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IMPACT OF THE SINGLE EUROPEAN MARKET ON THE FOREST OF DEAN'S LOCAL ECONOMY

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FINAL REPORT

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SUMMARY

The Single European Market And Economic Integration

- The process of European integration has three main elements:
  - i. the completion of the Single European Market - the removal of barriers to trade between European Community member states;
  - ii. the social dimension;
  - iii. the move towards economic and monetary union

- The Single European Market has been established but the role of the social dimension and economic and monetary union remains uncertain.

- The benefits accruing from the process of economic integration may not impact evenly across the European Community: there are likely to be *winners* and *losers* at national, regional and local scales.

The Single European Market, European Integration and the Forest of Dean

- The likely outcomes of the Single European Market and European integration may be captured by contrasting scenarios:
  - i. the *efficiency scenario* : anticipates a sharpening of product market competition in Europe (in line with current trends);
  - ii. the *cost-cutting scenario* : investment will be attracted away from the UK towards lower cost locations, resulting in a vicious downward spiral for the UK of lower wages and a reduction in the quality of jobs and products;
  - iii. the *quality scenario* : envisages a virtuous circle of higher investment in human and physical capital, and increased wages and profits.

- The cost-cutting scenario would have a severe impact on the Forest of Dean economy, while under the "best case" quality scenario there would be some contraction in manufacturing and primary sectors and employment gains in services - resulting in overall employment growth to the year 2000.

- All scenarios forecast a greater dependency on service sector employment.

Business Survey

- A postal survey of over one hundred and eighty establishments in the Forest of Dean was conducted in an attempt to encapsulate views towards the Single European Market as either a threat or an opportunity.

- The response rate was 66 per cent; (this is high for this type of survey).

- The survey was conducted in early Spring 1993, as the UK was coming out of a prolonged recessionary period.

- There is a general perception amongst employers that the Single European Market will affect their business.

- Two-fifths of respondents predicted a favourable economic outlook overall for their establishment; with larger establishments/multi-site companies and those who saw the Single European Market as an opportunity as well as, or instead of, a threat, tending to be most positive.

- 35 per cent of establishments expected their own employment levels to rise over the next five years; with optimism being most marked in the production sector.

- Larger establishments in the production sector are well-represented amongst exporting establishments, while the group of "potential exporters" is heavily skewed in favour of small and medium sized companies.

- In terms of overall business confidence and employment prospects, those establishments already exporting report the most favourable picture in the medium-term.

- The production sector, single site establishments and medium sized establishments are most likely to anticipate increased competition in domestic markets.

- There is evidence of a potentially damaging information deficit regarding the possibility of increased competition in domestic markets amongst many non-exporter and potential exporter establishments in the Forest of Dean.

- Two-thirds of establishments believe that the Single European Market will provide them with increased opportunities for expanding their markets in the European Community.

- There is a fairly widespread feeling that the Single European Market will benefit other countries more than the UK.

- Just under one-third of establishments - mainly small establishments - believed that the Single European Market was of no concern to their own organisation.

- Future economic growth in the Forest of Dean will be disproportionately dependent upon those companies for whom Europe is currently or is expected to become a market.

- A number of possible areas were identified where companies might have developed strategies to improve their competitive position in the Single European Market:
  i. quality standards;
  ii. improved technology;
  iii. product diversification;
  iv. extension of markets;
  v. staff training.

- Many companies had developed strategic responses to their competitive situation, with the production sector, large establishments, current exporters and potential exporters emerging as most likely to have developed strategic responses; but few had sought advice, either nationally or locally, on the Single European Market.

- Local organisations with a specific focus on European matters are less well known than those with a broader brief covering business in general.

- A substantial number of establishments would like more information on the Single European Market and associated matters - notably on European Community grants and marketing issues - but did not know who to approach locally: hence, at present, the demand for information does not appear to have been fulfilled by local organisations with the relevant expertise.

Policy Implications

- There may be a need for some consciousness raising about the implications of the Single European Market and appropriate strategic responses amongst those potential exporters and non-exporters - particularly smaller companies - which have not yet developed policies to cope with changes in domestic and other markets.

- The Forest of Dean District Council could play a useful role in advertising local information services.

- There may be a case for greater targeting of Forest of Dean companies by relevant local/regional organisations.

- As markets and working practices become increasingly regulated by decisions which have been agreed at Brussels between member states' governments, it is vitally important that *all* employers are aware of, and are as proactive as possible in dealing with, regulations which will affect their business.

CHAPTER 1
THE SINGLE EUROPEAN MARKET AND ECONOMIC INTEGRATION

1.1. Introduction

In December 1991, the European Community's (EC's) political leaders signed the Treaty on European Union, which marked the single biggest step in the economic integration of the EC. Following the creation the Single European Market (SEM), the Treaty on European Union provided the basis for economic and monetary union together with a raft of other measures designed to ensure the effective coalescence of EC economies. Since then the onset of recession in most EC economies has slowed the process of integration to a point where the nature of further economic integration now looks increasingly uncertain. Nevertheless, the creation of the SEM on 1 January 1993 marked a watershed in the EC's history and one which will continue to impact upon national economies at both the local and national levels. This report outlines the impact of the SEM and the process of European economic integration upon a particular local economy: the Forest of Dean. The report complements and draws upon the IER report prepared for Gloucestershire County Council on the impact of the SEM.*

1.2 What is the Single European Market?

Despite the familiarity of the terms '1992' and 'The Single European Market', it proves difficult to assign either a precise or a concise definition to the wide body of EC policy- and rule-making generated under these banners Yet, if an assessment of the SEM's impact on the Forest of Dean's economy is to be made, it is necessary to be aware of the various elements which now comprise the movement towards creating a workable single internal market. This movement has expanded far beyond the removal of non-tariff barriers (NTBs), as envisaged in the initial plans to create a SEM, to the establishment of a much more economically, socially and politically integrated EC. Broadly speaking it is possible to divide the integration process into three parts:

- the completion of the SEM *per se*, that is the removal of the remaining barriers to trade between EC Member States;
- the addition of a social dimension to the above process as embodied in the Social Charter, and the Social Action Programme; and
- the movement towards EMU (economic and monetary union) and the workings of the ERM (exchange rate mechanism).

The latter two measures have the greatest amount of uncertainty attached to them. The UK government has been a stern opponent of the social dimension, and the UK's withdrawal from the ERM has cast doubt over its future role in monetary integration. Nevertheless, they remain key issues, the ramifications of which will be felt by the UK whatever course of action it takes.

A key driving force behind the desire to create a single integrated EC economy, with the SEM as its basis, has been the growing recognition of the EC's lack of competitiveness with respect to Japan and the USA. The fragmented European market has been identified as the primary obstacle preventing EC firms taking advantage of a large EC-wide domestic market comparable in size to that of Japan or the USA. For instance, the EC had 323 million inhabitants in 1987,

* T. Hogarth, A.E. Green, H. Flanagan and C. Hasluck (1992). *The Impact of the Single European Market upon the Economy of Gloucestershire.* Coventry: Institute for Employment Research, University of Warwick.

thus constituting the largest market in the industrialised world. The United States had 244 million and Japan only 122 million. However, the GDP of the EC relative to its population, remains low compared to that of the other two areas. The EC GDP was ECU 3,669bn in 1987, whereas the US GDP was ECU 3,869bn and that of Japan ECU 2,058bn. A closer examination of the EC's industrial base reveals critical weaknesses compared to that of either Japan's or the USA's. In particular, the EC lags behind both Japan and the USA in its market share of the hi-tech sectors in the world economy. Here it is recognised that the EC will only generate R&D funding comparable to American and Japanese multinational companies if co-operation is fostered between EC firms. Moreover, economies of scale are vital in these industries and call for production units which can serve a large unified market.

