



LABOUR
MARKET

OUTLOOK

VIEWS FROM
EMPLOYERS

Winter 2017-18

**REGIONAL
INSIGHTS:
SCOTLAND**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 145,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.



Report

Labour Market Outlook

Regional insights: Scotland

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1 Foreword

For the first time the CIPD has collected data on the labour market outlook for all four countries in the United Kingdom, in partnership with YouGov and The Adecco Group.

In this report we look specifically at the forward-looking labour market indicators for Scotland, highlighting employers' recruitment, redundancy and pay intentions in the country, compared with the rest of the UK.

Context

Scotland has recently celebrated a high point in labour market performance. For the first time, unemployment (as measured by the International Labour Organization (ILO) claimant count) fell below the UK average to 4% (Scottish Government 2018). Scotland's productivity performance has been the third highest in the UK, after London and the south-east of England. However, that optimism is qualified by some caution on the level of wage growth, the skills level within those jobs and the impending shock of Brexit. This short selection of data from our LMO survey looks at some of the key issues shaping the workplace and labour market in Scotland, focusing on three driving issues:

Recruitment and redundancy intentions

On recruitment, hiring intentions in Scotland remain steady. Scottish respondents generally intend to declare fewer redundancies, which is similar to the rest of the UK but in fact outperforms London, for example. This is welcome given the context of Scotland's dependence on certain key sectors, such as oil and gas and financial services. In addition there have been ongoing cost reductions in the public sector as austerity and council tax freezes continue. However, the pressing demands of health and social care integration mean that net employment in the public sector is likely to shift rather than shrink.

Brexit and employment in Scotland

The Scottish Government published a paper in February 2018 calling for Scotland to benefit from a regional migration system (Scottish Government 2018). This is to reflect our challenges around both an ageing workforce and a falling population, where only migration will help solve some of the problems the country faces. This could explain the relatively higher support for Scottish respondents for a regional migration system. However, an integrated UK solution is most favoured overall by Scottish respondents.

Pay intentions in Scotland

Pay is of course another perennial issue. The projections in the CIPD's main report for subdued wage growth are slightly different in Scotland. There is more appetite for building pay in Scotland, which is reflected in a higher intention to increase pay relative to UK respondents. This reflects a pronounced public policy push on pay arising from various Scottish government initiatives and action by major employers, such as Standard Life Aberdeen and Scottish Power, and smaller organisations, such as Scottish Sea Farms. However, a relatively larger number of employers in Scotland are opting for pay freezes, demonstrating that industry context is also important.

Dr John McGurk, CIPD Head of Regional Policy and Insights



2 Recruitment and redundancy

Generally Scotland is exhibiting in common with the UK much more of a focus on recruiting in the next quarter, with roughly three-fifths of Scottish respondents opting to recruit. Though slightly below the two-thirds of respondents in the UK, this is not a significant difference. The other side of the resourcing and talent planning coin is redundancy intentions. Here a greater number of Scottish employers report that they do not plan redundancies in the next three months, but again these differences are not significant. They reflect the overall vibrancy of the UK labour market in terms of record employment levels, and Scotland’s current low levels of unemployment as defined by the official ILO measure of claimant count.

Scotland has suffered some high-profile redundancies in oil and gas, construction and financial services as the business cycle and corporate restructuring has bitten. The picture is now brightening, at least in the short term. About seven in ten organisations in Scotland do not plan redundancies in the next three months, while two-thirds in the UK say the same. About a fifth in the UK plan to make redundancies in the next quarter compared with 15% in Scotland.

Figure 1: Short-term recruitment intentions, Scotland and the UK (%)

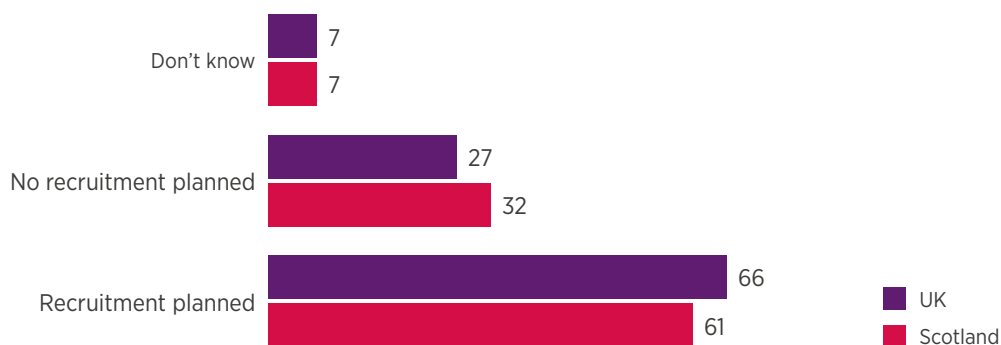
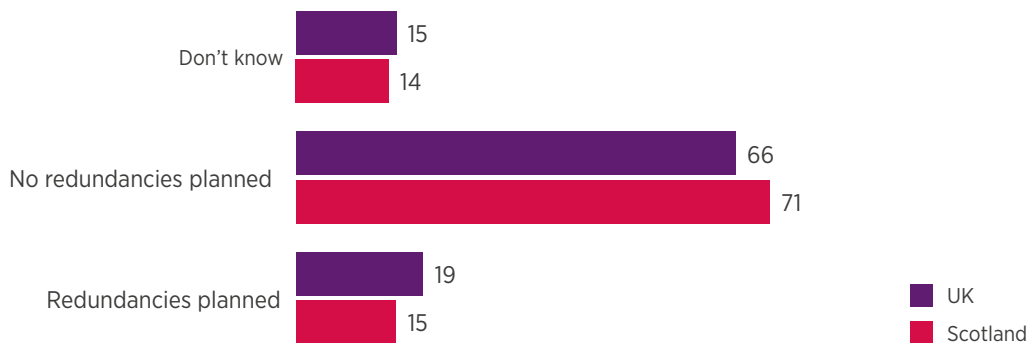


