

April 2015

Devon's Labour Market

This document provides a snapshot of Devon's labour market, including a quick reference guide to Job Seekers Allowance analysis for the period March 2014 to March 2015 - both benchmarked to the UK average.

Devon's workforce

Devon's labour market is characterised by high economic activity rates, relatively high levels of employment and low levels of unemployment. In addition seasonal employment opportunities tend to provide a boost to the local labour market between spring and summer - linked primarily to tourism, agriculture, retailing and construction.

Across Devon as a whole, skills and qualification levels are broadly similar to the national average for both ends of the labour market. However, whilst Devon has a relatively skilled workforce with some notable pockets where skills levels are below the national average, average earnings tend to be lower than the national average. Specifically, average workplace earnings across the county are approximately 14% lower than the UK average with some areas having some of the lowest average earnings in the country¹. This indicates an under-utilisation of skills and can in part be attributed to Devon's sector composition which contributes to lower overall productivity and wage levels.

In terms of sector composition, in comparison to the national average, Devon's workforce includes a higher proportion of managers, directors, senior officials and skilled trade occupations, but below average representation of well-paid, more productive professional and associate professions and technical occupations. There is also relatively high employment in the public sector, retail and accommodation and food services - the county having a lower concentration of high value added sectors such as banking and finance.

Devon also has a higher proportion of people working in part-time employment in comparison to the national average. Between January 2014 and December 2014, 29.2% of Devon's workforce worked part-time compared to the UK average of 25.5%². While part-time working offers a flexible and efficient solution for many of the labour force, higher rates of part-time working can also point to an under-utilisation of the labour force, lower productivity and lower wage levels - some part-time workers potentially taking full-time employment if it were made available.

¹ ONS Annual Survey of Hours and Earnings (Dec 2004 to Dec 2014 - latest data available)

² % of 16-64 resident working age population (ONS Annual Population Survey - Dec 2004 to Dec 2014 - latest data available)

The proportion of self-employed workers is also higher than the national average in Devon. Between January 2014 and December 2014 13.9% of Devon's workforce were self-employed compared to the UK average of 9.7%³. Higher levels of self-employment can indicate an enterprise culture. However, with 90% of Devon businesses employing less than 10 people (source), it could also be a sign of fewer employment opportunities amongst a limited number of larger employers.

Unemployment in Devon

The analysis which follows focuses on Job Seekers Allowance (JSA), specifically changes in claimant count levels between March 2014 and March 2015.

JSA figures are published on a monthly basis and unlike most other economic or labour market indicators, it is not a sample survey and as such has no confidence intervals associated with it. It is worth bearing in mind however that JSA is a fairly narrow measure of unemployment, only including those who are claiming unemployment related benefits. The wider ILO⁴ measure of unemployment includes anyone who is actively seeking work, and therefore includes, but is not restricted to, those claiming Job Seekers Allowance (JSA). This measure is based on both sample surveys and benefit claimant records as modelled by ONS.

When looking at the figures for both datasets, both show that between January 2014 and December 2015, 4.8% of Devon's workforce was unemployed compared to the UK average of 7.5%.

Devon - Job Seekers Allowance Analysis

The number of people claiming out of work benefits in Devon has increased since the 2008/09 recession. In March 2008 the rate of the working age population claiming JSA stood at just 1.1%, peaking to 2.5% in March 2009. However, in 2013 a moderate economic recovery started to kick in, and as of March 2015, numbers claiming JSA have remained at some of their lowest levels for five years, with December 2014 having experienced the lowest claimant count on record, and March 2015's claimant rate back below the 2008 level, standing at 0.9% of the working population.

In total March 2015 claimants for Devon stand at just 4,297, representing a 34% reduction in claimants since March 2014. Also, as evidenced by Figure 1, the current rate of JSA claimants in Devon remains considerably lower than the national average of 2% - a consistent trend over the last 5 years, suggesting a much more resilient economy in Devon than the UK as a whole.

