Scotland's Economic Performance

Fife Council

1. What have been the main drivers of growth in the Scottish economy since 2007?

Scotland’s GVA per head increased by 14.3% between 2007 and 2015. During the same period, Fife’s GVA per head increased by 13.6%. These increases may have been driven by the following factors:

- Fife has levered on average £78 million per annum of **inward investment** over the last ten years (Invest in Fife).
- The availability of **debt finance** to fund business growth.
- **Infrastructure** projects such as the new Queensferry Crossing and the construction of the aircraft carriers at Rosyth.
- The growth of key sectors such as tourism, renewables, food and drink.

2. How have Scotland’s key sectors performed over the past decade?

Scotland’s key sectors experienced significant increases in turnover and GVA generated by Fife businesses (source: Growth Statistics Scotland 2016):

- **Food and drink** is a successful and growing sector in Fife. Turnover from Fife’s food and drink businesses increased by 111.6% between 2008 and 2014 – higher than any other sector.
- GVA per head generated by Fife’s **financial and business services** also increased between 2008 and 2014 by 43.1% from £31.2 million to £44.6 million.
- Over the past decade there has been significant investment in Fife’s **energy and renewables** sector. Despite the oil and gas downturn, turnover from Fife businesses in this sector increased by 14.2% between 2010 and 2014.
- The **tourism** sector in Fife has experienced year-on-year growth in GVA per head – a 67.1% increase between 2008 and 2014. The Fife Tourism Partnership aims to position Fife as a first class tourism destination by 2024 and works collaboratively with businesses in Fife.

3. How does Scotland’s growth rate compare with the UK as a whole, other regions/nations of the UK, and other countries in the EU?

Scotland’s GVA per head increased by 26.2% between 2005 and 2015 (ONS Regional GVA). This is higher than the UK rate of GVA growth of 24.5% for the same period. When compared with Fife, Scotland’s growth rate is lower – Fife’s GVA per head increased by 32.8% between 2005 and 2015.

Forecasts for GVA per head (provided by Experian) suggests that from 2017 to 2037 Scotland’s growth rate will be higher than Fife’s (41.8% compared to 32.2%).
4. Where will we see future growth in our economy – exports, sectors, regions and innovations?

The rise of Industry 4.0 will drive forward the integration of digital technologies and physical assets to drastically change the efficiency of businesses and organisations. Adopting digitalisation practices, businesses in Scotland, and in Fife, will have the potential to increase the number of business start-ups, increase speed to market, integrate and strengthen supply chains and realise productivity gains (Made Smarter Review 2017). Additional areas where Fife might see growth are:

- Fife is a partner in two City Region Deals (ESES City Deal and Tay Cities Deal) which aim to increase productivity across the region through increased local responsibility of budgets, skills development and infrastructure.
- Forecasts for GVA per head (provided by Experian) predict the largest increases in the same three sectors for both Fife and Scotland:
  - Information & Communication (52.4% increase in Fife; 54% in Scotland).
  - Finance & Insurance (47.1% in Fife; 54.4% in Scotland).
  - Transport & Storage (45.3% for Fife; 51.8% for Scotland).
- Investment in housebuilding to meet requirements for affordable homes as well as support population growth will deliver not just construction employment but underpin growth in other sectors.

5. What is Scotland’s industrial composition and what are the barriers to diversification and growth?

The greatest proportion of Fife’s GVA in 2016 was generated by Public Services (26%), followed by Manufacturing (19.5%) and Professional & Other Private Services (18.6%) (Based on Experian data).

Scotland’s and Fife’s business base is comprised heavily of small businesses employing fewer than 49 people. 96.4% of businesses in Scotland are small compared with 93% of Fife businesses. Despite this large proportion, 50% of total number of people employed in businesses in Scotland are employed by larger businesses (250+ employees) – this is the same for Fife’s employment in businesses. Unsurprisingly over 60% of turnover generated by business in Scotland is by large businesses – 65% of business turnover in Fife is generated by large businesses.

Barriers to diversification and growth are:

- Industry 4.0 – competing with global businesses in other countries that are ahead in the shift toward industry 4.0.
- Political uncertainty such as Brexit and the impact this will have on migrant workers and exporting.
- Oil and gas prices.
6. What role has Government support for innovation played in growing Scotland’s economy and boosting productivity?

During 2016/17, 11 business leaders took part in the Fife Entrepreneurial Leadership Programme, which is designed to help SMEs across Fife with growth potential achieve transformational change. The programme builds on a pilot which ran in early 2016 and saw 9 business leaders complete the course. Designed by Fife Council’s Economic Development Team and Edinburgh Napier University, the programme is funded by the Fife Task Force – a Government funded Task Force.

European Innovation grants, such as the European Eco Innovation grant (EcoADD), and Scottish Enterprise grants and investments have enabled many businesses in Fife to develop new products and grow their businesses. For example, Glenrothes-based industrial technology business, CelluComp.

7. What are the main drivers of income and wealth inequality in Scotland?

- **Cost of living** – a report on the cost of living in the UK by the Joseph Rowntree Foundation in 2012 found that since 2008 childcare costs have risen more than twice as fast as inflation, rent in social housing has gone up by 26%, food costs have increased by 24%, energy costs are 39% higher, and public transport is up by 30%.

