



Spare capacity in the Northern Ireland labour market – Paper 1

Measuring the ‘real’ unemployment rate

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Key definitions

Measuring unemployment

The unemployment rate is the most common measure of labour market slack within an economy. In the United Kingdom (UK) there are two key measures of unemployment:

1. **Claimant count unemployment** - measured as the number of out of work individuals claiming unemployment related benefits.
2. **International Labour Organisation (ILO) unemployment** – measured as any individual not in employment but is able to begin a job within the coming two weeks, have actively looked for a job in the previous four weeks (or are waiting to start a job they have already obtained). The ILO unemployment rate is calculated as the number of ILO unemployed as a proportion of the economically active population.

The ILO unemployment definition is the official UK unemployment figure consistent with international standards, as measured by the Labour Force Survey (LFS). When discussing unemployment this research will be referring to the ILO definition of unemployment.

Measuring economic inactivity

Economic inactivity refers to individuals who are not in employment and not seeking work. The Office for National Statistics (ONS) officially define economic inactivity as any individuals not in employment, who have not been seeking work within the last 4 weeks and/or are unable to start work within the next two weeks. The economic inactivity rate is calculated as the total number of economically inactive individuals as a proportion of the population.

There are individuals among the economically inactive that report they would like to work, as published by the LFS. However, given these individuals do not fit within the definition of ILO unemployment they are not considered unemployed, but rather economically inactive. Therefore, despite reporting a desire to work, they are not recorded within the most common measure of spare capacity in the labour market.

Measuring spare capacity in Government Training Schemes

Government Training Schemes (GTS) broadly aim to provide out of work individuals with training opportunities to improve their employment prospects. GTS participants are considered employed within the ILO statistical framework providing they are engaging in any form of work, work experience or work-related training. That is, any GTS that delivers a 'working' element will have participants classified as employed, as opposed to out of work.

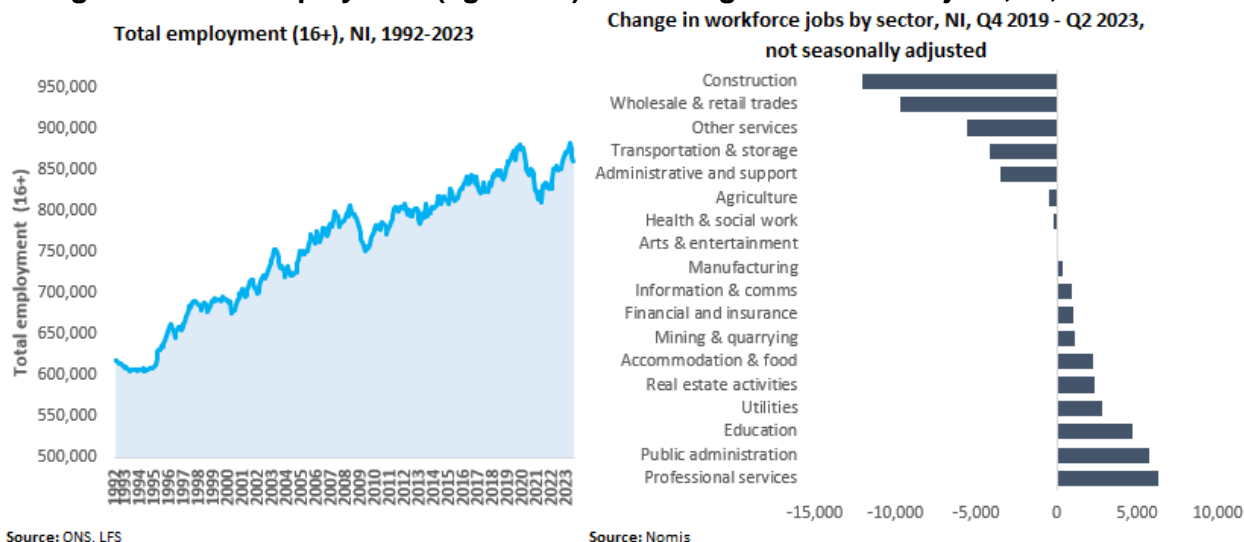
The majority of participants on GTS over recent decades have been mandated to participate as a condition to maintain unemployment benefit payments. Therefore, given the profile of those on GTS it is reasonable to assume that the group represent spare capacity within the labour market as they are out of work but desire a job, illustrated through efforts to improve their employability.

Introduction

As advanced economies across the globe have emerged from the global pandemic a feature of labour markets has been widespread reports of labour shortages. This also characterises the United Kingdom (UK) and Northern Ireland (NI) labour markets. For example, in the 2023 Open University Business Barometer¹ survey **68% of firms responding stated that their organisation is currently experiencing skills shortages**, and one quarter of businesses state that they have been unable to fill roles due to a lack of applicants. In the Q4 2023 NI Chamber of Commerce (NICoC) Quarterly Economic Survey, **85% of manufacturers and 74% of service firms reported finding it difficult to get staff**².

Recruitment difficulties in a period of economic recovery are unsurprising, and partly a demand led phenomenon. By Q1 2021 total employment had fallen to 60k below pre-pandemic levels (Q4 2019). Once restrictions related to the coronavirus pandemic ended, firms across all sectors attempted to build back their workforces, creating intense competition for talent.

Figure 1: Total employment (aged 16+) and change in workforce jobs, NI, 1992-2023



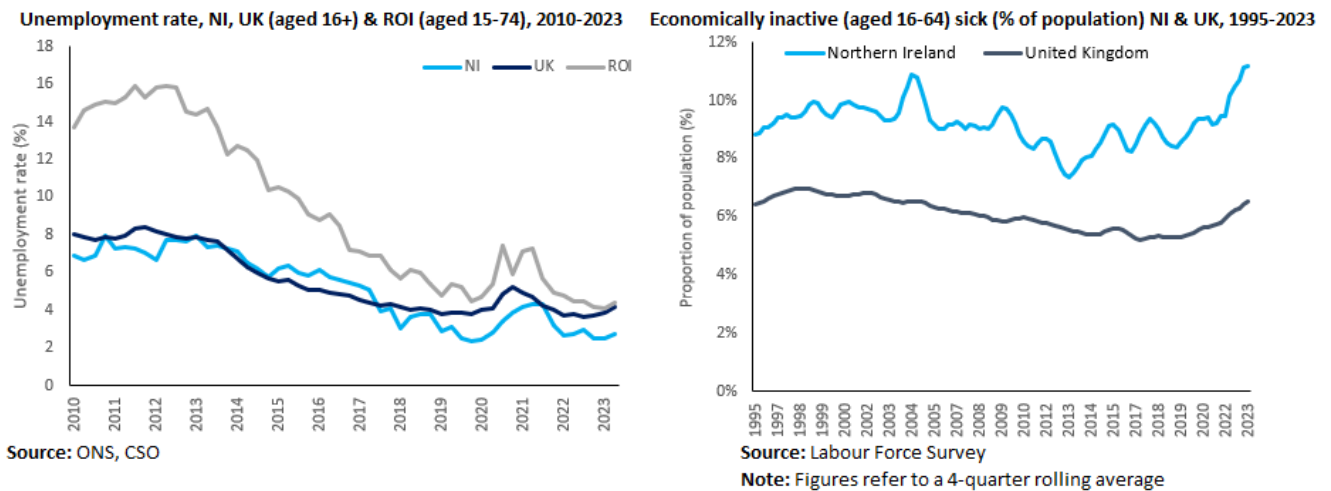
Of sectors with a large employment base, only the Professional Services, Public Administration and Education sectors are significantly above their pre-pandemic job numbers, highlighting that **most of the private sector has been unable to rebuild their workforces to pre-pandemic levels**. Recent survey data from the NI Purchasing Managers Index³ (PMI) and the NICoC Quarterly Economic Survey highlighted that recruitment intentions remained positive in 2023. Whilst recruitment intentions have fallen from peak, they remain high by historical standards, suggesting a persistence of recruitment difficulties.

Across the economies of the British Isles, labour markets are tight with unemployment rates close to historic lows. In Q2 2023 unemployment rates in NI, the UK and Ireland were 2.7%, 4.2% and 4.4% respectively, despite weakening demand in all three economies. Aligned to this, patterns of labour market engagement have shifted since the pandemic, with higher numbers of people becoming economically inactive, primarily due to rising sickness.

