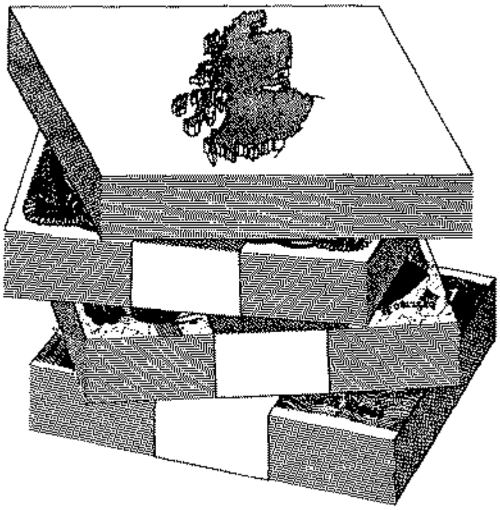
The Scottish Economy

Industrial Performance



BUSINESS SURVEYS

With the inauguration of the quarterly **Scottish Business Survey** (SBS) in September 1984 there are now two regular up-to-date indicators of trends in the Scottish industrial sector. The combination of the new survey and the long-standing CBI **Industrial Trends Survey** provides a comprehensive assessment of trends in Scottish industry. The two data sources are essentially complementary, but there are important differences between them. While the **CBI survey** provides information on trends by size of firm, the **Scottish Business Survey** provides a geographical breakdown of responses. Equally, the CBI provides information on sectoral employment trends, while the SBS distinguishes between male and female employment, and in some sectors between full- and part-timers. In addition, the number of respondents to the SBS is well over twice that to the CBI survey, and they cover not only manufacturing but also construction, distribution and financial institutions. The results from the new SBS are therefore capable of a greater degree of disaggregation than those from the CBI.

The results of the two surveys are first considered separately and their combined verdict on Scottish manufacturing trends is then summarised. Both surveys were conducted against a backdrop of a slight weakening of sterling's effective exchange rate and a 1% rise in nominal interest rates.

SCOTTISH BUSINESS SURVEY RESULTS

The latest Survey (January 1986) suggests that the bearish outlook, reported in the November issue of this **Commentary**, has been moderated if it has not, as yet, been completely reversed. In manufacturing a balance of 6% of respondents are more optimistic about their own business prospects while in retail distribution, a balance of 16% of respondents express increased optimism. This optimism is not, however, shared in all sectors. Construction activity looks set to remain depressed with a balance of 4% of respondents viewing prospects less optimistically than previously. The outlook is not so gloomy in wholesale distribution, but here too there is a marginal balance of respondents who view prospective trading conditions less favourably. The financial sector's expansion of credit to both personal and corporate sectors looks likely to continue.

The increased confidence of the manufacturing sector would appear to have its origins in the expectation of an increase in the volume of new orders from both home and overseas markets. Associated with the increase in orders is an expected strengthening in the volume of sales, particularly in the home market where there has been a recent contraction in demand. A balance of 10% of manufacturers report a decline in home orders placed over the last three months. Whilst there is a positive balance of 14% of respondents who intend to authorise more expenditure on plant and equipment, such investments remain motivated either by the need to replace worn-out equipment or by the desire to increase efficiency. It is not surprising, given the limited expansion to capacity which is planned, that employment prospects within the manufacturing sector remain bleak

Over the previous three months a balance of 5% of respondents report a decline in numbers employed, with both male and female labour being shed. Expectations are that in the coming three months this position will be further exacerbated: a balance of 12% of respondents expect further reductions in the numbers they employ.

Within the manufacturing sector, the SBS indicates that fortunes are mixed. Textiles continues to show signs of strong growth. A significant expansion of Scottish demand is expected and with a sustained growth of orders in UK and overseas markets, the sector expects to increase its employment of both male and female labour. Only in the textiles sector are new investment expenditures primarily motivated by the need to expand capacity.

No other manufacturing sector appears to be experiencing the buoyant conditions enjoyed by Textiles. Respondents in Electrical Engineering and Electronics, however, appear less apprehensive about their general business prospects than they have been in the recent past. Though a decline in orders was experienced by sample firms in the last three months, a large and positive balance of respondents expect growth in both their orders and sales in the next three months. This more optimistic outlook does not, however, carry over to employment prospects with the bulk of new investment expenditures here being directed toward replacing old plant and equipment, and buildings.

Respondents in the Miscellaneous Manufacturing sector report that they are experiencing a significant improvement in their orders and sales. Furthermore, this improvement is expected to be maintained for the next three months. It is probably for this reason that a balance of 19% of respondents expect to increase employment even though the previous three months saw a reduction in numbers employed. It is of note that the improvement in conditions experienced in Miscellaneous Manufacturing, though encouraging, is measured in relation to an extremely low base. Respondents report that still only 37% of their capacity is being utilised.

There are a number of other sectors in which levels of capacity utilisation remain extremely low. Metal Manufacture and Metal Goods report that only 40% of capacity is in use; Mechanical Engineering has a lower level of capacity utilisation at 30% with capacity utilisation being even lower still in Other Engineering at 28%. In Metal Manufacture and Other Engineering respondents are generally bearish about prospective business conditions though the extremely depressed prognosis reported in the November issue of this **Commentary** for Metal Manufacture is not echoed in the present returns. Whilst a balance of respondents in Mechanical Engineering claim to be more optimistic about their general business situation, primarily because of an expected increase in orders over the next three months, investment intentions remain depressed and stocks continue to be run down.

Of the remaining manufacturing sectors, only Paper, Printing and Publishing shows any sign of expansion. Export markets no longer appear to be the constraint on growth that they have been in the past. Despite a general expectation of growth in orders, gains in employment which have been made over the past three months are expected to be reversed in the coming three months. Buoyant investment intentions reflect a desire to introduce new processes which are intended to improve efficiency. The inference is that these processes are (in unit output terms) labour saving.

Respondents in both Chemicals and Food, Drink and Tobacco report that they are less optimistic than they were three months ago. Orders are stagnant or depressed in both sectors and there is little or no sign of improvement in the coming quarter. Whilst a positive balance of respondents report an upward revision in investment intentions virtually all investment is in plant and machinery and is intended either to replace old equipment or to increase the efficiency of existing operations.

To recapitulate, the returns of the SBS for January indicate that, on balance, sales and orders in manufacturing have increased in the past three months and are expected to increase over the next quarter. Unfortunately, the implied expansion in output is likely to be insufficient to make any significant impact on employment. In Construction orders are depressed and employment prospects are poor and while recent growth in the volume of retail and wholesale sales is likely to be sustained, this too is likely to have little enduring effect on full-time employment. The recent trend toward the increased use of part-time labour looks set to continue for some time.

CBI SURVEY

Like the SBS, the CBI Survey reports an improvement in business optimism, though in the CBI Survey a balance of respondents are less rather than more optimistic about prospective business conditions. The negative balance of - 2% is, however, smaller than in the preceding quarter, (October 1985), when a negative balance of - 9% was recorded.

The slowdown in domestic demand which has been observed in recent months is, according to the CBI Survey, likely to be halted and even reversed in the coming quarter. Further it is expected that there will be a continued expansion of exports. In the four months to January 1986, a positive balance of 23% of respondents reported an increase in orders and for the coming four months a balance of 17% of respondents expect continued growth in export orders. Output is expected to reflect trends in orders and so it too is likely to expand in the coming months.

The investment intentions reported in the CBI Survey for January 1986 are much the same as those recorded in October 1985: 52% of respondents believe that their existing capacity is more than adequate to meet expected demand over the next year. Consistent with this view, respondents indicate that the large bulk of authorised capital expenditure is aimed at improving economic efficiency. With stagnant or only slowly growing output this is a bad augury for employment and indeed a negative balance of -19% of respondents reported a reduction in numbers employed in the previous four months. An identical balance of respondents expect this downward trend to persist in the next four months.

At the sectoral level, the major findings of the CBI Survey are as follows: respondents in Chemicals, Metals, Engineering, Textiles and Other Manufacturing are generally less optimistic about the business situation in their industries than they were four months ago. Indeed, only in the Food, Drink and Tobacco sector are respondents more optimistic. Generally speaking, the overall results reported for manufacturing are reflected in the individual sectoral results with all sectors reporting recent and prospective contractions in employment. Analysed by firm size, the results of the CBI Survey suggest that smaller firms (0-199 employees) are the most pessimistic about their general business conditions with medium size firms (200-499 employees) being the most optimistic. This optimism, however, is equivocal with a balance of respondents expecting both a decline in export orders and the authorisation of less capital expenditure on plant and equipment.

At an aggregate level, the SBS and CBI Surveys broadly concur. Both suggest a strengthening of business optimism. Both surveys are also in agreement that, despite the increased optimism, employment prospects remain bleak. At a detailed level, however, there are apparent inconsistencies between the survey results. For example, the SBS suggests a depressed outlook for the Chemical sector whilst the CBI respondents appear neutral to optimistic about business conditions. Contradictory responses can also be detected in the data for Metals; Food, Drink and Tobacco and Engineering sectors.

Given the substantive nature of the differences in SBS and CBI Surveys and given that in the past the results of the surveys have shown a reasonable correspondence, it is worth speculating on why the observed differences may have occurred. First, both surveys are likely to be subject to irregularities which emanate from unusual events experienced by their respondents. The larger the number of the respondents the more likely it is that any such influences on the overall returns will offset each other. This line of reasoning tends to lend more credence to the SBS results than to the CBI results, because the former is normally based on returns from a larger number of respondents. The coverage of the surveys in terms of the percentage of total output, exports, investment and employment accounted for by respondents is, however, a more reasonable criterion by which to assess the representativeness of the respective samples. Unfortunately, the information needed to assess the surveys in this way is not available.

A second reason why the results may differ between the surveys is that they may have weighted the answers of respondents in different ways. The SBS weights replies in terms of employment while the CBI system of weights for their returns for Scotland is not entirely clear. To the extent that different methods of weighting are employed, differences in results will be observed.

Yet another source of possible inconsistency in the surveys is in the choice of sectoral classification and perhaps also in the way in which firms or respondents are allocated to these sectors. This might mean for example that SBS chemicals sector is quite different from that of the CBI survey. In such an event, like would clearly not be being compared with like.

Innumerable other sources of inconsistency are possible. The timing of the surveys and the horizon over which they evaluate events though closely synchronised need not be identical and this may lead to some incompatibility. The format and phraseology of the questions may influence the nature of respondents replies, and so on. If, in the future, noticeable differences in the replies of respondents persist it may be necessary to look at these issues more closely. For the moment it is sufficient to signpost the sources of possible incompatibility between the surveys, which, for the moment, trouble only the interpretation of detailed sectoral results rather than the more broadly-based returns which remain in broad agreement.

AGRICULTURE

Preliminary estimates of the net income of Scottish farmers in the year 1985, released in the Government's White Paper, "The Annual Review of Agriculture - 1986", shows that Scottish net farm income fell by 75% from £172 million in 1984 to £43 million in 1985. When adjustments are made for inflation, the 1985 figure is less than one tenth of the previous record high of some £216 million in the drought year of 1976.

Apart from adverse weather conditions, the reasons given by the NFU for what they call this "disastrous" reduction in income are product prices falling by an average of 2% against a 3% increase in costs, and a substantial 33% increase, to £109 million, in the interest payments by Scottish farmers on bank loans. All types of farming showed a substantial drop in income, with cropping farm incomes expected to be most severely hit. Less severely affected were dairy farms, specialist sheep farms, and intensive farm units producing pigs, poultry and eggs.

Although the Government has promised to take these figures into account in the annual Price Review which is now under way, it also points out that around £300 million is already being spent annually in support of Scottish agriculture, and that agriculture in the EEC as a whole is over-producing almost all of the major foodstuffs at a very high cost to the taxpayer and consumer.

Just how great these costs are is indicated in a confidential report drawn up by the Farm and Finance Commissioners of the European Commission. This report puts the value of unsold food kept in EEC storage at around £6 billion, ten times the value of stocks held just four years ago. The cost of both storage and de-stocking has been revised upwards to £2.5 billion, or nearly a quarter of the entire European budget allocation for agriculture. For some products these expenses are almost equal to the guaranteed prices paid to farmers when the food was bought in.

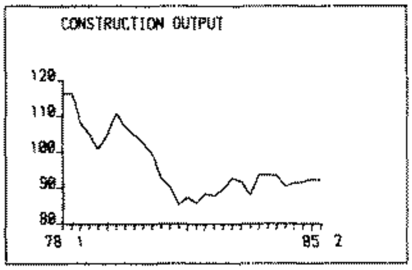
In the light of these facts, neither the Government nor the European Commission can be blamed for not wishing to increase the overall level of support to agriculture. However, they can be criticised for the way in which that support is distributed.

For example, the British Government gives no sign of pursuing a coherent agricultural policy directed towards maintaining viable rural communities. Now that maximisation of food production is no longer required, some alternative agricultural policy is needed in its place. However, in this, as in other areas, the Government appears concerned more with cutting expenditure as an end in itself without regard to the consequences.

Secondly, there are signs that the British Government seems less determined than others to exploit the Common Agricultural Policy in the interests of domestic farmers. For example, Mr Michael Jopling, the British Minister of Agriculture, has already warned the EEC that he will oppose moves that discriminate against farmers with large cereal acreages. There are few such farmers in Scotland, yet it is precisely such farmers who absorb a disproportionate part of the EEC budget, supplying unwanted cereals and earning incomes that scarcely require further subsidy.

