

Research Bulletin 23/10 | Economic Inactivity in Northern Ireland

Anne Devlin, Economic and Social Research Institute; Thomas Hastings, Queen's Business School, Queen's University Belfast; and Ian Shuttleworth, School of Natural and Built Environment, Queen's University Belfast

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Summary

Economic inactivity has historically been high in Northern Ireland (NI) when compared to the other United Kingdom (UK) countries. The following Research Bulletin sheds light on this phenomenon by drawing on recent research conducted by the Economic & Social Research Institute (ESRI) and Queen's University Belfast (QUB) on behalf of the Department for the Economy. The Bulletin examines both headline inactivity rates and more granular patterns of inactivity (i.e., heterogeneity between inactivity forms). Inactivity patterns in NI are compared with the UK average and Ireland. The Bulletin also examines inactivity by gender and age, and provides a focus on post-Covid-19 pandemic inactivity rates. Finally, qualitative work is drawn upon to shed light on reasons behind the high rates of inactivity, providing insights into different barriers people face in accessing the labour market.

Introduction

Economic inactivity has historically been high in NI when compared to the other UK countries, and this is often cited as a particular concern of the NI economy. However, despite this well noted problem, further research is required to better understand both patterns and drivers of inactivity. As reducing inactivity is included as an objective of the Department for the Economy's 10X economic strategy, a greater understanding of the problem is required for informing policy. Research is particularly important in the context of major political-economic shifts which have impacted the NI economy, including Brexit, the Covid-19 pandemic and the current cost of living crisis.

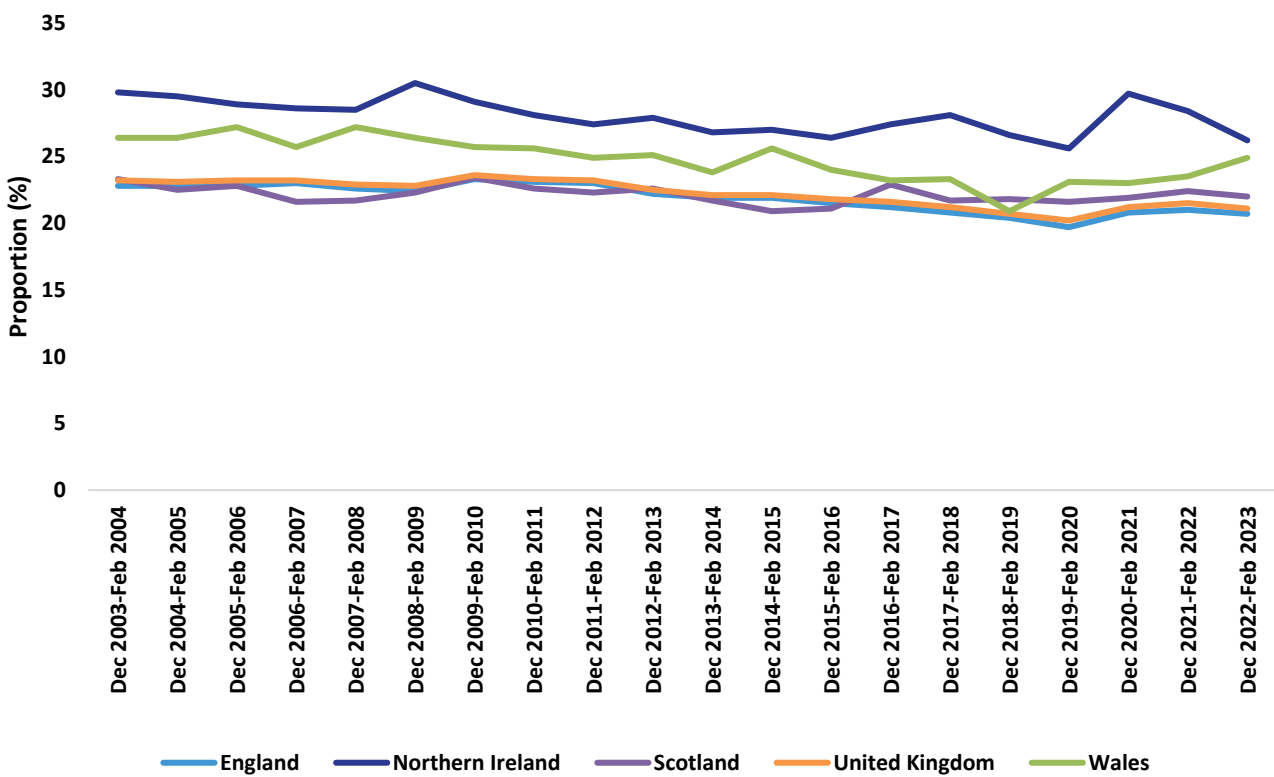
Economically inactive describes those individuals of working-age who are not in the labour force, whether employed or unemployed. The economically inactive population is made up of retirees, students, those who are long-term sick/disabled, those who have left the labour force to look after the home/family and a small proportion who are inactive for other reasons (typically discouraged workers – those who were looking for work for some time but with no success and have become discouraged and left the labour force). Given the varied nature of the reasons for inactivity, the drivers behind inactivity are multifaceted. For example, ineffective childcare policies are understood to have contributed to the number of people who are inactive (typically impacting mothers who continue to adopt primary care giving responsibilities), while social security policies related to disabilities impact on inactivity on the grounds of sickness/disability (ICTU 2019; Magill and McPeake 2016; Northern Ireland Committee ICTU 2019; Employers for Childcare 2021; Employers for Childcare 2022).

