BRIEFING | CHILD POVERTY | WORK

Understanding local labour-market pressures to reduce child poverty in Scotland

The new Scottish Government has said that eradicating child poverty will be its defining mission. This briefing is about what honouring that commitment requires when it comes to the labour market.

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Written by: Jack Evans

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Executive summary

JRF commissioned the Fraser of Allander Institute (FAI) to answer a simple question: how many people want to work and how many jobs are available across all 32 local authority areas in Scotland. The answer is far from simple, and reveals local differences that national-level data obscures. It also reveals a path towards reduced child poverty, and increased economic justice. Scotland too often treats the labour market's contribution to poverty as a problem with individuals rather than with the jobs available to them.

The FAI's analysis makes the case for pushing back against that instinct, and makes clear putting the right jobs in the right places should be a far greater part of the response. Policymakers, local authority leads, and employability practitioners should read this JRF briefing alongside the FAI's report and interactive dashboard to identify where targeted support is most urgently needed, and what type of support will have the greatest chance of impact.

1. Introduction

The labour market is not adjacent to an anti-poverty strategy. Around three-quarters of children in poverty now live in a working household. JRF's modelling shows that 50,000 parents need to move into work, and 20,000 more need additional hours, to bring the child poverty rate down to 14% by 2030 (Birt et al, 2025). That ambition is several times the scale of the current parental employment offer in existing policy or manifesto commitments.

JRF commissioned the Fraser of Allander Institute (FAI) to ask how many people want to work across Scotland's 32 local authority areas, and how many jobs are available to them. To do this the FAI uses a new grouping: people who 'want to work'. This captures those who are unemployed alongside those who are 'economically inactive' that say they would like a job.

Their analysis describes a country of very different labour markets. In Dundee there are around 35 people who want to work for every advertised vacancy. In Edinburgh, Glasgow and Aberdeen, ratios look healthier but mask concentrations of poverty that a city-wide average doesn't capture. The concentration of parents within the 'wants to work' group ranges from 19% in Ayrshire and the South to 44% in the North East. These are different policy challenges in different parts of the same country.

And it requires taking seriously the apparatus that is supposed to respond. Employability investment is weighted toward individual readiness in places where the

binding constraint is the absence of jobs. Economic development is delivered by at least 45 bodies, deals and strategies with overlapping remits and no shared definition of success. The data underpinning local decisions has deteriorated to the point where, in many areas, it is hard to say with confidence whether conditions are improving.

This response sets out what should change across 5 areas:

- the language and assumptions embedded in how we talk about people who are not in work
- the specific and urgent challenge of parental employment and its relationship to child poverty
- the differences in local labour market conditions and what they require of policy
- the case for a simplification and rebalancing of Scotland's economic development strategy toward creating the right jobs in the right places
- the lack of high-quality data we need to make good decisions about employability, economic development, and poverty reduction.

Policymakers, local authority leads and employability practitioners should read this JRF briefing alongside the FAI's report and interactive dashboard to identify where targeted support is most urgently needed and what type of support is most likely to work.

2. Biases shape language, which can shape policy

Before engaging with the substance of what this report tells us about Scotland's local labour markets, it is important to say something direct about language.

The terminology that surrounds employment policy has long carried assumptions that are both wrong and often stigmatising. Yet they can shape how policy gets discussed and designed, how services get delivered, and how people who are not in paid work get treated.

If we are serious about using evidence to drive better outcomes, we must be willing to interrogate the words we reach for, including our own.

An example of language that has shaped conversations and policy about the labour market is ‘economically inactive’. It is the official statistical descriptor for people of working age who are neither in employment nor actively seeking work. It is widely used, including by governments, analysts, commentators and indeed by us. It has the surface appearance of technical neutrality but it is, or has become, far from neutral. ‘Inactive’ implies the absence of contribution or engagement with the economy. This ignores the massive economic contribution that caring (for both adults and children) makes to our economy, and further marginalises disabled people who would be able to live much more fulfilling lives if the restrictions that society places on their

contributions were removed.

It gives the impression that the work people are doing outside of paid employment does not count, and that their relationship to the labour market is passive. In reality, disabled people and those managing illness are typically striving for good health, living well, and contributing to life as fully as they can.

When policy starts from the premise that a group of people is economically inactive the response is focused on the individual. So the problem to be solved, in this framing, is the individual. And the solution is to change their behaviour and/or skills.

This masks that barriers are most likely structural. That people are not in paid work because the jobs available to them are inaccessible to them in some way, or do not fit around their lives. That is a legitimate response to circumstances that have not been adequately addressed.

Of course, for anyone paid work involves some compromise between your family and personal life and your working life, often very difficult ones. For many of the people who are deemed to be economically inactive those trade-offs are higher stakes, or come with significant cost.

For disabled people or people with illness they may pose a risk to their long-term health. For carers work can pose a risk to the wellbeing of the person they care for. For parents, the balance can be between the nurturing childhood that every child needs and the natural wish to participate in society more broadly through work.

These emotional and health trade-offs are often heightened by cost. The cost of social care either for a disabled person themselves or for relief of a carer. For parents the cost of childcare is well-known. All of these factors are of course brought into sharper focus on those struggling to get by. These outcomes are also highly gendered. With women far more likely to be single parents, the parent who looks after children rather than doing paid work, and to be carers.

In this report, people who 'want to work' captures those who are unemployed alongside those who are 'economically inactive' that say they would like a job. It is a broader, and in many ways, more helpful measure of labour market pressure than unemployment figures alone. It acknowledges that the formal unemployment count leaves out large numbers of people whose attachment to the labour market is real, even if their circumstances make immediate employment difficult or impossible.

The 'wants to work' framing is a term created specifically for this report. It should not be read in a way that implies its opposite, that people who fall outside this group, who are not seeking immediate work, are either not doing work already (like carers) or somehow without ambition or aspiration.

A person managing a serious health condition who doesn't currently say they want to work may want exactly that, in different circumstances, with different support, in a different kind of job.

This is the lens through which we see the findings in the FAI's report. We have to think afresh about how we increase the number of people in work — turning the scope around to think about the labour market as a whole rather than pointing back at the

individual.

3. Child poverty and the labour market

Over 200,000 children in Scotland are living in poverty today. And while the causes of child poverty are multiple and interconnected, the evidence is unambiguous on one point: getting more parents into good work is one of the most powerful levers available to the new Scottish Government. Without significant progress on parental employment, the 2030 targets will not just be missed, but by a wide margin.