CONSTRUCTION

The latest Department of Environment data reveal that orders received by contractors in Scotland totalled £293.34m during the third quarter of 1985, a fall of 257 over the previous three months, and a reduction of around 3% compared to the same quarter a year earlier. For the nine months to September 1985, however, construction orders worth £1,018.9m were received in Scotland, some £60m higher than in the same period of 1984.



The lower level of orders placed during the third quarter of 1985 is not unexpected and can be attributed to the seasonal downturn in demand which occurs in the latter half of a year. Typically, this can be seen in a reduction in demand over almost all of the fifteen classes of new work identified in the data, and this is indeed what occurred in the three months to September. The only sector enjoying an increase in new orders, compared to the preceding months, was public housing which is less affected by seasonal factors than it is by the constraints of housing authorities' finance.

The fall in total orders relative to the same quarter a year earlier was more significant in the private sector, where the total of new work, at £162.37m, was almost 7% below its 1984 level. There were small increases in contracts for industrial, entertainment and miscellaneous categories of work, but these were outweighed by falling orders for the remaining four types of work. Private sector industrial work has proved to be one of the mainstays of new construction activity in Scotland during 1985. The value of new orders, in nominal terms, has been consistently above 1984 levels in each quarter up to September. This would suggest that new industrial work may be, finally, on an upward trend, and some credence is given by the fact that demand for similar work in the public sector has also been stronger, relative to 1984, throughout the period.

ENERGY: OIL AND GAS

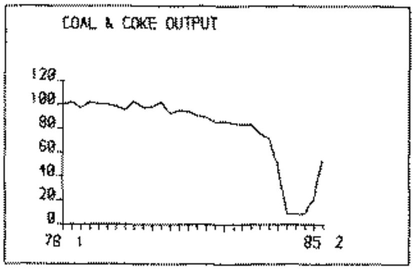
UK production of crude oil totalled 31.8 million tonnes between September and November 1985, up 3.2% on the corresponding period in 1984. During the same three months, 1.3 million tonnes of NGL's were produced and 4.26 million therms of gas were supplied by the public system. Indigenous gas accounted for 75.2% of the total supplied.

Recent weeks have seen sharp falls in crude oil prices. Brent crude for spring delivery has recently traded at below $17pb compared with $30pb last November. OPEC members have indicated that they are not prepared to accept further reductions in their global market share (now around 25% of total) and will compete in price terms to ensure this. Saudi Arabia, translating words into deeds, has increased production to some 4.9 mbpd, 13% more than its OPEC quota and twice its daily production last summer. OPEC as a whole is producing about 2 mbpd more than its agreed ceiling of 16mbpd and non-OPEC producers seem very reluctant to reduce their daily production of 28mb. At these production levels, industry experts estimate that there is a global excess oil supply of up to 4mbpd. In the circumstances, it is not surprising that serious predictions are being made that oil prices could fall below $15, or even $10, per barrel over the next few months.

In the immediate future, the only likely reaction by North Sea producers to falling oil prices might be to bring forward and/or extend, field maintenance programmes. This could reduce UK production by perhaps 200,000bpd. However, if oil prices remain below $20bp for any extended period, exploration and development programmes may be deferred or cancelled, with consequent adverse ramifications on the Scottish offshore supplies industry. At prices below $10bpd, the economic viability of some existing UK oilfields could be questionable.

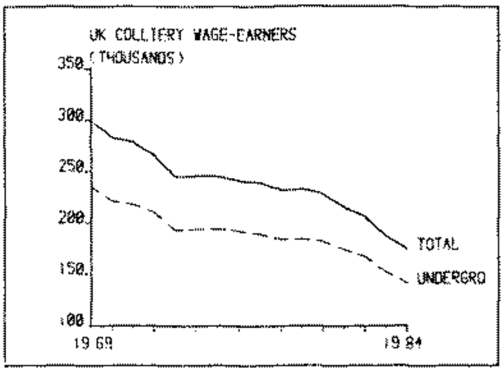
ENERGY: COAL, ELECTRICITY AND WATER

As suggested might happen in the previous **Commentary**, the index of industrial production for other energy and water supply in Scotland fell in the second quarter of 1985 from 121 to 117. A notable slowing in the index occurred between the last quarter 1984 and the first in 1985 when compared with the total UK index. This, it was suggested, was due to the increasing activity of coal-fired CEGB power stations as the miners' strike crumbled and to a consequent decrease in the demand for Scottish exports of electricity. This trend appears to have continued into the second quarter when the Scottish index was only three points above its first quarter 1984 figure of 114. The UK index continued to climb, albeit by only 1%, to reach a new high of 131.

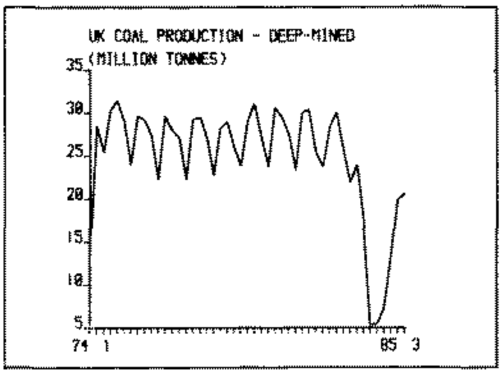


The index of production for coal and coke reflects the return to work in UK pits in the second quarter 1985 and stood at 54 for Scotland as opposed to 2 in the previous quarter. Now that the effects of the strike are truly left behind and productivity is quickly increasing (by the end of 1985 it was reputedly at its highest level since nationalisation in 1947) it is possible to look more objectively at trends in the industry.

Figure 1 shows UK colliery wage earners over the years 1969 to 1984.

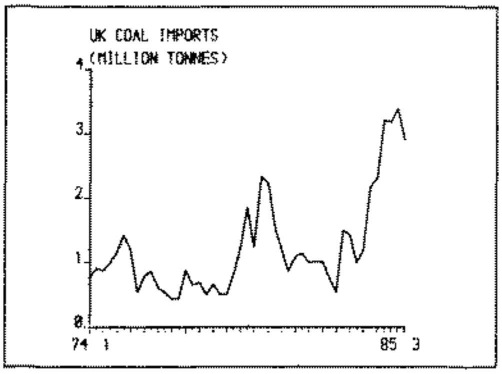


The total workforce has fallen from 300,000 in 1969 to 174,000 in 1984 representing a fall of 42%. The numbers employed underground have declined just as sharply. In the meantime, however, deep-mined coal production in the UK has remained fairly stable (excepting, of course, the 1984-5 dispute) over the period 1974 to 1984 (see Figure 2) thus reflecting the upward trend in productivity per man.



The figure for deep-mined production shows quarterly production movements with peaks in the first and fourth quarters (ie winter) and troughs in the second and third (spring/summer). Despite the jagged appearance of the graph it is apparent that the average quarterly production in the industry lies somewhere between 25m and 30m tonnes.

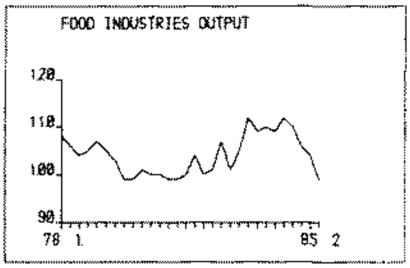
Figure 3 displays the pattern of quarterly coal imports to the UK and shows that, while these reached a peak of 3.4m tonnes in the second quarter of 1985, they rarely rose above 2m tonnes per quarter in the years 1974 to 1985.



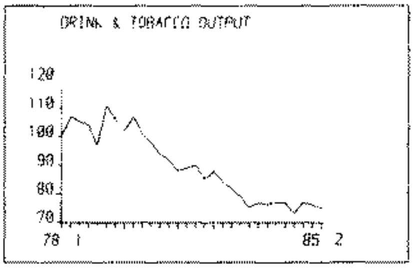
It is possible, however, that this situation may change in the future if remarks made by the Chairman of the CEGB are to be taken seriously. In December he warned that more coal might have to be imported in 1986 if the NCB failed to maintain its recovery The CEGB alone has the capacity to import 10m tonnes of coal per annum (12% of its total demand) but this has normally been limited to around 1m tonnes (although in 1985 it was 2.5m tonnes). Despite this threat, the CEGB have promised to maintain coal burn at 70m tonnes per annum into the next century.

If the current drop in the price of oil is maintained the possibilities for coal substitution in industrial boilers look like remaining poor. The Government has increased its conversion assistance scheme but this market, which two years ago seemed prospectively both lucrative and expanding to the industry, has, first with the pit dispute and now the oil price slump, all but disappeared as the economic pendulum swings away from pre-emptive re-investment in coal-fired boilers.

FOOD, DRINK AND TOBACCO



In the Scottish food sector, output in the second quarter of 1985 declined by 5% to an index level of 99. However, not too much can be read into this apparent fall since index numbers for the latest quarters in this sector are usually subject to substantial revision. For example, the provisional estimate of 99 for the first quarter of 1985, reported in our last **Commentary**, has since been revised to 104. In the UK, output is estimated to have fallen by 2% to 102 in the three months to June 1985, its lowest level since 1983.



The index of production for the drinks and tobacco industries in Scotland fell from 76 to 75 in the second quarter of 1985. Taking the 12 months to June 1985 over the previous 12 months, output has fallen by 2%. A similar decline was recorded for the UK as a whole taking its index level to 94 by the second of 1985. The difference between the index levels of Scotland and the UK as a whole reflects to a large extent the performance in recent years of the whisky industry which tends to dominate trends in the Scottish sector.

More up-to-date information from the results of the January 1986 **Scottish Business Survey** indicated that respondents from the Food, Drink and Tobacco industries were on balance slightly less optimistic at the beginning of the year about the general outlook for their industries than they were three months previously, with insufficient sales or orders cited by 80% of firms as the most likely constraint on output over the current quarter. After allowing for seasonal factors, 63% reported higher sales to export markets in the last quarter, with 38% expecting further increases in the next quarter. A smaller proportion, 23%, reported an increase in sales in the home market in the three months to December 1985 but only 17% expected this trend to continue during the first quarter of 1986. Responses to employment questions largely reflected the output expectations. 38% of respondents reported lay-offs in the previous three months but over two-thirds anticipated further employment reductions over the current quarter.

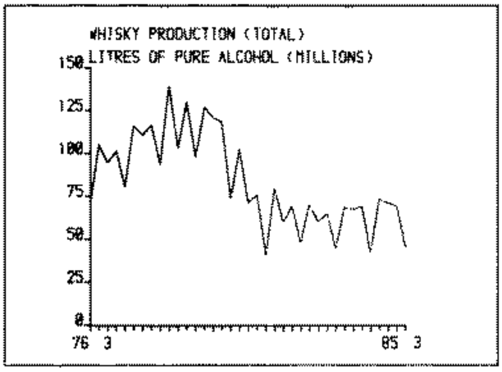
Takeovers and mergers involving Food, Drink and Tobacco companies continue to make headline news. In the Argyll-Guinness-Distillers takeover triangle, James Gulliver's Argyll Group followed up its revised offer for Distillers in February by purchasing more Distillers' shares in the market, thus bringing its stake in Distillers to just under 4%. However, overshadowing the whole campaign is the possibility that the Guinness bid will be referred to the Monopolies Commission. Since the announcement by the Office of Fair Trading on whether or not the bid should be investigated by the Monopolies Commission is expected in the very near future, Guinness is unlikely to raise the stakes until then.

Also under scrutiny by the Office of Fair Trading is the planned merger between the Imperial Group and the Edinburgh-based United Biscuits. Their merger would create a formidable food, beer and tobacco group valued at over £3 billion. However, the merger may be seen to have competition implications, particularly with regard to the snacks market of which the combined group would control 45%. The possibility of the merger being referred to the Monopolies Commission is not the only cloud on the Imperial Group's horizon. It is itself the target of a £1.8m bid by Hanson Trust which is also being considered by the Office of Fair Trading for possible referral to the Monopolies Commission.

In the soft drinks sector, Glasgow-based A G Barr saw turnover rise from £34.7m to £35.1m in their latest financial year. Although group pre-tax profits rose slightly from £3.16m to £3.20m, trading profits fell from £2.8m to £2.6m. Plans are underway this year to take Barr's Irn Bru into new markets including Southern California and Saudi Arabia.

WHISKY

After recent optimism there was a slightly disappointing end to the year with total whisky exports for 1985 down 2% at 225.9m litres of pure alcohol. As a result the value of annual exports just failed to top the £1b mark for the first time - the total was £994m. The overall fall was due almost entirely to the slump in bulk malt sales, a decline of 31% being accounted for by problems in the Japanese market to which the majority of bulk malt shipments are made. More encouragingly, bottled blended exports rose 2% and bottled malt rose fully 27% continuing the positive trend established in recent years.



Production figures also reveal some encouraging news. The third quarter of 1985 saw production of 45.2m LPA, the highest third quarter figure since 1982. As with the previous quarter, malt whisky showed a much larger increase than grain, 13.5% against 2.9%, reflecting the recent trend in favour of the Highland product.

Inevitably the sector is dominated by developments in the continuing struggle for control of DCL. The bid by Argyll was long-awaited and came as no surprise, yet during the early stages of the bid the DCL directors showed themselves to be at sixes and sevens over how best to defend themselves. This was summed up by the disclosure that DCL had exported a small amount of malt whisky in bulk last summer, having previously been the leading voice in the anti-bulk lobby. DCL's subsequent promise to the unions that it wouldn't happen again smacked of the naughty schoolboy being penitent because he has been caught rather than because he recognises the wickedness of his ways.

