



Industrial transition in Scotland

Response from ICA Scotland to the Scottish Affairs Select Committee Inquiry

Introduction

The Industrial Communities Alliance is the All-Party Association of Local Authorities in the industrial areas of England, Scotland and Wales. The Alliance was formed by a merger in 2007 of the longer-standing associations covering coal and steel areas, dating back to the 1980s, and it has expanded to include other parts of industrial Britain. Its role is to press for policies and funding to deliver economic, social and environmental renewal in the areas covered by its member authorities at Scottish and GB levels.

Alliance Scotland is part of the GB-wide organisation but also meets separately. Our membership includes three of the four largest Councils in Scotland – Glasgow City, North Lanarkshire & Fife as well as Dumfries & Galloway, South and East Ayrshire and Midlothian Councils. We have also established a close and effective relationship with the Coalfields Regeneration Trust.

In responding to this Inquiry, it has to be recognised that Scotland's industrial heritage has profoundly shaped its economic, environmental and social landscape. Addressing the environmental damage, economic decline, and social deprivation resulting from deindustrialisation requires sustained effort, innovative policy solutions, and long-term investment.

1. The legacy of heavy industry in Scotland

The rise of heavy industries in Scotland fuelled economic and social prosperity for a considerable period but also left a challenging economic, environmental and social legacy.

“From our back door – from practically any back door in our village – you could see the red glow in the sky. Year in, year out, it’s always been there. Across the wide Clyde Valley, the flame flared up the night sky. It was a beacon, a special symbol of the towns and villages of Lanarkshire, the communities depended on the ‘Craig’. Now it’s gone. The flame has been snuffed out and with it hope and security”. Tom Brown, Journalist – Daily Record, June 1992.

The closure of Ravenscraig Steelworks in 1992, for example, illustrates the devastating impact on the local community in North Lanarkshire leading to massive loss of jobs, a decline in the area's economy, and a significant blow to the region's industrial identity. The closure directly resulted in over 1,200 job losses and an estimated 15,000 more linked to the supply chains. In response, major investment has taken place in terms of housing, a £70m Community Campus and a £29m Sports Campus. Significant investment recognising the necessary transitions to be embraced.

For those working in heavy industries – coal, steel, shipbuilding and so on – economic rewards were to be had. But harsh working conditions left many with chronic illnesses and life-limiting physical hardships that in some cases persist to this day.

While it is clear that many older industrial parts of Scotland still lag behind other parts of the country, over recent decades, the nature of the problem has changed. Former industrial areas are no longer characterised by the mass unemployment seen in the 1980s and 1990s. For example, on the UK government’s preferred measure, unemployment in Scotland’s former coalfields is now in line with the Scottish and GB averages.

Instead, worklessness now manifests through high incapacity benefit claimant rates, and in the Ayrshire / Lanarkshire and Fife coalfields the ‘employment rate’ – the share of working age adults in employment – is four percentage points below the Scottish average and seven below the rate in South East England.

Broadly speaking, the Scotland’s industrial transitions were not radically different in nature from other parts of the UK. What is notable, however, is the variation that occurs across different parts of Scotland. For example, while parts of Lothian have seen substantial job growth – helped by proximity to Edinburgh – in other areas, such as Ayrshire and Lanarkshire, progress has been significantly slower.

Case Study - the story of Scottish Coalfields

In a recent report commissioned by the Coalfields Regeneration Trust, *State of the Scottish Coalfields 2024 – Economic and social conditions in Scotland’s former coalfields*, Sheffield Hallam University clearly articulates the impact of the legacy today.

Scotland’s former coalfields have a combined population of 560,000, which is roughly one-in-ten of the Scottish population. This embraces a number of ICA Scotland’s member authorities, including Dumfries & Galloway, Fife, Mid-Lothian, South & East Ayrshire and North Lanarkshire. The population has been growing strongly in Lothian but much less so in Ayrshire, Lanarkshire and Fife. The coalfield population is distinctly older than in Edinburgh or Glasgow. Several key points emerged from the research including -

