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Regional Skills Assessments (RSAs)
First launched in 2014, the RSA’s purpose is to provide a robust evidence base to support partners in strategic skills investment planning. They have evolved over time based on an independent review carried out in 2015 and feedback from partners.

To ensure an inclusive approach to their development, dissemination and utilisation, RSAs are produced by Skills Development Scotland (SDS) in partnership with Highlands and Islands Enterprise, Scottish Enterprise, Scottish Government, the Scottish Funding Council (SFC), the Scottish Local Authorities Economic Development Group and the South of Scotland Economic Partnership.

RSAs also include forecast data that has been commissioned through Oxford Economics. A number of caveats need to be applied when using forecast data. The Technical Note\(^1\) provides full detail on this but broadly it should be noted that forecasts are based on what we know now and include past and present trends projected into the future. Their value is in identifying likely directions of travel rather than predicting exact figures. The more disaggregated they become, especially at smaller geographical units, the less reliable they are likely to be. Standard occupational classifications (SOC) and standard industrial classifications (SIC) are used to define occupations and industries. ONS has useful SIC\(^2\) and SOC\(^3\) hierarchy tools that can be used to understand the classifications in more detail.

In addition, we provide analysis by Key Sector. Key Sectors are central to our Skills Investment Planning approach. Each Key Sector has a tailored Skills Investment Plan (SIP) which gives a picture of the economic and labour market situation, trends in skills and qualification supply and employers’ perspectives on the big skills issues affecting sector growth. Regional SIPs have also been developed. SIPs and RSIPs are available on the SDS website\(^4\).

This year’s RSA is in three parts:
1. This report outlining Demand for Skills, Supply of People; and Skills Mismatches;
2. An infographic detailing key data for the area; and
3. A new interactive RSA Data Matrix\(^5\) that was launched in August 2019 that provides more detailed data.

Finally, in the sections which follow, the numbers and figures in the body of the text are rounded for ease of reference and readability and therefore may differ slightly from:
• The Oxford Economics data in the RSA Data Matrix; and
• The accompanying charts in the report which are also based on the Oxford Economics data.

This RSA report is for the Fife region which consists of the Fife local authority.

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1. [https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/](https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/)
5. [https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/](https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/)
Introduction
Introduction
We live in a world that is complex and is constantly evolving. Scotland’s businesses and people need the skills, knowledge and capabilities, not just to cope with this change but to thrive in it and influence it.

Scotland’s Economy
The latest ‘State of the Economy’ reported that Scotland’s economy continued its recent pattern of strong performance at the start of 2019 with the unemployment rate falling to record lows and strong growth in exports and output. Output growth increased in the first quarter to 0.5 per cent but this was driven partly due to temporary factors such as stockpiling and firms completing orders in anticipation of the original end March Brexit deadline. Short term outlooks for the economy will be dominated by Brexit uncertainty with the likelihood of subdued growth and the potential for more exposure to downturns in international demand and growth.

Labour productivity grew by 0.5 per cent in Q4 2018 and by 3.8 per cent in 2018 as a whole – its fastest pace of growth since 2010. Whilst positive, Scotland’s ranking among Organisation for Economic Co-operation and Development (OECD) countries is 16th of 37 countries, placing it in the second quartile. This ranking of 16th place has been unchanged since 2007. Scottish Government has the aspiration of improving Scotland’s productivity to match the performance of the top quartile of OECD countries.

Boosting productivity is vital for our long-term prosperity

Scotland’s People
Scotland’s population has grown and is projected to grow in future. National Records of Scotland (NRS) confirms that Scotland’s population in 2018 was 5,438,100 and is expected to grow to 5.58 million in 2026 and to 5.69 million by 2041. This estimate for growth is based on a continuation of EU migration at pre-Brexit levels which is not guaranteed.

Despite this past and projected growth, Scotland is facing an ageing demographic structure. Based on the population in 2016, just under one in five people (18 per cent) were aged 65 and over but by 2041, one in four people (25 per cent) are projected to be in this age group.

If we examine dependency ratios for Scotland’s population this shows a growing dependency ratio at Scotland level and indeed some areas – particularly some of Scotland’s rural areas – having much higher rates of dependency than the national average. At Scotland level, the dependency ratio will increase from 55 per cent in 2016 to almost 70 per cent in 2041. Put simply, for every 100 people of working age there will be 70 people dependent by 2041.

This suggests that the supply of labour might contract over the longer term if projections are realised. This points to a tighter labour market and greater competition for skilled labour in the future. Uncertainty regarding the implications of Brexit also remain, and any decisions taken on the free movement of people could exacerbate this further.

A tight labour market will result in more competition for skilled labour – Brexit could exacerbate this
Although we are seeing record levels in relation to high employment and low unemployment and relative economic prosperity since the recession, not everyone is benefitting equally in this prosperity:

• **The gender pay gap for women working full-time in Scotland was 5.7 per cent in 2018**.  

• The unemployment rate was 4.2 per cent for working age people in Scotland, but this increases to 9.9 per cent for 16-24 year olds and to 10.8 per cent for males aged 16-24.  
  13 Annual Population Survey (April 2018-March 2019)

• The employment rate for people aged 16-64 was 74.5 per cent, but 57.4 per cent for people from an ethnic minority and 45.9 per cent for disabled people.  
  14 Annual Population Survey (April 2018-March 2019), EA core disabled has been used for the employment rate of disabled people.

There are disparities in regional performance across Scotland. Based on an assessment of employment growth, productivity, earnings and unemployment, recovery since the recession has been stronger in Scotland’s urban areas and weaker in rural areas.

Since the recession we have seen a rise in ‘nonstandard’ jobs (such as part time and temporary employment), low wage growth and continued ‘in work’ poverty:

• Self-employment has risen by 22 per cent, compared to one per cent for full-time employment since the recession.  

• Median weekly earnings (gross) grew by 19 per cent in the five years leading up to the financial crash in 2008. A slower rate of 11 per cent has occurred over the past five years.  

