

Research Bulletin 21/1 | The Northern Ireland Labour Market in the Context of Covid-19

Analytical Services Division, DfE and Professional Services Unit, DfC with input from NISRA and UUEPC

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Summary

This Research Bulletin represents a summary of a paper that was jointly produced by Analytical Services Division in DfE and Professional Services Unit in DfC as part of an evidence gathering exercise on the current state of the Northern Ireland labour market in the context of Covid-19, with a spotlight on young people. As well as considering the direct impacts on the labour market, it references a range of indirect impacts, such as housing affordability stress. Input was provided by NISRA and the Ulster University Economic Policy Centre.

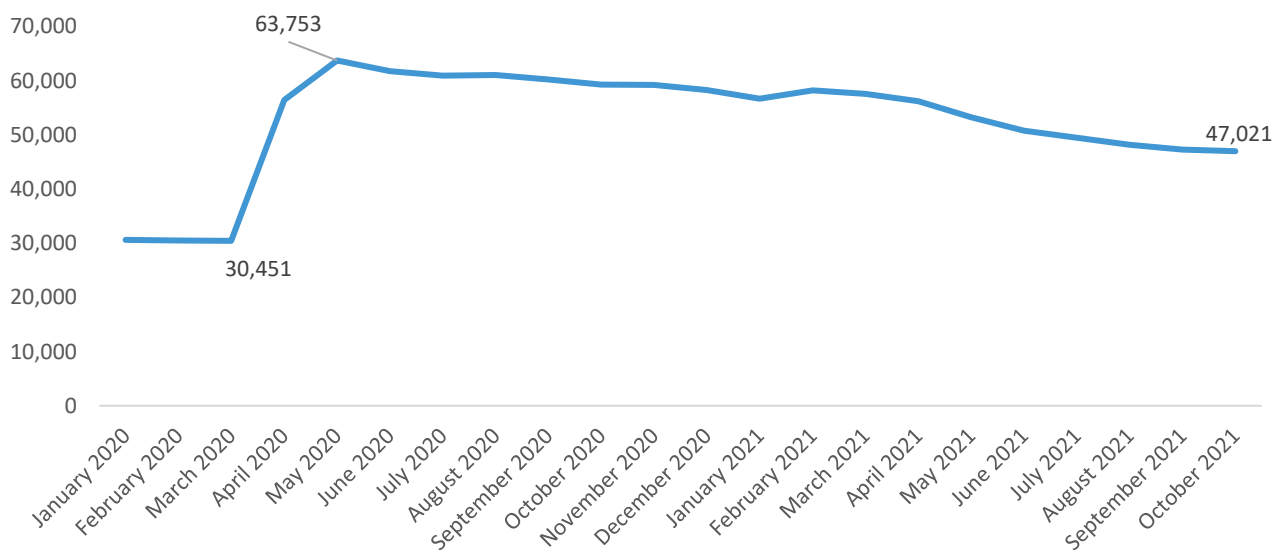
The findings highlight that in terms of the labour market, young people were particularly impacted. For example, young people experienced large decreases in employment over the first year of the pandemic to an extent not observed amongst other age groups. However, there are positive signs in the labour market with job demand relatively high (evidenced by online job advertisement levels) and research indicating that many of those that remained furloughed in September are finding employment.

Introduction

Headline indicators for the Northern Ireland labour market typically change slowly over time with exceptions normally reserved for economic shocks, such as those experienced during the Financial Crisis of 2007-2008.

In early 2020 economic forecasters projected that the Covid-19 pandemic would cause a similar or greater shock to that of the Financial Crisis, predicting that the claimant count here could potentially reach 89,000 (central prediction)ⁱ. In actuality, the claimant count peaked at 63,800 in May 2020ⁱⁱ with policy supports, both nationally and locally, credited for avoiding a worst case scenario. Forecasting the labour market at that time was particularly challenging due to uncertainty surrounding the length and frequency of lockdowns, the levels of government support, the impact of restrictions on businesses and concurrent issues potentially arising as a result of EU Exit.

Figure 1: Claimant Count



Source: NomisWeb

Whilst the impact of the pandemic on the local labour market has not been as severe as initially projected, there have been impacts felt across particular groups, with the starting position in Northern Ireland already behind that of the UK. The region has a long history of higher economic inactivity and those in work having lower skills and producing less (low rates of productivity) for lower earnings relative to the UK (which itself is not a pacesetter in global terms).

