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Scotland's Economic Performance



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Economy, Jobs and Fair Work Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Economy, Jobs and Fair Work.



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



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Executive Summary

1. It has now been a decade since the beginning of the financial crash and the subsequent 'Great Recession'. It has also been a decade since the introduction of the Scottish Government's National Performance Framework (NPF) which measures performance and progress towards the Scottish Government's economic priorities. We thought that this ten year milestone marked a timely opportunity to look at the performance of the economy as well as future challenges for Scotland's businesses and households.
2. This inquiry sought to examine the performance of Scotland's economy and to engage a wide range of people in considering which economic policies will best serve Scotland in the forthcoming decade.
3. The Committee's conclusions and recommendations are as follows:

National Performance Framework

- The Committee has concerns about the ability to measure policy impact under the new performance framework.

Entrepreneurship

- The Committee believes that entrepreneurial thinking and the commercialisation of ideas should be encouraged by colleges and universities. Whilst acknowledging that some educational institutions are already doing this, consideration should be given to how best to increase the integration of practical entrepreneurial, commercial and problem solving skills into courses.

Scale-up

- The Committee notes evidence on the need to ensure that Scotland "remains a good place in which to do business" and asks the Scottish Government to ensure that the Scottish business environment enables businesses to achieve their potential.
- The Committee notes that the scale-up of companies has been a long-standing challenge in Scotland. There is a lack of business confidence to do so and the Committee recommends that the Scottish Government sets out how it will tackle this 'fear of heights'.
- The scale-up of businesses from small to medium sized enterprises could have significant economic impact. Evidence to the Committee suggests that "missing middle businesses" cannot access support to grow. The Committee believes that there is a missed opportunity if we do not give support to businesses that have growth potential and the desire to grow, but that are not currently eligible for Scottish Enterprise account-management support. The Committee asks the Scottish Government to quantify the scale of businesses which fall into the "missing middle" category and to set out to the Committee how it will ensure that these businesses receive the support they need to thrive.

- The Committee is aware that in Scotland businesses are often being acquired rather than scaled-up. If the money is reinvested in the Scottish economy, that can be beneficial. However, it can also result in the loss of entrepreneurial role models and experienced people to manage larger scale businesses based in Scotland.
- In order to gain a fuller picture, the Committee asks the Scottish Government how many account-managed companies have subsequently been sold and how much is reinvested in Scotland.
- The Committee believes that targeted employee ownership policies and incentives may help to keep business ownership in Scotland. Other policies would provide the "anchoring" effect needed to embed businesses in Scotland including ensuring that there is adequate investment, not just from Government, but from other sources. As Jim McColl told us, we need more large businesses based in Scotland to support those coming through the pipeline.

Withdrawal from the EU

- The Committee previously did an inquiry on the economic impact of leaving the EU and made a number of recommendations, including asking the Scottish Government to detail how it will engage with Scottish businesses on the issues arising from negotiations on leaving the EU. The Committee asks for an update on what work the Scottish Government has done to engage Scottish businesses in this way and what representations it has made to the UK Government on their behalf, including steps to prepare businesses to trade with countries outside the EU, such as USA, China, Japan and India.

Technology and Automation

- The Committee recommends that the Scottish Government reviews its labour market strategy to ensure that its policies reflect developments in automation and technology in the workplace. The Committee also asks that the enterprise and skills agencies set out a range of actions to reflect developments in automation and technology in the workplace.

Procurement and Payment

- The Committee encourages the Scottish Government to take social impact into account in procurement decisions. The Committee believes that the Scottish Government could show greater flexibility in its approach to finding delivery models which would allow for such factors to be considered, along with the need to support Scotland's SMEs.
- The Committee asks the Scottish Government to encourage greater uptake of the Business Pledge, including the commitment to prompt payment.

Growth Sectors

- The Committee believes that there is a need to evaluate the growth sectors. There are unanswered questions about the benefits of supporting growth sectors and the possible detrimental impact exclusion of other businesses may have. Whilst the

Committee agrees that the Scottish Government should provide support in areas where Scotland has natural advantage, a lack of flexibility could be limiting opportunities for growth. Evaluation is needed so that we have a better understanding of the growth sectors and can channel resources accordingly.

- The Committee recommends that in addition to evaluating the growth sectors, the Scottish Government commissions research to analyse the potential economic gain that could be made from investing more resource into improving productivity in the low productivity sectors.
- The Committee highlights its previous recommendation in its Gender Pay Gap report that: *It is vital that we raise the status of care in Scotland. As a first step in recognising its importance, the Committee recommends that care becomes a Scottish Government priority sector with a monetary value put on the sector.* The Committee reiterates that recommendation in relation to this inquiry and asks the Scottish Government to put a monetary value on the sector and grant it the same status as the six growth sectors mentioned in the Economic Strategy.

Economic Strategy

- Whilst the Cabinet Secretary made no indication that there were any plans to update the Scottish Government's Economic Strategy, we note that there have been different iterations in the past and believe that any future economic strategy should be accompanied by a strong action and implementation policy, backed up with a monitoring and evaluation plan.

Inclusive Growth

- The Committee notes that the Scottish Government is developing an inclusive growth framework and we call on the Scottish Government to promote a consistent, commonly held and settled definition. The enterprise and skills agencies should be working from the same understanding of inclusive growth and this should be reflected in their operational plans.

Regional Growth

- The Committee notes the different approaches to boosting the economic prospects of regions and recommends that the Scottish Government evaluate and consolidate these policies. The Committee believes that it is vital that the gap between low-performing and high-performing regions in Scotland is reduced.
- The Committee is considering regional policy in the context of its current inquiry into European Structural Funds. The Committee is keen to ensure that the long-term investment given to regions through that funding is maintained.
- The Committee believes that there is an opportunity for the South of Scotland enterprise agency to build transparent measurement and evaluation into its activities from the outset. This will allow it to establish what works in the region and adapt its approach accordingly. The Committee would like to have sight of such evaluations and information on how policies have been changed based on the results.

Women

- Witnesses highlighted that if the same number of women started businesses as men, there would be a £7.6 billion prize for the Scottish economy. The Committee highlights its previous recommendation in its Gender Pay Gap report that: *"The Committee asks the Scottish Government and its agencies to review the funding streams available to new and existing female entrepreneurs. Of particular concern to the Committee is the suggestion that male entrepreneurs are more successful in accessing capital than females. It is important to establish whether this has been the experience of female-owned account managed companies and Business Gateway clients, and recommends the Scottish Government and its agencies undertake research in this area."*

Social Enterprises

- The Committee recommends the Scottish Government supports the creation of a kite-mark that helps identify the wider value that a social enterprise brings beyond traditional growth, success and earnings.
- The Committee recommends that there is a role for the new Scottish National Investment Bank (SNIB), working with Social Investment Scotland, to consider how social enterprises can be better supported in accessing finance.

Employee ownership and co-operatives

- The Committee believes that employee-owned companies and co-operatives have huge potential to improve productivity, facilitate future growth, reduce inequality and retain jobs in Scotland.
- The Committee asks the Scottish Government to publish transparent targets to grow the number of employee-owned and co-operative businesses being supported. The Committee asks that progress towards these targets is measured and published. The Committee believes that support with succession planning is vital in promoting this model of ownership.

Innovation

- The Committee notes the Scottish Government's new "innovation active" indicator which adopts the wider definition of business innovation as used in the UK Innovation Survey. We therefore request the Scottish Government provides the Committee with details of how it is supporting Scottish businesses to become more innovation active.
- The Committee recommends that the Scottish Government develops the funding model for universities in order to incentivise innovation and impact. The Committee also recommends increased investment in the innovation fund.
- Consideration should be given to how less innovative firms could engage more with Universities to spread good practice and improve productivity. There should be structures in place to allow businesses to easily access the resources for promoting innovation that Universities can provide.

- Whilst we recognise that it is for the Scottish Government to decide how to use Barnett consequentials, the Committee asks the Scottish Government to clarify what additional funding is available to Scottish universities as a result of the UK Government's Higher Education Innovation Fund in England. The Committee also asks the UK Government what funding is available to Scottish businesses and research institutions through the UK-wide Industrial Strategy Challenge Fund announced in April 2017.
- The retention of intellectual property in Scotland is linked to ensuring that businesses are based in Scotland. Whilst we recognise the positive role of incubator facilities in assisting with protecting intellectual property, it has been suggested that there is not sufficient infrastructure to ensure that it is retained in Scotland. The Committee asks the Scottish Government to clarify its policy on intellectual property

Internationalisation

- The Committee recommends that SDI should report both the number of businesses being supported to export and those companies which are supported to export for the first time.
- The Committee agrees with SDI that the problem is not the Scottish Government's international ambition or trade strategy, but the level of investment dedicated to this policy commitment. The Committee seeks clarity on what proportion of the budget is allocated towards realising the Scottish Government's export ambition.
- The Committee highlights its previous work on economic data, where it was recommended that the Scottish Government and the Office of National Statistics prioritise improving the coverage and quality of trade (export and import) statistics and asks the Scottish Government to provide an update on what progress has been made in this area.

Investment

- The Committee welcomes the proposed alignment of funding sources such as the Growth Scheme and SME Holding Fund within the Scottish National Investment Bank in order to make it easier for businesses to navigate.
- The Committee recognises the evidence that the Scottish Investment Bank funding model has been beneficial to businesses and the Committee seeks reassurances from the Scottish Government that this will not be lost or diluted when the two banks merge.
- The Committee notes the low take up in the Growth Scheme and recommends that the Scottish Government conduct research into the reasons for this to allow any lessons to be learned before it is subsumed into the SNIB.
- The Committee agrees that the SNIB has potential to improve economic performance. The risk however is that it has a growing list of priorities and demands and success will be diluted if it seeks to address them all. We welcome the Scottish Parliament motion that calls on the Scottish Government for clarity of focus and

delivery with respect to the role and objectives of the bank. The Committee also welcomes the SNIB implementation plan and the Scottish Government's acceptance of its recommendations.

- The remit and ambition of the SNIB will be set out by the Scottish Government. The Committee recommends that budget for assessment and evaluation is built in to the SNIB from the outset, and that all investment decisions should be subject to equality impact assessments, and any other appropriate assessments.
- The Committee requests clarity from the Scottish Government over what operational currency will be used by the SNIB over the 10-15 year investment period mentioned in the implementation plan.

Enterprise and Skills

- The Committee has launched an inquiry into local business support to give further consideration to the role of Business Gateway within the wider ecosystem of public sector support agencies.
- The Committee notes that there has been a move away from the "key sector" approach in the 2018-19 Scottish Enterprise business plan. Instead the focus is on "opportunities". If this is indicative of a more flexible look at the merits of individual businesses and a move away from a rigid prioritisation of sectors, then it is welcome.
- The Committee notes the evidence that creative/digital companies can miss out on agency support and asks Scottish Enterprise to report back to it on what steps it takes to keep pace with digital and technological developments to ensure that it is able to offer advice to such companies coming through the pipeline.
- The Committee welcomes the Strategic Board's focus on de-cluttering and streamlining of the enterprise and skills support landscape.
- The Committee recommends more transparency on the performance targets set by the enterprise agencies, how these targets are measured and whether they have been achieved. These targets must also include support for women in business and enterprise agencies must incorporate these into their measurement frameworks. The Committee asks the Enterprise Agencies to respond to this recommendation.
- We agree with the Strategic Board that an assessment needs to be made of what works and resources need to be directed accordingly.
- We look forward to hearing future updates from the Strategic Board on its progress.

Council of Economic Advisers

- The Committee encourages the Scottish Government to work with the Council of Economic Advisers to consider how economic policies could be consistently evaluated. The Committee asks the Scottish Government to clarify the role of the Council of Economic Advisers in future work on Scotland's economic performance.

Businesses

- The Committee is not aware of the existence of any evaluation of the impact of the Business Pledge. Our evidence suggests that it is not necessarily reflective of the number of employers encouraging fair work practices in workplaces; we ask the Scottish Government to set out the action it will take to encourage businesses to sign up to the pledge, including those businesses that provide goods and services to the public sector; and to establish whether the pledge has encouraged businesses to evaluate their policies and to publish its findings.
- The Committee believes that learning from one another could help grow business ambition in Scotland. Skyscanner is a great success story and geography is not a barrier to it keeping abreast of the activities of other companies in its field. The Committee encourages businesses in Scotland to seek out such learning, from those who are succeeding in what they do.

UK Industrial Strategy

- We look forward to further dialogue with the Secretary of State for Business, Energy and Industrial Strategy and ask him to provide an annual update.
- The Committee encourages continued meaningful engagement between the UK and Scottish Governments on the Industrial Strategy and sector deals.

Apprenticeships and Skills

- The Committee agrees that skills are key to the success of the economy and intends to look at skills in more depth in a future inquiry.
- The Committee recommends that the Scottish Government considers what more could be done to support job transitions, in-work training and reskilling.
- The Committee also recommends that the Scottish Government takes further action on matching the skills needs of businesses, including language skills, with its education policies.
- The Committee agrees that there is a continual need to support young people seeking apprenticeship opportunities, but urges the Scottish Government to balance this with consideration of apprenticeship opportunities for older people. The Committee believes that particular focus should be given to sectors that are seeing changing skill needs and increased digitisation.
- We also ask the Scottish Government to provide an update on the uptake of modern apprenticeships in relation to disability, Black and Minority Ethnic (BME) people, gender and care leavers.
- The Committee asks the Scottish Government to provide an update on how funds raised through the apprenticeship levy will be spent in Scotland.

Strategy

- The Committee recommends that the Scottish Government produces an action and implementation plan for its economic strategy, backed up with a monitoring and evaluation plan.

Conclusions

4. Whilst it is recognised that there are considerable challenges in the Scottish economy, we expect the UK and Scottish Governments to work together to realise the significant opportunities that exist, and of which, we can and should make more.
5. Economic growth in Scotland for the period 2007-2017 is significantly below Scottish Government targets, the performance of the UK economy as a whole, historical trend growth rates for Scotland and small EU countries. Levels of GDP growth are marginal; productivity is low and wages are stagnant. Whilst employment growth has been positive, some of that increase has been in insecure, low paid work.ⁱ
6. It is clear that the future will be equally challenging given the independent Scottish Fiscal Commission's revised forecast of lower tax revenues, of as much as £1.7 billion, and already low GDP growth has been revised downwards to less than 1%.
7. If we are to reverse this trend then the Scottish Government must use all of the levers at its disposal to bring a sharper focus on growing the economy, and ensuring that growth is inclusive.

The Committee recommends that:

1. The Economic Strategy is reviewed and updated as a matter of urgency, not least to take account of the potential economic consequences of Brexit;
2. Whilst the creation of the Strategic Board is welcome the enterprise and skills agencies need to be much more clearly focused on delivering on the strategy;
3. There is a consistent, commonly held and settled definition of inclusive growth and this should be reflected in the enterprise and skills agencies' operational plans;
4. There is a robust and appropriately resourced action plan that identifies lead responsibility for key areas of the strategy; and
5. A comprehensive, monitoring and evaluation framework is in place to measure outcomes and establish what works.

ⁱ There was a division on adding an additional sentence to paragraph 5 (paragraph 411 in the body of the report); the prevailing view was to omit the sentence; the minority view having proposed: *"It is difficult to compare Scotland to the UK when the London/South-East economy is so dominant."* See Annex A, Minute of the Meeting of 12 June 2018, and note on 'Record of division in private' for more detail.

Introduction

- ” there is no single driver of Scotland’s economy, or any other economy; we need to pull dozens of different levers at different times and in different ways. Projects and programmes need to be delivered by a range of actors in central and local government, the private sector, the public sector, colleges and universities.

Source: Economy, Jobs and Fair Work Committee 21 November 2017, Richard Marsh, contrib. 15¹

8. The economic success of a country is not the consequence of any one factor, but the result of a range of internal and external influences, shaping the environment in which businesses operate and Governments form policy. It has now been a decade since the beginning of the financial crash and the subsequent 'Great Recession'. It has also been a decade since the introduction of the Scottish Government's National Performance Framework (NPF) which measures performance and progress towards the Scottish Government's economic priorities. We thought that this ten year milestone marked a timely opportunity to look at the performance of the economy as well as future challenges for Scotland’s businesses and households.

9. The remit of the inquiry was:

To examine Scotland's economic performance since 2007 and understand the reasons for recent trends and divergences in performance between Scotland and the UK as a whole, other regions/nations in the UK, and other countries in the EU. The inquiry will also identify challenges and opportunities facing the Scottish Economy over the next ten years and understand what action is required to make Scotland's economy more inclusive, innovative and international.

- ” we have never lived in a period of such fast change as the one that we live in now and that it will never be this slow again.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 34²

10. Our inquiry is intended as a snapshot in time, a broad scan of past performance and future opportunities rather than an in-depth investigation into any one contributory factor. When we launched our inquiry, we were keen to obtain as full a picture as possible of drivers for economic growth as well as inequality and labour market issues. We also wanted to consider how economic performance impacts on household income and businesses' optimism about the future.
11. Table 1 (below) lists a number of devolved and reserved areas of legislative competence, which can influence growth, productivity and levels of inequality. Some have been devolved to the Scottish Parliament since 1999, for example economic development and skills/education. Others, such as employment law, immigration and monetary policy are reserved to Westminster.

Table 1: Reserved and devolved legislative competency areas relating to inclusive growth

<i>Reserved to UK Parliament</i>	<i>Devolved to Scottish Parliament</i>
Trade and industry (including company law)	Economic development (including enterprise agencies)
Employment law	Education and skills
Monetary policy	Income tax rates and thresholds
Minimum wage	Infrastructure spending
Corporation and other taxes	Environment and planning
National insurance	Local government
Immigration	Tourism
Some social security	Transport
Offshore oil and gas licensing and taxation	Agriculture, forestry and fisheries
Foreign policy	Employment programmes
Telecommunications	Some social security
VAT	Business rates and council tax

Source: Scottish Parliament website: [What are the powers of the Scottish Parliament?](#)

12. Despite the restriction of legislative competences, the Scottish Government has broader executive policies relating to the economy, such as promoting trade, inward investment, the living wage and increasing productivity.
13. The executive summary presents a full list of the Committee's recommendations.

Evidence taking

14. We held focus groups, a consultation workshop, made visits and took evidence from a range of individuals, businesses and organisations. We aimed to hear a wide range of experiences and views, including households, professionals, entrepreneurs, economists and members of the Scottish Youth Parliament. Links to that evidence and notes of visits are set out in annexes A, B and C of this report. We would like to thank all of those who engaged with the Committee in relation to this inquiry.
15. The Committee would also like to thank Graeme Roy, Director of the Fraser of Allander Institute (FAI) for offering his experience, knowledge and expertise as the Committee's adviser during this piece of work.

Membership Changes

16. The membership of the Committee changed during the course of the Committee's inquiry. The Committee would like to record its thanks to:
 - Richard Leonard (to 23 November 2017);
 - Daniel Johnson (to 9 January 2018), and

- Tom Arthur (to 19 April 2018).

Previous Performance

17. The inquiry has looked at Scotland's economic performance over the past decade. The reason for choosing 2007 as our base year is that during that year the Scottish Government launched its National Performance Framework, setting a number of economy-related targets.
18. Many of the Government's eleven Purpose Targets explicitly focus on the period between 2007 and 2017. With that in mind the Committee feels now is a good time to examine how Scotland's economy has performed through the prism of these indicators.
19. The Purpose Targets of particular interest to our inquiry are:
 - To raise the GDP growth rate to the UK level.ⁱⁱ
 - To match the GDP growth rate of the small independent EU countries by 2017.
 - To rank in the top quartile for productivity against our key trading partners in the Organisation for Economic Co-Operation and Development (OECD) by 2017.
 - To maintain our position on labour market participation as the top performing country in the UK.
 - To close the gap (in terms of employment rates) with the top five OECD economies by 2017.
 - To narrow the gap in (labour market) participation between Scotland's best and worst performing regions by 2017.
 - To increase overall income and reduce income inequality by 2017.

ⁱⁱ In accordance with UK National Accounting principles, GDP figures for Scotland exclude output from oil and gas extraction from the North Sea. Output from this sector - termed "extra-regio" activity - is not attributed to any one area of the UK.

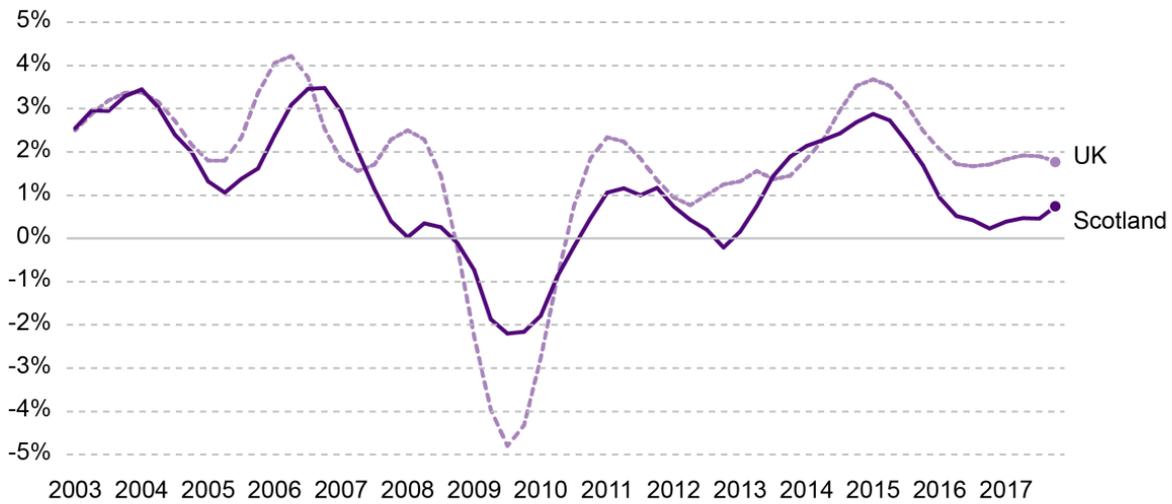
Purpose Target	Currently meeting target?	Progress
To raise the GDP growth rate to the UK level	No	UK growth higher in each of the last 14 quarters
To match the GDP growth rate of the small independent EU countries by 2017	No	Growth in small EU countries has been higher than Scottish growth for each of the last 12 quarters
To rank in the top quartile for productivity against our key trading partners in the OECD by 2017	No	In 2016, Scotland sat in the third quartile
To maintain our position on labour market participation as the top performing country in the UK	No	Currently Scotland is second to England in terms of employment rate
To close the gap (in terms of employment rates) with the top five OECD economies by 2017	No	The gap widened between 2007 and 2016.
To narrow the gap in (labour market) participation between Scotland's best and worst performing regions by 2017	No	The gap widened between 2007 and 2017.
To increase overall income and reduce income inequality by 2017	Yes and no	Household income has increased; however so has inequality (up to 2015/16)

20. The following section will assess, in more detail, Scotland's performance against these targets.

GDP Growth Rate

21. At the heart of the 2007 NPF is the Scottish Government's central Purpose of "increasing sustainable economic growth". By "growth" the Scottish Government means an increase in the value of all goods and services produced in Scotland, as measured by Gross Domestic Product (GDP).
22. There are two Purpose Targets relating to GDP growth. The first looks at Scotland's performance compared to overall UK performance. And the second looks at Scotland's GDP growth rate in relation to that of a number of small European countries.
23. As shown in Figure 1, for most of the last ten years UK GDP has grown at a faster rate than Scottish GDP. This has been particularly striking over the past four years, with UK growth being higher than Scottish growth every quarter since quarter 2 2014.

Figure 1: Scottish and UK annual GDP growth rates



Source: Scottish Government: [National Performance Framework](#)

Table 2: Annual growth rates Scotland and UK 2007 to 2017

	Scotland	UK
2007	0.4	2.4
2008	-0.1	-0.5
2009	-2.2	-4.2
2010	0.5	1.7
2011	1.2	1.4
2012	-0.2	1.5
2013	1.9	2.0
2014	2.7	3.1
2015	1.7	2.4
2016	0.2	1.9
2017	0.8	1.8

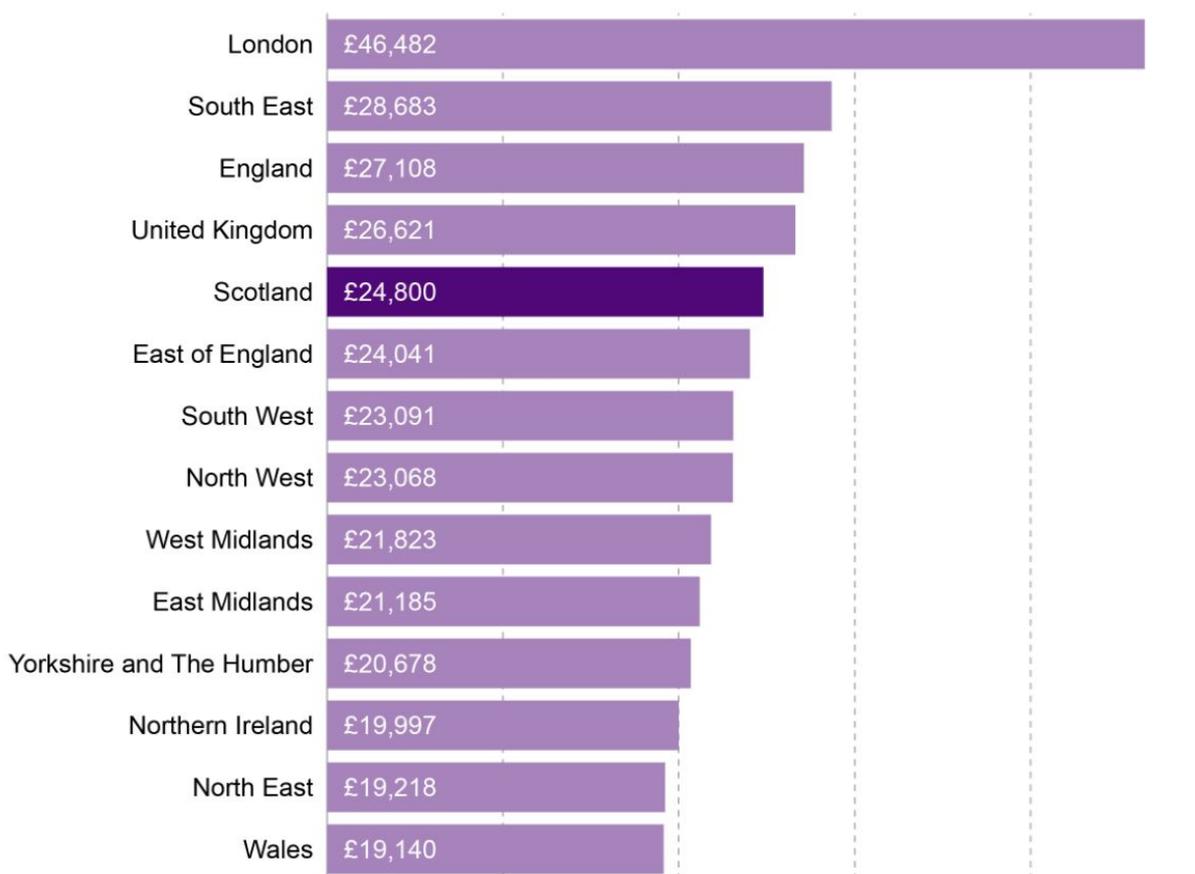
24. A number of witnesses spoke about Scotland’s low growth rate over the past decade. It is true that for some sectors – food and drink, tourism, life sciences, the video games industry – growth has been encouraging; however, other areas of the economy such as the oil and gas industry, construction and retail have not fared so well.
25. Of course, Scotland is one part of the United Kingdom economy, a fact acknowledged by Michael Jacobs, director of the IPPR Commission on Economic Justice:

” Scotland is doing better than most of the English regions, Wales and Northern Ireland, but the gap between London and the south-east and the rest of the economy is very great.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs (Institute for Public Policy Research), contrib. 67³

26. Although recent years have witnessed a slowing of Scotland's growth rate, output per head still compares favourably to other regions of the UK. Using Gross Value Added (GVA) per head as a measure, Scotland ranked third out of the twelve regions of the UK in 2016.ⁱⁱⁱ

Figure 2: GVA per head by region in 2016 (£)



Source: ONS, [Regional Value Added \(balanced approach\) 1998 to 2016](#)

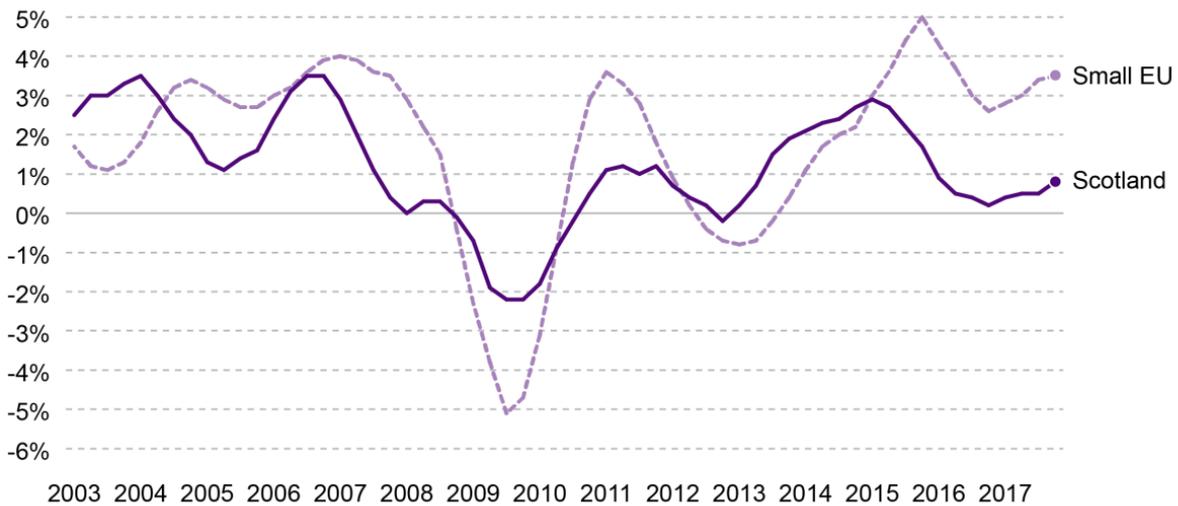
27. Commissioner David Wilson of the Scottish Fiscal Commission confirmed that “Scotland is on or around the same level of GDP per capita as the UK as a whole.”⁴ Nevertheless, Michael Jacobs reminds us that the UK as a whole over the past few years “has been—and is—performing pretty disastrously.”³ He attributes much of this to the UK Government’s austerity policies which, he argues, has led to “a massive withdrawal of demand over the past eight years.”⁵
28. Within a Scotland-specific context, Professor Sara Carter believes that over the past 10 years, “everything that we see has been shaped by the financial crisis of 2008-09.”⁶

ⁱⁱⁱ GVA is also known as GDP at basic prices, and is a measure of the total value added by all industries in the economy, but does not include the value of taxes or subsidies on products (such as VAT and excise duties), which are paid by the consumer. Whereas total GDP at market prices includes these taxes and subsidies on products (GDP = GVA + taxes - subsidies)

Small EU Countries

- 29. The one other Purpose Target focusing on GDP growth looks at Scotland's performance compared to a range of small independent EU countries, as selected by the Scottish Government (namely Austria, Denmark, Finland, Ireland, Luxembourg, Portugal and Sweden).
- 30. Again, average GDP growth across this group of nations has generally outpaced Scotland for most of the past decade. And, similar to the gap between Scottish and UK growth, there has been a growing divergence in performance since 2014/15.
- 31. Much of this recent gap may be due to the remarkable post-recession Irish economy which saw growth of 44% between 2014 and 2017. However, as highlighted by the [Fraser of Allander Institute](#) in a recent blog post, "Ireland benefits from a number of multi-nationals operating out of Dublin. The activity of these firms significantly boosts Irish GDP. But in reality, quite often only a fraction of this makes its way into the incomes of the Irish people. Instead, the profits are transferred back to head-offices and investors in the US and elsewhere".

Figure 3: Annual GDP growth rates – Scotland and small EU countries



Source: Scottish Government, [National Performance Framework](#)

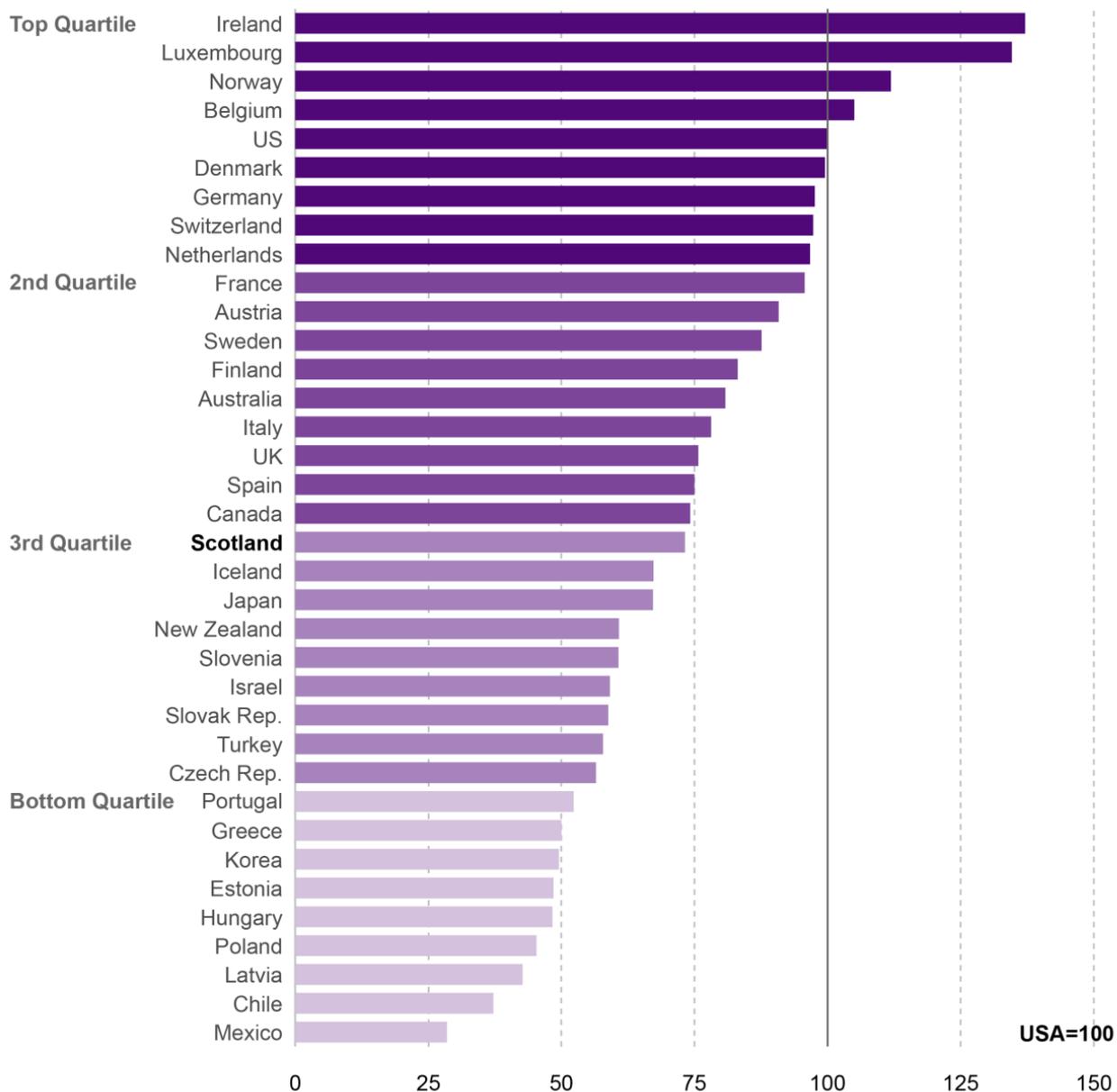
Q4 on previous Q4 growth rate

Year	Scotland	Small EU
2003	3.3%	1.3%
2004	2.0%	3.4%
2005	1.6%	2.7%
2006	3.5%	3.9%
2007	0.4%	3.5%
2008	-0.1%	-0.4%
2009	-2.2%	-4.7%
2010	0.5%	2.9%
2011	1.2%	1.8%
2012	-0.2%	-0.7%
2013	1.9%	0.4%
2014	2.7%	2.2%
2015	1.7%	5.0%
2016	0.2%	2.6%
2017	0.8%	3.5%

Productivity

32. Productivity can be measured by dividing GDP by the total number of hours worked over a year. This is the preferred measure of the Scottish Government and the one used in its productivity Purpose Target.
33. When this Target was set in 2007, the Government aspired to raise Scotland's productivity to levels seen in the top performing countries of the OECD. Although figures are currently only available to 2016, it is unlikely that the target of ranking in the top quartile by 2017 will be met.
34. In terms of our ranking alongside the 35 OECD countries, Scotland's relative performance has changed little over the past decade. Indeed, Scotland was ranked 19th out of 36 in 2007 – exactly the same position we currently hold. The Scottish Government's Enterprise and Skills Review [interim strategic plan](#) estimates that Scotland needs an increase in GDP per hour worked of £9.60 (+27%) to reach the OECD top quartile.

Figure 4: productivity 2016 GDP per hour worked (USA=100)



Source: Scottish Government: [National Performance Framework](#)

35. Scotland's relatively low productivity compared to other OECD countries has been discussed throughout the course of the inquiry, with a number of theories put forward as to why Scotland is not much more productive than it currently is.
36. A number of witnesses, for example Professor John McLaren, Graeme Jones and Professor Sara Carter, highlighted the impact of the financial and oil price crises on two of our most productive sectors and therefore the economy as a whole. Others commented on the need for more medium-sized and large companies in Scotland (currently fewer than 2% of all private sector enterprises employ more than 49 people).^{iv} As larger companies tend to be more productive^v and are also more likely to export,^{vi} witnesses such as Professor Carter and Professor McEwan felt further work needs to be done to support the scaling up of companies with growth ambitions.

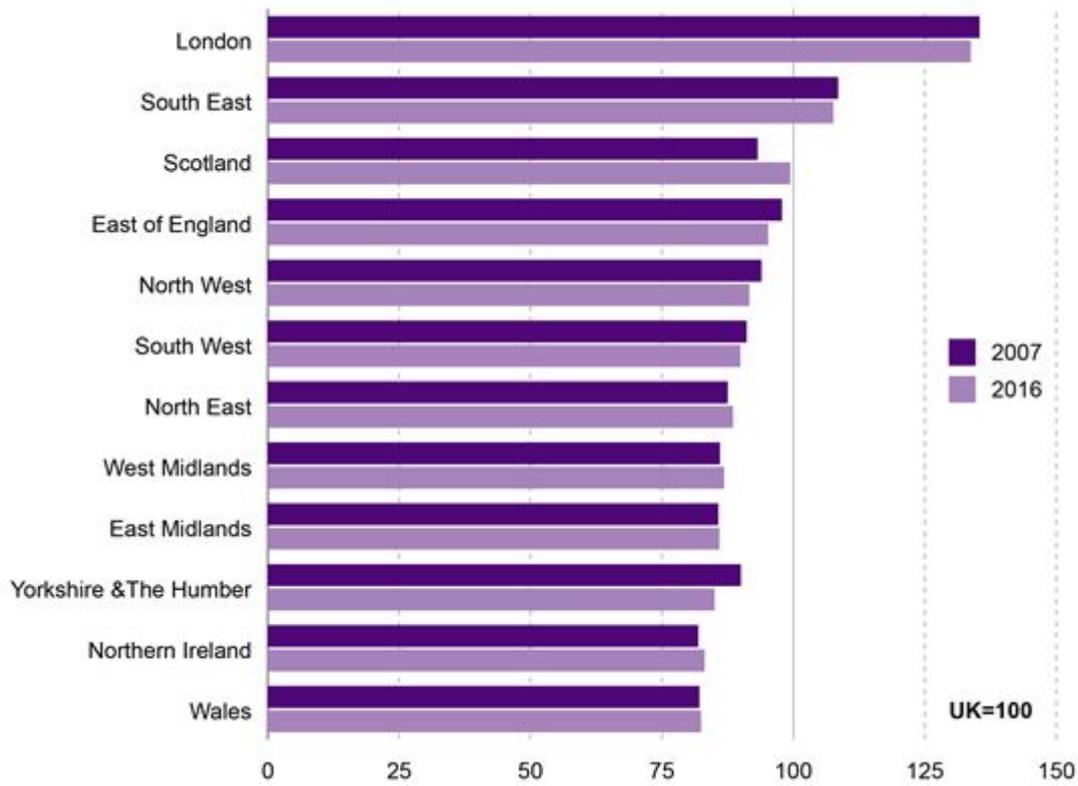
37. To become more productive in international standards witnesses said Scotland needs to focus efforts across all sectors and all regions, not just those seen as having high growth potential. Professor Julia Derby, Michael Jacobs, Sara Carter and Professor Catia Montagna all stressed the importance of productivity improvements being made in “non-frontier” companies, or the “everyday economy”⁷ where the vast majority of people work. Michael Jacobs referred specifically to firms working in retail, wholesale, hospitality, food and drink and light manufacturing: “the problem for those companies is not that they need to be at the frontier of technological innovation—that is not what they do—but that they need to adopt innovation”.
38. If Scotland suffers from relatively low productivity levels, then this is also a problem for the UK as a whole, as acknowledged by Michael Jacobs and the UK Government’s Industrial Strategy. The Committee heard that compared to other countries/regions of the UK, Scotland is actually performing well. Even without North Sea oil and gas extraction, Scotland is still the third most productive of the 12 regions of the UK, with productivity sitting just below the UK average. Indeed, only London and the South East of England are more productive than Scotland.

iv The Scottish Government, [Business in Scotland 2017: A National Statistics publication for Scotland](#)

v The Office for National Statistics (January 2016) Economic Review
http://webarchive.nationalarchives.gov.uk/20160204094159/http://www.ons.gov.uk/ons/dcp171766_429935.pdf

vi The Scottish Government, [Export Statistics Scotland 2016: A National Statistics Publication for Scotland](#)

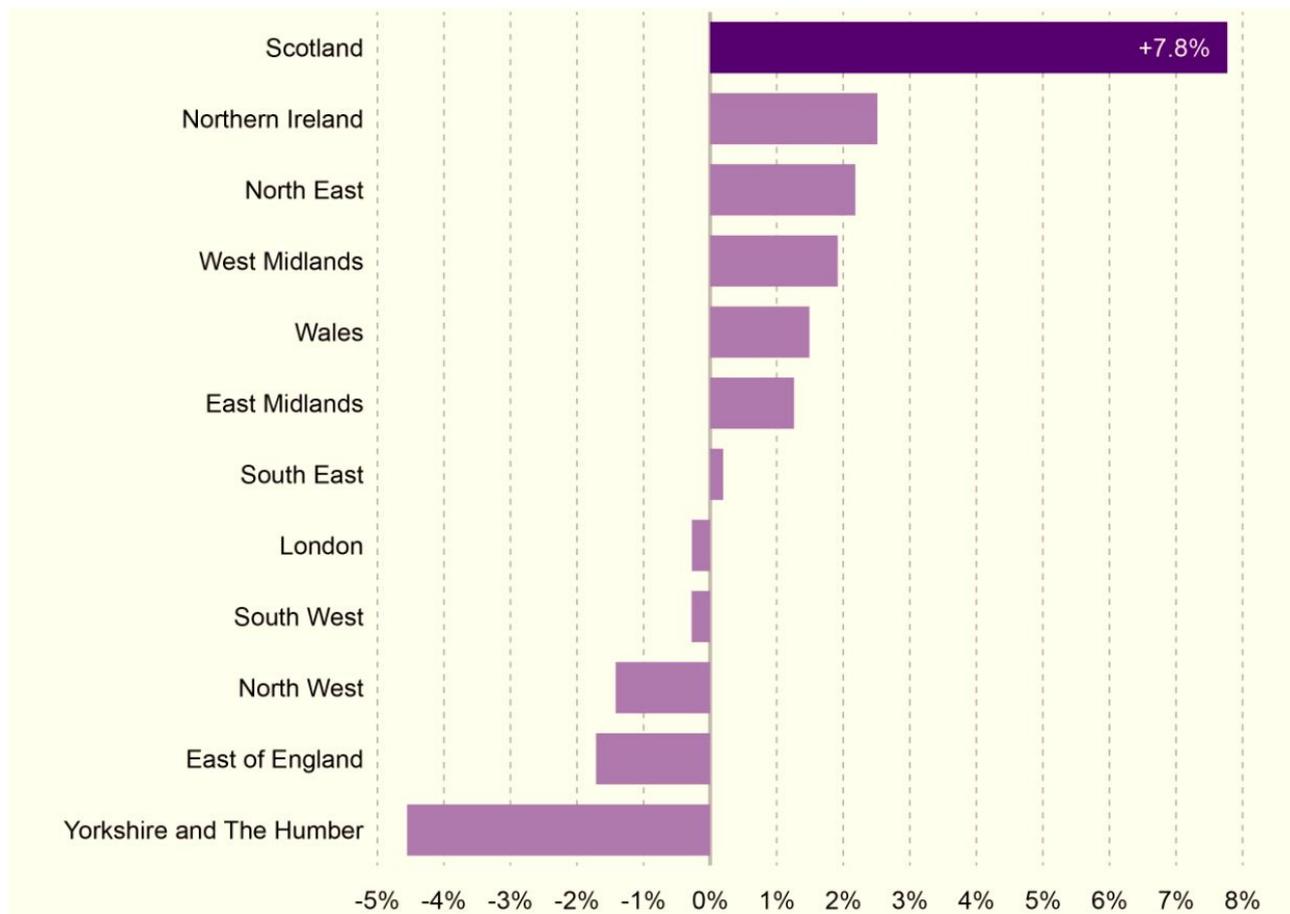
Figure 5: Regional productivity - GVA per hour worked (average UK=100)



Source: Scottish Parliament website: [Devolved Powers](#)

39. Furthermore, Scotland's productivity grew by 7.8% between 2007 and 2016 (in real terms), a growth rate higher than that seen in any other country or region of the UK:

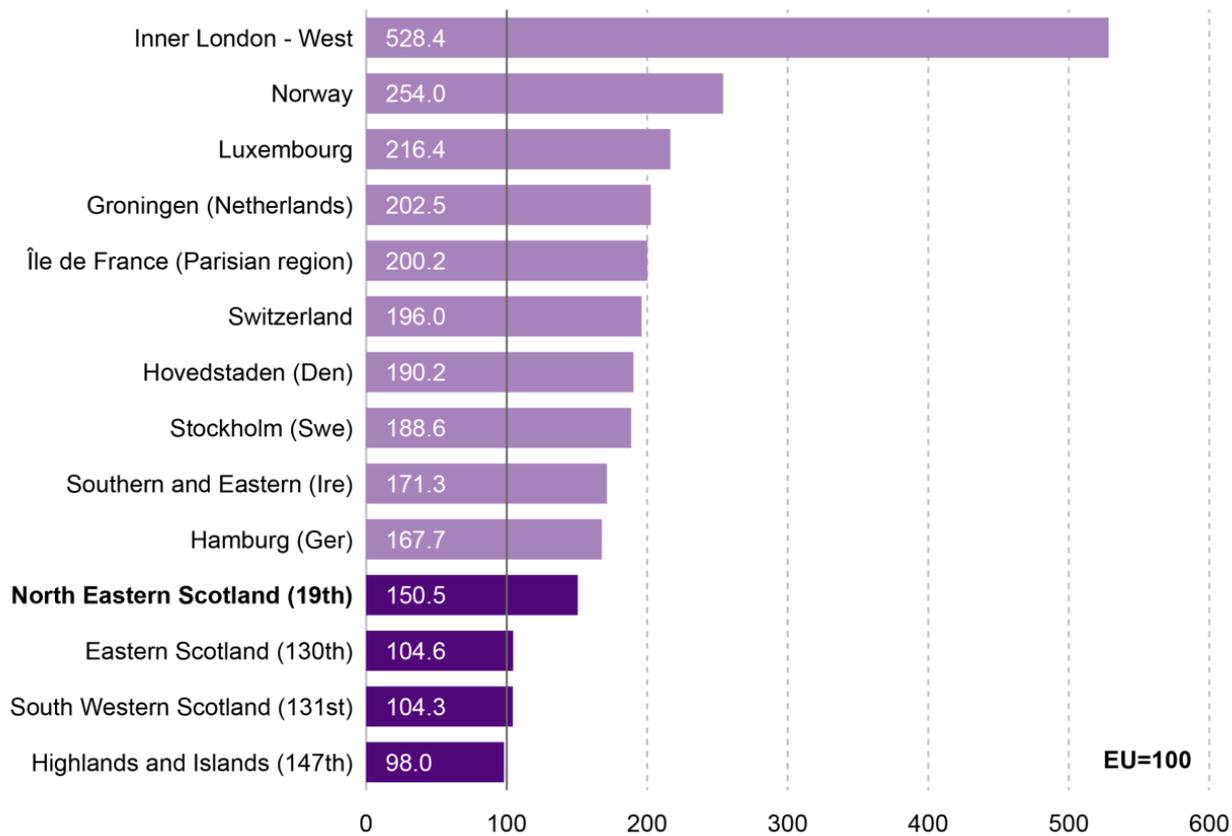
Figure 6: Productivity (GVA per hour worked) growth rate, 2007-2016



Source: ONS (2018), [Regional and sub-regional productivity in the UK](#)

40. Research conducted by SPICe, shows that three of Scotland's four NUTS 2 regions – North East, Eastern Scotland and South Western Scotland – all display above average EU productivity levels. Indeed, the Aberdeen and Aberdeenshire area ranked 19th of all the 266 EU regions in 2015:

Figure 7: EU regions (NUTS 2) productivity, EU average = 100



Source: O'Conner and Liddell (2017), [SPICe Briefing: Scotland's economic performance - comparative research](#)

41. As illustrated above, there is significant variation in the productivity levels across the various regions of Scotland. This is also striking when we look at the more localised NUTS 3 areas, of which there are 23 in Scotland.
42. The figures below also show that productivity in the top NUTS 3 performing area, Edinburgh City, was 13% above the average (£32.4) in 2016, whilst the level in Orkney, the least productive area, was 20% below.

Area	GVA per hour worked (£) 2016
Edinburgh, City of	36.6
Aberdeen City and Aberdeenshire	36.3
South Ayrshire	34.3
Clackmannanshire and Fife	33.9
East Dunbartonshire, West Dunbartonshire and <u>Helensburgh & Lomond</u>	33.5
Perth & Kinross and Stirling	33.4
Inverclyde, East Renfrewshire and Renfrewshire	32.5
East Lothian and Midlothian	32.4
Inverness & Nairn and Moray, <u>Badenoch & Strathspey</u>	32.0
Angus and Dundee City	31.3
Lochaber, Skye & <u>Lochalsh</u> , Arran & <u>Cumbræ</u> and Argyll & Bute	31.1
South Lanarkshire	30.6
Glasgow City	30.5
North Lanarkshire	30.3
Shetland Islands	29.9
Caithness & Sutherland and Ross & Cromarty	29.5
Falkirk	29.4
East Ayrshire and North Ayrshire mainland	29.3
West Lothian	28.7
Scottish Borders	28.2
<u>Eilean Siar</u> (Western Isles)	27.4
Dumfries & Galloway	26.7
Orkney Islands	26.0

Source: ONS, [Regional and sub-regional data](#)

NUTS3 area	2007	2016	% change
Caithness & Sutherland and Ross & Cromarty	24.8	29.5	19%
South Ayrshire	29.4	34.3	17%
Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute	26.7	31.1	17%
Perth & Kinross and Stirling	29.5	33.4	13%
Scottish Borders	25.0	28.2	13%
Glasgow City	27.2	30.5	12%
North Lanarkshire	27.2	30.3	12%
Clackmannanshire and Fife	30.7	33.9	10%
Shetland Islands	27.1	29.9	10%
Dumfries & Galloway	24.2	26.7	10%
Orkney Islands	23.6	26.0	10%
East Dunbartonshire, West Dunbartonshire and Helensburgh & Lomond	30.6	33.5	9%
Edinburgh, City of	33.8	36.6	8%
Scotland	30.0	32.4	8%
South Lanarkshire	28.5	30.6	7%
Angus and Dundee City	29.7	31.3	6%
Inverness & Nairn and Moray, Badenoch & Strathspey	30.5	32.0	5%
East Lothian and Midlothian	31.3	32.4	4%
Aberdeen City and Aberdeenshire	35.0	36.3	4%
Inverclyde, East Renfrewshire and Renfrewshire	31.5	32.5	3%
UK	32.3	32.6	1%
East Ayrshire and North Ayrshire mainland	29.4	29.3	0%
West Lothian	29.2	28.7	-2%
Falkirk	32.2	29.4	-9%
Eilean Siar (Western Isles)	30.4	27.4	-10%

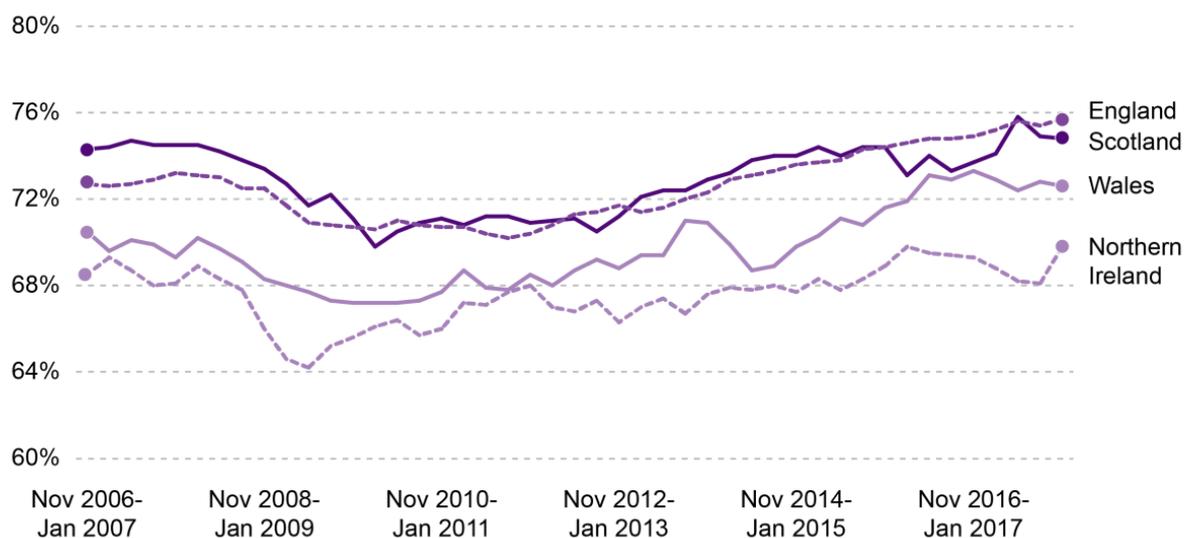
Source: ONS, [Regional and sub-regional data](#)

43. When comparing the percentage change in productivity over the period 2007-2016, the above table shows that of the 23 Scottish NUTS 3 areas 19 grew faster than the UK average growth rate. The area seeing the fastest growth in Scotland was Caithness & Sutherland and Ross & Cromarty which saw productivity grow by 19% over the period (adjusted for inflation).
44. The number of areas with higher productivity levels than the UK average has trebled over the last 10 years. In 2007, only two areas - Aberdeen/Aberdeenshire and Edinburgh - saw GVA per hour levels above the UK average. In 2016, there were six areas: Aberdeen/Aberdeenshire, Edinburgh, South Ayrshire, Clackmannanshire and Fife, the Dunbartonshires and Perth/Kinross/Stirling.