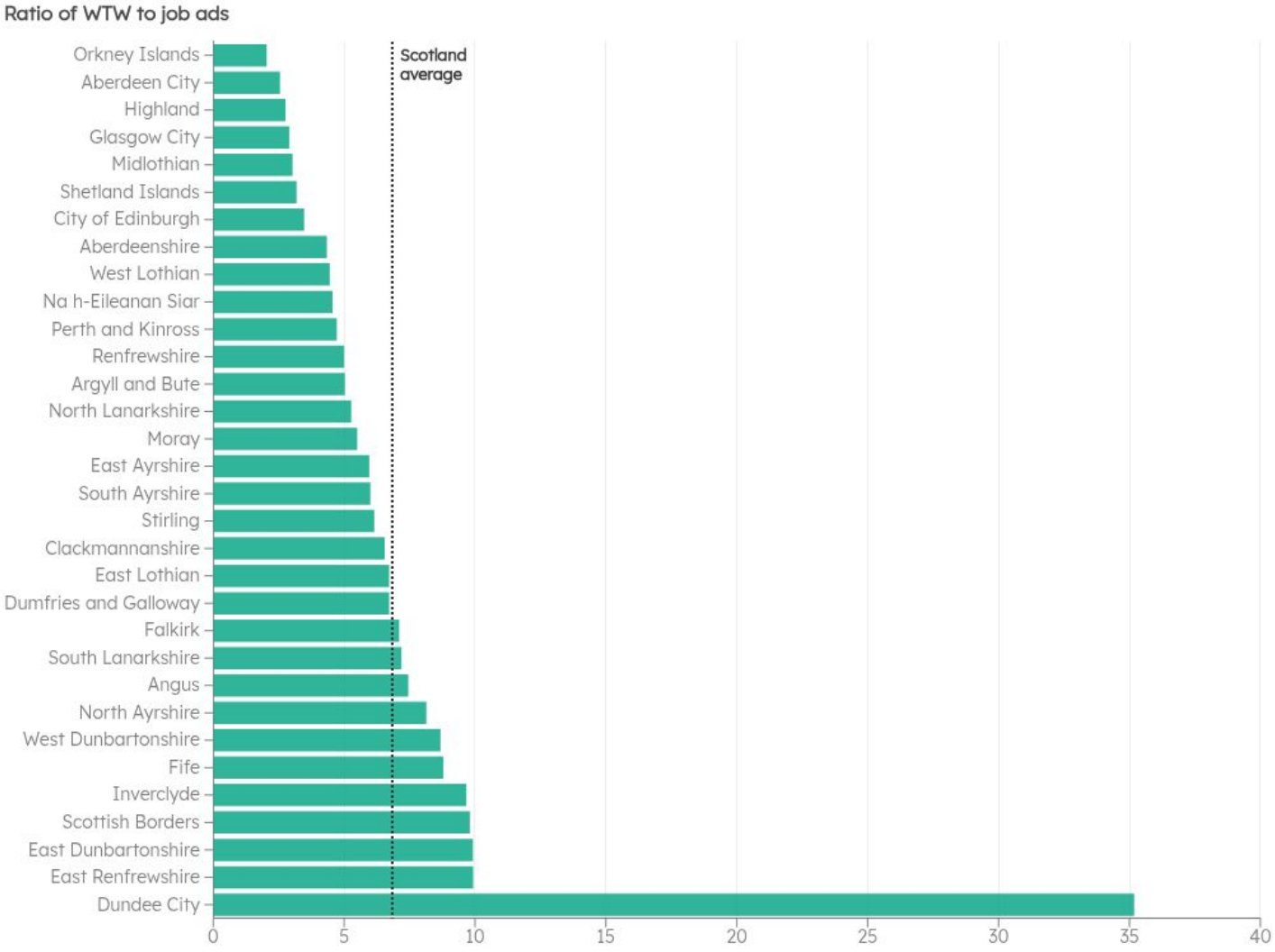
Our previous modelling showed that moving parents into work could bring Scotland's child poverty rate down to 14% and lift 60,000 children out of poverty by 2030. That will require supporting over 50,000 parents into employment and increasing the hours of a further 20,000 parents already in work at the end of the current parliament (Birt et al., 2025). We wanted to see where those parents are in Scotland.

That is why a report mapping local labour markets across Scotland's 32 local authority areas is not just an exercise of data-quality improvement and economic analysis. It is an anti-poverty document. It tells us where the barriers to employment are most acute, where the mismatch between people and jobs is greatest, and where the new Scottish Government and local authorities will need to focus sustained and ambitious action.

What the data shows is both helpful and uncomfortable. There is no single labour market story across Scotland. In Dundee, there are approximately 35 people that want to work for every advertised vacancy. In and around Scotland's larger cities, access to a wider pool of jobs changes the picture considerably. In rural and island

areas, labour markets are often self-contained in ways that make local job availability and local barriers to work especially consequential. They describe different challenges that demand different responses as seen in Figure 1.

Figure 1: Ratio of people that want to work (WTW) compared to advertised job vacancies by local authority



Source: FAI analysis of Adzuna data and alternate labour-market estimates
Wants to work includes people who are unemployed and people who are currently inactive but want to work. Estimates use data from HMRC, NRS, SPI, Census, and APS and are averaged over the 4 quarters ending in 2025 Q3. Figures for Shetland and Orkney are based on the Scotland-wide (rather than local authority-specific) proportion of inactive people who say they want to work.

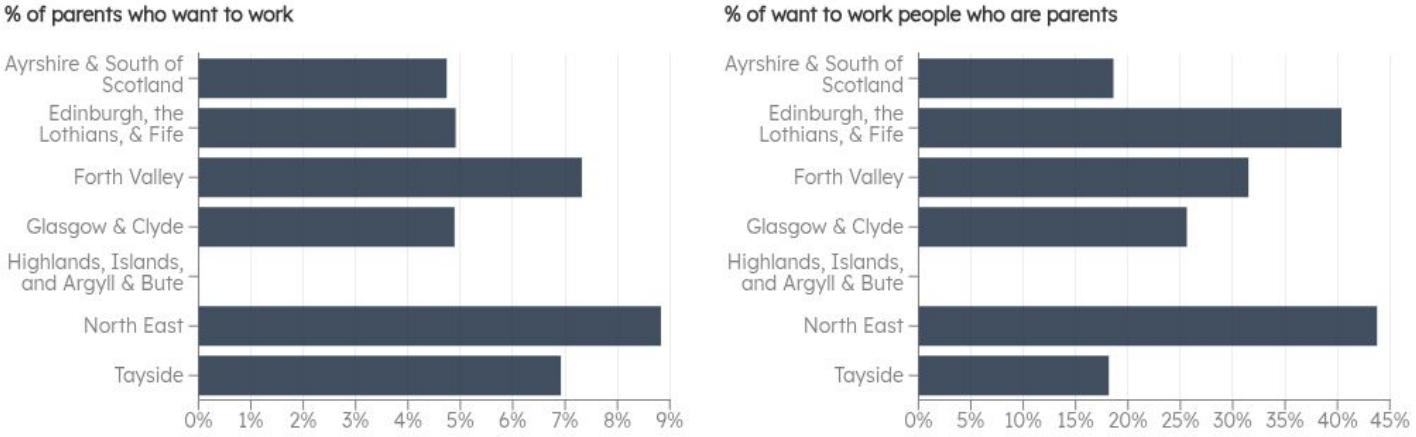
In places where there are dozens of people for every available job, the barrier is not individual readiness, it is the absence of sufficient demand. It is not always possible to skill your way out of this problem.

