

SCOTLAND AT SEA -

THE GOVERNMENT, THE RECESSION
AND SCOTTISH UNEMPLOYMENT

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'They went to sea in a Sieve, they did,
In a Sieve they went to sea:
In spite of all their friends could say,
On a winter's morn, on a stormy day,
In a Sieve they went to sea!
And when the Sieve turned round and round,
And everyone cried, "You'll all be drowned!"
They called aloud, "Our Sieve ain't big,
But we don't care a button! we don't care a fig!
In a Sieve we'll go to sea!"
And everyone said, who saw them go,
"O won't they be soon upset, you know!
For the sky is dark, and the voyage is long,
And happen what may, it's extremely wrong
In a Sieve to sail so fast!"
The water it soon came in, it did,
The water it soon came in;
So to keep them dry, they wrapped their feet
In a Pinky paper all folded neat,
And they fastened it down with a pin.
And they passed the night in a crockery-jar,
And each of them said, "How wise we are!
Though the sky be dark, and the voyage long,
Yet we never can think we were rash or wrong,
While round in our Sieve we spin!"⁽¹⁾
(Abridged from Edward Lear's 'The Jumblies')

In his recent article on 'The Politics of Unemployment in Scotland' Stephen Maxwell suggests that Scottish unemployment has lost much of its salience as a political issue.⁽²⁾ Despite the unprecedented rise in the numbers of jobless - by January 1981 1 in 8 of the Scottish working population was registered as unemployed - there has been no sustained campaign against unemployment compar-

able with that of the early 1970's. It seems that Scotland has accepted the unacceptable: the reemergence of mass unemployment. Unlike its predecessor in 1972, the STUC Conference on Scottish unemployment in November 1980 failed to provide a focal point for Scottish opposition to Westminster. The passive response to the closure of Talbot's Linwood car plant in February 1981 contrasts sadly with the dramatic work-in at Upper Clyde Shipbuilders launched in August 1971 - which put Scotland in the forefront of a broadly based and effective campaign against the policies of Mr Heath's Conservative Government. Apart from the impressive march through the streets of Glasgow in February 1981, Labour's opposition to the present Government has been channelled mainly - and ineffectually - through orthodox parliamentary and local authority channels. Meanwhile unemployment has continued to rise and for many the prospect of finding or keeping a job has become grim. Yet little heed has been given to the problems of the unemployed. Speculation about the so-called "black economy" and persistent propaganda about social security abuse and voluntary unemployment⁽³⁾ have shifted the blame for unemployment to the victims themselves. Politicians in both main parties have been as reluctant to accept responsibility for high unemployment as they were eager to claim credit when unemployment was low⁽⁴⁾.

In this paper we shall challenge the view that nothing much can be done about unemployment. Scottish unemployment has risen sharply during the present recession (section 1) and we shall argue that in large measure this is a result of the Government's monetarist approach (section 2). But however savage the impact of the current monetarist aberration, unemployment in Scotland has been rising (in fits and starts) since the mid-1960's and reflects long-term problems in Scottish industry and society. We shall therefore consider the main trends in the Scottish labour market over this period (section 3) and the changing impact of unemployment on different sections of Scottish society (section 4). Finally we shall consider (section 5) some of the alternative approaches which could be adopted in an effort to reduce the extent and impact of unemployment in Scotland.

1. Unemployment and the recession.

As the National Institute for Economic and Social Research argue⁽⁵⁾, the present recession which began in the second half of 1979 is comparable in many ways with the depression of the early 1930's. Between 1929 and 1931 the slump involved a fall in Britain's real Gross Domestic Product of some 5% while manufacturing output fell almost 11%. By comparison, 1980 alone witnessed a fall in real Gross Domestic Product of 4½%, and manufacturing output of 9%. The decline in industrial production in Scotland has not been quite as bad as that in the U.K.⁽⁶⁾. In Scotland the index (excluding the oil sector) fell from an annual average of 99.6 in 1979 to 91.8 in the third quarter (3Q) of 1980 compared with a U.K. fall from 104.3 to 94.6 in the same period (1975 = 100). Nevertheless the estimates of Scottish job losses during the current recession show its unprecedented severity post-war. Total employment in Scotland fell by 77,000 in the year to September 1980, with 61,000 (81%) of these jobs in manufacturing. Falls were greatest in textiles (-14%), engineering (-13%) and metal manufacture (-11.4%). While manufacturing bore the brunt of the recession, for once all sectors of employment were affected, with falls in primary industries (-1.2%), construction (-3.6%) and even services (-0.3%).

The severity of job losses is evident in the statistics of notified redundancies, which in Scotland during 1980 were running at more than three times the figure for 1978⁽⁷⁾. Of the 60,826 redundancies notified in 1980, almost 3 out of 4 occurred in manufacturing industry, particularly in the three industries noted above for their net job loss. While Scotland's share of U.K. redundancies was about the usual 13% in 1980 after being higher in 1979, redundancies were unevenly distributed within Scotland. In 1980 Strathclyde Region had slightly under half of all employment in Scotland but 60% of all notified redundancies and 65.6% of notified manufacturing redundancies. Job losses have not been confined to ailing industries. For example, the closure of ICI's nylon works at Ardeer involves a modern factory built within the last few years⁽⁸⁾. The 700 jobs lost result from ICI's attempt to ride out the recession by closing down its fibres division with a

total loss of some 12,000 jobs over 1980/1981. It is a sad comment on prevailing values that these job losses attracted little attention while the decline in ICI's profits (pre-tax losses of £6 million in the final quarter of 1980) and in particular its cut in dividend (the first since 1938) caused much anxiety and were widely taken to show that even the most efficient sections of British industry were not immune from the damaging repercussions of the recession.

The recession took the number of people registered as unemployed in Scotland above 200,000 in January 1980 and over 285,000 in January 1981. By May 1981 the total had reached 288,200⁽⁹⁾. If forecasts of U.K. unemployment of 3½ million are realised then Scottish unemployment is likely to rise above 400,000⁽¹⁰⁾. In January 1933, at the depth of the slump, the official figure for unemployment in Scotland stood at 407,300⁽¹¹⁾. Some 120,000 people had been unemployed for over 6 months in January 1981 and almost 60,000 had been out of work for over a year⁽¹²⁾. Yet only 15 years ago - in June 1966 - total registered unemployment stood at less than 60,000⁽¹³⁾!

Even so, the rise in registered unemployment does not mirror exactly changes in total employment. Total employment fell 77,000 and registered unemployment rose 46,000 in the year to September 1980⁽¹⁴⁾. In other words, the working population of Scotland is in decline through reduced economic activity and outmigration. Women who lose jobs but do not register as unemployed, juveniles on Youth Opportunities Schemes, early retirees who do not register (e.g. those on Job Release Schemes) and perhaps even migrants can all be described as 'the hidden unemployed'. The fall in employment has also been moderated by a decline in working hours through reduced overtime and increased short-time working. Short-time work in particular was encouraged by the Temporary Short-time Working Compensation Scheme which was funding 41,400 workers on short-time in January 1981⁽¹⁵⁾. Altogether the decline in hours worked between October 1979 and December 1980 was equivalent to some 12,500 employees working a standard 40 hour week⁽¹⁶⁾.