The SEM is a partial solution to the problems outlined above. Through eliminating the remaining barriers to free and open trade within the EC, the necessary economies of scale and trans-EC co-operation will emerge, thus remedying the global uncompetitiveness of EC producers. Tariff barriers were successfully removed early in the history of the EC, however, the so called NTBs have endured and have accordingly formed the focus the 1992 programme. NTB's are generally categorised as follows:

- Physical Frontiers - primarily customs controls and associated paperwork;
- Technical Frontiers - for example meeting divergent national standards, technical regulations and conflicting business laws or the rules governing public procurement;
- Fiscal Frontiers - differing rates of VAT and excise duties.

Though considerable progress has been made in pushing through the various legislative measures which provide the framework for the operation of the SEM, there remains substantial speculation as to the operation of the SEM as it is currently drafted. It is widely believed that creation of the SEM through the removal of NTBs is likely to result in two rather contrasting outcomes.

From a positive standpoint, the creation of a single trading zone will stimulate both co-operation and competition between trans-national Member State companies. This will result in a reduction in both costs and prices, provide a stimulus to domestic demand and global competitiveness and in turn raise GDP in real terms. This is the view of the CEC funded research programme on the likely outcomes of removing NTBs throughout the EC - *The Cost of Non-Europe* research programme headed by Paulo Cecchini.

An alternative view suggests a much less favourable outcome from the operation of the SEM. Here the benefits accruing from the SEM are not expected to impact evenly across the EC. There are expected to be both winners and losers emerging from the process at the regional, sectoral, company and individual level. Cecchini dismissed this outcome by predicting a 'trickle down' effect with prosperity moving down from the wealthier regions to the poorer ones, with the whole community ultimately benefiting. However, the evidence for the 'trickle down' effect remains elusive. A constant and enduring concern of the CEC has been with the implications of the SEM for the poorer regions and social groups within the Community.

1.3 The Social Dimension

Social integration, like economic integration, has its roots in the Treaty of Rome (1957). However, its importance has only been recognised recently. The Charter for the Fundamental

Rights of Workers - The Social Charter - has provided the basis for action in this area and has given rise to the Social Action Programme.

At the Strasbourg summit in 1989 the Social Charter was given the status of a *Solemn Declaration*, and was signed by all Member States with the exception of the UK. As a Solemn Declaration the contents of the Social Charter are legally non-binding on its signatories. In contrast, the Social Action Programme (SAP), which the Social Charter gave rise to, has spawned a series of measures which if adopted by Council will be legally binding on the UK as well as the other Member States. However, the forty seven proposals contained in the SAP have been slow to pass through the EC legislative process, with the UK government, amongst others, voicing concern as to the costs to be borne by industry if such legislation is passed.

There is concern that the SEM will lower the floor of social protection across the EC. As markets become fully open it is feared that labour costs across the EC (both wage and non-wage costs) will tend towards the level of the European country with the lowest costs as countries seek to maintain their competitiveness. This is a particularly important issue for the northern member states - including the UK - which have relatively high labour costs.

The Social Action Programme has been presented as a series of Directives and non-binding legal instruments. At present, a good deal of uncertainty is attached to the final outcome of the SAP. The *Social Protocol* attached to the Treaty of European Union allows the eleven signatory Member States - after 1st January 1993 - to proceed with measures arising out of the SAP with qualified majority voting applying in council, if the UK decides that it can not go along with a proposed measure. The UK Government fears that the SAP will add to labour costs and thereby threaten employment growth. However, it would be misleading to single out the UK as the only member state with misgivings about the economic impact of the SAP in practice. In addition, there remains some question as to the legal standing of the *Social Protocol* as it presently stands. At another level, the issue of compliance has become a key subject for debate with questions raised as to the willingness and ability of certain Member States to put SAP adopted measures into practice.

The Social Dimension (SD) embodies a wide range of measures designed to raise and level the floor of social protection for workers across the EC. The measures broadly fall under the following headings:

- The Labour Market
- Employment and Remuneration
- Improvement of Living and Working Conditions
- Free Movement of Workers
- Information, Consultation and Participation of Workers
- Equal Treatment for Men and Women
- Vocational Training
- Health and Safety in the Workplace
- The Elderly

The measures outlined above only provide a flavour of the proposals which are being pursued under the SD. Several features are notable:

- many of the proposals involve a cost to employers;
- the floor of social protection being put in place is often at a higher level than that already practiced in many northern EC states;
- there appears to be considerable uncertainty as to the progress of many of the measures contained in the SD, primarily as a result of the UK Government's opposition to a variety of measures.

1.4 European Monetary Union

As currently drafted, full European Monetary Union (EMU) will culminate in the acceptance of a common currency by all member states in place of their existing currency. This outcome is by no means inevitable but represents the ultimate goal. The path to EMU is a gradual one, requiring at first the convergence of the EC Member States' economies in nominal terms. To some extent this is a logical progression from the establishment of the SEM, as a single currency would remove the distortion of exchange rate fluctuations in the SEM's operation. The technical issues to be resolved in achieving EMU remain daunting as recent history has domonstrated.

At Maastricht in December 1991 a timetable for accomplishing full EMU (Stage 3) was agreed by Member State governments. Stage 1 of EMU specified closer monetary cooperation within the existing institutional framework. Stage 2 involves technical preparation for Stage 3 and aims to strengthen co-ordination of Member States monetary policies whilst leaving ultimate responsibility for policy with national authorities. Commencement of Stage 2 was agreed at Maastricht for 1st January 1994. Stage 3 is to commence no later than 1999 with the possibility of its commencement as early as 1996 - if it was agreed that the majority of States have satisfied the convergence criteria by this date. In the meantime it was agreed that there should be a transitional stage (Stage 2) which will facilitate convergence. However, the convergence targets have restricted governments' economic policy options during the current recession in Europe, leading to suspicions that the path to EMU is actually prolonging recession.

The UK and Denmark have agreed to the principles of EMU up to and including Stage 2 but have requested a opt-out clause for Stage 3. Exchange rate turbulence within the ERM which has seen most participating currencies come under pressure - and led to the eventual exit of sterling and the lira in 1992 - has cast doubt over the timetable of EMU.

Under full EMU, exchange rates between participating currencies will be irrevocably locked. A European System of Central Banks (ESCB) embracing the existing National Central Banks and headed by a new monetary institution, the European Central Bank (ECB), will be established. These will be responsible for issuing and managing the single currency - the ECU. When and if the ECU replaces existing currencies the ECB will authorize issue. Monetary policy in the EC will be in the hands of the ECB, although it has been proposed that national central bank governors from participating Member States will be members of the ECB's Governing Council, ensuring national representation in the design of European Monetary Policy. However, the ECB will not be responsible to each participating Member State's government, but will report to a central EC body, the ECOFIN council.

1.5 Conclusions

The three main elements of the process of economic integration in the EC have been described. The Single European Market has been established but the role of the social dimension and the EMU which are seen as important, by many, in creating a truly single market comparable to that of Japan or the USA, remains deeply unceratin. Despite political opposition towards the social dimension and EMU, they remain the focus of considerable debate and will impact upon the future economic performance of the UK either directly or indirectly.

It is also apparent that at the national and regional level there will be winners and losers from the process of economic integration of the EC. This is recognised by the European Commission which has been increasing structural funds assistance. Given continuing recession in many of the net contributor economies to the EC's budget, increasing structural funds assistance to the poorer regions of the EC in an attempt to ease the transition into a more economically integrated EC, must be open to some doubt. How the process of economic integration stemming from the the creation of the SEM will affect the Forest of Dean is addressed in the next section.

CHAPTER 2
THE SEM, EUROPEAN INTEGRATION AND THE FOREST OF DEAN

2.1 Projecting the Impact of the SEM and Associated Measures

The creation of the SEM - and the wider process of economic integration - is a process rather than a once only shift in trade policy. As such it is an evolving concept shaped by the variety of pressures and concerns facing policy makers at an economic, political and social level. In turn, this has resulted in a large measure of uncertainty being attached to the operation of the SEM in practice. Rather, in looking at the creation of the SEM as a process it is possible to evaluate those policy measures already in the pipeline and which are likely to impact upon the UK economy in the medium term. This can be adequately addressed through the development of scenarios to capture the variation presently exhibited by policy makers as to the most appropriate direction of EC economic and social policy.

