



**Scottish Parliament Education and Culture Committee**

**Inquiry into Scotland's Educational and Cultural Future**

**Written Response by Scottish Chambers of Commerce**

# **SUMMARY**

## **THEME ONE: FURTHER/HIGHER EDUCATION**

- **INTERNATIONAL STUDENTS/IMMIGRATION:**
  - Our educational establishments are competing against a larger number of increasingly resourced and well marketed institutions across the globe and we cannot afford to be complacent.
  - Business and education must work together to harness the strengths of our education system for the benefit of the Scottish economy and use business knowledge and experience to optimise the performance of our learning providers.
  - A distinctly Scottish approach towards migration could assist Scottish businesses in attracting suitably skilled staff.
  - In order for Scotland to attract inward investment and gain a competitive advantage through attracting a higher number of non-UK students, Scottish HEIs could offer fixed tuition fees.
- **RUK TUITION FEES**
  - If the length of traditional Scottish four year degree courses is any disincentive to attracting students from tuition fee paying domiciles, then this would strengthen the case for a reduction in the length of some degrees.
  - If Scotland is serious about ensuring that our universities have the tools to compete internationally in a long term, sustainable way then consideration must also be given to allowing HEIs to charge tuition fees to Scottish students.
- **RESEARCH FUNDING**
  - We must ensure that our universities remain among the best in the world, by securing the future of research funding we can make certain that Scottish HEIs do not experience a drain on talent.

## **THEME TWO: EARLY YEARS / CHILDCARE / EMPLOYABILITY**

- **CHILDCARE**
  - Research conducted by Chambers of Commerce has shown that childcare issues are proving to be a significant barrier to growth. With the economy returning to growth, it is increasingly important to remove the obstacles preventing skilled individuals from entering or re-entering the workforce, irrespective of the outcome of the referendum.
- **YOUTH EMPLOYABILITY & SKILLS**
  - Sir Ian Wood has highlighted the productive school/business partnerships that are being led by Ayrshire Chamber of Commerce and Renfrewshire Chamber of Commerce as examples of best practice within his interim report. We welcome the contribution of the Wood Commission to the debate and we are continuing to work with them on this issue.

- SCC worked as a key partner in Education into Enterprise (EiE), a work placement programme, which delivered 800 work placements which ensured that businesses gained direct benefit from the students' skills and resource.
- SCC is calling for an overhaul of the way careers education is delivered, and its focus, in order to ensure that young people are made aware of the opportunities and limitations of the subject and career choices that they are considering.
- There needs to be a single point of entry for employers to the raft of options in the marketplace with simple navigation and explanation to allow the business to access the support that is right for it and its employees.
- An emphasis on international skills and experience – including exploration of making an international element of study or work a mandatory part of all Scottish university degrees.

### **THEME THREE: BROADCASTING & CULTURE**

- Whether or not Scotland chooses to go down the route of independence, it will be necessary to review the operation of broadcasting in Scotland, particularly from the perspective of public service broadcasting.
- There are huge opportunities to exploit synergies between our broadcast media and electronic media developers. In order to achieve this, businesses require an appropriate level of support, including fiscal incentives to assist firms to compete in the global marketplace.
- We welcome the announcement that the Scottish Government and Scottish Enterprise are seeking to work with the private sector to locate a film and TV studio facility in Scotland.

## **1.0 Introduction**

Scottish Chambers of Commerce is a politically impartial organisation and our remit is to represent the interests of our members. As such, we have not adopted a stance either in favour of independence or in favour of the union. Our approach can best be described as one of 'policy not politics'. We are working to ensure that our members' views on policy issues help to guide the actions of politicians and government irrespective of Scotland's constitutional status and we are also aiming to ensure that our members are as informed as possible of the issues surrounding the constitutional debate in advance of the referendum in September 2014. The network of Chambers of Commerce across Scotland has hosted numerous events bringing together businesses with politicians, academics and others with a view on the independence debate and has sought to make the debate accessible to as many businesses as possible. This is a very welcome inquiry, giving the opportunity for us to

highlight in particular some of the issues, which are high priorities for business, whatever the outcome of the 2014 referendum.

