ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

25th Meeting, 2010 (Session 3)

Wednesday 22 September 2010

The Committee will meet at 9.30 am in Committee Room 6.

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 and any future discussions of this nature in private.

2. **Protection of Workers (Scotland) Bill:** The Committee will take evidence on the Bill at Stage 1 from—
   
   David Dalziel, Secretary of the Chief Fire Officers Association Scotland, Grampian Fire and Rescue Service;
   
   Robert Milligan, Vice Chairman, Scottish Police Federation;
   
   Ian Tasker, Assistant Secretary, STUC;
   
   Dave Watson, Scottish Organiser, Unison Scotland;
   
   Representative, from UNITE;

   and then from—

   David Dickson, Butcher, Wm Morrisons Supermarkets;

   Allan Sampson, Personal Adviser, Hamilton Job Centre.

3. **A fundamental review of the purpose of an enterprise agency and the success of the recent reforms:** The Committee will take evidence from—

   Colin Borland, Public Affairs Manager, Federation of Small Businesses;

   Garry Clark, Head of Policy and Public Affairs, Scottish Chamber of Commerce;
Graham Birse, Deputy Chief Executive, Edinburgh Chamber of Commerce.

4. **A fundamental review of the purpose of an enterprise agency and the success of the recent reforms**: The Committee will consider the evidence heard during today's meeting and its approach to the inquiry.

Stephen Imrie
Clerk to the Economy, Energy and Tourism Committee
Room TG.01
The Scottish Parliament
Edinburgh
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The papers for this meeting are as follows—

**Agenda Item 2**

Note by the clerk  EET/S3/10/25/1

**Agenda Item 3**

PRIVATE PAPER  EET/S3/10/25/2 (P)

Note by the clerk  EET/S3/10/25/3
Economy, Energy and Tourism Committee

25th Meeting, 2010 (Session 3), Wednesday, 22 September, 2010

Protection of Workers (Scotland) Bill

Background

1. The Committee received the following 3 written submissions from today’s first panel of witnesses in response to the Committee’s call for evidence in September 2010:

   - STUC
   - Unison Scotland
   - UNITE

2. The submissions are attached in the annexe to this paper and Members are invited to take them into account in their deliberations when questioning today’s witness.

Diane Barr
Assistant Clerk to the Committee
September 2010
SUBMISSION FROM SCOTTISH TRADES UNION CONGRESS (STUC)

Introduction

1. The STUC is Scotland’s trade union centre. Its purpose is to coordinate, develop and articulate the views and policies of the trade union movement in Scotland; reflecting the aspirations of trade unionists as workers and citizens.

2. The STUC represents over 650,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace.

3. Our representative structures are constructed to take account of the specific views of women members, young members, Black/minority ethnic members, LGBT members, and members with a disability, as well as retired and unemployed workers.

4. We believe that all workers have the right to work in a safe and healthy working environment and to be treated with dignity and respect by colleagues and members of the public they come across during the course of their work.

5. The STUC is pleased to provide the following evidence to the committee on the proposals from Hugh Henry MSP in the Protection of Workers (Scotland) Bill.

Background

6. The STUC welcomed the introduction of the Emergency Workers (Scotland) Act 2005 as we were firmly of the view that the law as it stood was not seen as having a deterrent effect on those that carry out attacks on workers, especially those who are providing potentially life saving services in communities throughout Scotland. However, along with many of our affiliated organisations we felt that many groups of workers who face verbal and physical abuse as part of their work had been excluded from the protection that the new Act would provide. The previous administration agreed to work with the STUC to introduce a package of non-legislative measures to raise awareness of the issues on workers and the general public. This included publicity campaigns and support for individual trade union initiatives. This approach proved to be extremely successful but cuts in publicity budgets has to a great extent ended this work.

7. The STUC continues to work with the Scottish Centre for Healthy Working Lives, our affiliates and other stakeholders to develop innovative ways to ensure workers are protected against violence, the most recent example involved working with local authorities to develop a toolkit to help manage violence and aggression.
8. Initiatives, such as this are useful in providing employers with resources to protect staff and workers with a greater awareness of the issue but legislation provides the only mechanism where the perpetrators of these attacks are held accountable for their actions. The STUC believes that where the Emergency Workers Act applies, on the whole attacks are in decline. One caveat to this view would be that we have concerns that attacks against the “blue light” emergency services still appear to be viewed as sport by an element in our society as the recent example of fire-fighters in Edinburgh having hoses slashed exemplifies.

Emergency Workers (Scotland) Act 2005 (EWA)

9. Figures from the Scottish Government show that since the legislation was introduced prosecutions under the Act have increased steadily from 232 in 2005-06 to 524 in 2008-09. A total of 2021 cases have been reported to the COPFS of which 1656 have resulted in court proceedings, out of which 1159 have resulted in convictions with further proceedings continuing at the end of the financial year, 5 April 2010.

10. Around 500 convictions are secured under Section 5 of the Act following assaults of health workers in hospital premises, approximately 300 following assaults on police, fire and ambulance workers and a similar amount following assaults on the remaining categories of workers covered by the legislation.

Protection of Workers (Scotland) Bill

11. The STUC welcomes the Bill being proposed by Hugh Henry MSP as we do not believe that any civilised society can afford to sit back and not take action when over 30,000 citizens are being subjected to unacceptable behaviour that, in some cases, would result in prosecution of the perpetrator had the attacks happened in some other environment other than the workplace.

12. If legislation is not introduced then our fear would be that attacks will continue to increase and verbal and physical abuse against workers delivering services to the public will continue to increase and will result in a greater public acceptance of this type of behaviour. This may result in services being withdrawn from local communities with businesses closing down as a result of rising violence against owners and their staff.

13. As outlined above the amount of prosecutions under the Emergency Workers Act have increased since its introduction. Unison reports a reduction in attacks in public sector workplace they organise where their members, primarily health workers, are covered by the EWA. Where their members are not covered they have witnessed an
unacceptable rise in incidents. The STUC believes it would be wrong to assume that this rise can be attributed solely on better reporting procedures. A 50% increase in attacks on local government workers may be partly explained by more effective reporting but we would argue is more likely to reflect a general increase in attacks.

14. The STUC believes that the Government has to decide that all attacks against workers serving the public are unacceptable and should be easier to prosecute. The level of proof for such an offence should include impeding workers delivering public facing services. This is something that has been omitted at this stage of the process and would deliver more effective prosecution of the offence.

15. Evidence from PCS raises concerns that any legislation arising from the Bill may not cover verbal assaults. From discussions with PCS and other affiliates verbal assaults can be extremely threatening and quite often place workers in a state of fear and alarm. These threats include workers being told that the perpetrator knows where they live and what time they finish work. Many see incidents of verbal abuse as being at the lower of violent attacks but incidents where individual workers are being personally threatened have to be within the scope of criminal prosecution.

16. The evidence provided from our affiliate ASLEF provides an example of the scale of assaults on their members, the impact it has and also the level of disruption faced by members of the public. We believe that introducing similar definitions for offences committed under the Emergency Workers Scotland Act and those proposed in the Protection of Workers (Scotland) Bill are justified and logical. It should then be left to the powers of the judiciary to balance the seriousness of attacks against workers carrying out life saving services against other workers when sentencing offenders.

17. The evidence provided to the STUC so far indicates a widespread problem of verbal and physical abuse. The STUC believes that the general public would be appalled if this level of crime was occurring elsewhere in our society and public policy decisions, including to introduce legislation, were not being taken to ensure that the law acts as an effective deterrent in these cases.

18. We believe that attacks against workers are not being prosecuted under existing legislation as some commentators appear to believe. We also to hear unhelpful views expressed that for more serious cases adequate deterrence is provided by the law on common assault and these cases can be tried under solemn procedure with stiffer penalties available. This view only confuses the issue of assaults against workers of the type this Bill seeks to protect.

19. We are fully aware that for more serious assaults, for example those involving weapons and serious injury, then perpetrators will face stiffer
penalties in excess of those available under the Emergency Workers Act. This has never been in dispute by trade unions and we would expect this to be the case.

20. The STUC notes from the explanatory notes that there might be an anticipated cost saving on resources as a result of less attacks on public facing workers. As the notes rightly state this should not be the primary purpose of this legislation. However, the STUC believes that consideration should be given to the positive financial impact that effective legislation may have, not just on individuals but also as a result of workers not having to access health services and employers not having to access sick pay or other welfare benefits.

