

## CONSULTATION RESPONSE FORM

### Question 1 – Are there other areas you think the Partnership Agreement should address?

We welcome the fact that Scotland has its own chapter in the UK Partnership Agreement to enable it to set out specific challenges and opportunities. However, we would be grateful for clarification of how the generic UK-wide issues will be approached in a way that is complementary to the priorities identified for Scotland.

We are pleased to see that one of the expectations for the structural fund is *'tackling the high proportion of the population with low level or no skills'*. The Scottish Government's commitment to this is evidenced by initiatives such as Opportunities for All and delivery of Modern Apprenticeships. We therefore see opportunities for these funds to complement the direction of government strategy, strengthening the potential for successful outcomes.

Moreover, the Scottish Government Economic Strategy (published September 2011) states that *'The ability of our businesses to grow and be successful will depend upon: A skilled, educated and adaptable workforce.'* This provides a sensible direction for the skills agenda and we would suggest that the European Structural Fund programmes should reflect this. Key to realising these shared ambitions will be greater collaboration. We strongly believe that the role of government in bringing stakeholders within the financial and professional services (FPS) sector together, in order to support partnerships and foster closer working relationships between industry and learning providers, cannot be over-emphasised.

We agree that skills and business development must be better matched to support the ambitions outlined in Part 3, paragraph 4 of the consultation. In its economic strategy, Scotland has identified key growth sectors which would benefit greatly from this approach, including the FPS sector, which contributes eight per cent of the total GVA. The productivity levels of the average FPS employee in Scotland (£87,000) dwarfs both the productivity of an average employee in the entire labour market in Scotland (£36,000), and is also greater than the productivity of UK-wide FPS sector employees (£54,000)<sup>1</sup>.

This demonstrates the important role that the FPS sector will play in meeting the goals of Europe 2020, Scotland's Structural Fund programmes and supporting Scotland's economic recovery. We are hopeful that the Partnership Agreement recognises the potential for the sector to contribute to the achievement of the thematic objectives proposed.

<sup>1</sup> FSP Sector Skills Insight (unpublished research)

## Question 2 – Do you think these thematic objectives will best address Scotland’s short-term and long-term challenges?

We broadly agree with the thematic objectives identified in the consultation and feel that they will go a long way to addressing the challenges for industry in Scotland.

### **Business Competitiveness, Innovation and Jobs**

We are particularly keen to support this objective and we are encouraged by reference to developing ‘high-level and mid-tier technical skills’ and ‘supporting growth sectors by providing human capital’, particularly when one of the top two barriers to filling vacancies in Scotland is the low number of applicants with the skills required by the employer<sup>1</sup>.

Employers in the FPS sector in Scotland have identified gaps in specialist skills such as regulation and compliance. There is also an increased demand for research skills and technological skills (IT, digital media etc.) to support service delivery. Furthermore, attracting new talent and retaining ‘top talent’ is a particular challenge to the FPS sector. For these reasons we are especially optimistic that this objective will help to address some of the core challenges for the FPS sector.

### **Skills for Lifelong Learning**

Developing and retaining skills in the financial, insurance and other professional services sector is critical. In Scotland, 19 per cent of employers in the sector have identified skills gaps, a higher percentage than in the other UK nations. Employers have consistently communicated a deficit in employability skills of new entrants. We believe that this can and should be addressed under this objective. Work experience is a useful mechanism for improving employability skills where it is of high quality. We applaud the fact that every student in Scotland has a right to work experience however, we are aware that the quality of placements provided by the industry is inconsistent. It is also resource intensive for employers; we estimate that the value of a one week ‘in situ’ work placement is £1300. We see these funds as an opportunity to explore alternative models that are more effective.

### **Social Inclusion**

Similarly, work experience can also help to support this objective. Unfortunately, the best placement opportunities are often reserved for friends and family and therefore actually hinder social mobility. Our conversations with education departments in local authorities has highlighted the need for initiatives that provide equality of information/opportunities for students and we would suggest that the ESFP strategy considers this as a priority activity.

For example, some firms such as HSBC have started to address this by introducing a structured programme. The Financial Skills Partnership (FSP) arm of the JSSC group has introduced the [GetInGetOn](#)<sup>2</sup> (GiGo) programme in England; however funding doesn’t extend to Scotland. The GiGo programme is a virtual work experience programme which allows employers to provide high quality work experience that will raise the career aspirations of students across all of Scotland, regardless of their location. It increases employer capacity and capability to offer enriched work experience for non-traditional groups, while reducing the costs of a physical work placement. The cost of offering a GiGo placement is estimated at £166, markedly lower than that of a traditional placement (estimated at £1300). We believe the programme has the potential to meet some of the needs around social inclusion/mobility, developing work readiness/employability skills and promoting Financial Services as a career. We are currently exploring routes for funding and would welcome further discussion about opportunities available under this programme.

