

measuring Scotland's progress towards

A SMART, SUCCESSFUL SCOTLAND



SCOTTISH EXECUTIVE

**Making it work together**

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## ministerial foreword



The Executive is committed to improving Scotland's long-term economic performance. A year ago, we published *Smart, Successful Scotland*. This report, prepared by the Joint Performance Team, shows how the Executive and the Enterprise Networks are responding.

Too often we have looked for quick-fix solutions. Now we are looking to the long term. The principal driver of economic development is the private sector, working within the world economy. In these challenging times, we need to maintain our commitment to gaining the advantages of our links with the world economy, and with international businesses. This will mean responding effectively to the changes that are occurring in specific industries, and helping those sectors and areas affected by global economic change.

The role of the public sector is to facilitate and assist, against the backdrop of clear and effective strategy. The Executive is determined to focus on a new approach for Scotland's economy, based on Scotland's own science and skills.

Since devolution the Executive's approach to the supply side has changed radically with the bringing together of enterprise, research and lifelong learning within one department, a move which has attracted international interest. The role of Scottish Enterprise and Highlands and Islands Enterprise has also been radically altered to reflect these new priorities.

We have created Careers Scotland, Future Skills Scotland and Scottish Development International which now leads a new global salesforce for Scotland – taking Scottish ideas and products to the world. Much has happened in a short period but I am not complacent about the scale of the challenge.

This report sets out how we intend to measure Scotland's progress towards a smart, successful Scotland, and what we are doing to achieve our ambitions. It therefore sets out the outcomes we want to achieve, and the outputs from the Enterprise Networks, designed to help us achieve these outcomes. It builds on the strategic direction in *Smart, Successful Scotland*, and sets out our current performance in each of the 12 priority areas against the available data. We have started to benchmark performance against OECD countries, to understand better where we must make progress. Further work is underway to refine the comparisons with other OECD countries.

But analysis is not enough. Improving our understanding of the main drivers of economic performance will lead to ever more effective interventions by the Enterprise Networks. Here you will find both overall measures of progress and the more detailed operating targets.

We are making the changes to deliver better economic development services – we can now look forward to reaping the rewards.



Wendy Alexander, MSP

# introduction

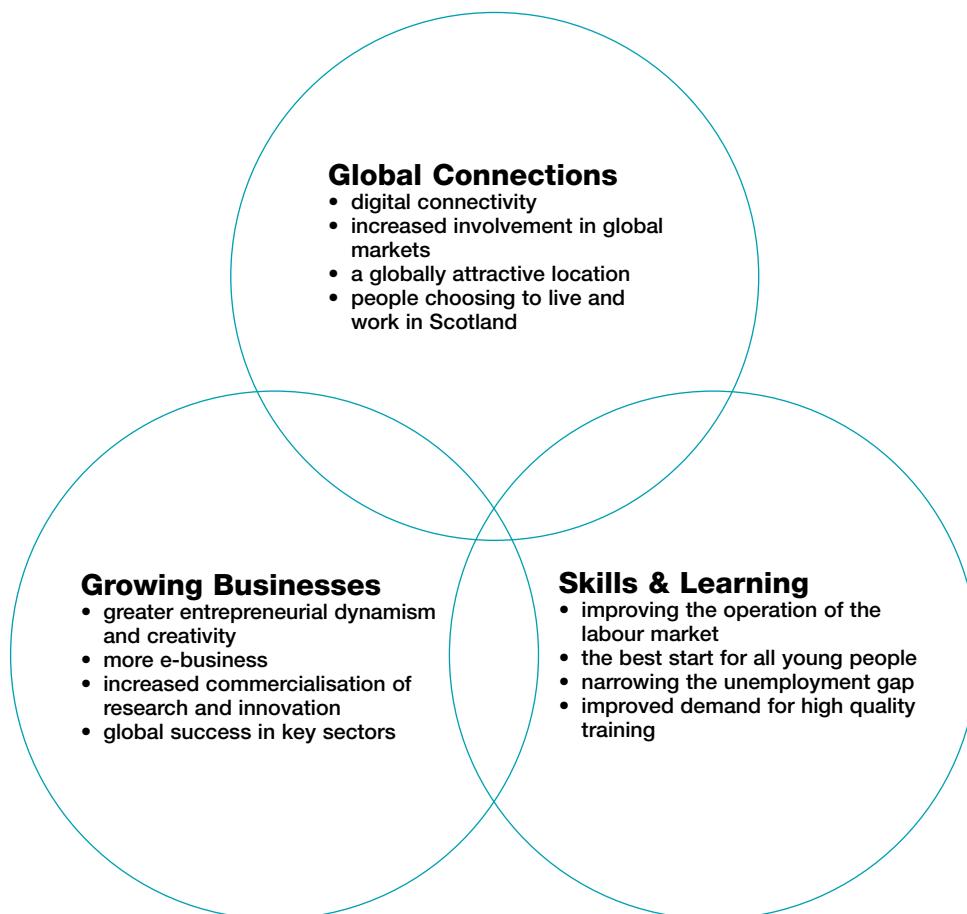
1. *Smart, Successful Scotland* set out the Executive's ambitions for the Enterprise Networks. It built on the *Programme for Government* and the *Framework for Economic Development in Scotland (FEDS)*, and was designed to steer the direction and focus of the Enterprise Networks. It outlined three key themes and twelve specific priorities. The themes and priorities are closely inter-related, with progress in one area contributing to and reinforcing progress in others.
2. This report takes these ambitions to the next level. It has been prepared by the Joint Performance Team, a collaborative effort by the Scottish Executive, Scottish Enterprise and Highlands and Islands Enterprise. It sets out how we intend to measure the progress towards achieving a smart, successful Scotland. The measures outlined in this paper will also provide a deeper articulation of the Executive's policy direction for the Networks. The performance of the Scottish economy in the areas of these measures will indicate where greater effort is needed and any re-focusing is required to achieve the Minister's ambitions in the future.
3. Scotland's relative performance in an international context is the best yardstick of progress. Focusing on a limited number of key measures, we intend to benchmark Scotland's performance with other OECD countries. We should ultimately aspire to perform in the upper quartile. Our aspirations will need to be set in the context of what the best in the world are able to achieve and what we realistically can be expected to attain.
4. Economic success depends upon achieving progress on a number of fronts to set in train an upward, virtuous cycle of development, in which progress in any one area feeds into the others. It is intended that these performance measures will also track progress on the cross-cutting themes identified in *Smart, Successful Scotland*, including progress on social justice, sustainable development, equal opportunities, rural development and transport. In addition, Highlands and Islands Enterprise (HIE) have a "social remit", with the ambition to strengthen communities.
5. The proposed measures set the long-term agenda. They are not intended as annual operating targets for the Networks. Specific targets will instead flow directly from the *Smart, Successful Scotland* measures. This will ensure a strong relationship between action planned for any one-year and longer-term ambitions and change in the Scottish economy. This report sets out the key operating targets for 2002/03, and comprehensive Operating Plans will be published separately by Scottish Enterprise and Highlands and Islands Enterprise in the Spring.
6. The progress measures set out here have been subject to extensive consultation in Autumn 2001 and have been adapted and improved reflecting this process. A report of the consultation process is set out in the Appendix.

7. *Smart, Successful Scotland* was published in January 2001. It provided a clear strategy to underpin how the Enterprise Networks could contribute to improving the competitiveness and productivity of the Scottish economy. It identified a number of areas where there were particular challenges, including our productivity gap with other leading companies, a weakness in entrepreneurship, the need to have the right skills and the importance of digital communications in the future economy.

8. The key facts about the Scottish economy point to how we should tackle the challenges in the future. The Scottish economy has undergone a period of transformational change over the last 30 years. This has been painful, but there are likewise substantial benefits. We now have enormous strengths in financial services, biotechnology and in the computer and certain parts of the software sector. Many of our traditional industries have found new markets, and securer futures.

9. It is clear that the challenges we face are ever changing. To address these, our understanding of the drivers of economic performance needs to continue to improve. Against that background, *Smart, Successful Scotland* sought to identify the key aspects of the economy which the public sector should seek to influence in order to drive further improvements in productivity.

10. There is a widespread recognition that creating, connecting and learning faster is the basis for sustained growth in prosperity. *Smart, Successful Scotland* set out three key themes and twelve specific priorities, identified below.



# measuring progress

11. There are a limited number of macro measures to help track the overall impact on the economy of progress in pursuing *Smart, Successful Scotland* ambitions. These macro measures help emphasise the integrated nature of the priorities. Balanced sustainable development requires progress to be made across the board, although progress may be quicker in some areas than others. This will include Scotland's performance in terms of sustainable development and the other cross-cutting priorities identified in *Smart, Successful Scotland*.

12. Specific indicators have been derived for each of the 12 priorities in *Smart, Successful Scotland*. Each measure is designed to focus on outcomes. These measures are a combination of:

- Those that describe what a smart, successful Scotland would look like and allow progress towards it to be tracked e.g. the gap in unemployment between the worst performing areas and the average.
- Those that measure the degree to which necessary conditions for a smart, successful Scotland are in place e.g. the cost and geographic coverage of broadband.

13. For each of the twelve objectives in *Smart, Successful Scotland*, there is one lead measure and two supporting measures. The lead measure is intended to combine a number of characteristics. It should be an appropriate overall measure of progress; it should provide the right strategic steer to the Networks; and it should be capable of relatively straightforward international comparison. The supporting measures are intended to provide a richer and more rounded picture of progress to avoid the potentially distorting effects of too narrow a focus. There are however important limitations on the availability of comprehensive data on the ideal measures, and a pragmatic choice of indicators reflecting these data limitations has been inevitable.

14. These indicators also provide a basis for intra-Scotland comparisons, especially comparisons of achievements in Scotland's rural and urban areas. We intend to develop the indicators, as far as possible, to have a rural and urban disaggregation, and the Enterprise Networks' Operating Plans will set local area targets on this basis wherever possible.

15. The progress measures are designed to help our understanding of how well Scotland is doing in terms of its economic performance, within the strategic framework set by *Smart, Successful Scotland*. Our performance can be looked at in absolute terms, but it will also be useful to compare our performance with other countries. In general economic development is not a competition between countries, but comparisons with other leading countries should help to identify lessons to be learned and scope for improvement.

# progress measures

PRIORITY AREA	LEAD INDICATOR
<b>OVERALL PROGRESS INDICATOR</b>	Standard of Living indicator (GDP per Head)
<b>GROWING BUSINESSES</b>	
Entrepreneurial Dynamism and Creativity	High growth firms (Business starts)
More E-Business	Percentage of businesses trading online
Commercialisation of Research and Innovation	Business investment in R&D as a proportion of GDP
Global success in key sectors	Productivity levels in Scottish industry (Labour productivity in Manufacturing)
<b>GLOBAL CONNECTIONS</b>	
Digital Connectivity	Cost and geographic coverage of broadband
Involvement in global markets	Companies exporting (Scottish manufactured exports)
Globally attractive location	Graduates as a proportion of the workforce
Choosing to live and work in Scotland	Net migration (working age) as a proportion of population
<b>SKILLS &amp; LEARNING</b>	
Improving the operation of the Scottish labour market	The proportion of the working age population in employment
The best start for all our young people	Proportion of 16-19 year olds not in education, training or employment
Narrowing the gap in unemployment	Ratio of unemployment rates between the worst 10% of areas and the Scottish average
Improved demand for high quality in work training	The proportion of those in employment undertaking training

Note: Indicators in brackets refer to the next best alternative indicator which will be used, in the light of limited data on the ideal indicator.

# benchmarking Scotland's performance

16. Scotland's relative performance in an international context is best compared to the OECD countries. This provides a broad international dimension of thirty countries from different parts of the globe and with a range of characteristics. The use of the OECD benchmark also avoids distortions caused by business cycles and other external factors. Nonetheless, a wider benchmark can sometimes be useful, especially in terms of the overall macro-economic measures.

17. Focusing on a limited set of key areas, we have benchmarked Scotland's performance against the thirty member countries of the OECD. Our aim is to improve our performance, and move towards the top quartile for each of the twelve priority areas. The timescale over which such an aspiration might be achieved will vary. In some areas, this aspiration may only be achievable over a long time period, but in others we may aspire to become a global leader. Our aspirations should be set in the context of what the best in the world are able to achieve and what we realistically can be expected to attain.

18. For many of the measures, the availability of comparable data will make performance against the proposed OECD benchmark reasonably straightforward to measure. For others, where data sets are not easily comparable, this will be harder and some judgement will be required. Nevertheless, the initial comparisons here provide a useful snapshot of strengths and of areas where Scotland's economic performance needs to improve. Further work is in hand to improve the comparisons with OECD countries, and to draw the lessons to be learned.

