

THE SCOTTISH LABOUR FORCE IN RECESSION

Trends in Employment and Unemployment

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Unemployment in Scotland doubled in the second half of the 1970s and again in the first half of the 1980s, and it is still rising. Indeed in July 1986 Scotland accounted for more than half of the month's total UK increase in unemployment revealed by the seasonally adjusted figures.

One month's results do not make a trend but no economic forecaster predicts any significant fall in the numbers out of work by the end of the decade, except perhaps as a result of special employment measures.

This chapter attempts to assess the significance of the recession for the Scottish labour force. In the first part we examine the distribution of unemployment and the experience of those most vulnerable to it and seek to assess the support they receive. In the second part we consider changes in the structure of employment, discussing the causes of change and decline and setting out the impact for the major industries. In the final section we suggest some directions for policy which might benefit the Scottish economy and reduce the extent and impact of unemployment in Scotland.

The Scale of Unemployment and its Growth

The extent of the increase in unemployment is not as evident as it was in the 1970s because of a flurry of changes to the official statistics which helped to provoke *The Scotsman* editorial 'There are now four kinds of lies. Lies, damned lies, statistics and government figures.'⁽¹⁾ The changes to the definitions of unemployment and the working population, to the collection of the statistics and to the benefit system now total sixteen or seventeen since 1979. All of these – with one exception – have had the effect of reducing the official number of unemployed and/or the rate of unemployment.⁽²⁾ There has long been a need for a radical review of British unemployment statistics, their definition and collection, to improve their coverage and in particular reduce their dependence on administrative sources. However, most of these changes have made the count even more vulnerable to changes in the benefits system because of the decision in 1982 to transfer the count from those registering for work at job centres to those claiming benefit at unemployment benefit offices.

In Scotland the total effect has been to reduce the numbers

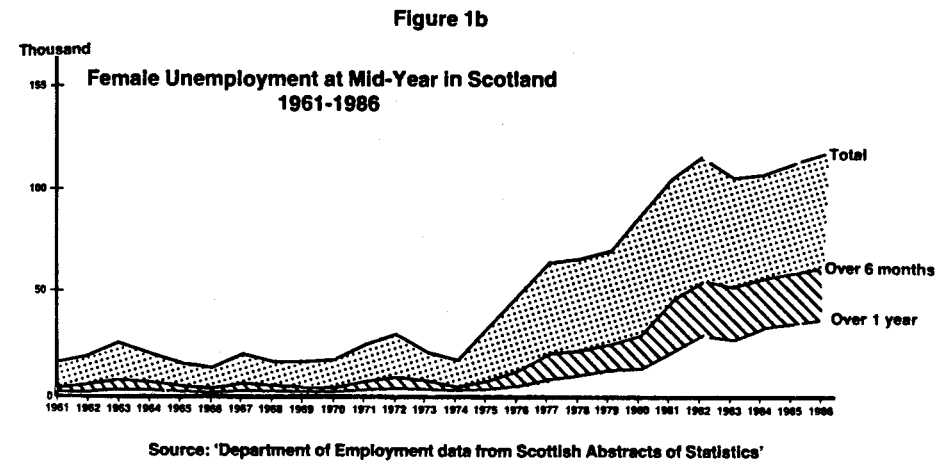
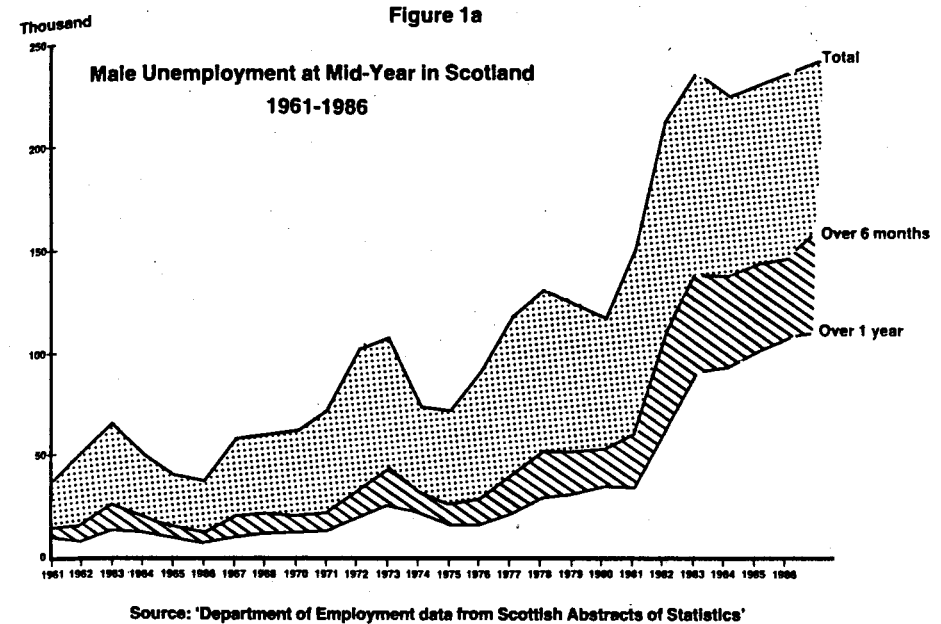
unemployed by almost one-fifth or over 68,000. In July 1986 the official total of unemployed was 358,988 on the new claimant count. The Unemployment Unit estimates that on the previous registrant count the total would have been 427,100.⁽³⁾ The unemployment rate is 14.3% after the latest adjustment compared with an estimate of 18.6% for the old count. The difference between rates is even greater than between the numbers because of the change to a larger denominator including the self-employed and the armed forces – although few of the self-employed out of work appear in the claimant count because of their ineligibility for unemployment benefit.

The use of estimates based on the old count reveals that the doleful landmark of 400,000 was passed for the first time since the early 1930s in January 1985. The reaching of 200,000 in January 1980 and 300,000 in June 1982 attracted major debate but the extent of the rise since then has been concealed by the statistical changes.

Much has been made of the growth in the labour force in accounting for the high level of unemployment and its failure to decline with economic growth. The total labour force did increase by 7% between 1975 and 1985 with a 17% increase among women. However, a detailed comparative analysis of market economies in recession showed many countries with much lower unemployment and much higher growth in the labour force than Scotland and the UK as a whole. 'It is remarkable how little of the immediate increase in unemployment may be accounted for by economic growth (or its lack) and by labour-force growth.'⁽⁴⁾

In Scotland the labour force growth would undoubtedly have been greater had it not been for the recession, given the increase in the population of working age and the fact that married women had been entering the labour force in greater numbers throughout the 1970s. The participation rate for women rose from 43.6% to 49.8% up to 1979 but then dropped back to 46.8% by 1984.⁽⁵⁾ In addition, the long term decline in the participation of older people has been accelerated by the recession, although the fall has not been as great as the increase in unemployment might have led one to expect.

