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SMALL-SCALE INDUSTRIES IN RURAL SCOTLAND [1]

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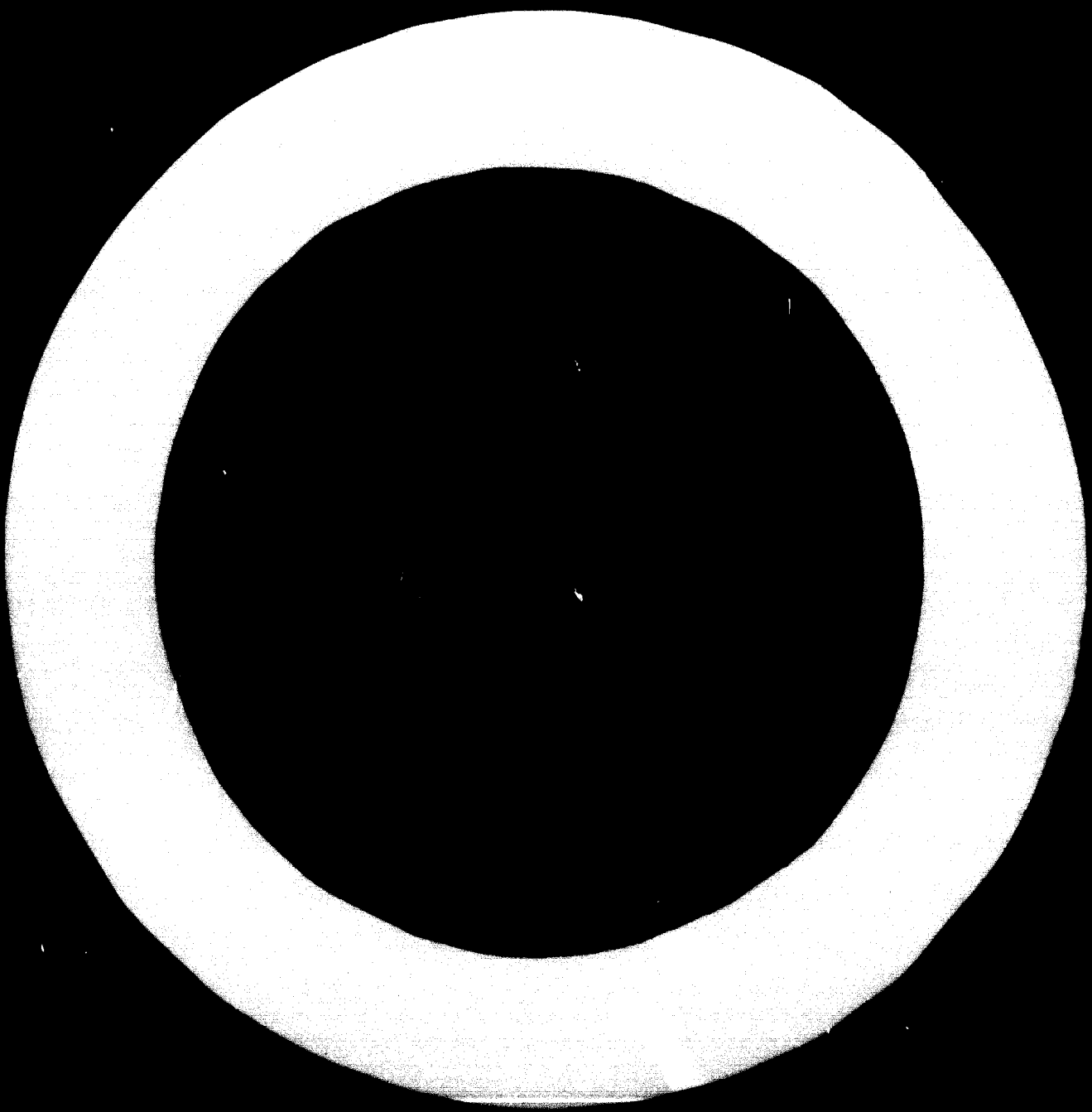

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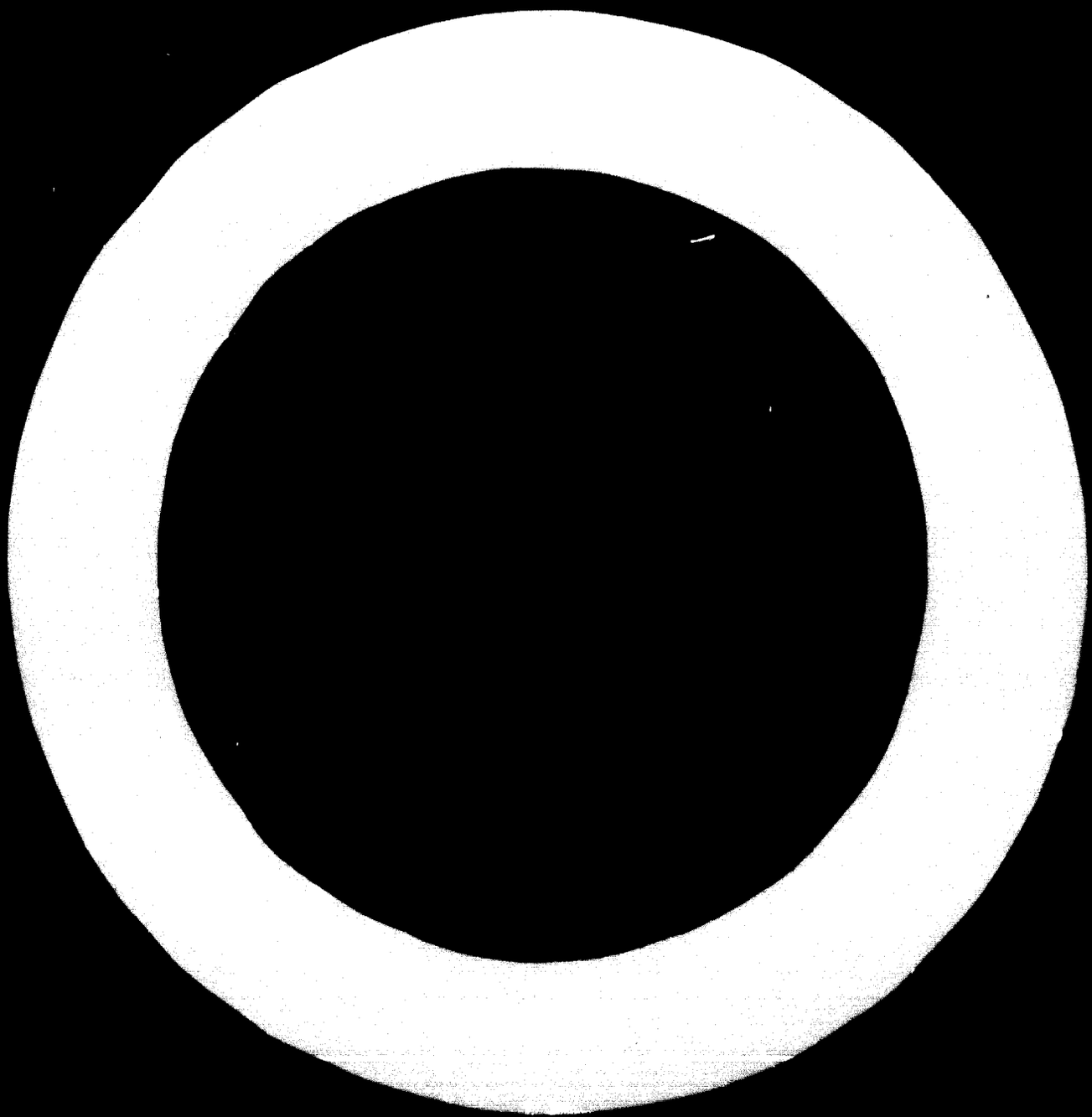


INTRODUCTION

The role of small scale industries in rural Scotland is examined in this paper against a rapidly changing industrial climate influenced above all by the new off-shore oil industry and the resultant influx of money and jobs to the country.