19. The chart opposite illustrates how a measurement framework could be constructed to allow progress in pursuit of this aspiration to be assessed. It is intended to provide a straightforward way of making a quick assessment of progress relative to the countries of the OECD. A green box will indicate that performance is among the best in the world and a yellow box that we are in the second quartile. An orange box indicates that we appear to be in the third quartile, and a red box will show where there is a very long way to go to catch up with the best. It will also be important to develop methods of showing the direction of change to check that measures are moving in a positive direction. The colours shown in the chart are our best estimate of where Scotland currently stands, using the measures which are set out in more detail in the remainder of this report.

20. The summary table shows that:

- we do well in comparison with OECD countries in terms of our export performance and in unemployment differentials across Scotland;
- we are doing moderately well in terms of e-business and our overall employment record; and
- we are well behind leading OECD countries in terms of Business R&D.

PRIORITY AREA	LEAD INDICATOR	OECD COMPARISON
Overall progress Indicator	Standard of Living indicator (GDP per Head)	Scotland and the UK fell into the third quartile.
<u>Growing Businesses</u> Entrepreneurial Dynamism and Creativity	High growth firms (Business starts)	The Global Entrepreneurship Monitor suggests Scotland, with the UK, is in the third quartile, with Ireland strong and Japan relatively weak.
More E-Business	Percentage of businesses trading online	Scottish Enterprise research suggests performance in the second quartile.
Commercialisation of Research and Innovation	Business investment in R&D as a proportion of GDP countries	Scotland lags well behind the rest of the UK and the leading OECD countries. Performance is in the third quartile.
Global success in key sectors	Productivity levels in Scottish industry (Labour productivity in Manufacturing)	Productivity performance suggest the third quartile. But strong performance in Knowledge economy sectors.
<u>Global Connections</u> Digital Connectivity	Cost and geographic coverage of broadband	Performance would appear to be in the second quartile, based on Ofcom research. Finland well on top.
Involvement in global markets	Companies exporting (Scottish manufactured exports)	Strong performance in upper quartile, with Belgium, if exports include to the rest of UK. Otherwise, performance in the third quartile.
Globally attractive location	Graduates as a proportion of workforce	Second quartile performance, ahead of countries such as Germany, France and Belgium.
Choosing to live and work in Scotland	Net migration (working age) as a proportion of population	In third quartile. Close relationship between net migration and GDP per head in OECD countries.
<u>Skills &amp; Learning</u> Improving the operation of the Scottish labour market	The proportion of the working age population in employment	Second quartile performance, ahead of Germany and France despite their much higher GDP per head.
The best start for all our young people	Proportion of 16-19 year olds not in education, training or employment	Estimated to be third quartile performance, although limited comparable data are available.
Narrowing the gap in unemployment	Ratio of unemployment rates between the worst 10% of areas and the Scottish average	Estimated to be second quartile performance, based on performance on long-term unemployment. Limited comparable data are available.
Improved demand for high quality in work training	The proportion of those in employment undertaking training	Second quartile, on the basis of the OECD's Education at a Glance report and the Labour Force Survey.

21. The Enterprise Networks currently spend some £600m in furthering Scotland's prosperity. Their contribution to progress in each measure will vary. In some cases, it will be relatively direct as a result of working closely with specific companies, organisations or individuals. In others, it will be more indirect, as a result of influence brought to bear through the sharing of market analysis, etc. The degree of influence will also vary depending on the scale of the issue, resources available and the leverage that any particular policy or programme can have on it.

22. The indicators below put the Networks' activities in context to help give an idea of the overall scale of their potential impact:

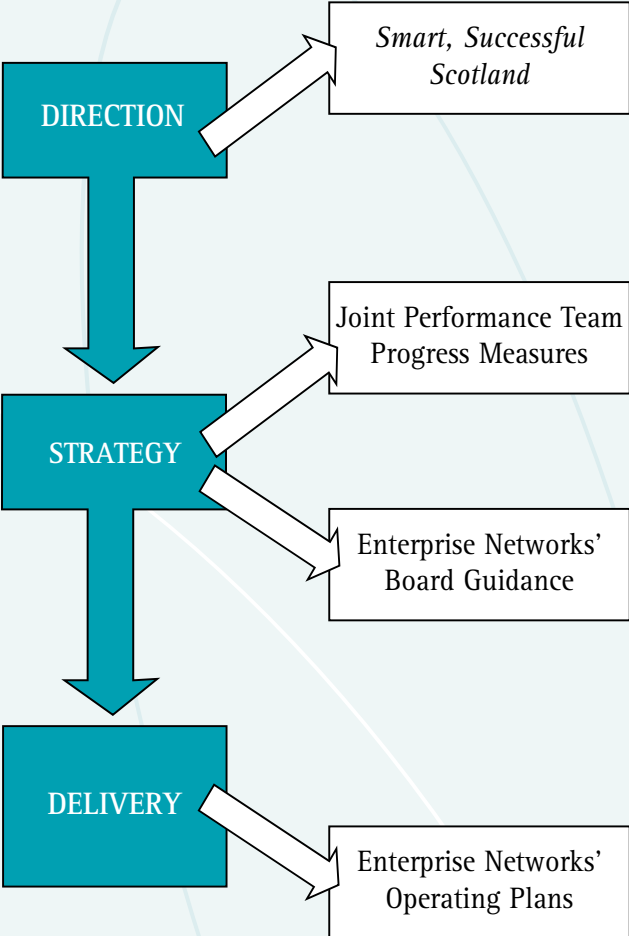
- the annual expenditure of the Networks is around 0.7% of Scottish GDP
- the Networks typically work on specific projects with around 20,000 employers a year, out of a Scottish total of around 100,000
- around 40,000 individuals will take part in the Networks' main training programmes each year, compared to a workforce of over 2 million.

23. The link between the activities of the Networks and changes in the proposed measures will be difficult to measure in an unambiguous way. This reflects the nature of the Networks' activities, which have to be carried out in partnership with others for maximum impact. Indeed *Smart, Successful Scotland* emphasises the importance of partnership working with the private sector, voluntary and other public sector bodies. Detailed evaluation of individual projects and programmes will help us make judgements about attribution with greater confidence.

24. The proposed measures - the outcomes set out above - are not intended for use as annual operating targets for the Networks. However, the specific operating targets used by the Networks - better described as outputs - will flow directly from the *Smart, Successful Scotland* measures. They will be a measure of annual performance, and will indicate where any refocusing of efforts or redirection of resources is required. This will ensure a strong relationship between action planned for any one-year and longer-term change in the Scottish economy. The diagram opposite illustrates the way in which the measures will relate to performance measurement and planning in the Networks.

25. The next three sections draw together the progress measures for each of the theme areas and sets out the actions underway by the Enterprise Networks and their key draft operating targets for 2002/03. These will be supplemented by further targets covering the full span of Networks activities, with specific targets for Local Enterprise Companies etc. The full details will be set out by Scottish Enterprise and Highlands and Islands Enterprise in their Operating Plans to be published in the Spring. The final section, from page 18, sets out the full details on why these measures and targets have been chosen.

# delivering progress



26. The challenge here will be to create opportunities for **growing businesses** by fostering an environment for innovation, through new company formation and the development of new ideas and products. Nowhere is this more important than in our use of e-business and in building effective links between our businesses and our universities. Moreover the sectors and clusters in which firms work can be fostered as a means to promote productivity of individual firms and thereby of the economy as a whole.

27. To promote **entrepreneurial dynamism and creativity**:

- **Scottish Enterprise** have reviewed their Business Birth Rate Strategy to encourage entrepreneurship and support business starts through quality advice and information, through for example access to funding and more specialised business information and advice.
- **Highlands and Islands Enterprise** have revamped their strategy to invigorate business starts and a more effective support network resulting in a higher profile for this segment of the economy.
- **Local Economic Forums** are streamlining business services at local level, and considering an all Business Gateway.

28. To promote more **e-business**:

- **Scottish Enterprise** use all four levers available - accelerating uptake, developing software and e-business supply sector, developing the right skills, and creating the right environment and infrastructure. Advice is delivered, principally, through *First Steps* and *ecomadvisers*.
- **Highlands and Islands Enterprise** recognise e-business as an effective means to address the challenges of peripherality. They offer general and specialist advice and promotion of good practice to Highlands and Islands businesses.

29. To promote **increased commercialisation of research and innovation**:

- **Scottish Enterprise** will influence this area through initiatives to increase the commercialisation of R&D by businesses and academic institutions, including through the *Scottish Institute for Enterprise* and the *Proof of Concept* scheme. They are also helping build transatlantic links between Scottish universities and US counterparts, and developing proposals for Intermediate Technology Institutes, building on the pioneering success of the Alba Centre.
- **Highlands and Islands Enterprise** support the development of key centres of excellence, building on particular areas of expertise or opportunity in the Highlands and Islands, linking these into the *UHI Millennium Institute* and other Scottish institutions of higher education and developing the incubator infrastructure throughout the area.

30. To promote **global success in key sectors**:

- **Scottish Enterprise** promote the following key sectors: biotechnology (including marine applications), opto-electronics, microelectronics, forestry, food and drink, tourism, chemicals, financial services, energy and the creative industries. They also pursue important initiatives in a wide range of other sectors, including assisting the *Electronics Action Plan*, and the *10 point Textiles Action Plan*.
- **Highlands and Islands Enterprise** prioritise the following key sectors: high-technology manufacturing and engineering, tele-service businesses, food and drink and tourism, as well as the area's more traditional industries. The development of expertise in renewable electricity generation and in decommissioning is a particular priority.

## DRAFT TARGETS FOR 2002/03

### Scottish Enterprise

	Draft Target 2002/3	Target 2001/2
New starts assisted	7,675	7,200
- Social Inclusion Partnership residents	750	625
- Women	2,900	2,670
- High growth	175	140
Organisations assisted to market and transact on-line	1,400	1,100
Assisted companies demonstrating improved innovation performance	500	new
New products/services, processes introduced by assisted firms	450	380
Academic/industry joint ventures assisted (including spin outs)	60	35
Businesses achieving recognised environmental standards/awards	50	40

### Highlands and Islands Enterprise

	Draft Target 2002/3	Target 2001/2
No of new business starts	450	450
3-year survival rate for new business starts	70%	70%
No of businesses helped to apply the EFQM model	160	new
No of businesses supported to progress on the e-adoption ladder	250	new
Facilitate e-business solutions that help sectoral groups of businesses trade more effectively in the global market (number of companies)	60	new
Establishment of identified research centres	3	new
Businesses supported to engage in research and innovation activity	85	new
Improve business productivity and value added through integration of the HIE Network's activities to address issues specific to one or more of our key sectors. e.g. supply-chain efficiencies, private-sector leadership, marketing.	-	-

31. We will build Scotland's **global connections**, through fostering an outward-looking and export-orientated economy which is open to incoming ideas and people. This will require our digital connections to be well developed, to enable increased involvement in global markets. And it will let us build on our globally attractive location for business and for visitors, which will encourage more people to live and work in Scotland.

32. To promote **Digital Connections**:

- **Scottish Enterprise** will promote the geographic extension of broadband coverage, and connections to the Internet, principally through the *ATLAS project* and the *UK Broadband Fund*. Digital inclusion plans will be developed for SIP areas, through the *Digital Champions Programme*.
- **Highlands and Islands Enterprise** will give a high priority to bringing broadband capability to the Highlands and Islands with particular emphasis on the most remote areas. This will involve working with a range of private sector providers.

33. To promote increased involvement in global markets:

- **Scottish Enterprise** are implementing the *Global Connections Strategy*. The aim is to assist companies, particularly in key clusters and sectors, to increase their involvement in global markets and to be global in their outlook and operations. This will include the *Global Companies Development Programme*, working with Local Export Partnerships and building international networks of Scots abroad.
- **Highlands and Islands Enterprise** will work closely with Scottish Development International, which has a Scotland-wide remit, and help internationalise Highlands and Islands businesses, ensuring that accessible and relevant advice and information are available to those who require them.

34. To promote Scotland as a **globally attractive location**:

- **Scottish Enterprise** will implement the *Global Connections Strategy* by helping Scotland to realise value by attracting knowledge from overseas. Scottish Enterprise will assist in enhancing Scotland's business environment and marketing that "product". This will include stimulating investment in both sea and air links, e.g. the Rosyth Ferry project.
- **Highlands and Islands Enterprise** will use their property and environmental renewal powers to ensure that high-quality business infrastructure is available throughout the area and will market these advantages vigorously through the most effective channels and networks.