The growth of the Scottish labour force has been no greater than that for the rest of the UK, in part because of substantial migration from Scotland, much of it in 1981-83 outside the UK. In the EC Labour Force Survey for 1983, Scotland had an 'economic activity' rate of 58.3 compared with 58.1 for the United Kingdom as a whole. Among men the higher rate in Scotland was entirely due to those under 25 which was nearly three percentage points higher. Each older age-group fell further below the UK figure. Among women only those under 25 and those aged 35-44 had higher rates than the rest of the UK.⁽⁶⁾



The growth in Scottish unemployment over the last quarter of a century is shown in Figure 1. In 1961 unemployment in Scotland was still about twice the total UK level as it had been from the end of the Second World War. The gap was reduced by about a half during the second half of the 1960s. In recent years the difference between Scotland and the UK as a whole has been between 15% and 20%. The development of North Sea oil has provided some protection but there have been massive losses elsewhere which will be discussed later. The continuing migration from Scotland of course reduces the Scottish/UK difference.

The figure shows male and female unemployment separately to bring out the even sharper increase in unemployment among women. In recent years women have composed 30% of the claimant unemployed compared with about 20% a decade ago and earlier. The change is the result of two factors: the increase in labour force participation among married women and the changes in the National Insurance system with the phasing-out of the reduced contribution for married women from the mid-1970s. Nevertheless, married women out of work have always been undercounted in the regular monthly statistics and recent changes to the basis of the count have omitted many more, especially among the longer-term unemployed. Household surveys such as the EC Labour Force Survey show more women among those out of work : in the spring of 1985 women made up 39% of the unemployed in Great Britain as a whole.⁽⁷⁾

The Geography of Unemployment

The risk of unemployment varies considerably according to where one lives. In Table 1 the differences in the experiences of the regions is shown for selected years since 1967. The data for May 1983 and 1986 have been adjusted to make them comparable with earlier years but the rate and index are also included for May 1986 on the present claimant basis on the far right of the table.

The general Scottish pattern of unemployment doubling from 1967 to 1979, and again by 1983 with a smaller but continuing increase since then, masks considerable variation among the regions of Scotland and within them over that time. The rates of unemployment have actually fallen in Shetland and the Western Isles although the full scale of the reduction has been reduced since 1979. This still means a rate over 18% in the Western Isles, or 21% on the estimated old count, and they have only moved from worst to second worst in the ranking. Shetland by contrast has moved from second worst to best over the same period, reflecting the extra oil-related employment opportunities. Before 1979 there was more of a divergence

TABLE 1

Scottish Unemployment Rates by Regions, ranked by level in May 1986

	% rate		1967 = 100 as index of change				% 'New count'	
	May 1967	May 1971	May 1976	May 1979	May 1983	May 1986	1986 % rate	May 1986
Strathclyde	4.3	156	177	205	432	489	21.0	430
Western Isles	22.9	79	59	57	99	91	20.9	80
Fife	4.2	131	143	162	330	447	18.8	393
Central	3.1	155	184	200	536	594	18.4	522
Highland	5.2	119	106	161	277	335	17.4	294
Tayside	3.2	175	191	225	487	515	16.5	453
Dumfries & Galloway	5.4	100	131	142	263	282	15.2	248
Lothian	2.1	224	248	286	618	683	14.3	600
Orkney	4.6	89	56	126	279	295	13.5	259
Borders	1.3	231	277	269	804	840	13.2	738
Grampian	3.0	127	100	147	316	330	9.9	290
Shetland	8.3	58	35	32	96	83	6.9	73
Scotland	3.6	153	178	203	445	493	17.7	433

Sources: **Scottish Abstract of Statistics**, no. 9, 1980, p. 95 and Department of Employment press releases with estimates of the old registrant count by the authors based on data from the Unemployment Unit.

among areas with the rates actually falling in two regions and quite a wide dispersion among the others with Lothian and Borders rising significantly faster than the rest. Since 1979 it has increased in all areas with seven regions close to the national average. Borders, Central and Fife have experienced the worst increases.

In mid-1986 Strathclyde had the highest rate 18.4%, 21% old count, well ahead of the other mainland regions. Fife and Central were the only other regions above the national average. Strathclyde has borne the brunt of the economic decline in Scotland with the highest unemployment on the Scottish mainland throughout the 1970s and into the 1980s. With unemployment three points above the national average, Strathclyde had 45% of its unemployed out of work over a year compared with 36% in the rest of Scotland in April 1986.

The region lost 37% of its jobs in manufacturing industry within the decade 1971-1981, mostly within the last four years of that period. This made up 85% of the net fall in manufacturing employment in Scotland as a whole. When data on industry and region since 1981 becomes available, it is likely that the pattern will be shown to have continued. The losses reflect the importance of metal manufacturing and metal-using industries, especially engineering and ship building, in the Strathclyde economy, but there was also a 30% loss of jobs in the textile industry in the region.

The net effect of severe decline in manufacturing and limited growth elsewhere was a 12% loss in the total number of jobs in Strathclyde between 1971 and 1981. The increase in unemployment would have been even greater had it not been for a substantial movement of people out of the region – some 73,000 in the three years at the peak of the recession.⁽⁸⁾

By contrast unemployment in the Grampian region has been well below the Scottish average in recent decades. In 1970 the region began to move further below the average and with the Borders has kept closer to half the national rate since then. This did not however prevent Forres from having the very highest unemployment rate for a travel-to-work area in the whole of Scotland, 25% in July 1986. On the same date Aberdeen had 7.7% unemployment, the lowest rate on the mainland, very much in contrast to its experience of the interwar recession: it seems unlikely however that it will be able to maintain this position.

