Economic Impacts of Diageo Restructuring

Final Report for
East Ayrshire Council and Scottish Enterprise

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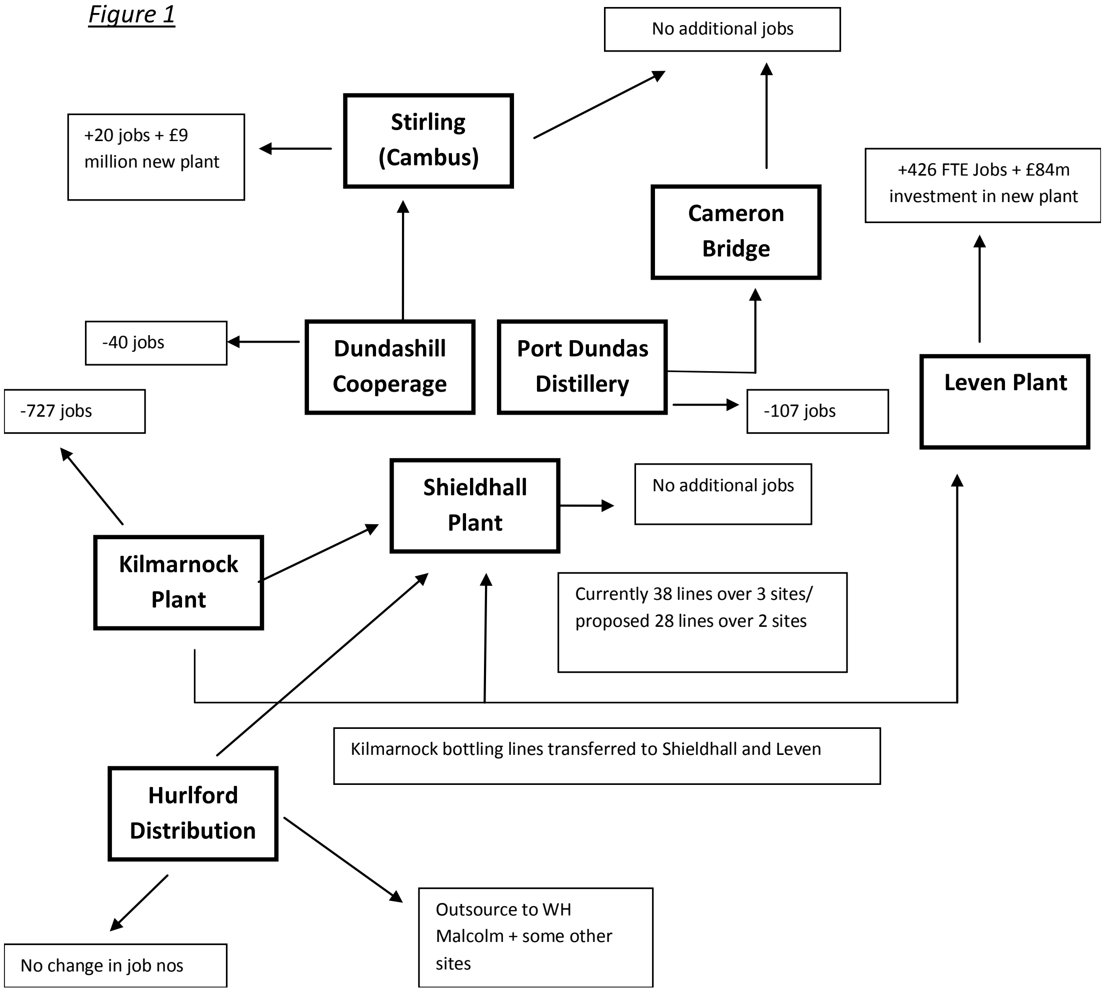
Summary

This report is a summary of part of the more detailed economic impact report prepared for East Ayrshire Council and Scottish Enterprise.

In July 2009 Diageo announced a major restructuring of its Scotch Whisky operations in Scotland as detailed in **Figure 1** below. The main features of the plan were:

- closure of their Kilmarnock bottling plant;
- closure of the related facilities at Port Dundas; and
- creation of a new bottling line in Fife

Figure 1



The economic impact effects at each of the individual locations are now considered in more detail.

Kilmarnock Impacts

Table 1 below shows current employment levels at the Kilmarnock plant.

Table 1: Kilmarnock Employment

	Full-time		Part-time	
	Permanent	Temporary	Permanent	Temporary
Total Employment	530	2	194	1

- the Kilmarnock plant provides jobs for 727 individuals, of which 530 are full-time permanent employees. This is equivalent to 670 full-time positions;
- full-time employment is split almost evenly between males and females, although there are around double the number of part-time female employees;
- 63% of employees are in the age range 40 to 55 with less than 5% of workers under 25 years of age. As such it is generally an older workforce;
- 17% FTE staff occupy management, professional or supervisory positions with the main occupation (60%) being process, plant and machine operatives with around 5% of the workforce being unskilled;
- nearly 80% of the workforce is resident in or around Kilmarnock with the majority resident in postcodes KA 1, 2 and 3 with less than 1% resident outside of the KA postcode area;
- there is a concentration of workers living in Kilmaurs, Stewarton and Bellfield, which together account for over 200 individuals;
- total (gross) wages and salaries are just over £15 million per annum and that net (disposable) wages are just under £12 million per annum;
- there are also multiple households reliant on employment in Diageo. It is estimated from the data provided that this will account for around 5% of the total workforce, or around 30 families;
- the Kilmarnock plant has an annual purchasing requirement of around £120 million mainly from outside the local area but still within Scotland;
- the majority of local spend is in respect of packaging and contract labour, which account for £11.7 million per annum. £700K is spent on other local purchases such as rates together with a range of other local purchases;
- accounting for some company spend being transferred to other operations, the restructuring will result in the removal of around £15.5 million of direct expenditure from the local economy which in turn will lead to a further loss of 452 jobs in Scotland of which 109 would be local; and
- overall it is estimated that the closure of the Kilmarnock plant could result in 1,120 FTE job losses in Scotland of which 780 FTE would be in Kilmarnock.

Glasgow Impacts

Table 2 highlights current employment levels at the Glasgow plants[1].

Table 2: Glasgow Employment

	Full-time		Part-time	
	Permanent	Temporary	Permanent	Temporary
Total Employment	144	3	0	0

- the Glasgow plants provide employment for 147 individuals of which 144 are full-time permanent and 95% male;
- around 80% of the workforce is over 40 with only a few under 25. The profile of the workforce is therefore generally older male workers;
- 85% occupy skilled trades or process operative positions with only a few management admin jobs and no unskilled members of the workforce;
- total (gross) wages and salaries are just over £4.5 million per annum and that net (disposable) wages are just over £3 million per annum;
- the Glasgow workforce is spread over 56 individual postcodes covering: Glasgow; Motherwell; Kilmarnock; Edinburgh; Paisley;
- no postcode areas have more than 10 employees and only eight employees are resident in North Glasgow. Overall, around 40% of the workforce are resident within five miles of the Plants;
- the Glasgow plants have an annual purchasing requirement of around £20 million although only around 10% is local;
- overall it is estimated that the potential closure of the Glasgow plant would remove around £4.5 million of direct spend from the local economy;
- it is estimated that this in turn will lead to a further loss of 134 jobs in Scotland of which 32 would be local; and
- overall it is estimated that the closure of the Glasgow plants could result in 279 FTE job losses in Scotland of which 177 FTE would be in Glasgow.

[1] Port Dundas and Dundashill

Impacts from Proposed Diageo Investment Plan

The plant closures in Kilmarnock and Glasgow are part of a wider restructuring that involves the extension of the company's facility in Leven and Clackmannan and the employment of additional staff which will involve:

- construction of a new £84 million facility at Leven;
- construction of a £9 million facility at Clackmannan;
- transfer of 20 jobs form Dundashill; and
- creation of new employment in Fife.

The potential impacts of this investment project are detailed below:

- creation of 74 FTE construction jobs based on a contract value of £93 million. This will create around 744 Man Year Equivalent (MYE) jobs in the construction sector. Using a ratio of 10 MYE to equate to one FTE, this results in **74 FTE** jobs of which we estimate that 75% would be local jobs.
- around 500 new jobs of which 249 will be full-time permanent and which will result in new gross income of £9.97 million; and new net (disposable) income of £7.7 million; and
- this additional spend will result in a further 163 jobs at the Scottish level and 44 jobs at the Fife level resulting in a total of 663 and 525 jobs at the Scottish and Fife levels respectively.

While the effect of this investment programme will be to dilute the total effect which the restructuring plan has on Scotland, its impacts remain the same for Kilmarnock and Glasgow – it does not dilute the effect in those areas.

However, it is crucial to recognise that the potential impacts due to job losses are in reality likely to be lower than stated due to a range of factors such as:

- redundancy payments replacing some local (spend) demand (at least for a time);
- some of the workforce quickly finding alternative employment and hence replacing lost income;
- some of the workforce retiring; and
- replaced income from welfare and other state benefits.

While detailed calculations are outside the scope of the study, it is estimated that there could be up to a 50% mitigation factor[2] which would reduce the longer-term impacts of the above, although in the short term, the consequences could still be significant, particularly at the local level.

[2] Based on detailed study of long term employment impacts of Longbridge Car Plan closure by University of Birmingham.

Scotland-wide Effects

Table 3 highlights the net effects of the proposed restructuring project.

Table3: Summary of FTE Employment Impacts

Location	Gross Employment Impacts (FTE)	Net Employment Impacts Scotland Level (FTE)	Net Employment Impacts Local Levels (FTE)
Kilmarnock	-670	-1,120	-780
Glasgow	-145	-280	-180
Stirling	+20	+30	+25
Fife	+425	+660	+525
Total Employment Effects	-370	-710	NA

The above presents the FTE figures and it is important to recognise that the actual number of individuals who will be affected will be greater and an estimate of this is presented in **Table 4**.

Table 4: Summary of Potential Actual Job Changes

	Kilmarnock	Glasgow	Leven
Direct job changes	-727	-147	+500
Net job changes (Local)	-840	-192	+569
Net Job changes (Scotland)	-1,200	-302	+719

The restructuring plan will also have a direct impact on the economic output at both the local and Scottish levels with a loss of GVA in Scotland of £14.2 million per annum.

The above shows the level of potential diluting effect the restructuring could have on the Scottish economy – a loss of 710 FTE jobs and £14 million of annual GVA output.

However, in addition the actual costs to the public sector could be greater due to a loss of tax base, increased benefit costs and long-term health effects.

It was not possible to undertake any detailed analysis without knowing the specific circumstances of the individuals involved. For example, their family status, housing circumstances, health, skill levels and ability to easily get new employment, etc.

However, as a general guide it is suggested that the total costs to the public sector should the restructuring progress as proposed would be of the order of an average annual cost of £10 - £20k per person. Given the likely level of mitigation highlighted earlier, it is estimated that the annual costs could be in the range of £4 million and £8 million.

1. Introduction

1.1 Background

In July 2009 Diageo announced a major restructuring of its Scotch Whisky operations in Scotland. A key aspect of this was the announcement of the closure of their Kilmarnock bottling plant and the related facilities at Port Dundas. However, the restructuring also involved the creation of a new bottling line in Fife with the consequent increase in employment in that plant.

In order to fully understand the full economic consequences of the restructuring, East Ayrshire Council and Scottish Enterprise commissioned EKOS to undertake an economic impact assessment of proposals.

This work has been undertaken in parallel with research being undertaken by BDO to review the Diageo business case.

The research has included the following elements:

- consultation and meetings with Diageo
- collection and analysis of company performance data
- economic impact assessment
- a review of the relevant local economic and labour market baselines
- consultation with a range of relevant organisations including:
    - relevant Trade Unions
    - Scottish Enterprise Food and Drink Team
    - Scottish Enterprise Economics Team
    - Chamber of Commerce
    - Federation of Small Businesses
    - Job Centre Plus
    - Skills Development Scotland
    - Business Gateway
    - Glasgow City Council
    - Fife Council
    - Glasgow North Regeneration Agency

Although the focus of the research is primarily on understanding the potential implications of the restructuring plans, it has also set out some issues for future consideration.

1.2 The Scotch Whisky Industry in Scotland

This section sets out the wider context for the industry and provides a baseline from which the restructuring plans can be reviewed.

The Scotch Whisky Industry is an important employer in Scotland. Industry statistics[3] show that as at September 2006 the industry directly employed 9,225 people in the UK, **9,055** of them in Scotland.

The main employment centres were:

- Strathclyde 5,086
- Grampian 1,119
- Central & Fife 1,176
- Lothian 1,070

Employment is distributed widely across the county at more than 100 different sites, with 106 distilleries alone[4] and Diageo currently employ 3,539 staff in 65 locations across Scotland.

Indirectly the industry estimates[5] that in Scotland it:

- Supports 41,000 jobs
- Supports 7,000 jobs in rural areas
- Spends £700m on goods & services
- Employs 3,000 in rural areas
- Spends £100m on cereals
- Generates £800m in salaries

Visitor Centres at around 40 distilleries generate further tourism revenue in often rural areas too.

Overall, the industry contributes **£800m**[6] pa in excise duty and VAT to the Exchequer.

Whisky also generated considerable export revenue in 2007 of **£2,478m**, up 14% on 2006. The main export areas were:

- Europe £1,177m – up 29%
- Americas – up 5%

The value of Scotch Whisky exports has risen from £2,156m in the calendar year 2000 to £2,824m in 2007.

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[3] http://www.scotch-whisky.org.uk/swa/files/StatisticalReport2007.pdf
[4] http://www.scotch-whisky.org.uk/swa/files/WofSW2008.pdf
[5] http://www.scotch-whisky.org.uk/swa/files/JobsandEconomyFS08.pdf
[6] http://www.scotch-whisky.org.uk/swa/files/SWCrucialFS08.pdf

1.2.1 The Diageo Restructuring Plan

Figure 1.1 below sets out the overall proposed restructuring plan which is the subject of this economic impact appraisal.