By the time this **Commentary** goes to press the Mergers Panel will have decided whether the agreed merger between Guinness and DCL is to be referred to the Monopolies and Mergers Commission. There cannot be the slightest doubt that this bid should be referred. On the grounds of competition alone the arguments are overwhelming; the combined group would account for over 35% of domestic sales and control half of the productive capacity in the industry. Some commentators have suggested that this is of no consequence because DCL at one time controlled much more than 35% of the home market on its own. This is a completely fallacious argument. There is a world of difference between an existing monopoly and its effect on the market, and the deliberate creation through merger of a monopoly in a market in which one does not already exist. The effects on market power, rationalisation and so on are entirely different in the two cases, and the fact that DCL was once dominant in the UK market is a weak argument for saying that we should be unconcerned about the re-emergence of such dominance.

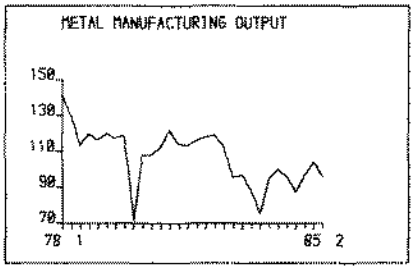
The suggestion that the home market should be subjegated to the need for a dynamic, major force in the world market in order to fight the Japanese and Americans sounds suspiciously like the argument used in favour of the IRC-inspired mergers of the 1960s. Clearly the case is not without merit - the industry **does** need rationalisation, and DCL is undoubtedly the correct vehicle which should be used in order to achieve this. Indeed, one of the principal arguments in favour of the takeover mechanism is that it can replace inefficient managements with more capable individuals, or at least shake the incumbent management from their lethargy. However, this begs the question of whether Guinness is the correct party to effect the necessary rationalisation. By instigating the merger talks, DCL directors clearly feel that Guinness is good for the whisky industry, although the whole process smacks strongly of defeatism in the face of the likely success of Argyll's unwelcome bid. But the successful culmination of the merger would lead to a situation in which a company which six months ago had no whisky interest suddenly controlled two of the industry's major elements. Allowing the takeover mechanism to function freely in the acquisition of a major company is one thing; allowing this mechanism to lead to the sudden domination of a major export industry is quite another. If this does not constitute grounds for invoking the criterion of "the public interest" it is hard to imagine what does.

The point about Guinness being a suitable or unsuitable vehicle for restructuring the whisky industry also has a specifically Scottish dimension. Of course, the regional argument will carry no weight in the Mergers Panel's decision, but this does not render the issue unimportant. Ernest Saunders proved masterly at taking the wind out of the sails of the Scottish lobby during the Guinness bid for Arthur Bell by giving guarantees not only of no redundancies, but of the establishment of a Guinness corporate office in Scotland. While the redundancy issue has been more hedged with regard to the proposed merger, Mr Saunders has gone even further regarding the corporate office and promised that the merged group's headquarters will be Scottish-based. James Gulliver has given a similar assurance with regard to the Argyll bid. The location of ultimate control is an issue of more than academic interest, a point discussed at some length in a **Commentary** article on the takeover of Arthur Bell (Vol 11, No 1, pp72-77). That article mentioned the possible detrimental effects to the Scottish economy of the loss of service inputs following the external acquisition of Scottish companies. It is perhaps worth mentioning that the much-heralded Guinness corporate office has failed to materialise in all but the most embryonic form, and that one of Guinness's first acts following the acquisition of Arthur Bell was to remove the bulk of the whisky firm's advertising from a Scottish agency and place it with an English company.

One final observation on the Guinness/DCL merger. The suggestion that the bid should not be referred because the Monopolies Commission is over-burdened with work is akin to saying that suspected criminals should not be tried because the courts are busy. If the Commission is short of staff then this is an argument in favour of diverting more resources to it, not for failing to refer important bids.

The other major item of news in this sector is the Japanese acquisition of Tomatin Distillers, owners of the largest malt whisky distillery in the country. This can hardly be regarded as a surprise and, the possible Japanese acquisition of a malt whisky distillery was predicted in the **Commentary** eighteen months ago (Vol 10, No 1 pp60-62). From the Japanese point of view this move ensures the continuation of an important supply of bulk malt whisky which can then be mixed with Japanese whisky. Actually owning a distillery means that this supply is now immune from the vociferous anti-bulk lobby, and it is here that the importance of the purchase rests rather than in claims about developing Tomatin's own little-known brands.

METAL INDUSTRIES

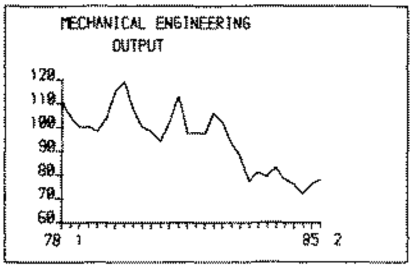


The index of production for Scottish metal manufacturing fell sharply in the second quarter of 1985 to a level 7% below that of the first quarter but the same as that recorded in the corresponding quarter of the previous year. This second quarter fall was in marked contrast to the simultaneous 8% rise for the UK as a whole. The continuing depressed state of this sector in Scotland is confirmed by the results of the January 1986 **Scottish Business Survey.** Scottish companies in metal manufacturing and metal goods report a decline in optimism about current trading conditions, substantial excess capacity and output over the coming quarter being constrained primarily by a deficiency of orders or sales. While there were increases in employment in the three months to December, those increases are expected to be at least partialy reversed in the present quarter.

Developments in this sector continue to be dominated by the implications for Scotland of BSC's strategy for the steel industry. The closure of Gartcosh in March has not been reversed, despite extensive lobbying by shop stewards, politicians of all parties and church leaders. Attention is now directed on the likely outcome for the Ravenscraig plant of the next major review of BSC's operations which is due in 1988. Ravenscraig's already precarious position is further endangered by uncertainty about the future of the Dalzell plate mill (see **Economic Perspective**). Redundancies have also been announced at the Clydesdale tube works.

Elsewhere a team from Thor Ceramics in Clydebank has collaborated with British Steel at its laboratories in Lackenby to develop a rotary valve which is potentially a source of substantial cost reduction. Continuous casting has been the single most fundamental innovation in steel-making over the past two decades and the new rotary valve offers the opportunity to extend that process to a much wider range of steel products. Given different cooling and flow rates for different grades of steel, many types of steel must presently be produced using the relatively expensive ingot route. By offering greater control over continuous casting, the rotary valve avoids the need to revert to the ingot route and, thereby, may significantly increase yields and generate energy savings. BSC is taking out patents and Thor Ceramics has been licensed to market the valve.

MECHANICAL ENGINEERING



Scotland's mechanical engineering industry faces a bleak outlook following the recent fall in crude oil prices. Over the last 5 years the industry in Scotland has been hit much harder than in other parts of Britain. The one section of the Scottish industry which has held up well is fabrication for the offshore sector. The future for this now looks very uncertain.

In the middle of 1984 about 31% of the 50,300 people employed in Scotland's mechanical engineering industry were employed in companies wholly associated with North Sea oil. Many more were working on offshore contracts in other mechanical engineering firms.

Most of the offshore work that comes to mechanical engineering firms is tied to the exploration, appraisal and development of oil fields rather than the operation of fields in production. Firms in Scotland have been occupied with the construction of all or parts of rigs, production platforms and submarine pipelines. It is just these operations which will be hit by the fall in crude prices.

Only a year ago the Engineering Construction and Process Plant Economic Development Committee of NEDO was predicting a strong future for the offshore supplies industry. Expenditure on field developments and pipelines was expected to continue to rise until 1989. Now oil companies are talking about postponing or restructuring development of new fields. All the large North Sea fields, like Brent and Forties, have already been developed. Most of the new developments are likely to be among fields of 100 million barrels or less. These fields are expected to have much higher marginal costs than the average of $5 per barrel of fields now in production. The price of crude can therefore be crucial to a decision on whether to go ahead with developing a field. Only a few weeks ago the owners of the Emerald field announced that they would almost certainly shelve development if crude prices fell below $20 per barrel. Since then the price has fallen below $18.

There is the possibility that the Government might reduce Petroleum Revenue Tax in order to stimulate exploration and development. Tax adjustments in 1983 stimulated new development expenditure after it had sunk to a low level in 1982. However, the prospects for tax reductions look unlikely when the Government is already suffering from a severe loss in oil revenues as a result of the slide in the price of crude.

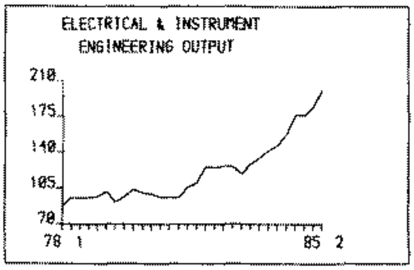
Even tax adjustments may not solve the immediate problem. Oil companies' loss in income with the fall in oil prices has precipitated cash flow problems which may well force them to delay development orders whatever the prospects for earnings from new fields.

The drop in oil prices is also likely to accelerate the trend to floating as opposed to fixed production platforms. Floating platforms can be moved from field to field and this will inevitably reduce the number of new construction orders. Furthermore, much of the work on floating platforms may be more suited to the traditional shipyards rather than the specialist offshore yards. The traditional immobile fixed platforms have always put Scottish contractors at an advantage because of the high cost of moving the platforms any distance. The push to floating platforms will open up much stronger competition from elsewhere.

Scotland's mechanical engineering employment wholly associated with North Sea oil has already declined since mid '84. 3,000 jobs were lost between June and December 1984. By June 1985 employment had recovered to 13,400 (still 2,000 down on June 1984) but Scottish yards continue to suffer from a shortage of orders. This is exacerbated by delays in orders from BP and Conoco. The 1982 Oil and Gas (Enterprise) Act removed the British Gas Corporation's right to buy all gas produced in British waters. This has opened the field for lengthy negotiations over the price that BGC will pay for gas. BP and Conoco's failure to agree with the BGC has delayed platform orders which are expected to go to Scottish yards.

Scotland's mechanical engineering production sank to its lowest point for many years at the end of 1984. Since then it has recovered slightly, but output is still 20% down on 1980 levels. OPEC is now threatening that if the UK and other non-OPEC producers do not cut back production then there will be a price war which could push crude prices as low as $10 a barrel. Whatever the outcome of this battle, it looks like development is going to be severely curtailed, and this will have a devastating impact on Scotland's mechanical engineering industry.

ELECTRICAL AND INSTRUMENT ENGINEERING



The index of industrial production for Scotland in electrical and instrument engineering increased by a staggering 17 points (9%) over the figure for the previous quarter to stand at 201. This compares with a one point increase for the UK index over the same period, taking it to 132.

The year-on-year increase for Scotland was 27%, despite the fact that recession had begun to hit the semiconductor industry by early 1985. Indeed, two **Commentaries** ago it was forecast that the 1985 indices would begin to reflect the recent downturn in the semiconductor and general electronics market. There is no sign of any recessionary influence so far although the figures for the final two quarters of 1985 may prove interesting.

The sixth **Scottish Business Survey** appeared in January 1986 and now provides the basis for a time series of primary data on the electronics and electrical engineering industry. Table 1 shows the actual and expected three monthly trends in new orders as indicated by the responses of companies.

Table 1 **Actual and expected trends in new orders (net responses)**

	Actual trend over last 3 months	Expected trend over next 3 months
October 1984	+58%	+17%
January 1985	+60%	+16%
April 1985	+27%	+37%
July 1985	+25%	+43%
October 1985	+ 3%	+23%
January 1986	-40%	+48%

Source: Scottish Business Survey

These percentages are the **net** respondent position (ie the balance of firms replying) to the question "excluding seasonal variations, what was the trend in new orders?". It is clear from the actual trend column that new orders have been falling since October 1984, when a net 58% of firms had experienced an increase over the past three months and, for the first time, had reached a point where more firms were experiencing a fall in new orders than those experiencing an increase. In a world where firms could forecast the future perfectly we would observe a perfect correlation between the expected trend column and the actual trend column lagged one quarter, eg the expected trend figure for October 1984 should correspond to the actual realised in January 1985 and so on. Obviously incomplete response rates to the various surveys contribute to the inaccuracy here but, as can be seen, there appears to be little relation between the patterns of figures in column 2 and those in column 1. Whereas column 1 shows a steady decline in actual orders the pattern in expected orders is unclear but, eg in relation to actual orders, over-optimistic during most of 1985. It is to be hoped that the April survey will reverse the actual new order position of January and certainly firms appear to be expecting an upturn. There is little doubt that the three months to January 1986 were not good and this is reflected in the employment indicators shown in Table 2.

Table 2 Proportion of firms showing a net change in employment over the previous three months (%)

	Total	Male	Female
October 1984	+44	+44	+39
January 1985	- 9	- 4	- 4
April 1985	+65	+52	+68
July 1985	+51	+39	+47
October 1985	+24	+11	+13
January 1986	-32	-32	-31

Source: Scottish Business Survey

Also published in January was an Industry Department Scotland **Statistical Bulletin** (No C1.1, The Electronics Industry in Scotland, January 1986) which gives details of output, employment, investment and trade in the Scottish electronics industry. Of particular interest are the employment data which show an increase for all electronics from 37,300 in 1978 to 45,800 in 1984. Table 3 breaks these figures down by industry group.