Grampian's generally stronger position during the recession is the result of oil development, now providing directly or indirectly over a quarter of all jobs in the region – more than three-quarters of all oil-related

employment in Scotland according to official statistics. 'More than 500 firms depend wholly on the industry.' (*The Scotsman*, 10 April 1986). The dependence on oil is underlined by the fact that employment in the region grew by 30% between 1971 and 1981 despite an 11% fall in manufacturing. In consequence the slump in oil prices has led to much concern in 1986 'with the threat of job losses which in Scotland alone, could total 15,000 "according to" leading British oil supply and service companies.' (*The Press and Journal*, 31 May 1986). In Grampian itself '5,000 jobs could be lost by the end of the year' in the view of Alex Kemp, Professor of Political Economy at Aberdeen University.' (*The Press and Journal*, 20 May 1986). The Royal Bank of Scotland has predicted a strong recovery but only 'after a serious downturn over the next two or three years.' (*The Scotsman*, 31 May 1986) while others suggest an even greater collapse than the one currently feared, 'at the end of the 1990s when the second phase runs out with little prospect of a third.' (*Press and Journal*, 20 May 1986).

How the decline will actually affect Grampian and the rest of Scotland is not at all clear. Comparison of the first quarters of 1985 and 1986 show an increase of 162% in redundancies notified in Grampian and 33% in Tayside compared with a drop of 25% for the rest of Scotland.⁽⁹⁾ The initial job losses are particularly expected to hit that quarter of Grampian's 51,000 oil-related workers whose homes are outside the region. As well as 3,000 workers from the United States, many have been attracted from areas such as Strathclyde, Tyneside, Merseyside, Teesside and the West Midlands already badly hit by the recession. Many of these workers are employed 'by a vast network of subcontractors' and will probably return home on the loss of their jobs. In addition employment elsewhere will be affected by the slump: at Clydebank for example redundancies have been announced for more than half of the core workforce of 530 and most of the 870 short term contract workers at the UIE offshore rig and platform yard.' (*The Scotsman*, 19 August 1986). In Grampian the indirect impact will be felt in the services that have grown up in response to high paid immigrant workers – hotels and lodgings, catering, leisure and the housing industry.

Comparison by regions alone conceals the extent to which unemployment varies within Scotland. There are significant differences among travel-to-work areas, though these are probably less than in the years of lower unemployment. In July 1986 only two areas – Aberdeen and Galashiels – had rates around half the national average in addition to the Shetland Islands. There were three areas – Forres in Grampian, Cumnock and Sanquhar in Dumfries and Galloway and Irvine in Strathclyde – with rates more than half as much again as the average: another six also had rates as high as 20%.

Marked variations within the travel-to-work areas is brought out by more detailed evidence for the cities of Edinburgh and Glasgow. Edinburgh as a whole had an unemployment rate of 13.1% in January 1986, over two points below the Scottish average. Ten of the sixty-two wards were below half the city's rate but another fourteen were more than one and half times the average rate. Twelve wards "accounted for 19% of the economically active population of the city but for 35% of all the unemployed and 41% of all those unemployed for a year or more".⁽¹⁰⁾ The twelve wards were located within five blackspots in the inner city, peripheral council-housing estates and the port of Leith. 'An adult living in Craigmillar, is eight times as likely to be unemployed as an adult in Cramond' where unemployment was below 4%. In Craigmillar and Niddrie the longterm unemployment for males was over 20%. In Glasgow the scale of unemployment was much higher with an average rate of 21.4% in April 1986. Nine of the sixty-six wards had unemployment rates of 30% or more but only 3 were below 10%.⁽¹¹⁾

The Unequal Impact of Unemployment

During the recession the burden has continued to be borne disproportionately by certain groups within areas. Young people unable to establish themselves in employment, older workers who are particularly prone to prolonged unemployment once they lose a job, those with less skills, the disabled and those in poorer health have all been more vulnerable.

Young people have been particularly affected by the increase in unemployment in the 1980s. In a special analysis in 1983 over a third of males aged 18 to 24 had been out of work at some time within the previous 12 months, more than twice as high a proportion as for older males.⁽¹²⁾ In Scotland in October 1985 16% of Scottish males out of work were under twenty and 24% of females. The percentages were slightly larger than in England reflecting probably the greater proportion of young people entering the Scottish labour force.⁽¹³⁾

The full extent of the collapse of the youth labour market since 1979 is not revealed by the official statistics because of changes in the collection of statistics, in benefit entitlement for school-leavers, youth training and special programmes and the proportion staying in education. The reduction in employment opportunities is more clearly documented in the successive surveys of the Scottish School-leavers or Young People's Surveys (see Table 2). Approaching three-quarters of fourth-year students leaving school at the end of the summer term in 1978 had entered employment by

the time of the survey in the following spring without any experience of YOP. Among the 1984 leavers the proportion going into jobs had fallen to below a third. While less than a twelfth were on YOP schemes in 1979, the proportion on YTS had risen to nearly two-fifths by 1985.

TABLE 2

Destinations of previous session's fourth-year summer-term leavers, at time of survey (percentages), Scotland

Leavers in: Survey year:	1978 1979	1980 1981	1982 1983	1983 1984	1984 1985
Males and Females					
Course	8.4	8.1	10.2	8.7	9.3
Full-time job	72.2	55.0	40.2	33.7	31.6
YOP/YTS	8.3	18.9	27.1	37.7	38.7
Unemployed	9.6	16.9	19.6	16.5	16.3
Others/NK	1.4	1.1	2.8	3.4	4.1
Males					
Course	3.0	2.5	4.4	3.7	4.6
Full-time job	76.8	60.6	46.8	35.7	32.3
YOP/YTS	9.6	19.4	27.2	41.8	43.2
Unemployed	9.4	16.8	19.5	15.7	16.5
Others/NK	1.2	0.7	2.0	3.1	3.4
Females					
Course	13.9	14.6	17.0	15.0	14.9
Full-time job	67.5	48.7	32.5	31.2	30.9
YOP/YTS	7.1	18.2	26.9	32.6	33.3
Unemployed	9.8	17.0	19.6	17.4	16.0
Others/NK	1.7	1.5	3.9	3.8	5.0

Note: 1978 leavers from grant-aided and independent schools without Highers or O grades at A-C are not included.

Source: David Raffe, Centre for Educational Sociology, University of Edinburgh, 1986.

For sixteen-year-olds therefore YTS has made a significant difference to the transition from school into the labour market. 'Seven in ten males

and six in ten females in Scotland were offered places on the scheme in 1984-85; three-quarters of those offered places had accepted them. With the extension of the scheme from one year to two, the experience of unemployment under the age of seventeen is likely to be very much reduced but there is not enough evidence yet to indicate how the transition to employment will be affected, particularly if unemployment remains high. A disturbing finding from the Scottish Young People's Surveys is that those who left school without any educational qualifications were particularly likely to be unemployed rather than on YTS.⁽¹⁴⁾

While the greater risk among young people is so widely recognised that it often monopolises concern about the social impact of unemployment, the unequal incidence by social class tends to be so taken for granted that it rarely provokes any comment. However, many people have assumed that the sharp rise in unemployment has led to a more even spread of the impact throughout the social classes and this view has been reinforced by 'discoveries' of the 'new' unemployed, out of work executives and managers.