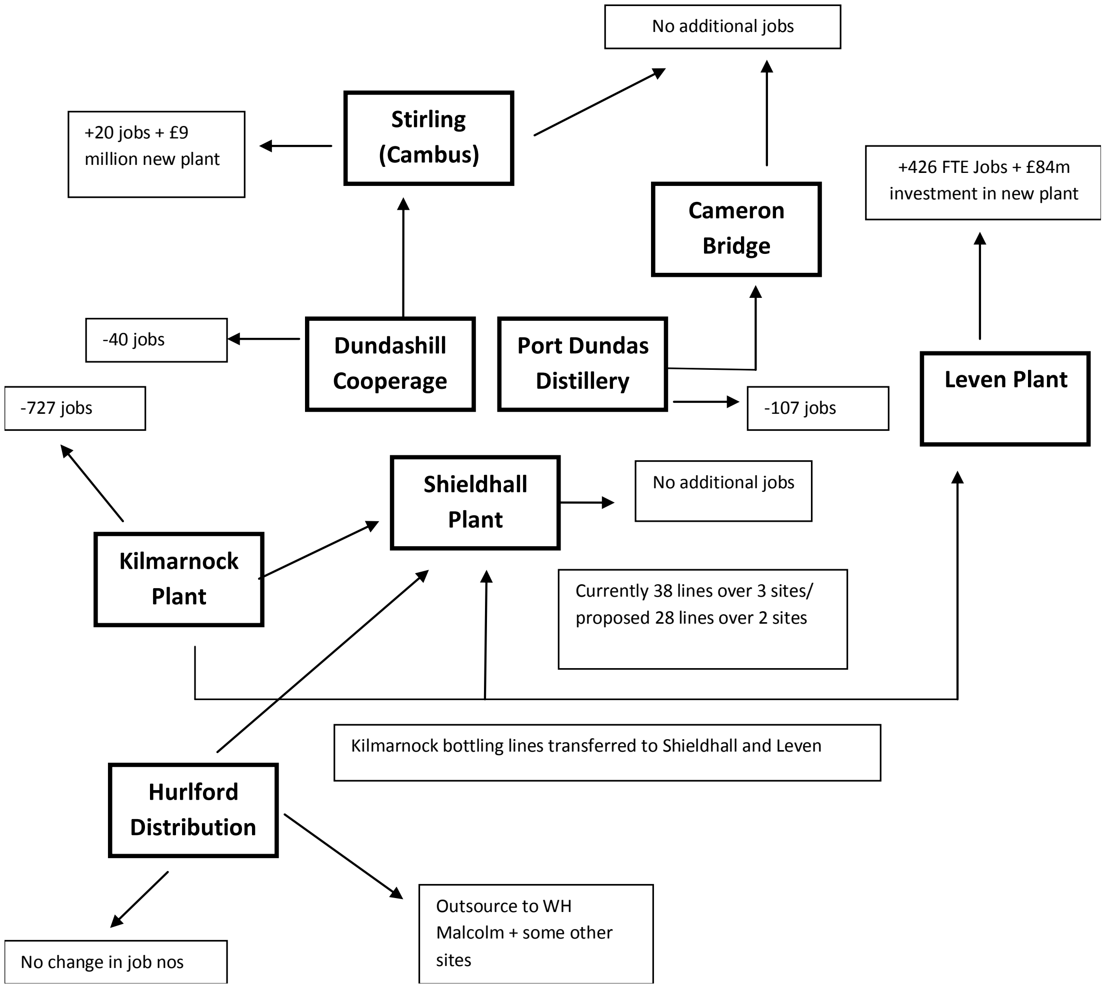


Figure 1.1: Proposed Diageo Restructuring

The detailed economic impact assessment is set out in the Chapter 2 but it can be seen from the above that the plans would result in a loss of over 17% of all jobs in the industry in Strathclyde.

2. Diageo Restructuring Impacts

2.1 Introduction

This Chapter presents a review of economic impacts that would result as a consequence of the proposed restructuring as detailed in Chapter 1. It is based on data provided by Diageo and we thank them for their prompt and full response. The information is provided for the three locations where the major impacts will occur: Kilmarnock; Glasgow; and Fife.

In addition, there is a proposed transfer of a small number of jobs from Glasgow to Clackmannan. Table 2.1 below presents a summary of the potential employment losses which would result as a consequence of the restructuring plan.

The data show[7] that the main net employment impacts are a loss of **710** jobs at the Scottish level and **780** jobs at the Kilmarnock level. It should be noted that this presents an estimate of the worst case scenario.

Table 2.1: Summary of Potential Employment Impacts[8]

Location	Gross Employment Impacts (FTE)	Net Employment Impacts Scotland Level (FTE)	Net Employment Impacts Local Levels (FTE)
Kilmarnock	-670	-1,120	-780
Glasgow	-145	-280	-180
Stirling	+20	+30	+25
Fife	+425	+660	+525
Total Employment Effects	**-370**	**-710**	**NA**

[7] Note: Rounded up to nearest 5

[8] The employment impacts are presented as full time equivalents (FTEs) in order to present a consistent approach throughout the analysis. It should be noted that the actual job numbers (full time/part time/temporary) will be greater and where the data is available this is also presented. An analysis of headcount is summarised in Appendix 2.

2.2 Kilmarnock Impacts

2.2.1 Employment Numbers

Table 2.2 below shows current employment levels at the Kilmarnock plant.

Table 2.2: Kilmarnock Employment (All)

	Full Time		**Part Time**	
	Permanent	Temporary[9]	Permanent	Temporary
Total Employment	530	2	194	1

The data show that the Kilmarnock plant provides jobs for 727 individuals, of which 530 are full-time permanent employees. Taking account of part time working[10], the Kilmarnock plant employs around 670 full time equivalent (FTE) staff.

Tables 2.3 and 2.4 show the breakdown based on gender. The data show that full time employment is split almost evenly between males and females, although there are around double the number of part time female employees, which results in an overall gender balance of 53% females to 47% males, among the workforce as a whole.

Table 2.3: Kilmarnock Employment (Males)

	Full Time		**Part Time**	
	Permanent	Temporary[11]	Permanent	Temporary
Total Employment	264	1	66	1

[9] Average 48 weeks
[10] Based on data supplied on hours worked
[11] Average 48 weeks

Table 2.4: Kilmarnock Employment (Females)

	Full Time		**Part Time**	
	Permanent	Temporary	Permanent	Temporary
Total Employment	266	1	128	0

2.2.2 Employment by Age

Tables 2.5 and 2.6, provide a breakdown by gender and age group.

Table 2.5 Kilmarnock Age Breakdown (Males)

	Full Time		**Part Time**	
	Permanent	Percentage	Permanent	Percentage
Under 19	1	> 1%	0	-
19-25	10	4%	3	5%
25-39	64	24%	21	32%
40-55	150	56%	30	46%
55+	39	15%	12	18%

Table 2.6: Kilmarnock Age Breakdown (Females)

	Full Time		Part Time	
	Permanent	Percentage	Permanent	Percentage
Under 19	0	-	0	-
19-25	5	2%	9	7%
25-39	45	17%	37	29%
40-55	186	70%	71	55%
55+	30	11%	11	9%

The data show that the vast majority of employees are in the age range 40 to 55, accounting for 63% of the full time equivalent workforce.

Overall, the workforce is predominately in the older age groups with less than 5% of workers under 25 years of age. This in itself presents potential future issues, which we will return to later on the report.

2.2.3 Employment by Occupation

Table 2.7 presents a breakdown of employment by occupation. The data show that the majority of the workforce is process, plant and machine operatives. Other things to note are that:

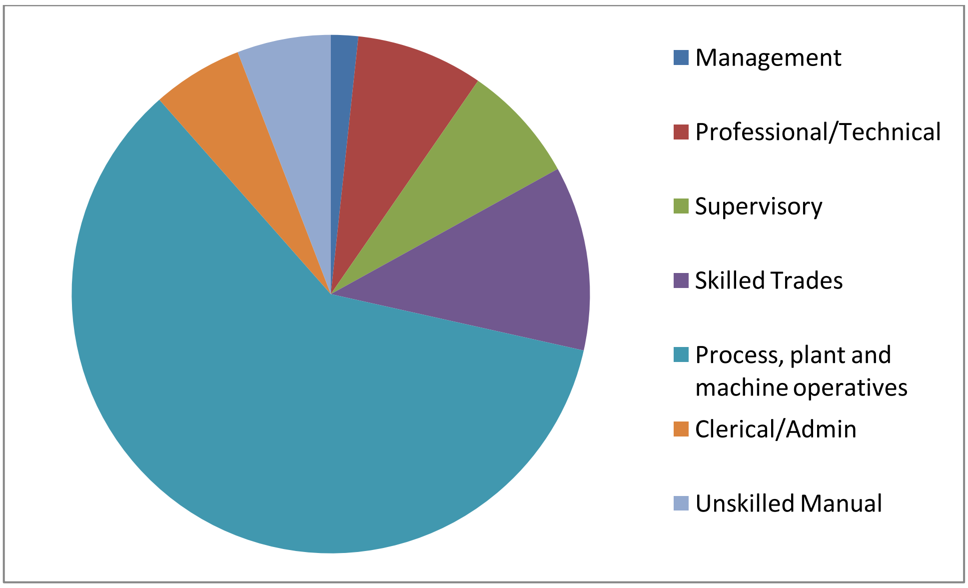
- 17% FTE staff occupy management, professional or supervisory positions; and
- around 5% of the workforce is unskilled.

Table 2.7 Kilmarnock Occupation Breakdown

	Full Time		Part Time	
	Permanent	%	Permanent	%
Management	9	2%	-	
Professional/Technical	42	8%	4	2%
Supervisory	39	7%	1	-
Skilled Trades	61	12%	6	3%
Process, Plant and Machine Operatives	318	60%	167	86%
Clerical/Admin	30	6%	8	4%
Unskilled Manual	31	6%	8	4%

This analysis is also shown in Figure 2.1 below.

Figure 2.1: Kilmarnock Occupation Analysis (All Employment)



2.2.4 Company Training

Much of the training that takes place on site is managed internally or through contractors for machine training and focuses predominantly on technical on the job training, machine skills, health, safety and compliance and more recently through the roll out of lean manufacturing and operator capability which focuses on functional and behavioural development.

On average, operators and engineers receive 2 days training per annum and managers receive on average 5 days.

The company generally does not have a high uptake in Further Education qualifications, although currently 3 engineers are studying for BA Eng through the Open University. Other certificated qualifications on site are within compliance areas such IOSH and COMAH where 86 employees achieved these qualifications within the last 12 months.

The average hours spent on training in 2008 was 24,000 hrs. In the first half of 2009 (January - June) 16,000 training hrs have taken place.

Further analysis shows that:

- the company does not hold personal data on individual skills and qualifications nor on numbers of particular groups;
- the company employs 5 Modern Apprentices;
- the company spends over £500,000 per annum on staff training – both external and in-house; and
- it does not, however, keep detailed records of any resultant qualifications.

In addition to the formal costs, the company undertakes training internally that has no direct cost attributed in the numbers. For example, the Diageo Academy is a training source for every employee. Finally, the company has IIP, Best Companies Award, Operator Capability frameworks, one to one development reviews etc.

Any further analysis would require more information to be obtained through primary research with the workforce.

2.2.5 Wages and Salaries[12]

Data provided by the company show that total (gross) wages and salaries are just over **£15 million** per annum and that net (disposable) wages are just under **£12 million** per annum.

Based on the above data, average full time salaries are **£23,400** per annum, slightly below the average for East Ayrshire but in line with the overall Scottish average.

There appears to be only slight variation between occupational groups with the majority of group of process operators having average earnings below managers/supervisors but above those for administrative jobs.

2.2.6 Location of Workforce

Table 2.8 shows the geographical distribution of the workforce using postcode definitions. The postcode data has been supplied by Unite the Union and provides coverage of 75% of the total workforce. It will, therefore, have a reasonable level of reliability.

Table 2.8:Kilmarnock Residence of Workforce

Location	% Employees
KA1	36%
KA2	7%
KA3	36%
KA4	6%
KA5	3%
Other KA Postcodes	11%
Other postcodes	>1%

Source: UNITE the Union

The data show that nearly 80% of the workforce is resident in postcodes KA 1, 2 and 3 and that less than 1% is resident outside of the KA postcode area (the local area).

[12] All figures exclude overtime or shift bonus payments

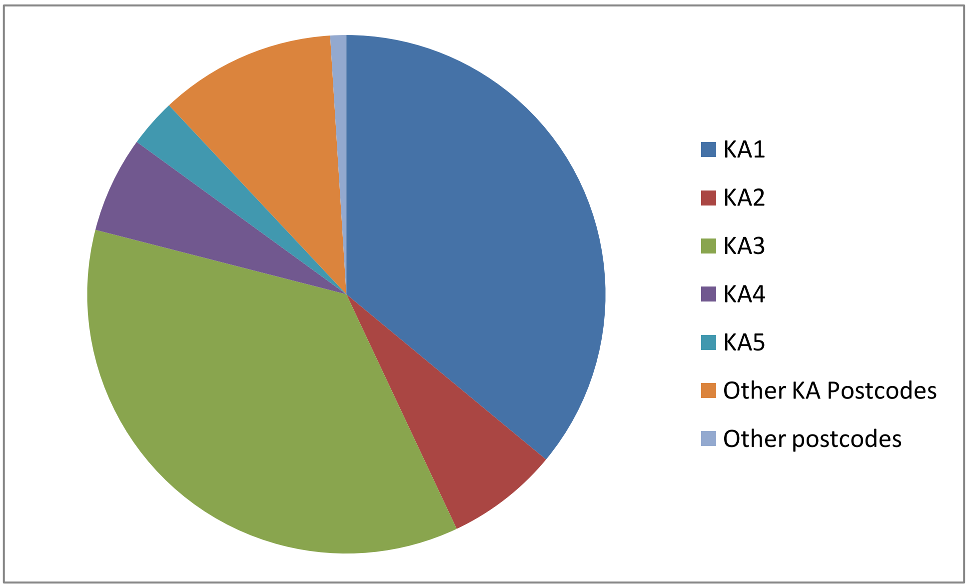
Crucially, the majority of the workforce is resident in or around Kilmarnock and, therefore, within the East Ayrshire Council area.

In addition, based on the postcode data, the analysis has been undertaken at the two digit postcode level and the results are presented below in Table 2.9, over.

This shows that around 80% of the workforce live within a few miles of the plant in KA 1, 2 or 3 postcode areas.

There is a reasonably even spread across locations, although with a concentration of workers living in Kilmaurs, Stewarton and Bellfield, which together account for over 200 individuals.

Figure 2.2: Kilmarnock Employment by Postcode



Further analysis shows that there are also multiple households reliant on employment in Diageo. It is estimated from the data provided that this will account for around 5% of the total workforce, or around 30 families.

We return to this issue again later in the report.

Table 2.9: Kilmarnock Residence of Workforce (Two Digit)

Postcode	Location	% Employees
KA 1 1	Kilmarnock Centre	3%
KA 1 2	Kilmarnock, Bonnyton, Grange	7%
KA 1 3	Kilmarnock Centre, Bellfield	10%
KA 1 4	Kilmarnock, Caprington, Riccarton, Shortlees	6%
KA 1 5	Hurlford South	7%
KA 2 0	Knockentiber, Crosshouse	7%
KA 3 1	Kilmarnock, Altonhill, Knockinlaw,	8%
KA 3 2	Kilmaurs, Kirktoun, Onthank	13%
KA 3 3	Stewarton	10%
KA 4 8	Galston	8%

2.2.7 Supplier Purchases

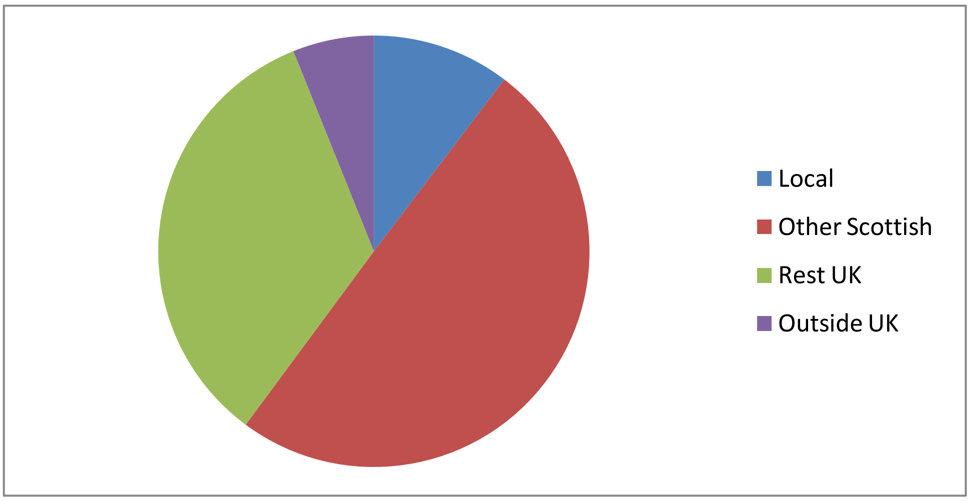
Table 2.10 provides details of the annual purchases made by Diageo to service operations at the Kilmarnock plant.

