

FSB Scotland Index of Success 2007





The Federation of Small Businesses Scotland commissioned economist John McLaren to produce the FSB Scotland 'Index of Success'. John McLaren is an economics consultant and Honorary Research Fellow in the Department of Urban Studies at the University of Glasgow. He has worked as an economic advisor to both HM Treasury and the Scottish Office, and as a Special Adviser to First Ministers Donald Dewar & Henry McLeish on financial and economic matters.

Contents

Introduction	03
Executive Summary	04
Section 01: the International Index of Success.....	08
Section 02: the Scottish Index of Success.....	14
Moving forward - Policy recommendations	18
References	19

Introduction

This is the third edition of the FSB Scotland's Index of Success. Its purpose is to compare and contrast the quality of life in Scotland with the rest of the Organisation for Economic Co-operation and Development (OECD) countries using the following statistical indicators:

- The standard of living – as measured by Gross Domestic Product (GDP) per head of population
- The standard of education – as measured by the OECD's PISA study
- The standard of health – as measured by average life expectancy at birth
- Equality of opportunity – as measured by the employment rate for those of working age

As with previous editions, we look to the Index in order to gauge Scotland's position relative to other nations through comparison with:

- all 30 OECD nations
- the 23 nations of a similar stage of development
- the nine small nations of a similar size to Scotland in terms of population

This year's edition also includes an analysis of the 32 local authority areas in Scotland.

Executive Summary

International Index of Success 2007

The International Index shows a number of important changes over the past year. The analysis of the OECD24 Index shows that:

The top performers are once again Switzerland and Iceland, followed by Japan and Norway.

The worst performers are Portugal and Greece, but Spain, Germany, Korea and Italy also significantly lag the majority of countries.

There remain considerable variations across Index components within individual countries. For example, the USA's mid- table position is due to its poor life expectancy and low education scores offsetting its high GDP per capita ranking.

Scotland lies towards the bottom of the third quartile and in the midst of a large pack of nine countries with similar scores and whose ranking can be thought to be alike, given the inevitable degrees of uncertainty around data comparability and appropriate weightings. These nine countries include a wide variety of types, ranging from Scandinavian model Denmark, to classic social democrat model France and Belgium, to the lower tax models of Ireland and the USA. But, when compared to the smaller nations of the OECD, Scotland has failed to maintain the progress recorded in the 2006 Index and languishes, once again, at the bottom of the league table.

In terms of individual indicators, Scotland's performance remains:

- average in terms of GDP per capita
- very poor in terms of life expectancy (the lowest of the OECD24)
- above average for both education and employment

Reference 01: Results for the OECD24 Index are highlighted in preference to those for the OECD31 Index as the latter includes some countries with economies at a less developed stage i.e Czech Republic, Hungary, Mexico, Poland, Slovak Republic and Turkey. Luxembourg is also excluded due to cross border commuting complications.

OECD24 overall scores 2007

Iceland	2.86
Switzerland	2.81
Norway	2.59
Japan	2.57
Australia	2.47
Canada	2.44
Sweden	2.35
Netherlands	2.3
Finland	2.19
Ireland	1.98
UK	1.91
New Zealand	1.91
USA	1.9
Austria	1.8
Denmark	1.73
France	1.7
Scotland	1.64
Belgium	1.6
Germany	1.4
Spain	1.39
Korea	1.2
Italy	0.94
Greece	0.53
Portugal	0.38

Executive Summary

Scottish Index of Success 2007

The newly constructed Scottish Index throws up some unexpected findings, as well as reinforcing some assumptions about different parts of Scotland.

Greater Glasgow has both the lowest and the highest quality of life in Scotland. Poor scores in a number of local authorities surrounding Glasgow, as well as Glasgow itself, betray the levels of relative poverty, and together form a corridor of deprivation containing 25% of the Scottish population. Living side by side with this relative deprivation are the residents of the two local authority areas who come out clear winners in the Scottish Index of Success - East Dunbartonshire and East Renfrewshire.

Another finding of interest, and worthy of further investigation, is the high ranking of the Orkney and Shetland Islands. While their standard of living is well below the Scottish average, other positive aspects mean that their quality of life is amongst the highest in Scotland.

Policy recommendations

The principal policy recommendations from the International Index concern two areas where Scotland performs relatively poorly – health and inter-generational poverty.