35. To promote **more people choosing to live and work in Scotland**:

- **Scottish Enterprise** will seek to influence the supply of specialised labour to the technology industries in Scotland, through the *TalentScotland* programme.
- **Highlands and Islands Enterprise** will promote the area nationally and internationally and influence Scottish, UK and European policy development, and act to address depopulation across key areas of the Highlands and Islands.

36. Highlands and Islands Enterprise have a fourth and key priority area, reflecting their unique social remit. This will continue from previous HIE strategies, under the heading **Strengthening Communities**, to promote investment in Community Assets, develop community strengths and leadership and to enhance the value of culture and heritage.

## DRAFT TARGETS FOR 2002/03

### Scottish Enterprise

	Proposed Target 2002/3	Target 2001/2
City 'hubs' providing high quality, competitive telecom services	3	new
Organisations in key industries participating internationally (exports, JVs)	500	new
Planned new jobs through research, design and development FDI	900	new
New international business transport links assisted	3	new
Key 'knowledge workers' attracted to Scotland (pilot)	100	new
Accommodation provided for clusters and key sectors (sq metres)	80,000	new

### Highlands and Islands Enterprise

	Proposed Target 2002/3	Target 2001/2
Proportion of Highlands and Islands population to have broadband access	30%	new
Number of businesses in key sectors supported to broaden and/or deepen their involvement in international markets	45	new
Proportion of these businesses who are now exporters	30%	new
FTEs created through Inward Investment	400	1000
FTEs supported through business development support	1,500	2,800
Proportion of these FTEs created in fragile or regeneration areas	25%	25%
Proportion of these FTEs supported in fragile or regeneration areas	33	new
Average wage rate of FTEs supported relative to local average wage (=100)	105	102

### Highlands and Islands Enterprise Strengthening Communities

	Proposed Target 2002/3	Target 2001/2
Proportion of Community investment in fragile and deprived areas	50%	40%
Leverage of funds from non-Network sources	1:5	new
Increase in number of participants in arts and culture events and festivals	10%	new
Number of km of footpaths to be upgraded and way-marked in the Highland area	300	new

37. The challenge here will be to help the people of Scotland improve their **skills and learning**; through supporting a climate of lifelong learning within an effective labour market. Ensuring all Scots are ready for tomorrow's jobs will require good labour market information supported by effective mechanisms for training, for those in work and especially for our young people and those with particular needs. With this in place we can look to narrowing the gap in unemployment between areas, thereby contributing to the achievement of full employment, and ensure that our businesses have access to the skills and expertise which they need.

38. To improve the operation of the Scottish Labour market:

- Scottish Enterprise and Highlands and Islands Enterprise will implement Britain's first all age careers advisory service, *Careers Scotland*, and promote better informed decisions about interventions in the labour market through the information gathering, collation and dissemination activities of *Future Skills Scotland*.

39. To provide the best start for all our young people:

- Scottish Enterprise and Highlands and Islands Enterprise will promote take up of learning in employment by young people, especially among 16 to 19 year olds, through *Skillseekers* and *Modern Apprenticeships*.

40. To narrow the gap in unemployment:

- Scottish Enterprise will contribute to redressing the imbalance in spatial unemployment by promoting participation in its workplace training and development activities to the worst 10% post-code areas and SIPs in partnership with local initiatives, including through the *New Deal* and *New Futures Fund*. This will include work in specific localities hit by closures and experiencing economic difficulties.
- Highlands and Islands Enterprise intend to narrow the gap in tackling economic disparities through implementing the recommendations of the Beattie Committee, helping the long term unemployed through the *New Deal* and *New Futures Fund* and support groups who face problems of access.

41. To improve demand for high quality in-work training:

- Scottish Enterprise will contribute to this area by helping to increase the numbers of employers meeting recognised standards for workplace development, e.g. through IiP accreditation.
- Highlands and Islands Enterprise will pursue its sectoral skills strategy, Realising Potential. The *University of the Highlands and Islands Millennium Institute* project will lie at the heart of efforts to develop learning infrastructure in the area.

## DRAFT TARGETS FOR 2002/03

### Scottish Enterprise

	Proposed Target 2002/3	Target 2001/2
No. participating in Modern Apprenticeships	20,000	17,500
Modern apprenticeships achieved	4,900	4,000
Adult leavers remaining in employment/further training after 3 months	2,700	new
Adult programme participants from worst 10% postcode areas/SIPs	2,600	new
Numbers participating in adult work-based training and development activities	9,000	new
First-time Investors in People recognitions	550	600

### Highlands and Islands Enterprise

	Proposed Target 2002/3	Target 2001/2
Establishment of Future Skills Scotland Rural Unit	1	new
Sectoral Workforce Development Plans developed	3	new
No of young people engaged in Modern Apprenticeships	1,700	1,550
No of VQs achieved by Skillseekers	750	600
Increase in proportion of Training for Work clients securing jobs, or further education/training	10%	360*
No of IiP accredited organisations	340	345

\* Current measure is an absolute count, rather than an increase on previous year's performance i.e. number of people participating in community/cultural/sports events and number of Training for Work clients securing jobs, or further education/training

# why these measures?

## OVERALL OBJECTIVES

Lead indicator

Standard of Living Index

Proxy indicator

GDP per head

### Why these measures?

A standard of living index is designed to measure what sustainable economic development is ultimately trying to achieve, reflecting both quantitative and qualitative progress. Research is being undertaken by the Scottish Executive seeking to build on existing indices (see below). While this index is under construction Gross Domestic Product (GDP) will be used as a proxy measure.

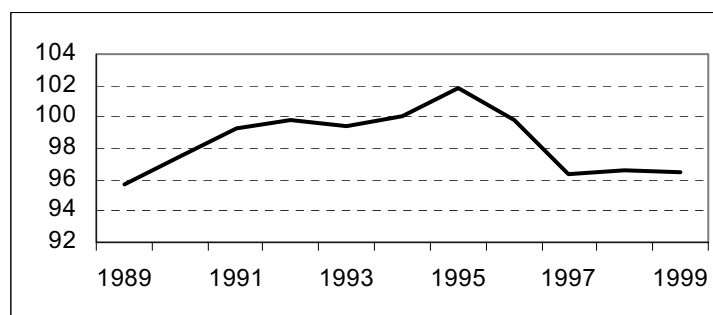
GDP is a measure of the value of all goods and services produced within an economy in a given year. Measuring GDP per head provides an indicator of the relative productivity of an economy adjusted for size. This will be influenced by the proportion of the population in productive work. The employment rate is a ratio of all those of working age in employment and the population also of working age. An economy can generally raise its GDP per head by mobilising available resources that are not yet employed e.g. raising the employment rate and by using its resources, more effectively through greater productivity.

GDP does not, however, measure all the factors relevant to our standard of living. Resource productivity, that is the effectiveness in our use of natural resources, is also important and would be a key aspect of a Standard of Living Index.

### Network influence

The level and growth of productivity and employment rates are particularly relevant to the things that the Networks can, and should, be influencing (i.e. helping more people work and work more productively). They also give a good indication of the underlying structural health of the economy.

Chart 1: GDP per head index, UK (less Continental Shelf) = 100



Source: Office for National Statistics, Regional Accounts

### Trends

Scottish GDP per head was lower than for the UK as a whole during the early nineties. It rose briefly above the UK average during 1994-95 before being overtaken by the UK in the late nineties. During 1996-97 GDP growth for Scotland fell considerably but rose for the UK, causing a sharp fall in Scotland's relative GDP per head. The UK economy as a whole tends to grow faster than Scotland during upturns in the business cycle whilst the Scottish economy tends not to slow down as quickly during downturns. The lower rate of employment within Scotland may explain at least part of the difference in the average output produced per head.

### OECD ranking

The average GDP per head for the period 1995 to 1999 was estimated for the OECD countries and compared with Scotland. The comparison suggests that both Scotland and the UK fell into the third quartile. Luxembourg, the United States, Switzerland and Norway lead the upper quartile: these countries also appeared in the upper OECD quartile in a comparison of employment rates. The lower quartile OECD countries for GDP per head and employment rates were also similar. This suggests a relationship between the proportion of the population in work and the level of GDP per head.

### Key areas for future development

The Scottish Executive has commissioned work examining quality of life indices and other leading economic indices in order to gauge which standard of living index would be the most appropriate. The prominent internationally comparable quality of life indices are the UN Human Development Index and the UN Human Poverty Index. The Human Development Index looks at three basic dimension of human development:

- A long and healthy life, as measured by life expectancy at birth
- Knowledge, as measured by the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-third weight)
- A decent standard of living, as measured by GDP per capita

The HPI also captures social exclusion, thus reflecting four dimensions:

- A long and healthy life, probability at birth of not surviving to age 60
- Knowledge, the percentage of adults lacking functional literary skills
- A decent standard of living, as measured by the percentage of people living below the income poverty line (50% of the median disposable household income)
- Social exclusion, as measured by the rate of long-term unemployment

The differences between HDI ratings for developed countries is particularly small, making it difficult to place much weight on any small changes which occur over time. The HPI may therefore be a more useful index if research shows that robust and internationally comparable data are available for Scotland. A range of alternative indicators are also being assessed. These include the OECD composite learning indicators and the OECD's Science, Technology & Industry Scoreboard. These indicators are seeking to compare OECD countries against similar themes to those in *Smart, Successful Scotland*. They provide useful data and analysis. Scotland is not separately identified in these comparisons and some of the data are not directly comparable to Scotland.

The World Economic Forum is also pursuing this sort of analysis. The recent Global Competitiveness Report provided useful comparisons and analysis of a wider range of countries, again with similar themes to those in *Smart, Successful Scotland*. The Global Competitiveness Index and the Current Competitiveness Index are useful comparators. Finland and the United States take the first and second places in the rankings, with the UK in 12th position in the Global Competitiveness Index, and 7th in the Current Competitiveness Index. This indicates the strong basis for growth in productivity in Scotland and the UK. The results of the analysis of the UNDP, OECD and WEF indices will be published later in 2002.

The Scottish Executive is also considering the development of Environmental Accounts for Scotland. These accounts would provide a link between the economy and the environment showing the economy's use of natural resources and the production of emissions. They can also form the basis for indicators of sustainability. Moreover, there is scope for international comparisons of these indicators, and for use of them as one aspect of a Standard of Living Index.

## ENTREPRENEURIAL DYNAMISM AND CREATIVITY

### Lead:

- High-growth firms (business starts)

### Support:

- New business starts per 10,000 population
- Proportion of innovative firms

### Why these measures?

Progress toward an entrepreneurial economy can be measured through changes in attitude, but fundamentally any change in culture will have to be reflected in underlying business activity. A more innovative business base will be required to assist the Scottish economy to become more productive. This will require existing firms to strive continually to introduce new products and new and better ways of delivering these products. New firms will also bring in new ideas and products, and contribute to raising productivity. High growth firms tend to be the most innovative, and the most successful new firms are those that bring a new idea or product into the market place. At present data limitations rule out use of this indicator, with business starts being used as a proxy measure.

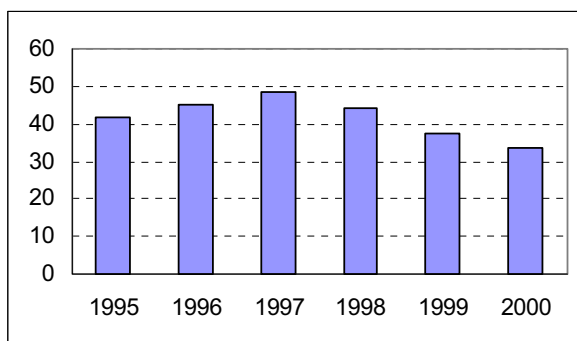
A country with a relatively strong entrepreneurial culture would be expected to generate a higher number of new businesses per head. Factors such as the relative state of the economy and the administrative ease of starting a business also play roles. Therefore with careful interpretation new business starts per head may be considered an indicator of entrepreneurial culture.

### Network influence

Scottish Enterprise will influence entrepreneurial dynamism working with others to improve enterprise education and by encouraging the start-up of new businesses and supporting their subsequent survival and growth. The main method for doing this is the provision of quality business advice and information, principally through the Small Business Gateway. The number of High-Growth Start-ups will be increased through the operation of a Network-wide High-Growth Start-up programme, as well as the high-growth start-up service from the Small Business Gateway and initiatives to promote the generation of spin-out commercialisation ventures from universities. Scottish Enterprise will influence the development of more innovative businesses by encouraging characteristics in firms that support innovation utilising a network-wide agreed approach for account managed businesses. In addition Scottish Enterprise will work on improving aspects of the Innovation system that support innovative businesses such as access to growth funding and high quality advisory services. The success in these areas is obviously contingent on performance of the wider economy.

