

# CIPD

Championing better  
work and working lives

## Interim report

June 2015

Scotland's *skilled*  
*future:* A pathway to  
productivity and prosperity



The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 135,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

# Scotland's Skilled Future: A pathway to productivity and prosperity

## Interim report

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# Foreword

Scotland has been through some significant political and economic changes over recent years. Our constitutional future, though far from settled long term, will be one of increasing autonomy within the UK. Our economic future will be shaped by global business cycles and events in our hinterland markets, the rest of the UK and Europe by policies which will increasingly diverge from the UK. Our future is, however, a bright one if we can harness the skills of our people and build productivity and prosperity. However, to do this we need an active and engaged people and development profession involved in developing skills from pre-school to pension age and beyond. We need to meet some skills ‘asks’. These are outlined in Figure 1.

They range from:

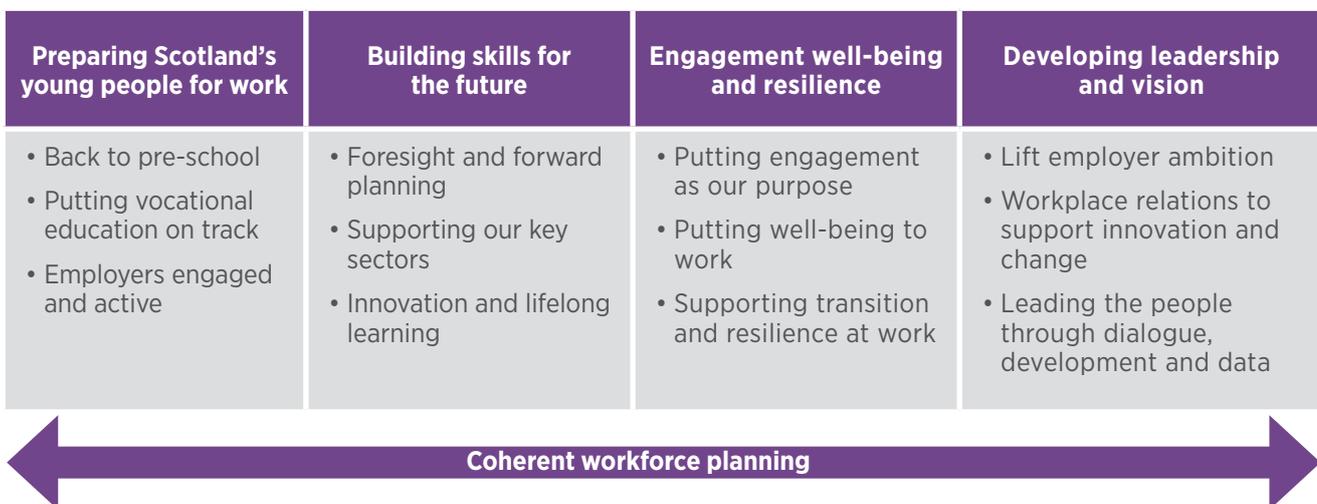
- developing young people from the toddler stage to their first day at work through all the supporting skills and qualifications at school and college
- keeping a weather eye on demographics, including ageing and migration, trends in technology which can both displace and deliver jobs, and become the champion of innovation and continuous learning
- making the workplace a centre of engagement, well-being and resilience if we are to get the best out of our workforce, delivering productivity for our nation and prosperity for our people.

To achieve all of this people and development professionals need to show leadership and challenge

others to do likewise. We should ask unions not just to ‘participate in workplace democracy’ but to offer solutions. We should ask business leaders to raise ambition to invest in skills and to raise their game. We should demand of ourselves that we promote a continuous dialogue about the challenges and opportunities faced, a focus on development and learning to help people adapt and respond. To drive insight and impact we need to be grounded in data and evidence at all times.

By understanding deeply and connecting with the purpose of developing Scotland’s human capital and tapping our talent at every level, we will be at the forefront of building Scotland’s skilled future. This report sets out the challenges and opportunities and how we can meet them and benefit from them.

**Figure 1: Scotland’s skilled future: headlines**



# 1 Developing our young people

## Preparing Scotland's young people for the world of work

*'Today in Scotland, we have 53,000 young people not in work and not in education waking up wondering if their society has any need for them.'*

**Sir Ian Wood, Chair, Commission for Developing Scotland's Young Workforce**

That figure has fallen slightly since Sir Ian Wood pronounced it in November 2013. Scotland's performance on youth employment is in the top rank for the EU. A higher youth employment rate (56.1%), a lower youth unemployment rate (15.3%), and a lower rate of inactivity (33% compared with 37.2%) represent a slow but steady improvement. Another 20% of young people in employment are classed as 'underemployed', a percentage

which has not budged over the years and tells a more complex story replicated in the adult labour market. But, overall, young people are less likely to be long-term unemployed in Scotland than in the UK as a whole (see Table 1).

