

Dorset Labour Market Insights, Quarter 1, 2023

At a national level the labour market has begun to show signs of softening with vacancy levels starting to fall, although still at historically high levels and many businesses continuously struggling to recruit.

The local picture appears to differ, with levels continuing to climb to new records and the market showing signs of near full employment indicating a challenging situation for employers across the county with inactivity rates and long-term sickness worsening.

Pressure remains on household incomes as inflation remains persistently high, particularly for food prices and worker mobility may be affected by an unprecedented squeeze on the rental market. It is difficult for employers to respond to these calls.

The latest labour market update also includes detailed analysis of current and future recruitment trends and occupational projections. It has been published including dashboard and key highlights presentation on the Dorset LEP website <https://www.dorsetlep.co.uk/dorset-labour-market-and-skills-quarter-1-2023>.

The Economy

[Latest ONS Quarterly Economic figures](#) illustrate the UK economy is not growing but not shrinking. Economy appears to avoid recession but stays mostly flat.

Economic growth as measured by GDP remained static, and inflation stayed stubbornly in double digits (10.1%) for the seventh month in a row.

In February 2023:

- Services fell by 0.1% after growing by 0.7% in January.
- Production fell by 0.2% following a fall of 0.5% in January.
- Construction grew by 2.4% after falling by 1.7% in January.

There are indications that wide-spread industrial action has impacted economic performance.

[The S&P Global's flash estimates showed positive signs](#) of accelerated business activity growth above forecasters' expectations in the Service sector and **Consumer Confidence also rose, [as measured by the GfK Consumer Confidence Index](#)**

The Labour Market

Vacancies

Nationally, reflecting some uncertainty across industries, there was an estimated 4% fall in the number of vacancies advertised in the UK over the first quarter of 2023 on the last quarter of 2022¹ ([ONS Vacancies and jobs in the UK, April 2023](#)). Where businesses were holding back on recruitment (or offering temporary rather than permanent appointments), they cite economic pressures as a key factor.

Company size had a role to play, with the largest contraction (7.6%) in advertised vacancies seen amongst smaller businesses (employing up to 9 people), illustrating they have been more affected and cautious with recruitment decisions.

¹ Note. There is some variability in the data across sources - some showing a small increase.

In their [latest Report on Jobs](#), the Recruitment and Employment Confederation (REC) noted that economic uncertainty has also resulted in a marginal fall in permanent staff placements across the UK, whilst the growth in temporary job appointments rose to a six-month high.

For the first time in over two years, recruiters also reported improved candidate availability – a possible sign of easing of the labour market tightness, to be monitored over the coming months. While recruitment difficulties nationally appear to ease, they remained above normal.

Local figures in Dorset however paint a contrasting picture.

Counter to the national trends of labour markets easing, the year started strongly in terms of the scale of vacancies advertised in Dorset. There were on average 9,000 vacancies per month over the first quarter of 2023, which compared favourably to the same period in the previous three years (20, 21 and 22) and illustrated robust demand for workers across Dorset.

In fact, the c.27,000 aggregate vacancies advertised through the first 3 months of 2023 across the county hit a new record. This was one-third higher than the same period in 2022 and compared to a 1% fall seen across the UK.

Vacancy growth was more pronounced in Dorset Council, marking a 38% increase compared to a 30% growth in Bournemouth, Christchurch and Poole.

Employment and Unemployment rates

Nationally, the number of employee jobs² continued to rise, reaching a 3% increase on the year (data available to the end of 2022), mainly attributed to the cost-of-living crisis with many people taking on jobs driven by the financial squeeze. Food prices have soared (19,1%↑) and rents are going through the roof. The average rent has seen a 4.7% increase over the past year across the UK and has reached 39% of the average income in Dorset. This compares to a quarter of the average earnings in some areas in the North ([link](#)).

Both employment and unemployment rates in Dorset remain more favourable than the national figures. Unemployment rates both nationally and in Dorset (LEP) have seen an ongoing decline since the last quarter of 2021 when unemployment reached 5% in Dorset and briefly overtook national rates for the first time.