Highlands and Islands Enterprise will exert an influence in this area by facilitating the transformation of ideas and opportunities into reality and profit for both start-up and existing businesses. This will require a full range of specialist and general advisory services, and information resources to organisations and individuals. Also by developing a strategy to invigorate business starts activity and a more effective support network resulting in a higher profile for this segment of the economy.

Chart 2: New business accounts per 10,000 population



Source: General Register Office for Scotland (population) and Scottish Enterprise (new business accounts)

### Trends

The rate at which new businesses are created within Scotland has tended to be lower than for the UK as a whole. This may be linked to the historically higher rate of unemployment within Scotland and relatively weak entrepreneurial culture. The number of new businesses peaked in 1997 and began to decline in the late nineties. The UK economy expanded more quickly than Scotland during the late nineties, as shown by the relative decline in disposable household income per head. Disposable household income may provide a source of capital for starting a business. A decline may therefore adversely affect the number of new businesses within Scotland.

### OECD ranking

No comprehensive information on business start-ups across OECD countries has been identified.

The Global Entrepreneurship Monitor ranked Scotland in the lowest of the three bands of entrepreneurship activity of 31 nations reviewed, along with most other European countries. No European countries fall into the highest OECD quartile. Each quartile features a small, modern nation the size of Scotland.

There is no direct basis for a read across between the report and OECD quartiles. But it has been suggested that Scotland would be in the third quartile of OECD countries.

### Key areas for future development

Data for the proportion of high-growth firms and proportion of innovative firms are currently unavailable. Work is ongoing investigating possible data sources and feasibility of international comparison. Research by Scottish Executive is being prepared as a new data source on the process of growth and decline, and birth and death, of Scottish firms. This uses data from the Inter Departmental Business Register (IDBR). The IDBR transition matrix outlines how firms change over a period of years and provides a useful snapshot of the change process. This could be used as an indicator for the proportion of high-growth firms.

The data available also appear to suggest variations in performance across the country and between urban and rural areas in particular.

#### Scottish Enterprise draft 2002-03 operating plan targets

- 500 assisted companies demonstrating improved innovation performance
- 7,675 new start companies assisted, including:
- 750 Social Inclusion Partnership residents • 2,900 women • 175 high growth companies

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- 450 new business starts
- 70% 3-year survival rate for new business starts
- 160 businesses helped to apply the EFQM model

## MORE E-BUSINESS

### Lead:

- Percentage of businesses trading online

### Support:

- Proportion of business activity transacted through e-business
- Share of businesses using broadband

### Why these measures?

E-business represents a major opportunity for the Scottish economy. The measures have been chosen to reflect the wide range of ways in which e-business techniques can be used to enhance business productivity, which could include trading online, if appropriate to the business. "Trading on-line" provides a strong measure focusing in on one of the major aspects of e-business, with accessible and comparable data from DTI and Scottish Enterprise. Broadband offers the capability to perform faster, more complex and high volume e-activities. Measuring take-up of broadband, as it becomes available, provides a key indicator of the degree to which Scottish businesses are exploiting the opportunities available to them to improve their competitive position.

Trading online is defined as engaging in both ordering and paying online, with either customers or suppliers. The gross value of e-business within Scotland will be partly determined by the volume of transactions via the internet. Whilst connectivity measures the number of businesses with internet access it does not indicate how businesses use the internet. The trading online figure is therefore a more robust measure of e-business conducted within Scotland.

Higher bandwidth allows more information to be transferred at greater speeds. An increase in bandwidth within Scotland may be associated with an expansion in the variety and volume of information being transferred. This would suggest that the volume of e-business transactions should increase as bandwidth increases.

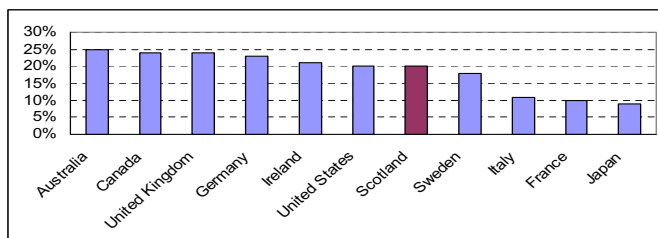
### Network influence

Scottish Enterprise will influence the development of e-business by accelerating the competitive capability of organisations through the development and use of e-business applications. This will be achieved by addressing all four levers for "More E-business" - accelerating uptake, developing software and e-business supply sector, developing the right skills, and creating the right environment and infrastructure. Their focus is on understanding and meeting the needs of their different customer groups and effort is concentrated on those key areas where the Network can influence, where they can take measured risks, and where their intervention can have greatest impact. The number of companies marketing and transacting online and re-engineering their business through the use of e-business applications will be boosted by an extensive and integrated suite of offerings, including the national products, *First Steps* and *ecommadvisers*.

Highlands and Islands Enterprise will deliver practical, general and specialist advice and promotion of good practice to ensure wide take-up of the opportunities available through the knowledge economy, recognising the unique opportunities e-technology provides to geographically remote businesses in the Highlands and Islands. An increased awareness of the inherent value of intellectual capital and the routes for its commercial exploitation will be promoted across all sectors.

## Percentage of businesses trading online

Chart 3: Percentage of businesses trading online 2001



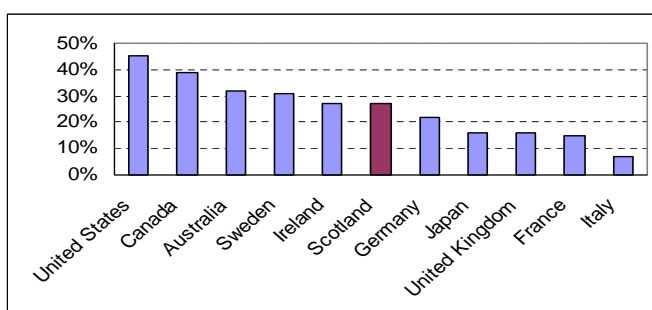
Source: E-business benchmarking (2001), Scottish Enterprise

### Trends

The collection of data for internet-related indicators has only recently been initiated making analysis of trends difficult. The information available suggests that, whilst the connectivity rate of Scottish businesses increased in 2001, the number of companies trading online fell sharply. The share of companies trading online in 2001 stood at 20% down from 29% in the previous year. The UK share also fell to 24% down from 27% in the previous year.

## Share of businesses using broadband

Chart 4: Share of online businesses using broadband



Source: E-business benchmarking (2001), Scottish Enterprise

### Trends

Chart 4 shows the proportion of businesses with cable modem and leased line connections in Scotland with a bandwidth in excess of 2 million bits per second (Mbps) and the benchmarked countries. The share of Scottish businesses with bandwidth greater than 2 Mbps stood at 20% during 2001. The equivalent UK figure was far lower at just 16%.

### OECD ranking

The e-business benchmarking exercise conducted by Scottish Enterprise included the G7 countries plus Australia, Ireland and Sweden. All of the benchmarks were strong economies with a higher GDP per head than Scotland. Therefore it is not surprising that Scotland falls into the lower half when compared to the benchmark countries. Combining data from the OECD and the e-business benchmarking exercise suggests that Scotland fell into the second quartile of the broader group of OECD countries.

#### Scottish Enterprise draft 2002-03 operating plans

- 1400 organisations assisted to market and transact online

#### Highlands and Islands draft 2002-03 operating plans

- 250 businesses supported on the e-adoption ladder
- Facilitate e-business solutions that help sectoral groups of business trade more effectively in the global market (60 businesses participating)

## INCREASED RESEARCH AND COMMERCIALISATION

### Lead:

- Business investment in R&D as a proportion of GDP

### Support:

- Number of academic spinouts
- Number of patents filed (academic and industry)

### Why these measures?

Business investment in R&D activities is a key determinant of productivity growth. Scotland has been lagging for many years, in both absolute levels and growth rate. This has also held back commercialisation of research from universities in Scotland. In part, the relatively low level of business R&D reflects our structure of industry. For example, the concentration of the pharmaceuticals industry in England is reflected in comparisons with the rest of the UK. Nevertheless, there is scope for increased business R&D.

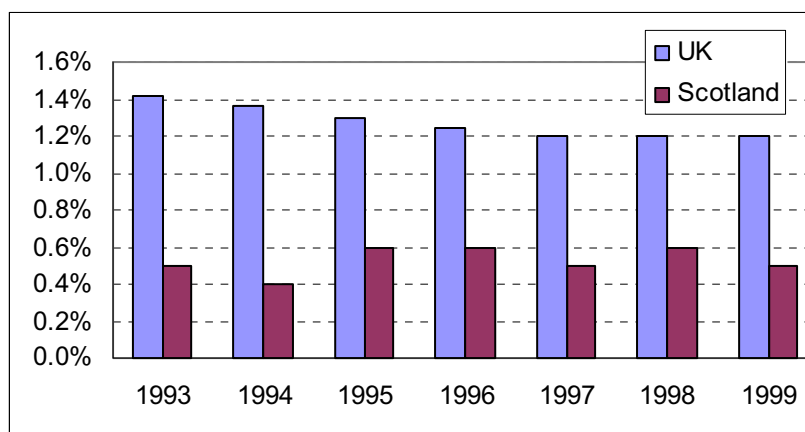
Supporting indicators provide a wider dimension to other aspects of the innovation/commercialisation process. Academic spinouts and patents filed give an understanding of important aspects of the commercialisation process. This first supporting measure could be broadened to include spinouts from the health service and from large companies if appropriate data sources can be developed. Work is ongoing within the Executive refining definitions and investigating data sources for these supporting indicators.

### Network influence

**Scottish Enterprise** will influence this area through initiatives to increase the commercialisation of R&D by businesses and academic institutions. This will be achieved by encouraging the development of more new products and services launched and new processes implemented. They will work with universities and businesses to increase the number of applications to SCIS/SMART/SPUR and EU Framework programmes to increase the number of spinouts, collaborative ventures and partnerships.

**Highlands and Islands Enterprise** will encourage the development of a research infrastructure and promotion of an innovation culture in the Highlands and Islands by supporting the development of key centres of excellence, building on particular areas of expertise or opportunity in the Highlands and Islands, linking these into UHIMI and other Scottish institutions of higher education and developing the incubator infrastructure throughout the area.

Chart 5: Expenditure on R&D by businesses % of GDP



Source: Regional accounts (Office for National Statistics) for Scotland

### Trends

R&D expenditure by businesses within Scotland as a proportion of GDP has been significantly lower than for the UK as a whole. Over the period shown in chart 5 above, even at its highest points, the business R&D share of GDP was still only half that for the UK. Scotland's poor performance may be attributable to its higher share of routine production, tends to generate less R&D. A high level of R&D is associated with an increase in the production capacity of an economy. It is therefore not unreasonable to suggest that Scotland's performance in productivity may be linked to the low level of business R&D.

### OECD ranking

Average R&D expenditure as a proportion of GDP for the period 1994 to 1998 was calculated for the OECD countries and compared with Scotland. These figures indicated that Scotland appeared in the third quartile and the UK in the second quartile. Sweden, Japan and Switzerland lead the top of the upper quartile. Hungary, Turkey, Greece, Mexico and the Slovak Republic fell into the lower quartile for both R&D expenditure and GDP per head. This again suggests a relationship between investment in R&D and the expansion of future production capacity leading to growth in GDP.

### Key areas for future development

Work is ongoing within the Executive refining definitions and developing data sources for the support indicators here. Comparisons of patents filed is available for many OECD countries, but Scottish data are limited. Neither the numbers of academic spinouts nor the number of patents filed have been looked at in terms of Scottish comparability with OECD nations until now. Nevertheless the value of such information in gauging the success of the Enterprise Networks in this area is invaluable.

#### Scottish Enterprise draft 2002-03 operating plan targets

- Help organisations launch 450 new products and processes
- Assist 60 academic/industry joint ventures (including spinouts)

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- Establishment of identified Research Centres – 3 facilities to be operational by 31 March 2003.
- 85 businesses supported to engage in research and innovation activity

## GLOBAL SUCCESS IN KEY SECTORS

### Lead:

- Productivity levels in Scottish industry (Gross value added per filled job)

### Support:

- A knowledge-based industries index
- Number of new Global/European HQs

### Why these measures?

Scotland has many world-class performing companies. However the evidence available suggests that across most sectors our average productivity is well below the average for similar industries in the top OECD countries, and our best companies are around five times more productive than the weaker performers. This suggests that there is scope for considerable improvement in most sectors.

