



The Scottish  
Government

# EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME 2011

WEALTHIER & FAIRER

SMARTER

HEALTHIER

SAFER & STRONGER

GREENER

March 2011

**EUROPE 2020:  
SCOTTISH NATIONAL  
REFORM PROGRAMME 2011**

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# EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME 2011

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## FOREWORD



This Government has worked tirelessly to increase sustainable economic growth. Our aim is to make Scotland the most competitive place to do business and to develop our greatest assets – our people and the natural environment in which we live. We strongly support the Europe 2020 Strategy – its aims to promote smart, sustainable and inclusive growth is very much aligned with our own visionary Government Economic Strategy.

Economic conditions have changed significantly and Scotland has had to respond to the challenges of the deepest global recession in over 50 years. At the very first signs of the downturn, we launched a detailed Recovery Plan to protect jobs and support the Scottish economy. As a result of our actions, Scotland can now reflect on a recession that was both shorter and shallower than the rest of the UK. We are also now witnessing a welcome improvement in labour market conditions in Scotland with unemployment falling and employment rising – the only UK nation where this is the case. Scotland also has a higher employment rate and lower economic inactivity rate than the UK as a whole.

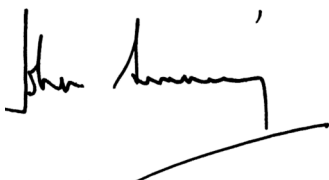
Climate Change is one of the very highest Scottish Government priorities because Scotland can have a competitive advantage in securing tens of thousands of jobs and billions of pounds of investment in the global low carbon economy. We are committed to make Scotland Europe's green energy powerhouse. Around our coastline we have a quarter of Europe's offshore wind and tidal energy potential and an estimated 10% of wave power capacity. The evidence from Scotland shows we can grow the economy while cutting emissions.

We are working towards new international growth markets, which will provide us with important opportunities. The global recovery is being led by emerging economies, with China becoming the world's second largest economy. Since the start of 2011, important agreements have been reached to support access to the vast Chinese consumer market for scotch whisky and salmon. This is just the start, with new and exciting export opportunities likely to emerge across all sectors of our economy.

We believe that it is only by working together that European countries can ensure they emerge from deepest global recession in a generation stronger than before. This Scottish National Reform Programme 2011 represents a powerful illustration of our determination to create a better future for Scotland in a European context. Scotland, as a small, flexible and innovative nation can contribute much to the debate. We are leading the way with our approach on climate change and energy and we remain a committed player on the European stage

**JOHN SWINNEY MSP**

Cabinet Secretary for Finance and Sustainable Growth

A handwritten signature in black ink, appearing to read 'John Swinney', with a long horizontal line underneath.

## INTRODUCTION

The current economic crisis is the worst in over 50 years. It is critical for the European Union to overcome the current economic crisis and lay down the foundations to emerge stronger and more focused to ensure future growth in a competitive global economy. This is why the Europe 2020 strategy sets out important measures which should free up Europe's growth potential. The focus of the strategy is to develop smart, sustainable and inclusive growth. In order to achieve such growth, the strategy focuses on five target areas: employment; innovation and R&D; climate change and energy; education; and poverty and social inclusion. By addressing these areas, Europe will take the necessary steps to address the challenges ahead.

Within the United Kingdom, Scotland has considerable autonomy. Implementation of the devolution settlement on 1 July 1999 resulted in unprecedented constitutional changes and transferred extensive powers to the new Scottish Parliament. Only those matters explicitly reserved to the United Kingdom (such as defence, foreign affairs or macroeconomic policy) did not transfer to the new devolved Scottish institutions. The Scottish Government is accountable to the democratically-elected Scottish Parliament and is responsible for most of the issues of day-to-day concern to the people of Scotland, including health, education, skills, justice, environment, rural affairs, and transport.

In response to the Europe 2020 strategy, Member States are to submit a National Reform Programme outlining their structural reform plans in April every year. The Scottish Government is strongly supportive of the Europe 2020 strategy, which is closely aligned with its own priority on economic growth. The Scottish Government believes it would be of assistance to the Commission to set out Scottish policies in greater detail in a separate Scottish NRP, intended to complement the UK NRP. This is in line with the Scottish Government commitment to engage positively with EU Institutions and fully represent Scottish interests and highlight particular Scottish strengths.

This document is published in advance of the pre-election period for Scottish elections, which begins on 23 March 2011. It therefore represents a snapshot of policies to date and the forward-looking policies of the current Scottish Government. By necessity, it has been published in advance of the UK budget, also due on 23 March 2011, which may affect the environment in which the Scottish Government delivers its policies. The Scottish Government is contributing to the UK National Reform Programme, which is due to be published during April 2011.