## **2.0 The Context of Scotland's Future**

Over the last 18 months there has been wall-to-wall media coverage on Scotland's future. Increasingly, the businesses that Chambers represent are asking for our guidance and insight around this debate. How do they factor uncertainty into their planning? How can they inform their staff without appearing partial? What are the business consequences of each referendum result? When will we get some detailed answers on the many questions that we have?

It appears that the 'yes' and 'no' groups are not clearly communicating that Scotland is already different, and will continue to be different no matter the outcome on 18<sup>th</sup> September 2014.

The political nature of the debate presents us with (only) two options, whereas in reality at least six are available for consideration: the current devolution settlement; less of it; more of it, as much as possible of it, a federal UK and independence being the most obvious.

## **3.0 Theme 1: Further and Higher Education**

### **3.1 Immigration Policy & International Students:**

Scotland's businesses are driven by the skills and ingenuity of their people. Without the right know-how, expertise and experience, our business won't develop, won't grow the Scottish economy, and won't provide more and better jobs. Moreover, Scotland is rightly proud of a historically excellent education system and our universities are among the best in the world.

Scotland's education system has always been distinctive from that of the rest of the UK, with its own management and funding systems and qualifications. Following the referendum in 2014, we could, therefore, carry on as we are whatever the outcome of the vote. Or, we can turn the referendum – and, indeed, the period we are in now as we approach the vote – into an opportunity to focus on effecting transformational change that will provide the impetus for creating a world leading skills base driving business growth in Scotland – and recognising that growth requires an international focus, and willingness and capacity to compete on a global basis.

Whilst Scotland's universities in particular currently enjoy relative success in international terms, with 5 of the world's top 200 universities and a host of world leading centres of excellence, other nations are investing heavily in developing their own universities. Our educational establishments are competing against a larger number of increasingly resourced and well marketed institutions across the globe and we cannot afford to be complacent. Our universities must have the resources they need to be the best and they must utilise all existing funding streams and, indeed, develop new ones in order to succeed.

Skills strategy and provision must be reformed, driven by business needs, to enable young people to optimise their future contribution to Scotland's economic growth. To achieve this, business and education must work together to harness the strengths of our education system for the benefit of the Scottish economy and use business knowledge and experience to optimise the performance of our learning providers. Alongside this, Scotland must remain competitive by attracting talent not only within the UK but also at an international level.

The UK has enacted numerous measures to reduce migration flows in recent years, with the current government indicating its intentions of restricting migration with a view to an overall reduction in net migration. Conversely, the White Paper illustrates the Scottish Government's vision for migration policies which attract and retain skilled migrants in Scotland, helping to meet diverse economic and demographic objectives and thus identifying an approach that is in stark contrast to Westminster. Current immigration policies can be accused of having a detrimental impact on encouraging international students to attend Scottish Higher Education Institutions (HIEs). SCC supports the introduction of an immigration policy which seeks to stimulate growth in the number of international students entering Scottish HEIs. Not only will such policies help attract students to Scottish universities but could also help forward plan for future skills shortages. Internationally, one model Scotland should be looking at is Quebec, which has its own, different, immigration criteria separate from the rest of Canada. Perhaps a similar model could assist Scottish universities in targeting international students. Such a distinctly Scottish approach towards migration could also assist Scottish businesses in attracting suitably skilled staff both through graduate recruitment and directly from overseas.

Getting immigration and visas right is essential to the international appeal of our universities. Greater opportunities for short-term post graduation visas for, for example, Chinese students in order to allow them to undertake work experience in Scotland's small businesses would deliver direct business benefits and foster long term business connectivity.

Over the last decade, Scottish HEIs have experienced an increase in the number of EU and international students. Current figures indicate that Scotland has a higher share of students attending HEIs who come from countries outside the UK than the UK as a whole. Thus, Scotland receives a larger share of tuition fees than RUK from EU and international students. Research carried out by Centre for Population Change states that approximately 25,000 (out of a total of 87,500) of first year students enrolled in Scottish HEIs were from countries

outwith the EU. However, the share of international students differs considerably throughout Scottish HEIs, indicating that any change in immigration policies or tuition fees would have an asymmetric effect on HEIs across the UK.

In order for Scotland to attract inward investment and gain a competitive advantage through attracting a higher number of non-UK students, Scottish HEIs could offer fixed tuition fees. A fixed rate would mean that international students would not be subject to unanticipated rises in their tuition fees throughout the duration of their chosen course. Abolition of in-course fee rises stops unpredictable rises. Fixed rates could act as an incentive for international students to study at Scottish HEIs.