In fact the inequality has increased – at least among men, for no comparable data are published for women (see Table 3). In 1983 men from unskilled or semiskilled jobs were four times as likely as men in non-manual work to have had any time unemployed in the previous twelve months: in 1975-77 the incidence had been only three times greater. In 1983 the chance of any unemployment was one in three for the unskilled and semi-skilled, one in six for the skilled, one in ten for the routine non-manual and one in seventeen for the professional and managerial worker. The importance of the loss of traditional manufacturing jobs is borne out by the almost doubling of the experience of unemployment among men in skilled work as well as the marked increase in the already much higher rates among men in semi-skilled and unskilled work.

The increase in the unequal distribution of unemployment is particularly important for understanding its impact. Those who are shown to be more likely to be unemployed are also among those with the least resources. Their vulnerability to financial hardship and poverty will very much depend on the workings of the social security system which will be discussed below.

The Longterm Unemployed

Into the 1980s longterm unemployment climbed more speedily than total unemployment (see Figure 1). However, the government changes to

TABLE 3

Male Unemployment in the previous twelve months, 1975-1977 and 1983, Great Britain

Socio-economic group:	1975-77 %	1983 %
Professional Employers and managers	4	6
Intermediate and junior non-manual	8	10
All non-manual	6	8
Skilled manual	9	17
Semi-skilled and unskilled manual	18	32
All manual	12	23
All males aged 18-64	10	18

Source: General Household Survey in *Social Trends 1980*, Table 5.19 and *Social Trends 1985*, Table 4.26.

the statistics have particularly concealed the full growth of prolonged unemployment in comparison to the past. For some years now even the official figures have shown two in every five unemployed out of work for one year or more and well over one in five out of work for two years or more.

All groups have been affected by the marked increase in longterm unemployment although the impact on women is especially concealed by statistics based on claimants: most married women disappear from the count after their year's insurance benefit has ended. Older people have a higher risk of prolonged unemployment but the increase has been by far the greatest among those under 25. Since 1979 there has been a more than eightfold rise in the number out of work for a year or more.⁽¹⁵⁾ Unemployment has been most likely to be prolonged in Strathclyde and Tayside and least likely in Grampian and Shetland, reflecting the patterns of employment decline and growth throughout Scotland.

As total unemployment remains high, longterm unemployment continues to increase. The MSC Scotland reported that 'nearly 70% of the

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overall increase in unemployment in 1985 was in longterm unemployment.⁽¹⁶⁾ Among the worst hit are the workers who lost their jobs in or before the sharp rise in unemployment in 1980 and 1981: this is borne out by the sharp increase of 55% among people out of work for five years or more who reached 25,000 in April 1986. Comparison over time is more reliable for men than women because of benefit and other changes, and among men the number out of work for five years or more in 1986 exceeded the number unemployed for as long as a year throughout the 1960s.

The chances of these people ever returning to work must be very remote given the evidence that the likelihood of re-employment diminishes with the length of time since previous work. Those out of work for less than 3 months were four times as likely as people unemployed for a year or more to cease being unemployed according to official statistics in January 1986. 'In Scotland an MSC survey of job search behaviour of the longterm unemployed, conducted in September 1984, indicated that at the average job application activity rate it takes a longterm unemployed person 2.5 years to find a job. On average 35 job applications and 9 interviews were required for such an outcome.'⁽¹⁷⁾

The longterm unemployed become caught by the combination of two pressures. The longer they are out of work and the more unsuccessful applications they make, the more discouraged they are made. Meanwhile employers generally prefer to take on people with recent work experience rather than those longer out of work. When unemployment is rising or remaining constant, both these tendencies are reinforced and the chances of re-employment are likely to be further reduced. In consequence those longterm unemployed who cease to become unemployed are more likely to have become ill or to have left the labour force altogether than to have obtained work.

Poverty Out of Work

The significance of the increase in longterm unemployment and its even longer duration is made all the greater by the increased risk of poverty and deprivation with the length of time out of work. And, when this is combined with the fact that the chances of both unemployment and prolonged unemployment are higher for those with lower pay, it is even more likely that any savings or credit become exhausted within the early months out of work.

One indication of deprivation is provided by the DHSS report on low-income families. This evidence used to be published yearly but it is now

produced every other year as a result of government savings in public expenditure. The 1983 data were released after a long delay and many questions at the end of July 1986. These show that 72% of all families headed by an unemployed person had incomes no greater than the basic means-tested scheme of supplementary allowance and housing benefit supplement. In 1981 the proportion had been 56% and the increase reflects higher longterm unemployment and changes in the benefits system.⁽¹⁸⁾

Both Government and independent evidence has indicated the very limited standard of living available at this income level, especially for families with young children and the long-term unemployed.⁽¹⁹⁾ Since much of that research was undertaken, benefits have been further reduced or restricted and so a standard set at the level of the basic means-tested benefit level may fairly be taken as a measure of poverty in contemporary British society.

Between 1979 and 1983 the number of unemployed families in poverty by this very limited measure increased three-and-a-half times. Unemployment therefore directly accounted for three-quarters of the total rise in poverty over that period. Many others have been affected indirectly: many women bringing up children on their own, older people and some in poor health have been unable to supplement meagre resources with part-time employment. Whenever the 1985 results are published, they should show a significant increase reflecting the continuing rise in the number out of work for increasingly long periods.

The Nature and Extent of Social Security

The evidence of increasing poverty and longterm unemployment underlines the importance of the state system of income support and maintenance for people out of work and their dependants. There is much confusion and ignorance about the availability of benefits. In fact, only three out of ten men and less than four out of ten women among the claimant unemployed were receiving National Insurance Benefit in Scotland in May 1985. For both men and women the proportions were slightly higher than the British average.⁽²⁰⁾

The inadequacy of this first line of defence provided by the state's social security system is underlined by the fact that even more unemployed men than were currently receiving insurance benefit had exhausted it all because they had been out of work too long to qualify for any further payments. Insurance benefit has continued to be provided for only 12 months in a spell of unemployment despite the record levels of longterm

unemployment. In consequence over two-thirds of men (68.4%) were receiving supplementary allowance, the means-tested benefit – more than twice as many as drew the insurance benefit.