Scotland's employability policy has operated as though the challenge is a supply-side problem, requiring supply-side solutions. More training. More coaching. The assumption has been that if we improve the readiness of individuals, employment will follow. There has been some movement to see the demand side as part of the solution. The Scottish Government described working with employers as an 'emerging priority' in their 2024-2027 employability strategic plan (Scottish Government, 2024). But the problem goes wider than existing employers, it is about generating employers and jobs within particular areas, requiring a broader concentration of employability support, employer engagement and economic development activity.

The parent trap: employment and child poverty

In the North East of Scotland, around 44% of the people who want to work are parents. In Ayrshire and the South of Scotland, that figure is 19%. These are 2 fundamentally different policy challenges in 2 parts of the same country.

Figure 2: Parents who want to work by travel to work region



Source: FAI calculations from APS
Notes: Results for Highlands, Islands, and Argyll and Bute are suppressed due to small sample sizes.

What Figure 2 also reveals is easy to miss. The share of parents saying they would like to work (left panel) is fairly consistent across Scotland, sitting between roughly 5% and 9% of parents in every region. It is the share of the wider want-to-work group who happen to be parents (right panel) that swings dramatically. From 19% in Ayrshire and the South of Scotland to 44% in the North East. You cannot design a response proportionate to a challenge you cannot see clearly.

Supporting parents into good work, and into better work, is one of the most powerful levers Scotland has for bringing child poverty down at the scale the statutory targets require. The FAI's analysis gives a clearer picture of where those parents are. What it also shows is how poorly the current policy offer matches the reality of their lives.

Childcare is a good example of a structural barrier, and it falls hardest on women. Scotland has made real progress on early learning and childcare, and the expansion of funded hours has made a meaningful difference for many families. But the current offer has significant gaps that hit the families who need it most. Provision often isn't available at the hours parents require. The funded offer starts too late for many, and for parents working irregular or shift patterns, a model of childcare built around fixed, predictable hours does not map onto the jobs on offer (Cebula and Evans, 2024).

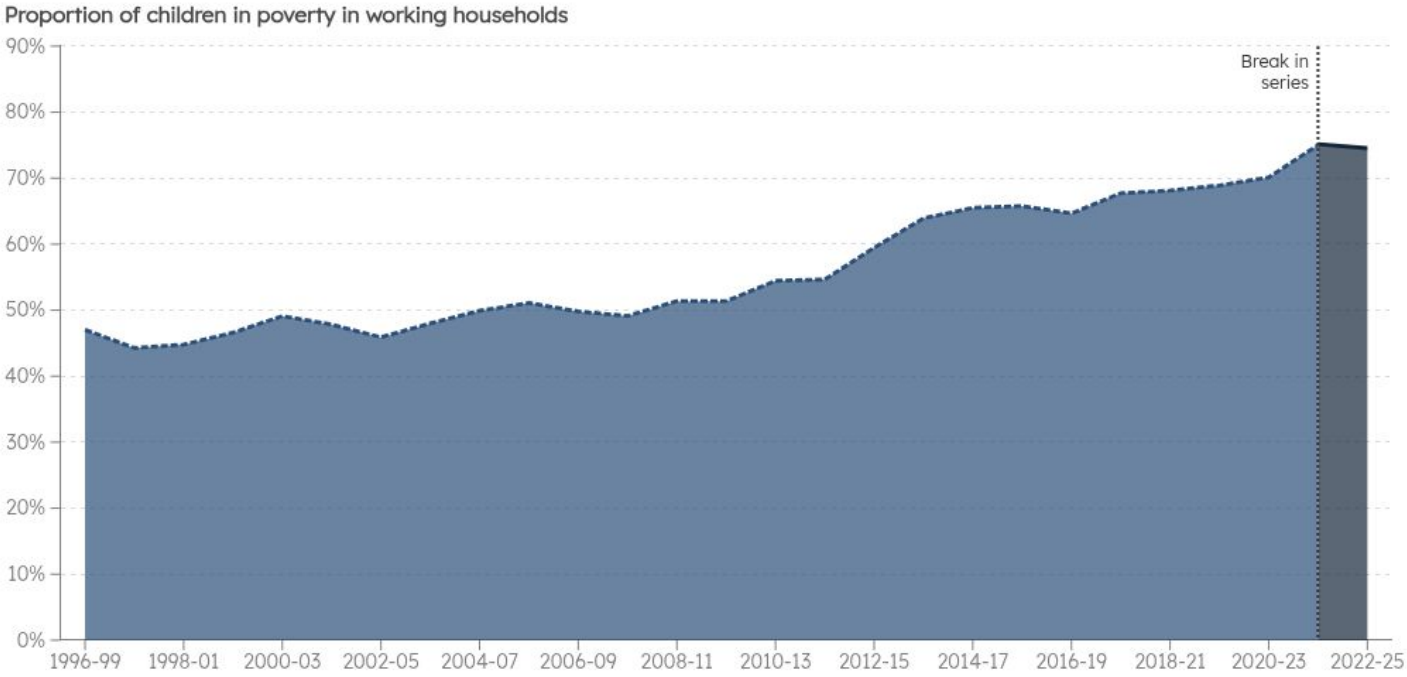
Almost every party standing for in the 2026 Holyrood election proposed an expanded childcare offer in their manifesto. The Scottish Parliament should embrace this and commit to working together to deliver an early years offer for one- and two-year-olds, prioritising low-income families, with flexible hours, holiday provision, and an income-based contribution model so that cost is never the reason a parent cannot take a job.

Childcare alone cannot explain why so many parents are in the ‘wants to work’ group rather than in employment.

The jobs themselves are part of the story. Too many of the jobs available to parents in high-pressure labour markets are low-paid, insecure and inflexible. A job paying at or just above minimum wage, in an area where transport costs are significant, may make no financial sense at all. This is a failure of job quality that no amount of employment support will fix, and it connects the parental employment challenge directly to the demand-side argument made earlier.

The consequences of that failure are not hypothetical. Figure 3 shows what has happened to in-work poverty in Scotland over the last quarter of a century.

