

Fife's Business Base Report 2018



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Images: Lochgelly Business Centre (left); Blown Away, St Andrews (centre); Hydrogen refuse truck (right)

Quick Facts

- Fife has an estimated population of 371,400; its working age population (aged 16-64) is 232,500 or 62.6% (2017)¹.
- Fife's employment rate (Oct 2017 to Sept 2018) was 78.8%, compared to the Scottish rate of 77.6%².
- Fife's average monthly claimant rate in 2018 was 3.4%, compared to 2.6% for Scotland as a whole³.
- 45% of Fife's economically active population was qualified to degree level (NVQ4) and above, a higher proportion than for Scotland as a whole (43.9%) and the UK (38.6%).
- There were 10,295 enterprises registered in Fife in 2018, equating to 5.8% of all businesses in Scotland.
- 60% of turnover from Fife firms came from the 4% of enterprises employing more than 250 employees.
- Since 2008, business turnover has risen by 42% to £12,998 million in 2018.
- The two largest sector contributions to Fife's turnover in 2018 came from the Manufacturing sector with £3,867m (29.8%), and the Wholesale, Retail & Repairs sector with £3,785m (29.1%).
- The sectors in Fife with the largest number of enterprises are: Professional, Scientific and Technical activities (1,850); Wholesale, Retail and Repairs (1,605); and Construction (1,210).
- The largest employing sectors are Wholesale, Retail and Repairs (22,640 employees); Manufacturing (15,010 employees); and Education, Health and Social Work (14,730 employees).

Sources: ¹ ONS mid-year population estimates; ² ONS Population Survey; ³ ONS Claimant Count

Overview – Fife’s Business Base

The business base refers to the types of businesses and sectors prevalent in Fife and the size and productivity of these firms. The importance of the business base to the local economy cannot be overstated. Businesses provide employment, generate income for employees and owners as well as providing goods and services to the region.

Over the last decade, Fife has seen an increase of 1,408 registered enterprises.

Between 2017 and 2018, the number of businesses in Fife increased slightly (by 1.9%) while the overall number for Scotland fell by 0.1%.

Notes:

- Figure 1 relates to VAT and/or PAYE registered enterprises.
- It does not include unregistered enterprises (sole traders and partnerships who are not VAT and/or PAYE registered).
- In April 2017 the VAT registration threshold was £85,000.

Figure 1: Total Enterprise Stock & Annual Change in Fife (2008-2018)

Year	Total Number of Enterprises in Fife	Annual Change in the Number of Enterprises	Employment*
2008	8,815	-	171,200
2009	8,830	15	165,100
2010	8,775	-55	164,400
2011	8,715	-60	165,600
2012	8,995	280	164,200
2013	8,930	-65	159,600
2014	9,290	360	166,800
2015	9,540	250	169,200
2016	9,760	220	164,500
2017	10,105	345	165,400
2018	10,295	190	174,800
Total Change in the Number of Enterprises		1,480	3,600

* Employment figures are for the 12 months to June each year

Source: Businesses in Scotland, Scottish Government (2018)

Source: ONS Annual Population Survey (2018)

Employment

The Fife business base is dominated by small-to-medium enterprises (SMEs), with 96% of Fife’s businesses employing fewer than 250 employees. In comparison, 98.7% of registered enterprises in Scotland are SMEs.

