the new business environment that we are all about to enter?²¹³

The Committee asks the Scottish Government to set out how it will enable colleges and universities to offer educational opportunities to young people during the pandemic, including any changes to funding arrangements.

Apprenticeships

275. Successive Scottish governments have aimed to increase the number of apprenticeships on offer in Scotland; there are now three levels of apprenticeship, which are managed by SDS: Foundation Apprenticeships (for school pupils); Modern Apprenticeships (MAs) (allow individuals to earn a wage while gaining an industry recognised qualification) and Graduate Apprenticeships (offer work-based learning opportunities up to Master's degree level).
276. There is significant disruption to apprenticeships and apprenticeship starts due to the pandemic. [Statistics published by SDS](#) for the period April to June 2020 show that the number of young people starting MAs fell by 80% over the year.²¹⁴ In hospitality and food and drink there was a combined 11 MA starts between April and June this year, compared to 750 in 2019/20. Even in construction, numbers of new MA starts plummeted by 66% over the period. The Scottish Government had set a target of over 30,000 Modern and Graduate Apprenticeship starts for this year (an increase of around 1,000 on last year), but the lockdown has had a significant impact on business activity and the Committee has heard it will be a challenge to maintain the level of apprenticeships.
277. In correspondence in July, SDS set out the potential impact of reduced apprenticeships:
- ” Disruption to apprenticeships in Scotland has the potential to dramatically impact youth unemployment and damage the future skills needs of industry (at a time of demographic challenge).²¹⁵
278. The Minister for Business and Skills confirmed (in evidence given in October) that the achievement of 30,000 MA starts this year is unlikely due to the impact of the pandemic. Apprenticeships are a demand-led programme that requires employers to want to employ apprentices. Through SDS and the Scottish Government's network of training providers, they are promoting the benefits of apprenticeships, including activity to support better pathways into apprenticeships.²¹⁶

Recruitment and retention

279. The Committee heard from young people that some apprenticeships have been paused and there are reports of apprenticeships being ended prematurely. A number of apprentices have been made redundant, and the job retention scheme has probably masked the true number.²¹⁷
280. Businesses said that it will be challenging to maintain the current level of apprenticeships given business priorities right now. The Committee heard about a loss of placement opportunities and the need to look at how to deal with the current

lack of access to workplaces for young people; Martine Nadler of Tinies Childcare explained that they currently have 20 apprenticeship candidates looking for an employer but there is no uptake from employers.²¹⁸

281. According to Glasgow City Council, COVID-19 has meant the current MA cohort cannot complete their qualification.²¹⁹ The YPC also believes that existing apprentices who have been furloughed could be at risk of losing their apprenticeship, particularly in hard hit sectors such as hospitality, accommodation and retail. They are also concerned that many employers will delay recruitment decisions until they are more financially stable, and therefore postpone plans to take on new apprentices.²²⁰
282. Evidence from the Federation of Master Builders (FMB) focused on the construction industry, which accounted for almost a quarter of all MA starts last year. An immediate concern of theirs is how many of its members, and businesses across the wider construction industry, will recruit a new intake of apprentices. The Committee is aware that this industry already has a significant skills gap and an ageing workforce, so the FMB fears it cannot afford another significant and sustained reduction in apprenticeship intake.²²¹
283. The Committee was told that the SYP passed a motion stating that apprenticeship wages should be increased; it was felt that this measure might attract people to apprenticeships and diversify the avenues pursued by young people.²²²
284. Graham Alexander of AJ Engineering explained that they have traditionally taken on four apprentices; however, due to uncertainty of business levels over the next six months, they are not going to make the investment in training young people; they are more likely to take skilled people on.²²³

Graduate and foundation apprenticeships

285. Speaking to the Committee in August, Gordon McGuinness of SDS told the Committee that 'there probably could not be a worse time to hit the labour market as a graduate.'²²⁴ The Committee was told of a need for more graduate-level apprenticeships offering opportunities for work and training, with the example of JP Morgan given as a good model.²²⁵ Businesses said that the graduate apprentice scheme has worked well so far and that it should be expanded, especially in areas where graduates do not tend to go (e.g. rural areas).²²⁶
286. Tracey Innes, Head of Careers and Employability, University of Aberdeen and Convenor for AGCAS Scotland spoke of an appetite among employers for graduate apprenticeships; however, there are challenges in delivery due to difficulties in matching employers with the right educational institution.²²⁷ Kay Hume, Careers Adviser, Orkney, SDS said that clearer guidelines are needed so that employers can match their needs with the right apprenticeship framework or opportunity.²²⁸

287. Hope Laing, Orkney Youth Forum/SYP explained that pandemic restrictions have meant that young people doing foundation apprenticeships have been left unsure about whether they will be able to complete their work experience. ²²⁹

Work experience

288. Young people are struggling to access work experience right now, which is a real concern for many. The Committee was told that there is a need for innovative ways to ensure that young people get opportunities through, for example, virtual work experience. Businesses spoke of the potential for firms, such as digital firms, to provide online work experience. The Committee also heard that it is important that employers are incentivised, through funding, to offer paid internships for young people. ²³⁰

289. Carla Gee and Anna Brown of Girlguiding Scotland stressed the lack of offers of work given to under-18s; although volunteering experience can help, employers are looking for evidence of young people having done paid work. ²³¹ Kay Hume, Careers Adviser, Orkney, SDS, said:

” Colleges and universities want qualifications, but they also want to know that people have gone out there and done a job or done something to gain experience in the real world. There is a cohort of young people, spanning two academic years—last year’s and this year’s pupils—who cannot gain work experience. What can we do about that? Is there a way to create a virtual learning environment for work experience? ²³²

290. The Minister for Business and Skills said that the Scottish Government shares the concerns about the provision of good-quality and meaningful work-based learning and work experience for young people. He said that the DYW regional groups are being tasked with continuing to build their partnerships with employers in their local areas to ensure that they provide opportunities for young people. ²³³

Adopt and apprentice scheme

291. The Minister for Business, Fair Work and Skills explained that the Scottish Government has leveraged in and repurposed some SDS funding to work with employers to demonstrate the benefits of retaining apprentices. ²³⁴ SDS manages an Adopt an Apprentice scheme, which offers employers £2,000 (£5,000 for the oil and gas sector) to recruit a redundant apprentice. ²³⁵ The scheme provides a one-off financial incentive to another employer and is designed to ensure that the apprentice can complete their apprenticeship. In August, SDS told the Committee that they were working with the Scottish Government on how the adopt an apprentice scheme can be enhanced. ²³⁶

292. The Minister confirmed in correspondence that:

” Since the introduction of the programme, over 2,000 applications have been approved with 17 approved in the first quarter of 2020/21. This is a significant drop in comparison to last year’s first quarter in which 92 apprentices utilised this initiative. As apprentices are also employees, many employers have made use of the Job Retention Scheme (JRS) during the initial pandemic and we anticipate an increase in Adopt an Apprentice applications once the JRS concludes at the end of October 2020.

The protection of existing apprentices remains an absolute priority for the Scottish Government during these uncertain times which is why we have put additional measures in place to help support business by increasing the Adopt an Apprentice payment for employers recruiting redundant apprentices from £2,000 to £5,000 from 13th October 2020 until 31st March 2021.²³⁷

The Committee is concerned about the severe impact of the pandemic on apprenticeships. The Committee urges SDS and the Scottish Government to examine options to incentivise employers take on and retain apprentices. Options for online work placements should also be explored, where this is feasible.

The Committee notes that the Adopt an Apprentice scheme has been enhanced and asks the Scottish Government to provide an update on the impact of these measures after the first quarter.