Participation

45. There are three Purpose Targets in the National Performance Framework relating to labour market participation. For example, the Scottish Government focuses on employment rates in its target “to maintain our position on labour market participation as the top performing country in the UK”.

Figure 8: Employment rates (16-64), four nations of the UK



Source: Scottish Government, [National Performance Framework](#)

46. Most witnesses praised Scotland’s resilient labour market over the past decade. As is evident in Figure 8, for most of the period between 2007 and 2017 Scotland has been the top performing country of the UK in terms of its employment rate. However, since Quarter 1 2016 Scotland’s employment rate has been slightly below the English rate. The most recent figures taken from the Labour Force Survey, for period February to April 2018, show that Scotland's employment rate is currently 0.8 percentage points below the rate for England.

ONS (12 June 2018), Headline Labour Force Survey indicators

	16-64 employment rate (%)
England	76.0
Scotland	75.2
Wales	73.3
Northern Ireland	69.7

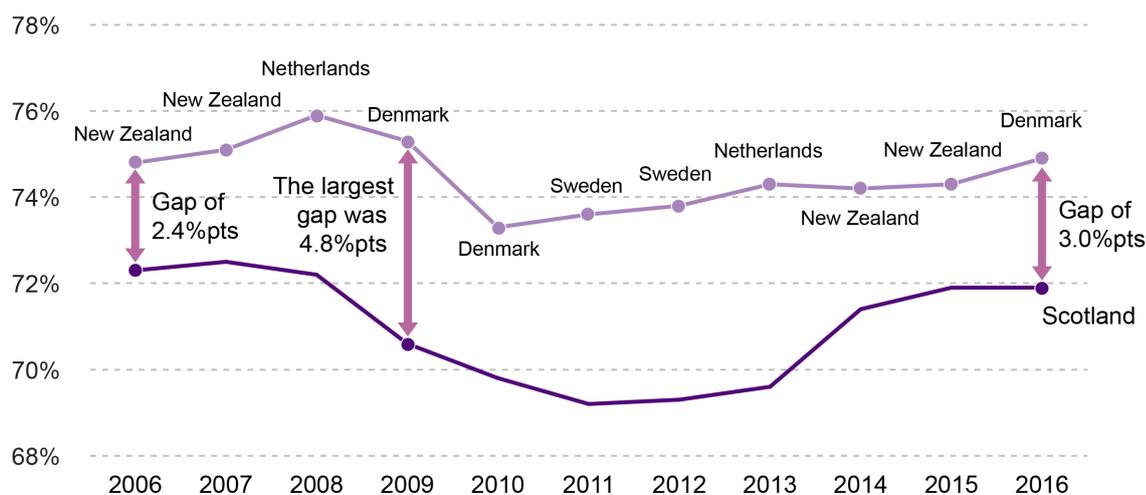
47. Scotland also has the second lowest rate of economic inactivity of all the countries of the UK, with 21.4% of 16-64 year olds being out of work and not looking/available for work.

ONS (12 June 2018), Headline Labour Force Survey indicators

	Economic inactivity rate (% of 16-64 year olds)
Northern Ireland	27.9
Wales	23.2
Scotland	21.4
England	20.6

48. John McLaren highlighted increased levels of self-employment and part-time employment in Scotland, and across the UK as a whole, over recent years.⁸ Indeed, the most recent Annual Population Survey figures for 2017 show that 50,000 more people work part-time in Scotland than in 2007, whilst the number of people working full-time reduced slightly (by 2,500). Likewise, the number of self-employed people increased by 40,000 over the period, an increase of 15%. Professor Catia Montagne believes that “the majority of the jobs that have been created in the past few years are either self-employed jobs—and we are talking not about Rockefeller self-employed but about zero employee firms and people not making much of their enterprise—or temporary jobs”.⁹
49. The Scottish Government also set a Purpose Target to close the gap (in terms of employment rates) with the top five OECD economies by 2017. As can be seen in Figure 9 (below), the gap between Scotland and the fifth best performing country in the OECD has not closed. The difference between Scotland and Denmark’s employment rate was 3.0 percentage points in 2016, whilst the gap between Scotland and New Zealand (the fifth best performer in 2006) was 2.4 percentage points. The Scottish Government’s Enterprise and Skills Review [interim strategic plan](#) estimates that Scotland needs 85,000 more people to participate in the labour market to reach the OECD top quartile.

Figure 9: Employment rates in Scotland and the fifth highest OECD country



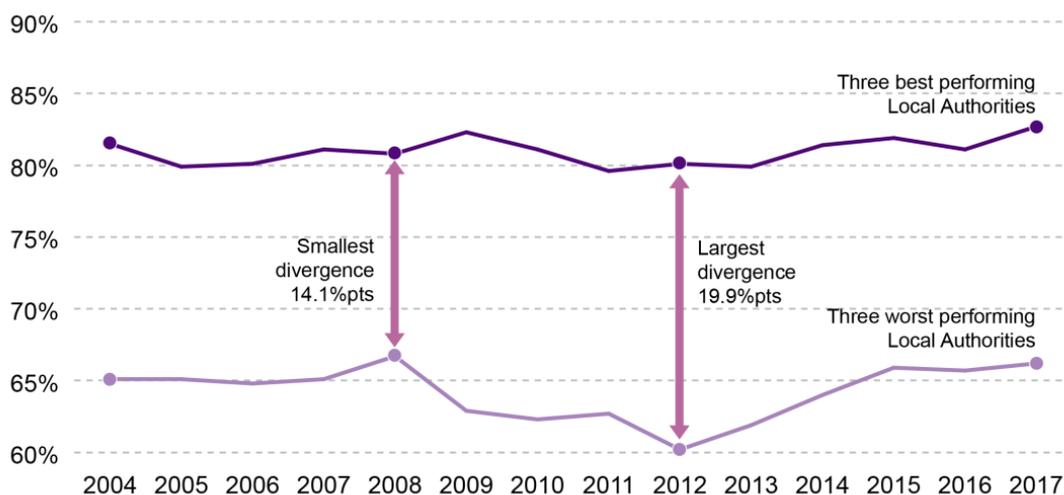
Source: Scottish Government, [National Performance Framework](#)

50. The final Purpose Target relating to employment looks at regional performance *within* Scotland. This is the Scottish Government’s Cohesion target which aspires to narrow the gap in labour market participation between Scotland’s best and worst performing regions. The reason given for including this indicator is that the “benefits

of economic growth should be enjoyed across the whole of Scotland... differences in income, participation and growth across Scotland act as a drag on our collective economic performance and potential”.

51. Figure 10 (below) shows that the gap between the best performing local authority areas in Scotland and the worst, in terms of employment rate, actually widened between 2007 and 2017. In 2007, the employment rate for the combined Orkney, Shetland and Aberdeenshire local authority areas was 81.1%, whilst the combined rate for Glasgow, Inverclyde and Clackmannanshire was 65.1%. This represents a gap of 16.1 percentage points. In 2017, the gap between the same top three areas and the new bottom three (Glasgow, Dundee and North Ayrshire) was 16.5 percentage points.
52. Regional disparities in employment rate exist within many European countries. For example, in Norway there is an 11 point difference between the best performing county and the area with the lowest employment rate. In Germany, 15 percentage points separate the best and worst performing districts.
53. It is also worth noting that the employment rate for Scotland overall did actually rise over the period - by 0.4 percentage points - with 51,000 more people in work now than ten years ago. However, it is also clear that not all areas of Scotland have benefited equally.

Figure 10: Employment rates for the three best and three worst performing local authorities in Scotland, 2004-2017



Source: Scottish Government: [National Performance Framework](#)

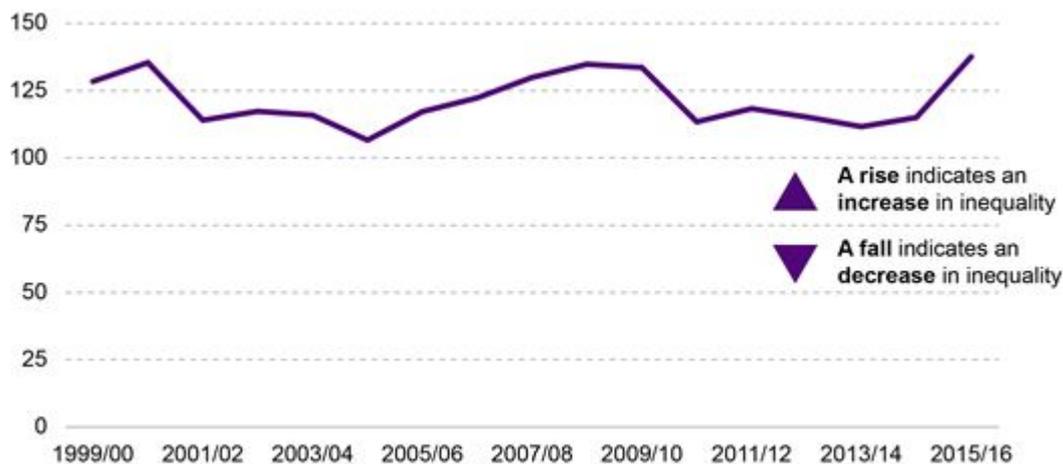
Solidarity - income inequality and household income

54. The Scottish Government's Solidarity Purpose Target focuses on two indicators: increasing overall household income and reducing income inequality by 2017. These are important to the Government for the following reasons:

” “...international evidence suggests that increased income inequality can be detrimental to a country's economic performance. It is important for society, because more equal societies tend to be more cohesive. It is important for individuals, who want to be treated fairly and be able to fulfil their potential.”

- 55. Professor Catia Montagna concurs, referring to data showing “a strong correlation between the degree of inequality in a country and the ability of the country to recover from recession, so countries that have done better in that sense are countries that have a much lower inequality.”¹⁰
- 56. The following chart shows the proportion of total income that goes to the top 10% of earners in Scotland compared to the proportion going to the bottom 40%. This is set out as a ratio, known as the Palma Ratio. It demonstrates inequality of income (not wealth); so when the ratio rises, the level of income inequality is increasing; when it falls, income inequality is said to be decreasing.
- 57. After falling dramatically between 2009/10 and 2010/11, the proportion of income going to Scotland's highest earners rose and is now larger than it has been since the data series began in 1999. Data for the end point of the target period, year 2017/18, won't be available until summer 2020. So, it is too early to say whether or not this Purpose Target has been met.

Figure 11: ratio of income to the top 10% divided by the bottom 40% (the Palma ratio)



Source: Scottish Government, [National Performance Framework](#)

- 58. The Scottish Government's 2015 Economic Strategy attempted to place Scotland's inequality levels within an international context: “of the 34 OECD countries, the UK ranked 29th in terms of income inequality – in other words, the 6th worst...Whist income inequality in Scotland is closer to the OECD average than the UK, Scotland is still more unequal than many other countries and would rank 20th”. The Scottish Government's Enterprise and Skills Review interim strategic plan estimates that Scotland needs to reduce income inequality by 13 percentage points to reach the OECD top quartile.

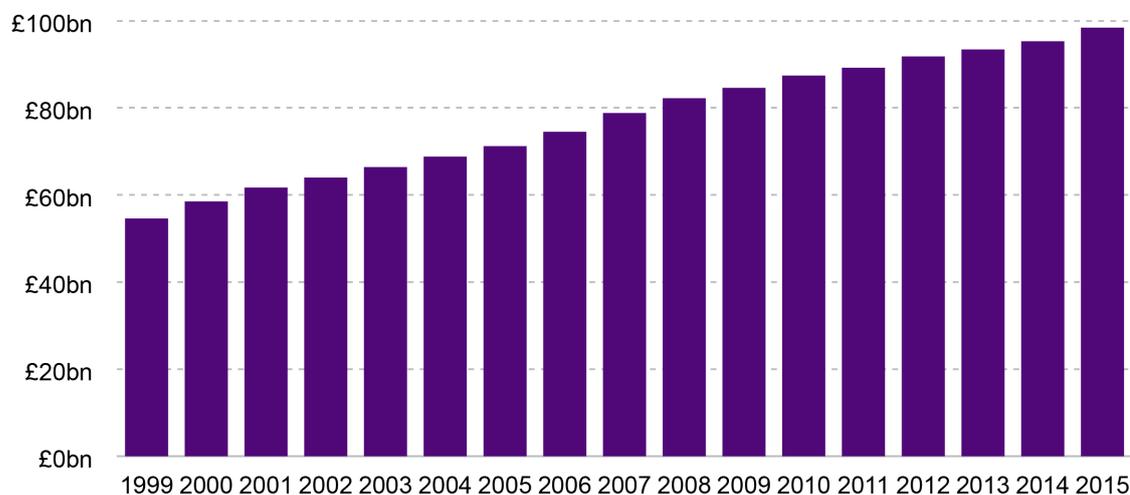
59. Michael Jacobs believes that lower levels of income inequality seen in other European countries can be partly explained by the very different types of labour market across the continent:

” Within Europe, Germany has a very different kind of labour market...and Sweden’s is rather similar to it. The structure of the labour market in those two countries and in some other Scandinavian countries has two features, both of which we have moved away from in the UK. The first is that they have quite a lot of labour market regulation, which is largely about requiring employers to have minimum standards for wages and particularly on things such as how overtime is paid and benefits. That is combined with relatively high levels of trade union density. That is not the case throughout the German economy but it is in parts of it, and the levels are certainly higher in Sweden, and that gives workers a kind of bargaining power in the labour market.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 97¹¹

60. The second element of the Scottish Government’s Solidarity target relates to total household income, which includes earnings from work or property ownership, plus welfare benefits. Figure 12 shows that total household income has increased steadily since 1999 and is now 25% higher (in real terms) than in 2007. However, it is clear from the inequality discussion above that these increases have not been distributed equally across society.

Figure 12: Real Gross Disposable Household Income (inflation adjusted)



Source: Scottish Government, [National Performance Framework](#)

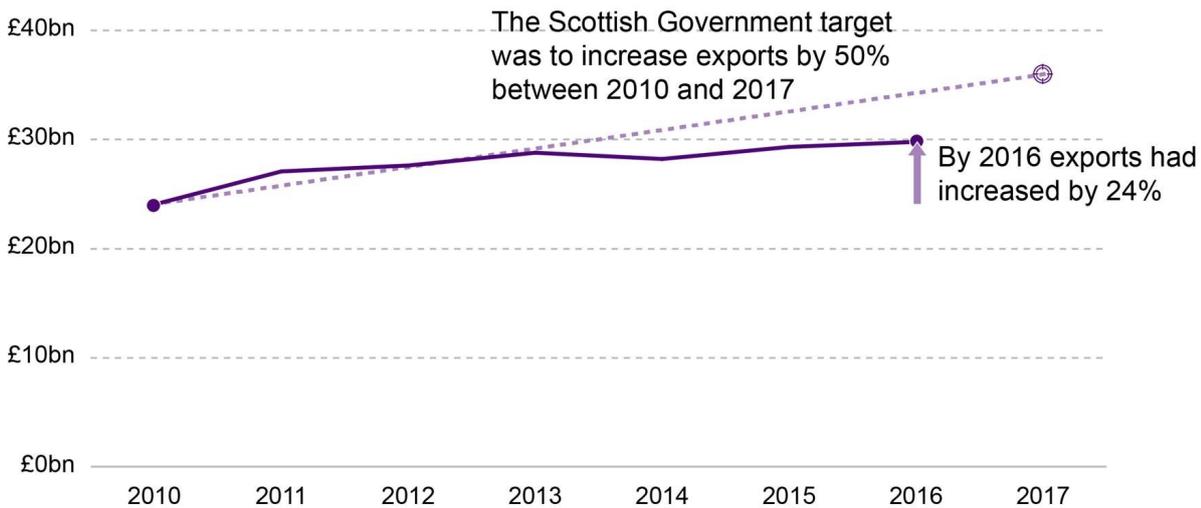
Export Targets

61. Although not a Purpose Target, the Scottish Government did set an exports target within its [2011 Economic Strategy](#). This is for Scottish businesses to have delivered a 50% increase in the value of international exports by 2017 (with the base year being 2010). Internationalisation is also one of the “four Is” of the most [recent economic strategy](#), with the Government stating:

“Increasing exports is also key to rebalancing Scotland’s economy. As well as having positive implications in terms of the resilience and sustainability of economic growth, there is evidence that companies that are exposed to international investment and competition become more productive.”

62. The following chart therefore shows the value of international exports (i.e. not including trade with the rest of the UK) for each year between 2010 and 2016. In line with the original target, these values have not been adjusted for inflation.

Figure 13: Value of Scottish international exports (£bn) and SG target



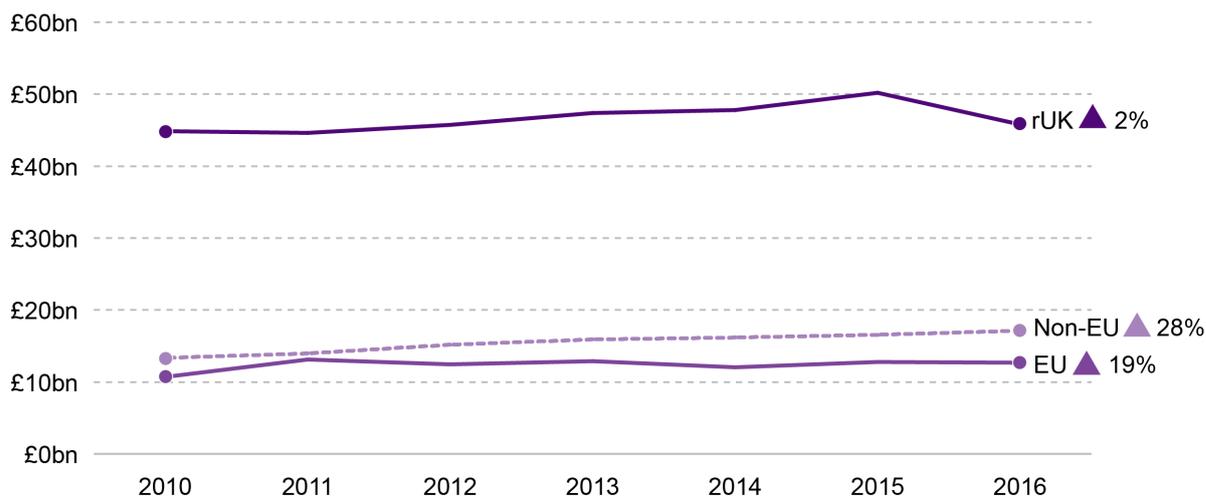
Source: Scottish Government, [National Performance Framework](#)

63. Between 2010 and 2016 (the most recent data available), the value of Scotland’s international exports grew by 24%. As highlighted by the [Fraser of Allander Institute](#) in a recent blog post, “this implies that we need growth of over 20% (or £6.3 billion) next year if Scotland is to meet the 2011 target”. In other words, this target is unlikely to be met.

64. Giving evidence to the Committee in February, Nora Senior Chair of the Strategic Board for Enterprise and Skills, also informed us that “we need 5,000 more companies to move into exports in order for Scotland to move into the OECD upper quartile.”¹² It was acknowledged throughout the inquiry that Scotland depends on a small number of larger companies to drive our export activity. Professor Sara Carter concluded that “we must get those currently small firms to a state in which they can contribute more to productivity and exporting in the overall economy”.⁶

65. The Scottish Government publishes a breakdown of international exports statistics by main market, for example EU and non-EU markets. In 2016, exports to EU destinations totalled £12.7bn and exports to non-EU destinations were £17.1 bn. The following chart shows that between 2010 and 2016 exports to EU countries increased by 19%, whilst non-EU exports grew by 28%.

Figure 14: Exports Statistics Scotland



Source: Scottish Government, [Export Statistics Scotland](#)

	2010	2011	2012	2013	2014	2015	2016	2010 - 2016 Change	2010 - 2016 % Change
Rest of UK	44.9	44.6	45.7	47.4	47.8	50.2	45.8	0.9	2%
International	24.1	27.1	27.6	28.8	28.2	29.3	29.8	5.7	24%
<i>of which</i>									
EU	10.7	13.1	12.4	12.9	12.0	12.8	12.7	2.0	19%
Non-EU	13.4	14.0	15.2	15.9	16.2	16.6	17.1	3.8	28%
Total	68.9	71.7	73.4	76.2	76.0	79.5	75.6	6.7	10%

Source: Scottish Government, [Export Statistics Scotland](#)

66. The Committee was keen to understand changes in the value of exports to the rest of the UK (rUK). The above chart shows that between 2010 and 2016 these grew by 2% (not inflation adjusted). Nevertheless, the value of rest of UK exports (£45.8bn) is still considerably higher than total international exports (£29.8bn).
67. All exports data used originates from the Scottish Government's annual Exports Statistics Scotland publication.

Purpose Targets

Purpose Target	Currently meeting target?	Progress
To raise the GDP growth rate to the UK level.	No	UK growth higher in each of the last 14 quarters.
To match the GDP growth rate of the small independent EU countries by 2017.	No	Growth in small EU countries has been higher than Scottish growth for each of the last 12 quarters.
To rank in the top quartile for productivity against our key trading partners in the OECD by 2017.	No	In 2016, Scotland sat in the third quartile.
To maintain our position on labour market participation as the top performing country in the UK.	No	Currently Scotland is second to England in terms of employment rate.
To close the gap (in terms of employment rates) with the top five OECD economies by 2017.	No	The gap widened between 2007 and 2016.
To narrow the gap in (labour market) participation between Scotland's best and worst performing regions by 2017.	No	The gap widened between 2007 and 2017.
To match average European (EU15) population growth over the period from 2007 to 2017.	Yes	For the latest year (2017) population growth for Scotland has been the same as that of the EU15 countries
Increased healthy life expectancy in Scotland over the period from 2007 to 2017.	No	There has been little overall change since 2008
To increase overall income and reduce income inequality by 2017.	Yes and no	Household income has increased; however so has inequality (up to 2015/16)
To reduce greenhouse gas emissions by 42% by 2020.	Yes	In 2015, total Scottish greenhouse gas emissions were 41.0% lower than the Baseline Period (1990 and 1995).
To reduce greenhouse gas emissions by 80% by 2050	Too early to say	

Source: Scottish Government, [Purpose Targets](#)

68. Scotland is a wealthy and prosperous country. There are areas where we have performed well, but as highlighted by the benchmarking of the Purpose Targets, there have also been challenges. In summary, as stated by the Cabinet Secretary for Economy, Jobs and Fair Work:

” There has been a mix of targets. Some have been achieved and some have not. All have been affected by global circumstances through the recession, austerity and the 2014 downturn in the price of oil and gas.

Source: Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], The Deputy Convener, contrib. 6¹³

69. The Cabinet Secretary also stated that local authorities and the UK Government have a role in whether or not targets are met. He said that targets should be made in areas where it is within the Scottish Government's powers to realise those targets. ¹⁴

70. The Committee acknowledges that external factors can impact on whether or not targets are met. The Cabinet Secretary said:

” It is perfectly legitimate for Governments to set targets for economic growth—indeed it is desirable to do so—but a greater appreciation of the factors that will contribute to that and the extent to which the Government can be responsible for achieving it is also important.

Source: Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 65¹⁵

71. However, measurement and evaluation were key themes in our evidence-taking. In response to the Scottish Government's consultation on National Outcomes, the Committee expressed concerns over the lack of detail in the new approach to measurement of economic impact if purpose targets are to be removed:

” How will the impact of policy be measured if we are moving away from the previous specific time-based purpose targets? What will the benchmark be? Can the Scottish Government clarify how policy is to be tracked and monitored under the new framework?^{vii}

72. As stated in its response to the Scottish Government's consultation on National Outcomes, the Committee has concerns about the ability to measure policy impact under the new performance framework.

73. We have noted the influence of overarching challenges and opportunities, which will impact future performance of the economy throughout this report and also note the unquestionable impact that factors such as the financial crisis had on past performance.

vii The Committee responded to the Scottish Government's consultation on National Outcomes in a letter to the Local Government and Communities Committee on 4 May 2018: http://www.parliament.scot/S5_Education/Inquiries/20180504-NOC_Final_Response.pdf

Challenges and Opportunities

” this is a time of exciting opportunity for all parts of the United Kingdom. Around the world, industries are being transformed by new technologies. The ways in which we work, live and consume products and services are changing, and it so happens that the UK—and, in many particular respects, Scotland—is uniquely well placed to benefit from that.

Source: Economy, Jobs and Fair Work Committee 19 April 2018, Rt Hon Greg Clark MP (Secretary of State for Business, Energy and Industrial Strategy), contrib. 3¹⁶

74. The people of Scotland - policymakers, businesses and citizens alike - are united in their desire to see Scotland's economy thrive. We therefore wanted to focus our inquiry on identifying the challenges and opportunities that face the Scottish economy. We mirrored our evidence-taking on the areas that the Scottish Government sees as having the greatest influence; namely the four "I"s of innovation, internationalisation, investment and inclusive growth, outlined as key objectives in the 2015 Economic Strategy.¹⁷ We looked at the role of the enterprise and skills agencies in stimulating success in these areas and the overarching channelling of support towards the Scottish Government's identified growth sectors. We also considered how success is measured and evaluated.
75. The Scottish Fiscal Commission (SFC) gave evidence to the Committee on its economic forecasts, concluding that "subdued " economic growth should be expected over the next five years. The SFC highlighted that "since the financial crash, overall growth has been weak by international and historical standards. That has also been the case at United Kingdom level and internationally."¹⁸ SFC Commissioner, David Wilson, commented that industries such as oil and gas and construction "are unlikely to provide the boost to economic activity that they did in the early part of the decade."¹⁸ He emphasised the importance of underlying productivity and population projections, as well as the UK's changing relationship with the EU, which was also factored in the SFC forecasts. Finally, the SFC reflected on the historically low levels of unemployment.
76. In its recent report, setting out its five-year forecasts for the Scottish economy, the SFC stated that, "the latest outlook for the Scottish economy remains subdued, with growth remaining under 1.0 per cent for the period of the forecast".¹
77. Witnesses highlighted a number of areas where they felt there was great potential for future economic growth, and others that pose challenges. Population size, regional variance, skills shortage and infrastructure were all cited as limiting factors. Our business sphere is predominantly made up of small enterprises and there is a lack of big businesses to act as role models, investors and pacesetters leading the way into international markets. Technology too acts as both a challenge and opportunity and our economic performance should be considered within the context of societal and technological change. As Richard Marsh, Director of 4-Consulting said, there are many levers that jointly contribute to performance and there are no quick fixes or easy answers.¹
78. The concept of economic growth and how it is measured is also contentious. For some the focus should be on growing GDP, yet most think that capturing additional

measurements would help us gain a fuller picture of performance. Several witnesses told us that productivity is key to economic growth and many thought that well-being and the distribution of wealth should also be indicators.

79. We have followed the growth journey of Scotland's businesses, looking at start-up entrepreneurs, the SME composition of the labour market, scale-up and acquisition.

Entrepreneurship and start-ups

80. Firstly, we turn our attention to the business journey from start-up to scale-up. Chris van der Kuyl, Chairman of 4J Studios told us that barriers which existed in the past when looking to startup a business were no longer an issue. He said investment used to be a challenge for entrepreneurs, but there are now fantastic entrepreneurial support networks for start-ups and business angels who will provide capital. He felt the main problem is signposting people so that they can find the information and support required.¹⁹

81. Awards such as Scottish EDGE and Converge Challenge were viewed favourably by entrepreneurs who felt that the flexible support and finance offered by these programmes has helped encourage growth in early-stage companies.