Scotland has unique characteristics that distinguish it from the rest of the United Kingdom and can create the need for a separate approach. For example, Scotland has a higher proportion of fragile and rural areas and a particular profile on poverty. Climate Change is one of the very highest Scottish Government priorities because Scotland can have a competitive advantage in securing tens of thousands of jobs and billions of pounds of investment in the global low carbon economy, as part of our drive for increased, sustainable economic growth. The evidence from Scotland shows the economy can be grown while cutting emissions. The approach is set out in the Scottish Government's low carbon economic strategy<sup>1</sup>.

<sup>1</sup> <http://www.scotland.gov.uk/Publications/2010/11/15085756/0>

The Scottish Government will take a similar approach to the UK Government on the question of EU headline targets. The Scottish Government does not intend to set specific targets, but will monitor its progress against the EU headline targets and make this available on its website. This is in line with the transparent approach the Scottish Government has taken since 2007 through Scotland Performs, which already covers the policy areas subject to EU headline targets.

The Scottish Government has taken a proactive approach in engaging stakeholders with the Europe 2020 strategy. In addition to the close stakeholder working that typifies the general development of policy in Scotland, the Scottish Government held two specific stakeholder events on the Europe 2020 strategy; a Sub Rosa meeting in Brussels on 24 and 25 June 2010 and a workshop in Edinburgh on 23 February 2011.

## CHAPTER 1 – ECONOMY AND FINANCE

### *Economy*

**Government Economic Strategy** The Scottish Government's approach on economic policy is set out in the Government Economic Strategy<sup>2</sup>. This bold vision for the future of Scotland focuses Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Scotland's economy has emerged from a recession that was shorter and shallower than many other European countries and the Scottish Government will seek to secure long-term growth in the Scottish economy by investing in innovation and industries of the future, supporting jobs and communities and strengthening education and skills. Progress towards achieving the Purpose is transparently monitored on the Scottish Government website, through its Scotland Performs portal<sup>3</sup>.

### *Access to finance*

**Enterprise Finance Guarantee** A joint declaration issued by the First Ministers and Deputy First Ministers of Scotland, Wales and Northern Ireland to the UK Government called for urgent action to protect the economy, including decisive action to expand access to affordable finance for small and medium-sized businesses (SMEs). The continued support the UK Government have shown for the Enterprise Finance Guarantee (EFG) is important, as is the planned extension to exporters. As of 23 February 2011, there have been 951 Enterprise Finance Guarantee (EFG) loans offered to Scottish businesses with a value of £134 million.

The Scottish Government remains committed to encouraging lenders to further increase the supply of affordable finance to support the cash, credit and capital needs of viable Scottish businesses with good prospects and will continue to monitor credit conditions in Scotland through its own survey on SME access to finance. An update to this survey is scheduled to be published in spring 2011. It will allow the Scottish Government to make an assessment of any improvements in bank lending and provide a more informed picture of demand, supply and the costs of finance to business, including a breakdown by industry sector.

<sup>2</sup> <http://www.scotland.gov.uk/Publications/2007/11/12115041/0>

<sup>3</sup> <http://www.scotland.gov.uk/About/scotPerforms>

**Scottish Investment Bank** The Scottish Investment Bank (SIB) has been established and is investing in early stage, innovative SMEs with high growth potential through the equity-based funds: the Scottish Venture; Co-investment; and Seed Funds. Under the auspices of the SIB, the new Scottish Loan Fund (SLF) is now open for applications following the appointment of Marven Capital Partners as independent fund managers. The SLF offers finance on a commercial basis to established, viable, growing and exporting SMEs and will provide loans of between £250,000 and £5 million to firms that have the most to contribute to Scotland's economic growth. The use of professional fund managers will ensure that the Loan Fund is run on sound commercial principles, maximising the potential returns to the Scottish economy. A further £5 million has been added to the Fund (an extra £2 million in ERDF matched with a £3 million commitment from Highlands and Islands Enterprise), bringing the total public sector commitment to £55 million.

### *Structural Funds*

The Scottish ESF programmes continue to focus on extending employment opportunities to people at a disadvantage in the labour market. There have been a number of innovative partnership approaches utilised within the 2007/13 ESF Programmes and we have responded to the economic crisis effectively through a Scottish Government Economic Recovery Plan<sup>4</sup> (ERP).

**Community Planning Partnerships** Thirteen eligible CPPs have been awarded over £66 million into 2011 from ESF and ERDF for regeneration and economic development plans. CPP integrated ESF and ERDF plans will support over 85,000 individuals across Lowlands and Uplands Scotland. The ESF going to CPPs supports and prepares individuals who are currently unemployed so that they are ready to take jobs as they are created when the jobs market turns up; ERDF supports job brokerage, community and childcare facilities, in support of these individuals within their local areas.