Conclusion

21. The STUC believes that legislation is now necessary to protect all workers who serve the public. We do not agree that the sole purpose of this legislation is to send out a message to the public that this type of behaviour is unacceptable although that will undoubtedly be a welcome consequence of the Scottish Parliament introducing effective legislation.

22. Legislation is required to address the rising number of attacks against workers. It is wrong to say that this increase is only attributable to better reporting, an outcome of the package on non legislative measures that the STUC supported wholeheartedly.

23. Introducing effective legislation to protect workers serving the public meets some of the Government’s key objectives for a safer and fairer Scotland; workers will feel safer in the work environment and in their communities knowing attackers are more likely to face prosecution. We would envisage fairer communities with public businesses less likely to withdraw services from trouble spots, often deprived communities. In light of the figures provided by ASLEF and Unison we would also envisage a healthier Scotland if levels of absences from work and ill health reduce in line with lower levels of assaults on staff.

Scottish Trades Union Congress
September 2010
SUBMISSION FROM UNISON SCOTLAND

Introduction

1. UNISON is Scotland’s largest trade union representing over 160,000 members working in public services. We represent those working in the public sector, for private contractors providing public services and in the essential utilities. They include frontline staff and managers working full or part-time in local government, health, and education, as well as police staff, those working in the electricity, gas and water industries and those in the voluntary sector.

2. UNISON Scotland welcomes the opportunity to participate in the Call for Written Evidence on the Protection of Workers (Scotland) Bill

General Comments

3. UNISON Scotland is very pleased to support the aims of the Protection of Workers (Scotland) Bill, which we believe will provide greater protection for many of our members who are not covered by the Emergency Workers (Scotland) Act (EWA).

4. UNISON Scotland campaigned for and welcomed the introduction of the EWA in 2005. We would have wished to see legislation much wider in scope than the Bill as originally drafted. We favoured a Bill covering public service workers with similar scope to that set out in the Lord Advocate’s guidance and it remains our view that the Bill should have given statutory effect to that guidance, recognising that workers providing a service to the public should be given specific legal protection.

5. Since the introduction of the Emergency Workers Act (EWA) in 2005 UNISON Scotland has sought to widen the scope of the provisions to incorporate a wider group of public service workers. In January 2005, the Scottish Government promulgated a Modification Order that extended the Act to a limited number of additional health staff. Whilst welcoming any extension we argued that this was only a limited provision that did not cover the main groups of staff at risk of violence and resulted in a two-tier level of protection for staff.

6. We followed up our concerns with the Minister for Public Health and later the Cabinet Secretary for Justice who now has responsibility for general matters in relation to the Act. We are currently in discussions with Fergus Ewing, Minster for Community Safety, but these discussions are proceeding at a very slow pace.

7. One of the main advantages of the EWA was the clause that provided for “hindrance and/or obstruction of the workers specified in it” to be an offence and we believe that any new legislation or amendments should include this principle.
8. There were significant objections to the Emergency Workers (Scotland) Bill including the Law Society and Faculty of Advocates who argued that the common law and other statutory provisions cover most of the Bill’s provisions. It was even claimed that there would be no successful prosecutions. However, the Act has been used extensively with well over 1000 prosecutions to date and a number of cases attracting publicity, primarily at local level.

9. UNISON Scotland is pleased that successive Scottish Governments have recognised the nature and the scale of the problem in relation to violence against workers in the public services. We view legislation as only one part of a wider package of measures to achieve a reduction in violent incidents.

10. UNISON Scotland has been concerned at the level of violence reported by our members over a number of years. In 2002 research was commissioned and a survey of members carried out to ascertain the level of assaults, both physical and verbal, experienced by the group of workers who took part in the survey. The resulting, *Trauma 2003* Report highlighted some horrific instances of assault, across all parts of the public sector.

11. Since that time, the issue of workplace violence has been moved higher up the public agenda and deliberate acts of violence on public service workers is, rightly, condemned by most members of the public. However, there is a reluctance on the part of some employers and even some staff, to acknowledge assaults by “looked after people”, e.g. children, elderly people, or those with learning disabilities, as there are in some instances perceptions that these types of assaults are just part of the job and have to be tolerated. Since 2003, however, the Scottish Government has accepted the extent of violence against public sector workers and has been working with trade unions to examine ways to tackle the problem.

12. In 2006 UNISON undertook a survey of public service employers under the Freedom of Information Act on assaults against public sector workers and based on the responses, published a major report. This identified some 20,000 violent incidents that year in the NHS and local government alone. This has been followed up with annual surveys that show that the numbers of violent incidents remain high. This may of course partly reflect greater awareness and better reporting, however, it is clear the problem is not going away. The 2006 report highlighted significant failings at employer level over the quality of local violence at work policies, their implementation and most importantly, the lack of adequate monitoring statistics. There has been some strengthening of measures in NHS Scotland since then and work has been undertaken with representatives of Scottish local authorities to develop best practice guidelines. As a result of this work, guidelines for local government were published early in 2010, entitled “Managing occupational violence in the workplace”.

13. UNISON Scotland believes that attacks on any staff delivering public services should be treated under the law as serious assaults, not just attacks on emergency workers. We believe that in practice it is impossible to make a
distinction between the risks faced by an emergency worker (e.g. paramedic) and a non-emergency worker (e.g. a porter).

14. The experience of our membership and the results of crime surveys inform us that the most vulnerable workers are not necessarily emergency services workers – all workers who deal with the public are at risk. Care workers faced twice the national average risk of assault and nurses four times. The current EWA list with its emphasis on ‘blue light’ services has the consequence of providing protection to predominantly male groups of workers. This is an equal opportunities issue.

15. The following groups of our members face daily risks when facing the public, but are not covered by the EWA and we believe that the proposed Bill would protect them:

- Healthcare: The EWA list restricts this category to those with a professional registration but there are many healthcare workers who are not part of this category. In addition the ‘assisting’ provisions would not cover them. The main group would be nursing assistants but it would also include a range of ancillary staff including security and porters, as well as Professions Allied to Medicine who also work in A&E and other emergency settings.

- Social care: Many social care staff including social workers and those in mental health and childcare protection roles regularly respond to emergency situations, but are not covered by the EWA. We also need to remember that a range of health and social care staff in the voluntary sector are at equal risk.

- Environmental: Several groups of environmental workers work in potentially violent situations. Some SEPA staff, port authorities, housing, environmental health, pest control, roads and even some Leisure services staff including pool attendants are regularly faced with violent members of the public.

- Utilities: Scottish Water staff and workers in the energy companies regularly respond to potentially dangerous situations. This is not limited to National Grid Transco but includes gas workers employed by other energy companies and electricity line and response staff.

- Police: With the increasing civilianisation of the police force a range of police staffs other than constables are faced by violent members of the public. Similar provisions apply to community wardens who are usually employed by local authorities.

16. All of the above workers and others are, in the words of the Minister who promoted the EWA, justification for the definition, “out in the community protecting life and limb. They are out there to protect us and any hindrance to them puts other people’s lives at risk”.
17. Our preference would be for a generic definition of public service worker operating “in the performance of their duties”. This would ensure that all public service workers were offered the same level of legal protection.

Protection of Workers (Scotland) Bill

18. As stated above, UNISON Scotland is pleased to support the introduction of this Bill. However, we believe there are areas where it could be strengthened and we will endeavour to effect this during the Second reading of the Bill.

19. In particular, there needs to be a definition of what is meant by “a member of the public” [S 1(1)], as well as what is meant by an assault.

20. The EWA concept of ‘hinder or obstruct’ is particularly useful in circumstances where a strict assault may be difficult to prove. We believe that more consideration will be required about applying this in the context of the wider public service grouping envisaged in the Bill.

21. We require clarification about Clause 1(3) (a) which states that a worker should be “physically present in the same place and at the same time as one or more members of the public”. This would rule out, for example, phone rage, as the worker would not be “physically” present, but could still experience verbal abuse over the telephone. In addition, there could be occasions when workers experience abuse over the internet or through the e-mail system, but again, would not be physically present with the abuser. The Committee will be aware that the Scottish Government, working closely with the trade unions, under the project, Safe at Work, introduced guidance on phone rage in 2007. They agreed with the HSE advice that “physical attacks are obviously dangerous but serious or persistent verbal abuse or threats can also damage employees' health through anxiety or stress”.