Clearly Scotland's very low life expectancy, by both UK and international standards, needs to be addressed. Preventative practices have worked well in other countries and similar initiatives on diet and exercise should be pursued in Scotland.

Those doing least well in Scotland also need greater help to improve their life opportunities. The best approach to achieving this is to stop the inequalities arising in the first place, and this is best done through high-quality early years (pre-school) interventions for those most at risk. In general, a greater emphasis on high-quality, pre-school care and education would be a good investment for Scotland's future workers and citizens.

At local authority level, more needs to be done to deal with the worst deprivation around Glasgow, while recognising the financial challenge that this poses as the area concerned covers 25% of Scotland's population.

This is a major challenge for the in-coming SNP Administration, which seeks to raise the proportion of wealth of the lowest six deciles in Scotland and to reduce by 10% the wealth disparity between the richest and poorest parts of Scotland. It also needs to be recognised that while income is important it is in other areas that Glasgow lags the most, and a wider approach, including taking into account housing, education and physical and mental health, will be needed in order to make a significant dent on the Glasgow-based corridor's problems.

For further information on the reasons for constructing the Index of Success, the basic indicators used, and a list of other indices of economic/business competitiveness and of success/well being, readers should refer to the 2005 edition of the Index of Success.

For information on the UK Index of Success, readers should refer to the 2006 edition of the Index of Success.

Both of these are available on the FSB Scotland website at www.fsb.org.uk/scotland.

Scottish regional rankings 2007

Ranking 2007		
East Dunbartonshire	01	3.50
East Renfrewshire	02	3.49
Aberdeenshire	03	3.10
Orkney	04	2.96
Shetland	05	2.69
Edinburgh City	06	2.68
Stirling	07	2.64
South Ayrshire	08	2.59
Perth & Kinross	09	2.51
Aberdeen City	10	2.40
Argyll & Bute	11	2.39
East Lothian	12	2.29
Angus	13	2.14
Dumfries & Galloway	14	2.09
Eilean Siar	15	2.05
Highland	16	2.05
Scottish Borders	17	2.00
Fife	18	1.98
Midlothian	19	1.91
South Lanarkshire	20	1.88
Scotland	Average	1.87
Moray	21	1.79
Clackmannanshire	22	1.66
Renfrewshire	23	1.62
Falkirk	24	1.52
East Ayrshire	25	1.45
West Lothian	26	1.34
North Ayrshire	27	1.14
Inverclyde	28	1.06
Dundee City	29	1.05
North Lanarkshire	30	0.95
West Dunbartonshire	31	0.92
Glasgow City	32	0.12

Section 01: the International Index of Success

The International Index for 2007 has been updated for:

- GDP per capita
- Life expectancy
- Employment rate

However, no update was available for the education element as the PISA study on which it is based is not updated annually. The good news on this front is that new PISA data, relating to their survey of 2006, should be available for the 2008 Index of Success.

The methodology used to calculate the results is unchanged from the 2006 edition and remains consistent with that used by the United Nations to calculate their Human Development Index (HDI).² The raw scores for all 31 OECD countries for each of the four indicators are given in tables 1a to 1d.

Tables 1 to 3 illustrate the overall rankings for:

- all 31 countries
- the 24 'developed' economies
- the 10 small nations

Principal Findings

Since the publication of the first Index of Success in 2005 Scotland:

- has fallen two places to 17th in the full list of 31 OECD countries
- remains 17th when this list is reduced to the 24 'developed' countries³
- returned to the bottom of the 10 small, developed countries

The main changes for other countries have been the rise by four places in the rankings of both Australia and Ireland since the 2005 Index. In the case of Australia this is due to its improving employment record. In the case of Ireland the relative rise has been caused by improvements in both GDP per capita and in employment.

OECD31

Scotland lies towards the bottom of the more successful OECD31 countries, alongside the USA, Ireland, France and Denmark, but well below the very best (Switzerland and Iceland). Table 1 shows a long, slowly declining, continuum from Japan, in third place, to Korea, in 22nd place. Thereafter clearer groupings emerge, especially amongst the less developed bottom five countries. Scotland has an above average score in each of the individual measures, with the exception of life expectancy.

OECD24

In terms of individual indicators, Scotland has an above average score in education and employment, is just below the GDP per capita average, but has the lowest score of all in terms of life expectancy.⁴

Table 2 shows that the OECD24 can be roughly split into three groupings: the top nine – where the first two stand out; the middle nine – where there is little variation; and the bottom six – where there are significant decreases country by country.