Table 3 Estimated electronics employment 1978, 1983 and 1984: by industry grouping

	Employees in employment		
Industry grouping	**1978**	**1983**	**1984**
Electronic data processing equip.	8,100	8,700	9,400
Electronic components	9,600	9,700	10,500
Electronic instrument engineering	6,600	5,400	5,400
Other electronics	13,000	20,100	20,500
All electronics sector	37,300	43,900	45,800

Notes: 1. Census of employment data
2. Regionaldatasystemsurvey data
3. These industry groupings below to the following SIC (1980) Activity Headings 3302, 3444, 3453, 3710, 3732, 3433, 3441, 3442, 3443, 3454

Source: IDS Statistical Bulletin, January 1986.

The study admits that due to reclassification the data for 1978 and 1983/4 are not entirely compatible but is happy to suggest there has been a significant increase in electronics employment between 1978 and 1984. However, data from another source, the Engineering Industry Training Board, paints quite a different picture. Table 4 shows figures for 1978 and 1983 on a wider SIC (1980) definition: electronic and related industries.

According to this source employment in electronic and related industries has fallen from 73,031 in April 1978 to 52,143 in April 1983 (a 28.6% fall in employment). Only the electronics sector (their definition) displayed an increase in employment over the period, and that by only 2%. Exact reconciliation of these two conflicting sets of figures is difficult but the latter do suggest a less optimistic picture of employment in the whole electronic and electrical engineering industry than either IDS or SDA publicity would have us believe. There is no reason to believe that the electronics and high technology industries have provided or will ever provide the answer to Scotland's unemployment problems.

Table 4 Electronic and related industries employment 1978 and 1983 (SIC (1980))

Industrygrouping	April 1979	April 1983
Office and data processing equipment	10,940	8,671
Basic electrical equipment	7,881	5,151
Electronics*	23,997	24,480
Other electrical engineering	18,407	6,185
Instrument engineering	11,806	7,656
Total	73,031	52,143

Notes: *EITB definition narrower than that of IDS. Data are for SIC groups: office machinery and data processing equipment, electronic and electrical engineering and instrument engineering.

Source: Engineering Industry Training Board

One piece of very bad news at the end of 1985 was the announcement by General Instrument Ltd of Glenrothes that they were to close their Scottish operation. This was the first Scottish plant casualty of the semiconductor recession and came at a time when it as looked if the worst was over. 250 jobs are to go when the firm, which has been in Scotland for over 20 years, closes. In 1983 it was forecast that by 1986 the site would employ 600 workers. A further jobs blow came at the beginning of February when NEI Peebles, situated at East Pilton, Edinburgh, announced a cut-back in their electrical engineering workforce from 1,020 to 740.

Nevertheless, offsetting job gains have also been announced. TMC Ltd, a subsidiary of the telecommunications suppliers Philips Electronics, are to move their headquarters from the south of England to Bishopbriggs. This will mean that the company's major research and development facility will be located close to its manufacturing operations at Bellshill and Airdrie. Although the £10m investment will bring 300 jobs, many of these will be transfers of existing staff from England.

Lastly, a European-owned firm specialising in electronic components is to set up a £10m plant at Cumbernauld. Isola of West Germany which makes PCB laminates expects to create 200 jobs over the next five years. The plant was attracted by the Locate in Scotland bureau and is expected to arrive by mid-1987.

TRANSPORT EQUIPMENT

Once again the news in this sector has been dominated by Scotland's shipyards, particularly Scott Lithgow and Hall Russell. Their continuing difficulties have again highlighted the contradictions in the Government's privatisation plans.

The Conservatives have heralded privatisation of the yards as a move away from unwelcome state intervention in Britain's industry. Yet, ironically, the government has chosen to sell off British Shipbuilders' warship yards while leaving the commercial yards in public ownership. The warship yards are completely reliant on orders from the Ministry of Defence, and their future is inseparably tied to decisions made by the Government.

While the warship yards remain in public hands the Government has an undoubted incentive to maximise the price that they can earn from their sale. Once the yard is private its order books are of little interest to the Government.

The Vickers/Cammell Laird yards are still to be sold, and this seems to have been an important factor in the recent decision to place orders for all three upholder class submarines with Cammell Laird. The order, worth over £200m, will undoubtedly push up the sale price of the yards.

Scott Lithgow had hoped to win an order for one of the submarines, but the Ministry had little reason to put an order in the way of this yard which is now owned by Trafalgar House. As consolation, the Ministry placed a £10 million order with Scott Lithgow to build a range mooring vessel and two lighters.

For the Aberdeen yard, Hall Russell, the process works in reverse. In previous **Commentaries** we have discussed how the Government is apparently doing its best to keep orders away from the yard. The yard has been kept in the warship section of British Shipbuilders, but has been offered no work by the Ministry of Defence. But, while it is classified as a warship yard Hall Russell is prevented from tendering from commercial ships or from benefitting from the EEC shipbuilding intervention fund.

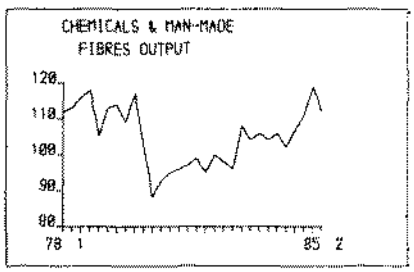
Hall Russell's lack of orders has discouraged potential buyers of the yard, yet the Government has again confirmed that it will not extend the deadline for privatisation until the yard wins an order. Bids for the yard must be in by 21 February. If the Government is not satisfied with the offers then it looks as if the yard will be closed and the site sold. The Government could win a much better price for a prime site in Aberdeen Harbour than for the shipyard as a going concern.

A late bid for Hall Russell cannot be helping the Government's plans. The managing director of Hall Russell has just announced that he is to make and offer. He plans to keep the yard in shipbuilding but also to diversify into other areas. Only one other bid for Hall Russell, from a consortium led by Mr Ian Philip, is still standing. It will be interesting to see if the Government accepts either of these offers.

It is said that George Younger did his best to persuade the Ministry of Defence to place an order for a least one submarine with Scott Lithgow. It seems ironic that the fate of this **private** shipyard may have been very different if Michael Heseltine had resigned a few weeks earlier and Younger had been left with the final decision on the placing of the orders. Trafalgar House have now come up with a proposal to the Ministry that it place a £50m order with Scott Lithgow to convert a Trafalgar House container ship into a Royal Navy support vessel. With George Younger now in charge of defence, Scott Lithgow's prospects may be rosier.

CHEMICALS AND MAN-MADE FIBRES

The index of industrial production for the second quarter of 1985 indicates that output of chemicals and man-made fibres fell by around 6% over this period. This is in complete contrast to a gain of 7% over the first quarter but the pattern is in general correspondence with the quarterly trends exhibited in 1983 and 1984. The index now stands at 112 representing a rise of 10% over the year. The corresponding UK figures indicate uninterrupted growth over the period and output levels around 7% above those for Scotland.



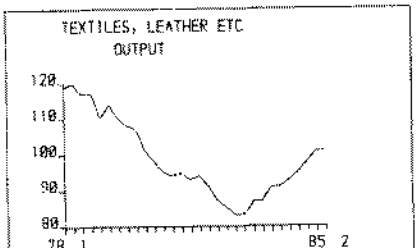
A recent announcement by the Chemical Industries Association Forecasting Panel states that after UK growth of 4% in 1985 they expect production to grow less rapidly, at around 1%, in 1986. One major exception is in pharmaceuticals where the expectation is for continued strong growth at about 4% in 1986.

The blame for the generally slower rate of growth in 1986 is placed on the deteriorating competitive position of the UK industry. Over the past year labour costs and export prices have been rising faster in the UK than in most other European countries and there is little indication of a reversal of this trend in 1986.

These expectations are borne out by the results of the January **Scottish Business Survey.** A balance of the respondents were less optimistic about the general business situation than they were three months ago. This reflects an expected downward trend in new export orders and sales over the next three months. Scottish orders and sales are expected to be flat whilst there is marginal compensation in an expected upward trend in orders and sales to the rest of the UK.

TEXTILES, CLOTHING AND KNITWEAR

This sector continues to perform well. In both Scotland and the UK output is now back at 1980 levels and has remained stable over recent quarters. According to the January **Scottish Business Survey** manufacturers in this sector continue to be optimistic, and most expect sales and new orders to either rise or remain flat over the next three months.



The most important news this quarter is the announcement of a merger between the two largest Scottish firms in this sector, Coats Patons and Dawson International. Coats have recently found themselves undervalued on the stockmarket and vulnerable to an unwelcome takeover bid. Coats apparently agreed to the merger as a defence against this possibility.

Dawson's turnover is only about a quarter of that of Coats, but Dawson's much stronger position on the stockmarket has produced an agreement in which Dawson's shareholders will own about a third of the new company.

Although Coats is the much larger firm, Dawson is more important to Scotland's economy. About 5.5 thousand of Dawson's 9,000 employees are based in Scotland, compared with less than 400 of Coats 42,000 employees. In fact two thirds of Coats Patons turnover is manufactured abroad, and this has been a major contributor to its recent weakness on the stock exchange.

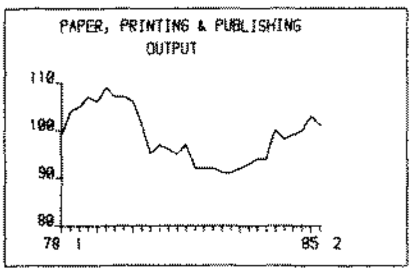
The see-sawing exchange rate can radically transform the sterling value of Coats Patons' overseas earnings. A number of large UK clothing manufacturers have been hit by the same problem. Lee Cooper, French Connection and Ellis and Goldstein all saw turnover rise rapidly during the first half of 1985 while profits fell. The fall in the sterling value of the earnings of overseas subsidiaries was an important factor.

At the same time domestic manufacturers have been performing well, with both exports and home sales rising. There are now strong signs that the change in both demand patterns and technology are at last giving UK clothing manufacturers the edge over foreign competitors. With modern technology, new designs may be introduced as many as four times a year, replacing the traditional two seasons. Retailers are looking for manufacturers who can rapidly produce garments which co-ordinate with existing lines. Domestic manufacturers are at an advantage because they can have the new fashions at the retailers in a matter of months. Manufacturers like Coats Patons, with large holdings abroad, are missing out on this trend.

In contrast, Dawson is in a strong position. The decline in the value of the dollar has made its quality knitwear particularly popular in the US, while demand in the UK is also booming. Dawson is operating at capacity and has recently announced that it is to undertake a major expansion of Pringle. Pringle's Hawick plant has already created 150 new jobs in the last two years. Now Pringles are planning to open a new plant in Arbroath, initially employing 150 people. The plan is to expand to 550 jobs by the end of the decade. The Director of Pringle confirmed, however, that the latter depends very much on the form that the new MFA takes, and it must also be tied to future trends in the exchange rate.

Just before going to press it has been reported that Coats have suddenly dropped their agreement with Dawson following a better offer from the English textile and clothing firm, Vantona Viyella. The two companies have agreed a merger which means that control of coats Paton will now move out of Scotland. However, there still remains the possibility that Dawson might put in an improved second offer.

PAPER, PRINTING AND PUBLISHING



Following an increase in the previous quarter, Scottish output in the paper, printing and publishing industries fell in the second quarter of 1985 by 1% to an index level of 101. Output in the UK as a whole was unchanged at an index level of 97 over the same period. In the four quarters to June 1985, Scottish output rose by 4% over the preceding four quarters whilst UK production rose by 3% in the same period.

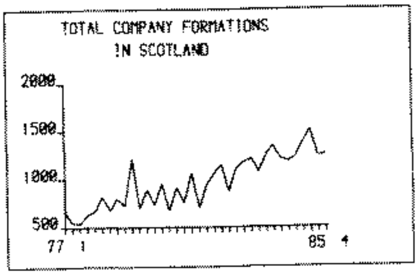
Results from the January **Scottish Business Survey** suggest that respondents in this sector are slightly more optimistic about the general situation in their industries at the beginning of 1986 than they were three months previously. 36% reported increases in the volume of new orders in the three months ending December 1985 and 44% expect further increases over the next three months. 34% of respondents also anticipate an improvement in export sales and orders but the majority report no change in their outlook for the current quarter compared to three months previously. Upward revision to investment intentions was more marked for plant and equipment than for buildings. Compared to three months ago, 50% of respondents have revised upward their investment plans for plant and equipment whereas for buildings the proportion was 19%.

After his acquisition of Mirror Group Newspapers in 1984, Mr Robert Maxwell concentrated on the reorganisation in England of the Mirror and Sunday Mirror which were making losses at the time. However, in January, he took over chairmanship of his profitable Scottish paper, the Sunday Mail and the Daily Record. His announcement has come at a time of increasing competition and tension in the newspaper industry. Mr Rupert Murdoch of the News International Group had already made plans to produce Northern editions of the Sun newspaper at his Glasgow plant which has so far remained idle because of print union opposition to facsimile printing. Mr Murdoch recently warned that he will recommission the Glasgow plant using casual labour ifthe newspaper unions continue to resist his demand for a legally-binding no-strike deal at his Wapping plant in East London.

As part of a £1m investment programme, the Glasgow-based packaging and printing company, DRG Lairds is to move from its East London premises to a factory at West Nerston leased from the East Kilbride Development Corporation. Although 50 jobs will be lost, the company which makes cartons for the whisky industry believes the investment will help make more secure the remaining 300 jobs.

At the beginning of the year Low and Bonar, the Dundee-based packaging, textiles and electronics group revised its takeover offer for the Surrey-based plastics company, Cole Group. By 20 January, the new £10.5m bid had received acceptances of 61.8% of the equity to add to Low and Bonar's own holding of 25.3% of Cole Group's equity.