³ % of 16-64 resident working age population (ONS Annual Population Survey - Dec 2004 to Dec 2014 - latest data available)

⁴ ILO – International Labour Organisation – measure of unemployment assesses the number of jobless people who want to work, are available to work and are actively seeking employment. It is used internationally so comparisons can be made between countries.

Claimant Count Rate for Devon and UK

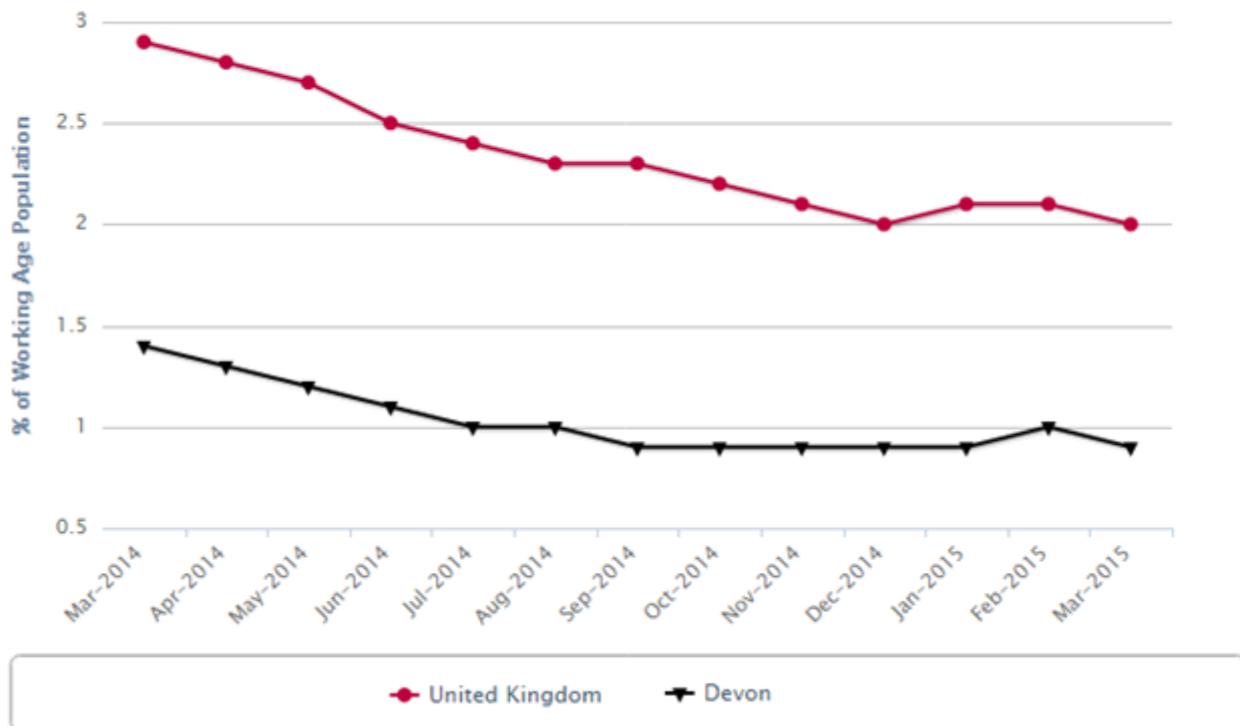


Figure 1: Source: ONS Nomis

Another interesting characteristic of JSA data is that, at a county level, JSA figures are not seasonally adjusted. This is in contrast to the majority of data for unemployment at a national level which adjusts for the impact of regular, predictable seasonal changes in labour demand. This makes JSA quite useful when it comes to understanding Devon's job market which has traditionally shown seasonal fluctuation in employment due to the makeup of its economy.

Seasonal employment is characteristic of industries where sustained levels of employment are not required all year around. Examples of industries where demand, production and employment are seasonal include: tourism & leisure, farming, construction and retailing, all of which are sizeable chunks of Devon's economy.

The positive effects of seasonal employment across Devon usually start to filter into the JSA claimant count from March to April, running through to September. From October onwards the claimant count tends to gradually increase reflecting the end of the tourism season and a decrease in demand and activity from other industries affected by seasonal variances. JSA levels usually peak around January / February reflecting a reduction in employment demand after Christmas.