Impact on the wider labour market

293. During the inquiry, the Committee was urged to consider the impact of the pandemic on the wider labour market, not just on young people. Argyll and Bute Council and Glasgow Council made the point that during the previous recession, many initiatives focused on young people. They felt that although this approach was welcome, ‘it was to the detriment of other target groups, such as those aged 50+’. Glasgow Council feels that the lessons learned from the previous recession indicate that interventions should be integrated with existing provision and are an ‘all age offer’ based on need.²³⁸

294. Speaking to the Committee in August, Tracy Black of CBI Scotland also stressed the importance of considering how to tackle the issue of older people being made redundant, as people of all age groups will be affected, ‘there has to be as much upskilling of existing workers as there is of young people.’²³⁹ Tracy Black highlighted the different challenges for older workers:

” Those who are over 50 are particularly susceptible to redundancy; we expect people to work into their 60s and even up to 70, so they will have 20 years in front of them. We must make sure that it is not an either/or and that we do as much as possible for people at whatever stage of life they face redundancy. Generally, the older people are, the more financial responsibility they have, such as mortgages and childcare costs. It is critical that we focus on young people, but not at the expense of older workers.²⁴⁰

295. In May, Liz Cameron of the SCC highlighted an urgent need to reskill and retrain individuals for new opportunities:

” The situation is such that, especially for a lot of the lower-paid individuals in our marketplace, jobs will be disappearing.²⁴¹

Female workers

296. James Smith of the Resolution Foundation told the Committee in May that three groups are bearing the brunt of the crisis: the young, women and those on lower pay. They believe that policies should cover all those groups.²⁴² Susan Love of FSB Scotland cited a McKinsey report (published in May) which looked at the parts of the country in which employment was more likely to be at risk; the group said to be at most risk was young women.²⁴³

297. In August, Liz Cameron of the SCC highlighted Institute of Fiscal Studies figures which found that nearly 47 per cent of women could either lose their jobs permanently or had already left their jobs because of parental responsibilities. Liz Cameron spoke of the need to reprioritise and focus on women, in particular, to retrain them for positions and jobs that suit their environment and other commitments, and which bring their labour back into the marketplace.²⁴⁴

298. Tracy Black of CBI Scotland agreed that reskilling and upskilling will be critical, helping women who have been made redundant from retail jobs to pivot into new digital jobs, for example:

” We agree that women are particularly vulnerable in this crisis, but there are opportunities out there through reskilling and upskilling, which must be supported.²⁴⁵

299. On the position of women in the labour market, Helen Martin of the STUC said:

” One area that this crisis has highlighted is the systematic undervaluing of female labour... That can be seen in the social care sector, in which even people in highly skilled jobs are paid at low rates—often at the minimum wage or the Living Wage if they are lucky. That is replicated in other sectors, such as retail and hospitality. It is time to take a good look at our rates of pay in those sectors of our economy and to consider how we might rebuild them in a better and fairer way so that people can be properly recompensed for the roles that they carry out.²⁴⁶

PACE

300. SDS has a key role in delivering Partnership Action for Continuing Employment (PACE) support to those facing redundancy, as well as the Transition Training Fund (now closed) which helped thousands of people retrain after facing redundancy from the oil and gas sector.

301. In its response to the AGER report, the Scottish Government committed extra funding for PACE ‘to provide immediate advice to all at risk of being made redundant’.

302. There was also a commitment to introduce/reintroduce a Transition Training Fund as a mechanism to support individuals facing redundancy and unemployment in those sectors most exposed to a downturn. This, according to the Scottish Government, 'will provide opportunities to upskill and transition into employment in sectors with continuing skills gaps/growth opportunities and to support our transition to net zero'.²⁴⁷
303. The previous £12m Transition Training Fund supported over 4,000 people facing redundancy from the oil and gas industry. According to a recent survey, 68% of respondents are in employment and 56% of this group still work in the oil and gas industry.²⁴⁸

Wider labour market policies

304. The AGER report said that there will be more business failures and redundancies in the economy as a consequence of the crisis:

” This process is already under way; and it will undoubtedly lead to an increase in the need for Partnership Action for Continuing Employment (PACE) type services, offering transition into new jobs or retraining opportunities. So these services will need rapidly to be expanded to provide more proactive support. This will need intense collaboration between the enterprise bodies, local government, SDS and the education sector; and they need urgently to prepare now for an increase in demand in the coming months.²⁴⁹

305. The AGER report recognised the importance of skills across the labour market and recommended:

” The Scottish Government should refocus its skills strategies to address the risks of unemployment, recognising the importance of high participation sectors, and of improving the provision of lifelong learning to enable people to reskill.²⁵⁰

306. SDS agreed that, over time, there is a pressing need to support those facing redundancy or who are made redundant. They said that PACE has a track record of successful delivery, with client experience surveys demonstrating that high percentages of those supported by PACE advisers are back in work, often at the same level as before, within six months. The volume of people facing redundancy is likely to cause significant challenges to the current delivery model. Therefore, the offer needs to be scaled up to offer skills assessment, job search and training advice to redundant workers.²⁵¹

307. Unite agrees that PACE should be given a more strategic role in supporting the economy through working with companies that are experiencing difficulties or are seeking to restructure their organisations in a way that could avoid a redundancy situation or closure in sufficient time that would allow agencies to work with a company to avoid these, perhaps unnecessary, outcomes.²⁵²

The Committee is very concerned about the impact of the pandemic on the wider labour market, especially on female workers. The Committee asks the Scottish

Government to set out what policies it is pursuing to support the wider labour market, particularly women.

Labour market - budget

308. SDS stated that when the Scottish Government set out its tax and spending plans in February 2020, a budget of £224m was identified for SDS and they continue to operate within the context of this budget. ²⁵³
309. The Cabinet Secretary said that as there will be less demand for some SDS programmes (as they will not be appropriate at this time); the Scottish Government will consider how to use SDS’s existing budget to help meet the needs of young people in particular. ²⁵⁴ The Minister for Business, Fair Work and Skills referred to the delayed UK budget, ‘through the UK Government’s budget, we are looking for significant investment through an economic stimulus to support people through this time.’ ²⁵⁵

Given the key role of SDS in delivering programmes to people affected by the pandemic across the labour market, the Committee asks the Scottish Government to provide an update on any plans to enhance its budget.

Not just any job

310. Several witnesses stressed the need to ensure that employment gained through public sector interventions should be quality jobs. IPPR Scotland said:
- ” We cannot go back to an any-job strategy; we must maintain our laser focus on the long term, which is about job quality and career progression. No scheme or intervention can be about people just treading water; clear progression and flexibility must be built in, so that not just young people but all the groups who are likely to be shed from the labour market are able to access the help that they need. ²⁵⁶
311. FAI agreed:
- ” Obviously, young people could be scarred in the long term by suffering unemployment, but they could also be scarred by being in a job that does not utilise all their skills. If they are in a long period of low skilled employment, that could impact on their employment prospects for many years to come. ²⁵⁷
312. There is also potential for underemployment increasing as a result of the pandemic. As Professor Blanchflower explained, if firms are at only 30 per cent capacity and people are working only one or two days a week, that means that both their hours and their income are less than they would like. ²⁵⁸
313. Recent analysis from FAI shows that underemployment is already an issue. Data published in mid-October 2020 suggests that the number of hours worked during

the pandemic period has fallen sharply and is down 6.7 million hours in Scotland compared to a year ago; this is the lowest average weekly hours recorded since 2013.²⁵⁹