**Strategic skills funding** Priority five 'Strategic Skills Pipeline' funding – ESF LUPS Programme – £64.6 million ESF grant towards 21 strategic projects worth £168 million. This funding will deliver employability and training services for the unemployed, the lowest paid and the socially deprived, ranging from early engagement through to in-work support and skills development. The organisations will all be involved in the delivery of the strategic skills programme which fits with the Scottish Government's Skills Strategy and Economic Recovery Plan. Local Areas will benefit from targeted local funding from a number of CPPs as well as the other strategic bidders (Scottish Funding Council, STUC, Skills Development Scotland and a Third Sector Consortium bid). These bids are being supported for two years from 2011 onwards.

4 <http://www.scotland.gov.uk/Publications/2011/02/24095442/8>

**Highlands and Islands** In the Highlands and Islands, ESF funding worth £43 million has been allocated to support and deliver employability and training across the region. To date £29 million of grant has been committed to 122 projects, worth £60 million to the Scottish economy. The key focus of the ESF Programme is to support the sustainable growth in the size and skills of the region's workforce. In particular, Priority one funds early engagement and support for the hardest to reach groups across the region, delivering a range of training and development opportunities to enable them to progress into the labour market.

## CHAPTER 2 – EMPLOYMENT AND SKILLS

### *EU headline target*

*“aiming to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants.”*

### *Current Scottish performance*

The Scottish employment rate, for the population aged 16-64, was 71.1% in the three-month period October to December 2010. Prior to the economic downturn in late 2008 historically high levels of employment and participation were recorded in Scotland. This was followed by a sharp decline in employment during late 2009 and early 2010. Recent data show a recovery in labour market conditions with Scottish employment levels increasing by over 50,000 since spring 2010. The Scottish employment rate has risen from a low of 69.8% to its current rate of 71.1% – and has now returned to a level higher than the equivalent figure for the UK as a whole.

### *Key policies and messages*

#### **Adapting to conditions**

Since 2007 Scottish Government policies on employability and skills have been adapted in response to prevailing economic conditions, refocusing existing policies and introducing new measures to protect jobs and support skills and training. Despite the economic difficulties there are indications that this approach has been successful, with recent labour market data showing rising employment and falling unemployment in Scotland.

As economic conditions improve the focus now is on sustaining and strengthening growth and employment and delivering a strong recovery for Scotland. The development of a workforce with the right skills, expertise and desire, that matches the needs of successful, growing businesses that are creating employment opportunities, is a priority. The effective use of these skills and expertise, influenced by increased employer ambition and effective leadership, are also vital for improved productivity and growth. Our refreshed skills strategy<sup>5</sup>, published in October 2010, sets out the ambition for a flexible, responsive, partnership approach to addressing Scotland’s skills needs and improving economic performance.

5 <http://www.scotland.gov.uk/Publications/2010/10/04125111/0>

**Core strands of policy** There are three core strands of employment and skills policy – effective youth transitions into learning and employment; support for the unemployed; and the continued development of the existing workforce. Within this, the Scottish Government continues to focus support between the high participation sectors of the economy that help to sustain employment and the key sectors, including energy and renewables, which have high growth potential and the capacity to boost productivity. Simplifying the skills landscape is a priority theme, allowing easy access for individuals and employers to appropriate advice, support and learning and training opportunities. In addition the Scottish Government continues to promote equality of opportunity for all, including those who face persistent disadvantage.

**Effective youth transitions** During recession and in the early stages of recovery young people are more vulnerable to unemployment which can translate to future job instability and slow labour market progression. To respond effectively to these risks the Scottish Government has prioritised measures to help improve the employment prospects of young people. Significant investment is being made to develop the post-16 transition process; increasing the learning and training opportunities available and offering incentives to employers to increase recruitment. This has included additional Modern Apprenticeship opportunities, additional college places, bursary funding, graduate placement programmes and volunteering opportunities.

As part of the Scottish budget for 2011/12 the Scottish Government set out a package of support that will create thousands more new opportunities for young people across Scotland. Skills Development Scotland (SDS) will create a record 25,000 new modern apprenticeships, providing real opportunities for young people to move into permanent jobs with high quality training attached. The higher education sector has agreed to maintain core university student places while, in addition to maintaining core places at 2010/11 levels, investment of £8 million will help support 1,200 extra college places. The Scottish Government is also working in partnership with the Third Sector to deliver a £10 million Community Jobs Scotland programme, which will provide new support for 2,000 unemployed young people across Scotland.