The uneven geographical impact of the recession is evident in the rates of unemployment in the Scottish regions, which are shown in Table 1 (the regions are listed in terms of their 1979 rates

starting with the lowest):

TABLE 1
Unemployment rates for the Scottish Regions,
June 1979 - January 1981

Region	June 1979	January 1981	Change in rate
Shetlands	2.8	4.6	+1.8
Borders	3.5	7.5	+4.0
Grampian	4.6	7.3	+2.7
Orkneys	5.7	9.5	+3.8
Lothian	6.5	9.7	+3.2
Central	7.2	11.8	+4.6
Fife	7.9	11.6	+3.7
Tayside	8.0	12.7	+4.7
Dunfries & Galloway	8.0	12.4	+4.4
Highland	8.4	11.5	+3.1
Strathclyde	9.8	15.1	+5.3
Western Isles	11.8	18.8	+7.0

Source: Department of Employment Gazette, July 1979 and February, 1981

By and large the geographical inequalities have grown, with the largest increases in rates in those regions already worst affected⁽¹⁷⁾. Central and Southern Scotland have borne the brunt of the recession. In Strathclyde almost 1 in 2 unemployed men had been out of work for over 6 months in January 1981 (compared with nearer 1 in 5 in Grampian, Highland and the Borders)⁽¹⁸⁾. The unemployment rates for selected employment office areas (mostly towns and cities and their travel to work areas) in Table 2 show the increasingly high concentrations of unemployment in some parts of Scotland (again these are listed in terms of their 1979 rates):

TABLE 2
Unemployment rates for selected
Employment Office Areas in Scotland,
June 1979 - January 1981

	June 1979	January 1981	Change in rate
Aberdeen	3.7	5.8	2.1
Perth	5.2	8.4	3.2
Edinburgh	5.9	8.7	2.8

	June 1979	January 1981	Change in rate
Bathgate	10.2	15.6	5.4
Dumbarton	11.0	17.4	6.4
Greenock	11.3	15.2	3.9
North Lanarkshire	12.2	18.4	6.2
Irvine	13.7	20.8	7.1

Source: Department of Employment Gazette, July 1979 and February 1981

The greatest increases in unemployment during the recession have occurred in towns with high unemployment already; the lowest in the towns and cities with least unemployment. The contrast is sharper if one considers only male unemployment. In depressed towns like Irvine and Bathgate unemployment has risen much more rapidly amongst men than women, while in the Scottish cities the rise in female unemployment has been well above average. Thus, in Edinburgh the rise in female unemployment (53%) was faster than in male unemployment (50%); while in Bathgate the rise in male unemployment (84%) was much more rapid than in female unemployment (29%). The impact of the recession is therefore more uneven than the differences in the overall rates suggest.

In some parts of Scotland, then, the future not only of individuals and families but of whole communities has been blighted by the recession. In Strathclyde in particular the prospects of an early return to work for many of the unemployed must be very dismal indeed, reflecting the sharp falls which have occurred in industrial output and employment. The plight of such deprived communities has been "rediscovered" by the present Government thanks largely to the inner city riots which have occurred south of the border. The link between social disruption and high unemployment has been reluctantly acknowledged though so far without bringing any significant change in Government policy. The suggestion still has currency that despite its malignant social effects unemployment is the inescapable price to be paid for long-term economic recovery. That this view can be broadcast with apparent equanimity reveals much about the tolerance of gross injustices in our midst. In the name of efficiency the Government has pursued policies which have imposed a severe burden on some sections of society. And yet, as we shall now go on to argue

the Government has failed to realise its main monetary goals and such gains as have been made may well prove ephemeral.

2. The monetarist approach.

A recent editorial in the Scottish Economic Bulletin (published by the Scottish Economic Planning Department) presents a remarkably succinct and splendidly bland appraisal of the Scottish situation; one need look no further than the 'international recession and the need to pursue a firm anti-inflation policy at home' for an explanation of our present predicament⁽¹⁹⁾. Unemployment is a result of the world recession - this familiar yet obscure claim seems to legitimate high unemployment. One can hardly lay at the door of Westminster - still less the Scottish Office - the intractable problems of the world economy (especially when the Arabs can be blamed for raising the price of oil by 130% in nominal terms in 1979-1981). As for a firm anti-inflation policy: what could be more reasonable? No government could tolerate the socio-economic (and political!) repercussions of uncontrolled inflation. After all, other industrialised countries are in the same boat and pursue similar tight fiscal and monetary policies in an effort to curb inflation.

But hold on a moment. If the industrialised countries are all in the same boat - or rather, are all in the same sort of boat - why does the British boat sink so much faster than the others? A crude comparison of international unemployment rates indicates that unemployment has risen particularly fast in Britain and is now very high by international standards (Table 3).

TABLE 3
Unemployment rates for selected industrial countries,
approximating U.S. concepts, seasonally adjusted, 1970-1981

	United States	Japan	France	Germany	Italy	Sweden	Great Britain
1970	4.9	1.2	2.6	0.8	3.1	1.9	3.1
1979	5.8	2.1	6.2	3.3	4.3	2.1	5.8
1980 (Jan)	6.2	1.9	6.3	3.1	5.9	1.8	6.2
1981 (Jan)	7.4	2.1	7.0	4.0	5.6	2.2	10.9
Change in year to Jan 1981 (%)	19	11	11	29	- 5	22	76

Sources: Constance Sorrentino 'Unemployment in international perspective' in *The Workless State*, Showler B & Sinfield A. (ed) Martin Robertson, 1981 and Bureau of Labor Statistics, U.S. Dept of Labor.

A more complex comparison of trends in labour supply, employment creation and long-term unemployment rates over the 1970's would do little to modify this gloomy picture⁽²⁰⁾. Even though the trend in industrialised countries is upward and some countries have reached (for them) historically high levels of unemployment, the world recession provides at best a partial explanation of British - and Scottish - unemployment. The rising cost of energy has certainly curtailed output in the industrialised countries. But while industrial and manufacturing output has plummeted in the United Kingdom, other countries have escaped with only a moderation in their growth rates. A fine irony, this, as of all the industrialised countries the United Kingdom, with its self-sufficiency in oil, should be well placed to cope with the OPEC price increases. Indeed, world trade in manufacturing grew by 4½% during 1980, helping to maintain (and indeed to increase) the volume of British exports despite a decline in competitiveness⁽²¹⁾. Thus one can hardly blame domestic problems on a decline in external demand due to international recession. All in all, this provides a convenient but unconvincing explanation of domestic unemployment.

Let us look more closely, though, at 'the need to follow a firm anti-inflation policy at home'. No one could deny that the Government has had to confront serious inflation - at least partly of its own making through the iniquitous taxation policies introduced in its May 1979 budget. If the need is indisputable, are the policies for curbing inflation equally self-evident? Not at any rate to the 364 economists who in the spring of 1981 took the exceptional step of issuing a public statement condemning Government policy⁽²²⁾. Like the House of Commons Treasury Committee⁽²³⁾ the economists were derided for failing to agree on a workable alternative. But this was the point: there is no single and simple way of dealing with inflation. Many policies are required, pursued pragmatically and adjusted according to circumstance, and in particular according to their implications for other and perhaps competing objectives.