Looking more closely at the data for the period between March 2014 and March 2015, the traditional fluctuation attributed to the seasonal nature of Devon's Economy is compressed into a shorter time period than usual. For example, the claimant count fell by 2,330 (26%) between March and October 2013, before increasing by 495 claimants between November 2013 and February 2014. However, for March 2014/2015 the fall in claimants continued up to December 2014 (two months later than the previous year), falling more

sharply by 38% (2,497 claimants). This was then followed by a slightly higher rebound compared to the previous year with claimants increasing by 14% (542 claimants) between December 2014 and February 2015, before falling again by 5% between February and March 2015 (in keeping with the previous year's trend of an 8% fall between February and March 2014).

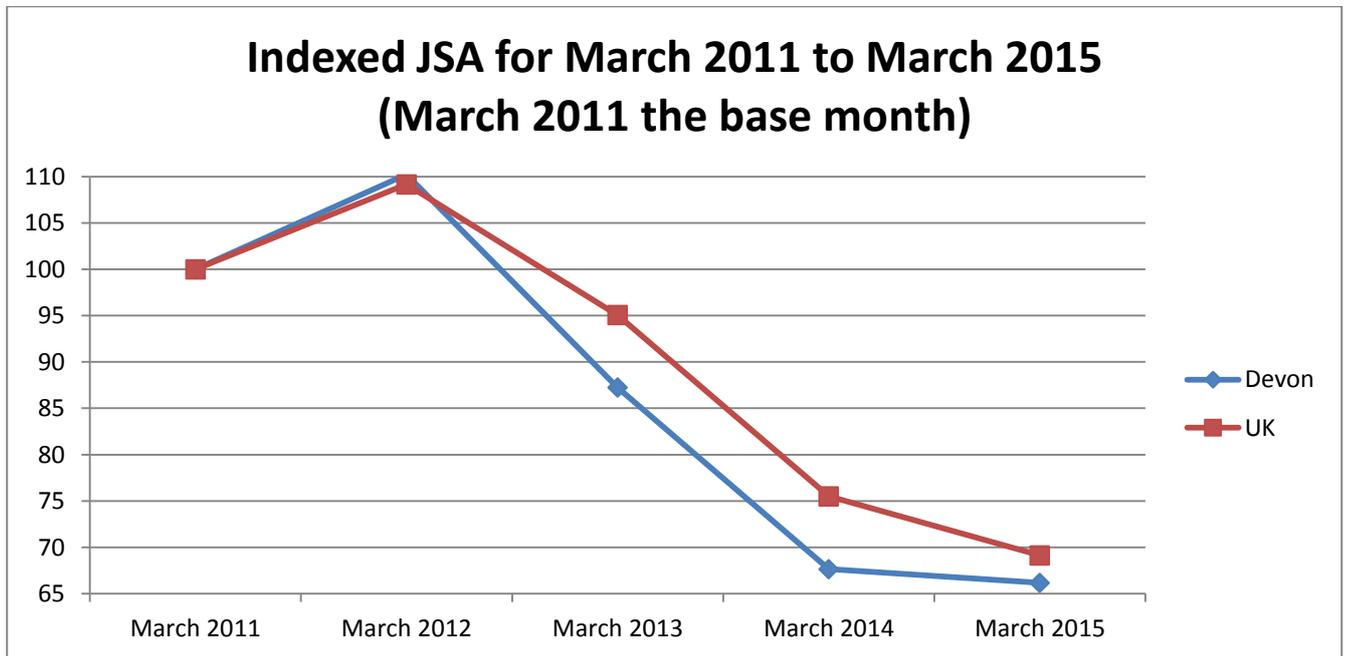


Figure 2: Source: ONS Nomis

Figure 2 compares the long term trend in JSA claimant counts for March between 2011 and 2015, each month's change relative to March 2011.

The indexed graph irons out seasonal fluctuations in the claimant count, comparing Devon to the UK average. What it highlights is the large scale reduction in claimant count experienced by both Devon and the UK over the last 5 years. It also shows Devon to have had consistently lower claimant counts compared to the UK post March 2012.