Among women the proportion with supplementary allowance was lower (45.3%) but it still exceeded the proportion with insurance benefit. It is in fact surprisingly high since very many married women are not eligible for a means-tested allowance if their husband is in fulltime employment and others would generally be included as his dependant if he were unemployed and claiming and not as separate claimants themselves. Women were more likely to be ineligible for insurance benefit because they had not paid sufficient contributions than because they had exhausted the full year's entitlement.

It is often argued that the shortcomings of National Insurance are largely technical because most unemployed are entitled to more money if they apply for supplementary allowance and housing benefit. In consequence the transition from insurance to allowance upon exhaustion is seen as somewhat of a formality. However, income support only continues after exhaustion if the income and savings of the claimant and any spouse fall below a certain low level. In consequence, most men with working wives and virtually all women with working husbands are no longer eligible for any compensation for their continuing unemployment after a year.

The social security reforms of 1986 do little to help the unemployed. Many changes reflect the present government's concern to increase the incentive to find work despite the growing body of evidence on the hardships experienced by people out of work.⁽²¹⁾

Special Employment Measures

The Community Programme, which succeeded the Community Enterprise Programme in October 1982, is the largest special employment measure and is directed towards the longterm unemployed. It provides a maximum of one year's work experience on projects 'of benefit to the community'. Nearly 29,000 people were participants in Scotland in April 1986. This represented a 16% increase on the previous year and current plans forecast a total of 31,400 places by 1987. The scale of the programme in Scotland is shown by the fact that one in five job centre vacancies were for the CP in the first six months of 1986. In some areas its influence on the local labour market is considerable: in Clydebank, for example, CP is said to be the largest employer with 1,000 places, larger even than the District Council.⁽²²⁾ The scheme provides opportunities for people out of work over

a year, or over six months for those aged 18-25. Eligibility has been narrowed to exclude those unemployed not receiving benefit, reducing the number of entrants from married women and older men.

Help from the CP has become concentrated on certain groups. Two-thirds of those on the schemes are under 25, and well over three-quarters male and the same proportion single. The extent and level of assistance have also become more limited. More than seventy per cent are returning to unemployment, underlining the lack of employment opportunities despite government emphasis on the need to improve incentives. In addition, the proportion reduced to working part-time on the schemes has always been high but it has risen to well over 80%. This is partly due to the government's failure to raise the average weekly payment in line with inflation or with the wage rates which have to be paid. The average has only been lifted twice in four years, from £60 to £63 in 1984 and again to £67 in 1986, although the MSC itself originally recommended £89 with annual reviews.⁽²³⁾

New measures for the longterm unemployed have been introduced in 1986 based on the very early results of nine pilot schemes in different parts of Britain. Dundee was the location of one pilot for the Restart programme beginning in early January. By May over half the longterm unemployed had been interviewed and three-quarters of these were 'offered practical help' according to the MSC.⁽²⁴⁾ Details of the actual success in the pilots have been hard to locate. The first three months of *Jobstart* in Dundee, where there were nearly 6,000 people longterm unemployed, only resulted in fifteen applications being accepted according to the answer to a parliamentary question after the Budget announcement of the national scheme.⁽²⁵⁾

Recession and Employment

To understand the full impact of the recession on the Scottish labour force it is necessary to examine the changes in employment as well as unemployment (see Table 4). Between 1979 and 1985 the number of employees fell by 7% (149,000). During the previous six years, when there had also been a major increase in unemployment, employment in Scotland had risen by 2.5% (52,000). In both periods manufacturing lost jobs and services gained. The great difference resulted from the very much sharper decline in manufacturing – by more than a quarter, and not just a twelfth – and an increase in services less than half the rate of the 1970s.

Male employment fell by one-eighth – a decline almost ten times as

great as in the earlier period. Women were also work affected in the more recent period, an increasing number of labour force participants gaining only 2,000, not 69,000 jobs.

TABLE 4

Scotland's employment changes, 1973-85

	1973-9		1979-85	
	absolute changes		% changes	
Total employees	+52000	-149000	+2.5	-7.1
Male employees	-16000	-151000	-1.3	-12.5
Female employees	+69000	+2000	+8.3	+0.2
Self-employed	+21000	+32000	+15.1	+20.0
Manufacturing	-54000	-166000	-8.2	-27.5
Services	+118000	+60000	+10.7	+4.9

Source: *Scottish Economic Bulletin*, June 1986.

The rise in part-time employment of 76,000 jobs between 1979 and 1985 was one of the highest in Britain. When this is taken into account, it is clear that there was also a sharp fall in full-time employment opportunities for women. The only other gain since 1979 has been in the number of self-employed which rose by 32,000.

The Explanation of Recession

Any attempt to explain Scotland's lack of success in generating enough jobs in the 1970s and 1980s must first take account of the longterm failure of industry to keep up with its competitors. In Britain as a whole, industry, particularly manufacturing, has steadily lost its share of markets at home and abroad. This has limited industrial output and therefore the jobs needed to make it. Scotland has shared in this failure: its economic performance resembles that of the rest of Britain much more than that of its other main competitors. The result, as David Bell has remarked, is 'Scotland slipping gradually into the economic backwaters of Europe.'⁽²⁶⁾ There are nevertheless some encouraging features for Scotland, at least in comparison with Britain, which we will go on to examine below.

It is difficult to explain the failure to maintain a share of the market. One major reason seems to be the failure to innovate. On the whole Scottish industry has been slow to change and research and development

have been low even by UK standards.⁽²⁷⁾ There are exceptions to this conservatism, notably in electronics (mainly by foreign-owned firms) and to a lesser extent in knitwear and malt whisky.

A further impediment to British competitiveness in the 1970s and 1980s is the country's disorganised industrial relations system. Wage pressure, out of line with the slow growth in productivity, helped to make the 1970s international profit squeeze and inflation particularly severe in Britain, and is holding back job creation in the recovery.

These problems were exacerbated by the general slowdown in international trade and industrial output expansion with rising industrial costs at the end of the boom, with the oil crises of 1973 and 1979 and with the emergence of excess capacity in the world's manufacturing markets. Investment in periods of excess capacity tends to be of a cost-saving, particularly labour-saving, kind. Scotland's industry has invested more than the rest of the UK, but the effect has been a faster run-down of jobs. New products and new technologies, like electronics and information technology, have not so far been able to generate the jobs to take the place of other manufacturing jobs lost and may themselves displace jobs as much as they create them.

