



**REC**

Recruitment  
& Employment  
Confederation

REC Manifesto

# REC Manifesto for Growth: Scotland

2026



“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 Scotland – 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 significant challenges. Foremost among these is the government's financial position, which continues to place sustained pressure on public spending following recent budget constraints and difficult fiscal choices.

At the same time, Scotland's economy is facing structural labour market challenges, including rising levels of youth unemployment and growing barriers to entry for young people seeking work. This risks creating a generation disconnected from the labour market at a time when employers in key sectors continue to report skills shortages.

Addressing these challenges requires a clear focus on economic growth. A strong and resilient economy depends on a thriving, flexible labour market that supports job creation and enables businesses to grow.

### **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.<sup>1</sup> This **contributes more than £1.5 billion to the Scottish Economy each year**.<sup>2</sup> 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.

<sup>1</sup> Recruitment and Employment Confederation (REC) Membership Data 2024

<sup>2</sup> 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.<sup>3</sup>

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..

<sup>3</sup> 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 must be heard in Westminster reforms, including on the Growth and Skills Levy, to ensure it genuinely meets the needs of Scottish employers.

The Levy must work for businesses across all four nations, with fair access to funds, particularly for those operating across borders who have previously had to navigate two different systems. Without proper alignment, there is a real risk of repeating the mistakes of the Apprenticeship Levy.

The cost of doing business in Scotland is already rising. Employers are facing increasing pressures from National Insurance changes and wider Westminster imposed employment regulation, alongside domestic challenges. These cumulative costs are hitting small businesses hardest and risk undermining growth, investment and job creation.

That is why it is essential that both the UK and Scottish Governments work together to streamline access to the Growth and Skills Levy, remove unnecessary complexity, and address cross border issues. Employers who contribute to the Levy must be properly supported to access and benefit from it, wherever they operate in the UK.

### 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.<sup>4</sup>

### **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 22% 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.

<sup>4</sup> 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.<sup>5</sup>

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 simplify taxation, this could help promote business investment in staff in Scotland. The overall tax burden faced by Scottish businesses can act as a deterrent to growth and future investment. Scotland's income tax system includes a higher rate of 42% for earnings above around £43,000, rising to 45% for those earning over £75,000 and 48% for those earning over £125,000. While this supports a more progressive system, it also means that some workers face a higher tax burden than elsewhere in the UK. Employers, including recruiters, report that this can make it more challenging to attract and retain talent in roles competing across the UK, particularly at higher salary levels. In some cases, this may place upward pressure on wages or influence decisions about where roles are based.

If Scotland wants to attract the best talent in a tight labour market and secure international investment, it needs to consider its tax arrangements and how these can be reviewed to remain competitive with other parts of the UK. Maintaining a competitive and streamlined tax regime in Scotland is crucial to the strength of the labour market.

### **Carefully consider the implications of reforms to employment law in Scotland**

The Government's "Make Work Pay" agenda is now law through the Employment Rights Act, bringing major changes to the labour market, including in Scotland.

However, key details remain unresolved, particularly on Guaranteed Hours. If handled badly, these reforms risk reducing flexibility, limiting job opportunities, and damaging growth.

As drafted, the proposals do not reflect the realities of the temporary labour market, including seasonal demand and the flexibility many workers actively choose. A minimum six-month reference period is essential to ensure the system works in practice. Without this, there is a real risk of undermining the temporary labour market, which plays a vital role in providing young people with employment and opportunities to build skills and experience.

A newly elected Scottish Government should actively lobby the UK Government to ensure these reforms support, rather than damage, jobs, flexibility and growth.

## 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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Recruitment  
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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.

Find out more about the REC at [www.rec.uk.com](http://www.rec.uk.com)

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