• More than half a million (550,000) people in Scotland were living in relative poverty (after housing costs) in a household where at least one adult was in paid employment.  

Both people and place are considerations when working towards a more inclusive labour market.

**Our growth needs to be inclusive**

**Scotland’s Response to the Climate Emergency**

In April 2019, Scotland’s First Minister declared a climate change emergency with targets being set to reduce greenhouse gas emissions to net-zero by 2045. In May 2019, Scotland’s Climate Change Secretary set out Scotland’s response to the climate change emergency including action such as:

• A change in approach to airport departure tax;  
  17 The Cabinet Secretary for Environment, Climate Change and Land Reform confirmed that Scottish Government will be “placing climate change at the heart of everything we do” and this is at the core of the recently published Programme for Government.

• Funding to strengthen the rail freight industry and reduce the amount of freight that travels by road; and

• A new farmer-led initiative to drive low-carbon, environmentally sustainable farming practices.
All parts of Government will be expected to play a role in achieving these ambitious targets and SDS is to develop a Climate Emergency Skills Action Plan, as outlined in the Programme for Government. The development of appropriate skills will have a significant part to play in enabling this transition to a low carbon economy.

**Our growth needs to be sustainable**

**Scotland’s Resilience**

The world of work is constantly changing and the rate of change is rapid. Technological and societal disruptions are occurring at an increasing pace. Whilst we cannot predict the future, we can prepare for a future that is increasingly unpredictable. SDS has developed a Skills 4.0 model that focuses on developing ‘meta-skills’ to equip people with skills in resilience to thrive in a complex and ever-changing world (see Figure 1).

We need skills for resilience to thrive in a complex and ever-changing world

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Figure 1: 
Skills 4.0

https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/skills4-0
Issues and Challenges
A fit for purpose, skilled workforce will be essential to address the challenges facing Scotland (see Figure 2).

The development of skills that are fit for Scotland now and in the future is essential to achieving a high performing, inclusive and sustainable labour market. To meet these challenges, a step change in how we align skills provision to meet labour market demand is planned.

Figure 2: Drivers for change

Scotland’s Economy
Boosting productivity is vital for our long-term prosperity

Scotland’s People
A tight labour market
Our growth needs to be inclusive

Scotland’s Climate Change Emergency
Our growth needs to be sustainable

Scotland’s Resilience
We need skills for resilience to thrive in a complex and ever-changing world

Scotland’s Skills Issues
We need innovative workplaces and skills to boost productivity with employers and employees as active participants in the skills system

We need to maximise Scotland’s indigenous talent and attract new talent to fill jobs in future. We need to enable all of Scotland’s people to share in the nation’s prosperity

We need to develop fit for purpose skills to enable Scotland to achieve its ambitious target for greenhouse gas emissions

We need to develop sector specific skills for the economy and skills for resilience – ‘meta skills’

To support this we will need:
Greater flexibility and responsiveness in skills provision to better align with the needs of employers and the Scottish economy
Investment in upskilling and reskilling throughout individual’s careers to respond to a rapidly changing environment
More personalised, relevant and flexible work-based pathways

Source: Skills Development Scotland
Scotland’s Skills Alignment Ambition
Skills Alignment (one of the workstreams in the Scottish Government’s Future Skills Action Plan) is focused on improving the skills system in Scotland.

Its purpose is “to ensure that Scotland’s people and businesses are equipped with the right skills to succeed in the economy, not just now but in the future.” To achieve this end, a new joint planning process is in development to align the relevant functions of SDS and the SFC (see Figure 3).

To lead this process a Director of Skills Alignment has recently been appointed and three pilot projects have been established to test approaches in:
• Regions – Glasgow College region; and
• Sectors – Early Years and Child Care and Financial and Professional Services.

Having a robust evidence base is crucial if we are to ensure a fit for purpose skills system. SDS and partners are working to develop evidence on the key strategic issues and challenges for Scotland. This and the evidence contained in the RSAs will help inform Step 1 of this model – the Demand Assessment.

Figure 3: Five-step Skills Alignment model

1. Demand Assessment
2. Provision Planning
3. Outcome Agreements/Commissioning
4. Performance Management/Monitoring
5. Review and Evaluation

Source: Skills Development Scotland
Fife’s Economy
Fife’s Economy

Current Economic Performance
Gross Value Added (GVA) is a measure of the value of goods and services produced in an area and is an indicator of the economy’s health.

GVA in Fife in 2019 was £8bn, six per cent of Scotland’s output (£138.8bn).

This share of GVA ranks Fife as the eighth largest contributing RSA region to the Scottish economy.

In 2019, the highest value sectors in Fife were:
- Manufacturing, £1.4bn;
- Wholesale and Retail, £0.9bn;
- Real Estate Activities, £0.8bn;
- Public Administration and Defence, £0.7bn; and
- Human Health and Social Work, £0.6bn.

Past Economic Performance
From 2009 to 2019 the Fife economy, measured by GVA, grew by 1.5 per cent on average each year. This was a faster rate of growth than Scotland, which over the same period experienced 1.4 per cent growth on average each year.

Future Economic Performance
GVA in Fife is forecast to grow by 1.3 per cent on average each year from 2019 to 2029. This rate of growth would be below that of Scotland (1.7 per cent) and the UK (2.0 per cent). It would also be lower than the average annual growth rate that Fife experienced from 2009 to 2019.

Economic growth across Scotland is expected to be relatively modest in the short term, as businesses show their reluctance to invest while operating under Brexit-related uncertainties. Slower GVA growth in Scotland is largely explained by its industrial mix, and specifically, the most dynamic sectors such as high value business services and digital sectors being underrepresented in Scotland compared to the UK.

GVA growth in Fife is expected to be driven by the dominant Real Estate sector from 2019 to 2029, the GVA produced by the sector is expected to increase by £173.4m. The GVA output from the Real Estate sector is however inflated by owner-occupier imputed rent. Imputed rent captures, economically, the value of the service homeowners are providing to themselves by owning and living in their own home.\(^\text{19}\)

In addition to Real Estate, sectors forecast to have the greatest increases in GVA output are:
- Manufacturing, £135.7m;
- Wholesale and Retail Trade, £127.8m;
- Human Health and Social Work, £90.9m; and
- Professional, Scientific and Technical Activities, £78.9m.

