

## **The provision of skills information in Scotland and its governance – Skills Investment Plans and Regional Skills Assessments**

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### **1. Introduction**

Much of the provision of labour market information and intelligence in Scotland is based on a clear set of multi-level policy frameworks, ranging from local and regional to Scottish, and sometimes, UK levels. Scottish policy is of interest in its emphasis on the process of creating and using skills information to assist economic growth and competitiveness and inclusive growth that tackles inequality. This paper considers some of the ways in which Scottish policies have sought to improve the provision and development of skills information through more effective use of different types of governance and different logics which help to improve the focus and underlying co-ordination of government agencies, employers and other actors.

The integration of policies is needed to support an effective and efficient skills development system. Although there are many definitions of governance, in this paper governance is taken to be the rules, norms and actions around the creation of some examples of skills information in Scotland, incorporating the authority, decision-making and accountability of how this information is created. Related governance systems are likely to be multi-level (supranational/national/regional/local agencies), multi-dimensional (seeking to integrate skills, training/educational demand and supply, economic development, business development policy areas) and multi-stakeholder (public-private-third sector and individuals seeking training) (see Heidenreich et al., 2014). Different variations in governance types may lead to differing results in different locations (Savini et al., 2015), so it is important to be clear about the types of governance that are used.

In addition, the types of institutional logic that influence organisational relations concerning skills information both affect, and are affected by, the types of governance used. Thornton et al. (2012) set out an institutional logics framework for considering inter-organisational relations. Of interest in the present paper are the logics for the system of inter-institutional relations including: *community logics* (local understandings, norms, and rules which may encompass employers' or employer bodies' understanding of the skills system); *professions* (common bodies of knowledge and expertise, criteria and standards of ways of dealing with dealing with issues, perhaps based on personal expertise which may vary greatly by topic or location); *state* (dependent upon public policies, administrative rules, legal competences etc.); *market* (where the operation of market exchange is seen as the appropriate and legitimate form of relationships); and *others* such as family and religion. While institutional logics are located at the supra-organisational level, in practice they are observed at the level of the individual or organisation. In the UK, market logics play an essential role mainly in the provision of training and further education services, including skills information (Fuentes et al., 2014). In general the UK skills development systems are largely employer led (based on market institutional logic) (Page and Hillage 2006), although the provision of skills development services in terms of further and higher education is heavily government influenced.

The next section of this paper sets out the policy context for skills governance in Scotland and the issue of joint governance for economic development and skills agencies. Section 3 considers the

sector provision of labour market information and intelligence and section 4 the spatial provision, by region. Finally conclusions are set out.

## 2. Policy context and system wide governance

Scotland is a devolved nation within the UK with a population of 5 million. It has its own Parliament (re-established in 1999 after being dissolved in 1707) with responsibility for skills and economic development. However, the UK Parliament retains control over employment policy. The non-departmental public bodies of Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) are primarily responsible for skills and Labour Market Information delivery in Scotland (Dean, 2015)<sup>1</sup>. SDS works closely, both vertically and horizontally, with: the 32 Scottish local authorities (downward) and the UK Government's Job Centre Plus (upwards); as well as with employers and individuals; and horizontally with other key departments and agencies (e.g. Scottish Enterprise and Highlands and Islands Enterprise, which are mainly responsible for economic development). SFC is responsible for the funding of post-school further education colleges and universities, including issues related to improving learning and teaching, supporting (university) research and greater innovation in the economy. In contrast to England, Scottish policy and SFC are aimed at greater integration of higher and further education.

Skills policies operate within the context of the government's strategic plans, in particular:

*Scotland's Economic Strategy* (Scottish Government, 2015), which focuses on improving economically and environmentally sustainable economic growth and has goals of both increasing the country's competitiveness and tackling inequality (through prioritising higher investment and innovation, supporting inclusive growth and increasing internationalisation).

*Scotland's Labour Market Strategy* (Scottish Government, 2016), which provides a framework that identifies and supports interactions between the labour market and wider social and economic policies that promote stronger inclusive growth (including issues such as a fair work, employability and skills, investment, innovation and promoting Scotland internationally).