Role of procurement in incentivising the employment of young people

314. Many respondents highlighted the need for community benefit clauses in the procurement process. Just as RSA grants have included Fair Work criteria since 2019 and youth training requirements since 2015, there may be scope to require youth employment measures, mentoring or apprenticeship schemes as a key component of the procurement process.
315. The STUC believes that the Scottish Government should only provide government funds, through procurement, contracting and commissioning, to employers that meet certain conditions. While this could include the employment of young people ‘it must also involve a wider range of conditions, including recognising trade unions in their workplace and applying union negotiated rates of pay’. The STUC also highlighted the potential of procurement to provide much more benefit to local communities:
- ” ...we should draw on the concept of community wealth building – insourcing contracted out services and using anchor institutions, land and assets, and progressive procurement policies, to support positive, local economic development’.²⁶⁰
316. This idea is fully supported by the three local authorities who responded to our call for views (Highland, Argyll and Bute and Fife)²⁶¹ as well as by SLAED, with the latter stating:
- ” Community Benefits within local authority contracts have helped to support local economies and additional placements out-with the construction sector would enable a greater range of skills and jobs for young people. Mandatory work experience placements and apprenticeships at all levels should be considered as part of the procurement process, and it would be helpful if the thresholds at which these community benefits start to become mandatory were lowered and tiered. More consideration of the overall value being offered in contracts, including training and Fair Work, rather than just the lowest price should be more evident in public sector procurement.²⁶²
317. The STUC believes that one way of ensuring ‘fair work first’ principles are adhered to is through procurement which insists on adherence and promotion of collective bargaining agreements: ‘these agreements would ensure that industry-wide terms and conditions are applied – providing good quality jobs and apprenticeships for young people – and preventing employers from undercutting each other’. Particular focus should be on the establishment of Fair Work Agreements in care and hospitality, as recommended by the Advisory Group on Economic Recovery.²⁶³
318. One businessperson agreed that public procurement should require bidders to commit to training/employing a number of young people, especially apprentices.²⁶⁴

The Committee asks the Scottish Government to set out how it intends to use the procurement process to promote employment and training opportunities for young people (such as a duty to employ or train young people as a condition of awarding a contract).

Financial impact on young people

319. Whilst it is important to develop policies to assist with education, training and employment, wider financial challenges are being faced by young people today. In terms of living costs, the STUC felt that rent controls should be introduced alongside public housebuilding programmes to lower the cost of housing for young people.²⁶⁵ The SWC argued for innovative solutions that cater to young people's pressing issues such as wage stagnation and the housing crisis.²⁶⁶
320. Young people told us about the financial impact of the crisis; part-time jobs are no longer available for students. The Committee heard that this year many young people have been unable to secure a summer job and have had to defer entry to university due to a lack of income from work over the summer.²⁶⁷ Anna Brown of Girlguiding Scotland spoke of a friend who lost her job and had to reject her university place because she could not afford to move to university.²⁶⁸
321. Failure to secure part-time employment has far reaching consequences for young people, as illustrated by Hope Laing, of Orkney Youth Forum/SYP:

” ...people do not take into account that young people also have bills to pay and parents to support, especially those whose parents either lost their jobs because of the pandemic or are unable to work due to being ill. Yes, we also use the money for leisure, but we also gain skills through employment. Many employers and education institutions look for work experience on applications from young people. Being unable to work has left many young people at a disadvantage, because their CV is missing that valuable attribute. Young people are disadvantaged in ways that go beyond not earning an income.²⁶⁹

The Committee notes the financial impact of the pandemic on young people and that this is affecting their education and future prospects. The Committee asks the Scottish Government to set out what policies it is pursuing to ensure that young people are financially supported during this challenging period.

Executive summary

322. In this report, the Committee has made the following conclusions and recommendations:

Impact on businesses

323. The Committee agrees with evidence that working together is key to supporting businesses and workers through the crisis. The Committee believes that it is vital that both governments work with businesses, trade unions and individuals to identify and address any delays or gaps in financial support. It is important that information on funds available, and any gaps, is made available for scrutiny.
324. The Committee understands the initial reasons for the lack of disaggregated data gathered on business support, given the speed at which business support has been provided during the pandemic and notes that data has since been published by both Governments. However, gaps still remain. The Committee asks the Scottish Government and its agencies to set out what steps they are taking to ensure that there is equality of awareness and access to business support during the pandemic, especially for businesses led by women, people with disabilities and ethnic minority businesses.
325. The Committee also asks the UK Government to provide more consistent data on the uptake in Scotland of business support packages and loan schemes.
326. Given the regional and sectoral divergence across Scotland, the Committee agrees with evidence that business support should be from the ground up and tailored to the local economy. The Committee recognises that the immediate response to the crisis could not fully embrace this approach, given the urgency of the situation. However, the Committee recommends that this approach is taken to the provision of business support going forward.
327. The Committee recognises that debt levels are rising as a result of the crisis; this will impact on economic recovery. The Committee asks the Scottish and UK Governments to set out how their future response to the crisis will address higher levels of indebtedness by businesses.

Enterprise and local economic development agencies and the Scottish National Investment Bank

328. The Committee welcomes the alignment across the economic development agencies that has been demonstrated as a result of the crisis. However, there is still work to be done on longer-term strategic alignment.
329. Evidence on the need for a more regional local approach would suggest that recent shifts in Scotland's economic policy landscape towards a place-based approach have yet to have an impact. The enterprise agencies have committed to a more regional approach. Given the evidence received on the differing local economies across Scotland, the Committee agrees that this approach must be pursued with urgency. The Committee notes Scottish Enterprise's pilot activity around a 'place based' model and asks it to set out its longer-term plans for this approach. Given that Scotland's economy is in crisis, place-based interventions are needed across the whole country, including an enhanced role for local authorities in supporting businesses.

330. The Committee welcomes the provision of jobs and regional data on Regional Selective Assistance (RSA) projects. To aid transparency, the Committee recommends that all local authorities are included in the data, including those which received no grants. Regional data for previous years' spend should also be provided.
331. In its pre-budget scrutiny report in 2019, the Committee noted the striking regional disparities in the award of RSA over the last five years. We acknowledged that RSA is part of a wider package of support for businesses across the regions and is demand led. However, the Committee recommended that work should be carried out as a matter of urgency to maximise demand stimulation across the regions. ²⁷⁰ The Committee asks the Scottish Government and its agencies to consider how to ensure a more even spread of RSA to make sure that funds are awarded to businesses most in need of support across Scotland.
332. The Committee welcomes the alignment between the enterprise agencies and local economic development partners to deliver business support during the pandemic. The Committee asks the Scottish Government to set out how it will ensure that there continues to be such strategic alignment in future.
333. The Committee notes the scale of the challenge met by local authorities in delivering funding to businesses across the country. The Committee would like to thank all those involved in delivering such a swift response. The Committee recommends that local authority delivery of COVID-19 business support is reviewed so that lessons can be learned for future funding programmes, including a review of digital systems and looking at how they can be aligned across the economic development agencies.
334. Whilst the Committee agrees that support for growth companies is important, the lack of flexibility in Scottish Enterprise's budget is a cause for concern. The Committee recommends that more flexibility and contingency is built into Scottish Enterprise's budget to allow them to respond to unforeseen circumstances. The Committee asks the Scottish Government and Scottish Enterprise to set out how this can be achieved.
335. The process of awarding funds on a multi-annual basis has led to a lack of funds for new projects. It is important that there is transparency in this multi-annual allocation of Scottish Enterprise's resources and that these commitments are published for scrutiny. The Committee notes that discussions on Scottish Enterprise's forthcoming budget are underway and asks to be informed of the outcome.
336. The Committee notes Scottish Enterprise's evidence that the annuality of their budget can be challenging, particularly in relation to capital commitments. The Committee invites the Scottish Government to consider this and any other measures which can assist Scottish Enterprise with forward planning and budgeting.
337. The Committee notes that Scottish Enterprise has achieved all of its targets again for the last financial year. Whilst this is to be commended, the Committee asks the Scottish Government and the Strategic Board to set out progress in ensuring that challenging and aligned targets are set for Scotland's enterprise agencies.