When compared to GVA output in 2019, most of the sectors that had the greatest GVA output in 2019 are expected to have the greatest actual growth from 2019 to 2029, with the exception of Public Administration and Defence.

Percentage change provides an alternative viewpoint for considering the future GVA contribution from sectors. This approach captures sectors that might make smaller GVA contributions but are forecast to grow at a faster rate. Information and Communication is expected to have the greatest rate of GVA growth from 2019 to 2029 in Fife. This was a medium sized sector in 2019 (in economic terms) but it is forecast to have an average annual growth rate of 2.6 per cent. The larger Professional, Scientific and Technical Activities sector is also expected to have a fast rate of growth from 2019, averaging 2.6 per cent each year up to 2029.

Fiscal policy is likely to remain tight over the forecast period and, as a result, will weigh on the economic growth prospects for the Public Sector. Public Administration and Defence Activities is expected to contract each year from 2019 to 2029 in Fife. The forecast average annual rate of contraction is -0.7 per cent. However, the Human Health and Social Work and Education sectors are forecast to have GVA growth, growing by 1.5 per cent and 0.2 per cent per year respectively, over the forecast period (see Figure 4). This will be as a result of increased demand for these services due to changes in the region’s population structure.

**Figure 4**
Forecast average annual GVA change by Industry (%) (2019 - 2029), Fife

Source: Oxford Economics
The key sectors contributing most to GVA growth in Fife from 2019 to 2029 are expected to be Financial and Business Services, Health and Social Care, Engineering and Construction (see Figure 5). These sectors are expected to have a higher overall contribution to growth as they have a relatively large presence in the regional economy already.

**Figure 5**

*Forecast absolute GVA growth by Key Sector (£m) (2019 - 2029), Fife*

- Financial and business services: £95.5
- Health and social care: £90.9
- Engineering: £74.8
- Construction: £74.6
- Food and drink: £56.3
- Digital: £46.4
- Energy: £45.2
- Creative industries: £42.7
- Tourism: £36.9
- Life sciences: £16.8
- Child-day care activities: £15.0
- Chemical sciences: £10.1

Source: Oxford Economics
Looking instead at percentage change for the key sectors for 2019 to 2029, Child-Day Care Activities is forecast to be the fastest growing. It is forecast to grow 4.1 per cent each year on average. This strong outlook reflects the Scottish Government’s childcare policy to double the number of hours of funded childcare by 2020. However, its small size in absolute terms means that its impact on overall growth is limited.

Relatively fast growth is also forecast in the Creative Industries, Life Sciences and Digital sectors. However, like Child-Day Care Activities their overall contribution will be lower due to their smaller size relative to the much larger, dominant key sectors in the region currently (see Figure 6).

**Figure 6**
Forecast average annual GVA growth by Key Sector (%) (2019 - 2029), Fife

<table>
<thead>
<tr>
<th>Sector</th>
<th>GVA Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child-day care activities</td>
<td>4.1</td>
</tr>
<tr>
<td>Creative industries</td>
<td>2.2</td>
</tr>
<tr>
<td>Life sciences</td>
<td>2.2</td>
</tr>
<tr>
<td>Digital</td>
<td>2.0</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>1.8</td>
</tr>
<tr>
<td>Health and social care</td>
<td>1.5</td>
</tr>
<tr>
<td>Tourism</td>
<td>1.3</td>
</tr>
<tr>
<td>Food and drink</td>
<td>1.2</td>
</tr>
<tr>
<td>Construction</td>
<td>1.1</td>
</tr>
<tr>
<td>Energy</td>
<td>1.0</td>
</tr>
<tr>
<td>Engineering</td>
<td>1.0</td>
</tr>
<tr>
<td>Chemical sciences</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
Productivity

Productivity is the measure of goods and services produced per unit of labour input. Productivity has been calculated by dividing total regional GVA by total regional employment (measured by jobs).

The productivity of a region is influenced by the industrial mix that is present. Within the same industries productivity may differ from business to business.

Office for National Statistics (ONS) analysis tells us that:

GVA per worker [productivity] is generally lower in the accommodation and food service activities, administrative and support services activities, and wholesale and retail trade industries than in most other industries. The production sector, by contrast, has relatively high productivity.

Among the service sectors, the professional, scientific and technical activities, financial and insurance activities, and the information and communication sector also tend to have relatively high-productivity. Therefore, a relatively high aggregate productivity in a region may sometimes be a reflection of a relatively large share of more productive industries in that location.

In 2019, productivity in Fife was £52,300. This was higher than the Scottish average of £50,400 (see Figure 7).

From 2009 to 2019, productivity in Fife grew by 1.4 per cent on average each year. This rate of growth was faster than what occurred across Scotland. Average annual productivity growth across Scotland was 1.3 per cent over the period. The equivalent for the UK was 0.8 per cent.

Productivity in Fife is forecast to grow at an average of 1.3 per cent per year from 2019 to 2029. This is below the growth rate expected for Scotland as a whole (1.4 per cent), and below that of the UK (1.5 per cent).

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Figure 7
Productivity (2019)

Source: Oxford Economics

Employment in Fife
Employment in Fife

Current Employment

Total employment in Fife (measured by jobs) was estimated to be 152,400 in 2019, six per cent of Scottish employment.

The employment rate for the working age population (aged 16-64) in Fife was 74.0 per cent, which was below the rate for Scotland (74.5 per cent). Compared to Scotland, the region had below average employment rates for:

- Young people (aged 16-24), 57.7 per cent compared to 58.3 per cent; and
- Females, 68.9 per cent compared to 71.1 per cent.

Compared to Scotland, Fife had above average employment rates for:

- Males, 79.6 per cent compared to 78.1 per cent;
- Disabled people\(^{21}\), 51.3 per cent compared to 45.9 per cent; and
- Ethnic minorities, 65.7 per cent compared to 57.4 per cent\(^ {22}\).