High levels of inactivity in NI are driven by particularly high levels of people who are inactive due to sickness/disability. Interestingly, inactivity rates in NI and Ireland are very similar despite very different economic outlooks, but the make-up of that inactivity differs considerably with Ireland having a high proportion of working age adults in education or looking after the home/family.

Inactivity Trends

As shown in Figure 1, economic inactivity is much higher in NI than the other constituent countries of the UK. Annual data for 2021 found NI to have an inactivity rate of 28.7% compared to 21.3% for the UK as a whole.

Figure 1: Economic Inactivity, UK Constituent Countries, 2004-2023



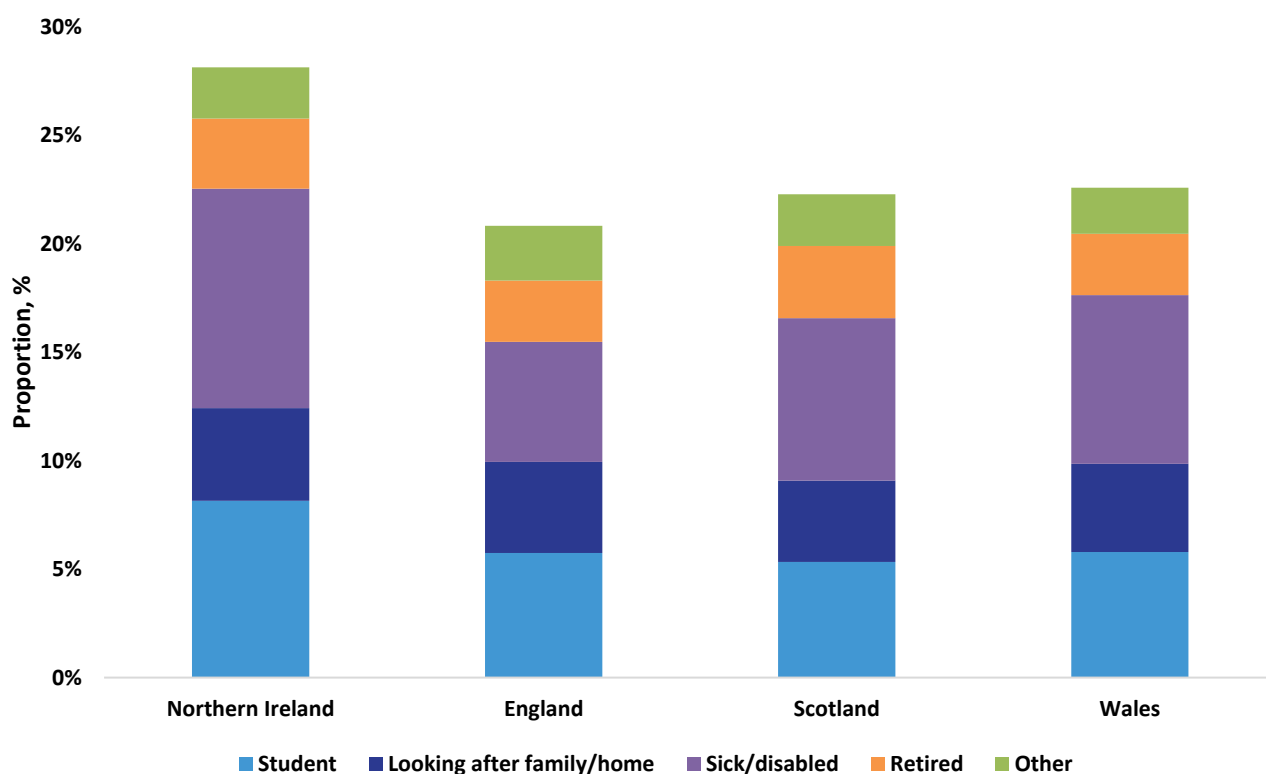
Source: Labour Force Survey, Office for National Statistics (ONS)
 Notes: Economic inactivity rates are for those aged 16-64 and are seasonally adjusted.

For July 2021 to June 2022 there were 317,900 people inactive in Northern Ireland. This compared to 7.4 million people in England, 786,300 in Scotland and 449,100 in Wales during this period. Inactivity in the other UK countries has trended down consistently in the last 30 years, while it has been stagnant in NI. Indeed, in 2001 inactivity in Wales was only 0.8 percentage points lower than that of NI – the gap in 2021 was 5.7 percentage points.

The reasons behind inactivity are of obvious interest to policymakers. For example, students are less concerning to policymakers as they are investing in their human capital with a view to entering the labour market in the future. Those who are long-term sick or disabled on the other hand are less likely to enter the labour force especially if they

are older (ONS, 2022a). The economic inactivity rate in NI reflects a large proportion of people who are inactive on the grounds of long-term sickness/disability. This rate is substantially larger than the figure in England, and slightly larger than Scotland or Wales, though it is notable that NI also has a younger population (ONS, 2022b). That NI has a younger population may lead one to believe overall population health should be better and there should be less disability given the known link between age and disability.

Figure 2: Economic Inactivity by Reason, 16-64 years



Source: ONS, author's calculations. Data for July 2021 – June 2022.