The significance of attracting this particular group of students is not simply in terms of their direct financial contribution in terms of tuition fees (around £188 million in 2012) but also their spend in our wider economy (£321 million) and the valuable business networks that they initiate when studying in Scotland, which can be utilised by Scottish businesses and by the universities themselves through their connectivity with alumni.

### **3.2 RUK Tuition Fees:**

If Scotland's academic institutions are to continue to prosper then they must be seen as high quality, attractive and competitive places to study. Funding models must allow Scottish HEIs to compete on a level playing field with the best universities throughout the UK and internationally. Tuition fees must strike a balance between revenue raising and a value for money proposition to potential students. If the length of traditional Scottish four year degree courses is any disincentive to attracting students from tuition fee paying domiciles, then this would strengthen the case for a reduction in the length of some degrees. This could also have the effect of reducing business costs for companies with existing employees or students being sponsored through the university system.

If Scotland is serious about ensuring that our universities have the tools to compete internationally in a long term, sustainable way then consideration must also be given to allowing HEIs to charge tuition fees to Scottish students.

### **3.3 Research Grants**

Funding future research is an important discussion surrounding the independence debate. UK research grants currently provide 26% of the total amount of research funding. An important example of this in monetary terms is that of Edinburgh University which won £83 million of its research funding from UK research grants, this amounts to a third of its total research funding. The policy proposals for an independent Scotland, as per the White Paper, indicate the Scottish Government's intention of entering into negotiations with Westminster to establish a fair funding formula with UK research councils. Further stating that 'It is clearly

*in the interest of both Scotland and the rest of the UK to maintain a common research area including shared research councils, access to facilities and peer review’ (p. 201).*

However, it has been argued that independence could result in Scottish universities losing substantial amounts of research funding. Throughout 2012-2013 a total of £257 million was won by Scottish HEIs from UK research grants, this amount equates to 13% of UK funding for research, in comparison to Scotland’s share of UK GDP at 8%. If research council funding to Scottish institutions could not be agreed in the event of independence, research funding could be under threat, which in turn may result in Scotland losing academics from the pool of talent to RUK HEIs. This raises questions as to the future stability of our academic institutions. We must ensure that our universities remain among the best in the world, by securing the future of research funding we can make certain that Scottish HEIs do not experience a drain on talent.

Scottish universities also greatly benefit from EU funding. Scotland has been successful in obtaining considerable funding from the EU 7th Framework Programme (FP7) through the European Research Council (ERC). Scottish organisations have received funding for over 4,000 projects between 2007 and 2012, amounting to €351 million of funding. This represents 9.3% of total FP7 funding awarded to the UK. With the ERC now being part of Horizon 2020, the total budget allocated to the ERC for the period 2014-2020 is € 13.1 billion – an increase of 60% in real terms over the previous funding period. There may therefore be increased opportunities for European funding for our universities in the years ahead. We must also ensure that SMEs are engaged with delivering the Horizon 2020 agenda.

## **4.0 Theme 2: Early years, Childcare and Employability**

Research indicates that the high cost of early years childcare can prevent parents from seeking employment, as the cost of a single place in nursery has experienced a significant increase of 77% since 2003. Additionally, a recent report from the Institute for Public Policy Research has indicated that more affordable childcare costs for 0-2 year olds and 3-4 year olds could help to increase the numbers of women in work and in full time work respectively. We must challenge a system that discourages those who are able and willing to work from contributing to the economy. At the time of writing, Unemployment is falling faster amongst men than women.

The Scottish Government has already taken action to extend funded nursery provision for 3 and 4 year olds and to make this more flexible. It has also made childcare a central policy to its White Paper, *Scotland’s Future*. Research conducted by Chambers of Commerce has shown that childcare issues are proving to be a significant barrier to growth and this has been underlined by the recent Family and Childcare Trust report. With the economy returning to growth, it is increasingly important to remove the obstacles preventing skilled individuals from entering or re-entering the workforce, irrespective of the outcome of the referendum. If the evidence suggests that more available and more affordable childcare

would help address a variety of issues such as supporting parents returning to employment, child development and gender equality, then this is a policy which Scotland must follow irrespective of whether Scotland becomes independent and action should be taken now to deliver this.

