



Scottish Council for
Development and Industry

‘Learning a Trade’: Matching Supply and Demand

Dr Lesley Sawers

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INTRODUCTION

1. Good Morning. For those that don't know us, SCDI is an independent economic development organisation, whose key role since we formed in 1931 has been to influence government policy to create a stronger environment for growth here in Scotland.
2. And we have a long track record of working to deliver the skills needed by the Scottish economy: SCDI started the enterprise in education initiative in the 1980's and have been running Young Engineers Clubs across the country for the last twenty years. We continue to work with partners and stakeholders to develop the skills agenda across public and private sectors.
3. This legacy, and our broad membership base – large and small businesses, the trade unions, local and national government, and academia – means that we have access to a vast range of skills, expertise and ideas across our organisation.
4. Our role is to connect these different parts of the economy, to drive forward new thinking and practical ideas on how to make Scotland a better place to live, work and do business.

5. From the constant dialogue and feedback from our members, it is clear that skills development is their number one strategic priority and one of the key challenges facing Scotland.
6. And while investment in skills and training is no longer a guarantee of economic success, our survey results reinforce that it is one of the most key and fundamental building blocks of a competitive economy.
7. Today's conference is about one specific aspect of skills development: the Modern Apprenticeships programme. It's fair to say that after years of neglect, apprenticeships are now very much back at the heart of public support for skills and training.
8. Only last week almost 9 million tuned in to watch the final of The Apprentice where we saw the winner emerge from a list of over 20,000 candidates. Being an apprentice is now cool, and interest matches winning Pop Idol or the X-Factor.
9. Back in the real world, we now have 30,000 apprentices in work across Scotland, compared to around 8,000 four years ago, with success rates following a similarly trend – up to an average of 60 per cent from as low as 40 per cent a few years ago. The Modern Apprenticeship badge is now a hallmark for excellent work-based vocational training at SVQ Levels 2 and 3, with most employers extremely positive about the content and quality of the qualifications.

10. However, despite these huge increases in participation and the range of courses available, there is more that we can do to increase the numbers of young people in work and in training, and in that regard John Park's Bill is absolutely spot on.
11. First of all, there is a good deal of evidence that demand for apprenticeship places is outstripping the supply from employers, meaning many applicants are left disappointed and have to seek other, potentially less rewarding career options. Another of today's contributors, City Building in Glasgow has already highlighted the huge numbers of applicants that they have to turn down for their limited number of apprenticeship places each year.
12. Everyone turned down is a missed opportunity. A missed opportunity that could have potentially changed that school leaver's life as we heard earlier. We need to do more to give all young people the opportunity to contribute to and share in Scotland's success – and it also makes
13. Secondly, there is evidence that more employers would get take more people on if they were made aware of the support and benefits to their company.

SECTION – JOHN PARK'S BILL

14. But while we share the Bill's aim of a strong and vibrant MA framework, and his objective of increasing the number of young people in work and in training; we do not believe that a guaranteed

place on an apprenticeship scheme for every 16-18 year old is the way to achieve this.

15. And the main reason is because delivery of training should not be driven by arbitrary targets but should be led by demand from employers and the economy, as well as from would be apprentices. We need to incentivise employers to take people on and give them real jobs that make a real difference to those people's lives.
16. Remember: an apprenticeship is not an end in itself, but a route to a more highly skilled and more productive workforce. And the evidence is clear: Scotland's problem is not a lack of investment or participation in skills and training. We spend more per head than the rest of the UK and on many measures we have a more highly qualified workforce; yet our productivity remains below the British average. If we are to meet our stretching growth targets we need to ensure that spending on training relates to the demands for the economy as well as learners, and that we fully utilise skills in the workplace rather than setting arbitrary targets.
17. This is illustrated by two potential problems that the Bill would create.
18. Firstly, it is inevitable that there will be young people with their heart set on a career in a certain sector that do not secure an apprenticeship in the area they want, but are offered another option in a totally unrelated sector. The government will have fulfilled its obligation to offer a Modern Apprenticeship place, but in

a totally meaningless way and the school leaver is left to look for other options that match his aspirations.

19. Secondly, if there are more applicants for apprenticeships than places with employers in any one year, the only way to meet demand is to create an apprenticeship which is wholly delivered through off the job training.
20. This would weaken the qualification and offer no guarantee of employment at the end of the course. The mixture of on-the-job and off-the-job training is seen as one of the strengths of the apprenticeship programme, as it ensures that practical skills are not taught in isolation from team-working; communication; and the discipline of the workplace.
21. There is a real danger that if we go down that route we could be returning to the days of previous training schemes where there was no demand from employers and all we did was train people to fail because there was no job for them at the end of their training.
22. Equally, do we really want our public sector to have to take on staff they don't need at this time of pressure on budgets and drives to increase productivity?
23. Rather than creating an absolute right to training and employment, we should be trying to understand the current and future supply and demand of skills in key industry sectors, and creating real training and real jobs to meet that demand.