Though Scotland comes firmly in the top group of 30 EU states in terms of youth unemployment, we can do far better. There is a growing pool of research and policy on youth unemployment and inactivity and its consequences for society (see Bell and Blanchflower 2010, Dolphin et al 2014). CIPD Scotland wants to focus in this report on what might be termed the 'supply chain' for youth labour market engagement - starting with the early years, which are so formative in terms of skills. We outline our thinking on what should happen in Figure 2.

*'Though Scotland comes firmly in the top group of 30 EU states in terms of youth unemployment, we can do far better.'*

**Table 1: Headline youth employment Scotland (%)**

	2013-14	2014-15	Year-on-year % change
Employment rate	53.0	56.1	+3.4
Unemployment rate	15.6	15.3	-3.7
Inactivity rate	37.2	33.7	-1.2

**Figure 2: Developing Scotland's young people**

<b>Getting them young</b>	<ul style="list-style-type: none"> <li>• Importance of early years education</li> <li>• The impact of poor socialisation skills and society</li> <li>• The employer challenge and opportunity</li> </ul>
<b>Getting vocational training on track</b>	<ul style="list-style-type: none"> <li>• Scotland's problem of two halves</li> <li>• Better vocation learning through CfE and SQCF</li> <li>• The role of apprenticeships and STEM</li> </ul>
<b>Connecting schools and the workplace</b>	<ul style="list-style-type: none"> <li>• Implementing the Wood recommendations</li> <li>• Using the CIPD's Learning to Work programme</li> <li>• Working with IYYP to accredit youth employment activity</li> </ul>

### **Getting them young: the pivotal importance of pre-school education**

*'The highest rate of return in early childhood comes from investing as early as possible, from birth through age five. Starting at age three or four is too late, as it fails to recognize that skills beget skills. The best investment is in quality early childhood development from birth to age five for disadvantaged children and their families.'*

**Professor James Heckman, Nobel Prize-winning economist**

The returns to pre-school education are significant. Evidence from the US shows that 'at-risk' children who were placed in pre-school programmes were able to flourish and were more economically and socially mobile as a result. The return on investment from among other impacts, foregone costs of repeated school years, prison costs, and other social costs, amounted to about a 7-10% reduction on such expenditures overall. Indeed, Heckman derived a curve which shows that the return from pre-school education outranks all other forms of education in terms of socio-economic benefit. Building evidence from psychologists, economists, neuroscientists and biologists suggests that the pre-school years are critical to learning and life chances (Putnam 2015). A report by the Work Foundation and Scottish social enterprise the Wise Group summarises the evidence well within a Scottish context (Sinclair 2008).

The evidence is clear: by the time children get to primary school, they have been socialised by their surroundings and influenced to a major degree by their parents. The increasingly important workforce attributes such as character and resilience are cast in early childhood (see Tough 2014). This matters massively to Scotland's skilled

future. It is both an economic and social necessity that every available young person is a participating and productive adult in the near future. Despite our good overall employment record in Scotland, a high number of young people are excluded from the labour market. Many are there because they have not had the right start in life. The policy challenge and opportunity is to make shifts through developing pre-school education.

### **Getting vocational education on track**

One major problem is that society expects the education system to deliver either an academic path or one which has generally been perceived by parents and young people as one of relative failure. Arguably we need fewer young people automatically locked on to higher education, and more of our smarter young people accessing apprenticeships and the workplace. In short, we need much more choice and diversity. This is well known to policy-makers, but to move the needle we need a revolution in vocational education.

The development of a vocational route is already well under way in Scotland, with the *Curriculum for Excellence* (Cfe) and the deliberations of the Wood Commission's promise to extend this further. The further education (FE) college network is being organised so that those who are not switched on at school can learn practical skills when they leave school early. Curriculum for Excellence, which has been introduced progressively from 2011, seeks to build a basis for lifelong learning, blending the subject silos which tend to fence off effective learning and preparing young people for a series of learning experiences from the ages of 3 to 18. This acknowledges that lifelong learning and lifetime skills start

with developing young people. However, there is an issue about deteriorating primary school performance, which has been raised in a recent report by Audit Scotland (2015). Some have been quick to blame Cfe and some, such as the teaching union EIS, are quick to defend it. The debate rages around whether it's too unstructured to support learning or whether those who favour testing are stunting growth and experimentation. In truth, the real issue is that we need to examine the evidence for underperformance at primary level. We have a great deal of data on the secondary level and research points to the value of testing as a means of checking the retention of learning (see Carey 2014). Of course testing can be destructive and limiting, but it must be seen as a method, not a panacea. Allied to this is Scotland's new qualifications and credit framework. The SQF allows qualifications and learning to be mapped easily and CIPD Scotland is working with the Scottish Qualifications Authority to roll out roadshows across Scotland to highlight the framework. At the very least, HR and people and development professionals should be aware of these initiatives (as many will be in their role as parents, aunts and uncles, and so on), but for these to remain as a dynamic contribution to Scotland's skilled future, we need to be involved more in shaping and developing these initiatives.

These debates and controversies are healthy and should continue. However, Scotland needs to participate fully in international benchmarks of child and adult such as those conducted by the OECD. Scotland's government measured adult skill levels in 2009 but seems to be reappraising its approach overall. The Government wants to conduct a distinct education and labour market

policy, but it also needs to be aware of credible international benchmarks.

