

THE SOUTH OF SCOTLAND ECONOMY

PROSPECTS, FUTURE SCENARIOS AND INCLUSIVE GROWTH

Report to the STUC



ABSTRACT

This report looks at trends in the South of Scotland economy and the concerns and aspirations of workers in the region. It considers the factors that make up successful Regional Development Agencies and makes recommendations for the new South of Scotland Enterprise Agency to promote inclusive and sustainable development focused on the priorities of local workers, citizens and enterprises.

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Executive Summary

The South of Scotland Economy

- The South of Scotland faces depopulation and falls in the working population, especially in rural and peripheral communities. Poverty and in-work poverty are high across the South of Scotland and higher costs of living exacerbate low incomes.
- Both Dumfries and Galloway and the Borders already suffer from dependence on low paid employment, and continuing long-term decline in the previous dominant sectors of manufacturing, agriculture and public administration are forecast to continue for the next decade.
- Insecure work, self-employment and contracted out services are all forecast to increase and these are inconsistent with the creation of an environment conducive to inclusive growth, workplace innovation and improved economic performance.
- Productivity and entrepreneurship are both well below Scottish levels with a stunted share of Scotland's public, private and social enterprises, and limited opportunities for workplace innovation.

The South of Scotland Enterprise Agency

- A new enterprise agency for the South of Scotland with a mission to 'drive inclusive growth, increase competitiveness and tackle inequality' will be established in 2020. In the interim, a South of Scotland Economic Partnership has been established although it has no Trade Union representation.
- The most successful economies and societies are based on inclusion of all social partners in development agencies and other governance structures, with workers recognised as essential partners in setting agendas and creating a better economy and society for all.
- To be instrumental in strategies to raise productivity, reduce costs and drive innovation across the region, the enterprise agency needs to involve all local partners in building a more successful and inclusive economy.

Worker Voice

- To promote the arguments for ensuring growth is inclusive for all, this study commissioned by the STUC engaged with workers and trade unions to identify their aspirations and concerns for the future of the South of Scotland.
- Fieldwork respondents were very firm in their view that workers should have their voices heard within the new economic development agency and within employing organisations for reasons of not just of democracy, accountability and fairness but also to achieve effective economic outcomes.
- Fieldwork respondents suggested a range of issues that the new economic development agency should tackle as a priority with regard to the economic and social infrastructure of the region (with regard to transport, communication and housing).

Recommendations

- Investment in local people, public services and housing will build resilience and offer opportunities to establish and deepen a foundational economy meeting local needs which is based on local resources, partnership across the state-academia-industry-workforce and excellent public services.
- Large capital infrastructure projects with poor multipliers, social returns and supply chain improvements do not in themselves deliver inclusive, sustainable growth and development. To raise productivity and prospects for many, attention must be placed on the strategic role that local infrastructure could and should play in driving fair and quality work and inclusive growth.
- It is recommended that the enterprise agency develops particular approaches around:
 - A strategy for creating and maintaining desirable employment opportunities
 - Adopting the principles and processes integral to smart specialisation,¹ regional economic partnerships and quadruple helices²
 - Prioritising investment in local infrastructure, people and public services to support inclusive social and economic change
 - Promoting and requiring Fair Work
 - Promoting and embedding worker involvement through representative bodies

¹ Smart specialisation is a place-based approach focused on strategic areas for intervention “with wide stakeholder involvement. It is outward-looking and embraces a broad view of innovation including but certainly not limited to technology-driven approaches” (CEC, 2018).

² A quadruple helix involves industry, government, academia and worker representation embedded within the structures, processes and objectives of economic development policy and practice.

Introduction

The Scottish Government's Enterprise and Skills Review committed to establishing a new enterprise agency for the South of Scotland with a mission to 'drive inclusive growth, increase competitiveness and tackle inequality'.³ Following a consultation last year,⁴ the Scottish Government have published the South of Scotland Enterprise Bill which is currently being considered by the Scottish Parliament's *Rural Economy and Connectivity Committee*.⁵ The Agency will come into being in 2020, with the South of Scotland Economic Partnership established in the interim.⁶ There is no union representation on this body even though the Scottish Trades Union Congress (STUC), as the main representative of unions in Scotland, has through its affiliates more than 540,000 members. The STUC made a submission to the Scottish Government consultation exercise and the Parliamentary Committee call for views.⁷

Studies and analyses of past interventions and of industrial restructuring and austerity have revealed how the divided politics of the UK and inequalities in society have manifest themselves in such regions, with some communities suffering greater falls in jobs and real incomes, higher poverty and powerlessness. The establishment of the new enterprise agency for the South of Scotland offers the opportunity to identify interventions to reverse and ameliorate some of these adverse effects of austerity and deindustrialisation within a framework of supporting fair work and inclusive growth and improving living standards for workers. Academic evaluations, and policy and practice from across the European Union demonstrate that working with local people in creating such initiatives and interventions can lead to better outcomes for all.

Given this context, the STUC commissioned the Reid Foundation to look at: what we can learn from previous models of regional development agencies (RDAs); the key economic challenges and trends facing the South of Scotland; and workers' understanding, concerns and aspirations for the economy and communities in the South of Scotland. The report looks at these three aspects in turn, before making recommendations for the new Agency.

³ www.gov.scot/Resource/0052/00521448.pdf

⁴ Consultation on the South of Scotland enterprise agency, closed on 7 June 2018: <https://consult.gov.scot/economic-policy-unit/new-enterprise-agency-for-the-south-of-scotland/>

⁵ <http://www.parliament.scot/parliamentarybusiness/Bills/109840.aspx> and <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/110084.aspx>

⁶ <http://www.bbc.co.uk/news/uk-scotland-south-scotland-42731261>

⁷ See https://consult.gov.scot/economic-policy-unit/new-enterprise-agency-for-the-south-of-scotland/consultation/view_respondent? b_index=180&duuid=268899809 and [https://www.parliament.scot/S5_Rural/Scottish_Trades_Union_Congress_\(STUC\).pdf](https://www.parliament.scot/S5_Rural/Scottish_Trades_Union_Congress_(STUC).pdf)

Methodology

The materials for this commissioned report are based upon i) desk-based research deploying a number of secondary sources such as Skills Development Scotland (2017a, b, c; Borderlands Initiative, 2017, 2018) and ii) fieldwork or primary data gathering. Following help and advice from the STUC, its affiliates and the Dumfries Trades Union Council, and being in compliance with data and privacy regulations as well as abiding by ethical concerns regarding voluntary, informed consent, around seventy union activists in the Dumfries and Galloway and Scottish Borders areas were contacted for the following unions: CWU, EIS, GMB, RMT, PCS, Prospect, UCU, UNISON, UNITE, and USDAW. This selection sought to gain a balance between fieldwork participants across the public/private sector divide and throughout the different sectors of the economy which predominate in the South of Scotland. Consequently, two focus groups were held in late September 2018 in Dumfries and in Galashiels. Of the activists contacted in the region, fourteen accepted invitations to take part in the two focus groups, with the conversations being recorded. For those unable to attend either focus group, a questionnaire was sent to the twenty-four who wished to participate in the fieldwork. Ten activists ultimately took the opportunity to complete the questionnaire in October and November 2018. The questions in the questionnaire were identical to those posed in the focus groups. Taking the focus group participants and survey respondents together, activists from six of the ten unions participated (CWU, EIS, PCS, Prospect, UNISON, UNITE).

Note on definitions

The common definition of the South of Scotland is that of the geographical area comprising the local authority areas of Dumfries and Galloway and the Scottish Borders combined. This is the one being used by a number of state agencies and government departments within Scotland (including the proposed South of Scotland enterprise agency). However, it is not the only one for the South of Scotland for the regional list seat within the Scottish Parliament is a larger geographical area which encroaches upon the territory of other local authorities (see later). Some data is based upon the unit of the aforementioned Scottish Parliament constituency. Care is taken in this report to be clear about which definition is being used or referred to. So, and for the sake of simplicity, the default definition is the territory of Dumfries and Galloway and the Scottish Borders local authorities combined. Where this is not the case, this is made explicit.

Regional Development Agencies

Within the continuing post-war Keynesian consensus of the 1960 and 1970s, RDAs were introduced into the national regional institutional framework to provide an additional layer of organisational capacity at the different subnational levels (Danson *et al.* 1992a). The RDAs were set in place to promote regional economic growth and development. There were two parts to this: working in the exogenous domain – the international marketplace – to promote inward investment; and working at the endogenous level of the firm and industry to secure innovation and improved economic capacity across the sectors of the regional economies. In the 1960s, for example, a dedicated development agency, the Highlands and Islands Development Board (HIDB), was established to address the specific issues associated with the area's highly diverse economic, social, and industrial geography (Danson *et al.* 1992b). These concerns turned on its relatively peripheral location, its agricultural and land-based economies, and its sparsely populated areas, fragmented services, and rural communities. The creation of the Highlands and Islands Development Board was intended to address the multiplicity of economic, social, and environmental problems involved; despite having some similar issues, the South of Scotland had no such equivalent integrating institution until much later.

The Scottish Development Authority (SDA), and its counterparts in Wales, was established in the more interventionist mid-1970s, becoming a key element of economic development but then suffering criticism through the 1980s as the neo-liberal agenda took hold. The merger of the Training Agency into both RDAs created Highlands and Islands Enterprise and Scottish Enterprise and these embraced the new-business-influenced agendas which were being set for public policy at large and for specific interventions. In practice, the renamed agencies were reoriented away from separate training and workforce development (TA) and business and economic development (RDAs), respectively, and towards an integrated and holistic approach to promoting inward investment, encouraging local enterprise and new firm formation, fostering innovation, and engaging in private-public delivery partnerships. This was a new world of regional economic intervention which clearly reflected the prevailing neo-liberal economic agendas.

The model RDA of the 1990s was defined by Halkier and Danson (1997:245) as a body that: first, is in a semi-autonomous position *vis-à-vis* its sponsoring political authority; second, supports mainly indigenous firms by means of 'soft' policy instruments; and, third, is a multi-functional and integrated agency, the level of which may be determined by the range of policy instruments it uses. An RDA can be defined, then, as a specific organisational form: 'a regionally based, publicly financed institution outside the mainstream of central and local government administration designed to promote economic development'. Furthermore, RDAs have become associated with promoting 'bottom-up' development and realising endogenous potential. In the period up to the 1990s, the deliberate spatial dimension to the provision of regional incentives or disincentives of the RDAs provided a complementarity, and reciprocity, with the (UK) national regional policy framework.

However, as 'regional policy' began to disappear in its more traditional forms so these agencies and European Union Structural Fund programmes became the standard means of intervention across the regions of the continent. Ironically, despite being given ever increasing powers, the role and mode of operating for the Scottish agencies was to work in partnership with others, their contribution being located 'outside the mainstream government' (Halkier and Danson, 1997) so that they were able to facilitate the pursuit of public policies without direct government intervention making the development agency approach to regional economic development relatively more acceptable to the full range of social partners (industry-government-workers-civic society), without necessarily undermining accountability and legitimacy considerations. Without being directly within central government, the arms-length nature of the RDAs and of the European and local partnerships, with the involvement of this range of representative institutions, gave comfort that there was both responsiveness to society's priorities and concerns and a degree of autonomy from political control and management (Halkier and Danson, 1997; Cameron and Danson, 1999).

