

Inspiring the Next Generation

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Five years on from the start of the credit crunch, two economic indicators continue to move in opposite directions; house prices and unemployment. According to one survey, local house prices have been falling for 60 months. Over the same five year period (*August 2007 – July 2012*) the number of individuals claiming unemployment benefit, or the dole, has fallen on just three occasions. The record high in house prices coincided with a record low in unemployment and clearly these two factors were linked.

Back in August 2007, Northern Ireland's dole queue numbered just 23,500. Fast forward five years and a further 39,000 have been added, bringing the total to 63,200 (roughly the population of the Ballymena Borough Council area). This 169% increase is almost double the rise recorded in the UK, and represents the steepest rise amongst all the UK regions. Furthermore, the number of individuals claiming unemployment benefit is now at its highest level since May 1997. The latter marks the date when the Labour government came to power. Back then the theme tune, and unofficial New Labour motto, was *"Things can only get better"*. And they did, in both an absolute and a relative sense. Northern Ireland moved from having the highest unemployment rate of all the UK regions to one of the lowest.

Now, the mood music couldn't be more different, as many fear things will get much worse before they get better. You could convince yourself that things are otherwise if you rely on the current ILO unemployment rate of 7.6% which compares favourably with the equivalent rate in the UK of 8.0%. However, the reality is that this measure is unreliable in Northern Ireland and is not well regarded in the economics world.

Despite the current pessimism, it is important to retain some perspective. For example, Northern Ireland's current claimant count remains half the level that prevailed when unemployment peaked at 123,500 in October 1986. Furthermore, while unemployment is back at 1997 levels, and 9% higher than when the Good Friday Agreement was signed, the number of jobs or indeed the number of people working in some shape or form is much higher. In addition, the proportion of our working-age population that are neither in work or looking for work, the so called economic inactivity rate, is actually much lower now (27.3%) relative to April 1998 (29.2%).

So far, the recession has led to the loss of 41,000 jobs in Northern Ireland, or one third of the jobs created in the decade after the Good Friday Agreement (a useful landmark). Therefore two thirds (82,000) of those jobs created still remain. Whilst the number of jobs continues to fall, and is currently back at 2004 levels, the actual number of individuals in Northern Ireland aged 16 years of age and above working at least one hour per week, paid or unpaid, is higher now (796,000) than when the credit crunch began (781,000). When the Good Friday Agreement was signed the comparable figure was just 686,000, some 110,000 fewer than the latest available figures today. However, we should remember that Northern Ireland's working-age population has increased by 124,000 (almost five times the population of Newry) since 1998. Furthermore, we need to create 3,300 jobs per annum to absorb the growing population and just to keep the employment rate at its current level.

For many, the recent move from inactivity into work is not through choice but necessity, triggered by an inflation-induced fall in households' standard of living. Increasingly, those who can work do, with two key labour market trends being 'increased female participation' and 'individuals delaying

retirement'. Since the credit crunch began, the number of individuals over the age of 50 in employment has risen by almost two thirds with those over 65 years of age more than doubling. Conversely, the number of individuals aged 18-24 years has fallen by one third. The younger generations are bearing the brunt of the recession and downturn. Not only are their fewer jobs available but competition from older more experienced individuals is fierce.

The London 2012 Olympic Games motto was "*Inspire a Generation*". In light of the rousing events of last month, it looks likely that realising such a goal is indeed achievable. However, looking at the latest labour market statistics for Northern Ireland, it is clear that an increasing number of our younger generation currently have grounds to be disillusioned rather than inspired.

The latest figures confirm Northern Ireland's youth (18-24) unemployment rate is now 22.3% (UK=19.5%). Whilst this is less than half the rate in economies such as Spain and Greece, it remains a major concern for Northern Ireland socially and economically. By way of context, when the Good Friday Agreement was signed in April 1998, the youth unemployment rate was just 9.6%. Meanwhile the unemployment rates for the 25-49 years of age category and the 50+ cohort were 6.6% and 6.7% respectively. Despite the downturn it is noted that the unemployment rates for these two cohorts have actually fallen!

Not only were the under-25s of 1998 inspired politically, they were also to benefit greatly from the employment boom that occurred. The combination of a retail, construction and public sector employment boom contributed to almost 123,000 jobs (+20%) in just 10 years. Looking ahead, history will not repeat itself as the past sources of employment growth are now drivers of employment decline.

Northern Ireland's number one labour market priority is quite clear – tackling the economy's growing problem of youth unemployment. The challenge is not just inspiring, but utilising both the current and next generations within the economy.

*Richard Ramsey,
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