22. Other statements in section 1 (3) also appear to contradict paragraph 2 of the Policy Memorandum accompanying the Bill which states that “The offence covers assaults” . . . “that take place at other times but which relate to their work”. Clause (3) (b) (i) and (ii) of the Bill imply that any assault has to take place while the worker is engaging with the member of the public or providing a service whilst at work. UNISON Scotland believes that there can be occasions when workers are attacked outwith their work but as a result of carrying out their duties on another occasion. One obvious example of this would be a worker in a pub who could be attacked after his or her shift, if they had perhaps ejected a customer from the premises. The assault would be as a result of carrying out duties in the pub, but occur after the shift had finished.

23. UNISON Scotland will aim to amend these anomalies at a later stage in the passage of the Bill.
Conclusion

24. UNISON Scotland is happy to support the introduction of the Protection of Workers (Scotland) Bill as we believe the current provision in the Emergency Workers (Scotland) Act does not begin to cover the extent of our membership who suffer violent attacks in the course of their work. We believe that the proposals contained in the Bill will provide far greater protection for our members and we welcome its introduction.

25. As we have said previously, there are points in the bill which require further clarification or amendment, but these can be examined during the later stages of the Bill.

26. We would urge the Committee to support the Bill through its various stages.

UNISON Scotland
September 2010
SUBMISSION FROM UNITE SCOTTISH REGION

1. Overview

1.1 Unite represents around 200,000 working people and their families throughout Scotland. We are the UK’s largest trade union with 2 million members in a range of industries including transport, energy, construction, financial services, manufacturing, print and media, the voluntary and not-for-profit sectors, local government and the NHS.

1.2 As Scotland’s largest and most industrially diverse trade union, we are acutely aware of the problems many of our members face with regards to the threat of and actual incidence of physical violence while they try to earn a living and provide quality services to the general public. Unite therefore welcomes the opportunity to contribute to this call for evidence by the Scottish Parliamentary Economy, Energy & Tourism Committee.

1.3 The Bill itself represents a positive and necessary step forward in the progress of statutory coverage that would provide improved health and safety protection for workers providing a public service in Scotland. It would also send out a clear message to the Scottish public that physical and verbal violence against any worker who provides a public service will not be tolerated and such actions could lead to prosecution under law.

2. The Need for Further Legislation

2.1 The need for further legislative intervention is urgent and the case is compelling. In 2007/08 there was a 9% increase on the previous year’s figure for assaults against public sector workers in Scotland. As the author highlights, the British Retail Crime Survey report detailed an alarming 50% increase in physical assaults against shop workers compared to the 2006 figure.

2.2 The Emergency Workers (Scotland) Act (EWA) of 2005, and its subsequent extension in 2007, represented an important step forward. A public sector trade union reported that in 2007/08 the number of assaults on health workers fell by more than 1000 on the 2006/07 figure and suggested this decline could be attributed to the introduction of the EWA provisions. The EWA’s impact is further evident in the Scottish Government’s statistics of increase of persons successfully prosecuted in the Scottish courts under the Act in the immediate period following its introduction (categorised by Policy Authority):
<table>
<thead>
<tr>
<th>Police Authority</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Grampian</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Tayside</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Fife</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Lothian and Borders</td>
<td>23</td>
<td>49</td>
</tr>
<tr>
<td>Central</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Strathclyde</td>
<td>19</td>
<td>87</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Scotland</td>
<td>54</td>
<td>200</td>
</tr>
</tbody>
</table>

2.3 While this statistical snapshot indicates both the positive impact and value of the legislation as a deterrent to assaults on these workers the fact remains that such rights should not be exclusive to a specific industry or occupational classification providing a public service - these rights should be extended to all workers defined as providing a public service.

2.4 Given the ‘success’ of the EWA we would warmly welcome the extension of these protections to every worker in Scotland who provides a public service. This must not only be restricted to the parameters of the public sector, it must include coverage to the likes of the transport, finance and retail sectors for example. The underlying principle should be that if dealing with the public or serving the public is part of the job specification then the protection is applied.

2.5 More serious offences made by the public against workers should still be tried under solemn procedure but the introduction of legislation which enshrines the possibility of a maximum 12 month jail sentence or significant financial penalty for any incident of physical or verbal abuse would serve as a further deterrent and tackle the rising tide of violence against workers.

2.6 Until greater protective measures are introduced the vast majority of public service workers employed outside the parameters of the Emergency Workers Act will continue to be more prone to incidents of violence.

3. **Unite Case Study – SPT Subway**

3.1 The extension of the Emergency Workers Act provisions could have a significant impact on the everyday lives of workers like those employed SPT on the Glasgow Subway. Over the last four years workers on the subway have had to contend with a marked rise in the number of anti-
social behaviour and assault incidents made against them by members of the public.

3.2 This level of incident peaked in 2007 when approximately 65% of all accident and incident statistics involving employees were of an anti-social / assault nature. This level decreased in 2008 to 33 reported incidents but this still accounted for over 50% of all incidents reported.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Incidents of Anti-Social Behaviour / Assault against Employees</td>
<td>11</td>
<td>50</td>
<td>51</td>
<td>33</td>
</tr>
<tr>
<td>% of all Incidents Reported</td>
<td>38%</td>
<td>54%</td>
<td>65%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: SPT Subway Accident & Incident Statistics 2008

3.3 Unite members at SPT have worked hard with their employer in order to tackle the scourge of violence against workers and these efforts have yielded some success after a recent peak in such incidents, as the statistics show. However, our members are clear that voluntary initiatives alone are insufficient to sustain a challenge on the incidence of anti-social and violent behaviour on the subway.

3.4 Unite Convenor at SPT Subway Harry Copland insists that, “If the public are aware that any incidence of abuse - physical or verbal - will not be tolerated and such actions could result in a set criminal conviction or significant financial penalty enshrined by law, I believe you would see a further decline in the levels of violence against our staff.

3.5 The Emergency Workers Act has had a very positive impact in reducing incidents of violence against workers in the health sector and ensuring that perpetrators are prosecuted. It stands to reason that similar legislation covering workers like ourselves in the transport sector would have the same positive impact and it is needed.

3.6 It would be in everyone’s interests. Workers would be more secure in their jobs, employers would have an even more productive workforce and the public experience of the subway service would be further enhanced with a reduced rate of violent incidents.”

3.7 In the last year, there have been 18 incidents of anti-social behaviour / assault reported. These range from instances of subway drivers being verbally abused, spat on and Community Safety Officers (CSOs) on the subway being physically assaulted by members of the public.
4. Conclusions

4.1 This call for evidence creates a welcome platform for debate, not only in the Scottish Parliament but in the wider context of the Scottish workforce. It also begs the question on why we have a de facto two-tier legislative system for workers who provide a service to the public.

4.2 Unite welcomes any legislative proposal that makes the world of work a healthier and safer experience and this Bill would help work towards this objective. The concluding remarks are best left to the workers who would benefit from these proposals:

4.3 “We believe Protective rights such as the Emergency Workers (Scotland) Act, while welcome, should not be exclusive to a specific industry or occupational classification providing a public service - these rights should be extended to all workers defined as providing a public service.

4.4 Violence and aggression is an issue which mars the working life of many workers providing a public service – including my own members in local government. Sometimes because we work with challenging or vulnerable people whose reactions to stressful situations is to lash out. Sometimes we are just seen as an easy target to people wanting to vent their frustrations.

4.5 Our branch has had to handle a pattern of frequent violent and aggressive incidents at some times. The worst incidents involved very serious injuries, both physical and mental, hospitalisation, and job redeployment and in the worst instance the premature end to a career. If this Bill can help send a message out that violence and aggression towards our members wherever they work is simply unacceptable then clearly that’s a benefit.”

Kim Smith, Unite Branch Secretary, Dundee Local Government
August 2010
Economy, Energy and Tourism Committee

25th Meeting, 2010 (Session 3), Wednesday, 22 September, 2010

A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

Background

1. The Committee received the following two written submissions from today’s second panel of witnesses in response to the Committee’s call for evidence in September 2010:

   - The federation of Small Businesses
   - Scottish Chambers of Commerce

2. The submissions are attached in the annexe to this paper and Members are invited to take them into account in their deliberations when questioning today’s witness.

Joanna Hardy
Senior Assistant Clerk to the Committee
September 2010
THE FEDERATION OF SMALL BUSINESSES

Introduction

1. The Federation of Small Businesses is Scotland’s largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

2. We welcome the opportunity to respond to the Committee’s Enterprise Networks Inquiry. As a key customer representative, the FSB has worked closely with various bodies in a bid to ensure small businesses are adequately supported to help return Scotland to growth. Our focus has therefore been on the support available to the broader small business community, meaning much of our comment relates specifically to the role of Business Gateway.