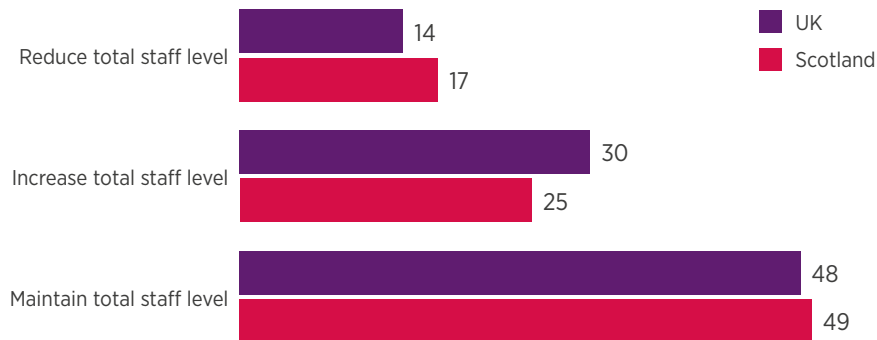
Figure 2: Short-term redundancy intentions, Scotland and the UK (%)





Overall the net impact of recruitment and redundancy intentions (Figure 3 below) is broadly positive for Scotland and the UK. The UK as a whole is slightly above on increasing total staffing levels and a slight difference in redundancy intentions is reflected. Nearly half in both are maintaining staff levels. We have no trend at this time but will track these in future reports.

Figure 3: Net Impact: recruitment and redundancy intentions: Scotland and the UK (%)



3 Scotland, the UK and Brexit: grasping the regional nettle?

Businesses in Scotland are taking the same approach to workforce planning post-Brexit as the rest of the UK. However, Scotland's challenging demographic picture and the demands of its various industries for overseas talent mean that the country is more susceptible to uncertainty over the future of its workforce post-Brexit than arguably some other parts of the UK (see CIPD/NIESR 2017). As our survey shows the planning for Scotland's post-Brexit labour market has already started. The publication of CIPD's new guide will help prepare our profession practically for that future (Reilly et al 2018). Organisations in Scotland need to be prepared for a different workforce and for a different set of policy options in future.

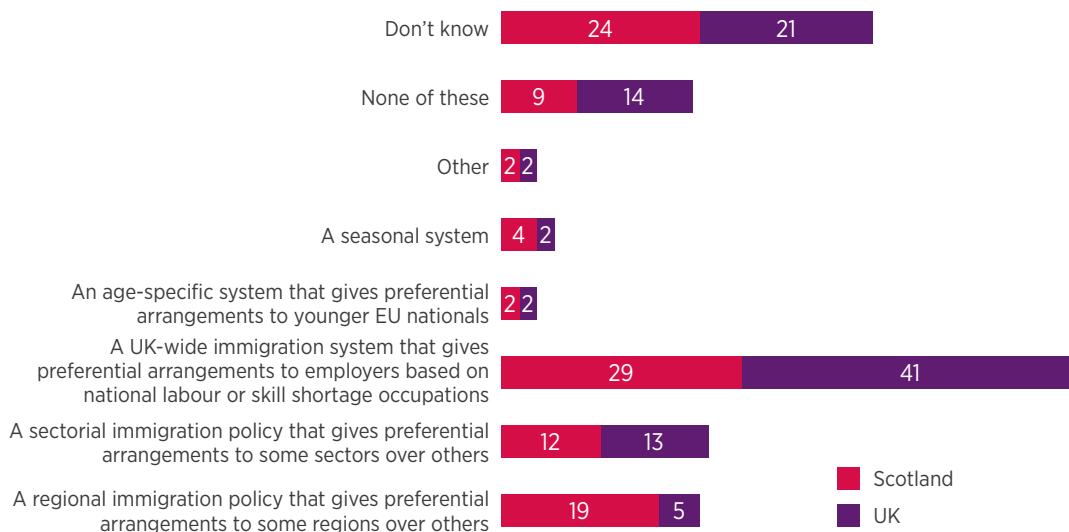
Delving deeper into the post-Brexit policy picture, we can see pronounced differences between Scotland and the rest of the UK. Just under a fifth of our Scottish respondents favour a regional policy, while only about 5% in the rest of the UK do. Much of this reflects both Scotland's warmer relationship overall with the EU and the acute demographic situation. However, more employers in Scotland favour a UK-wide migration option versus a regional option (see Figure 4). Since Scotland is impacted by quotas that affect its ability to recruit in food manufacturing, hospitality and education, we may see support for this option rise despite the practical difficulties of implementation.