¹ Open University (2023) Analysis of the skills landscape. [Available via <https://www5.open.ac.uk/business/barometer-2023>]
² Northern Ireland Chamber of Commerce (2023) Quarterly Economic Survey [Available via <https://www.northernirelandchamber.com/services/influence/quarterly-economic-survey/>]
³ Ulster Bank (2023) Northern Ireland Purchasing Managers Index [Available via: <https://ulstereconomix.com/ni-pmi/>]

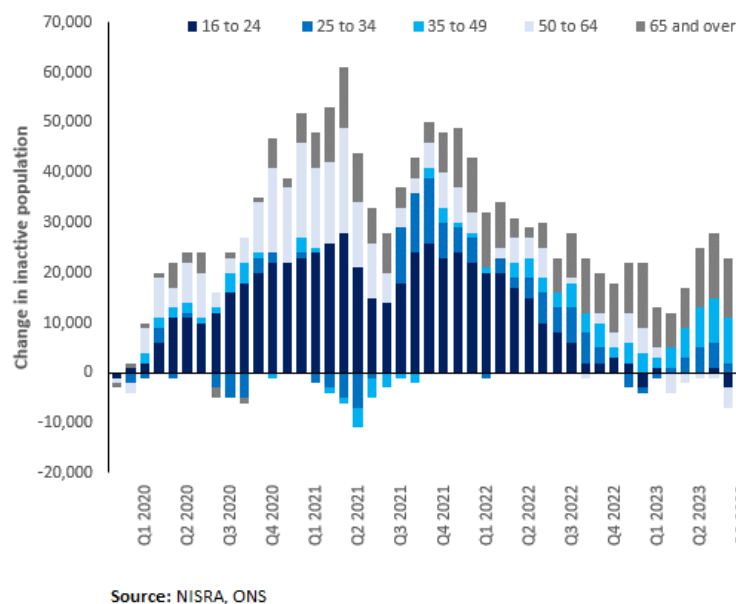
NI has longstanding challenges with regard to sickness and has historically had the highest sickness per capita of the 12 UK Government Office Regions⁴. Since the pandemic the percentage of the 16-64 population economically inactive due to sickness has increased, reaching 11.2% in Q2 2023. This is much higher than in the UK as a whole (6.5%). There are a wide range of factors impacting sickness levels including the scars of prior waves of deindustrialisation, a rising disabled population, an aging population, legacy of the past and higher prevalence of conditions such as mental health amongst younger age cohorts.

Figure 2: ILO unemployment rate, 2010-2023, and economic inactivity due to long-term sickness, NI, ROI & UK, 1995-2023



Labour shortages peaked over the pandemic period, with falls in the number of economically active persons across all age categories. Notably, young people withdrew their labour which impacted sectors that have a more youthful age profile. However, when pandemic related restrictions ended, young people increased their labour force participation.

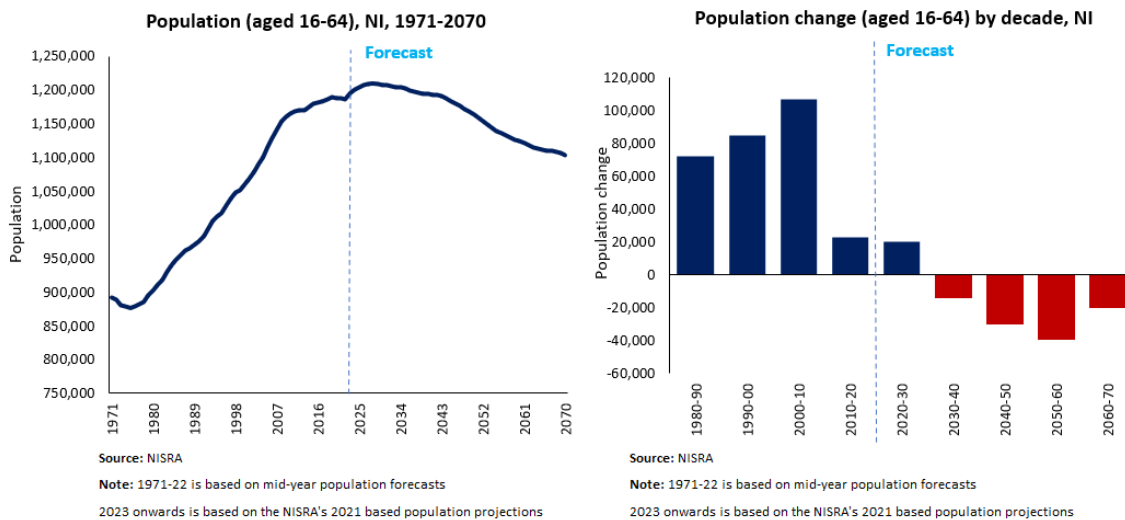
Figure 3: Change in economic inactivity by age, NI, Q4 2019-Q3 2023



⁴ Referred to hereafter as 'UK regions'.

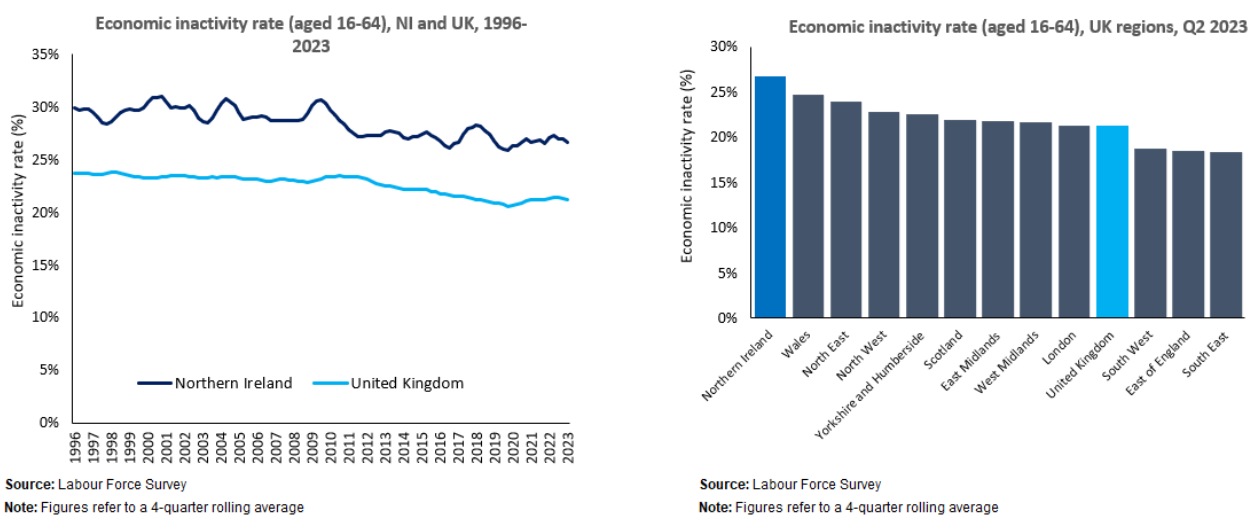
The majority of the change in economic inactivity relative to our pre-pandemic position is attributable to the over 65's. In other words it's a function of NI's aging population. Given NI's demographic forecasts, constrained labour availability is likely to persist over the long-term. **The working age population is forecast to peak in the 2020's, then decline from the 2030's onwards.** In the absence of a more liberal approach to migration, or a significant improvement in labour force participation, the decades ahead will be characterised by persistent skills shortages limiting NI's growth potential.

Figure 4: Population forecasts, aged 16-64, NI, 1971-2070



Low labour force participation is a symbol of the NI labour market's long-term underperformance relative to the rest of the UK. Over one-quarter (27%) of all working age individuals in NI are economically inactive, compared to just over one-fifth (21%) in the UK. To put into context, **NI has reported the highest working age economic inactivity rate of all UK regions in 101 of the past 111 quarters.**

Figure 5: Economic inactivity rate (%) aged 16-64, UK regions, 1996-2023



Historically low unemployment signals that the local labour market is close to full employment. Working age ILO unemployment has fallen to 23k, indicating limited labour

market slack. However, using this metric in isolation understates the scale of worklessness in NI. This paper aims to quantify a 'real' unemployment rate, which accounts for additional individuals who fall outside the standard measure of unemployment, but represent potential labour supply.

This is the first in a series of three briefing papers which aim to quantify spare capacity in the NI labour market. The next paper will examine in-work spare capacity. The final paper will explore an hours-based method for quantifying the overall level of spare capacity in the economy, and draw upon the findings across all three papers to provide a policy discussion.