The STUC has long been a supporter of regional development agencies (RDAs), from the early 1950s, with a consistent advocacy for the integration of investment and the development of both enterprises and workforces. Scotland has been a pioneer in establishing and running such agencies to good effect, with the United Nations Industrial Development Organization (UNIDO) and the European Association of Development Agencies (EURADA) recognising its leading contribution to this form of institutional approach to regional economic development. Highlands and Islands Enterprise (HIE) and Scottish Enterprise were the model agencies of the 1980s and 1990s, with extensive responsibilities over a wide range of functions including business development and training, and their network of Local Enterprise Companies (LECs). However, and in contrast with the narrowly defined and short-lived TECs (Training and Enterprise Councils) and later RDAs in England, they had no guaranteed representation of unions or workers in their boards.

RDAs across Europe evolved in the 2000s, away from such large multi-functional bodies and towards much smaller organisations focused on innovation and particular sectors, and, critically, the Nordic countries led this move to small semi-autonomous agencies. Concepts of cooperation and a tripartite approach to economic development were consistent with these agencies supporting smart specialisation (a place-based approach focused on strategic areas for intervention "with wide stakeholder involvement. It is outward-looking and embraces a broad view of innovation including but certainly not limited to technology-driven approaches" CEC, 2018) in a triple (industry-government-academia) or quadruple (including communities) helix framework with worker representation embedded into structures, processes and objectives. Therefore, the model of RDA in Scotland and Ireland that had led in promoting regional economic development through a formal institution had become redundant; more successful economies had adopted a new generation of agency focused on a particular sector with all triple helix partners involved in deriving strategies, plans and projects.

Within the continuing Scottish RDA model, the unions remained marginal to developing strategies and operations, contrasting with practice in other parts of Europe.

Over the last 45 years Scotland has also led the introduction of partnership working in regional economic development, with collaboration between different levels of government, governance bodies, social partners and bodies representing all elements of civic society. The long list of organisations from across the social partners in Dumfries and Galloway alone (see Appendix 1) demonstrates the range of bodies identified as key strategic partners by the Council; critically for this report no unions nor the Trades Council were included in this partnership. However, although institutionalised through European Structural Fund programme partnerships across the European Union, there have remained two anomalies in Scotland in recent times: a continuing lack of a robust workers' voice in many economic development strategies and initiatives, apart from crises-driven taskforces when large scale redundancies are announced, and a continuing lack of involvement of workers' representatives in influencing corporatist agencies' (e.g. RDAs, other non-departmental public bodies, etc.) agendas below the strategic board levels.

Introduced and assessed below, the concepts of the triple and quadruple helix, community empowerment and workplace innovation build upon and complement the partnership approach to economic development. They all underpin the superior social and economic performances of the small, progressive economies of northern Europe and would all lend themselves to supporting inclusive growth strategies in the industries of Dumfries and Galloway and of the Borders.

Over the last 50 years, as recognised for instance in the Lowlands and Uplands Scotland ERDF Programme for 2007-2013 and the Borderlands and other literature consulted for this research (Borderlands Initiative, 2017, 2018), representatives of the South of Scotland have often looked with some envy at the institutional capacity offered by HIE to the Highlands and Islands to lobby, identify opportunities and challenges and to intervene strategically in the economy. Periods of enhanced institutional 'thickness' and capacity – having sufficient resources and functions within bodies and organisations (Coulson and Ferrario, 2007) – have been in place when the LECs were operating and when dedicated funds were available through particular Structural Fund programmes for Lowland and Upland Scotland. While these were ad hoc and non-sustained additions to the economic development infrastructure, the proposals for a South of Scotland enterprise agency seek to make a more substantial contribution to manifest substantial change.

Partnership models

Delivery of RDA services and activities was partly delivered through regional based LECs which for a number of years offered some autonomy, intelligence and capacity to economies outwith the Central Belt of Scotland, the main cities and Inverness.

For several years increasing powers and responsibilities were invested in these local institutions, with both Scottish Enterprise Dumfries and Galloway and Scottish Enterprise Borders enhancing the local development infrastructure during the period from 1990 to 2007. Ultimately some considered the economic development landscape had become too crowded prompting the creation of local economic partnerships across the country, based on the LEC areas, to coordinate the varying enterprise, business development and training institutions.

Subsequently, and to an extent recognising that the RDAs had become swollen with budgets, staff and roles during the early years of devolution (Danson and Lloyd, 2012; Danson, Macleod and Mooney, 2012), there were major changes and divestments. These included the transfer of support for small businesses to local authorities as Business Gateway and the abolition of the LECs. Skills Development Scotland (SDS) was established separately from SE and HIE, to sit alongside other national agencies: Scottish Development International and Talent Scotland, while new institutions were created for the seven largest cities (Scottish Cities Alliance), for innovation, enterprise areas, key sectors, and so on. Crucially, most of these have either been inaugurated at the national level or focus on the main city regions. The long legacy of structural planning in Scotland likewise has privileged the metropolitan heartlands, and this can be seen in the city deals which have started with the seven cities and then are turning to consider the three Ayrshire Councils and the Borderlands (Scottish Borders, Dumfries and Galloway, Carlisle City, Northumberland and Cumbria).⁸

Triple and quadruple helix

The Scottish partnership model was established on the back of a corporatist approach to economic development, building on the traditions of the Scottish Council Development and Industry (SCDI), through the RDAs, task forces and area initiatives. These all reveal the essentials of the triple helix (government – industry – research/university) model of innovation, often with participation by unions and other representatives from civic society in a quadruple helix. It is argued that such a strategic collaborative approach to economic development offers the best opportunities to build an industrial base that is competitive, resilient and robust. It facilitates the transfer and exchange of knowledge and expertise between the arms of the helix, optimises the contribution of local and regional supply chains, and offers the prospect of embedding inward investment plants into the location while generating an environment where medium sized indigenous enterprises can prosper.

Having the research and training capabilities of universities and laboratories is a critical component, and many regions across Europe have focused on building knowledge transfer centres, incubation hubs, technology institutes and other means to encourage the spin out of ideas, concepts and companies into the locality.

⁸ See <https://www.gov.scot/policies/cities-regions/city-region-deals/>.

As the skilled and professional workers at the heart of the key sectors of these helices and clusters are mobile, cosmopolitan and in career ladders that extend nationally and internationally up through urban hierarchies towards global centres, there is a need for cities and regions to be able to compete for these workers (Bell et al., 2014; Florida, 2002; Findlay, 2008). For small towns and peripheral regions, this is a challenge as they are less able to offer the range of multi-cultural, metropolitan and lifestyle facilities that many in this 'creative class' demand. With deindustrialisation and the loss of locally-based anchor industries developed or attracted through historic or natural advantages, there is an imperative to plan and implement strategies that allow localities and communities in the peripheries to compete.

In the last three decades, economic development policy at the sub-national policy has recognised the need for institutional capacity (in central and local government, RDAs and other centres of expertise and excellence) and thickness (having a number of agencies to promote constructive dialogue and debate to ensure a region does not become locked into a development path that leads to stagnation, outward migration of jobs, talent and young people). Clusters then smart specialisation have been promoted successively as the ways to build a vibrant and resilient local sector, following acceptance that securing footloose branch plants was difficult to deliver. These approaches are even more challenging in peripheral regions with relatively few indigenous enterprises and an industrial base that is on the margins of the cores of sectors and geographies. The success of the Commonwealth Games Legacy approach to public procurement has built on 50 years of implementation and evaluation of local and regional economic initiatives and confirms that the expertise and understanding of what works has been embedded into Scotland's institutional landscape (Danson and Lloyd, 2012; Christie and Danson, 2016). Public procurement represents an opportunity for interventions which encourage local enterprise, job creation and income generation within the community (Cuthbert, 2017).⁹

Summary

The South of Scotland has lost many of its traditional industries and firms, lies in the outer shadow of seven city regions (for Dumfries and Galloway - Glasgow, Edinburgh, Belfast, Carlisle, Liverpool, Newcastle and Manchester) and two city regions (for the Borders – Edinburgh and Newcastle), and has limited university and research capacities. An interventionist RDA, able to understand the challenges, strengths, weaknesses, opportunities and threats to the regional economy, to advocate and lobby for resources and investment, to generate strategic plans and to implement them is then a necessity in a crowded economic development landscape.

⁹ In this regard, see the 'Preston model' of community wealth building which has been in operation since 2011 and is spearheaded by Preston City and its partner bodies (<https://cles.org.uk/tag/the-preston-model/> and <https://www.preston.gov.uk/thecouncil/the-preston-model/preston-model/>)

To be able to compete for inward investment, to encourage and construct strong local linkages, to support the full realisation of workplace innovation, a South of Scotland enterprise agency is essential to help to level the playing field. Institutions to create the bases for collaboration and cooperation across the region, and beyond, have been established through successive EU Structural Fund programmes, the Borderlands initiative as well as the activities of the two local authorities.

To achieve the aims of enhancing the capacity of the region to intervene productively in the economy, an RDA has to be able to coordinate the social partners -industry/enterprise, government, academia, workforce representatives and civic society - and work towards a coherent and consensual approach to agreeing the priorities across the South of Scotland. To ensure that these conditions can be met, the lessons of what works elsewhere demands that local entrepreneurs and local workers are involved in the design and implementation of strategies and developments, within firms, across sectors and in the institutions of the region. This means that, as in the successful economies and communities of the Nordic countries with their similar economic and geographical challenges and factors, unions as the key representative organisations of workers are engaged with and by the RDA and the other institutional partners.

South of Scotland Economy

Introduction

In this section, the shape and structure of the South of Scotland economy, defined as comprising Dumfries and Galloway and the Scottish Borders, is introduced and reviewed, offering an insight into the basic indicators of the economy, particularly the characteristics of the labour force and industrial structure. The key barriers to economic growth are identified with special attention to the limitations on inclusive growth and the wellbeing of workers. Reflecting on the political choices and decisions of the Westminster Government, there is discussion of the impacts of austerity and public sector cuts on economic development, and of the anticipated effects of cuts still to be imposed. There is also a consideration of previous strategies to support growth regionally and nationally, with focus on the achievements and limitations of city region deals, the South of Scotland Alliance and the Borderlands alliance. Plans for such initiatives in the South of Scotland are explored to provide context for the following reporting of worker and union aspirations for the new agency and institutions.

Population

The latest population estimates of the South of Scotland suggest 264,050 lived in the area in 2016 (149,700 in Dumfries and Galloway and 114,000 in Scottish Borders)¹⁰. Within a wider context of rural depopulation (Copus and Hopkins, 2018), the South of Scotland is likely to continue to suffer further loss down to about 259,136 by 2041; already sparsely populated areas are projected to see the strongest declines and so Dumfries and Galloway is expected to fall to 141,818 while the Scottish Borders rises slightly to 117,318¹¹. This equates to some 5 per cent of the population of Scotland (4.9 per cent declining to 4.6 per cent over the quarter of a century). The 'working age' population in both areas is about 59.9 per cent of the whole population, significantly below the rate for Scotland of 64.6 per cent, reflecting that about a quarter are aged over 65 against 18.5 per cent nationally. Employment rates of 76-77 per cent are similar to the average for Scotland. For the period 2014-2039, the Borders is expected to experience much greater declines in those of prime working ages 30-49 (16 per cent compared with 2 per cent for Scotland) and 50-64 (20 per cent compared with 6 per cent) than the national average; similar declines are forecast for Dumfries and Galloway (15 per cent and 27 per cent, respectively). Overall the population of the South of Scotland will be ageing more quickly than for Scotland overall, and declining by 4,000 people (7,078 fall in Dumfries and Galloway countered partly by a growth of 3,080 in the Borders).