Overview

3. Writing this response, the FSB considered the findings of the inquiry into economic development completed by the Enterprise and Lifelong Learning Committee in 2000. In our view, many of the lessons from that report, particularly in relation to the potential for overlap and duplication of services and the need for a nationally-branded business support service, remain valid¹.

4. In particular, we believe that there is still a need for a consistent, branded, national business support service. It is now ten years since the need for such a service was identified and recommended by the Enterprise and Lifelong Learning Committee. Establishing this service has taken many years and our evidence suggests awareness and use of Business Gateway has increased².

5. Effective local economic development requires the right balance of this standard service, combined with local discretion to respond to specific events or opportunities, but avoiding duplication. Since 2000, we have gone from having a fragmented system, characterised by inefficiency and duplication at a local level, to a more rigid, prescriptive national model. The most recent re-structuring has seen a gradual shift towards a better balance between these two extremes. We should take care to maintain this balance.

6. Overall, we believe that the changes of 2007 were positive, but the strategy and timing of re-structuring – coming as it did at the onset of the recession – arguably meant that our business support structures were not geared up to respond quickly to the challenges of the credit crunch. The impact of the recession, notably the squeeze on finance, dealt a huge blow to businesses with consequences for the type of business support required. Given these circumstances, comparisons pre and post 2007 reforms are unlikely to be straightforward.

¹ http://www.scottish.parliament.uk/business/committees/historic/x-enterprise/reports-00/elr00-01v1-02.htm#1
² Figures from our 2006 Lifting the Barriers to Growth membership survey show that only 5% reported using government funded business support. This figure had risen to 22% for the most recent FSB-ICM Voice of Small Business Annual Survey. Additional survey evidence shows 93% of FSB members have heard of Business Gateway.
7. That said, as we look to build on economic recovery, we now need to look closely at our economic support strategy and ensure our services strike the right balance.

Q1. Has the rationalisation of the Enterprise Network affected the quality or effectiveness of the services delivered?

A1. Pre-2007 Scottish Enterprise had already begun to focus on a smaller group of sectors and programmes. The FSB accepted the rationale of Scotland’s largest enterprise agency, but nonetheless felt that it had gradually become less interested in so-called “ordinary” businesses and their contribution to both the local and wider Scottish economy.

Post-2007, the remit of Scottish Enterprise has been clearer and allowed it to focus on specific areas of work. In very broad terms, the focus on schemes and support for globally competitive businesses and sectors, especially its work with account managed companies, means that most of their work touches only a small proportion of Scotland’s 290,000 businesses.

Against this background then, it is perhaps unsurprising that discussion with our members suggests that they have not noticed any particular difference in the services delivered by Scottish Enterprise. In the HIE area, however, we have detected some concern about reductions in HIE personnel and budgets. This is non-specific but it is clear there are some concerns about HIE’s ability to intervene at community level if current rationalisation continues.

Q2. Has the transfer of activities away from the local enterprise companies, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses?

A2. The FSB supported the transfer of Business Gateway services to local authorities. This was because we felt that local authorities had a more fundamental relationship with, and understanding of, local businesses than the national enterprise networks, which might allow better focus on the needs of local businesses. Also, we hoped that the transfer might allow greater integration of a range of support services necessary to create the right conditions for economic growth in our communities. Ideally, we hoped to see the expansion of Business Gateway to act as a ‘single point of entry’ to council and other local services. We were pleased when this aspiration was reflected in the original comments of the Cabinet Secretary:

“What we expect to achieve out of these reforms is that local businesses will be able to reach a single point of access for advice - planning, licensing, business development and other services and that will be a great contrast to the pillar to post experience of many businesses today.”

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3 Scottish Government Press Release, 26th September 2007
In considering the actual effectiveness of the transfer of responsibilities, two factors are important: the time taken for the transition period to be completed and the onset of the recession.

Although the FSB is a key stakeholder organisation of Business Gateway, our experience of the transition was largely as outsiders observing an apparently sensitive process with many discussions focused on funding and personnel issues. This is entirely understandable. Nonetheless, it was late 2009 before the new arrangements for the Board and Stakeholder Group (on which the FSB sits) were completed.

It was an unfortunate coincidence that this transition process coincided with the peak of the recession. In our view, this was not an environment conducive to open discussion about strategy and services of Business Gateway. It is arguable whether, had the recession hit us now, Scotland’s business support structures might have been able to respond more quickly.

New processes have now had time to ‘bed down’ and, from the FSB’s perspective, recent months have seen better discussion with stakeholders about what is necessary to support local economies as they move towards recovery.

The FSB believes that local authorities remain best-placed to manage Business Gateway at present and we make the following observations:

1. The FSB is aware of a good level of engagement between FSB branches and local authority economic development officials across Scotland, often across a range of projects.
2. We have seen little evidence of the anticipated integration via Business Gateway of other council services. Recent reports and experience of the Regulatory Review Group highlight poor regulatory practice across our local authorities – an aspect of the local economic environment we had hoped would have been prioritised.
3. We recognise the ongoing importance of the complementary business support services delivered by local authorities, over and above the standard Business Gateway services. We believe that such services allow the local authority to adapt and respond to local circumstances and events. However, such services need to be monitored to ensure there is no duplication of national services and to ensure better sharing of best practice. Earlier in the year we were concerned that a range of schemes were being adopted by local authorities in Scotland without any real overview, since the only national forum for stakeholders relates entirely to the functions of Business Gateway. We believe that recently-developed...
guidance and the role of SLAED will be important in ensuring the right balance.

4. Given the financial pressures facing local authorities and the difficult decisions that will have to be taken, we have grave concerns about future funding of Business Gateway and other business support services. Above all, we believe that the lessons from the 2000 Report about the need for a consistent service across the country remain valid.

**Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies?**

A3. We recognise that a number of businesses have accessed HIE or SE services, particularly in relation to sector-specific schemes, while just over 2000 are account-managed. That said, the account-management model can be regarded as an elite club, well beyond the reach of most businesses. It is our impression that growing businesses, providing jobs in our communities, become frustrated with a system based on strict criteria which seems to undervalue their economic contribution. We are aware that some local authorities have also become frustrated by the lack of support options available to successful growing businesses and have tried to introduce additional support services.

Much of this frustration is caused by the use of arbitrary financial growth criteria to determine support, as opposed to relative growth criteria. For example, although the support strategy is based on ‘growing’ businesses, a business may double or even triple its employee numbers or turnover and still not be eligible for one-to-one support.

During the recession, we also raised the issue of the suitability of criteria and targets devised during a period of positive economic growth. The rationale for only providing dedicated support to eligible ‘growing’ businesses may be logical when the economy is growing, but when stability and survival of local businesses becomes key, where does our business support strategy stand?

To examine a specific angle of business support during the recession, in 2009 the FSB commissioned a report on support for small and micro businesses facing redundancy situations (to contrast their experience with the work of PACE in larger businesses). The report concluded that PACE teams were able to work with all businesses but support was primarily aimed at employees. However, PACE (including local authorities) could not access reliable data about job losses and had difficulty identifying affected businesses. Of greater concern was the fact that PACE had no particular

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6 The FSB understands that Business Gateway, working with SLAED, have agreed guidance for local authorities outlining the types of services that could be used, to reduce duplication, encourage best practice and effective use of available European funding streams.

7 According to figures provided to the FSB by SE, approximately 7,500 businesses were assisted in addition to those which are account-managed.

8 Comments from Edinburgh City Council, Sunday Herald 27th December 2009

9 SLIMS consulting, Research into Job Losses in Small and Micro Businesses - a Report to the FSB, 2009
business support angle. In other words, how could a viable business in difficulty be supported to stabilise and return to growth? Our report made a number of recommendations, focusing in particular on the need to support previously-successful businesses through challenging times brought on by the credit crunch. We have been able to use the evidence from this report to work constructively with the PACE Partnership and to inform ongoing discussions with Business Gateway. Notably, it has recently been agreed to introduce a new support criteria for Business Gateway based on modest growth projections, of £200-400k growth over a three-year period\textsuperscript{10}.