**Support for unemployed** While employment remains reserved to the UK Government, the Scottish Government continues to work hard to build capacity in the delivery of employability services in Scotland. Under community planning arrangements, there are now active employability partnerships in all local authority areas in Scotland, helping to align the strategies and funding streams across a range

of partners. An integrated employment and skills (IES) service, led jointly by Skills Development Scotland and Jobcentre Plus, has also been rolled out across the whole of Scotland.

Scottish Government support for individuals facing redundancy is provided through the Partnership Action for Continuing Employment (PACE) programme. PACE brings together a range of agencies including SDS, Jobcentre Plus and colleges, to offer comprehensive support programmes tailored to match individual needs and local circumstances, to help people move into new employment or high quality retraining opportunities. PACE has been strengthened and deepened across Scotland and activity led by SDS has focused effort and funding from a range of partners on providing a rapid response when support is most needed.

Alongside this, the Employer Recruitment Incentive, offered by SDS, is being extended to help deliver up to 5,000 new jobs for individuals aged 18+ who have been unemployed for six months or more, including those who are participating in the Training for Work vocational training programme for unemployed adults.

**Highly skilled workforce** In order for the key strands of the Scottish strategy for growth to flourish and for employment opportunities to be realised, Scotland requires highly and relevantly skilled individuals who are able to perform at their best in high productivity workplaces. The Modern Apprenticeship programme, managed by SDS, helps to ensure that individuals and businesses are equipped with the skills and expertise that will support long-term, sustainable employment and economic growth. SDS will also provide 7,000 Flexible Training Opportunities in 2011/12 to support small and medium sized businesses seeking to invest in training. SDS is also leading the implementation of a framework for action on workforce development to achieve simplification of the system of support for workforce development, greater visibility of public investment in workforce development, improved labour market information, greater leverage for the public purse and transparency of outcomes.

**Flexible and responsive skills system** The ambition remains for a skills system driven by what the labour market most needs rather than what the skills system can most easily deliver. Scotland has been blessed with unrivalled energy resources, from North Sea oil and gas to massive sources of renewable power. Such rich, diverse resources, coupled with Scotland's wealth of engineering expertise, particularly offshore, will help maintain Scotland's position as a major global centre for energy innovation and low carbon technologies. These sectors are also vital to Scotland's economic prosperity, with the potential to support tens of thousands of new jobs over the next decade.

Offshore wind alone could bring 28,000 new direct jobs and 20,000 indirect jobs in related industries. In response, SDS has introduced a new Low Carbon Skills Fund to support workforce development opportunities in low carbon technologies. The focus of skills and training policy will be to ensure that every opportunity is taken to develop and strengthen our position in relation to skills, create new jobs and make low carbon a success for the Scottish economy.

## CHAPTER 3 – INNOVATION AND R&D

### *EU headline target*

*“improving the conditions for research and development, with the aim of raising the combined public and private levels in this sector to 3% of GDP.”*

### *Current Scottish performance*

Scotland’s innovation performance is measured through investment in research and development (GERD – Gross Domestic Expenditure on R&D) and non-R&D innovation expenditure (Community Innovation Survey). In 2008:

- spend on research and development by business, government and higher education was 1.55% of GDP;
- the proportion of innovation active firms in Scotland was 54.8%.

Recognising the importance of ensuring the research generated in Scotland’s universities is effectively transferred, Scotland’s national performance framework includes an indicator on knowledge transfer from Scottish universities. The indicator consists of an index of universities’ income from knowledge transfer (KT) activities (stripping out the effects of inflation and public funding for KT activities) such as licensing, venture capital and consultancy. In 2008/09, Scottish universities’ KT income had risen by 7.1 percentage points compared to 2006/07.

In addition, Scotland measures the impact of its research performance through a number of other indicators:

- The impact of Scottish research, as measured by citations per paper, has been well above world average in recent years and rose by a further 21% in 2008, with only Switzerland being ranked higher;
- Scotland achieved 1.8% of world citations in 2008, up from an average of 1.6% in 2003-07; and
- PhD awards in Scotland have grown with Scotland now producing around 60 PhDs per 1,000 researchers. This places Scotland seventh in the world, up from ninth two years ago.

## *Key policies and messages*

**Importance of innovation** Research and innovation is a primary contributor to productivity and will be a key determinant of Europe's economic recovery and long-term sustainable economic growth. Scotland's ability as a country to drive research excellence and innovation will determine its success in building profitable businesses, creating new jobs and supporting more effective public services. The Scottish Government believes that creating a dynamic infrastructure for research and innovation will enable us to compete in those industries set to drive the global economy; such as low-carbon and digital.