Table 2.10: Kilmarnock Supplier Purchases

£ million	Local	Other Scottish	Rest UK	Outside UK
Packaging Materials	9.7	39.0	37.0	5.7
Equipment		1.4	1.7	1.6
Logistics		14.4	1.0	
External Labour	2.0	1.9		
Other Purchases	0.7	3.0	0.8	
Totals	12.4	59.7	40.5	7.3

The data show that the Kilmarnock plant has an annual purchasing requirement of around £120 million. This is broken down by geographic source in Figure 2.3.

Figure 2.3: Kilmarnock Geographic Source of Purchases



The majority of Diageo purchases for Kilmarnock operations are from outside the local area but still within Scotland.

The majority of local spend is in respect of packaging and contract labour, which account for £11.7 million per annum.

Only £700K is spent on other local purchase such as rates which account for around 50% together with a range of small purchase across all areas of operation.

The main local suppliers include:

- Ardagh Glass; and
- Brightworks.

In providing the data the company has confirmed the following:

- all packaging expenditure will be transferred to Fife and the company will continue to trade with local Kilmarnock suppliers;
- around 25% of spend on equipment will transfer to Fife (although these there is no local spend);
- 80% of logistics spend will remain with current suppliers;
- around 50% of the spend on external labour will transfer to Fife, although given the local nature of labour, the bulk is unlikely to transfer from the local areas and more likely to result in new demand in Fife; and
- the company estimate that around 50% of the value of “other spend” will transfer to other plants.

Based on the above, it can be seen that the loss at the local level will be around £2.7 million per annum, mainly through the loss of external labour inputs. However, crucially, the company will continue to trade with the local packaging company after the restructuring.

Overall supply purchase losses are set out at Table 2.11 below.

Table 2.11: Kilmarnock Supplier Purchase Changes

£ million	Local	Other Scottish	Rest UK	Outside UK
Packaging Materials	No Change	No Change	No Change	No Change
Equipment		-1.0	-1.3	-1.2
Logistics		-2.8	-0.2	
External Labour	-2.0	+1.0		
Other Purchases	-0.7	-1.85	-0.4	
Totals	-2.7	-4.65	-1.9	-1.2

The data show a total reduction of £10.45 million in spend (a reduction of around 10%), of which £2.7 million will be lost business to locally based suppliers[13].

In addition, the company has made investments of around £4 million per annum in an average of 80 projects over the last five years. Although no detailed figures are available, the company estimate that around 20% (£800,000) of investment would have been through Scotland/local suppliers.

2.2.8 Corporate Social Responsibility Activity

Finally, data has been supplied in term of corporate social responsibility activity which shows that the company provides around £80,000 of sponsorship support to the local area, mainly through the Double your Fundraising activities.

However, in addition to this, there is also the fund raising activity of the employees themselves which is likely to be lost if closure proceeds.

[13] The main losses will be for the temporary staff who are contracted through the delivery agent

2.2.9 Kilmarnock Conclusions

The overall data show the following impacts if the restructuring were to proceed as proposed:

<u>Headline Figures: Potential Losses</u>

- job losses at the Kilmarnock plant
  - 727 individuals of which 530 are full time permanent staff
- loss of income from employment
  - £12 million per annum[14]
- loss of local supply purchases
  - £2.7 million per annum
- loss of local investment expenditure
  - £0.8 million per annum
- loss of local charity support
  - £80,000 per annum

The potential closure of the Kilmarnock plant would therefore remove around **£15.5 million** of direct expenditure from the local economy.

This figure excludes any future redundancy payments (estimated by the company at around £30 million) and future welfare payments and should therefore be seen as a worst case scenario.

2.2.10 Indirect and Induced Impacts

Effect Due to Loss of Spending Power

The data show that if closure proceeds there will be a loss of £12 million employee spending per annum[15]. In order to obtain a more detailed understanding of the potential consequences of that loss of spend, Table 2.12 provides an analysis using the UK Household Spend data as supplied by Office of National Statistics.

While the spend levels are presented at a UK level, they will serve as a proxy for the likely spend profiles of the Kilmarnock workforce.

[14] Excluding overtime and shift payments
[15] Excluding household saving ratio

Table 2.12: Kilmarnock Potential Spending Losses

Purchase Item	% Spend	Amount
Mortgage Interest Payments	8%	950,400
Clothing and Footwear	**7%**	**831,600**
Communication	3%	356,400
Heath and Personal Care	**4%**	**475,200**
Recreation and Culture	15%	1,782,000
Council Tax	5%	594,000
Restaurants	**8%**	**950,400**
Household Goods and Services	**8%**	**950,400**
Alcoholic Drink and Tobacco	**3%**	**356,400**
Housing (n) Fuel and Power	10%	1,188,000
Transport	15%	1,782,000
Housing Insurance	1%	118,800
Education	1%	118,800
Food and Non-Alcoholic Drinks	**12%**	**1,425,600**
Total	100%	11,880,000

1 Source ONS Household Spend 2008/ Bank of Scotland
2 Main local spend items highlighted

It is likely that not all of that spend will occur in Scotland, for example it is likely that some mortgage payments will go to non Scottish institutions, and some travel spending will be with foreign owned organisations.

We have therefore made a conservative assumption that 25% of spend would occur (and be lost) outside Scotland and will therefore have no direct effect on the Scottish economy. Correspondingly, 75% of the above spend (demand) occurs inside Scotland and would be lost as a result of any loss of earnings.

This would therefore result in a loss of income to Scotland of around £9 million per annum.

In order to understand what effect this reduction in income would have on employment, we have used the Type II Employment Effect Multipliers (Retail) from the Scottish Input-Output Tables (pro-rated to 2009 prices).

In total terms therefore, a reduction in demand of an estimated £9 million, at the Scottish level, would result in a corresponding reduction of **254** jobs.

We are able to provide a more detailed analysis at the local level. Table 2.10 highlights those items of spend that are most likely to occur at local and are to a large extent discretionary spend. The data show that in terms of the discretionary spend at the local level, it is estimated that around £6 million (or 50% of total spend) could be available for local purchases.

However, some of that expenditure will leak out of the local economy. Based on data provided in the Ayrshire Structure Plan Retail Capacity Impact Assessment (2006), we have estimated a leakage out of the local area of 30%. Therefore a reduction in demand (spend) in the local area (spent in local shops, restaurants etc) would amount to £4.2 million per annum. Again using the Type II multipliers, this then would result in a reduction of around 118 additional jobs in the local retail and hospitality sectors.

However, the multipliers describe the effect at the Scottish level and not the local level, where the impacts will not be as significant. We have assumed that 50% of multiplier effects will occur at the local level which would result in a reduction of **59** jobs from the local economy.

Effects Due to Loss of Supplier and Investment Purchases

The data show a reduction in annual demand (spend) of £8.15 million[16] (from supply purchase and investments) at the Scottish level, spread across a range of suppliers and industry types.

We do not have sufficient data to undertake a detailed analysis on an industry by industry basis. We have therefore used the “other services” industry Type II Employment Effect Multipliers to calculate the employment effects of the reduction in spend.

This shows a loss of employment at the Scottish level of **198** jobs due to a decrease in spend levels. The data also show that there will be a reduction of £3.5 million per annum in local supplier purchases and investment (demand) across a number of areas. We again do not have a detailed breakdown of the scale and nature of these purchases and have used similar assumptions as above.

This shows a loss of employment at the local level of **50** jobs due to a decrease in spend levels[17]. A more detailed analysis of the likely wider effects would require further primary research.

[16] Includes supply purchases and investment spend (Table 2.11)

2.2.11 Total Potential Employment Losses

Table 2.13 below sets out the total potential jobs losses calculated.

Table 2.13: Kilmarnock Total Potential Employment Losses

Type	**Scotland FTE**	**Local Kilmarnock FTE**
Direct Employment	670	670
Indirect and Induced due to loss of spending	254	59
Indirect and induced due to loss of supply purchases	198	50
Total Employment	**1,122**	**779**

While the total FTE numbers lost are estimated as above, the reality is that this will involve a greater number of individuals, due to part time and temporary employment.

Therefore based on a similar FTE/Headcount ratio as per employment at the plant, the potential closure could have the following effect, around:

- **1,200 individual job losses at Scottish level; and**
- **840 individual job losses at the Kilmarnock level.**

The above sets out the maximum level of job losses that could result from the proposed restructuring.

[17] Based on 50% of the Scottish level multiplier

However, it crucial to recognise this is the maximum potential impacts and the reality likely to be lower impacts due to:

- redundancy payments replacing some local (spend) demand (at least for a time);
- some of the workforce quickly finding alternative employment and hence replacing lost income;
- some of the workforce retiring; and
- replaced income from welfare and other state benefits.

While detailed calculations are outside the scope of the study, we would estimate that there could be up to a **50% mitigation factor** which would reduce the longer term impacts of the above, although in the short term, the consequences could still be significant, particularly at the local level.

2.3 Glasgow Impacts

2.3.1 Employment Numbers

Table 2.14 highlights current employment levels at the Glasgow plants[18].

Table 2.14: Glasgow Employment (All)

	Full Time		**Part Time**	
	Permanent	Temporary[19]	Permanent	Temporary
Total Employment	144	3	0	0

The data show that the Glasgow plants provide employment for 147 individuals of which 144 are full time permanent. Taking account of temporary employment, the Glasgow plant employs 145 full time equivalent staff.

Table 2.15 and 2.16 show the breakdown based on gender. The data show that almost all jobs are held by male employees who account for over 95% of employment.

Table 2.15: Glasgow Employment (Males)

	Full Time		**Part Time**	
	Permanent	Temporary[20]	Permanent	Temporary
Total Employment	135	3		

[18] Port Dundas and Dundashill
[19] Average 48 weeks
[20] Average 48 weeks

Table 2.16: Glasgow Employment (Females)

	Full Time		Part Time	
	Permanent	Temporary	Permanent	Temporary
Total Employment	9			

It should be noted that 20 of the above staff from Dundashill will be transferred to the cooperage in Clackmannan.

2.3.2 Employment by Age

Tables 2.17 and 2.18 provide a breakdown by gender and age profile.

The data show that around 80% of the workforce is over 40 with only a few under 25. The profile of the workforce is therefore generally older male workers.

Table 2.17: Glasgow Age Breakdown (Males)

	Full Time		Part Time	
	Permanent	Percentage	Permanent	Percentage
Under 19	0			
19-25	6	4%	2	
25-39	18	14%		
40-55	87	64%	1	
55+	24	20%		

Table 2.18: Glasgow Age Breakdown (Females)

	Full Time		**Part Time**	
	Permanent	Percentage	Permanent	Percentage
Under 19				
19-25	1			
25-39	5			
40-55	3			
55+				

2.3.3 Employment by Occupation

Table 2.19 presents a breakdown of employment by occupation. The data show that the majority of the workforce are process, plant and machine operatives. Other highlights of the workforce are:

- 85% occupy skilled trades or process operative positions;
- there are only a few management admin jobs; and
- there are no unskilled members of the workforce.

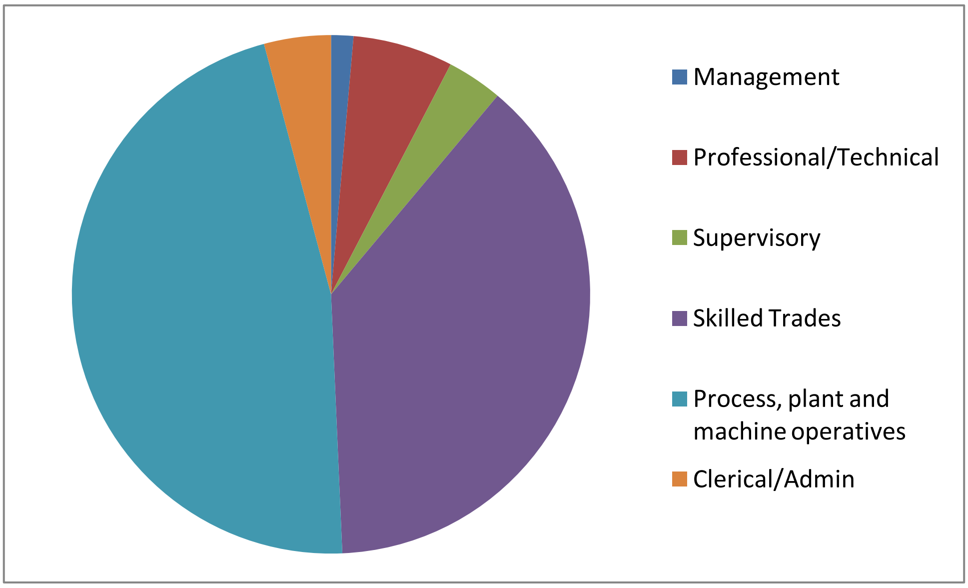
The Glasgow plant therefore has a quite different occupational profile to Kilmarnock.

Table 2.19 Glasgow Occupation Breakdown

	Full Time		Part Time	
	Permanent	%	Permanent	%
Management	2	>1%		
Professional/Technical	9	6%		
Supervisory	5	3%		
Skilled Trades	55	38%		
Process, Plant and Machine Operatives	67	47%	3	
Clerical/Admin	6	3%		
Unskilled Manual	0			

This is also shown in Figure 2.4 below.

Figure 2.4: Glasgow Occupation Analysis



2.3.4 Company Training

Overall, the training regime is as per the Kilmarnock review.

The company has provided the following information regarding detailed training in Glasgow:

- most training delivered is competency based and focused on technical aspects of the job. Multi Skilling for Controllers in Process and Dark Grains Plants, Maintainer Operators who flex between, Maintenance and Process Operations such as Tun Room;
- external Technical Training takes place to develop employees on a range of specific tasks that typically need to be accredited by an external body. This has included: 1 x Boiler House Operations, 16th and 17th Edition Wiring for Craft, 30 x Fork Lift Truck training or 10 x Tractor Driving Training, 10 x High Voltage Training, 5 x HACCP Intermediate and 3 x HACCP Advanced;
- risk training covers a range of courses, numbers of employees trained in the past 12 months - 3 x NEBOSH, 2 x IOSH, 150 x Manual Handling, 12 x Confined Space Working, 40 x Control of Contractors, 150 x Fire Extinguisher Training, 15 x Permit Writing Training, 150 x Spillage Training, 20 x HAZOP, 150 x Environment, 15 Working at Height;
- the site delivered 654 days worth of training to operators, engineers, Lab, Risk, admin. This is an average of over 4 days training per person;
- managers onsite have benefited from approximately 5 days training per person covering Team Development, Coaching, Influencing Skills, NEBOSH, IBD, Managing Self; and
- Coopers follow a tailored VQ in Mechanical and Traditional Coopering owned by the National Coopering Institute.

Overall, the company spend over £86,000 per annum on staff training.