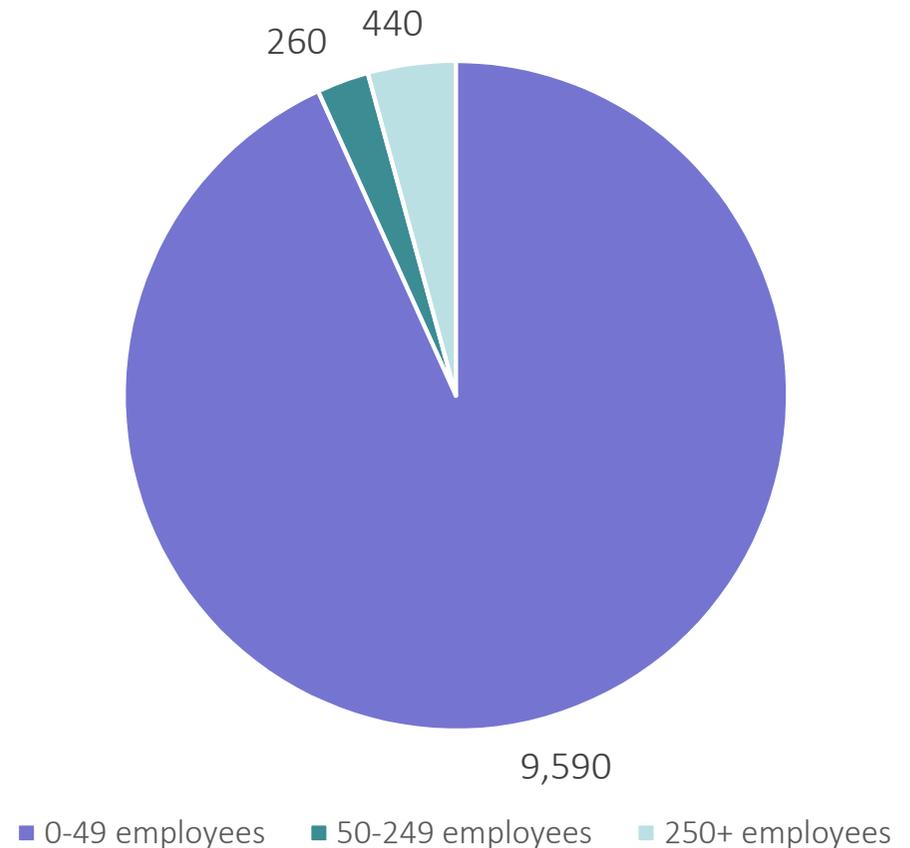
Looking in more detail, the 11,625 *business sites* in Fife are dominated by micro enterprises:

- 8,030 (69%) employ between 0-4 people.
- 1,760 (15%) employ between 5-9 people.
- 680 (6%) employ between 10-14 people.
- 880 (8%) employ between 15-49 people.
- 280 (2%) employ 50 or more people.

Notes:

- These figures exclude central and local government, including Further Education Colleges.
- An individual site is a local unit (eg a factory or shop) associated with an enterprise, and can also be referred to as a workplace.

Figure 2: Number of Enterprises in Fife, by Scale of Enterprise (March 2018)



Source: Businesses in Scotland, Scottish Government (2018)

Turnover

60% of turnover from Fife’s enterprises is derived from its largest employers (those employing more than 250 people). This is the same as in Scotland as a whole.

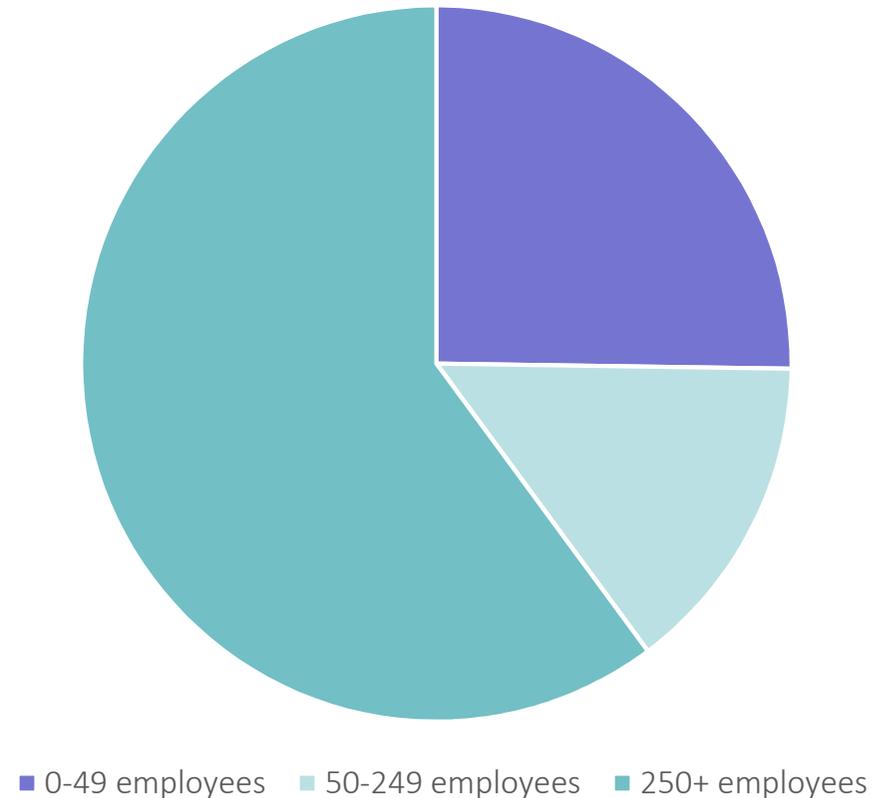
Whilst 93% of Fife’s businesses employ between 0-49 employees, they are responsible for a quarter of Fife’s total enterprise turnover.