Each of Scotland's rural regions reflects different aspects of the problem, and the nature and relative importance of small scale industries varies accordingly.

The origins of new entrepreneurs are diverse, particularly in small companies based on modern technology, and the motives which lie behind the establishment of such businesses are complex, involving personal and environmental factors as well as the influence of external incentives, offered in money or in such facilities as workshop premises and housing.

In the remoter areas handcrafts have a special significance and there may be a justification in giving generous assistance to this small sector of economic activity.

The combination of external circumstances and a consistent policy of supporting small scale enterprises is starting to lift the economy of Scotland's countryside from the decline which it has been enduring for the past 50 years.

"Numbers in parentheses refer to the corresponding numbers in the reference list at the end of the paper."

I. THE RURAL AREAS OF SCOTLAND

Scotland, although an integral part of the United Kingdom since the Act of Union in 1707, retains to this day a considerable measure of independence from its larger and more prosperous neighbour England. It is a small country, with a total population of 5.2 million, about one-tenth that of the United Kindgom as a whole. Its area is about one-third that of Britain and large tracts of countryside in the north and west are virtually uninhabited. More than half of Scotland's population is concentrated in the heavily industrialised central belt of the country and 2.7 million people live in the Glasgow conurbation and in the other main cities of Edinburgh, Dundee and Aberdeen. (7)

Rural depopulation has been a feature of Scottish life for 150 years. A process of enforced clearance was started at the beginning of the 19th century by landlords who were seeking sheep pastures among the sparse areas of land suitable for agriculture. The subsistence tenants who lived there were evicted, many of them leaving the country as emigrants to North America. Later, the discovery of coal and iron created large industries in the centre and west of Scotland and the drift of population from the countryside continued. More recently, great improvements in the efficiency of agriculture and forestry have diminished still further the job opportunities in rural areas. The extent of the depopulation in the countryside is shown by the decrease of the rural proportion from 45% in 1861 to only 14% in 1970. (5)

Five regions in Scotland are predominantly rural in character and the map in Annex I shows the location of these. Each area presents different problems and opportunities for small scale enterprises, and a brief outline of the main regional features will help to give some perspective to the small industrial scene.

A. THE HIGHLANDS AND ISLANDS

The Highlands and Islands of Scotland cover about one-half of the area of the country (one-fifth of the whole of Great Britain), but support a population of only 275,000. Except for the regional centre of Inverness (population 35,000) the area is entirely rural and very thinly populated. Over a land mass of 14,000 square miles (3,620,000 hectares) the density of population is only 19.6 people per square mile (0.07 per hectare). The region is mountainous, deeply indented by long sea lochs and fringed by three hundred islands along the Atlantic coast. The soil is poor and much of the area is only suitable for afforestation or recreation. The decline of population in the region is shown in Table 1.

Communications are not easy. Public transport has generally declined, except for the main railway routes linking the region with the south. Steamer services have been curtailed, although some car ferries have recently been introduced and the cost of transporting people and materials to and from the islands has risen sharply over the past decade. Some progress has been made with local air services, but very many communities are still served only by a second class road or a boat service.

Three events have contributed towards the revitalisation of this difficult region.

In 1943 the North of Scotland Hydro-Electric Board was established with the objectives not only of generating electricity from the abundant water resources of the Highlands but also of making a power supply available, as a social service, to every part of the region. The universal availability of electricity has helped the Board in its consistent efforts to attract industries, large and small, to the area.

Secondly, in 1965 an Act of Parliament established the Highlands and Islands Development Board with wide powers to promote the economy of the region. In seven years the Board has invested £9.5 million in industrial, tourist and agricultural projects, backed by large scale efforts in

publicity, planning and research. The Board can claim some credit for the expectation of 6,200 jobs which will just about balance the natural emigration from the area. (3) Unfortunately official investment policies have tended to attract large, capital intensive industries to the few already relatively prosperous communities of the region, so that the remoter areas have continued to decline into lethargy. ("Mañana?", says a West Highlander - "We have no Gaelic word for an emergency like that").

Thirdly, in 1971 the discovery of oil in the North Sea started an economic revival in the eastern Highlands and the northern isles which is likely to eclipse all previous efforts to help the region. Within two years unemployment has dropped from more than 8% towards zero, and land and labour, in the coastal areas affected, are now at a premium. An influx of international construction companies, paying high wages and demanding modern skills and the effective use of labour, is galvanizing the areas affected into intense activity. On the remoter western parts of the Highlands, however, oil has as yet made no impact, and the only source of regular employment remains the small scale industrial or craft-based enterprise.

Table 1.

Population trends in Scotland's rural regions (thousands)

	Highlands and Islands	South-West	Borders	Tayside	North-East	Scotland
1921	326	159	111	437	450	4,882
1931	293	152	110	430	444	4,803
1951	286	154	112	451	462	5,096
1961	277	152	105	452	453	5,179
1971	283	150	101	453	452	5,227

B. THE SOUTH WEST

The South West, like the Highlands, is a sparsely populated region with only 1[illegible],000 people in an area of 2,460 square miles (640,000 hectares).

The main activity of the region is agriculture although there are also areas of forest and moorland. Excluding the regional centre of Dumfries (28,000) the density of rural population is 51.2 per square mile (0.20 per hectare). It has suffered as heavily as anywhere in Scotland from a continued decline in rural job opportunities. Virtually all rail services have disappeared except for those serving the regional centre of Dumfries and for the tenuous link to the Irish rail ferry at Stranraer. Local bus services have also declined, although recent road improvements have made the area easy of access by car from the industrial north west of England.

While unemployment in the south west has for some years been at a high rate (6.8% in August 1971) the actual numbers of people out of work are small. Throughout the whole rural area, excluding Dumfries, the unemployment in 1971 only amounted to 1,670 men and 400 women. In such a widely scattered population this unemployment cannot be improved by the establishment of large industries. The south west is, therefore, well suited to the promotion of small-scale industries.

In 1972 the South West of Scotland Development Authority was established to co-ordinate the planning activities of the existing small local government bodies. Although it is generally recognised that the revival of the region will depend to a large extent on small enterprises little impact has yet been made on the problem. The continued decline in the population since 1951 is shown in Table 1.

C. THE BORDERS

A compact area lying between Edinburgh and England, the Borders are predominantly agricultural in character, being world famed for sheep and for the woollen industry which grew up in the small towns along

the rivers which intersect the region. A legendary rivalry has existed between Border communities for centuries, fought out to-day on the rugby football field and in ceremonial horse-riding events. The population of 96,000 is spread over an area of 1,780 square miles (462,000 hectares) giving a density of 54 people per square mile (0.21 per hectare).

Because the Borders have so long depended on agriculture the rural employment opportunities have declined in proportion with the progressive mechanisation of farms. Table 1. shows how in the 20 years from 1951 to 1971 the population has fallen from 112,700 to 101,700.(7) The Borders are, however, an attractive and accessible part of Scotland, and considerable success has followed the efforts of the local authorities and of two regional bodies, representing the eastern and central Borders respectively, towards attracting small scale industries. The amenities of the area, the ready availability of factories and houses, the good climate and the pleasant environment have provided effective incentives to Borderers and to incomers alike to settle and establish their own enterprises in the region.