338. The Committee welcomes the evaluation of COVID-19 business support schemes administered by the enterprise agencies. The Committee asks to be kept updated on this work.
339. The Committee notes evidence from HIE about work with the analytical unit on the National Performance Framework to improve consistency of measurement of outcomes. The Committee has previously recommended alignment of targets and outcomes and asks to be informed when this work has been completed. This strategic alignment should reach across local economic development agencies and the new Scottish National Investment Bank, for which missions are currently being set.
340. The Committee notes that an additional £100 million of investment has been made over the past year through the Scottish Growth Scheme; however, £240 million is still unallocated. The Committee asks the Scottish Government to clarify how it intends to use these funds. The Committee notes the challenges in securing match funding but asks the Scottish Government to consider how to stimulate demand or re-purpose the fund to ensure that the money reaches businesses in need.
341. There is a need for SNIB to be launched as soon as possible to support the recovery. The Committee is conscious that this depends on State Aid clearance and, as stated in the Committee's response to the consultation on the bank's missions, we ask to be kept up to date on any delays that would prevent the Bank launching prior to the end of 2020.
342. The Committee agrees that SNIB should maintain its long-term focus. The Committee will keep a watching brief on the impact of the pandemic on SNIB's ability to leverage funds.
343. The Committee notes the role of the enterprise agencies in stimulating demand for SNIB, and the potential challenges in encouraging uptake. It is vital that Scottish Enterprise is sufficiently resourced to perform the demand stimulation function.
344. The Committee asks both the Scottish and UK Governments to clarify the arrangements that will apply to support economic development in Scotland at the end of the transition period, including in the event of a no-deal exit from the EU.

Economic recovery

345. The Committee will continue to monitor the Government's response to the Advisory Group on Economic Recovery's report, their implementation of the recommendations, and the appropriateness of recovery plans given the fast-changing circumstances.
346. The Committee explored the role of procurement in promoting economic recovery. The Committee recognises the role of procurement in promoting fair work, the role of SMEs and the green economy. A number of issues relating to procurement were highlighted in the Committee's Construction inquiry. The Committee had planned to do a full-scale inquiry to examine the effectiveness of the Procurement Reform (Scotland) Act 2014. However, due to pressures on the work programme caused by the pandemic, the Committee has scaled down that work. The Committee has

launched a call for views and will explore evidence received in an oral evidence session with the Cabinet Secretary in early 2021.

347. The Committee notes the intention to measure economic recovery policies against the National Performance Framework and a new wellbeing economy monitoring framework. The Committee asks the Scottish Government and the enterprise agencies to set out how this will tie in with existing performance measurement frameworks. The Committee also asks the Scottish Government to provide a timetable for setting up the new wellbeing economy monitoring framework.

Impact on young people and the labour market

348. The Committee believes that young people should be consulted and actively participate in developing policy responses to the pandemic. The Committee asks the Scottish Government to set out how it will ensure that this consultation and participation takes place on an ongoing basis.
349. The Committee notes that the sectors worst affected by the pandemic are most likely to employ young people and to be particularly important to rural economies. The Committee has heard that policy responses must be tailored to local circumstances. Job creation programmes designed and delivered locally, specifically targeted at the local economy and labour market, are the most effective. We ask the Scottish Government to set out how its labour market policy responses will be tailored to local circumstances.
350. The Committee notes the evidence welcoming the young person's guarantee. There was general agreement that work placements must:
- be of sufficient length
 - be paid at the Living Wage, and
 - take the specific circumstances of sectors and local economies into account.
351. The Committee also highlights evidence that the young person's guarantee could be used to create 'green jobs' and asks the Scottish Government to respond to that. The Committee will continue to monitor specific proposals for the Young Person's Guarantee as they are developed.
352. The Committee notes that the young person's guarantee builds on existing initiatives and aims to provide a guarantee to young people of employment, education or training. The Committee asks the Scottish Government to set out what additional value the scheme will add to existing provision and how this will be monitored and reported on.
353. The Committee notes the cost estimates provided by the Fraser of Allander Institute and asks the Scottish Government to set out detailed planned expenditure on the young person's guarantee scheme, including plans for wage incentives.
354. The Committee notes the evidence of the positive impact of the Community Jobs Scotland scheme and asks the Scottish Government to provide an update on plans for the scheme in the context of the current crisis.

355. The Committee notes evidence that the Developing the Young Workforce (DYW) programme has an important role in connecting young people with employers. The Committee asks the Scottish Government to respond to evidence that the current DYW model is not suitable for certain types of businesses.
356. The Committee notes the need for schools to be more responsive to local employers and welcomes the Scottish Government's commitment to establish DYW co-ordinators in every school; the Committee asks the Scottish Government to set out a timescale for their deployment.
357. The Committee notes that Enterprise and Skills Strategic Board has highlighted that additional resources are likely to be needed to address COVID-19 related labour market challenges. The Committee asks the Scottish Government to respond to this point.
358. The Committee notes the evidence about the impact of the pandemic on graduate recruitment and asks the Scottish and UK Governments to set out what specific policies they are pursuing to assist graduates to find quality employment. The Committee heard evidence of the value of the ScotGrad programme and asks the Scottish Government whether it has plans to roll this programme out across the country.
359. The Committee asks the Scottish Government to set out how it will enable colleges and universities to offer educational opportunities to young people during the pandemic, including any changes to funding arrangements.
360. The Committee is concerned about the severe impact of the pandemic on apprenticeships. The Committee urges Skills Development Scotland and the Scottish Government to examine options to incentivise employers take on and retain apprentices. Options for online work placements should also be explored, where this is feasible.
361. The Committee notes that the Adopt an Apprentice scheme has been enhanced and asks the Scottish Government to provide an update on the impact of these measures after the first quarter.
362. The Committee is very concerned about the impact of the pandemic on the wider labour market, especially on female workers. The Committee asks the Scottish Government to set out what policies it is pursuing to support the wider labour market, particularly women.
363. Given the key role of Skills Development Scotland in delivering programmes to people affected by the pandemic across the labour market, the Committee asks the Scottish Government to provide an update on any plans to enhance its budget.
364. The Committee asks the Scottish Government to set out how it intends to use the procurement process to promote employment and training opportunities for young people (such as a duty to employ or train young people as a condition of awarding a contract).
365. The Committee notes the financial impact of the pandemic on young people and that this is affecting their education and future prospects. The Committee asks the Scottish Government to set out what policies it is pursuing to ensure that young people are financially supported during this challenging period.

Annex A - Minutes of Meetings

10th Meeting, Tuesday 24 March 2020

4. COVID-19: The Committee took evidence from—

- Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture, Ian Storrie, Head of Non-Domestic Rates Policy, and Gary Gillespie, Chief Economist, Scottish Government.

5. COVID-19 (in private): The Committee considered the evidence heard at today's meeting.

Following the evidence session, the Committee wrote to the Cabinet Secretary. The Cabinet Secretary responded on 10 April.

- [Follow up with the Cabinet Secretary](#)
- [Cabinet Secretary's response](#)

14th Meeting, Monday 18 May 2020

2. COVID-19 – impact on Scotland's businesses, workers and the economy: The Committee took evidence from—

- Tracy Black, Director, CBI Scotland;
- Susan Love, Policy Manager, Scotland, Federation of Small Businesses;
- Liz Cameron, Chief Executive, Scottish Chambers of Commerce;
- Mairi Spowage, Deputy Director, Fraser of Allander Institute;
- Matt Lancashire, Deputy Chief Executive, SCDI;
- Helen Martin, Assistant General Secretary, STUC.

Michelle Ballantyne declared an interest as the owner of a manufacturing business.

3. COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting. The Committee agreed to meet in private to discuss its approach to the inquiry at a future meeting.