24. However, over the last few years, any debate about take-up in this area seems to jump immediately to a minimum wage for apprentices, the need for a training levy or quotas of trainees, when really we need to try and understand employers' motivations and needs, and design a scheme to encourage and support more firms to take on MAs.
25. I would like to take this opportunity to highlight the steps that we believe can meet the Bill's aims of getting more people into high quality work-based training, but without the burden on the public sector that his Bill would impose.
26. From speaking to employers it is clear that there are two main ways to encourage organisations to recruit more apprentices:
- a. Firstly, raising levels of awareness and understanding of the scheme, in terms of the range of apprenticeships and the public sector support on offer;
 - b. And secondly, by offering greater practical and financial support to employers and employees

SECTION – AWARENESS

27. So our first challenge is to raise awareness and understanding of the scheme. Many employers are simply not aware of the Modern Apprenticeship (MA) framework nor do many understand what it delivers. There is still a perception that they are only available in construction or engineering, and are all about 'learning a trade', as even the title of today's conference highlights.

Unfortunately the strength of the MA brand comes with the weakness of still being associated with traditional sectors. Most employers know about the craft and technician streams, but much less so about the management level programmes.

28. And this is not just the case in smaller firms, which are less likely to engage in formal training. In recent weeks, I have spoken to senior managers from a number of firms in different sectors, that are generally regarded as excellent employers and who are engaged with the various networks of business support that did not understand the undoubted relevance of Modern Apprenticeships to their business.

29. Quite simply, it is a problem of marketing, with marketing resources targeted almost exclusively at school leavers rather than employers. The various websites seem designed to put people off, rather than directing them to relevant information and encouraging them to get involved, with a great loop taking you from the website of Scottish Enterprise to Skills Development Scotland to Careers Scotland's. Then when you click 'Information for Employers' you end up – yes you guessed it – right back where you started! It seems that we have still to learn the lessons from the Scottish Executive report back in 2002 which identified the poor marketing of the apprenticeship programme as one of the main barriers to employer engagement.

30. Many companies have their own training programmes and qualifications, which are probably very similar to MAs but are not

currently included within the framework. It may be relatively easy to increase MA provision if these companies worked with the relevant Sector Skills Council to validate their training programmes.

31. Better employers know that they must invest in training and recognised qualifications, not just to improve business delivery and productivity, attract but also to attract and retain staff.
32. Sectors such as retail and transport are struggling to recruit, and employers in these sectors are now beginning to understand that aligning their in-house training with the Modern Apprenticeship scheme could give them a valuable tool to recruit and retain staff.
33. However, only 35 per cent of employers know about their Sector Skills Council¹ – meaning that two-thirds of employers don't know where to go to find out about information on apprenticeships in their sector. By reaching out to employers that are not currently involved or that only have MAs in one particular part of their business, we could deliver a significant increase in the numbers coming through the scheme.

SECTION - SUPPORT TO EMPLOYERS AND APPRENTICES

34. This lack of awareness of scheme means many employers are not aware of financial support to subsidise cost of training - one of

¹ Skills for Scotland (Scottish Government Skills Strategy)

the main 'carrots' for them to train apprentices rather than take on fully qualified staff.

35. The last area I want to address is the support on offer to both employers and apprentices, and how we can target support to meet wider economic and social objectives.
36. Firstly, there are a number of industries which are experiencing particularly acute problems with skills, such as tourism – one of our strategic sectors - and there is a strong case for targeting support at these industries where skills difficulties are affecting their ability to grow.
37. Secondly, some smaller businesses may be put off from taking on apprenticeships due to the large amount of administration required at various stages of the apprentice's attainment and progression, and ways of streamlining the process could encourage more smaller employers to get involved.
38. Employers could be encouraged to engage with those groups furthest from the labour market by offering more generous training subsidies as the apprentice progresses through their training. Alan Sugar has shown that often the people with the right qualities for the job don't always have the necessary academic qualifications, and there are numerous case studies where young people from the More Choices, More Chances group have struggled at school but gone on to make great employees.

39. Likewise, incentives could be put in place to encourage employers to take on young people from other groups that are under-represented in the workforce or certain sectors of the economy.
40. However this requires investment in practical support for the apprentices to make sure that they build the necessary skills and confidence to get through the recruitment process and are able to sustain their employment.
41. And this should not be at the expense of support for older workers who want to re-train and up-skill given the age profile of the workforce and the constant change in the economy.
42. But the great news is that Glasgow City Council are going to effectively pilot these initiatives for us all as they work towards their ambitious target of 2500 apprentices in training in the city by 2009. By implementing many of the changes that I have talked about today, we will have a tremendous case study to assess the impact of better advice to employers, additional financial support, and more joined-up working between different parts of the public sector.

SECTION - CONCLUSION

43. So to bring everything together, we support the Apprenticeship Bill's aim of increasing the numbers accessing highly relevant and high quality training and work through the Modern Apprenticeship scheme.

44. However, the answers to the question of how we do this are actually much simpler than introducing a piece of legislation to parliament.
45. By working within the existing framework, but with improved marketing to encourage employers and more imaginative financial and practical support to both learners and their employers, we can undoubtedly boost the supply and demand for Modern Apprenticeships, and deliver a more highly-skilled and productive workforce for Scotland.

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