### Connecting Schools and the Workplace

For young people to fully participate in Scotland's Skilled Future, they need to know what's available for their skills and talents. Employers need to engage with schools and CIPD is already involved in the Inspiring the Future programme to make this happen. Though Scotland has a credible and efficient careers service integral to the government's skills policy. But employers need to support it more.

Arguably the most significant youth employment policy is that of apprenticeships. In CIPD Scotland's national membership survey, nearly half of Scottish respondents saw the Scottish Government's flagship strategy of modern apprenticeships as a key part of their workforce strategy. About a third were

seeking further information and just under a tenth had ruled out engaging modern apprenticeships (see Figure 3).

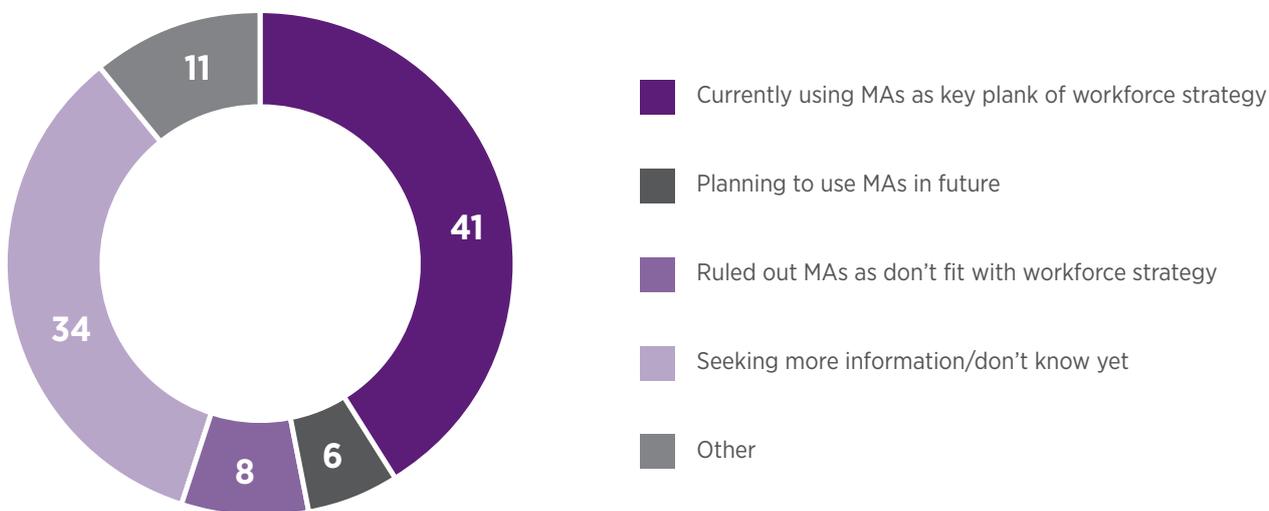
CIPD has been deeply engaged in the skills and learning journey through our Learning to Work campaign. This helps employers to develop their business through the skills and talents of young people. CIPD Scotland will be producing a Scotland guide for employers using the learning to work approach in the Autumn.

Young people themselves are switched on to the modern apprenticeship route. Research conducted by Skills Development Scotland (SDS) (2014) showed that the vast majority of young people favour apprenticeships and would recommend them to their peers. Two-thirds valued the route as a way of gaining qualifications, and half saw them as important in learning new skills. The Wood

Commission suggests that we use apprenticeships as the first step on the ladder from school into work and that we engage young people in that route to work much earlier. However, the Commission rightly explains that many modern apprenticeships in the skills we will most need are based on science, technology, engineering and mathematics (STEM). Awareness of STEM and its derivatives, such as STEAM (where arts are added into the mix), is key. The debate about how early young people should be introduced, for example to computer coding, is being opened up by global technology firms such as Oracle, which point to the high number of jobs in the future which will be based upon managing and maintaining embedded information technology. Of course, a claim could easily be made for learning Mandarin or Hindi, or for young people to gain skills in robotics and artificial intelligence (AI). This brings us neatly towards our next big skills 'ask': developing foresight for future skills.

**Figure 3: CIPD member perceptions of apprenticeships (Scotland) (%)**

**Modern apprenticeships**  
 Almost half work for organisations which are already using modern apprenticeships (MAs) or plan to introduce them in future, while just 8% have ruled them out completely.



## 2 The skills for the future

*‘The skills for Scotland’s future will be driven by a mixture of supply and demand-side trends in business and society. It is clear that in a fast-changing business world, those challenges will change constantly and so must our solutions.’*

The skills for Scotland’s future will be driven by a mixture of supply and demand-side trends in business and society. It is clear that in a fast-changing business world, those challenges will change constantly and so must our solutions. For HR and the people and development profession to be effective in driving future skills, we need to drive three major approaches:

- 1 Exercise forward thinking and foresight so that our contribution to the development of skills and capability in Scotland is grounded and credible.
- 2 Engage with the challenges of our leading sectors using the information provided by a range of government agencies and partnerships to make a targeted contribution on people and development.
- 3 Understand and promote the value of lifelong learning and change from pre-school to pension age and beyond.