About 5% of turnover generated in Scotland is produced by Fife based businesses.

Note:

- A breakdown of turnover by size of enterprise is not available below these employee size bands.

Figure 3: Turnover (£millions) Generated by Fife Businesses, by Scale of Business (March 2018)



Source: Businesses in Scotland, Scottish Government (2018)

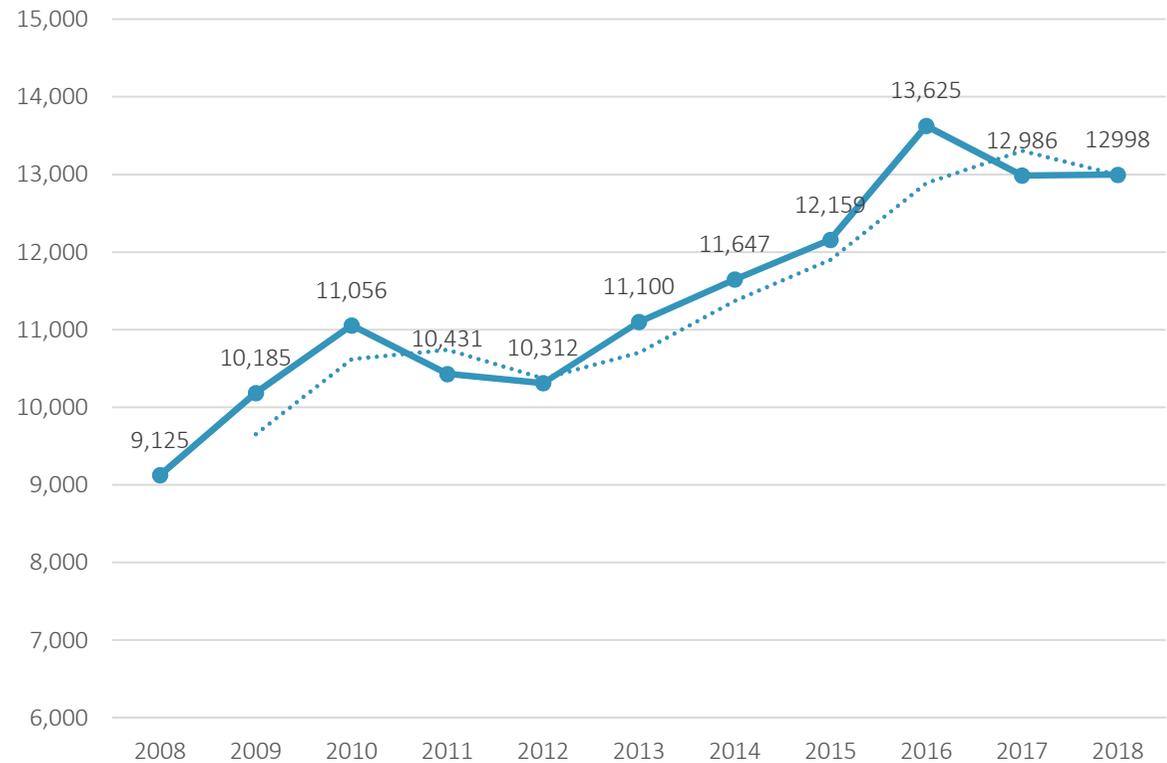
Total Turnover

The total turnover generated by Fife businesses increased by 42% in the 10-year period from 2008 to 2018.

However, total turnover for Fife enterprises increased only slightly from 2017 to 2018, from £12.98 billion to £12.99 billion respectively.

The highest total turnover recorded for Fife was £13.625 billion in 2016.

Figure 4: Total Turnover (£millions) of Fife Enterprises (2008-2018) (unadjusted)



Note: these figures have **not** been adjusted to take inflation into account.

Source: Businesses in Scotland, Scottish Government (2018)

Sector and Size

Wholesale, Retail & Repairs was the largest sector for employment in Fife over the last three years with yearly rates of increase of:

- 1.7% in 2016
- 0.1% in 2017
- 3.0% in 2018

The Professional, Scientific & Technical Activities sector recorded the highest number of enterprises in Fife at 1,850.

Manufacturing was the top performing sector in Fife in terms of turnover, generating £3.867 billion in 2018.

In terms of productivity, Fife's Manufacturing sector delivered a turnover of over £257,628 per employee in 2018.