It is important to understand productivity in its widest sense. Resource productivity in Scottish industry will measure its use of natural resources, and particularly non-renewable ones.

This will require action at the level of individual firms, but also at sectoral and cluster levels. Improvements in the latter may be necessary before individual firms can reap the benefits. Moreover, firms work within an environment, sometimes called “business social capital” (the intangible business environment through which best practice and innovation is spread), and action to improve the overall climate for growth is also relevant.

A knowledge-based industries index (which could be based on work already begun by the Executive) would give a wider picture of how well Scotland is doing in developing those industries producing knowledge-based products (electronics, biotech, etc.). Global success in key sectors is a wide-ranging concept. The number of new Global or European HQs (including those units that have genuine strategic control over product and service lines) provides a tangible manifestation of the development of world-class companies in Scotland.

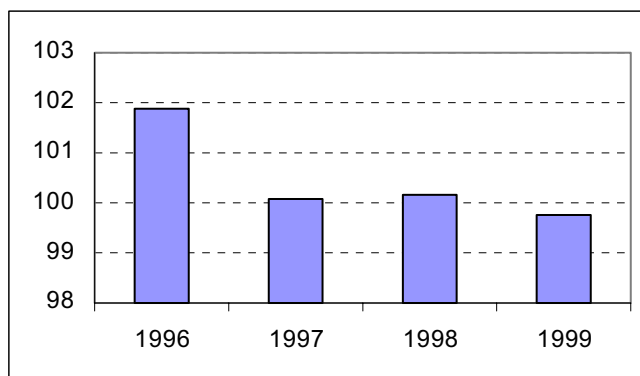
### Network influence

Scottish Enterprise will influence this area by helping raise productivity in all sectors of the economy by building on existing strengths whilst helping address structural changes taking place. Working with businesses and other organisations, Scottish Enterprise can assist in restructuring sectors to meet changing global trading conditions. Scottish Enterprise are also focusing on a number of key knowledge-based clusters where their activities can hasten the capture and use of knowledge or Scottish leadership for example biotechnology (including marine applications), opto-electronics, microelectronics, forestry, food and drink, and the creative industries. They will influence the number of Global and European HQs through programmes to attract inward investment and to encourage Scottish businesses to become global in their outlook and operations.

Highlands and Islands Enterprise will help to build on the exploitation of the area’s natural advantages of creativity, the environment and its natural resources. Success will be achieved by working in partnership to encourage innovation, new ways of working and integrated and effective supply chains.

## Productivity levels in Scottish industry

Chart 6: Gross Value Added per filled job index (UK = 100)



Source: Office for National Statistics

### Trends

Several indicators have been compiled estimating Scottish labour productivity relative to the UK. Most indicators suggest that Scotland's labour productivity lags slightly behind that of the UK. In 1996 labour productivity within Scotland was notably higher than that for the UK. However, during the early 1990s growth within the UK economy had slowed compared to Scotland. It is likely that employers in the UK would have hoarded labour in anticipation of faster growth at a later stage. Thus Scottish labour productivity appeared strong during the mid-nineties but is now roughly in line with UK labour productivity.

### OECD ranking

The average labour productivity for the OECD countries was estimated and compared with Scotland for the period 1993 to 1997. The comparison suggests that Scotland fell into the third quartile alongside the UK. The upper quartile was led by the United States.

## Knowledge-based industries index

### Trends

The OECD and other indicators define the knowledge economy in terms of output produced by specific industrial sectors or employment within selected occupations. If these measures of the knowledge economy should rise then it is implied that the stock of knowledge within the economy will also increase. As the stock of knowledge within an economy increases other indicators of value added, such as productivity and GDP, would also be expected to rise.

Methods for measuring the knowledge economy have been proposed by several bodies including the OECD. Many of the suggested indicators include a measure of output by technology sectors. The Scottish Executive estimated that the OECD definition of the knowledge economy accounted for around 58% of Scottish GDP. A narrower definition published in the *Bank of England's Quarterly Bulletin* also shows a significant proportion of Scottish GDP generated by the knowledge economy.

## OECD ranking

The narrower definition of the knowledge economy measures activity within technology sectors such as the manufacture of computers or electronics. The share of employment within the technology sectors was measured for Scotland and the OECD countries. Scotland appeared in the upper quartile which was led by Japan. Using both OECD and the narrow definition of the knowledge economy Scotland compares favourably with other countries. Scotland's position has undoubtedly been raised by the significant flows of foreign direct investment within the technology sectors.

## Key areas for future development

The *Productivity levels in Scottish industry* indicator currently focuses on manufacturing in Scotland. As work on the Annual Business Inquiry (ABI) proceeds it is the intention of the Joint Performance Team to include services in this measure. Discussions are also at an advanced stage on the question of how we define our "key" sectors. (Currently these data are only available for manufacturing plants, ideally it would include all sectors.)

Academic work on comparisons of productivity across sectors within countries and between countries provides useful insights, and there is scope for further comparisons of Scotland with other leading countries to better understand the dynamics of productivity growth in manufacturing in particular. The development of Environmental Accounts and the measures of resource productivity will also be taken forward.

No readily available data on global HQs has been identified, but further consideration will be given to this potentially useful indicator.

### Scottish Enterprise draft 2002-03 operating plan targets

*Scottish Enterprise are focusing on the following areas: Biotechnology, Creative Industries, Food & Drink, Forest Industries, Optoelectronics, Micro-electronics, Communication Technologies and Tourism.*

### Highlands and Islands Enterprise draft 2002-03 operating plan targets

*Integration of all HIE network's activities to address issues specific to one or more of their key sectors, e.g. supply-chain efficiencies, private-sector leadership, marketing with a view to improving productivity and value added. The HIE Network's key sectors are as follows: high-technology manufacturing and engineering, tele-service businesses, food and drink and tourism as well as the area's more traditional industries.*



## DIGITAL CONNECTIVITY

### Lead:

- Cost and geographic coverage of broadband

### Support:

- Share of population online
- Share of population in SIPs and other fragile areas with internet access

### Why these measures?

The proposed measures focus on the breadth and depth of digital connectivity. The availability of broadband connections at competitive prices will be vital to making sure that Scotland is globally connected and an attractive business location for the knowledge economy. The extent to which the population as a whole is connected will help determine the degree to which Scotland is “a leading digital nation”.

For a country to improve the overall level of its digital connectivity, the participation of all agents within the economy would have to increase. Businesses would have a greater incentive to engage in e-commerce if more households were online. Similarly more households may be encouraged to gain internet access if more business and government services were available online. Therefore the proportion of homes with access to internet is a strong indicator of digital connectivity.

The range of business and government services available online is steadily increasing. If specific socio-economic groups or areas are slower to gain access to the internet than the rest of the country then a digital divide may occur. In addition to the usual problems associated with social exclusion, a digital divide may drag down the overall level of digital connectivity.

### Network influence

Scottish Enterprise will influence the geographic extension of broadband coverage throughout Scotland and facilitate an increase in business and household broadband connections to the Internet principally through two initiatives – the ATLAS project and the UK Broadband Fund. The ATLAS project is designed to increase access to broadband services by stimulating the provision of high quality telecommunications services at competitive prices to Scottish businesses. The UK Broadband Fund will support a broad range of pilot and demonstration projects designed to facilitate the extension and adoption of broadband services by businesses and households with specific emphasis on improving overall broadband access in currently under-served areas. Project initiatives sponsored by the Fund will be delivered by Scottish Enterprise in collaboration with the Scottish Executive and the DTI. Scottish Enterprise will stimulate demand for ICT among disadvantaged groups and in disadvantaged areas. Through the Digital Champions Programme, digital inclusion plans will be developed for SIP areas, such as increasing the number of publicly accessible computers with internet access.

Highlands and Islands Enterprise will give a high priority to bringing broadband capability to the Highlands and Islands with particular emphasis on the most remote areas. This will involve working with a range of private sector providers to achieve extension of provision beyond what might otherwise take place.

## Cost and geographic coverage of broadband

### Trends

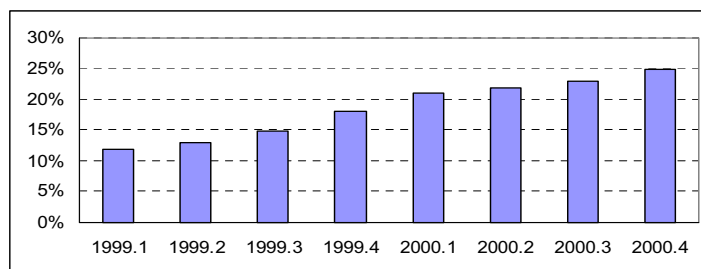
Information on the cost and distribution of broadband has only recently been made available, thus limiting discussion of trends. The annual rental costs for a 2 Mbits, 50-km leased line for the UK and a number of other OECD countries were released by the Office of Telecommunications (OFTEL) in August 2000. The telecommunications infrastructure within the UK largely covers the UK as a whole. Therefore it would not be unreasonable to assume that the cost of using broadband technology within Scotland would be similar to the cost for the UK. The OFTEL figures show that the cost for the UK is lower than the European Union (EU) average and is mid-range for the selected OECD countries.

### OECD ranking

The OECD benchmark countries selected by OFTEL were biased towards the more advanced economies. The selected countries did not include any within the lower OECD quartile for GDP *per capita*. Therefore it would not be unreasonable to suggest that the UK, and therefore Scotland, would fall into the second OECD quartile for the cost of broadband. The data available suggest that Finland, followed by Sweden and Denmark have the lowest costs for broadband.

## Share of population online

Chart 7: Share of homes with access to the internet from home, quarterly survey



Source: Scottish Household Survey

### Trends

The Scottish household survey provides a limited time series of data allowing analysis of recent trends. Chart 9 above shows that over the period 1999-00 the proportion of homes with access to the internet steadily increased. This rising trend may be associated with the relative decline in the price of the equipment required to access the internet.

## Share of population in Social Inclusion Partnerships (SIPs) online

### Trends

Information on internet access within SIPs has only recently been made available from the Scottish household survey. The data available suggest that the share of the population online within SIPs is lower than that for Scotland as a whole. Further analysis is required on these trends, and of trends in internet access in rural areas.

### Scottish Enterprise draft 2002-03 operating plan targets

- Support 3 city "hubs" providing high quality, competitive telecom services

### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- Ensure 30% coverage of Highlands and Islands population with broadband access

## INVOLVEMENT IN GLOBAL MARKETS

### Lead:

- Proportion of employers exporting (Scottish manufactured exports)

### Support:

- Proportion of employers with overseas alliances, operations, joint ventures, mergers and acquisitions
- Export sales per worker

### Why these measures?

Exports are a tangible and measurable sign of increasing global connections. Exports in themselves are not the objective, but the exposure to international competition and technology, the demands of international consumers and the “learning by doing” involved in international trade will facilitate change in the Scottish economy, to raise productivity. Focusing on the number of firms exporting will give a good understanding of the breadth of Scottish firms that are globally connected and the degree to which Scotland’s export base is diversified. The development of a more global economy suggests that the wider business links, of the type set out in the first support measure, are going to become more important in the future.

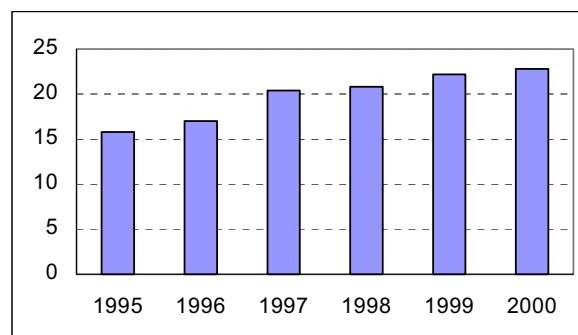
### Network influence

Scottish Enterprise will influence this area through the support and the implementation of the Global Connections Strategy and through the overall objective of helping Scottish businesses and knowledge generate value abroad for Scotland. The aim is to assist companies in key clusters and sectors to increase their involvement in global markets and to be global in their outlook and operations. To both deepen and broaden international business involvement by companies, they will continue to encourage more Scottish companies to become multinational in their operations, through for example the Global Companies Development Programme, working with Local Export Partnerships and building international networks.

Highlands and Islands Enterprise will work closely with Scottish Development International and Highlands and Islands businesses to achieve increased competitiveness in global markets, through raising the levels of market intelligence, analysis, marketing and sales by ensuring that accessible and relevant advice and information is available throughout the area.