82. Despite the growth in start-up companies, witnesses thought more could be done to encourage an entrepreneurial mindset. The Committee was told that we need more people who want to be entrepreneurs and this needs to be encouraged through the education system and by parents. Dr Suzanne Mawson of the University of Stirling noted that there is a gap in people's perception of the skills and abilities needed to start a business with many entrepreneurs struggling to translate a good idea into a fully fledged business.²⁰

83. We heard several examples of how entrepreneurial skills are being introduced to people studying in a variety of disciplines at universities. For example, from autumn every student studying at Robert Gordon University will do a module on entrepreneurship, regardless of the subject. The Committee believes that this should be seen as good practice, but could be extended to include general business and leadership skills. All educational institutions should look at how best to integrate practical entrepreneurial, commercial and problem solving skills into courses. Witnesses representing the life sciences sector also acknowledged that integrating commercial acumen into science courses would be beneficial.

Self-employment

84. We ran a series of 8 focus groups to hear about experiences and perceptions of the Scottish economy from people in different areas across Scotland.² Very few focus group participants had considered starting a business and becoming self-employed as it was generally felt this lacked stability as a career choice. The young people who took part in the Committee's Scottish Youth Parliament workshops and survey also had a negative perception of self-employment, with the majority citing insecurity as the main barrier.³ Growing up in a post-recession environment has perhaps bred caution among Scotland's young people who value job security and a fair wage above the potential for the more high-risk creativity offered by self-employment.

85. However, despite this perception self-employment has increased by 66% since 2000. In Scotland more people work for themselves than the number employed by the NHS. The Federation of Small Businesses (FSB) said that the narrative around self-employment is often negative, but 84% of self-employed people think their life is better than it would be if they were an employee. ⁴ Jim McColl, Founder, Chairman & CEO, Clyde Blowers Capital, disagreed and said high self-employment reflected a lack of high-quality jobs and employment opportunities. ²¹
86. Jackie Brierton, Vice-Chair of Women's Enterprise Scotland and CEO of GrowBiz, highlighted that the rural self-employment rate is more than double the urban rate. She also said that increases in the numbers of self-employed people and unregistered businesses over the last ten years, make this a key area of potential scale-up over the next ten years. These businesses need help to grow to the next stage. ²²
87. The Committee believes that entrepreneurial thinking and the commercialisation of ideas should be encouraged by colleges and universities. Whilst acknowledging that some educational institutions are already doing this, consideration should be given to how best to increase the integration of practical entrepreneurial, commercial and problem solving skills into courses.

Scale-up and the fear of heights

- ” We have a growth issue. In Scotland, we seem to sell our businesses quite early in comparison with many other economies. We seem to have a fear of heights in that respect.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 213²³

88. The Committee spoke to many entrepreneurs who felt that Scotland was an attractive place to start a new business. Several people said that, if there were one area where Scotland could do better, it would be in scaling-up businesses once they had been successfully established. This was described as a "missing middle" and something that should be of greater concern to government. ²⁴
89. The number of businesses in Scotland has increased dramatically post-devolution, with over 100,000 more businesses now than in 2000. SMEs account for 99% of all businesses in Scotland, with microbusinesses alone accounting for half a million jobs. ⁵ We have about 20,000 medium-sized businesses and around 198,000 small and microbusinesses in Scotland. Crucially, this structure impacts upon local economies with 4 in 5 private sector jobs in rural areas provided in small and medium sized businesses. Gary Gillespie, Chief Economist at the Scottish Government, told the Committee that Scotland may need to grow more medium sized businesses. ²⁵
90. Nora Senior, Chair of the Strategic Board for Enterprise and Skills, highlighted that some of these microbusinesses are not paying VAT or participating in the pay-as-

you-earn system. She said that if these microbusinesses could become small or medium businesses that would have a significant knock-on effect. ¹²

91. We were told that scale-up takes time and long-term investment. There is not a quick win and cash-flow is essential.

Ambition

- ” I note that one of the big issues, to be blunt, is lack of ambition. If people can make a comfortable living doing what they are doing without taking the risk of expanding their business, an awful lot of people in Scotland will be happy just to do that.

Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Sandy Finlayson, contrib. 11²⁶

92. Professor McEwan, Chief Executive of Elevator, told us that too few people in Scotland have experience of growing global companies. He said

- ” the slight immaturity of our entrepreneurs means that they get out while they can—while the going is good—which is often too early.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 213²³

93. It is not just a question of facilitating growth, companies must have the desire to grow. A report from the British Business Bank said 70 per cent of companies do not want to take on any funding to grow their business, they would rather focus on stability. ²⁷

94. Council of Economic Advisers member, Professor Carter, felt it is incumbent to support small companies to become more ambitious. She argued that whilst tax incentives may be helpful for some firms, targeted initiatives designed to support businesses to develop leadership and management skills and encourage ambition have been found to be particularly effective. This can often be achieved through mentoring and peer learning. ²⁸

Support

- ” Once they have passed start-up, there is nothing for them unless they fulfil the criteria for high-growth support. A vast array of missing middle businesses in Scotland cannot access support.

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Jackie Brierton, contrib. 20²²

95. During evidence it became clear that there is a perceived gap in business support for SMEs. As Professor Carter said:

- ” 2,000 of the roughly 360,000 enterprises that we have in Scotland are account managed by Scottish Enterprise...Traditionally, an issue with Scottish Enterprise is the thresholds that companies have to reach in order to get on to the account managed programme.

Source: Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 46²⁹

Business Gateway is designed to support start-ups and Scottish Enterprise focuses on high-growth larger companies. This suggests that there may be a gap in the support structure where the majority Scottish businesses lie. The Cabinet Secretary

told the Committee that the Scottish Government does not wish to see businesses excluded from receiving support.³⁰

96. There has been considerable growth in self-employment and the number of unregistered businesses in Scotland. The challenge lies in how these people are moved onto the next stage of the business lifecycle and how this is reconciled with the many businesses that do not want to grow.

97. In relation to investment and taxation, Gareth Wynn of Oil and Gas UK told us:

” It is important that we maintain the long-term incentives, the political support and the national investment in initiatives such as the Oil & Gas Technology Centre. Our sector deal builds on that support by proposing the creation of centres of excellence. Beyond that, it is important to ensure that, in general, Scotland remains a good place in which to do business. We need the right personal taxation regime, and we need to make Scotland a nice place to live.”

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98. The Committee notes evidence on the need to ensure that Scotland "remains a good place in which to do business" and asks the Scottish Government to ensure that the Scottish business environment enables businesses to achieve their potential.

99. Evidence to the Committee suggests that "missing middle businesses" cannot access support to grow. The Committee believes that there is a missed opportunity if we do not give support to businesses that have growth potential and the desire to grow, but that are not currently eligible for Scottish Enterprise account-management support. The Committee asks the Scottish Government to quantify the scale of businesses which fall into the "missing middle" category and to set out to the Committee how it will ensure that these businesses receive the support they need to thrive.

Acquisition

100. For many businesses, scale-up means finding a suitable succession model or buyer. Instead of growing to become medium or large companies, some entrepreneurs who have started businesses choose to sell them. This acquisition of indigenous firms, often by foreign companies, can be seen as both an opportunity and a challenge for Scottish economic growth.

101. Witnesses told the Committee that this can be positive in creating a healthy entrepreneurial cycle where business owners sell and move on with new endeavours. Of greater concern, was how we ensure that CEOs, managing directors, employees, skills, talent and supply chains are retained in Scotland.

102. Jim McColl's concern was not the sale of firms, but the lack of strong Scottish businesses who could invest in smaller Scottish companies. Only 1% of Scottish businesses are considered 'large'. Therefore, there are not many indigenous businesses with the means to buy smaller companies.²¹
103. In terms of account-management, Scottish Enterprise look for year on year growth targets to be met in order for a business to receive support. It was suggested by Dr Mawson that by its nature, this attracts the kind of companies that are looking to grow for sale and can mean that investment is then lost abroad. Dr Mawson felt there is a lack of data to track and measure how much capital from a sale is reinvested and therefore not lost from Scotland, but recycled:

” Support might be part of the issue...We are giving an awful lot of funding—tons and tons of support, financial and otherwise—to very promising, early-stage businesses only to then help line the pockets of big multinationals and give away our intellectual property and other benefits that should be kept here and should be benefiting Scotland and the Scottish economy.

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Dr Mawson, contrib. 30³²

104. To extend the reach of the call for evidence, the Committee agreed to undertake a digital pilot, seeking the views of university-level economy students on the issues raised by the inquiry via the online platform Dialogue. One submission suggested that funding support should be tied to 'anchoring' strategies which ensure expanding enterprises remain in Scotland. They considered this essential to tackling Scotland's low-rate of domestic headquartered companies, and associated low-rate of business research & development investment, which hinders productivity.⁶
105. With regard to scale-up, Skyscanner CEO Gareth Williams suggested that we should look to companies who sold at the £5m mark to see the factors that contributed to their decisions. If we research why this trigger exists from first-hand case studies, this could offer a valuable insight for future policy decisions.⁷
106. The Cabinet Secretary for Economy, Jobs and Fair Work commented on historic issues with companies being headquartered outside of Scotland. He said that high-value jobs were also often located within headquarters and this led to an outflow of income. In his opinion, "Scotland could do far better" in this regard.³³

107. The Committee is aware that in Scotland businesses are often being acquired rather than scaled-up. If the money is reinvested in the Scottish economy, that can be beneficial. However, it can also result in the loss of entrepreneurial role models and experienced people to manage larger scale businesses based in Scotland.

108. In order to gain a fuller picture, the Committee asks the Scottish Government how many account-managed companies have subsequently been sold and how much is reinvested in Scotland.

109. The Committee notes that the scale-up of companies has been a long-standing challenge in Scotland. There is a lack of business confidence to do so and the Committee recommends that the Scottish Government sets out how it will tackle this 'fear of heights'.

110. The Committee believes that targeted employee ownership policies (discussed below) and incentives may help to keep business ownership in Scotland. Other policies would provide the "anchoring" effect needed to embed businesses in Scotland including ensuring that there is adequate investment, not just from Government, but from other sources. As Jim McColl told us, we need more large businesses based in Scotland to support those coming through the pipeline.

Withdrawal from the EU

” “Once we know what it is, we’ll roll our sleeves up and get on with it.” The problem is, however, that we do not know what it is.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, Paul Sheerin, contrib. 10³⁴

111. The potential impact of the decision to leave the European Union was inevitably raised by witnesses during our evidence sessions. The overarching consensus from businesses was that uncertainty was a big challenge. It was thought that this could link to current levels of ambition and the desire for businesses to grow. Claire Slipper of the National Farmers' Union Scotland (NFUS) said, "there is currently a bit of a batten-down-the-hatches approach in light of the political situation in which we find ourselves." This could also relate to businesses' supposed "fear of heights".
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112. Some witnesses were concerned by the potential impact that labour migration may have on their workforce, whether that be seasonal workers in the food and drink sector or Erasmus students volunteering with social enterprises. Representatives from the care and construction sectors told the Committee that Brexit risked making recruitment more difficult. This was of particular concern for the care sector where there is already recruitment challenges.

113. The Cabinet Secretary for Economy, Jobs and Fair Work said that the population of Scotland had an impact on economic performance. He highlighted that the working age population has not grown at the same rate as it has in other places. In his opinion, this made the potential reduction in migrants particularly damaging for Scotland. Mr Brown also said that greater population growth in England was driving productivity south of the border.³⁶

114. When questioned by the Committee, Secretary of State for Business, Energy and Industrial Strategy Greg Clark said:

” One of the features that comes out strongly in the industrial strategy is recognition of the needs of different industries and the different needs of different places. In its work, the Migration Advisory Committee has a remit to advise independently and objectively, and I am sure that it will publish its assessment as to what is needed. It is right that it should do that, and I dare say that this committee will then want to look at its recommendations and see how they are translated into policy.

Source: Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 58³⁷

115. Members of the Council of Economic Advisers indicated that, in their opinion, Brexit and leaving the Single Market in particular, would have a significant negative impact on the Scottish economy. The Cabinet Secretary said that if any positive was to be drawn from withdrawal from the EU, it was the increased public debate and awareness developing around international trade.

116. However for others, leaving the European Union was seen as an opportunity for economic growth. In terms of procurement, Karen Pickering of Page/Park Architects wondered if the alleviation of European procurement process would create opportunities for building projects to be advertised more locally, reducing competition.³⁸

117. Some witnesses highlighted the need to support businesses in trading outwith the EU. Paul Sheerin stressed the need to "educate a generation of people to think about operating worldwide rather than stopping at the border of Scotland, the UK or Europe".³⁹ The Scotch Whisky Association spoke of the need for support:

” Support is [also] important on the trade-policy side, and will become increasingly so as we go through Brexit and come out the other side. We currently use the European Commission to help us to tackle trade barriers and issues that arise in-market...those can be tariff barriers or regulatory barriers. We do not need trade agreements to solve those problems, although such agreements can be helpful. Issues can be resolved outside trade agreements, sometimes sector by sector.⁴⁰

118. Claire Mack, Chief Executive of Scottish Renewables told the Committee that the challenges and opportunities varied by sector,

” the renewables industry, and energy as a whole, presents a bit of a Brexit bridge for Scotland. We have to collaborate because that is now the way in which our energy system operates, so we have the opportunity, as a result of Brexit, to maintain our current links and to use our energy system as a way of building bridges outside Scotland.

Source: Economy, Jobs and Fair Work Committee 20 March 2018 , Claire Mack, contrib. 17⁴¹

119. The protection of geographical indicators was noted as particularly important to Scotland's food and drink sector as it contributes significantly to the export value of products. Greg Clark assured the Committee that the provenance of products is considered vital and is an area of priority for the UK Government.⁴²

120. The Committee did an inquiry on the economic impact of leaving the EU and made a number of recommendations, including asking the Scottish Government to detail how it will engage with Scottish businesses on the issues arising from negotiations on leaving the EU.⁸ The Committee asks for an update on what work the Scottish Government has done to engage Scottish businesses in this way and what representations it has made to the UK Government on their behalf, including steps to prepare businesses to trade with countries outside the EU, such as USA, China, Japan and India.

Technology

- ” 87 per cent of businesses in Scotland have a website, use email and think that they are digitally and technology enabled. However, between 7 and 9 per cent of businesses adopt programmes for customer relationship and supply chain management or resource planning and embed digital in their approach. Among our competitor countries...the minimum figure in that respect is 43 per cent. It is clear that there is already a huge chasm with regard to our business approach.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 11⁴³

121. If SMEs are to grow, more attention also needs to be given to supporting the uptake of technology. We were told that the SME environment is not adjusting quickly enough to technological change, but that improvements could be made with a combination of support and investment.
122. Technology has the potential to increase productivity and improve performance. Cloud-based computing has marked a revolution where people with innovative ideas no longer need huge amounts of capital to realise those ideas and grow a business. Chris van der Kuyl said there has been a "democratisation of distribution".⁴⁴ Opportunities for small companies have expanded and the big corporations, which benefited from physical retail no longer have the advantage:

- ” We always bemoan the fact that the high street is shrinking and becoming less important as a terrible thing for us all. The flipside of that is that, for small creative businesses, the distribution model being online has completely opened up the market.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 16⁴⁴

123. Broadband was considered to be an absolute necessity for improved economic performance in general, but to regional progress in particular. Chris van der Kuyl of 4J Studios and Graeme Jones of Scottish Financial Enterprise (SFE) argued that Scotland has very poor digital infrastructure, and that this lack of good bandwidth meant that many people would not consider moving to remote or rural areas. During evidence the Cabinet Secretary said:

” Through the R100 programme, we are trying to ensure that every single business and individual in Scotland is connected to superfast broadband by 2021—that means a speed of 30 megabits per second, which is three times the speed that the UK Government wants to achieve in England and Wales. Superfast broadband is happening, and the coverage is high up in the 90 per cents now

Source: Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 69⁴⁵

124. Witnesses highlighted the considerable potential for growth by utilising technology and being supported to do so. We were told by Malcolm Roughead, Chief Executive of VisitScotland, that only 50% of accommodation providers in the tourism industry are online. This must be inhibiting growth and limiting their market potential.⁴⁶

Automation

” Machines are also very expensive, so an economic decision needs to be made. Who will invest in automation? It does not just happen; companies need to invest in machines and so on for which, at the moment, there is relatively little application.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 122⁴⁷

125. Automation is another overarching factor which is likely to have a significant impact on our economy in the years ahead. Support and investment could mean the difference between automation having a significantly positive, rather than negative, impact. For some witnesses there was a perception that we should avoid scaremongering. With automation it is likely that many current jobs will change or disappear, but new opportunities will emerge. Managing transitions would be key, with a particular emphasis on job creation and reskilling.

126. A number of witnesses believed that automation offered a chance for people in more manual jobs to become high-skilled and focus on innovation. Others were concerned that people in low-skilled jobs were at higher-risk and noted a need for government to be proactive in recognising the threat and helping retrain affected staff as quickly as possible.

127. If harnessed correctly, automation offers an opportunity for improved productivity. Michael Jacobs from the Institute for Public Policy Research (IPPR) told us investment is needed:

” Britain is not suffering from a surfeit of robots that are putting people out of work. If anything, we have underinvestment in the most advanced technologies.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 122⁴⁷

128. He said efforts should be focused on diffusing technologies much more widely. There is an opportunity to improve productivity through new technology, particularly in sectors where productivity is currently poor. Rather than concentrating all our energies on cutting edge innovation, technology that has already been developed should be rolled out in what he described as the 'everyday economy'.⁷

129. The Committee recognises the benefits of automation and its potential to transform the labour market, freeing people up to carry out higher skilled tasks. Similarly, the Committee believes that Scottish businesses should be embracing wider technology and the advantages this brings in terms of productivity and increased market exposure. The Scottish Government should lead the way in encouraging businesses to invest in these areas.
130. Skills are crucial for capitalising on these developments. The Scottish Government published its labour market strategy in August 2016. Given the pace of developments in automation and technology, the Committee believes that this strategy should be reviewed regularly to ensure that it remains relevant.
131. The Committee recommends that the Scottish Government reviews its labour market strategy to ensure that its policies reflect developments in automation and technology in the workplace. The Committee also asks that the enterprise and skills agencies set out a range of actions to reflect developments in automation and technology in the workplace.

Procurement

132. Businesses expressed their frustration that more was not being done to stimulate growth among Scottish SMEs through procurement.
133. We were told that there is a tendency to focus most public sector procurement on a relatively small number of businesses, which makes it very difficult for small businesses to get into the system. Jackie Brierton said:
- ” opening it [procurement] up would be a key way of ensuring that there is equality of growth rather than exclusive growth.
- Source: Economy, Jobs and Fair Work Committee 30 January 2018, Jackie Brierton, contrib. 113⁴⁸
134. This view was substantiated by Sandy Finlayson the Chair of Converge Challenge, who said:
- ” We could do much more by getting the public sector to trade with the SME sector. In America, there is a requirement on public sector bodies to make a percentage—around 20 or 30 per cent—of its purchases from the SME sector.
- Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Sandy Finlayson, contrib. 95⁴⁹
135. Social enterprise businesses also believed that the Scottish Government could do more to recognise social benefits when awarding public sector contracts:
- ” In the tendering process, there is no notion of social enterprises providing a benefit. The weighting never seems to tip its hat, even in a small way, towards the notion that we are here for the benefit of Scotland rather than of shareholders.”⁵⁰

136. According to Greg Clark, social impact in procurement was being considered in processes at a UK-level:

” One thing that we have done is change the procurement rules to allow greater consideration of local and social impacts...we recognise that there are challenges for small businesses to navigate some of the established processes that bigger businesses are either used to or have enough central resource to be able to deal with it.

Source: Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 83⁵¹

Public contracts

137. The sustainability of public contracts was identified as a challenge by the construction and healthcare witnesses in particular. In the care sector, Annie Gunner Logan, Director of the Coalition of Care and Support Providers in Scotland (CCPS) and Dr Donald Macaskill, CEO of Scottish Care, noted that the focus was on driving down unit cost. This meant that for some providers, contracts were no longer sustainable and many providers were no longer bidding for them.
138. In construction, Mark Baxter of Galliford Try Investments said the current, 'fixed price lump sum' model with its attached uncertainty "had been a disaster for the construction sector".⁵² He referred to the Queensferry Crossing as an example and suggested adopting different models such as NEC3 Engineering and Construction contracts. Alistair Wylie of CCG Scotland argued on the other hand that public social housing projects had helped businesses like his grow and had been very successful, while Mark Baxter noted that Hub model was working well as it involved early contractor involvement and 'sensible' terms and conditions.
139. We were told by the Chief Executive of Construction Scotland Stephen Good that, "There are not many other industries that manage to disconnect design, manufacture, assembly and end management as well as construction seems to do, and that is driven very much by the procurement relationship at the beginning." Closer contractor engagement involves closer links between the client and the construction industry, and that client is often the public-sector.⁵³
140. Stephen Good also acknowledged that "in Scotland 60 per cent of construction activity is public-sector-client led, so public sector clients have a huge opportunity to drive innovation in the industry. A smart client is ultimately the best thing for the industry to respond to."⁵⁴ This means that there is an opportunity to align policy decisions and procurement to stimulate investment in innovation and Research and Development (R & D).
141. The Committee encourages the Scottish Government to take social impact into account in procurement decisions. The Committee believes that the Scottish Government could show greater flexibility in its approach to finding delivery models which would allow for such factors to be considered, along with the need to support Scotland's SMEs.

Late Payment

142. Late payment was cited as a major issue for many small businesses. It was argued that this practice, particularly by larger firms, put smaller businesses at risk and acted as a barrier to investment. Cash flow and scale-up go hand in hand. If small companies have to wait several months for payment they cannot afford to invest back into their businesses.

143. Paddy Collins of the Aubin Group, believed that late payment is getting worse, with large companies rarely paying within the 30 days stipulated. He said:

” I generally agree that it tends to be the larger companies—they see it as a means of low-cost financing for their business. It is reprehensible.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Paddy Collins, contrib. 29⁵⁵

144. It was suggested that there could be a requirement for companies to publish their payment terms and whether or not they are being fulfilled. This may encourage companies to issue payments in a more timely manner and encourage cash flow to smaller businesses. The Committee believes that this could have a significant impact on businesses who are looking to scale-up. As Paddy Collins described:

” If we are paid on time, we can finance ourselves better, the banks will be more supportive and we can employ people.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Paddy Collins, contrib. 33⁵⁶

145. Alison Grieve felt that people were pulling back from revenue opportunities because they did not want the cash exposure in their business.⁵⁷

146. The Committee believes that timely and reliable payment is essential if firms are to be able to invest in their businesses and grow. Days spent chasing late payments impacts on productivity and ultimately on GDP. The UK Government has given the UK Small Business Commissioner a role in challenging late payment and naming and shaming. The Committee would like to know how many Scottish cases are pursued by the Commissioner and whether Scottish businesses are aware of this route for resolving unpaid bills.

147. The Scottish Government's Business Pledge, which encourages businesses to sign up to a number of 'values-led' pledges, includes the 'committing to prompt payment' pledge. As of April 2018, 472 businesses had signed up to the Business Pledge – representing 0.3% of Scotland's registered business base. Of these businesses 77.1 % have committed to the 'prompt payment' commitment.^{viii}

148. The Committee asks the Scottish Government to encourage greater uptake of the Business Pledge, including the commitment to prompt payment.

Growth Sectors

149. Having considered a number of overarching challenges and opportunities which impact upon performance, we turn to the Scottish Government's identified priorities for economic improvement. Firstly, the idea that by focusing resource on particular sectors growth will ensue. This is one of the foundations on which support for enterprise, skills, investment and internationalisation is based.
150. Scotland's Economic Strategy identifies six sectors where it considers Scotland to have a distinct comparative advantage. These are defined as growth sectors and include:
- Food and Drink (including agriculture and fisheries)
 - Creative industries (including digital)
 - Sustainable Tourism
 - Energy (including renewables)
 - Financial and Business Services
 - Life Sciences
151. The Committee heard from representatives of each of these sectors to gauge what growth sector status meant in practice. We found that there are clear success stories; all 6 growth sectors had good stories to tell. However, Scottish Government Growth Sector Statistics reveal a mixed picture. The following table shows significant GVA and employment growth in tourism, life sciences and creative industries. However, food and drink saw a slight fall in both measures over the period, and energy, which includes offshore oil and gas, witnessed a significant fall in GVA as the price of oil fell during 2015. Comparable GVA data for the financial sector and business services is not available.

	2008 (unless otherwise stated)	2015 (unless otherwise stated)	% change
Financial sector and business services			
<i>GVA (£m, 2015 prices)</i>	Not available	Not available	N/A
<i>Employment</i>	231,800 (2009)	232,000 (2016)	0%
Energy (including renewables)			
<i>GVA (£m, 2015 prices)</i>	31,974	16,385	-49%
<i>Employment</i>	61,400 (2009)	70,000 (2016)	14%
Food and drink			
<i>GVA (£m, 2015 prices)</i>	5,346	5,196	-3%
<i>Employment</i>	114,700 (2009)	111,000 (2016)	-3%
Sustainable tourism			
<i>GVA (£m, 2015 prices)</i>	2,886	3,760	30%
<i>Employment</i>	190,700 (2009)	207,000	9%
Life sciences			
<i>GVA (£m, 2015 prices)</i>	1,021	1,279	25%
<i>Employment</i>	13,900 (2009)	16,000 (2016)	15%
Creative (including digital)			
<i>GVA (£m, 2015 prices)</i>	3,371	4,645	38%
<i>Employment</i>	76,000 (2009)	84,000 (2016)	11%

Source: Scottish Government, [Growth Sector Statistics](#)

152. There were also more fundamental questions about whether the principle of identifying growth sectors was of benefit. Some felt it was important to be brave and focus support on certain industries, where others felt this was too limiting and was stunting growth among Scotland's SMEs. Others believed that priority should be given to stimulating growth in low-productivity sectors. It was also argued that alignment with broader strategic goals such as environmental benefit, inclusive growth or geographical stimulus was more important than what sector the businesses demonstrating these attributes belonged to.

UK approach

153. The UK Government's industrial Strategy is their key strategic policy document, which aims to boost UK productivity and to develop a more robust and diverse business base. A key part of the strategy has been the announcement of plans for 'sector deals'. These are partnerships between government and industry on sector-specific issues. To date, sector deals have been announced for life sciences, creative industries, the automotive industry, artificial intelligence and construction. The Government is committed to extending these partnerships to other parts of the economy.

Benefits to picking winners

154. Witnesses broadly agreed that it made sense to focus policy efforts and investment on areas where Scotland has a comparative advantage. Louise Smith, a Fintech Envoy for Scotland argued that otherwise success could be diluted out of existence:

” Tough decision making is needed to do that, and once those decisions have been made it is a matter of how we stick to them. I do not think that it is any more complex than picking those areas and then having a strong and clearly delivered strategy to continue to push for them.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Louise Smith, contrib. 66⁵⁸

155. Chris van der Kuyl welcomed the announcement of the Scottish National Investment Bank, but cautioned that it would have to target support for selected prioritised sectors, which inevitably means not everyone will agree with the decisions made. In countries like Israel, he and Louise Smith noted the government had successfully focused on high-growth sectors in the 1990s and become a world leader in areas like biotechnology. Chris van der Kuyl observed that Scotland had "diversified its way out of success" by failing to have a targeted approach to business support.⁵⁹

156. In its submission Fife Council cited growth in a number of these sectors, including food and drink, financial and business services, energy and renewables, and tourism. This could suggest that the growth sectors have a positive impact on some more rural and regional areas, which has been identified as important if we are to see improved national performance.⁹

157. Enhanced co-ordination by the sector, visibility and investment confidence were also cited as benefits to having growth sectors. Witnesses said it was a signal to investors that they could invest with confidence over the longer term. Across the board collaboration was identified as crucial. James Withers of Food and Drink Scotland told the Committee that very few craft breweries could afford to fill a shipping container themselves or employ an export sales manager, but by working together they had opened up more markets.⁶⁰

158. However, in evidence it seemed that much of the improvement made in the food and drink industry was initiated in anticipation of becoming a growth sector, rather than as a consequence of support. Therefore perhaps some improvements would have been made without government intervention:

” the Government was going to back other horses unless we as an industry could get together, collaborate more and be clear about what the opportunities and priorities were...In hindsight, that initial process of identifying growth sectors was a huge catalyst for our going on to work collectively.

