

# Summary of Dorset's Skills Research Findings

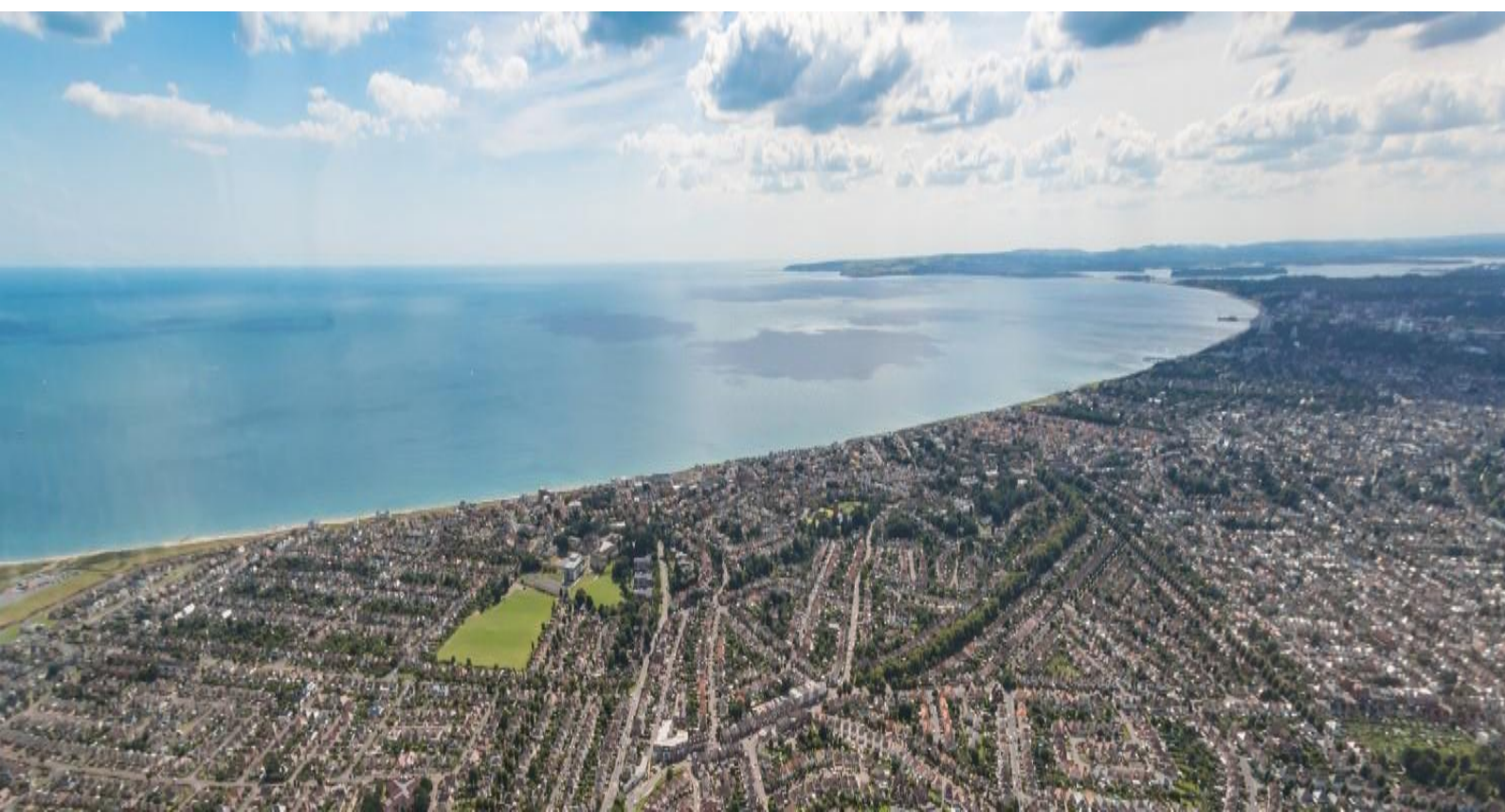
## Economic Context

Over the past decade Dorset has experienced near-full employment and higher than the national rates of economic activity, but lower productivity and slightly lower rates of pay than England with pronounced geographical and gender pay gaps. Around 25% of all jobs are earning below the Living Wage (18% in BCP and 27% in Dorset Council, compared to 23% in UK) and an estimated higher prevalence of zero-hour contracts is raising some concerns around job security.