15th Meeting, Thursday 21 May 2020

1. COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee considered the correspondence it received from the Scottish and UK Governments. The Committee agreed to write to the UK Government and to the Scottish Affairs Select Committee.

2. COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee considered its approach to the inquiry. The Committee agreed to consider a further paper at its meeting on 29 May.

16th Meeting, Friday 29 May 2020

1. COVID-19 – impact on Scotland’s businesses, workers and the economy: The Committee took evidence from—

- Benny Higgins, Member, and Dame Julia Unwin, Member, Scottish Government Advisory Group on Economic Recovery;
- Charlie Smith, Managing Director of SDI, Scottish Enterprise;
- James Smith, Research Director, Resolution Foundation.

2. COVID-19 – impact on Scotland’s businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

17th Meeting, Tuesday 2 June 2020

2. COVID-19 – impact on Scotland’s businesses, workers and the economy: The Committee took evidence from—

Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture, Gary Gillespie, Chief Economist, and Kevin Quinlan, Director for International Trade and Investment, Scottish Government.

3. COVID-19 – impact on Scotland’s businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

23rd Meeting, Tuesday 11 August 2020

2. COVID-19 – impact on Scotland’s businesses, workers and the economy: The Committee took evidence from—

- Tracy Black, Director, CBI Scotland;
- Barry McCulloch, Senior Policy Advisor, Federation of Small Businesses;
- Helen Martin, Deputy General Secretary, STUC;
- Liz Cameron, Chief Executive, Scottish Chambers of Commerce;
- Professor David Blanchflower;
- Russell Gunson, Director, IPPR Scotland;
- Mairi Spowage, Deputy Director, Fraser of Allander Institute.

3. COVID-19 – impact on Scotland’s businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

25th Meeting, Tuesday 25 August 2020

3. COVID-19 – impact on Scotland’s businesses, workers and the economy: The Committee took evidence from—

- Nora Senior, Chair, Enterprise and Skills Strategic Board;

- Gordon McGuinness, Director of Industry and Enterprise Networks, Skills Development Scotland.

6. COVID-19 – impact on Scotland’s businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

28th Meeting, Tuesday 15 September 2020

2. COVID-19 – impact on Scotland’s businesses, workers and the economy: The Committee took evidence from—

- Carla Gee, and Anna Brown, Girlguiding Scotland;
- Maya Tams-Gray, and Hope Laing, Orkney Youth Forum/Scottish Youth Parliament;
- Tracey Innes, Head of Careers and Employability, University of Aberdeen and Convenor for AGCAS Scotland;
- Garry Maxwell, Curriculum Manager, Construction, Edinburgh College;
- Erin Bartley, Careers Adviser, West Dunbartonshire, and Kay Hume, Careers Adviser, Orkney, Skills Development Scotland.

4. COVID-19 – impact on Scotland’s businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

29th Meeting, Tuesday 22 September 2020

2. Pre-budget scrutiny 2021-22 and impact of COVID-19 on businesses, workers and the economy; Scottish National Investment Bank draft missions: The Committee took evidence from—

- Jane Martin, Managing Director, Business Services and Advice, and Douglas Colquhoun, Chief Financial Officer, Scottish Enterprise;
- Charlotte Wright, Chief Executive, and Nick Kenton, Director of Finance and Corporate Services, Highlands and Islands Enterprise;
- Nick Halfhide, Interim CEO, and Anthony Daye, Financial Director, South of Scotland Enterprise;
- Hugh Lightbody, Chief Officer, Business Gateway National Unit, and Sarah Watters, Chief Officer, Local Government Finance, COSLA.

3. Pre-budget scrutiny 2021-22 and impact of COVID-19 on businesses, workers and the economy; Scottish National Investment Bank draft missions: The Committee took evidence from—

Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture, Kevin Quinlan, Director, and Richard Rollison, Deputy Director, Scottish Government.

Richard Lyle declared an interest as an honorary member of the Showman’s Guild of Great Britain (Scottish Section).

4. Pre-budget scrutiny 2021-22 and impact of COVID-19 on businesses, workers and the economy; Scottish National Investment Bank draft missions (in private): The Committee deferred consideration of the evidence to a future meeting.

Following the meeting, Scottish Enterprise wrote to the Committee to provide supplementary information on a number of issues raised during evidence:

- [Letter from Scottish Enterprise to the Committee](#)

31st Meeting, Tuesday 6 October 2020

2. Pre-budget scrutiny 2021-22 and impact of COVID-19 on businesses, workers and the economy: The Committee took evidence from—

Jamie Hepburn, Minister for Business, Fair Work and Skills, Scottish Government.

5. Pre-budget scrutiny 2021-22 and impact of COVID-19 on businesses, workers and the economy (in private): The Committee considered the evidence heard at today's meeting.

32nd Meeting, Tuesday 27 October 2020

COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee considered a draft report, various changes were agreed to, and the Committee agreed to consider a revised draft in private at a future meeting.

33rd Meeting, Tuesday 3 November 2020

COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee agreed to defer its consideration of a draft report until its next meeting.

34th Meeting, Tuesday 10 November 2020

COVID-19 – impact on Scotland's businesses, workers and the economy (in private): The Committee considered and agreed a revised draft report and agreed arrangements for its publication.

Annex B - Written Evidence

Written Submissions to the [Call for Views](#)

- [Women's Enterprise Scotland](#)
- [NFU Scotland](#)
- [Lucy Beattie](#)
- [SCDI](#)
- [David Taylor Events Ltd](#)
- [Salmond's](#)
- [Michael Kibaris](#)
- [Liz Johnston](#)
- [Brian Stirling](#)
- [G75 Media](#)
- [Bookspeed](#)
- [Allied Surveyors Scotland](#)
- [Scottish Stone Group](#)
- [FSB](#)
- [New Town Dental Care](#)
- [Tom Connolly](#)
- [East Lothian Food and Drink Ltd](#)
- [Rosemount Hotel](#)
- [Wilderness Scotland](#)
- [Scottish Renewables](#)
- [Competition and Markets Authority](#)
- [Billy Gold](#)
- [innogy Renewables Scotland](#)
- [Scottish Retail Consortium](#)
- [Professor Francis Greene](#)
- [Social Enterprise Scotland](#)

- [Turner & Townsend](#)
- [Peter Shepherd](#)
- [Scotch Whisky Association](#)
- [Women's Enterprise Scotland - Update](#)
- [Ornamental Aquatic Trade Association Ltd \(OATA\)](#)
- [NFU Scotland](#)
- [CICV Forum, Future Planning subgroup](#)
- [Bespoke Canvas Art & Interiors Ltd](#)
- [Association of Scotland's Self-Caterers \(ASSC\)](#)
- [Chris Cook](#)
- [CCG \(Scotland\) Ltd](#)
- [Homes for Scotland](#)
- [CIPD Scotland](#)
- [Interface](#)
- [Close the Gap](#)
- [Federation of Master Builders](#)
- [Food and Drink Federation Scotland](#)
- [ADS Scotland](#)
- [Paths for All](#)
- [Donna McKenzie Skene and Dr Alisdair MacPherson](#)
- [Matthew Whiteside](#)
- [Universities Scotland](#)
- [Equality and Human Rights Commission](#)
- [Scottish Land & Estates](#)
- [Music Venues Alliance](#)
- [Transform Scotland](#)
- [Glasgow Chamber of Commerce](#)

Supplementary Evidence

- [Professor David Blanchflower](#)

- [Skills Development Scotland](#)
- [Quantum Communications](#)
- [Scotgrad Annual Report 2018-19](#)

The Committee conducted an online consultations on the following areas:

- [Impact on young people](#);
- [Role of the enterprise agencies and SNIB](#) ;
- [Impact on businesses and workers](#) ;
- [Plans for economic recovery](#) (including scrutiny of the [AGER report](#)).