Scotland lies towards the bottom of the middling performers. This is principally due to its poor health performance. If Scotland had the average life expectancy, rather than the lowest, it would gain 2.7 years, or 0.5 points on its score, moving it to tenth place after Finland and just edging into the top performing group.

Small nations

Amongst the 10 small nations, the bottom five had previously scored very similarly, while the others split into very good performers and the best performers (Switzerland and Iceland) of all the 31 nations. However, Scotland now scores well below all other small countries.

It is interesting to note that the individual indicator score averages for the 10 small countries are equal to (life expectancy) or higher (each of the other three) than the averages for the 24 developed nations. So it would seem that size is not a constraint on success, but may indeed offer greater opportunities to succeed.

Across the Indices

In general, it is noticeable that in most groupings of similarly performing countries, a mixture of high and low tax economies can be found.

Reference 02: The methodology used allows for each country's score to lie between a maximum of 1 and a minimum of 0 in relation to each indicator. Hence a perfect score across all four indicators would be 4 and the worst score possible would be 0.

Reference 03: The potential anomaly of a lower placing for Scotland when fewer countries are considered is caused by its poor health taking on greater importance once the 'less-developed' countries are excluded.

Reference 04: While it is difficult to be precise about what any difference in scores between countries represents, an indication can be given. For example, the spread in OECD24 countries in life expectancy is of 5.4 years, which means that each increase of 0.1 in a country's score is worth just over half a year of life. Alternatively, considering GDP per capita, the spread in OECD24 countries is \$32,000, so each 0.1 of a point is worth over \$3,000.

Table 01: OECD31 changes in ranking 2006 – 2007

	Ranking 2007	Ranking 2006	Change	Score
Iceland	01	02	1	3.07
Switzerland	02	01	-1	2.99
Japan	03	03	-	2.86
Australia	04	07	3	2.81
Canada	05	04	-1	2.8
Norway	05	05	-	2.8
Sweden	07	07	-	2.76
Netherlands	08	06	-2	2.72
Luxembourg	09	10	1	2.68
Finland	10	09	-1	2.66
New Zealand	11	12	1	2.61
UK	12	11	-1	2.54
Ireland	13	16	3	2.47
Denmark	14	13	-1	2.44
USA	14	14	-	2.44
Austria	16	17	1	2.43
Scotland	17	15	-2	2.42
France	18	18	-	2.37
Belgium	19	20	1	2.3
Germany	20	19	-1	2.24
Spain	20	22	2	2.24
Korea	22	21	-1	2.21
Italy	23	23	-	1.96
Czech Rep	24	24	-	1.87
Portugal	25	25	-	1.82
Greece	26	26	-	1.81
Slovak Rep	27	27	-	1.3
Poland	28	29	1	1.27
Hungary	29	28	-1	1.23
Mexico	30	30	-	0.77
Turkey	31	31	-	0.24

Table 01a: raw scores on GDP per capita (2005)

Luxembourg	233
Norway	149
USA	144
Ireland	135
Switzerland	125
Iceland	123
Denmark	118
Netherlands	118
Austria	116
Canada	116
Australia	113
Sweden	113
Belgium	112
UK	111
Finland	108
Scotland	107
Japan	105
France	104
Germany	103
Av/Mean	101
Italy	98
Spain	94
New Zealand	87
Greece	80
Korea	75
Czech Rep	70
Portugal	68
Hungary	59
Slovak Rep	52
Poland	44
Mexico	37
Turkey	28

Table 01b: raw scores life expectancy (2004)

Japan	82.1
Switzerland	81.2
Iceland	81
Australia	80.6
Sweden	80.6
Spain	80.5
France	80.3
Canada	79.9
Norway	79.9
Italy	79.7
Austria	79.3
Netherlands	79.2
New Zealand	79.2
Greece	79
Belgium	78.8
Finland	78.8
Germany	78.6
UK	78.5
Ireland	78.3
Luxembourg	78.0
Av/Mean	78.2
Denmark	77.6
USA	77.5
Korea	77.4
Portugal	77.4
Scotland	76.7
Czech Rep	75.8
Mexico	75.2
Poland	75
Slovak Rep	74.1
Hungary	72.8
Turkey	71.2

Source: Purchasing Power Parities for GDP, Main Economic Indicators, OECD 2006 Source: OECD Health Data 2005 and Health Statistics Quarterly XX, ONS