*Youth Employment Strategy* (Scottish Government, 2014) which seeks to implement the recommendations of a Commission for Developing Scotland's Young Workforce and has a target of reducing 2014 levels of youth unemployment by 40 per cent by 2021.

In line with the government's general evidence and outcomes based approach, specific measurable targets with timescales have been set; these include the country being ranked amongst the top quartile of OECD countries for productivity, equality, sustainability and wellbeing.

The Economic Strategy and the other policy documents provide a context to guide the governance of different agencies, policies and programmes. However, given the interconnections between the

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<sup>1</sup> SDS and SFC also share a joint Skills Committee to facilitate joint working and offers advice to both organisations on the full range of post-school skills, workforce development and education issues. In addition the government's Scottish Qualifications Agency oversees school and vocational qualifications.

policy areas, the governance of the joint system as a whole needs consideration<sup>2</sup>. Consistent with European Union (2010) strategies, there is a desire by the Scottish government to better integrate skills development with wider (more demand side) economic development; as a major employment problem is seen as a lack of demand for, rather than a lack of supply of, high skilled workers (Keep, 2014). Indeed skills and economic development were brought together in 1991 when the relevant agencies were merged into Scottish Enterprise, but this was not seen as being particularly successful and the skills function later split out to join Careers, Modern Apprentices and other skills related services to form the new Skills Development Scotland in 2008. The alignment of the objectives and activities of different agencies, and of the skills and economic development support system in total is often difficult, with resulting inefficiencies and lower effectiveness than if there was closer, mutually reinforcing alignment.

The issues become more complex when the full skills and economic development support system is considered, including multiple actors (both users and service providers and others with a genuine interest in the issues). There can be problems of confusion among users (both individuals and organisations using the system), a range of different institutional logics being in operation, a lack of coherence, inefficiencies, duplication, limited effectiveness and tensions between geographical, sectoral and governmental levels as well as between private, third sector and governmental bodies.

The Scottish government has recently focused on how set up a governance system to get agencies responsible to them to better work together, as well as to try to make the wider system operate more effectively. As a result an Enterprise and Skills Review was set up improve joint governance between the two main skills and two main enterprise support agencies; also taking account of other actors such as employers, trades unions, individuals and other bodies involved in these areas (often at different levels such as local or UK levels, but including complementary, ‘horizontal’ areas such as transport or health) (Scottish Government, 2017). Hence the governance explicitly incorporates multi-level (UK, Scotland and local), multi-stakeholder (employers, agencies, individuals) and multi-dimensional (skills, employment, transport etc.) (Fuentes and McQuaid, 2016).

The Review’s aim was “to ensure that our businesses, workforce, training providers, colleges and universities and young people all receive the joined-up support they need” (First Minister, 2016), arguably encompassing various community, professional, state and market institutional logics, but based predominantly on a largely state logic (and focusing upon the role of state agencies) with recognition of the role of the market. The Scottish Government (2017) proposes to set a new governance mechanism, to be operationalised through a Scottish high level Strategic Board that ensures each of the Agencies (mentioned above plus a new rural development agency in the south) knows the shared goals and aspirations of the whole system, with all activities of each agency contributing to these goals.

The goals for the skills and enterprise system are still to be agreed but will include innovation and high levels of aspiration, a focus on sectors with comparative global strengths and on building a future orientated skills infrastructure. The system will also focus on the skills needed for the economy, developing the appropriate skills among young people but also providing opportunities for

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<sup>2</sup> As OECD (2012) and Keep and Mayhew (2010) argue, improving the supply of highly qualified workforce will not in itself increase productivity, innovation etc., as there also needs to be investment of various types (physical, intellectual, workforce and financial) and employer demand for greater skills and their utilisation.

up-skilling and reskilling for those who are working in industries which are rapidly being transformed by digital innovation. Upskilling and reskilling is particularly important in Scotland as there is a rapidly aging population structure and technological change, so upgrading the skills of existing, including older, workers are needed and will require changes to the skills system (Canduela et al., 2012; McQuaid et al., 2008). This also suggests an increase focus on the employers' role in increasing demand for higher skills and ensuring better utilisation of workforce skills.

