



## **Vacancies in East Renfrewshire: A Deterioration of Labour Market Demand**

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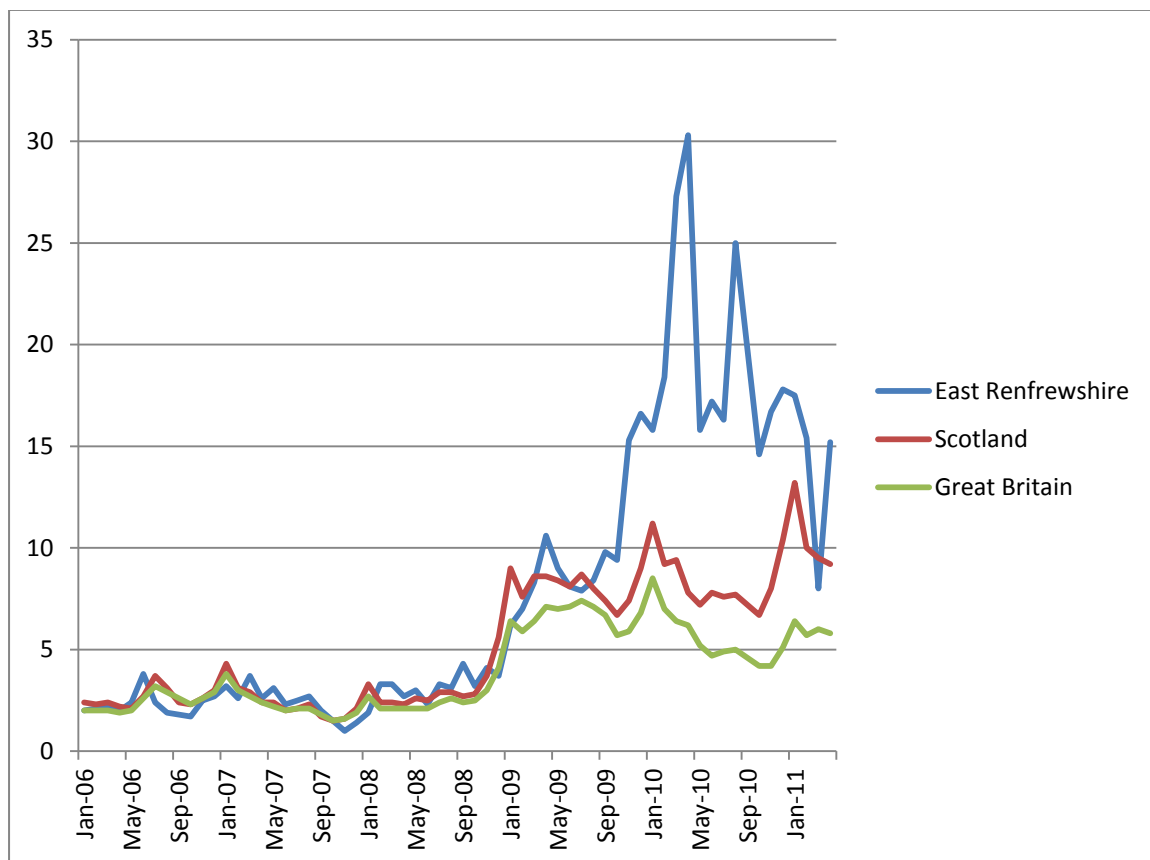
**June 2011**

## Vacancies in East Renfrewshire

What can an examination of the available vacancy data tell us about the East Renfrewshire labour market? The important consideration here is that the unemployed cannot find jobs that are not there. This is particularly relevant in the aftermath of the recession which has seen a significant depression in labour market demand in the UK. What has been the effect on the demand side of the East Renfrewshire labour market?

The unemployment-unfilled vacancies (UV) ratio is a good indicator of the state of the labour market because it is an approximate measure of how many people there are for each job unfilled job. The limitations of this method are that the only vacancy data available is from the JobcentrePlus (JCP) and not every job vacancy is advertised through them. However, as there is significant hidden unemployment in addition to JSA unemployment, it could be argued that this measure would still show similar results if all unemployment and all vacancies were included.

JSA Claimants Per Unfilled Jobcentre Vacancy



Source: Nomis- DWP Benefits

The graph above shows how the recession caused significant increases in the amount of individuals for each vacancy within East Renfrewshire. This peaked at 30 JSA claimants for every vacancy in April 2010 and has been considerably higher than the Scottish and UK averages over the course of the recession. The graph above does not take into account other labour market vacancies not advertised through JCP but still gives a clear indication of the deterioration of demand in the East Renfrewshire labour market.