The region’s overall employment rate means that more than one in four of the region’s working age population were unemployed (4.1 per cent) or economically inactive (22.8 per cent)\(^ {23}\). Inactivity includes people who are studying, retired or looking after their family or home.

Across Scotland and within the region full-time jobs were most numerous, 105,300 jobs (69 per cent) were full-time in Fife in 2019. This was a higher percentage share compared to Scotland where 68 per cent of jobs were full-time. Within the region almost two thirds of full-time jobs (65,100; 62 per cent) were held by males, and the remainder (40,200; 38 per cent) of full-time jobs were held by females.

Part-time jobs accounted for a lower percentage share of employment in the region compared to Scotland, 31 per cent compared to 32 per cent. Overall there were 47,100 part-time jobs in Fife, females accounted for more than three quarters (37,100; 79 per cent). Whilst males accounted for 21 per cent, 10,000 jobs (see Figure 8).

Employment by gender and full-time/part-time (2019), Fife

Source: Oxford Economics

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21 Equalities Act (EA) Core Disabled
22 Employment rate figures from Annual Population Survey, April 2018 – March 2019
23 Employment rate, unemployment rate and economic inactivity rate may not sum to 100 due to rounding.
In Fife, the largest employing sectors, and their regional share of employment, in 2019 were (see Figure 9):
- Wholesale and Retail Trade, 15 per cent;
- Human Health and Social Work, 14 per cent;
- Manufacturing, ten per cent;
- Education, nine per cent; and
- Public Administration and Defence, nine per cent.

Real Estate Activities, the sector that made the third greatest GVA contribution in 2019 (irrespective of the imputed rent consideration) accounted for a small share of regional employment. The sector accounted for 1,200 jobs, a one per cent share.

Source: Oxford Economics
Large sectors are an important source of jobs, however regions also have sectoral strengths that make them unique. It means that smaller sectors can be more important than their size suggests as they are more concentrated in the region compared to the national average. In Fife, Public Administration and Defence was the greatest specialism, with the percentage of employment in this sector about 1.5 times greater than the Scottish average. Other sectors that had above average concentrations in Fife were Manufacturing (1.5 times more concentrated), Other Service Activities (1.3 times more concentrated) and Education (1.2 times more concentrated).

Of the key sectors, Health and Social Care was the largest in Fife in 2019 in terms of employment size. The sector accounted for 20,600 jobs. Construction was the second largest with a total of 12,200 jobs (see Figure 10).

Figure 10
Employment by Key Sector and share of total employment (2019), Fife

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and social care</td>
<td>20,600; 14%</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>12,200; 8%</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>11,600; 7%</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>10,900; 7%</td>
<td></td>
</tr>
<tr>
<td>Financial and business services</td>
<td>10,000; 7%</td>
<td></td>
</tr>
<tr>
<td>Food and drink</td>
<td>5,500; 4%</td>
<td></td>
</tr>
<tr>
<td>Digital</td>
<td>5,300; 3%</td>
<td></td>
</tr>
<tr>
<td>Creative industries</td>
<td>4,800; 3%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>1,600; 1%</td>
<td></td>
</tr>
<tr>
<td>Child-day care activities</td>
<td>1,300; 1%</td>
<td></td>
</tr>
<tr>
<td>Life sciences</td>
<td>500; 0%</td>
<td></td>
</tr>
<tr>
<td>Chemical sciences</td>
<td>300; 0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Oxford Economics

24 For more information, see link to hierarchy tool on page 3.
Sectors tell us about the industries that people work in, and occupations provide insight on the type of jobs people do. In 2019, more than one-third of all occupations (39 per cent) in Fife were ‘higher level’, 34 per cent were ‘mid-level’ and 28 per cent were ‘lower level’. Compared to Scotland, the occupational structure of Fife had a greater percentage of the workforce in ‘mid-level’ occupations and fewer elsewhere. Scotland had a greater percentage in ‘higher level’ (45 per cent) and ‘lower-level’ (30 per cent) occupations but fewer in ‘mid-level’ (25 per cent) occupations.

A detailed look at the occupational structure shows that the largest occupations in the region in 2019 were (see Figure 11):

- Elementary Occupations, 12 per cent;
- Caring Personal Service Occupations, 11 per cent; and
- Administrative Occupations, seven per cent.

![Figure 11: Employment by occupation and share of total employment (2019), Fife](image)

Source: Oxford Economics
**Past Employment**

Employment in Fife increased by 1.5 per cent from 2009 to 2019. This was largely caused by growth in prominent, large employing sectors including:

- Public Administration and Defence, 7,500 jobs;
- Transportation and Storage, 2,100 jobs; and
- Professional, Scientific and Technical Activities, 1,700 jobs.

Whilst these sectors experienced growth, other sectors contracted. The greatest absolute decline occurred in the Human Health and Social Work sector in Fife. Compared to 2009, there were 5,500 fewer jobs in the sector in 2019. A decrease in employment levels also occurred in the Information and Communication (-2,400 jobs) and Education (-700 jobs) sectors.

Beyond the sectors, other shifts in the region’s labour market have occurred. Part-time employment increased by 1.6 per cent (700 jobs), at the same time as growth of 7.7 per cent across Scotland. Full time employment increased by 1.4 per cent (1,400 jobs) in Fife, whilst employment in Scotland decreased by 1.2 per cent from 2009 to 2019. Male employment increased by two per cent (1,500 jobs) and female employment increased by 0.9 per cent (700 jobs) between 2009 and 2019. In comparison, female employment across Scotland experienced marginal decline over the same period (-0.3 per cent).

**Employment Forecast**

The employment growth that has occurred in Fife in the past is forecast to continue, albeit at a slower rate. From 2019 to 2029 employment growth of 0.7 per cent is forecast in the region. This equates to very little employment change year to year, and 1,000 jobs in total over the forecast period. Compared to Scotland, this is a slower rate of growth. A three per cent increase in employment, or 0.3 per cent growth annually, over the forecast period is expected for Scotland. The growth rate for the UK is greater still, a five per cent increase, or 0.5 per cent annual change, is forecast.