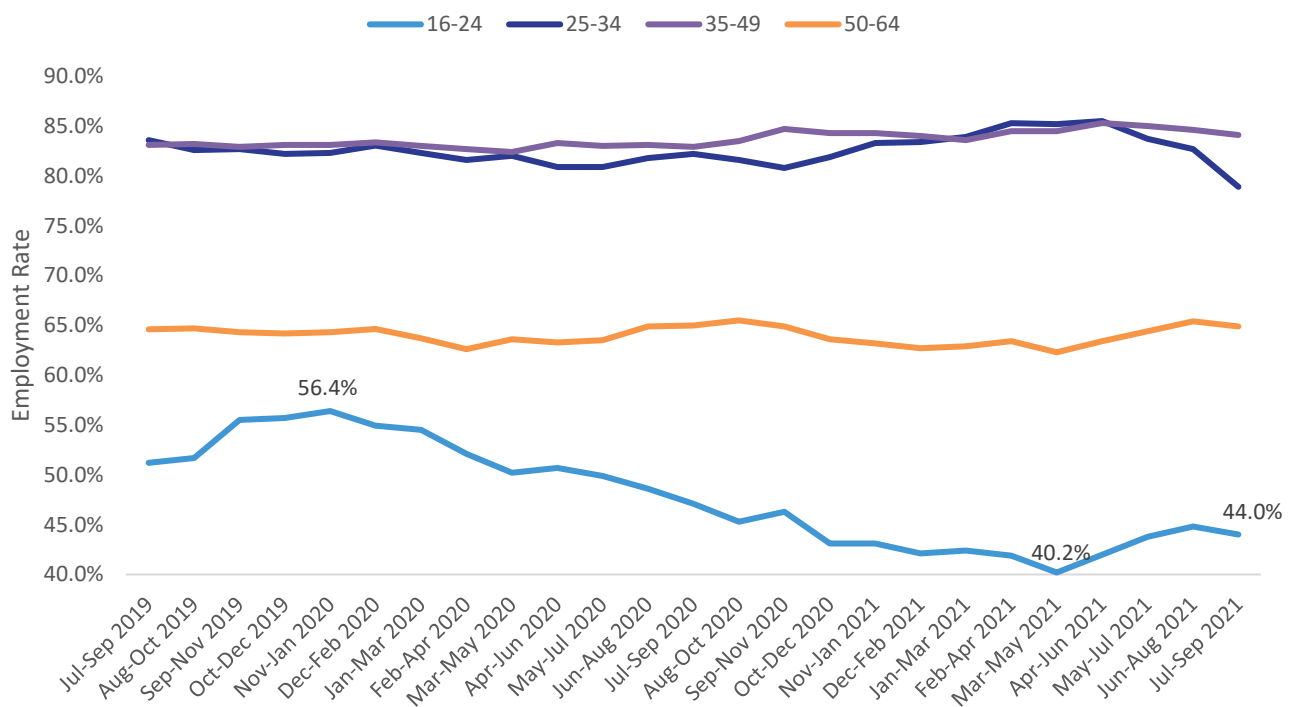
However, there are a lot of opportunities in the local labour market. Northern Ireland has a relatively young population in European terms, has been successful in attracting Foreign Direct Investment in higher value added sectors such as Fintech and Cyber Security and also has a growing Research and Development base. NI has also become more strategic in how it wants to position the economy with the recently launched 10X Economy vision focusing on its strengths in a small number of priority clusters in an ambitious manner as it seeks to place itself amongst the world's top performing small advanced economies.

Key Labour Market Indicators

The local employment rate had been on an upward trajectory in the decade to 2019. However, progress has stalled since the onset of Covid-19 and the rate has since remained fairly static (currently 70.2%). This hides the true extent of the impact of Covid-19 as recipients of the Coronavirus Jobs Retention Scheme and the Self Employment Income Support Scheme are likely to be included within these figures. These schemes, alongside other interventions, have been crucial in keeping people closer to the labour market through the pandemic. However, they also hide the fact that many have not been working normally or getting the same opportunities for in-work skills development or career progression.

While overall employment has remained statistically the same, there has been an unequal impact on society with those who were already vulnerable amongst the most adversely affected. The sectors most impacted by the pandemic have been high interaction workplaces where working from home is not possible. As a result, workers under 25 and low earners have been amongst the most impacted. By January 2021, 83% of the year-on-year fall in employment was borne by the 16-24 age groupⁱⁱⁱ. This is seen in the marked decline in the youth (aged 16-24) employment rate, falling from 54.5% at the start of 2020^{iv} to 44.0% in Q3 2021.