Figure 3: Growth of in-work poverty



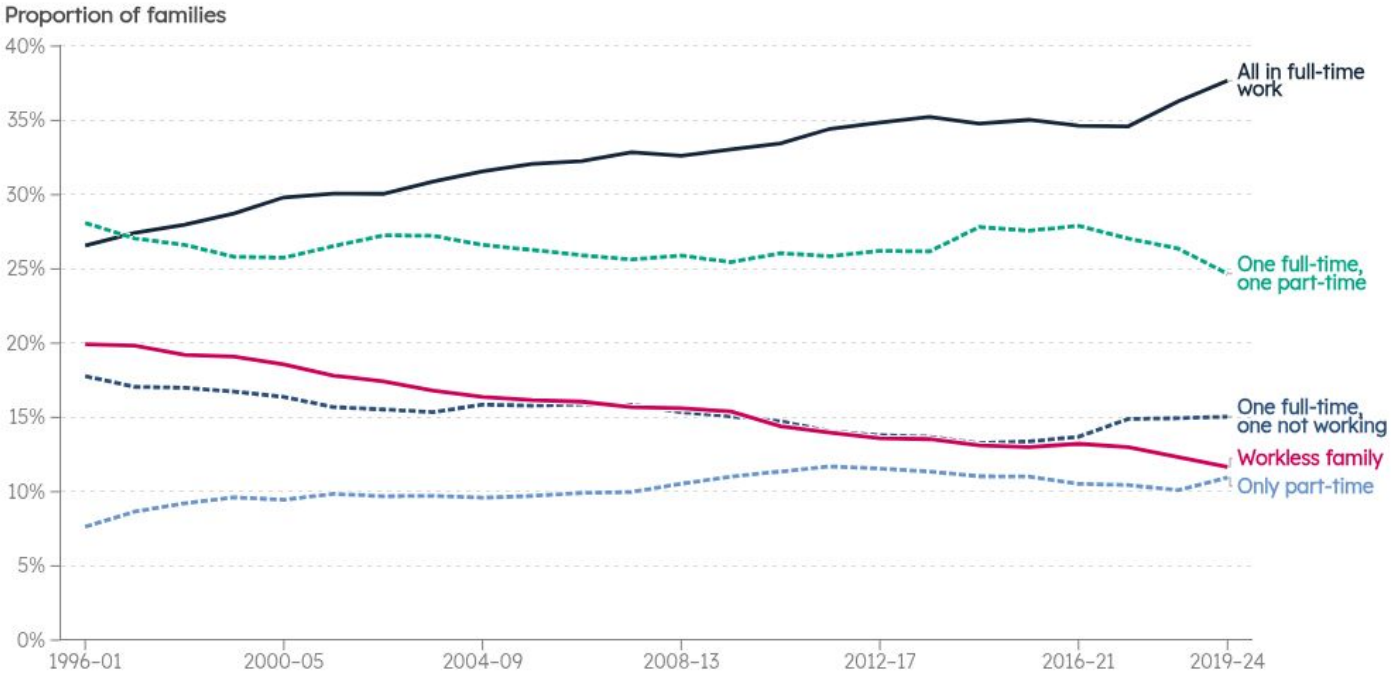
Source: Scottish Government analysis
Note: Values before and after 2021-24 are not comparable.

In the late 1990s, just under half of children in poverty in Scotland lived in a household where at least one adult was in work. That figure now stands at around three-quarters. Work is still the most important route out of poverty for most families, but it is no longer a reliable one.

Employment has generally increased since the financial crash but wages for low-income workers have not caught up significantly. At the same time social security support has withered — making in-work poverty for households with children the rule, rather than the exception.

Scotland's child poverty strategy needs to be explicit that the goal is not employment at any price, but employment that is good enough to make a real difference.

Figure 4: Family work status for all families with children



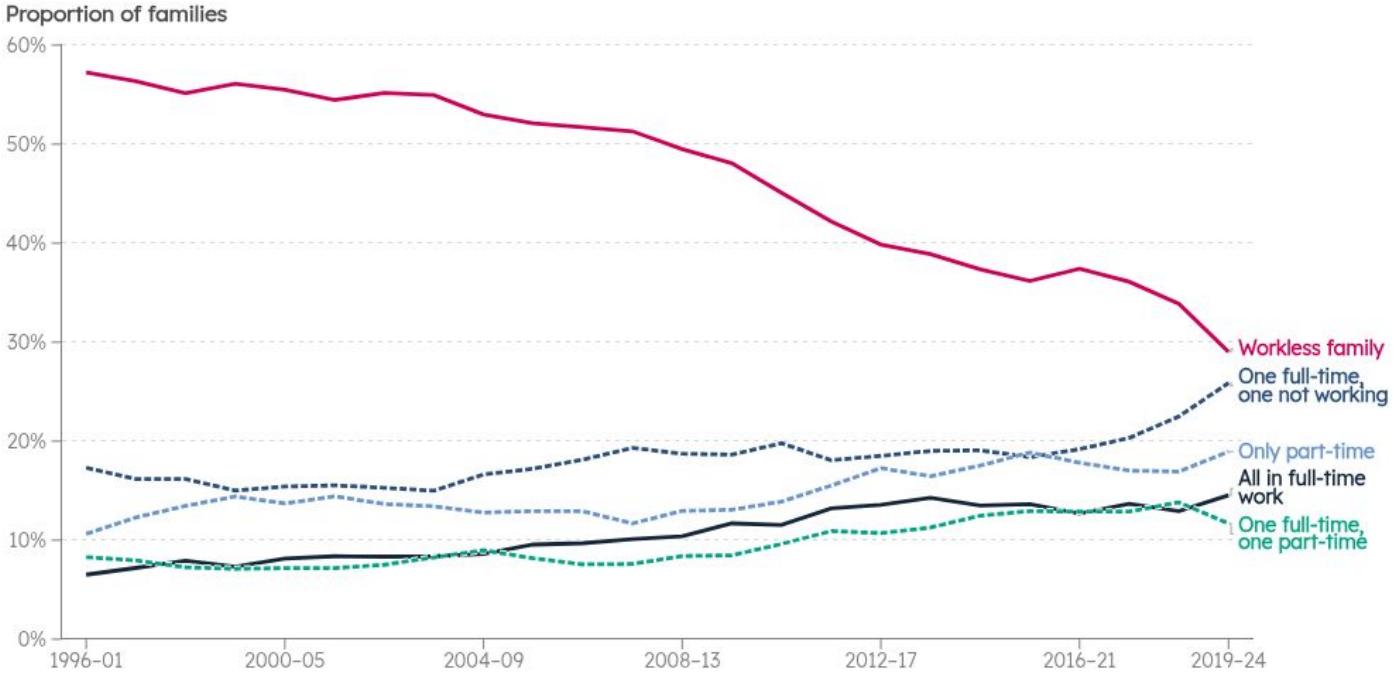
Source: JRF analysis of the Family Resources Survey.
Note: This analysis only includes working-age families with children.

It is also important to be clear-eyed about where Scotland is starting from. Parents already have high employment rates, and those rates have risen substantially over the last 25 years.

For families with children the share of workless families has fallen from around 20% in the late 1990s to around 12% today, while the share of families with all adults in full-time work has risen from 27% to 38% over the same period.