It is possible to distil these scenarios into a series of endogenous assumptions and exogenous adjustments to a model of the UK economy to gain an indication of the SEM's impact at the national level.* The analysis presented here builds upon existing econometric modelling work completed within IER to capture the effect of the SEM upon the UK. However, such quantitative analysis provides only an indication of where the variety of policy options encapsulated within the scenarios will eventually lead. Moreover, no attempt has been made here to formally model the impact of the SEM upon the Forest of Dean economy. Rather the results of the UK modelling exercise by Lindley and Wilson (1991) provides a context for the questionnaire survey of the SEM's impact upon the Forest of Dean.

2.2 The Three Scenarios

The three scenarios which have been developed within IER to capture the likely outcomes of SEM and European integration on the UK economy, are outlined below.

> *The Efficiency Scenario.* This accords with the IER medium-term assessment (IER, 1993). It is a relatively modest adjustment to trends already visible in the European economy. Broadly speaking, this scenario anticipates a sharpening of product market competition in Europe and expects the completion of the SEM to accelerate this process. It also captures the UK's exit from the ERM.
>
> *The Cost-Cutting Scenario.* In this scenario it is anticipated that lower cost EC and non-EC producers will attract investment away from the UK which will lower unit wage costs here in the short-term, but the lack of investment this gives rise to will constrain productivity growth in the longer term. The risk here is that fiercer international product market competition will at first drive down wages, then the quality of jobs and perhaps even the quality of the product, effectively trapping the UK in a vicious downward spiral.
>
> *The Quality Scenario.* Here it is anticipated that higher overall investment in

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* The Cambridge Econometrics' Multi-sectoral Dynamic Model of the UK economy has been adapted and extended by IER for its annual assessment of labour market trends. This model was used by Lindley and Wilson (1991) in the simulation exercise which estimated the SEM's impact upon the UK economy and as such forms the basis for the analysis provided here.

human and physical capital along with organisational change will stimulate earnings and productivity growth. In contrast to the cost-cutting scenario, the quality scenario envisages a virtuous circle of higher investment, wages and profits.

2.3 The Impact on the Forest of Dean

In looking at the impact of the three scenarios with respect to the Forest of Dean it can be assumed that the impact on the Forest of Dean is the same as that for the UK as a whole *(see Table 2.1)*. This assumes that the projected rate of growth for each industry is the same as for the UK. Without formally modelling the Forest of Dean economy this provides an accurate assessment of the medium term future of the local economy given the available data.

Table 2.1 Growth in Employment in the Forest of Dean, 1991-2000

	1991 Level	Annual Average Growth 1991-2000 Efficiency	Cost-cutting	Quality
Primary & Utilities	1353	-1.8	-2.1	-0.3
Agriculture	1254	-1.6	-1.9	-0.1
Mining	**	-6.9	-7.1	-6.5
Utilities	**	-3.4	-3.7	-3.0
Manufacturing	6708	-1.4	-1.9	-0.8
Metals, minerals etc.	729	-1.4	-1.8	-0.8
Chemicals	**	**	**	**
Engineering	3937	-1.4	-1.9	-0.7
Food, drink & tobacco	**	**	**	**
Textiles & clothing	**	**	**	**
Other manufacturing	1581	-1.2	-1.8	-0.8
Construction	590	-0.3	-1.8	0.3
Distribution	5023	0.4		0.7
Distribution	3881	0.2	-0.1	0.7
Transport & communication	1142	-0.9	-1.4	0.5
Business & Misc. Services	2451	1.8	1.0	2.3
Banking & insurance	1119	0.8	-0.6	1.5
Misc. services	132	2.7	2.2	3.0
Non-marketed Services	3034	1.2	1.2	1.2
Health & education	2562	1.4	1.4	1.4
Public administration	472	0.0	0.0	0.0
Whole Economy	19160	-0.1	-0.6	0.4

Source: IER.

** Confidential (possible for individual employer(s) to be identified).

Under the cost-cutting scenario there is an overall contraction in employment. The contraction of the primary and manufacturing sectors is more marked than under the efficiency scenario with gains in the service sector more modest. Indeed, a very small contraction in the banking and insurance sector, which is perhaps more sensibly interpreted as a case of no change, is projected in the period to 2000. This demonstrates the severe impact of the cost-cutting scenario on the Forest of Dean economy.

The quality scenario forecasts a modest decline in employment in all the primary and manufacturing sectors and employment growth in the service sector. Compared to the efficiency scenario, the quality scenario projects a less severe contraction in employment in declining sectors and forecasts greater employment gains in expanding sectors.

Looked at in terms of the industrial structure of employment, all three scenarios forecast a greater dependency on service sector employment.

2.4 The Forest of Dean Economy to 2000

The scenarios attempted to capture the range of outcomes resulting from the further integration of the EC. Summarily, the cost-cutting scenario is something of a worst case scenario with the UK experiencing a real decline in economic prosperity. In contrast, the quality scenario may be seen as a best case scenario where real gains in productivity and earnings accrue as the UK expands its output into the high-quality and high-value added market sectors. The efficiency scenario plots a more neutral path with a projected continuation of trends already witnessed in the UK over the past ten years or so.

Overall, employment in the Forest of Dean is expected to decline under the efficiency and cost-cutting scenarios, reflecting the relative concentration of employment in the primary and manufacturing sectors. Advances in technology and productivity will contribute to employment loss in these sectors given expected levels of output. Employment loss in these sectors will be compensated for by employment growth in the service sector, but the Forest of Dean's local economy is not well represented amongst those sectors where employment growth is likely to be strongest in the medium term.

Though prevailing economic trends - which take into account the creation of the SEM - may not be too favourable for the Forest of Dean, it should be appreciated that the SEM provides opportunities as well as threats. The next section describes in detail the perceptions of employers in the Forest of Dean to the SEM and their views of what a more economically integrated EC offers them.

CHAPTER 3
BUSINESS SURVEY

A BACKGROUND DETAILS

3.1 Introduction

This chapter outlines the results from the questionnaire survey of establishments in the Forest of Dean designed to capture the responses of employers to the Single European Market (SEM). The survey attempted to encapsulate views towards the SEM as either a threat or an opportunity and addresses further the issues outlined in the earlier chapters. The questionnaire is reproduced in *Appendix 1*.

3.2 The Survey

The Forest of Dean Business Directory was used as a sampling frame. A sample of 184 establishments was selected. This included a booster sample of over 20 establishments employing fifty or more people, to ensure that larger establishments were not under-represented as a proportion of total employment in the Forest of Dean. Of the total sample, five had creased trading or had moved out of the area.

In most instances, the respondent to the questionnaire was the Managing Director in single site companies and the Works Manager in multiple site companies.

A postal questionnaire was used. A response rate of 66 per cent was achieved (*see Table 3.1*) which is high for this type of survey. The survey was conducted during March/April 1993.

Table 3.1 Response Rate to the Questionnaire

	Total	Production	Services	Don't know
Response rate (%)	66.0	65.2	58.6	
(n)	118	81	32	5

3.3 Framework for Analysis

For purposes of analysis the responses to the questions in the survey have been cross-tabulated by three summary variables. The first summarises the position of the establishment in terms of its industrial classification; number of employees*; and whether or not it is a single site company, an establishment which is part of a larger organisation (i.e. a branch), or the headquarters of a multi-site organisation. The elements of this variable are clearly inter-related *(see Table 3.2)*.

* Establishments have been classified with respect to how many people they employ: small (less than 20); medium (20-99); and large (100 or more).