2.3.5 Wages and Salaries[21]

Data provided by the company show that total (gross) wages and salaries are just over **£4.5 million** per annum and that net (disposable) wages are just over **£3 million** per annum.

Based on the above data, average full time salaries are **£31,400** per annum, above both the Glasgow and National averages. The higher level of average salaries in Glasgow probably reflects the higher percentage of skilled workers.

2.3.6 Location of Workforce

The Glasgow workforce is spread over **56** individual postcodes covering the following areas:

- Glasgow
- Motherwell
- Kilmarnock
- Edinburgh
- Paisley

In more detail, no postcode areas have more than 10 employees and only 9 have more than five.

Only 8 employees actually live in North Glasgow, with around 40% living within five miles of the Plants.

There is therefore much less of a concentration of local employment than at Kilmarnock.

[21] excluding overtime and shift payments

2.3.7 Supplier Purchases

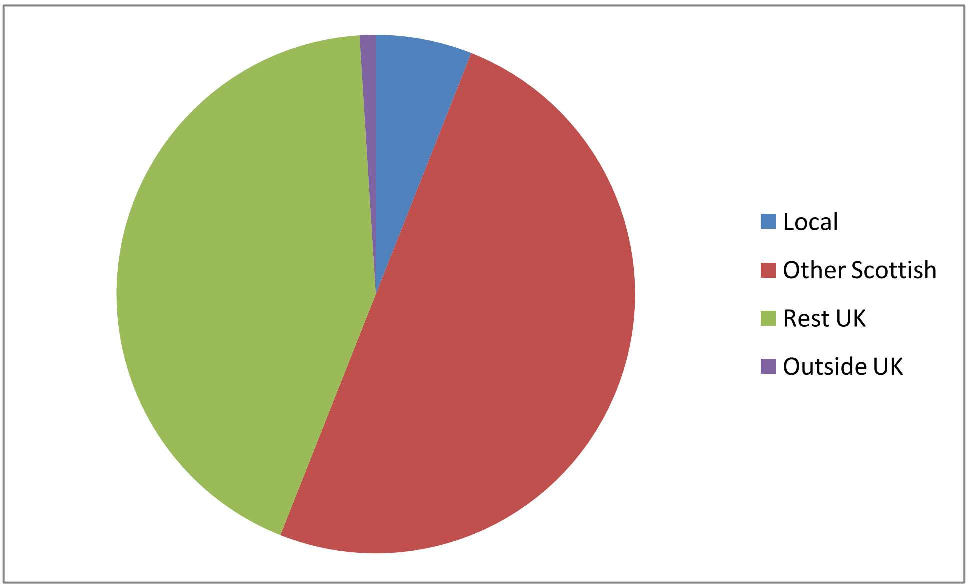
Table 2.20 provides details of the purchases made from the Glasgow plant.

Table 2.29: Glasgow Supplier Purchases

£ million	Local	Other Scottish	Rest UK	Outside UK
Raw Materials		£8.83	£6.25	£0.11
Capital and Maintenance	0.87	£1.78	£1.24	
Other	0.33	£0.22	£1.18	£0.07
Totals	£1.20	£10.84	£8,68	£0.12

The data show that the Diageo plant in Glasgow has an annual purchasing requirement of around £20 million broken down as follows in Figure 2.5.

Figure 2.5: Glasgow Supplier Purchases



At the local level the majority of spend is in respect of capital and maintenance and as such the plant does not have a major impact on the local Glasgow economy.

Only £325K is spend on other local purchases, mainly on rates and small scale consumables and local services.

Around half of the Glasgow Plant purchases come from the rest of Scotland with around 45% coming from the rest of the UK. In providing the data the company has confirmed the following:

- all raw materials expenditure will be transferred to Fife and Clackmannan;
- around 20% of spend on capital and maintenance will transfer to Fife and Clackmannan; and
- the majority of other spend will not transfer.

Based on the above, it can be seen that the loss at the local level will be around £325,000 per annum, mainly through the loss of small local purchases which are likely to be spread through many suppliers.

Overall supply purchase losses are set out at Table 2.21 below.

Table 2.21: Glasgow Supplier Purchase Changes

£ million	Local	Other Scottish	Rest UK	Outside UK
Raw Materials		No Change	No Change	No Change
Capital and Maintenance	-£0.69	-£1.36	-£0.96	
Other	-£0.33	-£0.22	-£1.18	-£0.07
Totals	-£1.01	-£1.58	-£2.14	-£0.07

The data show a total reduction of £4.8 million spend (a reduction of around 10%) with a reduction of around £1 million at the local level.

In addition, the company has made investments of around £8.2 million over the last five years (an average of £1.6 million per annum) of which they estimate that 20% (£320,000) is spent with local companies.

2.3.8 Corporate Social Responsibility Activity

Finally, data has been supplied in term of corporate social responsibility activity which shows that the company provide around £12,000 of sponsorship support to the local area, including supporting local regeneration.

However, in addition to this, there is also the fund raising activity of the employees themselves which is likely to be lost if closure proceeds.

2.3.9 Glasgow Conclusions

The overall data show the following impacts if the restructuring were to proceed as proposed:

<u>Headline Figures: Potential Losses</u>

- job losses
    - 145 FTE individuals[22]
- loss of income from employment
    - £3 million per annum
- loss of local supply purchases
    - £1 million pa
- loss of local investment
    - £320K pa
- loss of local charity support
    - £12,000 pa

The potential closure of the Glasgow plant would remove around **£4.5 million** of direct spend from the local economy.

[22] Includes those to be transferred to Clackmannan

2.3.10 Indirect and Induced Impacts

Effect Due to Loss of Spending Power

Using a similar approach as set out earlier, the data show that if closure proceeds there will be a loss of around £3 million spending per annum[23].

Table 2.22: Glasgow Potential Spending Losses

Purchase Item	% Spend	Amount
Mortgage Interest Payments	8%	236,000
Clothing and Footwear	**7%**	**206,500**
Communication	3%	88,500
Heath and Personal Care	**4%**	**118,000**
Recreation and Culture	15%	442,500
Council Tax	5%	147,500
Restaurants	**8%**	**236,000**
Household Goods and Services	**8%**	236,000
Alcoholic Drink and Tobacco	**3%**	**88,500**
Housing (n) Fuel and Power	10%	295,000
Transport	15%	442,500
Housing Insurance	1%	29,500
Education	1%	29,500
Food and Non-Alcoholic Drinks	**12%**	**354,000**
Total	100%	2,950,000

Source ONS Household Spend 2008/ Bank of Scotland
Main local spend items highlighted

[23] Excluding household saving ratio

We have assumed that 75% of the above spend (demand) is lost at the Scottish level and 50% at the local level based on the previous spend profile.

In total terms, a reduction in demand of an estimated £2.2 million, at the Scottish level, would result in a corresponding reduction of **62** jobs based again on Retail Sector Type II multipliers.

On a similar basis, the data show that in terms of discretionary spend at the local level, it is estimated that around £1 million could be available for local purchases. While some expenditure may leak out of the North Glasgow area, the bulk of spend will be in the wider Glasgow city area and we have therefore assumed only 10% local leakage.

Therefore a reduction in demand in the local area (spent in local shops, restaurants etc) would amount to £0.9 million per annum. Again using the Type II multipliers, this then would result in a reduction of around **15** additional jobs in the local economy.

Effects Due to Loss of Supplier and Investment Purchases

The data show a reduction in annual demand (spend) of £2.9 million at the Scottish level, spread across a range of suppliers and industry types.

We do not have sufficient data to undertake a detailed analysis on an industry by industry basis. We have therefore used the "other services" industry Type II Employment Effect Multipliers to calculate the employment effects of the reduction in spend.

This shows a loss of employment at the Scottish level of **72** jobs due to a decrease in spend levels.

The data also show that there will be a reduction of £1.32 million per annum in local supplier and investment purchases (demand) across a number of areas. We again do not have a detailed breakdown of the scale and nature of these purchases and have used similar assumptions as above.

This shows a loss of employment at the local level of **17** jobs due to a decrease in spend levels.

A more detailed analysis of the likely wider effects would require further primary research.

2.3.11 Total Potential Employment Losses

Table 2.23 below sets out the total potential jobs losses calculated.

Table 2.23: Glasgow Total Potential Employment Losses

Type	Scotland FTE	Local FTE
Direct Employment	145	145
Loss of Spending	62	15
Loss of Supply Purchases	72	17
Total Employment	**279**	**177**

The above sets out the maximum level of job losses that could result from the proposed restructuring.

Again, it is crucial to recognise that this is the maximum potential impacts and the reality is likely to be much different due to:

- redundancy payments replacing some local demand;
- some of the workforce finding alternative employment; and
- replaced income from welfare and other state benefits.

While detailed calculations are outside the scope of the study, we would estimate that we could assume a 50% mitigation factor which would reduce the longer term impacts of the above, although in the short term, the consequences are still likely to be towards the higher levels.

2.4 Fife Impacts

The plant closures in Kilmarnock and Glasgow are part of a wider restructuring that involves the extension of the company's facility in Leven and Clackmannan and the employment of additional staff.

The Investment Project will involve:

- construction of a new £84 million facility at Leven;
- construction of a £9 million facility at Clackmannan;
- transfer of 20 jobs form Dundashill; and
- creation of new employment.

It will also utilise a range of suppliers from the Kilmarnock and Glasgow plants, but as they are existing suppliers/contracts we have not included them as additional benefits.

2.4.1 Construction Benefits

Based on a contract value of £93 million, this will create around **744** Man Year Equivalent (MYE) jobs in the construction sector. Using a ratio of 10 MYE to equate to one FTE, this results in **74 FTE** jobs of which we estimate that 75% would be local jobs.

This is based on data supplied through the Annual Business Inquiry based on construction sector output data[24].

2.4.2 Employment Benefits[25]

The company has confirmed that the Fife expansion would require around **500** new jobs comprising:

- 249 full time permanent;
- 213 part time; and
- 39 temporary.

Based on information provided by the company it is estimated that this will provide **426** FTE new jobs in Fife.

[24] Turnover per employee/Scotland level/ construction sector/ 2006 data uprated to 2009/RPI
[25] No further analysis is provide for the Clackmannan project

The detailed occupational breakdown is highlighted below in Table 2.24.

Table 2.24 New employment Opportunities Fife

	Full Time		**Part Time/Temp**	
	Permanent	%	Permanent	%
Management	2	>1%		
Professional/Technical	5	2%		
Supervisory	11	4%		
Skilled Trades	42	17%		
Process, Plant and Machine Operatives	181	75%	252	100%
Clerical/Admin	8	3%		
Unskilled Manual				

The data show that the occupational breakdown is similar to Kilmarnock (unsurprising given the strategic rationale for the project).

Based on this we have therefore used similar wage rates:

- FTE Gross: £23,400; and
- FTE Net: £18,000.

Using these co-efficients, this would result in the following additional income effects in Fife:

- new gross income of £9.97 million; and
- new net (disposable) income of £7.7 million.

2.4.3 Impact of Increased Earnings

Using similar data sets and co-efficients as before we would estimate the increase in demand due to increased wages would result in:

- Scottish level £5.7 million; and
- Fife Level £3.1 million.

Again using the Input-Output multipliers detailed earlier, this shows that the employment impacts of the above would result in a further:

- 163 jobs at the Scottish level and
- 44 jobs at the Fife level.

2.4.4 Impact of New Supplier Purchases

We do not have any data on the likely level of supplier purchases, but given the nature of the project it is likely to be similar to Kilmarnock.

However, we have already accounted for any new purchase by netting off the supplier data for Kilmarnock and as such it is not appropriate to double count.

2.4.5 Total Potential Employment

Table 2.25 below sets out the total potential new jobs.

Table 2.25: Fife Total Potential Employment Gains

Type	Scotland FTE	Local FTE
Direct Employment	426	426
Gains due to Spending	163	44
Construction	74	55
Total Employment	**663**	**525**

2.5 Composite Economic Effects

2.5.1 Employment Effects

Table 2.26 below shows the cumulative effects of the restructuring programme. It should be noted that we have also included the new 20 jobs in Stirling but not undertaken any specific further analysis due to the scale of the employment numbers.

Table 2.26: Summary of Potential Employment Impacts

Location	Gross Employment Impacts (FTE)	Net Employment Impacts Scotland Level (FTE)	Net Employment Impacts Local Levels (FTE)
Kilmarnock	-670	-1,120	-780
Glasgow	-145	-280	-180
Stirling	+20	+30	+25
Fife	+425	+660	+525
Total Employment Effects	**-370**	**-710**	**NA**

Note: Rounded up to nearest 5

The data show that the main employment impacts are a loss of **710** jobs at the Scottish level and **780** jobs at the Kilmarnock level.

Again, these should be seen as the worst case impacts and are likely to be litigated through a range of factors outlined earlier.

The key factor is of course the impact the above has within individual communities and companies which is outside the scope of this report.

2.5.2 Gross Value Added

Finally, we consider the Gross Value Added (GVA) effects the above will have on the local and Scottish economies.

Firstly, the company does not envisage any reduction in output as a result of the restructuring – the focus is on improving efficiency and productivity.

Therefore with similar levels of output form a smaller workforce the economic effect is to move the returns from economic activity from labour to capital – the company will make greater profits.

Given the international nature of the company, it is unlikely that much of those profits will be returned to Scotland, although it is likely that some Scottish shareholders will benefit. Therefore the traditional approach of using GVA per employee is considered inappropriate.

There is also the potential that future profits will be available to support the Scottish industry and allow for future investment projects.

A detailed analysis of this is outside the scope of this work and we have therefore assumed that the main GVA losses will be through the reduction in wages and salaries.

There will obviously be a wide range of wage and salary levels across all types of employment (direct, indirect and induced) and therefore we suggest the use of wage averages as a proxy[26] to allow an understanding of potential GVA impact.

Based on this the <u>net</u> effects are as shown below:

- GVA loss Scotland: £14.2 million per annum
- GVA loss Kilmarnock: £15.6 million per annum

The above shows the level of potential diluting effect the restructuring <u>could</u> have on the Scottish economy – a loss of 710 jobs and £14 million of annual output.

However, a final word of caution on interpreting these figures. We have excluded any return to capital that will occur in Scotland as a result of the restructuring and we have not included the mitigating factors highlighted earlier – some individuals will get new employment, some suppliers will get new contracts etc.

[26] Assume £20,000 per employee based on current employee earnings

3. Labour Market Profiles

3.1 Introduction

This section of the report provides labour market profiles for each of the areas that would be affected by the closure of the Diageo plants: Kilmarnock, North Glasgow and Fife. We have reported on each of the areas individually and compared them to national trends. When analysing the East Ayrshire labour market, where possible we have included data at the Kilmarnock level. Similarly, where possible we have provided the latest data on North Glasgow.

The labour market profile includes analysis on the:

- labour market supply: population, unemployment, skills;
- labour market demand: jobs in the area, industries of employment;
- major projects in the area;
- economic trends; and
- impact of the recession so far.

We have considered all of these factors and draw some conclusions on the potential implications for each area.

3.2 East Ayrshire

This section of the report analyses the labour market in East Ayrshire, and where data is available for Kilmarnock. It shows the change since 2001 in the labour market, and how the patterns evolving in the labour market compare to Scotland as a whole.