Figure 2: Employment Rate by Age Group

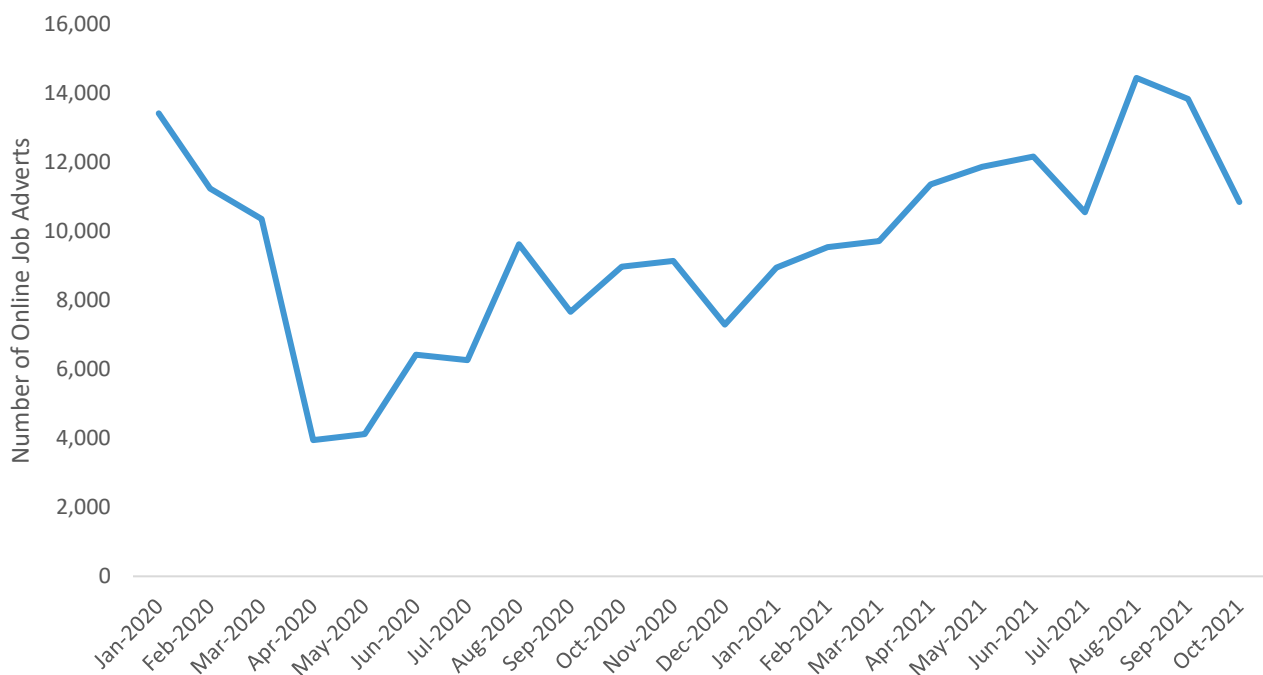


Source: Labour Force Survey, NISRA

Around 4% of eligible employments locally remained on furlough at 30 September 2021. There is undoubtedly the risk of longer term scarring if these jobs result in redundancies and lead to unemployment now that the scheme has ended. However, early indications are quite positive; a Resolution Foundation survey found that 88% of workers that had been on furlough in September went straight into employment while 8.5% became inactive and 3.4% transitioned to unemployment.^v It will be important to continue to monitor what happens to employments that had been furloughed and ensure support is available, if needed, to facilitate a smooth transition back to employment.

The demand for workers was suppressed as a result of the Covid-19 pandemic. Analysis of Burning Glass data, a web-scraping tool, reveals job adverts fell to around 40% of their normal level for several months during 2020. However, these have since rebounded strongly with figures since April 2021 consistently above previous monthly averages (based on three year monthly average).

Figure 3: Online Job Postings in Northern Ireland



Source: Burning Glass

Economic inactivity, a persistent labour market issue for NI, at its headline level, has not been noticeably impacted during the Covid-19 pandemic. However, the youth (aged 16-24) rate has risen from 40.7% to 50.0% between the end of 2019 and the most recent period (Q3 2021). Many young people have chosen to remain in education or training with inactivity as a result of being a student rising by an estimated 12,000 over the past two years^{vi}. However, there are an estimated 15,000 young people who are economically inactive and not in education or training. A further 8,000 young people are estimated to be unemployed and not in education or training. Combining these two cohorts represents a local NEET rate of 11.9%^{vii}.

Other Impacts

The impact of the coronavirus pandemic has also had other indirect impacts on the labour market. An estimated 4,000 individuals in Northern Ireland were self-reporting that they had long Covid in September which could lead to a reduced supply of available workers and increased economic inactivity.