¹⁰ The 2011 census recorded 265,200 and the 2016 estimate was 264,050, suggesting a trajectory towards depopulation.

<https://www.nrscotland.gov.uk/files//statistics/population-estimates/mid-year-2016/16mype-cahb.pdf>.

¹¹ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/sub-national-population-projections/2016-based/list-of-tables>

These differential rates of change, apparently based on depopulation of more remote areas and further decentralisation of city regions so that longer commuting journeys are becoming more typical, will have varying impacts on each part of the two local authority areas and the region as a whole. Access to better paid employment in the major cities for those workers within reasonable daily travelling and proximity to health and amenity services for more mature citizens will mean that locations closer to Edinburgh, Glasgow and other major centres of employment will see increased demands for housing. Where there is new house building locally populations will rise and age; where there is less construction then there may be gentrification with outmigration from the cities of the better off and those nearing retirement; more remote communities and those distressed by loss of industries and companies may suffer an ageing and declining future as older and less skilled workers become trapped in their fragile neighbourhoods. These varying drivers of change in different geographies will mean each community and local economy needs a tailored approach to pursuing sustainable and inclusive growth and development.

Labour market: Employment

Industrial change and forecasts

In terms of employment, currently wholesale and retail, human health and social work are the largest sectors, with 16 per cent each of the industrial structure of the South of Scotland, followed by agriculture and manufacturing, each accounting for 10 per cent (Skills Development Scotland, 2017a and b). These proportions are remarkably similar across the whole region of Dumfries and Galloway and the Borders. The South of Scotland has high concentrations of employment in caring personal services and clerical and service elementary occupations, and again this applies in Borders and Dumfries and Galloway fairly evenly. Overall, the region has a relatively even distribution of occupations by broad level, with around one third (34 per cent) of all jobs in 'higher level' occupations, a further 35 per cent 'mid-level' and the remaining 31 per cent in the 'lower level'; the Borders has a greater proportion in 'higher levels' (38 per cent) than Dumfries and Galloway (32 per cent) and fewer in 'mid-level' (32 compared with 37 per cent).

There have been declines in employment across the region since 2006, driven largely by continuing contraction in manufacturing with the recession, and cuts in public administration and defence also contributing to the falls. Over the next decade, jobs are forecast to increase in Scotland overall, but these are expected to be concentrated in and around the two main city regions of Glasgow and Edinburgh. The total number of jobs in the South of Scotland is anticipated to decline by 2,300 by 2028, down to 123,800, equivalent to an average contraction of 0.2 per cent per year, compared to growth of 0.3 per cent per year expected for Scotland and 0.4 per cent for the UK (Skills Development Scotland, 2017a and b). The forecast decline in Dumfries and Galloway (0.3 per cent per year) is expected to result in the loss of 2,100 jobs in the region by 2028, taking the total to 71,200; this is more pronounced than that expected for the Scottish Borders with a net loss of 200 jobs.

For the Borders especially, these forecast losses are manageable over the time period and retraining and individual career progression should mean no significant issues of redundancies are faced. However, as Dumfries and Galloway has the second highest level of job losses forecast over the period (out of 32 local authorities) while Borders is at 23rd in employment outcome, there are pressing needs to address the provision of training facilities and skills upgrading. In any economy and labour market at any time and at any point in the economic cycle, there can be skill and labour shortages. Brexit and the inevitable dislocation to migrant workers' and employers' plans in times of such uncertainty and UK government hostility will undoubtedly lead to shortages in particular sectors across the South of Scotland, as elsewhere in the nation. Primary industries, health and caring, tourism and other sectors of low paid and semi-skilled work will be most likely to face the loss of employees, either through return migration to their homelands or to a disruption to the flow of new workers from the rest of the EU. As the implications of the raised barriers to the free movement of labour from Europe work their way through the economy, lower paid sectors and those in more remote and peripheral locations in particular will face problems of recruitment and retention. Before the eight new member states joined the EU in 2004, it was identified that employment opportunities were improving for the more vulnerable in the labour market after a period of sustained economic growth led to tight labour markets across the country, and in the South of Scotland (Danson and Gilmore, 2012). That and complementary research confirmed that it might be expected that similar intrusions into the 'reserve army' would follow significant reductions in the labour force following Brexit. However, as unemployment is currently at historically low levels across the region, this is unlikely to compensate for reductions in the labour supply and shortages will appear to the detriment of enterprises, public and private services.

Continuing the long-term decline in the previous dominant sectors, manufacturing, agriculture and public administration and defence will suffer further declines and account for the overall contraction. The majority of sectors in Dumfries and Galloway will experience decline over this decade to 2028; technological-driven declines in the Borders will dominate the falls in manufacturing with 900 fewer jobs expected driven by automation, digitalisation, and other ITC developments which will facilitate and require workers to be more flexible and adaptable in their work and tend to favour production units elsewhere than the relatively low productivity South of Scotland economy (Skills Development Scotland, 2017a and b). Underpinning and reinforcing these structural changes, and with lower shares of jobs in higher level occupations than the national average, which is especially apparent in Dumfries and Galloway, there are fewer locally with the range of skills and experiences to generate new activities, enterprises and employment; the job losses of the past three decades have created a level of path dependency where indigenous and endogenous growth and development is more difficult to achieve and support.

Employment characteristics

These aforementioned changes will see further moves away from sectors which have been traditionally covered by collective bargaining and high union membership.

In parallel, the forecasts suggest both full-time and part-time jobs will decline in the South of Scotland with 1,200 fewer in full-time and 1,100 fewer in part-time employment, leading to an aggregate fall of 2,300 jobs over 2018-2028 (Skills Development Scotland, 2017a and b). Dumfries and Galloway is forecast to account for all the full-time losses and 900 of the part-time, focusing the stresses in the labour market in the west of the region. Reflecting the nature of the sectoral declines, male full-time employment across the South of Scotland is expected to fall by 2,900 jobs by 2028 while with female full-time employment increases by 1,700. The forecast decline in part-time employment is driven by decreases in female jobs (2,400 fewer), with male part-time jobs rising (by 1,200 jobs), a net decline of 1,100 part-time over the decade. As well as structural labour market developments, the raising of the female retirement age explains some of the relative changes.

The table reveals that the two local authority areas in the South of Scotland have very similar profiles with regard to the proportions of men and women of traditional 'working age', both lower than the Scottish and GB rates. Males are more likely to be in the labour market (economically active) than women in each area, though the proportions for both sexes are similar to the national comparators.

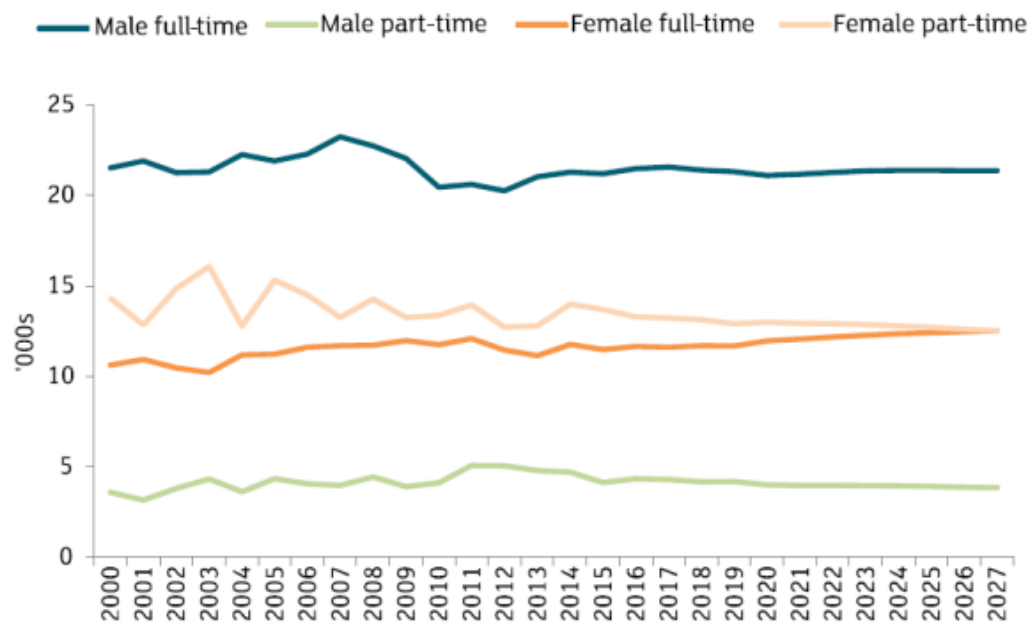
Table 1: Labour Supply (2017)

Area	Dumfries & Galloway (numbers)	Dumfries & Galloway (%)	Scottish Borders (numbers)	Scottish Borders (%)	Scotland (%)	Great Britain (%)
Males Aged 16-64	43,000	59.4	33,300	59.7	65.1	63.6
Females Aged 16-64	45,300	59.0	34,900	59.0	63.8	62.2
Males economically active	37,800	83.9	28,900	83.3	82.4	83.4
Females economically active	33,800	72.4	25,700	71.4	73.3	73.5

Source: <https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx>

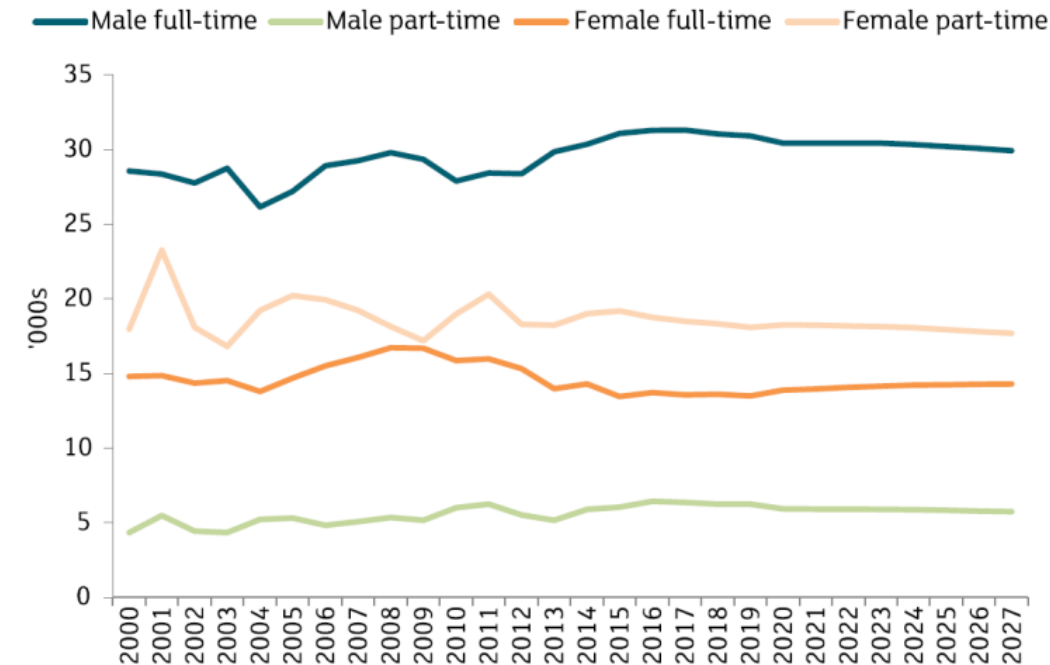
According to the 2011 Census, about 99 per cent of people in both the Scottish Borders and Dumfries and Galloway consider their ethnic group to be white – this is a higher figure than that for Scotland (96.2 per cent). Given the very low proportions of BME groups, the more recent statistics on employment and unemployment are unreliable or unpublished to protect anonymity. The estimates for the employment rates for white people are 76-77 per cent in the two local authority areas, but for ethnic minorities it is only 76 per cent in Dumfries and Galloway and 59 per cent in the Borders. The rates for those self-identifying as disabled in both areas is 50 per cent, comparable to levels across the country for those with long-term limiting illnesses, conditions and disabilities.