The final element contributing to the jobs failure has been British macroeconomic policy since the 1979 oil crisis. The Government refused to fight inflation with any form of incomes policy, in part because of a concern to bring a reduction in trade union power. In 1980, in spite of the loss of demand with the oil price rise, the Government fought inflation with a tight monetary squeeze which raised interest rates to unprecedented levels. Industry reacted by making major cuts in its investment in stock and there were many bankruptcies. In addition the response of the international money markets lifted the exchange rate which sharply raised the cost of British exports and weakened our competitive position even more.

North Sea oil, as well as providing some 4% of Scottish jobs, has shielded Britain from its manufacturing trade failure. For those in work, incomes have been kept higher and taxes lower than they would have been. The 1985-6 oil price collapse has already threatened to expose the failure in manufacturing, as does the decline in North Sea production due anyway by the 1990s. The jobs in oil and oil-related trades will then only be some of the Scottish victims. The danger is that many more jobs – public and private – will be lost in the squeeze which will be necessary to restore the post-oil balance of trade. This is the sense in which more jobs depend indirectly on our industrial competitiveness than do directly.

The number of jobs is not just a matter of aggregate production. It is also a matter of distribution. In principle, whether the future brings lower or higher aggregate production and income, jobs can be shared around more or left in their present grossly unequal state. Society could choose to have more of its national output in the labour intensive form of public services if it was willing to pay more taxes. More jobs might also be induced by tax incentives without loss of competitiveness, although only if there was a national willingness to share incomes.⁽²⁸⁾

Output and Employment

The slow growth of output in the Scottish and the whole UK economy is illustrated in Table 5. Even including the output of oil, that growth is well below the output growth rates of France and Germany for both periods.⁽²⁹⁾ The output of oil is attributed in Government statistics to a separate region, the Continental Shelf, so that Scotland's figures have to be quoted without oil and compared with UK figures without oil.

TABLE 5

Growth in GDP (output measure), % per year

	Without Oil		With Oil
	Scotland	UK	UK
1963-73	3.5	3.0	3.0
1973-84	0.6	0.5	1.0
73-9	0.8	0.7	0.8
79-81	-1.8	-2.7	-2.3
81-4	1.8	2.3	2.7

Source: Note 29.

A breakdown of Scottish economic output by sectors shows the importance of production and construction in the slowdown since 1973 (Table 6). The demand for many services also comes from production and construction, but the service sectors have not fared as badly, particularly business and public services.

The production and construction sector lost 61,000 jobs in the period 1973-9, its first sustained period of decline. In the next six years the loss has been more than three times greater: a fall of a further 204,000 jobs has meant a 25% drop between 1979 and 1985. A major reason is that this sector is the most vulnerable to international trade and to a monetary

TABLE 6

Growth in output by sector in Scotland, % per year

	Agriculture Forestry & Fishing	Production & Construction	Distribution Hotel, Catering & Repairs	Transport & Communication	Other Business & Public Services
Weighting (%)	3.3	40.4	13.2	7.6	35.6
63-73	3.2	4.1	3.1	3.7	2.9
73-84	1.4	-1.1	1.2	1.3	2.5
73-9	-1.4	-0.8	1.5	1.8	2.8
79-81	6.5	-5.3	-3.3	-1.2	2.2
81-84	4.0	1.2	3.5	1.8	2.0

Source: Note 29

squeeze such as was administered in 1980. Other sectors were not hit to the same degree, but their job performance could not make up for the disastrous record of production and construction (see Table 7).

TABLE 7

Employment change by sector, Scotland, 1979-86

	Share of jobs		Change of employment	
	1979	1985	Absolute	%
Agriculture	2.3	2.1	-7000	-15
Production & Construction	39.7	32.2	-204000	-25
Manufacturing	28.7	22.4	-166000	-28
Distribution & Catering	18.7	21.6	+29000	+7
Transport & Communications	6.3	5.8	-19000	-12
Business & Public Services	33.1	38.2	+50000	+4
Total	100	100	-151000	-7

Source: *Scottish Economic Bulletin* No. 33, Jun 1986 p. 52.

Scotland's comparative record in manufacturing deserves to be examined in more detail. The failure in competitiveness in Scotland, as in the UK as a whole has been so great that output has not recovered to its 1973 level. There have been two periods of severe falls in both output and employment, 1973-5 and 1979-81, with recoveries only in output, 1975-9

and 1981-5 (see Table 8). On each occasion Scotland's manufacturing output has suffered less in the recessions than the UK as a whole but has also performed more slowly in the recovery periods. However Scotland is out-performing the rest of the UK in manufacturing exports. Figures from a recent survey suggest that in terms of export sales per employee they were a third higher in Scotland in 1984. Scotland has continually lost proportionately more jobs than Britain as a whole since 1975, with a particularly notable loss since 1981 in spite of the recovery in output.

TABLE 8

Change in Manufacturing Output and Employment, % per year

	% pa Output		Employment	
	Scotland	UK	Scotland	Great Britain
1973-5	-2.8	-4.6	-1.5	-2.2
1975-9	+0.2	+1.2	-1.6	-1.0
1979-81	-5.9	-7.8	-7.7	-7.0
1981-5	+2.2	+2.4	-3.9	-2.2

Note: Government statistics give output on a UK basis and employment on a Great Britain basis.

Source: *Economic Trends, Scottish Economic Bulletins*, various issues.

Productivity has risen much faster in Scottish manufacturing than in the rest of the UK. This is confirmed by evidence from the Fraser of Allander Institute. They calculate that Scottish manufacturing output per employee rose twice as quickly as the UK one between 1979 (quarter 2) and 1985 (quarter 1), 35.9% as against 17.3%.⁽³⁰⁾ The change appeared to be the result of two factors. Scotland has a larger share of the industries with faster growth in productivity, particularly electronics, and there have also been more total closures or reductions in employment in other Scottish industries. The engineering industry provides an example of both factors. Between 1979 and 1985 proportionately more jobs were lost in Scotland, 29% compared with 22% in Britain as a whole. At the same time overall output in Scotland grew by 9% (1984 compared with '79) against a fall of 8% in the UK. Within Scottish engineering, output growth was most marked in electrical and instrument engineering, up 71% in these five years, but employment still fell, except specifically in electronics. North Sea oil also provided output for Scottish engineering and some 14,000 jobs in mechanical engineering.⁽³¹⁾ A third of the 180,000 jobs left in engineering

in 1985 were in the two growth sectors, but the closures in other parts of engineering had a much greater impact on jobs (for example, car-making and shipbuilding).