The pandemic has also had an adverse impact on disabled people. Organisations reported that it was more challenging for disabled people to access the required supports and work experience opportunities during the period of restrictions. There was also concern that disabled people may find it more challenging to find work in the aftermath of the pandemic with a potentially greater pool of applicants for jobs. More broadly, the sector also highlighted an increase in mental health issues and a regression in social skills amongst clients.

The reduction in income experienced by some individuals also has the potential to contribute to housing affordability stress. DfC has been working with UUEPC to identify the volume, composition and timing of housing affordability stress to inform the need and development of targeted policy solutions.

Rising inflationary pressures have the potential to have an adverse effect on the living standards of low-income households. The expiration of the temporary £20 per week uplift in Universal Credit may also have a significant impact on some households. The average household payment under Universal Credit at May 2021 was £740 and the £20 uplift (£86.33 per month) makes up 12% of this. This rises to 16% for single people without children.

Support Schemes

A number of schemes and plans have been put in place to support individuals during the Covid-19 pandemic, including:

- Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme;
- Expanded Adviser Discretionary Support;
- Range of business support schemes through Invest Northern Ireland;
- JobStart;
- Work Ready Employability Service and Work Experience Programme;
- Health and work support provision;
- Covid-19 Skills Interventions Programme;
- Apprenticeship Intervention Package;
- Interventions to address learning impacts of Covid-19 on young people entering Higher Education and Student Wellbeing Initiatives at Higher Education;
- Increased Maximum Student Number;
- Additional support for intermediate housing and co-ownership; and
- Financial Inclusion Fund.

As well as these, there are a number of supporting policies and strategies as we move forward to recovery including: DfE's Vision for a 10x Economy; the draft 10x Skills Strategy; DfC's Employability NI work; the DE/DfE 14-19 Framework and Action Plan; DfC's Social Inclusion Strategies; Women in STEM; and the Department of Health's Mental Health Strategy.

Recent Demand for Labour

Now that the economy is reopening and demand for labour is rebounding, an immediate labour market challenge is how to match the supply of labour, including many who have been directly impacted by the pandemic, with the increased demand for labour as evidenced by our highest ever monthly tally for online job adverts in August 2021.

There are also opportunities from new ways of working during the pandemic, which offers opportunities to businesses to reconsider how they harness skills with, for example, an increased prevalence of working from home.

Other Challenges

Other challenges also persist. Competing Executive priorities in the aftermath of the pandemic are likely to impact on funding availability, while many persistent structural issues that were with us even before the pandemic are still to be tackled, including our relatively higher economic inactivity and low skilled economy.

A challenge in delivering our Vision for a 10x Economy to address is ensuring that economic growth is inclusive and that the interventions we deliver are providing positive outcomes for our people, including our young people, who are imperative to transformative change. Our Social Inclusion Strategies will seek to deliver meaningful change in tackling inequalities including those that prevent participation in the labour market.

Conclusions

Alongside UK interventions, it is clear that the NI Executive did respond to the challenges of the Coronavirus pandemic. That response meant that the worst fears we had for our labour market have not been realised. However, particular groups, such as young people and those already outside of the labour market, have been disproportionately impacted.

It is critical that there is focus and appropriate funding to ensure the avoidance of a new generation which doesn't have the opportunity to fulfil their potential. The resulting scarring of youth unemployment is well documented with the costs often imposed on individuals and society well into the future^{viii}. There is a consensus that we must seek to move the economy forward in a manner that delivers innovation-led, inclusive, green economy. However, it is our people and their skills and motivation that will be at the heart of unlocking our opportunity. Ensuring our future workforce has higher qualifications than today would be one way to achieve this with those more highly qualified on average more likely to be in employment, earn more and be more resilient to the effects of economic downturns. We must work collaboratively across departments and with delivery partners on cross cutting issues, integrating economic and social policies, to tackle deprivation and inequality and ensure no group is left behind.

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ⁱ Where will the jobs be and who will be looking? Economic Insight for DfC, EY, October 2020

ⁱⁱ [Claimant Count Tables | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#)

ⁱⁱⁱ UUEPC research for DfC, September 2021.

^{iv} January to March 2020

^v [Post-furlough blues • Resolution Foundation](#)

^{vi} Ibid – diff between Q3 2019 to Q3 2021

^{vii} Quarterly Labour Force Survey Tables, NISRA, available here:

[Quarterly Labour Force Survey Tables - November 2021](#)

^{viii} An example of this is outlined in the article *Young People and the Great Recession*, Oxford Review of Economic Policy, Volume 27, Issue 2, Summer 2011, Pages 241–267: [Young People and the Great Recession](#)