Hidden unemployment

The most common measure of labour market slack is the number of ILO unemployed individuals. However, **ILO unemployment only accounts for 6.9% of the total workless population**. There are individuals who fall outside the measure of unemployment that represent potential labour supply. In other words, there is a component of unemployment hidden from official statistics due to the criteria used within the ILO statistical framework to define unemployment.

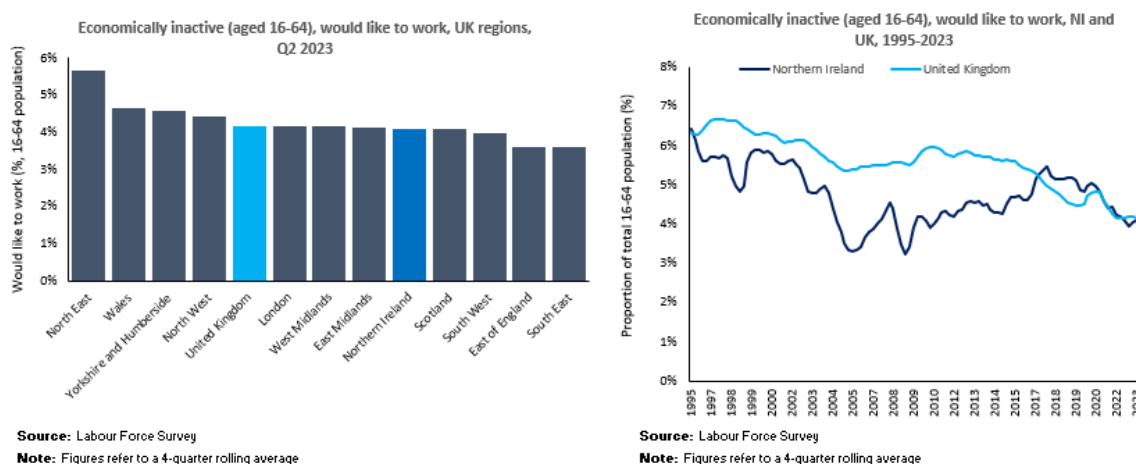
There are two groups of individuals uncounted within unemployment statistics who represent spare capacity within the labour market. Taken together, these groups represent hidden unemployment, as outlined below.

1. **Economically inactive persons stating they ‘would like to work’**. To a lay reader it would seem counter-intuitive that a jobless person stating that they ‘would like to work’ is not counted as unemployed within Government official statistics. However, if the individual has not sought work in the preceding four weeks or are not available to start within two weeks then they are counted as economically inactive rather than unemployed.
2. **A proportion of participants on Government Training Schemes (GTS)**. Individuals participating on GTS are recognised as employed within the ILO statistical framework if they are in any form of work, work experience or work-related training. For most of the past decade the Steps to Success (S2S) programme accounted for the vast majority of individuals in this category. However, legacy schemes have recently been replaced with a new suite of training interventions.

Hidden unemployment: economically inactive, want to work

In NI there are currently 312k economically inactive individuals⁵, of whom 15.4% stated that they ‘would like to work’. This group represents 4.1% of the working age population, compared to rates of over 6% in the late 1990’s. The UK has also recorded a general decline in work intention over the same period, falling to 4.2% of the working age population.

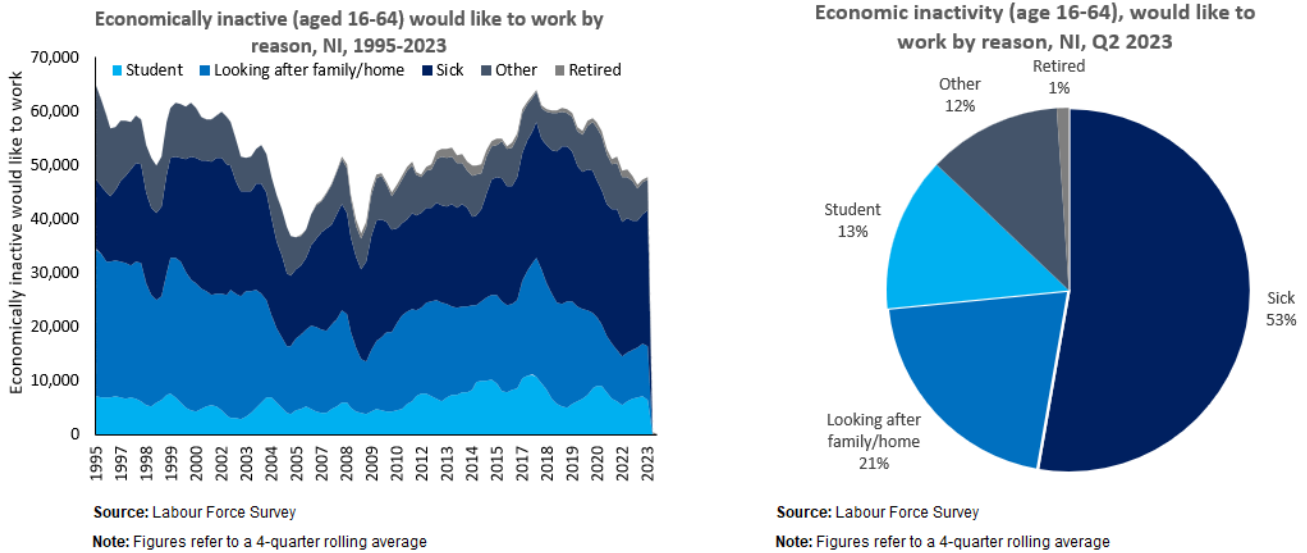
Figure 6: Economically inactive – would like to work (% of the population) aged 16-64, UK regions, 1995-2023



⁵ Figures used throughout this report refer to the 16-64 population, unless otherwise stated.

Half (53%) of the inactive who state they ‘want to work’ are suffering from health problems⁶. This is followed by individuals looking after the family/home (21%), non-working students (14%), other reasons (12%) and retired persons (1%).

Figure 7: Economically inactive – would like to work by reason aged 16-64, NI, 1995-2023



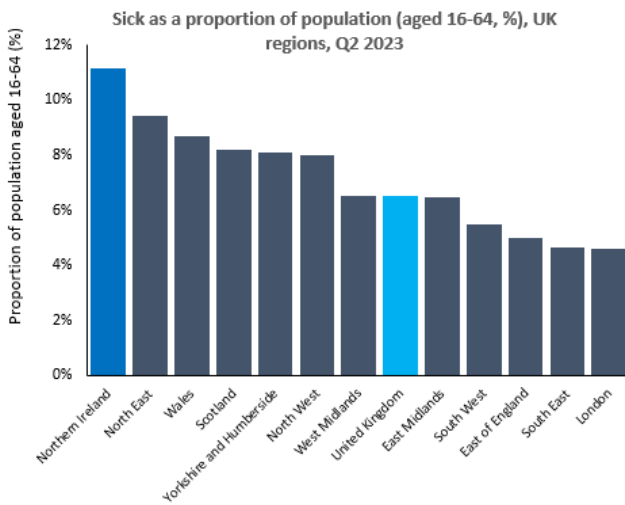
The composition of the group has changed over time. For example, in Q2 1996 individuals looking after the family and/or home accounted for around two-fifths (42%) of the economically inactive who would like to work, this has declined to approximately one-fifth (21%). Persons with health problems have increased their representation within the group, increasing from 22% to 53% over the same period.

Economically inactive: Sick

Approximately 130k (42%) of NI’s economic inactivity is attributable to sickness, making it the largest category of economic inactivity. **Over one in ten (11.2%) of the working age population in NI are economically inactive due to sickness**, compared to 6.5% in the UK. NI has the highest proportion across all 12 UK regions, and is an outlier within the UK. To put this in context, the incidence of sickness in NI is more than double that recorded in London (4.6%).

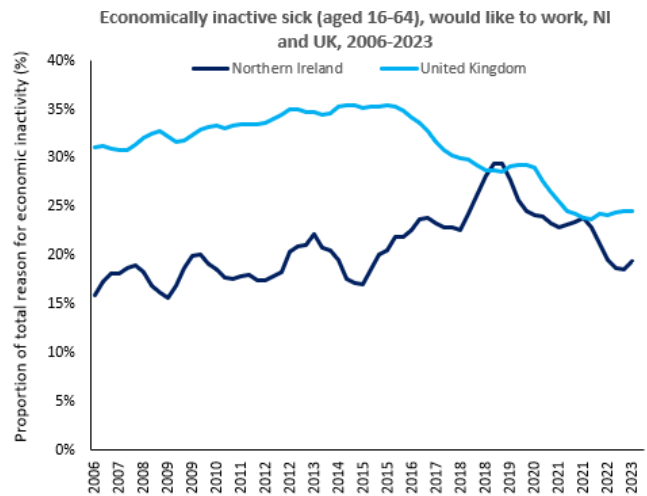
⁶ This refers to long-term sick and disabled and temporarily sick and disabled.