The latest figures show there were 6,000 more people employed in Dorset (LEP) in the end of 2022 than a year before, marking a 2% increase, compared to a 1% increase nationally.

The decline in those unemployed in Dorset is even steeper. There were 11,000 unemployed in the county at the end of 2022, which marks a 37% drop, compared to 19% UK reference.

The latest quarterly data indicates that only 3.1% of working age people in Dorset (LEP) were unemployed and looking for a job. Moreover, this figure hit a historic low in Dorset Council dropping to an estimated 1.7%.

Taken with the increase seen in vacancies, these figures paint a picture of full employment in Dorset Council and with employment rates rising more than nationally, indicate a challenging market for employers across the county.

² Note. The number of jobs is not the same as the number of people in employment - a person can have more than one job.

Economic Inactivity patterns

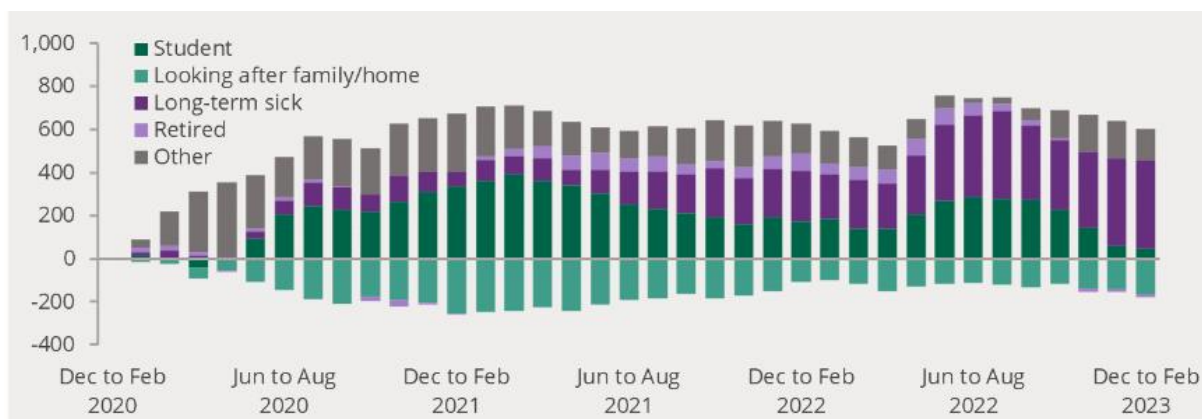
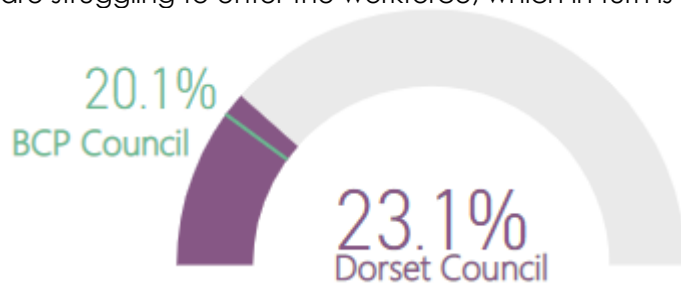
Although employment rate has increased, it is still below pre-pandemic rates and the emerging economic inactivity patterns offer part of the explanation.

Dorset's 77% employment rate in December 2022 was 2 percent points lower than in March 2020 and economic inactivity was circa 3 pp higher (and 3.5 pp higher in BCP).

This represents over a fifth of those aged 16-64 in BCP and close to a quarter of Dorset Council's working age people that don't currently participate in the workforce.

Economic inactivity patterns mask large rises in those out of work due to long-term ill health, which according to [IPPR research](#) costs the UK economy 43bn a year.

The [Institute for Employment Studies](#) reports that UK is now the only major economy where this is the case saying disadvantaged groups (long term sick, NEET young people and women) are struggling to enter the workforce, which in turn is holding back growth.



[ONS Employment in the UK, April 2023](#)

In its report IPPR calls for more prevention, better treatment, faster access to care and more effective employment support services and workplace interventions for those with existing long-term conditions, mental health problems or other impairments.