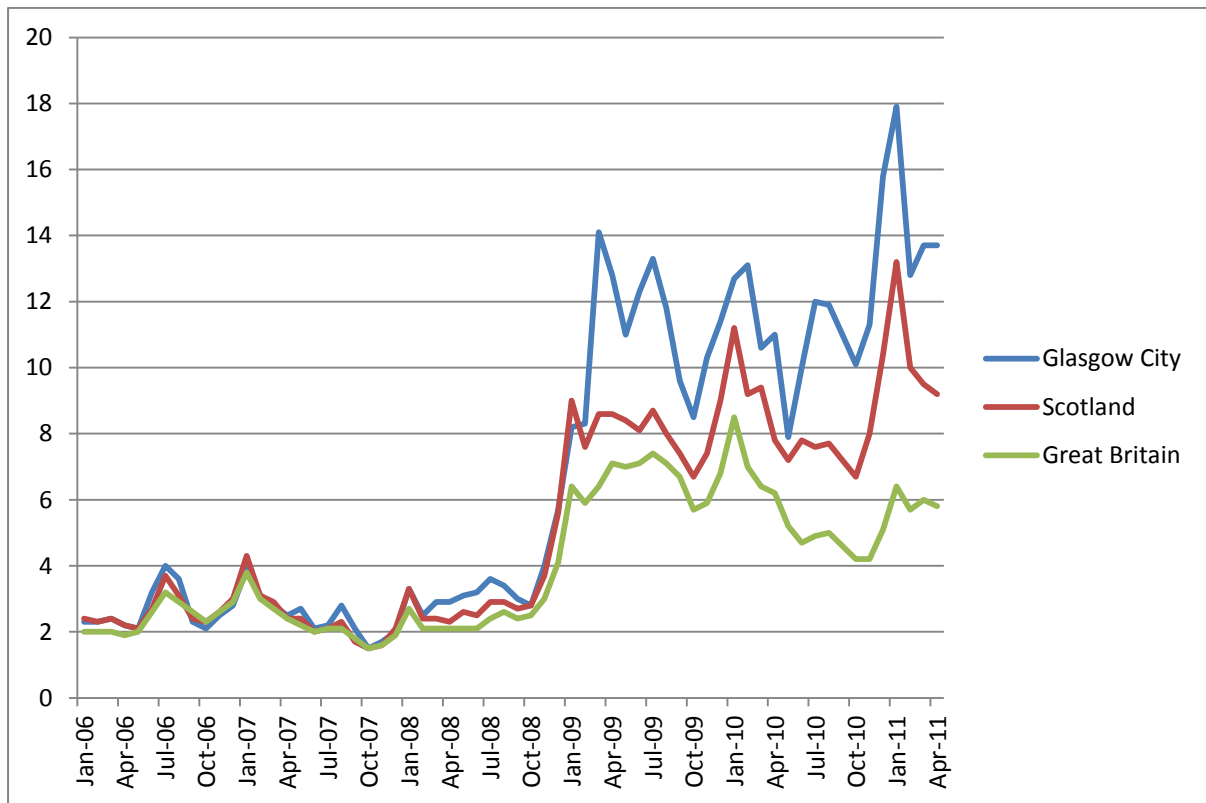
The extent of the fall in demand in the local labour market of East Renfrewshire is further demonstrated in a UK wide analysis of UV ratios by the Trade Unions Congress (TUC). The TUC analysis ranks each of the 206 local authority areas by its claimants to vacancies ratio and found that:

- Between March 2005 and March 2011 East Renfrewshire fell 19 places in the TUC rankings from 40 to 59;
- However, in March 2010 East Renfrewshire was the third worst employment blackspot in terms of the relationship between unemployment and vacancies in the UK with a UV ratio of 27.3;
- This is a clear indication of how the recession has disproportionately affected the East Renfrewshire local labour market;
- Despite this, demand in the local labour market has recovered to an extent with a UV ratio in March 2011 of 8.