Over and above the issues associated with PACE, the FSB has questioned whether certain services offered to the elite group of businesses might not also benefit the wider economy during difficult economic circumstances. For example, we suggested the adoption of a Scottish-equivalent to the Financial Intermediary Scheme - introduced in Business Link in England to monitor, advise and report on banking and financial difficulties of businesses ‘on the ground’. Broadly, we understand that similar services are offered to account managed businesses and via the Scottish Manufacturing Advisory Service. As the credit situation shows little signs of improvement for small businesses, we continue to believe that such support should be available to a wider range of businesses.

The last two years have seen many businesses hit by unprecedented circumstances. It is therefore difficult to objectively determine differences in demand for services pre and post the 2007 reforms. Despite the undoubted logic of a business support system which uses resources to target selectively those who can potentially offer greater return on investment (‘picking winners’) we have highlighted the downside to such a strategy when growing businesses are thin on the ground\textsuperscript{11}.

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. From our experience as a stakeholder (as opposed to a service delivery organisation) we feel that there is still some way to go to ensure all agencies are working together effectively. However, in most cases this is largely due to lack of awareness about the key roles and responsibilities of different bodies in relation to Business Gateway and economic development. For example, the Business Gateway External Stakeholder Group has discussed instances where new initiatives have been launched which may have an impact on Business Gateway (e.g. Summer Leavers Policy, launch of Creative Scotland) where greater involvement of Business Gateway at an earlier stage could help improve its ability to signpost or raise awareness of particular schemes. We

\textsuperscript{10} This is intended to complement the existing ‘growth pipeline’ criteria of £400k growth over a three-year period.

\textsuperscript{11} End of year reports from Business Gateway will highlight, by area, where targets for businesses in each criteria have not been met.
understand that Business Gateway is now taking steps to improve awareness across the public sector.

As mentioned in response to Q2, we are also aware of the potential for overlap and duplication. For example, we are aware that some council-run libraries are increasingly offering business support services\textsuperscript{12}. Since councils are also funding and paying for Business Gateway, we do not understand the need for such apparent duplication of effort.

We have also highlighted the potential for Scotland’s councils to work more closely together to share best practice. We believe this potential is demonstrated by the recently launched East of Scotland Loan Fund where councils have come together to deliver a good outcome for businesses. It is important for councils to work together because, partly due to relative size, it appears that some councils have better-developed and better-resourced economic development departments than others. While local solutions are very important for recovery, this does not mean re-inventing the wheel 32 times.

Lastly, the FSB has no specific knowledge of any outcomes from the Strategic Forum, but this is perhaps unsurprising given our role as an external stakeholder.

\textbf{Q5. Have COSLA and SE been able to agree on what constitutes local versus national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities?}

A5. Most small businesses are not directly involved in regeneration projects; their involvement is more likely to be in a specific aspect of regeneration e.g. BIDs. We are therefore not aware of any change in levels of local regeneration.

As mentioned earlier, in many areas engagement and involvement of local businesses representatives by local authorities appears strong and, in our view, the contribution and involvement of small businesses in regeneration projects is likely to be more successful at local authority level, as opposed to regional level.

\textbf{Q6. Have the Regional Advisory Boards successfully engaged with local business and provided a link between local, regional and national delivery as envisaged by the Cabinet Secretary?}

A6. Informal feedback from our members suggests that awareness of, and engagement with, the Regional Advisory Boards is very limited at local level. However we are aware that there is potential for successful engagement. In particular, we understand that the Aberdeen City and Aberdeenshire model works effectively.

\textsuperscript{12} A recent example would be Edinburgh’s ‘Libraries mean business’ service http://yourlibrary.edinburgh.gov.uk/libraries-mean-business
Q7. What benefits have accrued from the transfer of local regeneration activities to local authorities and have there been any difficulties?

A7. Please see response to Q5.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. The FSB welcomed the creation of Skills Development Scotland (SDS) as a means of making the skills and training landscape in Scotland more streamlined, by merging a number of different organisations. However we acknowledge there is a degree of concern about separating skills and training functions from business development functions and this creates potential for confusion in certain areas e.g. graduate and entrepreneurship schemes where responsibilities may be split between SE, SDS and Business Gateway.

Despite progress, the skills landscape in Scotland could still be seen as cluttered, since much of the focus has been on re-structuring agency responsibilities, as opposed to thinking about engagement with the end user. From a small business perspective, there is still no clear route-map to find the information they require. The recent creation of the ‘Step Forward Scotland’ initiative should be welcomed as an important first step towards consolidating information for employers in Scotland.

However, in order to further streamline the existing system, a clear policy position must be developed about which organisation should deliver the comprehensive support and how this is advertised to businesses. We believe that various arms of government and organisations are offering skills advice and services to business, through websites, such as ‘Step Forward Scotland’ and www.employersandyoungpeople.co.uk

Business Gateway must have a central role as the key signposting/referral source for businesses and all other services should ensure they liaise effectively with Business Gateway at a national level to avoid duplication. It may be that a review of government skills advice is required to further streamline and simplify the system for Scotland’s small businesses.

Q9. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A9. The examples of which we have most experience are in other parts of the UK. In Wales, for example, the Welsh Assembly ran the Flexible Support for Business scheme, which was a dedicated one-stop shop for business support. This provided a single point of contact for businesses of any size, who would be passed to a dedicated team which could manage things such

13 http://www.skillsdevelopmentscotland.co.uk/step-forward.aspx
as recruitment, skills and finance. Colleagues in Wales report that, under the scheme, a Relationship Manager would tailor the support to what an individual business needed, rather than qualifying for a particular grant. This is the sort of one-to-one business development support which would plug the gaps in support in Scotland which the FSB has highlighted in the past. While we understand many aspects of this scheme are now going to be cut, this is for budgetary as opposed to policy reasons.

In England, the existence of Regional Development Agencies certainly appears to have made it easier for government to deliver policy initiatives on the ground quickly (such as loan funds, which took longer to establish in Scotland) when time was of the essence during the recession. As in Wales, this set-up is changing, with RDAs set to be replaced with Local Enterprise Partnerships.

Of course, the Scottish Government’s aim in reorganising the enterprise networks was not to respond to a financial crisis and recession which didn’t yet exist. That said, it is worth noting that, had the system the Scottish Government put in place been sufficiently flexible to allow Ministers and agencies to respond to rapidly changing circumstances, more business development support may have been available.
Q10. Does the need still exist to have both SE and HIE operating within Scotland? Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands and Islands?

A10. Given Scotland’s size, it is reasonable to assume that one national enterprise body to deliver key Scotland-wide projects and services would be adequate. After all, lowland Scotland comprises many different geographic areas, each with specific requirements but still functions with one approach, despite these differences. For example, 57% of private sector jobs in the Borders are in small and micro businesses (as opposed to ‘SMEs’), whereas the figure is 23% in Glasgow\(^4\).

However, discussion with our members in the Highlands and Islands suggests a strong value is placed on the unique remit of HIE, with a level of community engagement and reach never achieved, in our view, by Scottish Enterprise (accepting they did not have this aspect to their remit). There is understandable concern that a national agency focused on the ‘big wins’ in and around city regions is unlikely to be able to, or want to, prioritise the different focus required by communities across the Highlands and Islands. Accordingly, it seems likely that any attempt to remove the unique role of a separate agency focused on the Highlands and Islands is likely to be fiercely resisted by small businesses there.

Q11. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A11. If it is accepted that a government should have a coherent economic / enterprise policy which goes beyond simply leaving everything to market forces, it seems fairly obvious that it should have some means of delivering that policy. Thus, there is a need for a high-level body to oversee the implementation of the major strategic policy decisions.

On the ground, however, enterprise support needs to look carefully at what businesses really value. Thus, services should have a core which is consistent across Scotland, complemented by additional services which are appropriate in particular local areas. If the credit crunch and subsequent recession has taught us anything, it is that what constitutes these “core” services must be sufficiently flexible to allow a rapid response to changing circumstances.

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\(^4\) Scottish Corporate Sector Statistics, 2009
Q12. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which agencies have been identified as delivering most return on investment?

A12. The FSB is not best placed to respond in detail to this particular question. However, we believe that the real value of maintaining thriving businesses, providing goods and services, and, most importantly, jobs in every community across Scotland is deeply underestimated in such analysis. In discussing national economic strategy and business support the ‘business base’ tends to be written off as insignificant. Yet evidence shows the huge importance of the small business base to Scotland. Between 2000 and 2009, employment in small businesses increased by 64,700 whereas employment in large businesses fell by 33,900 during the same period\textsuperscript{15}.