### Scottish manufactured exports

Chart 8: Scottish manufactured exports in constant 1995 prices, £ billions



Source: Scottish Executive

### Trends

The volume of Scottish manufactured exports as shown in chart 8 has risen gradually over the period 1995 to 2000. This is partly due to an overall expansion of the economy during this time. The contribution of manufactured exports to Scottish GDP remained approximately 30% from 1995 to 1999. However this measure may be misleading as the overall contribution of manufacturing to Scottish GDP is declining.

### OECD ranking

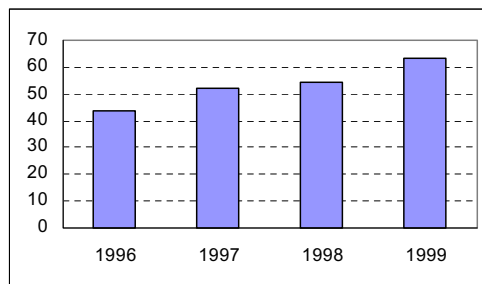
The contribution of exports to GDP for the period 1995 to 1999 was estimated for the OECD countries and compared with Scotland. Japan had the lowest share closely followed by the United States whilst the upper quartile was lead by Luxembourg, Ireland and Belgium. The data suggest a strong relationship between the size of a country and the contribution of exports to GDP.

Smaller countries are likely to have a greater degree of openness. If Scotland's exports to the rest of the UK are considered then Scotland falls into the upper quartile.

If only exports to overseas markets are considered, Scotland appears in the third quartile.

### Export sales per worker

Chart 9: Scottish manufactured exports per worker in constant 1995 prices, £ thousands



Source: Scottish Executive

### Trends

Employment within the manufacturing sector declined during the latter part of the nineties. However, the value of Scottish manufactured exports rose over the same period. This was due to strong growth in the volume of manufactured exports per worker. The growth in productivity was at least partly driven by significant foreign direct investment within the electronics sector.

### OECD ranking

Exports per worker for the period 1993 to 1997 were estimated for the OECD countries and compared with Scotland. The value of total Scottish exports including those to the rest of the UK was used. Scotland appeared in the upper quartile, which was lead by Luxembourg, Ireland and Belgium. The UK appeared in the third quartile whilst Turkey, Japan and Poland were at the bottom of the lower quartile.

### Key areas for future development

While there appears to be good data on exports, the lead indicator will give a more effective indication of the export orientation of the Scottish economy. Many international comparisons of the openness of countries to international trade are available, and tend to suggest a link between openness and productivity growth. Further analysis is required to develop the appropriate data sources.

#### Scottish Enterprise draft 2002-03 operating plan targets:

- Assist 500 organisations in key industries to participate internationally

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- 45 businesses in key sectors supported to broaden/deepen their involvement in international markets
- 30% of businesses supported to be new exporters

## GLOBALLY ATTRACTIVE LOCATION

### Lead:

- Graduates as a proportion of workforce

### Support:

- Availability, frequency and cost of direct international transport links
- Overseas and British visitor expenditure

### Why these measures?

Scotland's attractiveness as a location for inward investment, for tourists and for people to live and work will be influenced by a wide range of factors. A broad index of Scotland's attractiveness - if it could be developed and externally verified - would offer a good overall picture of progress. Attractiveness will also be influenced by ease of accessibility, both in and out of Scotland and within.

Investment in mobile R&D is considered to be a good proxy of how attractive Scotland is to the capital and talent that will drive forward the knowledge economy. At present data are not available to measure this, either at Scottish or international levels. The attractiveness of Scotland as a global location is however likely to be heavily influenced by the skill level of the economy, and the Scotland's success will lead to the availability of high skilled jobs. It therefore seems reasonable to measure the attractiveness of Scotland by the proportion of graduates in the economy.

Direct physical links with international destinations will be a key determinant of the perception and reality of Scotland's attractiveness. Overseas visitor spend will give an indication of the wider attractiveness of the country.

### Network influence

**Scottish Enterprise** will influence this area through the implementation of the Global Connections Strategy of which a key objective is helping Scotland to realise value by attracting knowledge from overseas. They will seek a broader portfolio of inward knowledge flows with an increasing focus on high value FDI projects, projects involving the exploitation of knowledge and ideas and projects which fit with the wider objectives of the economy. This will focus on technologies and business segments where we have clear competitive strengths. Scottish Enterprise will also encourage international research collaboration. To encourage the development of transport links they will assist the effort to improve rapid and direct movement of goods and people between Scotland and major international locations. They will work with other public sector agencies, Scottish business and transport service operators and providers to determine and improve market opportunities and maximise internationally networked connections.

**Highlands and Islands Enterprise** will use their property and environmental renewal powers to ensure that high-quality business infrastructure is available throughout the area and will market these advantages vigorously through the most effective channels and networks. The Network will also work with key partners to ensure the development of appropriate transport and skills infrastructure to meet the needs of local and potential inward investment businesses.

## Graduates as a proportion of workforce

### Trends

Data from the Labour Force Survey and the *Education at a Glance* OECD publication suggest that Scotland compares well with other OECD countries in this area. At present the Executive is looking into exploiting data sources outwith the 1999-01 period in order to build a picture of changes in relative performance over a longer period. Labour Force Survey results suggest that 16% of working age Scots have university level qualifications.

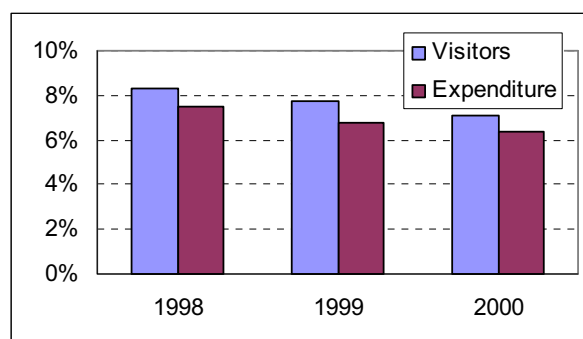
### OECD ranking

Labour Force Survey data on the proportion of graduates in the workforce suggest Scotland has a high level of educational attainment, which is reflected in the labour market. In terms of OECD comparisons, the US has the highest proportion of university attainment, with the UK well above average.

Scotland's performance appears to be in the second quartile of OECD countries along with the rest of the UK.

## Overseas visitors expenditure

Chart 10: Scottish share of inbound tourist expenditure and number of visitors to the UK



Source: International passenger survey

### Trends

The number of inbound tourists for the UK as a whole fell from 1998 to 2000 whilst the associated expenditure rose slightly. The figures for Scotland revealed a fall from 1,947,000 visitors and an associated expenditure of £882 million in 1998 to 1,635,000 and £776 million in 2000. Both visitor numbers and expenditure declined more quickly in Scotland so Scotland's share of expenditure and number of visitors to the UK also fell as shown in chart 10 above.

### OECD ranking

Estimates of personal travel and tourism expenditure information for all OECD countries are available from the World Travel and Tourism Council (WTTC) for 2001. Using OECD population figures expenditure per head was calculated for all OECD countries. The UK appeared in the upper quartile, which was lead by Iceland, Switzerland and the United States. Scotland's share of tourist expenditure within the UK suggests that it falls into the second quartile.

#### Scottish Enterprise draft 2002/03 operating plan targets:

- 900 planned new jobs through research, design and development FDI
- Assist 3 new international business transport links

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- 400 FTEs created through Inward Investment projects, 25% of which in fragile areas

## CHOOSING TO LIVE AND WORK IN SCOTLAND

### Lead:

- Net migration (working age) as a proportion of population

### Support:

- In-migration (working age)
- Working age population change in each LEC area

### Why these measures?

Scotland's ability to attract and retain economically active people is part of a virtuous development spiral and will reflect the overall economic health of the nation. Net migration by working age is a robust and transparent measure. In-migration by working age allows us to understand more about the level of attraction. (There is an issue here about the degree to which we should focus on key knowledge workers e.g. graduates – on balance the team felt this to be too narrow an interpretation of the skills and fresh perspectives made possible by in-migration). It is for this reason that population change in each LEC area is proposed as a supporting measure in order to give an indication of the degree to which people are choosing to live and work in all parts of Scotland. This will also give a reasonable indication of the overall strength of Scotland's communities.

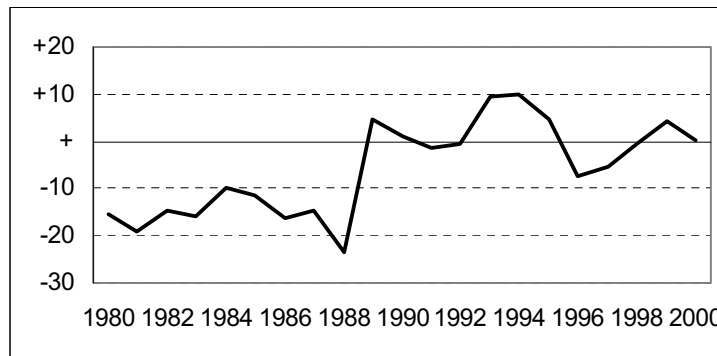
### Network influence

**Scottish Enterprise:** This is essentially a new area of activity for the Network and the range and scope of activities will probably increase in time. Initially, they are trying to influence the supply of specialised labour to the technology industries in Scotland. Access to this high skilled and experience resource is seen as a critical barrier to growth for technology companies. This infusion of people, in the longer term, will add diversity and creativity increasing Scotland's capacity for example in innovation and new firm formation.

**Highlands and Islands Enterprise** will promote the area nationally and internationally and influence Scottish, UK and European policy development to ensure the best result for the Highlands and Islands area. In addition, the Network's activity under their Strengthening Communities remit aims to enhance the attractiveness of the area through facilitating the development of strong and vibrant local communities and the area's cultural and natural heritage.

## Net migration

Chart 11: Scottish net migration



Source: General Register Office for Scotland

### Trends

During the 1980s net migration showed a significant flow from Scotland. This may be associated with the weak performance of the Scottish economy compared to the UK as a whole. Given the ease of movement between Scotland and the rest of the UK, net Scottish migration will depend greatly on the growth of the Scottish economy relative to the UK. Where the UK economy suffered a downturn in the early nineties and Scotland was less affected, net migration flowed into Scotland.

### OECD ranking

Net migration as a proportion of the resident population was calculated for the OECD countries for 1991-95 and compared to Scotland. For most OECD countries net migration was positive indicating a net flow of migrants into the OECD countries. Although economic performance varied widely across the OECD membership, the countries still comprised a set of relatively advanced economies compared to most non-OECD countries. Scotland fell into the third quartile and the UK into the second quartile. Luxembourg appeared at the top of the upper quartile whilst Mexico stood at the bottom of the lower quartile. The net migration flows were broadly similar to the quartiles for GDP per head. This again strongly suggests that net migration flows towards relative economic prosperity.

### Key areas for future development

Work is being carried out that will allow us to measure working-age population by LEC area, and if possible with a breakdown for urban and rural areas.

This will allow us to assess more complex demographic shifts than simple North-South or West-East shifts for example.

#### Scottish Enterprise 2002-03 draft operating plan targets

- *Implement a pilot scheme to attract 100 key knowledge workers to Scotland*

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

##### Operating Targets under HIE Strengthening Communities remit:

- *50% of community investment in fragile and deprived areas*
- *10% increase in the participation levels in community/cultural/sports events*
- *1500 supported through business development support, 33% of which are in fragile or regeneration areas*
- *Average wage rate index of 105 for FTEs supported relative to local average wage (=100)*

## IMPROVING THE OPERATION OF THE SCOTTISH LABOUR MARKET

### Lead:

- The proportion of the working age population in employment

### Support:

- Median duration of unfilled vacancies over last three years (as a measure of skill shortages)
- Ratio of unemployment to unfilled vacancies

### Why these measures?

The labour market provides opportunities for people to find work, and share in Scotland's prosperity. The effectiveness of the labour market and the speed at which the labour market works to balance up supply and demand will influence how far we can achieve full employment and a productive economy. An effective labour market will not only provide job opportunities, but also act to ensure a skilled labour force for businesses in Scotland. Firms' growth potential is constrained by skill shortages, which can reflect a poorly functioning labour market.

While the outcomes of an effective labour market are clear, i.e. low unemployment and limited skill shortages, it is more difficult to identify measures which can provide a forward indicator of potential skill shortage, etc. The work of Future Skills Scotland will help define better measures.