Source: Economy, Jobs and Fair Work Committee 20 March 2018, James Withers, contrib. 149⁶¹

159. To fully support growth sectors, there must be a joined up approach with the supporting skills framework and infrastructure. We were told that infrastructure is a limiting factor in renewables, with a need for grid modernisation and broadband to support growth. Investment is fruitless if the industry cannot be fully supported to grow.

Missing out

160. On the other hand, it was acknowledged that focusing on particular areas was always going to be more popular with those that qualified for support and more unpopular among those that did not. Some questioned the relevance of having growth sectors at all. Richard Marsh, Director of 4-Consulting said:

” We have a mixed track record in Scotland in picking the sectors of the future...We chop and change those over time and they tend not to perform as well as we hope they will. Where will the economic growth come from? Take it wherever you can get it; we should welcome whatever growth comes our way.

Source: Economy, Jobs and Fair Work Committee 21 November 2017, Richard Marsh, contrib. 44⁶²

161. Some businesses were concerned that by identifying growth sectors, the Scottish Government prioritises these areas at the expense of other businesses with growth potential. There was a shared concern that the level of agency support was heavily restricted for businesses outwith the growth sectors.

162. G-Hold entrepreneur Alison Grieve said that on one hand it made sense to prioritise support for certain business categories, but that it came at a cost to those businesses sitting outside those sectors. She felt that was part of why there is a problem with the scale-up of businesses in Scotland. She noted the recent sale of a Scottish hardware business to an American buyer for "a few hundred million pounds" that may have resulted from the lack of support for a hardware business within the Scottish ecosystem. She wondered "how many other Scottish gems are not supported because they do not fit into the categories." ⁶³

163. The Cabinet Secretary expressed his disappointment that the Committee had heard evidence that businesses felt unable to access account-management support. He said:

” one of the criticisms that I have seen in previous evidence to the committee is that becoming an account managed company with Scottish Enterprise is too difficult or exclusive. We do not want that to happen; we want businesses to get the support that they deserve. A lot of businesses just ask us to get out of the way so that they can get on and do what they want to do, which is fine. However, we want to provide support as widely as possible for those businesses that need support.

Source: Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 83³⁰

Measurement

” In the past, we [Scottish Government] have focused on certain sectors. However, some of the evidence on our investment in those sectors over the past 10 years shows that the economic impact has been marginal. We have not been clever enough in evidencing and reviewing, and we have not been flexible enough to change our focus...it is critical that we gather evidence and that we make sense of the data. I would not write an operational business plan without evidencing what I wanted to achieve.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 33⁶⁴

164. Evaluation of the growth sectors is required. John McLaren of Scottish Trends suggested that the lack of data and statistics made it difficult to identify sectors that have done well or those that have done badly. It also made it difficult to say whether it is a successful policy. He concluded that there was little evidence to suggest that the support growth sectors had received in Scotland had improved sectoral performance.⁶⁵
165. However, we also note that it can be difficult to retrofit evaluation. To get the best results evaluation strategies need to be built in from the beginning. We therefore believe that an evaluation condition should be built into future decisions on sectoral support.
166. The Committee believes that there is a need to evaluate the growth sectors. There are unanswered questions about the benefits of supporting growth sectors and the possible detrimental impact exclusion of other businesses may have. Whilst the Committee agrees that the Scottish Government should provide support in areas where Scotland has natural advantage, a lack of flexibility could be limiting opportunities for growth. Evaluation is needed so that we have a better understanding of the growth sectors and can channel resources accordingly.

Low-productivity sectors

- ” The debate will be around whether we should invest in highly skilled, high-paid jobs that are driven by universities and R and D, or in areas such as construction, retail and health, which employ large numbers of people. The answer is probably a little bit of both but, if there was a 1 per cent shift in investment towards the latter areas, that might have a bigger effect than a 10 per cent shift towards the smaller high-value sectors.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 28¹²

167. Witnesses told us that instead of supporting high growth "frontier" sectors, helping low-productivity sectors become more productive would have a greater impact. More jobs are being created in these low-productivity sectors.⁶⁶ Professor Julia Darby of Strathclyde University stated:

- ” The LSE growth commission talks about not concentrating so much on the frontier and looking beneath that at the productivity growth of the second, third and fourth quartiles—if we can move those up, we can do an awful lot to close the gap that has opened up in relation to past trends in productivity.

Source: Economy, Jobs and Fair Work Committee 21 November 2017, Professor Darby, contrib. 50⁶⁷

168. This view was substantiated by Dr Tanya Wilson of Strathclyde University and IPPR Director Michael Jacobs, who both agreed that resource should be allocated to rejuvenating declining sectors. Michael Jacobs said one of the key barriers to economic growth in the UK is weak productivity in the 'everyday' economy. Therefore, policy should focus on boosting productivity in firms working in areas such as retail, wholesale, hospitality, food and drink and light manufacturing, not just in those working at the cutting edge of innovation.⁷

169. The enterprise agencies have been working with the industry leadership groups to draw up productivity plans for high employment, low productivity sectors. Three plans have been in place since 2016 and Scottish Enterprise noted some improvements in leadership and the application of technology. For example, the Construction Scotland Innovation Centre. ⁶⁸
170. Greg Clark also acknowledged that this problem was not unique to Scotland:
- ” The diffusion of ideas and technology seems not to be happening as strongly in the UK economy as it did in the past. Part of the industrial strategy, therefore is about looking at how we can strengthen management capability and practices and ensure that the knowledge, the ideas and the ability to transfer technology are also in place. ⁶⁹
171. In a written submission North Ayrshire Council told the Committee that "no sectors are exempt from digital disruption" and many face an "innovate or die" scenario. ¹⁰ This seemed clear in the Committee's evidence-taking. Manufacturing companies which had embraced new technologies and ways of working were thriving where those persisting with more traditional methods were finding it more challenging to grow. The Cabinet Secretary also highlighted the variation in productivity within sectors.
172. Julia Derby suggested that matching higher-productivity firms with lower-productivity firms to share best practice can be a successful way to encourage improvement. The better performing firms benefit from an improved supply chain and the lower performing firms get support to develop.
173. In retail there is a downturn in consumer confidence and spend. This was echoed in the focus groups, where participants told us that they were much more careful now about spending decisions. ¹¹ A report by the Scottish Retail Consortium (SRC) estimated that if public policy, automation, and digital change continue in the same manner, that over a fifth of Scottish shops will close over the next decade. Yet with 240,000 people in Scotland working in retail it is important to help these industries innovate and evolve to face this changing environment. Many retailers want to invest in the technology of the future, but are struggling to keep pace with the current economic conditions. ¹²

174. The Committee recommends that in addition to evaluating the growth sectors, the Scottish Government commissions research to analyse the potential economic gain that could be made from investing more resource into improving productivity in the low productivity sectors.

Health and Social Care

- ” too often social care is seen as a detriment or a drain...We recognise that the contribution of social care to the wider Scottish economy is something in the region of several billion pounds

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Dr Macaskill, contrib. 78⁷⁰

175. In its report *No Small Change: The Economic Potential of Closing the Gender Pay Gap*,¹³ the Committee noted that the care sector - including child care and adult/elderly care - is an undervalued, but growing and central part of Scotland's economy. The Committee recommended that, to raise the status of the care sector in Scotland and recognise its importance, the Scottish Government should make care a priority sector with a monetary value.
176. In the years ahead a number of key structural changes will impact Scotland's economic performance. Demographic change will mean that Scotland will have an older labour force. It will also mean that sectors like health and social care will contribute much more to our overall economic growth. Over 200,000 people are employed in the social care sector in Scotland, the equivalent of one in thirteen Scottish workers.
177. Scottish Care is the representative body for independent social care services in Scotland. In its submission, Scottish Care argued that social care is a key sector for the economic and social well-being of Scotland. It claimed the narrative surrounding social care is one of cost and expense rather than as an asset with potential for innovation. Nearly 1,000 members of Scottish Care are small family businesses and enterprises, making the sector a significant contributor to the SME landscape. We were told that working in an under-staffed and under-resourced sector makes it difficult to invest in innovation.¹⁴

” when was the last time we were faced with such an increase in demand and perceived it as a disaster? The numbers of people and the demographics will tell you that demand for care is going one way and investment is going the other way.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Annie Gunner Logan, contrib. 151⁷¹

178. The Committee believes that the Government should consider what more could be done to support innovation and growth in the health and social care sector. During evidence an industry representative said, "I would love Scottish Enterprise to have a dedicated team that considered the contribution of social care in Scotland."⁷²

179. The Committee highlights its previous recommendation in its Gender Pay Gap report that:

It is vital that we raise the status of care in Scotland. As a first step in recognising its importance, the Committee recommends that care becomes a Scottish Government priority sector with a monetary value put on the sector.

The Committee reiterates that recommendation in relation to this inquiry and asks the Scottish Government to put a monetary value on the sector and grant it the same status as the six growth sectors mentioned in the Economic Strategy.

Scotland's Economic Strategy

180. In March 2015, the Scottish Government published its new Economic Strategy, designed to align policy and bring focus on two main pillars; increasing competitiveness and tackling inequality. These pillars are underpinned by four key priorities: investment, innovation, inclusive growth and internationalisation and together they create Scotland's Economic Framework. The Committee has looked at these four drivers of growth individually, each of which offer challenges and opportunities for future economic growth.
 181. We also looked at the measurement and evaluation of the strategy, as well as investment in its execution. As with the growth sectors, the Scottish Government must make better use of available data to see what is working and what is not. This is a common theme in the following section.
 182. The Cabinet Secretary reiterated his commitment to the four Is during the Committee's evidence-taking. He believes that as a strategy it remains relevant and offers a steer on policy priorities.
183. Whilst the Cabinet Secretary made no indication that there were any plans to update the Scottish Government's Economic Strategy, we note that there have been different iterations in the past and believe that any future economic strategy should be accompanied by a strong action and implementation policy, backed up with a monitoring and evaluation plan.

Inclusive Growth

” I really believe that if we put in place a set of measures of economic progress that includes measures of inclusiveness and hold ourselves to account on them, it will produce a step change in outcomes for the economy.

Source: Economy, Jobs and Fair Work Committee 13 March 2018, Sir Harry Burns, contrib. 27⁷³

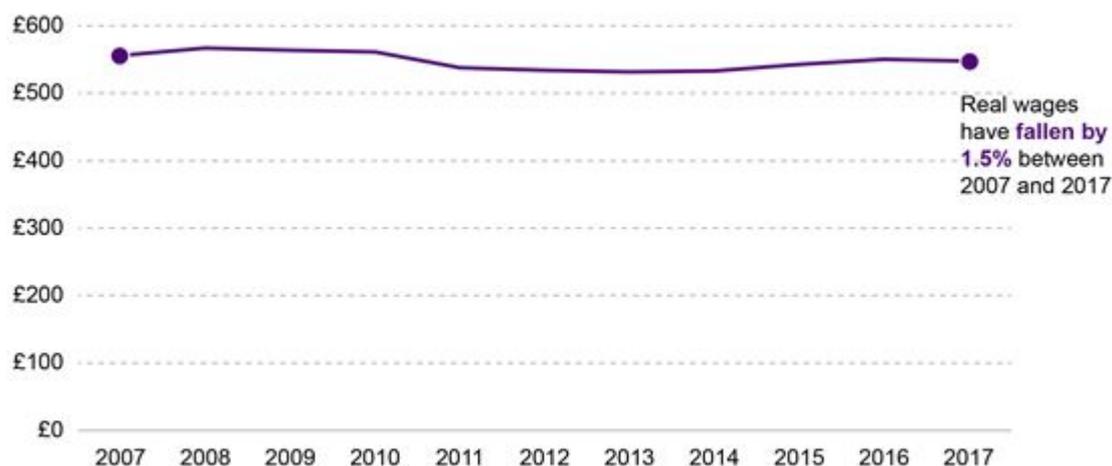
184. Tackling inequality is identified by the Scottish Government - alongside increasing competitiveness - as one of the two interdependent ambitions of the economic strategy. In turn, priority is given to economic growth that is inclusive and provides economic opportunity across Scotland.
185. At the centre of the inclusive growth agenda is the argument that a fairer or more equal balance of growth - across individuals and regions - might not just be important in its own right, but may in turn, help deliver faster growth in the long-run.
186. For the Cabinet Secretary for Economy, Jobs and Fair Work, the high take-up of the living wage has had a significant benefit in Scotland. He highlighted:

” On the living wage, Scotland remains the best performing of all four UK countries, with the highest proportion of employees—81.6 per cent—paid the living wage or more.

Source: Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown), contrib. 3³⁶

187. However, whilst employment is close to a record high, some witnesses expressed concerns about employment insecurity, a lack of real wage growth and in-work poverty. The following chart shows that 'real' (CPI inflation-adjusted) weekly wages for full-time employees have had little growth between 2007 and 2017.

Figure 15: Median full-time weekly wages adjusted for inflation

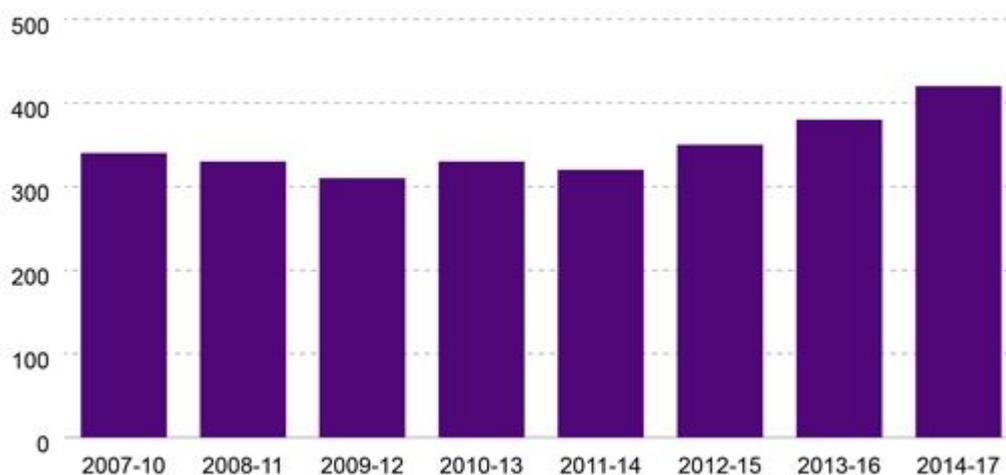


Source: ONS, [Annual Survey of Hours and earnings 2017 results](#)

188. In-work poverty refers to people living in households where at least one member of the household is in either full or part-time paid work. Figures published earlier this

year by the Scottish Government show that Scottish in-work poverty levels are now at their highest levels since reporting began in 1998.

Figure 16: Number of people living in poverty in Scotland from working households, before housing costs (thousands)



Source: Scottish Government (2018), [Poverty and Income Inequality in Scotland: 2014-17](#)

189. As shown above, there has been a stagnation of earnings since 2007 and, according to Michael Jacobs, a decoupling of GDP growth and earnings.³ In fact despite the Scottish Government's inclusive policies Ryan McQuigg of Oxfam Scotland told the Committee:

” levels of inequality in Scotland are currently at a record high—such levels have not been seen since the early 1990s. The wealthiest 10 per cent of Scots own more than 9.4 times the combined wealth of the bottom 40 per cent in Scotland. Inclusive growth has not transpired in Scotland.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Ryan McQuigg, contrib. 90⁷⁴

190. StepChange Debt Charity Scotland wrote that with the cost of living set to rise more rapidly than wage growth by 2020, the risk of people falling into debt is increasing. Despite overall average debt decreasing over the last decade, England and Wales have seen larger percentage drops than Scotland. In fact, the average debt level in Scotland is increasing in all but one income group (£30,000-£39,999), with particularly concerning increases for the lowest income groups.¹⁵

191. Among our focus group participants, a small number of respondents had actual experience of problem borrowing, either through credit cards or pay day lenders. There was a strong agreement from all groups that high-interest loans are too readily available and that adverts for pay-day lenders are fairly ubiquitous. As well as suggesting there should be a clampdown on pay-day lending, a couple of respondents believed improved personal finance education at school could help lower levels of personal indebtedness.¹⁶

192. Diminished disposable income was also a common theme among focus group participants. Of the 50 respondents we spoke to, 75% said they now have less

disposable income than they did 10 years ago, and almost all of them mentioned stagnating or reduced wages, whilst facing increased costs of living. A hospitality manager in Jedburgh said:

” “In the last 10 to 15 years, things have gotten tighter and tighter. We’re horrendously worse off than we were” ¹⁷

A third sector administrator from Glasgow said:

” “My costs have dramatically increased over the last couple of years but my wages haven’t” ¹⁸

She noted that her manager earns three times more than her, and that her own pay has not changed in five years despite her taking on many more responsibilities.

193. Sir Harry Burns of the Council of Economic Advisers argued that tackling the root causes of poor economic outcomes was the best way to build a more prosperous economy. For him this included factors such as educational attainment, exposure to domestic violence and addiction. However, he acknowledged that even after the Christie Commission, policymakers had yet to fully embrace the need to embed such system-wide thinking into their decisions. ⁷⁵ The Cabinet Secretary for Economy, Jobs and Fair Work agreed that the productive value of all people in society and the productive potential of the economy are inextricably linked. If people are excluded or do not participate that undermines economic performance. ⁷⁶
194. In looking to the future, Sir Harry Burns indicated that a key objective of the Council has been to encourage the Scottish Government to take a more rounded view of economic prosperity; one that moved beyond relying upon GDP as the only measure of economic progress. Professor Sir Anton Muscatelli felt a broader suite of indicators, including GDP, should be identified and monitored. The Committee therefore welcomes Scottish Government efforts to update the suite of indicators used in its National Performance Framework, which will now track trends in fair work, wealth inequalities, cost of living, gender balance and trade union membership.

Definition

195. The Scottish Government defines inclusive growth as "growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly". However, throughout its evidence-taking, the Committee found that there is no universally accepted definition of inclusive growth and that it means different things to different people. As a key focus of the Scottish Government's Economic Strategy, this is problematic. Even Nora Senior, Chair of the Scottish Government's Strategic Board acknowledged that the Board still had to bottom out what their approach to inclusive growth would be and how it would ensure consistency. ⁴³
196. The Committee asked a range of witnesses to identify what the term inclusive growth meant for them. For some it was the broadening of all workplace policies to make them as inclusive as possible. This included things like flexible working, attracting a diverse workforce and fair work. Businesses thought it was important to

embrace a common principle of inclusivity and were not overly concerned by the lack of definition and measures.

197. For others inclusive growth should go beyond employer practices to encompass the social value of different businesses and sectors:

” [it] is not just about a sector’s capacity as an employer; it is about the service [social care] that it provides and how that enables inclusive growth...Providing care and support to individuals actually frees up family members to enter the labour market, which they otherwise would not do. Interestingly, the childcare expansion has been sold very much on that premise. We are told that expanding childcare at the expense of the state enables women to go back into work. However, we do not seem to apply that same kind of thinking to other areas of care and support

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Annie Gunner Logan, contrib. 131⁷⁷

Measurement

198. If inclusive growth is difficult to define it is even more difficult to measure. The National Performance Framework is designed to provide an assessment of progress towards the government's economic, social and environmental agenda. However, as the Committee's recent inquiry into economic statistics concluded, traditional economic measures, such as Gross Domestic Product (GDP), can be found wanting when it comes to assessing progress at tackling inequality or understanding inclusive growth. During the economic data inquiry, the Cabinet Secretary for Economy, Jobs and Fair Work acknowledged:

” I do not think that the indicators that we have are yet complete enough to give us a definitive picture of inclusive growth.

Source: Economy, Jobs and Fair Work Committee 14 November 2017, Keith Brown, contrib. 75⁷⁸

199. Scottish Enterprise noted the importance of measurement and told us that tracking measures for inclusive growth will be introduced in this year's business plan to provide baseline information for future comparison.⁷⁹

200. Nora Senior also acknowledged "There is a discussion to be had on the definition of inclusive growth and whether it should focus on gender, geography or generation." She said, "we have not quite reached a final conclusion on that."⁴³

201. Some alternative suggestions for measurement were highlighted to the Committee. Oxfam proposed using the humankind index to track performance and said that we should talk about a human economy where prosperity and success are measured by the people who live in Scotland.⁸⁰

202. Even without a common understanding and measure, Michael Jacobs argued that defining policy in terms of inclusivity helped separate the Scottish Government's approach from other methods of tackling inequality in the economy. 'Trickle down economics' and redistribution approaches all rely on the theory that growth is the initial focus, followed by consideration of how gains could be shared. He felt that in contrast, inclusive growth focused upon equality within the production process itself and that this requires a fundamental re-think across policy areas.⁸¹

203. The Committee notes that the Scottish Government is developing an inclusive growth framework and we call on the Scottish Government to promote a consistent, commonly held and settled definition. The enterprise and skills agencies should be working from the same understanding of inclusive growth and this should be reflected in their operational plans.

Regional Growth

- ” "Regional development is important to national prosperity and well-being." ¹⁹
204. In defining inclusive growth, some witnesses thought this should target policies and support in particular ways. This included reducing regional disparity.
205. There are significant disparities in regional economic performance, which presents both a challenge and opportunity. The Committee found that Scotland is not unusual in this respect. The OECD highlighted that productivity gaps *within* OECD countries are often wider than gaps between countries and stressed that "national productivity performance needs the contribution of all regions". OECD representative Chris McDonald suggested that focusing on absolute advantages of regions, aligned with improved infrastructure can lift 'lagging' areas. He also suggested that upgrading the skills of low-skilled workers could assist regional economies. ²⁰
206. Sandy Finlayson told us that rather than looking at a Scottish economy, we should be looking at the different regional economies. A view also expressed in a written submission from North Ayrshire Council who said high unemployment, lack of jobs, deprivation, low skills and population decline were all barriers to economic growth. It acknowledged that there is a need to invest beyond Scotland's cities to boost growth in post-industrial areas and the rural economy to ensure more balanced growth. ⁸²
207. Perceived regional disparities were also identified and discussed in our focus group sessions. For example, there was a perception that pay levels in the Borders are lower than those seen for the same type of job in the central belt and the north east. In both Jedburgh sessions, participants highlighted the lack of graduate-level jobs in the Borders and felt that once young people left to go to university, there were few incentives to tempt them back after graduation. ²¹
208. If we want regional growth to improve there needs to be access to high quality jobs outwith the main cities. Fife Council agreed that young people with high skills migrate away from rural areas towards the cities. ²²
209. As already mentioned, digital infrastructure is becoming increasingly important for remote and rural areas. John McLaren claimed that the track record for focusing on regional industrial policy has been haphazard and success has been random. Improving things like infrastructure and transport are more likely to be successful. ⁸³
210. The prospect of a South of Scotland enterprise agency was met with optimism by some witnesses who hoped that if enterprise support was tailored to the regions, growth would result. However North Ayrshire Council were concerned that the

removal of access to European Structural Funds could leave a policy and funding vacuum impacting regional economies and the ability to achieve inclusive growth.

²³ During evidence, the Cabinet Secretary reiterated the importance to businesses of clarity on the UK Shared Prosperity Fund. The Committee is undertaking an inquiry looking at these issues and will report in the autumn.

211. The Committee believes that like other areas of economic policy there have been innovative ideas for improvement in the past, but these have lacked evaluation and consideration of broader strategic direction. There needs to be more coherence to regional economic performance policy and how it exists alongside other national strategies.

212. The Committee notes the different approaches to boosting the economic prospects of regions and recommends that the Scottish Government evaluate and consolidate these policies. The Committee believes that it is vital that the gap between low-performing and high-performing regions in Scotland is reduced.

213. The Committee is considering regional policy in the context of its current inquiry into European Structural Funds. The Committee is keen to ensure that the long-term investment given to regions through that funding is maintained.

214. The Committee believes that there is an opportunity for the South of Scotland enterprise agency to build transparent measurement and evaluation into its activities from the outset. This will allow it to establish what works in the region and adapt its approach accordingly. The Committee would like to have sight of such evaluations and information on how policies have been changed based on the results.

Maximising labour potential

” we should see the gender pay gap in the context of productivity, when people are failing to make use of the full contribution that women can make to our economy and our society. That is not just an injustice but a missed opportunity

Source: Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 22⁸⁴

215. In addition to improving regional equality of opportunity, witnesses also highlighted that increased labour market participation of women could make a significant contribution to economic growth and inclusive growth. It is well cited that if the same number of women started businesses as men, there would be a £7.6 billion prize for the Scottish economy. The Women in Scotland's Economy Research Centre cited a report that said the UK economy could grow by as much as 8% of its GDP by 2020 if women engaged in the labour market to the same degree as their male counterparts.⁸⁵

216. Despite this well-acknowledged potential, Jackie Brierton expressed her frustration that the Scottish Government's policy commitment to make women in enterprise central to economic growth, is not matched by a financial commitment. She described the £400,000 budgeted in the past financial year as a "mere drop in the ocean compared with what we need." Although there has been an increase in the number of women starting and growing their own businesses, there is huge potential to grow beyond the current 20% figure.⁸⁵
217. The Scottish Government has increased the free entitlement of childcare from 475 hours in 2007 to the current allocation of 600 hours. It has made a further commitment to increase this to 1,140 hours per year by 2020. This was highlighted by witnesses as a positive development for gender parity in the labour market.⁸⁶ Michael Jacobs told us that Scandinavian countries with strong childcare policies have the lowest gender pay gaps.⁸⁷
218. However, it was broadly suggested that the enterprise agencies could do more to support women in business. In its surveys issued to women business owners, Women's Enterprise Scotland found that 87% of respondents wanted their businesses to grow, but wanted this to be in a more organic way. There is a mismatch between the slower steadier growth which they are seeking for their businesses and the heavily-stipulated support available for fast growth from the agencies. This is not unique to women-led businesses, but there was an acknowledgement that businesses could be ambitious in different ways.²²
219. Close the Gap stated that there is a lack of gender-disaggregated data on the businesses accessing support through Scottish Enterprise's account management function and told us this should be monitored. During its inquiry on the gender pay gap, the Committee expressed disappointment in the lack of information given in evidence by Scottish Enterprise on the number of account managed companies run by women, and on the potential economic benefit to Scotland of greater levels of female employment and female entrepreneurship.²⁴
220. During discussion with the Committee, the Cabinet Secretary for Economy, Jobs and Fair Work indicated that he would be very receptive to any practical suggestions stakeholders could make for improvement. We would therefore encourage stakeholders to engage further with the Scottish Government on how female entrepreneurs and women-led businesses could be better supported in the business support ecosystem.

221. The Committee highlights its previous recommendation in its Gender Pay Gap report that:

"The Committee asks the Scottish Government and its agencies to review the funding streams available to new and existing female entrepreneurs. Of particular concern to the Committee is the suggestion that male entrepreneurs are more successful in accessing capital than females. It is important to establish whether this has been the experience of female-owned account managed companies and Business Gateway clients, and recommends the Scottish Government and its agencies undertake research in this area."

