

EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME

2017



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CONTENTS



INTRODUCTION

2-4



CHAPTER 1 WHY EU FUNDING MATTERS TO SCOTLAND

5-8



CHAPTER 2 SUPPORTING RECOVERY & DELIVERING SUSTAINABLE ECONOMIC GROWTH

9-16



CHAPTER 3 EMPLOYMENT

17-23



CHAPTER 4 INNOVATION AND R&D

24-31



CHAPTER 5 CLIMATE CHANGE, LOW CARBON AND RESOURCE EFFICIENCY

32-39



CHAPTER 6 LEARNING AND SKILLS

40-45



CHAPTER 7 INCLUSIVE GROWTH AND EQUITY

46-51



CHAPTER 8 CONCLUSIONS

52-53

INTRODUCTION



Europe 2020 is the European Union's strategy for delivering, smart, sustainable and inclusive growth over the period to 2020. It aligns closely with the Scottish Government's core Purpose of focusing government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

This is important because growing Scotland's economy is the cornerstone of improving the prosperity and living standards of all Scots, now and in the future.

This report is the seventh Scottish National Reform Programme (NRP). It builds on the previous Scottish NRPs and outlines the actions being undertaken in Scotland in support of the delivery of the ambitions of the Europe 2020 Strategy.

The strategy sets out five key targets for the EU to achieve by the end of the decade. These relate to employment; research and innovation; climate change and energy sustainability; education; and fighting poverty and improving social inclusion. This report sets out actions being pursued in Scotland to support the delivery of these ambitions. The Scottish Government's view remains that Scotland is in a stronger position to deliver the ambition of achieving smart, sustainable and inclusive growth as part of the EU family, rather than being outside of it. Following the UK vote to leave the EU, the Scottish Government published Scotland's Place in Europe¹, a set of proposals which sought to maintain Scotland's place in the European Single Market.

EU Member States produce annual reports on their structural reform programmes and the progress they are making in delivering the Europe 2020 ambitions to the European Commission through their NRPs. These

provide context on the macroeconomic environment, outline how Member States intend to meet the targets set out in Europe 2020, and how they will overcome obstacles to economic growth. As part of this process, the Scottish Government has contributed to the development of the UK Government's NRP for 2017.

However, in order to highlight the unique characteristics of Scotland, and the distinct approach to the Europe 2020 ambitions that we are taking forward, the Scottish Government has once again produced a Scotland-specific NRP. This approach underlines Scotland's desire to continue positive engagement with its European Union neighbours (in the June 2016 EU referendum, 62% of those in Scotland who took part voted to remain in the EU). The report also provides a valuable opportunity to highlight particular areas where Scottish actions are making an important contribution to delivering the priorities of Europe 2020, and to share good practice with its partners in other EU countries.

THE EUROPEAN SEMESTER

The European Commission has established an annual cycle of economic policy coordination called the 'European Semester', which aims to focus the efforts of Member States on achieving the Europe 2020 targets. A summary of the European Semester is presented in Table 1.

¹ <http://www.gov.scot/Resource/0051/00512073.pdf>

TABLE 1 – THE EUROPEAN SEMESTER

November	Commission publishes its Annual Growth Survey, detailing policy priorities for the EU as a whole to boost growth and job creation over the year ahead.
February	Commission publishes a Country Report for each Member State, analysing their economic situation, reform agendas, and progress towards previous Country Specific Recommendations (CSRs).
April	Member States present their NRPs and Stability or Convergence Programmes to the Commission.
May	Commission proposes CSRs to Member States to address particular challenges over the coming 12-18 months.
June	The European Council discusses and formally adopts the CSRs.

In the 2017 Annual Growth Survey², the European Commission proposes that efforts focus on the three following priorities for 2017:

- **Boosting investment;**
- **Pursuing structural reforms;** and
- **Ensuring Responsible Fiscal Policies.**

COUNTRY SPECIFIC RECOMMENDATIONS FOR THE UK

The Commission provided the UK with a set of CSRs³ in July 2015:

1. Endeavour to correct the excessive deficit in a durable manner by 2016-17. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0.6% of GDP in 2017-18 towards the minimum medium-term budgetary objective.
2. Address shortfalls in network infrastructure investment, including by delivering the priorities of the National Infrastructure Plan. Take further steps to boost housing supply, including by implementing the reforms of the national planning policy framework.

3. Address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships. Further improve the availability of affordable, high-quality, full-time childcare.

This report outlines where the Scottish Government is taking action, within the powers available to it, against these identified priorities. Information on the Scottish Government's approach to CSRs 1 and 2 can be found at Chapter 2, and information relating to CSR 3 can be found at Chapters 3 and 7.

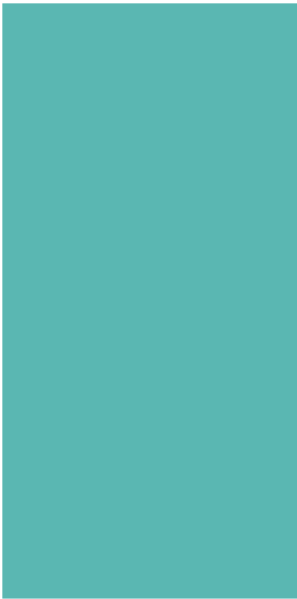
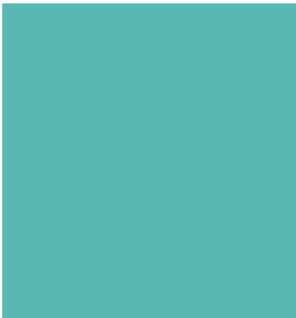
DELIVERING THE AMBITIONS

Chapters are presented for the areas covered by each of the five headline targets set out in the strategy – Employment; Innovation and R&D; Climate Change; Education; and Social Inclusion and Poverty Reduction. Within these chapters, actions are highlighted which are contributing to each of the UK CSRs and the Commission's Flagship Initiatives. In addition, the next chapter provides a brief overview of why EU funding matters to Scotland.

² https://ec.europa.eu/info/sites/info/files/2017-european-semester-annual-growth-survey_en_0.pdf

³ http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_2016.299.01.0012.01.ENG

CHAPTER 1: WHY EU FUNDING MATTERS TO SCOTLAND



The EU is the world's largest single market, comprising 31 countries and representing in excess of 500 million consumers, within which impediments to the free movement of goods, services, capital and persons have been, or are being, progressively eliminated.

Adhering to these “four freedoms” therefore defines the core obligation of membership of the European Single Market, and it is only through membership that comprehensive access can be secured.

Funding from the EU supports the implementation of Scottish Government policy in a number of important areas. European Structural Funds, for example, help to grow Scotland's economy in support of the five Europe 2020 targets.

EUROPEAN STRUCTURAL FUNDS IN SCOTLAND

- Scotland has benefited from around £4 billion of European Structural Funds since 1975.
- The benefits are not only monetary, the funds promote partnership working across sectors and member states for the benefit of those in our communities who need it most.
- The European Regional Development Fund invested €497.8 million (£387 million) and the European Social Fund, €322 million (£250 million) between

2007-2013. This funding supported 96,000 people into work and helped create almost 50,000 jobs.

- Projects supported by EU funding improve transport and internet links to remote regions, boost SMEs growth, improve education and skills, tackle climate change, and reduce poverty and social exclusion.
- Target groups who will benefit from current EU Structural Funds include those in our communities facing multiple barriers due to poverty and lack of equal opportunity.

Current programmes for 2014-20 are worth over €944 million (£828 million) to Scotland. Over £383 million of funding is now approved under the 2014-20 ESF/ERDF programmes, providing welcome investment during continued austerity and uncertainty caused by Brexit.

Areas of focus which support the Scottish Government's Purpose and all five Europe 2020 targets include:

European Regional Development Fund	European Social Fund
<p>Helping SMEs to innovate and commercialise, supporting the development of new products, processes and services and strengthening links with academic centres</p> <p>Smart Cities to increase the number of efficient, green services in Scottish towns and cities</p> <p>Digital connectivity in remote communities (Highlands & Islands only)</p> <p>SME investment support (financial instruments)</p> <p>SME support to grow, including leadership development, access to new markets and use of digital technology</p> <p>Supporting low carbon projects to achieve maturity and scale for external investment</p> <p>Low carbon transport and travel, including integrated ticketing and walking and cycling connections</p> <p>Industrial transition to lower resource intensity, increasing environmental innovation and collaboration between businesses</p> <p>Green infrastructure in urban, deprived areas</p>	<p>Employability (national and local approaches), funding for activity to help unemployed and inactive people into work</p> <p>Youth Employment Initiative (YEI) funding to increase employment levels for young people in south west Scotland.</p> <p>Combating poverty, including through financial inclusion and testing whole-community development</p> <p>Community empowerment and social innovation</p> <p>Social enterprise support</p> <p>Higher-level skills matched to regional industrial needs</p>

The following chapters include examples of how EU funds are deployed in Scotland to support smart, sustainable and inclusive growth. Making growth more inclusive is important for improving both Scotland's economic competitiveness, reducing wider inequalities, and improving opportunities for all.

 **EU IS MAIN DESTINATION** FOR SCOTTISH INTERNATIONAL EXPORTS, **RECEIVING 43%** OF SCOTLAND'S INTERNATIONAL EXPORTS, **WORTH AROUND £12.3 BILLION IN 2015**

EU MEMBERSHIP OPENS SCOTLAND TO THE EUROPEAN SINGLE MARKET OF MORE THAN **500 MILLION PEOPLE**

EU MEMBERSHIP PROVIDES SCOTTISH ORGANISATIONS WITH ACCESS **TO €76.4 BILLION** (AROUND £58 BILLION) THROUGH HORIZON 2020 OF **RESEARCH AND INNOVATION FUNDING**



EU FUNDS CONTRIBUTE TO EFFORTS IN SCOTLAND TO **ADDRESS INEQUALITIES**

EU MEMBERSHIP **SUPPORTS OVER 300,000 JOBS** DIRECTLY & INDIRECTLY

IN PAST DECADE, **41% OF UK PUBLIC FUNDING FOR CANCER RESEARCH** WAS PROVIDED BY EU

THE COMMON FRAMEWORK FOR EU LAW **PREVENTS THE EXPLOITATION AND DISCRIMINATION** OF WORKERS AND **PROTECTS RIGHTS**



THE EUROPEAN STRUCTURAL AND INVESTMENT FUND 2014-2020 PROGRAMME IS **INVESTING AROUND €944 MILLION** (£828 M) IN SCOTLAND



THE EUROPEAN ARREST WARRANT HAS ALLOWED UK TO **EXTRADITE MORE THAN 5,000 PEOPLE** TO ELSEWHERE IN EUROPE IN THE LAST 5 YEARS, AND **BRING 675 INDIVIDUALS BACK TO FACE JUSTICE**



 THE EUROPEAN REGIONAL DEVELOPMENT FUND **INVESTED €497.8 M** (£387 MILLION) AND THE EUROPEAN SOCIAL FUND **€322 MILLION** (£250 MILLION) BETWEEN 2007-2013