Table 3.2 Classification of Establishment Characteristics

	Total		Sector						Size							
			Production		Services		Don't know		Small		Medium		Large		Don't know	
	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)
Sector																
Production	81	68.6	-	-	-	-	-	-	35	55.6	34	81.0	11	91.7	1	100.0
Services	32	27.1	-	-	-	-	-	-	24	38.1	8	19.0	0	0.0	0	0.0
Don't know	5	4.2	-	-	-	-	-	-	4	6.3	0	0.0	1	8.3	0	0.0
Size																
Small	63	53.4	35	43.2	24	75.0	4	80.0	-	-	-	-	-	-	-	-
Medium	42	35.6	34	42.0	8	25.0	0	0.0	-	-	-	-	-	-	-	-
Large	12	10.2	11	13.6	0	0.0	1	20.0	-	-	-	-	-	-	-	-
Don't know	1	0.8	1	1.2	0	0.0	0	0.0	-	-	-	-	-	-	-	-
Ownership																
Single site	75	63.6	46	56.8	25	78.1	4	80.0	50	79.4	22	52.4	2	16.7	1	50.0
HQ	13	11.0	10	12.3	3	9.4	0	0.0	7	11.1	6	14.3	0	0.0	0	0.0
Branch	29	24.6	24	29.6	4	12.5	1	20.0	6	9.5	13	31.0	10	83.3	0	0.0
Don't know	1	0.8	1	1.3	0	0.0	0	0.0	0	0.0	1	2.3	0	0.0	1	50.0

Continued on next page

Table 3.2 Classification of Establishment Characteristics (continued)

	Total		Ownership							
			Single Site		HQ		Branch		Don't know	
	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)
Sector										
Production	81	68.6	46	61.3	10	76.9	24	82.8	1	100.0
Services	32	27.1	25	33.3	3	23.1	4	13.8	0	0.0
Don't know	5	4.2	4	5.3	0	0.0	1	3.4	0	0.0
Size										
Small	63	53.4	50	66.7	7	53.8	6	20.7	0	0.0
Medium	42	35.6	22	29.3	6	46.2	13	44.8	1	100.0
Large	12	10.2	2	2.7	0	0.0	10	34.5	0	0.0
Don't know	1	0.8	1	1.3	0	0.0	0	0.0	0	0.0
Ownership										
Single site	75	63.6	-	-	-	-	-	-	-	-
HQ	13	11.0	-	-	-	-	-	-	-	-
Branch	29	24.6	-	-	-	-	-	-	-	-
Don't know	1	0.8	-	-	-	-	-	-	-	-

Base: All respondents.

The second variable describes establishments in terms of their export capacity as follows:

- those companies which do not presently and do not expect to export goods or services - referred to as *non-exporters*;
- those companies which do not presently export to the EC but recognise some opportunity for doing so in the future - referred to as *potential exporters*; and
- those companies which presently export to the EC - referred to as *exporters*.

This variable captures the opportunities of the SEM.

Third, a summary variable which captured the threat of greater import penetration to an establishment's main market(s) was designed. This variable classifies establishments according to whether or not they anticipate increased competition in their domestic market from companies based in the EC.

B RESULTS

3.4 Presentation of Findings

The discussion of the results from the survey refers to specific tables which are presented in the text.

3.5 Economic Outlook

The survey was conducted as the UK was coming out of a prolonged recessionary period, reflected in increased business and consumer confidence in the UK economy as a whole. Economic recovery at the time, however, was considered fragile, with uncertainty continuing to dog UK economic policy. The economic context in which the survey was conducted should be borne in mind when interpreting the results.

Survey respondents were asked to rate their establishment's overall economic outlook over the next five years. 41 per cent of the total sample predicted a favourable economic outlook, 50 per cent perceived it as neither favourable nor unfavourable, and 7 per cent predicted it as unfavourable *(see Table 3.3)*. The results demonstrate that larger establishments/multi-site companies had the most favourable outlook.

Employment expectations in the Forest of Dean appeared to be optimistic with 35 per cent of establishments expecting their own employment levels to increase over the the next five years and only eight per cent expecting a decrease *(see Table 3.4)*. Interestingly, employment optimism was more marked in the production sectors, contrary to the employment forecasts presented in *Chapter 2*.

Table 3.3 Economic Outlook and Establishment Characteristics

Column percentages

	Total		Sector		Size			Ownership		
Economic outlook	N	%	Production	Services	Small	Medium	Large	Single Site	HQ	Branch
Good	48	40.7	40.7	40.6	38.1	35.7	75.0	34.7	46.2	55.2
Average	59	50.0	50.6	46.9	49.2	57.1	25.0	53.3	38.5	44.8
Poor	8	6.8	6.2	9.4	7.9	7.1	0.0	9.3	7.7	0.0
Don't know	3	2.5	2.5	3.1	4.8	0.0	0.0	2.7	7.7	0.0
Base (n)	118		81	32	63	42	12	75	13	29

Base: All respondents.

Note: Establishments for which sector, size and ownership is "not known" are omitted.

Table 3.4 Employment Prospects and Establishment Characteristics

Column percentages

	Total		Sector		Size			Ownership		
Employment Prospects	N	%	Production	Services	Small	Medium	Large	Single Site	HQ	Branch
Increase	41	34.7	39.5	25.0	30.2	40.5	33.3	34.7	38.5	34.5
Stay the same	63	53.4	50.6	62.5	55.6	50.0	58.3	52.0	46.2	58.6
Decrease	9	7.6	4.9	9.4	6.3	9.5	8.3	8.0	7.7	6.9
Don't know	5	4.2	4.9	3.1	7.9	0.0	0.0	5.3	7.7	0.0
Base (n)	118		81	32	63	42	12	75	13	29

Base: All respondents.

Note: Establishments for which sector, size and ownership is "not known" are omitted.

3.6 Export Orientation and Establishment Characteristics

The figures above suggest that employers in the Forest of Dean have, on balance, a cautiously optimistic view of their future business and employment prospects. These expectations may be related to their export market orientations to provide an overview of how anticipated trends in EC trade affect business confidence and the employment outlook.

The export orientations of establishments in the Forest of Dean were as one may have expected *(see Tables 3.5a and 3.5b)*. Typically, the profile of exporting establishments was one of larger employers in the production sector. Perhaps the issue of greatest interest is the profile of those establishments who recognise a potential to export but currently do not (the *potential exporters*). This group, compared to that which is already exporting goods and services, is heavily skewed in favour of small and medium sized companies.

In terms of overall business confidence and employment prospects, those establishments already exporting report the most favourable picture in the medium-term. Potential exporters envisage a better economic outlook for their establishment compared to non-exporters, but the difference between the two groups in terms of employment prospects is too small to attach any firm conclusions.

3.7 Domestic Markets and Import Penetration

With respect to the potential threats of the Single European Market perceived by employers it tends to be the production sector, single site establishments and medium sized establishments which anticipate greater competition (*see Tables 3.6a and 3.6b*).

Interestingly, the extent to which establishments anticipate greater competition in their domestic markets has no marked impact on their economic and employment outlook. Indeed, more establishments which expect increased competition anticipate employment growth than those who do not. This may, indirectly, report their preparedness for the threats of the SEM.

3.8 Imports to and Exports from the Forest of Dean

Those establishments which are involved in exporting goods and services are more likely to expect increased competition in their domestic markets (*see Table 3.7*). Amongst those establishments classified as non-exporters or potential exporters, a large proportion do not know whether or not there will be increased competition in their domestic market. This may well reflect an information deficit for these establishments which may be potentially damaging.

Table 3.5a Export Orientation and Establishment Characteristics

Column percentages

	Total		Exporting category Non-exporter	Exporter	Potential exporter
	(n)	(%)	(%)	(%)	(%)
Sector					
Production	81	68.6	51.6	86.1	66.7
Services	32	27.1	45.2	11.1	27.5
Don't know	5	4.2	3.2	2.8	5.9
Size					
Small	63	53.4	67.7	30.6	60.8
Medium	42	35.6	32.3	44.4	31.4
Large	12	10.2	0.0	25.0	5.9
Don't know	1	0.8	0.0	0.0	2.0
Ownership					
Single site	75	63.6	71.0	41.7	74.5
HQ	13	11.0	9.7	13.9	9.8
Branch	29	24.6	19.4	41.7	15.7
Don't know	1	0.8	0.0	2.8	0.0
Economic outlook					
Good	48	40.7	35.5	47.2	39.2
Average	59	50.0	54.8	47.2	49.0
Poor	8	6.8	3.2	5.6	9.8
Don't know	3	2.5	6.5	0.0	2.0
Employment prospects					
Increase	41	34.7	25.8	36.1	39.2
Stay the same	63	53.4	58.1	58.3	47.1
Decrease	9	7.6	6.5	5.6	9.8
Don't know	5	4.2	9.7	0.0	3.9
Base (n)	118		31	36	51

Base: All respondents.