The Government, in contrast, has adopted a simple, good house-keeping approach. The March 1980 budget introduced for the first time medium term monetary targets which were intended 'to bring down the rate of inflation and to create conditions for a sustainable growth of output and employment'⁽²⁴⁾. To do this, the govern-

ment planned to reduce the increase in money supply (M3) from somewhere between 7-11% for 1980-1 to nearer 4-8% in 1983-4. This was to be achieved by reducing the Public Sector Borrowing Requirement (PSBR) from 5% of GDP in 1979-80 to 3¾% for 1980-1 and 1½% in 1983-4. Public spending was to be cut back by 4% in volume terms between 1979-80 and 1983-4, while interest rates were pushed to an historic high with The Minimum Lending Rate at 17% at the start of 1980 and falling only gradually since then. This in turn enhanced the value of the Pound already inflated not by industrial strength but by the wealth of oil reserves in the North Sea - the exchange rate rising by 9½% in 1979 and a further 13% in 1980⁽²⁵⁾.

The consequences of these policies are well known. Combined with relatively rapid domestic inflation (average earnings were up 20% in 1980) the appreciation of sterling led to a deterioration in industrial competitiveness - estimated at 40% in the year to November 1980 - unparalleled since the infamous return to the Gold Standard in the 1920's⁽²⁶⁾. The depressed state of the Scottish fishing industry provides a telling example. With the appreciation of sterling against the guilder over 1980 (in the order of 27%) Scottish boats were no longer able to compete with Dutch imports even landing their fish at minimum withdrawal prices⁽²⁷⁾. Though landings in Scotland increased by 9% in the first nine months of 1980 compared with the previous year, the value of the catch fell by 6% - a fall of about £50 for each tonne landed⁽²⁸⁾. Nor was it simply inefficient boats which were affected. For example, the two most modern trawlers in Peterhead were laid up because they could no longer meet the high cost of interest repayments⁽²⁹⁾. With profit margins squeezed by rising costs and reduced competitiveness, high interest rates led to severe liquidity problems in fishing and other industries. The result was a massive process of destocking. Industry ran down stocks - mainly of materials, fuel and work in progress - to the tune of a record £2 billion over 1980, with more to come as destocking of finished goods caught up during the course of 1981⁽³¹⁾. Destocking and the attendant decline in orders was the most important immediate cause of rising unemployment during 1980.

Such is the price of a 'firm anti-inflation policy'. What of the gains? The Government has failed to achieve its targets for public spending, PSBR and the money supply. The recession itself,

in lost revenues and a rising social security bill, has contributed significantly to increased public spending. Local authority spending has out-run Government targets, while central government itself has not been immune from "over-spending", especially in the areas of industry and defence. During the first half of 1980, current spending increased by 1.3% against a planned fall of -0.2%⁽³¹⁾. The borrowing requirement for 1980-81 now looks set to top £13.5 billion against an initial target of £8.5 billion later revised to £11.5 billion in November 1980⁽³²⁾. As for the money supply, it grew by 21% in the year to February 1981, and although the underlying rate was rather less than this it was still way above the planned target for 1980-81 of between 7 and 11%⁽³³⁾.

It is in the area that it regards as most crucial - curbing the rate of inflation - that the Government could claim most success. In the year to February 1981 inflation ran at 13%, returning from a peak of above 20% to the level of mid-1979 when the government first assumed office⁽³⁴⁾. Yet this success cannot be attributed to the Government's monetary strategy. It is the high exchange rate which has cheapened imports and the recession which has moderated pay settlements which have reduced the inflation rate. Whether these gains will survive a lowering of the exchange rate and easing of recession must be doubtful. Already the Government was obliged in its March 1981 budget to bolster economic activity through reductions in the interest rate and a fall in the value of sterling. The Government could take some comfort from the single figure pay settlements which became the norm in the private sector. But while manufacturing settlements dropped sharply, the trend in the public sector proved more resilient to the pressures of recession. Significantly, in the year to October 1980, the usual pattern of manufacturing earnings being higher than the average for the whole economy has been reversed⁽³⁵⁾. Though the downward trend in earnings was unmistakable, the Government had yet to realise its ambitions in the public sector - and the fate of Government policy must depend on pay settlements once the recession begins to ease.

This is not the only question mark hanging over present policy. Even if the Government proves successful in reducing inflation, it is not clear that this will produce the desired result of 'sustained growth in output and employment'. The Government assumes both that

falling inflation will restore industrial competitiveness and that falling interest rates will encourage industrial investment. However, it has been argued that the effect of a falling inflation rate on competitiveness may be offset to some extent by a consequent strengthening of sterling⁽³⁶⁾. As for investment, this responds primarily to demand not to the availability of cheap credit - as the case of Linwood, closed because of collapsing demand rather than a lack of investment funds, makes tragically clear⁽³⁷⁾. Could investment be expected to respond to falling rates of inflation and interest attained through a savage deflationary package of the kind introduced in the March 1981 budget? In fact investment is forecast to fall significantly during 1981,⁽³⁸⁾ a situation exacerbated by the Government's own predilection for cutting back on capital rather than current spending in its efforts to reduce public expenditure. In the long run, falling investment can only result in a further deterioration in competitiveness and a return to still higher rates of inflation.

While the Government's policy has certainly exacted and will continue to exact a high and damaging toll in high unemployment, its monetary targets have proved unattainable and its success in reducing inflation threatens to prove short-lived. The monetarist "experiment" has rendered the economic and social problems of our society more not less intractable. With the continuing expansion of the population of working age over the next decade, the outlook for the unemployed in Scotland seems particularly bleak. For as we shall argue in the following section, the pace of employment generation in Scotland had despite oil developments slackened significantly even before the current recession. This partly reflected the declining impact of regional policy. By the end of the 1970's unemployment was already established as the most pernicious and intractable problem facing Scottish society.

3. Long-term trends in Scottish employment and unemployment.

In the early post-war period unemployment in Scotland typically stood at about twice the U.K. average. Employment generation in the Scottish economy was poor even by U.K. standards. Had Scotland matched the U.K. performance then some 200,000 (about 10%) more jobs would have been created in the 1950's and early 1960's⁽³⁹⁾. But in the mid-

1960's this changed. Between 1964 and 1970 the manufacturing sector in Scotland did better than in the U.K. as a whole⁽⁴⁰⁾ - a change in fortune generally attributed to regional policy. "Immigrant" firms in industries like electrical engineering and clothing were attracted to Scotland. At the same time, traditional industries such as coal and steel were contracting, so that by 1970 the Scottish industrial structure had come to resemble the rest of the U.K.'s⁽⁴¹⁾. Indeed the Research Institute of the Scottish Council for Development and Industry could claim in the early 1970's that 'for an industrialised country with a population of 5 million the Scottish economy is remarkably diversified'⁽⁴²⁾. Moore and Rhodes suggest that regional policy brought some 70 - 80 thousand jobs to Scotland in this period⁽⁴³⁾. Nevertheless, the rate of change in total employment in Scotland between 1964 and 1970 was much the same as the U.K.'s. The fall in the Scotland/Great Britain unemployment relative from 207 in 1965 to 168 in 1970 was largely the result of continued outmigration⁽⁴⁴⁾.