The Scottish Government is already engaging with Europe on the development of future research and innovation policy. The Scottish Government welcomes the ambition of Europe and Innovation Union to bring greater alignment across the range of research and innovation programmes and policies, and to recognise that innovation is wider than just research and development. This is very much in line with the Government's Economic Strategy.

**Research base** Scotland's research base is one of the strongest in the world – Scotland's academics received 1.8% of all world citations and have been in the top two in the world in terms of impact of our research in recent years. These are considerable achievements for a nation of only five million people. Scotland's main research strengths are closely aligned with European priorities – Scotland's institutions are world leaders in health, biological and clinical sciences, informatics and low carbon technologies.

**Research pooling** Through the Scottish research pooling initiative, world leading collaborative research networks are being developed in Scotland that are underpinned by excellence. The Scottish Government is keen to share and build on this expertise by developing Europe-wide research collaborations aligned to Europe's Grand Challenges.

Raising business innovation is critical for growing the economy and making Europe more competitive. A key priority for Scotland is to support greater engagement of business, particularly SMEs, in research and innovation. The Scottish Government is working with its public sector partners (principally Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Funding Council) to enhance business and innovation support.

**Interface and Innovation Vouchers** The Scottish Government has extensive experience of knowledge transfer initiatives and currently has a number of successful programmes aimed at enhancing knowledge transfer from the research base into business – including Interface and Innovation Vouchers. These could serve as best practice examples with the potential to be delivered across European regions and Member States.

- Interface provides a central and independent point of access to the knowledge and expertise in Scottish Higher Education Institutes (HEIs) and Research Institutes (RIs). They can help identify ways in which companies can benefit from collaboration with academic expertise and help unravel some of the terminology involved in working with the academic community. Since 2005, over 340 collaborative projects have been established that span the full range of knowledge exchange activities.
- Innovation Vouchers help to facilitate the initial engagement between academia and business by supporting SMEs in the development of new products and processes, new services, improving production processes and experimental testing and measuring. The demand for Innovation Vouchers is exceeding expectations after successfully matching more than 100 businesses to university research and development expertise.

**Low carbon economy** The Scottish focus on a low carbon economy presents significant opportunities for Scotland to build its world leading reputation and act as a major catalyst for innovation activity. The Scottish Government is supporting low carbon research, development, demonstration and deployment, with partners across the public sector, for example by:

- reprioritising innovation funding in the European Structural Funds Programme towards the Low Carbon Economy to support the development of those innovative low carbon technologies where Scotland has the greatest competitive advantage;
- launching the £10 million Saltire Prize, the world's largest innovation prize for marine renewable technologies; and
- establishing the Scottish European Green Energy Centre (SEGEC) in 2009 to foster collaboration between Scotland and other parts of the EU, leveraging in the significant resources of Framework Programmes, and disseminating Scotland's low carbon expertise.

**Digital strategy** The digital age offers many opportunities for all of Europe to grow and prosper and the Scottish Government welcomes the EU's ambitions set out in its Digital Agenda. Improving digital infrastructure, skills and participation will help Scotland build on these successes and provide opportunities for everyone in Scotland to flourish. Digital technologies will underpin growth and help all of Scotland's industries to transform and prosper, while enabling greater engagement from remote communities. The Scottish Government's Digital Strategy<sup>6</sup> makes clear the commitment to do everything possible to take advantage of emerging technologies for the benefit of the whole country.

## CHAPTER 4 – CLIMATE CHANGE AND ENERGY

### *EU headline targets*

- *“reducing greenhouse gas emissions by 20% compared to 1990 levels (or by 30% if conditions are right);*
- *increasing the share of renewable energy sources in final energy consumption to 20%; and*
- *moving towards a 20% increase in energy efficiency.”*

### *Current Scottish performance*

Scottish targets for reducing greenhouse gas emissions are at least 42% by 2020 and at least 80% by 2050. Scotland is currently halfway to achieving its 2020 target with a fall in emissions of 21.2% from 1990, which includes international aviation and shipping and our participation in the EU-ETS.

Scotland’s target to meet at least 20% of total energy demand from renewable sources by 2020 incorporates: 80% of gross annual electricity demand from renewables (31% by 2011); 11% of heat demand from renewables; and 10% of transport fuel from renewables. The Scottish Government is currently on course to exceed its 2011 target of 31% of electricity demand from renewables (currently generate 27%); current capacity of heat demand from renewables is around 3% and good progress is being made against the proportion of transport fuel from renewables, which for the UK is currently around 3.5%. The Scottish Government has a clear CCS policy set out in its CCS Roadmap with Longannet power station in Fife likely to be the UK’s first commercial scale CCS demonstration facility.