One Border town, Kelso (population 4,900), has two well established industrial estates, one with small 'nursery' workshops of 1,000 square feet for one and two man businesses, and the other catering for firms employing up to 20 or 30 people. The town's success in attracting industry is reflected in the following spread of industrial activity, all introduced within the past five years.

Table 2.

Kelso's small industries

Industry type	Number of firms	Employment
Electronics	2	65
Industrial refractories	1	10
Plastics	1	20
Crafts	4	8
Engineering (machining)	3	12
Food processing	1	3
Knitwear	1	35
Concrete manufacture	1	10
Sports goods	1	15

D. TAYSIDE

The rural problems of Tayside (the region which covers the river Tay from its catchment to the sea) are eased by the nearness of the area to the main industrial centres of Scotland, by good road and rail communications and by the economic influence of the city of Dundee. The population of 453,000(of which 224,000 live in the cities of Dundee and Perth) is fairly stable, and in the area of 3,500 square miles (900,000 hectares) the rural part represents 88.5 people per square mile (0.34 per hectare). Although the region's traditional industry, the processing of jute, has declined, the newer industries of synthetic fibres and office machinery have begun to absorb much of the productive capacity of the region.

Small scale rural industries in Tayside have tended to be either sub-contracting manufacturers working for major companies, or firms based on the natural resources of the area, principally soft fruit, farm produce and timber. Latterly the influence of North Sea oil has been felt, and over the next decade there is likely to be a strong growth in servicing companies for oil rigs and in engineering concerns.

E. THE NORTH-EAST

The North-East is a rural region which has a strong focus in Aberdeen city. The two traditional activities of the region are fishing and agriculture. Of the population of 448,000 about 210,000 live in or immediately around Aberdeen and the density of the rural population in the area of 3,640 square miles (940,000 hectares) is 65.3 per square mile (0.25 per hectare).

Until 1972 the region presented the typical rural problems of unemployment and outward migration, both to other parts of Britain and overseas. For the five years from 1966-1971 unemployment ranged between 2.8% to 5%, about twice the national average for Britain as a whole. (4)

Off-shore oil discoveries since 1971 have had a more dramatic effect on the North-East than on any other part of the country. There has been a rapid increase in constructional and servicing activity and Aberdeen has become the recognised off-shore oil centre not only of Scotland but for the whole of Western Europe.

This oil-borne boom has not come without its adverse effects on small-scale industries. The cost of houses and of small workshops has risen very rapidly. In and near Aberdeen houses have more than doubled in price in eighteen months and now approach London values. Wage rates in oil related activities pose a threat to small firms which may either lose their skilled labour or face a cost structure which they cannot afford. Thus although oil is bringing boom conditions to the north-east generally, for some small scale industry the present disadvantages outweigh the opportunities.

In 1970 the North-East of Scotland Development Authority was formed to bring the region's planning and infrastructural role under a single organisation. Since 1971 the Authority has been heavily engaged in

meeting the problems of accommodation, factory space, labour and planning resulting from the great influx of oil exploration and off-shore servicing companies. This activity, confined largely to the coastal strip, has had slight impact so far on the remoter inland communities of the region.

Of the rural regions of Scotland, only those with the remotest communities to-day present stubborn problems of unemployment and depopulation. Since 1920 the drain of people from the countryside has been continuous and severe, but the process has slowed down in the past five years and the tide may be about to turn. The problem is still most acute in the far north and west of the Highlands, where few jobs, other than seasonal occupations in tourism fields, are available for the widely scattered population. Those areas, and other smaller districts of remote character in the south west, are unsuited, by reason of geographical and population factors, to the grafting on of large industrial concerns. The principal hope for their economic revival lies in the progressive establishment of small scale industries and crafts, and the following Chapters will examine some of the features of such activities and their effects on the communities in which they are located.

II. THE ORIGINS OF ENTREPRENEURS

In 1972 there were some 2,200 small manufacturing firms in rural Scotland of which 158 had come into existence during the preceding two years.(2) A complete analysis of the new enterprises is currently being undertaken by the Small Industries Council and sample information from the results of the survey on the origins and nature of the entrepreneurs in rural Scotland is discussed below.

A. THE INCOMER AS AN ENTREPRENEUR

The owner-manager of a small new business enterprise in Scotland is as likely as not to be an incomer rather than a native of his own area. This observation appears to be more generally true in those industries which have a technical base than in traditional craft-based firms. Not surprisingly, technologists who decide to set up their own businesses have commonly gained their initial experience either in major industrial companies or in academic life. They will thus come not infrequently from such areas of Britain as the midlands (general and motor engineering), the London area and south-east England (instrumentation, electrical and light engineering) or north-east England (chemical engineering).

The predominant Scottish characteristics are those of thrift, application and caution, commonly realised in the professional vocations of banking, insurance, medicine, education and the law. They are not the qualities normally associated with entrepreneurship and it is not surprising, therefore, that the majority of new businesses in specialised technical fields are established by Englishmen, whose nature tends to be more adventurous and profit motivated.

It is necessary to look closer into the reasons why incomers choose to establish their operations away from their home location. It should be remembered first of all that Scotland is predominantly a beautiful country, world famous for its scenery, historical and sporting associations. A

large number of visitors from England associate Scotland with a holiday spent in that country and carry back to their own often crowded industrial environment memories of long summer days, uncrowded roads, mountains, lochs and clear air. This emotive attraction is not infrequently one of the reasons why an entrepreneur chooses Scotland rather than the rural areas of England or Wales in which to establish his business.

B. ECONOMIC CONSIDERATIONS

There are, of course, strong economic pressures which tend to drive businessmen from the industrial environment of southern England to less expensive sites in remoter areas. The cost of factories in south-east England is two or three times greater than in rural Scotland and the availability of premises, particularly of small workshops suitable for establishing a new business, is very limited in parts of the heavily industrialised south. In parts of rural Scotland, on the other hand, there are inexpensive properties such as disused schools, churches or village halls which can be made available, often at nominal cost, to incoming entrepreneurs. This cheap workshop accommodation can go a long way towards offsetting the other costs of establishing a new business in a remote area.

The price of houses is also subject to a marked differential between Scotland and England, with prices from at least twice, to as much as four times in the London area, being charged for similar accommodation to that available in most parts of Scotland. The sale of a house in an area where there has been strong capital appreciation of property over the last few years can sometimes give an entrepreneur sufficient capital to enable him to start his business, possibly taking rented accommodation for himself and his family instead of tying up his capital in a new home in Scotland.

Where the entrepreneur's technology is relevant to the oil-industry there is a strong pull towards north-east Scotland. Aberdeen has in the last three years established itself as the off-shore oil capital of Europe and

in an industry where much is done by personal and informal contact the advantages of setting up business in or near Aberdeen are considerable. One should note, however, that the sudden advent of prosperity in Aberdeen city has brought about, on a small scale, the kind of problems common for many years in south-east England where the prices of land, industrial and domestic property have risen very rapidly. This pressure is tending to drive new entrepreneurs deeper into rural areas where the housing and workshop costs are less.

C. SOCIAL REASONS FOR ESTABLISHING IN A RURAL AREA

Not infrequently, when looking for reasons for an entrepreneur setting up in rural Scotland, one must "cherchez la femme". Englishmen and others who marry Scots wives do much more than strike a life bargain with a girl of charm, beauty and intelligence. The Scottish ethos runs deeply throughout all levels of society and even if a man's career may take him to remote parts of the world in search of a living, the ties which his wife brings from Scotland will remain so strong that at some time or another the husband will be drawn back to the country of his wife's birth and will himself become a Scot by adoption.

