

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

Shortage of workers threatens UK recovery – here’s why and what we can do about it



This summary comes from [this article](#) in the Conversation.

Theme:

Labour market shortages and high levels of vacancies in the UK.

Area of Focus:

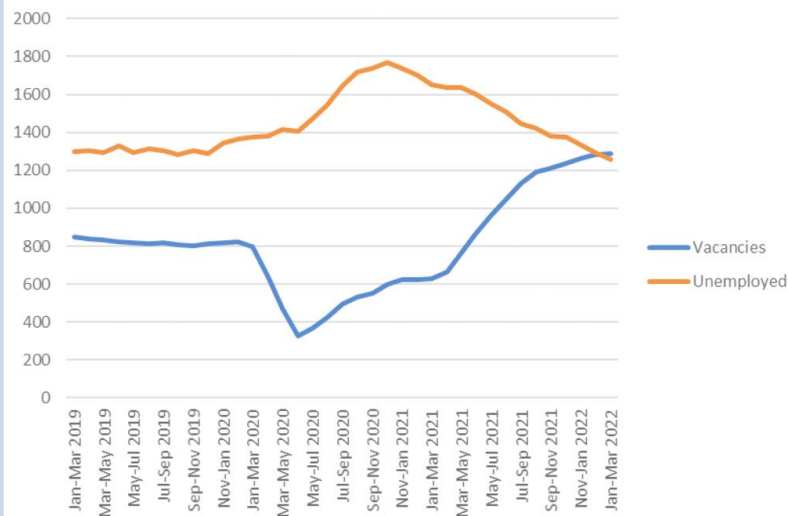
A shrinking of the workforce alongside difficulty to fill vacancies by employers is reducing the economic potential of the UK.

Key Findings:

[According to](#) the latest monthly labour market figures, for the first time since records began, there are more job vacancies than unemployed people. This has been driven by the near-fourfold surge in job vacancies to around 1.3 million since the summer of 2020, when economic activity began to rebound at the end of the first COVID lockdown. Record vacancies might seem like a good thing for maintaining low unemployment, however employers across all sectors are struggling to fill vacancies – limiting economic recovery.

The rise in job vacancies goes beyond a “bounce back” with vacancy numbers far exceeding those seen prior to the pandemic. However, data indicates that the increase in vacancies is not due to a surge in demand for labour, but a shrinking labour force. Economic activity declined by 561,000 between the Q1 of 2020 and 2022, which is greater than the increase in job vacancies over the same period (492,000). Notably, people’s reasons for being economically inactive have changed over the past couple of years, following the first COVID lockdown there were rises in long-term sickness (139,000) and early retirement (70,000). Likewise, Brexit, in tandem with the pandemic, has caused churn in the labour market.

Equally, the rise in the rate of job vacancies across local authority districts remains very uneven, we see more job seekers than vacancies in some former industrial towns, particularly in the West Midlands and northern England – exactly the opposite problem to some inner London boroughs and rural districts. Policies to combat Britain’s labour shortage must therefore be geographically targeted. Areas in need of more jobs often require long-term investment in infrastructure and skills.



Midlands Engine Impact:

- Employers across all sectors of the economy are struggling to fill vacancies, which limits economic recovery.
- The pandemic has created a number of forms of mismatches between the skills and locations of workers and vacancies, these mismatches require different types of policy response.
- Places in the Midlands where high rates of job vacancies are concentrated will experience constrained growth if they are unable to attract more workers soon. Yet areas that have experienced drops or weak growth in vacancies are also an important concern.
- As part of the government’s levelling up agenda, more long-term investment is needed into parts of the Midlands to support skills and infrastructure.

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Article:

[Shortage of workers threatens UK recovery – here’s why and what to do about it \(theconversation.com\)](#)