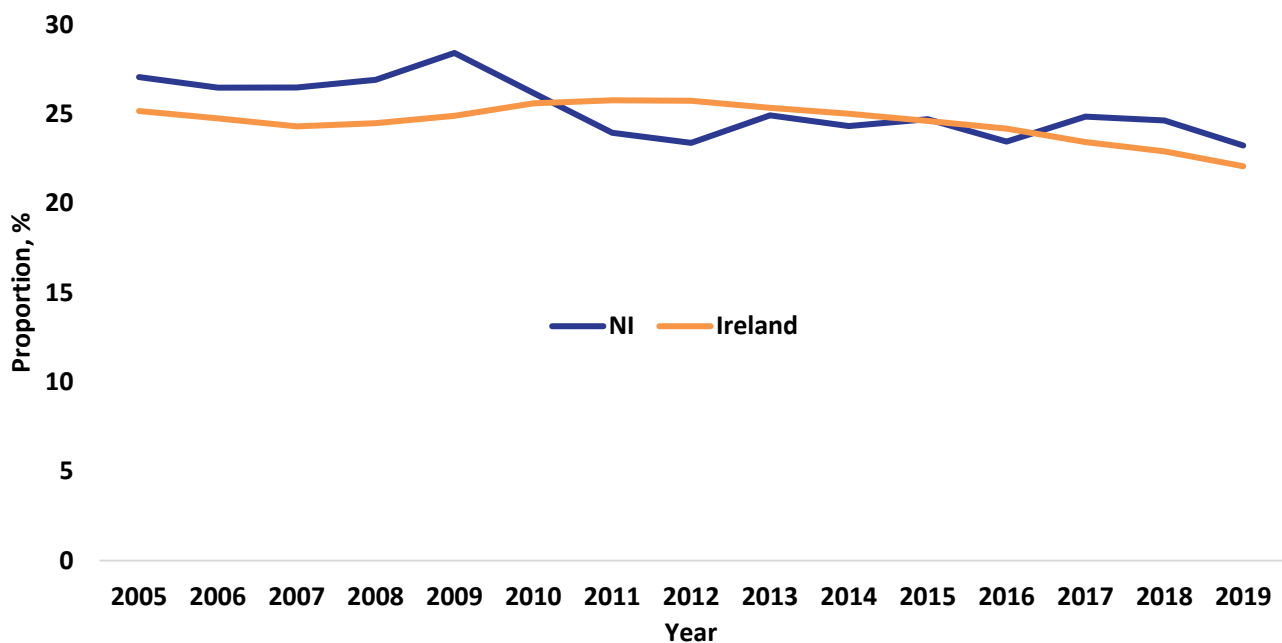
Notes: Proportion of those inactive by reason for inactivity.

NI has a lower proportion of people who are inactive due to caring responsibilities despite poorer childcare provision. This may be due to people reducing hours rather than exiting the labour market completely (while men in NI work longer than average hours in the UK, women in NI work less than the UK average (ASHE, 2022)) or may be due to more informal childcare being used (Family and Childcare Trust, 2016).

Figure 3 shows economic inactivity in Ireland and compares it with data from NI, both using similar Labour Force Surveys. The economic inactivity rate in Ireland is very similar to that of NI and has been since the Great Financial Crash. As of 2019, inactivity in NI for 20–64-year-olds¹ was 23% compared to 22% in Ireland.

¹ Given the number of students who remain in full-time education it is standard in Ireland to consider working age to be 20-64 year olds rather than 18-64 year olds as is the case in the UK.

