



**Unite – the Union Scotland**

**Evidence Submission to the Scottish Affairs  
Committee**

***‘Employment & Skills for the Defence Industry  
in Scotland’***

## **Executive Summary**

In this submission Unite - the Union will highlight the significant role played by the defence industry in providing quality employment and economic benefit to Scotland, whilst boosting the skills agenda.

However, we believe that there is a very urgent need for a clear and concise raft of skills and lifelong learning commitments from the Scottish Government to meet the demands of Scotland's economy – including defence. We are concerned that Scotland, without specific targets and investment in relation to skills, lifelong learning and modern apprenticeships, will face major challenges in maximising the economic opportunities which will arise from the significant levels of investment in the defence industry.

Furthermore, due to the inconsistent incidence of workplace training across Scotland's economic sectors we believe it is necessary for some form of compulsion to be placed on employers, both public and private, to train their workforce.

## **Introduction**

Unite – the Union is the UK's largest trade union with 2 million members across many sectors of the economy. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

We are a Union with a significant presence in the defence industry. Our members include engineers, fitters, maintenance, ancillary and construction workers employed in major companies such BAE Systems, Babcock, Rolls-Royce, Thales, MacTaggart Scott, DARA and many more. Therefore, we welcome the opportunity to contribute to the Scottish Affairs Committee's '*Employment and Skills for the Defence Industry in Scotland*' inquiry.

## **Employment, Economy & Skills in Scotland**

1. Scotland, like the rest of the UK, faces a significant challenge in overcoming skills shortages and gaps. Politicians, employers, Trade Unions, and skills organisations have consistently raised this issue and proposed varying and often contrasting solutions to addressing this challenge. What is clear is that - despite strategy and investment over the last decade - the challenge has not been met. An analysis of the current political, employment, and skills situation increases our concerns about Scotland's ability to meet the skills demand.

### ***What Next for Scottish Skills & Lifelong Learning?***

2. Unite – the union is concerned about the lack of clarity on skills and lifelong learning policy from the SNP Scottish Government, following the launch of '*Skills for Scotland: A Lifelong Learning Strategy*'. The key strand of the strategy is bringing existing skills organisations (Careers Scotland and Learndirect Scotland) together under a single skills body by the beginning of the 2008/09 tax year. A further announcement made by the Finance Secretary has removed the training and skills agenda from Scottish Enterprise and Highlands & Islands Enterprise, incorporating responsibility into the Education Secretary's remit.
3. Unite - the union believes the Scottish Government's strategy for skills and lifelong learning is ambiguous. The Centre for Public Policy for Regions (CPPR) Report, '*An Analysis of the Scottish Government's Economic Strategy*', delves into the Scottish Government's Draft Budget Report of 2007. For the 3-year period 2007/08 - 2010/11, the budget reveals a slight annual average real increase of 0.3% in

Education & Lifelong Learning Funding in Scotland.<sup>1</sup> However, in terms of commitments and targets for skills, there is little to indicate the Scottish Government's future direction.

***Skills Investment – the rest of the UK:***

4. While the outlook for skills and lifelong learning in Scotland is reliant on the Scottish Government's single skills body, the picture for the rest of the UK is different. The Department for Innovation, Universities & Skills (DIUS) announced that over the next three years total spending on learning and skills will rise to £12.3 BN a year in 2010/11 - compared to £6.5 BN in 2001/02. At the centre of the programme is a major expansion of apprenticeships with over £1 BN in Government funding to increase overall places from 250,000 today to more than 400,000 by 2010/11. Funding will be targeted specifically at expanding apprenticeships for adults aged over 25.
  
5. The investment will mean 30,000 additional such apprenticeships costing £90 MN over the next three years. All apprentices for those aged over 19 will total 125,000 by 2010/11 alongside 281,000 apprenticeships for those aged 16-18. Overall, total DIUS funding for the Learning Skills Council (LSC) spending for adult skills and apprenticeships will increase to £4.3 BN a year by 2011, helping to deliver an increase in spending of 17% on adult learning. The funding will provide over seven million training places over the three year spending review period from 2008/9.<sup>2</sup>

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<sup>1</sup> Centre for Public Policy for Regions, 'An Analysis of the Scottish Government's Economic Strategy', 27<sup>th</sup> November 2007.

<sup>2</sup> Department for Innovation, Universities & Skills, 'Ambitious Plan to Help Boost the Nation's Job Prospects', 16<sup>th</sup> November 2007.