Table 01c: raw scores education (2003) – PISA index

Finland	545
Korea	538
Canada	527
Japan	527
Australia	525
Netherlands	525
New Zealand	522
Scotland	518
Belgium	515
Switzerland	513
UK	511
Sweden	510
Czech Rep	509
Ireland	508
France	506
Iceland	501
Germany	499
Av/Mean	499
Poland	496
Germany	495
Denmark	493
Norway	493
Hungary	492
USA	490
Slovak Rep	487
Luxembourg	485
Spain	484
Italy	476
Portugal	470
Greece	466
Turkey	433
Mexico	397

Source: PISA 2003 results, OECD 2004

Table 01d: raw scores employment rates (2005) – %

Iceland	84.4
Switzerland	77.2
Denmark	75.5
Norway	75.2
New Zealand	74.6
Sweden	73.5
Scotland	73.3
UK	72.6
Canada	72.5
Netherlands	72.0
Australia	71.6
USA	71.5
Japan	69.3
Austria	68.6
Finland	68.0
Portugal	67.5
Ireland	67.1
Av/Mean	66.8
Germany	65.5
Czech Rep	64.8
Spain	64.3
Korea	63.7
Luxembourg	63.6
France	62.3
Belgium	61.0
Greece	60.3
Mexico	59.6
Slovak Rep	57.7
Italy	57.5
Hungary	56.9
Poland	53.0
Turkey	45.9

Source: OECD Employment Outlook 2006, Statistical Annex Table B

Table 02: OECD24 changes in ranking 2006 – 2007

	Ranking 2007	Ranking 2006	Change	Score
Iceland	01	02	1	2.86
Switzerland	02	01	-1	2.81
Norway	03	05	2	2.59
Japan	04	03	-1	2.57
Australia	05	06	1	2.47
Canada	06	04	-2	2.44
Sweden	07	07	-	2.35
Netherlands	08	08	-	2.3
Finland	09	09	-	2.19
Ireland	10	13	3	1.98
UK	11	10	-1	1.91
New Zealand	11	12	1	1.91
USA	13	11	-2	1.9
Austria	14	15	1	1.8
Denmark	15	14	-1	1.73
France	16	17	1	1.7
Scotland	17	16	-1	1.64
Belgium	18	18	-	1.6
Germany	19	19	-	1.4
Spain	20	20	-	1.39
Korea	21	21	-	1.2
Italy	22	22	-	0.94
Greece	23	24	1	0.53
Portugal	24	23	-1	0.38

Table 03: OECD10 changes in ranking 2006 – 2007

	Ranking 2007	Ranking 2006	Change	Score
Iceland	01	02	1	3.24
Switzerland	02	01	-1	2.98
Norway	03	03	-	2.83
Sweden	04	04	-	2.42
Ireland	05	07	2	1.88
Finland	06	05	-1	1.86
New Zealand	07	08	1	1.83
Denmark	07	06	-1	1.83
Austria	09	10	1	1.8
Scotland	10	09	-1	1.5

Section 02: the Scottish Index of Success

In order to understand and compare the range of success in the different parts of Scotland, this year's edition includes a Scottish Index benchmarking the 32 local authority areas of Scotland based on similar indices to the international index.

- The standard of living – as measured by income using 'average gross weekly full-time earnings for all people' by place of residence (2006)
- The standard of education – as measured by the percentage of pupils in last year of compulsory education with 5 or more Standard Grade awards at levels 1-3 (or equivalent)' (2005)
- The standard of health – as measured by 'standardised mortality ratio (UK = 100)' (2004/05)
- Equality of opportunity – as measured by the 'employment rate for those of working age' (2005/06)

The raw scores for all 32 Scottish local authority areas for each of the four indicators are given in tables 4a to 4d, while table 4 gives the overall Index of Success scores.⁵

Principal Findings

The most noticeable finding is Glasgow's poor performance. It is last on every individual measure other than income, and even there it performs very poorly. As table 4 shows, Glasgow stands very much isolated at the bottom of the pile. This poor west-central Scotland performance is compounded by the fact that it is joined in the bottom five by Inverclyde, West Dunbartonshire and North Lanarkshire, which together form a contiguous corridor of deprivation which accounts for 25% of Scotland's population. Amongst the bottom five only Dundee breaks up this west-central concentration of relative failure.