Table 1: Post-Brexit workforce planning (%)

	Scotland	UK
I have enough information to plan post-Brexit recruitment		
Yes	31	30
No	53	50
Don't know	17	20



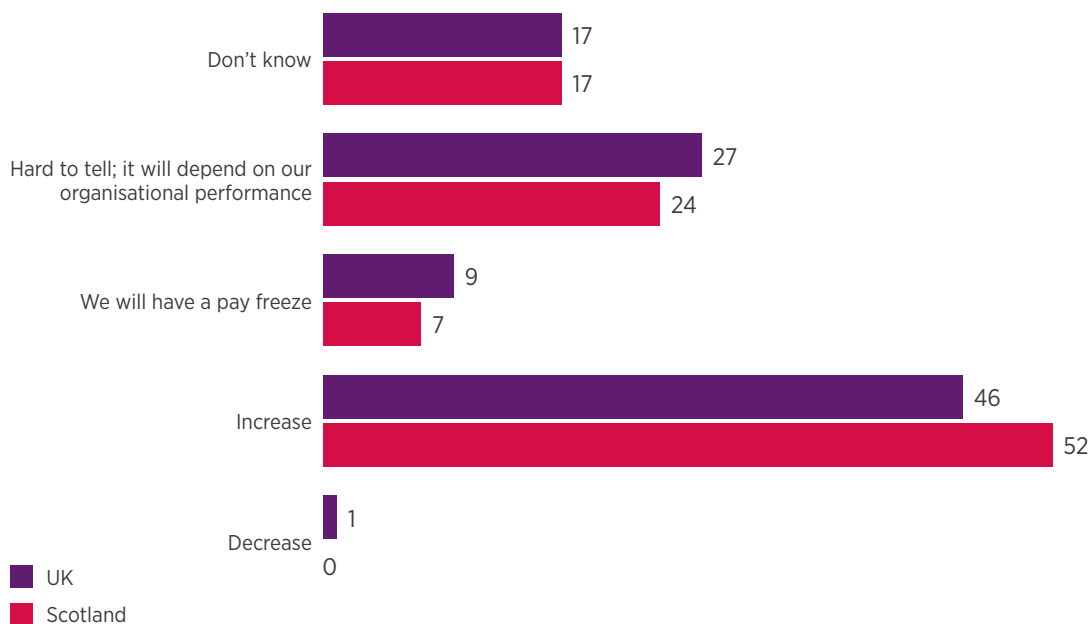
Figure 4: Post-Brexit migration policy options (%)



Pay: putting it off or putting more on?

With inflation impacting on the cost of living for employees, and employers facing a challenging outlook, pay is becoming a major issue. First of all (combining the ‘don’t knows’ and ‘hard to tells’), almost two-fifths in Scotland are unclear about pay intentions, which is similar to the UK. A focus on continuing cost containment is seen in a minority, with the intention to maintain a pay freeze. Organisations in Scotland are slightly less likely to contain costs through pay freezes than their UK counterparts and slightly more likely to increase pay, reflecting the pressures for upward movement on pay from the increased UK minimum wage and the Scottish Government and business community support for the Living Wage.

Figure 5: Pay intentions: Scotland and the UK (%)





LMO: Scottish data and insights

In this report, our first regional LMO insight on Scotland, we highlight some interesting differences and similarities between Scotland and the UK, both of which provide real opportunities for action by our professional community in Scotland:

- **Investing in skills** – HR has a vital role to play in helping organisations to take a more strategic view of the kind of workforce they’ll need for the future. This should include embedding a culture of ongoing learning and investing in technical skills for the emerging and complex world of work as well as skills in collaboration and interaction.
- **Creating inclusive workplaces** – The latest *Labour Market Outlook* report highlights the opportunity for employers to recruit from under-represented groups – such as older or inactive workers – in order to meet their current and future skills challenges, particularly in light of likely future migration restrictions on EU nationals.
- **Planning for the future** – Workforce planning is essential to anticipate the overall shape and size of the future workforce, and ensuring that businesses can flex their organisation to future demands given current uncertainties around Brexit.
- **Making the case for fair pay** – The CIPD in Scotland is working with organisations and its branch network to build a viable business case for the Living Wage, in line with lower turnover and increased productivity.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,066 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 7 December 2017 and 8 January 2018. The survey was carried out online. The figures have been weighted and are representative of UK business by size, sector and industry. The responses are drawn from a weighted and representative sample of HR and organisational decision-makers. For Scotland, usable responses averaged 144 and for the rest of the UK averaged 2,066 for the questions selected.

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