Graph 1: Scottish Borders: Total Employment (jobs) projections, 2000-2027, by status and gender. (Oxford Economics)



Source: Figure 3.2, Skills Development Scotland (2017b).

Graph 2: Dumfries and Galloway: Total Employment (jobs) projections, 2000-2027, by status and gender. (Oxford Economics)



Source: Figure 3.2, Skills Development Scotland, (2017a).

The aforementioned concentration of decline in Dumfries and Galloway and in manufacturing means that full-time male employment is expected to decrease by 2,000 in that local authority area but with a rise in part-time employment of 600 jobs and a net aggregate decline in male employment of 1,400 jobs (Skills Development Scotland, 2017a and b). By contrast, female full-time employment is forecast to rise by 900 jobs between 2018 and 2028 but with a decrease in part-time employment of 1,500 jobs and a net decline of 700 female jobs. In the Borders various tendencies will cancel out for women with female part-time employment forecast to decline by 800 jobs, offset by a rise in full-time employment of 900 jobs over 2018-2028. As in Dumfries and Galloway, there are expected to be fewer male full-time jobs in the Borders (900) with an increase in part-time employment of 600 jobs.

Across the South of Scotland these developments anticipate the equivalent of 1,700 fewer men and 600 fewer females in employment by 2028. In terms of occupations, jobs in construction are forecast to rise by 700 by 2028 while 400 additions are expected in each of professional, scientific and technical activities, administrative and support services, and arts, entertainment and recreation. Manufacturing will dominate job losses with 1,900 fewer positions (1,000 in Dumfries and Galloway, 900 in Borders) while agriculture, forestry and fishing and public administration and defence will each lose about 700 jobs (Dumfries and Galloway suffering greater decreases in each case). Overall, reflecting national trends and continuing austerity cuts, the public service sector is expected to suffer a decline of 1,000 jobs over the decade to 26 per cent of all employment, meanwhile the private sector share of the total increases from 46 to 47 per cent (Skills Development Scotland, 2017a and b).

Sectoral prospects

Although food and drink has been identified as a key sector for the Scottish economy (Scotland Food & Drink, 2018), and has been performing extremely well over the years since the financial crisis, a substantial decrease in employment is forecast for this industry as the sector becomes more capital intensive with labour-saving investments and moves to new technologies (1,000 jobs, 600 in Dumfries and Galloway and 400 in the Borders, are forecast to be lost from the food and drink sector) (Skills Development Scotland, 2017a and b). Engineering jobs are also expected to decrease (by 400). By contrast, construction is expected to grow by an additional 500 jobs for the region, with financial and business services offering 400 additional posts. Whilst most industrial sectors will show similar directions of job change across the region, health and social care is expected to grow marginally in the Borders, and there are forecast to be almost 300 fewer positions in Dumfries and Galloway with technological investments and overall demographic changes. By contrast, ICT/digital is expected to show a small increase in Dumfries and Galloway but fall in the Borders by about 100 jobs. Tourism is forecast to offer more employment across the South of Scotland with most located in the Borders (240 out of 250 new jobs). Child care should grow marginally in both areas.

Following the above, skilled construction and building trades are forecast to experience the largest increase in employment in the region (requiring a net increase of 300).

Net rises are also expected in culture, media and sports (200 jobs), business and public service professionals (100) and business and public service associate professionals (100). Occupations forecast to experience the highest declines are those most closely associated with the manufacturing and agricultural, fishing and forestry sectors so that process, plant and machine operatives (400 decrease) and skilled metal and electrical trades (400) are scheduled for the largest contractions.

Labour market analyses and projections by Oxford Economic Forecasts are driven by national and sectoral models and forecasts to underpin the local authority strategic reviews for Skills Development Scotland (2017a, b). These generate local forecasts by applying on a pro rata basis to each area; national trends therefore are divided up across the economy without being influenced by further local labour market intelligence being available. As a result, these forecasts are benchmarks against which actual or other expected changes can be explored.

Table 2: Scottish Borders: Expansion demand, replacement demand and total requirement (jobs, 000s), 2017-2027 (Oxford Economic Forecasts)

Sector	Expansion Demand	Replacement Demand	Total Requirement
Agriculture, forestry and fishing	-0.2	3.8	3.6
Mining and quarrying	0.0	0.0	0.0
Manufacturing	-0.8	1.0	0.2
Electricity, gas, steam and air conditioning	-0.1	0.1	0.1
Water supply, sewerage, waste management	0.0	0.2	0.2
Construction	0.3	1.0	1.3
Wholesale and retail trade	0.2	4.3	4.5
Transport and storage	0.1	0.9	1.0
Accommodation and food services	0.1	1.8	1.9
Information and communication	0.0	0.0	0.0
Financial and insurance activities	0.0	0.0	0.0
Real estate activities	0.0	0.0	0.0
Professional, scientific and technical	0.3	0.0	0.3
Admin. and support services	0.2	0.9	1.1
Public admin. and defence	-0.4	1.0	0.7
Education	-0.1	1.1	1.0
Human health and social work	-0.3	1.8	1.6
Arts, entertainment and recreation	0.1	1.1	1.3
Other service activities	0.1	0.0	0.1
Total	-0.5	19.2	18.7

Source: Figure 3.4, Skills Development Scotland (2017b).

Table 3: Dumfries and Galloway: Expansion demand, replacement demand and total requirement (jobs, 000s), 2017-2027 (Oxford Economic Forecasts)

Sector	Expansion Demand	Replacement Demand	Total Requirement
Agriculture, forestry and fishing	-0.3	5.2	5.0
Mining and quarrying	-0.02	0.02	-0.01
Manufacturing	-0.8	0.9	0.1
Electricity, gas, steam and air conditioning	0.0	0.1	0.0
Water supply, sewerage, waste management	-0.1	0.7	0.6
Construction	0.2	1.0	1.2
Wholesale and retail trade	-0.4	5.5	5.0
Transport and storage	-0.2	2.0	1.8
Accommodation and food services	-0.1	2.7	2.6
Information and communication	0.0	0.0	0.0
Financial and insurance activities	-0.04	0.00	-0.04
Real estate activities	0.00	0.00	0.00
Professional, scientific and technical	0.2	0.00	0.2
Admin. and support services	0.2	1.0	1.2
Public admin. and defence	-0.5	1.0	0.5
Education	-0.4	1.8	1.4
Human health and social work	-0.3	2.3	2.0
Arts, entertainment and recreation	0.01	0.7	0.7
Other service activities	-0.03	0.00	-0.03
Total	-2.6	24.8	22.2

Source: Figure 3.4, Skills Development Scotland (2017a).

Elements of demand: expansion and replacement

Although general decline in jobs is expected from all forecasts for the South of Scotland, workers leaving their current employment – for retirement, commuting out, promotion, etc. – means that a significant number of positions will need to be filled every year over the next decade. Key insights can be gained into the dynamics and employment opportunities of the labour market by considering how these overall changes in labour demand, that is in net job changes, represent new jobs from expansion or losses from contraction but also from openings for recruitment as existing workers retire, move onto other employers or otherwise leave that sector. The latter ‘replacement demand’ will mean about 24,800 workers being recruited in Dumfries and Galloway and 19,200 in the Borders in the next ten years, over the next decade - and is far more significant than the net losses in both areas. Elementary positions will be the largest area of recruitment with lower level jobs expected to account for around 2 in 5 vacancies in Dumfries and Galloway (44 per cent) and the Borders (38 per cent), middle level jobs for 31 per cent and 24 per cent respectively, while higher level jobs, on these forecasts will make up 25 (Dumfries and Galloway) and 38 (Borders) per cent. These degrees of relative turnover will tend to exacerbate existing structural differentials between the east and west of the region and add more dynamism to the Borders especially given its closeness to the more vibrant and larger Edinburgh labour market (Skills Development Scotland, 2017c).

Following the above, skilled construction and building trades are forecast to experience the largest increase in employment in the region (requiring a net increase of 300). Net rises are also expected in culture, media and sports (200 jobs), business and public service professionals (100) and business and public service associate professionals (100). Occupations forecast to experience the highest declines are those most closely associated with the manufacturing and agricultural, fishing and forestry sectors so that process, plant and machine operatives (400 decrease) and skilled metal and electrical trades (400) are scheduled for the largest contractions.

Productivity and growth

In relation to the Scottish economy, both Dumfries and Galloway and the Borders are low output and low productivity economies (Skills Development Scotland, 2017a and b). Their average Gross Value Added (GVA) per job is below the Scottish average of £47,300 reaching only £40,000 in the Borders and £40,100 in Dumfries and Galloway, the lowest and third lowest respectively in the country in 2018. Growth in output is expected to lag Scottish GVA growth in Dumfries and Galloway and the Scottish Borders over the coming decade: at an average 1.2 per cent in the South of Scotland, 1.1 per cent per year in Dumfries and Galloway and 1.3 per cent in the Borders between 2018 and 2028, these compare with the expected Scottish rate of 1.7 per cent and the UK average of 1.9 per cent. Productivity is forecast to grow at the Scottish rate (1.3 per cent) in the Borders and at the UK rate (1.4 per cent) in Dumfries and Galloway over the coming decade. The impact of Brexit-related uncertainty on business investment, consequent slower growth in the labour supply due to lower net-migration, and the continued pressure on household incomes are behind these forecasts and embedded into the 'Scottish Skills Planning Model' (Skills Development Scotland, 2017a and b).

Driving even these low rates of growth in GVA with substantial contributions to expansion are expected to be real estate services, the South of Scotland's largest sector, and wholesale and retail trade, none of which are either high paying or well organised by unions. The fastest growing industries in Scotland between 2018 and 2028 are forecast to be information and communication, and financial and insurance activities; these sectors are relatively small in the South of Scotland, though, confirming the need to identify new areas of dynamism in the region (Skills Development Scotland, 2017a and b). Public administration and defence are expected to be the only sectors to contract while education, and human health and social work will experience the lowest rates of growth in the rest of the Scottish economy according to the Oxford Economic Forecasts for SDS. These public sector jobs are of course the main areas of union membership nationally and locally.

In summary of these various changes, there is a net loss of the jobs and positions which are traditionally characterised as being more likely to be unionised and covered by collective bargaining. The rise of the gig economy, self-employment and contracted out services is forecast to continue and these are all areas where union recruitment and retention is most difficult and resource intensive.