Table 3.5b Export Orientation and Establishment Characteristics

Row percentages

	Total		Non-exporter	Exporting category Exporter	Potential exporter
	(n)	(%)	(%)	(%)	(%)
Sector					
Production	81	68.6	19.8	38.3	42.0
Services	32	27.1	43.8	12.5	43.8
Don't know	5	4.2	20.0	20.0	60.0
Size					
Small	63	53.4	33.3	17.5	49.2
Medium	42	35.6	23.8	38.1	38.1
Large	12	10.2	0.0	0.0	5.9
Don't know	1	0.8	0.0	0.0	100.0
Ownership					
Single site	75	63.6	29.3	20.0	50.7
HQ	13	11.0	23.1	38.5	38.5
Branch	29	24.6	20.7	51.7	27.6
Don't know	1	0.8	0.0	100.0	0.0
Economic outlook					
Good	48	40.7	22.9	35.4	41.7
Average	59	50.0	28.8	28.8	42.4
Poor	8	6.8	12.5	25.0	62.5
Don't know	3	2.5			
Employment prospects					
Increase	41	34.7	19.5	31.7	48.8
Stay the same	63	53.4	28.6	33.3	38.1
Decrease	9	7.6	22.2	22.2	55.6
Don't know	5	4.2	60.0	0.0	40.0
Base (n)	118		31	36	51
(%)		100.0	26.3	30.5	43.2

Base: All respondents.

Table 3.6a Domestic Market Situation and Establishment Characteristics

Column percentages

	Anticipate Increased Competition in Domestic Market				
	Total (n)	Total (%)	Yes (%)	No (%)	Don't know (%)
Sector					
Production	81	68.6	81.8	69.7	59.6
Services	32	27.1	15.2	21.2	38.5
Don't know	5	4.2	3.0	9.1	1.9
Size					
Small	63	53.4	30.3	54.5	67.3
Medium	42	35.6	54.4	27.3	28.8
Large	12	10.2	15.2	15.2	3.8
Don't know	1	0.8	0.0	3.0	0.0
Ownership					
Single site	75	63.6	66.7	45.5	73.1
HQ	13	11.0	6.1	18.2	9.6
Branch	29	24.6	24.2	36.4	17.3
Don't know	1	0.8	3.0	0.0	0.0
Economic outlook					
Good	48	40.7	39.4	48.5	36.5
Average	59	50.0	51.5	48.5	50.0
Poor	8	6.8	9.1	0.0	9.6
Don't know	3	2.5	0.0	3.0	3.8
Employment prospects					
Increase	41	34.7	45.5	36.4	26.9
Stay the same	63	53.4	42.4	57.6	57.7
Decrease	9	7.6	12.1	3.0	7.7
Don't know	5	4.2	0.0	3.0	7.7
Base (n)	118		33	33	52

Base: All Respondents.

Table 3.6b: Domestic Market Situation and Establishment Characteristics

Row percentages

	Anticipate Increased Competition in Domestic Market				
	Total (n)	Total (%)	Yes (%)	No (%)	Don't know (%)
Sector					
Production	81	68.6	33.3	28.4	38.3
Services	32	27.1	15.6	21.9	62.5
Don't know	5	4.2	20.0	60.0	20.0
Size					
Small	63	53.4	15.9	28.6	55.6
Medium	42	35.6	42.9	21.4	35.7
Large	12	10.2	41.7	41.7	16.7
Don't know	1	0.8	0.0	99.2	0.0
Ownership					
Single site	75	63.6	29.3	20.0	50.7
HQ	13	11.0	15.4	46.2	38.5
Branch	29	24.6	27.6	41.4	31.0
Don't know	1	0.8	99.2	0.0	0.0
Economic outlook					
Good	48	40.7	27.1	33.3	39.6
Average	59	50.0	28.8	27.1	44.1
Poor	8	6.8	37.5	0.0	62.5
Don't know	3	2.5	0.0	33.0	66.7
Employment prospects					
Increase	41	34.7	36.6	29.3	34.1
Stay the same	63	53.4	22.2	30.2	47.6
Decrease	9	7.6	44.4	11.1	44.4
Don't know	5	4.2	0.0	0.0	100.0
Base (n)	118		33	33	52
(%)		100.0	28.0	28.0	44.0

Base: All Respondents.

Table 3.7 Export and Import Orientation

Column percentages

Expect increased competition in domestic market	Total	Non-exporters	Exporters	Potential exporters
Yes	28.0	0.0	44.1	33.3
No	28.0	32.3	30.6	23.5
Don't know	44.1	67.7	25.0	43.1
Base (n)	118	31	36	51

3.9 Employers' Perceptions of the Single European Market

To what extent are the opportunities to export and the dangers of increased competition in the domestic UK economy associated with the creation of the SEM? Conceptually, the answer is simple. The lowering of trade barriers will certainly give rise to increased trade flows between all countries in the EC. At a macro-economic level in the UK the effect is likely to be immediate and economy-wide - as already discussed in *Chapter 2* - and as such the Forest of Dean will be unable to escape the consequences of this process. What is important here is to demonstrate employers' perceptions in the Forest of Dean of their abilities to export and/or protect their domestic market position. What follows is a description of employers' responses to their perceptions of the SEM.

Perceptions of the SEM have been divided into two groups: threats and opportunities. In terms of opportunities, two thirds of establishments believe that the SEM will provide them with increased opportunities for expanding their markets in the EC *(see Tables 3.8a, 3.8b, 3.8c)*. Approximately, two thirds of establishments believe that they will have increased access to EC goods and services. In terms of threats, 33 per cent of establishments reported that the SEM will, in general, benefit EC companies at the expense of UK companies and 31 per cent stated that the SEM will increase the level of competition for their own organisation in both their domestic and, where relevant, international markets. Just under one third of all establishments believed that the SEM was of no concern to their own organisation, although this was a more typical response in small establishments.

Table 3.8a Impact of SEM and Establishment Characteristics

Column percentages

	Total		Sector		Size			Ownership		
	N	%	Production	Services	Small	Medium	Large	Single Site	HQ	Branch
Agree that the SEM will:										
Provide an opportunity to expand markets in the EC	35	29.7	33.3	18.8	23.8	38.1	33.3	25.3	23.1	44.8
Provide easier access to goods and services in the EC	66	55.9	55.6	50.0	41.3	76.2	58.3	53.3	69.2	58.6
SEM is of no concern to my company	30	25.4	21.0	37.5	31.7	19.0	16.7	25.3	30.8	24.1
Will benefit EC companies at the expense of UK ones	39	33.1	27.2	43.8	39.7	28.6	16.7	44.0	23.1	10.3
Will increase level of competition in company's market	37	31.4	37.0	21.9	19.0	47.6	41.7	32.0	15.4	34.5
Base	118	100.0	81	32	63	42	12	75	13	29

Base: All respondents

Table 3.8b Impact of SEM and Export Orientation

Column percentages

	Total		Exporting category		
			Non-exporter	Exporter	Potential exporter
	(n)	(%)	(%)	(%)	(%)
Agree that the SEM will:					
Provide an opportunity to expand markets in the EC	35	29.7	0.0	50.0	33.3
Provide easier access to goods and services in the EC	66	55.9	35.5	58.3	66.7
SEM is of no concern to my company	30	25.4	48.4	16.7	17.6
Will benefit EC companies at the expense of UK ones	39	33.1	12.9	38.9	41.2
Will increase level of competition in company's market	37	31.4	0.0	55.6	33.3
Base	118	100.0	31	36	51

Base: All respondents.