<sup>2</sup> Get in Get on is part-funded by the UK Commission for Employment and Skills under the Growth and Innovation Fund (GIF). GIF funding is only available to support projects in England.

### **SME competitiveness**

This objective aligns with the Scottish Government Economic Strategy (2011). 95% of businesses<sup>1</sup> in the FPS sector are SMEs, accounting for 295,000 of our enterprises and employing over 1 million people. We are acutely aware of the vital role that they play in supporting the economy, and appreciate the challenges they face. Between 2006 and 2010, the number of establishments in Scotland declined by 11 per cent, highlighting the need for urgent action. We support a strategy that recognises the positive impact that skills could have on these businesses. Supporting SME competitiveness will allow our employers to grow their businesses, which, in turn, will build capacity, providing further employment and thus benefitting the wider economy.

FSP is currently delivering a programme called the Hidden Powerhouse. This programme consists of two elements, both of which benefit SMEs:

The [Graduate Foundation College](#)<sup>3</sup> is an ambitious industry-led initiative to help young graduates move into a career in financial services and creates a much needed talent pipeline for small to medium sized advisory firms for key roles such as financial advisors.

The [SME toolkit](#)<sup>4</sup> offers supports business in terms of the skills needs of their workforce covering training and competence (a regulatory requirement), apprenticeships, internships and finance for SME start-ups.

There is real potential for us to work with Scottish Government and industry to support this objective. In Scotland there is a drive to encourage and incentivise SMEs to employ more graduates. We would be pleased to use our programmes to support this ambition, working in partnership with government and industry. Additionally, stronger engagement and collaboration between large corporations and SMEs could open up opportunities that are of mutual benefit, such as reaching new audiences and demonstrating corporate social responsibility.

The Scottish Government Economic Strategy, under the Supportive Business Environment theme commits to providing 'advice and support to help SMEs grow, to hire staff and take on apprentices'. We believe that the programmes we have developed such as GiGo and the Hidden Powerhouse would be effective in supporting the ambitions of both the SGES and the European Structural Fund Programme.

### **ICT**

All businesses, including the FPS sector will benefit from targeted support for improving general ICT skills. The speed at which technology is changing presents further challenges for businesses. Employers in the industry recognise that in order for them to remain competitive and innovative, new skills will be required. Priority skills include keeping pace with modern design and delivery methods, compliance with new regulation and mitigating against risk. These are all crucial for restoring confidence in the sector. This support must be accessible to both large and small businesses to ensure that there is an equal playing field for competitiveness.

<sup>1</sup> FSP Sector Skills Insight (unpublished research)

<sup>3</sup> The Graduate Foundation College has been developed by the Financial Skills Partnership in association with Aviva, Department of Work and Pensions (DWP), Inmarkets, Institute of Financial Planning (IFP), Just Retirement, Calibrand, Personal Finance Society (PFS), Redland Business Solutions, Scottish Widows, Sesame Bankhall Group (SBG) and Tenet Group. The Graduate Foundation College is partly funded by the UK Commission for Employment and Skills (UKCES) and the industry bodies named above.

<sup>4</sup> The SME toolkit is part-funded by the UK Commission for Employment and Skills under the Employer Investment Fund (EIF). EIF is a UK-wide fund.

**Question 3 – Do you think there are any other thematic objectives which should be addressed?**

As indicated under Question 2 we can see opportunities for the chosen objectives to link with other skills priorities. The consultation indicates that the three objectives that have been rejected were seriously considered and so we would suggest that a strategy that attempts to support these objectives where it is complementary to those selected would be helpful. For example, we feel that we could support capacity building alongside social inclusion through programmes such as the hidden powerhouse.

**Question 4 – Do you think the Scottish Themed Funds will address Scotland’s key challenges?**

The themed funds that have been identified appear broad enough to address a number of Scotland’s challenges and the challenges of the sector. We recognise the rationale for limiting the funds to fewer, larger projects, however, it will be important to strike the balance between size and impact. We would caution that impact and effectiveness should be the prevailing criteria and consideration should also be given to projects that have the potential to apply more widely across sectors.

**Question 5 – How do you think the governance and delivery arrangements will impact on your sector?**

As an independent, employer-led charity, the employers in our sector value and trust our services. In addition, we work closely with agencies such as Skills Development Scotland and we have a strong track record of collaborative working. We are therefore ideally placed to obtain employer support as well as being in a position to use our expertise and experience to support the delivery of European Structural Fund Programmes. We would be happy to discuss how we may be able to assist.

**Question 6 – How do you think the governance and delivery arrangements will impact on your organisation?**

**Question 7 – Are there any unidentified governance or delivery arrangements that could aid simplification of the future programmes and ensure that the Structural Funds complement each other?**

**Question 8 – What other delivery options do you think would be feasible for delivering youth employment initiatives?**

**Question 9 – What other measures could be taken to reduce the audit and control pressures?**

**Question 10 – Do you have any further comments on the proposals?**