#### **4.1 Youth Employability & Skills**

The changes, which will make Scotland thrive, begin with attitudes and culture. Change these, and the necessary changes to systems and structures follow. To grow Scotland's economy, our businesses need:

- Parity of esteem for vocational and academic learning,
- An education system that values and nurtures entrepreneurship, and
- An emphasis on international skills and experience, so that our young people can support the Scottish economy to take off – including looking into making an international element of study or work a mandatory part of all Scottish university degrees.

The Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood will shortly be publishing its report, with recommendations on ensuring that Scotland produces better qualified, work ready and motivated young people with skills relevant to modern employment opportunities. We have already seen from the Interim Report of this group, published in October 2013, that Sir Ian is looking towards closer linkages between schools, businesses and colleges and a strong focus on STEM subjects as key parts of Scotland's future skills provision. Chambers of Commerce are already operating in this area and Sir Ian has highlighted the productive school/business partnerships that are being led by Ayrshire Chamber of Commerce and Renfrewshire Chamber of Commerce as examples of best practice within his interim report. The report also recognises that the education system must explore new models of working with small businesses. Scottish Chambers of Commerce welcome the contribution of the Wood Commission to the debate and we are continuing to work with them on this issue.

Work experience speaks volumes to employers. It enables school leavers and graduates to beat the competition to a job, as well as ensuring that they know what they will encounter in the workplace. The optimum model sees students undertake work placements, relevant to their skills and accredited as part of their course, that also help the host business. While many directly vocational courses have an 'in industry' element to them, this is not the case for other subjects; SCC is keen to work with the education sector to support expansion of this, whereby businesses work alongside schools and universities to make young people more employable. Scotland's businesses need the skills and integration of work experience into the education system is essential for employers, young people and education providers.

- Scotland businesses and Scotland’s government must work in partnership to achieve a skills and education system that responds to business need.
- This has to include a careers service that supports young people to make choices that will prepare them for the realities of their future careers, and enable them to perform to the best of their abilities in the real world.

SCC worked as a key partner in Education into Enterprise (EiE), a work placement programme, which delivered 800 work placements which ensured that businesses gained direct benefit from the students’ skills and resource. EiE directly supported the engagement of SMEs with educational establishments and students, giving the employers a first hand view of the benefits this can bring to their growth aspirations.

An important piece of the jigsaw joining up skills and business is ensuring that the best possible intelligence is available about future skills requirements – to influence careers advice, as well as funding and provision of training, further and higher education. The recession that hit us in 2008 and the continuing economic downturn sparked a crisis in youth employment across Europe – and Scotland did not escape. Despite a huge focus recently from both public sector policy makers and the business community, we still see some industries reporting recruitment difficulties due to skills shortages – notably energy, engineering and tourism. This indicates that we are not, in Scotland, doing enough to encourage young people into studying for qualifications in these disciplines – qualifications that would result in jobs with good career progression prospects. SCC is therefore calling for an overhaul of the way careers education is delivered, and its focus, in order to ensure that young people are made aware of the opportunities and limitations of the subject and career choices that they are considering. We acknowledge the efforts being made by Skills Development Scotland on this agenda, but believe that more needs to be done to ensure that Scotland’s careers services fulfil the needs of young people and of business. Subject choices are made at an early stage in the secondary education process and this can close off opportunities too early for many and limit options for future career choices. There is a strong case to be made for continuing with a broad education for longer.

In terms of the interaction between current UK and Scottish youth employability initiatives, this can be very confusing for businesses in terms of messaging and accessing services. There needs to be a single point of entry for employers to the raft of options in the marketplace with simple navigation and explanation to allow the business to access the support that is right for it and its employees.

#### **4.2 A skills and education system designed to deliver:**

A progressive nation must be prepared to leave behind anachronistic structures. The traditional university four year degree course structure was designed when schools operated differently, when university students came from predominantly well-off households, when spending the summer at home was necessary to help bring in the harvest and when the

possibility of moving into a degree course at its halfway stage after completing the first part of your higher education at a college, was an unheard of route to a degree. The traditional model does not reflect the realities of our century.

A one-size-fits-all approach to structural reform will not work. But the time is ripe to look at each degree course and identify the reforms that could make it work better. Where possible, these should be business led.