Even for those establishments which do not export presently and do not expect to, thirty five per cent perceived a benefit from the SEM's operation in terms of easier access to goods and services from the EC (*see Table 3.8b*). On a more negative note, a large proportion of those who either currently export or see the potential to export, feel that the SEM will bring increased competition in their main markets and will benefit other countries more than the UK.

Amongst those establishments which expect greater competition in their domestic markets, both advantages and disadvantages are perceived to accrue from the SEM's operation (*see Table 3.8c*). Curiously, amongst those establishments which do not anticipate increased competition in their domestic markets, the consensus is much more firmly in favour of the SEM bringing advantages rather than disadvantages.

Table 3.8c Impact of SEM and Domestic Market Situation

Column percentages

		Total	Anticipate Increased Competition in Domestic Market		
			Yes	No	Don't know
Agree that the SEM will:					
Provide an opportunity to expand markets in the EC	35	29.7	42.4	30.3	21.2
Provide easier access to goods and services in the EC	66	55.9	69.7	69.7	38.5
SEM is of no concern to my company	30	25.4	12.1	33.3	28.8
Will benefit EC companies at the expense of UK ones	39	33.1	54.5	15.2	30.8
Will increase level of competition in company's market	37	31.4	75.8	6.1	19.2
Base	118	100.0	33	33	52

Base: All respondents.

3.10 Preparation for the SEM

January 1 1993 marked the coming into being of the SEM. In practice, however, the movement towards the creation of the SEM commenced with the passing of the Single European Act (1986). At the same time the SEM is an evolving process which will bring about numerous regulatory changes in the years to come. So far the survey has demonstrated that Europe is important to business in the Forest of Dean, especially so amongst those that anticipate business and employment growth in the next five years. To put this another way, future economic growth in the Forest of Dean will be disproportinately dependent upon those companies for whom Europe is currently or is expected to become a market.

The creation of the SEM has introduced a raft of new regulatory measures concerned with technical and free trade matters. Hence, it is appropriate to enquire what efforts establishments have been made to keep abreast of developments in the creation of the SEM. There are two possible positive responses by organisations. One, to keep informed about developments, and second, to develop strategies which will maintain competitiveness during the operation of the SEM.

Interestingly, a minority of companies have sought advice about the SEM and not surprisingly these are concentrated amongst large establishments *(see Table 3.9a)*. Amongst those groups which currently export to the EC over half have not sought advice *(see Table 3.9b)*. Where information has been sought it has been primarily with respect to legislation and EC grants rather than with respect to marketing material.

Of course it is possible that advice was not sought because the information was readily available within the establishment or company. It is therefore relevant to ask about specific strategies an organisation may have developed to deal with its own competitive position and thereby the potential threats and opportunities posed by the SEM. Given that the SEM is primarily related to increasing the amount of competition in the EC market it is sensible to ask about the design and implementation of specific strategies aimed at maintaining or improving a business' competitiveness. A number of possible areas were identified where companies might have developed strategies to improve their competitive position:

- quality standards;
- improved technology;
- product diversification;
- extension of markets; and
- staff training.

It is the production sector rather than the service sector which has developed strategies in response to the SEM. Whereas large establishments are more likely to have developed strategies in relation to the SEM, significant proportions of small and medium sized establishments had also developed strategies, notably with respect to quality standards (*see Table 3.10a*).

With respect to export orientation, it is primarily those establishments which currently export or see the potential to do so that have developed strategic responses (*see Table 3.10b*). A large proportion of those who anticipate increased competition in their domestic market have developed strategic responses to the SEM. Unfortunately, sample sizes do not permit a comparison with those who do not expect additional competition in their domestic market (*see Table 3.10c*).

Table 3.9a Whether Advice Sought on the SEM and Establishment Characteristics

Column percentages

Advice Sought	Total		Sector		Size			Ownership		
	(n)	(%)	Production (%)	Services (%)	Small (%)	Medium (%)	Large (%)	Single Site (%)	HQ (%)	Branch (%)
Yes	27	22.9	28.4	9.4	9.5	26.2	75.0	18.7	23.1	31.0
No	89	75.4	69.1	90.6	90.5	69.0	25.0	78.7	76.9	69.0
Don't know	2	1.7	2.5	0.0	0.0	4.8	0.0	2.7	0.0	0.0
Base (n)	118		81	32	63	42	12	75	13	29

Base: All respondents.

Note: Establishments for which sector, size and ownership is "not known" are omitted.

Table 3.9b Whether Advice Sought on the SEM by EC Exporting Category

Column percentages

	Total		Exporting Category: Non-exporter		Exporting Category: Exporter		Exporting Category: Potential Exporter	
	(n)	(%)	(n)	(%)	(n)	(%)	(n)	(%)
Yes	27	22.9	0	0.0	15	41.7	12	23.5
No	89	75.4	30	96.8	20	55.6	39	76.5
Don't know	2	1.7	1	3.2	1	2.8	0	0.0
Base	118	100.0	31	26.3	36	30.5	51	43.2

Base: All respondents.

Table 3.10a Strategic Responses to SEM and Establishment Characteristics

Column percentages

	Total		Sector		Size			Ownership		
	(n)	(%)	Production (%)	Services (%)	Small (%)	Medium (%)	Large (%)	Single Site (%)	HQ (%)	Branch (%)
Strategies developed with respect to:										
1. Quality	32	76.2	88.2	16.7	50.0	85.0	100.0	65.4	100.0	92.3
2. Technology	29	69.0	79.4	16.7	35.7	80.0	100.0	53.8	100.0	92.3
3. Product diversification	20	47.6	55.9	0.0	21.4	50.0	87.5	26.9	100.0	76.9
4. Extension of markets	19	45.2	52.9	0.0	28.6	50.0	62.5	26.9	100.0	76.9
5. Training	20	47.6	55.9	0.0	21.4	45.0	100.0	23.1	100.0	84.6
6. No plans	3	7.1	2.9	33.3	7.1	10.0	0.0	7.7	0.0	7.7
7. Other	3	7.1	8.8	0.0	0.0	15.0	0.0	7.7	0.0	7.7
Base (n)	42		34	6	14	20	8	26	2	13

Base: Respondents reporting development of strategic responses.

Table 3.10b Strategic Responses to the Single European Market and Export Orientation

Column percentages

	Total		Exporting Category: Exporter		Exporting Category: Potential Exporter	
	(n)	(%)	(n)	(%)	(n)	(%)
Strategies developed with respect to:						
Quality standards	32	76.2	20	95.2	12	57.1
Improved technology	29	69.0	18	85.7	11	52.4
Product diversification	20	47.6	14	66.7	6	28.6
Extension of markets	19	45.2	14	66.7	5	23.8
Staff training	20	47.6	13	61.9	7	33.3
No strategic response	3	7.1	1	4.8	2	9.5
Base (n)	42	21		21		

Base: Respondents repporting development of strategic responses.

Table 3.10c Strategic Responses to the SEM and Competitive Position

Column percentages

	Total		Anticipate Additional Competition in Domestic Markets		
	(n)	(%)	Yes	No	Don't Know
Strategies developed with respect to:					
Quality standards	32	76.2	75.8	66.7	83.3
Improved technology	29	69.0	69.7	66.7	66.7
Product diversification	20	47.6	45.5	66.7	50.0
Extension of markets	19	45.2	48.5	33.3	33.3
Staff training	20	47.6	45.5	66.7	50.0
No strategic response	3	7.1	9.1	0.0	0.0
Other	3	7.1	9.1	0.0	0.0
Base (n)	42		33	3	6

Base: Respondents reporting development of strategic responses.