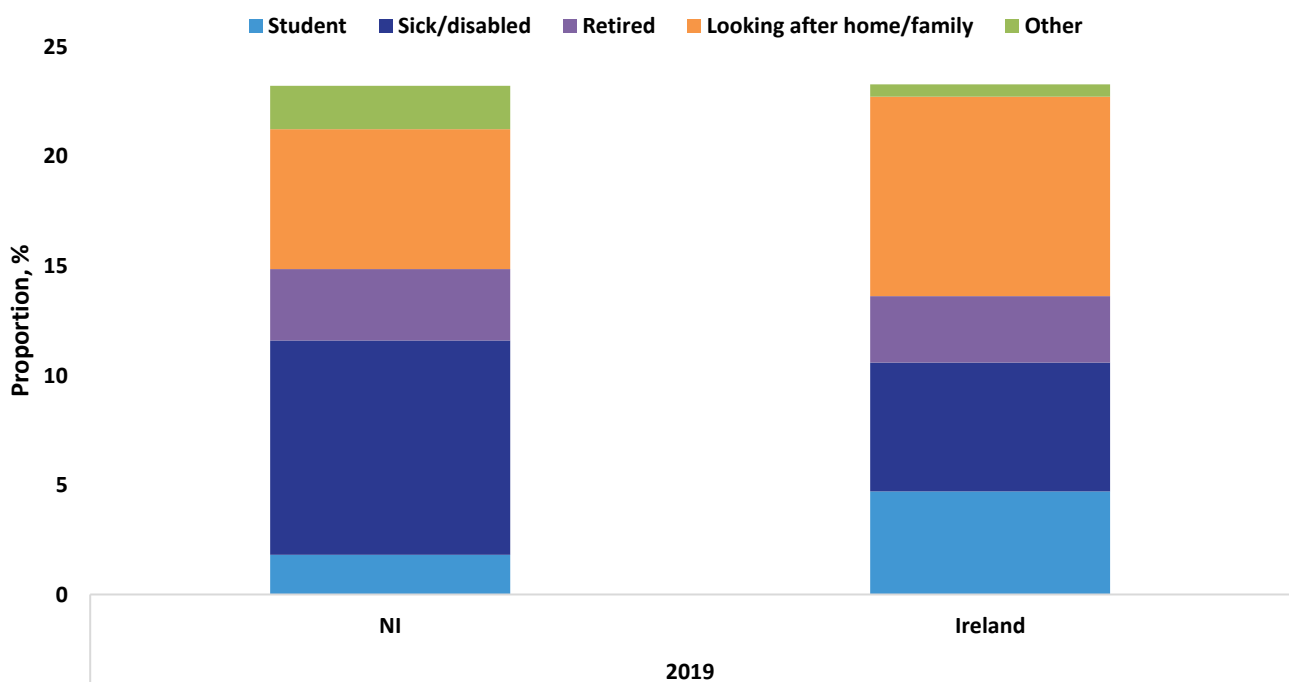
Figure 3: Inactivity Rates in NI and Ireland, 2019, 20-64 Year Olds



Source: ONS, author's calculations for NI. CSO, author's calculation for Ireland.

Despite the similar headline inactivity rate in both jurisdictions, there are significant differences in the makeup of that inactivity. Figure 4 shows the reasons for inactivity in NI and Ireland in 2019. The rate in NI is driven by a large proportion of individuals who are long-term sick/disabled, while Ireland has much higher rates of people who are studying and more who have caring responsibilities.

Figure 4: Economic Inactivity by Reason, NI and Ireland, 20-64 Years



Source: ONS, author's calculations for NI. CSO, author's calculation for Ireland. Data for the calendar year 2019.