- **Health problems are widespread** with a direct impact on life expectancy. In Ayrshire, Lanarkshire and Fife, almost 10% of all adults report having ‘bad or very bad health’ and around 10% of all residents claim disability benefits.
- **Scottish coalfields have largely missed out on the rapid growth in warehousing** employment that has marked a number of the English coalfields.
- **Importance of manual jobs** – more than half of all employed residents in Scotland’s former coalfields work in manual jobs. This is rather more than the Scottish average. However, median hourly earnings are in line with Scottish and GB averages.
- **Fewer qualifications** – in Ayrshire, Lanarkshire & Fife, only just over a quarter have degree-level qualifications, compared to over half in Edinburgh.
- **High rate of out-of-work benefits** – although recorded employment is low, a total of 58,000 16–64-year-olds in Scotland’s former coalfields claim out-of-work benefits of one kind or another. That’s 18 percent of all adults of working age in Fife, 17% in Ayrshire and Lanarkshire, and 14% in Lothian.

- **There is still significant deprivation** – in Ayrshire and Lanarkshire, 45% of coalfield neighbourhoods are in the most deprived 30% in Scotland. In Fife the proportion is 50% and Lothian is 30%.

In summary, while acknowledging that Scotland's coalfields have moved on since the job losses of the 1980's and 1990's, the pace of change has been uneven. Properly rebuilding the economic and social base of communities can take decades and in Scotland's former coalfields the job is not yet complete.

2. Lessons in Economic Regeneration

In Scotland, the EU, UK Government, Scottish Government, councils and key stakeholders have attempted to mitigate the consequences of our industrial past. However, in recent years these economic regeneration efforts have faced setbacks, most notably the UK's abandonment of an Assisted Area Map, Brexit and the financial consequences to our communities including the imperfect handling of key funds falling under the 'Levelling Up' banner, such as the Levelling Up fund and the UK Shared Prosperity Fund, which has eroded confidence and hindered local authorities to attract investment and develop industrial sites.

As outlined above, creating the conditions for economic regeneration following deindustrialisation requires sustained, long-term effort. There is no silver bullet. Instead, a broad range of interventions that reinforce one another are required. The 'toolkit' below highlights some of the most significant interventions deployed since the 1980s.

Economic Regeneration Interventions

- **Industrial site reclamation** – various programmes, supported by bodies such as Scottish Enterprise and the Scottish Government, have brought industrial and other brownfield sites back into use for housing and industry, as well as cleaning up the environmental legacy of industry.
- **EU Structural Funds** – The EU part-financed a vast range of regeneration schemes, including investment in infrastructure, training, and business support. Following Brexit, this has been replaced by the UK government's Shared Prosperity Fund.
- **Assisted Area status** – The policy of assisted areas dates back at least as far as the 1960s and provided financial support to companies investing to create and protect jobs in less prosperous parts of the country.
- **Infrastructure investment** – This includes investment by the UK and Scottish governments, development agencies, and local authorities in constructing new roads, commercial and industrial sites. It has generally been a pre-condition to new economic development.
- **Enterprise Zones** – These tightly defined local areas have been eligible for time-limited incentives such as rate relief and tax allowances for investment in buildings, plant and machinery. The first Enterprise Zones date back to the 1980s. A second generation in the 2010s offered a weaker package. The new Investment Zones and Green Freeports operate in a similar manner.

How can these lessons be applied to transitions affecting Scotland today?

Sustained, longer-term Local Growth Funding

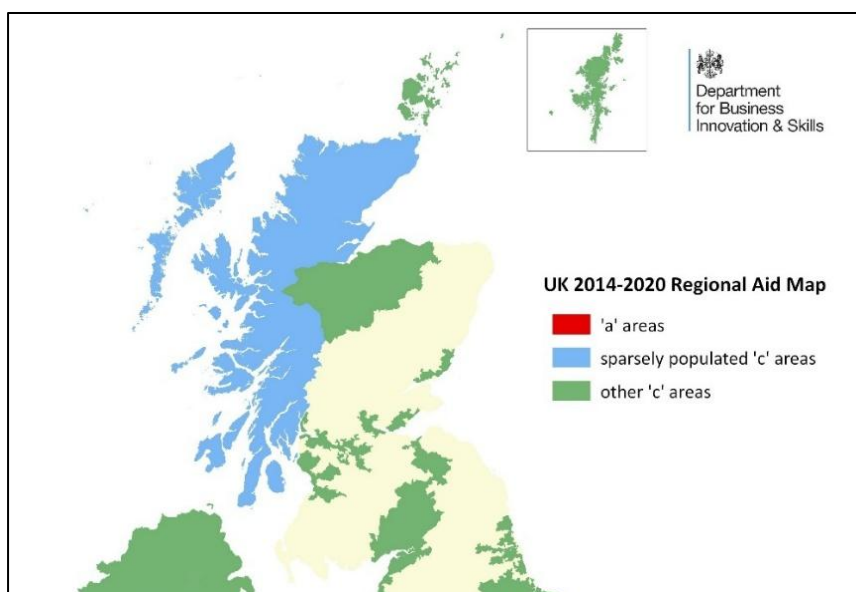
Local growth funding has mostly targeted the less prosperous parts of the country. This is particularly true of the UK Shared Prosperity Fund (UKSPF) - the UK government's replacement to EU structural funds. While the funding per year matched previous EU funding, it was initially only allocated for the duration of a three-year Spending Review – whereas EU spending rounds ran for seven years with the option for spending to roll-on for a further three years. The UKSPF has been extended for a fourth year (to March 2026), albeit at a significantly reduced level (down about 40%).