Although Scottish people have been regular emigrants from their country for over 200 years, enriching the societies into which they have become absorbed, the reverse flow into the country of people who have seen the world and wish to return, is of quite significant proportions. The Highlands and Islands Development Board has established a Counterdrift Register containing the names of skilled people who would be willing to return to the north and west of Scotland if suitable job opportunities became available. The list comprises over 8,000 names (3,000 of them of managerial or professional status) [3] and similar registers of skills of people from the Scottish Borders, a region with strong local loyalties, and the small island of Arran (population 3,300) [11] have confirmed that there is a suppressed demand from Scottish exiles who will be glad to return to their country when job opportunities present themselves.

D. SOME SPECIFIC CASES

A sample examination of some of the rural firms which have established themselves in recent years gives an indication of the motives which have played a part in establishing the incomers in the area. Along the coast of the Moray Firth, in north-east Scotland, are a number of small towns, mostly long established communities with ancient histories and a traditional link with the sea. They range from Elgin, a cathedral city of 12,000 inhabitants and the centre for the rural region of the north-east, to Buckie, a busy boat-building and fishing port, and a number of smaller seaports and picturesque villages. Along this stretch of coast the preponderance of incomers in rural businesses is well defined. The range of industries and the motivation of the entrepreneurs is given in Table 3.

Table 3.

Sample of incoming entrepreneurs in the counties of Moray and Banff (2)

Type of business	Year of establishment	Employees (1973)	Origin of entrepreneur	Reasons for choice of location
Engineering	1972	12	Central Scotland	(a) Availability of premises. (b) Proximity to oil industry.
Soft toys	1972	3	England and Rhodesia	(a) Scottish wife. (b) Environment.
Shell fish	1960	70	Manchester, England	(a) Proximity to supply of fish. (b) Scottish wife.
Skirt making	1968	13	London	(a) Environment. (b) Scottish wife.
Ships propellors	1960	12	Norway	(a) Wartime introduction to area. (b) Scottish wife. (c) Proximity to market.
Industrial engraving	1970	3	South of England	Environment.
Precision engineering	1955	6	Poland	(a) Wartime introduction to area. (b) Scottish wife.

Although the incoming entrepreneurs are responsible for a wide range of small-scale industrial activity, a much greater number of businesses (out of the total of 208 in the counties of Moray and Banff altogether) have been established by local people in activities traditional to the area. These include: (2)

Blacksmiths	11
Boatbuilders	9
Builders	13
Agricultural Engineers	11
Joiners	52
Sawmills	1
Stonemasons	1

It is significant, however, that such traditional industries as these are static or declining in economic and employment terms. New industries, on the other hand, particularly those with an element of modern technology show much more promising growth. This phenomenon is illustrated in Table 4.

Table 4.

Employment changes in traditional and new small-scale rural industries (2)

	Category	Change in employment 1970-72
Traditional	Blacksmiths	- 2.2%
	Boatbuilders	+ 2.7%
	Builders	- 0.4%
	Agricultural engineers	+ 1.5%
	Joiners	- 2.9%
	Sawmills	+ 1.5%
	Stonemasons	- 4.1%
New	Food processing	+ 90.0%
	Electronics	+ 54.5%
	Plastics	+ 52.6%

III. INCENTIVES - DO THEY WORK?

A. FINANCIAL INCENTIVES

It is widely accepted that financial incentives can succeed in attracting industry to a particular location. In countries where there are problems of unemployment or of rural depopulation it is common to find systems of grants, loans on favourable terms, rent rebates or other financial attractions aimed at establishing industries, and consequently employment, in the difficult areas. Successive governments in Great Britain have pursued these policies, by offering grants, loans or per capita payments to firms which are prepared to start up in, or move to specified development areas. In recent years the Selective Employment Tax, which offered a cash rebate to employers in certain manufacturing industries in development areas, the Regional Employment Premium which provided a direct payroll subsidy of £1.50 per man per week to industries in the same areas, and grants on capital expenditure and for the acquisition or improvement of premises, have all attempted, by financial means, to draw industry from the overcrowded and prosperous parts of the country to those regions which have been called variously "depressed," "development", "special", "assisted" or "intermediate". Such areas comprise those parts of Britain which industry has passed by and which are, by reason of remoteness or decayed environment, relatively unattractive to industrialists.

Incentives in one area may be matched by disincentives in another. Strict control of industrial land in prosperous parts of the country, such as the south-east and midlands of England, may make expansion there so difficult that an entrepreneur has no option but to seek room to grow elsewhere. Urban redevelopments or road-building projects may bulldoze his factory out of existence and the only alternative sites offered by way of compensation may be on an industrial estate far from his original place of work.

Rural depopulation presents a special aspect of his problem. Not only is there little or no industry in the areas concerned, but the people of working age drift away as the job opportunities, traditionally based on agriculture, evaporate.

In three predominantly rural areas of Scotland, the Borders, South-West and Highlands and Islands the net migration from 1951 to 1971 can be seen in Table 5.

Table 5.

Migration from remoter regions of Scotland

	Borders	South West	Highlands & Islands (7)
1951 Population (thousands)	112.7	154.3	285.8
Annual migration rate per 1,000 (1951-61)	- 7.6	- 7.3	- 6.1
1961 Population (thousands)	105.0	152.1	275.5
Annual migration rate per 1,000 (1961-71)	- 4.2	- 6.4	- 0.4
1971 Population (thousands)	101.7	150.2	282.9

It is doubtful how great an effect financial incentives have in attracting small scale industries to rural areas. When the payroll of a company is only a handful of people a selective tax or employment premium will do little more than improve marginally a possibly precarious financial situation. The availability of a rent-reduced or rent free factory may be conditional on an expectation of employment far greater than the small firm is likely to provide.

It has been shown in Scotland, and in other development areas of Great Britain, that major financial incentive schemes often attract those very industries which provide relatively few jobs in relation to their capital employed. Equipment and building grants, currently 20 to 22% (8) and at one time amounting to 40 to 45% of the cost incurred have inevitably attracted to Scotland large capital intensive industries - chemical processing plants, pulp and paper mills, aluminium smelters and oil refineries. It is not uncommon for the capital cost per job in such industries to exceed £20,000, so that the British taxpayer has been paying dearly to attract some employment to the areas concerned. The principal beneficiaries, one must assume, have been the corporations themselves, not infrequently international concerns of major importance, whose capital burdens have been greatly lightened, even if their operating costs in a remote area may be higher than elsewhere.

The present (1973) financial incentives available in Scotland, as has been seen, provide for 20% grants towards the cost of new equipment or buildings. In a few areas of high unemployment the rate of grant is 22%, [8] but the differential is so marginal as to offer little more than a political sop towards the problem. Rural and remote areas, as such, receive no more or less than the rest of the country and it is necessary, therefore, to provide incentives of a different character in order to attract small-scale industry there. A special exception in financial incentives is to be found in the Highlands and Islands where the Board responsible for that part of the country has powers to make special grants, covering (for example) removal expenses, towards the cost of establishing a new industry in the area. [3] There is little evidence, however, to show that these increased financial benefits have significantly improved the establishment of small-scale enterprises in the Highlands.

One remarkable source of financial aid to remotely based small enterprises is the Highland Fund Ltd., a private source of revolving capital, the conditions tailored to suit the requirements of each case. In 18 years the Fund has put over £600,000 into industrial and agricultural projects, with a social purpose evident in much of its lending. [6] The Highland Fund provides an example of how small rural enterprises may be helped in a practical way without the creation of government machinery or a bureaucratic organisation.

B. INCENTIVES IN KIND

If national schemes of financial incentives are of little relevance in attracting small scale industries to rural areas, what other forms of assistance are likely to be more effective?