Figure 8: Economically inactive due to sickness (%) aged 16-64, UK regions, 2006-2023



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

Almost one in five (19.3%) people economically inactive due to sickness report they ‘would like to work’, representing hidden unemployment. Work intention had been on a general upward trend between 2014 and 2019 before declining over the pandemic. The UK has also recorded a steep fall in work intention since 2020, which has stabilised since 2022. Over the past decade the NI-UK gap in work intention has narrowed. For example, in 2014 the proportion of economically inactive sick persons who ‘want to work’ in NI was 18 percentage points (p.p) below the UK, it has now reduced to 5.3p.p.

The structure of welfare support has been a contributor towards the increasing share of sick persons amongst the economically inactive. For example, NI’s main sickness related benefit, Employment Support Allowance (ESA), highlights only 3% of total ESA claims are within the Work-Related Activity Group⁷ (WRAG) and the majority within the Support Group⁸ (91%). That is, **the majority of ESA claimants are subject to no conditionality, receive no employability support and are under no obligation to undertake labour market activation programmes.** Overall, in August 2023 there were 2.9k claimants within the WRAG, compared to 25.3k economically inactive sick, reporting they would like to work.

The low proportion of participants in the WRAG suggests that an unintended consequence in the design of welfare programmes is a **passive nature of out of work sickness benefits**, encouraging claimants to express how sick they are rather than their work capability. Benefit statistics have not been adequately reformed to reflect changes to the welfare system in recent years, therefore it is difficult to paint a conclusive picture. However, Universal Credit statistics paint a similar picture, with almost two-thirds (64%) of non-working claimants having no requirements attached to their benefit. The supply side reforms introduced in the 2023 Autumn Statement could potentially make a positive contribution towards increasing participation in employability and skills initiatives⁹.

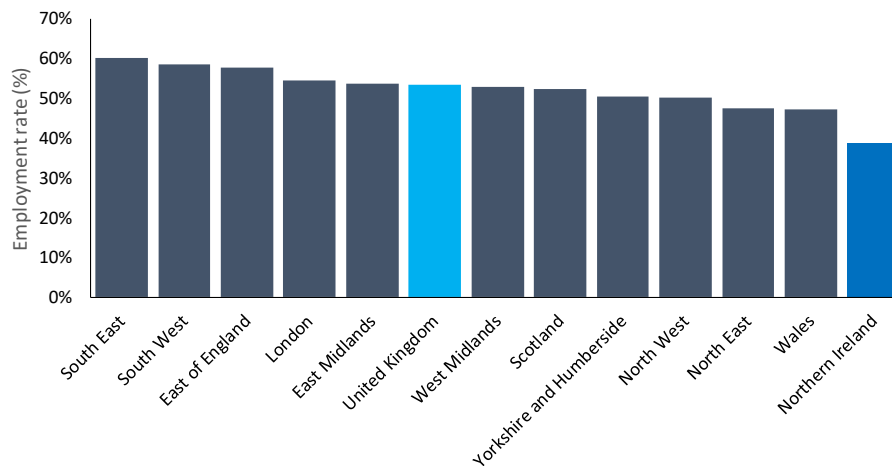
⁷ In this group claimants are expected to take part in work-focused interviews with an Employment Service Adviser and will receive support in preparing for suitable work. A claimant’s entitlement to ESA may be affected if they refuse to fully partake in these activities.

⁸ In this group claimants are not expected to partake in any work, do not have to go to work-focused interviews and are paid a ‘support component’ in addition to the basic rate.

⁹ HM Treasury (2023) Autumn Statement 2023. <https://www.gov.uk/government/publications/autumn-statement-2023>

Another reason for the high weighting of people with health problems amongst the hidden unemployed is NI's very low employment rate amongst the disabled. The employment rate for disabled people in NI (39%) is significantly lower than the UK average (53%) and the lowest rate across all 12 UK regions. Almost one in five disabled persons would like a job. **With a large disabled working age population (282k), a low employment rate and a high percentage who would like to work it is clear that persons with disabilities represent a significant proportion of NI's hidden unemployment.** Therefore, to be successful in reactivating the hidden unemployed group as a whole, policy responses must include programmes and legislation aimed specifically at the disabled¹⁰.

Figure 9: Employment rate of disabled individuals (aged 16-64), UK regions, Q2 2023



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

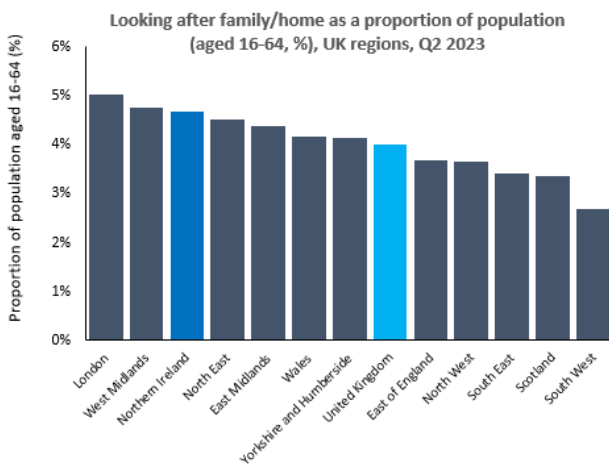
There are 25.3k individuals amongst the economically inactive who are sick that represent hidden unemployment within the NI economy. This sub-category of economic inactivity alone has a higher number of people indicating that they would like to work than the ILO measure of unemployment.

Economically inactive: looking after family/home

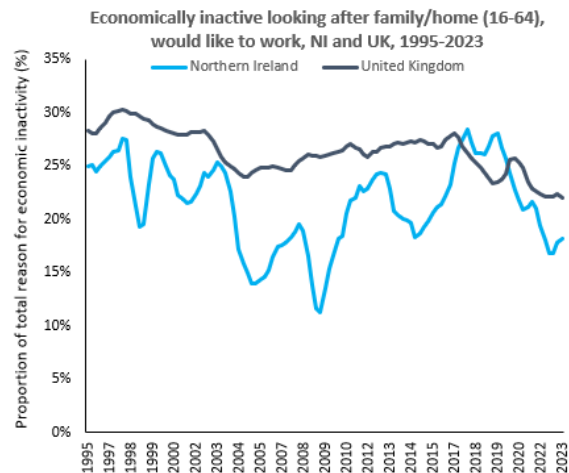
In NI there are 55k people economically inactive due to looking after their family or home, accounting for almost one-fifth (18%) of working age economic inactivity. A similar proportion to the UK (19%). However, given the larger scale of economic inactivity in NI relative to other UK regions, NI has the third highest proportion of the working age population looking after the family or home (4.7%) across all UK regions. The group are predominately female, accounting for over four-fifths of this sub-category of economic inactivity. The group represent a range of family types; around one-third (32%) have children under the age of five; a further third (30%) have children aged between 5 and 18; and almost two-fifths have either non-dependant children (22%) or no children at all (16%). A high proportion of the group are unpaid carers, accounting for 37% of this category of economic inactivity.

¹⁰ For a discussion on policy to improved outcomes in the labour market for persons with disabilities please see: Shannon, M. Magill, M., and Neill, P. (2022) Maximising potential: A review of labour market outcomes for people with disabilities in Northern Ireland. [Available via: https://www.ulster.ac.uk/data/assets/pdf_file/0007/1275811/Disability-and-the-labour-market.pdf]

Figure 10: Economically inactive due to looking after family/home (%) aged 16-64, UK regions, 1995-2023



Source: Labour Force Survey
 Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey
 Note: Figures refer to a 4-quarter rolling average

Approximately one-fifth (18%) of those looking after the family or home report they would like to work, representing additional spare capacity not captured within unemployment statistics. These individuals are likely to face a number of barriers to employment (e.g., the need for flexible working hours, gaps in their history of employment, caring responsibilities, access to childcare, job location, skills mismatches or shortages etc.).