These figures may be misleading as they only take account of vacancies within the East Renfrewshire area. Particularly when according to census figures only 30% of East Renfrewshire residents work within the local authority boundary with 45% commuting to neighbouring Glasgow. The graph below shows UV ratios for the same period for Glasgow local authority:

## Vacancies in Glasgow

JSA Claimants Per Unfilled Jobcentre Vacancy

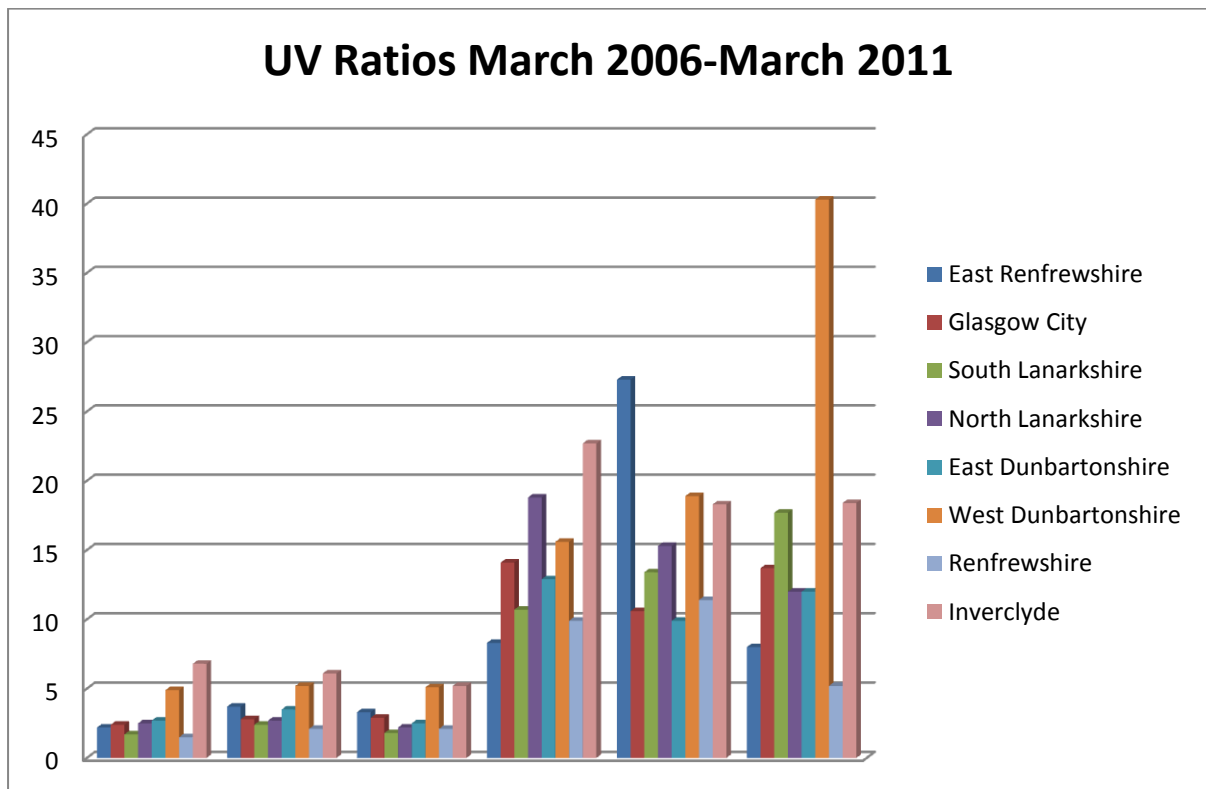


Source: Nomis- DWP Benefits

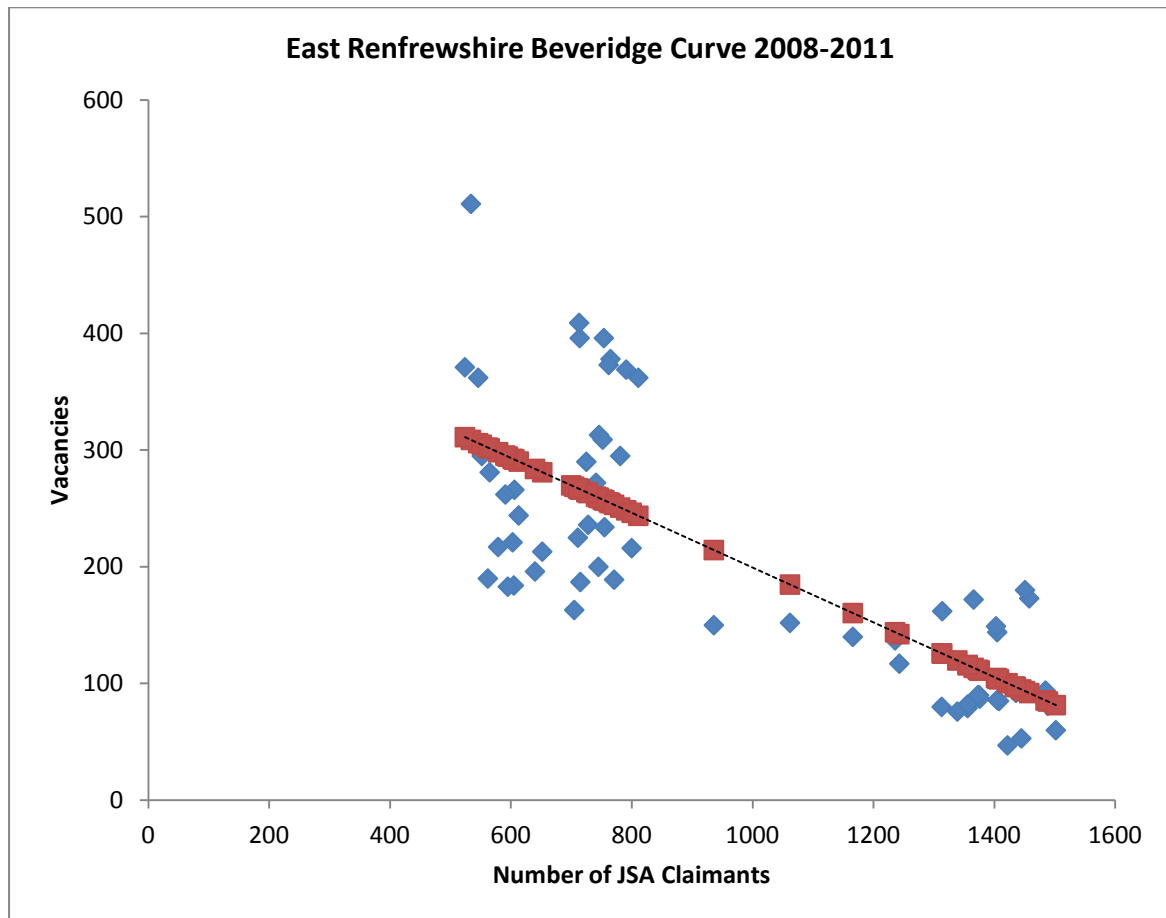
Like East Renfrewshire, Glasgow has experienced a significant decrease in labour market demand and rising unemployment. However due to a higher number of vacancies, the deterioration in labour market demand has not been as severe as seen in East Renfrewshire but is still above the Scottish and British average. This further demonstrates the difficulty now faced by the unemployed in East Renfrewshire given the increased competition for jobs in both the East Renfrewshire and Glasgow labour markets.

## Regional Analysis

The chart below shows how neighbouring local authorities to East Renfrewshire have been affected by the recession in terms of their UV ratios. Based on this indicator, labour market demand has fallen considerably in the region. East Renfrewshire had the highest UV ratio in the region in March 2010 but had recovered significantly a year later. The chart further highlights the difficulty many unemployed residents of East Renfrewshire face in finding employment in the aftermath of the recession.



## Beveridge Curve



The Beveridge Curve, an economic model that estimates the relationship between the number of job openings against the number of unemployed, is represented by the straight dotted line in the graph above. This model clearly shows the negative relationship that has occurred between unemployment and job vacancies in East Renfrewshire during the recession. As unemployment has increased within the area then vacancies have decreased. This is likely to be caused by weakening economic activity within the area and decreasing labour market demand