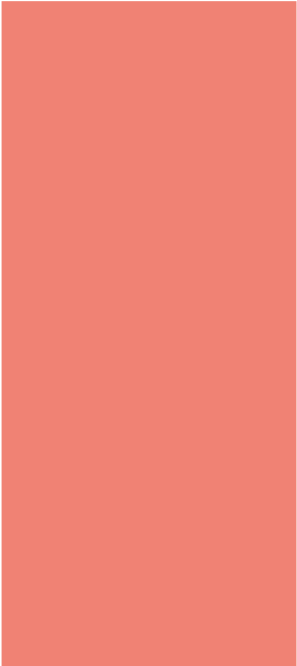
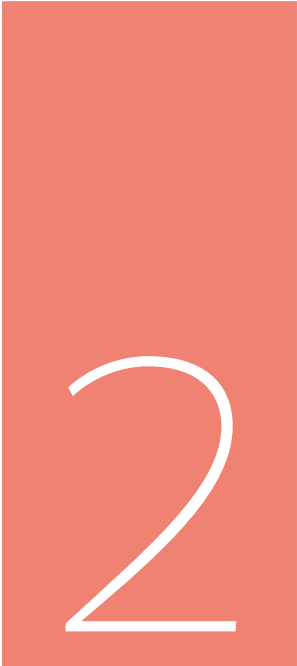
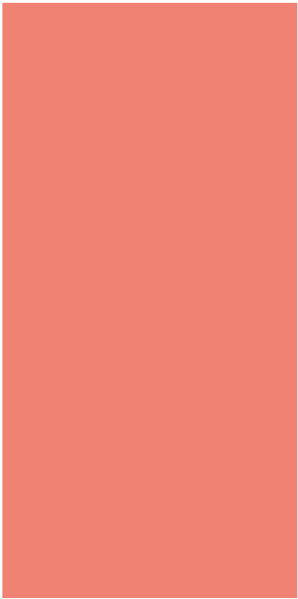
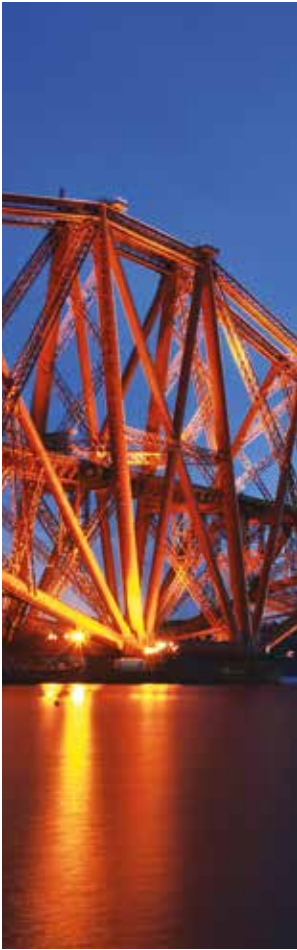


EU MEMBERSHIP GIVES UK CITIZENS ACCESS TO THE EUROPEAN **HEALTH INSURANCE CARD**, SO PEOPLE CAN ACCESS **HEALTHCARE** WHEN ON HOLIDAY IN EU

EU LEGISLATION ENABLES STATES TO WORK TOGETHER TO PREVENT THE SPREAD OF ILLNESS AND DISEASE



CHAPTER 2: SUPPORTING RECOVERY & DELIVERING SUSTAINABLE ECONOMIC GROWTH



The Scottish economy remained resilient in 2016, in the face of ongoing external challenges and heightened levels of uncertainty following the EU referendum in June.

Scotland's economy grew 0.4% in 2016, and at the end of the year Scotland's GDP per head was 1.8% above its pre-recession level.

Scotland's labour market has also remained resilient with latest data for December to February 2017 showing that the unemployment rate fell below that of the UK to 4.5% and Scotland's youth and female employment rates continued to outperform the UK average.

However, challenges facing the oil and gas industry and its supply chain from the low oil price continued in 2016, which alongside further slowing in the construction sector, and weakness in global growth, continued to weigh on growth in the Scottish economy.

The UK vote to leave the EU and the prospect of commencing exit negotiations in 2017 has been a source of significant uncertainty to the UK and Scottish economy. The fall in the value of Sterling has been the most visible impact on the economy to date, helping to boost export orders whilst contributing to the reintroduction of inflationary pressures.

Survey evidence signalled that business and consumer sentiment were impacted by the changing economic and political climate following the EU referendum. Whilst business optimism rebounded at the end of 2016, consumer sentiment remained negative in the second half of the year.

The economic outlook for Scotland is positive, however it is weaker on the back of the EU referendum with expectations that uncertainty and rising inflation will weigh on business and consumer activity. The Scottish Government forecast growth of 1% for Scotland in 2016-17 and 1.3% in 2017-18.

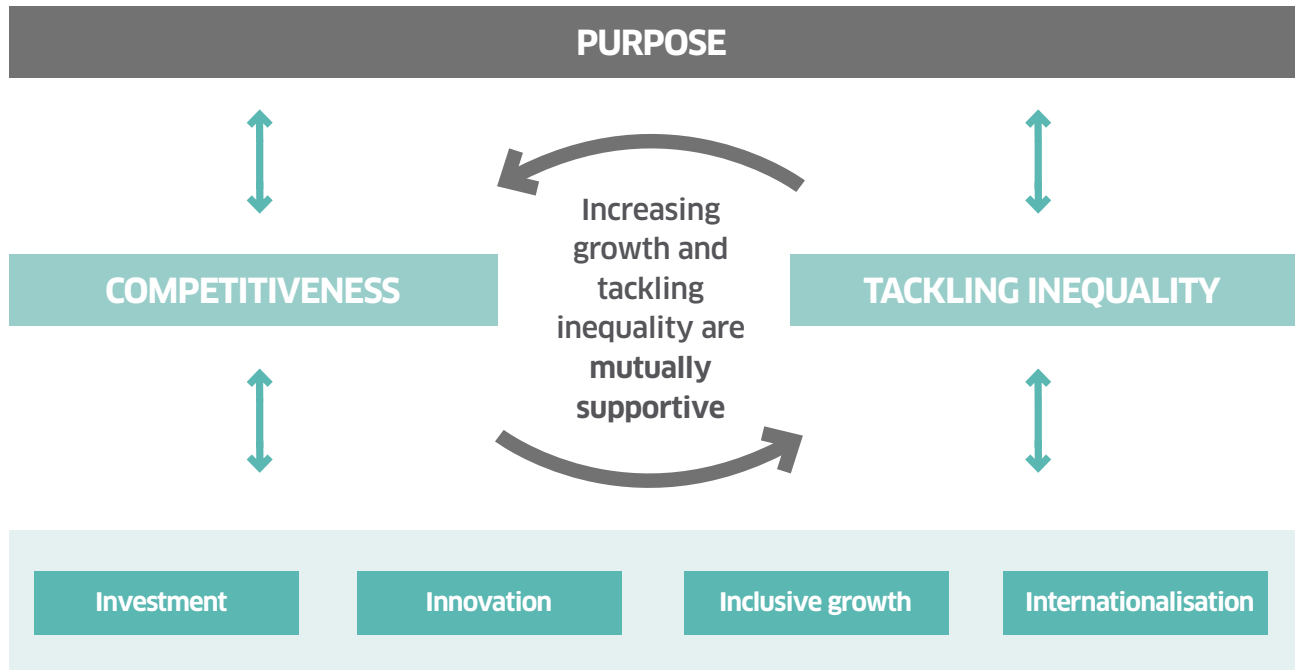
A regular assessment of conditions in the Scottish economy is provided in the Scottish Government's Chief Economist's State of the Economy publication.

SCOTLAND'S ECONOMIC STRATEGY

The Scottish Government's top priority is to support Scotland's economic resilience, to protect jobs, investment and long-term prosperity and growth prospects. Scotland's Economic Strategy⁴ was launched in March 2015 and sets out the ambition to create a more cohesive and resilient economy that improves the opportunities, life chances and wellbeing of every citizen in Scotland. At the core of the Strategy is the Government's Purpose to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The approach of Scotland's Economic Strategy is based on two key pillars; increasing competitiveness and tackling inequality. Scotland's economic framework is presented in Figure 1.

4 <http://www.gov.scot/Resource/0047/00472389.pdf>

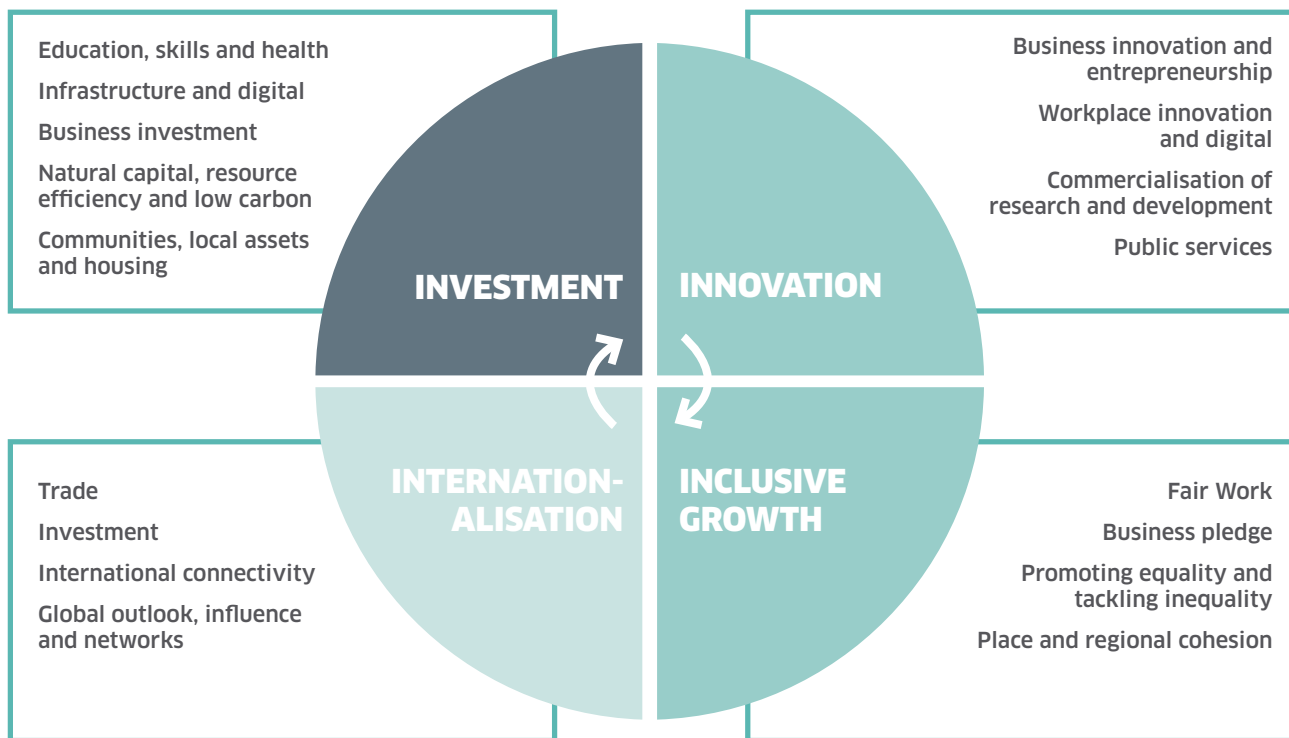
Figure 1: Scotland's Economic Framework

Within Scotland's Economic Strategy there are four priority areas under which the Scottish Government are taking a number of actions to grow Scotland's economy, and ensure it remains resilient. The four priority areas are:

- **Investing** in our people and our infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion; and
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

The four priority areas and the policy areas which underpin them are set out in Figure 2.

Progress across these four priority areas is measured through the National Performance Framework (NPF) which includes a range of economic, social and environmental indicators and targets for Scotland. The NPF is being refreshed with the National Outcomes currently being consulted on and reviewed with the aim to develop a new set of National Outcomes for Scotland. The refreshed NPF will continue to be used to assess progress across the four priority areas.

Figure 2: Four Priorities

INCREASING SUSTAINABLE ECONOMIC GROWTH

Scotland's Economic Strategy provides a framework to support sustainable economic growth in Scotland, with opportunities for all to flourish. This is reflected in the Scottish Government's current programme⁵, which focuses on:

- **Making Scotland's education system world class with equal opportunities for all**
- **Growing a productive, sustainable economy with more jobs and fair work**
- **Transforming public services**
- **Empowering local communities and strengthening local democracy**
- **Scotland's place in the world**

A range of actions are being taken forward against these priorities. However, in the remainder of this chapter we focus on actions being pursued in Scotland to support investment-led economic growth

and boost the supply of housing, which cover two of the areas highlighted to the UK Government through its CSRs.

CSR 1: Fiscal Outlook

As part of the CSRs to the UK, the European Commission has placed a focus on actions taken by the Governments to reduce the deficit. Although the responsibility of reducing the budget deficit is a reserved issue to the UK Government, the Scottish Government is taking a number of actions that will support deficit reduction.