Note:

- A figure for turnover for the Financial and Insurance Activities sector is not available

Figure 5: Enterprise by Sector and Size in Fife (2018)

Sector	Number of Enterprises	Total Employment	Turnover (£millions)
Wholesale, retail and repairs	1,605	22,640	3,785
Manufacturing	835	15,010	3,867
Education, human health and social work activities	495	14,730	509
Accommodation and food service activities	810	10,000	363
Construction	1,210	7,260	1,037
Administrative and support service activities	790	6,800	486
Professional, scientific and technical activities	1,850	6,620	716
Primary Industries	685	4,420	1,014
Arts, entertainment and recreation	245	3,700	458
Information and communication	535	3,540	271
Transport and storage	340	3,470	263
Financial and insurance activities	110	3,470	N/A
Other service activities	530	3,270	150
Real estate activities	250	1,070	79
Total	10,295	106,000	12,998

Source: Businesses in Scotland, Scottish Government (2018)

Business Survival Rates

Following the start-up of an enterprise, it is believed that the first three years of its life are crucial in determining its survival and growth.

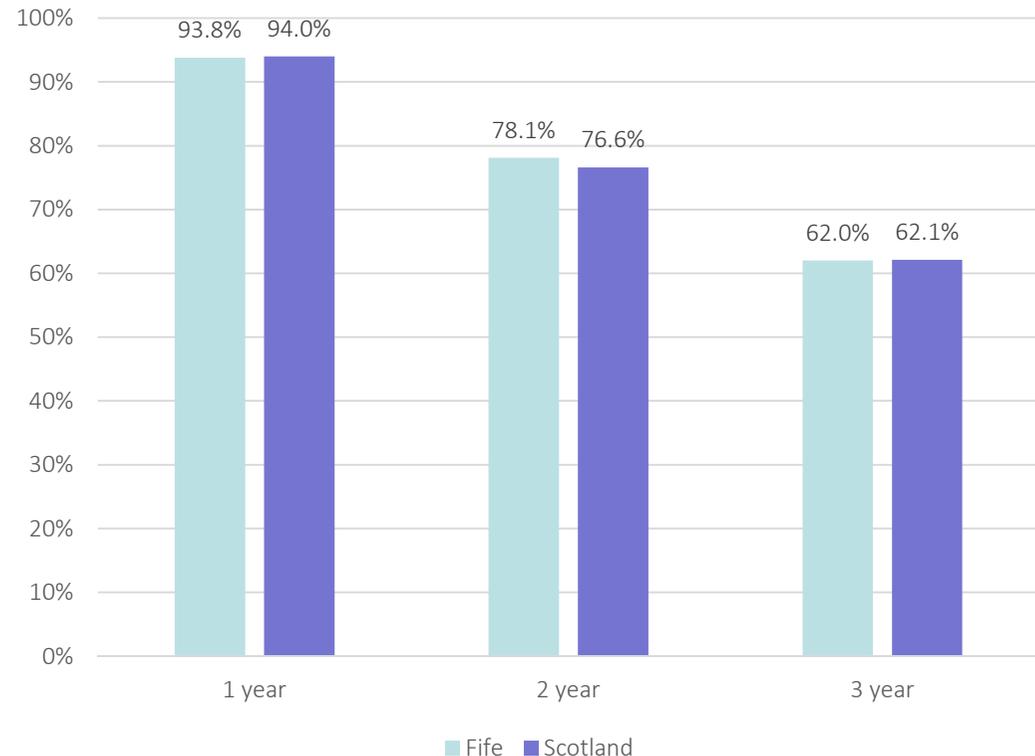
Figure 6 highlights that for the first two years after start up, Fife’s business survival rates are above the Scottish average. However, by the end of year 3 the survival rate is 0.1% lower.

Survival rates should only be viewed as an indicative measure of the local business environment as not all enterprises are set up with the intention of remaining open indefinitely. For example, Christmas shops will only remain open for a quarter of the year. In addition, many enterprises having tested their products in the market may realise the returns are not what was forecast and so may wish to pursue other ventures.

Note:

- These statistics do not represent Business Gateway Fife’s performance in relation to business start-ups.

Figure 6: Survival Rates for Fife business born in 2013



Source: ONS Businesses Demography (2017)

Entrepreneurship and Self-Employment

Micro-enterprises (firms employing less than 10 workers) and self-employment are an important part of the business base. In reporting the number of active enterprises in local areas, national statistics do not adequately capture such businesses as they only measure firms whose turnover exceeds the VAT registration threshold of £85,000.