Dorset recruitment trends

Industries. Looking at the industries with highest number of vacancies in the first three months, the largest numbers were advertised across Administrative services, Healthcare and Retail. When compared to the same period in 2022, vacancy levels in Quarter 1 increased across all industry sectors except Healthcare, where demand fell by 2%. The largest increases were recorded in Construction (↑160%), Wholesale and Retail Sales(↑87%), Financial Services (↑66%), and IT (↑55%).

Occupations. The demand for lower and mid-skilled roles in Dorset have elevated in scale over the past decade, particularly for Elementary and Caring occupations, which have almost quadrupled since 2015, resulting in shrinking of high skilled vacancies as a proportion. This is likely a reflection of higher turnover, declining supply and possible changes in the way employers recruit for these roles in recent years.

The existing employment figures show that vacancies demand is not a mirror reflection of actual employment where the largest drops in employment over that period were recorded amongst those employed in low skilled roles (↓14%), mainly explained by a 28% Sales and 18% Skilled Trades declines.

High skilled occupations (SOC 1-3) tended to dominate, accounting for half of all in employment and the occupational grouping that has seen a growth in employment since 2015 (↑17%), largely accounted by the increases in professionals (↑30%) and associate professionals (↑10%) in employment.

The job openings for high skilled jobs (SOC 1-3 including Professional, Associate Professional and Management occupations) that typically demand university and college graduates in Dorset, remain critical to local growth.

With c14,300 high skilled jobs advertised in the first quarter only, these accounted for 43% of the advertised vacancies and a review of the high skilled jobs on offer in Dorset over the first quarter is shown below.

PROFESSIONALS ~7.3k jobs, 22%	ASSOCIATE PROFESSIONALS ~4.9k jobs, 15%	MANAGERS ~2.1k jobs, 7%
Median advertised salary: 40k Top roles: Nurses, Engineers, Teachers & Accountants	Median advertised salary: 30k Top roles: Technicians, HR, IT Support, Marketing & Recruitment	Median advertised salary: 39k Top roles: Finance, Project, Site Business Development <u>Mngrs</u>
Top Sectors: Administrative, Health & Education	Top Sectors: Administrative, Health, Retail	Top Sectors: Administrative, Health, Trade & Finance
Top employers: NHS, JP Morgan, Councils, BU, BAE Systems	Top employers: NHS, JP Morgan, Hays, Councils, BU, Holt Engineering	Top employers: NHS, JP Morgan, Hays, Councils, Vitality
Top skills: Communications, Management, Customer service	Top skills: Communications, Customer service, Detail Orientation	Top skills: Management, Communications, Leadership

Future projections

Projections for the rest of year from [The Bank of England](#) state employment intentions remain stable as activity is holding up. Firms expect to maintain headcount over the year.

Few firms plan to cut jobs, and most say that if demand fell, they would reduce hours or allow headcount to fall through attrition (natural process of people leaving jobs), rather than make redundancies.

A sizable number of businesses plan to expand workforce, either due to **higher demand (for example in professional services, IT and in some parts of manufacturing)** or to **address labour shortages (in hospitality, travel, and tourism)**.

The Institute for Employment Research has also produced its latest long-term projections for the size and shape of the employment and labour market in the UK and local areas up to 2035.

The megatrends expected to shape the future of work include:

- Brexit & Covid 19
- Increased adoption of technology
- Major demographic changes
- Major environmental changes

[In the immediate future up to 2027](#)

Decline in overall employment due to automation is expected in the Primary sector (Agriculture, Electricity and Water) and Manufacturing, while moderate growth in employment is projected in Construction, Trade, Accommodation, Transport, Business and Public Administration.

Significant employment growth is expected for:

- Higher level occupations, including managers, most professional occupations and many associate professional and technical roles;
- Caring, leisure and other service occupations;
- Net job losses are projected for administrative and secretarial occupations, skilled trade occupations, and process, plant and machine operatives;
- Elementary occupations will experience mixed fortunes, with some modest growth in jobs where tasks are not so easily subject to automation, but job losses in other areas.

Detailed local projections for new and replacement demand are also available for Dorset - [link](#).