First, there is little doubt that the social and environmental amenities of a rural area may of themselves act as a magnet to certain entrepreneurs. We have already seen (Chapter II) in a selected sample of small industries in north-east Scotland that their motives for establishing themselves

there had a strong element of personal preference, rather than economic pressure. If a rural area is a pleasant place to live in, some small enterprises can be attracted by the personal decision of the owner to make his home there.

There must, secondly, be a certain basic minimum of infrastructure within an area to support all but the very smallest industries. It is necessary, for example, that workshop premises be readily available. Some communities in south-west Scotland and the Highlands fear (and misunderstand) the concept of industry, however small, as being a potential danger to the quality of local life. They protect their misconceptions by ensuring that no land is made available for incomers and that objections are lodged against any proposed industrial activities. Conversely, those towns, such as Kelso in the Borders or Banff in the North-east, which have set out to attract small-scale employment, have been conspicuously successful and have strengthened the life of their communities thereby. The provision of small advance factories, of "nursery" workshops and of some surplus of available housing, allied with generous financial terms for accommodation during an initial establishment period can influence an entrepreneur in his decision whether or not to settle in a particular location.

An official organisation, the Scottish Industrial Estates Corporation, maintains a forward programme of advanced factory construction in development areas, to meet the projected needs for industrial accommodation. Most of this programme, however, is for the benefit of large industry in urban areas of high unemployment. In 1971, for example, of 19 advance factories in the Corporation's programme only 6 were in small communities, none of which could be categorised as remote. (13) It is left largely to local authorities, therefore, and to the London-based Development Commission to provide workshops for small-scale industries in rural areas.

Thirdly, the nature of the factory accommodation offered may be significant. A businessman intending to move to a new community will be only moderately attracted by a vacant site for his factory. Far more likely to succeed as a bait is an available building, fully serviced and ready for occupation.

In some remoter parts of Scotland existing buildings may be made suitable for light industrial or craft use. Disused schools have been successfully converted for such diverse operations as gem-cutting, printing, adhesive manufacture and the assembly of small hovercraft. Redundant churches, too, have begun a second life as workshops for instrument making or for glass reinforced plastic moulding. The advantages of using old premises include their ready availability, their existing incorporation into a community and the very low prices charged for their use, sometimes less than a quarter that of equivalent new accommodation. Against this is the obvious disadvantage that secondhand workshops are seldom ideally suited to a particular manufacturing or service operation and that some inefficiency of operation is almost inevitable.

C. ADVISORY SERVICES

It has been shown (Chapter II) that many entrepreneurs bring to their business activity a craft or production skill, not necessarily matched by an equal marketing ability, management expertise or financial competence. In order to rectify this shortcoming, which is common throughout small-scale industry, the provision of subsidised advisory services, available only in rural areas, can assist in the establishment of new industrial enterprises or in the development of existing ones in such areas. The Bolton report on Small Firms referred to the services provided by the Council for Small Industries in Rural Areas (CoSIRA) and by its counterpart, the Small Industries Council for Rural Areas of Scotland (SICRAS) as covering, "usually free of charge, in-firm advice on a very wide range of technical matters and management skills such as accounting, marketing and work study .... The quality of the services is very high. Their provision is however dictated largely by social rather than economic considerations and we do not believe that it would be practicable or justifiable to do the same for industry as a whole."(1) A SICRAS investigation of 198 new small firms establishing themselves in Scotland during 1970-72 showed that greater growth (to 6.4 employees per firm) was demonstrated by the 82 firms which accepted advisory and credit help than by the 76 firms (growing to only 4.7 employees per firm) which

made their own headway without external help. (2)

The provision of assistance tailored specially to small firms' needs can influence a firm in its choice of location. An entrepreneur dealing with an individual in a small firms' association or advisory organisation, can obtain personal guidance, based on experience, to match his need with suitable premises, labour, housing, advice and (where necessary) special finance. For this type of personal counselling to succeed, it is necessary for the advisory organisation itself to be small. Major bureaucratic departments like the Scottish Industrial Development Board, the Department of Trade and Industry, or even the Highlands and Islands Development Board (the staff of which numbers over 200)(3) can seldom "think small" or act quickly enough to match the entrepreneur's requirements. It is significant that, arising from the recommendations of the Bolton Report,(1) the British Government is establishing information offices in the major cities, staffed by only 3 or 4 people each, to offer introductory services of information and assistance to small businesses generally.

IV. SMALL FIRMS AS SUB-CONTRACTORS

Small engineering firms rarely have the resources to market a complete product. Out of 550 rural firms on the Small Industries Council's lists only about 10% are manufacturing lines which are sold to an end user. (2) The reasons for this are self evident: by the very nature of the businesses, by the under-capitalisation common to this sector of industry, by the slender resources of manpower and with the lack of facilities for research, design or marketing, small engineering firms can normally offer only their manufacturing skills as a contribution to the industry as a whole.

It is as sub-contractors, that is the producers of machined components, castings, small-scale fabrications and pressings, and as a servicing adjunct to major industry, that the majority of small engineering businesses in rural Scotland survive. Working to the specifications and designs of others, often with materials supplied by their customers, sometimes with machine tools on loan and with progress payments to help with the financing of contracts, small firms can concentrate all their resources on production. By their flexibility of operation and low overheads they can often produce components at a lower cost and to faster delivery than their larger customers could achieve in their own factories.

By its very nature sub-contracting can be a volatile way of earning a living. When industry as a whole is busy and major plants are at full stretch there are ample opportunities for small entrepreneurs to capture a share of the market in the manufacture of components or sub assemblies. In times of industrial slump, however, surplus work may be absorbed into the factories of large industry, even although this may be an uneconomic policy with the result that the sub-contractors' flow of orders can be abruptly shut off.

There are nevertheless three major industries in Scotland which rely heavily on sub-contractors and whether times in those industries are good or bad there is always some work available from them for small firms. The three industries, motor manufacture, aircraft production and electronics

are typical of the more modern engineering activities which are based on the central assembly of parts produced by large numbers of sub-contracting firms. Not all of the three provide opportunities of equal benefit to small rural firms, however, as will be shown below.

a. THE MOTOR INDUSTRY

By 1971 Scotland's motor vehicle industry employed 22,000 people in the production of passenger cars, tractors and heavy vehicles. (9) Car production has brought back to the country, in the names of Hillman and Chrysler, a tradition which was started early in the twentieth century by such car makers as Argyll, Galloway and Arrol Johnston, marques which have long since become defunct.

Car production involves very large quantities of sub-contracted parts. The price structure in this industry is so keen that only the best equipped sub-contractors can hope to compete, a factor which has tended to rule out small rural firms on the grounds both of transport costs and of inadequate equipment. Most of the high volume business in steel pressings, plastic mouldings, seats, glass, fabrics, etc. therefore, has tended to remain in the immediate vicinity of the car assembly plants, predominently centred on the English Midlands.

An analysis by the Scottish Council(Development & Industry) showed that in 1966 the non-indigenous firms in Scotland in the automotive machinery and accessories field had shown a smaller than average growth in employment and turn-over since 1964. (5) Although the passenger car industry in Scotland has increased in size during the last five years the total employment is still of the order of 12,000, compared with more than ten times that amount in England.

A more suitable field for rural sub-contractors lies in the medium-scale production of precision parts for engines and for heavy and specialised vehicles. The latter may range from large buses or lorries to earth-

moving equipment and fork lift trucks. In this industry profit margins are higher, the production is made up of smaller quantities of greater value than in the passenger car industry, and well equipped rural firms can compete successfully in the supply of components, particularly if the precision is of a high order and the added value can compensate for remoteness from the customer.