However, the story of west-central Scotland misery is not a consistent one as this is also the location of the best performing Scottish regions. In particular, East Dunbartonshire and East Renfrewshire top the Scottish table.

Thereafter the top five consist of Aberdeenshire, Orkney and Shetland. While the Aberdeenshire result might have been expected the high rankings of the northern isles might be less so. Although both perform very poorly in terms of income they excel in all other measures.

Reference 05: Again, it is difficult to say precisely what any difference in score signifies between local authority areas, but as an indication the spread in mortality is equivalent to 6.2 years of life expectancy, which means that each increase of 0.1 is worth almost two thirds of a year of life; the spread in earnings is £123 a week, so each 0.1 of a point is worth over £12 a week.

Reference 06: These two areas also topped the recent Readers Digest 'Best Place to Bring Up a Family' in the UK survey, which was based on a broader range of local features.

Looking at the individual components of the Scottish Index:

Standard of Living

In terms of income the best performers are East Renfrewshire, South Ayrshire and East Dunbartonshire. In all three cases these positive results are likely to stem from actual employment based elsewhere, usually in Glasgow. The worst performers tend to be poorer rural areas such as Moray, Orkney and the Scottish Borders.

(Note: while earnings is not the best measure for estimating the Standard of Living it is the best measure available for all 32 local authorities. In addition, the results are generally supported by alternative evidence available from GVA per head and gross disposable household income.)

Education

The best school results are again seen in the divergent areas of East Renfrewshire and the Orkneys. Glasgow again stands out as the worst performer, followed by Dundee.

Health

Longevity is best in Orkney and East Dunbartonshire. Glasgow is by far the worst scorer, followed by the surrounding areas of West Dunbartonshire and North Lanarkshire.

Employment

The highest rates of successful economic activity are to be found in the Orkneys and the Shetlands, followed by East Dunbartonshire. Glasgow is, once again, last by a considerable margin, followed by Inverclyde.

Inequality

It is difficult to directly compare the degree of inequality amongst the four component measures. However, it is clear that the variation in education results are worryingly large. The performance of the best area, East Renfrewshire is heading towards being twice as good as the worst performer, Glasgow. This is particularly alarming given that education is arguably the most important contributor to equality of opportunity and to reducing inherited deprivation.

Poor education leads to poor employment prospects and both, in turn, are good predictors of poor health and poverty. This suggests that while Scotland's general education performance is good (see both the International and UK Indices of Success), this masks very poor performances at the bottom end. Education inequality, along with the general level of Scottish health, are the two key issues that need to be tackled.

Table 04: Scottish regional ranking 2007

Ranking 2007		
East Dunbartonshire	01	3.50
East Renfrewshire	02	3.49
Aberdeenshire	03	3.10
Orkney	04	2.96
Shetland	05	2.69
Edinburgh City	06	2.68
Stirling	07	2.64
South Ayrshire	08	2.59
Perth & Kinross	09	2.51
Aberdeen City	10	2.40
Argyll & Bute	11	2.39
East Lothian	12	2.29
Angus	13	2.14
Dumfries & Galloway	14	2.09
Eilean Siar	15	2.05
Highland	16	2.05
Scottish Borders	17	2.00
Fife	18	1.98
Midlothian	19	1.91
South Lanarkshire	20	1.88
Scotland	Average	1.87
Moray	21	1.79
Clackmannanshire	22	1.66
Renfrewshire	23	1.62
Falkirk	24	1.52
East Ayrshire	25	1.45
West Lothian	26	1.34
North Ayrshire	27	1.14
Inverclyde	28	1.06
Dundee City	29	1.05
North Lanarkshire	30	0.95
West Dunbartonshire	31	0.92
Glasgow City	32	0.12

Table 4a: Income

East Renfrewshire	507.2
South Ayrshire	501.2
East Dunbartonshire	496.2
Edinburgh City	486.6
Stirling	480.0
Aberdeenshire	468.1
Aberdeen City	459.5
East Ayrshire	444.9
South Lanarkshire	440.9
Perth & Kinross	438.9
East Lothian	432.2
Scotland	431.4
Renfrewshire	431.2
Clackmannanshire	430.2
Fife	422.4
Argyll & Bute	419.7
Angus	415.5
Falkirk	414.9
Dumfries & Galloway	414.7
Dundee City	407.1
Midlothian	403.8
Eilean Siar	402.5
North Lanarkshire	400.9
Shetland	399.4
Glasgow City	399.1
West Dunbartonshire	395.9
Highland	395.6
West Lothian	393.5
North Ayrshire	389.6
Inverclyde	389.2
Scottish Borders	388.7
Orkney	387.3
Moray	383.8