COMPANY FORMATIONS AND DISSOLUTIONS



The steady upward trend in company formations shows no sign of ending. Total formation during 1985 were 5,398, 8.3% higher than 1984. To put this figure in perspective, this means that new companies are being formed in Scotland at more than twice the frequency of 1977, and more than five times the frequency of 1969.

Dissolutions in 1985 totalled 4,040, an increase of 46% over the 1984 figure. However, this apparently alarming rise in dissolutions in no way reflects the level of business failures in Scotland. As mentioned in previous **Commentaries** the Companies Registration office is exercising its powers to dissolve moribund companies and those companies which consistently fail to lodge annual reports and accounts at Companies House. Almost 85% of total 1985 dissolutions were of this type, leaving 666 actual business failures during the year - that is, companies which were wound up by order of the court or which were subject to voluntary or creditors' winding up. This represents a rise of 2.5% over the corresponding figure for 1984.

The Service Sector

During the current bout of takeover fever it is perhaps salutary to echo a few warnings. Academic research, not usually favoured by the managers of companies, Boards of Directors or fund managers who make the decisions, provides a considerable volume of evidence on the winners and losers from takeovers and mergers. Employees and customers, important as they are, are not the major concern of this research. Rather it is directed at the experience of the shareholders since they are the owners of the company and are required to give their approval to any merger or takeover offer. Generalisations are always dangerous but it is commonly accepted in the literature, from the analysis of past takeovers, that the shareholders of 'acquired' firms receive significant positive gains from the period just before the merger announcement date. In contrast, for the same period, the shareholders of 'acquiring' firms neither gain nor lose although there is limited evidence of an industry effect for some companies leading to an overall decline in their value. The evidence is predominantly American but the available British data provides no reason to dispute these conclusions. Takeovers are desirable for the shareholders of the firm being acquired and of limited value, or possibly even negative value for the shareholders of the acquiring company. In short, the market exacts a fair price bearing in mind the potential value of the assets being acquired. Guiness, Argyll and others would do well to bear this in mind!

The idea has application elsewhere. In the past few months Union Discount have secured a stake in Scottish jobbers Aitken Campbell; Laing and Cruickshank in the stockbrokers, Wishart Brodie; and James Capel and Postel have both taken stakes in five merging regional stockbrokers including Parsons. They all might do well to reflect on the evidence. Acquirors do not on average, get something for nothing. The picture is complicated by the absence of an organised market trading in the shares of stockbrokers, and by informational assymetries - the sellers may know rather more about what they are selling than the buyers - but given the public discussion of possible links, and the protection afforded by contract provisions and the stock exchange's regulation of its members, it is likely that a fair market price is being demanded and received. The acquirors are, on average, unlikely to benefit significantly. They are receiving a fair deal.

Of course, the future may be different from the past, and the research considers the aggregate rather than the individual case. But still it would be comforting to know if directors involved in acquisitions were asking themselves if their shareholders would be made better off by the bid. We might be forgiven for believing that in many cases it is mainly the directors of the acquiring company who are made better off by an extension of their power and influence.

The lessons from the evidence are not restricted to takeovers. Much has been written on the subject of performance. The efficient market hypothesis suggests that it is difficult to secure above average performance for the risk assumed but the levy of heavy charges by managers make it easy for investors to suffer poor performance. The existence of costs consequent on investing implies an assymetry in investment performance and suggests that a major concern of investors should be to minimise management costs. When viewing performance figures the investor must question if the figures allow for risk and whether past performance is a good guide to future performance. Can the managers repeat their performance in the coming years?

The matter is important for fund managers. Growth can be achieved both by organic growth, a consequence of their performance, and by drawing in new funds. If above average performance is not consistently achievable, fund management becomes, in large part, an exercise in marketing and innovation. A relative increase in funds managed in Scotland requires an increase in marketing effort and innovation. In the past, Scottish fund managers have neglected the marketing of investment vehicles. For several years Scottish involvement in unit trusts, one of the faster growing sectors of the savings market, was minimal. Some signs of a changed approach, however, are beginning to appear. Murray Johnstone, spurred by the inflow of funds from SNIT, has announced a substantial extension of its unit trust activities including recruitment on the marketing side, and more independent fund managers may be expected to follow. With the privatisation of nationalised industries and increased awareness of the benefits of equity investment, unit trusts look set for further expansion. The Scottish Life Offices have also been increasing their stake in the market after years of neglect. The ending of tax advantages to life assurance and increased awareness by their management of the need to diversiy, together with the impact of competition from unit trusts which offer a more flexible investment vehicle than life assurance and, in particular, early termination at little penalty, has forced them into the unit trust market on a significant scale.

Unit trusts are not the only area that can benefit from the exercise of marketing expertise. Almost everything that a unit trust can do, an investment trust can offer too. Insurance linked investment trust funds have arrived in significant numbers at last, and offer the more sophisticated investor a wider range of choice. With suitable marketing it is difficult to believe that they cannot do well, particularly if the schemes allow low cost switching between trusts and include innovative specialist trusts that genuinely offer investors something that they cannot do for themselves easily or cheaply. The inability of trusts to redeem their own shares remains a problem but it need not be critical. Easier winding up provisions allowing, for example, a regular review of the benefits the company offers its shareholders, and shorter management contracts reappraised annually by the shareholders, would do wonders for the industry. Far from being a dinosaur that has outlived its usefulness the investment trust could be revitalised and become an active, growing sector once more. Its ability to gear and its wide investment powers offer opportunities unavailable to authorised unit trusts. The industry must move from a defensive posture to an aggressive, innovatory one. Short management contracts, more in line with those in pension fund management, and easier winding up would encourage the formation of new trusts and an expansion of new activity catering for new specialised markets. Trusts must provide a service, venture capital, overseas specialisation or even very low cost diversification, that other financial intermediaries find it hard or expensive to provide. Many trust managers have remained true to the original investment trust formula when the investment world has moved on. What looked innovative and interesting at the turn of the century is now somewhat passe. Marketing and innovation are the name of the game. Investment trusts have a rosy future so long as their directors and managers change their view of the world. Portfolio investment continues to expand. Portable pensions will increase awareness of the capital markets whilst EEC harmonisation initiatives will increase the market for financial services. Offering investment trust investors a better deal need not be a prelude to disaster but rather the threshold of a new era of expansion and growth. Positive steps to remove or reduce the discount by increasing the ability of shareholders to change the management or wind up the company would represent a vote of confidence in the future of the investment trust industry.

DISTRIBUTIVE TRADES

The latest **Scottish Business Survey** (SBS) suggests that Scottish wholesalers' sales increased somewhat during the final quarter of 1985, with a net 16% of respondents reporting sales growth between October and December. A balance of 22% of respondents expected sales to rise still further in the first quarter of this year. The latest FT/CBI survey indicates that December was also a good month for wholeslaers in the UK as a whole, with dealers in food/drink and durable household goods reporting particularly large sales increases.

In spite of the improved sales performance, employment in Scottish wholesaling continued to fall in the fourth quarter of last year. As in previous quarters, the decline was concentrated in full-time employment with part-time employment actually increasing slightly overall. On balance, SBS wholesale respondents felt that both full-time and part-time employment in the industry would fall in the early part of this year.

The October SBS survey indicated that wholesalers in the Glasgow Chamber of Commerce area had had a particularly good third quarter and, as Table 1 shows, this appears to have continued into the final months of 1985. In contrast, Dundee wholesalers seem to have had a poor final quarter in both sales and employment terms.

Table 1 Geographical response to January 1986 Scottish Business Survey: wholesaling

		Balance of respondents in:			
		G %	E %	D %	A %
Overall confidence	UP	+ 8	+14	0	-13
Actual sales	UP	+48	+ 7	-52	+ 9
Expected sales	UP	+53	+ 9	0	+11
Actual employment	UP	+26	-35	-63	-29
Expected employment	UP	+ 7	-35	-72	- 6
Investment intentions	UP	+ 8	-12	+63	+14

Key: G = Glasgow E = Edinburgh
D = Dundee A = Aberdeen

All available evidence suggests that activity remained buoyant in the final months of last year, both in the UK generally and in Scotland specifically. The provisional seasonally adjusted index of the volume of UK retail sales reached a record 117.9 (1980 = 100) in December, though the fact that this was only 0.3 points higher than the November figure suggests that the retail boom might be levelling off. The CBI/FT survey confirmed that November and December had been good months for retailers, especially the large multiple chains.

The January SBS survey indicated that Scottish retailers shared in the healthy trading conditions. A net 36% of respondents reported sales growth in the final quarterof 1985. However, only a balance of 18% expected further increases in sales in the early months of this year. In contrast to wholesaling, there was a small rise in total retail employment between October and December; however, this was entirely due to a rise in part-time employment: full-time employment actually fell slightly. Respondents expected these employment trends to continue in the first quarter of 1986.

Table 2 shows the pattern of retail responses in each of the four Chamber of Commerce areas covered in the SBS. Edinburgh respondents stand out in indicating that, on balance, sales actually fell during the last quarter of 1985. This provides some evidence in support of reports which claimed that traffic and parking problems in Edinburgh city centre during the run-up to the Christmas period were driving potential customers elsewhere.

Table 2 Geographical response to Scottish Business Survey January 1986: retailing

		Balance of respondents in:			
		G %	E %	D %	A %
Overall confidence	UP	+25	+28	+ 3	-27
Actual sales	UP	+38	-21	+50	+15
Expected sales	UP	+36	+63	- 5	- 8
Actual employment	UP	+13	- 9	- 1	+ 9
Expected employment	UP	+14	0	0	10
Investment intentions	UP	+20	- 2	+34	+11

Key: G = Glasgow D = Dundee
E = Edinburgh A = Aberdeen

TOURISM

The belief that the expansion of tourism will bring in its wake increased employment is the factor underpinning current Government thinking on tourism and the recent spate of official initiatives and reports (see **Economic Perspective**). A jobs bonanza is expected of tourism: hence the transfer of Ministerial responsibility from the Department of Trade and Industry to the Department of Employment. The Minister with responsibility for tourism, David Trippier, has stated recently: "We've already signalled that we believe tourism to be the most dynamic sector of the economy." Is there really a jobs bonanza to be had and, if so, by how much will Scotland benefit?

The Scottish Tourist Board (STB) estimates that tourism spending currently generates about 100,000 jobs in Scotland. In 1984 STB chairman Alan Devereux opined that if present rates of growth in tourism continued, then an additional 50,000 jobs would be forthcoming by 1990.* The Board's employment estimates are derived from TES (Tourism and the Economy of Scotland), a study undertaken by Edinburgh University's Tourism and Recreation Research Unit. With a 1980 base year, TES revealed that employment created in the businesses in which visitors spend their money, referred to as the direct effect, was 63,000 jobs. Indirect and induced employment arising as a result of the multiplier effect of the original spending was calculated at 37,000 jobs. Many of these 100,000 jobs were parttime. On the assumption that 2 parttime jobs were equivalent to one fulltime job, the 100,000 estimate was translated into 70,000 fulltime equivalent jobs (FTE's).

Scotland's share of total UK tourism employment is between 5% and 7%. The 'official' estimates** supplied by the British Tourist Authority (BTA) suggest a total 1983 employment figure of 1.5 million (1.3 FTE's). A study commissioned by the Confederation of British Industry specifically to highlight the opportunities for employment afforded by tourism came up with a broadly similar UK figure of 1.4 million.*** On the basis of a 4% growth in tourism spending in real terms between 19841990, the BTA prognosis is that 400,000 additional FTE jobs are possible by 1990.

There has been no serious questioning of these bullish STB/BTA predictions. On the contrary, an easy acceptance of such projections is evident. Witness the recent select committee enquiry into tourism:

> "The prospect of creating 400,000 fulltime equivalent jobs by 1990 highlights the importance of tourism to the economy?"****

It ought to be realised that these jobs bonanza claims depend upon two huge assumptions: (1) a sustained and appreciable growth per annum in tourism spending in real terms over the 1984/90 period, and (2) a directly proportional relationship existing between increased turnover and levels of employment. Both assumptions are highly questionable. It is worth noting that tourism expenditure fell in real terms between 1973/83, and that the tourist industry is notoriously prone to short to mediumterm fluctuations in demand. It must also be understood that within the tourist industry there is a far from direct relationship between turnover and job generation. On the contrary there is considerable spare capacity and scope for selfservice.

Different assumptions lead to conflicting predictions, and it is perhaps significant that the independent CBI study refers only to a growth in total UK tourism employment of from 1.4 to 1.5 million. As far as Scotland is concerned, there is really nothing in the overall performance of its tourism sector over the recent past, 1978/84, to indicate that anything like a 50% growth in jobs is achievable. During this period tourist trips and bednights have remained more or less stable, as have hotel occupancy levels and admissions to attractions.

The current interest in tourism as an employment provider is to be welcomed. Even though many jobs in tourism are seasonal and relatively poorly paid, with illdefined career structures, it is a fact that there are few other practicable solutions to industrial decline and rural depopulation. But just as it is important to put across the message that tourism is not a frill but a real industry, there is a corresponding obligation to be realistic about the industry's potential. The current job protections both for Scotland and the UK as a whole seem greatly overoptimistic. The CBE estimate of 100,000 new jobs by 1990, implying a 5-7,000 share for Scotland, would seem to embody an appropriately conservative level of realism.