The specific needs of these individuals can act as barriers to labour force participation. For example, the average cost of a full-time private childcare place in NI was £10,036 per annum¹¹ (2023), accounting for almost one-third (30%) of the median income of a full-time employee¹². According to the NI Childcare Costs Survey that is the largest monthly outgoing for more than two-fifths of families, higher than the average mortgage repayment or rent cost.

However, whilst this is a challenge for many families there are other factors which are more significant barriers to labour market participation – notably qualifications. For example, amongst those with dependent children under 13 years old, degree educated mothers have an employment rate of 87% compared to 38% for those with below RQF level 2¹³ as their highest level of qualification. The latter account for almost one-third (32%) of economically inactive mothers.

The qualifications profile of economically inactive mothers with young children is generally much weaker than that of employed mothers who have young children. For example, only 26% of inactive mothers have a tertiary level qualification (RQF level 4+), compared to 59% of employed mothers with young children. Over half (53%) of inactive mothers have a highest qualification at GCSE level or below.

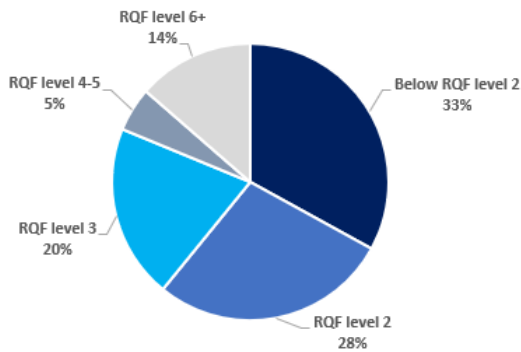
¹¹ Employers for Childcare (2021) Northern Ireland Childcare Cost Survey 2023
<https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2023/>

¹² According to the Annual Survey of Hours and Earnings (ASHE) the median full-time gross annual earnings in NI in 2023 were £32,900.

¹³ A qualification at RQF level 2 and below equates to having a highest qualification of at least 1 GCSE at A*-C.

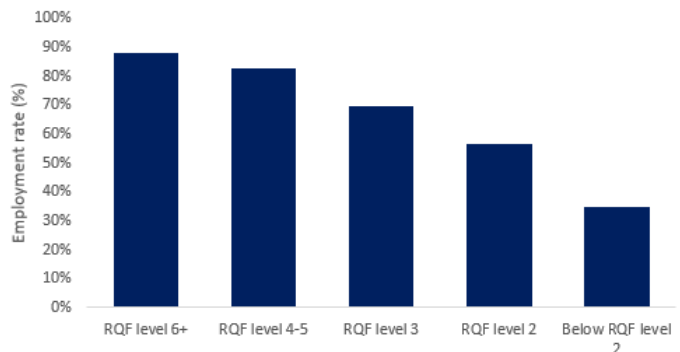
Figure 11: Highest qualification (RQF) and employment rate (16-64) for inactive mothers (16-64) with dependent children under 13 years old

**Inactive females with dependent children aged under 13:
Highest qualification level (RQF), Q2 2023**



Source: ONS

Female employment rate (16-64): With dependent children under 13 years old by highest level of qualification (RQF), Q2 2023



Source: ONS

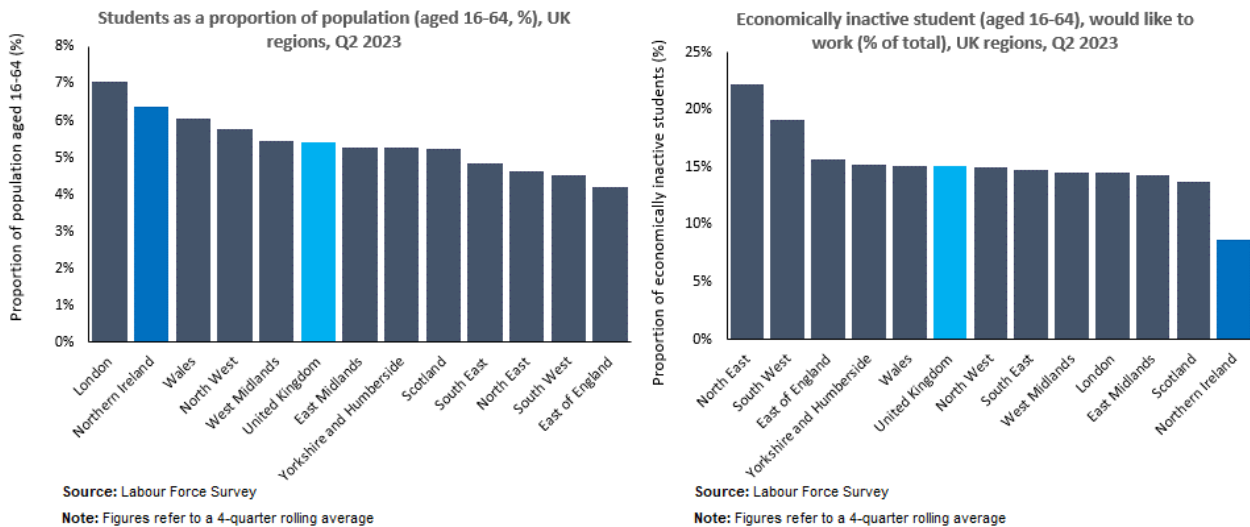
As the overall qualifications profile of economically inactive mothers is heavily weighted toward low-level qualifications, even with the removal of childcare barriers the group can only be expected to attain employment rates comparable to others in the labour market with similar qualification levels. In other words, childcare interventions are important but not a silver bullet for raising female labour force participation, and the impact on economic inactivity would be limited in the absence of supporting employability, skills and training interventions.

There are 9.9k people who are economically inactive for caring reasons who report that they would like to work, representing hidden unemployment.

Economically inactive: students (non-working)

Almost one-quarter (24%) of the economically inactive are students, the 2nd largest category of inactivity. Individuals investing in their human capital through developing their skills is typically interpreted as a 'positive' form of economic inactivity. NI has 75k economically inactive students, which translates to, 6.4% of the working age population, the 2nd highest proportion of inactive students amongst UK regions.

Figure 12: Economically inactive due to being a student (%) aged 16-64, UK regions, Q2 2023



In NI only 8.7% of economically inactive students report they ‘would like to work’, compared to 15.0% in the UK. Correspondingly, full-time students in NI report one of the lowest employment rates across all UK regions (32%), compared to the UK average (36%).

The lower rate of students reporting they would like to work compared to the UK and comparably lower student employment rate is concerning. A common complaint among employers is often a lack of employability skills¹⁴ (e.g., time management, motivation, teamwork etc.¹⁵) among recent education leavers. It is widely recognised work experience is invaluable in providing a range of skills and competencies, specifically employability skills. In the absence of a desire amongst students to ‘earn as they learn’, it will be particularly difficult to rectify this misalignment.

Overall, there are 6.5k economically inactive students reporting they would like to work, which represents an additional volume of spare capacity within the NI labour market.

Economically inactive: retired and other

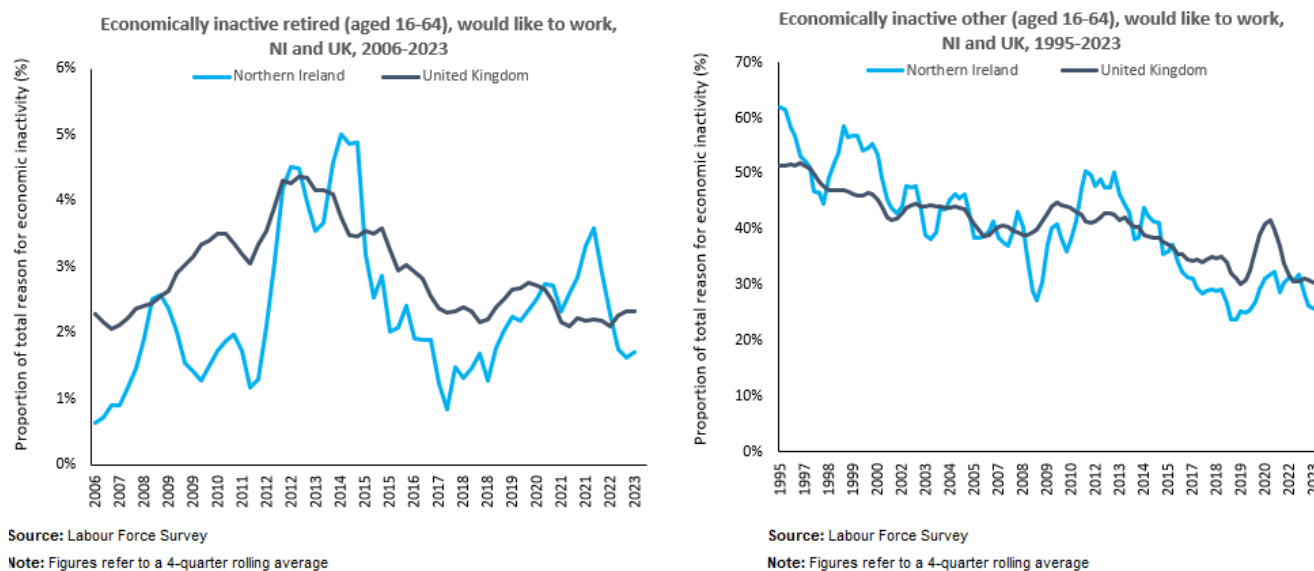
There are 30k early retirees within the economically inactive population in NI, accounting for 10% of working age economic inactivity. A small proportion of early retirees in NI report they would like to work (1.7%), similar to the UK proportion (2.3%). The number of **early retirees reporting they would like to work adds an additional 500 individuals to the quantum of spare capacity** within the labour market, representing hidden unemployment. Although there are only a small number of early retirees, the employment rate for the over 50’s in NI is the lowest of any UK region. With the working age population projected to start falling from the