Under the Scotland Act 2012, Scotland gained limited borrowing powers which came into effect in April 2015 (subsequently updated in the Scotland Act 2016). Scottish Ministers are now allowed to borrow up to £300 million annually to cover any shortfall between tax forecasts and tax receipts, but crucially not to support general expenditure. In the event of a Scotland-specific economic shock, the

⁵ <http://www.gov.scot/Resource/0050/00505210.pdf>

annual limit for resource borrowing will increase to £600 million. There are also limited capital borrowing powers within an overall cap of £3 billion to borrow up to 15% (or £450 million) annually to support infrastructure investment, which remains a priority of Scottish Ministers.

The Scottish Government takes a prudent approach to investment. We would expect to limit our future revenue funding of long-term investment to a maximum of 5 per cent of our expected future annual total Departmental Expenditure Limit (DEL) budget (which contains both the Scottish Government's capital and revenue budgets). The Draft Budget 2017-18 reaffirms our commitment to ensure that we use revenue-funded methods of investment at a sustainable level, and to not overly constrain our choices in future years.

As set out in the budget plans for 2017-18, the Scottish Government will support infrastructure investment of £4 billion in 2017-18 through the traditional capital budget, new borrowing powers, the Non Profit Distributing (NPD) pipeline, rail investment through Network Rail's Regulatory Asset Base (RAB) and capital receipts.

To continue to prioritise capital investment the Scottish Government is pursuing a range of innovative financing approaches, including the £3.5 billion NPD programme (extended in 2014, when a further £1 billion of support for infrastructure investment was announced) which takes the current NPD programme through to 2019-20.

The Scottish Government's Infrastructure Investment Plan 2015 (IIP⁶) which builds on the achievements delivered through previous infrastructure plans was published on 16 December 2015. The Plan sets out why there is a need to invest, how

the Scottish Government will invest and what strategic, large-scale investments it intends to take forward within each sector over the next 20 years.

The IIP Progress Report, published in March 2016 highlights that significant progress has been made since the publication of the previous Plan in December 2011. For example, during 2015, projects totalling over £1.5 billion completed construction and are now operational. Projects include those listed on page 16.

CSR 2: Investment in Housing

The Commission's CSRs to the UK recommend that further steps are taken to boost the supply in the housing sector, including by implementing the reforms of the UK's national planning policy framework.

This is an area where the Scottish Government and its partners are already taking a range of actions to ensure that all people in Scotland live in high-quality, sustainable homes that they can afford and that meet their needs.

The Scottish Government's housing strategy, *Homes Fit for the 21st Century*⁷ aimed to provide at least 30,000 affordable homes over 2011-16, including 20,000 homes for social rent of which at least 5,000 would be Local Authority homes. This target was exceeded, with a total of 33,490 affordable homes being delivered by end March 2016. This included 22,523 homes for social rent and within that, 5,992 Local Authority homes. Scottish Ministers have announced a target over 2016-21 to deliver at least 50,000 affordable homes, including 35,000 homes for social rent. This ambitious plan has been backed up with investment of at least £3 billion.

6 <http://www.gov.scot/Resource/0049/00491180.pdf>

7 <http://www.gov.scot/Resource/Doc/340696/0112970.pdf>

The Scottish Government announced an increase in housing subsidies by up to £14,000 for social and affordable homes for rent being delivered by councils and Registered Social Landlords, to help towards the target of delivering at least 50,000 affordable homes by the end of the next Parliament.

A range of schemes support private sector housing activity, including the £195 million Affordable New Build and Smaller Developers Help to Buy (Scotland) shared equity schemes, which offers support to homebuyers from 2016-19.

These schemes offer equity support of up to 15 per cent on more affordable new build homes, with progressively reduced threshold prices targeting support to those most needing assistance to buy a home and adapting to improved market lending conditions. The new schemes build on the popularity of the previous Help to Buy (Scotland) scheme which assisted 8,000 homes to be purchased with funding of over £305 million and helped stimulate the home building industry with a total sales value of over £1.4 billion.

In addition, the Open Market Shared Equity Scheme (OMSE) continues to assist first time buyers on low to moderate incomes and priority access groups to purchase a property on the open market by offering equity support of between 10-40%. OMSE is part of the Scottish Government's commitment to deliver 50,000 affordable homes by 2021.

FINANCIAL INNOVATION

The Scottish Government is maintaining Scotland's leadership in financial innovation and continuing to work creatively with its partners and use innovative ways to deliver more for less public investment – the contribution from innovative financing approaches using government guarantees, loans, grant recycling and new sources of private funding is substantial and growing.

Approaching 5,000 new affordable homes have been approved through a range of innovative financing mechanisms – unlocking c. £650 million of housing investment in addition to conventional funding routes.

The Local Affordable Rented Housing Trust (LAR) is a pioneering affordable housing model that will deliver 1,000 homes for mid-market rent (MMR) offering tenants high quality, affordable homes across Scotland. LAR is supported by a £55 million Scottish Government loan to be matched by private investment, lifting overall funding to more than £100 million.

The MMR Invitation, launched in February 2016, seeks proposals that can deliver affordable MMR homes at scale by 2021, backed by Scottish Government financial support and attracting significant private investment. The window for MMR invitations is now closed and we are carrying out a robust assessment of proposals.

The SG has supported pension fund investors, delivery partners and local authorities to work together to boost the supply of affordable housing – Falkirk Local Government Pension Scheme Fund has invested £30 million into affordable housing across Scotland, supplemented with Scottish Government grant assistance.

The Scottish Government invested a further £32 million in Charitable Bonds – an ethical investment instrument – in 2016-17 and the total investments of £70 million across 12 Bonds by April 2017 (supporting housing associations in providing 935 new affordable homes across Scotland) will have generated charitable donations – for the construction of new social housing – of over £17 million.

SCOTLAND'S PLANNING SYSTEM

Scotland's 2016 NRP reported on the independent review of the planning system. The report of the independent panel was published on 31 May 2016. Scottish Ministers subsequently issued their response to the panel's report in July 2016. The response welcomed the work of the panel and set out a programme of work to explore their 48 recommendations in more detail. This has culminated in the publication of "Places, People and Planning – a consultation on the future of the Scottish planning system" on 10 January 2017. The paper sets out 20 proposals for improving planning in Scotland, and is open for consultation until 4 April 2017. Key proposals aim to streamline development planning, strengthen community engagement, support the delivery of homes and infrastructure and improve resourcing of the planning system. A Planning Bill is currently expected in late 2017.

DURING 2015, INFRASTRUCTURE PROJECTS TOTALLING OVER £1.5 BILLION COMPLETED CONSTRUCTION AND ARE NOW OPERATIONAL. THESE INCLUDE:



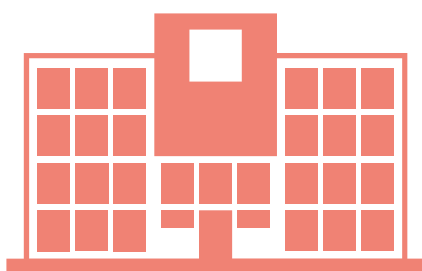
EDUCATION



HEALTH



TRANSPORT



SCOTLAND'S SCHOOLS FOR THE FUTURE - GARROWHILL PRIMARY SCHOOL, GLASGOW CITY COUNCIL (£12.1 MILLION)

PRIMARY CARE HEALTH CENTRES AT EAST KILBRIDE, KILSYTH, WISHAW, HARRIS AND SCALLOWAY (£56.2 MILLION)



BORDERS RAIL (£353 MILLION)

ULLAPOOL TO STORNOWAY **FERRY** (£41.8 MILLION)



THE QUEEN ELIZABETH UNIVERSITY HOSPITAL AND ROYAL HOSPITAL FOR CHILDREN, GLASGOW (£842 MILLION)

INVERNESS CAMPUS (£23.5 MILLION) | INVERNESS COLLEGE (£52.2 MILLION)

ST RONAN'S PRIMARY SCHOOL, WEST DUNBARTONSHIRE (£2.2 MILLION)

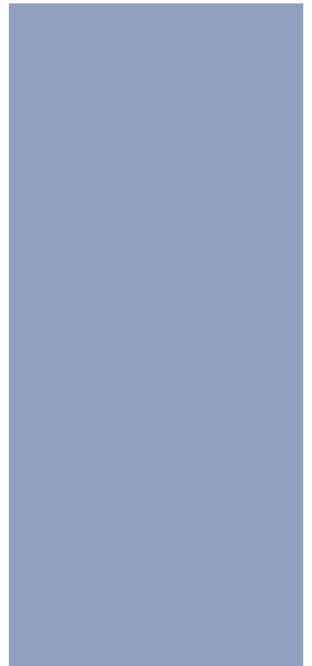
LENNOX PRIMARY SCHOOL, WEST DUNBARTONSHIRE (£3.4 MILLION)

LAIRDSLAND PRIMARY SCHOOL, EAST DUNBARTONSHIRE (£7.3 MILLION)

BRIMMOND PRIMARY SCHOOL, ABERDEEN CITY (£12.4 MILLION)

ELLON ACADEMY, ABERDEENSHIRE (£35.4 MILLION)  **ALFORD ACADEMY, ABERDEENSHIRE (£26.1 MILLION)**

CHAPTER 3: EMPLOYMENT



The Scottish Government has a central role to play in ensuring that people have the skills, support and opportunities to realise their full potential. In particular, the Scottish Government shares the European Commission's continued concern over youth employment and the long-term impacts that the recession has had on our young people.

This chapter sets out the action the Scottish Government is taking to boost youth employment, improve young people's skills, support labour market participation and promote fair work. These actions cover the **third CSR** to the UK to address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships.

Europe 2020 headline target:

Seventy-five per cent of the EU population aged 20-64 should be employed. Europe 2020 highlights that the improvement against this target should include greater involvement of women, older workers, and better integration of migrants in the workforce.

CURRENT SCOTTISH PERFORMANCE

Table 2 sets out Scotland's current performance against the Europe 2020 employment target.

Table 2 – Current Scottish Performance Against Employment Indicators⁸

Indicator	Current Level	Change Over Year	Reference Period
Employment rate (population aged 20-64)	75.5%	0.1% pt decrease	2016
Female employment rate (population aged 20-64)	71.3%	0.8% pt decrease	2016
Male employment rate (population aged 20-64)	80.0%	0.6% pt increase	2016

Scotland's 20-64 overall employment rate is above 75%.

SUPPORTING YOUTH EMPLOYMENT

The cost of youth unemployment is significant. Being unemployed while young can affect future earnings as average wages remain lower throughout the person's working life, even if the person is not unemployed again. It can also increase the chances of being unemployed again. Other consequences of being unemployed when young can emerge later in life, and include lower life satisfaction and happiness, poorer health, a higher risk of depression and lower job satisfaction. The longer the initial spell of unemployment, the greater the negative effect.

Developing the Young Workforce – Scotland's Youth Employment Strategy

The Scottish Government remains ambitious about its plans to increase youth employment and to reduce youth unemployment. To achieve this we are continuing to implement the recommendations of the Commission for Developing Scotland's Young Workforce (DYW) in our Youth Employment Strategy⁹ to reduce youth unemployment (excluding those in full-time education) by 40% by 2021.

Our Youth Employment Strategy's second annual report, published on 14th December 2016, highlights the progress we are making in growing vocational provision for young people in the senior phase of school education, including a significant expansion of modern and foundation apprenticeships; establishing a network of regional DYW employer groups across the country; creating new national standards for work placements and careers education for schools; a work placement standard for colleges launched on 28 September 2016; investing in the earlier introduction of careers advice; and over 360 businesses taking up the new Investors in Young People Accolade.

As part of the Scottish Government's equality and inclusive growth agenda the DYW Programmes include reducing gender imbalance in subject groups of college courses and improving positive destinations for looked after children. We are continuing to work with Skills Development Scotland and other partners to implement the Equality Action Plan for Modern Apprenticeships, to ensure the programme addresses gender imbalances and is open to all by increasing the number of trainees who are disabled, have been in care or are from a minority ethnic background.