*House of Commons Scottish Affairs Committee, **Highlands and Islands Development Board**, Minutes of Evidence, HMSO, 1985.
British Tourist Authority, **Employment in Tourism, BTA, 1985.
***Confederation of British Industry, **Paying Guests**, CBI, 1985.
****House of Commons, First Report from the Trade and Industry Committee, **Tourism in the UK**, HMSO, 1985.

The Labour Market

In this **Commentary** attention is focussed exclusively on recent developments in the "external" labour market; that is only the market for labour services which prevails outside firms is considered. As in previous **Commentaries** discussion is organised around the three states of labour market "activity" to which individuals may belong. employment, unemployment and non-participation.

Developments in the levels of the labour market stocks which correspond to the three states are considered as are changes in gross inflows to and outflows from the stocks (where data permit).

EMPLOYMENT: STOCKS AND FLOWS

Table 1 shows that total employment in Scotland over the year to September 1985 increased by 17,000. In line with longer-term trends this reflected the fact that increases in female employment of 28,000 outweighed reductions in male employment of 12,000. (There are clearly rounding errors embodied in the Department of Employment's published data). Changes over the last year also reflect the continuation of longer-term trends in that the increase in female employment consisted primarily of part-time jobs (23,000). However, full-time female employment did in fact increase over the year, albeit only by 5,000, which represents a departure from the trend since 1979.

Obviously, "full-time equivalent" employment rose by much less than the 17,000 additional jobs registered. In fact, on the crude assumption that "part-time" is in fact "half-time" on average - an assumption which almost certainly leads to overcounting of full-time equivalents - the total of full-time equivalent jobs rose by around 5,000 over the year to September 1985. In effect the additional 23,000 part-time female jobs, on present assumptions, nearly exactly offset the loss of 12,000 male jobs (which are assumed to be full-time). If, as is often done, part-time had been assumed to equal "third-time", there would have been effectively no change in full-time equivalent employment over the period. Even on the more favourable assumption, full-time equivalent employment has actually been tending to fall until very recently.

Inspection of Table 1 reveals that total employment still remains around 7% below the level it attained in 1979, a year of very moderate "boom" in the Scottish economy. Whilst the seasonal pattern in employment tends to underestimate the true job loss in the present case, it is interesting to note that, despite this, full-time equivalent employment shows a 10% decline over the same interval. As compared to June 1979, September 1985 employment levels represent a fall in male employment of 13%, a **fall** in **full-time** female employment of 12%, and a rise in part-time female employment of 23%.

As noted in previous **Commentaries**, these changes cannot be wholly attributed to shifts in the industrial structure in favour of those industries which traditionally favour part-time female employment. In some industries technological change seems certain to have reduced the amount of "labouring" type jobs and so at least removed one obstacle to increased female employment. Furthermore, part-time female employment offers certain financial advantages to employers, partly in the form of the lower wage rates traditionally paid to women and partly in the form of avoidance of fixed employment costs. Supply side pressures may also be a factor here, although it has to be said that the limited official data which exist do not provide evidence of a marked increase in female labour supply in the recent past.

Table 2 Employees in employment in Scotland (000's): production and construction industries (1980 SIC)

	Agri, forestry & fishing (0)	Energy & water supply (1)	Metal manuf. & chemicals (2)	Metal goods, enigneering & vehicles (3)	Other manuf. (4)	Construction (5)	Manuf indus.1 (2-4)	Prod indus. (1-4)	Prod. & construct indus. (1-5)
1979 Jun	48	73	80	260	266	157	606	679	837
1984 Mar	42	77	50	186	203	124	436	512	633
Jun	42	77	50	183	204	119	437	514	634
Sep	43	79	50	181	206	120	436	515	635
Dec	40	80	49	181	205	118	434	514	633
1985 Mar	40	79	48	180	204	116	431	510	626
Jun	41	75	47	180	205	115	432	508	622
Sep	44	75	47	182	205	115	433	507	622

[1]Minor discrepancies between this column and the sum of (2), (3) and (4) are due to rounding errors in the official data.

Source: Department of Employment Gazette

Table 3 Employees in employment in Scotland (000s) service industries (1980 SIC)

	Wholesale distri. hotels & catering (61-63,) (66-67)	Retail distri. (64/65)	Transp. & communi. (7)	Banking insce. & finance (8)	Public admin. & defence (91-92)	Education health & other serv. (93-99)	Total Service indus. (6-9)	Total Employment all indus.
1979 Jun	197	196	133	124	177	395	1,222	2,107
1984 Mar	190	202	117	136	172	416	1,232	1,908
Jun	203	206	114	138	172	421	1,255	1,930
Sep	204	209	113	143	172	415	1,255	1,934
Dec	197	220	112	143	171	417	1,260	1,932
1985 Mar	198	209	111	144	171	420	1,253	1,919
Jun	207	212	112	145	173	426	1,276	1,939
Sep	212	217	113	149	173	421	1,285	1,951

[1]The total in this column may differ slightly from the sum of the other columns in the table due to rounding errors in the published data.

Source: Department of Employment Gazette

Tables 2 and 3 summarise recent developments in the industrial composition of employment. Employment in production and construction industries fell by 13,000 over the year to September 1985 (Table 2), whereas total employment in the service industries rose by about 30,000 over the same period. The figures strongly suggest that male employment was being shed from the production and construction industries whilst services took on additional female employees who were predominantly only working part-time.

Over the period manufacturing employment continued to decline, although by only 3,000, as did employment in construction (a fall of 5,000). Employment in energy and water supply industries also fell over the year from September 1984 (by 4,000). As compared to June 1979, employment in production and construction industries has fallen by 26%. Manufacturing employment has fallen by nearly 29% reflecting massive reductions in metal manufacturing and chemicals (where employment has fallen by 41%) and in the metal goods, engineering and vehicles industries (which registered a 30% decline in employment) combined with a more moderate contraction in other manufacturing (of 23%). The other major source of change since 1979 is the construction sector which has experienced a 26% decline in employment.

Gains in service sector employment over the last year have been fairly evenly distributed across: wholesale, distribution, hotels and catering (8,000); retail distribution (8,000); banking, insurance and finance (7,000); education, health and other services (7,000). Since 1979 service sector employment has increased by about 5% (53,000), with important employment increases registered in: banking, insurance and finance (which enjoyed a 20% increase in employment over the period); retail distribution (11%); education, health and other services (10%, wholesale distribution, hotels and catering (8%). Major employment losses have, however, been sustained by transport and communications (-15%). Thus, although the comparative importance of services employment has increased significantly in the current recession (from 58% to 66% of total employment) this primarily reflects the severe contraction in production and construction industries. Furthermore, the gains in service sector employment would be considerably less on a full-time equivalent basis. Thus if, as is not unlikely, all the increase in part-time female employment has occurred in the service sector then full-time-equivalent employment therein would have increased by only 14,000 since 1979, or 1% on the (generous) assumption that "part-time" implies "half-time". Adopting the assumption that "part-time" on average implies "third-time", the implication would be that full-time equivalent service sector employment had not increased at all during the current recession.

Against this background it seems unlikely that any of the theories of service sector **growth** are directly applicable to recent Scottish experience. Rather, what is required is an explanation of the apparent comparative "insulation" of the service sector against the forces which have been operating on the production and construction industries. (However it is fair to note that exclusion of transport and communications from the definition of the service sector would alter the picture somewhat.) If one takes the view that the fate of these industries largely reflects international developments, then the comparatively advantageous experience of the service sector is perhaps unsurprising. Although there are exceptions, the services sector tends to deal in less traded and in some instances non-tradable goods, so that the sector tends to be rather more sheltered against adverse external trends. Equally, however, favourable external developments should exert their impact primarily on the non-service sector.

The stock of unfilled **vacancies** reflects an intermediate step between (some) firms' perception of the need to increase their employmenet and actual recruitment. Official data only exist for vacancies registered at job centres - which are primarily for adults aged over 18 - and for vacancies notified to Careers Offices which are mainly for young persons under 18. There is, however, some overlap in coverage so that aggregation is invalid.

In any case vacancies at Careers Offices currently constitute only about 1.3% of the total vacancy stock.

Recent data on vacancies are summarised in Table 4. Over the year to January 1986 total vacancies increased slightly (by around 400). However, vacancies excluding those attributable to the Government's Community Programme actually fell by 1,300. Over the longer term vacancies have tended, on average, to move procyclically, reaching a peak (of 21,700 on an unrevised basis) in 1979, for example. However, vacancies recently have moved slightly unusually, reaching a peak in the employment-trough year of 1983. Since then vacancies have tended to decline slightly. Careers Office vacancies have remained stable for a long period.

Table 4 Vacancies unfilled at Jobcentres and careers offices (Scotland '000s) unadjusted*

Month/year		Jobcentres: Total exc. CP	Jobcentres: Community Programme (CP)	Jobcentres: Total	Careers offices: Total
1981)		11.6	0.6	12.2	0.2
1982)		13.1	0.6	13.7	0.3
1983)	Annual	15.3	1.7	17.1	0.3
1984)	averages	14.8	1.7	16.5	0.3
1985)		14.6	2.4	17.0	0.3
1985	Jan	13.0	1.5	14.5	0.2
	Feb	13.1	1.3	14.4	0.2
	Mar	13.4	1.4	14.8	0.2
	Apr**	14.7	1.6	16.3	0.3
	May**	15.5	1.7	17.1	0.4
	Jun	15.8	2.0	17.8	0.4
	Jul	15.6	2.4	18.0	0.3
	Aug	14.9	2.6	17.5	0.3
	Sep	15.7	3.0	18.7	0.3
	Oct	16.1	3.1	19.2	0.2
	Nov	14.8	4.2	19.0	0.3
	Dec	12.3	3.8	16.1	0.3
1986	Jan	11.7	3.3	14.9	0.2

*Comparability with past issues of the Commentary is limited by an October 1985 change in the way vacancy statistics are compiled. The new definition includes "self-employed" vacancies and excludes those handled by the Professional and Executive Register.

**The statistics for vacancy stocks weredistorted during April and May because of a change in the MSC Employment Division's administrative arrangements. During the month to April there were delays in the recording of notified vacancies and of vacancies which had either been filled or withdrawn by employers. This resulted in an artificial increase in the April level of unfilled vacancies. The distortions in April have been substantially offset in the month of May and the recorded stocks for May should be minimally affected.

Source: Department of Employment: Gazette and Press Notices

Table 5 Vacancies unfilled at Jobcentres: seasonally adjusted (excluding Community Programme vacancies)*

		Scotland	UK	Scotland as % of UK
1981)		11.6	91.1	12.7
1982)		13.1	113.9	11.5
1983)	Annual	15.3	137.3	11.1
1984)	averages	14.8	149.8	9.9
1985)		14.6	161.7	9.0
1985	Jan	15.1	151.7	10.0
	Feb	14.9	153.1	9.7
	Mar	14.4	156.1	9.2
	Apr**	14.1	161.0	8.8
	May**	14.2	160.7	8.8
	Jun	14.3	163.4	8.8
	Jul	15.0	163.0	9.2
	Aug	14.5	162.9	8.9
	Sep	15.1	167.3	9.0
	Oct	15.2	172.6	8.8
	Nov	14.1	170.0	8.3
	Dec	13.5	162.1	8.1
1986	Jan	13.8		

*Comparability with past issues of the Commentary is limited by an October 1985 change in the way vacancy statistics are compiled. The new definition includes "self-employed" vacancies and excludes those handled by the Professional and Executive Register.

**The statistics of vacancy stocks were distorted during April and May because of a change in the MSC Employment Division's administrative arrangements. During the month to April there were delays in the recording of notified vacancies and of vacancies which had either been filled or withdrawn by employers. This resulted in an artificial increase in the April level of unfilled vacancies. The distortions in April have been substantially offset in the month of May and the recorded stocks for May should be minimally affected.

Source: Department of Employment: Gazette and Press Notices

Seasonally adjusted vacancies and their relation to UK vacancies are summarised in Table 5. The recent behaviour of vacancies in Scotland, (excluding the Community Programme) seems even more distinctive when compared with that of UK vacancies, which have showed continual growth. Accordingly Scotland's share of the UK's vacancies has fallen noticably in recent years from an average of 12.7% in 1981 to 8.1% in Decemher 1985.

The **levels** of vacancies are misleading insofar as it is well known that officially recorded vacancies understate total vacancies (and, on average, seem to constitute about one third of the latter). Nevertheless there is nothing to suggest that errors in measurement have varied systematically across regions so as to produce the recent UK-Scottish divergence. The traditional pro-cyclical movement in vacancies suggests one possible explanation of recent experience, viz. that whilst the UK labour market as a whole is showing signs of recovery, the Scottish labour market is tending to remain in the doldrums.

Table 6 Jobcentre vacancies by occupation (excl CP vacancies): March 1985

	Scotland	UK
Managerial & Prof. (as % of total)	1,224 (9.6)	13,878 (9.8)
Clerical & related	2,040 (16.0)	26,088 (18.5)
Other non-manual	1,427(11.2)	18,654 (13.23)
Craft & similar occupations	2,369 (18.6)	21,251 (15.1)
General labourers	508 (4.0)	4,585 (3.3)
Other manual occupations	5,155 (40.5)	56,558 (40.1)
Total	12,723	141,014

Source: Department of Employment: Gazette and Press Notices

Table 6 provides a very broad summary of the occupational distribution of vacancies as at March 1985 for both Scotland and the UK. The striking feature of this table is the marked similarity in the occupational distribution in Scottish vacancies as compared to that in the UK as a whole, although the highly aggregative nature of the data should be kept in mind.