Net investment, both per head of population and per employee, has been higher in manufacturing in Scotland than the UK at least since the 1960s. This difference has persisted through the recession. For example, in 1981 it was more than a third higher per employee than in the UK as a whole, including more than twice as much in the chemical industry and the data-processing equipment industry, and more than one and a half times as much in electrical and electronic engineering and in mechanical engineering.⁽³²⁾ In fact investment goods production did not fall in Scotland between 1979 and 1981 while it dropped 15% in UK as a whole. This helps to explain the productivity difference. In the recovery period investment goods production has also risen very much faster in Scotland than the UK⁽³³⁾, but the latest investment per employee figures show an alarming decline in Scotland in 1983, falling to equality with the rest of the UK with a particular failure in mechanical engineering.

The Employment Record of Particular Industries

1. *Production industries*: The distribution of employees between industries is generally quite similar in Scotland and the rest of the UK. Scotland has a heavier concentration of workers in mechanical engineering (particularly pumps, valves and industrial plant), office machinery (particularly computers), instrument engineering, shipbuilding, textiles and clothing, food and drink (particularly whisky), construction, and oil. The table below, from the Census of Production, gives examples of employment loss between 1979 and 1983, the latest data available.

The engineering industry is really a group of different industries making up some 46% of total Scottish manufacturing employment. The staple of Scottish engineering is heavy mechanical engineering and shipbuilding, but the emphasis has changed with the growth of electronics. Motor vehicles, the engineering sector which has lost jobs most in Britain of late, has never been as large in Scotland as in the rest of Britain, but it has still produced some of the biggest individual closures (at Linwood and Bathgate). Mechanical engineering in Scotland should have been revived by North Sea oil, but commentators all describe the response of the Scottish industry as disappointing.⁽³⁴⁾

The two growth areas, electronics and oil-related supplies, have both depended heavily on incoming firms. About half of electronics

TABLE 9

Manufacturing industry job losses, Scotland 1979-83

	Jobs lost 79-83	% of 79 Employed	Jobs remaining '83
Textiles	19100	40	31000
Food, Drink	18500	21	73100
Mechanical Engineering	17900	23	59400
Motor Vehicles	14500	64	8200
Metal Manufacture	14200	51	13800
Clothing	9900	28	24900
Metal Goods	9100	34	17600
Electrical & Electronic Eng.	7800	17	37400
Paper, Publishing	7600	17	36400
Instrument Engineering	7600	50	7500
Shipbuilding & Other			
Transport	7300	17	36400
Chemicals	6300	23	21200
Mineral Products (Bricks etc)	6000	33	12300
Office Machinery	+1200	+17	8400
Manufacturing	156400	27	419200

Source: *Scottish Economic Bulletin* No. 33 June 1986, p. 39 and earlier issues.

employment is in overseas-owned plant, and more than half of the remainder have an English headquarters.⁽³⁵⁾ The UK share of total North Sea expenditure (not only engineering) has been estimated at only around 60%.⁽³⁶⁾ However it is worth noting that the number of jobs lost in overseas-owned firms in Scottish manufacturing between 1975 and 1985 appears to be slightly lower than for manufacturing as a whole, even though two of the largest closures, Talbot at Linwood and Singers at Clydebank, were foreign-owned.⁽³⁷⁾ The electronics industry, which is strongest in computers, semi-conductors, and defence systems, is discussed in greater detail by James Walker elsewhere in this volume. Scottish engineering – not only in electronics – is quite export-oriented e.g. 48.4% of the mechanical engineering output is exported.⁽³⁸⁾ Some firms have significant particular market niches, e.g. in pumps, valves, mining machinery, but it is doubtful if enough research is being done to retain them.

One feature of the Scottish engineering industry is that over 80% of the

jobs are held by men – electronics is the only branch which employs many women – and strongly craft-based.⁽³⁹⁾ These features also apply to three other industries which have suffered many job losses – iron and steel, coal mining and construction. By 1983 iron and steel production in Scotland was down to only 36% of its 1973 level, a graphic indicator of both the slump in demand from the engineering industry and the world problem of over-capacity.⁽⁴⁰⁾ Closures have continued, with the cold strip rolling mill at Gartcosh closing in 1985 and the whole industry is vulnerable. The coal industry has also suffered a long-run decline in markets and is now very dependent on the electricity industry. The Scottish mines which remain are relatively high cost and under pressure to improve productivity, especially with the cheapening of oil.

Construction is a major industry in Scotland with a much larger share of production and construction output in Scotland (24%) than in the UK (16.6%). It employed 114,000 people in 1985, 27% less than in 1979. It has suffered from the slump in housebuilding, particularly in the public sector, and factory building, with output more depressed than the UK industry. It has had a share in the oil-related business but mainly in the development phase.

Textiles and clothing should not just be seen as a traditional declining industry in Scotland. It lost a lot of jobs between 1979 and 1983 (29,000 or 34%) but it is still a large source of employment and includes a branch with a good export record, high quality knitwear. Employment in the Borders Region is very dependent on the continuing success of the major Scottish firm in knitwear, Dawson International.

Food and drink is another very important sector in Scottish manufacturing. It includes a big export-oriented branch in whisky, but one which has lost market share through weak, traditionalist marketing. Employment in 1983 was around 20,000, more than 5,000 down on 1979. It remains to be seen if performance improves. Whisky has its own high value-added sector in malt whisky, whose growth in output is another encouraging aspect of the Scottish economy. Food processing is the bigger source of jobs in the food and drink industry. Fish products, meat products and bread-baking stand out, but it is a sector of small to medium-sized firms, too small for efficient marketing (sales are mainly in Scotland, or at least the UK). Output recovery has been weak and job losses continue.

2. *Service Industries*: Scotland's service industries increased their employment between 1979 and 1985 by 60,000 jobs. But this was only partial recompense for the loss of jobs in production and construction. It

also represented a halving in the growth of service jobs compared with the preceding 6 years when 118,000 had been added. And the increase could be entirely accounted for by part-time jobs. Part-time female jobs grew by 76,000 between 1979 and 1985. These would not all be in services, but at the time of the 1981 Census of Employment 90% of part-time female jobs were in services.⁽⁴¹⁾ The biggest users of part-time staff in Scotland, according to that Census, are retail distribution 79,000 out of 192,000, hotel and catering 57,250 out of 107,000, health services 55,500 out of 145,300 and education 38,250 out of 135,600. The Community Programme also accounts for some 25,000 of these part-time jobs.