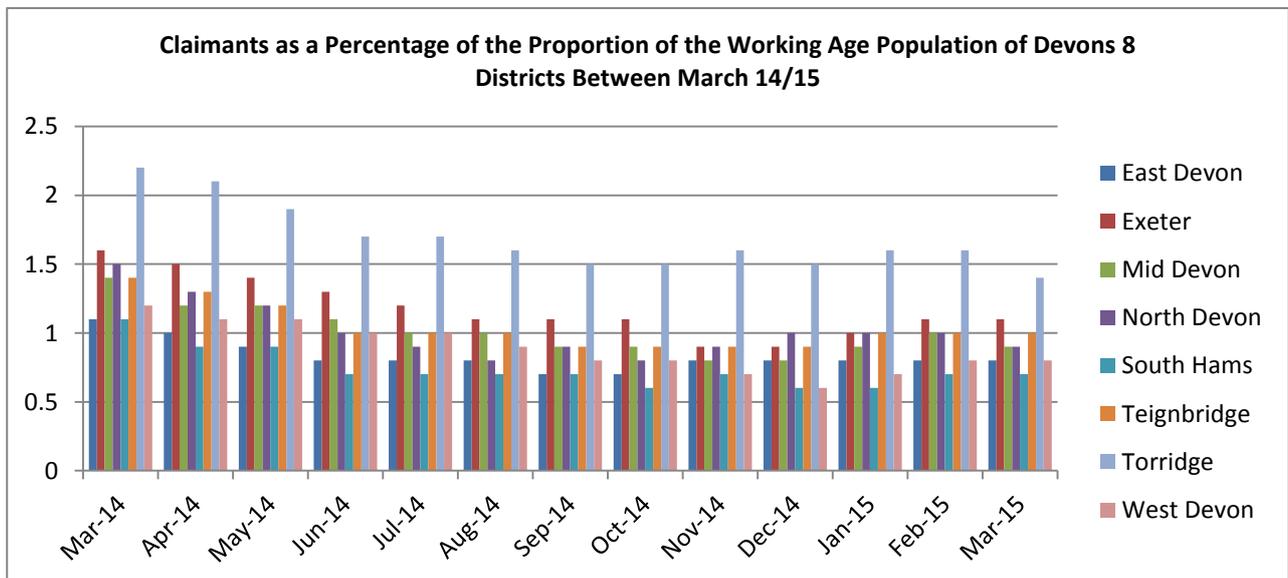


Figure 3: Source: ONS Nomis

In terms of variation between districts, all districts have experienced sizeable reductions in JSA claimants between March 2014 and March 2015, falling by 53% on average. However, given the different size of the working age populations in each district, to get a fairer comparison you need to look at the proportion of each district's working age population claiming JSA (as shown in Figure 3).

Figure 3 shows that Torridge has successively had the highest proportion of its working age population claiming JSA over the last year, at around 1.7% on average. Exeter, Mid Devon, North Devon, Teignbridge and West Devon have fluctuated a fair amount between months, remaining around the middle in terms of claimant count rate. South Hams has experienced the lowest percentage of its working age population claiming JSA throughout the year at around 0.7% on average.

Summary

JSA counts for both Devon and the UK as a whole between 2012 and 2015 are encouraging, claimant totals having fallen significantly over the period, returning to pre-2008 recession levels; November 2014 having experienced the lowest claimant count on record for Devon.

Overall JSA counts have been consistently lower than the UK for Devon. However, Devon's labour market still remains quite seasonal, being intrinsically linked to the nature of the tourist, farming and construction industries that make up a large proportion of the Devon economy.

The main issue which stands out is that, whilst JSA and ILO figures suggest low unemployment within Devon, there remains a wide underutilisation of the labour market's skills across Devon, reflected in consistently low wages compared to the national average.

At a district level, Torridge remains the district with the highest level of JSA claimants - the other districts fluctuating between months; the exception being South Hams which has consistently experienced the lowest level of claimants over the last year.