3.2.1 Labour Market Supply

Population

The population in Scotland has increased by 2.1% between 2001 and 2008. During the same time period the population in East Ayrshire has fallen by -0.3%. The total change is reported in **Table 3.1** over**.**

Table 3.1: Population Change East Ayrshire 2001-2007

	2001	2008	Change	
	No	**No**	**No**	**%**
East Ayrshire	120,310	119,920	-390	-0.3
Scotland	5,064,200	5,168,500	104,300	2.1
	2001	**2006**		
Kilmarnock	43,588	44,030	442	1.0

Source: GRO Scotland

Data was also available at the Kilmarnock level, although only up until 2006. During the period 2001-2006 the population grew by 1.0%, despite the overall decrease in population in East Ayrshire, most likely as a reflection of the new M77.

Working Age

The working age population in the UK represents males aged 16-64 years old and females aged 16-59 years old. The working age population provides an estimate of the number of potential workers in an economy – the labour force. **Table 3.2** reports the working age population in East Ayrshire and how it has changed in comparison to Scotland.

Table 3.2: Working Age Population

	2001	2008	Change	
			No	**%**
East Ayrshire	73,603	73,897	294	0.4
Scotland	3,149,716	3,238,035	88,319	2.8

Source: GRO Scotland

There has not been a significant change in the working age population in East Ayrshire since 2001, less than one percent growth. Over the same time period, the working age population grew by 2.8% in Scotland.

Although the working age population in East Ayrshire has not grown, it still accounts for the same proportion of Scotland's working age population, which is increasing.

Population Forecast

The population in East Ayrshire is projected to fall between now and 2031 by 4.6%, a loss of 5,510 people. Over the same period the population in Scotland is projected to increase 5%. **Table 3.3** reports the projected population change.

Table 3.3: Population Projections

	2006	2031	Change	
			No	%
East Ayrshire	119,290	113,780	-5,510	-4.6%
Scotland	5,116,900	5,373,569	256,669	5.0

Source: GRO Scotland

Table 3.4 reports the projected change in the working age population in East Ayrshire. It is predicted to decline at an even greater rate than the overall fall in population.

Table 3.4: Working Age Projections

	2008	2031	Change	
			No	%
East Ayrshire	73,897	65,768	-8,129	-10.8%
Scotland	3,238,035	3,367,556	129,521	0.4%

Source: GRO Scotland

Skills

An important attribute for a healthy, sustainable labour market is the level of skills of the potential workforce. **Table 3.5** reports the skills[27] distribution of the labour market in East Ayrshire and how it compares to the skill set of the labour force in Scotland as a whole. The main points to note are:

- the greater proportion of the labour force in East Ayrshire with no qualifications; and
- the greater proportion of the labour force in Scotland with NVQ 4.

Table 3.5: Skills 2008

	East Ayrshire	Scotland
NVQ4	27.8%	33.8%
NVQ3	14.5%	16.0%
Trade Apprenticeships	7.9%	6.3%
NVQ2	14.9%	14.2%
NVQ1	9.6%	9.9%
Other qualifications	8.7%	7.3%
No qualifications	16.6%	12.5%
Total	**100.0%**	**100.0%**

Source: Annual Population Survey

[27] No qualifications: no formal qualifications held
Other qualifications: includes foreign qualifications and some professional qualifications
NVQ 1 equivalent: e.g. intermediate 1 national qualification or equivalent.
NVQ2 equivalent: intermediate 2 national qualification or equivalent
NVQ3 equivalent: advanced higher national qualifications or equivalent
NVQ4 equivalent and above: e.g. HND, Degree and Higher Degree level qualifications or equivalent

The population in East Ayrshire is less skilled than the population in Scotland with lower levels of graduates and higher level of those with no qualifications at all. This will of course have a knock on effect in terms of the types of employment opportunities and related wage levels in East Ayrshire.

Unemployment

The claimant count estimates the number of people claiming unemployment related benefits. The claimant count rate can be calculated by working out the percentage of claimants as a proportion of the working age population.

We cannot report the rate for Kilmarnock as we do not know the working age population at the Kilmarnock level. However, we can report on the number of claimants.

Between 2001 and 2009 the number of claimants in Kilmarnock increased from 1,273 to 1,367**. However, since the recession began in 2008, the number of claimants in Kilmarnock has increased from 886 to 1,398, an increase of 57.8%.** This illustrates the level of impact the recession has had on those claiming unemployment benefits.

Table 3.6 reports the claimant rate in 2001 and the most recent rate for June 2009 for East Ayrshire and Scotland.

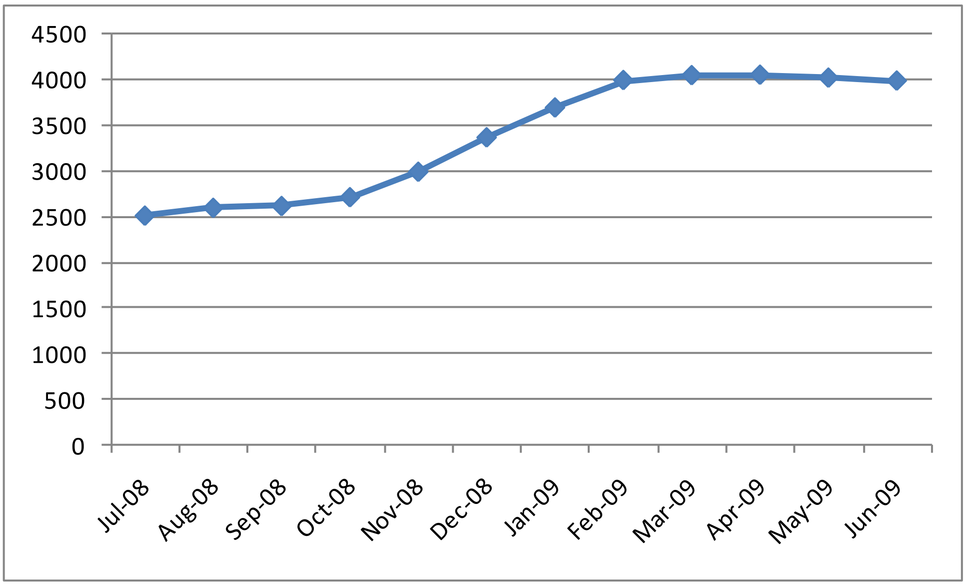
Table 3.6: Claimant Count Unemployment

	2001	June 2009
	%	%
East Ayrshire	4.9	5.4
Scotland	3.3	4.0

Source: Claimant Count

In 2001 the unemployment rate in East Ayrshire was significantly higher than in Scotland and that remains the case in 2009. **Figure 3.1** shows the rise in the claimant count in East Ayrshire since the midpoint of last year when the recession began to affect the Scottish economy.

Figure 3.1: Claimant Count East Ayrshire



Source: Claimant Count

The number of claimants in East Ayrshire has increased by 58.5%, a very significant increase, but still less than the increase in the number of claimants Scotland wide since July 2008, which has increased by 72.8%.

Although the rate of increase in the number of claimants in Scotland has been higher than East Ayrshire over the last year, the actual percentage of claimants in East Ayrshire remains significantly higher.

Benefit Claimants

Below we analyse the types of benefits being claimed, and how the rate of claimants in East Ayrshire compares with the benefit claimants overall in Scotland. The results are reported in **Tables 3.7-3.9.** Please note due to time lags data is not available for 2009 so may not reflect the increased level of unemployment and subsequent dependency on benefits.

Table 3.7: Percentage of Working Age Population Claiming All Benefits

	2001		2008	
All Benefits	**No**	**%**	**No**	**%**
East Ayrshire	16,380	22.3	14,430	19.5
Scotland	588,910	18.7	526,040	16.2

Source: DWP Benefits

Table 3.7 shows that the number of benefit claimants in East Ayrshire has fallen since 2001. This table also shows the percentage of benefit claimants in East Ayrshire is higher than in Scotland.

The data does reveal that the gap in the percentage of claimants in East Ayrshire has narrowed when compared to Scotland.

The percentage of people claiming IB in Scotland and East Ayrshire has declined since 2001, as reported in **Table 3.8**. The rate in East Ayrshire is still above the rate for Scotland but it has closed the gap from 0.7 percentage points in 2001 to 0.3 percentage points in 2008.

Table 3.8: Percentage of Working Age Population Claiming IB Only

	2001		2008	
IB Only	**No**	**%**	**No**	**%**
Scotland	168,500	5.3	71,750	2.2
East Ayrshire	16,380	6.0	1,870	2.5

Source: DWP Benefits

In 2001 the percentage of people claiming JSA in East Ayrshire was much higher than in Scotland. As with IB, the rate of people claiming this benefit in East Ayrshire has come more into line with the Scottish rate.

Table 3.9: Percentage of Working Age Population Claiming JSA Only

	2001		2008	
JSA Only	**No**	**%**	**No**	**%**
Scotland	103,960	3.3	76,880	2.4
East Ayrshire	3,650	5.0	2,400	3.2

Source: DWP Benefits

Conclusion

Below we summarise the main points of the labour market supply in East Ayrshire:

- population is aging and declining;
- big forecast in working age population;
- workforce has lower levels of formal qualifications than Scotland;
- traditionally higher claimant count rate than in Scotland; and
- a greater reliance on benefits compared to Scotland.

These will all have particular impact on the future economic activity and employment trends in East Ayrshire.

3.2.2 Labour Market Demand

This section considers the labour market demand for East Ayrshire and Kilmarnock. We report the type and number of jobs in East Ayrshire, as well as the main industries of employment in the area.

Employment

Table 3.10 over reports the change in employment in East Ayrshire and Kilmarnock between 2001 and 2007.

Table 3.10: Change in Employment in East Ayrshire & Kilmarnock 2001-2007

	East Ayrshire				Kilmarnock			
	2001	**2007**	**Change**		**2001**	**2007**	**Change**	
Agriculture & Fishing	266	275	9	3.4%	8	11	3	37.5%
Energy &water	1,232	799	-433	-35.1%	548	298	-250	-45.6%
Manufacturing	6,212	5,026	-1,186	-19.1%	3,017	2,492	-525	-17.4%
Construction	2,160	2,564	404	18.7%	901	1,017	116	12.9%
Distribution, hotels & restaurants	8,862	8,163	-699	-7.9%	4,418	4,725	307	6.9%
Transport & communications	1,764	1,518	-246	-13.9%	802	694	-108	-13.5%
Banking, finance &insurance	3,814	4,520	706	18.5%	1,769	1,942	173	9.8%
Public administration, education & health	11,252	13,216	1,964	17.5%	3,913	4,478	565	14.4%
Other Services	2,385	2,474	89	3.7%	1,397	1,275	-122	-8.7%
Total	**37,947**	**38,556**	**609**	**1.6%**	**16,773**	**16,993**	**220**	**1.3%**

Source: Annual Business Inquiry

The main changes in East Ayrshire and Kilmarnock have been as follows:

- increases in employment
    - public administration, education & health
    - banking, finance & insurance; and
- decreases in employment
    - manufacturing
    - distribution, hotels & restaurants (not Kilmarnock)

In **Table 3.11** over, we report the proportional representation of industries in East Ayrshire and Kilmarnock and compare it to Scotland as a whole.

Table 3.11: Employment Analysis 2007

	East Ayrshire	Kilmarnock	Scotland
Agriculture & Fishing	0.7	0.1	1.6
Energy &water	3.2	1.8	1.8
Manufacturing	16.4	14.7	9.2
Construction	5.7	6.0	5.7
Distribution, hotels & restaurants	23.4	27.9	22.0
Transport & communications	4.6	4.1	5.4
Banking, finance &insurance	10.1	11.5	18.8
Public administration, education & health	29.7	26.4	30.3
Other Services	6.3	7.5	5.3
Total	**100.0**	**100.0**	**100.0**

Source: Annual Business Inquiry

The main industries of employment in East Ayrshire are:

- public sector (29.7%);
- distribution, hotels & restaurants (23.4%); and
- manufacturing (16.4%).

East Ayrshire and Kilmarnock have more people employed in manufacturing than Scotland as a whole. The percentage of people employed in the manufacturing industry is almost twice as high in East Ayrshire (16.4%) as it is in Scotland (9.8%). However, it is important to note that overall, the manufacturing sector in East Ayrshire has declined significantly between 2001 and 2007 by 19.1%.

Business Base

Table 3.12 reports the change in the business base in East Ayrshire and Kilmarnock between 2001 and 2007.

The business base in East Ayrshire has increased by 141 workplaces between 2001 and 2007. The change in Kilmarnock is representative of the change overall in East Ayrshire.

Table 3.12: Change in Business Base 2001-2007

	East Ayrshire				Kilmarnock			
	2001	**2007**	**Change**		**2001**	**2007**	**Change**	
Agriculture & Fishing	27	33	6	22.2%	2	3	1	50.0%
Energy &water	37	21	-16	-43.2%	6	3	-3	-50.0%
Manufacturing	246	201	-45	-18.3%	70	54	-16	-22.9%
Construction	280	331	51	18.2%	75	100	25	33.3%
Distribution, hotels & restaurants	1,049	1,015	-34	-3.2%	443	435	-8	-1.8%
Transport & communications	158	135	-23	-14.6%	40	43	3	7.5%
Banking, finance &insurance	605	756	151	25.0%	227	291	64	28.2%
Public administration, education & health	388	469	81	20.9%	161	195	34	21.1%
Other Services	407	377	-30	-7.4%	137	129	-8	-5.8%
Total	**3,197**	**3,338**	**141**	**4.4%**	**1,161**	**1,253**	**92**	**7.9%**

Source: Annual Business Inquiry

The main changes in the business base in East Ayrshire have been as follows:

- increases in the number of workplaces
    - public administration, education & health (20.9%)
    - banking, finance & insurance (25.0%)
    - construction (18.2%); and
- decreases in the number of workplaces
    - manufacturing (-18.3%)
    - distribution, hotels & restaurants (-3.2%).

The business base in East Ayrshire compared to Scotland is very similar. The main differences are the percentage of workplaces in banking, finance and insurance which is greater in Scotland than in East Ayrshire, and public administration, education and health which is slightly higher as a percentage of the business base in East Ayrshire than in Scotland as a whole.

Table 2.13 shows the proportional distribution between industries at all three levels and shows that East Ayrshire and Scotland have a similar industrial business breakdown.

Table 3.13: Business Base by Sector 2007

	East Ayrshire	Kilmarnock	Scotland
	%	%	%
Agriculture & Fishing	1.0	0.2	2.0
Energy &water	0.6	0.2	0.5
Manufacturing	6.0	4.3	5.7
Construction	9.9	8.0	9.1
Distribution, hotels & restaurants	30.4	34.7	30.5
Transport & communications	4.0	3.4	4.5
Banking, finance &insurance	22.6	23.2	27.0
Public administration, education & health	14.1	15.6	12.1
Other Services	11.3	10.3	8.6
Total	100.0	100.0	100.0

Source: Annual Business Inquiry

We have also analysed the size of the businesses employee size bands in East Ayrshire and compared them to Scotland, please see **Table 3.14**. East Ayrshire and Scotland have a similar proportional employee sizeband breakdown, with micro businesses (< 10 employees) accounting for approximately 80% of all businesses.

Kilmarnock has a greater proportion of large businesses and this may be a linked to the proportion of jobs in manufacturing and distribution, hotels & restaurants.