These developments are not consistent with the creation of an environment conducive to inclusive growth, workplace innovation and so for generating improved economic performances. Supply-side interventions alone will neither encourage nor ensure that a different and more productive development path will be gained.

Wages and incomes

The South of Scotland labour market offers a high, and growing, proportion of part-time and low paying self-employed jobs, and there is significant underemployment. Across the South of Scotland many of the jobs in the key sectors provide low levels of productivity and often seasonal employment. Levels of qualifications in the labour force are relatively low while Brexit will expose difficulties in recruiting workers into some low skilled jobs.

The South of Scotland is a region of low incomes with higher proportions than the national average of households earning under £10,000: 16.3 per cent in Dumfries and Galloway and 15.3 per cent in the Borders compared with 11.3 per cent in Scotland (Skills Development Scotland, 2017a and b). While 50 per cent of households earn over £20,000 (in 2016, the latest year for statistics) in Dumfries and Galloway, which is lower than the Scottish average of 54 per cent, the figure for the Borders is 57 per cent suggesting a more diverse distribution there. Differing numbers of pensioner households may account for some of these variations but the primary driver is the respective levels of wages.

The mean wage for all workers in Dumfries and Galloway is 89 per cent of the Scottish average, Borders is lower than that at 87 per cent; the median reverses that order with 84 per cent and 89 per cent so that half of workers in Dumfries and Galloway are paid under £370 a week, against £394 in Borders and £442 in Scotland as a whole (Scottish Government, 2016; Skills Development Scotland, 2017a and b). This low level of wages in the region means low spending power locally exacerbating the leakages out of these relatively small economies within wider city regions. The comparisons for full-time workers are a bit more favourable for Dumfries and Galloway with earnings at 92 per cent (mean) and 85 per cent (median) of the national average while the Borders records 85.5 per cent for both statistics (mean and median). Most of these measures of income look closer to the Scottish picture when resident rather than workplace earnings are considered, ranging between 91 per cent and 99 per cent of the averages.

Table 4: Number and Proportion of Workers on the National Minimum Wage and National Living Wage, by home parliamentary constituency, 2018 (with those in the South of Scotland highlighted in bold)

Constituency	Nos.	%	Constituency	Nos.	%
Aberdeen North	3,900	8	Glasgow East	2,200	6
Aberdeen South	2,300	6	Glasgow North	1,200	4
Airdrie and Shotts	2,300	6	Glasgow North East	3,100	8
Angus	1,900	5	Glasgow North West	1,800	4
Argyll and Bute	1,600	5	Glasgow South	1,600	4
Ayr, Carrick and Cumnock	3,900	10	Glasgow South West	2,300	7
Banff and Buchan	4,200	10	Glenrothes	3,200	8
Berwickshire, Roxburgh and Selkirk	3,100	7	Gordon	2,700	5
Caithness, Sutherland and Easter Ross	1,300	5	Inverclyde	2,000	7
Central Ayrshire	3,300	9	Inverness, Nairn, Badenoch and Strathspey	3,600	6
Coatbridge, Chryston and Bellshill	2,900	6	Kilmarnock and Loudoun	3,400	7
Cumbernauld, Kilsyth and Kirkintilloch East	2,300	5	Lanark and Hamilton East	3,100	7
Dumfries and Galloway	2,700	7	Linlithgow and East Falkirk	3,000	5
Dumfriesshire, Clydesdale and Tweeddale	2,200	6	Livingston	2,500	5
Dundee East	2,000	5	Midlothian	2,500	5
Dundee West	2,500	6	Moray	2,400	7
Dunfermline and West Fife	2,600	5	Motherwell and Wishaw	3,400	7
East Dunbartonshire	1,000	3	North Ayrshire and Arran	3,300	8
East Kilbride, Strathaven and Lesmahagow	2,700	5	North East Fife	2,200	6
East Lothian	2,600	5	Ochil and South Perthshire	4,500	9
East Renfrewshire	1,000	2	Orkney and Shetland	900	4
Edinburgh East	4,100	8	Paisley and Renfrewshire North	2,400	6
Edinburgh North and Leith	2,400	4	Paisley and Renfrewshire South	3,700	10
Edinburgh South	1,700	4	Perth and North Perthshire	3,600	7
Edinburgh South West	2,000	4	Ross, Skye and Lochaber	1,500	5
Edinburgh West	2,300	5	Rutherglen and Hamilton West	2,900	6
Na h-Eileanan an Iar	600	5	Stirling	2,400	6
Falkirk	2,800	5	West Aberdeenshire and Kincardine	1,200	3
Glasgow Central	3,400	8	West Dunbartonshire	2,300	6

Source: UK Government (2018)

Notes: Estimates are taken from Annual Survey of Hours and Earnings (ASHE). Figures represent April 2018 and represent the number of people estimated to be on one of the National Minimum Wages or on the National Living Wage. The percentage of the constituency's workforce represents the number of people on the minimum wages as a proportion of all workers, aged 16 and over. Relevant current hourly rates are: £7.83 National Living Wage (aged 25 or over); £7.38 21-24 year old National Minimum Wage; £5.90 18-20 year old National Minimum Wage; £4.20; 16-17 year old National Minimum Wage; and £3.70 Apprenticeship National Minimum Wage.

Moreover, figures recently released (in late November 2018) for the number and proportion of workers on the National Minimum and National Living wages in 2018 indicate that for Westminster parliamentary constituencies in Scotland,¹² Dumfries and Galloway and the Scottish Borders along with other parts of the South of Scotland when defined as the Scottish Parliament regional constituency of the South of Scotland¹³ are amongst those areas with the highest number of workers reliant upon the two minimum wages. Proportions range from 2 per cent to 10 per cent across Scotland, with areas of the South of Scotland found with portions of 6 per cent to 10 per cent. While not all the areas in bold would be in the remit of the proposed South of Scotland enterprise agency, these particular statistics are only available in the form of this table. The above figures reinforce the relative preponderance of low pay and low incomes in the South of Scotland.

Data from the Scottish Government on the progress of its Scottish Business Pledge since its introduction in 2015, where the core and mandatory commitment for signing the pledge is paying the (independent or real) Living Wage (currently £9.00 per hour outside of London) further highlights the preceding analysis of the relative preponderance of low pay and low incomes in Dumfries and Galloway and the Scottish Borders. Table 2 indicates that while the South of Scotland (when defined as the Scottish Parliament regional constituency of the South of Scotland)¹⁴ is now comparable to the Highlands and Islands¹⁵ in terms of the proportion of sites run by employers that have made a commitment to the pledge, particularly paying the Living Wage, when compared to the Highlands alone, Dumfries and Galloway and the Scottish Borders, as the more rural areas within this wider definition of the South of Scotland, show very limited take up. By January 2019, just 40 sites of organisations had committed to the pledge (compared to 115 in the Highlands). As Table 5 shows this was a fall back from 45 organisations. Moreover, and taking the Scottish Business Pledge as a whole, only 4.4 per cent of workers within Scotland are covered by it as of January 2019 (with this being 2.4 per cent in August 2016).

¹² https://www.gov.uk/government/statistics/national-minimum-wage-and-national-living-wage-coverage-2018?utm_source=3e04fcc0-bb90-4fff-9165-0036879d2f98&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

¹³ In this specific case, the South of Scotland, based on the territory of the regional list seat for the Scottish Parliament, is here defined as comprising the local authority areas of Dumfries and Galloway, East Ayrshire, East Lothian, Midlothian, North Ayrshire, Scottish Borders, South Ayrshire and South Lanarkshire, with there being a slight 'over count' due to East Ayrshire, East Lothian, Midlothian, North Ayrshire and South Lanarkshire only partly being in the South of Scotland. These areas are highlighted in bold in the table.

¹⁴ As defined immediately above.

¹⁵ Defined as based on the local authority areas, comprises Argyll and Bute (part), Highland, Moray (part), Na h-Eileanan Siar, Orkney Islands and Shetland Islands.

Table 5: Take up of Scottish Business Pledge, 2016-2018

Year	Pledge orgs	Workers covered	Proporti on of orgs with 0-49 employ ees	Total no. of sites	Of total sites, SoS sites	Of total sites, H&I sites	Of total sites D&G+SB sites	Of total sites, Highland sites
2016 (May)	247	57,650	69%	795	16%	22%	4% (35)	10% (80)
2016 (Aug)	276	59,210	69%	835	16%	21%	5% (40)	10% (80)
2016 (Nov)	298	75,420	66%	885	16%	21%	4% (35)	10% (85)
2017 (Feb)	334	83,460	65%	1090	16%	19%	4% (40)	9% (100)
2017 (Jun)	371	86,930	66%	1145	15%	17%	3% (40)	9% (105)
2017 (Oct)	399	88,270	66%	1215	15%	17%	3% (40)	9% (105)
2018 (Jan)	426	92,230	66%	1195	17%	16%	3% (40)	8% (100)
2018 (Apr)	472	97,085	67%	1289	16%	16%	3% (45)	9% (110)
2018 (July)	512	102,930	68%	1340	16%	16%	3% (45)	9% (115)
2018 (Oct)	552	106,450	68%	1400	15%	16%	3% (45)	8% (115)
2019 (Jan)	577	108,905	66%	1430	14%	15%	3% (40)	8% (115)

Source: Scottish Government (2016-2019).¹⁶

Further details about the extent of the Living Wage can be found by examining data from the Living Wage Foundation.¹⁷ As of late November 2018, there were 1,076 employers paying the Living Wage in Scotland. Of these, just 30 were in Dumfries and Galloway and 27 in the Scottish Borders. Taking the South of Scotland as per the Scottish Parliament regional constituency (the data are only published in this definition of the South of Scotland), this number rises by 250 to 317. By contrast, the Highlands and Islands have 357 with 108 in the Highlands itself.

Cooperatives

Excluding Cooperative retail shops which are consumer cooperatives rather than producer cooperatives, there are 13 (producer) cooperatives in Dumfries and Galloway and 19 in the Scottish Borders based on figures from Cooperatives UK.¹⁸

¹⁶ <https://scottishbusinesspledge.scot/information-centre/statistical-overview/>

¹⁷ <https://www.livingwage.org.uk/living-wage-map>

¹⁸ See <https://www.uk.coop/directory> Cooperatives UK made a submission to the Scottish Government consultation exercise – see <https://consult.gov.scot/economic-policy-unit/new->

Although figures for the whole of Scotland could not be gained from Cooperatives UK, this appears to be far less than the average for Scotland and for comparable regions like the Highlands and Islands.

Commuting

Out-commuting from both local authority areas to well-paid positions in the cores of the city-regions of Edinburgh and Newcastle (Borders) and Glasgow and Edinburgh (Dumfries and Galloway) will explain much of this difference between incomes generated from local jobs and to local residents (about £33 in the Borders and £16 in Dumfries and Galloway); embedded into the other statistics here they confirm the low pay rates of employment in workplaces in the South of Scotland. However, relatively few travel to work outwith Dumfries and Galloway each day, just 3 per cent of the residents – the lowest rate in mainland Scotland, compared with 18 per cent leaving from the Borders for employment (Skills Development Scotland, 2017a and b). Higher earning occupations dominate the outflows from the Borders especially 64 per cent of all commuters. The domination of the respective economies by low paying sectors and the proximity of Edinburgh labour market to the Borders help explain the higher numbers commuting out each day from the east of the region. Alongside the travel to work patterns for the different communities across the South of Scotland, industrial structures explain much of the income variations in the region. As public sector collective bargaining ensures that rates of pay are fairly standard across geographical areas, the explanation of the differentials is down to the sectoral, and in particular the occupational, structure of the local labour markets and the sorts of self-employment available to local residents within the region.