¹⁴ Department for the Economy (2023) *Employer Skills Survey 2022*. Available via: <https://www.economy-ni.gov.uk/publications/employer-skills-survey-2022>

¹⁵ Ulster University (2023) Graduate employer survey report, 2022/23. [Available via : https://www.ulster.ac.uk/data/assets/pdf_file/0006/1507794/web_42370_UU_GraduateEmployerSurveyReport_DIGITAL_AC_CESSIBLE.pdf]

2030's onwards retaining older workers in employment for longer will be a requisite to achieve NI's growth ambitions.

Figure 13: Economically inactive retired and other (%) aged 16-64, UK regions, 1995-2023



‘Other reasons’ (e.g., discouraged workers etc.) for economic inactivity account for almost one-tenth (7%) of the economically inactive population, approximately 22k individuals. Over one-quarter (26%) of this group would like to work, translating to a total of 6.2k hidden unemployment.

In total there are 6.2k economically inactive early retirees and economically inactive for other reasons reporting they would like to work, representing hidden unemployment.

Hidden unemployment: government training schemes

GTS provide out of work individuals with training opportunities that aim to improve employment prospects. There are a proportion of individuals participating on GTS considered to represent spare capacity within the labour market, but not included in the official measure of ILO unemployment.

Intuitively, a reasonable question may be to ask why this group should be treated any different to people in post-compulsory education, since they are improving their skills. However, the eligibility criteria traditionally associated with the main GTS in NI highlights the different nature of participants, relative to post-compulsory education.

For example, for most of the past decade the major GTS in operation for people 18+ in NI was Steps 2 Success (S2S). This was a mandatory programme for long-term unemployed persons¹⁶. Therefore, as a majority of the participants had been claiming unemployment benefit for at least 9 months, it is reasonable to consider the group to represent spare capacity in the labour market.

¹⁶ Participation on S2S is mandatory for all JSA claimants who are: aged between 18 and 24 and have been claiming JSA for 9 months; or aged 25 and over claiming JSA for 12 months or more.

The landscape for training and employment support has changed more recently, and a range of new employment and training schemes have replaced legacy schemes. Only 2.6k people are now estimated to represent hidden unemployment within this category¹⁷. This is much lower than in the past, reflecting the very low rate of unemployment currently characterising the local labour market and the resulting smaller numbers of people who are mandated to participate in GTS.

In total there are 2.6k currently recorded as employed who are participating in GTS who represent hidden unemployment within the NI labour market.

¹⁷ The methodology used to quantify GTS participants representing hidden unemployment includes only those on GTS over 18 years of age.

Hidden unemployment: calculating the real unemployment rate

ILO unemployment underestimates the true scale of spare capacity within the labour market. There are a number of individuals that represent potential labour supply who are not counted by the measure.

By accounting for hidden labour market reserves alongside unemployed individuals, it is possible to estimate an alternative measure of spare capacity, **the real unemployment rate**. There are three key groups that represent potential labour supply:

1. ILO unemployed individuals; plus
2. Hidden unemployed from economically inactive and would like to work; plus
3. Hidden unemployed from participants on GTS.

The hidden component of unemployment represents worklessness in different forms. For example, a mother seeking flexible employment which complements childcare commitments, a person returning from illness, a discouraged worker who perceives their qualifications to be misaligned to labour demand. **Despite the more challenging nature of matching these groups to suitable employment opportunities they should still be counted when making an assessment of potential labour supply.** Table 1 below summarises the potential labour supply after including these additional groups, and the resulting implied 'real unemployment rate'.

Table 1: Components of hidden unemployment and calculating the 'real' unemployment rate (aged 16-64), NI, 2023

	Q2 2023
ILO unemployed	23,400
Economically active	858,300
ILO unemployment rate	2.7%
Hidden: Student	6,500
Hidden: Looking after family/home	9,900
Hidden: Sick	25,300
Hidden Retired	500
Hidden Government training schemes	2,600
Hidden: Other	5,700
Total hidden unemployment	50,500
ILO unemployed + hidden unemployment	73,900
Real unemployment rate	8.2%

Source: Labour Force Survey, UUEPC analysis

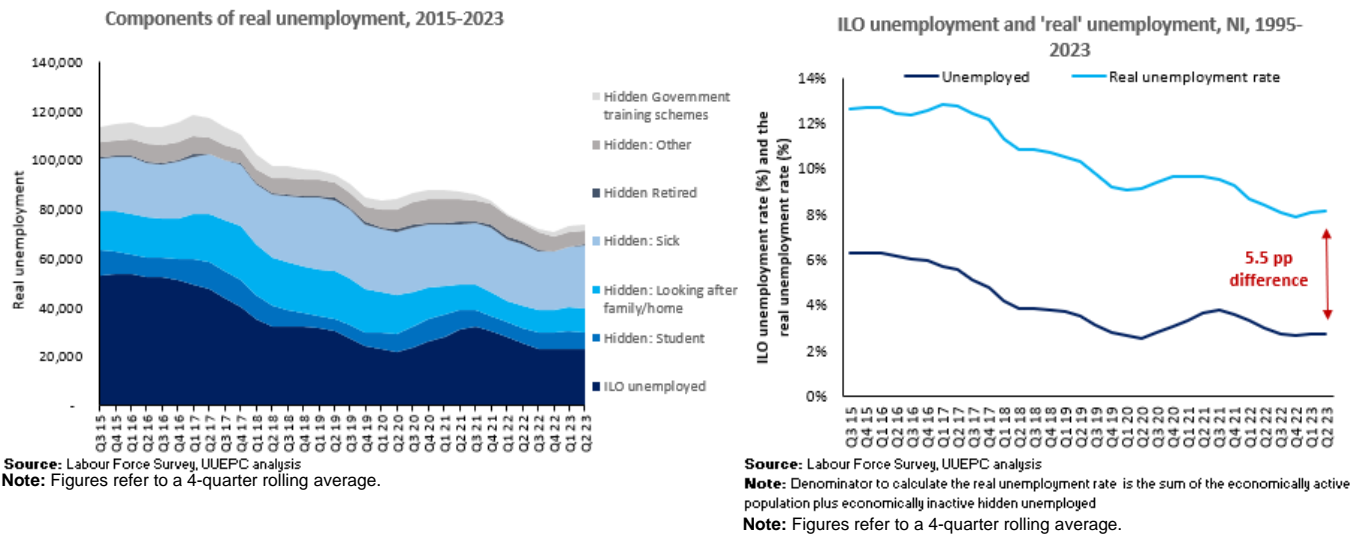
Note: Denominator to calculate the real unemployment rate is the sum of the economically active population plus economically inactive hidden unemployed

Note: Totals may not sum due to rounding

Note: Figures refer to a 4-quarter rolling average

It is important to emphasise the point that the total quantum of hidden unemployed persons is over double the number of ILO unemployed persons. The real unemployment rate is calculated to be 8.2%, approximately 3 times the ILO unemployment rate (2.7%). This equates to an additional 50.5k individuals representing spare capacity over and above the official unemployment measure, illustrating the inability of ILO unemployment in isolation to effectively quantify the true level of slack within the labour market.