TABLE 4

Scottish Employment and Unemployment in the 1970's

	1970 totals	71	72	73	74	75	76	77	78	79	80	1980 totals
Employment: manufacturing	708	-39	-26	+14	+19	-39	-29	+7	-6	-7	-47	555
Employment: total	2058	-55	-14	+61	+34	-8	-5	0	-4	+10	-50	2027
Unemployment: total	88	+34	+10	-33	-14	+21	+40	+24	+1	-3	+34	199

the figures in thousands, are for June of each year, or for the change from the previous June.
the unemployment figures are seasonally adjusted, excluding school leavers.

Sources: Department of Employment Gazettes and the Scottish Economic Bulletin.

The Scottish employment figures for the 1970's (Table 4) show pronounced cycles, with a boom in 1972-4, stagnation between 1976-9 and recessions in 1970-2, 1974-6 and from 1979 onwards. Still the trend in Scottish employment does change significantly between the first and second half of the decade, and in a way which contrasts with the experience in the rest of the U.K. Between 1970 and 1975 Scotland experienced some growth in industrial production (3.6%) and in total employment (0.8%). In the U.K. as a whole, there was little

or no growth in either. After 1975 the position was reversed. There was no growth in Scottish industrial production (1975-9) and only 0.3% growth in Scottish employment (1976-9). In the U.K. industrial output grew by 4.3% while employment in Great Britain grew by 1.2%⁽⁴⁵⁾.

The employment growth for Scotland in the first half of the decade was generated in the boom of 1972-4. However, only half the increase in employment showed up in reduced unemployment. The other half fed an increase in the Scottish working population⁽⁴⁶⁾ following a decline in outmigration and a rise in the economic activity rate for women. The latter continued through the subsequent recession in 1974-6 as service jobs continued to expand. Total employment therefore fell very little during that recession, though unemployment still rose because of job losses in manufacturing. The relative success of the Scottish economy between 1970 and 1976 was registered in the Scotland/Great Britain unemployment relative which fell from 168 to 125, its lowest ever level⁽⁴⁷⁾.

The main cause of Scotland's employment growth in the early 1970's seems to have been the North Sea Oil discoveries, which involved not only the emergence of an oil industry (by 1976 worth some 25,000 jobs) but also a boost to employment in construction, engineering, steel, chemicals and also services of various kinds⁽⁴⁸⁾. Much of this expansion occurred in overseas-owned firms, maintaining a trend established in the late 1960's when regional policy effects were strongest. It is estimated that by 1975 17.5% of Scottish manufacturing employment was in overseas owned firms compared with 13% for U.K. manufacturing. In the case of electronics, the proportion of Scottish employment in overseas-owned firms was over half⁽⁴⁹⁾.

While oil-related developments helped to maintain output and jobs in the latter part of the 1970's, this only compensated for a general weakening in Scottish economic activity, especially in manufacturing. Over the decade 100,000 jobs in manufacturing were lost and its share of total employment fell from 34% to 29%. Without oil the position would have been much worse. For example, in the traditional Scottish industry of mechanical engineering output fell by 15% and employment fell from 98,000 to 82,000 between 1975 and 1979. It is estimated that without oil employment would have fallen to 65,300⁽⁵⁰⁾. Employment in companies wholly involved in oil-related activity or construction rose from 25,000 in 1975 to 47,800 in 1979,

and including the indirect impact the figure rises to some 70-80 thousand jobs in 1979⁽⁵¹⁾. Nevertheless industrial output and total employment remained static and as the working population continued to rise until 1977 this involved a further increase in unemployment. By 1979 the Scotland/Great Britain relative had slipped back to 143.

Obviously regional policy has not stimulated activity and employment in the 1970's in the way it did in the late 1960's. Why not? One reason is the scarcity of mobile industrial capital seeking investment opportunities - and the greater competition for what investment is available (thus the growing concern in Scotland over Ireland's tax and subsidy incentives). Moreover, regional policy was expanded in the 1960's on the grounds (forcefully argued in Scotland) that labour shortages which were impeding economic growth could be circumvented by tapping labour reserves in the development areas. Since the recession in the mid-1970's labour has been more plentiful throughout Britain and firms are under little pressure to relocate to find workers. Indeed labour is more plentiful everywhere and the flow of international investment to Scotland has greatly diminished since 1975⁽⁵²⁾. Also within the U.K. firms can often obtain subsidies from industrial policy funds for investment in areas which do not qualify for regional incentives⁽⁵³⁾. Perhaps for these reasons, Conservative ministers have been surprisingly active (given their professed belief in market forces) in their efforts to attract and maintain investment in Scotland, as Lionel Barber shows in another paper in this volume. And the political salience of the issue is underlined by the fact that the Select Committee on Scottish Affairs chose "the attraction of inward investment" as the topic for their first major investigation. Their report and the Government's response are analysed by Neil Hood and Stephen Young later in the Yearbook.

In fact, spending on regional preferential assistance to industry in Scotland has been declining even in money terms since 1976/7 when the Regional Employment Premium was removed⁽⁵⁴⁾. But the level of spending in 1975/6 and 1976/7 (over £200 million to Scotland) was not far off the equivalent in real terms for the peak year 1969/70. And it is now widely recognised that regional preference might be better measured by looking at all public expenditure

for industry and employment. Calculated per head of population, this statistic is still very much in Scotland's favour compared with England - being respectively £79 to £27 in 1977/78, £75 to £34 in 1978/9 and £73 to £37 in 1979/80⁽⁵⁵⁾. So it is doubtful if the reduced scale of assistance has significantly contributed to the declining impact of regional policy in the 1970's.

On the other hand, the inefficiency of regional assistance has been widely attacked. Fraser and Orton, for example, have questioned the value for Scottish employment between 1975 and 1979 of the major form of regional assistance, regional development grants⁽⁵⁶⁾. These grants are investment subsidies paid to any firm or industry regardless of the return or employment impact, so long as the investment is in a Development Area (as was almost all of Scotland in this period). The two industrial sectors benefitting most in the period were oil and chemicals, and metal manufacture (mainly steel) - both highly capital intensive. Oil and chemicals benefitted by £58 million (21.6% of grant outlays) but employment didn't increase at all as a direct result. Metal manufacture benefitted by £49 million (18.2% of all grants) and employment fell from 43,000 to 35,000. The areas receiving most in regional grants were those with large-scale developments in these or similar industries (e.g. Motherwell, Glasgow, Falkirk/Grangemouth and Cunninghame) but none showed much change in their unemployment rate over the period. Fraser and Orton argue that money could be spent more effectively if grants were discretionary and related to prospects for employment generation and economic returns. They could then be withheld in cases where investment would proceed in any case because of locational needs, or where the firm's resources were substantial. It is worth noting that manufacturers in Scotland spend 40% more per head of population on fixed investment than in the U.K. as a whole, and yet growth in total output is if anything slower and employment losses greater⁽⁵⁷⁾.