Covering everything from post-school education to workplace innovation and lifelong learning will help us to build an integrated approach.

### Foresight and forward thinking

In the seventeenth century, the Brahan Seer, or in Gaelic *Coinnneach Odhar*, was said to be gifted with ‘the two sights’: an ability to see both this world and another world. To contemplate Scotland’s future and the skills which will drive it we need to get into that mindset. Looking at our current economy is a good starting point, but the skills of the future are not necessarily predictable.

### Demographics

Scotland’s population has risen recently to its highest level for many years. We faced the prospect of our population falling below 5 million around 15 years ago. Now at just over 5.3 million we have slipped the noose, but we are far from breaking free. By 2033, 17%

Figure 4: Skills for the future

<b>Foresight and forward planning</b>	<ul style="list-style-type: none"> <li>• Demographics</li> <li>• Trends, talent and technology</li> <li>• Taking a longer view; workplace planning</li> </ul>
<b>Scotland’s leading sectors</b>	<ul style="list-style-type: none"> <li>• Energy, construction, hospitality, ICT, healthcare and bioscience, financial services, food and drink, engineering</li> </ul>
<b>Innovation and lifelong learning</b>	<ul style="list-style-type: none"> <li>• Degrees, further, higher, faster</li> <li>• Taking innovation to the workplace</li> <li>• Lifting lifelong learning</li> </ul>

**Table 2: Scotland's demographic dilemma**

Age group	2011 (% change since previous census 2001)	2035 (projected % change from previous census 2011)
0-15	-6	+3
16-29	+11	-3
30-44	-9	0
45-49	+14	-2
60-74	+16	+46
Over 75	+14	+82

Source: Registrar General Tables of Population

of our population will be under 16, 60% will be aged 16-64 and 17% aged 65 or over (see Table 2). Understanding how our population is both depleted and replenished and its structures and trends are key skills in developing foresight. Engaging with issues such as dependency ratios, healthy life expectancy and developing a sophisticated understanding of migration can help us in planning for the future.

Life expectancy in Scotland is increasing, in common with most developed countries, but our life expectancy is lower than average and the health burdens of ageing are heavier on our population given the legacy of poor health. Indeed, the number of people long term who can work to support that population is falling while the number who need to be supported by their taxes is rising. It's known as the dependency ratio and it points to the need for a fully active population, but even then we will need an increased supply of workers to support an ageing Scotland. That points to increased migration.

### **Making migration work for Scotland**

Scotland has benefitted from migration. Current estimates show that Scotland's 'net' population

has risen recently to its highest level for many years (balancing those leaving with those coming); about 18,600 migrants came to Scotland last year. Joining the long-standing Asian population, recent migrants have moved to Scotland from Eastern Europe, 'old' Europe and Africa. Scotland's education system already attracts a large number of international students. Education at Scotland's globally renowned universities is a key part of Scotland's economy and many overseas students with key skills, especially in the STEM and technology area, wish to remain.

Since migration is a reserved issue for the UK Government, UK immigration rules designed to exclude economic migrants posing as students have impacted this group of genuinely skilled people. This hurts Scotland in the long term as there is a great deal of evidence that the 'diasporas' they and other migrants create are enormously beneficial to Scotland (Portes 2015). Of course, there are low-skilled migrants in poor-quality, unproductive and exploitative jobs. Wage floors should guard against this, but exploitation occurs. For example, nationally in the UK an employer can expect a visit from HMRC to enforce minimum wage legislation every 250 years (Migration Advisory Committee

report 2015). Concerted action to tackle these issues will help these vital workers become a productive part of our workforce. Our workforce needs will also be impacted by technology and how we deal with that technology torrent is the subject of our next foresight challenge.

### **Dealing with the technology torrent**

*'Rapid and accelerating digitization is likely to bring economic rather than environmental disruption stemming from the fact that as computers get more powerful, companies have less need for some kinds of workers. Technological progress is going to leave behind some people, perhaps even a lot of people as it races ahead'* (Brynjolffson and McAfee 2014, p16).

That's a sobering prospect for anyone considering skills and the workplace. Wherever we go – supermarkets with their automated tills, warehouses such as AG Barr in Cumbernauld (where one worker controls a fleet of robots with a back-up team for maintenance), to the voice system through which we pay our council tax – this technical revolution is an important background against which we must assess Scotland's skilled future.

The benefits of automation in terms of productivity are obvious. Doing

*‘One big assumption which figures highly in the skills and employability agenda is that we should send most of our young people to university.’*

repetitive tasks full of drudgery is neither productive nor enriching for individuals or Scotland’s economy. Automation should in theory free up workers to do more interactive tasks, such as advising customers and taking the lead in revenue and service delivery enhancing areas such as more targeted product sales. However, the issue of jobs and technology does need dialogue. The UKCES point to some scenarios where technology creates a sub-class of zero-hours employees and such a scenario is not welcome (UKCES 2014).

