

# Labour market glass half-full and half-empty

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Whether you're a glass half-full or a glass half-empty person there is something for everybody in Northern Ireland's raft of labour market releases. According to the Labour Force Survey (LFS), the number of individuals classed as unemployed has fallen by 4,000 during the three months to January 2012. At the same time, however, the number of individuals claiming unemployment benefit – the claimant count (*dole queue*) - has risen by 600. Furthermore, our unemployment rate using one measure is the second lowest of all UK regions. Conversely, using another measure it has the second highest in the UK. Meanwhile, the number of jobs has fallen for eight consecutive quarters (-2.5%) up to the fourth quarter last year. At the same time however, the number of individuals in employment, of some shape or form, has risen by twice this amount over the same period.

Confused? You may think the infamous '*two-handed economist*' is having a field day, but here's what is going on. The LFS unemployment figures are survey based, whereas the claimant count is the actual number of individuals claiming unemployment. Furthermore, the latter is a much narrower definition of '*unemployment*' whereas the LFS is a much wider and includes those not entitled to unemployment benefit (*means tested*) but who are without work and looking for work. Therefore you would expect the wider measure to be significantly larger than the narrow measure of unemployment (*the claimant count*). Indeed, this is the case in the UK with 1.61 million claiming unemployment benefit but the wider LFS is some 66% higher at 2.67 million. Strangely, however, the converse is true for Northern Ireland with the dole queue currently at 61,400 whereas the wider LFS estimate is 9% lower at 56,000.

On the employment front, the LFS measures the number of individuals (*aged 16 or over*) working at least one hour's work (*paid or unpaid*). Therefore even a teenager getting the Flymo out at the weekend at the behest of his parents, or baby sitting, would be counted in this measure. In addition, the so called black or grey economies would also be captured. Nevertheless, the number of individuals now working in some shape or form (*paid or unpaid*), for at least 1 hour per week, has actually never been higher. In Northern Ireland, the preferred measure for employment is the Quarterly Employment Survey (*QES*) which measures actual jobs as opposed to individuals working.

Following that statistical debrief, how is the local labour market faring? During Gulf War I, General Norman Schwarzkopf coined the rather insensitive term of '*collateral damage*' – which included the human casualties of war. In Northern Ireland, rhyming off the collateral damage from the recession can also be rather insensitive as underneath the figures is the human face of the ongoing downturn. To date, there have been around 39,000 job losses and 38,000 individuals added to the unemployment register. To put these figures into perspective, these increases would be equivalent to the entire working age population within either Ballymena or Fermanagh District Council Areas.

Alongside the job losses & rising unemployment, two further challenges have been pay cuts / freezes and reduced working hours. For example, there has been an increasing incidence of part-time employment instead of full-time. Indeed, the latter has dominated the job losses to date with full-time employment down almost 7% since the Q2 2008 peak. Part-time employment, on the other hand, has increased marginally over the same period.

The big story, however, is the fall in the economically inactive - those people of working-age neither in work or looking for work. The inactivity rate has recently hit its lowest rate since 1992 with around two thirds of this fall resulting from falling female inactivity.

For many households, the rising cost of living and funding children through higher education, has made opting out of work by choice (*e.g. stay at home mums*) and early retirement unaffordable. For example, the cost of filling the tank (diesel) of a 4x4 – the ‘*Cherryvalley Tractor*’ – has soared from £97 in January 2009 to £147 today. Meanwhile, the downside of people staying in work for longer and females returning to work has meant fewer employment opportunities for younger people and high youth unemployment. Welfare reform has also shifted some females (*e.g. lone-parents*) onto the unemployment register and out of economic inactivity. Further reforms will move thousands of ‘*long-term sick*’ back onto to the unemployment register in due course.

In many respects the recession & inflation have achieved changes in the local labour market that targeted policies failed to address for years. During the decade prior to the downturn, Northern Ireland experienced no improvement in its inactivity rates whatsoever. This was despite an employment boom and a raft of targeted policies. Whilst Northern Ireland still boasts the highest inactivity rates of all the UK regions it is fair to say the deferred pain from the recession has activated the inactive. Looking ahead, the key challenges / themes for the labour market will be youth unemployment, boosting productivity, outward migration and implementing regional public sector pay. The human recession will continue for some time yet.

*Richard Ramsey,  
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