In its present form, then, and especially in the current climate, regional policy can only have a limited impact on Scottish employment. Assuming also that the number of jobs created thanks to oil-related developments will decline over the 1980's, the prospects for employment generation in Scotland look particularly bleak. Scottish economic activity was already weakening in the latter part

of the 1970's, a trend much exacerbated, of course, by the current recession. We have already considered (in section 1) the overall impact this has had on levels of employment and the numbers out of work. To consider the full implications of rising unemployment on Scottish society, though, we now need to look at its unequal impact on different sections of the community.

4. The unequal impact of unemployment on Scottish society.

The Young

The rise in youth unemployment at an even faster rate than the rise in overall unemployment has provoked a controversy as to whether youth unemployment is caused by special factors. However, a thorough study of this by Peter Makeham for the Department of Employment⁽⁵⁸⁾ reached the conclusion that 'those conditions which produce high overall unemployment produce high youth unemployment' and that other explanations (such as changes in occupational and industrial structure or the narrowing of pay differentials between youths and adults) are insignificant. Makeham found that as the unemployment rate for all males changes (up or down) by 1% then the teenage male rate changes on average by 1.7%; and as the rate for all females changes by 1%, the teenage female rate changes on average by 3%.

The importance of general unemployment levels for the employment of the young suggests that the number of school leavers without qualifications is not an important factor, even though these youngsters are most likely to be unemployed. Being without both experience and qualifications, they face the depressing outlook of being at the end of the queue for jobs and 'seeing the queue growing longer but their position in it remaining the same'⁽⁵⁹⁾. Over 30% of Scottish school-leavers have no SCE or GCE certificates, a much higher figure than in England⁽⁶⁰⁾. One response is to seek more post-school training, as suggested in the MSC's consultative paper 'New Initiatives', which the Scottish CBI Director has warmly welcomed⁽⁶¹⁾. But though training is important, it can easily do more to affect who gets jobs than to increase the number of jobs. Enthusiasm for training is also very much a function of who pays for it, as youngsters seeking apprenticeships in Scotland have been finding. In spite of growing MSC support-funding apprentice intakes in engineering, shipbuilding and road transport have dropped from 2042, 847 and 1543 respectively in

in 1976-7 to 1660, 362 and 900 in 1980-1⁽⁶²⁾. John Fairley examines the dismal prospects for industrial training in Scotland more fully elsewhere in this Yearbook.

The Government's main response to youth unemployment - indeed, to unemployment in general - has been the Youth Opportunities Programme. The Programme has expanded very rapidly. In 1978-9, its first full year, YOP schemes provided for 23,600 unemployed young people in Scotland⁽⁶³⁾. In 1981-2 the MSC are seeking 66,000 places in Scotland, not only for the expected unemployed (over 1 in 2) amongst the 90,000 school-leavers, but also for thousands of those who left school in 1980 but still find themselves unemployed⁽⁶⁴⁾. The Youth Opportunities Programme tries to keep up with the demand, particularly from current school-leavers. The MSC hopes to offer all of them a place before they have been unemployed six months - but it cannot keep up with the unemployment of those a little older. Already over half of those completing their YOP scheme (on average in six months) find only unemployment follows⁽⁶⁵⁾. Unemployment is high even amongst young people in their 20's. The unemployment rates by age group in January 1981 (G.B. figures) were as follows: under 18s 19%; 18-19 year olds 17%; 20-24 year olds 15%; 25-34 year olds 10%⁽⁶⁶⁾. And by age 19 two-fifths of the unemployed had been out of work in their present spell for more than six months and nearly one fifth for over a year. Moreover, MSC projections envisage a further 60% increase in the under 18 unemployed between early 1981 and early 1982⁽⁶⁷⁾.

The Government has grudgingly acknowledged that this depressing picture contributes to the alienation of the disadvantaged young people apparent in the riots in London, Liverpool and other English cities in the summer of 1981. One wonders if Scottish cities will be next? The riots have concentrated the Government's mind on youth unemployment at last and at the moment of writing it is considering either a big expansion along the lines of YOP's work preparation courses, plus training courses in place of apprenticeships, or a job subsidy scheme for young workers. However, although either could be valuable (depending on their precise form), it is worth stressing that Makeham's research suggests that demand reflation would be more successful in creating jobs for the young than would Government measures aimed at the young alone.

Women

Female unemployment increased from 25,000 in 1971 to 78,000 in 1980⁽⁶⁸⁾. This meant an absolute increase of 50,000 which was the same as the increase for males over the period. But proportionately the rise was much greater for women - a threefold increase compared with an increase of a half. This was against a background of rising employment for women (an increase of some 85,000 jobs) whereas male employment was falling. However, it seems that this job expansion was very largely in part-time jobs, which had reached some 322,000 in 1979⁽⁶⁹⁾. Public services and distribution in particular have expanded their employment of part-timers. On the other hand, the demand for full-time women workers has fallen, particularly in the recessions of 1974-6 and since 1979. As the number of women seeking full-time jobs has continued to expand (as well as those seeking part-time jobs) unemployment for women has risen steeply. By January 1981 it had reached 93,900. To some extent, this figure represents women registering as unemployed when they would not have done so before. But the fall in full-time jobs means there has been a real increase in female unemployment as well.

Female unemployment is proportionately higher in Scotland than in Britain as a whole, the respective rates in January 1981 being 9.8% and 7%⁽⁷⁰⁾. The MSC in their Scottish plan suggest that it will probably continue to rise more steeply than male unemployment. Nevertheless, it is male unemployment which has so far risen faster in the current recession. Two reasons in particular can be offered for this: the importance of manufacturing job losses in the present recession, and the tendency for many women, notably those in part-time jobs, to leave the labour market when they lose their job rather than to register as unemployed. It is worth noting that although men suffer in total more manufacturing redundancies than women, studies of earlier recessions⁽⁷¹⁾ have found that those women who did hold industrial jobs experience proportionately greater employment losses than men.

The belief is strong in Scotland that women's unemployment is less important than men's unemployment and that when jobs are scarce women should give up their jobs to maintain male employment. This probably underestimates the effect of women's unemployment on poverty

A high proportion of unemployed women are single. And a study by Townsend has shown that there would be much more poverty amongst two-parent families if it were not for women's wages⁽⁷²⁾. While many Scottish women may be obliged to sacrifice their jobs (willingly or otherwise) to protect male employment, the cost they bear in terms of poverty or lost opportunities should not be underestimated.

The long-term unemployed

The hardest hit by Scotland's rising unemployment are the long-term unemployed. As we have seen, in January 1981 120,000 Scots had been out-of-work over six months and nearly 60,000 out-of-work for over a year. Moreover the figures for long-term unemployment are bound to rise steeply in 1981-2 as the sharp rise in unemployment amongst men during the latter half of 1980 begins to affect the longer-term duration categories.