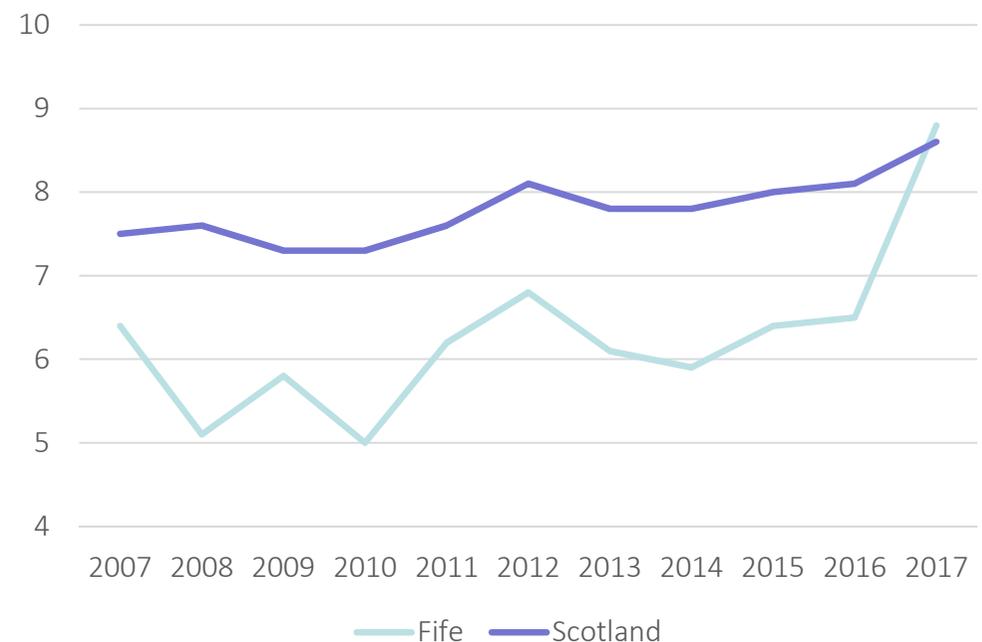
Figure 7 shows that, until recently, Fife had consistently had a lower proportion of the working age population who are self-employed compared to the Scottish average.

Following the financial crash in 2007/08, Fife experienced a rise in self-employment, with a 27% increase from 11,900 in 2007/08 to 20,000 in 2016/17.

In 2017, self-employment as a percentage of the adult population (16-64) in Fife was higher than the Scottish average, 8.8% compared with 8.6%, respectively.

Despite this, Fife's self-employment rate appears more volatile than Scotland, suggesting that self-employment in Fife may react differently to external factors and is possibly more cyclical in nature.

Figure 7: Self-Employment as a percentage of the total working age population (aged 16-64 years), (2007-2017)



* Figures are for the 12 months to June each year

Source: ONS Annual Population Survey (2017)

Note: These statistics should not be confused with Business Gateway Fife's performance reporting in this area.

Fife's Workforce

Job density measures the number of jobs in a given area per resident aged 16-64. Historically Fife has a lower density than in Scotland as a whole, perhaps reflecting its rural areas.

Fife's proportion of the workforce in managerial and professional occupations is slightly less than the Scottish average.

Over the last decade, the proportion of the workforce in managerial and professional occupations has increased by 14%; the proportion in admin, skilled trade and personal services occupations decreased by 3%; and the proportion in sales, plant and elementary occupations decreased by 16%. This suggests a trend towards higher added-value jobs.

The latest ONS Annual Population Survey (2017) shows that Fife has below national average proportions of the working age population (aged 16-64 years) with no qualifications, 7.3% compared to 8.7% for Scotland as a whole.

Figure 8: Fife's Job Density Rate (2012-17)

Year	Fife: job density rate	Scotland: job density rate
2012	0.61	0.76
2013	0.62	0.76
2014	0.66	0.79
2015	0.65	0.79
2016	0.67	0.80
2017	0.65	0.81

Source: ONS Job Density (2017)

Figure 9: Fife's Occupational Classifications (2016-17)

Fife	% of all employed	2016	2017
Senior managers, professional & associated professionals (SOC 1-3)		40.2	41.5
Admin, skilled trade & personal services (SOC 4-6)		32	30.4
Sales, plant & elementary (SOC 7-9)		27	27
Scotland	% of all employed	2016	2017
Senior managers, professional & associated professionals (SOC 1-3)		42.6	42.8
Admin, skilled trade & personal services (SOC 4-6)		30.6	30.9
Sales, plant & elementary (SOC 7-9)		26.3	25.8

Source: ONS Annual Population Survey (2017)

Business Enterprise R&D

Business expenditure on research and development (R&D) is crucial to the competitiveness of Scotland’s and Fife’s economies and is considered a key determinant of productivity, growth and economic performance. Business Enterprise Research and Development (BERD) expenditure is the only available estimate of business spending on R&D broken down to local authority level.

