What lies beneath? The surprising facts about the unfolding 'human recession'

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We all know that unemployment levels have been rising in Northern Ireland, as, unsurprisingly, this has grabbed the news headlines. But, perhaps surprisingly for many, this is far from the full story, as recent Labour Force Surveys (LFS) are actually littered with record highs and lows of the positive variety.

Whilst the number of jobs continues to decline, 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. Part-time work and shorter working hours are also becoming more prevalent. This is largely down to changing behaviours and lifestyle choices, particularly by women.

In many respects the recession has 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 *(or activity)* rates whatsoever. This was despite an employment boom and a raft of policies to tackle a headline economic objective.

Now, however, it is noted that economic activity in Q2 2011 has never been higher. This means that more people are either in work or looking for work than ever before. And the proportion of the working-age population neither in employment nor looking for work – termed *'economically inactive'* - has never been lower. Furthermore, the gap between NI's and the UK's respective inactivity rates has never been narrower. 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.

But who are the inactive? Only 1 in 6 individuals classed as inactive actually wants a job, whilst the remainder do not want work for a variety of reasons. The latter includes individuals claiming long-term sickness benefits, those looking after the family/home, students and individuals who have retired early.

Initially, the downturn's most intense phase triggered a surge in inactivity, with the number of inactive individuals of working age rising by 10%, or 31,000, between 2008 *(3mths to July)* and 2009 *(3mths to July)*. Meanwhile, the economic inactivity rate hit 31.4% in July 2009 – its highest level in 10 years.

The most significant driver behind this rise was an increase of almost a quarter (+17,000) in student numbers. The lack of job opportunities led a significant number of people to seek out the safe-haven of education as a recession-avoidance tactic. Student numbers subsequently rose by another 10% by the end of 2009 to a record high of 100,000. Meanwhile, the number of individuals classed as *'long-term sick'* and those retiring early both rose by 12% over the year to July 2009. The rise in the number of 'early' retirements (+5,000) was largely triggered by redundancies.

The most intense phase of the local recession coincided with relatively mild inflation. The RPI measure averaged 0.5% for 2009 as a whole. Since then, inflationary pressures have surged, with the annual CPI & RPI rates recently hitting 4.5% and 5.2% respectively. This is occurring against a backdrop of rising unemployment, wage freezes and pay cuts. The net result is household incomes are being squeezed like never before. However, this is only part of the story.

Individuals on low incomes spend a much greater share of their incomes on necessities such as food, heat and light. Inflation within these categories has increased at an alarming rate. The FBTE CPI measure *(includes food, beverages, tobacco and energy)* has risen by 9% over the last year, and over the last 4 years FBTE consumer prices have risen by 31% - more than twice the rise in the headline CPI / RPI rates. A litre of petrol has risen by 60% since the start of 2009! Against this inflationary backdrop, household incomes are being aggressively squeezed, particularly for those experiencing unemployment.

So how has the local labour market responded to these conditions? Since the summer of 2009, the number of economically inactive has fallen by 44,000 or 12% and the economic inactivity rate has reached an all-time low. Two thirds of this fall in inactivity *(or rise in activity)* has resulted from falling female inactivity, which is now at a record low. Male inactivity has also fallen significantly from its recession-induced record high, but the male inactivity rate is still above pre-downturn levels. A key trend within both male and females is the fall in the 50-64yrs inactivity rate. This is due to the sharp decline in the number of people in this age-bracket retiring. Clearly, the rising cost of living and funding children through universities etc has reserved this option for the wealthy. The same pressures have arguably contributed to a decline in long-term sickness levels, particularly within men, since July 2009.

Whilst on the whole positive, it should be noted that this has however been bad news for youth unemployment, which is now at its highest since October 1996. As people have been staying in work for longer, retiring later, this has meant fewer employment opportunities for younger people.

One of the most striking trends and most significant drivers behind the fall in inactivity levels is the rapid decline in the number of females not working to look after the family or home. Since July 2009, this has slumped by 25% (18,000). For many households, the recession and 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. Meanwhile, changes to welfare benefits have shifted some females *(e.g. lone-parents)* onto the unemployment register and out of economic inactivity. Further reforms, yet to come into effect, will move thousands of *'long-term sick'* back onto to the unemployment register *(Job Seekers Allowance).*

We hear a lot about rates of economic growth or contraction and whether we are still in recession or might go back into it. However, whether we are experiencing marginal economic growth or marginal economic decline, in real terms, this is unlikely to feel much different to most people. This has led some to differentiate between the 'statistical recession/recovery' and the 'human recession'. In Northern Ireland, beneath the headline figures, there is clearly a complex human story unfolding, far beyond the black and white debate about recession or growth. Thankfully an analysis of this 'human recession' reveals some surprising facts that show it's not all bad news.

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