The long-term unemployed are predominantly unskilled manual workers in the middle and older age ranges.

TABLE 5
Proportion (%) of unemployed men in each age group
suffering prolonged spells of unemployment,
Scotland January 1981.

Out of work over (weeks)	Age group										
	-18	18	19	20-	25-	30-	35-	45-	50-	55-	60-
26	19	32	42	38	40	42	46	48	55	57	62
52	3	7	18	18	21	24	24	33	37	38	42
104		1	3	6	8	10	15	20	23	24	26
156			1	2	4	6	10	13	16	17	16

Source: MSC Scotland & authors' calculations.

As Table 5 shows well over half of unemployed men aged 50 and above have been out of work for more than six months, and over a third for more than a year. But even for the younger age groups (19-34) some two-fifths (or 35,000) unemployed men have been out of work for over six months. Inevitably many of those suffering the problems and deprivations of long-term unemployment have families to support.

Evidence for the predominance of unskilled and manual workers amongst the unemployed comes in the occupational breakdown of the registered unemployed. This is illustrated in table 6 which also

TABLE 6

Unemployment and the ratio of unemployed
to vacancies by occupational category in Scotland,
December 1980.

Occupational category	% of total unemployment	Unemployed/vacancies
Managerial & professional	6%	8:1
Clerical & related	12%	13:1
Other non-manual	7%	13:1
Craft & similar	15%	17:1
General labourer	37%	173:1
Other manual	24%	13:1
Total	100%	

Source: Department of Employment Gazette & authors' calculations.

brings out the acute shortage of jobs for those classified as general labourers. The 37% of the unemployed so classified represents 89,500 men and women.

Daniel has remarked that 'the number of people entering unemployment contributes little to the total: what matters is how long they stay unemployed... the current record level of unemployment is primarily due to record lengths of time out of work'⁽⁷³⁾. Although redundancies have increased, there has been a fall in the number of people becoming unemployed for other reasons, such as voluntary quitting. But unskilled and lowpaid workers are still much more likely to become unemployed than other categories. They also have always on average spent longer spells out-of-work, but this inequality has now become much worse, especially for the older and less fit. What job vacancies there are, tend to be taken by those who are younger or who have qualifications - or by those who have been more recently in work and are preferred by employers for that reason. The forecasts of growing unemployment present a deadening prospect for those who have already been out-of-work for months and years.

Tragically - and shamefully - the already inadequate resources to assist the growing number of victims of public policy are being reduced still further. For instance in their latest Plan for Scotland,⁽⁷⁴⁾ the MSC are forced to reduce their staff levels in the Employment Service Division - mainly the job centres - from 1604 in

April 1980 to 1362 in April 1984. Among the schemes to be abandoned is the Special Employment Needs scheme to help the long-term unemployed. The Plan notes that its figures do not reflect the further cuts proposed in the Public Expenditure White Paper of March 1981 nor the cutbacks which may follow the Rayner report recommending voluntary registration at job centres for the unemployed⁽⁷⁵⁾. The serious implications of that recommendation for the positive role of job centres in helping the unemployed has been spelt out by Daniel⁽⁷⁶⁾. There is one MSC programme for the long-term unemployed which is planned to expand, the Community Enterprise Programme replacing the Special Temporary Employment Programme. This has a new target for Scotland of 4,700 places - but that is an expansion after an initial cut-back and still means very small scale provision indeed for the rising numbers of long-term unemployed⁽⁷⁷⁾.

Also totally - and increasingly - inadequate is the benefit system for the long-term unemployed. It pays to be declared unfit for work for Unemployment Benefit gives out after a year whilst Invalidity Benefit continues. A majority of the unemployed are forced to depend on Supplementary Benefit. But the unemployed on Supplementary Benefit never get the long-term rate to which other claimants are entitled after a year. The result is that 'the long-term unemployed are generally among the very poorest in Britain today'⁽⁷⁸⁾. They typically had lowpaid jobs when they were in work, have a poverty line existence on benefit, and, if they do get further work (perhaps after the prodding of the benefit police, the expanded corps of Unemployment Review Officers) it will be more of the same: lowpaid and insecure.

5. Alternatives to high unemployment.

So long as we tolerate - or merely repress - the damaging repercussions of high unemployment, then Scottish society can be justly criticised as both unequal and inhumane. Since high unemployment is hard to justify it is no surprise to find in recent defences of Government policy a stress on the need to reduce inflation as a means of tackling unemployment. High unemployment must be accepted now in order to avoid it in the future - the doublethink of 1984 is already with us. Yet, as we have seen, the Government has failed to achieve its monetary goals, and its success in reducing inflation is likely

to prove short-lived. Why does the Government pursue so single-mindedly a policy which damages so much while promising so little? However dogmatic the claims of its spokesmen, the adoption of a monetarist stance by the present Government has little to do with its status as a "scientific" theory - as the 364 economists referred to earlier were at pains to point out. While economic theory provides a rationale for action, there are as many theories as there are economists. Whatever the questionable merits of monetarist theory, then, we would suggest that its currency in contemporary politics lies rather in its accord with certain prevailing political and administrative values.

For one thing, monetarist doctrine coincides neatly with the political prejudices of modern Conservatism. Policy is aimed against two targets which have not enjoyed much popularity in Conservative (or indeed in wider) circles in recent years; the unions and the Welfare State. It is no coincidence, of course, that these are the main (though in fact very limited) redistributive institutions of our society. In the costs of welfare and the pay demands of organised labour the Government sees the source of the inflationary pressures which it believes are the main long-term threat to the economy. The present policy of cutting back on pay and public spending is supposed to provide, therefore, a permanent solution to the country's economic problems. If the Government's "solution" to date has involved high costs with few tangible benefits, the alluring goal of a "final" solution nevertheless provides a seductive rationale for persisting with a policy which at least satisfies the Government's own prejudices.

Yet it would be wrong to attribute the biases of present policy to Conservative prejudices and leave it at that. The Government presumably has Treasury support, and while the Treasury is not immune from political bias (far from it) we suspect the strength of the present commitment to monetarism is deep-rooted in the Treasury's experience of economic management over the past decade. In particular the idea has taken hold that public spending offers a pernicious and potentially disastrous means of reducing unemployment - neatly reversing the Keynesian orthodoxy of earlier post-war years. The high inflationary peaks of the mid-1970's were attributed to lax monetary policies adopted by a Conservative Government willing to spend its

way out of recession. The incomes policy of the incoming Labour Government, in the form of the Social Contract, was seen as exacerbating rather than reducing the inflationary tide. This period of economic management in the mid-1970's was crucial in establishing a belief in the dangers of public spending, while the erosion and subsequent collapse of the Social Contract in later years was taken as the deathknell of incomes policy as a means of controlling inflation.

