



REC

Recruitment
& Employment
Confederation

REC Manifesto

REC Manifesto for Growth: Scotland

2024



“It’s only by driving growth that we can fund public services and bring the tax burden down.

But success in that mission – the prosperity of the UK – rests primarily on the talent of our people.”

Neil Carberry,
REC Chief Executive

Executive summary

What are the challenges facing Scotland?

The Scottish Parliament currently faces a number of challenges, first among these is the government's financial position which has predicated the announcement of **£500m of funding cuts in the 2024-25 Scottish Budget**. In order to address this need for fiscal restraint, the Scottish economy needs to grow, for any economy to grow, it needs a thriving labour market.

How can the Scottish Government address these challenges to create jobs and bolster the economy?

Understand today's labour market challenge

- ▶ Create one comprehensive Scottish Industrial Strategy.
- ▶ Develop a workforce plan for Scotland.

Support a transitioning labour market by preparing for the future

- ▶ Creating a more business responsive skills system.
- ▶ Make Scotland's voice heard.
- ▶ Streamline and align the Apprenticeship Levy.
- ▶ Re-skill for a Greener Economy.

Boost workforce productivity and drive down inactivity

- ▶ Understand that temporary and flexible jobs help get people into work and build skills.
- ▶ Ensuring a fit and healthy workforce is available for work.
- ▶ Streamlining procurement processes for public sector staffing.
- ▶ Eligibility for childcare funding expanded.
- ▶ Improve public transport links across Scotland.
- ▶ The public and private sector working together.

Regulate for a sustainable and dynamic labour market

- ▶ Simplify Tax Structures.
- ▶ Carefully consider the implications of the proposed reforms to employment law in the Employment Rights Bill.
- ▶ Understand the need for temporary workers to help Scotland deliver events on a world stage.

What is the impact of Recruitment in Scotland?

The Recruitment and Employment Confederation (REC) represents the UK's recruitment industry, a professional services sector that is bigger in scale than either law or accountancy. The industry **contributed over £41 billion to UK GDP last year**. We reach far into the heart of the UK economy across all sectors and levels of employment. REC members are advisers, planners, and partners with businesses in every sector on recruitment, retention and productivity. We have 101 of our members headquartered or operating in Scotland and 223 with branches within Scotland.¹ This **contributes more than £1.5 billion to the Scottish Economy each year**.² Any plan for economic growth and how we make great work happen, should take note of what recruiters see on the front line of the labour market and when helping people into work.

1 Recruitment and Employment Confederation (REC) Membership Data 2024

2 The total Gross Value Added (GVA) for the recruitment sector in Scotland in 2023/24 was £1,563,365,711. Source: Office for National Statistics



REC Manifesto for Growth: Scotland

A strong and fully enabled labour market can unlock prosperity for any nation. There is ongoing structural change in the labour market like we haven't seen in generations – creating both opportunities and challenges. Economic growth is the only way to achieve low taxes and good levels of public spending.

The Scottish Parliament faces a number of challenges that get in the way of achieving the required growth. First among these is the government's financial position, with a challenging economic background leading to the announcement of **£500m of funding cuts in order to address the gap in the national budget.**

It was welcome news in the UK Parliament's Budget that **a £47.7 billion settlement was agreed for the Scottish Government for 2025/26** – the largest in real terms in the history of devolution. This includes a £3.4 billion top-up through the Barnett formula, with £2.8 billion for day-to-day spending and £610 million for capital investment.

In order to achieve the necessary growth, Scotland needs to look at how to improve education outcomes, cut NHS Scotland waiting lists and reduce the rate of economic inactivity which is currently at 22%. A failure to address these deep-rooted issues means Scotland faces a low productivity and low growth environment, which, according to the Resolution Foundation, leaves Scottish households £10,200 poorer than if these issues were addressed.³

For example, with the transition towards green energy being so central for the Scottish industrial strategy, Scottish workers need to be armed with the skills required to perform the jobs of the future, building a vibrant labour market which will be attractive for inward investment and further job creation.

In addition to this, the Government must continue its commitment to delivering good public services, with the necessary national infrastructure to support the workforce.

Whilst achieving this will inevitably be constrained by financial challenges, it is not impossible. The REC's manifesto for growth is focused on actions which are budget-conscious but can have a meaningful impact on Scotland's growth strategy.

This document sets out a series of focused policy recommendations around four key themes. While the REC's manifesto, Dynamic Labour Markets for Growth, has a UK-wide scope, this supplementary manifesto outlines policy ideas for how Scotland can fuel its economy based on a vibrant and modern labour market..