The parents who remain outside work are, by definition, the group for whom the generic offer has not worked.

Figure 5: Family work status for families with children in poverty



Source: JRF analysis of the Family Resources Survey.
Note: This analysis only includes working-age families with children.

For families with children in poverty, the proportion of workless families has fallen even more steeply, from 57% in 1996-2001 to 29% now.

Reaching them will require a break with the status quo. The current ambition of No One Left Behind, and the last Tackling Child Poverty Delivery Plan, of supporting around 12,000 parents over the life of the plan was a fraction of the scale the child poverty targets require.

The very different shares of parents within the ‘wants to work’ group across Scotland's regions reflect different local labour-market conditions, childcare options, transport, and concentrations of flexible, decently paid work. A national employability strategy cannot respond adequately to that variation. Local authorities and Local Employability Partnerships need the data, the investment and the flexibility to design responses that match their local reality and to be judged on outcomes that reflect their circumstances.

Scotland has the targets, the evidence and the devolved levers. What the Scottish Parliament needs to provide is the ambition, the investment, and services that have been designed with parents rather than for them — treating childcare, transport, health, housing and job quality as an interconnected set of circumstances rather than separate problems referred to separate services. The alternative, another 5 years of incremental progress and deficit approach, is more than a policy failure. It is a choice to leave tens of thousands of children in poverty when we knew what it would take to reach them.

4. Scotland's many labour markets

The FAI have shown what many will feel instinctively, that Scotland does not have a single labour market. It has many, each presenting a different challenge and requiring a different response.

Looking at 32 individual local authorities side by side can quickly become difficult to interpret. The data presented by the FAI is a helpful indicator of job pressure that is a useful lens (particularly if you are able to overlay other analytical lenses) for designing intervention to support people into work and reducing poverty.

With this data we can group local authorities into 5 broad types of local labour market. The groupings reflect natural breaks in the distribution of ratios across Scotland.

The boundaries are not precise as a few areas sit close to the lines between groups, but the typology helps bring out that Scotland does not face 1 labour market problem but several, each calling for a range of different policy responses.

1. High-pressure labour markets

These are areas where there are clearly more people who want to work than there are advertised vacancies, typically around 10 people for every job advertised, with Dundee City as a striking outlier well beyond that.

This group includes Dundee City, the Scottish Borders, Inverclyde, West Dunbartonshire and Fife. In these places competition for advertised jobs appears to be high and there are substantially more people looking for work than there are jobs being advertised locally.

Dundee stands apart from the rest of this group. Even when Dundee is placed within the wider Tayside labour market, the ratio remains the highest in the country at around 11 to 1. Around 8 in 10 of Dundee residents who work also work within the city, so the idea that the local figure simply overstates pressure because people commute out does not hold up.

It is not for this report to pin down exactly why employers have not expanded into the area at the scale the population would support. That is a question for the sprawl agencies across Scotland that responsibility for economic development should be accountable for answering. The pattern is clear enough to warrant a targeted response.

The rest of this group is more mixed. Several of the post-industrial areas on the list, such as Inverclyde, West Dunbartonshire and Fife among them carry a legacy of industrial decline, long-term structural change, and weaker private-sector growth since the manufacturing base contracted.

The Scottish Borders is different in geography, more rural and dispersed, but faces a related challenge around job density and access to employment opportunities.

2. Moderate-pressure labour markets

Most local authorities fall into this group, with typically between 5 and 8 people per advertised vacancy. Competition for jobs is present but not extreme.

This group includes Na h-Eileanan Siar, Perth and Kinross, Renfrewshire, Argyll and Bute, North Lanarkshire, Moray, East Ayrshire, South Ayrshire, Stirling, Clackmannanshire, East Lothian, Dumfries and Galloway, Falkirk, South Lanarkshire, Angus and North Ayrshire.

The mix spans large towns and former industrial areas (such as North Lanarkshire, Falkirk), semi-rural and rural economies (such as Argyll and Bute, Moray, Dumfries and Galloway, Na h-Eileanan Siar), and authorities within commuting distance of major cities (East Lothian, Renfrewshire). Several sit adjacent to larger city economies, so residents may commute for a wider range of jobs than appear within their own authority boundary.

In these areas, the policy emphasis shifts. Rather than a straightforward shortage of jobs, the issue is more often how well people and vacancies are matched. That points towards aligning skills provision with local employer demand, tackling practical barriers such as transport and childcare, and strengthening local employability support, alongside continued attention to job quality.

3. Tighter labour markets

These are areas with a lower ratio, typically between 3 and 5 people per vacancy. The group is dominated by Scotland's 3 largest cities Aberdeen, Edinburgh and Glasgow along with areas closely linked to city economies (Aberdeenshire, West Lothian, Midlothian) and parts of rural Scotland with specific sector strengths, notably Highland.

On the face of it these places have relatively more vacancies compared to the number of people saying they want to work. But a lower ratio should not be read as a functioning labour market for everyone in it.

In Glasgow, Edinburgh and Aberdeen, proximity to jobs is not the same as access to them. A city can have thousands of vacancies and still contain tens of thousands of people for whom the work that is available, as currently offered, is not a realistic option whether because of pay, hours, location, health, caring responsibilities, or the gap between the jobs being advertised and the people being asked to fill them.

Glasgow in particular carries some of Scotland's highest child poverty rates and some of its deepest concentrations of poverty alongside its headline job numbers. It is also worth pointing out that the competition for the available jobs is not just amongst those not in work.

Highland is a different case again. Low ratios there partly reflect genuine sector strengths in tourism and public services, but they may also reflect younger people

leaving remote areas in search of different opportunities, which reduces the measured ‘want to work’ population rather than indicating that local demand has been met.

In these areas, the priority is less about the sheer number of jobs available and more about job quality and pay, employer recruitment difficulties, and then the wider barriers of health, caring responsibilities and transport that prevent people from taking up the work that does exist.

This is also where the mistake of directing resource only towards the highest-ratio areas becomes most costly: Scotland's largest concentrations of poverty sit inside labour markets whose averages look relatively favourable. Highlighting that the labour market is still only part of the story and the necessity of investing in our social security system, affordable housing and increasing healthy life expectancy.

4. Smaller and more volatile labour markets

Some island and rural authorities including Orkney, Shetland and Na h-Eileanan Siar show more year-on-year fluctuation in the ratio. In smaller labour markets, a small change in vacancies or in the ‘want to work’ population can significantly shift the headline figure; individual relatively large employers can strongly influence the data; and seasonal patterns can have a larger effect than elsewhere. Results for these areas should be interpreted with particular care, and local knowledge matters even more than usual.