- Could the course be taught in a shorter period of time, enabling the student to progress more quickly and reducing the debt burden?
- Or could it be taught more flexibly, allowing the student to carry out meaningful paid work that contributes to their employability and career development at the same time as studying for their degree? Could the structure of the academic year be reformed to accommodate this?
- Could a period of time spent in industry be accredited for more students? Student and university funding structures need to be altered to accommodate and incentivise this.
- Might it be possible to make university courses more flexible in order to allow students to change their chosen subjects more easily in the first two years of university in order to best meet their evolving ambitions.

Finally, we must challenge Scottish businesses to grow, taking advantage of international markets where real growth potential lies. Scotland's small businesses, which comprise such a large proportion of our business base, have their best opportunity to grow by making full use of the international opportunities that exist in our 21<sup>st</sup> century global economy.

## **5.0 Theme 3: Broadcasting and Culture**

There has for some time now been considerable debate about the value Scotland derives from the broadcasting industry, particularly the BBC and Channel 4, and how indigenous broadcasters such as STV can thrive in the local, UK and international markets. Scotland has a proud history of television production and Scottish production businesses have created and delivered some of the most successful and iconic television of the past 50 years. From a business perspective, the question is how Scotland can best grow its broadcast media industry, satisfying customer needs and expectations and ensuring that creative industries find Scotland a fruitful place to do business.

In the event of independence, the Scottish Government has outlined its intention of setting up a 'Scottish Broadcasting Service' (SBS), with plans for the service to begin broadcasting at

the end of the BBC's current charter on the 31<sup>st</sup> of December 2016. The benefits promoted are that of securing roles for home talent in the form of opportunities for Scottish producers. Thus, independence could profoundly affect broadcasting in terms of its financing and structure. The White Paper estimates that licence fee revenue derived from Scotland is in the order of £320 million but that only £175 million is spent by the BBC on public service broadcasting and production in Scotland. The Scottish Government estimate that with the addition of BBC commercial profits and existing Scottish Government funding for Gaelic broadcasting, this spend would almost double to £345 million in an independent Scotland. Any increased spend on Scottish broadcasting would be welcome but we must also ensure that Scottish products have the greatest possible opportunity to reach as wide a market as possible.

We welcome the announcement that the Scottish Government and Scottish Enterprise are seeking to work with the private sector to locate a film and TV studio facility in Scotland. This would help harness industry skills in Scotland. We must also learn from the examples of Canada and Ireland in terms of the offer Scotland has to film and TV production companies and our ability to attract investment.

Whether or not Scotland chooses to go down the route of independence, it will be necessary to review the operation of broadcasting in Scotland, particularly from the perspective of public service broadcasting. The priority must be to foster the development and growth of creative industries in Scotland, building upon the many successful businesses operating across the country. With cross-platform media becoming the mainstream, there are huge opportunities to exploit synergies between, for example, our broadcast media and electronic media developers. In order to achieve this, businesses require an appropriate level of support, including fiscal incentives to assist firms to compete in the global marketplace.

The context of Scottish broadcasting will also be highly relevant to commercial ambitions. There are ongoing efforts to attune the output and content of broadcasters to meet the demands of the Scottish audience and, even in the absence of independence, there may be pressure to increase the levels of Scotland-specific and Scottish-sourced content across all broadcasters serving Scotland. Again, this would be welcome from the point of view of facilitating the growth of the commercial broadcasting industry in Scotland.

## **6.0 Post Referendum Scotland**

Scotland's businesses look forward, following the referendum, to policy makers returning their focus to creating economic growth that benefits Scotland's society. SCC would urge those policy makers to spend time listening to and learning of the needs and successes of Scotland's businesses. While Scottish policy makers debate the country's constitutional

future, Scottish businesses are working hard to ensure that future is a successful one for Scotland's businesses and Scotland's young people. Only by working in partnership with business can policy makers hope to support a culture and a system that will engender prosperity for Scotland and its business community.

**Scottish Chambers of Commerce**  
**March 2014**

## **About Scottish Chambers of Commerce**

Scottish Chambers of Commerce (SCC) is the most connected and influential business membership organisation in Scotland representing 22 locally accredited Chambers of Commerce. Chambers of Commerce in Scotland has a collective membership of 10,500 small, medium and large businesses, from all sectors of the economy, which employ over half of Scotland's private sector workforce.

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