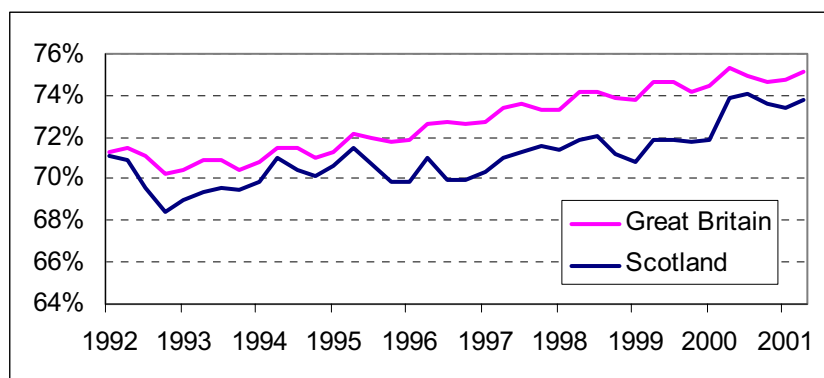
### Network influence

Scottish Enterprise will influence this area by enabling people to make informed choices about their future options in the labour market through the advice and guidance services offered by Careers Scotland. Organisations will be assisted to make better informed decisions about interventions in the labour market through the information gathering, collation and dissemination activities of Future Skills Scotland. They will work with demand-side players, including employers, to influence their involvement and spend on learning. Unemployed adults will be encouraged to retrain to match job opportunities through participation in work-based training and development activities. Those furthest away from the labour market will be assisted to make positive steps towards economic activity through participation in the New Futures Fund.

Highlands and Islands Enterprise will play a full and active role in Future Skills Scotland, ensuring that the disparate needs of local labour markets within their area are fully addressed. Equally important will be the creation of Careers Scotland offering an all age guidance service tuned to local needs.

## Proportion of the working age population in employment

Chart 12: Employment rate (quarterly, all those of working age)



Source: Labour Force Survey

### Trends

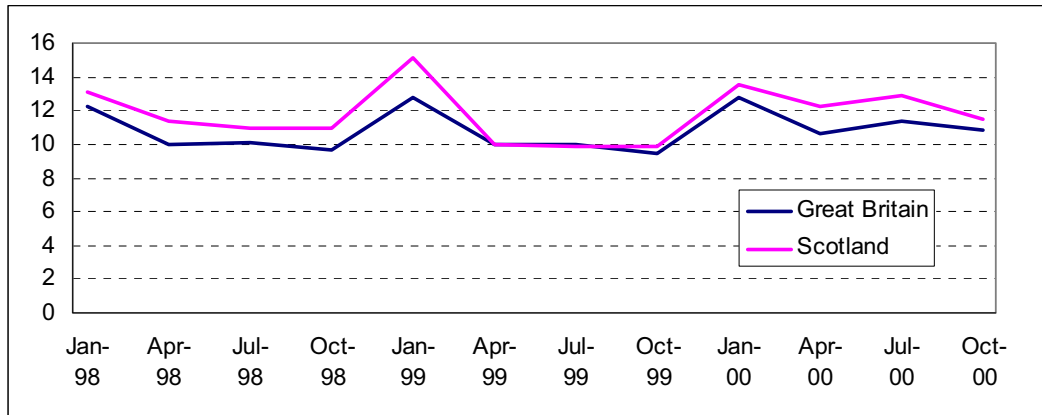
Scotland's employment rate has historically been lower than that for Great Britain as a whole. The differential in employment rates was reduced during 1994-95 when the Scottish economy grew more quickly than the rest of Great Britain. There is a strong upward trend for both Scotland and Great Britain starting from the latter part of the nineties through to the present. This may be at least partly attributed to the rise in part-time and temporary jobs.

### OECD ranking

Average employment rates for the period 1993 to 1997 were calculated for the OECD countries and compared with Scotland. These figures indicated that both Scotland and the UK fell into the second quartile. Switzerland, Luxembourg and Japan were at the top of the upper quartile. Germany and France both had significantly higher levels of GDP per head than Scotland but still fell into the third quartile for employment rates. This suggests that whilst a higher rate of employment within the workforce may raise GDP per head, the productivity of the workforce is also important.

## Median duration of unfilled vacancies over last three years

Chart 13: Mean duration of unfilled vacancies in weeks, quarterly



Source: Employment Service

Note that there has been a delay in the release of the latest Scottish/UK figures from ONS

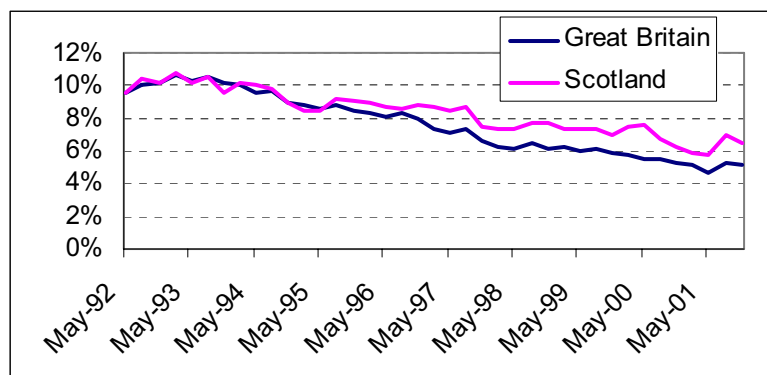
### Trends

The quarterly mean duration of unfilled vacancies measured in weeks is shown above in chart 13. Over the last three years the duration of unfilled vacancies within Scotland has varied around 12 weeks. The duration increases during the three months to January as the labour market tightens, most likely due to a rise in temporary employment at Christmas. The mean duration of unfilled Scottish vacancies over the period was higher than for Great Britain. This may be associated with a faster expansion of Britain's economy over the period producing a tighter labour market.

### Ratio of unemployment to unfilled vacancies

While data are available for some OECD countries they show large variations over time. ILO unemployment is used below as a more reliable measure and is available for more OECD countries.

Chart 14: ILO Unemployment rate, all those aged 16+, quarterly



Source: Labour Force Survey

### Trends

The ILO unemployment rate for both Scotland and Great Britain showed a steady decline during the nineties continuing through to 2001. The rate for Scotland was roughly equal to that for Great Britain from 1992 to 1996. During this period the British economy as a whole had slowed compared to Scotland's. From 1997 onwards Britain's economy grew more quickly again and the gap in unemployment rates widened.

### OECD ranking

The average ILO unemployment rate was calculated for the OECD countries over the period 1996-00 and compared to Scotland. The calculations suggest that Scotland appeared in the third quartile whilst the UK appeared in the second. Luxembourg, Switzerland and Norway headed the upper quartile and Spain appeared at the bottom of the lower quartile. The quartiles broadly reflect the flexibility of the labour market for each economy. A flexible labour market may be characterised by a mobile workforce, flexible labour laws, broad social inclusion and high levels of education and training.

#### Scottish Enterprise draft 2002-03 operating plan targets

- *Development of Future Skills Scotland*

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- *Establishment of FSS rural unit*
- *3 Sectoral workforce development plans developed*

## THE BEST START FOR ALL OUR YOUNG PEOPLE

### Lead:

- Proportion of 16-19 year olds not in education, training or employment with training

### Support:

- Proportion of people achieving a qualification at level 3, or equivalent, at age 25
- Proportion of young people with adequate transferrable core skills

### Why these measures?

Being out of education, employment or training for more than six months at the age 16-19, is a powerful predictor of unemployment at age 21 and beyond. So a high proportion of young people in education, training and employment is a clear indicator of a good start. Qualification at level 3, or equivalent, is an indicator of whether young people have the necessary “technical skills” to give them a good start. Moreover, the core skills measure focuses on some of the softer skills the employers are increasingly looking for (communications, team working, computer skills, etc.).

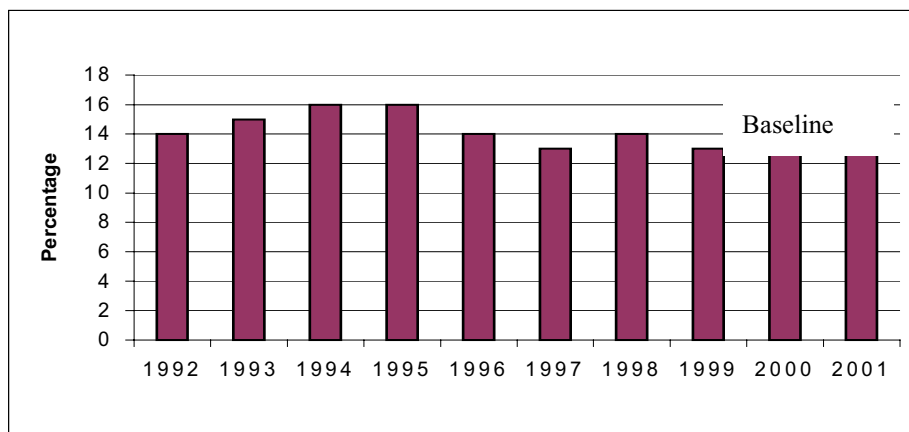
### Network influence

Scottish Enterprise will influence this area by promoting take up of learning in employment by young people, especially among 16-19 year olds. The Network will assist young people to achieve higher levels of workplace qualifications through Modern Apprenticeships and Skillseekers. Core skills development is integrated within the learning programme. The progression of young people with additional support needs into further workplace learning, education or employment will be increased by the introduction of a new learning model which provides enhanced ongoing assessment and a variety of training routes.

Highlands and Islands Enterprise intend, through supporting the likes of Skillseekers and Modern Apprenticeships, to enable young people to enter the job market. The inclusion of all young people in the Highlands and Islands requires that barriers to training and employment are removed, particularly for those with additional needs.

## Percentage of 16-19 year olds not in education, training or employment

Chart 15: Percentage of 16-19 year olds not in education, training or employment



Source: Labour Force Survey, Office for National Statistics

### Trends

In 2001 14% of 16-19 year olds were not in education, training or employment – an increase of 1% over the 1999 figure.

### OECD ranking

OECD data are currently unavailable. However the proportion of young people who are unemployed is available for most OECD countries, which provides a close match. Denmark, France and Sweden have very low unemployment, while Spain, Italy and the Czech Republic have very high unemployment for this age group.

The UK appears to be in the third quartile of OECD countries, although comparisons are not straightforward. This suggests Scotland is also in the third quartile.

#### Scottish Enterprise draft 2002-03 operating plan targets

- 20,000 participating in Modern Apprenticeships
- Achieve 4,900 MAs

#### Highlands and Islands Enterprise draft 2002-03 operating plan targets

- 750 VQs achieved by Skillseekers
- 1,700 young people engaged in Modern Apprenticeships

## NARROWING THE GAP IN UNEMPLOYMENT

### Lead:

- Ratio of unemployment rates between the worst 10% of areas and the Scottish average

### Support:

- Number of working age people in education, training or employment
- Employment rates of relatively disadvantaged groups (such as lone parents and ethnic minority groups, and the unskilled low skilled)

### Why these measures?

Sustainable and balanced economic development requires that all benefit from, and contribute to, economic activity. This is the one measure where particular attention is paid to the balance of development across different localities and different groups. The focus of the main measure is on the balance of unemployment rates between areas. The supporting measures focus on the degree to which all individuals and groups are actively involved in the economic development of Scotland. These indicators reflect the Social Justice report milestones.

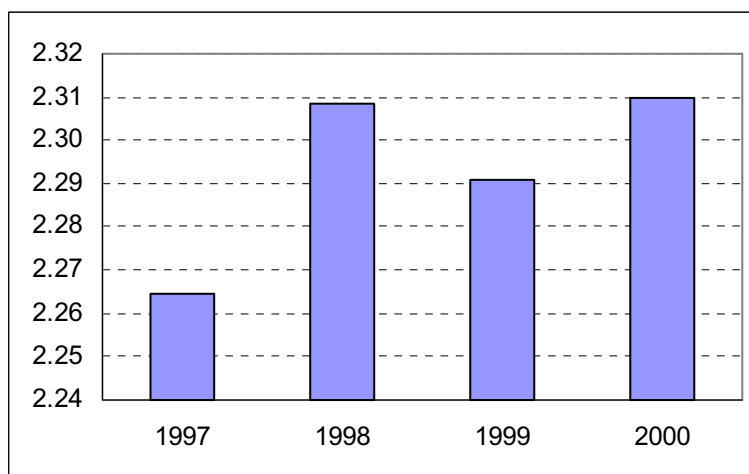
### Network influence

Scottish Enterprise will contribute to redressing the imbalance in spatial unemployment by promoting participation in their workplace training and development activities to the worst 10% post-code areas and SIPs in partnership with local initiatives. They will contribute to achieving improvements in the balance of gender, ethnicity, and age participation levels.