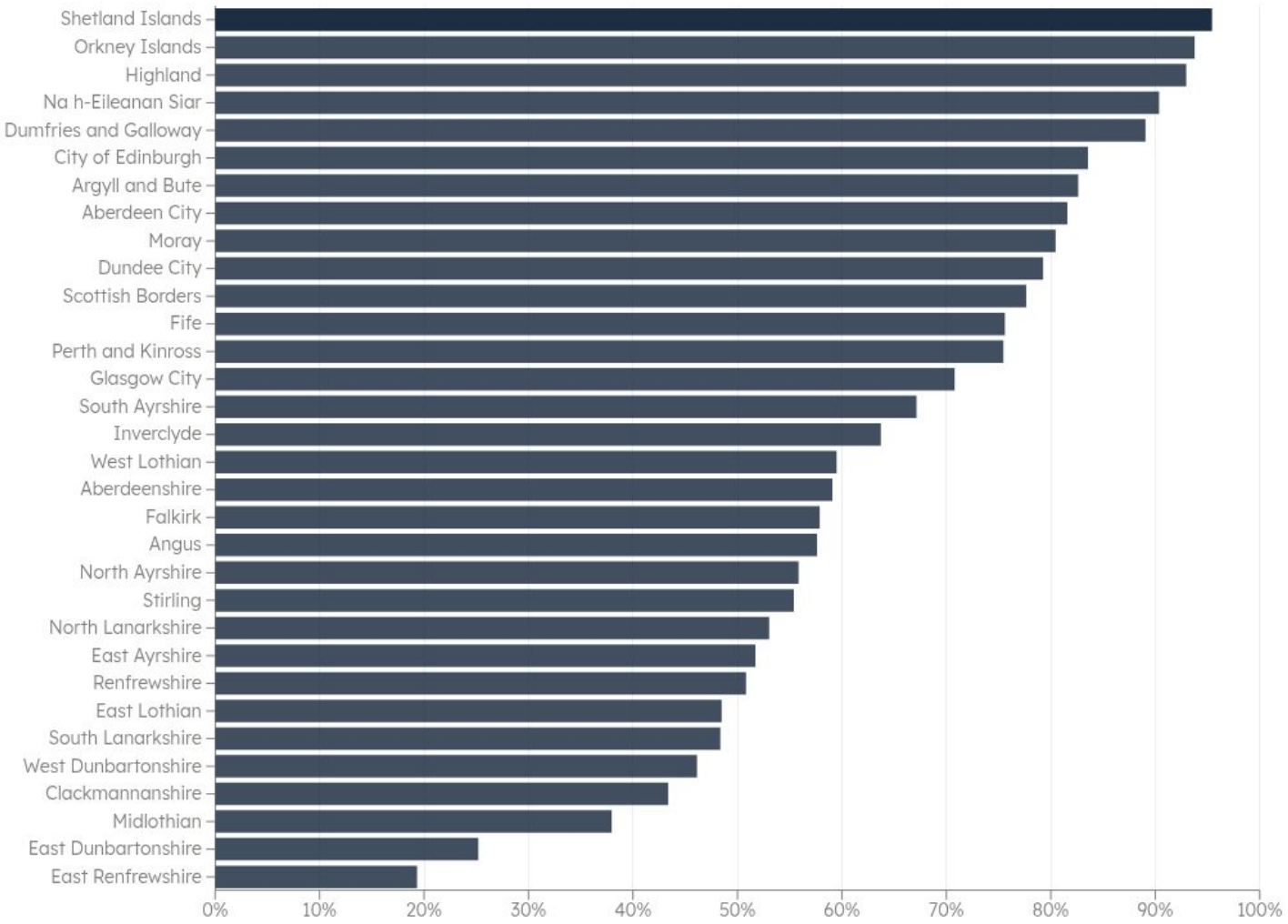
These labour markets are also more self-contained. Travel for work is less practical (either through sheer distance and/or lack of availability), so local job availability and local barriers to work are particularly important. Demand-side strategy in these places has to think carefully about what kinds of economic activity can be sustained and grown locally rather than assuming that access to a wider regional labour market will come to the rescue.

5. Suburban commuter labour markets

A small group of authorities shows a high local ratio of people wanting to work to advertised vacancies, but for reasons that have little to do with weak local demand. East Renfrewshire and East Dunbartonshire are the clearest examples. Taken in isolation, their ratios place them alongside the high-pressure group. But within the wider Glasgow and Clyde labour market they sit inside, the pressure ratio falls into line with the rest of the region.

Residents here routinely work beyond their own local authority boundary. The local vacancy count understates the range of jobs genuinely available to them, because the functional labour market extends well past the council line.

Figure 6: Percentage of workers who work in their local authority (2022)



Source: FAI analysis of Scotland's Census
Note: This analysis only includes workers who travel to a fixed address for work.

Treating these areas as if they faced a Dundee-style shortage of local demand would direct resource toward job creation where the core problem is different. Treating

them as if they had no labour market issue at all misses the residents for whom the wider market is not accessible.

In these areas the priority is connection rather than job creation. Affordable public transport into the nearest city-region market with fares and timetables designed around shift patterns and caring responsibilities, childcare that covers the travel time as well as the working day, and clear information about jobs across the wider regional market.

What this classification means for policy

Grouping areas this way does not replace detailed local analysis. The challenges faced reflect long-term economic structure, geography and the uneven distribution of growth across Scotland's local economies. They cannot be answered by a single national framework applied uniformly across 32 authorities.

Different places need different blends of intervention. In high-pressure areas like Dundee, that means a deliberate focus on generating good jobs, combined with employability support rather than replaced by it.

In the suburban and commuter areas that look high-pressure in isolation but sit inside wider regional markets, it means transport, connection and the practical support that lets residents reach jobs elsewhere.

In the moderate-pressure group, the emphasis is on matching people to the opportunities that exist and removing the everyday barriers that stop them taking work up.

In the tighter labour markets that include Scotland's largest cities, it means acknowledging that low ratios and high poverty can coexist and directing resource towards the people and neighbourhoods for whom work, as currently available, is not a viable option.

In the smaller and more volatile island markets, it means local economic development designed for the geography.

The common thread is that vacancy numbers alone cannot explain why people are out of work and a single national framework cannot deliver on Scotland's child poverty ambitions across such different places. A genuinely place-based approach (which has become a trite phrase largely because the outcomes have not been good enough, not because the principle is wrong) means giving local authorities the strategic flexibility, the resources and the data to design responses that start from what their labour market actually looks like, and holding them accountable for outcomes that reflect their circumstances.

5. Rebalancing Scotland's economic development strategy

There is a structural bias in how Scotland thinks about employment. As previously discussed, there is an overwhelming focus of employability investment into the supply side. This alongside other economic policy levers at the Scottish Government's disposal need to be rebalanced.

What would a genuine poverty reducing demand-side economic development strategy look like for Scotland?

It starts with honesty about what public investment can and should do. Scotland's public sector is one of the largest employers in every part of the country. The decisions these institutions make about how they hire, what they pay, how they structure contracts, and where they locate functions are economic development decisions, whether they are treated as such or not. Small scale pilots from large public sector employers are not really holding up the public sectors' end of the bargain in providing good work for the communities they serve.