It should be recalled that vacancies are a labour market **stock**, and that gross inflows and outflows are likely to be quantitatively very significant relative to the size of this stock. Scottish vacancy flow data are not published, but each gross flow significantly exceeded the size of the existing stock in the UK as a whole throughout 1985 and January 1986, sugesting a very rapid turnover in vacancies.

Redundancies clearly reflect an outflow from the employment stock to the unemployment and non-participant stocks. Employers are required, by the 1975 Employment Protection Act, to notify impending redundancies involving ten or more workers (so that coverage is incomplete). Table 7 reports **confirmed** redundancies which follow up notifications just before the redundancies are due to take place. Scottish and UK redundancies, of course, reflect the pattern of the recent recession and continue at a fairly high level, although the 1984 Scottish figures represent only about 1.6% of the then Scottish employment stock (but constitutes around 9% of the unemployment stock). However, redundancies are not necessarily a matter of concern if they are occurring in the context of a buoyant economy which is generating compensating increases in jobs elsewhere. Indeed, a dynamic mixed economy **should** exhibit fairly high gross flows across labour market states as the economy responds to shifts in demand and technological change. Thus, even in a year of comparative "boom", namely 1979, redundancies in Scotland actually exceeded those currently experienced. Considerable caution has to be exercised, then, in interpreting such gross labour market flows in isolation of labour market developments as a whole.

UNEMPLOYMENT: STOCKS AND FLOWS

The level of seasonally unadjusted unemployment reached an all time high of

Table 7 Confirmed redundancies: Scotland and Great Britain

		Scotland	GB	Scotland as % of GB
1977		30,775	158,360	19.4
1978		23,768	172,563	13.8
1979		33,014	186,784	19.7
1980		57,178	493,704	11.6
1981		59,039	532,030	11.1
1982		48,944	400,416	12.2
1983		41,538	326,638	12.7
1984		30,164	237,343	12.7
1984	Q3	7,715	62,052	12.4
	Q4	4,655	52,264	8.9
1985	Q1	6,970	52,660	13.2
	Q2	7,295	52,902	13.8
	Q3	4,825	53,139	9.1
	Q4*	(4,688)	(53,723)	(8.7)

*Provisional figures as at 1 January 1986; final figures are expected to be higher than this.

Source: Department of Employment: Gazette and Press Notices

371.1 thousand in January, a rate of 16.4%. As Table 8 shows this represents an increase of nearly 9,000 over the preceding year (equivalent to an increase of about 0.4 percentage points in the unemployment rate). Of this total increase around 7,300 were males and 1,700 females. On an unadjusted basis one in every five of the male working population in Scotland is now unemployed according to official statistics (as compared to one in every 8.5 females). Whilst longer-term comparisons are problematic because of the numerous changes in the official definition of "unemployed", there is no doubt that unemployment has increased dramatically in recent years. (It has more than doubled since 1979 and gone up by nearly one third since 1981). Interestingly, despite the recent comparatively more favourable employment experience of females, female unemployment has increased by proportionately more than male unemployment since 1980.

Monetarists explain such marked increases in unemployment as the outcome of some combination of forces generting a higher "natural" or "equilibrium" rate of unemployment and forces causing the actual unemployment rate to be above its natural level. The latter category of explanations, which in some monetarist stories includes depression of aggregate demand, cannot account for the persistent rise in unemployment, however. For monetarists deviations from the natural rate of unemployment are purely transitory. If actual unemployment is above its natural level there is excess supply in the labour market which must depress the growth in money wages relative to that in prices. This reduces the real wage paid by employers and so stimulates the demand for labour relative to supply and, consequently, tends to eliminate the gap between actual and natural unemployment rates.

Table 8 Unemployment in Scotland ('000s)

		Number employed				Percent		
		All	Male	Female	School leavers	All	Male	Female
1981) Annual Avg		282.8	197.6	85.2	14.6	12.4	15.0	8.9
1982) Annual Avg		318.0	223.9	94.1	17.8	14.0	17.1	9.8
1983		335.6	232.1	103.4	20.6	14.9	17.9	10.9
1984		341.6	235.2	106.4	18.4	15.1	18.4	10.9
1985	Jan	362.2	249.6	112.6	21.6	16.0	19.5	11.5
	Feb	357.2	246.3	110.9	19.5	15.8	19.3	11.3
	Mar	351.9	242.7	109.2	17.5	15.6	19.0	11.1
	Apr	354.7	245.8	108.9	16.2	15.7	19.2	11.2
	May	347.9	241.9	106.1	15.4	15.4	19.9	10.8
	Jun	345.6	239.9	105.7	15.5	15.3	18.8	10.8
	Jul	352.3	241.6	110.7	15.1	15.6	18.9	11.2
	Aug	350.0	240.2	109.9	14.8	15.5	18.8	11.2
	Sep	355.8	243.9	111.8	21.8	15.8	19.1	11.4
	Oct	353.3	243.6	109.7	18.6	15.6	19.1	11.2
	Nov	351.5	242.8	108.7	16.1	15.6	19.0	11.1
	Dec	353.2	245.3	108.0	15.0	15.6	19.2	11.0
1986	Jan	371.1	256.9	114.3		16.4	20.1	11.7

Source: Department of Employment Gazette

Given this belief in the self-correcting nature of the economy, a sustained stimulus to aggregate demand would have at best transitory effects on output, employment and unemployment, but would permanently increase inflation. Furthermore, the persistent increase in unemployment "must" (given this perspective) reflect increases in the natural rate. Candidates as "explanations" are: increases in the real value of benefits received when unemployed (which reduces the incentive to work); the existence of strong unions frustrating the real wage reductions necessitated by changed external trading conditions.

Keynesians, like Keynes himself, remain sceptical of the self-correcting properties of the economy: it is, in their view, possible for the economy to get stuck at output and employment levels which are well below their "full employment" levels. Invariably a major feature of such depressed conditions is a deficiency of aggregate effective demand. In such circumstances it is the responsibility of the authorities to stimulate aggregate demand so as to restore the economy to full employment.

Many Keynesians consequently consider that there is nothing "natural" about current rates of unemployment. It may well be that some of those classified as unemployed have effectively ceased participation, but this may reflect the frustration of persistently unfruitful search - an effect which might ultimately be reversed by appropriate demand policies. Also it may well be the case that adverse external circumstances must lead to a modification of notions of unemployment levels which are consistent with "full employment", so that structral policies are indeed required. However, a unifying belief of all Keynesians is that the economy is currently stuck at an unemployment level which lies well below its "full employment" benchmark. On this view there is scope for reflation, particularly if selective in its sectoral impact (ie. is directed at sectors with significant excess capacity) and if focussed on stimulating investment rather than consumption expenditures.

Monetarists and Keynesians tend to differ too in terms of their conception of the unemployment stock. The former tend, on the whole, to regard unemployment as a transitory state through which individuals (usually voluntarily) pass in their search for better job opportunities. Of course, if the rewards of remaining in the unemployed state are high relative to available wages then some will choose to remain unemployed. Keynesians, on the whole, have tended rather to think in the extreme case of unemployment as a "stagnant pool" from which the individual finds it very difficult to exit without a prior stimulus to aggregate demand.

In fact the truth appears to be somewhere between the extreme variants of each school. Table 9 summarises inflows to and outflows from the unemployment stock over the year to January 1986. It is clear that these flows are significant in relation to the outstanding stock of unemployment. For example, the average stock of unemployed in the first quarter of 1985 was 337,600 and the outflow during that quarter was 102,100, which would permit complete turnover of the unemployment stock within ten months. However, several points should be noted here. First, ten months is a very long time in the context of the extreme monetarist vision of voluntary job separation and search activity. Secondly, the extreme Keynesian view of unemployment as a stagnant pool seems invalid. However, note that the crude "turnover" figure calculated above fails to take account of possible heterogeneity in the unemployment stock. Thus in the extreme case outflows in any period would consist primarily of those who were part of the inflow in the same period. If this were true, the "stagnant pool" characterisation would remain of value. We consider this further below.

Table 9 Unemployment in Scotland: stocks and flows (excluding school leavers, unadjusted, '000s)

		Level	Inflow	Outflow
1985	Jan	340.6	34.3	23.2
	Feb	337.7	36.1	40.1
	Mar	334.4	34.1	38.8
	Apr	338.5	39.2	35.6
	May	332.5	35.4	42.8
	Jun	330.2	37.9	40.7
	Jul	337.1	46.0	39.3
	Aug	335.3	36.8	39.7
	Sep	334.0	44.2	46.0
	Oct	334.7	44.3	44.8
	Nov	335.4	41.4	41.8
	Dec	338.2	37.3	35.2
1986	Jan	371.1*	36.5	23.7

*This total includes school leavers

Source: Department of Employment Press Releases

The existence of data on unemployment stocks, inflows, outflows and the duration of unemployment for individuals (ie. the length of time over which they have been experiencing unemployment) lends itself to the construction of a variety of indicators of labour market activity. Table 10, for example, presents estimates of the likelihood of becoming unemployed and of ceasing to become unemployed by selected regions and by sex. The "likelihood of becoming unemployed" is the inflow to the unemployment stock over some period expressed as a percentage of the labour force (defined as the sum of employment and unemployment). Inspection of Table 10 suggests that, at least for the two periods reported (July to October 1984 and 1985) an individual male was in some sense, on average, more likely to become unemployed in Scotland than in the South-East. The same is true of Scotland as compared to GB as a whole, although, as would be expected, the differential is noticably less. The spatial pattern in the "likelihoods" of becoming unemployed are similar for females, although the likelihoods are noticably lower in each case and the differentials are slightly less marked for all regions. Interpretation of female data is complicated, however, by possible fluctuations in their participation rate. It should perhaps be noted that two regions, the North and Wales, exhibited noticeably higher likelihoods of becoming unemployed than Scotland over the relevant period.

The "likelihood" of becoming unemployed has to be interpreted cautiously, and certainly cannot be regarded as the probability of any individual becoming unemployed, given the heterogeneity of the labour force. Consider an extreme case in which the labour force consists in part of a manic hyperactive group who continuously comprise (equal) inflows and outflows from the unemployed stock each period. Whatever the "likelihood" of becoming unemployed, the probability of any member of this group becoming unemployed would in fact be unity, and the probability of others currently in employment becoming unemployed (under current assumptions) would be zero. Whilst the example is patently absurd, it does highlight the limitations of simple aggregate indicators of stock-flow relations.

Table 10 Likelihood of becoming unemployed and ceasing to be unemployed by region and sex

	South East	Scotland	Great Britain
Male			
Likelihood of becoming unemployed			
Jul '84-Oct '84	4.9	6.8	5.9
Jul '85-Oct '85	5.0	7.0	6.0
Likelihood of ceasing to be unemployed			
Jul '84-Oct '84	39.6	35.5	35.0
Jul '85-Oct '85	42.5	35.9	37.5
Female			
Likelihood of becoming unemployed			
Jul '84-Oct '84	4.1	5.5	5.0
Jul '85-Oct '85	4.3	5.5	5.2
Likelihood of ceasing to be unemployed			
Jul '84-Oct '84	49.7	48.3	46.2
Jul '84-Oct '85	52.7	49.9	49.5
Total			
Likelihood of becoming unemployed			
Jul '84-Oct '84	4.5	6.2	5.5
Jul '85-Oct '85	4.7	6.3	5.7
Likelihood of ceasing to be unemployed			
Jul '84-Oct '84	42.9	39.5	38.5
Jul '85-Oct '85	45.9	40.3	41.3

Source: Department of Employment Gazette

The likelihood of ceasing to be unemployed is the outflow over the interval expressed as a percentage of the average stock. It is noticeably lower for males than for females, although recall that "ceasing to be unemployed" may imply joining the non-participant stock. Interestingly, Scottish females enjoy a rather more favourable position in this respect than is the case in GB as a whole, and the male position is fairly similar in Scotland and GB. The expected differential with respect to the South East is in evidence however. Of course, again these "likelihoods" cannot be interpreted as probabilities of leaving unemployment. In the extreme case considered earlier the probability of ceasing to be unemployed would be unity for the manic hyperactives and zero for the remainder of the unemployed, irrespective of the "likelihood" measure (which could vary over a wide range in line with the absolute level of the outflow quite independently of the true probabilities).

Table 11 Median duration of unemployment by region and sex (weeks)

	South East	Scotland	Great Britain
Male			
Completed spells*			
Jul '84-Oct '84	10.9	11.7	11.6
Jul '85-Oct '85	10.5	11.9	11.5
Uncompleted spells**			
Jul '84-Oct '84	33.5	41.2	40.7
Jul '85-Oct '85	35.7	43.4	43.6
Female			
Completed spells*			
Jul '84-Oct '84	9.5	10.7	10.4
Jul '85-Oct '85	9.1	10.1	10.0
Uncompleted spells**			
Jul '84-Oct '84	22.1	25.7	24.6
Jul '85-Oct '85	23.5	26.3	25.6
Total			
Completed spells*			
Jul '84-Oct '84	10.3	11.3	11.2
Jul '85-Oct '85	9.9	11.2	10.9
Uncompleted spells**			
Jul '84-Oct '84	28.8	35.2	34.5
Jul '85-Oct '85	30.7	36.6	36.2

*Computerised records only
**All records

Source: Department of Employment Gazette

Some evidence that workforce heterogeneity is important in practice as well as in principle is provided by Table 11 which presents estimates of the median duration of unemployment by region and sex, measured in weeks. The median duration of unemployment for males in Scotland who **completed** their spell of unemployment in the period July 1984 to October 1984 was 11.7 weeks ie. 50% of those males who completed their (current) unemployment spell in this interval experienced unemployment of greater duration than 11.7 weeks. In the same period of the following year the median duration rose to 11.9 weeks.