Highlands and Islands Enterprise intend to narrow the gap in tackling economic disparities through implementing the recommendations of the Beattie Committee, helping the long term unemployed through the New Deal and New Futures Fund and supporting groups who face problems of access.

## Ratio of unemployment between 10% worst areas and average

Chart 16: Ratio of unemployment between 10% worst areas and average



Source: Benefits Agency administrative system

### Trends

The bottom 10% claimant count unemployment rates for all wards within Scotland were expressed as a ratio of the Scottish average. The 10% worst wards had more than double the average Scottish unemployment rate. The differential increased from 1997 to 2000. The same ratio for the UK as a whole was higher indicating that the UK differential between the average and the 10% worst areas was greater. The ratio is likely to be significantly affected by the business cycle. When the economy is in an upturn the differential is likely to widen but narrow when a downturn occurs.

### OECD ranking

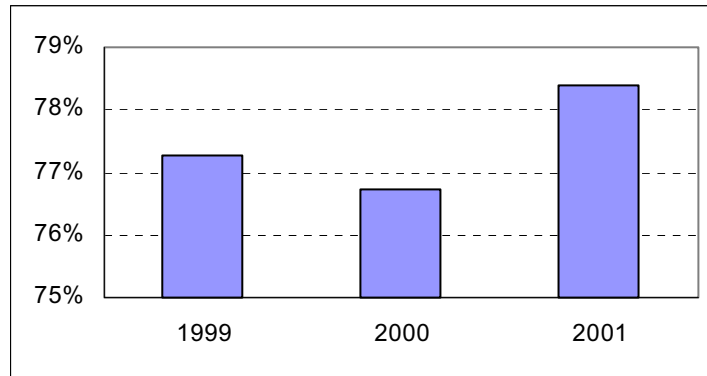
No comparable OECD data have been identified. Most international comparisons of unemployment reflect sectoral, gender and educational attainment characteristics, rather than regional performance. Nevertheless, most countries do prepare information on unemployment at regional and local level and further work is merited here.

High unemployment is generally closely linked to long-term unemployment, about which there is better international data. The UK compares very favourably on long-term unemployment against the OECD countries and it is likely that this would be reflected in comparisons of unemployment between areas. It is estimated that Scotland is in the second quartile for unemployment.

# skills and learning

Number of working age people in education, training or employment

Chart 17: Proportion of those of working age in education, training or employment



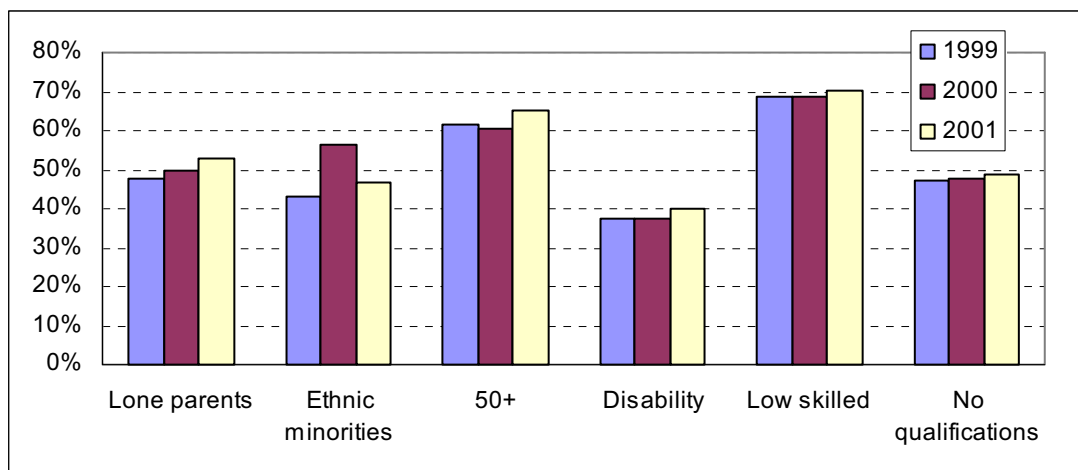
Source: Labour Force Survey (spring quarters)

## Trends

The proportion of those of working age in education, training or employment rose from 77.3% in 1999 to 78.4% in 2001. The increase was driven by the rise in the proportion of those in employment and training programs.

Narrowing the gap in unemployment

Chart 18: Employment rates for disadvantaged groups



Source: Labour Force Survey (spring quarters)

### **Trends**

The employment rates for the disadvantaged groups shown in chart 18 all improved between 1999 and 2001. Even amongst the groups themselves the employment rates varied considerably. Those with a disability had by the lowest employment rate, around 40%. Conversely, those classified as “low skilled” had an employment rate of approximately 70%. This was not dissimilar from the employment rate for all those of working age.

### **Key areas for future development**

Further analysis is underway on comparisons of unemployment across Scotland and across other OECD countries. Where possible this will identify differences across rural areas, and identify different trends for men and women in the labour market.

#### **Scottish Enterprise draft 2002-03 operating plan targets**

- *Attract 2,600 adult programme participants from worst 10% postcode areas/SIPs*

#### **Highlands and Islands Enterprise draft 2002-03 operating plan targets**

- *Increase the proportion of Training for Work clients securing jobs, or further education/training by 10%*

## IMPROVED DEMAND FOR HIGH QUALITY IN WORK TRAINING

### Lead:

- The proportion of those in employment undertaking training

### Support:

- Number of, and employment in, Investors in People accredited companies
- Demand for learning to enhance transferrable core skills (including management skills)

### Why these measures?

Scotland needs to have a workforce with the core and specialist skills to take advantage of new opportunities and technologies becoming available. The lead measure looks at the degree to which employees are participating in upskilling activity. The first supporting measure focuses on the extent to which people are working with employers who explicitly value the benefits of training linked to business objectives, through becoming Investors in People. The second draws attention to the importance of having the right core skills in all ages in the workforce. Special reference to management skills is made to draw attention to the importance of this in growing business objectives.

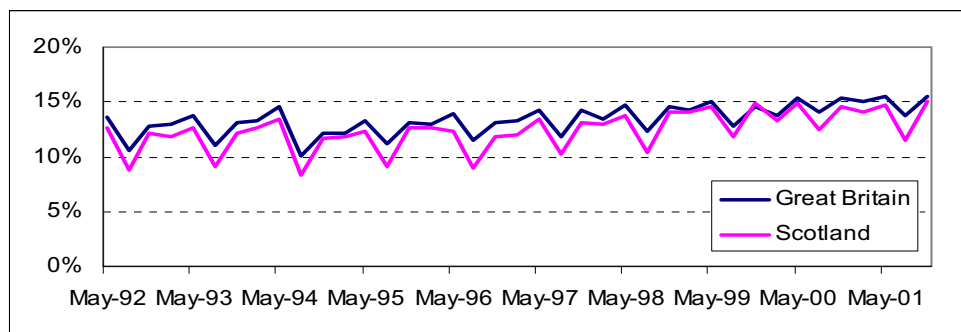
### Network influence

Scottish Enterprise will contribute to this area by increasing the number of companies who meet recognised standards for workplace development, through achievement and re-recognition of Investors in People. The percentage of the Scottish workforce employed in companies who are IiP recognised will increase. Managers and employees with low level qualifications and in low paid work will be encouraged to improve their core skills by taking part in workplace training and development activities.

Highlands and Islands Enterprise will continue to promote the encouraging of people and organisations in the area to take responsibility for learning, utilising initiatives such as Investors in People and working in conjunction with National Training Organisations. Such initiatives will contribute to the implementation of their sectoral skills strategy, realising potential. High quality skills require a top-class training and learning infrastructure which offers choice and flexibility, harnessing new technologies to overcome distance and remoteness. The University of the Highlands and Islands Millennium Institute project lies at the heart of their efforts to develop learning infrastructure in the area and its designation as a Higher Education Institution marks a key milestone.

## The proportion of those in employment undertaking training in employment

Chart 19: Proportion of those in employment undertaking training in employment



Source: Labour Force Survey

### Trends

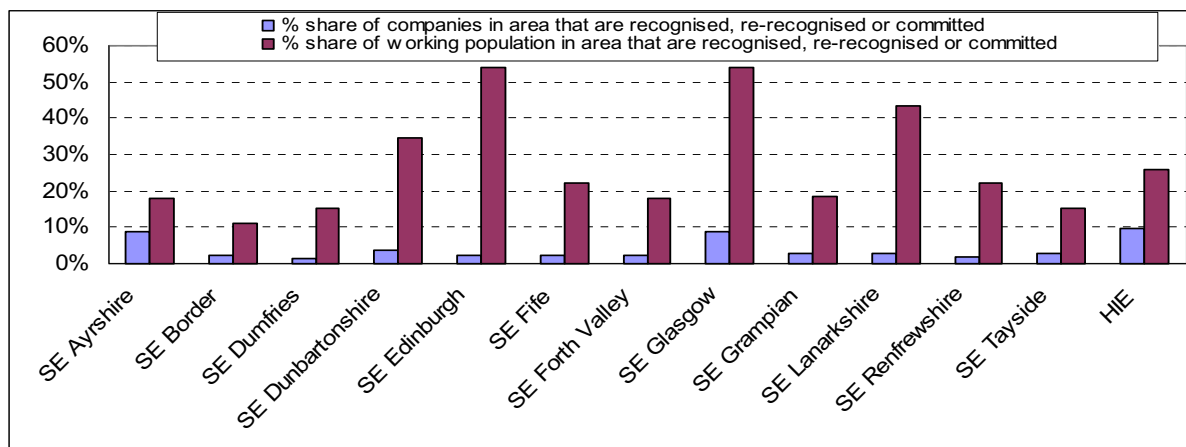
The proportion of those in employment receiving job-related training within Scotland steadily increased over the period 1992 to 2001. Labour Force Survey data suggest that the extent of job-related training in Scotland tended to be marginally lower than the UK average. However, the UK's good international performance suggests that this is not a particular weakness in the Scottish economy.

### OECD ranking

On the basis of the Labour Force Survey which positions Scotland's performance marginally behind that of the UK, and the OECD *Education at a Glance* report, we can say that Scotland falls within the second quartile of OECD nations, behind the UK which is pushing towards first quartile performance.

## Number of, and employment in, Investors in People accredited companies

Chart 20: Proportion of number and employment within Investors in People accredited companies



Source: Scottish Enterprise

## Trends

The share of local companies accredited with Investors in People (IiP) awards is unevenly distributed across the Enterprise Network areas. Over 54% of the working population in the Scottish Enterprise Lothian and Edinburgh area are within an IiP environment. The equivalent figure for Scottish Enterprise Renfrewshire is just under 2%.

## OECD ranking

No OECD data are currently available for this indicator.

Scottish Enterprise draft 2002-03 operating plan targets

- 550 *first time IiP recognitions*

Highlands and Islands Enterprise draft 2002-03 operating plan targets

- 340 *IiP accreditations*

## The Consultation Process

The *Measuring Progress* consultation paper outlining the Joint Performance Team's initial proposals was issued on the 22nd August and consultation ran until 9th November 2001. The JPT sought views on a range of issues raising specific questions about the proposed approach and the proposed measures and benchmarks themselves. The high quality of the 31 responses reflected the importance with which the work of the Joint Performance Team was viewed.

In summary, the principle of developing measures to monitor performance was universally welcomed. There was widespread support for the use of individual indicators, rather than the construction of an index or indices. Similarly there was agreement on the question of the measurement framework's suitability for the partnership approach of the networks. The task of identifying appropriate cross-cutting indicators was seen as more complex.

There were two key issues. The progress measures were based on the "one lead plus two support measures" approach. The consultation process indicated quite strong support for more measures, rather than fewer measures. However, responses suggesting alternative approaches were divided between those that wished to see more indicators and those calling for a smaller group of indicators measuring change which can be more easily attributed to the activity of the Enterprise Networks. On balance, we considered that the approach suggested in *Measuring Progress* remains the right one. Nevertheless, where a good case has been made, we have included other measures, such as in the area of tourism, but balanced this against the desire not to allow the framework to become unwieldy or impractical.

Secondly, there was also uncertainty about the status of the measures, and their role with regard to target setting was still not clear. Some respondents suggested that the measurement framework should focus on hard targets. The team remains very strongly of the view that the progress measures should set the framework, and hard targets should be developed in the operating plans, *informed* by the progress measures.

The consultation paper also sought views on the specific indicators themselves. There was widespread agreement on the proposed measures and benchmarks. A number of specific suggestions for additional indicators or adjustments to existing indicators were suggested. Against the background of this widespread support, the team discussed the points raised in the consultation process, and at the seminar, and has implemented a number of refinements.

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