Dorset also faces a significant demographic challenge in the future, having amongst the highest proportions of people in retirement age in the country and a below average proportion of young and working-age population, as well as exhibiting an ageing workforce. All these factors have contributed to a shrinking pool of labour for employers to draw upon, loss of expertise and a projected replacement demand 5 times the expected growth in jobs.

Socially, there are pockets of deprivation, with 15 of the smaller geographical areas (Lower Layer Super Output Area (LSOA)) in Dorset amongst the 10% most deprived nationally. The combination of urban, rural and coastal characteristics also brings unique challenges to the productivity and access and adds a layer of complexity to the skills mix. To emphasise the barriers to participation, aspiration and achievement, there is a notable social mobility challenge in certain areas - most notably Weymouth & Portland ranked #322, out of 324 local authority areas in the UK in terms of social mobility, while Bournemouth is ranked 245.

Despite experiencing lower than average concentrations of workless households and proportions of people claiming out-of-work benefits, in the space of just a few months since the coronavirus restrictions were introduced, out-of-work benefits claimants have tripled (from 2% to 6% with 16,400 more claimants in May 2020 than in December 2019) and a third (123,000 jobs) of those in employment currently being supported by the Government's coronavirus support schemes.



## Labour & Skills Demand

Despite the challenges outlined, there are exciting economic opportunities for Dorset going forward. With emerging growth areas in advanced engineering, agri-tech, fin-tech, defence, health, digital and creative, and Dorset's aquaculture identified as a high potential opportunity by the Department for International Trade, the demand for new skills and fresh talent taking on apprenticeships and emerging job opportunities promises to recover from the coronavirus disruption as it has remained resilient throughout previous economic downturns. There has been strong employment growth in healthcare, tourism, arts and entertainment, property and construction over the past 4 years and robust economic output from our established property, retail, manufacturing, healthcare, finance, construction, professional, scientific and technical sectors.

However employers are reporting skills gaps. Over half of the employers (56%) in a recent survey reported at least one type of skills gap across their workforce with a third (36%) stating they were affected by multiple skills gaps. The skills issues most commonly experienced across industries were in digital, sales and marketing, analytical, leadership and management skills as well as technical and practical and job specific skills, such as engineering (systems, technical engineering and manufacturing), health and social care (nurses, carers, physiotherapists), finance (accountancy, tax advice, financial management and planning), construction (plumbing, electrical work, carpentry). The significance of these gaps for the economic and business success was highlighted by 71% of employers saying these skills gaps were significant impacting their productivity, while over a half felt they were having negative effects on business profitability and growth. Almost a quarter (23%) of Dorset employers also report having had one or more hard-to-fill vacancies in the previous 12 months in specialisms largely reflecting the areas identified as skills gaps and the biggest challenge in filling these vacancies was accessing sufficient numbers of applicants with the required skills, motivation and personal attributes.

These areas of increased demand and recruitment difficulties shared by employers were confirmed by labour market intelligence identifying considerable volumes of jobs advertised by Dorset employers (63 thousand jobs advertised throughout 2019). A key area of demand that stands out is healthcare, where demand is notably higher in Dorset than elsewhere (c.11,300 jobs in 2019, 30% of all vacancies, vs 21% in UK). The single job with largest demand being nurses (c.2,600 registered nurses vacancies - 5% of all jobs) and social and residential care also seeing demand of higher rates with further shortages expected within a post-Brexit climate. The second most significant group of occupations in demand were STEM jobs (c11,040, 30 % of vacancies). Within those, the highest demand was for software developers/ engineers (c. 2000) representing a higher proportion of STEM vacancies in Dorset than seen nationally (19% vs 16% in the UK). The third key area – business services employs over a quarter of all employed in the county (91,000 - 27%) and has a large contribution to the economy (£8bn – 43%). Future projections show a notable further increase in healthcare and business with projected expansion of c.7,000 and c. 6000 jobs respectively over the period 2017-27.