These details reflect particularly low weekly earnings for both full- and part-time workers who do not commute out from the two local authority areas while SIMD statistics (Scottish Government, 2016) reveal lower proportions than expected of data zones which are ‘employment deprived’ (Dumfries and Galloway: 7.0 per cent, Borders 2.1 per cent compared with the Scottish average of 15 per cent). With similar ‘income deprived’ percentages of 6.5 per cent (Dumfries and Galloway) and 2.8 per cent (Borders), these statistics reveal that the low paid are not concentrated in particular communities but rather dispersed across this largely rural region with its relatively low population densities. Such employees tend to have the most to gain from union membership but are also among the hardest to organise.

Workless households

The proportions of ‘workless’ households – households where no one in the house is in paid employment - across the region and nationally have been in decline showing large falls in Dumfries and Galloway from a peak of 24 per cent (2013) to 14 per cent (2017) but lower improvements in the Borders 19 per cent to 17 per cent and Scotland 21 per cent to 18 per cent.

Coupled with previous research on self-employment across Scotland, not covered from some of the analyses above, the South of Scotland is confirmed to be a region of low wages and household incomes, with the majority of the poor earning their poverty in work. Again, collective bargaining and diversifying the range of jobs by attracting more, higher paying occupations offer a way forward for the local population.

Housing

House prices vary markedly across the country and averages often hide significant differences between house types and locations. The average in Dumfries and Galloway was £141,468, well below £182,413 in the Borders, and £175,141 in Scotland overall. Housing tenure is fairly similar in the South of Scotland and nationally, the main differences are in the net proportions owned outright in Dumfries and Galloway (42 per cent) and the Borders (39 per cent) which are substantially above the average for Scotland (32 per cent). Conversely more have mortgages in the rest of the country (Scottish Government, 2016; Skills Development Scotland, 2017a and b). Wealth in the form of the value of property is, therefore, limited in Dumfries and Galloway and somewhat higher in the Borders. While statistics on health, crime, education and other social indicators suggest a reasonable quality of life for many, concentrations of deprivation have been increasing in Dumfries and Galloway over the last decade or more within an environment of austerity and public sector cuts (Scottish Government, 2016).

Enterprise

Business start-ups show that Dumfries and Galloway, at 35 per annum, is significantly behind the Scottish average of 49 per annum (using VAT/PAYE business 2013 registrations per 10,000 adults), and 34 compared with 25 for de-registrations. The Borders is closer to the national rates at 42 registrations and 34 deregistrations, respectively. Three year survival rates for businesses within these rural local authorities (57.1 per cent and 58.7 per cent, respectively) are very similar to the Scottish rate 57.1 per cent (Skills Development Scotland, 2017a and b). Low levels of new firm formation, therefore, mark the South of Scotland as a place of limited enterprise and turnover of businesses with Dumfries and Galloway having the poorest rates in rural Scotland and almost the lowest rate of net increase. The Borders has also experienced a net fall in the number of businesses in some years recently. Considering the implications of such trends across rural regions where agriculture has traditionally offered the basis for enterprise and entrepreneurship, SRUC, Scotland's Rural College, concluded that: 'The importance of non-farm income sources in maintaining farm businesses is likely to grow' (Skerratt et al., 2016). Therefore, enhanced initiatives in promoting entrepreneurship are needed if these local economies in the South of Scotland are to be lifted from long term stagnation and be able to respond to further challenges from Brexit and falling living standards. With a stunted share of Scotland's public, private and social enterprises, and limited opportunities for workplace innovation, the enterprise agency may consider that raising levels of entrepreneurship in all its forms should be a priority (albeit as part of a wider package of measures which include fostering fair work and recognising the importance of the foundational economy).

Economic development policy

Supply side strategies

The Borderlands Initiative, and 'The Borderlands Inclusive Growth Proposition' especially, identifies three specific challenges facing the regional economy: 'poor productivity, low levels of innovation and weak internationalisation of home-grown businesses, especially SMEs', which are recognised as the backbone of the economy (Borderlands Initiative, 2017). It plans to address these constraints through infrastructure investments (road, rail and digital) and realising benefits from the natural environment and other aspects of the areas north and south of the border (Borderlands Initiative, 2018). Putting much faith into such development strategies is fairly common within the UK and elsewhere, but would appear to confirm a reliance on supply side interventions to lessen the drivers of peripherality regionally.

Consistent with what was found in the literature reviewed earlier, the Borderlands Inclusive Growth Proposition (Borderlands Initiative, 2017) highlights that:

Investors, whether large or smaller scale, increasingly want to see a range of people and place factors at play, such as connectivity, diversity, equality, creativity, vision, housing choice, low carbon and smart infrastructure, digital literacy, and an agile, talented labour market - in other words all of the emerging characteristics of Inclusive Growth.

All regions and city-regions and City Deals make the same set of arguments, however, so that more needs to be delivered by the South of Scotland enterprise agency if long term prospects are to improve sufficiently to close the gaps in income standards faced by the population of the region. Whereas their claim is that: 'Given the stagnant nature of many of our local economies and the poor prospects for many of our people it has the greatest transformative potential' (Borderlands Initiative, 2017), the reality is more likely to be that the planned investments and interventions may slow down further deterioration compared with the national average(s) rather than lead to transformational change.

Barriers?

A number of barriers to growth have been identified in the Borderlands framework (Borderlands Initiative, 2017). This list suggests they consider many as the unintentional outcome of state arrangements and relationships:

- *Fragmentation of business supply chains and broken access to markets.*
- *Challenges to cross-border sector development and clustering.*
- *Reducing the recruitment pool and in-work progression opportunities.*
- *Diluting the business voice and diminishing its ability to lobby for additional investment and resources.*
- *Limiting the scope to share good practice and learn from the experiences of other parts of the region.*

- *Impeding the constituent Councils and regeneration agencies from providing a consistent and coherent package of support.*

It can be argued that the justification for most of these as barriers can be laid at the door of political agendas rather than robust economic analysis. There is no obvious reason why, within the 'single UK market', any of these necessarily impose manifest impediments to cooperation and collaboration within the South of Scotland or with the northernmost regions of England.

Geographies, north-south orientations to transport infrastructures within the broader region and the restructuring of the last two decades have been more significant causes of poor performance and stagnation. By adopting a strategic approach which neglects the drivers of relative economic decline and by focussing on a supply-side development path, there is no guarantee that the sorts of industry developments required will be forthcoming. There are no obvious economies of scale and scope realisable to generate higher level and paid job creation after any infrastructure investment.

Skills and skill utilisation

Indeed, updating previous analyses, Overman and Clayton rigorously argue that: 'Developing an effective local industrial strategy for the UK' requires 'Evidence-based principles for local policymakers seeking to design an effective industrial strategy'.¹⁹ In particular, they criticised the reliance on heavy capital investments in physical infrastructures and consultants demands for incubation and technology centres, and other such superstructures. Instead, they establish a case for training and nurturing and formation of skills as the preferred way forward to regeneration. Whilst this may be appropriate for the English context, Keep and others have demonstrated to Skills Development Scotland and the Scottish Parliament that there were no immediate concerns with skills shortages in Scotland, but Scotland lagged behind better performing economies in workplace innovation and that was due to ineffective and inefficient skills utilisation (Ashton and Sung, 2011a and b; Keep, 2013, 2016). This is consistent with the literature on smart specialisation and the triple/quadruple helix discussed above and so moves the focus away from physical and onto human capital and worker involvement in economic development. The rationale for engaging with unions and worker representatives from all levels is clear. Following lobbying from the STUC, the Scottish Government appears to have accepted much of this analysis, inserting indicators on collective bargaining coverage and skills utilisation within its new National Performance Framework.²⁰

¹⁹ <http://blogs.lse.ac.uk/businessreview/2018/11/15/developing-an-effective-local-industrial-strategy-for-the-uk/>

²⁰ <http://nationalperformance.gov.scot/>

Skills demand and qualifications

The *Regional Skills Assessments* for Dumfries and Galloway and for the Scottish Borders produced by Skills Development Scotland (2017a and b) offer a comprehensive overview of the economies, labour markets and socio-economic prospects for each area for the coming decade and beyond. While all forecasts are subject to revisions as new information and intelligence becomes available, they serve the purpose of setting the agenda and of predicting what might happen if remedial actions are not taken. These forecasts, detailed in the sections above, point to a region facing a slowly declining position relative to the national average in terms of incomes, shares of employment and enterprise. Change is needed to shift away from this deteriorating path, hence, a rationale for a dedicated development agency for the South of Scotland. However, whether there are the levers and drivers to encourage a transformational shift is questionable, based as the early visions are on supply side interventions.

With fewer jobs requiring higher level skills and fewer higher occupation and functions in both local authority areas than nationally, the creation of new enterprises and posts needing higher qualifications will be at lower rates than elsewhere. Without significant reorientation and restructuring of interventions and policies, these foundations of the local economies of the Borders and Dumfries and Galloway will continue to generate these unsatisfactory outcomes; it is difficult to break out of such path dependency without radical levers of change being available and applied. National insights also expect more non-standard jobs – zero-hour contracts, precarious work, self-employment – with increasing in-work poverty and limited opportunities for progression (Skills Development Scotland, 2017a, b). As well as building up long term problems for economic resilience of individuals and communities, this restricts the accumulation of social, human and financial capitals locally to the detriment of robust economic development. With declining numbers of jobs forecast, low levels of enterprise and a large proportion of employment offering limited paths for advancement, infrastructure investments will not be sufficient to raise productivity and prospects for many, regardless of potential improvements to skills and qualifications. A more radical agenda is required to ensure that investments in skills and people both raise expectations and create the demand for these locally. Engaging the population and labour force directly is critical to that, and is the basis for the successful small economies of Nordic and northern Europe. However, continuing austerity, uncertainty caused by Brexit and political indecision in Westminster do not offer the sorts of basis to begin establishing such an agenda for change. Coupled with the lack of entrepreneurship and enterprise evident across the sectors and the truncated powers and higher functions within the public and private sectors, there are some fundamental barriers to addressing these constraints quickly (Cogentsi, 2007). Moves to facilitate changing the culture and capacity of the South of Scotland are prerequisites and complements to realising the returns to investments in the physical infrastructure and building resilience into economic and social structures. As identified previously, elsewhere in Europe the role of the workforce and their collective membership has been critical to introducing such a form of development.

Unions and workforce involvement

Regarding the planned institutional policies and processes, there is no mention of union, worker representative or similar pro-active engagement with the labour force in such strategic publications as the *Dumfries and Galloway Regional Economic Strategy 2016-2020*, *Scottish Borders Economic Profile*, *Scottish Borders Economic Strategy 2023*, *Dumfries and Galloway Business Plan*, *The Borderlands Inclusive Growth Proposition*, *Rural Scotland in Focus*. These constraints in being able to implement the elements of a triple/quadruple helix and inclusive growth approach do not augur well for future economic cooperation and partnership across the region, nor do they suggest that the union movement is being considered as an essential social partner in development strategies. This is an error the new regional development agency for the South of Scotland should not repeat (Scottish Government, 2018).