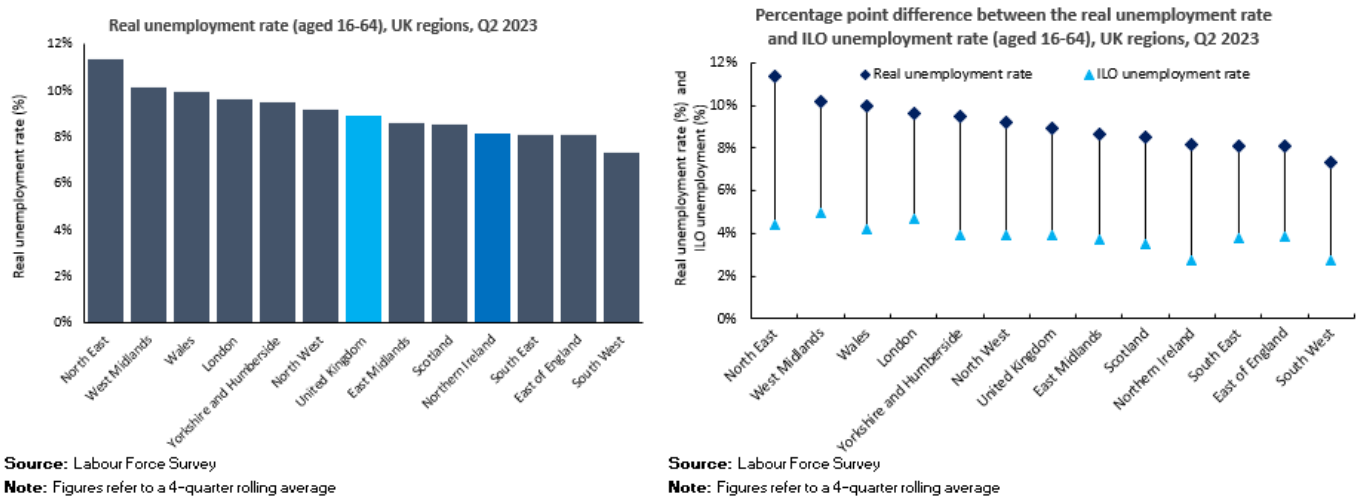
Figure 14: Real unemployment and ILO unemployment (aged 16-64), NI, 2015-2023



Whilst the number of ILO unemployed individuals has fallen by over half (56%) between 2015-2023, total hidden unemployment has fallen by under two-fifths (35%). Therefore, while both measures have fallen reflecting a tightening labour market overall, increasingly labour reserves are weighted towards hidden unemployment. For example, in 2015 ILO unemployment accounted for 48% of the spare capacity in the NI labour market compared to 32% in 2023.

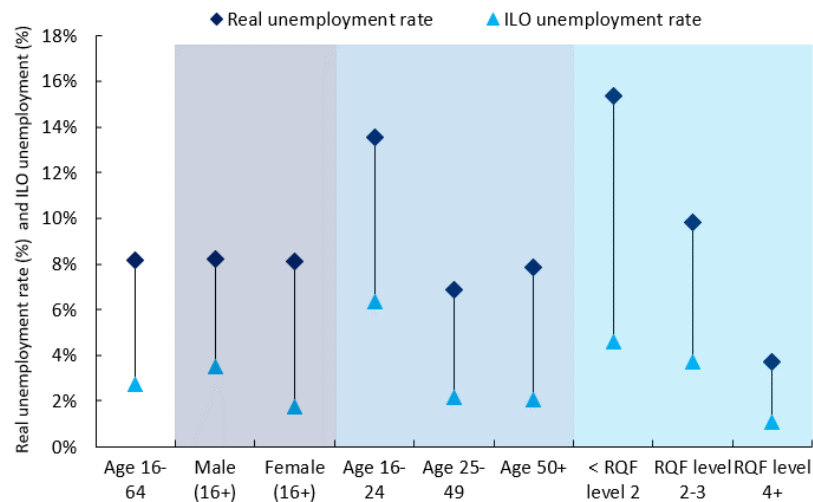
In NI the real unemployment rate ranks 4th lowest across UK regions at 8.2%, despite having the lowest ILO unemployment rate of the 12 UK regions. Therefore, the broader measure of spare capacity indicates that the NI labour market is still tight, but labour is more scarce in the South West, East of England and South East.

Figure 15: Real and ILO unemployment rates by UK region (aged 16-64), Q2 2023



Differences between the ILO unemployment rate and the real unemployment rate vary by an individual's characteristics (e.g., gender, age, qualification level). The remaining sections in this report outline the differences in the real unemployment rate by key socioeconomic characteristics.

Figure 16: Percentage point difference in the 'real' unemployment rate and the ILO unemployment rate, NI, Q2 2023`



Source: Labour Force Survey, UUEPC analysis

Note: Denominator to calculate the real unemployment rate is the sum of the economically active population plus economically inactive hidden unemployed

Note: Figures refer to a 4-quarter rolling average

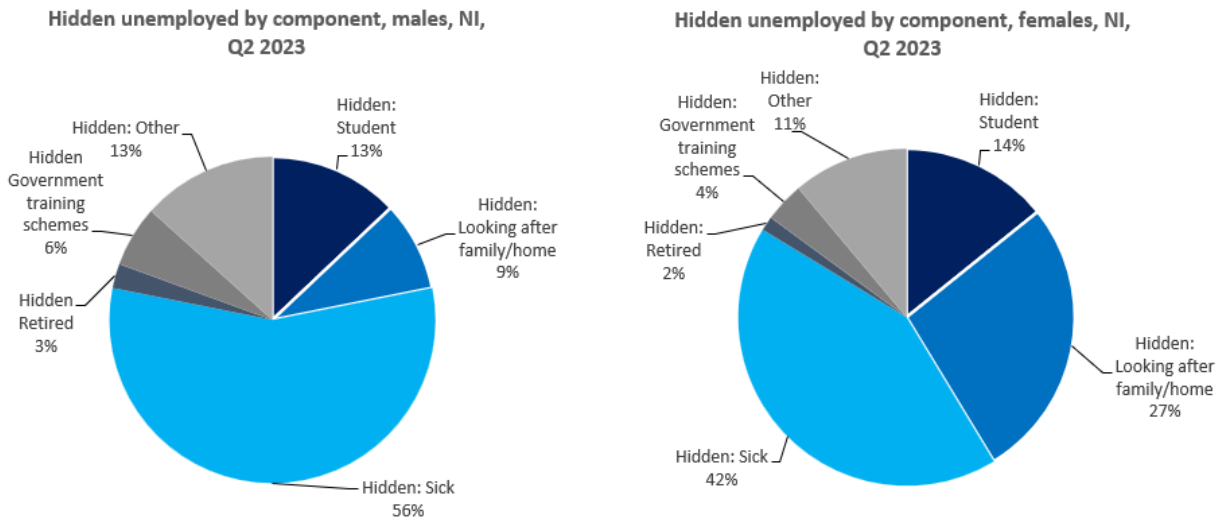
Real unemployment: Gender

The ILO unemployment rate for females is currently 1.7%. However, when hidden unemployment is considered it increases to a real unemployment rate of 8.2%. The difference is driven by a large volume of economically inactive women expressing a preference for work in the looking after the family or home and health problems categories.

Female labour force participation has increased continuously over the past three decades, with women accounting for a significant proportion of growth in the labour force. However, women are still over-represented in the 'looking after family/home' category of hidden unemployment.

Overall, **the quantum of real unemployed females (36.1k) is 5 times larger than female ILO unemployment (7k)**. This compares to real unemployment amongst males of 41k, 2.5 times higher than the number of ILO unemployed men (16k). The smaller difference between the two measures of labour availability amongst males is attributable to very few men being economically inactive for caring reasons and higher ILO unemployment amongst males.

Figure 17: Hidden unemployed by component and gender, NI, Q2 2023



Source: Labour Force Survey, UUEPC analysis
 Note: Figures refer to a 4-quarter rolling average

Source: Labour Force Survey, UUEPC analysis
 Note: Figures refer to a 4-quarter rolling average

For males, the ILO unemployment rate is 3.5% and increases to 8.2% when accounting for hidden unemployment. **Over half (56%) of hidden unemployed males report sickness as their reason for economic inactivity.** Male worklessness is linked somewhat to structural change in the economy. The male population has been adversely affected over the longer term by industrial decline and more recently by economic shocks stemming from the Global Financial Crisis and the Covid-19 pandemic.

