Kate Forbes MSP

Cabinet Secretary for Finance and the Economy

The Scottish Parliament

Edinburgh

EH99 1SP

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Dear Cabinet Secretary,

We are the [Recruitment and Employment Confederation (REC),](https://www.rec.uk.com/) the voice of the recruitment industry, speaking up for great recruiters and staffing firms. I am getting in touch to discuss Scotland's National Strategy for Economic Transformation, and importantly, to share the insights and expertise of some of our members operating in Scotland. I’ve attached the latest REC and Royal Bank of Scotland *Report on Jobs* survey, which shows the latest hiring activity data across Scotland in February.

By way of introduction, we represent thousands of businesses who help more than a million people find a new permanent job each year, and on any given day place nearly one million into a temporary, contract or freelance assignments. This unique position recruiters have – at the heart of the economy – means we are able to help with key programmes on skills and helping people back to work. We already do this in Scotland via schemes like Fair Start Scotland and Kickstart.

The strength and resilience of the jobs market remains remarkable by any historic comparison. Temporary and part-time work are also playing a key role in our recovery as more people look for flexibility in uncertain times - but also, increasingly, as a way of life. However, the REC is concerned by the high level of economic inactivity in the labour market - for people aged 16-64 years in Scotland, it was 22.6% in October to December 2021, up one percentage point from pre-pandemic levels and up 0.6 percentage points over the quarter. The reality behind these figures is even more concerning, with increasing numbers of young people, women, and those aged over 55's becoming economically inactive.

The recently published National Strategy for Economic Transformation includes some welcome and necessary ambitions for the next decade. In particular, we were pleased to see the focus on skills at every stage of life, using skills to improve social mobility and ensuring we've got the skills we need for the future. While we fully support the view that "a skilled population is fundamental to business productivity and economic prosperity", we also need to have the jobs and the people to fill them.

Improving skills is a vital piece of the puzzle but taken in isolation, that alone won't boost productivity, investment, and economic prosperity. How people are attracted to sectors and retained in them is a matter of more than skills. Long-term change will require a partnership between employers and businesses to support change that is both effective and based on sound commercial thinking for Scotland’s businesses.

We are ready to support you to achieve this. We have data and insight from Scotland’s leading labour market specialists. This will help avoid some of the challenges Government investment has faced in the past – a focus on activity, not outcome.

From increasing salaries, to offering more flexible working models, investing in people and technology, enhancing benefits, and simplifying the recruitment process, our members are already taking action to address candidate shortages. But upward pressure on salaries is not sustainable unless it is backed up by increased productivity. That is why a truly commercial approach, engaging with and listening to businesses, matters so much.

Scotland has fantastic green growth potential but understanding the nuances of the market is critical to success, ensuring that any long-term skills policies help to support the labour market, and in some cases, boost certain roles and even aid job creation – the REC can help with this. For instance, some of our members who recruit in the oil and gas sector explained that there are often tensions with those working (or recruiting) in the growing renewables sector. Many of the skillsets needed are the same, but there can be salary differences, and even the number of roles available can really vary. Market fluctuation in the oil and gas sector often sees people moving into renewables when the market is low and then back to industry when the market recovers, or developing their skills in renewables, before moving into oil and gas.

While businesses must do more to attract and retain staff, government can play a role too and the REC can help, by providing expert labour market analysis and sharing insights from the shop floor across Scotland. I would welcome the opportunity to meet with you individually, or with a small group of businesses, to discuss the transformation strategy in more detail, and to share some labour market insights that will help ensure Scotland reaches its full economic potential.

Yours Aye,



**Neil Carberry**

**Chief Executive**