However, if we focus on being innovative and adaptive, we should be able to meet these challenges and even profit from them. That is the next challenge.

#### **SCOTLAND’S LEADING SECTORS**

##### **Shaping our key sectors**

Scotland has a diversified economy and a wealth of key business sectors which build our economy and our global footprint. Some are bespoke and special, such as our high-value tourism and luxury food and drink production; others are present in almost every country. Scotland’s skilled future depends on how we develop these key sectors. What is to an extent unique is how Scotland leverages the skills and capabilities of these industries in our context as a small open economy and how we grow the resources to support them. CIPD Scotland is aware of the excellent contribution made to Scotland’s skilled future by our economic development community and by successive governments. We wish to highlight here some of the ways in which people and development can help support the effort towards sustaining these industries. In our extended report we will provide summaries of these industries and their skills challenges. With the

contribution of an engaged people and development profession and working across Scotland’s scalable and well-networked policy context, it should be possible for our profession to make a major and lasting contribution working with industry academics and government. Every sector has its unique skills challenges, from the ageing workforce in ICT to the changing skills demands of the energy industry. Skills Development Scotland and Scottish Enterprise provide a wealth of regular intelligence and insight which people and development professionals can use to understand that changing context.

##### **Further, higher, faster: advanced education**

One big assumption which figures highly in the skills and employability agenda is that we should send most of our young people to university. A recent UK government study confirmed the economic value of this approach, suggesting that a substantial amount of the 2005–12 increase in UK labour productivity is down to a high number of graduates (Walker and Zhu 2013). Over their lifetime, graduates can expect to earn a premium of 28% for men and 53% for women compared with the earnings for A levels. These, however, are averages; although rigorous research does isolate other factors, they are largely based on economic models. As Payne (2008) shows, more degrees seldom translates into higher productivity or higher incomes – the stated goal of public policy. Equally useful for Scotland is to channel more young people and adults into technical and vocational routes based on our FE sector. Colleges such as City of Glasgow, North Ayrshire and North East Scotland can catalyse local skills and deliver the skills that organisations need.

We need to shift the debate from graduate or non-graduate employment towards one which focuses on lifetime incentives to learn and develop. Degree courses aren't always efficient ways of obtaining and retaining knowledge in today's global market. In some ways they lock in inflexibility and constrain choice at too early a stage. Higher education content is relevant throughout careers. With the revolution in delivery and provision, it should be possible to ensure that content can be tailored to the career stages and business cycles so that Scotland builds on its excellent educational legacy. This should provide the essential fuel for innovation which can help propel Scotland's economy forward.

### **Learning to innovate**

In the late 1700s Edinburgh was the centre of the bookbinding industry. Given that book manufacturing and publishing was the cutting edge of technology then, the buzz around the Royal Mile and Canongate was akin to that of Redmond, home to Microsoft, or Cupertino, where Apple and a range of other tech firms are based.

Innovation and continuous improvement are essential skills in helping nations stay ahead of the global economy. However, as the CIPD's *The Innovation Imperative* report from 2013 shows, innovation is increasingly a task for the whole workforce and, indeed, the whole of society. It is not the province of a few white-coated wonders or creative wizards. Innovation happens when people make new connections between existing products and processes and a new reality or demand. In traditional products, such as brewing, for example, Aberdeenshire-based Brewdog has developed a compelling high-quality product with large international sales. This builds on the legacy of our brewing industry: to harness that

spirit of innovation we need to think actively in developing our learning and development approaches around innovation and linking that innovation to productivity. Such an approach is relevant to the whole workforce. Thinking constantly about how we can do things differently and more productively is the secret to prosperity. Much of this effort is world renowned. Scotland's leading role in creative technologies such as gaming software, has built a critical mass of technology companies around Dundee and Edinburgh.

The innovation boards created in nine key sectors by the Scottish Government are an example of this. These are industry-led boards charged with the responsibility for identifying innovation in people, process and product and ensuring that initiatives are funded and supported. The CIPD is involved in the construction innovation board, taking a distinct people and development brief, and we aim to be involved more – putting people and development at the heart of innovation.

When we develop young people, understand our future workforce supply and demand issues, develop an approach to technology and build a culture of continuous learning and innovation, we need workplaces that switch people on and engage them. How we build that engagement, well-being and resilience is our next 'ask'.

*'Innovation is increasingly a task for the whole workforce and, indeed, the whole of society. It is not the province of a few white-coated wonders or creative wizards.'*

# 3 Engagement, well-being and resilience

*‘In the workplace increased engagement drives performance and productivity.’*

In the workplace increased engagement drives performance and productivity. However, engagement doesn’t happen in a vacuum. When people are unwell mentally or physically or face personal and workplace change and uncertainty, we need to help them to respond and adapt. In other words, how can we build resilience, another key workplace requirement? Arguably these are the key issues in terms of HR effectiveness.