‘Conserve and Save’<sup>7</sup>, Scotland’s Energy Efficiency Action Plan, includes a headline target to reduce final energy consumption by 12% by 2020. As part of the wider energy efficiency reduction measures gross electricity, consumption in Scotland decreased by 4% in 2009.

### *Key policies and messages*

**Climate change** Climate change is one of the very highest Scottish Government priorities because Scotland can have a competitive advantage in securing tens of thousands of jobs and billions of pounds of investment in the global low carbon economy, as part of our drive for increased, sustainable economic growth. The evidence from Scotland shows the economy can be grown while cutting emissions.

7 <http://www.scotland.gov.uk/Publications/2010/10/07142301/0>

**Low carbon economy** The Scottish Government believes a low carbon economy is inevitable and that it is right for the EU to increase its ambition on climate change to a 30% target. This will expedite the shift to low carbon, increase the share of the economic benefits across the countries of Europe and drive progress on cutting emissions, while demonstrating leadership in the efforts for an international agreement.

Scotland has a great story to tell about the greening-up of our energy supply and Scotland now generates over a quarter of its electricity demand from renewables. Scotland has a massive potential for renewable energy and the Scottish Government is comfortably on track to meet the target of 80% electricity demand by 2020. Scotland now exports 24% of the electricity generated.

In Scotland the low carbon economy is already worth around £8.8 billion and is forecast to rise to £12 billion by 2015/16, which would represent more than 10% of the Scottish economy. Job growth in the low carbon market is already high, and this is expected to continue to grow by 4% a year up to 2020, rising from 70,000 to 130,000 – over 5% of the Scottish workforce.

Scotland has an important role to play within the EU on international energy and climate change policy. Given Scotland's expertise in low carbon technologies and vast renewable energy potential, including around a quarter of Europe's tidal and offshore wind capacity, Scotland has an immense amount to offer in this field – both in terms of capacity and cutting-edge thinking in the fight against climate change.

**Legislation** The Climate Change (Scotland) Act 2009 set world-leading targets of at least 42% cuts in greenhouse gases by 2020 and at least 80% cuts by 2050. The Act provides certainty for business and the public about Scotland's low carbon future. In 2008 Scotland had cut emissions by 21% compared to 1990, reaching the half-way point towards our target of 42% emissions cuts by 2020.

**Strategy** The Low Carbon Economic Strategy sets out the aspiration of a shift to a low carbon economy, the Scottish Government's support for the transition necessary across the key sectors to meet our climate change targets and the opportunities for business and society.

The Scottish Government has also produced a draft Electricity Generation Statement<sup>8</sup> which sets out an analysis of the policies needed to meet 80% of electricity demand from renewables by 2020, backed up by 2.5 GW of thermal generation progressively fitted with CCS. This will enable Scotland to meet its overall objective of decarbonising the electricity supply by 2030.

In addition the Scottish Government has also produced:

- the Climate Change Report on Proposals and Policies;
- the Public Engagement Strategy; and
- 'Conserve and Save', the Energy Efficiency Action Plan.

The opportunities presented by low carbon are also examined in Scotland's Land Use Strategy which aims to improve the contribution from Scotland's land to sustainable economic growth, by promoting and supporting opportunities for multiple benefits from land use while reducing carbon emissions.

## CHAPTER 5 – EDUCATION

### *EU headline targets*

*“improving education levels, in particular by:*

- *aiming to reduce the problem of early school leavers by reducing the rate of early school leavers to 10% from the current 15%, and*
- *increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40% by 2020.”*

### *Current Scottish performance*

The current Scottish performance against the headline EU targets is as follows:

- rate of early school leavers in Scotland - 10.9% (April-June 2009);
- Share of the population aged 30-34 having completed tertiary education in Scotland - (46.7% 2008 survey).

The Scottish Government has fully devolved responsibilities for education and has a National Performance Framework with National Indicators and Outcomes against which we are measuring our progress. Those relevant to education are to:

- *Increase the proportion of school leavers (from Scottish publicly funded schools) in a positive and sustained destination – in 2009/10, the proportion of school leavers in positive destination increased to 86.8%, up from 85.7% in 2008/09; and*
- *Increase the percentage of Scottish domiciled graduates from Scottish Higher Education institutions in positive destinations – currently almost 90% of qualifiers in employment and/or further study six months after qualifying.*

### *Key policies and messages*

Scotland has a series of policy initiatives aimed at strengthening its education outcomes.

**Curriculum for Excellence** Scotland’s curriculum – Curriculum for Excellence – is designed to provide all children and young people from 3-18 with the knowledge, skills and attributes they need for learning, life and work in the 21st century. All young people are entitled to a senior phase of education, which takes place broadly between the ages of 15-18.