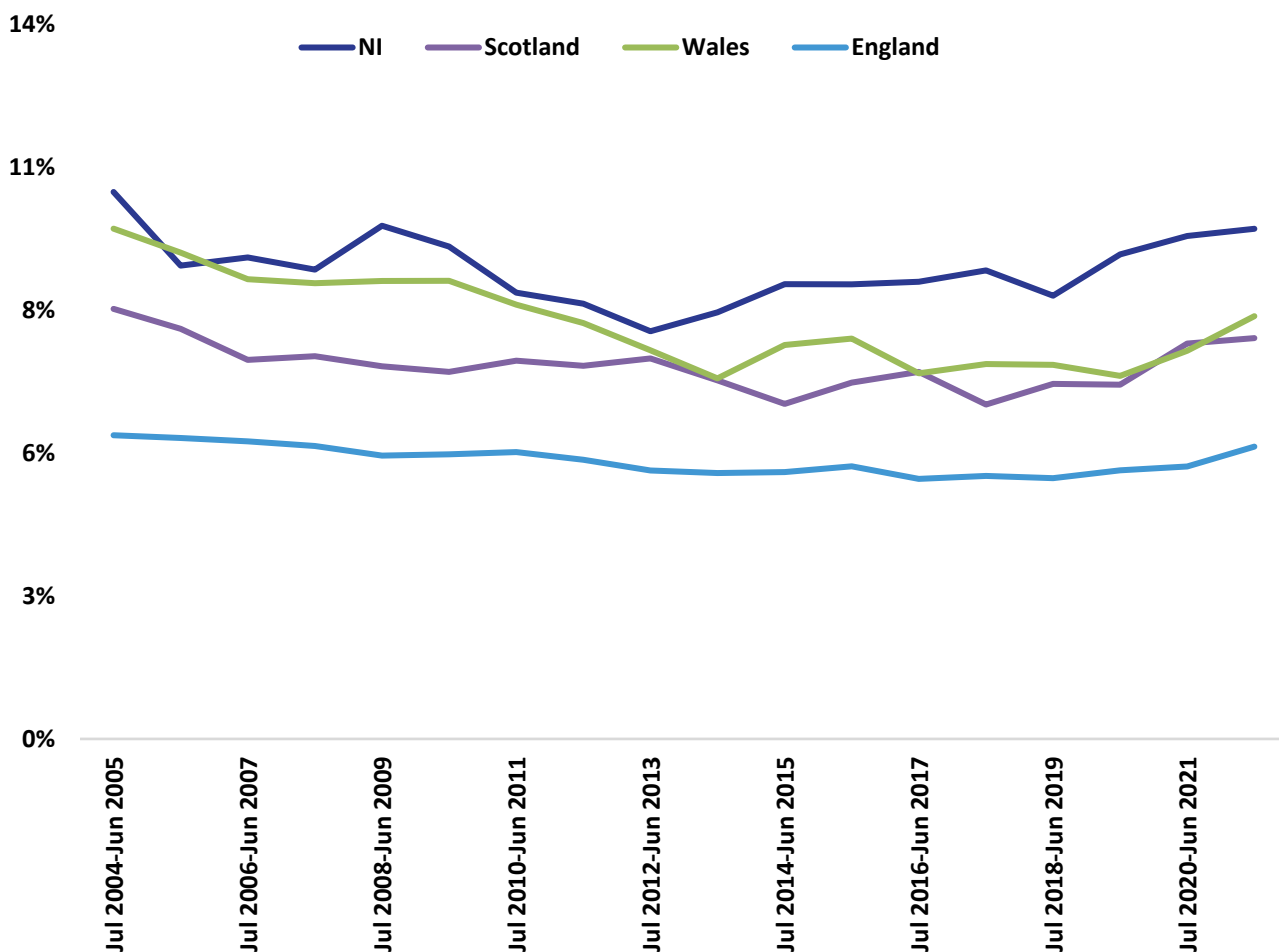
The high number of students in Ireland compared to NI is in line with recent studies of education in NI and Ireland (Smyth et al., 2022; Devlin et al., 2023). The proportion with caring responsibilities in Ireland may be reflective of the difficulty in securing childcare, particularly for children under one, in Ireland (Curristan et al., 2023).

Inactivity By Type

A growing proportion of the working age population who are inactive due to long-term sickness or disability can be seen across NI, Scotland and Wales (see Figure 5). These rates reduced slightly following the Financial Crash. Despite the three regions seeing increases since 2012 these have been largest in NI.

Analysis of more specific age bands reveal the largest increases amongst the youngest age band in NI (16-24 years) and the oldest age band (50-64 years). That inactivity due to long-term sickness/disability is increasing amongst the youngest people of working age may be a particular cause for concern. The scarring effects of non-employment particularly at younger ages is well documented.

Figure 5: Proportion of Working Age Population who are Inactive on the Grounds of Sickness or Disability



Source: Authors own using ONS data

For other forms of inactivity NI is much more in line with other UK regions, so for the sake of brevity we do not detail them all here.