Summary

The future of the South of Scotland laid out above, based on national and regional forecasts commissioned by SDS and others (Skills Development Scotland, 2018), suggests a continuing long slow decline in the economies of Dumfries and Galloway and of the Borders. There are no simple solutions or panaceas but the transformation of similar peripheral economies in small northern European economies suggests some ways forward. Building resilience through the generation and nurturing of local enterprise and employment, based on concepts such as the circular or foundational economy²¹, partnership across the state-academia-industry-workforce and excellent public services, has raised their performances to lead the global rankings. However, these take time and specific interventions to move the agenda forward. The direct and active engagement of unions and workers has been crucial in these developments; and these create challenges for all involved.

²¹ The foundational economy is made up of activities which provide the essential goods and services for everyday life, including infrastructure; utilities; food processing; retail and distribution; and health, education and welfare. See: <https://foundationaleconomy.com/introduction/>

Worker Voice in the South of Scotland

The Scottish Government has, within the Britain, taken the lead in promoting 'Fair Work'. The Welsh Assembly Government is now following this lead with a Fair Work Commission in 2018. In Scotland, the Fair Work Convention, established in 2015, produced the Fair Work Framework in early 2016 which defined fair work as work that provides workers with effective voice, opportunity, security, respect and fulfillment.²² Given the predominant nature of employment in the South of Scotland in terms of its sectoral locations and associated features (see above) as well as that many of the disproportionately more present sectors are very weakly unionised, there is a significant need for the widespread adoption and implementation of the fair work agenda. Indeed, adoption and implementation of fair work provides both an opportunity and a way to integrate the pursuit of social inclusion and the pursuit of economic growth.

The Fair Work Framework

The Fair Work Framework (p5) states its vision is that 'by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society' with fair work being defined as that which 'offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers and that can generate benefits for individuals, organisations and society.' It goes on to state that:

'Our aim is for this Framework to be used by everyone in the workplace to guide practice: to help improve understanding of fair work, benchmark existing practice and identify areas where improvement can be made. This requires real leadership in the workplace at the highest and at every level. For the many organisations and stakeholders beyond the workplace but involved in the wider work and employment landscape, we hope that this Framework will also be used to guide their activities in supporting the delivery of fair work in Scotland'.

The Fair Work Framework (p8) continues:

'These [five] dimensions cover the scope of workers to 'have a say' and to influence and change practices, how people can access and progress in work, the employment conditions they experience, the work that people do and how people are treated at work'.

The Fair Work Framework is strong on aspiration saying it 'makes one overarching recommendation: that organisations deliver fair work in the dimensions outlined here, providing effective voice, opportunity, security, fulfillment and respect'.

²² Fair Work Convention <http://www.fairworkconvention.scot/>

Subsequent to the establishment of the Framework, in October 2018, the (SNP) Scottish Government announced its 'Fair Work First' policy.²³ So, a result of STUC lobbying,²⁴ the Scottish Government announced that it would be adopting by the end of the 2015-2021 parliament a new default position, called 'Fair Work First', which would extend the application of the Fair Work Framework to 'as many funding streams and business support grants as we can. ... We will also extend the range of Scottish Government and public sector contracts that fair work criteria will apply to'. This will cover investment in skills and training, no use of exploitative zero hours contracts, action on gender pay, genuine workforce engagement (including with unions) and payment of the independent or real 'living wage'.

The sense of direction of the Fair Work Framework and the associated agenda points to some degree towards the Nordic and German countries' workplace innovation and worker involvement as discussed in the earlier sections. In this context, it remains to be seen what 'as many funding streams and business support grants as we can' will mean in practice in 2021 and thereafter, with the take up of the Fair Work Framework among the many employers who do not seek public contracts or government help likely remaining relatively marginal.²⁵ Nonetheless, with the creation of the South of Scotland enterprise agency, there is an opportunity to embed the Fair Work Framework in not just how the agency works and what it does subsequent to its creation but also in engaging with unions and worker bodies in scoping and planning its activities and operations.

Workers' concerns and aspirations

To explore local attitudes, opinions and perspectives about creating fair work and inclusive growth, this section draws upon the fieldwork to garner together the views of the participants in the focus groups and the respondents to the questionnaires on the problems and challenges of creating these.

Greater and better employment opportunities

The creation and maintenance of a far greater number of better paid and secure employment opportunities in the different localities of the South of Scotland was seen as crucial.

²³ <https://news.gov.scot/news/fair-work-first-announced-by-fm> First Minister, Nicola Sturgeon added: 'We've made payment of the real living wage part of our procurement process, we've extended it to adult social care workers and we will soon do the same for early years workers. As a result of all of that, Scotland now has the highest proportion of employees paid the living wage of any UK nation' (see <https://dailybusinessgroup.co.uk/2018/10/employers-face-fair-work-test-to-win-government-support/>)

²⁴ <http://www.stuc.org.uk/news/1364/fwf>

²⁵ Given there are limited levers presently available to enforce it, In this context, the First Minister said: 'We may not yet have the constitutional power to make fair work a legal requirement ...' (see <https://news.gov.scot/news/fair-work-first-announced-by-fm>).

Within this, the emphasis was often on creating and maintaining full-time, permanent jobs because of the perception by most participants and respondents that many positions were low paid and based upon part-time, temporary or based on zero hour contracts (with significant number of workers having multiple jobs to create a 'livable' wage). Locality was also a key theme with concerns raised that workers living in the South of Scotland need to move to, or commute to, work in the Central Belt in order to secure better paid and secure employment opportunities. The sharpness of these observations was added to by the awareness of the continuing contraction of relatively well-paid jobs in manufacturing and the public services.

Typical of the comments from participants and respondents on the challenges of creating or maintaining good employment opportunities in regard of pay were:

'Having good paid local jobs when [too often] employers make significant financial savings which then equates to less jobs and low pay'

'more jobs that pay better wages'

'getting industry into the area with quality jobs that offer premium pay and encouraging existing companies to sign up to the Living Wage and gain Living Wage accreditation'

It was implicit within these comments that, notwithstanding the need for flexibility in employment contracts for those with caring responsibilities or those seeking better work-life balance, full-time, permanent employment was seen as critical to providing the income necessary to achieve a decent standard of living for workers and their families.

A range of suggestions were made about how to help create such desired employment. Recognising the continuing contraction of manufacturing activities and the slim likelihood of attracting significant numbers of large-scale manufacturers back to the South of Scotland in the current situation with regard to a poor infrastructure, these suggestions included improved public transport links (especially rail) across and throughout region²⁶ and greater coverage of faster, more reliable broadband in order to facilitate the ability of the private service sector employers to be able to create such employment opportunities and rebalance the economy. In particular this would encourage moves away from a reliance, on the one hand, upon the public sector which, while providing some of the relatively better paid and more secure jobs, is still continuing to be squeezed by restrictions on public expenditure with a knock-on effect on jobs and wages and, on the other hand, tourism and agriculture providing predominantly lower paid, seasonal employment.

²⁶ This covered not just links to and from the Central Belt but also across the South of Scotland so that its own 'internal' links were improved.

Underlying this perspective was a common view that questioned conventional notions of economic growth based on re-industrialisation and traditional industrial strategy with regard to the South of Scotland. The consensus was that service-based employment which was not reliant (sic) upon the importation and exportation of materials, products and goods to the South of Scotland as a result of transport costs (and associated poor transport infrastructure) but whose requirements could be met by other infrastructural developments (like high speed, reliable broadband) and certain labour market characteristics (like skilled, educated and trained workers staying in or coming to the South of Scotland) was the most credible, optimal strategy for the two regions' economies. In this, it was suggested that there was little point trying to compete with, for example, Edinburgh with its domination in Scotland of the finance sector or health and life sciences research. Instead, the different parts of the South of Scotland need to identify specialisms in which they can offer and create competitive advantages. Although potentially contradictory to the aim of creating and maintaining a far greater number of better paid and secure employment opportunities, some participants in the research suggested more should be made of the regions' national resources in terms of farming, fishing, forestry, and natural beauty for tourism.

In the discussions and questionnaires, participants and respondents identified a vicious downward and self-reinforcing spiral comprising the following components:

- A preponderance of low paid, insecure jobs with no career advancement opportunities compelling many to leave the South of Scotland in search of better employment opportunities elsewhere (typically the Central Belt but also further afield).
- This then, in turn, deprives the South of Scotland of potential recruits for the kind of private sector organisations that are required to establish presences in the South of Scotland in order to generate the kind of required and preferred employment opportunities. Those that remain are, it was believed, more likely to have a relatively low skills base, often also then suffering from lowered ambitions and aspirations as result of lowered choice and opportunity, with the knock-on effect that the potential for digitally-based businesses to be located in the region is far less likely to be realised.
- The consequence of the preponderance of low paid, insecure jobs with no career advancement opportunities produces lower levels of disposable income which, in turn, leads to a lesser likelihood of new businesses starting up or the expansion of established businesses either.
- Where there is occasion to recruit skilled workers into the South of Scotland, difficulties are often faced because the attractions of non-urban living in scenic surrounds do not overcome issues of employment opportunities for spouses, poor transport and so on.

It was also thought that the preponderance of low paid, insecure jobs with little in the way of career advancement opportunities, and in the absence of widespread unionization and collective bargaining coverage, leads to workers that remain rather fearful and despondent for their futures. Thus, a number of participants and respondents commented that:

‘Workers fear for their future employment with little or no hope of finding other employment within the area’

‘Low wage rates hinders ambition and does not give incentives for the future’.

This trajectory towards long slow economic decline has been exacerbated, in the view of participants and respondents, by the impact of austerity and public sector cuts upon economic development. Stagnation or decline in real incomes amongst most public sector workers has, for example, led to a reduction in disposable income to be spent in locales, while the extent of provision of basic council services has declined. Additionally, reduced public expenditure has decreased the availability and size of contracts for which many businesses can tender. While the extension of the Edinburgh-Tweedbank railway line has a positive economic impact for surrounding areas further rail expansion programmes elsewhere in the South of Scotland have not been seen to be financially possible.²⁷ Participants and respondents from the teaching profession highlighted the decline in educational opportunities in further education in particular. Others highlighted the effects of the *de facto* privatization of many public services through compulsory competitive tendering (CCT) as driving down wages.

Learning from previous strategies

Previous governmental strategies to promote growth and fair work in the South of Scotland do not offer much of a guide by which to inform the agenda of the new RDA, according to participants and respondents. Comments like ‘previous strategies have been written very well but delivery has been constrained by there being only small pockets of people driving them’ were commonplace. A number of participants and respondents with direct experience of supporting new and existing businesses offered quite profound insights. These centred on questioning whether the predominant nature of businesses in the South of Scotland can benefit from public policy in Scotland which is more aligned to helping larger commercial operations with scalability and international reach.

Worker involvement

Workers’ involvement in the process by which a new RDA formulates and implements its policy objectives was unsurprisingly favoured by all participants and respondents – and for good reason. Comments explained the rationale as tapping into tacit knowledge and skills derived from being located at the ground level and from lived and worked experiences. It was also thought that legitimacy and efficacy could be gained for policies and their effective implementation.

²⁷ This extension and replication was proposed in the Borderlands Initiative (2017, 2018).

