

# Population challenges for public services and the economy



## Introduction

The Improvement Service has produced briefings on the workforce and economic implications of population and demographic change in Scotland. This matters. These changes are already creating significant pressures on public services. This is across the board, but is affecting some regions and places more than others. There is rising demand for services and pressures on budgets from an aging and increasingly unwell population and at the same time a declining population of working age to deliver and help fund these services.

The pressures of rising demands on health and local government services is set to grow and the Improvement Service highlights examples of action being taken by local authorities in response.

## Population change

Three main types of population and demographic change are happening.

**One: there are more deaths than births in Scotland each year.** It is only because of inward migration that the population has grown in recent years. But projections show the Scottish population could start to decline from the middle of the 2030s.

**Two: the working age population is projected to decline.** From 2026 onwards there are projected to be more people leaving the workforce than are joining it. And this is set to get worse.

Meanwhile the retired population is growing and is set to make up an increasingly large proportion of the Scottish population. **There will be a smaller workforce supporting a larger retired population.**

This is more of an issue for Scotland than the rest of the UK. The relative size of the working age population is declining at a faster rate in Scotland than elsewhere. This is likely to impact the Barnett Formula and Block Grant Adjustments which the Scottish Government budget depends on.

**Three: not only is the working age population getting smaller, but a growing proportion of it is economically inactive.** Long-term sickness is the main cause; Scots are experiencing more years of poor health, especially in areas of higher deprivation.

Healthy life expectancy is relatively low and as people age, many more have complex conditions requiring greater care.

Early retirement is the second main reason for the working age population falling. Between 2023 and 2024 there was a 12% increase in people retiring early. This fits with the burnout epidemic and staffing crisis which UNISON members report across our public services.

## KEY POINTS:

- **Scotland's working age population is falling and economic inactivity rising.**
- **A smaller workforce is supporting a growing retired population.**
- **Without inward migration we face growing labour and skills shortages and potential difficulties funding pensions and public services.**
- **We need a Scotland-specific migration policy and investment in social housing and public services to help attract and retain a working age population in every area.**



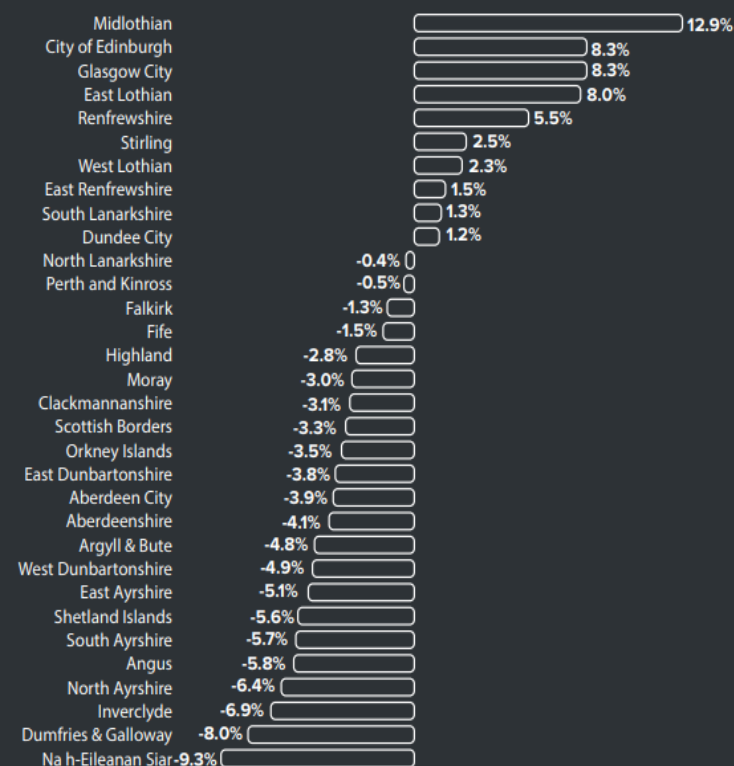
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Figure 1: Percentage change in working age population across Scottish local authorities, 2013-2023



## Local population change

Population change is uneven: in 22 council areas the working age population is falling. In only 10 council areas is it growing. From 2026 onwards, there are only 5 council areas where more people will be entering than leaving the labour force. These are the cities of Aberdeen, Dundee, Edinburgh, Glasgow and Stirling.

The labour force is contracting in many rural and island areas, but is in a healthier place in cities and the Eastern Central Belt. Many factors contribute to this uneven picture including availability of housing, cost of living, employment opportunities and access to these, environment, education and childcare facilities etc.

The five council areas with the highest proportions of older people (65+) include Argyll & Bute, Dumfries & Galloway, Western Isles, South Ayrshire & Scottish Borders.

## Why this matters

These trends create a major problem for the economy and for public services. Particularly on the back of 15 years of austerity cuts.

**Without inward migration, Scotland faces a growing labour and skills shortage. Inward migration is especially important for council areas whose working age population is most in decline and economic inactivity relatively high.** There are labour shortages already in construction, social care, admin & support services. Without action, these are likely to grow and spread. This will affect the economy and jobs, and the fiscal sustainability of the country. Fewer people in work mean lower tax receipts to the Scottish and UK Governments, meaning less money to fund public services.

## Additional reading:

- [Navigating Population Changes - economic & workforce implications](#) – Improvement Service Briefing
- [Navigating Demographic Change – how local government is responding](#) Improvement Service Briefing



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Second, the pensions and social care services of the retired population are funded by the population in work. If the labour force contracts it is harder to pay for these.

NHS boards, councils and IJBs are already grappling with the impact of these demographic changes. It's a common underlying factor in their financial difficulties. Areas with relatively higher proportions of older people or experiencing a rapid increase, are already feeling acute budget pressures as demand for services grows. Workforce shortages in some parts of Scotland are exacerbated by lack of housing or unaffordability.

### What's the answer?

The Improvement Service highlights action being taken and plans being made by local authorities. Their aim is to retain a larger working age population so as to alleviate some of the potential pressures faced by an ageing population. It argues that:

- Scotland needs inward migration. So within the UK we need region-specific migration policies that suit Scotland's needs, instead of a 'one-size-fits-all' UK-wide policy.
- Inward migration needs to be directed to where it is most needed, to achieve population balance in every local area, while also working to retain local people.
- Councils need to pursue local place-based initiatives, using community wealth building, to ensure there is adequate housing and services.
- Local priorities will reflect the specific challenges of urban, rural and island areas. But what is needed are more of all these: good employment and apprenticeship opportunities, affordable quality housing, equitable public transport with better connectivity, access to further and higher education, affordable childcare and other essential social infrastructure, and support to sustain local family businesses.

### Summary

The actions highlighted by the Improvement Service depend on councils, NHS boards and IJBs having the resources to invest.

Public services are the heart of a fairer Scotland. Investing in public services is the way to tackle our population and demographic challenges and prevent a looming crisis. It is also the key to tackling the causes of long-term sickness and health inequalities, including poor mental health.

Our economy needs inward migration. In the context of a housing emergency and with all our public services under huge strain, investment in social housing, in health, schools, social care and social infrastructure is essential for sustainable inward migration, community cohesion and population health.

We need both a Scotland-specific migration policy and investment in public services, with community wealth building used to stimulate local economic growth and good quality jobs.



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