Inactivity and Covid-19

There has been considerable debate over the impact of Covid-19 on economic inactivity following patterns of enforced home working, sustained lockdown periods and the introduction of furlough schemes at the heights of the pandemic (Marks, 2022; Sull et al., 2022; Tessema et al., 2022). Since this period, terms such as 'Quiet Quitting' and 'The Great Resignation' have been propelled by social media, referring to alleged trends wherein workers have chosen to leave or change jobs due to attitudinal changes in the context of the pandemic. Investigation of this claimed trend is ongoing (and indeed, such narratives have partly informed the current research project), Marks' work in this area found only mixed indicators for a 'Great Resignation', suggesting only a small increase in pre-pandemic people resigning from work. Of interest, however, Marks observed one group of workers as more likely to leave the workforce and not return (Marks 2022: 410):

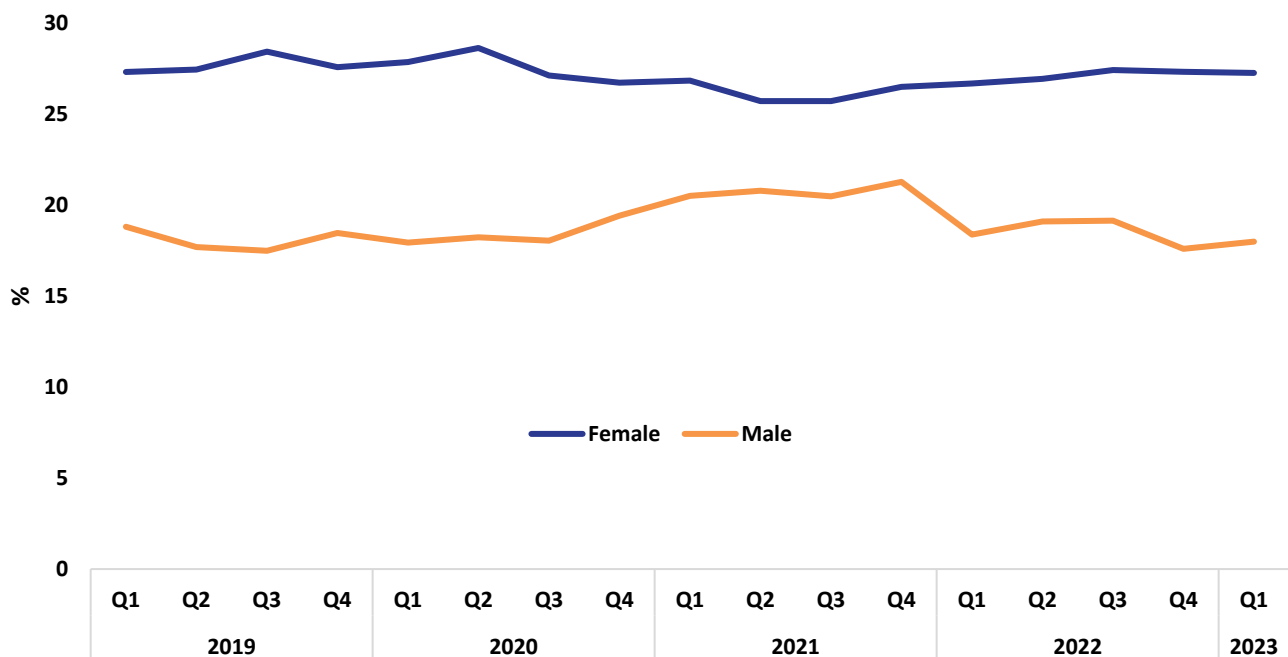
'This group of workers are the over 50s or more precisely the 50–70-year-olds. The ONS (March 2022) reported that for those aged over 50, there was the largest increase in workforce inactivity since records began in 1971. This move to labour force inactivity has been predominantly for men in professional occupations or men who were self-employed.'

Given that inactivity rates have reached pre-pandemic levels in NI it is unlikely that any of these concerns are significantly impacting labour force participation in the NI economy. The impact of Covid-19 on economic inactivity has been much disputed with arguments that it has increased significantly and worryingly so while others have argued it was a short-term blip and it would return to pre-pandemic levels. In fact, in many cases the most recent figures would suggest the latter to be true. However, this does not make the impact of Covid-19 irrelevant as it has shone the light on inequalities.