In 2017, over £1.2bn was spent on R&D by businesses in Scotland.

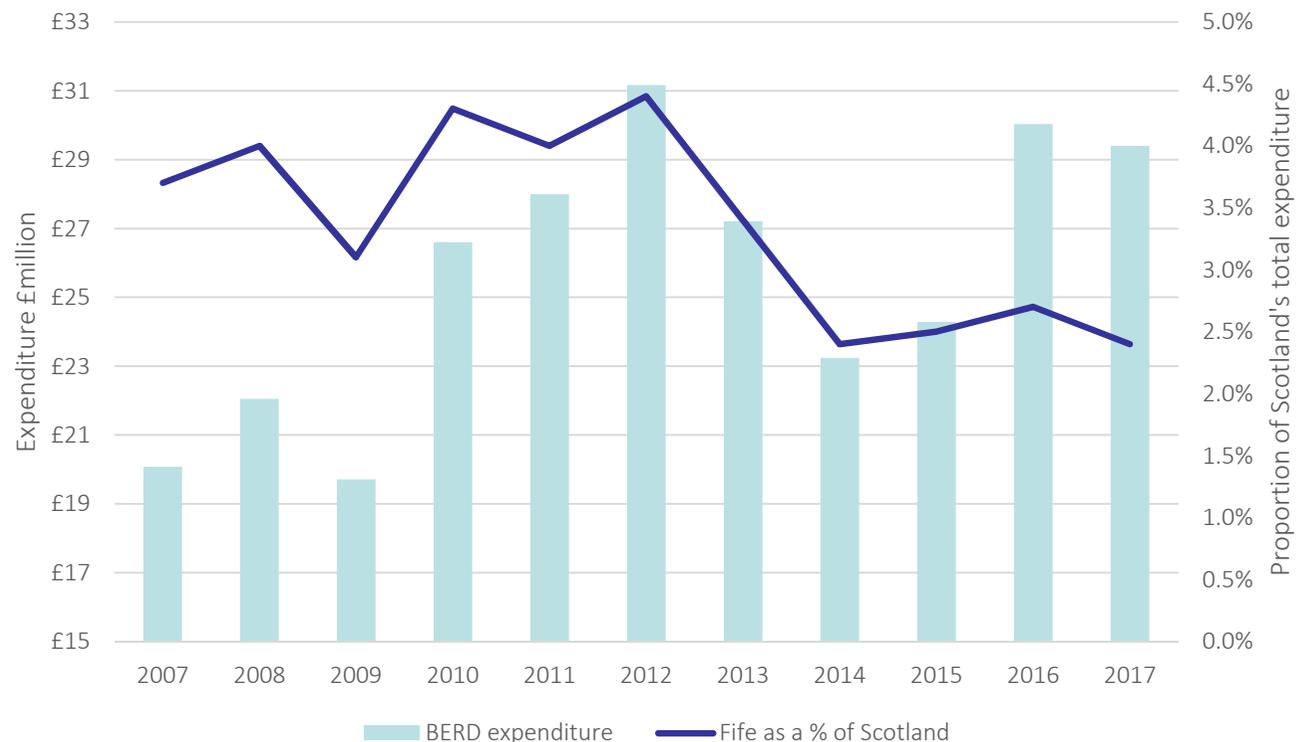
Fife businesses spent £29.4m on R&D in 2017, equating to 2.4% of Scotland’s total spend.

Fife’s business R&D expenditure decreased by £636,000 between 2016 and 2017 – a decrease of 2%.

In Fife, BERD expenditure per head was £79 in 2017, compared with £230 for Scotland.

51% of BERD expenditure in Fife was attributed to the Manufacturing sector in 2017. This was lower than the previous year (59%), but remained higher than the overall proportion of manufacturing R&D expenditure for Scotland (48%).