A serious demand-side strategy would make that explicit, using the purchasing and employment power of anchor institutions to actively shape local labour markets creating more good jobs, more local supply chains, and more pathways into stable employment for people who are currently locked out.

Fair work conditionality in public procurement a powerful tool. Contracts awarded with genuine fair work would improve the lives of the people employed under them, but only if access to the resulting work is also fair. They also shift what the local labour market looks like. They change what employers competing for public contracts have to offer. They raise the floor.

The net zero transition is also the most significant demand-side opportunity Scotland has seen in a generation. The shift to net zero will require enormous investment in new infrastructure, new industries, and new ways of working. Done well, net zero transition can be an employment strategy as much as an environmental one. This requires a deliberate focus on ensuring that the jobs created are good jobs, located in the places that need them most and most importantly accessible to people who are currently least well served by the labour market. The danger is that it becomes another round of growth that bypasses the communities and individuals that policy is supposed to serve.

The same argument applies to the care economy. Scotland's ageing population and its child poverty ambitions both point toward significant expansion of paid care work, in childcare, in social care, in health. Care work is currently chronically undervalued, disproportionately done by women, often poorly paid and insecurely contracted (Oxfam Scotland, 2023). But it is work that communities need and that could be a major source of decent local employment in exactly the places where the labour market is under the greatest pressure.

Rural and island Scotland have a different version of the same challenge. Where labour markets are more self-contained the quality and availability of local employment is even more important.

In these areas, demand-side strategy needs to think carefully about what kinds of economic activity can be sustained and grown locally. This can be about tourism done differently, food and drink, renewable energy, digital infrastructure that enables remote working as well as the crucial role of public services. Rural economic development cannot be an afterthought to an urban-focused growth strategy.

All of this puts a requirement on Scotland's economic development institutions such as Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise and local authorities to understand their role in relation to the labour market, and in particular to the need for those alienated or at risk of alienation from it.

Economic development has historically been measured in terms of business growth, investment attracted, and GDP contribution. These are all important, but insufficient if the goal is to ensure that economic growth actually translates into reduced poverty and improved living standards for the people who need it most.

The new Scottish Government should set an explicit expectation that economic development bodies are accountable for the accessibility and distribution of the employment.

None of this diminishes the importance of employability support. People do face real barriers to employment that good services can help address. But employability support works best when there are good jobs to move into, and that requires increased economic activity in the places it is sluggish.

A mandate to simplify

A country of 5.5 million people with devolved powers specifically designed to enable joined-up coherent policy has somehow failed to build an economic development system that is coherent, accountable or clearly understood by the people it is meant to serve. This is not a new observation. The problem has been named repeatedly (O'Connor and Wakefield, 2021).

Over the last 2 decades, Scotland's economic policy landscape has evolved from a narrow enterprise-agency approach to a wider whole-government approach. While there is merit to that more 'holistic' ambition, it has weakened accountability and made evaluating what actually works all the more difficult.

The places that most need a coherent economic offer are instead navigating a maze of agencies, partnerships, deals, and strategies that often duplicate each other's functions and collectively consume resource that could be better directed toward changing outcomes.

There are at least 45 distinct bodies, deals, strategies and frameworks. Many covering overlapping geographies with no single agreed definition of what economic

development is and no formal process for assessing whether any of them are working.

Scottish Enterprise, Highlands and Islands Enterprise, and South of Scotland Enterprise operate as national economic development agencies alongside Skills Development Scotland, the Scottish Funding Council, Business Gateway, the Scottish National Investment Bank and a range of bodies with neighbouring economic functions.

At regional level Scotland has developed Regional Economic Partnerships intended to build shared economic visions across local authority groupings. While City Region and Regional Growth Deals have created separate governance structures and separate investment programmes for many of the same geographies, involving many of the same partners, addressing many of the same challenges. The relationship between them is not always clear.

The proliferation of strategies compounds this. A local authority area might simultaneously operate under a Local Economic Development Strategy, a Local Employability Partnership plan, a City Region Deal investment framework, a Regional Economic Partnership strategy, and a Community Planning Partnership outcomes plan. All while council's economic development teams have faced significant cuts.

For communities, businesses, and local authorities trying change their economy this complexity is a genuine barrier that falls hardest on the places with least capacity to absorb it. And it is almost completely exclusionary to Scotland's SME sector who will

have neither the time, nor the resources to engage in this myriad of activity. Given this represents about 1.2 million jobs in Scotland, it is an untenable situation (Scottish Government 2024b).

Scottish Enterprise's core budget for economic development activities has fallen by over 20% in real terms since 2009-10 meaning that the agencies operating within this cluttered landscape are doing so with significantly diminished resources (Muscatelli, 2025). Putting aside whether this is the right or wrong focus of public spending it absolutely demands prioritisation, which is sorely lacking.

Complexity and underfunding together represent a compounding failure of economic governance.

For places facing the greatest labour-market pressure, such as Dundee, North Ayrshire, and Tayside can we say clearly who is responsible for driving economic development, what funding they have, and how they will be held to account for outcomes? Too often, the answer is no. Turning that to an easy yes is a challenge the new Scottish Government must take on.

6. Data, devolution and democratic accountability

The data we need to make good decisions about employability, economic development and poverty reduction at a local level is increasingly not fit for purpose.

This is not a new observation but it is becoming an unsustainable situation. It is a governance problem with direct consequences for whether public money is spent well. It plays a major role in determining whether local authorities can be held to account and whether the people that policy is meant to support can trust that decisions are being made on the basis of evidence.

The core issue is well documented but insufficiently acted upon (McIntyre, 2025). The Labour Force Survey, which is used to build the Annual Population Survey, remains the primary source of Scotland's official labour-market data. It has faced significant and worsening challenges since the Covid-19 pandemic. Sample size and response rates have fallen sharply. This is amplified at the local authority level, where there were already lower samples in Scotland than the rest of the UK.

They are now too small to produce estimates with acceptable levels of certainty in many areas. The confidence intervals around local authority level employment and unemployment figures have grown to the point where, in some areas it is genuinely difficult to say with statistical confidence whether things have improved, worsened or

stayed the same, or even whether there is a difference to the national levels.

The FAI's response to this challenge draws on administrative data sources, including HMRC payroll records and National Records of Scotland population data, to construct alternative estimates of local labour supply and is genuinely valuable. They have given us a more stable basis for comparing areas and identifying broad patterns than survey data alone cannot currently offer.

No One Left Behind is built on the premise that local authorities, working through Local Employability Partnerships, are best placed to understand and respond to local labour-market conditions. But it depends on local authorities having access to data that is robust enough and granular enough to make those judgements well. Where the data cannot tell the difference between areas with genuinely different levels of labour-market pressure, the devolution of decision making is only as strong as the evidence base it rests on.