Table 3.11 Awareness of Local Business Oganisations by Establishment Characteristics

Column percentages

Information Centres	Total		Sector		Size			Ownership		
	(n)	(%)	Production (%)	Services (%)	Small (%)	Medium (%)	Large (%)	Single Site (%)	HQ (%)	Branch (%)
1. European Busines Information Centre, Gloucester	42	35.6	33.3	40.6	38.1	33.3	33.3	37.3	38.5	27.6
2. European Information Centre, Bristol	26	22.0	27.2	9.4	17.5	23.8	41.7	22.7	23.1	20.7
3. Forest of Dean Business Club	67	56.8	50.6	65.6	63.5	35.9	41.7	70.7	23.1	37.9
4. Forest of Dean Management Group	61	51.7	46.9	62.5	46.0	52.4	83.3	52.0	30.8	62.1
Base (n)	118		81	32	63	32	5	75	13	29

Base: All respondents.

3.11 The Role of Local Organisations

A range of organisations exist in Gloucestershire which can provide information about a wide range of business matters, including European ones. Local organisations in the Forest of Dean, such as the Forest of Dean Business and Professional Club and the Forest of Dean Management Group, were known to over half of the respondents. Local organisations which were specifically focused on European matters, rather than business in general, such as the European Business Information Centre in Gloucester and the European Information Centre in Bristol, were generally less well known *(see Table 3.11)*. Large establishments were more likely to be aware of these organisations.

Those establishments currently exporting and those who are intending to export to the EC were more likely to have heard of these organisations *(see Table 3.12)*.

With respect to information about the SEM specifically, few establishments (18.6 per cent) have approached a local organisation and where they have, this has usually been the Department of Trade and Industry. Of those establishments who have not approached any local organisations about the SEM, but who would like to access more information - 29 per cent of all establishments - many did not know who to approach locally. For instance, a majority of them had not heard of the European Business Information Centre in Gloucester or the European Information Centre in Bristol.

For those wishing to acquire more information about the SEM, information about EC grants and European marketing information were the most sort after types of advice.

Table 3.12
Awareness of Local Business Organisations by Export Orientation

Column percentages

	Total (n)	Total (%)	Exporting Category: Non-exporters (%)	Exporting Category: Exporters (%)	Exporting Category: Potential Exporters (%)
1. European Business Information Centre, Gloucester	42	35.6	32.3	33.3	39.2
2. European Information Centre, Bristol	26	22.0	9.7	33.3	21.6
3. Forest of Dean Business Club	67	56.8	71.0	50.0	52.9
4. Forest of Dean Management Group	61	51.7	51.6	61.1	45.1
Base (n)	118		31	36	51

Base: All respondents.

3.12 Conclusions

This chapter has provided a summary of the evidence with respect to establishments' perceptions of the threats and opportunities of the SEM. From the discussion a number of points are clear:

- There is a general perception amongst employers that the SEM will affect their business.
- The economic and employment outlook for the area over the next five years was much more positive amongst those who saw the SEM as an opportunity as well as, or instead of, a threat.
- There is an emerging consensus that the SEM will bring benefits in terms of trade for those who are involved in exporting or intend to export.
- However, the general consensus was that the odds are stacked against UK companies wanting to expand into Europe.
- Many companies had developed strategic responses to their competitive situation, but few had sought advice on the SEM either nationally or locally.
- There is a demand for information about the SEM in the Forest of Dean. At present this does not appear to have been fulfilled by those local organisations with expertise in this area.

CHAPTER 4
POLICY IMPLICATIONS

Economic growth in Gloucestershire has been fostered by a growth in service industries and high technology manufacturing sectors related to the defence industry. Though situated in Gloucestershire, the Forest of Dean has a much more traditional manufacturing oriented industrial structure. Consequently, under two scenarios presented in Chapter 2, employment is projected to decrease in the area to the year 2000. **It is stressed that this projection is at best indicative and should be treated with caution.** Nevertheless, the indications are that the Forest of Dean's medium term employment prospects are at best limited, with only modest employment growth projected under the most optimistic scenario.

Interestingly, against this economic background the survey recorded that business confidence was reasonably high with a large number of establishments reporting a favourable economic outlook and a slightly smaller number predicting employment growth. This, in part, reflects the wider recovery of the UK economy in the wake of the 1991/1992 recession.

Given this economic context: what are employers' perceptions of the SEM and what are the policy implications of their responses?

The employers' survey demonstrated that the SEM provided threats - an increased level of competition from EC companies - and opportunities - an opening up of EC markets for exports and sourcing of supplies. At the same time there was a tendency for establishments to see the SEM as more advantageous to EC companies than UK ones, indicating, in part, a fear that UK markets will be more open to EC imports than other EC countries to UK exports.

In terms of responses to the SEM it was the larger establishments, especially in the production sector, which were more aware of the SEM's potential impact and who had either gathered information about the SEM and/or developed strategic responses to cope with it. In contrast, the smaller companies in the production and service sectors who do not currently export, and who did not plan to export in the future, had not gathered information on the SEM or developed responses to cope with it. But given that the SEM will potentially raise imports into the UK - as well as stimulating exports - there is no guarantee that this latter group of companies will be immune to SEM's impact. This indicates that there may be a need for some consciousness raising amongst this group about the impact of the SEM.

Available evidence suggests that there are no shortage of organisations in Gloucestershire or the South West region which are capable of supplying information about the EC and the SEM. However, the survey indicated that there was a low take-up of their services in the Forest of Dean. This was true of both large establishments which were aware of the SEM's challenges and the smaller establishments which were largely unaware of the SEM's impact . There may be a case for organisations supplying information to target Forest of Dean employers with relevant information; perhaps more feasibly the awareness of local information services could be raised by the Forest of Dean District Council.

As the EC continues its process of economic integration economic policy in the UK will continue to be influenced by decisions at the EC level. For employers, their markets and their working practices will be increasingly regulated by decisions which have been agreed at Brussels between Member States' governments. It is vitally important that employers, of all sizes, are aware of regulations which will affect their business. Moreover, employers and local employers' associations need to be as proactive as possible in dealing with EC regulations which will affect their industry and markets. This, by definition, needs to be underpinned by a source of relevant information of EC plans.

REFERENCES

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APPENDIX

Questionnaire on The Single European Market and its Impact on Businesses in the Forest of Dean

March 1993

Impact of the Single European Market on the Forest of Dean

The Institute for Employment Research at the University of Warwick has been commissioned by the Forest of Dean District Council to undertake a study on the impact of the Single European Market on the Forests of Dean's local economy. In order to complete this task we need to collect some information from you. We would be obliged if you would complete the enclosed questionnaire and return it to us in the stamped addressed envelope which is provided.

The questionnaire will take only ten minutes to complete; nevertheless the information is important if we are to make an accurate assessment of the Single European Market's impact on the Forest of Dean over the next few years.

We would hope that the results will be of interest and use to you. A short description of the study is attached. If you require any further information please do not hesitate to contact Helen Flanagan (tel: 0203-523288) or Terence Hogarth (0203-524420). All information provided will be treated in the strictest confidence. A copy of the final report based on the study will be available from the Forest of Dean District Council.

Yours sincerely

Helen Flanagan

The Single European Market and its Impact on Businesses in the Forest of Dean

Questionnaire number

____

____

Most of the questions involve simply ticking a box, or boxes. Please tick all boxes which you think apply. Where additional information is asked for please reply in the space provided.

Some responses will require omitting certain questions asked later in the questionnaire. It will be indicated next to the response if this is the case.

A: ABOUT YOUR COMPANY

We would like to ask you a few questions about the company you work for. We are only interested in the activities which take place at the particular site where you work.

1. How would you describe the main business of your company?

Agriculture, forestry or fishing	☐
Mining	☐
Public utilities	☐
Manufacturing of metal goods	☐
Manufacturing of chemicals	☐
Engineering	☐
Food, drink and tobacco	☐
Textiles	☐
Other manufacturing	☐
Construction	☐
Distribution, transport or communication	☐
Banking, finance, insurance or business services	☐
Other private services	☐
Public services	☐

Other (please specify) ....