Actions to Support Youth Employment

Over the two-year period from Jan-Mar 2014 (baseline) to Jan-Mar 2016, youth unemployment has fallen by 9,000 from the Strategy's baseline figure of 52,000. As a result the Scottish Government is refocusing activity across its youth employment and apprenticeship programmes on young people who need the most support.

In 2016-17 the Scottish Government will continue to invest in Community Jobs Scotland (CJS) by providing funding of up to £6.1 million to support 700 job training opportunities, with support for up to 12 months for 16-29 year olds facing the greatest barriers to employment, and continuation of support for CJS employers to pay the Living Wage.

We will also continue to support employers to recruit young people who face the biggest barriers to employment, through Scotland's Employer Recruitment Incentive (SERI). Since July 2015 to end December 2016 a total of 1,317 employers have participated in the programme and 1,533 young people have been supported into a sustainable job or Modern Apprenticeship.

⁹ <http://www.gov.scot/Resource/0046/00466386.pdf>

The Scottish Government's Modern Apprenticeship (MA) programme is designed to be responsive to employer needs. 25,818 MA starts were delivered in 2015-16, and the target to deliver over 25,500 MAs in 2015/16 was exceeded. The Scottish Government delivered over 128,000 new opportunities in the last parliamentary term. Employers are satisfied, with 84% saying that MA participants are better able to do their jobs after completing the MA programme. The Scottish Government has set a target of delivering 30,000 MA places each year by 2020.

In 2016, the Scottish Government announced a £59 million investment of European Social Funds for the Youth Employment Initiative (YEI) to support young people in South West Scotland into secure and sustainable employment. We are also working with partners to ensure that European Social Funds (ESF) support investment in activity which promotes inclusive growth. ESF is being distributed across Scotland to tackle poverty, promote equal opportunity, develop skills and get people, including young people into training or work.

The Employability Fund (EF) remains a key element of the Scottish Government's efforts to boost employment levels in Scotland, with a further 11,650 EF training places being delivered this year (2016-17) and another 9,000 to be delivered in 2017-18. More than 59,000 training places have been delivered through EF since its launch in 2013, supporting individuals towards and into work, with 69% of leavers achieving a positive outcome from April 2015 to March 2016.

PROMOTING FAIR WORK

Building on the Economic Strategy, Scotland's Labour Market Strategy, published in August 2016¹⁰ demonstrates how a labour market that is fair and inclusive, and that provides sustainable and well-paid jobs, is key to tackling income inequality and addressing wider issues, including health, crime, deprivation and social mobility. It sets out a vision for a strong labour market that drives inclusive, sustainable economic growth characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.

¹⁰ <http://www.gov.scot/Publications/2016/08/2505/downloads>

↓ Box 1: The Scottish Business Pledge

The Scottish Business Pledge, launched in May 2015, is a shared mission between the Scottish Government and businesses, with the goal of boosting productivity, competitiveness, employment, fair work, and workforce engagement and development. By making their Pledge, companies demonstrate their commitment to shared values and to deliver them through their actions and future plans.

The Pledge has nine components:

1. Paying the living wage¹¹
2. Not using zero hours contracts
3. Supporting progressive workforce engagement
4. Investing in youth
5. Making progress on diversity and gender balance
6. Committing to an innovation programme
7. Pursuing international business opportunities
8. Playing an active role in the community
9. Committing to prompt payment

Up to March 2017, over 340 companies across a range of sectors from banking to hospitality had signed up to the Scottish Business Pledge. The Scottish Government's Programme for Scotland 2015-16, sets out a commitment to continue raising awareness of the Pledge and encouraging more businesses to choose this route to productivity and business growth; fostering a business-led Pledge network to provide opportunities for companies to come together to learn from each other; and working with trade and business bodies to explore sectorial challenges and how they might be addressed.

Women's employment

The Scottish Government is working with the Equality and Human Rights Commission (EHRC) to tackle pregnancy and maternity discrimination. The Minister for Employability and Training is chairing a working group whose remit includes: improving employers' access to advice to ensure best practice; developing an industry-specific communications strategy around the benefits of positive pregnancy and maternity policies; and strengthening health and safety advice.

The Scottish Government will work with large employers to help women who have had career breaks back into the workplace. Equate Scotland has been awarded funding of up to £50,000 to deliver the first stage

of activity to support women to return to work. This 12-month project will provide at least 40 women with support to re-enter the STEM (science, technology, engineering and maths) sector by offering one to one guidance, career clinics and access to webinars and three-month paid placements with a STEM employer. The placements will focus on life sciences, digital skills and engineering. However, STEM is not the only sector where women experience barriers to re-entry, and the Scottish Government will look to develop returner programmes in other sectors where a need is identified. These projects will both help women update skills and knowledge and smooth the transition back into the workplace for both women and employers.

11 £8.45 per hour.

Disabled people's employment

Making sure disabled people have access to decent incomes and fairer working lives is one of the key ambitions at the heart of the new disability delivery plan – A Fairer Scotland for Disabled People¹² – published in December 2016.

The Scottish Government has a clear action on reducing by at least half the employment gap between disabled people and the rest of the working age population and will work with disabled people's organisations and partners to develop a timetable to achieve that aim. We will also take a number of other actions to address the barriers to work. While disabled people account for 20% of Scotland's population (16+), they make up just 11.2% of the private sector workforce and 11.6% of the public sector workforce. We will work with both sectors to look at target setting and how we can redress the imbalance.

We want to give young disabled people the opportunity to reach their full potential and recognise the challenges they can face entering the workforce. That is why we will pilot a new work experience scheme to help with this transition into permanent employment, and will offer the highest level of Modern Apprenticeship funding to disabled young people up to the age of 30. We will also build on SCVO and Inclusion Scotland's pilot programme by providing disabled people with 120 employment opportunities in the third and public sectors and in politics between 2017 and 2021.

We will use new powers over employability to support disabled people into employment. Our transitional service from April 2017 through Work First Scotland will allow us to take a fairer approach to that support and will help 3,300 disabled people.

Employment Powers

New devolved powers on employment support will be exercised from 1 April 2017, when a one-year transition arrangement for those with greater need will be put in place. This decision has been taken to allow the transfer of devolved powers to be efficiently and seamlessly transferred. Existing Work Choice providers will deliver Work First, which will deliver employment support for up to 3,300 disabled people. At the same time, Skills Development Scotland will deliver Work Able Scotland, a service for up to 1,500 clients with a health condition and at risk of long-term unemployment who want to enter work.

The Scottish Government's focus is continuity support for those who are unemployed and with significant barriers to work, while building a Scottish programme of support from April 2018. From April 2018 the Scottish Government will introduce a fully devolved, distinctly Scottish employability service, creating a strong platform for future services, focussing support on those further from the labour market for whom work is a realistic prospect.

REVIEW OF ENTERPRISE AND SKILLS SUPPORT

In May 2016, the First Minister announced a review of enterprise and skills support in Scotland to help make further progress on productivity, equality, sustainability and wellbeing. In response to recommendations from the first phase report, work continues to ensure the best model of business support for Scotland. A range of actions aim to optimise an enterprise support system designed around, and able to adapt and grow with, the needs of businesses, supporting start-ups through to high growth and international firms – as well as community and social enterprises – to scale-up and grow.

¹² <http://www.gov.scot/Resource/0051/00510948.pdf>

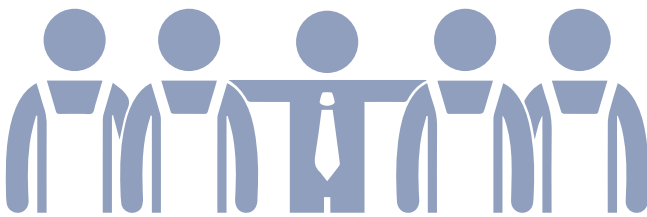
IN 2016 THE **MALE** EMPLOYMENT RATE WAS **80%** OF THE SCOTTISH POPULATION AGED 20 - 64



IN 2016 THE **FEMALE** EMPLOYMENT RATE WAS **71.3%** OF THE SCOTTISH POPULATION AGED 20 - 64

AT AUGUST 2016, **90% OF SCOTLAND'S YOUNG PEOPLE** AGED 16 TO 19 WERE IN EDUCATION, TRAINING OR EMPLOYMENT

25,818 MODERN APPRENTICESHIP STARTS DELIVERED IN 2015-16



11,650 EMPLOYABILITY FUND TRAINING PLACES DELIVERED IN 2016-17 AND ANOTHER 9,000 WILL BE DELIVERED IN 2017-18

MORE THAN **59,000 TRAINING PLACES** DELIVERED THROUGH THE EMPLOYABILITY FUND SINCE ITS LAUNCH IN 2013



84%  **OF EMPLOYERS SAID MODERN APPRENTICE PARTICIPANTS WERE BETTER ABLE TO DO THEIR JOBS AFTER COMPLETING PROGRAMME**

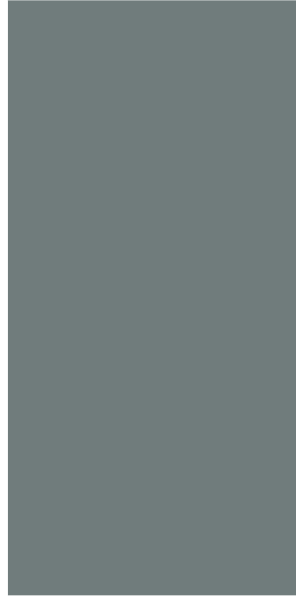


THE SCOTTISH GOVERNMENT HAS SET A TARGET OF DELIVERING **30,000 MODERN APPRENTICESHIP PLACES** EACH YEAR BY 2020

SCOTLAND'S YOUTH UNEMPLOYMENT LEVEL HAS **HALVED** OVER THE LAST YEAR TO 32,000 YOUTH UNEMPLOYMENT RATE (8.9%) IS THE **THIRD LOWEST** YOUTH UNEMPLOYMENT IN THE EU

OVER A 2 YEAR PERIOD, **YOUTH UNEMPLOYMENT** (EXCLUDING THOSE IN FULL-TIME EDUCATION) **FELL IN SCOTLAND BY 9,000** FROM BASELINE FIGURE OF **52,000** IN JANUARY TO MARCH 2014

CHAPTER 4: INNOVATION AND R&D



Innovation is vital for improving economic growth and Scotland has many strengths in this area. It has a strong commitment to research and science, a highly-skilled workforce and world-renowned universities producing high-impact research.

This chapter outlines the actions taking place throughout Scotland aimed at fostering a culture of innovation and R&D. It also highlights action that create wider support for innovation through the business environment, supporting entrepreneurship, and developing Scotland's digital economy, highlighting the Scottish Government's support for the EU's flagship initiatives, 'Innovation Union' and 'Digital Agenda for Europe'.

Europe 2020 headline target:

Raising the combined public and private levels in research to 3 per cent of GDP.

CURRENT SCOTTISH PERFORMANCE

Scotland's entrepreneurship, innovation and R&D performance is measured through a range of indicators, with Table 3 outlining current performance on key indicators.

**Table 3 –
Current Scottish Performance against Entrepreneurship, Innovation and R&D Indicators**

Indicator	Current Level	Change Over Year	Reference Period
The total number of VAT/PAYE registered private sector enterprises in Scotland per 10,000 adults ¹³	390 businesses per 10,000 adults	Above the rate of 382 in the previous year	2016
Gross expenditure on research and development as a share of GDP ¹⁴	1.46% of Scottish GDP (0.274% pts above the baseline year of 2006)	Unchanged on the previous year	2015
Weighted, inflation-adjusted index of the Scottish Funding Council's Knowledge Transfer Metrics ¹⁵	0.3% above the baseline year of 2007-08	7.9% below the previous year	2014-15
Proportion of innovation active businesses in Scotland ¹⁶	50.4%	7.1% pts above previous reference period (2010-12)	2012-14

13 <http://www.gov.scot/About/Performance/scotPerforms/indicator/businesses>

14 <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>

15 <http://www.gov.scot/About/Performance/scotPerforms/indicator/knowledge>

16 <http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/UKIS>

Table 3 shows that:

- The 2016 registered business stock rate of 390 businesses per 10,000 adults represents an increase from the 2015 rate of 382 businesses per 10,000 adults. Note that the 2016 rate is the highest rate recorded since the start of the series in 2005.
- In 2015, Scotland's Gross Expenditure on R&D as a share of GDP was 1.46% (as it was in 2014) – however spend in 2015 was well above the 2006 baseline level.
- The knowledge exchange index is estimated to have fallen by 7.9 per cent between 2013-14 and 2014-15, driven by a decline in income from venturing. Since 2007-08 the index has remained relatively stable, with the current level at just 0.3% above the baseline year. However, fluctuations over time suggest that we should not read too much into one year's change in the index as some of the components can be quite volatile.
- The proportion of innovation active businesses in 2012-14 was 7.1 percentage points above the previous reference period (2010-12).