However, a joint inter-agency governance mechanism is likely to affect the freedom of operation and governance of each individual organisation (although each is already formally subordinate to the Parliament and government). The core functions, statutory responsibilities of each individual agency are unchanged but their delivery has to be aligned by the Strategic Board (Scottish Government, 2017, p. 9). This Strategic Board has five main aims:

- To improve the overall performance of the economy by ensuring that the whole Enterprise and Skills System delivers Scotland's Economic Strategy and supporting strategies, in all parts of Scotland.
- Through collective responsibility ensure hard alignment between agencies to drive improvement in Scottish productivity and better support business and users of the skills system.
- Hold agencies to account for performance against agreed measures.
- To actively engage with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening.
- To deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery.

These illustrate various aspects of a governance system, including greater collaboration both between public sector bodies (and between them and employers and wider society), with the Board representing an external 'force' (state institutional logic) of being able to hold the individual public bodies to account<sup>3</sup>. In addition, the role of bodies beyond the main government agencies are recognised and are to be influenced through leadership that is able to challenge them if there is insufficient alignment. While this mainly suggests multi-dimensional and multi-stakeholder governance, the interaction with non-government and UK government agencies may include multi-level governance. Within the governance structure there will also be a role for regional partnerships to ensure better joint working at the regional level. While a prominent role is given to local authorities (state logic) and the private sector (market institutional logic), other social actors (such as the Third sector or trades unions or user representatives) are not explicitly given significant roles, although they are likely to be involved in most cases. This focus on one set of non-governmental actors may reflect the need for a approach giving primacy to those other bodies most influenced, and likely to influence, by the successful operation of skills and enterprise system. Mechanisms for the voice and influence of individuals using the system need greater clarity (which might involve the incorporation of greater community logics).

In terms of skills alignment (p. 27), the two main bodies involved in funding provision and delivery (Scottish Funding Council and Skills Development Scotland) are to be more closely aligned through

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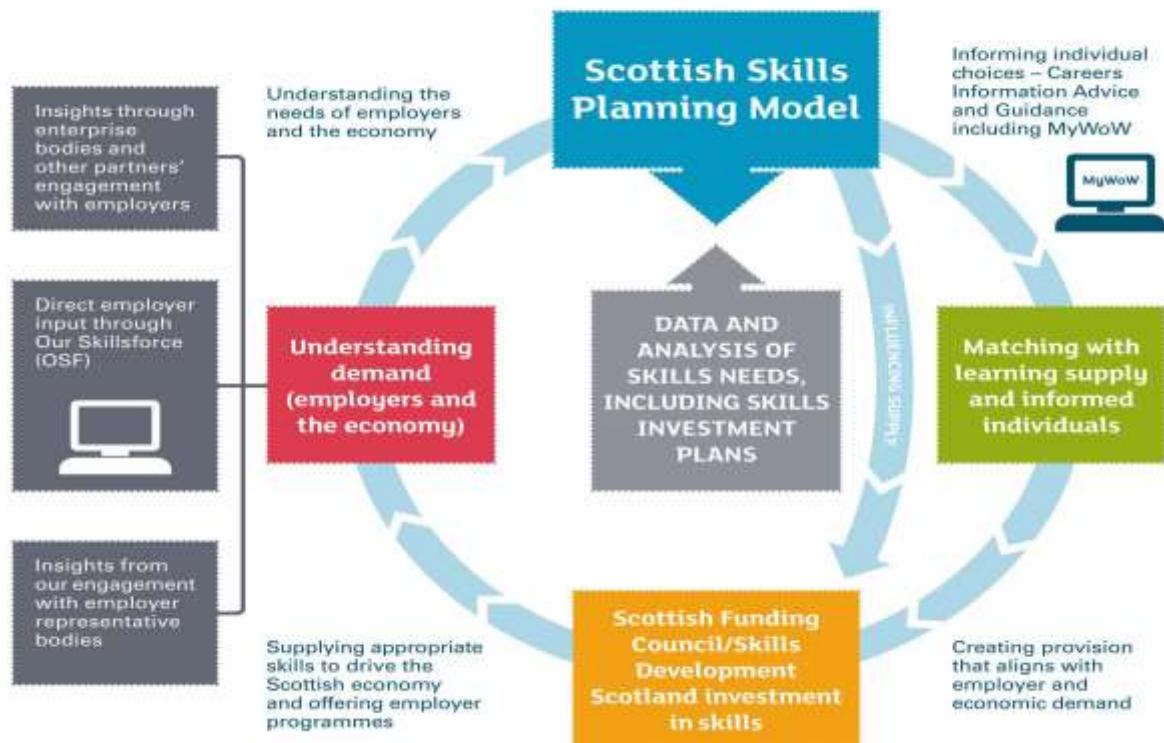
<sup>3</sup> Thomas Hobbes (1651), the 17th Century philosopher argued that it was difficult to develop co-operation, or a social contract, without a strong central authority.