Business Models

222. Flexible working hours were identified as an important factor in improving productivity and allowing both male and female employees to engage in different work patterns. This can also help parents share childcare commitments rather than one parent working part-time or not at all. However, part-time workers are also often given fewer opportunities for training, career development and progression. This is concerning when we consider there are now 50,000 more people working part-time than in 2007.^{88 89}
223. The Committee heard that inclusive growth principles were in-built in business models such as social enterprises and employee ownership. In written evidence from the Futures Forum, we were told that Jamie Coleman and Katherine Trebeck believe that the context in which businesses grow can be redesigned to incentivise different business structures, with appropriate support from the Scottish Government and its agencies.²⁵

Social Enterprises

224. The Committee heard that the social enterprise model has huge potential to create a more inclusive and successful Scottish economy. For example, social enterprises can generate employment opportunities for people who may otherwise have been less likely to secure work and also invest profits back in to the communities they serve.
225. There is no specific legal definition of a social enterprise, but Laurie Russell Chief Executive of the Wise Group suggested that most are companies limited by guarantee with charitable status. Many social enterprises sign-up to a voluntary code, which defines the maximum ratio between the highest and lowest paid employee in a company. Laurie Russell felt that more companies, including those in the commercial sector, should sign-up to such a code.⁹⁰
226. Chief Executive of the Grassmarket Community Project and Social Enterprise of the Year Winner, Jonny Kinross suggested that the Scottish Government could perhaps support the creation of a kite-mark that helps identify the wider value that a social enterprise brings beyond traditional growth, success and earnings. This could operate in a similar way to the Fairtrade mark, which is already widely recognised.⁹¹
227. Laurie Russell, Professor Gary McEwan and Jonny Kinross all argued that by focusing on GDP, the Scottish Government may not be taking into account the full 'value' that social enterprises provide.
228. Witnesses identified a lack of understanding among Government agencies about the value of social enterprises, which is surprising given that inclusive growth is identified as a priority in the Economic Strategy. Laurie Russell said that the WISE Group had been account managed by Scottish Enterprise in the past, but recently support was poor. It therefore decided that it no longer wanted to be account managed by Scottish Enterprise.⁹²

229. Nora Senior acknowledged that social enterprises are not as well supported as they could be when it comes to investment. She said:

” Social enterprises are currently on the cusp; they do not fall under a single criterion for investment, and some of them really struggle to get the investment that they need in order to grow. It would be helpful if there was a mechanism to address that.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 13⁹³

230. Nora Senior cited an example of a social enterprise providing childcare in Dundee, which cannot secure the financial support it needs to expand despite their business matching identified Government priorities such as making lower-cost child care available to encourage women back into work. As a social enterprise the company offers community benefit and inclusive growth. This demonstrates how the criteria for agency support can be too limiting.⁹³

231. The Committee notes that the second Social Enterprise Census was published in 2017 and welcomes the growth seen in the number of social enterprises over the past few years.

232. The Committee recommends the Scottish Government supports the creation of a kite-mark that helps identify the wider value that a social enterprise brings beyond traditional growth, success and earnings.

233. The Committee recommends that there is a role for the new Scottish National Investment Bank (SNIB), working with Social Investment Scotland, to consider how social enterprises can be better supported in accessing finance.

Employee Ownership

” Rooting businesses in the community, driving performance and sharing the wealth are the attractions of the employee-ownership model.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Sarah Deas, contrib. 130⁹⁴

234. Employee ownership was identified as another business model where inclusive growth is engrained in the model itself. Sarah Deas of Cooperative Development Scotland told the Committee that inclusive growth is in the DNA of the employee ownership model, creating opportunities and driving growth across the population.⁹⁵

235. Employee ownership was also advocated as an alternative to acquisition by foreign companies. This was seen as positive in terms of job retention and growth in Scotland. In response to its call for evidence, the Committee received a number of submissions strongly advocating the economic potential of employee-owned businesses. Whilst foreign purchase does not always have a detrimental impact on

Scotland's economy, there was agreement among witnesses that employee ownership kept jobs and profits in Scotland and encouraged innovation.

236. In most cases employees feel heavily invested in the success of their company, and this level of commitment increases productivity. Karen Pickering agreed that by being employee-owned, Page/Park Architects had become more productive and had retained its local identity.⁹⁶ Increased innovation was also cited as a by-product of employee-ownership, as the appetite for growth and innovation is sustained past the start-up phase.²⁶

237. It was also suggested that employee-owned businesses are more inclusive. The submission from Mike Stoane Lighting stated:

” “The rights and responsibilities of employees at all levels are the same; these include the right to share in profits and the right to information about the business; as well as the responsibility for our failures and the responsibility to learn about the business and how it works.”²⁷

238. Some said that given the benefits, access to funding for employee ownership should be easier. Computer Application Services Ltd wrote that employee-owned businesses need sympathetic and patient funders. Whilst it is the businesses' responsibility to prove that they are worthy of investment, too many funding options require a planned exit or rapid return.²⁸

239. The Committee believes that employee-owned companies and co-operatives have huge potential to improve productivity, facilitate future growth, reduce inequality and retain jobs in Scotland.

The Committee asks the Scottish Government to publish transparent targets to grow the number of employee-owned and co-operative businesses being supported. The Committee asks that progress towards these targets is measured and published. The Committee believes that support with succession planning is vital in promoting this model of ownership.

Innovation

” The organisation Remarkable (formerly Investors in People Scotland) highlighted a quote by Professor Ewart Keep, Chair in Education, Training and Skills at Oxford University and Director of SKOPE, “Innovation still essentially means more scientific research and knowledge transfer and nothing else. The place of workplace innovation or employee innovation in process and product remains entirely absent in official thinking, which puts us a very long way behind many of our [national] competitors who many years ago realised that incremental improvements were at least as important as the next ‘big science’ breakthrough (see Keep, 2016).²⁹

240. Innovation is one of four priority areas identified in the Scottish Government's 2015 Economic Strategy and it links closely with the previously discussed growth sectors, which tend to also be our most innovative industries.

241. In 2017, the Scottish Government published Scotland Can Do, an action plan designed to boost levels of innovation to match those of the best performing countries in the OECD.³⁰ The National Performance Framework also has a target to increase R & D spending in Scotland.

242. Whilst Scotland performs well in terms of academic research, levels of business R & D (BERD) are much lower, and Scotland is finding it difficult to keep-up with the investment other countries are making in R & D. Total research and development spending as a share of GDP was 1.54% for Scotland in 2016 which is lower than the share for the EU as a whole at 1.94%. Through the Economic Strategy there is acknowledgement that innovation is influential in economic performance, but investment is lacking. The historic issue of companies being headquartered outside of Scotland could also contribute to low BERD investment.³¹

” The really fast-growing economies, such as South Korea, Israel and even Switzerland, are putting around 3.5 per cent to 4 per cent into research and development, which genuinely shows in their creation of a cycle of innovation-driven economic growth.

Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Alastair Sim, contrib. 21⁹⁷

243. The Cabinet Secretary said: “Business expenditure in research and development exceeded £1 billion for the first time in 2016, and it is up almost 70 per cent in real terms since 2007”.³⁶

244. Greig Clark told the Committee that “often, however, we have let commercialisation and the manufacturing potential slip through our fingers in a way that other countries have not.” He said that R & D investment across the UK “is available for pure research-for discovery-but crucially it is also available for the D side of R & D: the development and the translation into manufacturing and commercial processes.” The new injection of funds into the British Business Bank is an attempt to bridge that gap between ideas and their commercialisation.⁹⁸ Alison Grieve also advocated that there should be stronger links between innovation and manufacturing in Scotland.⁹⁹

245. The Scottish Funding Council, in collaboration with Scottish Enterprise and Highlands and Islands Enterprise, supports a network of innovation centres to encourage universities and businesses to collaborate. Professor Ferdinand von Prondzynski said that innovation centres are a step in the right direction, but higher levels of investment are needed. ¹⁰⁰
246. Where witnesses in traditional sectors like construction were heavily investing in innovation, they reported seeing great results. However, often SMEs do not feel that they have the resource or people to pursue innovation.

” The firms that are at the leading edge of innovation—in, for example, aerospace, fintech, pharma and motor manufacturing—have very high productivity, and it has been growing about 6 per cent per year. The productivity problem lies in the rest of the economy—what we in the IPPR commission on economic justice have called the everyday economy—which is where the vast majority of people work. By that, I mean retail, wholesale, hospitality, food and drink and light manufacturing. The problem for those companies is not that they need to be at the frontier of technological innovation—that is not what they do—but that they need to adopt innovation. They need to be at the end of innovation, which means the diffusion of innovation throughout the economy. That is very different from what the high-tech sectors do; most of them are not about diffusing innovation through the rest of the economy.

Source: Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 94⁷

247. As discussed with regard to the growth sectors, there is a need for greater diffusion of innovation and technology among lower productivity sectors. We need to consider how best to support the diffusion of innovation.
248. Again measurement of innovation is a challenge. In general it is measured by input rather than output although the Committee notes the new national indicator relating to innovation in the updated National Performance Framework. This will track Scottish data from the UK Innovation Survey which uses a wider definition of innovation than has previously been accepted.

249. The Committee notes the Scottish Government's new “innovation active” indicator which adopts the wider definition of business innovation as used in the UK Innovation Survey. We therefore request the Scottish Government provides the Committee with details of how it is supporting Scottish businesses to become more innovation active.

Universities

” Our core business is teaching and research...However, universities are now recognised globally as key drivers of economic development. We cannot, and should not, ignore that.

Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Professor von Prondzynski, contrib. 76¹⁰¹

Influence

250. Scotland's universities have some of the world's great economics and public policy departments, and as highlighted the Committee believes that greater evaluation of policy should be encouraged. We feel that these components could be better-aligned for economic benefit. More could be done in partnership between universities and public bodies in terms of evaluating our economy and the policies needed to improve performance.
251. Universities can hold considerable regional influence. They are often "anchor institutions", making strategic contributions to local and regional economies. ¹⁰²
252. Universities also play an important role in developing a high degree of innovation and research and development in an economy. Alastair Sim of Universities Scotland argued that universities had improved engagement with business and industry in recent years and the number of start-up and spin-out companies involved with universities was on the rise. There is a further ambition for Universities Scotland to increase the number of student start-ups, as distinct from spin-outs, by 25%. ¹⁰³
253. Professor Ferdinand von Prondzynski agreed that links between universities and businesses were improving, but more would need to be done if Scotland was to catch-up with the best countries in the world. He reflected on his experience in Ireland where he said that in the late 1990s, the then Irish Government set out a clear plan to link its foreign direct investment and skills strategies with university research and the growth of indigenous businesses. This focused on high value R&D in universities and the growing of local businesses tied to the international investors coming into the country. His argument was that by having a joined-up approach, Ireland was able to develop a cluster of high-value R&D intensive businesses supporting the supply chain of big multinational companies. ¹⁰⁰
254. Witnesses cited examples of success, such as the Incubator Centre at the University of Dundee. ¹⁰⁴ They acknowledged that something further was required to see marked improvement, but were unsure what that was. It was suggested that more could be done to raise awareness of the opportunities that exist for businesses to partner with universities. Much like with the enterprise agencies, people may need assistance to navigate the various programmes and initiatives on offer.
255. Alastair Sim felt that greater public funding would encourage further Knowledge Exchange activities, which receive much greater levels of funding from the UK Government in England. He felt that Universities engage with business for 'public good', but greater funding would increase that incentive. ¹⁰⁵

Research Excellence Framework and Innovation Fund

256. The Research Excellence Framework (REF) is the system for assessing the quality of research in UK higher education institutions. Universities Scotland told us that REF is also a driver of research funding, used to allocate resources to Scottish higher education institutions via the Research Excellence Grant. ³²
257. The Research Excellence Framework assesses three elements - research outputs, impact and environment. These areas are defined as:

- *Outputs*: the main focus of the REF is to identify excellent research of all kinds. This is assessed through expert review. In subjects where robust data is available, expert review may be informed by additional citation information.
- *Impact*: recognition is given where researchers build on excellent research to deliver demonstrable benefits to society, public policy, culture, quality of life and the economy.
- *Environment*: the REF takes account of the quality of the research environment in supporting a continuing flow of excellent research and its effective dissemination and application.

For the REF 2021 the weighting of impact was 25%, output 60% and environment 15%. Consideration of impact has increased from 20% in REF 2014, but we still feel that funding models could be adapted to better incentivise impact.

258. We also asked Universities Scotland for further information on the Universities Innovation Fund (formerly the Knowledge Transfer Grant). We were told that there has been a significant boost in innovation funding to English Higher Education Institutions to operate under the UK Industrial Strategy. They highlighted the comparable level of resource available to English and Scottish higher education institutions for innovation.³³

Comparative funding for innovation in Scotland and England from 2015 to present

Table 1: UIF funding year-to-year (Scotland)

Year	UIF funding (£M)	% increase/decrease from previous year
2018/19	13.4	9.84
2017/18	12.2	0
2016/17	12.2	- 29.07
2015/16	17.2	n/a

Table 2: HEIF funding year-to-year (England)

Year	HEIF funding (£M)	% increase/decrease from previous year
2018/19	Not yet clear from Letter of Guidance of 31 March 2018	
2017/18	185	15.62
2016/17	160	6.66
2015/16	150	n/a

Source: [Written submission from Universities Scotland](#)

259. The implication was that this increased funding offered opportunities to higher education institutions in England that are not available in Scotland.

260. The Committee recommends that the Scottish Government develops the funding model for universities in order to incentivise innovation and impact. The Committee also recommends increased investment in the innovation fund.

261. Consideration should be given to how less innovative firms could engage more with universities to spread good practice and improve productivity. There should

be structures in place to allow businesses to easily access the resources for promoting innovation that universities can provide.

262. Whilst we recognise that it is for the Scottish Government to decide how to use Barnett consequential, the Committee asks the Scottish Government to clarify what additional funding is available to Scottish universities as a result of the UK Government's Higher Education Innovation Fund in England. The Committee also asks the UK Government what funding is available to Scottish businesses and research institutions through the UK-wide Industrial Strategy Challenge Fund announced in April 2017.

Intellectual Property

263. Linked to the commercialisation and economic value of innovation in universities is intellectual property (IP). The Committee heard that IP can be important in ensuring economic return for Scotland. Witnesses told us that we do not always have the infrastructure to nurture the development of ideas in this country. This can mean innovation is acquired by big multi-national companies with the ability to invest and develop and much of the value that is created in Scotland ends up somewhere else. Sandy Finlayson, Chair of Converge Challenge, gave an example of a company developed by two students at the University of Edinburgh, who instead of trying to get finance to grow their company, sold it to Facebook.¹⁰⁶
264. Professor von Prondzynski highlighted that "One thing to note is that the value of most spin-outs lies in the intellectual property that they hold". He said that the motivation for universities to commercialise success is limited. They are unlikely to be worried about where the intellectual property ends up, as long as there is a return on their investment."¹⁰⁷
265. Scotland lags behind countries like Denmark and Norway, in the number of patents filed.³⁴ Converge Challenge highlighted that the appropriate protection of intellectual property is an essential prerequisite of obtaining finance, entering into licensing agreements and achieving a successful exit, so the reason for low numbers of patents needs to be given further consideration.³⁵
266. However, others felt that intellectual property should be given less emphasis. Sandy Kennedy told us "those universities that take a relatively open view on the release of IP will do more deals and, at the end of the day, they will do better out of it."¹⁰⁸
267. Alastair Sim agreed that the role of universities goes much further than intellectual property:

” Spin-outs are important, but they number in the tens and hundreds, so they are not a fundamental component of the interaction between universities and business. Each year, more than 3,000 Scottish companies interact with universities in the area of continuing professional development, and more than 16,000 companies engage with universities in the field of consultancy. Spin-outs are an important component, but we need to cherish a much richer ecosystem of university interaction with business, and build on that.

Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Alastair Sim, contrib. 68¹⁰⁹

268. The retention of intellectual property in Scotland is linked to ensuring that businesses are based in Scotland (discussed above). Whilst we recognise the positive role of incubator facilities in assisting with protecting intellectual property, it has been suggested that there is not sufficient infrastructure to ensure that it is retained in Scotland. The Committee asks the Scottish Government to clarify its policy on intellectual property.

Internationalisation

” The biggest risk...is that we become inward looking and unambitious as a nation and as an economy.

Source: Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Alastair Sim, contrib. 17¹¹⁰

269. Internationalisation is one of the Government's four key priorities as set out in its 2015 Economic Strategy. It is defined as 'promoting Scotland on the international stage to boost our trade and investment, influence and networks', but ultimately relates to increasing exports and foreign direct investment. A key means of delivering this priority is through the International Framework³⁶ and Global Scotland - Scotland's Trade and Investment Strategy 2016-2021.³⁷ Internationalisation activities are delivered principally by Scottish Development International (SDI), the international arm of the Scottish Government and Scotland's enterprise agencies, Scottish Enterprise and Highlands and Islands Enterprise.
270. The Committee heard about success stories where businesses had received excellent support to export. However as we know, a relatively small number of companies in Scotland account for a high proportion of our total international exports. Professor Montagna said that given interest rates have been low for the last decade and the pound has been relatively weak, we would expect far higher exports as a result. Yet this has not been the reality.⁶⁶
271. Nora Senior told the Committee that Scotland needs 5,000 more companies to start exporting in order to move into the OECD upper quartile. For this to happen, she believed we need better analysis of what international markets would buy our services and products. It is important to understand where other countries think that Scotland excels, and where our international reputation is strongest.¹²

Targets

272. Scottish Enterprise did not meet its new exporter target in 2015/16 and 2016/17, nevertheless Neil Francis, Interim Manager of SDI, felt maintaining an ambitious target is important. This should be used to track progress and hold SDI to account in terms of what has worked and what could work better in the future.¹¹¹
273. In 2017, SDI carried out an evaluation of its international activities. It concluded: "Scotland's recent trade performance has improved but there continues to be a shortage of exporting firms compared to other parts of the UK and other similar sized comparator countries."³⁸

Measures

274. Paul Sheerin, CEO of Scottish Engineering described the export challenge as "opening the door" to a new international mindset.³⁹ If this is the greatest challenge then more resource should be targeted towards new exporters.
275. Neil Francis told us that SDI has already changed tack towards helping new exporters,

” When the strategy was originally launched, emphasis was not put on encouraging companies to export for the first time. We have now changed that and are putting a lot of effort into that.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, Neil Francis, contrib. 99¹¹¹

276. SDI has previously reported that it has been most effective in supporting trade and investment among existing exporters and investors rather than new ones. Therefore it is surprising to hear that this is not monitored and no indication can be given of whether or not the ratio is changing over time. The Committee appreciates that there can be a significant time lapse between when the support is provided and when the company secures an international contract, but believes that this distinction is important and should be measured.
277. More generally, Jackie Brierton told the Committee that the way exports are measured is out of date, as e-commerce is not tracked anywhere.¹¹² In our economic data report, we noted a gap in robust trade data for Scotland. It is very difficult to estimate trade flows given firms do not record data in a way that allows analysis of flows between Scotland and other countries. It is also a challenge to measure exports, and even more so imports, between Scotland and the rest of the UK. This formed the basis of a recommendation for the Scottish Government and the Office of National Statistics to prioritise improving the coverage and quality of trade (export and import) statistics.³⁹

Investment

278. Jim McColl also told the Committee that the existing export finance system does not support SMEs. He said that the national investment bank in Finland has given three times more export finance support to its companies than the UK as a whole (with a twelfth of the UK's population). He claimed that the agency support that is here in Scotland is good, but financial support is lacking.¹¹³
279. Neil Francis talked about properly resourcing support for export. He said the problem is not what the Scottish Government is doing, but how much of it they are doing:

” We have looked at how a number of other countries...support their companies to internationalise, and we have found that no one is doing anything unique or different from what we are doing. We have principally seen differences in the scale of support and investment: in how much people are investing. Most commentators look to Ireland—the scale of investment that it makes to support its trade and inward investment is considerable, given the size of the country. It is a matter of scale.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, Neil Francis, contrib. 64¹¹⁴

280. This is a crucial point for delivery of Scotland's Trade and Investment Strategy 2016-2021. We believe that its theory and principles are sound, but it lacks commitment and financial backing. It is not clear how much has been spent on the policies contained in the Strategy or what proportion of the enterprise budget is allocated towards realising Scotland's export ambitions.

Role models and success stories

281. We were told that greater media attention and publicising export success stories would raise awareness of the benefits to new companies looking at international markets. As in other areas of business development, people respond well to peer-to-peer support with export. This could be shared experience of a specific sector or market.

” We need to shout louder about those successes, and we need to engage with those companies and bring them together with other companies that are on the same journey and can learn from their experiences.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, James Brodie, contrib. 28¹¹⁵

282. When it comes to exporting, a lack of knowledge was seen as a greater barrier than a lack of ambition. Anecdotally, Paul Sheerin told the Committee that sharing experience of exporting through staff changes was often enough to remove any apprehensions about exporting. He called this "cross-pollination." People become informal internationalisation ambassadors as they move between careers and companies thus introducing an international mindset into their new business environments.¹¹⁶

E-commerce

283. More specifically, we were told companies need to talk more about the benefits of e-commerce as this offers a big opportunity to expand our export market. According to Dr Mowforth, Chief Executive of INDEZ Ltd, there are no college or universities in Scotland teaching e-commerce courses, leading to a "dearth of training, skills, knowledge and expertise." Should universities start providing such courses, any skills acquired will need to be matched with workplace opportunities.¹¹⁷

284. Whilst e-commerce offers an opportunity to exploit international markets and bring growth to all of Scotland's regions, Clare Slipper said that first we need the supporting infrastructure. Again this highlights the importance of broadband investment:

” Many of our (NFUS) members would love to make more use of e-commerce, but because they live in peripheral locations the broadband services are not quite there.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, Clare Slipper, contrib. 86¹¹⁸

285. SDI also recognised that it must do more to encourage people to look at online trading platforms as it offers a viable, low-cost route to market, particularly for small companies with niche products.¹¹⁹

Signposting

286. 'Clutter' and signposting were identified as issues for businesses seeking export support. This was a finding of both our predecessor Committee's 2015 inquiry into Internationalising Scottish Business and the UK Government's Wilson Review. It is therefore disappointing that the Committee is still hearing concerns from business.

- ” we need to signpost that support and ensure that the Government, in funding different initiatives, uses the funding mechanism to force programmes to work together rather than duplicating support.

Source: Economy, Jobs and Fair Work Committee 17 April 2018, James Brodie, contrib. 66¹²⁰

287. There are opportunities to pool resources for mutual benefit, but businesses must work together. Sarah Deas noted that the Made in Scotland consortium had helped food and drink companies collaborate to access international markets. ¹²¹
288. Collaboration is needed not just within the Scottish Government agencies, but between other bodies who offer support to export such as business representative bodies and the UK Government:

- ” The Department for International Trade now has a much broader remit than its predecessor, UK Trade and Investment. SDI's principal relationship with DIT is on operational delivery, which is very strong. There are some differences in how we work, depending on the market. In some markets, we work extremely well; in others there is room for improvement. I am not being critical of SDI or DIT; I am saying that we could be more collaborative

Source: Economy, Jobs and Fair Work Committee 17 April 2018, Neil Francis, contrib. 113¹²²

289. The Committee recommends that SDI should report both the number of businesses being supported to export and those companies which are supported to export for the first time.

290. The Committee agrees with SDI that the problem is not the Scottish Government's international ambition or trade strategy, it is the level of investment dedicated to this policy commitment. The Committee seeks clarity on what proportion of the budget is allocated towards realising the Scottish Government's export ambition.

291. The Committee highlights its previous work on economic data, where it was recommended that the Scottish Government and the Office of National Statistics prioritise improving the coverage and quality of trade (export and import) statistics and asks the Scottish Government to provide an update on what progress has been made in this area.

Investment

” "There is nothing more important than the financial support offered to businesses." ¹²³

292. We were told that the type of finance on offer to companies in Scotland is not as varied as in other countries. Firstly, Laurie MacFarlane, Research Associate at UCL Institute for Innovation and Public Purpose, argued that the UK banking market has become concentrated in recent years, whereas in other European countries there is far more choice and product variation. Local banks also have higher levels of client based discretion. ¹²⁴
293. Secondly, corporate governance in the UK and the US tends to encourage a focus upon short-term returns as opposed to long-term investment. Archangels Chief Operating Officer David Ovens indicated that there was a real challenge in securing funding for long-term R&D investments, which by their very nature are also quite speculative. He also noted there was a gap in the market for finance in the £2m to £10m range. This was seen as holding back levels of investment. ¹²⁵
294. Thirdly, there seems to be a lower level of appetite to take risk and to grow than in many other countries. Kerry Sharp Director of the Scottish Investment Bank (SIB) said that Scottish Enterprise can often be disappointed when they put forward a new product to the market, and pick-up is weak. This could be a problem with the product offered, the way it is promoted or the demand. For example, Kerry Sharp cited evidence from a recent British Business Bank study that found that "70% of SMEs are willing to forgo growth rather than borrow". ²⁷

Banking support

295. Jim McColl highlighted the importance of financial support to businesses, arguing that the banking infrastructure in Scotland no longer offers businesses the level of guarantees, finance, experience and guidance needed for companies to grow and be successful. ¹²⁶
296. Of particular concern, was the lack of export finance available to Scottish SMEs. Mr McColl specifically referred to insurance, guarantees or loans required for certain export deals to progress. He argued that this support is inadequate compared to other European countries, where national investment banks are active in supporting SMEs to bid for overseas deals and contracts. He claimed Scottish exporters are therefore confronted with an "uneven playing field". ¹²⁷
297. Witnesses had mixed views about whether banks were supportive enough. While Dr Macaskill said that they were overall very supportive in the care sector, he added that the public sector, by offering unsustainable contracts to care providers, was discouraging private funding. Equally, Mark Baxter stated that the public sector could ease the difficulties in getting private funding if it did not require letters of credit and/or bonding requirements when contracting a construction company. However, Alastair Wylie stated that banks were not helpful and that the proposed SNIB is needed to step in where the market is failing, namely supporting start-ups.

298. Loch Lomond Brewery told us that gaining access to financial support is extremely important, as their relationship with their bank is not as good as it used to be. They are now considering other avenues for finance, such as crowdfunding. ⁴⁰

Scottish Investment Bank (SIB) and the Growth Scheme

299. The Scottish Investment Bank is the investment arm of Scottish Enterprise. SIB operates a number of equity funds on a shared risk co-investment basis with the private sector. This includes the Renewable Energy Investment Fund, Scottish Co-investment Fund and the Scottish Venture Fund. For established SMEs debt finance is also available from the Scottish Loan Fund.
300. Those who had received match funding through the Scottish Investment Bank felt that this was one of the most impactful ways in which Government money can help businesses. Vicky Brock, Founder of Clear Returns, described the support and funding received as "transformational" and a "core part of my decision to locate my business in Scotland". ¹²⁸
301. A criticism made about the current Scottish Investment Bank, was a lack of consideration towards the social return on investment. We were told that funding is always tied to significant economic targets, but social benefits are ignored.