BOOSTING INNOVATION IN SCOTLAND

Through Scotland's Economic Strategy, and the Programme for Government, the Scottish Government is fostering a culture of innovation and research and development. Scotland CAN DO is our statement of intent to be a world-leading entrepreneurial and innovative nation: a CAN DO place for business. Developed and delivered jointly with partners across the public, private and third sectors, it embodies a shared vision where growth and innovation go hand-in-hand with wider benefits to all of society. An example of the collaboration that drives Scotland CAN DO is the Scottish EDGE Fund. Led by a partnership of public, private and third sector interests, the Scottish EDGE delivers investments of up to £150,000 to those early-stage businesses with the most growth potential. To date, 234 businesses have received an EDGE award, and these businesses have generated an additional £45.06 million in turnover, secured £44.12 million in additional investment, and created 818 jobs.

The CAN DO Innovation Action Plan, published on 11 January 2017¹⁷, focuses on the steps the Scottish Government can take now to improve Scotland's innovation.

Key priorities of the Plan are to:

1. Directly encourage more business innovation
2. Use public sector needs and spend to catalyse innovation
3. Support innovation across sectors and places
4. Make best use of University research knowledge and talent to drive growth and equip Scotland's people with the tools and skills needed to innovate.

¹⁷ <http://www.gov.scot/Resource/0043/00438045.pdf>

Key Policies

To implement the CAN DO Innovation Action Plan to help encourage more businesses in Scotland to increase their level of innovation commitment:

- Utilise public sector needs and spend to catalyse innovation through public sector challenges such as the Innovation Centre Challenge Fund and CivTech.
- Develop a more innovative and entrepreneurial culture and drive increased business demand for innovation
- To simplify and streamline innovation support, finance and bureaucracy.
- Scotland CAN DO sets out some immediate steps to improve Scotland's innovation performance in advance of a wider review of innovation which will report in Spring 2017. The plan aims to create a culture in Scotland that supports ambitious businesses to use innovation to grow, underpinned by a clear, easy to navigate, well connected system of information, advice and support. The plan includes the use of public sector investment to catalyse innovation, with projects such as CivTech, the world's first cross public sector technology accelerator.

The Scottish Government is additionally supporting innovation by:

- Developing an innovation prize to reward, and invest in, innovation in Scottish companies.
- Supporting digital innovation through CivTech.
- Increased investment in Interface, Scotland's hub to connect business and academia.
- Encouraging public sector and large and small firms to collaborate through Scottish Enterprise's £2.9 million Open Innovation programme.
- Scotland CAN DO SCALE – an education programme aimed at developing entrepreneurial skills and innovative ideas.
- Continuing to support its network of eight Innovation Centres which use academic expertise to address real world business issues. The Scottish Funding Council has committed up to £120 million over six years (2013-2019).
- Developing a plan for establishing a National Manufacturing Institute for Scotland that will act as a hub for continuous innovation to ensure Scotland remains a sustainable and competitive place to do business.
- Committing further funding to establish and embed Innovation and Investment Hubs in London, Brussels, Dublin, and Berlin.

Scotland's universities are a key asset in the drive to increase Scotland's productivity and inclusive growth as demonstrated by their active and valued participation in a range of international research and innovation programmes including Horizon 2020 – the European Union's programme for Research and Innovation. Data to March 2017 indicates that Scottish organisations secured almost €352 million, representing around 10.8 per cent of total funding awarded to UK organisations. Scottish Higher Education organisations and research institutes have secured almost 77 per cent (over €271.5 million) of all funding awarded to Scottish organisations.

Scotland's network of Innovation Centres bring together universities, businesses and others to enhance innovation and entrepreneurship across key sectors. There are currently eight Centres, collectively spanning Stratified Medicine, Sensors and Imaging Systems, Digital Health, Industrial Biotechnology, Oil and Gas, Big Data, Construction and Aquaculture. The Centres are being supported by up to £120 million of funding from the Scottish Government over 2013-19, administered by the Scottish Funding Council.

Scottish Aquaculture Innovation Centre (SAIC) – Control of sea lice

Farmed Scottish salmon is in high demand both in the UK and overseas, making it a £1.8 billion business every year and one of the UK's top two food exports. With an expected global population of nine billion by 2050, the opportunity facing the sector is immense – if it can overcome the key barriers to growth.

A key barrier identified by producers, is the need for greater control of sea lice; a naturally occurring parasite that affects salmon, costing the global aquaculture industry billions of dollars every year.

To help tackle the problem, industry, academia and the Scottish Aquaculture Innovation Centre (SAIC) have together invested £7.3 million towards the applied research of alternative sea lice controls. Complementing these, 2016 saw SAIC coordinate a successful European Maritime and Fisheries Fund (EMFF) bid on behalf of 11 companies, securing over £1.76 million towards non-medicinal approaches to sea lice.

This £1.76 million facilitated an investment of almost £8.5 million in novel technologies and approaches to be deployed in Scottish waters for the first time, so that they can be evaluated for their ability to reduce sea lice.

It's not just the companies involved in the supported projects that stand to benefit. As part of the EMFF award, SAIC will commission a research project to capture and share best practice with the wider sector.

Developing and refining optimum approaches to sea lice control promises significant benefits for the sector, potentially increasing production volumes from 171,722 tonnes to over 300,000 tonnes by 2030, and supporting an additional 9,000 jobs. There is also the potential to develop next generation technology for sale at home and abroad.

ENCOURAGING ENTREPRENEURSHIP AND BUILDING A SUPPORTIVE BUSINESS ENVIRONMENT

As well as providing direct support for innovation, the Scottish Government is committed to ensuring that our business environment is supportive of new ventures, to help encourage companies to undertake a range of innovation and research activities. Our approach includes, for example, improving access to finance and offering start-up support and advice for new businesses.

Supporting business development in Scotland starts with the Business Gateway service, offering a first point of contact for all publicly funded advice to business in Scotland to support pre-start, early-stage and growing businesses. In 2015-16 the Business Gateway supported 9,087 businesses to begin trading – estimated to have created around 10,000 jobs – and offered local expert help and intensive growth assistance to a further 11,628.

Scotland's Enterprise Agencies focus on businesses with the potential to grow and those that are important to a sustainable and inclusive economy. An account management approach helped around 2,500 of Scotland's ambitious and high growth companies to increase turnover, particularly in international markets, and increase employment. This supported turnover increase in 2015-16 of around £740 million, the creation of 3,500 jobs and the retention of 855 jobs.

In 2016, additional ERDF Business Competitiveness funding of £24 million plus match funding totalling £60 million was invested to enhance the existing provision to grow Scotland's small and medium sized enterprises (SMEs). This would link support for innovation

and investment to build international capability, particularly in key sectors including food and drink, energy, technology and engineering. The process would help to identify and develop the next generation of growth businesses in Scotland.

Access to Finance

The ability for SMEs to access finance is important for funding business investment, ensuring businesses meet their full growth potential and encouraging business start-ups. Support for this includes the SME Holding Fund, which is managed by the Scottish Government and financed by £40 million support from the 2014-2020 ERDF Programmes in Scotland. The Fund supports micro SMEs by improving their access to finance through a range of selected financial intermediaries or delivery agents who manage microfinance, debt and equity funds in Scotland.

The £40 million ERDF is further leveraged by public and private sector support so that more than 500 companies will receive at least £250 million in debt and equity funding to create 2,000 jobs by 31st December 2018. In this role, the Fund contributes to the Scottish Government's economic development strategy on access to finance and fosters EU objectives in support of entrepreneurship, growth, innovation, research and development, and employment.

Scottish Growth Scheme

The Scottish Government has announced a significant new initiative to stimulate economic growth in Scotland as part of the publication of the Programme for Government. The Scottish Growth Scheme will target SMEs that have significant growth potential, both in Scotland and abroad, in particular those that are

technology intensive and which struggle to obtain finance through conventional means. The scheme will support investment through a combination of loans and guarantees, up to a maximum of £500 million over the next three years, with the mix determined by the needs and prospects of individual companies.

It is planned that the scheme will be open to new and early-stage high growth potential companies, particularly in technology-intensive sectors and businesses in emerging markets, such as financial technology (FinTech). The Scottish Government will work with banks to develop the scheme and their role in it.

DEVELOPING DIGITAL INFRASTRUCTURE

Scotland's Economic Strategy emphasises the need to invest in digital infrastructure to improve connectivity, helping our cities, towns and regions to drive growth and compete internationally.

The Digital Scotland Superfast Broadband (DSSB) contracts remain on track to extend access to fibre broadband to 95 per cent of premises across Scotland by the end of 2017. We recognise that we can go further and, in the Programme for Government, confirmed our manifesto commitment to extend superfast broadband access to every premise in Scotland by 2021. Achieving 100% coverage will support rural development, and enable innovation and growth across the economy.

The Scottish Government's draft budget confirmed that up to £112 million will be invested during 2017/18 to improve digital infrastructure across Scotland. This is the first of a multi-year investment plan to deliver our digital ambitions. The funding will support the final phases of the DSSB programme, and enable new activity to begin on the Reaching 100% programme and 4G mobile infill. The Scottish Government also wishes to drive the development of 5G in Scotland, and will establish a 5G Hub in partnership with industry and academia in order to do so.

The Scottish Government is also taking action to improve the use of digital connectivity in the delivery of public services. The first major partnership project in the digital delivery of public services, the Scottish Wide Area Network (SWAN) is delivering cost efficiencies for public sector organisations by aggregating demand for a single public services communications network in Scotland. SWAN now has 20 Members which represent 51 individual organisations. More than 5,000 sites are now connected to SWAN. In addition, discussions are underway with a further 41 organisations about their future use of SWAN.

The Scottish Government's refreshed Digital Strategy, published on 22 March 2017¹⁸, makes clear that digital connectivity is a vital part of national infrastructure and sets out our commitment to achieving high quality connectivity throughout the whole of Scotland.