**Engagement**

Research from the government-funded *Engage for Success* initiative demonstrates that firms with an engagement focus lifted performance relative to that of other firms. On average there was a 5% increase in profitability for engaged workforces over non-engaged (Engage for Success 2012). Conversely, as Hay Group have consistently shown, about a fifth of the global workforce is disengaged at any one time. The UK’s engagement level is below the average for advanced countries at 65%. So over a third in the UK are disengaged.

CIPD research also supports the value of employee engagement and many organisations such as NHS Scotland and RBS have large programmes focused upon harnessing employee engagement. Increasingly organisations are linking surveys of employer engagement and satisfaction to data on customer satisfaction. Mining this data allows them to drill down into interactions which drive better sales, patient care, service quality and other positive outcomes.

Engagement is best viewed as a spectrum: at one extreme are employers who use engagement ‘instrumentally’ to get employees aligned with the goals, vision and values of the organisation; at the other end are employers focusing on engagement as a way of helping people to find meaning and even spirituality at work (Gifford 2014). It’s also important to look at the context of the jobs that people do. Some Scottish-based research suggests that engagement is difficult in low-paid care and service jobs (Commander and Warhurst 2013).

**Figure 5: Engagement, well-being and resilience**

<b>Building engagement</b>	<ul style="list-style-type: none"> <li>• The business and economic value of engagement</li> <li>• Going beyond surveys</li> <li>• From engagement to purpose</li> </ul>
<b>Working on well-being</b>	<ul style="list-style-type: none"> <li>• The impact of ill-health and worklessness</li> <li>• Absence or presence?</li> <li>• Fitter, healthier more productive?</li> </ul>
<b>The value of resilience</b>	<ul style="list-style-type: none"> <li>• Can Scots be happier at work?</li> <li>• How can we help people bounce back?</li> <li>• Capacity, capability and character</li> </ul>

Research by the CIPD with SKOPE and Strathclyde University showed that Scotland suffers from generally poor job quality (Warhurst and Findlay 2012). This is partly ascribed to the structure of our economy, with many low-skill service and process manufacturing employment, as well as a large number of jobs in sectors such as personal care and retailing. Here the sense of purpose of doing a fulfilling job can vary. Packing biscuits into a box or filleting fish might be repetitive and, in any case (as our previous section considers), is likely to be automated. However, good job design and other innovations can help enrich such roles. For example, putting quality management and customer service responsibilities into the hands of employees can enrich such roles. Using employees as mentors and advocates, especially for employability and CSR programmes, can also help build engagement, as in the case of Marks & Spencer's Bright Sparks programme.

Taking an engagement lens, however, will help build a better connection with employees. So recruitment and resourcing, employee relations, reward and performance as well as learning and OD should all develop an engagement lens. Reward is about making employees happier and more engaged; aligning our reward policies to that end, linking with other stakeholders such as customers, shareholders and others, helps build a well-rewarded and productive workforce. Learning and development is about giving people the skills to be more productive, to build their capability and their career. Of course, if people are to be truly engaged, they need to be well in mind and body. We look at the issue of well-being next.

Well-being at work encompasses everything from the consequences for the workforce of managing

cancer to understanding how we can help people to be fitter, happier and more content at work.

The foremost report in this area was from Dame Carol Black, whose ground-breaking 2008 report identified the need for a new workplace well-being agenda. The report led to the implementation of a wide range of initiatives, from better absence management and a new 'fit note' system (to gauge people's ability to perform some limited work when ill or disabled) through to a new agenda on occupational health. Regional directors were appointed, including one for Scotland, and there was a recognition that remaining in work is the first plank in having a productive and prosperous society.

Perhaps the biggest cause of ill-health and work-related stress is the lack of work. The damaging effect of worklessness has been identified as a public health problem. Some specialists in disease (epidemiologists) even define unemployment as a disease (Taulbut and McCartney 2013). Those out of work tended to be poorly qualified compared with those in employment. Twenty-three per cent of jobseekers report having no formal qualifications, which is about double the level of those in employment. Often the employer demand for qualifications exceeds the requirements of the job. Once at work, ill-health issues occasioned by factors such as higher smoking and alcoholism have a disproportionate impact. The Scottish Centre for Healthy Working Lives is an initiative set up by NHS Scotland that seeks to take a preventative approach to workplace health and well-being, providing advice and guidance on issues such as chronic disease management, absence strategy and building health and well-being as an employee engagement strategy.

*'Taking an engagement lens, however, will help build a better connection with employees. So recruitment and resourcing, employee relations, reward and performance as well as learning and OD should all develop an engagement lens.'*

*‘The challenges of a volatile, uncertain, complex and ambiguous (VUCA) world mean that workers are often in transition. Redundancy, where people are displaced from current roles by a change in business or operating model, is one example.’*

Having an engaged workforce which is well are keystones of a flourishing workforce. In a constantly changing and disruptive environment we also need to build resilience.