having a single set of strategic skills guidance from Government (encompassing state institutional logics); a Skills Committee of the Strategic Board, providing a joint decision making forum; a joint working team with a single director reporting to the two agency chief executives; and a jointly delivered skills planning and provision model (including the identification of skills needs in partnership with other actors, working with main skills providers to respond to skills needs, investment coordination, performance monitoring and management, and evaluation), encompassing professional logics. So there will be strong coordination between the skills agency, although there may be tensions and potential power struggles between the agencies and the joint team that will need to be resolved. This is expected to better help individuals to develop their skills and also reskill and contribute to a more productive workforce and more efficient investment in human capital, as well as reduce skills gaps for employers. From an organisational perspective it is expected to improve the efficiency and effectiveness of training providers including universities and colleges while reducing duplication. The effectiveness of the Board will depend to a large extent on the implementation and level of long term support across key actors, encompassing each of community, professional, state and market institutional logics, and the avoidance of unintended negative effects (such as potential feelings of disempowerment etc. among the wider set of decision makers and staff in the agencies and the wider set of bodies).

### 3. Skills Investment Plans

Multi-stakeholder governance is particularly illustrated by the development of Skills Investment Plans (SIPs). Skills Development Scotland base their skills planning on a model (Figure 1) which roughly includes skills demand and supply factors, as well as main government agency intermediaries, and a clear role for data analysis. This analysis includes the creation of SIPs at an early stage of the model's operation, which is a sector based document produced by Skills Development Scotland on behalf of the Scottish Government, but is explicitly industry-led.

Figure 1: Scottish Skills Planning Model



Source: Skills Development Scotland

SIPs are sector based and eleven have been developed for key (government priority) industrial sectors in the economy (Figure 2). They provide: a description of their skills challenges and opportunities; analyse key economic and labour market characteristics and trends in skills and qualification supply together with the perspectives of employers on major skills issues that are likely to influence the growth of the sector. In so doing they aim to help generate a better shared understanding by employers and the educational community of skills needs, however, the involvement of wider parts of the community or other issues are not always fully identified. SIPs are revised or refreshed regularly as the economy and skills needs and supply are dynamic.

Figure 2: Skills Investment Plans 2011-17

Sector	SIP Publication
Energy	2011, refresh 2015
Food and Drink	2012 & 2017
Tourism	2013 & 2016
Finance	2013 & 2016
ICT & Digital Technologies	2015
Life Sciences	2015
Engineering	2015

Chemical Sciences	2014
Creative Industries	2015
Construction	2012
Early Learning and Childcare	2017

Source: Based on Skills Development Scotland, <http://www.skillsdevelopmentscotland.co.uk/what-we-do/partnerships/skills-investment-plans/>

The process of developing SIPs clearly shows the multi-stakeholder dimensions of skills information and intelligence gathering and strategy development for the industry. The process includes: analysis of the sector and its future (involving economic development agencies); a review of the skills needs (involving multi-stakeholder sector skills councils); identifying priorities for skills to enable economic growth of the sector (involving private industry leadership groups); testing the views with the industry; assessing supply-side constraints (involving the skills agencies, SDS, SFC); ensuring buy-in from key actors for the strategy and actions; and the publication of the strategy. Together these are likely to encompass various components of community, professional, state and market institutional logics, arguably underpinned by a market logic.

The SIPs seek to explicitly emphasise skills policy as a driver of economic growth, and means to help in reducing youth unemployment, align skills provision to economic and employer demand and help in the development of Outcome Agreements with further education colleges (where the outcomes of colleges are agreed with their funders).