Curriculum for Excellence enables schools and their partners to build a flexible system that offers personalisation and choice to meet the needs of all young people, wherever their learning is taking place. It also provides clear and supported pathways for young people to make successful transitions and to continue learning beyond compulsory schooling.

16+ Learning Choices (16+LC) is the Scottish Government's model for helping young people to stay in learning post-16 and is an integral part of Curriculum for Excellence. It aims to ensure an offer of post-16 learning for every young person who wants it. This is a universal offer and gives systematic priority to those young people who need more choices and chances. It supports the transition, first, from compulsory education and then from subsequent episodes of learning broadly up to 18 to ensure all young people achieve positive and sustained destinations.

Scotland is protecting the Education Maintenance Allowance (EMA), honouring our commitment to support our least well-off students and open up opportunities to poorer families. The EMA offers a financial incentive to young people from low-income families to remain in learning post-16. The EMA is a weekly payment of £30, and eligible young people receive this when they meet the terms of their learning agreement. We expect this approach to have a significant impact on the national indicator on positive and sustained destinations for school leavers.

**Participation in further education** Further Education in Scotland has a higher relative share of participants from the 20% most deprived areas than Higher Education. That said, some participants use a course of study at Higher National level as a route into a degree course (as opposed to moving straight to first year under-graduate entry) with just over 3,000 under-graduate entrants (around 10%) articulating in 2008/09. Our approach is to try to improve upon this figure to meet the aspirations of those from deprived areas who want to go to university, however we also recognise that HN and FE qualifications have value in their own right. Levels of participation are constantly under review and we are currently looking at all the programmes associated with retention and articulation across our schools, colleges and universities.

**Priorities in Higher Education** The Scottish Government is committed to sustaining and supporting the quality of universities and growing a competitively skilled Scottish workforce which will improve economic performance and enrich society and culture. The immediate focus is to protect core student places, to maintain living costs and support for higher education students and to protect the university research base. Priorities for the sector are:

- to maintain student numbers at current levels;
- to protect excellence in research;
- to protect access to higher education;
- to work with schools, colleges and universities to increase articulation and entry with advanced standing, thereby meeting learners' needs;
- to continue to increase the impact of the sector's research on economic development in Scotland; and
- to support work on efficiency, collaboration, possible mergers and on the rationalisation of provision in the light of available resources.

**Participation in Higher Education** The Scottish Government recognises that people and their skills are Scotland's most valuable resource and aims to ensure that access to education is based on the ability to learn and not the ability to pay. For this reason, tuition fees for Scottish and EU students studying a first undergraduate degree at Scottish institutions are paid by the Government.

Another priority in Scotland is to encourage increased participation of entrants to higher education from the 20% most deprived areas, which continue to be under-represented. The Government has been tackling this issue by funding specific initiatives through the Scottish Funding Council (SFC), providing additional student support and introducing fairer means testing to ensure that support is targeted where it is most needed.

**Positive destinations** Helping Scottish graduates into positive destinations is also a priority and the Government works closely with universities, other public bodies and external organisations to help improve the employability of graduates and ensure final year students and unemployed graduates receive appropriate advice and support to get into their first job, get back into work or to take up further studies.

To help students prepare for employment, we are working to create a system of further and higher education in which, through the provision of high quality education and learning, students can enhance their general and specific skills, their confidence, self-reliance, motivation, knowledge and capacities in ways that: meet the needs and expectations of employers in Scotland, the rest of the UK and internationally.

## CHAPTER 6 – POVERTY AND INCLUSION

### *EU headline target*

*“promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion.”*

### *Current Scottish performance*

The Scottish Government has a National Performance Framework with National Indicators and Outcomes against which we are measuring our progress. Those relevant to poverty and inclusion are:

The ‘Solidarity’ target: *“To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017”;*

Between 1997/98 and 2008/09 total income increased almost every year. However the proportion of total income received by those in the bottom three deciles has remained fairly constant: about 13-14% of overall income.

National Indicator: *“Decrease the proportion of individuals living in poverty” This is measured in terms of the percentage of people living in relative poverty (below 60% of median income before housing costs).*

Poverty in Scotland has fallen since 1997/98 – from 20% to 17% in relative poverty. However this figure has been unchanged since 2006/07.

- 860,000 individuals (17% of the population) were living in relative poverty (before housing costs) in 2008/09 in Scotland;
- 210,000 (21%) of these individuals are children;
- 490,000 (16%) are working age adults; and
- 150,000 (16%) are pensioners.