### **Scotland's Skills & Employment Projections:**

6. The future prosperity of the Scottish economy is dependent upon having the required numbers of skilled labour to meet demand. The Fraser of Allender Institute predicts that total net employment change in Scotland will increase by 56,574 over the period 2006-10. In the same period, jobs in public services (including defence) are estimated net increase by 19,323.<sup>3</sup> HBOS Labour Market Report reveals that employers continue to face difficulties in finding suitably skilled candidates to fill vacancies in Scotland. Skills shortages are prevalent across many sectors of the Scottish economy with demand for labour being greatest in the Engineering & Construction sectors, both for permanent & temporary / contract staff.<sup>4</sup>
  
7. Furthermore, future Skills Scotland *Labour Market Projections 2007-17* highlights the scale of the challenge in enhancing the skills and qualifications levels of the working age population. The report indicates that by 2012, 762,000 (approximately 25% of the of Scotland's working age population - estimated to be approximately 3.2 million) will be either qualified to the minimum Level 1 criteria or have no qualifications at all.<sup>5</sup>
  
8. Furthermore, while only 4% of organisations provide no training in the public administration & defence sector the incidence of workplace training is inconsistent across the Scottish economy, according to the Future Skills Scotland report, *Skills in Scotland 2006*. For example, 54% of employers in the manufacturing sector and 34% in the construction sector provide no training. The report indicates that while these levels can be partly attributed to staff already being fully proficient (44% of employers according to Skills Scotland) it is clear

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<sup>3</sup> Fraser of Allender Institute, Business Forecasting Service 2007, Employment Growth in Scotland.

<sup>4</sup> HBOS Labour Market Report, 17<sup>th</sup> December 2007.

<sup>5</sup> Future Skills Scotland Report, Labour Market Projections 2007-17 (2007)

that Scotland's economic sectors face significant challenge in closing their skills gaps and overcoming skills shortages.<sup>6</sup>

9. *The statistics demonstrate that Scotland will continue to have net job growth over the short-to-medium term but faces significant challenges in ensuring that supply can meet the skills demand. It is for this reason that Unite – the union believes that the Scottish Government must produce investment and target proposals as a matter of priority (particularly in light of the DIUS proposals for the rest of the UK) and that both the UK and Scottish Governments look towards compulsive training provisions – in both the public and private sectors – to tackle the skills demand.*

## **Economic Impact of Defence Industry in Scotland**

### **Case Study – BAE Systems Surface Fleet Solutions:**

10. The Fraser of Allender Institute (FOAI) produced a report on the economic impact of the BAE System's Surface Fleet Solutions on the Scottish Economy. In the absence of definitive data for the economic benefits of the Defence Industry across Scotland as a whole, the FOAI report provides a snapshot of the significant impact defence industry contracts awarded to BAE Systems alone play in contributing to the economic prosperity of Scotland.
11. BAE Systems employ approximately 3,038 people: 2,661 in a permanent capacity; 200 in a fixed-term capacity; and 177 on a sub-contract basis. Since 2003, the company has taken 350 apprentices and aimed to recruit 120 for its 2007 intake.<sup>7</sup> FOAI states that in 2006, BAE Systems directly employed 2,860 employees across Scotland and

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<sup>6</sup> Future Skills Scotland, Skills in Scotland Report (2006)

<sup>7</sup> Report for BAE Systems Surface Fleet Solutions, Fraser of Allender Institute: *The Economic Impact of BAE Systems Surface Fleet Solutions on the Scottish Economy*, March 2007.

the company's subsequent output will generate an additional 1,633 jobs in Scotland, meaning that BAE Systems on the Clyde activities support approximately 4,493 jobs across Scotland (including those employed directly at BAE). This means that the employment multiplier for BAE Systems Surface Fleet Solutions in Scotland during 2006/07 is 1.57, meaning that every person employed directly at BAE Systems supports 0.57 jobs elsewhere in Scotland.

12. For every £1 spent on wages by BAE, it generates approximately £0.44 worth of supplier expenditure in Scotland. Based on this data, FOAI have estimated that the company's £73.7 MN wage expenditure will generate £32.4 MN of expenditure at Scottish suppliers. Subsequently, the estimated output of £133.2 MN created directly by BAE Systems created an additional demand for output equal to £105 MN in other Scottish industries. This means that BAE Systems operations on the Clyde alone support a total output of £238.2 MN across Scotland as a whole.
  