#### **Resilience and transition**

Research is pinpointing much more what we feel, how we think and how we respond in work settings. For example, understanding our moods and behavioural triggers, developing a perspective which helps us to face up to difficulties and manage problems is now at the cutting edge of good work. The CIPD’s practice insight on neuroscience, cognition and intuition, for example, helps us build a better understanding of how we perform at work in all its complexity. Recent research on how the brain learns and develops has been informed by a wealth of new research, some at an early stage, some well established (CIPD 2014). Our recent guide, *Developing Resilience* (CIPD 2014), indicates that how we encounter and respond to the challenges of life and work is a major indicator of effectiveness. For organisations it’s about developing culture and structure which supports and underpins resilience for employees, customers and other stakeholders. It follows that an organisation which is configured to support resilience helps to build resilient employees. In addition, the organisational benefits of being focused on resilience and adaptability make it one of the most effective change management strategies, and because it is attuned to the needs of employees, it avoids the pitfalls of more directive change strategies.

The challenges of a volatile, uncertain, complex and ambiguous (VUCA) world mean that workers are often in transition. Redundancy,

where people are displaced from current roles by a change in business or operating model, is one example. Sometimes whole industries change in response to shifts in market demand. The closure of the the Tullis Russell paper mill at Fife and the Halls factory in Broxburn are examples. Any advanced economy will experience these transitions and the resilience we need to deal with them is an important workplace capability. CIPD Scotland is involved as a partner in the Scottish Government Positive Action on Continued Employment (PACE) initiative, which helps individuals and communities adjust to the pain of redundancy and develop the resilience to move forward. PACE helps with skills and support and its latest initiative is to help the oil and gas industry to overcome the employment challenges of a low oil price.

Finally, to develop young people, understand the skills challenges of the future and help workers to be engaged, well and resilient, we need a workplace which is led towards quality, innovation and competitiveness. This is the task of leaders, and is the final ‘ask’.

## 4 Another big ‘ask’: the vision to lead and compete

Delivering Scotland’s skilled future will require leadership from every level. It will require direction and vision from leaders in business, the trade unions, government and the people and development profession. For Scotland to build a genuinely high-skills economy, more of our businesses need to raise their ambition and harness their skills to compete in the global economy. This means often forsaking safe and slow and opting for the risk and rewards of growth. Scotland’s industrial and social history means a big role for unions, but for unions to play their full part they need to increase their agenda beyond narrow bargaining concerns. People and development professionals, we need to work with both business leaders and unions to find a way to reconcile their interests productively. However, our main concerns should be on having the foresight and vision as leaders to identify the prize and strive for it. To get there we will need to develop an open and outward-facing dialogue with all parties as well as a rigorous focus on data and analysis. The prize, as Jim Mather, who led the Working Together Review (2014), argues, is substantial.

Westcrowns PLC is a Glasgow-based firm which specialises in bespoke construction products, mainly glass and steel. The company, which featured at the CIPD’s 2014 Annual Conference, made a bold and ambitious decision not to settle for the downward-directed local construction market with dried-up orders and cut-throat contracting. Westcrowns set their sights on designing, patenting and selling unique glass structures. The company have created many of the glass inserts around the Commonwealth Games venues and provided the glass for Scotland’s new train fleet.

A key enabler of the transformation from local markets to global reach is the role of government agencies such as Scottish Enterprise and other development bodies. That is how Westcrowns and other innovative firms were able to grow and prosper. Scotland already has an integrated skills body, Skills Development Scotland, which focuses on many aspects of skills supply. However, employers and employees need to engage much

*‘For Scotland to build a genuinely high-skills economy, more of our businesses need to raise their ambition and harness their skills to compete in the global economy.’*

Figure 6: The vision to lead and compete

<p><b>Lifting ambition and quality</b></p>	<ul style="list-style-type: none"> <li>• Lifting ambition and competing on skills</li> <li>• Engaging with government and agencies</li> <li>• Championing people and development</li> </ul>
<p><b>Workplace relations that work for all</b></p>	<ul style="list-style-type: none"> <li>• Broadening the agenda</li> <li>• Building innovation</li> <li>• Focusing on learning quality and competitiveness</li> </ul>
<p><b>Leading the people through dialogue, development and data</b></p>	<ul style="list-style-type: none"> <li>• Driving the discussion about skill, innovation and productivity</li> <li>• Dialogue about change and restructuring</li> <li>• Delivering data and evidence for decision-making</li> </ul>

*‘Leading people effectively is arguably the biggest factor in driving productivity within an open, mature economy such as Scotland’s.’*

more with this support and bring their own unique perspective and approach.

Leading people effectively is arguably the biggest factor in driving productivity within an open, mature economy such as Scotland’s. Research from the London School of Economics (LSE) shows that of the 20% productivity gap between the UK and its near-competitor countries, management and leadership figures highly as an explanation (Bloom and Van Reenen 2010). Practices such as systematic performance management, staff development, setting appropriate targets and talent development have all been identified as crucial. In many ways this was identified in the 1980s and 1990s debate about high-performance working (see Pil et al 1996, later refreshed by UKCES). Basically firms need to start dealing systematically with how people are managed at an early stage of growth. That is usually when they are defined as small and medium enterprises (SMEs). This has major implications for Scotland’s SMEs, with their legacy of family ownership. The challenge for SMEs is often to lift their level of innovation, but innovation as an activity is often positioned as being out of their reach. One way in which SMEs can innovate is through their people. Better organisational learning, better job design, a more motivational working environment can all help to develop a better performance. Innovation is a chain, with large and small firms and their suppliers all contributing to developing partnerships with the universities, which are the fulcrum of expertise. The Scottish Government’s development of innovation centres in key industries helps to make that happen, allowing all firms to access innovative resources. Innovation is about people, process and product, and this is often forgotten (see Section 2).