Thus, workers living in the affected areas were seen to provide perspective, buy-in and a sense of what was achievable and realistic. The following comments illustrate some of these themes:

'More people trying to find solutions can eventually lead to ownership of a problem and find an agreed way forwards that can be measured against what people actually want/need rather than some faceless entity dictating what should happen because some text book says so!'

'I believe that the workers are the people on the ground that really understand the issues faced.'

'Workers and their unions are the workforce that know the jobs best. If you want the best from them, they must be involved.'

'Workers and unions should be involved in the creation of these strategies because we live in the 'real world', we see and feel on a daily basis the impact that the current failing strategies are having on us and, as a trade unionist, I have to deal with it and try and support people constantly.'

'They are the voice of their members and they have opinions that matter. They can also see from the ground up how things can be improved.'

'The workforce within an organisation are of great value in unlocking ideas and sense checking strategies that are often politically driven ... If innovation is key to drive in Scotland's businesses, then the wealth of ideas and experience in the workforce and their associated unions is critical.'

This approach is consistent with the underpinnings of the helix models embedded into Nordic and other small successful northern European economies.

Community led economic development

Echoing the experience of other parts of rural Scotland, particularly community land buy-out areas within the Highlands and Islands, the importance of incomers and returning locals bringing enhanced human and social capital to establish new and (re)invigorated enterprise and economic activity was also raised. For example:

'There is strong evidence of entrepreneurial returners living and setting up businesses from the Borders because they recognise the 'quality of life' offered in The Scottish Borders. Often these people have held senior positions in large corporations both in the UK and overseas. They come back to the Borders and draw on their skills and experience to fill gaps in the market. Particular attention must be paid to increasing the number of these types of entrepreneurs.'

This acts as something of a counter-balance to the view and reality of workers (see earlier) leaving the South of Scotland in search of better paid, more secure employment elsewhere. Yet what is important here is that overall, this counter-force is not sufficiently strong (in numerical or gross economic terms) to fully counter-balance the impact of workers leaving the South of Scotland in search of better paid, more secure employment elsewhere.

When asked what actions might the new enterprise agency (RDA) take to ensure that democratic control, community empowerment and ethical investment are embedded in future economic development work in the South of Scotland, there was significant concern. Despite the roadshow consultation exercises held under the auspices of the South of Scotland Economic Partnership led by Professor Russel Griggs,²⁸ most participants and respondents did not know anything about the new RDA (or the roadshows) so that, on this basis, there was little hope amongst participants and respondents that the RDA would achieve these objectives. This points to the importance of the new agency not simply running open consultative events but engaging strategically with partners and representative stakeholders in order to ensure that workers and citizens are engaged.

Ensuring Fair Work

In incorporating the Fair Work Framework into the RDA's mission and remit, participants and respondents were clear and firm that, as intended beneficiaries from the Framework, they themselves constituted salient and legitimate stakeholders and as such expected to be involved in formulating and implementing fair work (rather than just being consulted on it). Thus, most favoured union representation on the board of the RDA in order to ensure this, and that employers should only be given funding if they could guarantee that the criteria of the Fair Work Framework would be met.²⁹ In this context, it was thought that any organisation which the RDA assists should recognise unions as a basic standard of operation. Thus:

'[The] agency should ensure that any organisations it assists adhere to the Fair Work Framework, with union recognition as standard.'

'[The] new agency must have as a contractual stipulation in giving support to businesses that those businesses must implement the Fair Work Framework.'

Beyond the workplace

Recognising that terms and conditions of employment are not the only determinants of living standards and living chances, attention was also given by participants and respondents to issues concerned with decent, affordable housing, increased funding for mental health and an improved transport network.

²⁸ See <https://www.bbc.com/news/uk-scotland-south-scotland-43738454>

²⁹ These comments were largely made before the announcement of 'Fair Work First' (see earlier in reports). Some comments were made after its announcement, suggesting the announcement was not known of.

Affordable housing was seen as important to both keeping workers in the South of Scotland as well as repopulating it while provision for mental health care services was recognised now as being more important than in previous decades. In terms of public transport, concerns comprised both the availability and cost, with it being noted that the new rail link from Edinburgh to Tweedbank had not, in the view of some participants and respondents, brought as much benefit to the Scottish Borders as had been anticipated. In the words of one participant, it had been:

‘a success for people working in Edinburgh but hadn’t really done much for those who worked in the Borders area.’

The same sense of unfulfilled promise and expectation was true for the issue of affordable housing in terms of cost and availability.

Voice and trade union capacity

Reflecting on undertaking the fieldwork, there are also implications for how to improve the engagement of workers and the community in the planning, development and operations of enterprises, public sector bodies and the RDA. While suggestions were made about why worker involvement from the ground up in the work of the new RDA was critical, there is also an issue around current trade union capacity and ability to engage. In this regard, from the workforce side, there is a requirement that research and intelligence capacity is developed so that there is an ability to engage in this process of influence. The focus groups and interviews conducted for this study gave some insight into gauging how prepared and capable unions and their members were locally to fulfil these needs. For example, very few participants or respondents were aware of or knowledgeable of the ‘Preston model’ which is the most current high profile example of local state intervention to achieve inclusive economic growth in region that is not entirely dissimilar from the South of Scotland. This issue of regional workforce capacity in economic development should be a concern of Government as well as trade unions.

Conclusion and Recommendations

Through primary and secondary research, this report has identified a significant number of challenges in the South of Scotland economy which collectively help explain why living standards and other associated life chances are lower than in most other areas of Scotland. The establishment of a regional development agency for the South of Scotland provides an opportunity to go some way to address and ameliorate these. Nevertheless, the challenges for government, the RDA and unions in doing so are considerable. In this regard, some favourable comparisons were sometimes made with past experience of the HIDB and HIE (albeit some of the HIDB's activities were in a period characterised by a polity of greater state intervention). Similarly, the dialogue that was evolving pre-financial crisis on workplace and workforce innovation and involvement can be rekindled to encourage increased demands for greater participation at all levels (Ashton and Sung, 2011a and b; Keep, 2013, 2016).

This concluding section sets out a number of suggestions and recommendations arising from an analysis of the primary and secondary data deployed for the research for this paper.

i) Strategy for creating and maintaining desirable employment opportunities

The South of Scotland RDA as a priority must identify the areas and sectors where the two authority areas can develop competitive advantage through matching existing economic strengths and potential economic strengths with existing and future economic growth and demand opportunities. These initiatives should be cognisant of the successful approaches adopted in more social democratic economies, where bottom-up smart specialisation is encouraged and nurtured. There are some parallels with the concept of the foundational economy and the role of the public sector within this but, it should be recognised that raising levels of enterprise and skills are necessary as a foundation for innovation.

ii) Smart specialisation, regional economic partnerships and quadruple helices

To match the performances and sustainable development that small competitor economies have established in the marketplace, there needs to be initial benchmarking of the community, better understanding of the strengths, weaknesses, threats and opportunities faced by the South of Scotland (being initiated by the new enterprise agency) and planning, implementation and embedding of best practice for Dumfries and Galloway and for the Borders workers, enterprises and agencies. The programme of work and cultural change to achieve the latter agenda requires longer term and more demanding developments which all players need to be empowered and have the capabilities to engage in. This requires direct interventions and facilitations at all levels by government, industry and workforce representatives.

The social partnership approach successfully underpinning comparable northern European economies has recognised that large scale branch plants do not offer a sustainable foundation for such regions as the South of Scotland. Cultural change towards the active involvement of all social partners needs to be embedded into the strategies, plans, and operations of the new enterprise agency.

iii) Infrastructural investments to support social and economic change

In order to deliver upon existing and potential strengths, the clear and firm view of the participants in the focus groups and the respondents to the questionnaires was that major, beneficial developments are required not only in aspects of economic infrastructure (transport and communications in particular) but also in social infrastructure (housing, public transport) in order to provide a foundation upon which the South of Scotland RDA can help develop such competitive advantage and do so in a way that is inclusive and fair. Large capital projects with their limited multiplier and supply chain outcomes, which primarily benefit businesses and capital owners outside of the region, do not offer the optimum approach to economic development. An integrated infrastructure strategy that promotes inclusive and sustainable development, focused upon the priorities of local workers, citizens and enterprises (and in particular housing, public transport, and the foundational economy) is required as part of an overall strategic and holistic approach.

iv) The Fair Work Framework

There is a manifest and patent demand for the realisation of the five aspirations of the Framework judged by objective (hard data) and subjective (fieldwork views of participants and respondents) measures. While the South of Scotland RDA can promote these aspirations (as can other RDAs) through means of 'soft power', what will ultimately be critical is how the aforementioned 'Fair Work First' policy is interpreted and implemented. This concerns how fully and far it is pushed by the Scottish Government. The South of Scotland enterprise agency provides an opportunity to operationalise 'Fair Work First' from day one of the agency's work. Coupled with strong partnership working, this could extend to action on procurement and planning, not simply enterprise support.

v) Worker involvement through representative bodies

There is longstanding supportive evidence from academic studies on the advantages of involving citizens in economic development programmes. Whilst it is easy to see this in the case of employment relations (as the Fair Work Framework advocates), the principle can also be applied to that of the RDA whereby on the board of management determining and overseeing the implementation of its work, there is worker representation through places for union personnel.

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Appendix

Strategic partners – identified by Dumfries and Galloway Council

National/outwith Dumfries and Galloway

Scottish Government
 Scottish Enterprise
 Borderlands Initiative
 Visit Scotland
 Scotland Food and Drink
 Cultural Enterprise Office
 Food Standards Scotland
 Health and Safety Executive
 The Drinking Water Quality Regulator
 Glasgow Scientific Services
 The Society of Chief Officers Environmental Health Scotland
 The Department for Environment, Food and Rural Affairs
 EventScotland
 Skills Development Scotland
 Scottish Local Authority Economic Development Group (SLAED)
 Heads of Planning Scotland (HOPS)
 Heritage Lottery Fund
 Creative Scotland
 COSLA
 Local Government Improvement Service
 Department for Work and Pensions (DWP)
 South of Scotland Alliance
 Sustrans
 Timber Transport Forum
 South Ayrshire, East Ayrshire and Scottish Borders Councils
 Society of Chief Officers of Transportation Scotland (SCOTS)
 Society of Chief Officers of Trading Standards Scotland (SCOTSS)
 Scottish Environment Protection Agency (SEPA)
 Scottish Water
 Scottish Natural Heritage (SNH)
 Historic Environment Scotland
 Energy Saving Trust
 Sustainable Scotland Network
 Transport Scotland
 Trading Standards Scotland
 Police Scotland
 Scottish Fire and Rescue Service
 Scottish Society for the Prevention of Cruelty to Animals
 Animal and Plant Health Agency
 Citizens Advice Scotland
 Network Rail
 Adaptations Scotland

Local

Community Safety Partnership
DG College
Scotland's Rural College
Crichton Trust
Crichton Campus Leadership Group
GIRFEC (Getting It Right For Every Child) Group
Employability Partnership
NHS Dumfries and Galloway
Dumfries and Galloway Chamber of Commerce
SWestrans
Wigtownshire Chamber of Commerce
Federation of Small Business
Job Centre Plus
Third Sector, Dumfries and Galloway
DGVoice

Source: *Economy, Environment and Infrastructure. Business Plan, 2016-2018.*
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