Scotland’s economy faces a number of perennial challenges (e.g. productivity, R&D spend) over and above the pressing need to kick-start growth. We do not underestimate these challenges but believe it is time to focus on the evidence which suggests that recovery and jobs will be provided by Scotland’s small businesses. We must therefore ensure that our enterprise networks and business support services are aligned towards the needs of small businesses.

The Federation of small Businesses
September 2010

\textsuperscript{15} Scottish Corporate Sector Statistics, 2009
SUBMISSION FROM THE SCOTTISH CHAMBERS OF COMMERCE

Executive Summary

1. Scottish Chambers of Commerce (SCC) offers a national perspective on the review process from the largest business representative organisation nationally.

In brief SCC:
- Supports the continuance of the Scottish Enterprise network
- Calls for better definition of boundaries between services
- Believes HIE has had a useful role to play which is in some regards different from SE
- Believes there are different priorities for Rural and City Scotland
- Suggests evolution of the agencies might reflect this
- Calls for a renewed understanding for the value of geographically based policy
- Recommends public private partnership as critical to the future of enterprise support
- Argues that funding for enterprise support is critical to recovery and must be maintained
- Recommends the value of partnership delivery of services
- Instances added value from those existing already
- Calls for funding to invest in success
- Expresses concerns about the regeneration agenda
- Believes skills support reorganisation is too early to judge
- Pledges its support to continuing and improving services

Introduction

2. The Scottish Chambers of Commerce (SCC) represents over 9,500 businesses of all sizes in all sectors, spread throughout Scotland, which are members of twenty local Chambers of Commerce. Over 170 staff service these members spread through some thirty offices nationally. Between them these businesses employ over half the people who work in the private sector in Scotland.

3. A number of individual Chambers are contractors for the Business Gateway programme and may have given evidence direct or through other organisations, such as Business Enterprise Scotland, in its role of representing Enterprise Trusts.

4. SCC welcomes the opportunity to respond to this inquiry. This document encompasses the views of our member Chambers, and is offered with the proviso that there are inevitably local variations to an overall national picture. These have been raised where appropriate and available. In itself this highlights an issue inherent in the Committee’s key questions.

Key questions
Scottish Chambers of Commerce answers are given after the key questions as listed by the Committee.

Value of recent reforms

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. There is a famous quotation about reorganisation and change which illuminates the long history of the struggle to achieve efficient management:

“We trained hard, but it seemed every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation.”

From Petronii Arbitri Satyricon AD 66 (Attributed to Gaius Petronus, Roman General)

We believe that the reorganisation has in fact delivered many significant advantages, and that there are positive outcomes. High quality staff throughout the network continue to deliver the best service they can, focused on clients’ needs. But there remains an element of continuing change, and we believe this causes some difficulties over the process and inconsistencies of service across Scotland.

There are also some crucial areas of concern which are available for improvement. Firstly, decision-making has clearly become centralised and remote from the regions. While there are clear advantages in this in respect of cost and efficiency savings, there is a danger that the enterprise network is becoming more remote from business networks and regional economies. The enterprise network needs to re-build and retain these links if it is to maintain the support of the private sector and work in partnership to achieve economic growth.

Secondly there is a clear differential of need between rural and urban economies. The value of smaller businesses may be much greater in a dispersed rural population and we need to address that appropriately to place and circumstance. More worryingly there is no clear distinctive policy for cities in Scotland with their distinctive contribution to the country’s wealth creation. It has been suggested a Minister for Cities would spearhead such a recognition, which is beyond the remit of this inquiry, but underlines the need for recognising the importance of investing in success which should be at the heart of our enterprise support policy.

Few people find change an easy process as there are always certain comforts to sticking with ‘what we know’. The review process comes at a time when
economic uncertainty and pressure on public finances intensifies the pressures on all parties who are attempting to lift Scotland’s economy through developing enterprise – and that can be psychological as well as fiscal and resource based. We must ask ourselves; has the reorganisation helped businesses and streamlined the service for business in a confused multi agency environment?

Local authority areas vary in their resources (including skills) for supporting enterprise and the economic climate is different from place to place. There is therefore considerable variation in the experience of how the 2007 changes have affected enterprise support. SCC believes that such local variation is not itself harmful, indeed it is appropriate that there be different responses where different industry sectors are congregated and where the mix of local businesses may vary, e.g. between remoter rural areas and the centre of city regions.

This change in part compensates for SE’s loss of local geographical focus. Individual Chambers have complained that, in the straitened time of recession, they missed the previous local emphasis of SE, feeling it had become much more diffused in its regional outlook.

There remains a certain level of manoeuvring between local Business Gateway provision and what remains the provenance of Scottish Enterprise (SE). SCC welcomes the role that SE and SDI play in promoting high growth businesses and international trade. Clearly Business Gateway activities for start-up businesses do not meet the core targets of SE, which are in areas of high growth aspiration. It is keen that the Business Gateway activities and other support services provided by the SCC network meet seamlessly with direct SE service provision to ensure that the next generation of high growth businesses is being adequately supported, identified at an early stage and assisted to progress through the growth pipeline to account managed services where appropriate.

The evidence is that the process of supporting business start-up has not yet yielded the rates of growth in the Scottish economy to which we aspire. It could be argued that national support to local authorities and other local partners (e.g. Chambers) to expand the range, quality and sustainability of measures provides a basis to encourage new enterprises to start learning greater lessons about the skills and aspirations needed for successful performance.

The bureaucracy and uncertainty of negotiating with SE over who or who will not be account managed and the risk that individual clients will cease to be supported is a clear source of frustration to Business Gateway advisors and stakeholders.

Clients are not always happy with decisions on who is accepted on to the growth pipeline and then on to being account managed or not. That such decisions have to be made is an inevitable part of managing budgets. SCC feels this is an area where greater clarity and consistency must be achieved.
Outlying Chambers in the HIE area have commented on a loss of local focus and clarity.

In many areas there is a feeling that the loss of the LECs has significantly diminished the ability of local players to design and deliver local initiatives and that local business leaders are now much more distant from Scottish Enterprise. There was undoubtedly scope within the previous LEC network to go for a degree of standardisation of products and services to cut down on needless duplication but the complete abolition of the LECs has essentially centralised economic development at the national level.

Reorganisation was partly driven by focusing more on target industries and away from geographies. SCC feels it is appropriate to question whether interventions directed in this way are as easy to measure and convey. So supporting economic growth in, say, Dundee is much more easily accountable than ‘supporting the Food & Drinks industry’.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. The change has allowed better combination of local authority resources (e.g. local training or grant provision, loan funds and advice facilities) with Business Gateway service provision. Business Advisors have had more tools at their disposal in many cases. It has also enabled Chambers of Commerce to develop new products and services alongside the Business Gateway portfolio, especially where gaps in the market have been uncovered. This is an excellent example of added value services to meet the needs of businesses.

The transfer of some economic development powers from the enterprise network to the local authorities has been effectively completed. In the case of the Business Gateway, the Chamber of Commerce network is working in partnership with local authorities and other partners to deliver meaningful and sustainable growth. However, we believe that more investment by the enterprise network and the local authorities in the areas of greatest potential and a track record of producing more start ups, and a higher survival rate of start ups, is overdue.

It has been suggested the Business Gateway has to be considered the basic minimum to tackle the underlying policy issue. It has also been suggested that business start-up support does not bring great additionality. That view depends very much on the locality and the size of businesses which predominate in the local economy. With 98% of Scotland’s businesses SME’s and 95% with ten or less employees it may be that additionality comes further down the line.

Not all local authorities are equally willing and able in this regard. Some are themselves running the Business Gateway service, others using contractors or a combination of both approaches. A minority of Chambers expressed a
view that Local Authorities were ill suited to lead on enterprise, perhaps where the LA in question was less engaged with the business community in delivering Business Gateway programmes. Caithness Chamber of Commerce commented that confused businesses resorted to the North Highland Regeneration Fund, for loans, and to the Chamber to explain the complexities of support, Highland Council being stretched too thinly to assist properly.

Some areas continue to achieve business start-up successes, and the changes have coincided with greater investment in hitherto nascent but important aspects of the economy such as Social Enterprises. Some Chambers have commented they see ‘no change’.

This programme has continued whilst other services, such as Scottish Chambers of Commerce’s Business Mentoring programme have become more localised and therefore better attuned to local need.