Source: Regional Snapshot, ONS website

Table 4b: Mortality

Glasgow City	143
West Dunbartonshire	134
North Lanarkshire	132
West Lothian	131
Inverclyde	130
Renfrewshire	130
East Ayrshire	129
Eilean Siar	124
Dundee City	120
Falkirk	120
South Lanarkshire	119
North Ayrshire	118
Scotland	116
Clackmannanshire	113
Midlothian	111
Scottish Borders	110
East Lothian	109
South Ayrshire	109
Aberdeen City	108
Fife	108
Highland	108
Moray	108
Dumfries & Galloway	107
Shetland	107
Stirling	107
Angus	106
Argyll & Bute	106
East Renfrewshire	104
Edinburgh City	103
Perth & Kinross	101
Aberdeenshire	98
East Dunbartonshire	95
Orkney	94

Source: Regional Trends 39, Table 1.43, ONS

Table 4c: Education

East Renfrewshire	76.8
Orkney	74.6
Shetland	71.2
East Dunbartonshire	71.0
Aberdeenshire	69.1
Eilean Siar	68.0
Argyll & Bute	66.6
Scottish Borders	64.9
Perth & Kinross	63.1
Stirling	62.1
Highland	61.8
East Lothian	61.6
Angus	60.0
Moray	59.7
South Ayrshire	59.7
Inverclyde	59.3
Renfrewshire	59.1
Scotland	57.9
West Lothian	57.9
Aberdeen City	57.8
Dumfries & Galloway	57.2
Edinburgh City	57.2
South Lanarkshire	57.1
Midlothian	56.2
East Ayrshire	55.9
Fife	55.2
Clackmannanshire	53.9
West Dunbartonshire	53.6
North Ayrshire	52.2
North Lanarkshire	51.7
Falkirk	49.7
Dundee City	45.1
Glasgow City	42.2

Source: Regional Snapshot, ONS website

Table 4d: Employment

Orkney	86.0
Shetland	85.7
East Dunbartonshire	81.2
Eilean Siar	81.1
Aberdeenshire	80.1
Midlothian	79.5
East Renfrewshire	79.4
Dumfries & Galloway	79.1
Highland	79.1
East Lothian	78.3
Argyll & Bute	78.2
Scottish Borders	78.1
Aberdeen City	77.9
Angus	77.7
Perth & Kinross	77.5
Edinburgh City	77.4
Falkirk	77.0
Fife	77.0
Moray	76.9
West Lothian	76.7
Stirling	76.4
South Lanarkshire	75.2
Renfrewshire	75.0
Scotland	74.9
South Ayrshire	74.0
Clackmannanshire	71.9
Dundee City	71.3
North Lanarkshire	71.3
West Dunbartonshire	71.2
North Ayrshire	71.0
East Ayrshire	70.6
Inverclyde	70.2
Glasgow City	64.7

Source: Regional Snapshot, ONS website

Moving forward - Policy recommendations

The findings of the 2007 Index of Success confirm the policy implications taken from previous editions, namely that improvements to the nation's health and life expectancy are needed along with more investment in early years to improve education and to stem inter-generational poverty.

Health

Scotland's poor health performance is the main drag on improving the quality of life. It has the worst life expectancy amongst the 24 'developed' nations of the OECD as well as amongst the 12 UK regions.

Radical action needs to be taken by the new administration, with illness prevention methods put in place especially for upcoming generations. Diet and fitness issues need to be addressed seriously. It is still the case that the most deprived neighbourhoods tend to have the poorest access to good quality healthy foods and to a variety of affordable sports facilities. While compulsion in these areas is not possible, improving access should in turn improve results.

Early Years Investment

While Scotland's performance in the areas of employment and education appears satisfactory, this performance hides poor results at the tail end. In both cases a long-term improvement might be assisted by an improvement in early years care. In particular, high quality interventions for those children in danger of falling behind before full time education has begun should be considered, and some pilot schemes put in place and evaluated. The evidence from the USA is that significant gains can be made across a variety of fronts - education, health, crime - when these are good quality and well targeted interventions (OECD (2005) Heckman). Recent research carried out for the Work Foundation (Sinclair (2007)) also highlights the dual economic and social benefits that can accrue from high quality, well targeted interventions.

