

Balance of Competences Review Scottish Government Response

Social and Employment Policy

1. To what extent is EU action in this area necessary for the operation of the single market?

EU social policy is essential to the single market. Measurable goals such as the 2020 employment target are necessary to achieve the EU's ambitions to become a smart, sustainable and inclusive economy. Initiatives such as Youth on the Move will also help achieve its ambitions for movement of the workforce across the EU by making education more relevant to young people's needs, assisting them to train in another country, and encouraging Member States to simplify the transition from education to work. The Scottish Government, within the limits of its powers, supports the social and employment ambitions of the EU.

2. To what extent are social and employment goals a desirable function of the EU in their own right?

Social and employment goals are not just desirable but essential to the function of the EU in its own right, and they should apply equally throughout the EU. These goals are well aligned with the Scottish Government's economic strategy, which aims to maximise the potential of Scotland's people, places, and assets. It is focused on ensuring that economic growth provides the most disadvantaged areas and people in society with the opportunity to prosper. The Scottish Government believes equity is both a desirable outcome and a key driver of economic growth.

3. What domestic legislation would the UK need in the absence of EU legislation?

In the absence of EU legislation covering social policy, the UK Government already has legislation to cover welfare and the functioning of public employment services. The Scottish Government does not disagree with this balance of competence. There is equality legislation in place which prevents discrimination and enables positive action for disadvantaged groups. But there is also adequate UK legislation in the shape of the Equality Act 2010 already in place should EU legislation not exist.

4. What evidence is there that EU action in social policy advantages the UK?

EU Social policy is largely in line with the Scottish Government's own policy in terms of issues such as supporting individuals into work, particularly the most disadvantaged. Scotland benefits from EU funds to support employment and offers the Scottish Government the opportunity to determine policy on priorities for distribution of funds to support increases in labour market participation.

The last EU funding programme enabled a more strategic award of funds through Community Planning Partnerships in each eligible area alongside Skills

Development Scotland, the Scottish Funding Council, Scottish Trades Union Congress and the Third Sector. This enabled greater focus on the need for coherent service provision at a local level using the Strategic Skills Pipeline to determine local need. The distribution of funds to Community Planning Partnerships was evaluated positively. Without this approach, and without direct EU funds, the value of the services subsequently provided would have been reduced by around 40%-45%.

5. What evidence is there that EU action in social policy disadvantages the UK?

We have no evidence on this. EU policy in social policy is in line with the Scottish Government's aims of ensuring that all citizens, particularly those disadvantaged in the labour market, should have access to support to enable participation.

6. Are there any other impacts of EU action in social policy that should be noted?

The EU promotes shared learning across member states and regions. In recent years Scottish employability policy has benefited from the opportunity to learn from other Member States and indeed to share its own good practice on employability policy.

Improving the transitions for young people furthest from the labour market is a key aim of the Scottish Government. We therefore welcome EU funding for practical projects in the field of vocational education and training such as the Way to Learn to Work project funded by the European Leonardo Programme. The project focuses on learning from the different strategies and policies of the 10 participating European partner countries.

7. What evidence is there about the impact of EU action on the UK economy? How far can this be separated from any domestic legislation you would need in the absence of EU action?

European funds played a critical role in our Economic Recovery Plan, supporting capital expenditure, improving business support and up-skilling individuals. By 2013, the current Structural Funds programmes will have secured training and improved skills for 135,000 individuals and will have delivered 30,000 new jobs.

The Scottish Investment Bank's Loan Fund has been supported by government funding of £50 million, £20 million of which are EU funds, and is helping to ensure improved access to finance and creating a better environment for business. We have also started a JESSICA fund with a £50 million injection, aimed at unlocking the delivery of Integrated Urban Development Plans, creating strong, resilient and supportive communities, and helping to tackle the inequalities in Scottish society.

Future options and challenges

8. How might the UK benefit from the EU taking more action in social policy?

Scotland is benefitting from the additional EU Funds recently distributed to tackle youth unemployment in areas throughout the EU where this problem is particularly acute. The Scottish Government welcomes these funds and would welcome targeted funds for additional action.

The Scottish Government considers that the EU could be more insistent on the use of the targeted Youth Employment Initiative funds on the Youth Guarantee. And, although various mechanisms exist for sharing good practice across Member States, there is scope to create a stronger and more systematic structure for this, particularly at a time when Member States are struggling in this area.

9. How might the UK benefit from the EU taking less action in social policy, or from more action being taken at the national rather than EU level?

We can see no benefit for UK if EU took less action in social policy.

10. How could action in social policy be undertaken differently? For example, are there ways of improving how EU legislation is made e.g. through greater adherence to the principles of subsidiarity and proportionality or the ways social partners are engaged?

The Scottish Government has limited latitude to develop or at least influence strategies but, since it largely agrees with EU policy/direction of travel, these limitations are not felt too keenly.

11. How else could the UK implement its current obligations in this area?

The Scottish Government is very clear in its support for the European Youth Guarantee and made representations to the United Kingdom Government encouraging it to adopt the guarantee. Where there is no practical or financial conflict with the UK Government's programmes and benefits the Scottish Government has implemented programmes which would contribute to the fulfilment of the Youth Guarantee, were it to be adopted.

Adopting the Youth Guarantee would be a statement of policy and give young people some reassurance that an opportunity would be available for them. As with all guarantees it would place an obligation on the guarantor. In this case young people could be assured that the government would not simply allow them to be left on benefits. It would mean that all young people would be able to work or to take action to further their employment and career prospects. For the country it would mean that resources were channelled into employment and training provision rather than the payment of benefits.

12. What future challenge/opportunities might the UK face in this area and what impact might these have on the national interest?

Levels of absolute and relative poverty are expected to grow in the UK in the coming years. Wages are not keeping pace with inflation while welfare cuts have affected the very poorest. A sustained EU focus on reducing poverty levels across Member States and the drivers for those is therefore required.

The Institute of Fiscal Studies (IFS) estimate that by 2020 the rate of relative child poverty (before housing costs) in Scotland will be 22.7%, equating to an additional 50,000 children living in relative poverty than in 2011. The last time the rate of relative child poverty was at this level was 2004/05. The IFS also estimates the rate of relative working age poverty in Scotland in 2020 will increase to 16.9%, representing an additional 100,000 working age people living in relative poverty than in 2011. This is similar to the rates of relative working age poverty seen in 2008/09 and 2009/10.

The largest anticipated impact on relative poverty is welfare reform. Almost 40% of people in the bottom three income deciles live in households with no employment income. Therefore the biggest impact on household incomes for this group is welfare reform. However, the poverty threshold is measured as 60% of median UK equivalised household income. Therefore incomes for all households impact on this.

Many Member States are implementing significant cuts in public spending to address debt and support economic recovery. The EU should have a role in considering whether these actions are unnecessary or disproportionately impact on their most vulnerable citizens.