Overall, the concept of outsourcing enterprise service delivery to independent providers via local authorities is a success. It allows complementary skills and capacity in the public and private sectors to be deployed in combination, and reduces duplication and in many cases can add considerable value.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. This is potentially an area for serious concern, principally for those which believe they are entitled to account management but are turned down by SE for this enhanced service. The risk is that by falling below the floor of SE’s remit, they get lost floating above the ceiling of the Business Gateway (BG) programme.

In our experience Chambers of Commerce have worked hard to ensure this doesn’t happen, including funding such support themselves or from their own or other sources such as European funding, when the client does not fit Business Gateway criteria or current BG contract restrictions for additional funded support.

In the present challenging economic climate it is essential to support businesses to survive, and stay in business. The jobs at stake are of paramount importance. This is best done at Business Gateway level, and a task for which Chambers of Commerce with their local connections are ideally suited. SE should continue to focus on growing winners. Flexibly agreed at BG Board and current BG plus ERDF regional BG applications will make a real difference to assisting businesses which fall between BG current contract restrictions, services and SE account managed services.

Businesses which choose to be members of their local Chamber of Commerce and benefit from networking and business development services
are far more likely to be in connection with the latest provision and links and therefore to ensure they are supported when and where needed.

It has been suggested that we would be better placed to answer this question if we were reviewing the extensive statistical information available to SE and HIE on programme performance over the last decade, and that there is a risk to being swayed by anecdotal evidence without sight of the statistics.

“Account management is really only a process of selection and signposting to other tools – it’s not an economic development approach in its own right. It’s useless on its own without the support tools – training support and advice, financial support through loans, equity etc.

“The selection of the fastest growing companies raises an additionality question – would the companies have done what they are doing anyway without SE’s support. If you choose the fastest growing ones the answer is probably yes – and the evidence does tend to show that. SE seems to be growing in understanding of this issue.” Stuart Patrick CEO Glasgow Chamber of Commerce

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. Performance of strategic forums is very variable. In some cases they operate almost as closed bodies with little apparent relevance to the local business community demand. In others they are vibrant discussion groups, growing sub-interest sections to explore and promote sunrise sectors and deal with particular issues of the moment.

There are many instances of cross-organisational co-operation. For example Perth & Kinross Council involved Perthshire Chamber of Commerce as a Board member in two of their Economic Partnership groups in their own review of enterprise development support. One conclusion was that the closure of the local Business Gateway office forced businesses looking for support to travel to Dundee, and that those below the VAT threshold received no face to face support. The Council responded by opening a local Business Advice Centre, restoring local support. Business Gateway now has its own office in Perth and the Chamber cooperates in promoting its services.

Criticism in the reduction of service from the Business Gateway to online support for modest business start-ups was also vocal in the Highlands as not appropriate for the needs of businesses.

It must also be accepted that where different organisations are in competition (to win contract fees or a membership subscription) competition inevitably comes ahead of co-operation. SCC firmly believes that vibrant competition is a symptom of a healthy economy and recovery will be private sector led. However in the challenging circumstances of digging ourselves out of a
mountain of public debt and putting the economy back on its feet, government has a key role to play in fostering cross-agency co-operation. SCC endorses the need for the private and public sector to be close partners in meeting these challenges.

Every worker in the private sector and every business need high quality public service provision for social welfare, health and education. By building a better economy business can generate the tax revenue needed to revitalise our position post-recession.

This sits in a context in which business paradigms have been changing over recent decades to a much greater recognition that today’s competitor may be tomorrow’s effective partner. This is partly in response to the need to compete in global markets.

Some individual Chambers report that SE is a less engaged partner than before the restructuring.

The strategic forum is a national forum and seems largely to involve the national public agencies so does little that we can see to reinforce local-national connections. It would be surprising if there are many local authorities that believe the changes enhanced local-national partnerships.

Having said that – the absence of the LECs does open up more scope for joint working between Chambers and local authorities but with no additional resources that is rather limited to strategic discussion as opposed to project delivery.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. A priority in the Highlands is the need to maintain communities in areas where they are dispersed. Many measures have been enacted to aid this process (e.g. ferry subsidies) as well as the efforts of the enterprise network. There is a strong feeling in Highland and Island Chambers that HIE has been a very important contributor to local economic development for many years.

“Most would recognise that the Highlands and Islands has considerable challenges around culture; communication, geography and logistics.”
Stewart Nicol Chief Executive Inverness Chamber of Commerce

The rolling of Business Gateway into local authorities does in theory assist this process in SE areas. We would maintain that the way in which Chambers of Commerce are embedded into their local communities by their very nature acts as an effective conduit, and therefore SCC remains an important vehicle for delivering such a remit.

The use of hub and spoke tactics where major City Region Chambers support their smaller rural neighbours is an effective tool in this process. National
programmes such as Business Mentoring and Scottish Chambers International also enable national services to be delivered through local chambers.

SCC believes the Communities remit of HIE warrants roll out to rest of SE area. It is a leading example of best practice and one which Chambers of Commerce are well placed to supplement or take over.

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. Maintained local funds for specific projects have continued. Where strong partnerships exist there is more likelihood of continued high quality outcomes. Thus Capital City Partnership in Edinburgh or projects at Clydebank and Inverclyde have seen a range of stakeholders crossing boundaries to create sustainable initiatives.

Not everyone is equally happy:

“In Lanarkshire we have seen Ravenscraig downgraded to a local regeneration project despite the fact that it had been supported for a number of years by SE who were very active in driving the project forward. The result of SE’s lack of active involvement has resulted in the project stalling and it is only now starting to look as if the local authority may have found a way of driving the project forward.”

*Douglas Millar, Chief Executive Lanarkshire Chamber of Commerce*

“Maybe on paper but certainly no results of successful partnership. Our local Caithness and North Sutherland Regeneration Partnership has not delivered what it could have with such partners. HIE certainly has not been an effective partner. What is the strategic forum?”

*Trudy Morris Chief Executive Caithness Chamber of Commerce*

It is clear that as budgets tighten concentration on core services have seen a reduction in regeneration activities and this trend is likely to continue. Edinburgh EDI, Waterfront Edinburgh, PARC Craigmillar would be three examples in the Capital. As a nation we need to be concerned about this. Primary focus must be on generating new successful businesses and growing existing ones. However, lifting the bar for areas with high levels of deprivation cannot be ignored.

Almost all regeneration activity before the change to SE was jointly managed between local authorities and SE. The underlying problem seems to be that the devolution of regeneration to local authorities cannot deliver regeneration objectives when the amount of resource transferred across to the local authorities from SE is as small as it was and so major programmes of land
renewal and public realm improvements are now no longer feasible. The damage done affects all levels of community but especially the towns most in need of assistance such as Paisley, and Motherwell.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. This mechanism seems to be weak. Businesses and Chambers report little or no involvement despite an appetite to take a full and active part in shaping the direction of travel as the voice of business. One commentator noted the loss of LECs as a contributor to the irrelevance of the mechanism. It is interesting to note the key part that the Chambers and private sector are taking in the English restructuring arrangements through LEP.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. SCC welcomes the creation of a single entity under an umbrella organisation to enable coherent management of this important portfolio.

We believe the large scale benefits of this approach are yet to be delivered. SCC will deliver the engagement with business and given the opportunity to partner with SDS ensure that the needs of businesses are embedded in the agency approach to growing Scotland’s economy efficiently through a skilled workforce.

Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

A9. Chambers of Commerce are committed to the continued support of member companies. Membership fees alone however would never be adequate to support the level of services which businesses require to start and grow their businesses, meet the skills and export agenda, and establish new markets and services.

The recent streamlining of the management structure and consolidation of fixed running costs for SE & HIE is welcomed where it delivers an enhanced front line service for businesses, and is supported by SCC. SCC believes that through public-private sector partnership increased services can be delivered more effectively and a sustainable business model can be designed.

There therefore needs to be a funding stream for any safety net which Chambers of Commerce provide, be that directly or indirectly from government, through European funding where appropriate or by commercial service sold direct to companies. SCC would welcome further debate with government over how this might be achieved.
One of the clear messages from member companies is that those who receive effective support from the enterprise development network are enthusiastic supporters. Those who do not are (not surprisingly) critical. SCC endorses the idea that the private sector should take maximum responsibility for its own development. Chambers of Commerce are willing to pick up any reduction in services provided they are properly resourced and delivered in partnership.

Dispersed Chambers in the HIE area are more likely to feel that HIE has such a large area to cover that local issues are sometimes lost in the overall regional picture. They are also conscious that severe budgetary limitations restrict Highland Council’s ability to tailor services to local need. One example quoted was from Caithness where the use of relatively low paid consultants meant there was adequate support for start-ups in well understood markets such as (say) the manual trades, but a lack of support for more complex business propositions. Therefore there is concern that any further amalgamation of enterprise support will leave their needs even more remote from national policy.