CIPD Scotland doesn’t think ambition and vision should be required only of employers and entrepreneurs. If Scotland is to have the leadership and vision to compete, we need to engage all who take a lead in our workplaces. But in a unionised country such as Scotland, it’s also a big responsibility for trade unions. It is to that issue we now turn.

### **Workplace relations which work for all**

Amongst Scotland’s many positive legacies is a strong tradition of collective employment relations. Unlike in some other cultures, this fits well with Scotland’s history and culture. Exploitation and misery as well as low productivity are by-products of an unbalanced labour market. However, this legacy has its downsides. The Grangemouth dispute in October 2013 was a narrowly avoided disaster for the Scottish economy. Had the shutdown gone ahead, it would have torn Scotland’s economy from its moorings. Economists estimate it would have wiped 2% off GDP. Grangemouth’s oil refinery supplies 70% of Scotland’s petrol, most of Northern Ireland’s and a significant amount of the north of England’s. The 800 jobs under threat and the 1,700 in the refining plant would have been multiplied a dozen times with logistics and support jobs, not to mention the businesses reliant on the relatively high-paid jobs at the plant.

The use of the strike weapon, or the lockout threat, with their allied threats of the strike ballot or the press statement about shifting abroad helps no one in a complex global economy. The dispute was complex and rooted in past disputes and was infused with party politics and grandstanding on both sides, but what it showed is that Scotland needs a better way

forward. Arbitrary change from employers who refuse to consult or engage workers in difficult discussion or are perceived to operate sharp practice, such as City Link and USC, can build bitterness and distrust. Scotland cannot afford this. The reality of change in a globalised economy means a different way forward has to be found. We have to get better at building partnerships for change and agility and enabling often anxious, frightened and protective people to embrace change.

### **Leading people through dialogue, development and data**

CIPD Scotland are helping to influence and shape the people strategy in a range of areas. On everything from health and social care integration in the NHS and local government to our critical financial services industry, we are helping organisations develop their people and development capability. We are helping shape line management capability in the food and drink sector and opening a dialogue with oil and gas about its key challenges as it faces a need to reduce costs while facing pressing future talent shortages. We are working with HR leaders in universities and other educational institutions to help them address the people challenges they face. We are working with Scotland's excellent enterprise and skills agencies, including Scottish Enterprise and Skills Development Scotland, to provide grounded insight and challenge on people and development for Scotland. In doing that we are working with partner organisations such as Investors in People. We are doing all of this through our policy influence, commercial training and consultancy and by bringing practitioners and leaders into our network. Our Knowledge into Practice Network,

for example, is building a two-way understanding of the latest people and development insights between our academic centres and the CIPD's research and insight. For us there is no bigger prize and no more practical goal than building Scotland's ability to compete through the contribution of all of its people. The crucial role in managing people and development is where the HR profession needs to demonstrate leadership. By focusing on the key strategic goals, we can help build the nation and the profession.

Planning the workforce better to integrate young people, to deal with demographics and technology, to secure the best talent and enabling everyone to contribute productively should be our role. Doing that requires systematic and focused workforce planning and sound analytics.

People and development are pivotal to business success. However, one of our struggles has been to demonstrate that impact. The CIPD's strategic partnership project with the UKCES and the accountancy profession, Valuing your Talent, seeks to identify the pivotal people measures, and more importantly to promote them across business. Just as there are accounting conventions for assets and inventory, we should be able to account for the impact of people. Being able to demonstrate the value of people and performance is key to building Scotland's skilled future.

*'People and development are pivotal to business success. However, one of our struggles has been to demonstrate that impact.'*

# Conclusion

*‘The need for HR and the people and development profession to connect with the skills and labour market agenda has never been more acute.’*

Scotland is at a crossroads and has many choices and options to consider. Our economy is one which is open, relatively high skilled and relatively high cost. The socio-economic context within which we operate is complex, even for a relatively small country, as we have outlined. The range of challenges we have discussed – from developing young people to driving the ambition for better skills – are of course integrated. The choice we face as a nation is not ours alone but will be shaped by the interactions we have with the global economy, and will be determined by the skills and human capital we can grow.

Traditionally in people and development we have concentrated on skills within the organisation. Now we have to look outside and across. The need for HR and the people and development profession, whether in industry and the public sector or developing and teaching programmes, to connect with the skills and labour market agenda has never been more acute. In a future extended report we will be explaining what we can do to make this happen. In the meantime, we should all be aware of the chance and opportunity to build Scotland’s skilled future.

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