2. Approximately how many workers are employed at this site?

1 - 9	10 - 19	20 - 49	50 - 99	100 - 499	500 - 999	1000 +
☐	☐	☐	☐	☐	☐	☐

3. How would you describe the outlook for your company over the next 5 years?

Good ☐

Average ☐

Poor ☐

4. Over the next five years would you expect employment at the site where you work to:

Increase ☐

Stay the same ☐

Decrease ☐

5. Is the site at which you work: (Please tick only one response)

The only site of an independent company ☐ Go straight to Section C

One site within a larger independent company ☐

The only site of a company which is in turn part of a group of companies ☐

One site of a larger company which is in turn part of a group of companies ☐

B: Only answer this section if your site is part of a larger organisation; either part of a larger company, part of a group of companies, or both. We are interested in the whole organisation of which your site forms a part.

6. Is the site at which you work the head office?

Yes ☐ Go straight to Q7b No ☐

List of European Community countries as aid to questions 7 and 9 - 14:
France, Germany, Italy, Spain, Portugal, Greece, Ireland, UK, Luxembourg, Belgium, Denmark, Holland.

7a. **(Answer only if the site at which you work is not the head office)**
Where is your head office based?

- Elsewhere in the Forest of Dean ☐
- Elsewhere in Gloucestershire ☐
- Elsewhere in the South West of England ☐
- In London ☐
- Elsewhere in UK ☐
- In the European Community outside UK ☐
- In Europe but not in the European Community ☐
- In North America ☐
- In South East Asia (including Japan) ☐

Elsewhere (please specify) ....

b. **(All to answer)**
Where else does your organisation have sites?

- Elsewhere in the Forest of Dean ☐
- Elsewhere in Gloucestershire ☐
- Elsewhere in the South West of England ☐
- In London ☐
- Elsewhere in UK ☐
- In the European Community outside UK ☐
- In Europe but not in the European Community ☐
- In North America ☐
- In South East Asia (including Japan) ☐

Elsewhere (please specify) ....

8. **(All to answer)**
How many people does your organisation employ world wide?

1 - 9	10 - 19	20 - 49	50 - 99	100 - 499	500 - 999	1000 +
☐	☐	☐	☐	☐	☐	☐

C: **As you will know the Single European Market which came into being on 1st January 1993 has liberalised trade in the European Community. We would now like to ask you a few questions about how it will affect your company in the Forest of Dean. Please answer this section only about the site at which you work.**

9. **(All to answer)** Approximately what proportion of your goods/services are sold in the following areas?

	< 10%	11% -25%	26% -50%	51% -75%	76% -100%
Locally (within 30 miles)	☐	☐	☐	☐	☐
Nationally (beyond 30 miles)	☐	☐	☐	☐	☐
Within European Community outside the UK	☐	☐	☐	☐	☐
Within Europe outside the European Community	☐	☐	☐	☐	☐
Within North America	☐	☐	☐	☐	☐
Within South East Asia	☐	☐	☐	☐	☐

Elsewhere (Please specify location and proportion) ....

10. **(All to answer)** Approximately what proportion of competition for your goods/services arises from the following areas?

	< 10%	11% -25%	26% -50%	51% -75%	76% -100%
Locally (within 30 miles)	☐	☐	☐	☐	☐
Nationally (beyond 30 miles)	☐	☐	☐	☐	☐
Within European Community outside the UK	☐	☐	☐	☐	☐
Within Europe outside the European Community	☐	☐	☐	☐	☐
Within North America	☐	☐	☐	☐	☐
Within South East Asia	☐	☐	☐	☐	☐

Elsewhere (Please specify location and proportion) ....

12. a) **(All to answer)** Overall, how easy is it for you to export your products to the European Community?

Very easy	Quite easy	Moderate	Quite difficult	Very difficult
☐	☐	☐	☐	☐

b) **(All to answer)** Overall, how easy is it for your European Community competitors to import into the UK?

Very easy	Quite easy	Moderate	Quite difficult	Very difficult
☐	☐	☐	☐	☐

13.a) **(All to answer)** Do you anticipate additional competition within your domestic markets as a result of the Single European Market from:-

	UK firms	European Community firms	The rest of the world	Not relevant
Yes	☐	☐	☐	☐
No	☐	☐	☐	☐
Don't	☐	☐	☐	☐

b) **(Answer only if you export to the European Community)** Do you anticipate additional competition within your European Community markets as a result of the Single European Market from:-

	UK firms	European Community firms	The rest of the world	Not relevant
Yes	☐	☐	☐	☐
No	☐	☐	☐	☐
Don't	☐	☐	☐	☐

14. **(Answer only if you anticipate additional competition within domestic and/or European Community markets due to the Single European Market).** Has your company implemented any of the following to improve its competitive position?

Quality standards	☐
Improved technology	☐
Product diversification	☐
Extension of markets	☐
Additional staff training	☐
No strategic plans	☐

Other (please specify) ....

15. **(All to answer)** How important are the following to your company's success?

	Very important	Quite important	Neither important nor unimportant	Not very important	Not at all important
Quality standards	☐	☐	☐	☐	☐
Improved technology	☐	☐	☐	☐	☐
Product Diversification	☐	☐	☐	☐	☐
Extension of markets	☐	☐	☐	☐	☐
Additional staff training	☐	☐	☐	☐	☐

16. **(All to answer)** How strongly do you agree/disagree with the following comments about the Single European Market.

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
The Single European Market provides an opportunity for my company to expand its European Community markets abroad	☐	☐	☐	☐	☐
Will provide easier access to goods and services in the European Community	☐	☐	☐	☐	☐
The Single European Market is of no concern to my company	☐	☐	☐	☐	☐
The Single European Market will benefit companies in other European Community countries at the expense of UK ones	☐	☐	☐	☐	☐
The Single European Market will increase the level of competition for my company's markets	☐	☐	☐	☐	☐

D: Finally we would like to gather your views on sources of information about the Single European Market.

17. **(All to answer)** Have you heard of the following local organisations?

The European Business Information Centre, Gloucester	☐
The European Information Centre based at the Chamber of Commerce in Bristol	☐
Royal Forest of Dean Business and Professional Club	☐
Forest of Dean Management Group	☐

18. **(All to answer)** Have you ever sought advice or information on the Single European Market?

Yes ☐ No ☐ Go straight to Q21b

19. **(Answer only if you have ever sought advice on the Single European Market)** What type of information were you seeking?

European Community legislation on product standards	☐
European Community legislation on employment practices	☐
European Community legislation on health & safety issues	☐
European Community legislation on other issues	☐
Location of potential European Community markets	☐
Information on European Community competitors	☐
Information on European Community grants	☐
Information on European Community contracts	☐

Other (Please specify) ....

20. **(Answer only if you have ever sought advice on the Single European Market)**
a) Who did you approach for advice/information and
b) were you satisfied with advice/information received?

	Approached	Satisfied	Not satisified	Don't know
Gloucestershire Training & Enterprise Council	☐	☐	☐	☐
Forest of Dean District Council	☐	☐	☐	☐
European Business Information Centre, Gloucester	☐	☐	☐	☐
County Council	☐	☐	☐	☐
Gloucestershire Enterprise Agency	☐	☐	☐	☐
The European Information Centre, Bristol	☐	☐	☐	☐
Gloucester library Business Club	☐	☐	☐	☐
Department of Trade and Industry	☐	☐	☐	☐

Other (please specify organisation and whether satisfied or not satisfied)

....

☐	☐	☐	☐

21. **(All to answer)** Would you like access to more information on the Single European Market but are unsure of who to approach?

Yes ☐ No ☐ Go straight to Q23

22. **(Answer only if you want more information on the Single European Market).** What type of information would you require?

European Community legislation on product standards ☐

European Community legislation on employment practices ☐

European Community legislation on health & safety issues ☐

European Community legislation on other issues ☐

Location of potential European Community markets ☐

Information on European Community competitors ☐

Information on European Community grants ☐

Information on European Community contracts ☐

Other (Please specify) ....

23. **(All to answer)** Do you think that the Forest of Dean District Council/Gloucestershire County Council or the local Training and Enterprise Council have a role to play in providing advice and information to local companies in relation to the Single European Market?

Yes ☐ No ☐ Unsure ☐

24. In what ways can local organisations help your business to compete in the Single European Market?