Figure 10: Expenditure by Fife Businesses on R&D (2007-2017)



Source: Business Enterprise Research & Development (BERD), Scottish Government

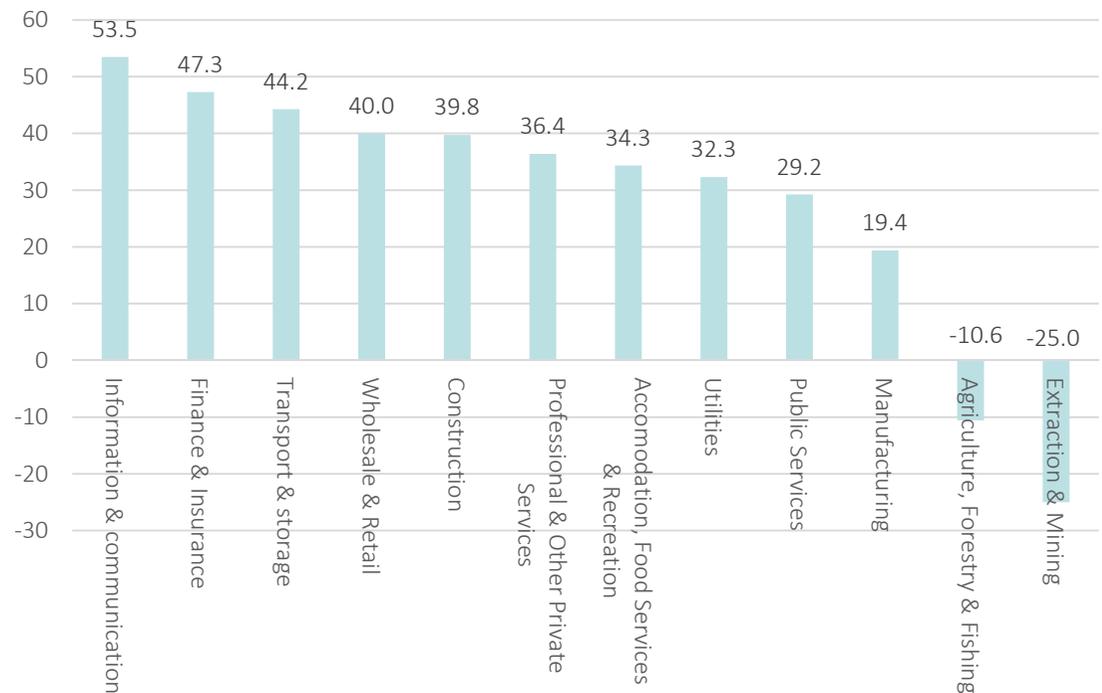
Economic Forecasts (GVA)

Gross Value Added (GVA) is a measure of the value of goods & services produced in an area, industry or sector.

Experian, an independent economic forecasting organisation, forecasts that eight sectors in Fife may grow their GVA by more than 30% by 2037:

- Information & communication +53.5%
- Finance & insurance +47.3%
- Transport & storage +44.2%
- Wholesale & retail +40%
- Construction +39.8%
- Professional & other private services +36.4%
- Accommodation, food services & recreation +34.3%
- Utilities +32.3%

Figure 11: Forecast % change in GVA by sector in Fife 2017-2037



Source: Experian (December 2017) Based on 2013 prices

Despite public spending cuts, Experian forecasts that Fife will still rely on the Public Sector making a significant contribution to GVA over the next 20 years, with a forecast of a 29.2% increase from 2017 to 2037. Public Services would therefore continue to be the highest contributor to the area's total GVA at over £2.2bn.

Manufacturing output is expected to grow by 19.4% between 2017 and 2037, thereby continuing to make a significant contribution to Fife's total GVA, estimated at around £1.5 billion.

Economic Forecasts (Employment)

Experian forecasts that over the next 20 years Fife will see a growth of 8.7% in self-employment, with 7.5% (16,200) of the working age population classed as self-employed by 2037. However, this is lower than the forecast rate of growth for Scotland of 12.8% for 2017-2037.

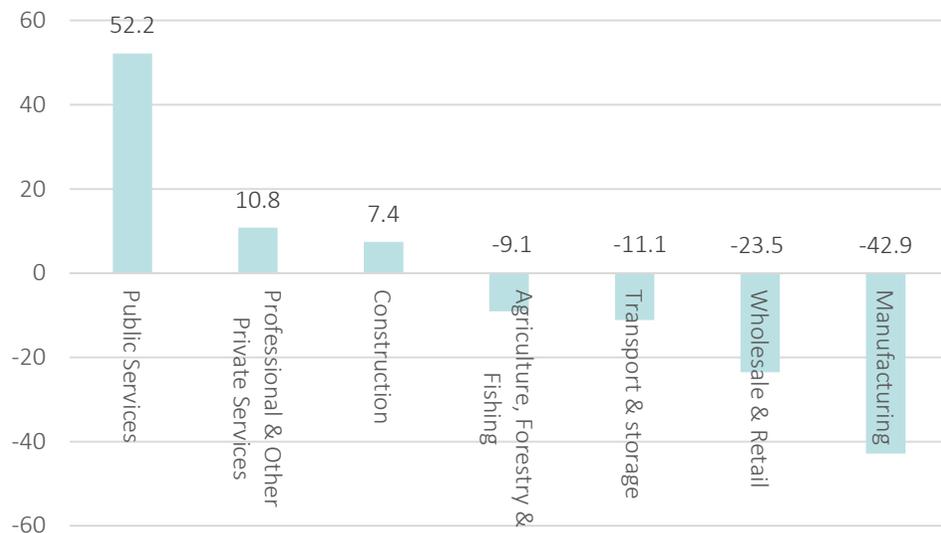
The most significant increases in self-employment in Fife over this period are expected to occur within the Public Services (1,200) and the Professional Services (400) sectors.