The median duration of those males unemployed over the period July 1984 to October 1984 who did **not** complete their unemployment spell in that interval was 41.2 weeks. Thus 50% of Scottish unemployed males who fall into this category had experienced unemployment for a period in excess of 41.2 weeks. This figure also increased to 43.4 weeks in the following year.

The data for all regions clearly suggest a marked difference in the unemployment experience of those ceasing to claim benefits, and those who continue to claim them. Specifically, the median duration of those leaving unemployment is much lower than that of those who remain unemployed. The "stagnant pool" vision is hardly accurate, but the notion that unemployment is a state through which individuals rapidly pass is at least equally inapplicable.

The median durations of completed spells and uncompleted spells for females are generally lower than for their male counterparts, with the proportional gap being much greater in the latter case. On average, females leave the unemployment stock more rapidly than males. This may in part reflect a more buoyant employment situation for females, although it may, of course, also reflect a greater propensity to withdraw from the labour force altogether in the face of unemployment.

Spatial differentials in median durations are broadly as expected, although there is little noticeable difference between Scotland and the UK. It is interesting to note that some regions with slightly lower male unemployment rates (such as the West Midlands) exhibit noticably longer median durations. (In fact the West Midlands also has higher female unemployment rates yet lower female median durations). It may be that the appropriate mix of labour market policies should vary according to the level-duration character of the unemployment stock.

Particular policy concern should arguably be given to the problem of the long-term unemployed ie those who have been unemployed for a year or more. (In extreme monetarist interpretations such individuals are regarded as having voluntarily remained out of employment partly as a consequence of the level of real unemployment benefits etc). Over 40% of the unemployed in Scotland have currently been so for over a year and over 60% of these have been claiming benefits for more than two years. In all age groups official statistics imply that long-term unemployment is a much greater problem for men than women, although this may in part reflect the fact that married women tend to stop claiming benefits of any kind once their entitlement to unemployment benefit expires after about a year.

INDUSTRIAL RELATIONS IN SCOTLAND

Surveys of Scottish employment reveal only a continuing and deepening sense of despair, with the fear of more job losses and contraction. Redundancies continue at Scottish Lithgow, and it would be optimistic to suggest that Scott Lithgow is now leaner and fitter than before. Successive redundancies and fears of unemployment have denuded the company of sufficiently highly skilled welders to undertake the highest quality work such as submarine construction. At Rosyth the uncertainties over privatisation generate fears for employment levels. Likewise, the announcement to close Gartcosh brings back to the surface all the fears over the survival of Ravenscraig. In eduation and health similar fears prevail.

The Greater Glasgow Health Board was amongst the first to publicise proposals to cope with reductions in funding. Its proposals include: major redundancies; reductions in overtime; cuts in the usage of agency nurses; early retirement; no replacement for staff leaving, and even the closure of hospitals. These developments coupled with the already low levels of staffing (which underlies the industrial action at Gartnavel Royal Hospital), and the changes to nursing duties and reduction in their authority arising from the implementation of the Griffiths Report (the background to the current campaign by the Royal College of Nurses against the appointment of professional managers) have combined to reduce morale to very low levels in the Health Service.

Funding issues have been at the root of many of the industrial problems that the NHS has had to cope with in recent years. In 1960 Britain and Sweden led the world in proportion of income spent on health, spending 3.4% of GDP on public sector health programmes compared with an average of 2.5% for OECD states. By 1981 Britain was spending 5.4% compared with 8.9% in Sweden and was below the average for OECD states. The extent of underfunding of the NHS implies that the actions taken by the Greater Glasgow Health Board are likely to be seen in other areas. Additionally 'collaborative arrangements' between the NHS and the private sector with their attendant redistribution of employment and job losses will become a more common feature.

Evidence of the continuing hardline policy of the NCB in Scotland has been shown in the management response to industrial tribunal decisions over claims by miners that they had been unfairly dismissed during the 1984 dispute. In four of the first eight cases the NCB was ordered to re-employ miners and to pay the men a total of £4,400 for loss of wages while the hearings were in progress. The tribunal's judgement noted that the NCB had produced no evidence to support dismissals which were 'authoritarian and vindictive'. The NCB refused to reinstate the four officials, a decision which led to industrial action at Bilston Glen and Monkton Hall. It is difficult to understand the logic of the Board's action and it is doubtful that such a policy is founded on the belief that it will improve industrial relations. Possibly the Board hopes it will aid the efforts of the UDM to recruit in the more profitable Scottish pits which would be likely inclusions in the first stages of any privatisation plans.

Details of further potential job losses arising from cutbacks in University and Further Education colleges appeared towards the end of the year. Aberdeen University noted that since 1981 approximately 200 academic and academic-related jobs had been lost and warned of the possibility of further major cuts. Government proposals for job losses of up to 2,000 lecturers in polytechnics and colleges throughout the UK were followed by the Education Secretary's call for 20% reductions in funding for social work courses. As yet is it unclear whether this will mean the closure of similar departments at Glasgow and other Scottish colleges. General fears as to the decline in University education led to the first national stoppage by the AUT.

Little progress appears to have been made in resolving the teachers' pay dispute, although the new Secretary of State for Scotland has hinted at the possibility of compromise. Nevertheless, at the same time he welcomed the decision by COSLA to adopt a 'hardline approach' to teachers who refuse to carry out administrative work on examinations. In practice, there is only a limited ability to penalise some teachers over non-compliance with such work. The SEB and the Government are far more vulnerable over the refusal of teachers to enter into contracts to act as markers of examination scripts.

The ending of the dispute, however achieved, will not solve the problems facing primary and secondary education. The impact of Government rate capping is beginning to work through to education, forcing regions to compulsorily transfer staff and to seek redundancies at a greater rate. Extra curricular activity will be cut to bring about economies irrespective of what is agreed on teachers' duties (for example the cuts in overtime in Strathclyde Region's education budget). Moreover, there is much to suggest that some of the new schemes representing the future of Scottish education have been chronically underfunded. Whilst adequate funding has been made available at the piloting stage - to prove the success of the new scheme - such additional funds have not been available when the schemes have become the standard for all schools. Moreover, the delay in reaching a settlement is acting to increase the numbers of teachers leaving the profession. The problems of the quality and composition of the labour force will be a further item for the educational authorities to resolve once the dispute is over.

The focus of the dispute involving the print unions, EETPU and national newspapers has been in London. Nevertheless, there have been a number of implications for Scottish industrial relations. The coming on-stream of News International's printing plant at Kinning Park, Glasgow, operated by members of the EETPU has paralleled in Scotland the dispute between SOGAT 82 and NGA on the one hand and the EETPU on the other. Possibly of greater significance in the long-term is the printing at Kinning Park of a facsimile copy of the Sun produced in London rather than a Scottish edition. Should the pattern of satellite production spread to other newspapers there will be reductions in the numbers of journalists based in Scotland. Evidence of this can be seen in the announcement by the Express and Sunday Express to make 22 journalists redundant. In the long-term the Express group may consider facsimile production at Greenock using the Greenock Telegraph's facilities which it owns. Similar developments appear to be a factor in current negotiations between the Daily Record and printing unions.

Regional Review

Seasonally adjusted data provided by the Department of Employment indicate that unemployment continues to rise for the vast majority of Scottish regions. Over the year to January 1986 unemployment rose in eleven of the twelve regions, the sole exception being the Western Isles. Fife, Orkney and Central experienced the larger percentage increases over this period with rises of 10.02%, 6.09% and 4.19% respectively. For most other regions the increase was from one to two percent. As in previous quarters, there is marked variation in regional unemployment rates, ranging from 6.8% in Shetland to 19.9% in Western Isles.

These figures are depressingly high and there appears to be little evidence to suggest any likely improvement in the near future.

Table 1 Unemployment by Scottish region

	Total	Jan '85	% Increase	Jan '87	Jan '85
Borders	3,882	107	2.83	10.2	9.9
Central	19,955	802	4.19	17.2	16.5
Dumfries and Galloway	8,547	124	1.47	14.9	14.7
Fife	23,153	2,109	10.02	17.3	15.8
Grampian	18,941	188	1.00	8.6	8.5
Highland	14,669	171	1.18	17.8	17.6
Lothian	48,063	996	2.12	13.3	13.0
Strathclyde	203,168	4,356	2.19	19.4	19.0
Tayside	27,146	95	0.35	15.6	15.6
Western Isles	1,935	- 84	-4.38	19.9	20.7
Orkney	853	49	6.09	12.8	12.1
Shetland	805	8	1.00	6.8	6.7
Scotland	371,117	8,921	2.45	16.4	16.0

Source: Department of Employment

The sexual composition of the unemployed continues to follow the general trends reported in the November **Commentary.** In nine regions, male unemployment has increased over the year and in six of these, this movement was accompanied by a fall in female unemployment. This of course increases the predominance of males amongst the unemployed in those regions, a feature which is common to the rest of Scotland. In only three regions, Highland, Western Isles and Shetlands, were movements such as to cause a narrowing of this differential.

Table 2 Unemployment rates: males/females

	Male % Jan 1986	Female % Jan 1986	Change for males	Change for females
Borders	11.3	8.8	+0.3	0.5
Central	20.4	12.9	1.4	-0.3
Dumfries & Galloway	16.6	12.6	0.7	-0.2
Fife	20.3	13.4	2.9	0.3
Grampian	9.1	7.9	0.1	-0.2
Highland	19.9	14.8	-0.3	0.4
Lothian	16.6	9.2	0.6	-0.1
Strathclyde	24.6	12.7	1.2	-0.1
Tayside	18.9	11.7	0.1	0.2
Western Isles	24.6	13.6	-1.7	0.8
Orkney	15.1	9.6	1.5	-0.2
Shetland	6.9	6.7	-0.2	0.3

Source: Department of Employment

These observations are, in general, consistent with the conclusions reached in the November **Commentary.** Much of the explanation for the relatively better position of females lies in the increase in female employment, expecially part-time, over the past few years.

Data on unemployment for travel to work areas (TTWAs) within each region can be used to give a further indication of the uneven spatial distribution of unemployment. In Table 3 the numbers of TTWAs in each region which have an unemployment rate in excess of the national and regional average rates are shown. Comparison with the Scottish average reveals that even in regions where unemployment is relatively low eg

Table 3 TTWA in region with unemployment above Scottish and regional average

	No of TTWA	No above Scottish average	No above regional average
Borders	5	0	3
Central	3	2	2
Dumfries and Galloway	7	5	6
Fife	3	2	1
Grampian	9	2	8
Highland	8	6	6
Lothian	3	1	1
Strathclyde	12	10	6
Tayside	7	3	4

Source: Department of Employment

Grampian and Dumfries and Galloway, there are pockets of high unemployment whose effect on the regional average is swamped by the relatively more prosperous and populous TTWAs such as Aberdeen and Dumfries. A similar conclusion can be drawn by conducting comparisons with respect to the regional average. For example, in Grampian eight out of nine TTWAs have an unemployment rate in excess of the regional average and again the influence of Aberdeen is such as to give a relatively more healthy outlook to the regional rate.

Examining the TTWA in each region with the highest and lowest unemployment rates gives a further indication of the intra-regional differences in unemployment experience (see Table 4). The differences between the highest and lowest TTWA unemployment rates are largest in Grampian and Dumfries and Galloway at 21.6% and 16.8% respectively whilst in Borders and Fife, where the differentials are 6.2% and 6.3% respectively, there is a more uniform spatial distribution of unemployment.

As noted in the last **Commentary**, vacancy statistics are not yet directly comparable with those for a year earlier as a consequence of changes in definition. The new definition now includes self-employed vacancies whilst those handled by the Professional and Executive Register are excluded. The January 1986 data are shown in Table 5 and have been used to compile unemployment/vacancy ratios for the Scottish regions. These ratios vary from 8.67 unemployed persons per reported vacancy in Borders to over 50 per vacancy

Table 4 TTWA with highest and lowest unemployment rates

		%	H-L
Borders	H Berwickshire	14.6	6.2
	L Galashiels	8.4	
Central	H Alloa	20.4	7.9
	L Stirling	12.5	
Dumfries & Galloway	H Cumnock & Sanquhar	27.8	16.8
	L Dumfries	11.0	
Fife	H Kirkcaldy	18.8	6.3
	L North East Fife	12.5	
Grampian	H Forres	28.3	21.6
	L Aberdeen	6.7	
Highland	H Skye & Wester Ross	25.1	11.9
	L Thurso	13.2	
Lothian	H Bathgate	22.7	12.7
	L Haddington	10.0	
Strathclyde	H Irvine	26.4	11.3
	L Ayr	15.1	
Tayside	H Arbroath	19.7	8.8
	L Perth	10.8	

Source: Department of Employment

in Tayside. Although it is expected that the numbers of reported vacancies will underestimate the true numbers, these ratios are indicative of the serious deficiency in demand for labour which is common to all the regions of Scotland.

Table 5 Vacancies by region and unemployment/vacancy ratios

	Vacancies Jan 1986	U/V Jan 1986
Borders	448	8.67
Central	768	25.98
Dumfries & Galloway	304	28.12
Fife	1,026	22.57
Grampian	1,760	10.76
Highlands	544	26.96
Lothian	2,055	23.39
Strathclyde	7,496	27.10
Tayside	542	50.08
Western Isles	113	17.12
Orkney	31	27.52
Shetland	29	27.76
Scotland	**15,116**	**24.55**

Source: Department of Employment