18 <https://beta.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/documents/00515583.pdf?inline=true>

IN 2016 THERE WERE
390 BUSINESSES
IN SCOTLAND PER
10,000 ADULTS



UK INNOVATION SURVEY
2015 SHOWS THAT
50.4 PER CENT OF
ENTERPRISES ARE
INNOVATION ACTIVE IN
SCOTLAND, AN INCREASE
OF 7.1 PERCENTAGE POINTS
FROM 2013 SURVEY



SCOTTISH GOVERNMENT
COMMITTED TO
INNOVATION AND
INVESTMENT HUBS
IN LONDON,
BRUSSELS,
DUBLIN,
AND BERLIN



SCOTTISH HIGHER EDUCATION
R&D SPEND AS A PERCENTAGE
OF GDP IS RANKED
TOP OF THE TWELVE
COUNTRIES/REGIONS OF THE UK



SCOTTISH ORGANISATIONS
INVOLVED IN A RANGE OF
INTERNATIONAL
RESEARCH AND
INNOVATION
PROGRAMMES,
INCLUDING EU
PROGRAMME
HORIZON 2020



SCOTTISH ENTERPRISE AGENCIES HELPED
AROUND **2,500** OF SCOTLAND'S
AMBITIOUS AND HIGH GROWTH
COMPANIES TO INCREASE TURNOVER.
THIS SUPPORTED **TURN OVER INCREASE**
IN 2015-16 OF AROUND £740 MILLION,
THE CREATION OF 3,500 JOBS
AND THE RETENTION OF 855 JOBS



BUSINESS ENTERPRISE RESEARCH
AND DEVELOPMENT EXPENDITURE
IN SCOTLAND HAS INCREASED BY
41% IN REAL TERMS SINCE 2007.
UK EXPENDITURE INCREASED BY 17% OVER THIS PERIOD



SCOTLAND'S UNIVERSITY-BASED
RESEARCH **AMONGST THE BEST**
IN THE WORLD AND ATTRACTS
MANY INTERNATIONAL PARTNERS



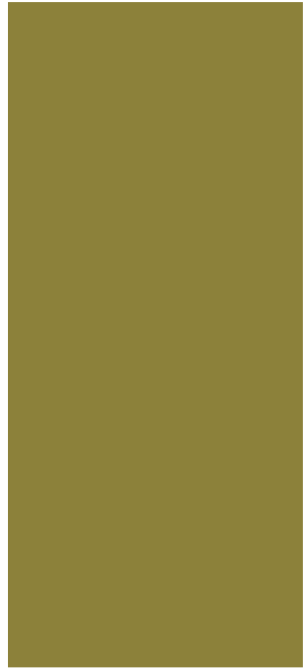
RESEARCH AND
DEVELOPMENT
EMPLOYMENT
IN BUSINESSES IS AT ITS
HIGHEST LEVEL ON RECORD,
WITH 11,000
JOBS IN
SCOTLAND
IN 2015



IN 2015-16 THE BUSINESS GATEWAY **SUPPORTED**
9,087 BUSINESSES TO BEGIN TRADING - ESTIMATED
TO HAVE **CREATED AROUND 10,000 JOBS**

CHAPTER 5: CLIMATE CHANGE, LOW CARBON AND RESOURCE EFFICIENCY

5



Scotland's Economic Strategy emphasises the importance of ensuring that Scotland protects and nurtures its natural resources and explores the opportunities offered by the transition to a more resource efficient, lower carbon economy.

This chapter sets out the activities being undertaken across Scotland in support of the transition to a low carbon, resource-efficient economy and the EU's flagship initiative, "Resource Efficient Europe".

Europe 2020 headline targets:

- Reducing greenhouse gas emissions by 20 per cent compared to 1990 levels (or by 30 per cent if conditions are right);
- Increasing the share of renewable energy sources in final energy consumption to 20 per cent; and
- A 20 per cent increase in energy efficiency.

CURRENT SCOTTISH PERFORMANCE

The Scottish Government has established a range of targets which are focused on driving Scotland's transition to a low carbon economy. Scotland's current performance against these targets is presented in Table 4.

Table 4 – Current Scottish Performance Against Transition to a Low Carbon Economy Indicators

Indicator	Target	Current Level	Change Over Year	Reference Period
Greenhouse Gas Emissions ¹⁹	Reduce emissions by at least 42% by 2020 and at least 80% by 2050, compared to a 1990 base year	45.8% reduction from 1990 to 2014, after taking account of trading in the EU Emissions Trading System (EU ETS)	12.5% decrease in emissions, after taking account of trading in the EU Emissions Trading System (EU ETS)	2014
Indigenous Renewable Energy Sources ²⁰	Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020	59.4%	9.5% pts increase	2015
Heat Demand ²¹	11% of Scotland's heat demand from renewables by 2020	3.8%	1.1% pts increase	2014
Energy Efficiency ²²	Reduce final energy end-use consumption by 12% by 2020 (against a 2005-2007 baseline)	15.2% lower than baseline	3.0% pts decrease in consumption	2014

19 <http://www.gov.scot/Topics/Statistics/Browse/Environment/TrendGasEmissions>

20 <http://www.gov.scot/About/Performance/scotPerforms/indicator/renewable>

21 <http://www.gov.scot/Resource/0051/00514474.pdf>

22 ibid

Scotland is performing well against each of its low carbon targets. As shown in Table 4, Scotland has exceeded its own 42 per cent greenhouse gas emissions reduction target six years early; Scotland has now exceeded its interim target to produce 50 per cent of its gross electricity consumption from renewable sources; final energy end-use consumption is decreasing; and the share of Scotland's heat demand from renewables is increasing.

CLIMATE CHANGE

In January 2017, the Scottish Government set out proposals in a draft Climate Change Plan²³ for meeting greenhouse gas emission reduction targets out to 2032 that represent a 66% reduction below 1990 levels²⁴. It also published a full statement of its ambitious long-term vision of energy supply and use in Scotland, aligned with greenhouse gas emissions reduction, in a draft Energy Strategy²⁵.

Both the Climate Change Plan and draft Energy Strategy are rooted in the ambition and vision of Scotland's Economic Strategy, and are designed to boost productivity and secure competitive advantage, protect and preserve Scotland's environment and deliver inclusive growth. The approach set out in these documents contains transformational outcomes in transport, heat, electricity generation, and energy efficiency along with increased natural carbon sinks and more efficient agricultural practices. They will shape action to deliver a modern, integrated, clean energy system, delivering reliable energy supplies at an affordable price, in a market that treats all consumers fairly; and a strong, low carbon economy – sharing the benefits across communities, reducing social inequalities and creating a vibrant climate for innovation, investment and high value jobs.

The Scottish Government will be outlining proposals in 2017 for a new Climate Change Bill that responds to the UNFCCC Paris Agreement with new, evidence-based, statutory emission reduction targets.

OPPORTUNITIES FROM A LOW CARBON ECONOMY

The transition to a low carbon economy, as part of the drive to tackle climate change, has the potential to bring new economic, environmental and social opportunities to individuals, business and communities across Scotland.

Scotland is already capturing the economic benefits associated with this energy transition. Scotland is an internationally renowned centre for energy innovation and expertise with Scottish renewable energy business now working in more than 40 countries around the world. In 2015, low carbon industries and their supply chains in Scotland generated over £10.5 billion and supported 58,500 jobs.

As well as reducing emissions, increasing our energy supply from renewable and low carbon sources presents an opportunity to build upon Scotland's proud legacy of community energy projects. Community ownership of renewable schemes is delivering valuable local revenues to support a wide range of local needs. With a shift towards smarter, more local approaches to energy, the opportunity also exists to develop new local energy economies. This broadening in our approach to energy provision can help tackle some of Scotland's most pressing issues from security of supply, to demand reduction, making energy supplies more affordable to households and business and to stimulate regeneration and local economic renewal.

23 <http://www.gov.scot/Resource/0051/00513102.pdf>

24 Based on the most recent Scottish greenhouse gas inventory (2014).

25 <http://www.gov.scot/Publications/2017/01/3414>

MAXIMISING THE SOCIAL AND ECONOMIC OPPORTUNITIES OF ENERGY AND RESOURCE EFFICIENCY

In June 2015 Scottish Ministers announced that improving the energy efficiency of all of Scotland's buildings will be designated a National Infrastructure Priority. Moving forward the cornerstone of the National Infrastructure Priority will be Scotland's Energy Efficiency Programme (SEEP) which will provide an offer of support to buildings across Scotland – domestic and non-domestic – to improve their energy efficiency rating over a 15-20 year period. It will be an integrated programme of support for domestic and non-domestic buildings with a key role for partners in local government, housing associations, communities and the private sector. It will continue to provide support to households suffering from fuel poverty, and will also seek to leverage further private investment into improving energy efficiency to support the development of loan schemes to enable households and businesses who can afford to pay, to spread the upfront costs of investing in energy efficiency.

SEEP seeks to make Scotland's buildings warmer and easier to heat, as well as reducing their impact on the environment. It builds on a range of existing programmes which support households and organisations across Scotland to become more energy and resource efficient and to decarbonise heat. SEEP is a key part of Scotland's draft Energy Strategy, and the Scottish Government's efforts to tackle Climate Change and Fuel Poverty. SEEP's vision and aim is for Scotland's buildings to be near zero carbon by 2050; reducing the energy demand and decarbonising the heating of Scotland's built environment

in a way that is socially and economically sustainable. The programme objectives are:

- By 2032 94% of non-domestic and 80% of domestic buildings' heat is supplied using low carbon heat technologies.
- By 2032 improvements to the fabric of non-domestic and domestic buildings results in a heat demand reduction of 10% and 6%, respectively.

Work on the programme is underway. During the first phase of the programme the Scottish Government is focusing on delivering existing programmes more effectively, developing new pilot schemes, to test integrated delivery mechanisms for the domestic and non-domestic sectors. We are supporting this work with investment of over £9 million to 11 local authorities to support pilots in 2016-17 to test different approaches to improving the energy efficiency of Scotland's buildings. In February 2017 the First Minister announced a further £11 million to support phase 2 of pilot activity. We are listening to a wide range of stakeholders as we design the new programme before launching the delivery phase in 2018, after powers over energy efficiency have been devolved.

The Scottish Government has allocated over £650 million since 2009 and, as set out in the 2016 Programme for Government, it will make available half a billion pounds over the next four years to tackle fuel poverty and improve energy efficiency. This means that by the end of 2021, the Scottish Government will have committed over £1 billion to making Scotland's homes and buildings warmer and cheaper to heat. The Scottish Government is now consulting on the design and delivery of the SEEP programme as part of its wider consultation on the draft energy strategy.

↓ **Box 2: Low Carbon Infrastructure Transition Programme (LCITP)**

The Low Carbon Infrastructure Transition Programme (LCITP) has committed European funds to projects up until autumn 2018. The projects being funded support important economic, employment and social priorities. Until it is clear how negotiations with the EU are to progress, these important projects should continue.

LCITP is a collaborative partnership led by the Scottish Government, working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Futures Trust and Resource Efficient Scotland.

LCITP supports the acceleration of low carbon infrastructure projects across the public, private and community sectors to develop investment grade business cases to help projects secure public and private capital finance. The programme aims to stimulate commercial interest and investment and maximise Scotland's vast potential in the low carbon sector whilst contributing to the positive progress of the Scottish Government in reducing Scotland's greenhouse gas emissions.

LCITP launched the Standalone Low Carbon Energy Demonstrator Solutions Call in March 2016. The call supports projects that can demonstrate the commercial application

of technologies which support decentralised and distributed low carbon energy solutions and energy security in Scotland. One project is currently being supported with capital funding under this Call.

The Transformational Low Carbon Demonstrator Invitation for Financial Support was launched on 10 July 2016, designed to encourage innovation of both design and business models, along with aggregation at scale and acceleration of large scale transformational low carbon infrastructure projects in Scotland. The Invitation made available up to £20 million per project, up to a maximum of 50% of the project's capital expenditure. Successful projects will be announced in May 2017.

LCITP launched the Innovative Local Energy Solutions Invitation for Funding in March 2017. This invitation has been designed to support and accelerate the development and delivery of innovative, local low carbon energy opportunities across Scotland. In particular, the invite aims to support solutions in rural and remote parts of Scotland, smaller towns and settlements, and areas that are off gas grid. Successful applicants will be notified of the outcome of their application for LCITP support during summer 2017.

LCITP Case Study – West Harris Trust: Paic Niseaboist Community Energy Project

Background

The Isle of Harris is located in the North West corner of the group of Islands known as the Outer Hebrides or Western Isles on the West Coast of Scotland. West Harris Trust (WHT) is a community charity responsible for managing 7225 hectares

of land on the west side of Harris. The key aims of the Trust are to revitalise the community by attracting new residents and creating new housing and employment opportunities; create environmentally sustainable energy for the community via small hydro and micro-wind projects; and conserve and increase understanding of the natural and cultural heritage.



Map showing boundary of WHT land – photo source: WHT.

Project Drivers and Anticipated Benefits **Project Development/Technical Solution**

The Trust is delivering an exciting project to West Harris – the Community Enterprise Centre Project at Pairc Niseaboist, Horgabost. The project will help to reinvigorate the West Harris community via the provision of new business, tourism, social and housing opportunities. This signature development will create a community hub and reflect the aspirations of West Harris for a vibrant and sustainable future. This development includes a local energy system, along with private and third sector partners Albatern and Hebridean Housing Partnership (HHP), as part of the overall development, with the installation of a wind turbine and smart management system on site to power the enterprise project.