Over the period to 2029, full-time employment is expected to increase in Fife with 700 more full-time jobs in 2029 compared to 2019. Both male and female full-time employment is expected to increase, by 200 and 600 jobs respectively. Part-time employment for both males and females is also expected to increase, but to a lesser extent (200 and 100 jobs respectively). This is equivalent to an increase of 2.4 per cent in males working part-time, compared to a smaller increase in females working part-time (0.2 per cent) (see Figure 12).

**Figure 12**

Forecast employment change, by gender and full-time/part-time (2019 - 2029), Fife

<table>
<thead>
<tr>
<th></th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Female</td>
<td>600</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
Although employment is forecast to increase in Fife from 2019 to 2029, sectors will have varying performance. The greatest growth in jobs is forecast in Administration and Support Services, with 1,000 more jobs expected in the sector by 2029. Other sectors forecast to have the greatest growth over the forecast period are Professional, Scientific and Technical Activities (1,000 jobs), Construction (900 jobs) and Human Health and Social Work (700 jobs).

Job losses in Fife are also forecast in some sectors, notably in the production sectors and the public sector. Manufacturing is the sector forecast to have the greatest number of job losses from 2019 to 2029. During the forecast period a decline of 2,300 jobs is anticipated. This reflects the general trend of more capital intensive and higher value-added activity in the sector, which requires less labour-intensive methods (see Figure 13).

In the public services sector, Public Administration and Defence is forecast to have the greatest number of job losses in the region from 2019 to 2029. It is forecast to contract by 1,200 jobs over the forecast period due to continued pressure on public finances. Human Health and Social Care is the only part of the public sector expected to grow, the sector is forecast to have 700 more jobs in 2029 compared to 2019. Employment in the Education sector is not forecast to change.

25 Comprising Public administration and defence, Education, and Human health and social work.

**Figure 13**
Forecast employment change by Industry (2019 - 2029), Fife

Source: Oxford Economics
The growth and contraction of employment by sector means that private services\textsuperscript{26} are expected to account for a larger share of jobs in Fife over the forecast period. The percentage is forecast to rise from 49 per cent in 2019 to 50 per cent in 2029. In 2019 the Construction sector accounted for six per cent of employment and this share is expected to rise to seven per cent in 2029. The share that the public services and Manufacturing sectors each account for is expected to decline over the forecast period, by one percentage point to 31 per cent and by two percentage points to eight per cent respectively. Primary Industries is expected to continue to account for three per cent of jobs in 2029.

Looking ahead, the outlook for the key sectors largely echoes the broad sector trends summarised above. Construction, the second largest key sector in 2019 is forecast to grow by 800 jobs. Health and Social Care, the largest key sector in 2019 is forecast to have growth second only to Construction, growing by 700 jobs from 2019 to 2029 in Fife.

A number of other key sectors will experience growth over the forecast period, including:

- Tourism, 600 jobs;
- Child-Day Care Activities, 500 jobs;
- Financial and Business Services, 400 jobs;
- Creative Industries, 200 jobs; and
- Digital, 100 jobs.

Engineering is the key sector forecast to have the greatest employment decline in Fife, with 1,000 fewer jobs in 2029 compared to 2019 expected (see Figure 14).

\textsuperscript{26} N.B. ‘private services’ comprise the following sectors: wholesale and retail trade; transportation and storage; accommodation and food services; information and communication; financial and insurance activities; real estate activities; profess., scientific and technical activities; administrative and support services; arts, entertainment and recreation, and other service activities.
By occupation, Caring Personal Service Occupations are forecast to experience the greatest increase in employment in Fife from 2019 to 2029 (of 700 workers). Growth in these occupations is closely related to the forecast rise in employment in the Health and Social Care sector. An additional 600 workers are expected to be required in Skilled Construction and Building Trades, driven by expansion in the Construction sector. Other occupations anticipated to have an increase that is relatively large for the region are:

- Business and Public Service Professionals, 400 workers;
- Health Professionals, 300 workers;
- Business and Public Service Associate Professionals, 300 workers;
- Clerical and Services Elementary Occupations, 200 workers; and
- Corporate Managers, 200 workers.

Occupations likely to contract over the next decade tend to be those most closely associated with Manufacturing and Public Administration and Defence, reflecting the declining numbers of jobs in each of these sectors. Examples include Administrative Occupations (-500 people), Skilled Metal and Electrical Trades (-400 people), Protective Service Occupations (-200 people) and Teaching and Research Professionals (-200 people) (see Figure 15).

![Figure 15](image_url)

**Figure 15**

Forecast employment change by occupation (2019 - 2029), Fife

Source: Oxford Economics
Total Labour Market Requirement in Fife
Total Labour Market Requirement in Fife

Total Requirement

In the previous sections we presented what has happened, is happening and what is forecast to happen in the Fife economy and labour market. When looking at the labour market, we have until this section focused on how many jobs there will be in any given year and how that compares to another year. However, the labour market is more complex than this.

In this section, we provide greater insight on job openings. To do this we consider the jobs that will be created or lost due to expansion or contraction in the labour market and the jobs that will arise due to people leaving the labour market. People leave the labour market and jobs become vacant for a variety of reasons, retirement being the most common cause. This is called the replacement requirement.

In Fife, 52,800 job openings are forecast from 2019 to 2029. In the region, and as shown in the previous chapter, 1,000 jobs are forecast to be created in Fife from 2019 to 2029 due to expansion in the labour market. A further 51,800 job openings will arise due to the replacement requirement.

These opportunities are expected to be concentrated in a small number of sectors, with five sectors in Fife forecast to account for almost one third (63 per cent) of the requirement. These are (see Figure 16):

- Wholesale and Retail Trade, 11,900 jobs;
- Human Health and Social Work, 5,600 jobs;
- Accommodation and Food Service Activities, 5,300 jobs;
- Administration and Support Services, 5,300 jobs; and
- Education, 5,100 jobs.