Table 3.14: Business Units by Business Size 2007

	Scotland	East Ayrshire	Kilmarnock
1 to 10 employees	80.7%	81.3%	76.7%
11 to 49 employees	14.9%	14.7%	18.4%
50 to 199 employees	3.5%	3.5%	4.2%
200+ employees	0.8%	0.5%	0.7%

Source: Annual Business Inquiry

VAT Registered Businesses

Online National Statistics (ONS) collects statistics on the number of VAT registered and de-registered businesses, as well as the overall stock at the end of the year. It is useful to look at this data in our labour market analysis as the ABI data does not include self-employed businesses. **Table 3.15** reports the changes between 2001 and 2007 for Scotland and how East Ayrshire compares to the national trend. Data for Kilmarnock was not available.

Table 3.15: VAT Registered Businesses

	East Ayrshire	Scotland
2001		
Registrations	225	10,850
De-registrations	185	10,270
Stock at end of year	2,545	127,135
Net-change	40	580
2007		
Registrations	230	14,590
De-registrations	180	9,605
Stock at end of year	2,690	141,895
Net-change	50	4,985
% Change in stock 2001-2007	5.7%	11.6%

Source: ONS

There has been an increase of 5.7% in the number of VAT registered businesses in East Ayrshire between 2001 and 2007. Although this is a positive increase it is still well behind the rate of increase in business stock for Scotland as a whole, which grew by 11.6% between 2001 and 2007.

This data is not available beyond 2007 so will not take account of the impact of the global recession.

Conclusion

Below, we summarise the key issues of the labour market demand in East Ayrshire:

- main industries of employment: public sector, distribution, hotels & restaurants and manufacturing;
- East Ayrshire has greater reliance on manufacturing employment than Scotland as a whole; and
- the business base in manufacturing is shrinking.

3.2.3 Wider Opportunities

In terms of major developments in the area East Ayrshire there are aspirations and opportunities to develop the following projects through the Scottish Town Centre Regeneration Fund.

- Cumnock town centre regeneration
    - high quality civic space around Cumnock Town Hall
    - increase town centre parking
    - demolish former picture house;
- Kilmarnock town centre regeneration
    - rail service improvements to Glasgow
    - upgrade of town centre environment between railway station and town centre; and
- Galston town centre regeneration
    - new car park
    - CCTV
    - high quality landscaped area.

The projects in Galston and Cumnock have been awarded £250,000 and £749,000 respectively, to implement their town centre regeneration programmes.

From an economic development perspective, we have also considered the activities delivered by Scottish Enterprise. While local economic development is now clearly the responsibility of the Local Authorities, SE are still responsible for delivering a wide range of activities.

At this point in time, there are no major projects in East Ayrshire for which SE has responsibility. There are a few in the wider Ayrshire area and these are detailed in Appendix 1.

Tables 3.16 and 3.17 highlight the range and number of key and account managed companies in Ayrshire as a whole.

The data show that there are 37 account managed companies operating mainly in engineering, food and drink and textiles. Given the size of the business base, this is a very small percentage of companies that meet the SE criteria as a priority business.

Table 3.16: SE Account Managed Companies

Sector	Location		
Ayrshire	East	North	South
Aerospace		4	11
Business Services	2	2	
Call Centre	1		1
Chemicals		2	1
Construction	2	1	1
Digital Media			2
Education			1
Electronics		4	4
Energy		2	
Engineering	8	8	6
Environmental	2		
Financial Services	1		
Food and Drink	6	3	4
Forest Industries	1	1	
Life Science	1	4	5
Manufacturing	3	2	6
Services	1	1	1
Social Economy	1	1	
Software		2	1
Textiles	7	2	2
Tourism		2	4
Transport	1	1	1
	37	**42**	**51**

Table 3.17: West of Scotland Priority Companies

LA Area	Account Managed	Corporate Scotland	Important to Economy	Grand Total
Ayrshire	120		13	133
Dunbartonshire	62	1	17	80
Glasgow	175	7	54	236
Lanarkshire	211		32	243
Renfrewshire	141		26	167
Grand Total	709	8	142	859

3.2.4 Economic Trends

The recession has impacted the whole of the UK with the number of unemployed people nearly at 2 million. An area that has not been immune to this but under normal circumstances would be considered relatively safe, is the public sector. Job cuts have already taken place in the public sector and there are already forecasts of more cuts to come, particularly in local government.

This would be of particular concern to East Ayrshire where nearly one third of the work force is employed in public sector related activities. Of the other industries affected by the recession, one that has been significantly affected has been banking, finance & insurance. This has been one of the growing areas of employment in East Ayrshire which could have serious consequences for future East Ayrshire employment.

Manufacturing, construction and distribution, hotels & restaurants are the other major employers in East Ayrshire, and these also have suffered a disproportionate decline in employment in recent years.

Continuation of these trends, combined with likely decreases in public spending means that East Ayrshire could be particularly vulnerable to economic trends and may have (currently) limited opportunities for new growth to off-set them.

3.2.5 Implications

The closure of the Johnnie Walker plant in Kilmarnock will have a serious impact on the level of unemployment in East Ayrshire. The quoted number of job losses will only serve to increase the problems of unemployment in the area, which traditionally have been worse than in the rest of Scotland. The number of claimants in Kilmarnock could increase by up to **50%** if the total workforce were to register as unemployed.

Although there are regeneration and other development projects in the area, it is unlikely that they alone will create the level of jobs required to offset the job losses at the Johnnie Walker plant.

3.4 North Glasgow

The labour market analysis of North Glasgow uses two different sets of data. The labour market supply section uses data produced in the North Glasgow Labour Market Intelligence Study by the Training and Employment Research Unit (TERU) at the University of Glasgow. The labour market demand section includes more recent data from the ABI, in which we defined our own area for North Glasgow using the post code districts G20, G21, G22, G23 and G33.

Where the data allows, we have tried to compare the trends in North Glasgow with the rest of Glasgow and Scotland.

3.4.1 Labour Market Supply

Population

The population of North Glasgow has fallen by -0.03% between 2001 and 2006. During the same time period the population of Glasgow (0.3%) and Scotland (1.0%) both grew. **Table 3.18** reports the change.

Table 3.18: Population

	2006	% Change 2001-06
	No	**%**
North Glasgow	99,954	-0.03
Glasgow	580,690	0.3
Scotland	5,116,900	1.0

Source: North Glasgow Labour Market Intelligence Study

Working Age

Although the population in North Glasgow has fallen, the working age population has grown between 2001 and 2006 by 4.3%, as shown in **Table 3.19**. This is more than twice the increase in the working age population of Scotland.

Table 3.19: Working age Population

	2006	% Change 2001-06
	No	**%**
North Glasgow	65,709	4.3
Glasgow	386,197	5.2
Scotland	3,212,557	2.0

Source: North Glasgow Labour Market Intelligence Study

Unemployment

The claimant count rate in North Glasgow recorded in November 2007 was 4.1%, higher than the rate for Glasgow and nearly twice as high as the rate in Scotland. Please refer to **Table 3.20**.

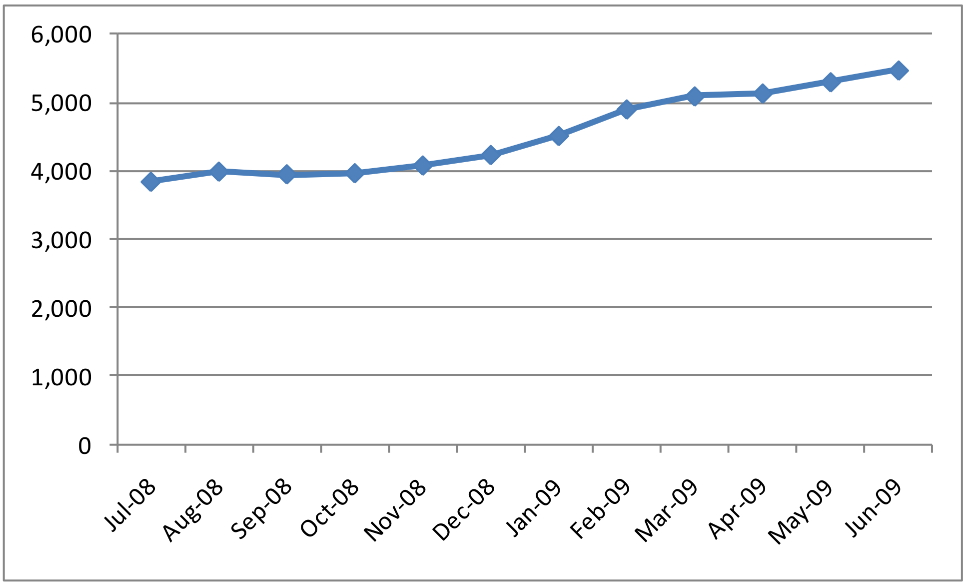
Table 3.20: Claimant Count November 2007

	Claimant Count November 2007
North Glasgow	4.1
Glasgow	3.4
Scotland	2.1

Source: North Glasgow Labour Market Intelligence Study

Figure 3.2 reports the rise in the number of claimants in North Glasgow since July 2008.

Figure 3.2: Claimant Count North Glasgow



Source: Claimant Count

The number of claimants in North Glasgow has risen from 3,836 in July 2008 to 5,473 in June 2009. If we use the working age population of 2006 as our base, the claimant count rate for North Glasgow would currently be 8.3%.

The number of claimants for each of the study areas has increased over the last year as follows:

- North Glasgow 43.1%;
- Glasgow 47.3%; and

- Scotland 72.8%.

Although the rate of increase is not as high as in Scotland, the percentage of claimants is greater. This suggests that North Glasgow already had underlying problems with unemployment before the recession.

Benefit Claimants

The data available on benefit claimants between 2002 and 2007 demonstrates that the proportion of claimants in North Glasgow is significantly higher than Scotland as a whole, and Glasgow. **Table 3.21** reports the results. The proportion of claimants has dropped significantly between 2002 and 2007, but still remains well above the rate for Scotland.

Table 3.21: Benefit Claimants 2007

	North Glasgow	Glasgow	Scotland
Total Benefit Claimants	18,625	96,840	535,220
JSA Claimants	2,805	14,180	77,870
Incapacity Benefit	10,485	55,720	301,680
Total as a % of working age population	28.3	25.1	16.7
% change 2002-2007	-15.1	-15.5	-11.8

Source: North Glasgow Labour Market Intelligence Study

Conclusion

Below we summarise the main points of the labour market supply in North Glasgow:

- decrease in population;
- growing working age population
- high claimant count rate; and
- high proportion of benefit claimants.

Any new job losses in a local economy such as Glasgow North will come as another blow to an already struggling area of the city.

3.4.2 Labour Market Demand

This section considers the labour market demand for North Glasgow. We report the type and number of jobs in North Glasgow, as well as the main industries of employment in the area.

Employment

Table 3.22 reports the change in employment in North Glasgow between 2001 and 2007.

Table 3.22: Change in Employment in Glasgow & North Glasgow 2001-2007

	North Glasgow				Glasgow			
	2001	**2007**	**Change**		**2001**	**2007**	**Change**	
Agriculture & Fishing	130	143	13	10.0%	7	7	0	0.0%
Energy &water	4,533	3,860	-673	-14.8%	900	375	-525	-58.3%
Manufacturing	30,280	23,726	-6,554	-21.6%	3,276	2,732	-544	-16.6%
Construction	17,365	15,926	-1,439	-8.3%	2,658	1,786	-872	-32.8%
Distribution, hotels & restaurants	80,925	83,066	2,141	2.6%	7,314	8,472	1,158	15.8%
Transport & communications	23,625	21,798	-1,827	-7.7%	2,718	2,733	15	0.6%
Banking, finance &insurance	94,089	103,294	9,205	9.8%	4,012	4,914	902	22.5%
Public administration, education & health	114,868	125,319	10,451	9.1%	13,959	12,745	-1,214	-8.7%
Other Services	21,905	18,126	-3,779	-17.3%	3,569	1,696	-1,873	-52.5%
Total	**387,722**	**395,258**	**7,536**	**1.9%**	**38,412**	**35,461**	**-2,951**	**-7.7%**

Source: Annual Business Inquiry

There has been an overall decrease in the number of local jobs over the period. The main changes in North Glasgow have been as follows:

- Increases in employment
  - public sector (9.1%)
  - banking, finance & insurance (9.8%); and
- decreases in employment
  - manufacturing (-21.6%)
  - transport & communications (-7.7%).

Below, in **Table 3.23**, we report the proportional representation of industries in North Glasgow and Glasgow and how that compares to Scotland.

The main industries of employment in North Glasgow are:

- public sector (35.9%)
- distribution, hotels & restaurants (23.9%); and
- banking, finance & insurance (13.9%).

Table 3.23: Employment Analysis 2007

	North Glasgow	Glasgow	Scotland
Agriculture & Fishing	0.0	0.0	1.6
Energy &water	1.1	1.0	1.8
Manufacturing	7.7	6.0	9.2
Construction	5.0	4.0	5.7
Distribution, hotels & restaurants	23.9	21.0	22.0
Transport & communications	7.7	5.5	5.4
Banking, finance &insurance	13.9	26.1	18.8
Public administration, education & health	35.9	31.7	30.3
Other Services	4.8	4.6	5.3
Total	**100.0**	**100.0**	**100.0**

Source: Annual Business Inquiry

The main industry of employment in North Glasgow is the public sector, as it is in Scotland. Outside of this, North Glasgow has a greater percentage of jobs in distribution, hotels & restaurants than (23.9%) than Scotland, but much less in banking, finance & insurance (13.9%). The percentage of people employed in manufacturing (7.7%) and construction (5%) is less than for Scotland. These industries have both suffered from major job losses between 2001 and 2007.

Business Base

Table 3.24 reports the change in business base of North Glasgow between 2001 and 2007. It shows a small increase in the number of businesses in North Glasgow, with the largest numbers coming from increases in public sector jobs and banking, finance & insurance.

Table 3.24: Change in Business Base 2001-2007

	North Glasgow				Glasgow			
	2001	**2007**	**Change**		**2001**	**2007**	**Change**	
Agriculture & Fishing	2	2	0	0.0%	17	20	3	17.6%
Energy &water	5	3	-2	-40.0%	35	30	-5	-14.3%
Manufacturing	125	138	13	10.4%	1,195	1,005	-190	-15.9%
Construction	172	169	-3	-1.7%	1,167	1,110	-57	-4.9%
Distribution, hotels & restaurants	762	766	4	0.5%	7,114	6,624	-490	-6.9%
Transport & communications	74	68	-6	-8.1%	653	581	-72	-11.0%
Banking, finance &insurance	461	495	34	7.4%	5,422	6,581	1,159	21.4%
Public administration, education & health	376	403	27	7.2%	2,274	2,526	252	11.1%
Other Services	226	191	-35	-15.5%	2,200	2,030	-170	-7.7%
Total	**2,203**	**2,235**	**32**	**1.5%**	**20,077**	**20,507**	**430**	**2.1%**

Source: Annual Business Inquiry

The main changes in the business base in North Glasgow have been as follows:

- increases in the number of workplaces
  - banking, finance & insurance (7.4%)
  - public sector (7.2%); and
- decreases in the number of workplaces
  - transport and communications (-8.1%)
  - construction (-1.7%)

Table 3.25 shows the proportional distribution between industries at all three levels. The main differences are the percentage of workplaces in banking, finance & insurance which are much less in North Glasgow than Glasgow and Scotland, and the proportion of public sector workplaces which is much higher in North Glasgow than Glasgow or Scotland.