The recent developments have caused a decline in advertised vacancies by 15% over the first half of the year and 35% since the lockdown measures began, but there were positive signs of improvement in the employer confidence in May and June of 2020. The recent developments illustrate the growing need for key and essential workers and those less affected by the pandemic with recent recruitment predominantly focused in health, social care and technical occupations.





A major trend for the future is shift of demand in favour of higher skilled occupations - most professional, associate professional, and management occupations, while decline is projected for administrative & secretarial, skilled trade occupations and process, plant and machine operatives.

On average, expectations for higher qualification requirements are on the rise. Forecasting models show continued shift to high-level qualifications with 55% of those employed expected to be qualified at level 4 and above, whilst the proportion of those with level 1 or no formal qualifications expected to shrink from 14% to under 8% in 2027. This growing demand for formal qualifications going forwards is most clearly reflected in the net demand of jobs projected, where a stark shift with over 77% of newly available jobs in the labour market in Dorset over the period 2017-2027 expected to require Level 5 qualifications and above, equivalent to circa 144,000 jobs to 2027.

Tackling the expected circular unemployment as a result of coronavirus, as well as the identified skill gaps and shortages is key to enhancing business competitiveness and allowing Dorset to take full advantage of economic opportunities as they arise.

## Labour & Skills Supply

Dorset has an extensive range of education provision including three Further Education (FE) colleges, one University College and two universities – Bournemouth University and Arts University Bournemouth, offering a broad portfolio of learning opportunities. Supply is spread across the geographic areas within the county and is varied in terms of qualifications and subjects with more manufacturing and agricultural qualifications delivered in the rural areas. This is in addition to over 400 private training providers, many of whom delivering specialised training.

Having higher and further education institutions with global reputations on their doorstep, many businesses across Dorset have direct access to the skills and talent they need for their businesses to thrive, grow and compete. There is some evidence however that many of them are not making the most of this opportunity and barriers to investment in training, apprenticeships and productive partnerships exist among employers. Only a quarter of employers engaged with colleges and private providers in meeting their skills needs and even fewer (14% and less) worked with universities and schools. Similar observations were made around partnering with educational providers for recruitment activities, highlighting the need for improved collaboration and understanding of provision. Employers report particular issues with accessibility of training, lack of funding and insufficient relevance to their business. This highlights the issue of educational accessibility in Dorset, where two-thirds of secondary school students have within the 10% of the longest journeys within England. Alongside this, almost half of the employers reporting digital skills gaps (the most commonly cited area of skills gaps) connected those to a lack of suitable training provision.

The national trends towards more people achieving higher qualifications has been reflected in Dorset over this decade and there are fewer people with no qualifications (decrease by 2.3 percentage points to 4.9% which is lower than the UK average of 7.7%). Yet, a fifth of the working age population (23%) does not have a Level 2 qualification, which is regarded a benchmark for employability. While Dorset exceeded the national proportions of people achieving Level 4+ back in 2014, the progress has since been slower - currently standing at 38% with a gap of 2.3 percentage points from national levels, which is in contrast with the projections of future demand. Furthermore, adult participation in further education has fallen over recent years suggesting that we might see further widening of the gap. Overall, there were c.6000 less FE learning participants in Dorset in 2018-19 compared to 2014-15 with the largest fall affecting Dorset Council area and Level 2 qualifications. These trends are connected with funding and eligibility changes and are not necessarily occurring through the main FE providers where adult learning is holding up well.