13. Scottish Enterprise (SE) estimate that shipbuilding and ship repair directly employs 7,000 people in Scotland - 24% of the UK's shipbuilding workforce – and generates £410 MN a year for the Scottish Economy. It supports 100 firms directly and over 300 more in the supply chain.<sup>8</sup> This scale highlights the need for UK procurement agencies to give support and advice to UK companies (particularly small and medium-sized enterprises) and for the creation of a mentoring system for companies operating in the procurement market. This economic impact (investment, employment, wages, multiplier effect and output) is replicated across other defence industry locations in Scotland. For example, the Defence Analysis Report states that the money that flows through the defence facilities at Coulport and Faslane

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<sup>8</sup> Personnel Today, 'Scottish Enterprise sets up Marine Technology Project', 29<sup>th</sup> August 2007.

amounts to £200-250 MN per year exclusive of any local spend by service personnel.<sup>9</sup>

14. In addition to the Royal Navy Aircraft carrier contract award, three Royal Navy ships are already in refit at Rosyth - HMS St Albans, HMS Gloucester and HMS Grimsby. Rosyth has also secured a multi-million-pound contract to carry out a refit of another Royal Navy ship, HMS Sutherland. Babcock has won the contract to carry out the overhaul at Rosyth. The new equipment - worth £18 MN - will further boost the regional economy and labour market.

### ***Skills Impact of Defence Industry in Scotland:***

15. The Defence Industry not only significantly contributes to the economic prosperity of Scotland; it can boost the skills agenda and quality employment in Scotland and the rest of the UK. The Society of British Aerospace Companies (SBAC) 2006 survey of Scotland's aerospace, defence and marine sectors, revealed that:
  - There are approximately 170 companies in Scotland involved in aerospace, defence and naval sectors;
  - In 2005 total sales for the sector were £2.1 BN; and
  - Together they employ nearly 15,000 people earning 33 % above the Scottish average wage.
16. The investment and opportunity that the defence industry brings to Scotland is significant. Scottish Enterprise (SE) announced in August 2007 the launch of a marine technologies training project to meet the demand for engineering apprentices in light of the £3 BN aircraft carrier contract awarded to BAE and Babcock. SE predicts that up to 2,000 MAs will be hired over the next decade to service projects associated with the contract. It is anticipated that this figure will rise steadily as

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<sup>9</sup> Defence Analysis, Scottish Independence Issue – For the Sake of Auld Lang Syne?, Vol 10.1 (2006)

around 150 new openings are created each year to cope with the increased volume of work.<sup>10</sup>

17. *The increase in Modern Apprenticeships on the Clyde and in Rosyth demonstrates the significant impact in terms of training and employment growth. That is why Unite - the union believes the Scottish Government must set clear targets for modern apprenticeships, skills and training to ensure that Scotland maximises the economic opportunities created by the defence industry - and every other sector of the economy.*

### **Concluding Remarks**

18. Unite – the Union believes the defence industry plays a vital role in the Scottish economy. The FOAI BAE Systems report shows how far reaching the economic impact of defence industry is with regards to investment, employment, wages, multiplier effect and output. The Secretary of State has opined that the contracts awarded to the Clyde and Rosyth would support or create 10,000 jobs. The existing and potential opportunities afforded by the defence industry are clear as this submission has demonstrated. The challenge facing Scotland is to ensure that supply meets demand and opportunity is maximised.
19. Unite – the union has been clear in our concerns regarding the lack of clarity from the Scottish Government on the issue of skills and lifelong learning. Where the rest of the UK will benefit from the DIUS investment package, Scotland must wait on specific commitments and targets of a future skills body and the Scottish Government to meet the demands of the defence industry but also the wider economy.

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<sup>10</sup> Scottish Enterprise, 'Scotland leads UK in engineering apprentices', 27<sup>th</sup> August 2007.

Unite – the union would welcome the opportunity to substantiate the content of this submission by giving evidence or liaising with Committee members and / or relevant Civil Servants. For further information please contact Andrew Brady ([andrew.brady@unitetheunion.com](mailto:andrew.brady@unitetheunion.com)) or Peter Welsh ([peter.welsh@unitetheunion.com](mailto:peter.welsh@unitetheunion.com)), Unite – the Union Scottish Region, Campaigns, Policy & Research Unit on **0141 248 7131**.