Banking and finance is the service sector which had the biggest percentage rise in employment in Scotland between 1979 and 1985, 17% or an extra 21,000 workers. This sector's share of service employment is lower than in Britain as a whole (11.3% compared with 14.2%), reflecting the predominance of the City of London, but Scotland's employment growth was only marginally lower.

Scotland did relatively better than the rest of Britain between 1979 and 1985 in retail distribution and in public services. In retailing, jobs in Scotland increased by 16,000 (8%), whereas with the GB % increase (2%) it would have been 12,000 less. In education, health and other services jobs in Scotland increased by 29,000 (7%) – a saving of 10,000 jobs compared with the GB %. Even in public administration, where the number of jobs in Scotland fell by 5,000 (3%), this was half the total British rate of decline.

Strategies for Change

Analysis of the problems of both unemployment and employment in Scotland reveals the urgent need for radical measures to tackle the lack of employment opportunity and to combat the hardships and poverty of unemployment. Britain may be 'entering the sixth successive year of sustained economic growth' in the view of the Secretary of State for Employment⁽⁴²⁾ but the 'recovery' has brought few new jobs to Scotland in comparison with the massive losses. What gains have been made have been largely in part-time or self-employed work in the service sector while manufacturing continues to shed jobs despite the gains in output. The end of 1985 and the first half of 1986 have seen further falls in employment, particularly in the oil-related industries.

Priority must be given to halting and then reversing the deindustrialisation of the Scottish economy. This is not primarily for the sake of the jobs in production industries themselves, but to avoid an

economic squeeze forced on the country to correct a payments imbalance with lower oil revenues. Industrial policies are needed which will increase both innovation and investment in high value-added products with export potential. Macroeconomic policies can help through a lower pound and lower interest rates, but the scope for reflation is limited by the great loss of capacity that Scottish industry has suffered.

This first aim has to give priority to economic regeneration. Protection of employment must be primarily seen as a longterm, not shortterm, aim. This means raising output by making it more saleable rather than lowering productivity to achieve job protection. Scotland has some policies for this aim already, notably the Scottish Development Agency. A tribute to the SDA's work is that it is about to be copied in the Northern Region of England, but the evolution of its policies has brought it some criticism in Scotland, particularly for largely discarding direct investment and shareholding in indigenous firms.⁽⁴³⁾ Much effort has however been devoted to developing a high technology base for Scotland, although this may have been largely achieved by inward investment. It is important to build on that base using and developing Scottish firms, especially by encouraging research and development in non-defence sectors. But the SDA's work is hamstrung by a budget which has not kept up with inflation since 1981, driving the organisation to be increasingly dependent on rental income from its property.⁽⁴⁴⁾ 'Commercial' rents on advance factories may easily contradict much of the 'nurturing' policy.

In public expenditure terms much the most important economic policy for Scottish industry is regional policy. Expenditure on regional incentives, however, when measured at constant prices, is running at less than half that recorded in the early 1970s and the size of Development Areas has been cut. The bulk of the incentives are capital subsidies, some automatic, some discretionary. 'Locate-in-Scotland', the one-door agency, has had some success attracting inward investment to Scotland using these regional grants. There seems to have been some waste in the automatic grants in the 1970s, e.g. to the oil and petrochemical industries for developments they would probably have made in the same localities anyway. The changes in regional incentives in 1984 included a highly desirable cost-per-job ceiling on these grants. Their rationale has thus become an employment one, although the subsidy still goes specifically to new investment.

What scope is there for specifically employment policies? Because of the importance of competitiveness and income generation in private industry, the scope is mainly in the public sector and the public supported voluntary sector. We are convinced that in Scotland there is a willingness to

pay taxes for more public infrastructure spending and public services (borrowing finance would also be appropriate for infrastructure investment). This willingness to pay comes from the value of better housing, schools, hospitals, roads, and social services – they would not be just employment policies. Estimates of cost per job, when savings in benefits and increases in tax revenue are taken into account, have been as low as £9,300.⁽⁴⁵⁾ This sum should be matchable in value of output. Higher sums are estimated for the cost 'per person off the unemployment register', but we argue throughout this chapter that policy should concern itself with the hidden as well as the registered unemployed. A possible target for these public programmes would be to restore employment in construction to its 1973 level. There would be more than enough need for such numbers for tasks like eradicating dampness in houses and making good the repairs backlog in public buildings. For public services targets must take account of training needs, which would mean programmes to expand, for example, nursery education and home help provision would have to be carefully controlled.⁽⁴⁶⁾

It is also necessary to consider the scope for employment creation through self-employment, small businesses, co-operatives and community enterprises. Scotland has the lowest rate of self-employment in Britain so that there would seem to be scope. The growth of co-operatives and community enterprise and small businesses in areas of unemployment has made a small but helpful contribution and financial support, whether from local authorities, the Manpower Services Commission, Scottish Development Agency or voluntary agencies, is to be encouraged. Most self-employment is in the same line of business as people have been employees, especially craftsmen. In consequence, net job creation from these approaches tends to be limited, for new schemes often act as (subsidised) competition for former provision.

The main emphasis for job generation therefore requires broader approaches of industrial policy and revived public programmes. Given the scale and continuing growth of longterm unemployment, however, there will continue to be a need for special employment measures to help groups most disadvantaged in the labour force. There is no justification for maintaining the part-time emphasis and failing to uprate wages regularly. More effort should be directed towards creating opportunities for the growing number out of work two years or more largely neglected by the present scheme and towards providing longer experience for those with special needs such as the disabled.

The most important change however must be to integrate these

schemes with the overall strategy for employment creation. More resources and energy should be devoted to enabling people to move from special programmes on to regular employment rather than back into unemployment as seven out of ten currently have to do. The measures may then help to counter the tendency for any growth in jobs to go to those with the least experience of unemployment, leaving the longterm unemployed further disadvantaged.

Whatever the longterm strategy for creating employment, there is an urgent need for reforms to the income maintenance system so that it may help and support the unemployed and those dependent on them by promoting and preserving their economic and social security. The persistent link between unemployment and poverty must be broken both for moral and economic reasons. Proper compensation is due to those who are forced to bear the costs of economic and industrial change; and failure to provide it is likely to increase the demands on the social services in years to come.

The full social and economic costs of recession are borne disproportionately by those unable to find work but they are by no means the only victims. Those in lower paid work have seen their wages fall further behind and poverty in work is increasing.⁽⁴⁷⁾ The benefits of sustained high employment to society as a whole have had to be rediscovered as increased unemployment has led to greater inequality and mounting social problems.⁽⁴⁸⁾ The case for action is a strong one.

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