SIPs reflect different conditions and issues in different sectors. For instance, the ICT sector is estimated to employ 73,000 employed (29,000 in ICT & digital tech sector, 44,000 in other industries) and have up to 11,000 job opportunities potentially available each year (SDS, 2014). The process of developing the ICT and Digital Technologies SIP seeks to: validate and bring clarity to the scale and nature of the skills issues which face the sector; create direction and bring focus to the nature of the response required by the public sector and industry, on the priority skills issues identified; and provide a framework for public sector and private sector investment to develop skills provision to meet industry needs (SDS, 2014). This SIP is chaired by a private sector CEO and is a collaborative public-private action, so clearly involves multi-stakeholder governance. The resulting main aims of the ICT SIP strategy are to: deepen the educational capabilities to produce and retain high-ranking performers; position the sector as a positive career destination for young talent; and foster a culture that supports exports, innovation and entrepreneurship. However, as Keep (2014) argues, employers may seek to influence SIPs so that the public sector or individuals pay for more training (a variant of ‘producer capture’) and so may see SIPs as ‘bid documents’ to further their own aims. Hence the importance of bringing in other bodies, such as trades unions and social organisations and local authorities who should have wider or more disinterested views. This may involve seeking to give a greater prominence beyond market logics.

#### 4. Regional Skills Assessments

The multi-level governance and spatial availability of labour market information and intelligence is also important. Regional Skills Assessments (RSAs), initiated in 2014, are designed to provide a

coherent evidence base on which to base future investment in skill development. They are based on existing labour market information and intelligence data sources, and public agency led (encompassing state and professional logics). However RSAs were developed only after considerable consultation with different groups (using community logics). RDAs for different regions in Scotland are developed by Skills Development Scotland with the other related skills and economic development agencies and local authority bodies (Scottish Local Authorities Economic Development Group).

The purpose of RDAs include: supporting colleges (e.g. to develop their Regional Outcome Agreements with their funders); providing a framework for aligning SDS investment in individuals and businesses; assisting partners in planning their strategic skills investment; and supporting potential wider public and private investment. Eleven RDAs were developed for the main city regions and rural areas (for instance, Edinburgh and South East Scotland City Region (SDS, 2016)) although not for Scotland as a whole (Thom and MacKay, 2015).

RDAs cover a wide range of labour market information and intelligence, especially on future skills needs, including labour and skills demand, supply and skills gaps and shortages and other problems. They set out the background of the region in terms of forecasts and trends of employment, activity rates and Gross Value Added Regional performance and characteristics and provide a data matrix to assist users doing their own analysis at three different regional spatial units, with comparisons to Scotland and GB or UK (SDS, 2017). Currently the data is based on 2016 with 117 social and economic indicators are used.

In terms of governance, this approach contributes to the development of new information and intelligence (for public agencies, employers and individuals) to more rigorously support decisions based on good governance rather than developing a governance system itself. For instance considering multi-level governance, UK wide bodies are not particularly involved other than in providing comparative databases, while multi-dimensional governance is limited as wider non-government data sources of information are unlikely to be significantly included, although they may be added by others at a later stages in their decision making, and the range of actors is limited for multi-stakeholder governance. However, this is unsurprising as the role of RDAs is not to provide a governance system but to support wider decision-making.

## 5. Conclusions

The Scottish Government set out a comprehensive system of frameworks within which skills and enterprise governance and policies are situated. In addition there is a strong emphasis on more local or regional input, labour market information and intelligence development and action (showing explicit support for multi-level governance). The emphasis of policy development usually incorporates multi-level, multi-stakeholder and multi-dimensional elements (the latter supporting the integration of skills, training/educational demand and supply, and economic development). The problems of system wide governance, and limitations to inter-public body co-ordination and focus, have been explicitly recognised and a new system-wide governance structure proposed. Different elements of community, professional, state and market institutional logics are likely to be dominant in different components of the strategies (although community logics appear more limited in influence than the others), but it is argued here that different logics should be explicitly considered

when dealing with skills development (rather than using logics to solely describe the current situation). The success of this governance structure will depend upon the close working of a range of key actors in its implementation in the future, and a clear view of the underlying institutional logic can help in this.

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