” what gets measured gets done. If the SIB feels that it ought to be chasing investments where there is a return to be made, that is what it will do. Until it gets direction from Government that the social impact of businesses is also important, it is hard to see how it will orientate itself towards taking the [social enterprise] sector seriously.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 231 ¹²⁹

302. With the introduction of a Scottish National Investment Bank, other witnesses warned against duplication. SIB undertakes similar investment activities to those envisaged for the new SNIB, but on a smaller scale and without the same level of capitalisation or scope to issue bonds. Other related initiatives include the [SME Holding Fund](#) and the [Scottish Growth Scheme](#). The intention is that, once the SNIB is established, these other initiatives would be integrated within the new organisation. The [Implementation Plan](#) states that the aim is to “simplify, not complicate, the existing financing landscape creating a coherent setting for those firms looking for finance.” The Committee agrees that focus should be on consolidation.
303. Professor Muscatelli acknowledged the importance of making things coherent. The SNIB plan talked about alignment and "bringing into the bank the SME holding fund and the Scottish Growth Scheme." He said it was not about proliferation, but agglomeration and there must be a systematic approach to this with every new initiative. ¹³⁰
304. The Scottish Growth Scheme was announced in 2017 as a £500m package of financial support for private sector business investment, yet during the Committee's scrutiny of the Draft Budget 2018-19, the Cabinet Secretary told the Committee that only £19 million of this fund had been spent. He suggested that the growth scheme might become part of what the national development bank does, and one or two other schemes might possibly come into it. ⁴¹

305. When asked why uptake of the growth scheme was so low, Kerry Sharp suggested that it takes time for funding to be invested with any new initiative. She described a Scottish-European growth co-investment programme, which has been developed to encourage scale-up, but has not yet invested any of the funding committed to it. When asked if there's anything that could be done differently, she said:

” It is just the nature of the funding that is available that it takes a while for companies to understand that it is there and what it is, to ensure that they are investor ready and to be able to access it.

Source: Economy, Jobs and Fair Work Committee 13 March 2018, Kerry Sharp, contrib. 169¹³¹

306. Both SIB and the Growth Scheme will be incorporate into the proposed Scottish National Investment Bank, which is discussed below. The implementation plan for SNIB said:

"To build on the success of existing operations and the clear alignment with the Bank's agenda, the financing activities undertaken by and on behalf of the Scottish Government, such as Scottish Enterprise's Scottish Investment Bank and the provision of funding for loan and equity finance schemes (for example, under the SME Holding Fund and the Scottish Growth Scheme) should sit within the Bank allowing the Bank to utilise the strengths and skills already developed and build on the positive foundations laid by the work of the Scottish Government and its agencies." ⁴²

307. The Committee welcomes the proposed alignment of funding sources such as the Growth Scheme and SME Holding Fund within the Scottish National Investment Bank in order to make it easier for businesses to navigate.

308. The Committee recognises the evidence that the SIB funding model has been beneficial to businesses. The Committee seeks reassurances from the Scottish Government that this will not be lost or diluted when the two banks merge.

309. The Committee notes the low take up in the Growth Scheme and recommends that the Scottish Government conduct research into the reasons for this to allow any lessons to be learned before it is subsumed into the SNIB.

Scottish National Investment Bank (SNIB)

310. The [2017 Programme for Government](#) included a commitment to establish a Scottish National Investment Bank (SNIB). Its mission was described as:

” ...to provide and catalyse investment in order to create opportunities for Scotland, by powering innovation and accelerating the transformation to a low carbon, high-tech, connected, globally competitive and inclusive economy”

311. A national investment bank differs from a high street bank in that:

- it is state owned, rather than privately owned, with the capacity to raise its own finance

- it deals with businesses and larger organisations (both public and private), rather than individuals.
312. Benny Higgins (CEO of Tesco Bank) was tasked with developing an Implementation Plan for the SNIB, which was published in February 2018. The Cabinet Secretary has confirmed that the Scottish Government has accepted all 21 recommendations made in the plan, which shapes the role, remit, governance and capitalisation of the Bank.
313. The [Scottish Government's 2018-19 Draft Budget](#) outlined that the SNIB would be supported by an initial capitalisation of £340m over 2019-20 and 2020-21. This would provide upfront funding to enable the SNIB to undertake initial investments. In time, it is the intention that the SNIB will become self-sustaining.
314. There are a number of investment initiatives already in place in Scotland, but each with a different scope and remit and none identical to what is proposed in the SNIB.
315. Most witnesses welcomed the proposals for the SNIB. They were optimistic that it offered the opportunity to grow the 'missing middle' of unsupported SMEs who struggle to scale-up and do not qualify for start-up support or account management.
316. Witnesses outlined what they considered to be priorities for the SNIB. Bank guarantees were identified as an area where the SNIB could be of assistance to SMEs. Clansman Dynamic said that UK banks insist on pound for pound cash coverage before offering guarantees, which was inhibiting export activity.⁴³
317. Jim McColl said Scottish businesses are at a disadvantage to international competitors as they do not have the same access to patient capital and advocated this being at the core of what any national investment bank provides. He also claimed that thousands of small companies are in need of debt loans of less than £5 million to help grow their business. This was an identified gap in Government agency and banking support.¹³²
318. David Ovens told us that "The real market failure is in the equity capital space. R&D companies do not generate turnover for the first few years but, even when they start to generate turnover, they tend not to be profitable for a long period and therefore the appropriate financial instrument for them is equity rather than debt."¹³³ He believes that should be the focus of the SNIB.
319. Laurie MacFarlane agreed that an investment bank should be mission led - that is, it should have a small number or overarching economic objectives that it seeks to achieve. This could include things like tackling climate change or increasing R&D. He also felt that it should offer flexible products. Focusing on 'missions' is preferable to focusing purely on 'static' financial return on investment, or on prioritising certain sectors. This is also the approach taken in the implementation plan.¹³⁴
320. The Cabinet Secretary told us that with a mission-led model, the SNIB had the potential to shape markets and give increased consideration to supply chains. He said that Ministers will consult with stakeholders to set the Strategic Framework for the SNIB in line with broader economic policy.¹³⁵

321. Professor Muscatelli told us the SNIB "will have to make decisions on exactly where to put mission-orientated capital and what the priorities are. That will begin to define what sits behind some of the 4 Is, what sectors we will focus on, and what areas Scotland can genuinely be competitive in on the world stage." ¹³⁶

322. The Committee agrees that the SNIB has potential to improve economic performance. The risk however is that it has a growing list of priorities and demands and success will be diluted if it seeks to address them all. We welcome the Scottish Parliament motion that calls on the Scottish Government for clarity of focus and delivery with respect to the role and objectives of the bank. ⁴⁴ The Committee also welcomes the SNIB implementation plan and the Scottish Government's acceptance of its recommendations.

323. The remit and ambition of the SNIB will be set out by the Scottish Government. The Committee recommends that budget for assessment and evaluation is built in to the SNIB from the outset, and that all investment decisions should be subject to equality impact assessments, and any other appropriate assessments.

324. The Committee requests clarity from the Scottish Government over what operational currency will be used by the SNIB over the 10-15 year investment period mentioned in the implementation plan.

Enterprise and Skills Agencies

” we need to look at what is of high and low importance, and at what has an effect on the economy and what cannot do so. If we map out our interventions in that way, with the help of the analytical unit, we should be able to identify areas of activity that we should just stop doing or that we should do much less of.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 28¹²

325. The Strategic Board was created in November 2017 in response to the Scottish Government's Enterprise and Skills Review. Its objective is to align and co-ordinate the activities of Scotland's enterprise and skills agencies: Scottish Enterprise, Highlands and Island Enterprise, Skills Development Scotland and the Scottish Funding Council.
326. During evidence, the Chair of the Strategic Board, Nora Senior listed a number of areas where she felt that Scotland had performed well over the last ten years. This included securing inward investment, the research output of universities and the expansion of growth companies. However, she also indicated that when it came to take-up of digital, innovation, investment by businesses in skills and training, exports and business start-ups, Scotland's performance was more disappointing.
327. Nora Senior outlined some early priority areas for the Board to address. She said a key focus would be on ensuring there is alignment across agencies. The planning timetables of the agencies are not currently aligned and it is likely that there are other areas where there could be stronger alignment. ¹³⁷
328. The idea of customer journeys was also explored. Nora Senior said the board will focus on ensuring that there is a joined-up system, which is easy for people moving through the skills or enterprise support systems to navigate. Her sense is that this customer or learner journey is not currently as smooth as it could or should be. ¹³⁸
329. Many witnesses described the help and support received from the Scottish Government agencies as critical to their business success. In fact most of the witnesses that we spoke to who had received support, felt it had been of benefit to their business. Those who managed to get support flourished as a result, however many businesses could not access this support. There are many perceived hurdles and services can be difficult to access. Support provision was described as inconsistent, slow and 'cluttered', with no easy way for entrepreneurs and SMEs to navigate the many products and services on offer. A good account manager was seen as key to navigating the clutter. Without such a guide, the many overlapping and at times seemingly contradictory schemes are difficult to navigate. Some entrepreneurs said that they more often heard about opportunities through other start-ups than from the agencies themselves. ¹³⁹

” The big feedback is the need for consistency from the agencies, and for timeliness in a commercial sense...the agencies need to keep up with the speed at which start-ups and scale-ups move. That is key.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Sara Roberts, contrib. 79¹⁴⁰

The support pipeline

330. As mentioned by Cabinet Secretary Keith Brown during the Committee's evidence session on the Draft Budget, Business Gateway was not included in the Enterprise and Skills Review: "because it delivers through local authorities; it is its own body with its own mandate." However, given that the transition from start-up to scale-up has been identified as a particular weakness in the current support system, there may be an argument for increased collaboration between Business Gateways and the enterprise agencies in future.

” When a business is at that very early stage, it is much more likely to fail than to succeed. It is really important that a rigorous process is in place to ensure that anyone who comes into contact with early-stage businesses is aware of the need for restraint, understands the context of the business, and is able to give advice with those things in mind. If that does not happen, it can be dangerous for businesses.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Leah Hutcheon, contrib. 78¹⁴¹

331. Jackie Brierton is critical of Business Gateway and felt that by not including Business Gateway in the Enterprise and Skills Review, an opportunity had been missed to look at how businesses are supported from start-up to high growth.¹⁴² The Scottish Government spends £2 billion a year on economic development and Business Gateway receives a small proportion of the total economic development spend. Jackie Brierton argued that more should be spent on Business Gateway given that it is the main support vehicle for small and microbusinesses.

” There is a divide, when businesses separate from business gateway and look to move to Scottish Enterprise, that we could do with bridging a little better.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Sara Roberts, contrib. 67¹⁴³

332. The Committee has launched an inquiry into local business support to give further consideration to the role of Business Gateway within the wider ecosystem of public sector support agencies.

Key sectors

333. Witnesses again highlighted the limitations that concentration on key sectors placed on businesses. Jim McColl noted a lack of flexibility and described the agencies as "musclebound."¹⁴⁴ Some entrepreneurs looked at the available funding before shaping their business plan so as not to preclude themselves from what was available. Leah Hutcheon said there was a danger of "trying to jigsaw together a company that fits in with where the support is."¹⁴⁵ For Dr Mawson, this also linked to the language needed to qualify for support:

” there is a language issue. If firms do not say, "I am a high-growth-potential business and I want to internationalise," or, "I am a technology-based firm," using all the different language identifiers, they do not make it through the front door

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Dr Mawson, contrib. 72¹⁴⁶

334. Sara Roberts described similar difficulties when accessing funding to grow her business, Healthy Nibbles:

” One element of our journey that I have found to be a struggle has been the lack of ability to place us in a particular category. We are a tech company to a degree, but not quite, and we are a retail company, to a degree, but not quite. The fact that people are unable to pigeonhole us has meant that we are not able to access certain funds.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Sara Roberts, contrib. 65¹⁴⁷

335. We were told by Turkey Red Media that Scottish Enterprise lacked the knowledge of their industry to be able to advise. They said the focus was on employment growth, but in the creative/digital field there is a lot of self-employment and short contract work. They therefore have not received any support, but would value opportunities to network with other creative businesses. ⁴⁵

336. The Committee notes that there has been a move away from the "key sector" approach in the 2018-19 Scottish Enterprise business plan. Instead the focus is on "opportunities". If this is indicative of a more flexible look at the merits of individual businesses and a move away from a rigid prioritisation of sectors, then it is welcome.

337. The Committee notes the evidence that creative/digital companies can miss out on agency support and asks Scottish Enterprise to report back to it on what steps it takes to keep pace with digital and technological developments to ensure that it is able to offer advice to such companies coming through the pipeline.

338. Throughout evidence there was a clear message that regional productivity will be key to future growth. Some felt that there was a real opportunity for the new South Scotland agency to be brave and try something new.

339. As discussed, there is also an opportunity for growth to result from female entrepreneurs. Given the Scottish Government's policy support in this area, Jackie Brierton was disappointed by the enterprise agencies' seeming lack of focus of the particular challenges faced by women in establishing businesses and securing support. ⁸⁵

340. Leah Hutcheon also suggested that there should be a greater role by the agencies in encouraging companies to share technology and roll-out Scottish products. Alastair Sim said, "Again and again, I am struck that universities interact with more companies than Scottish Enterprise does, because SE has had such a big focus on high-growth companies." His hope is that the Strategic Board will encourage more innovation among SMEs by adopting ideas which are being developed in universities and rolling these out through the agencies. ¹⁴⁸

Future goals and measuring impact

341. With the Scottish Government currently investing £2 billion a year in economic development, R&D and support skills for the economy, many questioned what tangible return there was from this level of investment.

342. The message from Nora Senior was that agencies are just one driver of economic performance and the Scottish Government needs to be clear in the goals it sets for those agencies. A joined-up approach by Government is key to reducing 'clutter':

” it is important to say that the agencies can do only what the Government asks of them, so we need to start by getting the economic strategy right at the top... There must be a clear and joined-up articulation of what Government wants the agencies to do in order to drive the objectives and the end goals of its strategy.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 35¹⁴⁹

343. We also need to be able to measure impact so as to distinguish well-intentioned policies from those that are effective in bringing change. Nora Senior suggested that each agency held significant amounts of data that is not currently being utilised. Her belief is that actions and decisions have not always been evidence-based in the past:

” We will also focus on building an evidence base. We have an enormous amount of data, but most of the agencies use it only to prepare their own plans. There is no central focus and no sharing of data to enable it to be used in a big-data analytics-type exercise.

Source: Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 6¹³⁸

344. Better use of evidence must be key to an effective organisational plan with measurable targets. The Strategic Board could then review performance and progress over time and resources could more effectively be channelled into areas where there has been proven impact.

345. The message from the enterprise and skills agencies themselves, was that collaboration is key. They acknowledged this was needed to better signpost services and make the user experience more streamlined. However, this goes further than inter-agency collaboration. Sandy Kennedy said that boundaries between schools, colleges and the business community must be more porous:

” we need to do it together, so that we do not have a pocket of schools over here, business over here, the public sector over here and the health service over here. We need to start working together much more.

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Sandy Kennedy, contrib. 23¹⁵⁰

346. The introduction of Foundation Apprenticeships should be seen as a positive development in building links between employers and schools, particularly in rural areas. Gordon McGuinness of Skills Development Scotland (SDS) also told us about graduate-level apprenticeships being developed in partnership with universities. This was seen as "changing the dynamic and moulding more young people to fit the characteristics that employers seek." ¹⁵¹

347. The agencies claimed to be aware for the need to evidence the return on investment and measure success. SDS told the Committee that it has worked with OECD to create an evaluation framework to give a longitudinal view of the return on investment in modern apprenticeship programmes. It did however acknowledge that

there are issues between the articulation of the key performance indicators in the National performance Framework and the inclusive growth framework. ¹⁵²

348. The Cabinet Secretary highlighted that the Strategic Board's Analytical Unit is looking at the quality, range and relevance of statistics. The Committee believes this is a worthwhile exercise.

349. The Committee welcomes the Strategic Board's focus on de-cluttering and streamlining of the enterprise and skills support landscape.

350. The Committee recommends more transparency on the performance targets set by the enterprise agencies, how these targets are measured and whether they have been achieved. These targets must also include support for women in business and enterprise agencies must incorporate these into their measurement frameworks. The Committee asks the Enterprise Agencies to respond to this recommendation.

351. We agree with the Strategic Board that an assessment needs to be made of what works and resources need to be directed accordingly.

352. We look forward to hearing future updates from the Strategic Board on its progress.

Council of Economic Advisers

353. The Council of Economic Advisers was established in 2007 to advise ministers on how to make Scotland's economy more competitive. Giving evidence to the Committee, Council members explained that the Council's main role is to act as a sounding board for government policies, and to offer advice and suggestions. It does not plan to publish an annual report this year or to make any formal recommendations, which is a departure from previous years.

354. The Committee encourages the Scottish Government to work with the Council of Economic Advisers to consider how economic policies could be consistently evaluated. The Committee asks the Scottish Government to clarify the role of the Council of Economic Advisers in future work on Scotland's economic performance.

Business Pledge

355. [The Scottish Business Pledge](#) is a values-led partnership between Government and business. To be eligible, businesses must commit to paying the living wage and meeting the requirement of 2 out of 9 further pledge elements. There must also be a longer-term commitment to fulfil all 9 components. As at January 2018, 426 businesses had signed up to the Business Pledge – representing 0.2% of the Scotland's registered business base.

356. Witnesses questioned whether government support and signing the business pledge should be more explicitly linked. Laurie Russell and Professor McEwan suggested that the business pledge should be factored into tendering decisions:

” The multiplier effect that we will achieve if the Government procures services from companies that not only sign up to the pledge but live by those values will be colossal.

Source: Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 188¹⁵³

357. Ryan McQuigg said that the business pledge was a good step, but more could be done to compel businesses. Sandy Kennedy on the other hand, felt businesses should be 'nudged' rather than compelled. He said it was important to establish role models and highlight the economic case for diversity.¹⁵⁴

358. Professor Carter explained that if businesses had to make the business pledge in order to receive agency support this may further disadvantage small companies who support fair work, but do not have the resources to fulfil the pledge:

” the vast majority of them [small businesses] rely on self-employment or family labour. It is not that they do not want to pay anybody a living wage; rather, they do not pay themselves a living wage.

Source: Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 68¹⁵⁵

359. We were told by Jim McColl that the number of businesses signed up to the business pledge did not necessarily equate to the number of businesses carrying out the principles of the business pledge. He told us:

” Not everybody wants to wave their hands and say, “I’ve signed up to the business pledge”. There are a lot of businesses that do those things but which are not signed up to the business pledge. I was not signed up to the business pledge but I was doing everything that the business pledge asks people to do—and more.

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Jim McColl, contrib. 74¹⁵⁶

360. The Committee is not aware of the existence of any evaluation of the impact of the Business Pledge. Our evidence suggests that it is not necessarily reflective of the number of employers encouraging fair work practices in workplaces; we ask the Scottish Government to set out the action it will take to encourage businesses to sign up to the pledge, including those businesses that provide goods and services to the public sector; and to establish whether the pledge has encouraged businesses to evaluate their policies and to publish its findings.

Business-to-Business

” The biggest barrier is still some form of peer support. In the most entrepreneurial societies in the world, people do things because they know that the person next door or someone in their family has done it. They need that reinforcement. When you have a gap, with no exemplars to follow, there is a place for organisations such as Scottish Enterprise, business gateway and local councils, but generally, the business community needs to get involved and spread that message

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 53¹⁹

361. Whilst there is clearly a role for the enterprise and skills agencies, peer-to-peer support through mentoring and networks was recognised as an important way to share best practice among business communities. This was equally relevant for all businesses regardless of whether they were entrepreneurs, SMEs looking to scale or large well-established businesses. Many thought there should be a distinction between what support the state is expected to provide and areas where growth should be stimulated by the private sector. Sandy Kennedy highlighted Ben Spigel's work in this field, which suggested it is the state's role to nurture the support ecosystem rather than to be the key point of delivery at every stage. ¹⁵⁷
 362. Skyscanner CEO Gareth Williams also highlighted the importance of international business connections. He said that he learned a lot from Silicon Valley companies: "just because Facebook and Google are not neighbours, doesn't mean we can't learn from them." ⁴⁶
 363. Peer-to-peer learning models were seen as a way for continual learning to become embedded. For example, Jackie Brierton cited a programme being run by Women's Enterprise Scotland in collaboration with Business Gateway that provides leadership training courses to women business owners, which was oversubscribed. It was believed that if a culture of lifelong learning and networking was embedded, this would help address the previously discussed challenges with scale-up ambition and could give companies more confidence to grow rather than sell. ¹⁵⁸
 364. The Committee heard a range of best practice examples, such as Growbiz and the ScaleUp Institute, which are encouraging peer networks. The University of Strathclyde is also running an intensive 10-month programme for leaders of SMEs that are achieving a turnover of £1 million. It involves business mentors who encourage participants to think about the steps they could take towards future growth.
365. The Committee believes that learning from one another could help grow business ambition in Scotland. Skyscanner is a great success story and geography is not a barrier to it keeping abreast of the activities of other companies in its field. The Committee encourages businesses in Scotland to seek out such learning, from those who are succeeding in what they do.

UK Industrial Strategy

366. [The Industrial Strategy](#) identifies a series of areas that the UK Government believes are key strengths of the UK economy. It also identifies areas of historic underperformance. In particular, the report highlights regional inequalities in economic performance and a productivity gap relative to key competitors.
367. Avoidance of duplication and co-ordination of efforts is not just a message that needs to be taken on board between the numerous Scottish Government agencies, programmes, strategies and advisory boards. There must also be co-ordination of effort with the UK Government.
368. Cabinet Secretary Keith Brown told the Committee that communication with the UK Government on the Industrial Strategy had improved, but emphasised the need for continued meaningful engagement with the devolved administrations. In particular, he expressed desire for a partnership approach with the UK Government on prospective sector deals.

369. We look forward to further dialogue with the Secretary of State for Business, Energy and Industrial Strategy and ask him to provide an annual update.

370. The Committee encourages continued meaningful engagement between the UK and Scottish Governments on the Industrial Strategy and sector deals.

Skills

” There is no reason to leave anyone behind in our workforce, but if we continue to believe that training for an old economy is the right way to go, we will consign ourselves to the backwaters of economic history.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 34²

371. The enterprise and skills agencies are considered by the Scottish Government to play a key role in delivering Scotland's Economic Strategy. Therefore, although skills do not fall directly within the Economy, Jobs and Fair Work Committee's remit, they are inextricably linked to comments on how our economy performs and grows. Indeed, Sandy Kennedy told us that in his opinion access to talent is the biggest barrier to growth. ¹⁵⁹
372. During discussion, witnesses agreed that in order to grow a successful economy, we need to ensure the skills demand is met in future. Without adequate access to employees with the right skills, SMEs cannot grow their businesses and given the demographic challenges Scotland already experiences, we need to ensure that we are getting the most out of our workforce.
373. Professor Montagna said that Scotland has a greater problem with "skills mismatch" than the rest of the UK, with around 32% of workers being overqualified and 24% underqualified. ¹⁶⁰ In a submission, Dr Alexandros Zangelidis and Professor Keith Bender concluded that qualifications are not rewarded as much as they were 10 years ago and in light of this, the Scottish labour market may face challenges in recruiting, retraining and motivating the workforce. ⁴⁷ In Professor Montagna's opinion, the public sector's investment in education has not translated into high quality jobs which match these skills. This lowers workforce productivity, raising the question of whether people are acquiring the wrong type of skills or whether firms are not making the most of the skills of their workforce because of underinvestment. ¹⁶¹

Reskilling and retention

374. Where there are industry changes as a result of technology or downturns, such as increased automation or job losses in oil and gas, it is essential that Scotland utilises its workers and supports reskilling and career transitions. Alastair Sim said that people need to be developed to have a mindset of inventing and then reinventing. They need encouraged to come back to colleges and universities throughout their lives to "reboot their skills". He felt there was a great opportunity for the Strategic Board to be quite creative with how this is supported in future. ¹⁰² We were encouraged to hear that reskilling is one of the areas that the Strategic Board is looking at. Nora Senior said that she wants the agencies to make best use of the transferable skills that exist in areas like oil and gas to give Scotland a competitive advantage.
375. Nora Senior suggested that businesses in general do not provide enough training budget for upskilling or reskilling employees. She explained that part of reshaping the workforce is a generational challenge. Businesses can be reluctant to employ younger people as it is an add-on cost to their salary line. We need to look at how

businesses can enable older people to reduce their working week, while younger people like apprentices are brought into the business. Knowledge and skills can then be passed on without increasing costs. ¹⁶²

376. The Scottish Government acknowledged that a dynamic approach to skills was needed to tackle the changing labour market. Most interventions are currently focused on young people and this was thought to be the right approach. However, the Government also acknowledged that there was a demand for supporting job transitions. It is important to find the right balance. ¹⁶³

Digital skills

377. BT Scotland cited a report produced by NESTA and SAGE, which found that investment in digital infrastructure could not improve economic productivity without it being paired with digital skills. Greater use of online data is associated with an 8% higher level of productivity and firms in the top quartile of online data use are, all else being equal, 13% more productive than those in the bottom quartile. They recommended that Digital Champions should be appointed to all Scottish Enterprise's Industry Leadership Groups and more businesses should be encouraged to consider appointing Chief Digital Officers. ⁴⁸
378. Graeme Jones argued that too many technological firms in Scotland were still facing challenges recruiting suitable graduates as there is a skills shortage. This can be particularly difficult for smaller companies, which have less resource to compete for suitable employees:

” if they [workers] are being hoovered up by the large successful brands, it becomes more difficult for the smaller enterprises to recruit staff and they may have to pay over the odds to do that.

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Graeme Jones, contrib. 30¹⁶⁴

379. Witnesses identified particular skills shortages in areas such as digital marketing, discoverability ('live operations'), computing, data analytics and e-commerce. According to Chris van der Kuyl, the appetite for these skills in the gaming industry is unlimited. However, he also acknowledged that if serious investment was to be made to support these sectors, "we will probably need to make some tough decisions not to invest elsewhere, but the skills in question are very transferable." ⁴⁴
380. BT Scotland said that improving education is essential to equipping the future labour force with digital skills. There is a national shortage of Computer Science teachers and this must be addressed. They believe digital literacy should be integral in the Curriculum for Excellence. ⁴⁹ The Committee was encouraged to hear that the Strategic Board are looking at the whole approach to the provision of digital knowledge in the skills system.

Leadership skills

381. The enterprise agencies have also identified a lack of leadership skills in many SMEs and have developed targeted programmes to address this issue. A lack of management and leadership skills were cited as factors contributing to poor productivity in some firms. ¹⁶⁵

Language skills

382. A submission from Clansman Dynamics cited a lack of language skills as a key barrier to growth. They said that since their two German speaking employees retired, Germany has gone from being their best market, to them receiving no orders. They argue that more should be done to advertise the benefits of language skills to engineers, software writers and scientists. This, Clansman Dynamics feel, would have a significant impact on internationalisation.⁵⁰
383. The Scotch Whisky Association and Scottish Engineering also agreed that it is essential for foreign languages to be taught in schools and for people in Scotland to be encouraged to have a more international outlook. Gareth Williams, CEO of Skyscanner believes we should be teaching Spanish and Mandarin in schools instead of French and German.⁵¹

384. The Committee agrees that skills are key to the success of the economy and intends to look at skills in more depth in a future inquiry.
385. The Committee recommends that the Scottish Government considers what more could be done to support job transitions, in-work training and reskilling.
386. The Committee also recommends that the Scottish Government takes further action on matching the skills needs of businesses, including language skills, with its education policies.