The forthcoming Spending Review will determine how much local growth funding will be available, where and for what purposes. Anything less than £5bn a year (across the UK) would represent a real terms spending cut that would fall principally on the less prosperous parts of the country. Moving to a longer horizon than three-year spending rounds would provide stability for local authorities and allow time to deliver transformative project (especially capital projects), engage more meaningfully with stakeholders, and ensure better value for money.

The Restoration of Regional Aid

The ability of businesses to draw down financial incentives via Assisted Area subsidies was key to the efforts by government at all levels to address the fallout from the loss of coal, steel, shipbuilding and other heavy industry jobs in Scotland. Regulated by EU State Aid rules, regional aid proved a key tool in delivering inward investment. The map below shows how, in Scotland, Assisted Area subsidies were targeted towards the older industrial areas of central and mid-Scotland, as well as parts of the Highlands and Islands.

After Brexit, the UK government did not renew Assisted Area status as part of its new Subsidy Control regime, which some authorities feel is more onerous than the previous EU regime. Making a difference in the least prosperous parts of the country requires the restoration of regional aid and a carefully crafted Assisted Area map to target investment to less prosperous areas.



Assisted areas in Scotland 2014-2020

Source: UK Government

Any effective response to our industrial history and the social, economic consequences requires the alignment of any future funding initiatives, embracing City Region and Growth Deals alongside our existing regeneration activities within our authorities. The aim should be to have in place a framework that will ensure the right mix of people, business and place-based activities that will produce a real difference to our communities. This will require a recognition that the quantum – the amount of investment required – works in close alignment with democratic structures – to ensure that any future investment meets the specific requirements of each community.

3. Invest 2035 – how do we best respond?

The new industrial strategy – Invest 2035 – is the UK's 10 -year plan to deliver the certainty and stability that businesses need to invest in the high growth sectors. A recently published Green Paper sets out the Government's approach seeking to launch a 'modern industrial strategy' following consultation in the Spring of this year. As a first step, this offers a helpful starting point, but it should be possible to go considerably further in developing an industrial strategy that addresses the barriers to industrial growth in Scotland and many other parts of the UK.

It is important to note that despite years of job loss, the former manufacturing heartlands of Scotland remain heavily dependent on manual jobs. In short, they remain **most industrial** rather than **post-industrial**.

Where should the Green Paper go further?

While the government's intention to develop an industrial strategy is a positive sign, the Green Paper is, in many ways, disappointing. For example, there is no evidence that retention of sovereign capability figures much in the government's thinking, and whilst there is a lot of emphasis on free trade, there is nothing about how UK production will be protected against unfair competition and tariffs. In an uncertain world, retention and development of domestic industrial capabilities should be a strategic political priority.

Similarly, the Green Paper makes no mention of the restoration of regional investment aid, and proposals to address the specific concerns of energy-intensive industries (such as steel) are lacking. Investment in skills, sites and premises, and transport connectivity are only given cursory attention.

Perhaps most concerning is the intention to focus on a narrow handful of sectors that the government sees as offering the highest growth opportunity. Failure to define what is meant 'Advanced Manufacturing' means it could apply to much of the manufacturing sector or very little at all. Ultimately, a narrow focus risks concentrating support in areas where 'high-potential clusters' are already established, leading to large parts of older industrial Scotland being overlooked.