³ Ending Stagnation: [A new Economic Strategy for Britain](#) Resolution Foundation 2023

Our four themes are:



1 Understanding today's people and labour market challenges



2 Supporting our labour market transition by preparing for the future



3 Boosting workforce productivity and driving down inactivity



4 Regulating for a sustainable and dynamic labour market



1. Understanding today's people and labour market challenges

Every business knows the power of a well thought through strategy. It clarifies the goals, expectations, and the path ahead, it identifies the risks and potential mitigations, and it provides staff and investors with confidence in the direction of travel.

It is essential that the labour market as an economic driver is considered in relation to all of these plans and is equipped to support priority growth sectors.



Our key recommendations are:

Create one comprehensive Scottish Industrial Strategy

Build on existing foundations by combining the separate strategies mentioned above into one coherent Scottish Industrial Strategy which can drive long-term, sustainable growth across the nation.

Although bespoke to Scotland, the strategy must also be consistent with the UK Government's Industrial Strategy in order to leverage the flow of investment into the wider UK economy.

Develop a Workforce Plan for Scotland

Scottish Government and policymakers should work with businesses and employee representative bodies to develop a cohesive Workforce Plan for Scotland. This should be properly informed by views and information from across all sectors to ensure it is both inclusive and deliverable.

Public Health Scotland has already published a workforce plan for the health and social care sector, this example needs to be applied across all sectors of the Scottish labour market. Without a robust workforce plan, delivering against the ambition for Scotland to be a "start-up and scale-up nation", will be much tougher to achieve.





2 Supporting our labour market transition by preparing for the future

To effectively tackle critical skills shortages, and deliver against its promise to lead a new, national approach to skills planning, the Scottish Government needs to better align the skills system with demand from businesses and with insights from labour market experts.

This will offer up a better understanding of how people work, what jobs they want, and how to get the most out of our people.



Our key recommendations are:

Creating a more business-responsive skills system

The Scottish Government needs to create a sharper, more business-responsive skills system and provide clarity about the skills and training offering available in Scotland which employers can get behind.

By working more collaboratively with business, the Government can introduce a more flexible skills regime, directly addressing the gaps seen by business. The Government could consider providing funding to help employers to address priority skills needs, as was previously trialled with the Flexible Workforce Development Fund.

An inclusive workforce which leaves no one behind - it is important to support people into work to create the strongest possible labour market.

This includes people with health conditions, or disabilities or who are disadvantaged. Beyond this it is important that there is partnership working between the Scottish Government and Local Government to provide localised and person specific employability support.





Our key recommendations are:

Make Scotland's voice heard

Scottish voices need to be heard in the Westminster reforms, including the reforms to the Apprenticeship Levy, so that its replacement meets the needs of Scottish employers. The Growth & Skills Levy needs to work for employers across the 4 nations to ensure fair access to Levy funds, particularly where businesses operate across the borders and previously had to comply with two different sets of rules.

Working with UK Government to streamline the rules around accessing the Growth and Skills Levy can ensure the mistakes of the Apprenticeship Levy are not repeated. Those employers paying the levy need support from the Scottish Government to address cross-border issues.

Re-skill for a Greener Economy

The Government have significant ambitions for transitioning to a greener economy. Implementing this will inevitably involve reskilling the workforce, particularly in the energy sector.

We welcome the fact that supporting the development of a skilled workforce is a key enabling pillar of the Green Industrial Strategy, ensuring the creation of high-quality, sustainable jobs to help tackle climate change and adapt with changing needs for renewable energy.





3. Boosting workforce productivity and drive down inactivity

Prudent and strategic investment in infrastructure such as transport, superfast broadband, childcare, and healthcare all matter to boosting productivity and increasing participation in the workforce. The immigration system also plays a vital role in setting the foundations for strong and productive economy.

While it is critical to make skills policy more suited to the needs of the Scottish economy, tackling the causes of economic inactivity will not only boost worker wellbeing, and provide Scottish industry with the staff it needs, but will also help to bridge the widening gap (currently £1bn) between Scotland's welfare bill and the funding received from Westminster.



Our key recommendations are:

Understand that temporary and flexible jobs help get people into work and build skills

Temporary and flexible work can be a fundamental way for older workers, workers with long-term health conditions, younger workers and underrepresented groups to enter the jobs market. Continuing to build on the work Skills Development Scotland do in developing skills and further promoting the Young Person Guarantee would allow those furthest from the workforce access to the labour market, at a time when skills and labour shortages are still impacting business growth ambitions.⁴

Streamline procurement processes for public sector staffing

To achieve better value for money steps should be taken to review NHS staffing frameworks and update the system, this would limit off-framework spending and save the NHS in Scotland more money on staffing in the long-term.