- **Changes to the benefits system** - In 2015, the Scottish Parliament Welfare Reform Committee identified that changes to the benefits system had resulted directly in a loss of £103m per annum in Fife, equivalent to £440 per working age adult (exactly matching the Scotland wide figure).

- Although more people are higher educated in Scotland - the percentage of people with qualifications at NVQ level 4 and above in Scotland increased by 10.7 percentage points between 2007 and 2016 (33% to 43.7%) – and those employed in high paid occupations has increased from 38.3% in 2007 to 43% in 2017, there are still many in low paid occupations.

- **Migration to cities** and away from rural areas – mainly by young people with higher skills.

- **Lack of infrastructure** and public transport in both rural and urban areas (such as Mid Fife) limits the number of job opportunities for people living in these communities.
• **Digital Skills** within the workforce and the requirement for young people entering the workplace.

8. How does income and wealth inequality in Scotland compare to other countries/regions and what are the policy responses to income and wealth inequality in Scotland and abroad?

Fife’s major challenge in achieving inclusive growth are the geographical disparities across Fife, in particular Mid-Fife, as identified in the emerging Local Outcome Improvement Plan. The Fairer Fife Commission was established by Fife Council in September 2014 and produced the [Fairness Matters](#) report. Many of the issues highlighted in this report are not unique to Fife and are found throughout areas of Scotland. The report outlines the fairness ambitions for Fife Council and the Fife Partnership by 2030, the current performance of Fife, the Scottish average, the performance of the top five Scottish local authorities and the number of people positively affected by Fife reaching the top five.

9. What have the trends in debt, wages and household income been over the past decade?

Scotland’s gross weekly earnings (resident-based) has increased by 25.4% over the last decade from £427.90 in 2006 to £536.60 in 2016. This is lower than Fife’s growth rate of 27.4% over the same period (£419.40 to £534.30). From 2006 to 2015, Scotland’s gross disposable household income (GDHI) per head has increased by 26.2% - slightly lower than the rate of growth for weekly earnings. Fife’s GDHI per head increased by 31.3%.

10. What are the reasons for regional differences in labour market participation?

The failure to recover economically from Fife’s mining past has left many towns in the region, especially in Mid-Fife, with a sense of poor internal and external perception, as well as varying labour market participation. This is not dissimilar to other areas of Scotland that will also have seen slow recovery from past mining legacy and the days of heavy manufacturing.

In Fife, there is varying rates of employment, unemployment and economic inactivity (based on UK parliamentary constituencies):

- **Dunfermline and West Fife** – 76.2% employment rate; 1.9% unemployment rate; 22.3% economically inactive.
- **Glenrothes** – 69.6% employment rate; 8.3% employment rate; 24.2% economically inactive.
- **Kirkcaldy and Cowdenbeath** – 76.8% employment rate; 5.5% employment rate; 18.7% economically inactive.
- **North East Fife** – 72% employment rate; 3.9% employment rate; 25.1% economically inactive.
Reasons for these varying rates may be due to:

- Varying job density – highest density in Dunfermline (0.73), compared with lowest density in North East Fife (0.59).
- Poor connectivity for those living in Mid-Fife and rural areas of Fife make it more difficult for those seeking work to access job opportunities in other areas of Fife, Edinburgh, Dundee, and beyond. The Fife Council area is unique within Scotland being located between two strategic development plan authority areas serving the Dundee and Edinburgh city regions. Despite this, the Scottish Government’s focus to improve “regional cohesion” is not being realised for Fife. Addressing connections to major transport corridors such as the Queensferry Crossing, M90 and A92 from Mid-Fife would stimulate growth and achieve regeneration. Doing so would address the areas peripherality to both City regions and improve the flow of people and jobs ensuring inclusivity. The commitment to work towards developing a Levenmouth rail link is welcomed.
- Population demographics i.e. areas with a high proportion of the population over working age – North East Fife has a higher percentage of people over the age of 65 than the whole of Fife and Scotland (22% compared with 20% and 18% respectively).
- There are a high number of students in St Andrews which might suggest the higher level of economic inactivity.

11. How has the labour market in Scotland changed over the past decade?

- Increase in wages and household disposable income.
- More people have higher qualifications - there are more people aged 16-64 qualified to NVQ level 4 or above in 2016 than in 2006 (43.6% in Fife; 43.7% in Scotland).
- Less people have no qualifications – the percentage of people with no qualifications decreased by 2.1% in Fife from 2006 to 2016 and 3.9% less people in Scotland from the same period.
- There has been an increase in the number of people in employment who are in professional occupations and a decrease in those employed as process, plant and machine operatives. There has also been a decrease in elementary occupations and skilled trade occupations. Yet despite an increase in the percentage of employed in managerial and director roles for Scotland as a whole, there was a decrease in Fife by 2.6 percentage points.
- Company closures, especially in the Mid-Fife area. This resulted in the Fife Task Force which was established as a result of the closure of the Tullis Russell Papermill in Glenrothes in 2015. Additionally, the closure of Longannet Power Station in 2016 resulted in establishing the Longannet Task Force. Both Task Forces are Government funded and have worked to re-employ those who lost their jobs and regenerate the areas in the aftermath of these closures.
12. What are the different models of business ownership in Scotland and what is their importance to Scotland’s economy?

There are various different models of business ownership in Scotland: private and public companies; sole traders; partnerships; third sector; employee-owned companies; Scottish co-operatives; and the rise of home-based businesses.

Fife Council