Social disadvantage also creates a clear differential in terms of attainment, destinations and outcomes between disadvantaged school students who are more likely not to have a sustained destination following mandatory education with the difference being quite marked in areas such as North Dorset and Weymouth & Portland. While apprenticeships are a successful tool to tackling social mobility and addressing the skills gaps, they have also seen a 26% fall in starts since 2014/15. National data also shows the decline in starts is more pronounced amongst those from disadvantaged backgrounds (36%), who benefit the most from them and latest national figures show that COVID-19 has caused a significant further disruption to apprenticeship starts and 48% decline was recorded over the period 23 March – 31 May 2020 compared to last year<sup>1</sup>. The fall in apprenticeship starts was largely associated with the 2017 reforms of the apprenticeship system which introduced the apprenticeship levy and apprenticeship service and changed the funding regimes with an emphasis on higher level qualifications.

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<sup>1</sup> Apprenticeships and traineeships: June 2020, DfE - <https://www.gov.uk/government/statistics/apprenticeships-and-traineeships-june-2020>

## Supporting evidence

### Employment and Engagement

Dorset has enjoyed a strong labour market over the past decade, marked by historical highs of employment (79% vs 76% in the UK) and lows of unemployment (2% vs 4% in the UK). While the labour market was in a state of 'near full employment' and lower proportions of people were economically inactive (19% vs 21% for UK) with only a quarter among them wanting a job, employers were competing for available workforce resources. The coronavirus pandemic and lockdown however have caused a sudden change to the labour market conditions. The first indications illustrate a stark rise in the number of people claiming out-of-work benefits between January and May 2020 climbing from 2% to 6% of working age residents (16,400 more). In addition there are 123,000 jobs supported by the Job Retention Scheme and Self-Employment Income Support Scheme. It is yet to emerge how many of these jobs will still exist after these schemes are withdrawn.

### Employment and Productivity

While employment was historically high, labour productivity remained persistently low - lagging behind the UK's by £3.5 per hour worked on average and costing the economy an estimated £2.3 billion per year. The industry mix plays a relatively small role in explaining this employment-productivity mismatch, known as 'productivity conundrum'. The key explanation remains the recovery from the last recession when business investment fell while unemployment did not increase markedly, but the cost of labour fell under a significant pressure on wages and many businesses substituted labour for capital investment. Higher productivity correlates with higher skills, however one of the primary drivers to business productivity is the availability of an optimal skills mix for the economic demand and maximising their utilisation within the skills ecosystem.

### Earnings Distribution

Average earnings are close to national levels with median annual wage (£23,824) marginally lower than the UK (£24,897). However, significant variance in distribution of earnings exists: **by geography** – Seven neighbourhoods in Dorset Council fall into the top 20% nationally for income deprivation – 7 of them in Weymouth and Portland. *Over a fifth (26.9%) of the jobs in the Dorset Council and half (48%) of those in Weymouth & Portland were earning below the Living Wage in 2018;* **by gender** - women in full time roles earn 10 thousand less than male and 2 thousand less than their UK counterparts. The gap in wages increases as women age and those between 50 and 59 earn almost 30% less than men (vs 15% nationally). There are particular concerns that coronavirus related economic and employment issues will affect those at the lowest wage part of the spectrum.

### Deprivation and Social mobility

The estimates of social mobility indicate some significant difficulties in Dorset. Most notably Weymouth & Portland ranked 322, while Bournemouth 245 out of 324 local authority areas in the UK in terms of social mobility. In terms of deprivation, there are 11 areas in Dorset and 26 in Bournemouth within the top 20% of most deprived in the country and 9 areas in BCP and 6 in Dorset Council within the top 10% most deprived nationally for multiple deprivation.

### Demographic challenge

Dorset it is an attractive retirement migration destination and is among the most aged parts of the UK: 1-in-4 of the Dorset population is aged 65+, compared to 1-in-5 nationally. The proportion of working age people (16 - 64) is lower - 58% (61% in BCP and 55% in Dorset Council), than the 63% nationally. Dorset Council has the greatest proportion of its population aged 65+ (29%) which is projected to reach almost 40% by 2025. Replacement demand is therefore expected to largely shape the scale and shape of the future labour demand.