These sectors were the largest in the region in 2019 (in terms of employment size) with the exception of Administration and Support Services.

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27 Job openings can be full or part time and the job openings forecast could be higher or lower in reality. Please note that throughout this section totals may not equal the sum of constituent parts due to rounding.
Figure 16
Forecast net requirement by Industry (2019 - 2029), Fife

Source: Oxford Economics
To fill these jobs, and others, there is a forecast requirement for 50,300 people in the region from 2019 to 2029. The difference between the people and job requirements is due to some people having more than one job, for example someone who has two part-time jobs. The number of jobs is forecast to increase in Fife over the next decade, as is the number of people working (increase of 800 people). The replacement requirement of 49,500 people also creates a need for labour.

By occupation, the greatest number of people are forecast to be required in (see Figure 17):
- Clerical and Service Elementary Occupations, 9,700 people;
- Teaching and Research Professions, 6,500 people;
- Caring Personal Service Occupations, 4,900 people;
- Sales Occupations, 4,600 people; and
- Trades, Plant and Storage Elementary Occupations, 3,200 people.

Figure 17
Forecast net requirement by occupation (2019 - 2029), Fife

Source: Oxford Economics
Supply of People in Fife
Supply of People in Fife

Projection of Total Population

NRS produce population estimates for Scotland biennially. Their 2016 based forecasts cover the period up to 2041, so in this chapter we present a longer forecast period than the previous chapters.

In 2016, the population of Fife was 370,300, seven per cent of Scotland’s population.

By age, the largest group in Fife were people of working age (16-64 years). There were 232,300 people in this age group, 63 per cent of the region’s population. Across Scotland people of working age also accounted for a larger share of the population overall (65 per cent).

The number of people of working age compared to those of non-working age has implications for the region’s dependency ratio. The dependency ratio is important when considering the demand for public services, for example schools and healthcare services, and the funds available to provide these services, the income from taxes and National Insurance. In 2016, the dependency ratio in Fife was 59 per cent. This means that for every 100 people of working age, there were 59 people of non-working age. Across Scotland it was 55 per cent.

Of those who were in age groups thought to be dependent, the oldest age group was the largest. There were 73,700 people aged 65 or older who accounted for 20 per cent of the region’s population. Across Scotland those aged 65 or older accounted for 18 per cent of the population, which suggests an overall older population in Fife.

Children and young people (0-15 years) accounted for the remaining 17 per cent of the population, there were 64,400 individuals in this age group (see Figure 18).

Brexit has placed an increased focus on the nationality of people living and working in the UK. It has the potential to discourage EU migrants from coming to the UK to live and work, either through choice or eligibility. Migration is important to Scotland as without it the population would be declining.

Figure 18
Population by age (2016), Fife and Scotland

Of those who were in age groups thought to be dependent, the oldest age group was the largest. There were 73,700 people aged 65 or older who accounted for 20 per cent of the region’s population. Across Scotland those aged 65 or older accounted for 18 per cent of the population, which suggests an overall older population in Fife.

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Brexit has placed an increased focus on the nationality of people living and working in the UK. It has the potential to discourage EU migrants from coming to the UK to live and work, either through choice or eligibility. Migration is important to Scotland as without it the population would be declining.
In Fife, there were 9,000 people who were born in the EU and a further 14,000 from the rest of the world in 2018. The EU born population accounted for two per cent of the region’s population, and four per cent of the region’s population were born elsewhere in the world. Compared to Scotland a smaller percentage of the region’s population were born in the EU, and the same percentage were born elsewhere in the world. Across Scotland four per cent of the population were born in the EU, and four per cent were born in other countries outside of the EU.

From 2016 to 2041, the population of Fife is projected to increase by approximately 9,500 people. Equating to a three per cent increase, this is lower than the national projected growth rate of five per cent over the same period.

The age structure of the region’s population is projected to change over the coming decades, with the percentage of the population who are of working age expected to fall from 63 per cent in 2016 to 56 per cent in 2041; a projected decrease of 18,500 people.

The largest increases are expected in the 65 or older age groups, with an 84 per cent increase projected for those aged 75+ (an additional 26,400 people) and 12 per cent among those aged 65-74 (an additional 4,900 people). There is a forecast decline in all other age groups over the period, with the most substantial decline of eight per cent projected for those aged 16-29 and 30-64, a projected fall of 4,900 and 13,600 people respectively.

These shifts suggest that the region could have a larger and generally older population by 2041. This has implications for the region’s dependency ratio. Brexit may also affect the population structure and exacerbate any challenges. By 2041, the region’s dependency ratio is expected to increase to 78 per cent. Across Scotland the dependency ratio is expected to rise to 70 per cent (see Figure 19).

Figure 19
Dependency ratio (2016 and 2041)

Source: National Records of Scotland
6 Skills Shortages, Gaps and Challenges in Fife
Skills Shortages, Gaps and Challenges in Fife

The Employer Skills Survey (ESS) gathered information on the skills challenges that employers encountered when recruiting, and any challenges that they had within their existing workforces. It is the primary source for this insight as it has taken a consistent approach across sectors and regions. The survey covered:

- Recruitment and skill-shortage vacancies;
- Skills gaps in the existing workforce;
- Skills under-utilisation;
- Upskilling - the need for staff to acquire new skills or knowledge;
- Training and workforce development; and
- High Performance Working practices.

The insight presented here is from the 2017 ESS which covered Scotland, England, Wales and Northern Ireland. The next ESS will be published in 2020 and unlike previous years, Scotland’s results will be published by the Scottish Government. Future ESS results for England, Wales and Northern Ireland will still be available and will be published by the UK Government.

Skills Shortages

Skills shortages are challenges that arise when employers are recruiting but are unable to find applicants with the required skills. When a vacancy cannot be filled due to a shortage of skills it is a skill-shortage vacancy (SSV). SSVs impact on the workplace and workforce in a number of ways, including:

- Increasing the workload for other staff;
- Creating difficulties when trying to meet customer service objectives; and
- Increasing operating costs.