as employers are able to fill most of their positions because there will be a plentiful amount of candidates. Despite this measure having its limitations it suggests support for the Scottish Governments view that the Scottish labour market faces a skills utilisation problem rather than a skills shortage<sup>1</sup>. East Renfrewshire faces this problem due to having a highly skilled population reflected in the highest amount of school leavers

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<sup>1</sup> Scottish Government Skills Utilisation

<http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/16640/hetaskforce/minutes/Skillsutilisati on/Q/EditMode/on/ForceUpdate/on>

entering higher education in Scotland. However, it does not matter how skilled the population is unless there is demand from businesses for these new higher skills. This also leads to the consideration, to whether or not that vacancies being filled by East Renfrewshire residents make effective and efficient use of their skills.

## **Conclusion**

East Renfrewshire has a relatively high level of economic inactivity at 23% of the working age population. The onset of the recession has seen significant increases in frictional unemployment reflected in the rate of increase in JSA unemployment. This increase in unemployment has been mirrored by a steady decline in vacancies as has been shown above. Clearly this 'new' frictional unemployment will add further barriers to those who are the furthest away from the labour market. Additional resources should be directed to the stimulation of labour market demand in the local economy in order to get those who have recently become unemployed back into the labour market as quickly as possible. This will allow existing supply side policies such as **Worker** to continue to try and remove barriers to employment for those furthest away from re-entering the labour market. Matching unemployed and underemployed skilled individuals to jobs that better utilise their skills will free up more elementary positions which are crucial in offering employment opportunities to the long term unemployed.