The Industrial Communities Alliance proposals – *Ten Steps to Revive British Industry* – argue that an industrial revival and sustained economic growth cannot be delivered by just a handful of sectors. Moreover, the UK has never had a good record of picking winners. If a locality does not have a significant presence in one or more of the government's growth sectors – and that's probably true of

quite a number of Scottish communities outside Glasgow and Edinburgh – it’s hard to see what the strategy in the Green Paper has to offer.

Nevertheless, there remains an opportunity to reshape the Green Paper into an industrial strategy that supports those parts of the country that still depend most on manufacturing and enables the growth of Scottish industries.

Ensuring the needs and interests of Scottish industries are represented

Alliance Scotland believes that the ambitions set out in the paper can only be achieved through authentic partnership with all the key stakeholders – business, trades unions, civic society and our democratic structures – to ensure the best outcomes for our communities. As a member led local authority organisation, we believe that our local councils are the ‘bedrock of our democracy’ and critical to ensuring grounded and effective solutions to our communities.

Consequently, we support the intentions of the Industrial Strategy Advisory Council (ISAC) to engage in a spirit of cooperation and parity of esteem with the key stakeholders in Scotland including businesses, trades unions, the Scottish Government and our Local Authorities including the Growth Deals & City Regions. This partnership working must ensure that at a strategic level the ISAC recognises the existing policy frameworks at play, both at a local and national level in Scotland, and the operational importance of working closely with the Scottish Government and Councils to ensure effective delivery and optimum impact. Efforts must be made to support traditional manufacturing, as well as our fastest growing tech companies, embracing space, games, creative industries, energy and natural resources.

Case Study – Glasgow City Region

The Glasgow City Region is an exemplar of what happens when both the UK and Scottish Governments partner with local authorities and business to make the sum exceed the total of the parts. By collaborating effectively together the partners will deliver 21 major Infrastructure Projects; generate around 15,000 jobs during construction and create around 29,000 permanent jobs in the region; generate an estimated £3.3bn of private sector investment; work with 19,000 unemployed residents and support over 4,500 back into sustained employment; improve transport and connectivity; and generate a permanent uplift in GVA (Gross Value Added) for the Region of £2.2bn per annum (4.4%).

The vision is that by 2030, Glasgow City Region will have the most Innovative, Inclusive and Resilient Economy in the UK.

Key Principles Going Forward – A Summary

The Alliance in Scotland is of the view that the following key principles require to be adopted.

- The importance of the work of the Industrial Strategy Advisory Council operating in a spirit of mutual respect with the democratically elected governance models and civic society arrangements in Scotland.
- Embrace the realities of the 'Devolution Settlement' and the existing policy frameworks developed at the pertinent levels by the Scottish Government, City Regions and Local Growth Deals alongside existing regeneration activities in our authorities in partnership with the UK Government.
- Maintaining a framework that ensures the right mix of people and business and place-based activities that will produce a real difference to our communities.
- Ensure that any future funding models are based on a multi-year funding model which facilitates sustainable planning & development.
- Restore and update the Assisted Area Map incentivising businesses, particularly in manufacturing, to locate in areas requiring the most assistance, creating new jobs and developing new skills.
- Ensure that a new Industrial Strategy supports a broad range of industries, not just a narrow handful of chosen sectors.
- Provide space to grow – suitable sites and premises are a prerequisite for business growth.
- A renewed focus on the development of skills & talents, through apprenticeships at all levels, to meet the needs of the emerging industries and the ambitions of our young people.

Conclusions

The Alliance in Scotland is of the view that our Councils are the 'bedrock' of Scottish democracy working in partnership with the UK and Scottish Governments, businesses, academia and civic society in the spirit of mutual respect. Parity of esteem and meeting the needs of Scotland's diverse communities in the future is key. This can only be achieved by an authentic partnership approach between all levels of government and their community partners.

Industrial Communities Alliance (Scotland) – Response to the Scottish Affairs Select Committee Inquiry – March 2025

Sources

State of the Scottish Coalfields 2024 – A report commissioned by the Coalfields Regeneration Trust – Steve Fothergill and Tony Gore, Centre for Regional Economic and Social Research, Sheffield Hallam University – November 2024.

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