Central to present policy is the assumption that inflation arises from a growth in the money supply, which in turn is attributed to increases in borrowing required to finance public spending. Assuming the effects of changes in the money supply on inflation occur with a two year lag, this view fits the experience of the mid-1970's remarkably well. Allowing for the time lag, average annual increases in the money supply (M3) explain average annual increases in the money value of GNP in the U.K., according to Kaldor, 'with quite remarkable precision'⁽⁷⁹⁾. Yet Kaldor also points out that this occurrence was unique, not paralleled either in other periods in the U.K. nor in the experience of other countries. Overall the evidence fails to support any systematic correlation between money supply and inflation, with or without a two year lag.

Nor does Kaldor find much support for another major plank of government policy, 'that public sector borrowing has made a major contribution to the excessive growth in the money supply in recent years'. In fact the growth of the money supply in recent years has been at its lowest (1975-6) in the very year when unfunded PSBR was at its highest, and at its highest (1977-8) when unfunded PSBR was actually negative: Kaldor suggests that from 1966-1979 changes in the money supply are explained much more by bank lending to the private sector (83%) than by unfunded PSBR (only 5%). In particular, the growth of the money supply in the mid-1970's can be attributed to the uncontrolled growth in private sector bank lending following the adoption of the Competition and Credit Control System by the Bank of England in 1971. On the other hand, inflation in the same period can be attributed largely to world commodity price rises (especially oil) which were in turn exacerbated by the threshold agreements providing automatic compensation to incomes during Phase III of the Conservative Government's incomes policy. Though it continues to exercise a powerful influence over current policy, the correlation between in-

flation and monetary expansion in the Barber years is no more than coincidence; or, as Kaldor puts it, 'a pure fluke'.

The other major element in economic management in the 1970's, incomes policy, has also been subject to much misinterpretation. The Social Contract did collapse in the ignominy of Labour's "Winter of Discontent" - but not before it had achieved significant results easily comparable with those of current policy. For example, the annual increase in earnings in manufacturing industry was reduced from 31.8% in 1Q 1975 to 8.7% in 3Q 1977. The subsequent collapse of the Social Contract was widely regarded as evidence of the inability of incomes policy to provide a long-term solution to the problem of inflation. In the long-run, of course, we are all dead - an assertion by Keynes which even his now fashionable critics would find hard to deny! In any case, a more reasoned interpretation would surely stress the Labour Government's inability to maintain the political conditions in which agreement could be secured over control of incomes. This was not unconnected with Labour's own avowal of a monetarist approach. In 1976, at the instigation of the IMF, the Labour Government accepted the need to reduce PSBR 'so as to establish monetary conditions which would help the growth of output and the control of inflation'⁽⁸⁰⁾. With Labour accepting high unemployment as the necessary price of controlling inflation, and cutting back on public spending (fired with enthusiasm for the then influential Bacon & Eltis thesis on unproductive state spending⁽⁸¹⁾), the political conditions for a sustained incomes policy no longer obtained.

A peculiar combination of administrative empiricism and monetarist zeal has brought the present government to a position where it can claim no option than to pursue savagely deflationary policies even in the depths of recession. 'There is no alternative' - this has become the stock phrase of the Government and the Scottish Office as unemployment rises inexorably towards levels comparable with the worst of the 1930's. Forgetting for the moment the effrontery of claiming a policy of mass unemployment as an "alternative", we should be clear that the Government is in a hole entirely of its own making. For the alternatives are many and various, and on any reasonable account would include serious consideration of both incomes policies and programmes of public spending.

A substantial and growing body of opinion now advocates some

form of reflation as a policy for tackling unemployment. While reflation in some shape or form seems indispensable, it is clear that other policies are needed too. A reflationary policy does not itself address the industrial and socio-economic problems underlying the long-term deterioration in Scottish (and U.K.) performance relative to other industrial countries. In the short-term - because of that uncompetitiveness - reflation brings dangers of a sharp fall in the value of sterling, a substantial increase in imports and a surge in inflation for which additional policies are needed. The most basic of these is, as we have implied, an incomes policy. We believe the Social Contract deserves another try in more promising political conditions, such as might accompany a reflationary approach and more interventionist and redistributive social and industrial policies. Also needed in the short-term would be some devaluation and the reimposition of exchange controls. Generalised import controls might be held in reserve to limit any growth in imports which reflation might unleash. It would also be worth looking for methods of reflation which would involve minimum damage (and maximum benefit) to the balance of payments.

We have to recognise that a reflationary strategy can neither create new jobs in sufficient numbers overnight, nor create them in exactly the places and occupations where they are most needed. As Peston (and others) have pointed out, unemployment will remain a problem of immense proportions throughout the 1980's whatever macro-economic approaches are pursued⁽⁸²⁾. And we have to try to reverse the long-term industrial decline. Consequently social and industrial policies are also important in tackling unemployment both in the short and in the long run.

Firm argues that Scottish industrial decline has its roots in 'a failure of the indigenous industries within Scotland to move into new markets, technologies and forms of organisation'⁽⁸³⁾. He points out that locally owned and controlled manufacturing enterprises are disproportionately concentrated in slower-growing industrial sectors characterised by a relative lack of large plants and technological sophistication and a correspondingly low use of qualified manpower. This situation is not surprising given an industrial strategy which centred on regional policies aimed primarily at reducing unemployment through attracting mobile capital. Fortunately, as the Research Insti-

tute of the Scottish Council (Development and Industry) point out, the accent has since changed completely towards the introduction of new products and processes in established firms⁽⁸⁴⁾. To its credit, the Scottish Development Agency (SDA) has adopted a selective approach to industrial development, with investment criteria including longterm profitability, promotion of employment, adequate quality of management and support for technological advance⁽⁸⁵⁾. Nevertheless, the SDA's spending is only a small part of public spending on industry in Scotland, and there seems little prospect of the Agency expanding in either resources or scope in the present political climate. The Government's reaction to the evidence of the inefficacy of traditional regional inducements has been to reduce the size of development areas as a means of reducing public spending. Assistance to industry is still provided on criteria which give insufficient regard to the potential for growth and employment.

Even under the present Government, industrial policy has been dominated by social rather than economic considerations. Government support is concentrated on preserving jobs in increasingly non-competitive industries. While job preservation may be vital as a temporary expedient (if only to lessen the devastating results of the Government's own policies) the tragedy at Linwood underlines its inadequacy as a long-term solution. Yet the Government's reluctance to accept more than a minimalist, defensive posture means that intervention, while not inappropriate, is fragmented and spasmodic. In place of a more positive and broadly based approach to industrial change and regeneration we find instead (as we have seen in the mining and steel industries in recent months), an ad hoc and hesitant accommodation to overwhelming occupational and social pressures.