The Pairc Niseaboist Community Energy Project aims to put in place a sustainable energy generation, storage and consumption system. The Western Isles suffers from severe grid constraints limiting the ability of communities and business across the islands to export the valuable renewable resources available to them.

For this reason the goal for this project is to create a resilient self-sustaining local energy economy incorporating a 70-100kW wind turbine and potentially, in the future, a 45-75kW wave energy array. It is envisaged that the settlement will be capable of maintaining a continuous energy supply – and provide a resilient community hub – during times of grid constraint and/or power outage from the grid. The project will produce renewable energy at an affordable cost from locally available wind (and potentially wave) resources to power the new Community Enterprise Centre, and six new social housing units with a further four plots with extremely low greenhouse gas emissions and zero from device operation.

The first phase of development for this project sought to explore initial feasibility of the project scope and to develop an outline business case for taking the project forward; as well as looking to gain a deeper understanding of the distributed energy challenges in a remote area and seek to apply renewable energy generated at a local level successfully into the local distribution network; and reduce reliance on high carbon generation supplied through the existing grid. This support enabled the project to develop an initial strategy for development of the next stages of the project and allow financial, technical and legal feasibility to be confirmed.

The work that was taken forward demonstrated that the project was feasible. The energy management study has shown that the proposed 100kW wind turbine with 50kW export connection can supply power to the various site users with import required from the grid during low wind periods and an energy store during periods of sustained high output. A battery storage system would not be appropriate for financial and technical reasons. However it was identified that a mini district heating system using hot water or a storage heater system managed by a central control mechanism in the community building could enable supply and demand to be more evenly matched.

The second phase of the project built on the results of the energy management study to commission the necessary detailed design work for a mini district heating system and private electricity supply from the wind turbine (and potential wave array) to the HHP new social housing development. The project is underway, with the installation of the wind turbine now complete, and the final touches being made to the completion of the HHP social housing development and community centre.

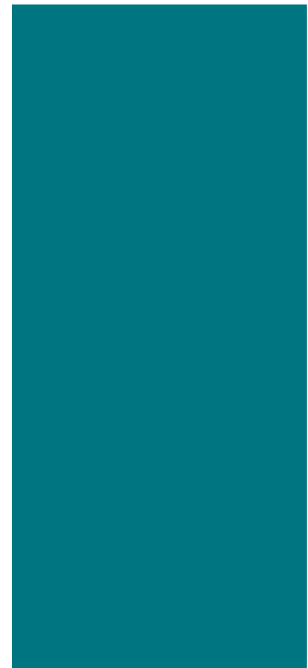
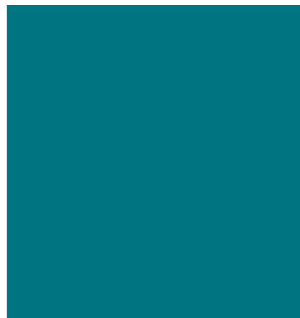


Project nearing completion – photo source: WHT.

Project Funding/Support

The development work for the project is being supported through the European Regional Development Fund – the LCITP (for which Highlands & Islands Enterprise is a delivery partner in the Highlands & Islands region), WHT, HIE and Albatern.

CHAPTER 6: LEARNING AND SKILLS



6

The Scottish Government shares the European Commission's ambition of improving education levels, and Scotland's Economic Strategy highlights the importance of investment in education and skills in driving long-term improvements in competitiveness and in creating economic opportunities for all.

This chapter sets out the activities being undertaken across Scotland to equip our young people with the knowledge and skills to flourish.

Europe 2020 headline targets:

Improving education levels, in particular by:

- Reducing the rate of early school leavers to 10 per cent from the current 15 per cent; and

- Increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40 per cent by 2020.

CURRENT SCOTTISH PERFORMANCE

Current Scottish performance against the headline EU targets and the relevant National Indicators to education is presented in Table 5.

Table 5 – Current Scottish Performance Against Education Indicators

Indicator	Current Level	Change Over Year	Reference Period
Proportion of 18-24 population who are early leavers from education and training ²⁶	10.6%	1.4% pts decrease	2015
Share of the population aged 30-34 having completed tertiary education ²⁷	58.2%	1.8% pts increase	2015
The proportion of young people in learning, training or work ²⁸	92.0% of school leavers were in positive follow-up destinations	0.5% pts increase	2015-16
The proportion of graduates in positive destinations six months after graduating ²⁹	67.2%	0.4% pts decrease	2014-15
The proportion of working age adults that have low or no educational qualifications (SCQF Level 4 qualifications or below) ³⁰	11.9%	0.7% pts increase in proportion of adults with low or no educational qualifications	2016

26 <http://ec.europa.eu/eurostat/web/education-and-training/data/main-tables>

27 <http://ec.europa.eu/eurostat/web/education-and-training/data/main-tables>

28 www.gov.scot/Publications/2016/06/4523/0

29 <http://www.gov.scot/About/Performance/scotPerforms/indicator/graduates>

30 <http://www.gov.scot/About/Performance/scotPerforms/indicator/skill>

As indicated in Table 5, the share of the population aged 30-34 having completed tertiary education increased over the year and well exceeds the European Commission's target of 40 per cent; and the proportion of early school leavers decreased over the year to 2015 and is close to the Commission's target of 10 per cent.

RAISING ATTAINMENT AND ADDRESSING INEQUALITIES OF EDUCATIONAL OUTCOME

The Scottish Government is committed to raising attainment among all children, but particularly those from low income backgrounds. This informs all of our policies that affect children and young people.

Scottish Attainment Challenge

The Scottish Government has extended the scope and the reach of the Scottish Attainment Challenge which aims to achieve equity in educational outcomes with particular focus on closing the poverty-related attainment gap. It is backed by the £750 million Attainment Scotland Fund over the course of the current parliament, prioritising improvements in literacy, numeracy and health and well-being for pupils impacted by socio economic disadvantage. In 2017-18, this funding will include £120 million of Pupil Equity funding which will be allocated directly to around 95% of schools based on estimated free school meal registrations, benefiting every local authority area in Scotland. In addition, £50 million a year continues to provide targeted support to specific Scottish Attainment Challenge authorities and schools in areas with high levels of deprivation, as well as a number of national programmes including support for staffing supply and capacity, professional learning and school leadership.

Education Maintenance Allowance

The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to eligible 16-19 year olds from the lowest income families, enabling them to stay in education and learning beyond the school leaving age. In academic year 2014-15, £26.5 million of funding was provided to support 33,180 young people in schools and colleges. Of all 16-19 year old school pupils in Scotland, 31% (22,530) received EMA payments in 2014-15. In January 2016, the programme was expanded to include part-time non-advanced college courses and the income thresholds were increased.

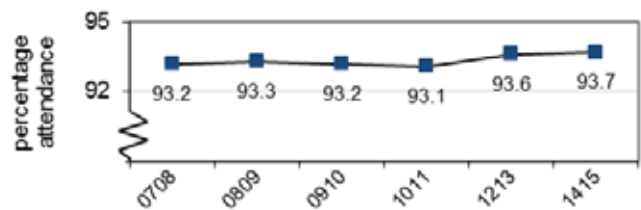
SCHOOL ATTENDANCE – PROMOTING ENGAGEMENT

The Scottish Government works with local authorities, schools, pupils and parents to highlight the potential risks of disrupting learning by absence from school. The Scottish Government published guidance on attendance for local authorities and schools “Included, Engaged and Involved Part 1: Attendance in Scottish schools”³¹ in 2007 which provides guidance on how

to promote engagement and motivation, including among those who may be at risk of poor attendance. In Scotland, the attendance rate has remained steady at just over 93% in recent years. It has increased from 93.6 per cent in 2012/13 to 93.7 per cent in 2014/15.

Information on attendance and absence was not collected in 2011/12 or 2013/14, as this data is now collected only once every two years.

Percentage attendance in publicly funded schools increased slightly to 93.7% in 14/15 compared to 93.6% in 12/13



SUPPORTING STUDENTS AND WIDENING ACCESS

The Scottish Government is committed to developing a highly-skilled and educated workforce, and is taking steps to ensure that people from all backgrounds have the support to reach their full potential, including:

- In further education, full-time students are currently able to receive a non-repayable bursary of up to £95.94 per week. The 2016-17 student support budget is at a record high of £106.2 million in college bursaries, childcare and discretionary funds. In 2014-15, 43,779 students enrolled in further education courses received student support.
- The Scottish Government is committed to providing student support. The current higher education funding package includes annual minimum income of £7,625, through a combination of bursaries and loans, for students with a family income of less than £19,000, and a student loan of £4,750 a year which all students are eligible for. Part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition-fee costs.
- From the 2017-18 academic year, eligible students taking postgraduate courses in Scotland, up to masters level, will be able to apply for a tuition fee loan of up to £5,500, in addition to a living cost loan of up to £4,500. Over the academic year 2015-16, £805.8 million of student support, covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency for Scotland (SAAS) to 141,000 full-time higher education students.
- Ensuring that access to higher education remains free for Scottish-domiciled students, investing over £1 billion in Scotland’s higher education sector in

31 <http://www.gov.scot/Resource/Doc/205963/0054747.pdf>

2017-18 to support this. In addition, the Scottish Government's Budget for 2017-18 confirmed that universities and colleges will receive cash terms increases in funding on the previous year.

The Scottish Government is committed to widening access to higher education. In line with recommendations made by the Commission on Widening Access, a new Commissioner for Fair Access has been appointed, and the Scottish Government has committed to implementation of all of the recommendations made by the Commission. The Commission published its final report, *A Blueprint for Fairness*³² on 14 March 2016. The Report made a series of 34 recommendations to help ensure that a student's background is not a barrier to university access, including: setting targets for the share of students from deprived areas enrolling in higher education; and new admissions thresholds for students from the most deprived backgrounds.

Supporting Older Learners

The Scottish Government is taking action to support older learners. For example:

- The Scottish Funding Council's Outcome Agreements ask colleges to remove barriers and support full participation and successful outcomes for all groups of learners in their local community.
- Older learners are well represented amongst all college students:
 - Full-time students aged 25 and over at colleges have increased by over 33% since 2006/07.
 - In 2015/16, 28.7% of all learning hours were delivered to students aged 25 and over.
- Older learners in further education are benefitting from record levels of support. The 2016/17 budget of over £106 million in college bursaries, childcare and discretionary funds is a real-terms increase of 32% since 2006/07.


INVESTING IN SCOTLAND'S LEARNING ENVIRONMENT ERASMUS+


The Scottish Government is also committed to increasing student and staff mobility, and promoting Scotland as a learning nation. Scotland's participation in ERASMUS+, the European Union programme for education, training, youth and sport for 2014-2020, helps to raise the profile of Scotland as a place to live, work and study in key overseas markets and to showcase the best of Scottish higher education to the world.

Across the UK, ERASMUS+ is delivered by a consortium of the British Council and Ecorys. British Council estimates published in November 2016 show that to date, €41,848,903 has been awarded for successful projects led from Scotland since Erasmus+ began in 2014.

³² <http://www.gov.scot/Resource/0049/00496619.pdf>

IN 2015-16, **92.0%** OF SCHOOL LEAVERS WERE IN **POSITIVE DESTINATIONS** 

IN 2015/16, **28.7% OF ALL LEARNING HOURS** IN SCOTTISH COLLEGES WERE DELIVERED TO STUDENTS AGED 25 AND OVER 

IN SCOTLAND, THE **SCHOOL ATTENDANCE RATE HAS REMAINED STEADY AT JUST OVER 93% IN RECENT YEARS.** 


IT HAS INCREASED FROM 93.6% IN 2012/13 TO 93.7% IN 2014/15

IN 2014-15, **43,779 STUDENTS ENROLLED** IN FURTHER EDUCATION COURSES RECEIVED STUDENT SUPPORT

ACCESS TO HIGHER EDUCATION REMAINS FREE FOR SCOTTISH DOMICILED STUDENTS. **SCOTTISH GOVERNMENT IS INVESTING OVER £1 BILLION IN SCOTLAND'S HIGHER EDUCATION SECTOR** IN 2017/18 TO SUPPORT THIS 



FULL-TIME STUDENTS AGED 25 AND OVER AT SCOTTISH COLLEGES **HAVE INCREASED BY OVER 33% SINCE 2006/07**

OF ALL 16-19 YEAR OLD SCHOOL PUPILS IN SCOTLAND, 31% (22,530) RECEIVED **EDUCATION MAINTENANCE ALLOWANCE** PAYMENTS IN 2014-15 

CHAPTER 7: INCLUSIVE GROWTH AND EQUITY

7



Promoting inclusive growth is central to Scotland's Economic Strategy. Improving equality and tackling inequalities – social, regional and inter-generational – are not only desirable outcomes in themselves, but are also essential for improving economic performance.