In 2018, skills shortages were estimated to have cost Scottish employers £361.3 million, roughly £17,000 per organisation.

In 2017, the number of employers reporting at least one SSV in Fife was six per cent, compared to six per cent for Scotland. This suggests a challenge that is comparable across the region’s labour market compared to Scotland’s. The incidence of SSVs in the region was higher in 2015 (nine per cent), whereas across Scotland the incidence of SSVs has remained the same (six per cent) from 2015 to 2017.

Density, which indicates how many vacancies were SSVs, was lower in Fife than Scotland in 2017 and 2015. In 2017, density in the region was 13 per cent, down from 22 per cent in 2015. Across Scotland, density was 24 per cent in 2015 and 2017. This suggests that although employers in the region continue to face difficulties across a number of roles, this is to a lesser extent than employers across Scotland (see Figure 20).
Across Scotland, to overcome SSVs, the most common responses employers took were to:

- Increase their expenditure on advertising and recruitment;
- Use new recruitment methods; and
- Redefine existing jobs.

Skills are not the only reason employers can find it difficult to fill vacancies. Other factors like hours and location, can make it hard to fill vacancies. In Scotland, 41 per cent of employers tried to recruit non-UK nationals to overcome hard to fill vacancies. Of these employers in Scotland, 89 per cent sought to recruit EU nationals as a response to recruitment challenges. This information provides an indication of national recruitment challenges, as equivalent data for Fife is not available. Any changes to migration policy as a result of Brexit will affect all regions in Scotland.

Most employers took action to overcome SSVs, however 11 per cent of Scottish employers in 2017 took no action.

Source: Employer Skills Survey
Skills Gaps
Skills gaps arise when existing employees are not fully proficient as they do not have all the skills necessary for their role – these can be people, personal, practical and/or technical skills. Similar to skills shortages, we consider the incidence (how many employers have at least one person not fully proficient) and density (how many employees are not fully proficient). Skills gaps have similar impacts to SSVs and can slow down innovation in the workplace. Across Scotland, the most common causes of skills gaps were:

• Employees being new to their role, or training being incomplete;
• A lack of staff motivation; and
• An inability to recruit staff with the required skills, creating a need to upskill employees/recruits.

In 2017, the number of employers who reported a skills gap in at least one employee was 19 per cent in Fife, compared to 16 per cent for Scotland. Since 2015, the incidence of skills gaps in the region has decreased. In 2015, 15 per cent of employers experienced a skills gaps - higher than the percentage in Scotland (13 per cent).

Overall, 3.2 per cent of the workforce in Fife had a skills gap in 2017. This was a decrease from 7.5 per cent in 2015, above the Scottish rate of 4.9 per cent in 2015 but lower than the Scottish rate of 5.0 per cent in 2017. Of the 13 regions, Fife had one of the lowest percentages of skills gaps density. This, alongside the insight on incidence, suggests that although skills gaps are relatively far reaching in Fife, affecting almost one in five employers, there is evidence that this is less dense than in other regions (see Figure 21).

Across Scotland employers responded to skills gaps by:

• Increasing their expenditure on training, expanding trainee programmes and/or increasing training activity;
• Implementing more staff supervision; and
• Implementing a mentoring or buddy scheme.

Figure 21
Skills Gaps (2015 and 2017), Fife

Source: Employer Skills Survey
Most employers in Fife acted to overcome skills gaps, and eight per cent sought to recruit non-UK nationals as a response, compared to 15 per cent across Scotland. Across Scotland, most employers (93 per cent) who sought to recruit non-UK nationals considered EU nationals, equivalent data for Fife is not available.

Most employers took action to overcome SSVs, however 15 per cent of Scottish employers took no action in 2017.

**Skills Under-Utilisation**

Employees are under-utilised if they have skills and qualifications more advanced than what is needed for their role. Addressing skills under-utilisation is important. In 2012 the economic cost to the UK of skills under-utilisation was estimated to be between £12-25bn. If skills-under-utilisation was on a par with the levels observed in Germany or France, UK GDP would be £5-9bn higher. There are implications for individuals too, having their skills under-utilised can impact on their income, health and wellbeing.

Similar to SSVs and skills gaps we can understand the incidence (how many employers have under-utilised employees) and density of the challenge (how many employees are under-utilised).

The number of employers reporting skills under-utilisation in their workforce was lower in Fife in 2017 compared to Scotland, 30 per cent and 35 per cent respectively. Whilst lower, this still suggests that almost one third of employers in the region had skills and talent going unused. The percentage of employers reporting under-utilisation in Fife decreased between 2015 and 2017, from 33 per cent to 30 per cent respectively. In comparison, across Scotland the percentage increased from 32 per cent in 2015 to 35 per cent in 2017.

The proportion of staff under-utilised has declined in the region, from 5.6 per cent in 2015 to 4.0 per cent in 2017. This suggests that fewer employers in the region are experiencing skills under-utilisation and the number of their employees under-utilised has also declined. Across Scotland, the percentage of staff under-utilised increased from 7.9 per cent to 9.2 per cent which suggests a skills challenge that is growing (see Figure 22).

**Figure 22**

Skills Under-Utilisation (2015 and 2017), Fife

<table>
<thead>
<tr>
<th>Percentage of employers reporting Skills Under-Utilisation</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of the workforce Under-Utilised</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.6%</td>
<td></td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Source: Employer Skills Survey

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**Upskilling**

Skills are gained throughout life, and a need to upskill can arise due to:

- New legislative or regulatory requirements;
- The introduction of new technologies, equipment or working practices;
- Increased competitive pressure;
- The development of new products and services; and more recently
- The UK’s decision to leave the EU.