Self-employment in Fife’s Manufacturing sector is forecast to contract by 42.9% by 2037, higher than the forecast Scottish average of 33.1%.

Experian’s Workforce Jobs forecast for 2017-37 suggests:

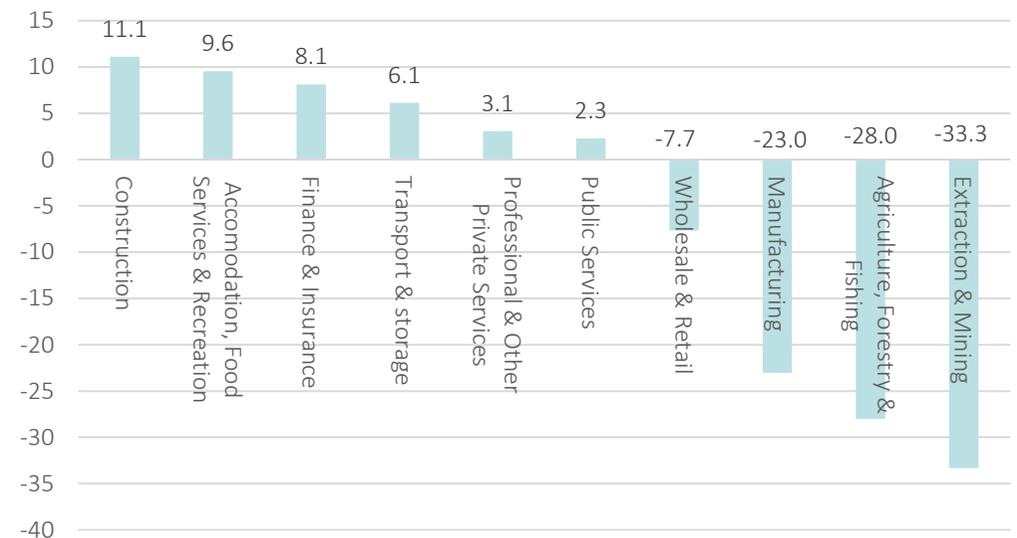
- A total of 148,800 workforce jobs in Fife in 2037 (down 0.9% on 2017)
- Public services in Fife accounting for 49,300 jobs by 2037, thereby remaining the top sector in terms of workforce jobs numbers
- Slight increases in workforce jobs within the Construction (+1,100), Accommodation & Food (+1,500), and Finance & Insurance (+300) sectors in Fife between 2017 and 2037.
- A forecasted reduction of 3,500 workforce jobs within the Manufacturing sector in Fife between 2017 and 2037.

Figure 12: Forecast % change in self-employment by sector in Fife (2017-37)



Source: Experian (December 2017)

Figure 13: Forecast % change in Workforce Jobs by sector in Fife (2017-37)



Source: Experian (December 2017)

Summary

The business stock in Fife has grown by 17% since 2008. Turnover generated by the region's 10,295 enterprises has increased by over 42% during the same period. However in 2018, the total turnover for Fife's enterprises accounted for only 5% of the total Scottish turnover, despite Fife being home to 5.8% of the Scottish total enterprise stock.

Fife has consistently had a lower proportion of its working age population who are self-employed compared to the Scottish average. However, the gap has narrowed over the last two years and in 2017 Fife exceeded the Scottish rate. Forecasts predict that 6.9% of Fife's working age population will be classed as self-employed by 2037.

Expenditure by Fife's companies on Research and Development fell slightly by £636,000 or 2.4% between 2016 and 2017. The Manufacturing sector contributed 51% of Fife's total £29.4m R&D spend.

Economic forecasts show that eight sectors in Fife are expected to grow output (GVA) by more than 30% by 2037. Public Services and Manufacturing are forecast to remain the highest contributors to Fife's GVA total.