

## **Local Labour Markets: Mid 2018 & Beyond**

### **Summary**

SW England has a very tight labour market and many local businesses complain of not being able to find new skills or to replace retiring experience. Yet, real average earnings are still flat, at best, and job security is less robust.

Persistent low interest rates have skewed incentives away from capital investment and productivity and towards short-term capacity measures. The behaviour seems to be “throw more labour at it” rather than “invest in capacity for the long term”. Hence, we have a crisis of low productivity growth and weak competitiveness.

Uncertainty about growth, policy and technological change, in 2019 and beyond, suggest there remains a long tail of uncompetitive survival in Dorset and its hinterland. But, there are reasons for optimism.

### **The Main Regional Data**

In the second quarter of 2018 (April-June), SW England had the highest employment rate and the lowest unemployment rate amongst the nine English regions and the three devolved administrations: 79.4% and 2.9% respectively. These compared with equivalent UK averages of 75.6% and 4% respectively. Indeed, the SW employment rate was at a record high! For all intents and purposes, despite local pockets of weakness in a few, mostly urban, areas, the region has ‘full’ employment.

In the year from March 2017 to March 2018, the SW region added a net 8,000 workforce jobs. Some 80.5% of regional jobs are in services (83.4% nationally, reflecting a London effect), 9.7% in production and 9.8% in ‘other/primary’. SW England had the lowest ‘actual hours worked’ figure (average 31.1 hours compared with a high of 33.5 hours in London) and the lowest inactivity rate (18.1% versus UK average 21.2%). The region has a relatively high part-time employment rate.

### **The Local Data**

Within Dorset, the highest employment rate is in Christchurch and the lowest in Weymouth and Portland. The highest unemployment rate is in Bournemouth and the lowest in Christchurch and East Dorset.

## Regional Economic Development: Local Economy Briefing 25

The following table summarises the key data for Dorset's local areas and its neighbours. Generally, Dorset performs 'better' than the national averages on most measures. It shows a 'normal' pattern of contrast between urban and rural areas and reflects some specific 'border' and commuting issues (especially for Weymouth and Portland and particularly for jobs density, i.e. a ratio of jobs per head). Unsurprisingly, high employment rates are associated with low unemployment and inactivity rates and vice versa.

### Local labour markets: April 2017 to March 2018

	Employment	Unemployment	Inactivity	Density
Bournemouth	75.2	4.1	21.8	0.77
Christchurch	83.5	2.3	16.0	0.86
Poole	76.3	3.2	21.2	1.03
East Dorset	81.5	2.3	16.3	0.81
North Dorset	77.9	2.5	19.8	0.77
Purbeck	76.2	2.7	21.7	0.79
West Dorset	75.4	2.6	21.0	1.14
Weymouth & Portland	74.5	3.2	21.4	0.56
Devon CC	79.3	2.7	18.8	0.91
Hampshire CC	82.5	2.9	15.3	0.87
Southampton	74.7	5.0	21.8	0.78
Wiltshire CC	81.1	2.9	16.1	0.89
UK	74.8	4.3	21.7	0.84

Source: ONS

### Outlook

Going forward, the key labour issue for Dorset, as elsewhere, is about the quality rather than the quantity of employment ... and its sustainability. At present, the local economy can find work for its workforce. In every business survey or meeting, however, local leaders talk about the constraints on growth from an inability to replace experience, attract talent and create skills, especially in some key areas of engineering, digital some professions, and sales and marketing.

Currently, many commentators are discussing the impact of AI and other expected technological changes: how they might affect employment patterns in the next decade. It is argued that it is the learning, leisure and caring skills, working with or through AI, that will be in more demand. (I would like to add energy and environmental conservation and replenishment to that list.)



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The essence of the transformation process for skills and jobs, however, is usually its unpredictability. Human beings remain adept at creating 'new and unforeseen' value as their world changes and fewer of us are still in the jobs or sectors we started in as our careers develop. Flexible transferability has become key.

The current fear is that private and public retraining and apprenticeship structures are not up to the job of providing the 'new' skills businesses might need. There is concern that many current workers will become unemployable and impoverished without significant 'new and different' investment of time and money in education and training. (One recent guess puts this at seven million nationally – see media response to Bank of England Chief Economist comments reported on 20<sup>th</sup> August 2018)

Previous "industrial revolutions" suggest a more positive outlook can be envisaged. In the 19<sup>th</sup> century, the move from field to factory was disruptive but ultimately economically beneficial for many and most. In the 20<sup>th</sup> century, the switch from jobs in manufacturing to jobs in services followed a similar pattern. In the 21<sup>st</sup> century, the internet/digital/AI age seems to be on the same path: new and different ways of working and entrepreneurship are creating new opportunities even if the pattern of working is more fluid.

The earnings stagnation of the last decade has moderated expectations and created fears that "our children will be worse off than us". The 'robot revolution', however, need not be inherently different from previous ones in terms of the creation of future jobs and incomes. In the end, it is in our hands to provide the investment in people needed to equip us all for a positive outcome. Change is something we do to ourselves.

As long as we avoid the mentality and behaviour of a 'zero-sum game' approach to trade and investment, the economy is capable of re-directing itself into an unforeseen age of wealth and prosperity with new jobs and values for all. Populists be warned.

Professor Nigel F Jump, Bournemouth University, August 2018