A need to upskill employees in the next 12 months was anticipated by 68 per cent of employers in Fife (as of 2017). This was lower, but close, to the percentage of employers across Scotland who anticipated a need to upskill (69 per cent). Within the region, digital and operational skills were the most commonly mentioned development area. Over half of the employers who identified development needs mentioned these (58 per cent and 52 per cent respectively). The need to upskill operational skills was lower in the region compared to Scotland (57 per cent), whilst the expected need to upskill digital skills was the higher (49 per cent). Fewer employers in the region expected a need to upskill the complex analytical skills of their employees (34 per cent) compared to Scotland (44 per cent) (see **Figure 23**). The evidence suggests that employers in Fife expect to upskill their workforce in the next twelve months, the upskilling requirement typically covered operational and digital skills.

**Figure 23**

**Employers anticipating a need to upskill by type of skill (2017), Fife and Scotland**

<table>
<thead>
<tr>
<th>Skill Type</th>
<th>Fife</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex analytical</td>
<td>34%</td>
<td>44%</td>
</tr>
<tr>
<td>Operational</td>
<td>52%</td>
<td>57%</td>
</tr>
<tr>
<td>Digital</td>
<td>49%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: Employer Skills Survey
Conclusion
Conclusion
In 2019 Fife made a GVA contribution to the Scottish economy of £8bn, six per cent of Scotland’s output (£138.8bn). Looking ahead, the economy is forecast to grow by 1.3 per cent on average each year up to 2029. This would be slower growth than what is forecast across Scotland, it would also be lower than the average annual growth rate that Fife experienced from 2009 to 2019. The forecast however reflects a point in time and the high levels of economic uncertainty could change the outlook.

Total employment in Fife (measured by jobs) was estimated to be 152,400 in 2019, six per cent of Scottish employment. Employment in the region increased from 2009 to 2019, but the forecast suggests that only limited growth will occur in the future from 2019 to 2029. The four sectors forecast to have the greatest jobs growth are:

- Administration and Support Services, 1,000 jobs;
- Professional, Scientific and Technical Activities, 1,000 jobs;
- Construction, 900 jobs; and
- Human Health and Social Work, 700 jobs.

Whilst both were six per cent, the region’s share of Scotland’s GVA was marginally higher in 2019 than its share of employment. As a result, productivity performance was slightly above average. Productivity was £52,300 in Fife compared to £50,400 across Scotland.

The employment growth forecast will create 1,000 new jobs in the region and the need to replace workers leaving the labour market will create further 51,800 opportunities. Vacancies arising due to the replacement requirement far outweigh those created by growth.

To fill these jobs, and others, there is a forecast requirement for 50,300 people in the region from 2019 to 2029. The difference between the people and job requirements is due to some people having more than one job, for example someone who has two part-time jobs.

By occupation, the greatest number of people are forecast to be required in:

- Clerical and Service Elementary Occupations, 9,700 people;
- Teaching and Research Professions, 6,500 people;
- Caring Personal Service Occupations, 4,900 people;
- Sales Occupations, 4,600 people; and
- Trades, Plant and Storage Elementary Occupations, 3,200 people.

Whilst there will be demand for people to fill jobs, the population projection suggests that Fife could have a larger and generally older population by 2041. This presents a number of challenges:

- Skills challenges could be exacerbated by a deficit of talent, created due to the growth of people reaching retirement age and decline in the working age population;
- Pressures on public finances and services could increase due to a growing dependency ratio, the region’s dependency ratio is expected to reach 78 per cent by 2041, up from 59 per cent in 2016; and
- Migration has been a driver of population growth across Scotland and an important source of skilled labour. With six per cent of the region’s population born outside of the UK, changes to migration policy arising from Brexit could adversely affect future migration to the region and also impact on those who have already settled.

To address the current and future challenges in the labour market, and to make the most of the region’s strengths SDS is working in partnership with others on a range of actions.

The Fife Economy Partnership (FEP) is a business led group which brings together people from Fife’s business and public sector organisations. As part of the Fife Community Planning Partnership the FEP identifies
and takes forward policies and activities that help economic development in Fife. There is an Executive Group and five working groups sitting below this covering employer engagement; the Fife Task Force; Investment; Internationalisation and Innovation.

The Opportunities Fife Partnership was created, and a strategy developed in 2010. The purpose of the partnership is to influence and drive innovative approaches to skills and employability services that reflect the current and future needs of individuals and employers. There is a focus on adult provision through the Fife Employability and Training Consortium, the Fife Recruitment and Outreach project and the Making it Work – Fife Gingerbread project. The partnership also encompasses support for young people aged 16-24, including the Developing the Young Workforce group and a range of other initiatives. There is also a range of support available around Health and Disability Provision.

Fife is also part of the Edinburgh and South East Scotland City Region Deal and Tay Cities Region Deal. The Integrated Regional Employability and Skills projects in the Edinburgh and South East Scotland City Region Deal are available online and the Tay Cities Skills and Employability Development Programme is under development.

The Tay Cities RSIP was launched in August 2019 and focuses on the skills needs of people across Angus, Dundee, Perth and Kinross and north east Fife. It will focus on enhancing careers information, advice and guidance available to all; increasing Foundation Apprenticeships to support year on year growth across each part of the region; creating an integrated regional approach to reducing economic inactivity rates and narrowing the employment-rate gaps confronting disabled people, minority ethnic groups and care experienced people, and addressing gender inequality; creating a workforce development fund, open to employers in key and growth sectors; and enhancing

33 http://www.acceleratinggrowth.org.uk/ires
35 http://www.skillsdevelopmentscotland.co.uk/media/45888/skills-investment-plan-tay-cities-region.pdf
mentoring and e-learning support for owner-managers in micro-businesses and third sector organisations, focusing on key and growth sectors and their supply chains.

The Regional Skills Assessment for Fife highlights the current challenges facing the regional economy. However, these challenges are being addressed through the FEP, Opportunities Fife and through the RSIP, Edinburgh and South East Scotland City Region Deal and the Tay Cities Deal. It is anticipated that the actions agreed across the partnership groups will address inequality, promote inclusive economic growth and provide pathways into and through employment for residents whilst removing barriers such as access to transport and the skills required for the world of work.

Contact Us: If you have any feedback or comments on this report, please email rsa@sds.co.uk