Table 3.25: Business Base by Sector 2007

	North Glasgow	Glasgow	Scotland
	%	%	%
Agriculture & Fishing	0.1	0.1	2.0
Energy &water	0.1	0.1	0.5
Manufacturing	6.2	4.9	5.7
Construction	7.6	5.4	9.1
Distribution, hotels & restaurants	34.3	32.3	30.5
Transport & communications	3.0	2.8	4.5
Banking, finance &insurance	22.1	32.1	27.0
Public administration, education & health	18.0	12.3	12.1
Other Services	8.5	9.9	8.6
Total	**100.0**	**100.0**	**100.0**

Source: Annual Business Inquiry

The size of employee size breakdown of workplaces in North Glasgow is reported in **Table 3.26**. It shows that there is a higher concentration of larger employee size bands in North Glasgow than Scotland, and less micro-businesses.

Table 3.26: Business Units by Business Size 2007

	North Glasgow	Glasgow	Scotland
1 to 10 employees	73.6%	75.9%	80.7%
11 to 49 employees	21.0%	18.1%	14.9%
50 to 199 employees	4.4%	4.6%	3.5%
200+ employees	0.9%	1.4%	0.8%

Source: Annual Business Inquiry

Conclusion

Below, we summarise the key issues of the labour market supply in North Glasgow:

- main industries of employment are the public sector and distribution, hotels & restaurants;
- large decline in manufacturing employment and large growth in public sector employment; and
- growth in banking, finance & insurance business base.

3.4.3 Major Projects

The North Glasgow area will continue to benefit from regeneration initiatives over the coming years. Specific regeneration activities in the area include:

- Nova Technology Park, for science and technology companies;
- Glasgow North Retail Park, completed in August 2007 creating a range of employment opportunities for local residents;
- Glasgow Canal Regeneration Partnership, development projects to maximise the regeneration of the canal corridor;
- Glasgow City Council & GHA Regeneration Area's Programme, a range of initiatives to regenerate the communities of Red Road, Maryhill and Sighthill; and
- Springburn re-development, on-going regeneration of the Springburn.

These developments are unlikely to create further employment opportunities in the area as they are mainly housing based or will require a high level of skill.

3.4.4 Recession

North Glasgow is an area that suffers from high unemployment and high levels of deprivation. The data shows that the unemployment rate in this part of the city is higher than in Glasgow and Scotland, and that there have already been losses in manufacturing jobs. The job losses in this industry are likely to have continued into 2009 and will be a contributing factor to the high claimant count in the area. The closer of a local plant will continue this spiral of economic decline in the local area.

3.4.5 Implications

If the Johnnie Walker plan in Port Dundas were to close it would contribute further to the underlying problem of unemployment in North Glasgow. The data shows the area relies on large employers. There are many regeneration initiatives in place in that area and it would be hoped that those who become unemployed could use one these regeneration schemes to their benefit to get back in employment. However, due to the nature of the regeneration developments it is unlikely that they will be able to provide further jobs for those who become unemployed.

3.5 Fife

3.5.1 Labour Market Supply

This section of the report analyses the labour market in Fife. It shows the change since 2001 of the labour market, and how the patterns evolving in the labour market compare to national trends.

Population

The population in Fife has grown by 3.5% since 2001, greater than the rate of growth for Scotland which grew 2.1%. The change is reported in **Table 3.27** below.

Table 3.27: Population Change Fife 2001-2007

	2001	2008	Change	
	No	No	No	%
Fife	349,770	361,890	12,120	3.5
Scotland	5,064,200	5,168,500	104,300	2.1

Source: GRO Scotland

Working Age

The working age population provides an estimate of the number of potential workers in an economy. **Table 3.28** reports the working age population in Fife and how it has changed in comparison to Scotland.

Table 3.28: Working Age Population Fife

	2001	2008	Change	
			No	%
Scotland	3,149,716	3,238,035	88,319	2.8
Fife	214,941	222,811	7,870	3.7

Source: GRO Scotland

The working age population in Fife has grown at a slightly greater rate than the overall increase in population for the area. The growth in working age population is positive for the area as it means that the potential labour force Population Forecast

Fife has grown since 2001 in terms of the overall population and the working age population. This trend is forecast to continue with the population projected to increase at more than double the rate of the population in Scotland by 2031. **Table 3.29** reports the projected population change.

Table 3.29: Population Projections

	2006	2031	Change	
			No	%
Fife	358,930	404,920	45,990	12.8%
Scotland	5,116,900	5,373,569	256,669	5.0

Source: GRO Scotland

Table 3.30 reports the change in the working age population of Fife. It reports a positive trend and like the population is forecast to continue growing over the twenty years.

Table 3.30: Working Age Projections

	2008	2031	Change	
			No	%
Fife	222,811	239,967	17,156	7.7%
Scotland	3,238,035	3,367,556	129,521	0.4%

Source: GRO Scotland

Skills

Table 3.31 reports the skills distribution of the labour market in Fife and how it compares to the skill set of the labour force in Scotland as a whole. The main points to note are:

- apart from NVQ 4, Fife has a greater percentage of the labour force with NVQ qualifications than Scotland; and
- the percentage of people with no qualifications in Fife is less than in Scotland.

Table 3.31: Skills 2008

	Fife	Scotland
NVQ4	32.7%	33.8%
NVQ3	17.9%	16.0%
Trade Apprenticeships	7.6%	6.3%
NVQ2	14.9%	14.2%
NVQ1	11.5%	9.9%
Other qualifications	6.7%	7.3%
No qualifications	8.7%	12.5%
Total	**100.0**	**100.0**

Source: Annual Population Survey

Unemployment

The claimant count estimates the number of people claiming unemployment related benefits. **Table 3.32** reports the claimant count rate for Fife.

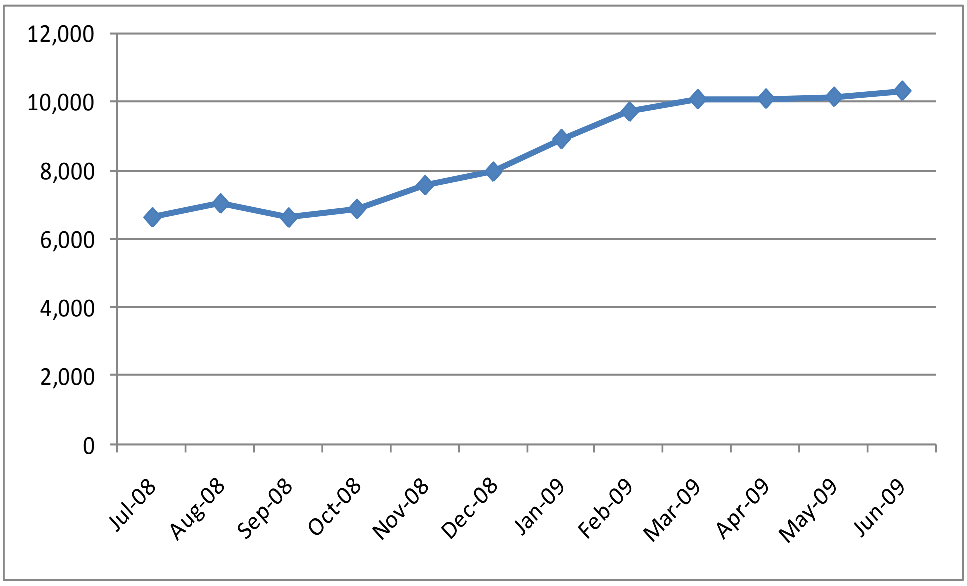
Table 3.32: Claimant Count Unemployment

	2001	June 2009
	%	%
Fife	4.1	4.6
Scotland	3.3	4.0

Source: Claimant Count

The claimant count rate in Fife remains above the Scottish rate, but the gap has narrowed slightly. **Figure 3.3** shows the rise in the number of since the midpoint of last year when the recession began to affect the Scottish economy.

Figure 3.3: Claimant Count Fife



Source: Claimant Count

The number of claimants in Fife has increased by 55.1%, a very significant increase, but still less than the increase in the number of claimants in Scotland since July 2008, which has increased by 72.8%. This helps show the level of impact of the recession on those who claim employment benefits.

Although the rate of increase in the number of claimants in Scotland has been higher than in Fife over the last year, the unemployment rate in Fife remains higher than in Scotland.

Benefit Claimants

On the next page, we analyse the types of benefits being claimed and how the rate in Fife compares with the claims overall in Scotland. The results are reported in **Tables 3.33-3.35.**

Please note due to time lags data is not available for 2009 so may not reflect the recent increased level of unemployment and the subsequent dependency on benefits.

Table 3.33: Percentage of Working Age Population Claiming All Benefits

	2001		2008	
All Benefits	**No**	**%**	**No**	**%**
Fife	37,560	17.5	36,080	16.2
Scotland	588,910	18.7	526,040	16.2

Source: DWP Benefits

The percentage of people in Fife claiming all benefits was less than Scotland as a whole in 2001, but by 2008 the same percentage of the working age population were claiming all benefits. This was less than in 2001 so suggests a reduction in the proportion of those unemployed in both Scotland and Fife.

The percentage of people in Scotland and Fife claiming IB only has declined since 2001, as reported in **Table 3.34**. The percentage of claimants in Scotland in 2001 was higher than in Fife, but by 2008 this had reversed and there are now a greater percentage of IB claimants in Fife than in Scotland.

Table 3.34: Percentage of Working Age Population Claiming IB Only

	2001		2008	
IB Only	**No**	**%**	**No**	**%**
Fife	37,560	5.0	5,390	2.4
Scotland	168,500	5.3	71,750	2.2

Source: DWP Benefits

The percentage of JSA claimants in Fife has declined between 2001 and 2008. However, the percentage rate of JSA claimants in Fife remains higher than in Scotland. **Please refer to Table 3.35**.

Table 3.35: Percentage of Working Age Population Claiming JSA Only

	2001		2008	
JSA Only	**No**	**%**	**No**	**%**
Fife	8,660	4.0	6,330	2.8
Scotland	103,960	3.3	76,880	2.4

Source: DWP Benefits

Conclusion

Below we summarise the main points of the labour market supply in Fife:

- a growing population with a particular growth in those of working age;
- a relatively skilled workforce;
- traditionally higher unemployment rate than in Scotland; and
- reduction in the percentage of the population claiming benefits.

3.5.2 Labour Market Demand

This section considers the labour market demand for Fife. We report the type and number of jobs in Fife, as well as the main industries of employment in the area.

Employment

Table 3.36 reports the change in employment in Fife between 2001 and 2007.

Table 3.36: Change in Employment in Fife 2001-2007

	Fife			
	2001	**2007**	**Change**	
Agriculture & Fishing	2,152	2,368	216	10.0%
Energy &water	2,187	2,093	-94	-4.3%
Manufacturing	26,368	17,507	-8,861	-33.6%
Construction	7,681	6,233	-1,448	-18.9%
Distribution, hotels & restaurants	29,765	30,337	572	1.9%
Transport & communications	3,804	4,283	479	12.6%
Banking, finance &insurance	19,389	18,733	-656	-3.4%
Public administration, education & health	35,259	42,958	7,699	21.8%
Other Services	9,421	10,379	958	10.2%
Total	**136,025**	**134,891**	**-1,134**	**-0.8%**

Source: Annual Business Inquiry

The main changes have been as follows:

- increases in employment
  - public administration, education & health (21.8%)
  - distribution, hotels & restaurants (1.9%); and

- the decrease in
    - manufacturing (-33.6%)
    - construction (-18.9%).

In **Table 3.37,** we report the proportional representation of industries in Fife and compare it to Scotland as a whole.

Table 3.37: Employment Analysis Fife 2007

	Fife	Scotland
Agriculture & Fishing	1.8	1.6
Energy &water	1.6	1.8
Manufacturing	13.0	9.2
Construction	4.6	5.7
Distribution, hotels & restaurants	22.5	22.0
Transport & communications	3.2	5.4
Banking, finance &insurance	13.9	18.8
Public administration, education & health	31.8	30.3
Other Services	7.7	5.3
Total	**100.0**	**100.0**

Source: Annual Business Inquiry

The main industries of employment in Fife are:

- public sector (31.8%);
- distribution, hotels & restaurants (22.5%); and
- banking, finance & insurance (13.9%).

The main differences in employment between Fife and Scotland are the percentage of people employed in manufacturing in Fife (13.0%) which is greater than in Scotland (9.2%) and the percentage of people employed in banking, finance & insurance which is higher in Scotland (18.8%) than in Fife (13.9%).

The financial services sector has been one of the worst hit industries by the current economic downturn. Although a large proportion of jobs in Fife are in this sector, it is not as high as the proportion in Scotland, so it may be slightly more protected by job losses in this industry.

Business Base

Table 3.38 over reports the change in the business base in Fife between 2001 and 2007.

Table 3.38: Change in Business Base Fife 2007

	2001	2007	Change 2001-2007	
	No	No	No	%
Agriculture & Fishing	111	104	-7	-6.3%
Energy &water	50	31	-19	-38.0%
Manufacturing	665	623	-42	-6.3%
Construction	792	969	177	22.3%
Distribution, hotels & restaurants	3,461	3,210	-251	-7.3%
Transport & communications	334	367	33	9.9%
Banking, finance &insurance	2,127	2,362	235	11.0%
Public administration, education & health	998	1,211	213	21.3%
Other Services	1,084	894	-190	-17.5%
Total	**9,622**	**9,771**	**149**	**1.5%**

Source: Annual Business Inquiry

The business base in Fife has grown by 149 workplaces between 2001 and 2007. The main changes in the business base have been as follows:

- increase in the number of workplaces
    - public sector (21.3%)
    - construction (22.3%); and
- the decrease in
    - distribution, hotels & restaurants (-7.3%)
    - manufacturing (-6.3%).

The business base in Fife compared to Scotland is very similar. The main differences are the percentage of workplaces in distribution, hotels & restaurants, which is higher in Fife, and banking, finance & insurance which is higher in Scotland.

Table 3.39 shows the proportional distribution between industries in Fife and Scotland and shows that Fife and Scotland have a similar industrial base breakdown.

Table 2.39: Business Base be Sector Fife 2007

	Fife	Scotland
	%	%
Agriculture & Fishing	1.1	2.0
Energy &water	0.3	0.5
Manufacturing	6.4	5.7
Construction	9.9	9.1
Distribution, hotels & restaurants	32.9	30.5
Transport & communications	3.8	4.5
Banking, finance &insurance	24.2	27.0
Public administration, education & health	12.4	12.1
Other Services	9.1	8.6
Total	**100.0**	**100.0**

Source: Annual Business Inquiry

We have also analysed the size of the businesses employee sizebands units in Fife and Scotland and present the data in **Table 3.40** below. As can be seen the businesses employee sizebands in Fife are representative of Scotland as a whole with micro businesses accounting for approximately 80% of all businesses.

Table 3.40: Business Units by Business Size 2007

	Fife	Scotland
1 to 10 employees	80.6%	80.7%
11 to 49 employees	15.1%	14.9%
50 to 199 employees	3.3%	3.5%
200+ employees	1.0%	0.8%

Source: Annual Business Inquiry

VAT Registered Businesses

Table 3.41 reports the VAT registrations and de-registrations in Fife in 2001 and 2007.