In the motor industry in general, however, rural sub-contracting is unlikely to succeed except in special, non competitive cases such as low volume glass reinforced plastic bodies. A measure of the penetration of the industry by small rural firms is given by the total of only £105,000 worth of business introduced through the Small Industries Council in the two-year period 1971-72. (2)

The small engineering firm may, on occasion, reverse its traditional role of being sub-contractor to the motor industry. By using mass produced assemblies such as engines, gear boxes, steering mechanisms and brakes, a small rural company can produce specialised vehicles which have a limited application in a section of the market too narrow to attract the attention of major manufacturers. Examples of this reversed role can be found among Scottish firms which are currently producing off-the-road vehicles for hill farms or forests. These special purpose vehicles have hand-built chassis which are made in small quantities by the rural firms, into which are built standard assemblies available throughout the industry. Vehicle assembly of this nature has a natural attraction for developing countries with large areas without roads. Another sector of the vehicle industry in which the small rural firm can compete is in the adaption of industrial trucks to special purposes. Two current examples of this in Scotland are provided by rural firms which make fork lift truck attachments for handling whisky barrels and tractor mounted winches for extracting trees from forests during felling operations.

B. THE AIRCRAFT INDUSTRY

The aircraft industry in Scotland has had a patchy history. Its most consistent successes are centred on three activities, the manufacture of airframe assemblies for the major American and European companies, the overhaul and modification of civil airliners and military aircraft of all types, and the line production of aircraft designs which have survived the bankruptcies or closures of other companies. A recent speciality has been the production in Scotland of rugged aircraft for rural feeder services operating from elementary airstrips. In 1971 the total employment in the industry was 13,000.(9) The existence of this somewhat volatile industry provides some opportunities for small-scale engineering firms, provided that they can meet the high standards of inspection and certification required in aircraft work. The volume of business is not large, but the price structure, particularly in precision machining and tool making, can enable satisfactory profits to be earned.

In the 1970-72 period some £90,000 worth of business was introduced from the main Scottish airframe companies to small rural firms for sub-contracting.(2)

More stable, although not without its own financial crises, has been Scotland's share of the British aero-engine industry. Here the contribution that is possible from small-scale rural firms is confined largely to such peripheral activities such as tool-making, printing, packaging and the manufacture of timber pallets for the transport of major components and assemblies.

C. THE ELECTRONICS INDUSTRY

The most valuable single activity for Scotland's rural sub-contractors is the electronics industry, included in which is the production of business machines. This industry, which has a high proportion of American ownership, relies on an army of sub-contractors to supply its metal cases, printed circuits, pressings, cable harnesses, plastic

mouldings and sub-assemblies.

The total employment in the electronic industry in Scotland exceeds 40,000, of whom 30,000 work in computers, telecommunication and component manufacture and 10,000 in business machinery. (9) The number of small Scottish rural firms capable of serving this industry is approximately 100 with a total employment of just over 2,000. (2) The contribution from small rural firms is thus a modest 5% of the total employment but may represent an annual value of £2.5 million to the industry. A further 10,000 people, however, is estimated to be employed by urban sub-contractors to the industry, or by firms domiciled in England or overseas.

A survey of 21 industrial categories carried out by the Scottish Council (Development & Industry) has shown that there is an annual demand for manufactured components of about £100,000,000. Purchases made within Scotland amount to only 45% of total requirements, and in the motor industry the purchases in Scotland cover only 20% of the total. The reasons for this loss of business have been analysed as follows:-

25%	price advantage
9%	quality
8%	delivery
55%	lack of capacity (5)

The lack of capacity is particularly significant in small firms. In 1963 the capital expenditure per person in firms of under 24 employees was £69 whereas that in firms of over 200 employees was £140. Another indicator of the meagre capital employed in small manufacturing firms is given by the figure of horse power per employed person, 1.02 in firms under 24 employees against 2.86 in companies with over 200 employees. (1) Much remains to be done, therefore, in encouraging small-scale rural sub-contractors to equip with up-to-date machine tools, but the size of the components market is such as to offer good, long-term opportunities to those small firms which are prepared to face up to the financial and management implications of this sector of manufacturing industry.

V. THE SPECIAL ROLE OF HANDCRAFTS IN A RURAL CONTEXT

The handcraft industry in Scotland is a small one, representing the production of about 1,000 full time individual craftsmen and a handful of craft based businesses. The annual retail sales value of the industry amounts to £4 million, compared with more than £60million for small-scale rural industries generally.(2) The craftsmen are responsible for a wide range of consumer products - pottery, engraved glass, handware, textiles, silver jewellery, handmade furniture and decorative metalwork. The two common factors linking this highly dispersed industrial activity are the individuality of the designs and the independence of the entrepreneurs.

Why is such a minor industry of special significance to rural Scotland? There are two aspects of crafts activity which may provide an answer to this question, the compatability of craftsmanship with a remote rural location and the social multiplication element which a craft operation can bring to a community.

A. THE REMOTENESS FACTOR

By their very nature, craftsmen are individualists. Their training, usually in schools or colleges of art, encourages the development of their personal talents of design and flair, qualities which are essentially those of sole entrepreneurs rather than of members of a team. Of the craft activities listed in Annex II, two categories, jewellers and potters, employ 2.2 and 1.5 respectively per business; in other words they are virtually all one or two-man concerns. Even the "miscellaneous crafts" category accounts for businesses employing only 3.4 people, and one has to look to leather or textile firms to discover evidence of significant employment. Nevertheless, the very smallness of craft businesses makes them suitable for location in the remotest areas of the country. There are, for example, craftsmen of national reputation working in island communities - jewellers and silversmiths in the northern isles of Orkney and Shetland, hand weavers in the Hebrides to the west.(2) Elsewhere, in remote villages and hamlets of the mainland, are to be found potters,

horncarvers, lapidarists and others who depend for their markets not on local trade or on summer tourists but on retail craft shops and major outlets in the cities of lowland Scotland and further afield in England.

Provided that the design and quality of craft goods are of a sufficiently high standard, therefore, it is no disadvantage for craftsmen to be working in remote rural areas. Often, indeed, they may have chosen an isolated location as a way of life to complement their artistic temperament. In some cases their environment has inspired their craft - a weaver reflecting the colours of spring and autumn in the Borders in his fashion fabrics, a glass engraver expressing the wild nature of a storm-swept rocky northern coast in his designs.

Although the majority of craft businesses remain small, there is an element of growth in the industry which may show itself in remote locations as well as in the easier economic climate of larger towns and cities. Glass manufacture in the far north has grown into a significant industry, with exports throughout Europe and America, and with offshoot companies which have split away, amoeba-like, and established themselves in other rural areas in the Highlands. Here and there, too, a craft pottery has grown into a significant small industry employing 20 people or so in an area which has little else to offer in the way of permanent jobs.

B. SOCIAL AND TOURIST CONSIDERATIONS

In proportion to its size, the craft industry in Scotland exercises a noticeable influence on the social life of small communities. It has been suggested above that craftsmen, by their temperament, may choose to live in quiet rural surroundings rather than endure the pressures of city life. Those same artistic characteristics, however, may also provide a leaven in an otherwise undistinguished local society. The craftsman's activity, for reasons of curiosity if nothing else, will attract comment and enquiry among local people. Social gatherings in the village hall will acquire a flavour which may owe its origin to the craftsman - discussion groups may be formed, amateur dramatics or musical evenings organised and

a whole range of artistic events grow out of the influence of a single craftsman and his family.