The Committee also asked young people about the impact of COVID-19. You can read their responses at the following link:

- [Impact on young people digital consultation](#)

The Children and Young People's Commissioner Scotland wrote to the Committee regarding the impact of the Covid-19 pandemic on children and young people.

- [Letter from the Children and Young People's Commissioner Scotland](#)
- [Independent Children's Rights Impact Assessment on the Response to Covid-19](#)
- [Independent Children's Rights Impact Assessment - for children](#)

As part of its COVID-19 inquiry, the Committee held focus groups with young people and businesses.

- [Focus group with young people](#)
- [Focus group with businesses](#)

Correspondence

On 16 April the Committee wrote to the Cabinet Secretary for the Economy, Fair Work and Culture, the Cabinet Secretary for Finance and the Chancellor of the Exchequer.

- [Letter to the Scottish Government](#)
- [Letter to the Chancellor of the Exchequer](#)

The Cabinet Secretary responded on 25 April. HM Treasury responded on 11 May.

- [Scottish Government's Response](#)
- [HM Treasury's response](#)

On 6 May the Committee wrote to the banks regarding support being offered by banks to businesses during the COVID-19 crisis.

- [Clydesdale Bank PLC](#)

- [Lloyds Banking Group](#)
- [Santander UK](#)
- [TSB Bank plc](#)
- [Royal Bank of Scotland & Ulster Bank, Northern Ireland](#)

Responses:

- [Virgin Money UK](#)
- [Santander UK](#)
- [TSB Bank plc](#)
- [Royal Bank of Scotland](#)
- [Lloyds Banking Group](#)

On 11 May the Committee wrote to the Cabinet Secretary for Economy, Fair Work and Culture seeking an update on a number of points. The Cabinet Secretary replied on 22 May.

- [Letter to the Cabinet Secretary](#)
- [Cabinet Secretary's response](#)

On 26 May, the Committee wrote to Chief Secretary to the Treasury. The Chief Secretary responded on 5 June. The Committee wrote again to the Chief Secretary to the Treasury on 16 June. The Chief Secretary responded on 29 June.

- [Letter to the Chief Secretary to the Treasury](#)
- [Chief Secretary's response](#)
- [Follow up letter to the Chief Secretary to the Treasury](#)
- [Chief Secretary's response](#)

Energy Transition Fund

On 12 June, the Cabinet Secretary for the Economy, Fair Work and Culture wrote to the Committee to inform it of the Energy Transition Fund.

- [Letter from the Cabinet Secretary](#)

Advisory Group on Economic Recovery

On 19 June the Cabinet Secretary for the Economy, Fair Work and Culture wrote to the Committee ahead of the publication of the group's report: Scotland Needs a Robust, Resilient Economy: The Report of the Advisory Group on Economic Recovery

- [Letter from the Cabinet Secretary for the Economy, Fair Work](#)
- [Scotland Needs a Robust, Resilient Economy](#)

On 30 June the Committee wrote to Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture regarding the Scottish Government's intention to respond to the group's report. The Cabinet Secretary responded on 2 July. The Deputy First Minister and Cabinet Secretary for Education and Skills and the Cabinet Secretary for the Economy, Fair Work and Culture responded on 5 August.

- [Letter to the Cabinet Secretary](#)
- [Cabinet Secretary's Response](#)
- [Scottish Government Response](#)

On 30 June the Committee wrote to the Rt Hon Alok Sharma MP, Secretary of State for Business, Energy and Industrial Strategy to ask whether the UK Government intend to produce an economic recovery plan. The Department for Business, Energy & Industrial Strategy responded on 27 July.

- [Letter to Secretary of State for Business, Energy and Industrial Strategy](#)
- [Response from the Dept for Business, Energy & Industrial Strategy](#)

Parliamentary Engagement on Green Recovery

On 24 June the Environment, Climate Change and Land Reform Committee provided an update on recent developments in relation to green recovery and the work of the Committee. The Convener replied on 8 July.

- [Letter from Environment, Climate Change and Land Reform Committee](#)
- [Letter to Environment, Climate Change and Land Reform Committee](#)

On 22 September the Environment, Climate Change and Land Reform Committee wrote to the Committee with an update on its green recovery work.

- [Letter from Environment, Climate Change and Land Reform Committee](#)

COVID-19: enterprise and skills agencies

The Committee wrote to the enterprise and skills agencies seeking further information.

- [Scottish Enterprise](#)
- [Highlands and Islands Enterprise](#)
- [South of Scotland Enterprise](#)
- [Skills Development Scotland](#)
- [Enterprise and Skills Strategic Board](#)

Responses:

- [Skills Development Scotland](#)
- [Highlands and Islands Enterprise](#)

- [Scottish Enterprise](#)
- [South of Scotland Enterprise](#)
- [Enterprise and Skills Strategic Board](#)

On 31 August Seeking further information from Highlands and Islands Enterprise.

- [Letter to Highlands and Islands Enterprise](#)
- [Highlands and Islands Enterprise response](#)

The Committee wrote to the following Committees:

- Culture, Tourism, Europe and External Affairs Committee
- Education and Skills Committee
- Finance and Constitution Committee
- Health and Sport Committee
- Local Government and Communities Committee
- Rural Economy and Connectivity Committee
- [Letter to Committees](#)
- [Local Government and Communities Committee](#)
- [Culture, Tourism, Europe and External Affairs Committee](#)
- [Health and Sport Committee](#)
- [Rural Economy and Connectivity Committee](#)

Business Support

On 8 July the Committee wrote to the Cabinet Secretary for Economy, Fair Work and Culture seeking an update on support offered to businesses. The Cabinet Secretary responded on 22 July.

- [Letter to the Cabinet Secretary](#)
- [Response from Cabinet Secretary](#)

On 6 August the Cabinet Secretary for Economy, Fair Work and Culture wrote to the Committee regarding the application and award data for the Pivotal Enterprise Resilience Fund, the Creative, Tourism and Hospitality Enterprises Hardship Fund, the Newly Self-Employed Hardship Fund, and Bed and Breakfast Hardship Fund.

- [Letter from the Cabinet Secretary](#)

On 19 August wrote to the Cabinet Secretary for the Constitution, Europe and External Affairs and the Secretary of State for Scotland regarding the provision of information to Committees. The Cabinet Secretary responded on 14 October.

- [Letter to the Secretary of State for Scotland](#)
- [Letter to Cabinet Secretary for the Constitution, Europe and External Affairs](#)
- [Cabinet Secretary's response](#)

COVID-19: impact on young people

On 27 August the Committee wrote to Professor Sir Anton Muscatelli to ask him to respond to a number of points raised in our evidence sessions:

- [Letter to Professor Muscatelli](#)
- [Professor Muscatelli's Response](#)

ScotGrad Scheme

Following the Committee's evidence session on 15 September the Committee wrote to Highlands and Islands Enterprise regarding the ScotGrad scheme. Charlotte Wright replied on 1 October.

- [Letter to Charlotte Wright](#)
- [Highlands and Islands Enterprise's response](#)

Report

The Scottish Parliament Information Centre (SPICe) and the Economy, Energy and Fair Work Committee commissioned a research report from the Institute for Government; Authored by Gemma Tetlow and Grant Dalton.