Ensuring a fit and healthy workforce

Scotland suffers from high economic inactivity, with over 20% of people aged 16-64 not participating in the labour market. A key to tackling this is ensuring everyone is healthy and fit for work. Lowering NHS waitlists is key to addressing this. Waiting times are, on average, six weeks for diagnostic tests and twelve weeks for outpatient appointments. These delays in patient care are contributing to the low productivity that Scotland sees.

Despite the budget constraints we urge you to increase funding for NHS Scotland, allowing critical health and social care delivery, particularly front-line services. This has to be seen as an essential investment in maintaining a workforce fit for economic prosperity, rather than a discretionary cost.

⁴ Skills Development Scotland 2023-24 [Annual Operating Plan](#)



The government should consider:

Expand eligibility for childcare funding -

The announcement of a £16 million investment in childcare is a step in the right direction but this needs to be well targeted. Simply offering more funded childcare to parents and carers is not sufficient if money is not invested to enable providers to expand provision. Likewise, improving facilities is of no use if people cannot afford childcare costs.

Therefore, a balance needs to be struck between support for caregivers' participation in the labour market whilst also investing in skills and recruitment to enable providers to deliver services to meet the demand for childcare places.

Improve public transport links across Scotland

Improved connectivity is crucial to helping people in to work, and also meeting Scotland's green commitments. Transport Scotland statistics show that only 7% of people who do not work from home commute via bus and only 4% by rail (4%), with older worker, full-time employees and those from higher income households less likely to use these methods.⁵

Improving the public transport network, particularly outside city and town centres, will allow more people to use these modes of transport to travel to work, particularly young people or those on lower incomes, where commuting by car may not be financially viable.



5 Transport Scotland, [Scottish Transport Statistics 2022](#)



4. Regulating for a sustainable and dynamic labour market

Too often, agency workers are forced to work around legislation designed for employees in permanent roles, and a lack of clarity can lead to confusion about their rights.

In Scotland, in particular, the oil and gas industry operate almost wholly in a flexible manner, and its working practices are often not accounted for in employment legislation. Policymakers must broaden their understanding of temporary work and legislate to align with the way more and more people choose to work now.



The Scottish Government should:

Simplify tax structures

If the Government took steps to simplifying taxation, this may help to promote business investment in staff in Scotland. The overwhelming tax burden faced by Scottish businesses is a deterrent to their growth and future investment. The recent introduction of the higher income tax rate of 42% has meant that recruiters have had to introduce a Scotland-weighted salary to offset higher taxes and prevent jobs from moving to England.⁶

If Scotland wants to attract the best talent in a tight labour market and international investment, it needs to consider its tax arrangements and how it can review these to remain competitive with other businesses across the UK. Maintaining a competitive tax regime in Scotland is crucial to the health of the labour market.

Carefully consider the implications of the proposed reforms to employment law in Scotland

The UK Government's Plan to 'Make Work Pay' which is currently being legislated through the UK Parliament in the form of the Employment Rights Bill will have a profound effect on the Scottish Labour Market. There are areas which need to be clarified, especially around day one rights and consultations are ongoing. Engaging with employers and industry bodies, as well as employee representatives, is essential to avoiding unintended consequences of reforms which impact a very complex temporary labour market, for which agency work is a big part of.

The REC's **Voice of the Worker** campaign highlights the importance of temporary work, which many people opt to do, as it allows them to work in the way they want, which fits around their life, with flexibilities for different circumstances from caring duties to health issues or balancing work around other responsibilities.

⁶ Scotland Weighting 2024 [Recruiters offer 'Scotland weighting' to offset higher taxes](#)

Understand the need for temporary workers to deliver events on a world stage

Hosting the Commonwealth Games and Euro 2028 are a great examples of projects that will need flexible and temporary workers in order to deliver it on a world stage - having regulation which maintains flexibility in the labour market is a key part of ensuring Scotland is in pole position to take advantage of international opportunities when they arise. Minimising the risks of worker exploitation in Northern Ireland.



This document has addressed some of the key challenges faced by the Scottish Government and has set out a call for action with a series of policy recommendations, which the REC believe would promote economic growth and strengthen the Scottish Labour Market.

If you'd like to discuss our recommendations in more detail, get in touch with

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The Recruitment & Employment Confederation is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower UK recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy.

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