Apprenticeships and the Apprenticeship Levy

387. Apprenticeships are a vital mechanism for ensuring that the workforce is suitably equipped with practical skills, which enable people to be job-ready within a particular career or sector. The Committee recognises and welcomes that apprenticeships have helped tackle high youth unemployment in Scotland.
388. We heard from a number of witnesses that apprenticeship schemes are more valued in other countries. In Switzerland, for example, the skills system is dominated by apprentices rather than graduates. There are strong links between industry and academia who work closely to develop and target vocational courses.¹⁶⁶
389. Talking to the Scottish Youth Parliament, there was criticism among the MSYPs that apprenticeships were often in old-fashioned or low-skilled professions and that culturally, there was a stigma attached to pursuing an option that is seen to be less academic. None of the workshop participants wanted to do a modern apprenticeship, but many felt that increasing the number of apprentices in high-tech and up-and-coming industries would help to counter this perception as well as filling the skills gaps that are forming in these industries.⁵² Joshua Ryan-Saha described a global skills shortage in data analytics and data science. He said there needed to be job creation at every level including apprenticeships and graduate level positions.¹⁶⁷

Never too late to learn

- ” “I am 27 now. I have been looking for an apprenticeship all my life since I left school. You just can't get one.” – office worker, Aberdeen. ⁵³
390. During our focus group discussions, most groups highlighted the importance of apprenticeships and the feeling that there simply are not enough in Scotland. There was a perception that hundreds of applicants are chasing each apprenticeship vacancy. There was also some frustration from older workers who felt that there are not enough training and reskilling opportunities available for them. ⁵⁴
391. Gordon McGuinness acknowledged that more thought needs to be given to the best ways of supporting the learning and reskilling of people who already have work and family commitments. Colleges were seen as a good mechanism for older learners, but the limited number of courses available during evenings and weekends was seen as an issue. It was also considered that greater use of online learning could be encouraged. ¹⁶⁸

392. The Committee agrees that there is a continual need to support young people seeking apprenticeship opportunities, but urges the Scottish Government to balance this with consideration of apprenticeship opportunities for older people. The Committee believes that particular focus should be given to sectors that are seeing changing skill needs and increased digitisation.
393. We also ask the Scottish Government to provide an update on the uptake of modern apprenticeships in relation to disability, Black and Minority Ethnic (BME) people, gender and care leavers.

Apprenticeship Levy

394. In April 2017, the UK Government introduced an apprenticeship levy. The levy applies to all UK employers (public, private and third sector) with annual salary bills of more than £3 million. The levy is set at 0.5% of an employer's annual wage bill and each employer receives an allowance of £15,000 per year to offset against the levy. Funds must be spent on apprenticeship training and assessment and cannot be used for other apprenticeship costs, such as the wages of an apprentice. ⁵⁵
395. Despite the Apprenticeship Levy being UK-wide, the nations of the UK have different administrative arrangements for funding apprenticeships and other skills training. In Scotland, apprenticeship funding continues to be administered by Skills Development Scotland through contracted training providers and direct employer contracts. Using levy money, the Flexible Workforce Development Fund has been set up in Scotland to help employers upskill and reskill their workforce. ⁵⁶
396. A number of witnesses questioned how effective administration of the levy had been in Scotland. Annie Gunner Logan told us:
- ” Unlike the situation for our colleagues south of the border, there is no direct line of sight between the money that an organisation puts into the apprenticeship levy and how it can then extract that in terms of skills development and apprenticeships

Source: Economy, Jobs and Fair Work Committee 27 March 2018, Annie Gunner Logan, contrib. 103¹⁶⁹

397. A view shared by Gareth Wynn who had no issue with the principle of the levy, but also thought there were flaws in its roll out in the oil and gas sector. He noted that the institutions that provide the most useful training and qualifications, such as OPITO, do not qualify as a recognised provider under the scheme.¹⁷⁰ The burden was also felt by Scottish Engineering.
398. In its written submission, the Scottish Retail Consortium told us that one of their member firms is paying approximately £400,000 a year towards the apprenticeship levy in Scotland, but is only able to claim back up to a maximum of £10,000 from the flexible workforce development fund (which allows a business to claim up to £10,000 for workplace funding in partnership with a college). SRC said that with developing skills and enhancing productivity being a priority for retailers, there is a real need for a fairer solution. They suggested the Flexible Workplace Development Fund in particular, needed further consideration.⁵⁷
399. On the other hand, we heard a clearer distinction should be made between skills that must be provided by the state and those that businesses should take responsibility for nurturing themselves. Alastair Wylie said that companies cannot expect to find a ready-made skilled workforce - you must be willing to "grow your own". He noted that more emphasis should be given to the culture and skills you wish to have in your organisation and the replenishment of the industry, rather than the finance available for you to carry it out.¹⁷¹
400. The Committee asks the Scottish Government to provide an update on how funds raised through the apprenticeship levy will be spent in Scotland.

Poverty of Analysis

” There are questions about how good the data that we have on our performance is, and what data we will need in looking to the next 10 years, so that we can understand how well we are doing, and what is working and not working.

Source: Economy, Jobs and Fair Work Committee 30 January 2018, Sandy Kennedy (Entrepreneurial Scotland), contrib. 12¹⁷²

401. GDP is often considered to be the single most important performance indicator, but as we've tried to show in this inquiry there is a range of levers which contribute to performance, and for all of them measurement and analysis are key to gauging progress.
402. Professor John McLaren highlighted a “poverty of analysis”⁶⁵ in terms of our understanding of the Scottish economy. He mentioned a dearth of economic think tanks in Scotland as well as an apparent lack of interest in the Scottish economy within Scotland’s universities. This is not the situation in Ireland, he continued, “which is smaller but has a more detailed understanding of its economy”. Likewise, Professor Catia Montagna feels that we do not know what causes Scotland to be less productive than many other similar sized countries. Of particular concern to her was our lack of understanding of productivity at a sector, region or firm level.¹⁶⁰ The Committee shares her frustration.
403. Clearly, if we do not know why our economy is performing as it is then we will not make the best policy decisions about how to improve it. It is therefore the Committee’s view that much more needs to be done to understand why Scotland is not performing better in the areas of productivity, exports and inequality.
404. It is also our view that we need a better understanding of which Government policies work and which ones have little or no impact. During 2015/16, Scotland spent over £1.1 billion on enterprise and economic development, considerably higher per head than any other nation of the UK (see [Public Expenditure Statistical Analyses 2017](#)). What did this achieve? What proportion of this spend improved Scotland’s productivity and export performance? How much went on helping scale-up our ambitious small businesses? Indeed, when asked, the Cabinet Secretary did not comment on any Scottish Government economic policies which have not worked or might have been done differently.¹⁷³
405. Nora Senior, identifying a role for the Strategic Board’s new analytical unit, stated “we should be able to identify areas of activity that we should just stop doing or that we should do much less of. We should also look at the areas of activity that will drive higher results and have a much greater impact on the economy.”¹² The Committee completely agrees with this aspiration, but feels this level of scrutiny should be extended across all areas impacting our economy, not just those policies delivered by the enterprise and skills agencies.
406. In an environment where budgets will continue to be squeezed it is crucial that there is strong evaluation in what we do in order to focus resource in the most impactful way. For example, any future economic strategy should be accompanied by a strong action and implementation policy, backed up with a monitoring and

evaluation plan. We are aware that evaluation of this scale will cost money; however it will also bring savings over the longer-term as the Scottish public sector uses evidence to focus spending most effectively.

407. Finally, Scotland's universities have some of the world's great economics and public policy departments. It is certainly not our job to tell these institutions what they should or should not be teaching. However, the Committee feels much more could be done in partnership between universities and public bodies in terms of evaluating our economy and the policies needed to improve performance.

408. The Committee recommends that the Scottish Government produces an action and implementation plan for its economic strategy, backed up with a monitoring and evaluation plan.

Conclusions

409. This inquiry sought to examine the performance of Scotland's economy and to engage a wide range of people in considering which economic policies will best serve Scotland in the forthcoming decade. We received a variety of incisive evidence from businesses, experts and households.
410. Whilst it is recognised that there are considerable challenges in the Scottish economy, we expect the UK and Scottish Governments to work together to realise the significant opportunities that exist, and of which, we can and should make more.
411. Economic growth in Scotland for the period 2007-2017 is significantly below Scottish Government targets, the performance of the UK economy as a whole, historical trend growth rates for Scotland and small EU countries. Levels of GDP growth are marginal; productivity is low and wages are stagnant. Whilst employment growth has been positive, some of that increase has been in insecure, low paid work.^{ix}
412. It is clear that the future will be equally challenging given the independent Scottish Fiscal Commission's revised forecast of lower tax revenues, of as much as £1.7 billion, and already low GDP growth has been revised downwards to less than 1%.
413. If we are to reverse this trend then the Scottish Government must use all of the levers at its disposal to bring a sharper focus on growing the economy, and ensuring that growth is inclusive.
414. The Committee strongly recommends that:
1. The Economic Strategy is reviewed and updated as a matter of urgency, not least to take account of the potential economic consequences of Brexit;
 2. Whilst the creation of the Strategic Board is welcome the enterprise and skills agencies need to be much more clearly focused on delivering on the strategy;
 3. There is a consistent, commonly held and settled definition of inclusive growth and this should be reflected in the enterprise and skills agencies' operational plans;
 4. There is a robust and appropriately resourced action plan that identifies lead responsibility for key areas of the strategy; and
 5. A comprehensive, monitoring and evaluation framework is in place to measure outcomes and establish what works.

^{ix} There was a division on adding an additional sentence to paragraph 411; the prevailing view was to omit the sentence; the minority view having proposed: *"It is difficult to compare Scotland to the UK when the London/South-East economy is so dominant."* See Annex A, Minute of the Meeting of 12 June 2018, and note on 'Record of division in private' for more detail.

Annexes

Annex A - Minutes of Meetings

Extracts from the minutes of the Economy, Jobs and Fair Work Committee

23rd Meeting, Tuesday 12 September 2017

Work programme (in private): The Committee considered its work programme and agreed its approach to its Performance of the Scottish Economy inquiry.

25th Meeting, Tuesday 3 October 2017

Performance of the Scottish Economy (in private): The Committee considered its approach to the inquiry.

30th Meeting, Tuesday 21 November 2017

3. Scotland's Economic Performance: The Committee took evidence from—

- Professor Julia Darby, Head of Department, University of Strathclyde;
- Richard Marsh, Director, 4-Consulting;
- Professor Catia Montagna, Chair in Economics, University of Aberdeen;
- Dr Tanya Wilson, Early Career Fellow, University of Stirling;
- Dr Alexandros Zangelidis, Senior Lecturer, University of Aberdeen.

7. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

31st Meeting, Tuesday 28 November 2017

3. Draft Budget Scrutiny 2018-19 and Scotland's Economic Performance: The Committee took evidence on the Scottish Government's Draft Budget 2018-19 and Scotland's Economic Performance from—

- Linda Scott, Chief Executive Officer, West Lothian Chamber of Commerce.

5. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

32nd Meeting, Tuesday 12 December 2017

Scotland's Economic Performance (in private): The Committee considered its approach.

2nd Meeting, Tuesday 16 January 2018

4. Scotland's Economic Performance: The Committee took evidence from—

- Craig Dalzell, Head of Research, Common Weal;
- Michael Jacobs, Director of the IPPR Commission on Economic Justice, Institute for Public Policy Research;
- John McLaren, Scottish Trends;
- Ryan McQuigg, Policy and Public Affairs Manager, Oxfam Scotland.

5. Scotland's Economic Performance (in private): The Committee considered evidence heard at today's meeting.

3rd Meeting, Tuesday 23 January 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- John Ireland, Chief Executive, Mairi Spowage, Deputy Chief Executive, David Wilson, Commissioner, and David Stone, Head of Economy and Income Tax Forecasting, Scottish Fiscal Commission.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

4th Meeting, Tuesday 30 January 2018

4. Scotland's Economic Performance: The Committee took evidence from—

- Jackie Brierton, Vice-Chair, Women's Enterprise Scotland and Enterprise; CEO, GrowBiz;
- Sandy Kennedy, Chief Executive, Entrepreneurial Scotland;
- Jim McColl, Founder, Chairman & CEO, Clyde Blowers Capital;
- Dr Suzanne Mawson, Lecturer, Management Work and Organisation, University of Stirling.

5. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

5th Meeting, Tuesday 6 February 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Leah Hutcheon, Founder and CEO, Appointedd;
- Karen Pickering, Chair of the Board, Page\Park Architects;
- Paddy Collins, Chief Executive Officer, Aubin Group;
- Alison Grieve, CEO and inventor, G-Hold;
- Sara Roberts, Founder, CEO, Healthy Nibbles;
- Professor Gary McEwan, Chief Executive, Elevator;

- Vicky Brock, Founder, Clear Returns;
- Laurie Russell, Chief Executive, The Wise Group;
- Jonny Kinross, Chief Executive, Grassmarket Community Project.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

7th Meeting, Tuesday 27 February 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Nora Senior, Chair, Strategic Board for Enterprise and Skills;
- Linda Hanna, Managing Director, Strategy and Sectors, Scottish Enterprise;
- David Oxley, Director of Business and Sector Development, Highlands and Islands Enterprise;
- Sarah Deas, Head of Inclusive Models, Scottish Enterprise;
- Gordon McGuinness, Director of Industry and Enterprise Networks, Skills Development Scotland;
- Dr Stuart Fancey, Director of Research and Innovation, Scottish Funding Council.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

8th Meeting, Tuesday 6 March 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Alastair Sim, Director, Universities Scotland;
- Sandy Finlayson, Chair, Converge Challenge;
- Professor Ferdinand von Prondzynski, Principal, Robert Gordon University.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

9th Meeting, Tuesday 13 March 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Sir Harry Burns, Professor Sara Carter and Professor Sir Anton Muscatelli,
- Council of Economic Advisers;
- Laurie MacFarlane, Research Associate, UCL Institute for Innovation and Public Purpose;
- Kerry Sharp, Director, Scottish Investment Bank;

- David Ovens, Chief Operating Officer, Archangels;
- Peter Reekie, Chief Executive, Scottish Futures Trust.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

10th Meeting, Tuesday 20 March 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Dr Diane Harbison, Chief Executive Officer, Stratified Medicine Scotland;
- Dr David Bunton, Chief Executive Officer, ReproCELL Europe;
- Claire Mack, Chief Executive Officer, Scottish Renewables;
- Gareth Wynn, Stakeholder and Communications Director, Oil & Gas UK;
- James Withers, Chief Executive, Scotland Food & Drink Ltd;
- Marc Crothall, Chief Executive Officer, Scottish Tourism Alliance;
- Ewan MacDonald-Russell, Head of Policy and External Affairs, Scottish Retail Consortium;
- Malcolm Roughead, Chief Executive Officer, VisitScotland;
- Willie Macleod, Executive Director, Scotland, UK Hospitality.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

11th Meeting, Tuesday 27 March 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Graeme Jones, Chief Executive, Scottish Financial Enterprise;
- Joshua Ryan-Saha, Skills Programme Manager, The Data Lab;
- Louise Smith, Fintech Envoy Scotland, HM Treasury;
- Dr Peter Mowforth, Chief Executive, INDEZ Ltd;
- Emil Stickland, Director, Thrive Digital;
- Chris van der Kuyl, Chairman, 4J Studios;
- Stephen Good, Chief Executive Officer, Construction Scotland Innovation Centre;
- Mark Baxter, Managing Director, Galliford Try Investments;
- Annie Gunner-Logan, Director, Coalition of Care and Support Providers in Scotland;
- Dr Donald Macaskill, Chief Executive, Scottish Care;

- Alastair Wylie, Chairman and Chief Executive, CCG Construction Group.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

12th Meeting, Tuesday 17 April 2018

3. Scotland's Economic Performance: The Committee took evidence from—

- Paul Sheerin, Chief Executive Officer, Scottish Engineering;
- Karen Betts, Chief Executive Officer, Scotch Whisky Association;
- Neil Francis, Interim Managing Director, Scottish Development International;
- James Brodie, Director, Scotland and China Business Adviser, ChinaBritain Business Council;
- Clare Slipper, Political Affairs Manager, NFU Scotland.
- Jackie Baillie declared that she is an unremunerated Director of Strathleven Regeneration Company.

4. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

13th Meeting, Thursday 19 April 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Rt Hon Greg Clark, Secretary of State for Business, Energy & Industrial Strategy, and Jenny Bates, Director, EU Exit and Economic Partnerships, UK Government.

3. Scotland's Economic Performance (in private): The Committee considered the evidence heard at today's meeting.

18th Meeting, Tuesday 22 May 2018

2. Scotland's Economic Performance: The Committee took evidence from—

- Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Mary McAllan, Director for Economic Development, Gary Gillespie, Chief Economist, Hugh McAloon, Head of Fair Work and Skills, and Sam Anson, Deputy Director, Economic Policy, Scottish Government.

5. Scotland's Economic Performance (in private): The Committee considered evidence heard at today's meeting and its approach to a draft report.

19th Meeting, Tuesday 29 May 2018

Scotland's Economic Performance (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.

20th Meeting, Tuesday 5 June 2018

Scotland's Economic Performance (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.

21st Meeting, Tuesday 12 June 2018

Scotland's Economic Performance (in private): The Committee continued consideration of the draft report. One change was proposed and decided upon (by division) and the Committee agreed its report to the Parliament.

Record of division in private

John Mason proposed adding to paragraph 411 the following new sentence —

"It is difficult to compare Scotland to the UK when the London/South-East economy is so dominant."

The proposal was disagreed to by division: For 3 (Colin Beattie, Fulton MacGregor, John Mason), Against 6 (Jackie Baillie, Kezia Dugdale, Jamie Halcro-Johnston, Gordon Lindhurst, Dean Lockhart, Andy Wightman), Abstentions 1 (Willie Coffey).

Annex B - Written Evidence

Enterprise Agencies Case Studies

- [Highlands and Islands Enterprise](#)
- [Scottish Enterprise](#)

Written Submissions

- [Computer Application Services Ltd](#)
- [Mike Stoane Lighting](#)
- [Scottish Youth Parliament](#)
- [Clansman Dynamics Ltd](#)
- [Scottish Stone Group](#)
- [North Ayrshire Council](#)
- [Close the Gap](#)
- [Unite the Union - Scotland](#)
- [Competition and Markets Authority](#)
- [Homes for Scotland](#)
- [Royal Town Planning Institute Scotland](#)
- [Prince's Trust](#)

- [WISE Research Centre](#)
- [Scottish Retail Consortium](#)
- [Tanya Wilson, University of Stirling](#)
- [Fife Council](#)
- [Scottish Women's Convention](#)
- [Dr Zangelidis, University of Aberdeen](#)
- [StepChange Debt Charity Scotland](#)
- [Scrabster Harbour Trust](#)
- [BT Scotland](#)
- [4-consulting](#)
- [Skills Development Scotland](#)
- [Federation of Small Businesses Scotland](#)
- [Scotland's Futures Forum](#)
- [Aberdeen City Council and Aberdeenshire Council](#)
- [Oil & Gas UK](#)
- [Scottish Enterprise](#)
- [Highlands and Islands Enterprise](#)
- [Scottish Chambers of Commerce](#)
- [Dr Ross Brown](#)

Supplementary Written Evidence

- [Converge Challenge](#)
- [Universities Scotland](#)
- [BT Scotland - Automatic... For the people?](#)

Other written evidence

- [Colleges Scotland](#)
- [Scottish Care](#)
- [The Data Lab](#)
- [Scottish Financial Enterprise](#)
- [Remarkable](#)

The Committee received further written submissions on the digital platform, Dialogue:

- [Dialogue](#)

Annex C - Visits and Events

On 23 January, the Committee held an informal meeting with the OECD.

- [Note of meeting with OECD](#)
- [OECD presentation slides](#)

On 22 January the Committee visited the FLB Group

- [Visit to the FLB Group](#)

On 8 February the Committee visited Skyscanner

- [Meeting with Skyscanner](#)

The Committee visited Turkey Red Media and Loch Lomond Brewery on 2 February

- [Meeting with Turkey Red Media Ltd and Loch Lomond Brewery](#)

Focus Groups

A series of eight focus groups were held in November and December, two each in Glasgow, Edinburgh, Aberdeen and Jedburgh. Groups included between five and eight members of the public, a professional facilitator and at least one MSP.

The aim of the focus group exercise was to hear about the experiences and perceptions of households throughout Scotland on various areas of the Scottish economy.

- [Summary of Focus Groups](#)

- [1] Economy, Jobs and Fair Work Committee 21 November 2017, Richard Marsh, contrib. 15, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11220&c=2042120>
- [2] Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 34, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080751>
- [3] Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs (Institute for Public Policy Research), contrib. 67, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055922>
- [4] Economy, Jobs and Fair Work Committee 23 January 2018, David Wilson, contrib. 25, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11322&c=2057757>
- [5] Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 82, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055937>
- [6] Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 10, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074940>
- [7] Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 94, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055949>
- [8] Economy, Jobs and Fair Work Committee 16 January 2018 , John McLaren, contrib. 146, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2056001>
- [9] Economy, Jobs and Fair Work Committee 21 November 2017, Professor Montagna, contrib. 69, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11220&c=2042174>
- [10] Economy, Jobs and Fair Work Committee 21 November 2017, Professor Montagna, contrib. 20, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11220&c=2042125>
- [11] Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 97, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055952>
- [12] Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 28, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11393&c=2068765>
- [13] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], The Deputy Convener, contrib. 6, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094633>
- [14] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 7, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094634>
- [15] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 65, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094692>
- [16] Economy, Jobs and Fair Work Committee 19 April 2018, Rt Hon Greg Clark MP (Secretary of State for Business, Energy and Industrial Strategy), contrib. 3, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11477&c=2084006>
- [17] Scottish Government. (2015). Scotland's Economic Strategy. Retrieved from <https://beta.gov.scot/publications/scotlands-economic-strategy/?inline=true>

- [18] Economy, Jobs and Fair Work Committee 23 January 2018, David Wilson (Scottish Fiscal Commission), contrib. 3, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11322&c=2057735>
- [19] Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 53, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080770>
- [20] Economy, Jobs and Fair Work Committee 30 January 2018, Dr Suzanne Mawson (University of Stirling), contrib. 10, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11342&c=2061249>
- [21] Economy, Jobs and Fair Work Committee 30 January 2018, Jim McColl, contrib. 31, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11342&c=2061270>
- [22] Economy, Jobs and Fair Work Committee 30 January 2018, Jackie Brierton, contrib. 20, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11342&c=2061259>
- [23] Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 213, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064520>
- [24] Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 14, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074944>
- [25] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Gary Gillespie, contrib. 30, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094657>
- [26] Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Sandy Finlayson, contrib. 11, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11410&c=2071747>
- [27] Economy, Jobs and Fair Work Committee 13 March 2018, Kerry Sharp, contrib. 146, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2075076>
- [28] Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 44, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074974>
- [29] Economy, Jobs and Fair Work Committee 13 March 2018, Professor Carter, contrib. 46, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074976>
- [30] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 83, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094710>
- [31] Economy, Jobs and Fair Work Committee 20 March 2018 , Gareth Wynn, contrib. 91, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11438&c=2077565>
- [32] Economy, Jobs and Fair Work Committee 30 January 2018, Dr Mawson, contrib. 30, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11342&c=2061269>
- [33] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 10, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094637>
- [34] Economy, Jobs and Fair Work Committee 17 April 2018, Paul Sheerin, contrib. 10, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11470&c=2083183>

- [35] Economy, Jobs and Fair Work Committee 17 April 2018, Clare Slipper (NFU Scotland), contrib. 17, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11470&c=2083190>
- [36] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown), contrib. 3, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094630>
- [37] Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 58, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11477&c=2084061>
- [38] Economy, Jobs and Fair Work Committee 06 February 2018, Karen Pickering, contrib. 26, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064333>
- [39] Economy, Jobs and Fair Work Committee 17 April 2018, Paul Sheerin (Scottish Engineering), contrib. 8, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11470&c=2083181>
- [40] Economy, Jobs and Fair Work Committee 17 April 2018, Karen Betts, contrib. 40, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11470&c=2083213>
- [41] Economy, Jobs and Fair Work Committee 20 March 2018 , Claire Mack, contrib. 17, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11438&c=2077491>
- [42] Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 36, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11477&c=2084039>
- [43] Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 11, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11393&c=2068748>
- [44] Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 16, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080733>
- [45] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Keith Brown, contrib. 69, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094696>
- [46] Economy, Jobs and Fair Work Committee 20 March 2018 , Malcolm Roughead, contrib. 137, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11438&c=2077611>
- [47] Economy, Jobs and Fair Work Committee 16 January 2018 , Michael Jacobs, contrib. 122, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055977>
- [48] Economy, Jobs and Fair Work Committee 30 January 2018, Jackie Brierton, contrib. 113, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11342&c=2061352>
- [49] Economy, Jobs and Fair Work Committee 06 March 2018 [Draft], Sandy Finlayson, contrib. 95, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11410&c=2071831>
- [50] Economy, Jobs and Fair Work Committee 06 February 2018, Professor McEwan, contrib. 179, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064486>

- [51] Economy, Jobs and Fair Work Committee 19 April 2018, Greg Clark, contrib. 83, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11477&c=2084086>
- [52] Economy, Jobs and Fair Work Committee 27 March 2018, Mark Baxter, contrib. 81, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080798>
- [53] Economy, Jobs and Fair Work Committee 27 March 2018, Stephen Good, contrib. 160, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080877>
- [54] Economy, Jobs and Fair Work Committee 27 March 2018, Stephen Good, contrib. 92, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080809>
- [55] Economy, Jobs and Fair Work Committee 06 February 2018, Paddy Collins, contrib. 29, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064336>
- [56] Economy, Jobs and Fair Work Committee 06 February 2018, Paddy Collins, contrib. 33, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064340>
- [57] Economy, Jobs and Fair Work Committee 06 February 2018, Alison Grieve, contrib. 43, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064350>
- [58] Economy, Jobs and Fair Work Committee 27 March 2018, Louise Smith, contrib. 66, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080783>
- [59] Economy, Jobs and Fair Work Committee 27 March 2018, Chris van der Kuyl, contrib. 65, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080782>
- [60] Economy, Jobs and Fair Work Committee 20 March 2018 , James Withers, contrib. 140, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11438&c=2077614>
- [61] Economy, Jobs and Fair Work Committee 20 March 2018 , James Withers, contrib. 149, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11438&c=2077623>
- [62] Economy, Jobs and Fair Work Committee 21 November 2017, Richard Marsh, contrib. 44, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11220&c=2042149>
- [63] Economy, Jobs and Fair Work Committee 06 February 2018, Alison Grieve, contrib. 12, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11363&c=2064319>
- [64] Economy, Jobs and Fair Work Committee 27 February 2018, Nora Senior, contrib. 33, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11393&c=2068770>
- [65] Economy, Jobs and Fair Work Committee 16 January 2018 , John McLaren (Scottish Trends), contrib. 46, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055901>
- [66] Economy, Jobs and Fair Work Committee 21 November 2017, Professor Montagna, contrib. 40, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11220&c=2042145>
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- [68] Economy, Jobs and Fair Work Committee 27 February 2018, Linda Hanna, contrib. 157, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11393&c=2068894>

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- [71] Economy, Jobs and Fair Work Committee 27 March 2018, Annie Gunner Logan, contrib. 151, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080868>
- [72] Economy, Jobs and Fair Work Committee 27 March 2018, Dr Macaskill, contrib. 101, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080818>
- [73] Economy, Jobs and Fair Work Committee 13 March 2018, Sir Harry Burns, contrib. 27, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074957>
- [74] Economy, Jobs and Fair Work Committee 16 January 2018 , Ryan McQuigg, contrib. 90, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11308&c=2055945>
- [75] Economy, Jobs and Fair Work Committee 13 March 2018, Sir Harry Burns, contrib. 48, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11425&c=2074978>
- [76] Economy, Jobs and Fair Work Committee 22 May 2018 [Draft], Gary Gillespie (Scottish Government), contrib. 18, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11549&c=2094645>
- [77] Economy, Jobs and Fair Work Committee 27 March 2018, Annie Gunner Logan, contrib. 131, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11456&c=2080848>
- [78] Economy, Jobs and Fair Work Committee 14 November 2017, Keith Brown, contrib. 75, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11200&c=2040089>
- [79] Economy, Jobs and Fair Work Committee 27 February 2018, Linda Hanna, contrib. 143, <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11393&c=2068880>
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