### *Key policies and messages*

The Scottish Government is fully committed to tackling poverty and inequality in Scotland and supportive of the Commission’s flagship initiative European platform against poverty and social exclusion. The Scottish Government has a bold approach to tackling the long-term drivers of poverty, through early intervention and prevention. Our level of ambition to tackling poverty and inequality is exemplified in our Solidarity target, to increase the amount and proportion of income received by the poorest 30% of households by 2017. Poverty in Scotland has fallen

substantially since 1994 – from 21% to 17% in relative terms, although this progress has stalled in recent years.

**Stakeholder engagement** There is a good level of engagement between stakeholders in Scotland and the Scottish Government, including membership of key external stakeholders (including third sector, academic and local government involvement) on the Tackling Poverty Board, the high-level group overseeing and advising on poverty policy in Scotland. This is consistent with the principles of the platform, which advocates an evidence-based approach, and working in partnership. Many of the key decisions affecting poverty levels, and the impact of living in poverty on individuals' wellbeing, are taken at local level. The Scottish Government is keen to ensure poverty is a priority at a local as well as a national level, and works closely with COSLA and Community Planning Partnerships in Scotland to develop local solutions.

**Achieving Our Potential** Achieving Our Potential<sup>9</sup> outlines the key actions required by the Scottish Government and its partners for tackling poverty and income inequality.

Broadly, this framework aims to:

- tackle income inequality, by making work pay, maximising the potential for people to work and maximising income for all;
- take long-term measures to tackle poverty and inequality: by providing children and young people with the best start in life, reducing health inequalities, promoting equality and tackling discrimination, delivering good quality affordable housing, and regenerating disadvantaged communities. Key supporting policies are: Equally Well<sup>10</sup>, which sets out Scottish policy to tackle health inequalities in Scotland, and the Early Years Framework<sup>11</sup>, which emphasises the crucial role of the early years in influencing later life outcomes. These frameworks, along with Achieving Our Potential, strongly advocate an early intervention and prevention approach to addressing social problems; and
- support those experiencing poverty: by reducing financial pressure on, and building the financial capability of, people in poverty.

The Scottish Government's focus is to reconnect more people to the mainstream economy and provide the opportunities – and incentives – for all to contribute to Scotland's economic growth.

<sup>9</sup> <http://www.scotland.gov.uk/Publications/2008/11/20103815/010>

<sup>10</sup> <http://www.scotland.gov.uk/Publications/2008/06/25104032/0>

<sup>11</sup> <http://www.scotland.gov.uk/Publications/2009/01/13095148/0>

The approach to employment and skills also recognises the varying local challenges and priorities for communities around Scotland. The refreshed skills strategy makes clear our intention to ensure skills and training provision and employability support can be targeted to match the differentiated needs of residents and employers in local areas.

**Child Poverty Strategy** The Scottish Government has also signed up the UK Child Poverty Act 2010 and have committed to doing all we can to eradicate child poverty by 2020. The new Child Poverty Strategy for Scotland<sup>12</sup> sets out the Scottish Government's approach to tackling child poverty. This builds on the strategic direction set out in Achieving Our Potential. The two key aims of this strategy are to: maximise household resources, particularly for low income families; and to improve children's wellbeing and life chances.

There are a wide range of specific policy measures supporting the delivery of these policies. Some examples are:

- alleviating the effects of rising energy prices. A target has been set to ensure – so far as reasonably practicable - that by 2016 no-one is living in fuel poverty. Since April 2009, the Scottish Government's fuel poverty programme – the Energy Assistance Package – has helped over 100,000 people on low incomes reduce their energy bills and keep their homes warm. This programme has been expanded to target more fuel poor families, including families with children under five and those with disabled children under 16;
- free school meals for children in low income households. Free school meal entitlement criteria has been extended to all parents who are in receipt of both maximum child tax credit and maximum working tax credit;
- providing financial support to young people from low income families to remain in education, through Education Maintenance Allowances. These allowances are intended to reduce financial barriers to remaining in formal education; and
- the number of working people in poverty in Scotland needs to be reduced. While the statutory national minimum wage is an issue reserved to the UK, the Scottish Government is supportive of a 'Living Wage' – the amount calculated as providing a level of pay that adequately allows workers to provide for themselves and their families. The Scottish Government Public Sector Pay Policy ensures that the lowest hourly pay rate for all bodies covered by this is above the living wage level, and the lowest rate for NHSScotland workers is also above this level.

12 <http://www.scotland.gov.uk/Publications/2011/03/14094421/0>



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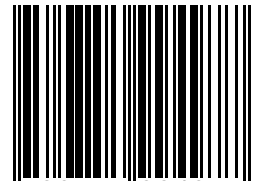
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