"Small business", said the Bolton Committee of Enquiry, "provides a valuable source of practical men to serve in local government, on the bench and in local, charitable and social organisations. These men are experienced in activity on the local scale and have deep roots in the local community, having in many instances effectively replaced the squire as the local benefactor and leader." (1) Much of this comment applies equally to the craftsmen whose work is in a remote rural area.

For tourists, craft activity can be a useful focus to divert their attention to a community or an area. The majority of rural craftsmen have a showroom beside their workshop and can offer the visitor a chance not only to buy direct from the maker some souvenirs of his travels but also to see how the craft is practised. The Highlands and Islands Development Board have gone further by encouraging craftsmen to occupy purpose made boarding house workshops where tourists can be accommodated, either simply as a supplement to the craftsman's income or to attend a course of instruction in the craft workshop. (3) For an industry worth £160 million annually, much of it earned in overseas currency, the value of handcrafts to tourism, whether as souvenirs or as a social catalyst to an area, is far from negligible.

Because of its significance and potential on the one hand, and its economic frailty on the other, handcrafts in Scotland have attracted special incentives and help from government sources. Subsidised apprenticeships, grants for newly established craftsmen and for the development of existing businesses, short management training courses, an annual Craft Trade Fair and a widely circulated magazine "Craftwork" are among the benefits

available through the Small Industries Council to craftsmen in Scotland. As the Bolton Report stated: "We consider that support for the crafts is justifiable on social and cultural grounds. Respect and care for these values is in our view obligatory for any rich and civilized nation. Since a lively crafts sector may also produce substantial economic benefits, complementing the contribution of the arts to the promotion of tourism, we think that effective, if modest, financial support is well worth consideration." (1)

VI. THE RESULTS SO FAR

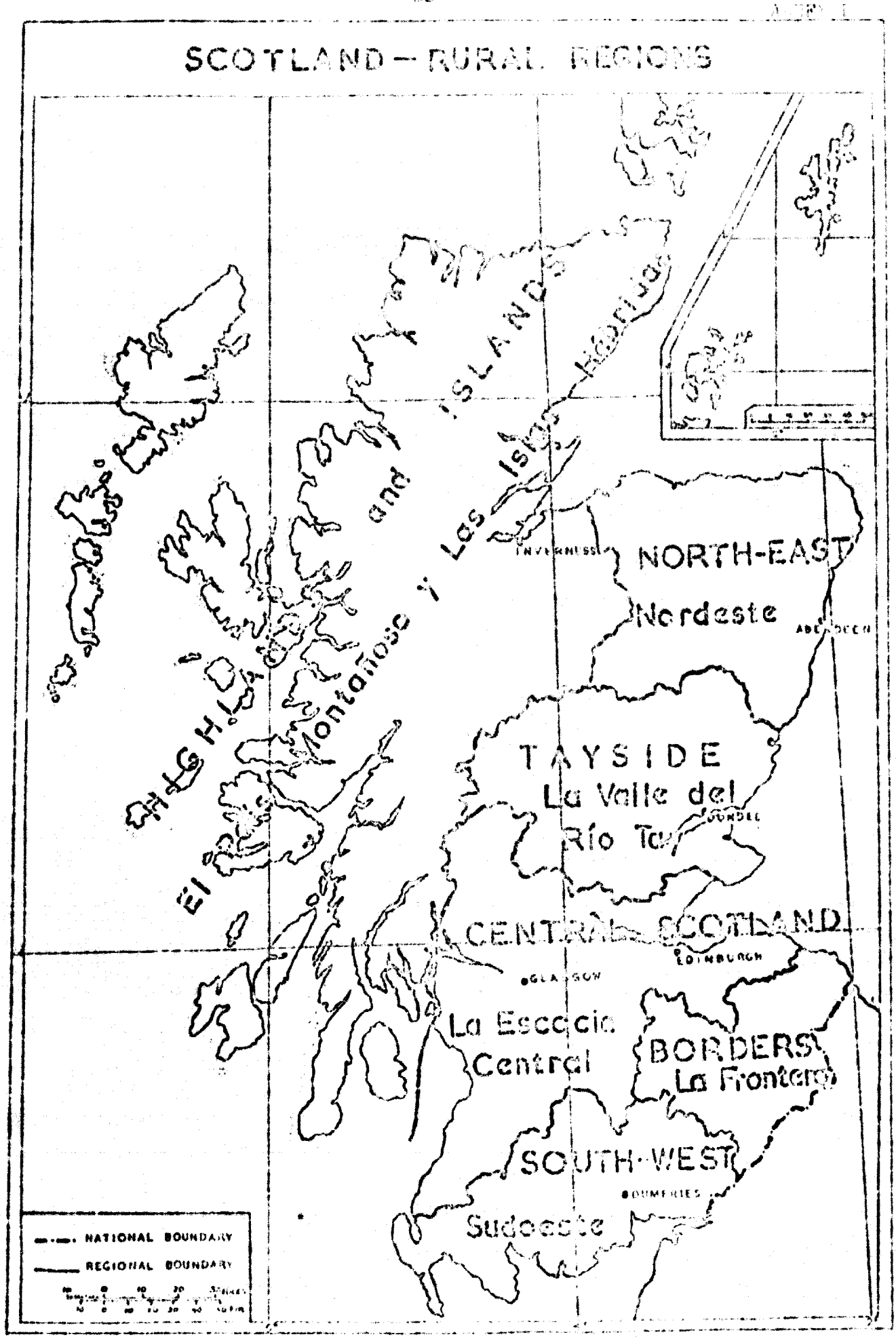
There are signs that the long depopulation of Scotland's rural areas is slowing down. In two regions, Tayside and the North East, a rising trend of population is discernible, and in the Highlands the population of the major county, Inverness-shire, is now back to the level of 1901 - 90,000 people. The beginnings of this rural revival owe a lot to external factors. The increasing national prosperity throughout Great Britain has intensified the pressure on urban areas and caused some migration from London and the south-east to the less crowded parts of the country, including Scotland. Government subsidies have attracted some large industries into rural areas and have created new pockets of employment there. Oil and gas discoveries in the North Sea are setting the foundations of a new industry which will provide in the next decade, according to various estimates, from 7,000 to 30,000 jobs. With such powerful outside influences at work it is difficult to assess the contribution of small scale industry to the general growth.

In the period 1970-72, however, the economic climate in Scotland was much less favourable than it is to-day. Unemployment was above the national average for the United Kingdom and several large firms in the shipbuilding, construction and aerospace industries had cut back their operations or gone out of business altogether. The total numbers of people in full time employment fell by 4% and in the west of Scotland more than 8% of the working population was out of a job. Nevertheless, during the same period small-scale rural industries continued to grow and develop, providing a growth in employment in the small sector of 6%. A survey conducted by the Small Industries Council (2) showed that there was a resilience and a capacity to adapt to change among small companies which enabled them to perform more favourably than industry as a whole, particularly where the firms were operating in specialised or technically based markets.

In the present, more prosperous times it is probable that the contribution of small scale concerns towards revitalizing rural areas will be less discernible. What is likely is that the firms' problems will have shifted from finding markets for their products or services to seeking sufficient resources of money, manpower and materials to be able to execute business which is now more readily obtainable.

It is significant that in the towns of the Borders, a rural area well supported by small firms in a wide range of industrial and craft activity, unemployment has dropped to below 1.5%, reflecting a condition of virtual balance between supply and demand. What remains, in the Borders as elsewhere, is the gap of depopulation, the legacy of 50 years of economic decline, a situation which can only be improved slowly by immigration from other areas following a steady process of job creation in small-scale industries.