Where recent governments have sought a more comprehensive and integrated policy it has been primarily within limited local context. Area-based policies became fashionable in the 1970's culminating in the Partnership Schemes initiated in 1977 and the Enterprise Zones recently introduced by the Conservative Government. In Scotland Clydebank has been declared an Enterprise Zone (for discussion of which see Jordan and Reilly's article elsewhere in *The Yearbook*), while the Glasgow Eastern Area Renewal (GEAR) project launched with some fanfare in 1976 has been hailed as a fine example of what can be done through an area-based approach. Certainly no one would want to decry

the achievements of GEAR, in housing rehabilitation and environmental improvement as well as the construction and conversion of sites and plants for industrial use. However, one wonders whether similar results would have been attained in any case through orthodox channels. Donald and Hutton of the Glasgow College of Technology⁽⁸⁶⁾ comment rather cynically on the political motivations behind GEAR and in particular they complain that it diverts attention from the need for national policies to tackle problems like unemployment. One trouble with an area-based approach is that it tends to assume there are area solutions to urban problems. In a similar context in Tyneside Hammer⁽⁸⁷⁾ complains that an area-based approach can only have a marginal impact so long as main-line policies continue to undermine the local economy and while local authorities remain hamstrung by the Government's refusal to allow the adoption of more extensive powers to intervene in local industry.

What is needed is a Scottish industrial policy, backed by the resources of regional policy at its peak, but utilised much more directly to get labour and capital into high productivity industries. For this the Scottish Development Agency does provide a model, but one which needs to be built up as its expertise grows. The SDA is already showing that it can back local entrepreneurship for example in its New Ventures Unit and its role in the financial reconstruction of the Weir Engineering Group. Industries with opportunities in Scotland include food and drink, electronics, oil-related equipment, chemicals, pharmaceuticals, tourism and 'even textiles'⁽⁸⁸⁾. The encouragement of self-management of firms is another way forward. Public sector industries need to be brought positively into Scottish industrial policy along with the private sector. And finally in support of industrial policy and because of their job generating potential, should come positive support of services in Scotland, both public and private. Private services have been weaker in generating employment in Scotland than in the rest of Britain because of the decline of traditional services like warehousing, shipping, docks and transport⁽⁸⁹⁾. It is important that the fast growing sections of services, financial and professional, should not be lost to London. The take-over bids for the Royal Bank of Scotland provide a test case of the Scottish Office's will to support indigenous firms.

All this implies a much more interventionist industrial strategy than currently obtains. Even the Fraser of Allander Institute (not renowned for its advocacy of public intervention) complains in its Quarterly Economic Review that industrial policy has been bedevilled by doctrinaire views of preserving or restoring the "proper balance" between private and public sectors - with insufficient regard to questions of efficiency or growth⁽⁹⁰⁾. Thus the Government has imposed tight cash limits on nationalised industries without regard to their damaging effect on investment in Scotland's economic infrastructure. Policies on public spending in Scotland have been myopic in the extreme. Education, housing and local authority spending were again cut in the March 1981 budget. The Government proceeds in happy disregard of recent work which stresses the vital role of social services in 'the reproduction of labour power'⁽⁹¹⁾. Certainly cuts in welfare and in training programmes do not augur well for the maintenance of Scotland's traditional asset, its skilled labour force. There is even a danger that any industrial recovery may be hampered by shortages of skilled labour.

The other side of that particular coin is that many of the unemployed may lack the opportunity or skills to take advantage of economic recovery. This problem is especially acute for the large numbers now suffering the additional deprivations and handicaps of long-term unemployment. The National Insurance scheme fails to provide adequate security against short-term unemployment for many workers, while in the case of long-term unemployment it has never provided any protection at all. Those unemployed for more than a year must fall back on Supplementary Benefits. A first priority of any humane policy must surely be improvements in maintenance - for example, by removing the one year limit on entitlement to unemployment insurance and by ceasing to exclude the unemployed from long-term Supplementary Benefit rates. Yet Government policy (through cuts in benefit, abolition of the earnings-related supplement and more Unemployment Review Officers for example) has discriminated against the unemployed. Perhaps the present administration subscribes to the popular myth that redundancy payments and improved social security have effected a general transformation in the circumstances of the unemployed - though the evidence is plain that neither redundancy pay nor social security provides adequate protection, particularly for the long-term

unemployed⁽⁹²⁾.

Income support is not enough. The opportunity to work is central to psychological and social as well as economic well-being in our society. If that opportunity is to be genuine, then a range of programmes will be needed to help overcome the cumulative disadvantage experienced by those now excluded from the labour market. Whatever the merits of the Youth Opportunities Programme in making unemployment more tolerable or in improving the job prospects of some youngsters (at the expense of others) the Government has given little heed to the equally if not more pressing problems of older age groups. Various forms of education and training for older workers suffering long-term unemployment will be essential; as we have seen the present programme (CEP) is no more than a token gesture in that direction.

Training opportunities are important, but more positive ways of finding work for the long-term unemployed (young and old) will also be required. The quota system for the disabled has never worked successfully - partly because it has never been properly enforced. A subsidy scheme could encourage employers to take on those suffering the acute disadvantages of disability or long-term unemployment (the two are not unrelated). But if their access to the labour market is not to be gained at the expense of others, some steps must be taken in the direction of sharing out the available work more fairly. Worksharing is no panacea but the Government too readily dismisses a worksharing approach on the general grounds of prohibitive cost or political infeasibility. Nevertheless worksharing offers the attractive prospect of creating jobs in areas (low paid jobs with high overtime for example) where they are most in demand. A more pragmatic approach would identify realistic opportunities for worksharing (e.g. in response to rising productivity) while seeking to distribute the costs more fairly, perhaps through some sort of levy or subsidy system.

These are only some of the more obvious directions in which policy could go. There are other, perhaps more imaginative, approaches (for example, the possibilities of shared part-time employment) which also deserve more serious attention than they have received to date. These policies do have a price. But then, unemployment too has a price, and one which bears most heavily on the most disadvantaged sections of society. If it is intolerable to condemn people to spend

a considerable part or even all of the rest of their working lives unemployed (and already in Scotland over 1 in 5 unemployed men in their 50s have been out of work for over 2 years) then the costs of such redistributive policies must be accepted. Moreover, the current obsession with costs ignores the pay-offs. A fair deal for the unemployed is central to greater security at work - and this in turn may encourage the adoption of more flexible and innovative approaches to industrial change. Positive policies to deal with unemployment are not just an interim measure to alleviate hardship but are themselves a prerequisite of long-term economic recovery.

The ultimate absurdity of present Government policy is that it seeks change in industry and attitudes through recession. In fact, as Stephen Maxwell argues, the conservatism of the Scottish character is likely to increase in consequence⁽⁹³⁾. Recession breeds defensiveness and resistance to change. It does not even encourage more mobility, as voluntary job mobility (which is surely preferable) tends to dry up as compulsory terminations increase. Recession also forces most employers to look to the short-term only, cutting back on investment and training which would help them innovate and compete in the future. Above all, though, recession creates a more divided society, in which a disadvantaged minority bears the costs of change. Whether those expected to bear most of the sacrifices will also enjoy the fruits of recovery must be doubtful. Scotland as a whole (and parts of England) may bear a high price for prosperity in the South East. The question of 'who benefits?' is not of course a new one in Scottish politics. The previous decade was dominated by the oil issue before the debacle over devolution eventually defused the debate. Although as Maxwell argues, the expectations generated by oil have long since been dashed we may still hope that unemployment will play a comparable role as a catalyst in Scottish politics in the 1980's. If it does not, then the prospects for Scotland and for the Scottish unemployed seem grim indeed.

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