



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Willie Rickett Esq
Private Secretary
10 Downing Street
LONDON SW1

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Dear Willie

SCOTLAND - EMPLOYMENT IN ELECTRONICS, STEEL AND SHIPBUILDING

We understand from Treasury Briefing Division that the question of employment in the Scottish electronics industry compared with that in steel and shipbuilding arose in the context of a Parliamentary Question from Mr Dennis Skinner tabled for reply on 6 May, and that you wish to have clarification on the present position and a form of words suitable for use.

It will be recalled that when this issue last arose in the context of the Prime Minister's Barbican speech, we confirmed that the broad statement that employment in the electronics industry in Scotland exceeded that in steel production and shipbuilding combined could be justified, but that we would not want to encourage public discussion on the actual figures (my letter to you of 22 December 1982 refers - copy attached for ease of reference). As explained, this reservation was based principally on the problems of suitably defining the respective industries, a lack of comprehensive up-to-date employment figures, and the consequent degree of judgement which was necessary.

Since then we have been looking at this question further in light of information now available from the 1981 Census of Employment, the employment totals of British Steel and British Shipbuilders, and our own internal sources for electronics (Scottish Manufacturing Establishments Record). This information is summarised in the following table which shows that the problems of definition and timing remains very much as before:

<u>DE Census</u>	<u>'000 Employees</u> <u>September 1981</u>		<u>'000 Employees</u> <u>September 1982</u>
<u>Steel</u>		<u>National Corporations</u>	
Iron and Steel Manufacture	12.4		
Steel Tubes	3.7		
Iron Castings etc	4.4		
	<u>20.5</u>	British Steel	11
Shipbuilding and Marine Engineering	34	British Shipbuilders	18
		<u>Other sources (SCOMER)</u>	<u>Mid-1982</u>
Electronics	37	Electronics	36.5

On either the DE Census basis which relates to 1981 (the quarterly employment estimates do not give a sufficiently detailed breakdown for these purposes) or our own SCOMER estimates for 1982, employment in electronics in Scotland has fallen since 1979, reflecting the impact of the recession.

The conventional definitions for iron and steel (which cover iron and steel manufacture and steel tubes) and for shipbuilding (which cover shipbuilding and marine engineering) yield combined employment of 50,000 in 1981. These go much wider than simply the production of steel and the building of ships, and employment has fallen since 1981. We indicated in December that the estimate of current employment of 32,000 in steel and shipbuilding, based on such a narrow view, involved a substantial element of judgement which we would not wish to defend publicly.

The current electronics employment estimate of 36-37,000 (as compared to the 40,000 quoted earlier) means that the margin between the total for electronics employment, and the combined total for steel and shipbuilding (even on a narrow definition requiring a judgemental approach) is so small that we would advise that the proposition that Scottish employment in electronics is greater than in steel and shipbuilding combined be no longer advanced. It remains true, however, that Scottish electronics employment is greater than Scottish employment of the British Steel Corporation and British Shipbuilders; and this is the comparison we would advocate.

In view of the highly unsatisfactory nature of the figures, we have recommended to our own Secretary of State that he should if possible avoid making comparisons between electronics and these other industries combined, and have suggested a form of words as follows:

On relative employment in electronics compared with steel and shipbuilding

(i) Electronics is now one of Scotland's most important industries with a total employment that is greater than either steel or shipbuilding.

(ii) Our most recent estimates which are for September 1982 give a total employment in the electronics industry of 36,500. This is greater than the total Scottish employment of the British Steel Corporation and British Shipbuilders combined.

While I am aware that this response is less straightforward than I would have liked, I hope at least that it gives sufficient guidance to meet your purposes.

Yours sincerely

John Wilson

JOHN S WILSON
Private Secretary