Without such interventions the threat of continuing inter-generational poverty for a significant sub-set of the population will continue to be one of Scotland's worst problems.

The new Executive's programme for government

The SNP's 2007 election manifesto and economic growth strategy documents both make clear that it has big ambitions in both the above areas as well as in the area of reducing inequality across Scotland.

In terms of health and childcare the proof of the administration's seriousness will come with the resource re-allocation that they devote to lower profile agendas like mental health care and more support for our youngest citizens. A sea-change is needed in these areas if the SNP is to make moves towards achieving its stated long-term goal "to deliver universal integrated early education and care services, similar to the Scandinavian model". The idea of developing "a flexible, dedicated 'Early years development' teaching degree" is a good start but more detail is needed on how enough high quality and well paid new staff are going to be provided to make a real difference.

In terms of inequality, the SNP are again quite clear in their aspirations:

- "the proportion of national wealth held by each of the lowest six income deciles to increase"
- "a 10% reduction in GDP disparity per head between the richest and poorest parts of Scotland"

These are very ambitious targets even if the detail on them is yet to emerge. For example, the geographical extent of "parts" is as yet unknown, and the SNP have still to set their promised "specific targets" to increase the proportion of wealth held by each of the lowest six income deciles.

A crucial question for the SNP to address is how they intend to deal with the centre of multiple deprivation in Scotland – Glasgow. With such a high share of the Scottish population it is all too easy to be put off by the scale of the problem, but this would be a mistake. Glasgow has taken many big strides forward economically and socially in recent years and yet still it lies marooned at the bottom of most measures of deprivation. Cross party support at the national and local level is badly needed in order to take forward crucial policies like the second stage transfer of the Glasgow housing stock and to address the very high levels of disguised (disability) unemployment.

On a more positive note, further investigation of the Orcadian lifestyle may be able to provide some insights into how Scotland can change for the better without necessitating large increases in income across the board.

The SNP has retained the focus on reducing inequality with regards to the standard of living (income) as opposed to the quality of life. As the Scottish Index here shows it is often in non-income ways that the greatest inequalities are seen.

The SNP's support for an annual 'Health of the Nation' Report is welcome, echoing as it does the FSB's long-term advocacy of such a document. However, it would make sense if this report were the basis on which to judge success on the narrowing of inequality rather than by income alone.

Further development of the previous administrations "The Futures Project – The Strategic Audit" would seem to be a good starting point for this initiative.

The report should clearly document targets in the areas of health especially, but also in education, as well as the policy initiatives which are meant to help achieve them.

References

Futureskills Scotland, (2005) – "International Comparisons of Labour Market and Skills Performance", Scottish Enterprise.

Heckman, J. and Masterov, D. (2005) – "Skill Policies for Scotland", in *New Wealth for Old Nations* (Eds: Coyle, Alexander and Ashcroft), Princeton University Press.

McLaren. J. (2005) - 'The FSB Index of Success 2005', (available from www.fsb.org.uk/scotland)

McLaren. J. (2006) - 'The FSB Index of Success 2006', (available from www.fsb.org.uk/scotland)

OECD (2004) – "Learning for Tomorrow's World: first results from PISA 2003".

OECD (2005) – "From Education to Work: A Difficult Transition for Young Adults With Low Levels of Education".

Scottish Executive, (2004) – PISA 2003 Initial Scottish Report.

Scottish Executive (2006i) – "Measuring Scotland's Progress Towards A Smart Successful Scotland 2006", Scottish Executive.

Scottish Executive (2006ii) – "The Futures Project – The Strategic Audit".

Sinclair, A. (2007) – "0-5: How Small Children Make a Big Difference", The Work Foundation, Provocation Paper, Series 3, Number 1.

SNP, (2007i) – Scottish Election Manifesto 2007

SNP, (2007ii) – Let Scotland Flourish, An Economic Growth Strategy for Scottish Success

FSB Scotland Index of Success 2007

Press and Parliamentary Affairs

Niall Stuart
Andrew Watson

Policy

Susan Love
Julie Hepburn

74 Berkeley St, Glasgow, G3 7DS
t: 0141 221 0775 f: 0141 221 5954
e: scotland.policy@fsb.org.uk w: www.fsb.org.uk/scotland

Printed on recycled paper
Designed by 39steps Edinburgh
www.39stepsstudio.com

FSB Scotland
Federation of Small Businesses