Table 3.41: VAT Registrations

	Fife	Scotland
2001		
Registrations	590	10,850
De-registrations	515	10,270
Stock at end of year	6.770	127,135
Net-change	75	580
2007		
Registrations	755	14,590
De-registrations	535	9,605
Stock at end of year	7,500	141,895
Net-change	220	4,985
% Change in stock 2001-2007	10.8%	11.6%

Source: ONS

The number of VAT registered businesses in Fife increased by 10.8% between 2001 and 2007. This increase almost matches the increase in VAT registered businesses in Scotland over the same period.

This data is not available beyond 2007 so will not take account of the impact of the global recession.

Conclusion

Below, we summarise the main elements of the labour supply in Fife:

- declining employment in manufacturing and construction;
- growth in public sector employment
- high percentage of businesses in distribution, hotels & restaurants and banking, finance & insurance; and
- growing business stock.

3.5.3 Major Projects

Major developments in the Fife area include:

- re-development of Kirkcaldy town centre and waterfront (funding approved by Scottish Town Centre Regeneration Fund)
- regeneration of Dysart conservation area
- John Smith Business Park in Kirkcaldy
- Energy Park Fife

- green business park at Westfield
- development of Glenrothes town centre
- revitalisation of Cowdenbeath High Street

3.5.4 Recession

As mentioned in the previous section when considering the impact of the recession on East Ayrshire, an area that is to come under threat from job losses is the public sector. This would have serious consequences in Fife as this is the main employer in the area.

Of the other industries to be affected by the recession, one that has been significantly affected is banking, finance & insurance. The proportion of people employed in this industry in Fife is much less than in Scotland. However, this industry has already experienced job losses between 2001 and 2007 and is a shrinking industry in Fife.

Manufacturing still accounts for 13.0% of the employment in Fife despite losing nearly 9,000 jobs between 2001 and 2007. This an industry that is vulnerable to the recession and this downward trend is likely to have continued into 2009.

3.5.5 Implications

The relocation of jobs from the Johnnie Walker plant in Kilmarnock to Fife would provide the area with a significant employment boost. The evidence shows that manufacturing is an industry that has declined in Fife since 2001 and the relocation of shops to Fife would provide those people who lost their job in this industry to return to employment if they have not already done so.

There are some major regeneration projects ongoing in Fife, but they are unlikely to create the number of jobs in one go as that which will be achieved by the relocation of the Johnnie Walker plant.

4. Engaging Local Stakeholders

4.1 Introduction

As part of the economic impact study, consultations have been undertaken with a range of local stakeholders including:

- East Ayrshire Council
- Glasgow City Council
- Fife Council
- Scottish Enterprise
- Job Centre Plus
- Skills Development Scotland
- North Glasgow Regeneration Agency
- Ayrshire Chamber of Commerce
- Business Gateway
- Federation of Small Business.

The consultations were based open ended and focused on obtaining views and perceptions around a range of issues, including:

- the overall potential impacts on the local area(s)
- the types of consequences at a local level
- the capacity of the public sector to respond
- thoughts on wider impacts to local communities
- types of responses

The responses (the thoughts, views and opinions) of the key stakeholders are now considered in more detail below.

4.2 Overall Impact of the Restructuring Plan

Interestingly, the views expressed were different depending on the different spatial locations.

Some of the comments made are recorded below.

- Kilmarnock
  - absolute and overwhelming catastrophe
  - the worst economic blow to the town ever
  - devastate local communities
  - the area will never recover from this
- Glasgow
  - major blow for North Glasgow
  - but depends on where worker live
  - within the wider city the scale much less than for Kilmarnock
  - could affect the wider regeneration
- Fife
  - very positive news for Fife
  - help replace lost jobs
  - really good it is in Leven

It was clearly seen by everyone that Kilmarnock would suffer most if the closure proceeds due not simply to the scale of redundancies but also the closeness of the local communities. Glasgow on the other hand believe it will be wider spread and less likely to focus on a single community.

Kilmarnock was seen as a particular issue not just because of the scale of the potential redundancies but also the fact that it has come on top of a range of other closures (over 1,000 redundancies have already been notified to happen over the summer in Ayrshire). Three further issues were raised

- little opportunities for new employment
- lack of any obvious replacement for the jobs due to nature of economy
- the effect that closure would have on the "confidence" of the town

Unsurprisingly, the view in Fife was very positive (although not wanting to be seen to be too jubilant) the potential of 400 plus jobs in a priority area such as Leven was seen as a major prize.

4.3 Other Local Consequences

Again the main negative focus was on Kilmarnock. It was considered not just in terms of the local jobs bit also with regard to a number of other areas:

- the impact of loss of income on an already struggling town centre was seen as potential devastating and that the impact would send the town centre into a further spiral of decline
- with so many of the workforce living in the same communities, there would also be a particular knock on affect on local shops, pubs, restaurants service providers such as taxis etc
- from a similar point, with so many living in the same communities, there could be a major (negative) impact on the local housing markets with many households struggling to meet mortgage payments
- anecdotally, there are believed to be a number of multiple households who will be disproportionately affected (the data shows there is even one household with three of the workforce)
- the potential impact on local supply chain with businesses already struggling with the recession it was felt this would be a major added blow
- with growing youth unemployment the availability of jobs with some form of training were becoming scarcer
- even if it is excepted that any workers made unemployed were able to gain early employment would this have a knock on affect with the employability agenda with those longer tem unemployed being pushed further down the ladder

In Glasgow there was less strong views, largely as the stakeholders had no real information on which to make any judgements. while it was seen as a significant job loss it was also felt that it was within a much larger market and as such was likely to be spread wider.

From a Fife perspective, again there was very little knowledge of what exactly was being proposed and how therefore it could impact on the local economy.

4.4 Public Sector Capacity

One of the issues that was explored was the likely capacity of the public sector to respond to the potential closure. The consultations highlighted a number of key issues:

- with a few exceptions there are very few significant public sector projects in the local area, although there are a number in both North and South Ayrshire
- at this point in time with efforts being made to reverse the company's proposal, the public sector were not yet mobilised and would wait until any closure was certain
- most of the public sector organisations believe they have the capacity that would be necessary to address any future challenges although this was tempered by a need to fully understand what would be required
- the one issue that was raised was the capacity of the local FE College (Kilmarnock College) to be able to cope with significant new levels of increased demand
- the local support sector and the PACE are seen as having a good track record and could quickly be mobilised to provided early support if required
- there is a potential issue as a consequence of the likely reduction in public sector funding, if there is a major need will the resources be there to provide support.

4.5 Wider Effects

The consultations also considered the likely wider effects of any potential closure. Some key points were:

- Diageo pay relatively high wages and even if there are replacement jobs will they be at a similar level and will this result in a long term reduction in wealth in the local communities;
- it is difficult to obtain in jobs in times of recession when other companies are also shedding jobs – where is future employment likely to come from
- the company employees are major providers of support to local charities and this is likely to be lost if closure happens

* the business base in East Ayrshire is of micro businesses and with so many small companies how will it be possible for them to absorb significant numbers of people
* the issue of the likely effect on the town centre was raised again and again and it is believed that regardless of what the final outcome is, the impact will be negative for the town centre
* the issue of what will happen to the closed plants was a key issue. Will they seek to sell as a going concern, mothball the plants or seek redevelopment. While it was seen as too early to consider this in more detail it was raised as an issue
* the East Ayrshire economy was seen as performing poorly and with no major growth employers, limited key sectors, few key companies and no major projects in the pipeline, it was not clear as to where future economic growth will come from

It was generally recognised that at this stage it was too early to say and not enough was none about the potential wider consequences of any final closure and that this would be a key aspect of any required future response.

4.6 Different Scenarios

At this stage, the final outcome of the Diageo decision is unknown. However, the stakeholders have all envisaged different scenarios form no change through to the project proceeding as proposed by Diageo.

Different scenarios excluding the two extremes include:

* new lines at Shieldhall and transfer of workforce
* partial reduction in staff in Kilmarnock plus some transfers
* new plant in Kilmarnock.

It is likely that the final outcome will be known in early course.

However, while not wanting to really consider the worst case scenario, stakeholders had some views on the matter.

While the public sector (the supply side) are seen as being ready, willing and able to respond if required, there is much less certainty over the ability of the demand side to respond (where will the jobs come from).

Therefore without trying to second guess the final outcome, it was generally seen that should the worse case scenario happen then there would be a need for a special targeted initiative for Kilmarnock.

While Glasgow may require additional resources it was unlikely to justify a special initiative.

Finally, the report highlights the consequences of two previous plant closures to show the kinds of responses that have occurred elsewhere.

In 1998 Diageo were involved in the closure of the J&B facility in Dumbarton. The company allowed a two-year timescale for the management of the closure. It instigated an extensive training and counselling programme designed to help former employers find new work as a committed partner in a multi-agency Task Force (the Strathleven Regeneration Company) designed to manage the impact of closure on the local economy and population.

On closure, Diageo made a significant contribution in cash and kind towards the initial funding to the newly formed Strathleven Regeneration Company. The bulk of the site was disposed of on commercial terms to the Walker Group.

In 2006, Boots closed its Airdrie cosmetics factory with the loss of 1,000 jobs. Again the closure was managed over a two-year period and again Boots was closely involved with the UA and LEC in a multi-agency partnership (Fusion Assets) to resettle former employees.

On disposal of the site Boots made a £3.6m donation towards regeneration activity in the local area.

Further details of these initiatives are available on their web sites.

4.7 Potential Cost to Public Sector

We have also been asked to consider is the potential wider costs to the public sector in terms of a range of factors if the Kilmarnock plant closes. Again, we have assumed that this would be based on the net effects e.g. the Leven expansion still goes ahead.

Costs to the public sector are liable to arise from a number of sources, as highlighted below:

- loss of employee tax and NI contributions;
- loss of employers NI contributions;
- loss of business property taxes;
- loss of VAT on purchases;
- increase in employment benefit costs;

- increase in other costs eg housing benefit paid or council tax forgone;
- increase in public service costs eg on health; and
- longer-term effects on individual employability.

In this case it is important to recognise that taxes (apart from property) and other payments do not operate at the local or even Scottish level but are national UK effects: the loss of this income tax also does not directly affect the Scottish Government. v

The previous analysis shows that the net affects at the Scottish level are that there would be a loss of around 700 FTE jobs with a direct consequence on the public sector either through loss of income or additional costs. These figures will of course be mitigated over time as at least some of those losing their job find alternative employment or move into retirement.

It is not possible to undertake any detailed analysis without knowing the specific circumstances of the individuals involved. For example, their family status, housing circumstances, health, skill levels and ability to easily get new employment, etc.

As a general guide we suggest that the total costs to the public sector should the restructuring progress as proposed would be of the order of an average annual cost of £10 - £20K per person. Given the likely level of mitigation highlighted earlier, we would suggest that the annual costs could be in the range of £4 million and £8 million.

This would of course require to be extrapolated over time and discounted back to present values to understand the total net effects.

The above must be seen purely as a rough guide and has not included any detailed research to support the co-efficients. This calculation is considered outside the scope of this particular research but it is important to remember that many of these losses will occur outside Scotland.

Appendix 1: SE - Ayrshire Activity

SOUTH AYRSHIRE

Tourism

Scottish Enterprise aims to develop tourism products with genuine international competitive advantage.

- Sailing – working in partnership through the Sail Clyde partnership with the Scottish recreational boating industry and the public sector looking to explore the market and scale of opportunities for Scotland within the sailing product.
- Golf – working in partnership to position Scotland as the international home of golf through supporting the new industry strategy for golf tourism, including the gathering and dissemination of market information and support for the industry leadership groups to enable them to support clubs and golf tourism businesses to become more visitor focussed. Locally this involves working in partnership with Scotland's West Coast Golf Links to deliver a Destination Marketing Campaign.
- Burns/Homecoming – current support includes secondment of Project Officer to deliver Homecoming and Burns an'a'that Festival activities and approval pending to support the redevelopment of the Burns Birthplace Museum at Alloway. This involves a SE spend of £250k in 2010/11

Aerospace

Scottish Enterprise continues to develop the aerospace sector through company growth support and specific R & D projects such as ASTRAEA and Next Generation Composite Wing which are collaborative UK Technology Strategy Board sponsored research programmes.

Scottish Enterprise continues to support the development and occupancy of Prestwick Aerospace Park.

NORTH AYRSHIRE

Tourism

Scottish Enterprise aims to develop tourism products with genuine international competitive advantage. Scottish Enterprise is looking to explore the market and scale of opportunities for Scotland within the sailing product.

The Sail Clyde partnership between the Scottish recreational boating industry and the public sector aims expand and develop the Clyde Sailing product.

Lochshore

SE has produced a framework for the regeneration of the former Glengarnock steelworks site (Lochshore). The framework has been endorsed in principal by North Ayrshire Council and it had been hoped to take the framework to the market and appoint a development partner who would work with SE to agree a detailed masterplan and submit the relevant planning applications. However, due to the current economic situation SE is now considering alternative options for progressing the site, including submitting an outline planning application for the site ourselves, pending the return of normal market conditions.

Irvine Bay Regeneration Company

SE continues to support the regeneration of the Irvine Bay area through the Urban Regeneration Company. SE will contribute towards eligible expenditure, including land assembly, site servicing and building works associated with the following projects;

Business space:

- Custom House – refurbishment of a 750 sq m listed building in Ardrossan
- Annickbank, Irvine – development of 1,850 sq m of speculative office space
- Kilwinning – development of 750 sq m of new speculative office space
- Saltcoats – development of 930 sq m of new business units
- Development and consolidation of industrial land:
- Refurbishment and subdivision of 20,000 sq m of existing industrial units across Irvine Bay
- Ardeer – development of 1,000 sq m industrial and 500 sq m office targeted at the energetic industry

Tourism business and visitor facilities/events:

- Extension of Ardrossan marina to create 900 new berths

- Links course – development of a 125 bed 4 star hotel, development an open-access championship golf course and development of 100 residential units.

The SE investment of £6.3m in the above business infrastructure projects will create over 500 new jobs (net) and contribute over £14.5m GVA pa through the provision of the following;

- 5710 sq m of modern office space developed
- 21,000 sq m of industrial space created or improved
- Leverage £14m of private sector investment

Riverside Business Park

SE have now approved the Development Management Agreement with IBURC and are now working with the lawyers to draw up the appropriate contracts.

IBURC will receive devolved Development Management responsibility to carry out a Master Plan review of Scottish Enterprise's land and property ownerships at Riverside Business Park, Irvine; and then for a five year period to have responsibility for implementation of the Master Plan, and for development and promotion of the Park generally.

Largs Slipway

The Sail Clyde Strategy identified the need to upgrade the Largs Slipway so that it is capable of hosting major international sailing events. SE have approved a contribution of £160k (includes £60k underwritten pending the outcome of EU funding)

Appendix 2: Job Count Figures

The main analysis uses Full Time Equivalent (FTEs) in order to understand the economic consequences of the various options.

However, it is important to distinguish this form actual job numbers which will be greater as some positions will be part time or temporary.

The table below provides an estimate of the actual job numbers associated with the company's current restructuring plan.

Summary of Potential Actual Job Changes

	Kilmarnock	Glasgow	Leven
Direct job changes	-727	-147	+500
Net job changes (Local)	-840	-192	+569
Net Job changes (Scotland)	-1,200	-302	+719