Accountability requires the ability to measure. If we cannot reliably track whether employment conditions in North Ayrshire or Tayside have improved, the reporting mechanisms that are supposed to drive progress can become performative.

There is also a capacity problem. Not every local authority in Scotland has the in-house analytical expertise or time to interrogate labour-market data, construct alternative estimates or work legitimately with uncertainty. The places where that capacity is lowest are unlikely to be the places where labour market pressures are lightest.

None of this requires perfect data before making decisions. Perfect data does not exist, and quantitative evidence should sit alongside local knowledge from practitioners, businesses, community organisations and people with lived experience in how local strategies are developed and assessed.

What it does require is that the new Scottish Government treats local labour-market data infrastructure as a policy priority rather than a background condition. That means working with the ONS to improve LFS response rates and sample sizes in Scotland. It means investing in the administrative data approaches piloted in this report so they become routine rather than exceptional. We also need to be honest with local authorities about the uncertainty in the data they are being asked to use and giving them the analytical capacity to work with that uncertainty rather than paper over it.

7. Conclusion

Many people in Scotland feel overlooked by politicians and let down by an economy that is not working for them. The relationship many people have with the labour market drives that feeling.

Parents in Dundee, in Inverclyde, in Ayrshire, in the Western Isles, people who want to work, who have tried to work, who are doing the work of caring and raising children whether or not it is counted, are telling us the same thing in the data that they have been telling politicians in person for years. The jobs are not where they live, or they do not pay enough, or they do not fit around their lives.

This report has set out elements of why that is happening and where. It has shown that Scotland does not have one labour market but many, and that the gap between the job a parent needs and the job on offer can be widest in the places where child poverty is highest. The economic development apparatus that’s meant to close that gap has become too diffuse to do it.

So getting today's decisions right can shape a better future for children and for Scotland. That is the choice in front of the Scottish Parliament and Scottish Government. All parties have a role to play and all will be held accountable for the choice they make.

It is a choice to invest in the places that have been waiting longest for good jobs to come back. It is a choice to build a childcare, transport and employability offer that meets parents where their working lives are. It is a choice to simplify an economic development landscape so that in every part of Scotland it is possible to say clearly who is responsible for local jobs, what they are doing, and whether it is working.

The parent in Dundee or Ayrshire is not waiting for another strategy or grand commission. She is waiting for a job that pays enough, fits around her children, and exists in the town she lives in. Scotland knows how to deliver that. The only question left is whether it will.

Recommendations

Scotland does not face one labour market challenge. It faces many and the current policy framework is national in design, supply-side in emphasis, demand-side hesitant and delivered through a crowded economic development landscape, it is not built to respond to that variation.

The recommendations below are addressed primarily to the new Scottish Government, with specific asks for local authorities, economic development agencies, and the UK Government where relevant.

1. Rebalance employability investment toward demand-side action in the places that need it

Employability support works best where good jobs exist to move into. In high-pressure labour markets that is not currently the case, and no amount of individual readiness will close a gap of 35 people per vacancy. The Scottish Government should:

- set an explicit target for the share of combined employability and economic development spend directed at demand-side action: job creation, employer engagement, anchor institution hiring, fair work conditionality, and sectoral development publish annual progress against it — a working baseline and direction of travel should be agreed with COSLA, Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise within the first year of the Parliament.
- designate a small number of priority labour-market areas that should include Dundee and wider Tayside, Inverclyde, parts of Ayrshire and Fife for concentrated, multi-year demand-side investment, with a single accountable lead body for each and a published plan setting out what will change and by when.

2. Invest at scale in parental employment to meet the statutory child poverty targets

Supporting parents into good work is one of the most powerful levers available to reduce child poverty. JRF modelling suggests supporting 50,000 parents into work and increasing the hours of a further 20,000 by the end of this parliament is needed

to be in with a chance of meeting 2030 targets. That is several times the scale of the current No One Left Behind parental employment ambition.

- The Scottish Government should publish a parental employment plan as part of the next Tackling Child Poverty Delivery Plan in the first year of the Parliament, costed against the scale of the target and with local-authority-level ambitions reflecting the typology set out in this report.
- The Scottish Government should extend the funded early learning and childcare offer to one- and two-year-olds from low-income households, with flexibility for non-standard hours, shift patterns and school holidays, and an income-based contribution model so that cost is never the reason a parent cannot take a job and that investment is genuinely targeted at reducing poverty.
- Local Government should prioritise the 6 priority family types identified in existing child poverty analysis, and design local employability offers around the combined barriers of childcare, transport, health, housing and job quality rather than referring each to a separate service.

3. Tailor support to local labour-market conditions rather than applying a single national framework

The typology in this report of the 5 types of labour markets implies different blends of intervention. A national framework applied across 32 authorities cannot deliver on the child poverty targets. The Scottish Government should:

- Give local authorities and Local Employability Partnerships strategic flexibility over how national funding is deployed within their area, including the ability to shift resource between employability, transport, childcare and economic development within agreed outcome frameworks.
- Require and resource cross-boundary cooperation between commuter authorities and their anchor cities, such as Glasgow with East Renfrewshire and East Dunbartonshire, Edinburgh with Midlothian and East Lothian through pooled budgets, shared analytical capacity and joint commissioning of transport and childcare across the labour-market areas.

4. Simplify and strengthen Scotland's economic development architecture

A country of 5.5 million people has at least 45 distinct bodies, deals, strategies and frameworks with overlapping remits, duplicating geographies, and no shared definition of success. This is unsustainable:

- The Scottish Government and Local Government need to sit down and agree to simplify the landscape. There is a clear mandate for consolidation and a need to agree and communicate clearly what each is uniquely responsible for, what outcomes they are measured against, and what happens if those outcomes are not met.
- The Scottish Government should introduce an explicit labour market and distributional duty on Scottish Enterprise, HIE, SOSE and the Scottish National Investment Bank, so that accessibility of employment, job quality,

poverty reduction and geographic distribution sit alongside business growth, investment and GDP in how these bodies are held to account.
- Treat the net zero transition and the expansion of the care economy as deliberate employment strategies, with targets for where the new jobs are created, who they will reduce poverty for and who has access to them.

5. Build the data and evaluation infrastructure that devolution requires

Devolution of employability decisions to local authorities only works if the data underneath it is robust enough to support local judgement and public accountability. The Scottish Government should:

- Agree a Scottish Labour Market Data Strategy with the Office for National Statistics, including investment in improved Labour Force Survey response rates and sample sizes in Scotland, and routine use of administrative data approaches of the kind piloted in the Fraser of Allander Institute's analysis for this report.
- Fund analytical capacity in local authorities, prioritising those with the highest labour-market pressure and the lowest current in-house capability, so that an evidence-led local strategy is not easier to produce in the places that need it least.

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