Is it all worth while? The last word should come from Bolton: "Perhaps the effort of the small businessman is too much taken for granted. It is certainly plain to most dwellers in amorphous commuter suburbs that these areas lack many of the features which make life pleasant in villages and towns with strong community ties. It is probably true to say that much of community life as we know it to-day is the result of the efforts of generations of small businessmen, and it is fundamentally important that they should continue to be a major factor in local life". (1)


SCOTLAND — RURAL REGIONS
HIGHLAND and ISLANDS
El Noroeste Montañoso y Las Islas
NORTH-EAST
Nordeste
TAYSIDE
La Valle del Río Tay
CENTRAL SCOTLAND
La Escocia Central
BORDERS
La Frontera
SOUTH-WEST
Sudoeste
INVERNESS
ABERDEEN
DUNDEE
EDINBURGH
GLASGOW
DUMFRIES
NATIONAL BOUNDARY
REGIONAL BOUNDARY

ANNEX II

Analysis of small rural firms by number, type, their employees and annual sales

	Number of firms		Numbers employed				Annual Sales
			1970		1972		
	1970	1972	Total	per firm	Total	per firm	(£000s)
Agricultural equipment	12	11	187	15.6	195	17.7	70-80
Blacksmiths	188	181	509	2.7	498	2.8	2.5-5
Boatbuilders	28	27	778	27.8	799	29.6	50-60
Builders	177	169	3,846	21.7	3,832	22.6	30-40
Clothing/textiles/weaving	93	88	2,791	30.0	2,779	31.4	25-30
Coachbuilders	17	15	145	8.5	138	9.2	15-20
Electronics/scientific	33	31	417	12.6	677	21.8	25-30
Engineers - agricultural	151	144	1,273	8.4	1,292	9.0	20-25
" electrical	29	26	179	6.2	238	9.2	15-20
" marine	21	21	168	8.0	174	8.3	25-30
" precision	44	42	737	16.7	736	17.5	30-40
" structural	37	35	376	10.4	469	13.4	30-40
" general	121	115	1,653	13.7	1,644	14.3	20-25
Food processing	62	57	500	8.1	950	16.7	25-30
Foundries	16	15	315	19.7	366	24.4	40-50
Furniture	44	42	117	2.7	192	4.6	5-10
Garages	30	29	331	11.0	324	11.1	35-40
Joiners	595	568	3,438	5.8	3,336	5.9	10-15
Jewellers	23	23	34	1.5	50	2.2	< 2.5
Knitwear manufacturers	70	67	1,607	22.9	1,762	26.3	25-30
Leather processors	12	11	37	3.1	42	3.8	2.5-5
Plastics	23	22	226	9.8	345	15.7	25-30
Pottery	35	34	41	1.2	50	1.4	< 2.5
Concrete blocks/bricks	33	31	1,078	32.7	970	31.3	60-70
Printing	40	38	265	6.6	324	8.5	10-15
Saddlers	14	13	23	1.6	23	1.8	5-10
Sawmilling/timberworking	54	51	933	17.3	947	18.5	40-50
Sheet metal workers	17	15	278	16.4	288	19.2	25-30
Sports goods	17	15	124	7.3	195	13.0	20-25
Stonemasons	9	9	48	5.3	46	5.1	10-15
Woodturners	19	18	34	1.8	34	1.9	2.5-5
Miscellaneous -							
Industrial	142	136	1,587	11.2	1,648	12.1	25-30
Consumer goods	58	56	438	7.6	592	10.6	15-20
Craftwork	61	57	147	2.4	194	3.4	2.5-5
	2,325	2,212	24,654	10.6	26,149	11.8	

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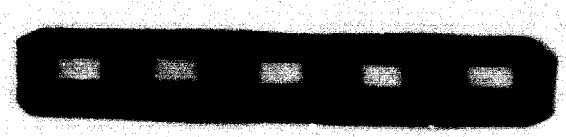

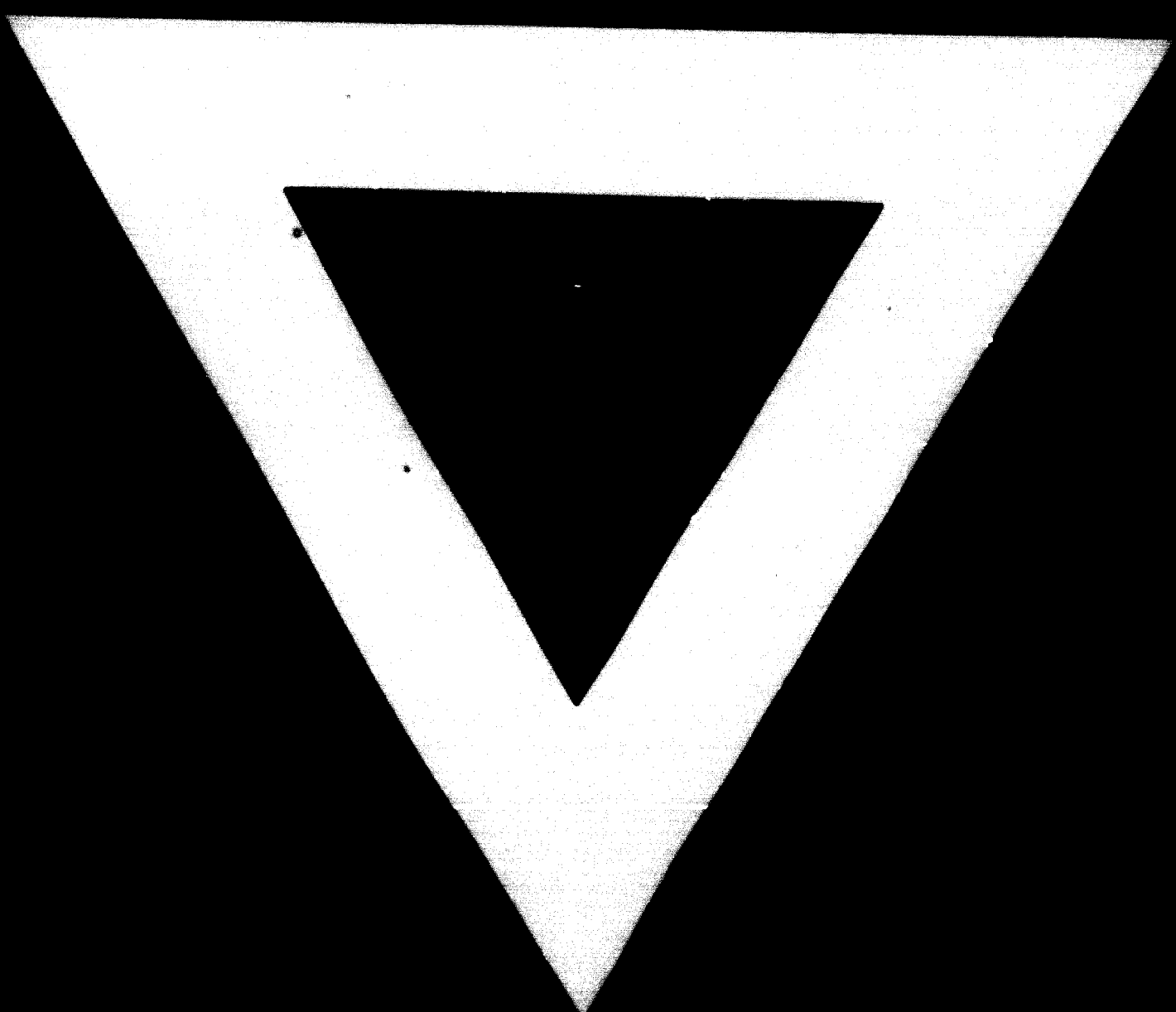

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