Research conducted by the authors suggests that there was little change in the economic inactivity rates between 2019 and 2023. However, a more detailed analysis of gender suggests within this picture an increase in inactivity amongst men took place, and a fall in inactivity amongst women.

Female inactivity rates were relatively low in the second half of 2020 and through 2021. For men on the other hand rates increased throughout 2020 and remained high in 2021 before falling in 2022 as the pandemic tailed off. These changes led to a convergence in the inactivity rates of men and women, but this has since diverged again throughout 2022, as shown in Figure 6.

Figure 6: Economic Inactivity Rates, 20-64 Years, by Gender, 2019-2023



Source: Labour Force Survey, Office for National Statistics (ONS)

Furthermore, while the headline rate did not change much, there were also differences by broad age group. Those aged 35-49 years saw a small fall in the inactivity rate in 2020 and 2021. For the youngest cohort, those aged 20-34 years, there was a rise in economic inactivity.

Barriers to Labour Force Participation

Building on the above quantitative findings, qualitative research was conducted, and this provided insights and first-hand perspectives from those experiencing inactivity. This aspect of the research was based on interviews with people who are economically inactive, as well as interviews (and one focus group) with stakeholders who both support and lobby for change in government policies related to inactivity.

There was widespread frustration at the labour market inequalities facing women, people with disabilities and care givers who receive minimal income from the state, whilst performing vital support services. These groups faced structural challenges which had resulted in disengagement from the labour market.

For those in receipt of social security as a significant means of income, there remains a strong perception that the system is inflexible, and claimants are wary of risking attempting work for fears it might not work out and there would be issues in accessing social security payments again. There was also a sense that the available jobs at the lower end of the labour market are unlikely to offer remote working options and this creates further risks and challenges for those with caring responsibilities and poor health.

Families commonly play a mediating role influencing the job-seeking behaviours of inactive family members. There are many reasons for this, though it is notable that economically 'inactive' family members often play a vitally important role within the home (e.g., care giving, house support work). Family members, particularly family members of those with disabilities, also expressed fears over the nature and location of work and how well-suited or feasible it might be in reality.

More generally, location is important in the job-seeking behaviour of many who are classed as inactive. This includes a sense that those in deprived areas have more localised outlooks on job opportunities and the training options around them (e.g., the role of local institutions appears important, for instance tenants' associations and women's centres which play various roles sustaining local people, with some likely to shape both future skills and perceptions of work availability). This therefore limits the economic opportunities available to people.

Inactivity due to care provision (both caring for someone with a disability and also childcare) is a significant barrier to labour force participation, particularly for women. It is also an area in which policy development could be particularly impactful. Furthermore, important sectors of the NI economy such as retail/service roles and manufacturing are less likely to offer entry-level remote working opportunities for those balancing responsibilities in the home.

Conclusions

This Research Bulletin sheds light on the relatively high economic inactivity rate in Northern Ireland by drawing on recent research conducted by the Economic & Social Research Institute (ESRI) and Queen's University Belfast (QUB) on behalf of the Department for the Economy. The main reports can be found at: [Economic Inactivity in NI](#).

A key overall conclusion to the research herein is that the high levels of economic inactivity in Northern Ireland are longstanding, structural issues. The impact of the Covid-19 pandemic on inactivity appears to have been short-term, with rates returning to pre-pandemic levels.

While there are a range of barriers facing those who are inactive in accessing the labour market there were a few stand outs barriers that came up frequently in the qualitative work. Caring responsibilities, whether childcare, eldercare, or care for those with disabilities, were a significant barrier to participating in the labour force particularly for women. The inflexibility of the social security system was a further barrier, with people unwilling to try work for fear it wouldn't work out and they would not be able to receive social security payments in the future, at least not with any ease.

Anne Devlin & Thomas Hastings

For further information or queries please contact anne.devlin@esri.ie and t.hastings@qub.ac.uk.