- [Support for business during the Covid crisis: an international comparison](#)

- 1 https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing_200820_covid.pdf
- 2 https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/Institute_for_Government-Support_Business_During_Coronavirus_Crisis.pdf
- 3 https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/Institute_for_Government-Support_Business_During_Coronavirus_Crisis.pdf
- 4 <https://www.fsb.org.uk/resources-page/quarter-of-business-owners-believe-conditions-will-get-much-worse.html>
- 5 EEFW Committee meeting, 18 May 2020, col 6
- 6 EEFW Committee meeting, 11 August 2020, col 3
- 7 EEFW Committee meeting, 22 September 2020, col 39
- 8 EEFW Committee meeting, 18 May 2020, col 3
- 9 AGER report
- 10 Focus group with businesses
- 11 EEFW Committee meeting, 2 June 2020, col 33
- 12 EEFW Committee meeting, 22 September 2020, col 44
- 13 Correspondence with the Scottish Government, 22 May and 15 June
- 14 Written evidence
- 15 EEFW Committee meeting, 18 May 2020, cols 3-4
- 16 EEFW Committee meeting, 18 May 2020, col 33
- 17 Written evidence
- 18 <http://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/pages/5/>
- 19 EEFW Committee meeting, 22 September 2020, col 4
- 20 Letter from SOSE, 7 August 2020
- 21 EEFW Committee meeting, 18 May 2020, col 34
- 22 EEFW Committee meeting, 18 May 2020, SCC and CBI Scotland and EEFW Committee meeting, 2 June 2020, col 14
- 23 EEFW Committee meeting, 11 August 2020, col 3 and EEFW Committee meeting, 18 May 2020, col 15
- 24 EEFW Committee meeting, 18 May 2020, col 9
- 25 EEFW Committee meeting, 18 May 2020, col 9

- 26 EEFW Committee meeting, 18 May 2020, col 7
- 27 AGER report
- 28 AGER report
- 29 EEFW Committee meeting, 18 May 2020, col 7
- 30 EEFW Committee meeting, 22 September 2020, col 3
- 31 EEFW Committee meeting, 11 August 2020, col 12
- 32 EEFW Committee meeting, 11 August 2020, col 14
- 33 EEFW Committee meeting, 18 May 2020, col 34
- 34 AGER report
- 35 <https://www.gov.uk/government/news/government-gives-businesses-much-needed-breathing-space-with-extension-of-insolvency-measures>
- 36 Institute for Government, comparative report
- 37 <https://fraserofallander.org/covid/how-are-businesses-faring-in-scotland-and-what-will-the-response-be/>
- 38 Focus group for businesses
- 39 EEFW Committee meeting, 18 May 2020, col 5
- 40 EEFW Committee meeting, 11 August 2020, cols 17-18
- 41 EEFW Committee meeting, 18 May 2020, col 44-45
- 42 Letter from Scottish Government, 25 April 2020
- 43 Letter from SE, 7 August 2020
- 44 Letter from SE, 7 August 2020
- 45 Letter from HIE, 7 August 2020
- 46 Letter from SOSE, 7 August 2020
- 47 Written evidence
- 48 Written evidence
- 49 Written evidence
- 50 EEFW Committee meeting, 18 May 2020, col 10
- 51 Written evidence
- 52 EEFW Committee meeting, 11 August, col 23
- 53 Written evidence

- 54 Written evidence
- 55 Written evidence
- 56 AGER report
- 57 Written evidence
- 58 Letter from SE, 7 August 2020
- 59 EEFW Committee meeting, 22 September 2020, cols 17-18
- 60 EEFW Committee meeting, 22 September 2020, col 15
- 61 Written evidence
- 62 EEFW Committee meeting, 2 June 2020, col 6
- 63 EEFW Committee meeting, 2 June 2020, col 7
- 64 Letter from HIE, 7 August 2020
- 65 Letter from SOSE, 7 August 2020
- 66 Written evidence
- 67 Written evidence
- 68 Scottish Government response to the AGER report
- 69 Scottish Government response to the AGER report
- 70 [Scottish Government response to the EEFW Committee pre-budget scrutiny report, February 2020](#)
- 71 <https://www.scottish-enterprise.com/media/3729/se-annual-report-accounts-2020.pdf>
- 72 <https://www.scottish-enterprise.com/media/3738/se-rsa-annual-report-2019-20.pdf>
- 73 [EEFW Committee, Pre-budget scrutiny 2020/21 report](#)
- 74 Written evidence
- 75 Written evidence
- 76 Written evidence
- 77 [EEFW Committee report on its Business Support Inquiry](#)
- 78 Scottish Government response to the Business Support inquiry
- 79 Letter from Scottish Government, 22 July 2020
- 80 EEFW Committee meeting, 22 September 2020, col 6
- 81 EEFW Committee meeting, 11 August 2020, cols 24-25

- 82 Scottish Government, letter 25 April 2020
- 83 EEFW Committee meeting, 18 May 2020, col 22 and col 7
- 84 EEFW Committee meeting, 18 May 2020, col 39-40
- 85 [Scottish Enterprise, Annual Report and Accounts for the year ended 31 March 2020](#)
- 86 Scottish Enterprise, Annual Report and Accounts for the year ended 31 March 2020
- 87 Letter from Scottish Enterprise, 7 August 2020
- 88 EEFW Committee meeting, 22 September 2020, cols 21-22
- 89 EEFW Committee meeting, 22 September 2020, col 22
- 90 EEFW Committee meeting, 22 September 2020, col 22
- 91 EEFW Committee meeting, 2 June 2020, col 21
- 92 EEFW Committee meeting, 22 September 2020, cols 22-23
- 93 EEFW Committee meeting, 22 September, col 26
- 94 Letter from Scottish Enterprise, 7 August 2020
- 95 EEFW Committee meeting, 2 September 2020, col 57
- 96 Letter from HIE, 7 August 2020
- 97 EEFW Committee meeting, 22 September 2020, col 23
- 98 EEFW Committee meeting, 22 September 2020, col 22
- 99 Scottish Enterprise, Annual Report and Accounts for the year ended 31 March 2020
- 100 Scottish Enterprise, Annual Report and Accounts for the year ending 31 March 2020
- 101 EEFW Committee meeting, 22 September 2020, col 28
- 102 Scottish Enterprise, Annual Report and Accounts for the year ending 31 March 2020
- 103 <https://sp-bpr-en-prod-cdnep.azureedge.net/published/EEFW/2019/11/6/Pre-budget-scrutiny-2020-21-1/EEFWS052019R11Rev.pdf>
- 104 EEFW Committee meeting, 22 September 2020, col 26
- 105 EEFW Committee meeting, 22 September 2020, col 36
- 106 EEFW Committee meeting, 22 September 2020, col 27
- 107 Letter from HIE, 15 September 2020
- 108 EEFW Committee meeting, 22 September 2020, col 27
- 109 [SOSE operating plan](#)

- 110 <https://sp-bpr-en-prod-cdnep.azureedge.net/published/EEFW/2019/11/6/Pre-budget-scrutiny-2020-21-1/EEFWS052019R11Rev.pdf>
- 111 EEFW Committee meeting, 22 September 2020, col 55
- 112 EEFW Committee meeting, 15 September 2020, col 35
- 113 EEFW Committee meeting, 11 August 2020, col 21
- 114 EEFW Committee meeting, 11 August 2020, col 20
- 115 EEFW Committee meeting, 11 August 2020, col 20
- 116 Letter from SE, 7 August 2020
- 117 EEFW Committee meeting, 22 September 2020, col 31
- 118 EEFW Committee meeting, 15 September, cols 49 and 51
- 119 Written evidence
- 120 Written evidence
- 121 Written evidence
- 122 Letter from HIE, 25 September 2020
- 123 https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/Letter_to_Minister_and_Final_ESIF_findings.pdf
- 124 Letter from Scottish Government, 22 May 2020
- 125 EEFW Committee meeting, 2 June 2020, col 9
- 126 <https://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/>
- 127 EEFW Committee meeting, 22 September 2020, col 34
- 128 EEFW Committee meeting, 18 May 2020, col 24 and 11 August 2020, col 19
- 129 EEFW Committee meeting, 11 August 2020, col 20
- 130 EEFW Committee meeting, 18 May 2020, col 43
- 131 Written evidence
- 132 AGER report
- 133 Scottish Government Economic recovery implementation plan
- 134 https://www.parliament.scot/S5_EconomyJobsFairWork/General%20Documents/20200922-ECCLR_Green_Recovery-SNIB-Enterprise_Agencies.pdf
- 135 EEFW Committee, 11 August 2020, col 23