More fundamental, first principles analysis

Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. Anything can be done in a different way. The question is whether the investment in change is affordable and rewarding.

LEPs in England have shown a significant swing to private delivery partners and public-private models are seen as the ideal answer where national agencies monitor and advise on contract awards rather than deliver direct services. Chambers of Commerce are ideally placed to provide such partnership in Scotland.

In many European countries membership of Chambers of Commerce is compulsory as a licence to trade. SCC have no illusion that such a mechanism is imminent or indeed likely in the UK. In sharing with the USA the principle that Chambers are owned and run by their business members Chambers of Commerce make a clear statement that as much as possible businesses should stand on their own feet.

That does not exclude the value of external funding to drive forward national objectives for the economy. Indeed we would argue that in times of need, when the importance of the private sector success in propelling the economy out of recession is paramount, the budgets for doing so should be maintained.

The key issues SCC believes for enabling enterprise growth, alongside an effective development agency, are:

1. An attractive tax regime
2. A welcoming climate for inward investors
3. Willing and able banking partners
4. An investor friendly planning system
5. High quality innovation support (including good University sector)
6. Skilled workforce (good basics from school, sound vocational skills from CFE’s and continuing professional development)
7. Reliable and affordable infrastructure for transport, energy and communication, both internally and internationally
8. Clear encouragement for wealth creation through manufacturing, construction, farming and forestry
9. Support for export maximisation and access to global opportunities
10. Identifying and maximising global competitive advantages

SCC believes these are all areas where improvements can be made, and particular attention must be paid and solutions found for those under threat, such as infrastructure development.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A11. Consolidation and efficiency gains are paramount. Consistent national and regional business start up and growth service is needed to ensure that businesses reach their full potential. The transfer of account managed services to BG, Local authority and private sector should be considered. If this were achieved it would leave SE free to concentrate on high growth businesses and key sector approach post account managed.

The investment in a distinct organisation for dealing with the Highlands and Islands clearly has elements which reflect the particular needs of a dispersed, largely rural community. Additionally we should recognise that there are major players in business in the region, and in many areas the economic profile resembles much of the rest of Scotland.

In reality the main dichotomy is between development in rural areas and what is possible in the urban hubs of the City Regions. This is particularly pertinent to rules for growth companies. A company in a rural area may affect its local economy significantly at a much smaller scale than one in an urban centre. An argument that ‘one size fits all’ does not work. Chambers with a strong rural focus are quick to point out the importance of SME’s to their economy and that a focus on backing winners should not mean excluding small companies from support. Innovative officers within SE have always assisted companies whenever they could, but tightening budgets restrict such sensible management.

The coming importance of the renewable energy sector to the HIE region, and the burgeoning life sciences sector around Inverness show that there is plenty of reason for optimism that the region can lift itself economically.

There are clearly indications that local attention is needed for local needs.
We also need to ask whether the use of sectoral account management specialists to cover the whole country, so that for example a textile specialist in Aberdeen might be supporting a company in the Borders, is an efficient use of resources.

If it is determined that there is a case for change, SCC trusts that all stakeholders would be concerned in finding the best way forwards.

Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A12. As above, strategic support and concentration on high growth businesses and key sector approach (post account managed), and inward-outward investment opportunities should be the key targets for the public enterprise network.

Services lower down the pyramid could be best outsourced for direct delivery by the private sector

SCC’s view on the main policy levers for a successful private sector have been detailed in the ten numbered points above. It is appropriate that public funding for enterprise support should focus on these.

Generally the national economic development agency model is worth holding on to: particularly in attracting inward investment, equity capital support at smaller (less than £2m) levels, physical development (especially in urban regeneration) and in skills development.

Account management and industry plans are the current approach, and the evidence to back up their impact requires close scrutiny. It is inevitable that there are perceived differences in performance at different times and in different places. Not all people are equally capable, not all businesses are equally resourced. Not all sectors operate in the same climate. To what extent do those differences lie within the economic development agencies? That is not easy to tease out.

Indeed the abandonment of RDAs in England may give Scotland a regional competitive advantage. It remains to be seen how well LEP’s pick up the tab.

SCC’s general approach, informed by member input, is that enterprise funding is a fundamental tool for the Scottish Government to promote economic growth. The current financial restrictions on the Scottish Government should not result in cuts to this spending which would be detrimental to our chances of recovery. The idea that investing to grow the private sector whilst holding the size of the public sector as a route to correcting the current public sector dominance (54%) of GDP is attractive. This is another argument for maintaining investment in enterprise development.
This will only be possible if budgets are focused on promoting success and not on propping up failure.

However, the principle of the recent reforms has some encouraging features. It makes sense that the activities of SE and HIE should not duplicate the existing efforts of private sector and other organisations, but instead should complement and add to them.

One strategic suggestion has been that we consider a new approach. Clearly we cannot go back to where we started – we need to find a new balance between the role of the national and the role of the local. That can achieve that by reintroducing a geographical responsibility to SE and that we keep HIE perhaps adding Dumfries & Galloway and the Scottish Borders, so that we have essentially a rural economic development agency. SE then takes a city region perspective alongside its industry perspective. Account management is fine but it's the range of tools in place to support it (e.g. equity, management training support, inward investment, export promotion) that really matters and it should flexible in how it chooses who it helps – additionality must be the watchword – does it genuinely make a difference to the company involved?

SCC does not endorse disposing of SE or narrowing it down even further. It should have a responsibility to help local partnerships in developing geographically focused projects alongside its industry initiatives. It should be under pressure to show the impact of those industry initiatives.

SE, HIE and SDS have clearly shown their support for the Scottish Chambers International initiative which is very welcome. Public-private partners in their day to day work need to be conscious of avoiding duplicating services.

So the idea of the enterprise agencies commissioning outside bodies to deliver services makes sense, and could be extended in areas such as training, business advice, equity finance, grant making and research commercialisation.

Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. There is a risk that public agencies become hide-bound by rules. It is too easy to measure inputs, rather than outputs. Successful outcomes are what we need and SCC welcomed the outcome driven plans of the present Scottish Government.

Impact measurements do look over-optimistic, and should be compared to the opportunity costs of the funds being used by the private sector in a different way.

At the end of the day enterprise is all about risk. This doesn’t mean we should burn public funds in a dare devil race to find new markets and
products. It does mean that a certain proportion of input will not achieve the desired targets, as happens in any business. However a keen eye for successful trends, products and services and prompt application of people and resources to emerging trends is vital to capture the early ground and establish global leadership.

SCC believes it is difficult to quantify the social impact of much of the regeneration and communities work.

We do need to ask which is more important as a measure of success, GVA or employment. Unemployment is in a worse case, progress wise than the UK as a whole currently, whilst GVA is not a great success story.

**Conclusion**

5. It is the view of Scottish Chambers of Commerce that many people have been working in many agencies for many years to achieve a new level of economic success for Scotland.

6. We do not believe we have reached the targets which we would like to see for business birth rate, for GVA and for annual growth rates.

7. We do believe there has been a sea-change in how Scots view enterprise culture. We would hope that the national agency for economic development would continue to lead that. We do not believe it would be beneficial to subsume that role into government per se.

8. SE/HIE (or whatever comes next) should be focussed on the national promotion of enterprise at a strategic level, the overall guidance and promotion of exporting and the support and growth of our next generation of major national companies. It should co-operate with the other agencies in delivering the base of the pyramid and whose peak they represent. HIE would continue a particular remit for the particular needs of the Highlands and Islands, connecting to SE’s national and international programmes.

9. We believe that an economic development strategy for the cities (as core drivers of Scotland’s economy) is an essential component of recovery from recession and ought to be at the centre of the output measures for the enterprise network. The Scottish Government is currently consulting on a Rural Strategy, and we have indicated how that might be a natural progression for the evolution of HIE in this context. There is no parallel strategy for city development- and there ought to be.

10. Chambers of Commerce are unanimous that enterprise development funding should fall no further, to ensure that the private sector can deliver the Government’s objective of leading the recovery.

11. What we must guard against is underestimating the value of our start up businesses, or losing vital performers who are in transition between the base
slopes and the summit. Scottish Chambers of Commerce pledges its membership to supporting the evolution towards that ideal.

The Scottish Chambers of Commerce
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