This chapter sets out the actions being undertaken throughout Scotland to deliver inclusive growth, tackle child poverty and income inequality and maximise the potential of all areas of Scotland. These policies and actions cover one of the European Commission's CSRs to the UK relating to improving the availability of affordable, high-quality, full-time childcare, and strongly support the Europe 2020 flagship initiative, "European platform against poverty and social exclusion".

Europe 2020 headline target:

The number of Europeans living below the national poverty line should be reduced by 25 per cent, lifting over 20 million people out of poverty.

CURRENT SCOTTISH PERFORMANCE

Progress in Scotland in this area is measured through the Scottish Government's National Performance Framework, which includes measures relevant to poverty and social inclusion. Scotland's current performance is presented in Table 6.

Table 6 – Current Scottish Performance Against Poverty and Social Inclusion Indicators

Indicator	Current Level	Change Over Year	Reference Period
Solidarity target: "Increase the proportion of income earned by the three lowest income deciles as a group by 2017" ^{33 34}	115	Increased from 111.6	2014-15
Reduce the proportion of individuals living in poverty – this is measured in terms of the percentage of people living in relative poverty (below 60 per cent of UK median income before housing costs) ³⁵	15.0% of the population in relative poverty	1% pts increase	2014-15
Reduce children's deprivation National Indicator - this is measured in terms of percentage of children in combined material deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70 per cent of UK median income)	10% of children in combined material deprivation	3% pts decrease	2014-15

33 The solidarity target changed its calculation method in 2015. It has two elements – the level of total income received by Scottish households in the most recent year; and the ratio of the incomes of the top 10% of households, compared to those of the bottom 40%. Change of 5 percentage points or more is required to be performance improving or worsening.

34 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/solidarity>

35 <http://www.gov.scot/Publications/2016/06/3468/downloads>

As indicated in Table 6, the share of income earned by the lowest four income deciles and the proportion of the population in relative poverty has remained broadly unchanged in recent years, while the share of children living in combined material deprivation decreased over the year to 2014-15.

DELIVERING INCLUSIVE GROWTH

The Europe 2020 vision of inclusive growth is for a high-employment economy delivering economic, social and territorial cohesion. The Europe 2020 Strategy identifies that this will require making full use of labour potential; spreading the benefits of economic growth to all areas; ensuring access and opportunities for all throughout the lifecycle; and promoting gender equality.

As highlighted in Chapter 2, Inclusive Growth is a central priority of Scotland's Economic Strategy. The Scottish Government is committed to ensuring that economic growth is inclusive and is shared across all of the people and parts of Scotland. A more cohesive economy that improves the opportunities, life chances and wellbeing of every citizen in Scotland not only improves outcomes for individuals and households, but is a critical driver of economic performance over the long term. This approach – which includes investing in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of Scotland's Economic Strategy.

Scotland's Labour Market Strategy

Throughout Scotland's Economic Strategy, there is a clear focus on the mutually reinforcing objectives of increasing competitiveness and tackling inequality. The Scottish Government has adopted this approach, not just because it ensures better social outcomes, but because there is growing international evidence that countries with more equal societies typically enjoy stronger, more sustainable growth over the long run.

Building on the Economic Strategy, the Scottish Government's Labour Market Strategy, published in August 2016³⁶ demonstrates how a labour market that is fair and inclusive, and that provides sustainable and well-paid jobs, is key to tackling income inequality and addressing wider issues, including health, crime, deprivation and social mobility. As mentioned in Chapter 3, it sets out a vision for “a strong labour market that drives inclusive, sustainable economic growth characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families”.

The Labour Market Strategy sets out the steps the Scottish Government is taking to persuade and influence businesses of the benefits of fair and inclusive work. It also demonstrates the action we are taking to ensure that every person, regardless of background, has the opportunity to participate successfully in the labour market and in turn, to ensure that Scotland's workforce has the right skills and attributes to meet the needs of the evolving labour market.

Fair Work Convention

The Fair Work Convention provides independent advice to the Scottish Government on matters relating to innovative and productive workplaces, industrial relations, fair work and the Living Wage in Scotland. The Fair Work Framework³⁷ defines fair work as work that offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers; and that can generate benefits for individuals, organisations and society.

The Living Wage

The Scottish Government has long championed the payment of the Living Wage and the real benefits to Scotland's economy of treating people who work more fairly. It has demonstrated its commitment by becoming an Accredited Living Wage Employer, and by increasing funding for the Scottish Living Wage Accreditation Initiative to £300,000 to reach the target of 1,000 accredited Living Wage employers by Autumn 2017. The Scottish Government is using all the powers at its disposal to promote fair pay and conditions and Scotland has the highest proportion of employees – around 80% – paid the Living Wage of all the four countries of the UK.

Furthermore, the Scottish Government is providing the resources to enable local authorities to commission care services that pay care workers supporting adults the full Living Wage. This will give up to 40,000 people, mainly women, doing some of the most valuable work in Scotland, a pay rise.

EQUITY

Making growth more inclusive is important for improving both Scotland's economic competitiveness, reducing wider inequalities, and improving opportunities for all. As highlighted in Chapter 3, the Scottish Government is working with partners to drive this agenda across a range of areas, including:

- Initiatives to improve the quality of workplaces in Scotland, such as the Business Pledge; and
- Carrying out an Enterprise and Skills Review to ensure that public agencies are delivering the support that young people, universities, colleges and businesses need.

Tackling poverty and inequality is central to what the Scottish Government is seeking to achieve. In October 2016, the Scottish Government published the Fairer Scotland Action Plan³⁸, which sets out 50 selected actions over this Parliamentary term under five themes of: A Fairer Scotland For All; An End To Child Poverty; A Strong Start For All Young People; Fairer Working Lives; and A Thriving Third Age.

Key commitments within the Fairer Scotland Action Plan include:

- A significant increase in the level of funded early learning and childcare provision by 2020.
- The introduction of a new Best Start Grant for low-income families in the early years.
- A new socio-economic duty on public authorities, which will ensure that public bodies are all working consistently towards the same anti-poverty goals.
- Commitments to promote good flexible working to help families maximise their incomes and achieve a better work-life balance.

37 <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>

38 <http://www.gov.scot/Resource/0050/00506841.pdf>

The Fairer Scotland Action Plan is underpinned by a new £29 million programme, including £12.5 million from the European Social Fund, to tackle poverty across Scotland.

In addition, a Child Poverty Bill was introduced to the Scottish Parliament on 9 February 2017. This sets ambitious statutory income-based targets for 2030, underpinned by a robust framework for measuring and reporting on child poverty.

There are also a number of social security powers that are being devolved through the Scotland Act 2016 that will help people on low incomes, in particular Universal Credit flexibilities and the Job Grant. Making Universal Credit payments more flexible and adaptable will give people on a low income in Scotland more choice in how they manage their household budget, by offering choice on the frequency of payments and on the ability to pay the housing element of Universal Credit direct to landlords.

The Scottish Government will also use new powers to provide young people aged 16 to 24, who have been unemployed for six months or more, with a Job Grant to help them with the costs of getting into or back into work. This will be a payment of £100 for young people without children and £250 for young parents. The Scottish Government will also provide all those eligible for the Job Grant with free bus travel for three months.

EXPANDING EARLY LEARNING AND CHILDCARE

As part of its CSRs to the UK, the Scottish Government has noted that the Commission recommends that action is taken to improve the availability of affordable, high-quality, full-time childcare (**CSR 3**). This is an area where the Scottish Government continues to take strong action.

In Scotland, through the Children and Young People (Scotland) Act 2014, entitlement to funded early learning and childcare increased to 600 hours for all 3 and 4 year olds and to eligible 2 year olds. The Act also made it a legal requirement for local authorities to consult parents in order to increase flexibility and choice over how the funded hours are accessed. Since 2014, the Scottish Government has provided local authorities with £500 million to fully fund these changes.

The Scottish Government is committed to further expanding the entitlement and will nearly double free early learning and childcare entitlement to 1140 hours per year by 2020. This will require substantial increases in the workforce and investment in infrastructure. The Scottish Government has allocated over £60 million in the 2017-18 Scottish Budget to support the first phase of developing the capacity to support the delivery of 1140 hours by 2020.

The total benefit to families from 1140 hours of funded entitlement is estimated to be worth around £4,500 a year per child, enabling more families to keep more of their income. This will make a vital contribution to the Scottish Government's priorities to grow Scotland's economy, tackle inequality, and close the attainment gap.

AS OF DECEMBER 2016, THE SCOTTISH GOVERNMENT HAS COMMITTED OVER **£383 MILLION** IN GRANT FROM 2014-20 EUROPEAN STRUCTURAL FUNDS PROGRAMMES TO INDIVIDUAL PROJECTS. THESE PROJECTS, SOME OF WHICH WILL SUPPORT INCLUSIVE GROWTH AND/OR IMPROVE EQUITY, WILL:

SUPPORT OVER 24,000 BUSINESSES
TO START UP OR GROW

SUPPORT 850
LOW CARBON
PROJECTS



 **CREATE 9,400 NEW JOBS**

HELP TO GROW **150**
SOCIAL ENTERPRISES,
SUPPORTING
MORE THAN
100 NEW JOBS



INCREASE THE LEVEL
AND **INDUSTRY**
RELEVANCE OF
SKILLS FOR OVER
34,500 INDIVIDUALS



 **INCREASE THE NUMBER OF PEOPLE**
CHOOSING TO TRAVEL BY FOOT,
CYCLING OR PUBLIC TRANSPORT BY 1.5%



SUPPORT OVER **5,000**
BUSINESSES TO
BECOME MORE
RESOURCE
EFFICIENT



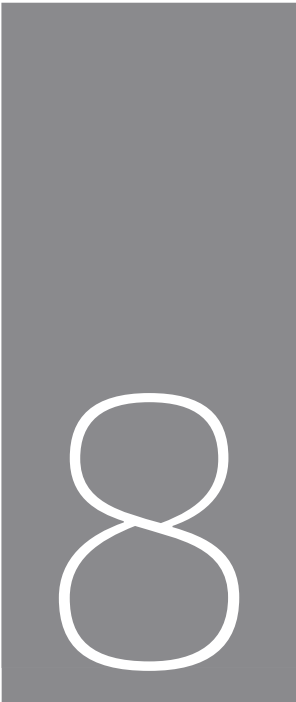
HELP 17,000 UNEMPLOYED
YOUNG PEOPLE
ACCESS SUPPORT TO
GET INTO WORK
OR EDUCATION



SUPPORT OVER 70,000 INDIVIDUALS
WITH MULTIPLE BARRIERS TO WORK
INTO EMPLOYMENT OR TRAINING, OR
TO GAIN IMPROVED QUALIFICATIONS



CHAPTER 8: CONCLUSIONS



The vision set out in Europe 2020 – for smart, sustainable and inclusive growth across Europe – is one that the Scottish Government shares and supports. This is demonstrated by the close alignment between the Europe 2020 Strategy and Scotland’s Economic Strategy.

The Scottish Government is strongly supportive of the ambitions of Europe 2020. We want to continue to work constructively and cooperatively with our partners in Scotland and in Europe to deliver economic prosperity for all EU citizens. Indeed, Europe 2020 is an exemplar of European cooperation.



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