- 136 EEFW Committee meeting, 18 May 2020, col 21
- 137 EEFW Committee meeting, 11 August 2020, col 16
- 138 EEFW Committee meeting, 18 May 2020, col 18
- 139 <https://www.gov.scot/policies/cities-regions/community-wealth-building/#:~:text=There%20are%20five%20core%20principles,improve%20prospects%20of%20local%20people>
- 140 EEFW Committee meeting, 29 May 2002, col 2
- 141 Scottish Government response to AGER report
- 142 EEFW Committee meeting, 29 May 2020, col 7
- 143 Letter from the Minister for Business and Skills, 16 October 2020
- 144 <https://www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/>
- 145 EEFW Committee meeting, 11 August 2020, col 33
- 146 <https://youngscot.net/news-database/lockdownlowdown-results>
- 147 EEFW Committee meeting, 15 September 2020, col 13
- 148 EEFW Committee meeting, 15 September 2020, col 14
- 149 Focus group with young people
- 150 Written evidence
- 151 <https://www.hie.co.uk/media/3007/youngpluspeopleplusandplustheplushighlandsplusandpluislandsplus-plusmaximisingplusopportunitiesplus-plusreport.pdf>
- 152 Focus group with young people
- 153 Written evidence
- 154 Written evidence
- 155 EEFW Committee meeting, 6 October 2020, col 2
- 156 <https://www.gov.uk/government/collections/kickstart-scheme>
- 157 EEFW Committee meeting, 6 October 2020, col 5
- 158 Eligible employers can use the FWDF to address priority skills gaps in their organisation by accessing up to £15,000 in funding to create tailored training programmes with their local college.
- 159 The Edinburgh Guarantee was created by the City of Edinburgh Council Guarantee to address youth unemployment in the area – it is a city wide partnership with employers, etc, AGER report

- 160 AGER report
- 161 <https://www.gov.scot/news/delivering-the-youth-guarantee/>
- 162 EEFW Committee meeting, 6 October 2020, col 5
- 163 EEFW Committee meeting, 6 October 2020, cols 21-22
- 164 EEFW Committee meeting, 6 October 2020, cols 21-22
- 165 EEFW Committee meeting, 6 October 2020, col 20
- 166 Written evidence
- 167 Written evidence
- 168 Written evidence
- 169 Written evidence
- 170 Written evidence
- 171 Written evidence
- 172 Written evidence
- 173 Written evidence
- 174 Written evidence
- 175 Written evidence
- 176 EEFW Committee meeting, 11 August 2020, col 25
- 177 Focus group with businesses
- 178 Focus group with young people
- 179 Focus group with businesses
- 180 Written evidence
- 181 EEFW Committee meeting, 15 September 2020, col 22
- 182 EEFW Committee meeting, 15 September 2020, col 23
- 183 EEFW Committee meeting, 25 August 2020, col 7
- 184 EEFW Committee, 25 August 2020, col 7 and EEFW Committee meeting, 6 October 2020, col 16
- 185 Written evidence
- 186 Written evidence and <https://fraserofallander.org/covid/what-next-for-youth-unemployment-in-scotland/>
- 187 Focus group with young people

- 188 Written evidence
- 189 <https://www.gov.scot/publications/developing-young-workforce-scotlands-youth-employment-strategy/>
- 190 [The figures for 2019-20 are available here.](#)
- 191 <https://www.gov.scot/publications/developing-young-workforce-fifth-annual-progress-report-2018-19/>
- 192 AGER report
- 193 Focus group with businesses
- 194 Focus group with businesses
- 195 EEFW Committee meeting, 6 October 2020, col 5
- 196 EEFW Committee meeting, 11 August 2020, col 27
- 197 <https://www.gov.scot/publications/report-enterprise-skills-strategic-board-sub-group-measures-mitigate-labour-market-impacts-covid-19/>
- 198 ESSB correspondence, August 2020
- 199 ESSB correspondence, August 2020
- 200 Focus group with businesses
- 201 Written evidence
- 202 Written evidence
- 203 Written evidence
- 204 Written evidence
- 205 Written evidence
- 206 EEFW Committee, 22 September 2020, col 33
- 207 Letter from HIE, 1 October 2020
- 208 Letter from HIE, 1 October 2020
- 209 Written evidence
- 210 Written evidence
- 211 Correspondence from Professor Muscatelli
- 212 Focus group with businesses
- 213 EEFW Committee meeting, 18 May 2020, col 18

- 214 <https://www.skillsdevelopmentscotland.co.uk/media/46935/modern-apprenticeship-statistics-quarter-1-2020-21.pdf>
- 215 Letter from SDS, 31 July 2020
- 216 EEFW Committee meeting, 6 October 2020, cols 11-12
- 217 Focus group with young people
- 218 Focus group with businesses
- 219 Written evidence
- 220 Written evidence
- 221 Written evidence
- 222 Focus group with young people
- 223 Focus group with businesses
- 224 EEFW Committee, 25 August 2020, col 8
- 225 Focus group with young people
- 226 Focus group with businesses
- 227 EEFW Committee meeting, 15 September 2020, col 29
- 228 EEFW Committee meeting, 15 September 2020, col 29
- 229 EEFW Committee meeting, 15 September, col 5
- 230 Focus group with young people
- 231 EEFW Committee meeting, 15 September 2020, col 6
- 232 EEFW Committee meeting, 15 September 2020, col 17
- 233 EEFW Committee meeting, 6 October 2020, col 8
- 234 EEFW Committee meeting, 6 October 2020, col 13
- 235 Letter from SDS, 31 July 2020
- 236 EEFW Committee meeting, 25 August 2020, col 6
- 237 Letter from the Minister, 16 October 2020
- 238 Written evidence
- 239 EEFW Committee meeting, 11 August 2020, col 4
- 240 EEFW Committee meeting, 11 August 2020, col 4 and EEFW Committee meeting, 11 August 2020, col 26
- 241 EEFW Committee meeting, 18 May 2020, col 18

- 242 EEFW Committee meeting, 29 May 2020, col 34
- 243 EEFW Committee meeting, 18 May 2020, col 19
- 244 EEFW Committee meeting, 11 August 2020, col 10-11
- 245 EEFW Committee meeting, 11 August 2020, col 9
- 246 EEFW Committee meeting, 18 May 2020, col 40
- 247 Programme for Government, 2020-21
- 248 <https://www.myworldofwork.co.uk/national-transition-training-fund>
- 249 AGER report
- 250 AGER report
- 251 Letter from SDS, 31 July 2020
- 252 Written evidence
- 253 Letter from SDS, 31 July 2020
- 254 EEFW Committee meeting, 2 June 2020, col 23
- 255 EEFW Committee meeting, 6 October 2020, col 4
- 256 EEFW Committee meeting, 11 August 2020, col 29
- 257 EEFW Committee meeting, 11 August 2020, col 29
- 258 EEFW Committee meeting, 11 August 2020, col 32
- 259 <https://fraserofallander.org/scottish-economy/what-does-the-latest-labour-market-data-tell-us/>
- 260 Written evidence
- 261 Written evidence
- 262 Written evidence
- 263 Written evidence
- 264 Focus group with businesses
- 265 Written evidence
- 266 Written evidence
- 267 Focus group with young people
- 268 EEFW Committee meeting, 15 September 2020, col 4
- 269 EEFW Committee meeting, 15 September 2020, col 3

270 [EEFW Committee, Pre-budget scrutiny 2020/21 report](#)