An analysis of previous occupation highlights that the top three prior occupations amongst economically inactive males were road transport drivers, construction and building trades and elementary construction¹⁸. This suggests that managing industrial decline and ensuring alternative pathways, or reskilling options, for those in declining industries is not an outcome that has previously been successfully achieved following earlier periods of structural economic change.

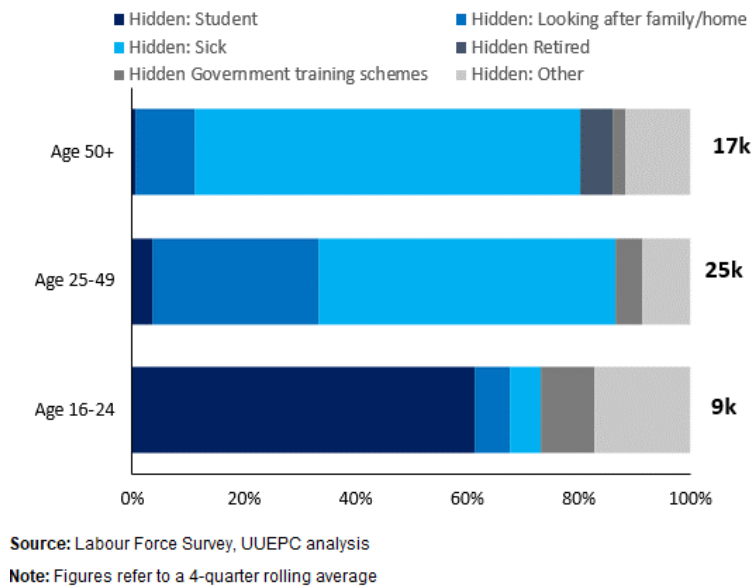
Real unemployment: Age

Young people are typically characterised as having a relatively higher level of unemployment for a variety of reasons (e.g., lack of experience, skills mismatch etc.). The ILO unemployment rate for those under 25 is 6.3%. The real unemployment rate for those under 25 rises to 13.5%, over double the ILO rate. That is, 9k young people are excluded from the ILO measure of unemployment.

Economically inactive students reporting they would like a job account for 61% of hidden unemployment among the under 25s. Flexible forms of employment, or part-time roles aligned to studies may encourage such students into the labour market. In turn, students would develop a range of employability skills, which are often cited by employers as hard to obtain among education leavers.

¹⁸ Ulster University Economic Policy Centre (2016) *An anatomy of economic inactivity in Northern Ireland*
https://www.ulster.ac.uk/data/assets/pdf_file/0004/181435/UUEPC-Inactivity-Discussion-Paper-Final-Report.pdf

Figure 18: Hidden unemployed by component and age band, NI, Q2 2023



For those aged over 50, the ILO unemployment rate is currently 2.0% and the real unemployment rate is 7.8%. **Sickness accounts for over two-thirds (69%) of hidden unemployment within this age cohort**, the largest component of hidden unemployment by a significant margin. It is likely these individuals face a range of barriers to labour force participation. For example, skills mismatch, lower levels of formal qualifications, health conditions, mobility and adverse characteristics associated with discouraged workers.

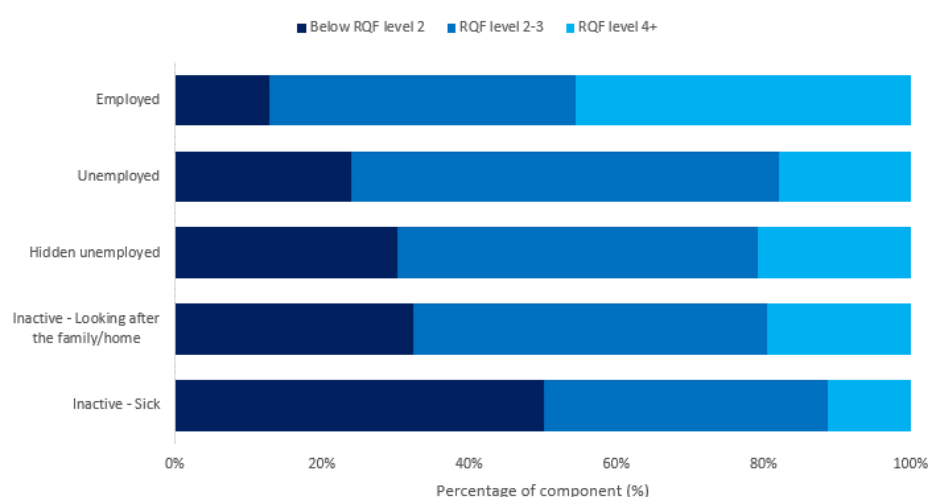
Real unemployment: Qualification level

There is a well-documented relationship between unemployment levels and qualification levels. **The higher an individual’s qualification levels, the lower their prospects of unemployment.** Therefore, the ILO unemployment rate is highest among those with below RQF level 2 qualifications (4.6%) and lowest among those with RQF level 4+ qualifications (1.1%).

Considering the hidden unemployed, the unemployment rate for those with qualifications below RQF level 2 increases from 4.6% to 15.4%, that is, real unemployment is 3.3 times higher than the ILO measure. Lower-level qualifiers often face barriers to labour force participation including reduced demand for workers with non-tertiary qualifications¹⁹. For RQF level 4+ qualifiers the difference between the ILO unemployment rate (1.1%) and real unemployment rate (3.7%) is much smaller at 2.6 p.ps.

¹⁹ Ulster University Economic Policy Centre (2021), Northern Ireland Skills Barometer: Summary Report <https://www.economy-ni.gov.uk/publications/northern-ireland-skills-barometer-2021-update>

Figure 19: Highest level of qualification by labour market status, NI, Q2 2023



Source: Labour Force Survey
 Note: Figures refer to a 4-quarter rolling average

Socioeconomic factors have a large impact on the real unemployment rate.

- **Qualifications** - The inclusion of hidden unemployment identifies more spare capacity amongst those with low level qualifications (below RQF level 2), as the economically inactive group is weighted towards people with lower qualifications.
- **Gender** - There is more hidden unemployment amongst women relative to men, as there are fewer inactive men overall, and only a small number in the caring for family/home category.
- **Age** - For example, younger people classified as hidden unemployed are most likely to be full time students seeking flexible employment to complement their study, whereas older persons classified as hidden unemployment are most likely to have health problems.

Therefore, given the **diverse composition of the group**, one-size-fits-all policy solutions are unsuitable.

Table 2: Components of hidden unemployment and calculating the ‘real’ unemployment rate by characteristic, NI, Q2 2023

Components of real unemployment	Age 16-64	Male (16+)	Female (16+)	Age 16-24	Age 25-49	Age 50+	< RQF level 2	RQF level 2-3	RQF level 4+
ILO unemployed	23,400	16,400	7,300	7,200	10,900	5,600	5,600	13,600	4,200
Economically active	858,300	466,900	419,200	113,300	502,400	274,100	121,600	366,600	388,300
ILO unemployment rate	2.7%	3.5%	1.7%	6.3%	2.2%	2.0%	4.6%	3.7%	1.1%
Hidden: Student	6,500	3,200	4,100	5,700	900	100	1,000	4,700	900
Hidden: Looking after family/home	9,900	2,200	7,800	600	7,500	1,800	2,200	5,200	2,500
Hidden: Sick	25,300	13,900	12,200	500	13,400	11,900	9,400	12,400	3,900
Hidden: Retired	500	600	400	-	-	1,000	400	100	500
Hidden: Government training schemes	2,600	1,500	1,100	900	1,200	400	900	1,100	-
Hidden: Other	5,700	3,300	3,200	1,600	2,200	2,000	1,300	1,200	2,700
Total hidden unemployment	50,500	24,700	28,800	9,300	25,200	17,200	15,200	24,700	10,500
ILO unemployed + hidden unemployment	73,900	41,100	36,100	16,500	36,100	22,800	20,800	38,300	14,700
Real unemployment rate	8.2%	8.2%	8.1%	13.5%	6.9%	7.8%	15.4%	9.8%	3.7%
Difference (real minus ILO unemployment)	5.4%	4.7%	6.4%	7.2%	4.7%	5.8%	10.8%	6.1%	2.6%

Source: Labour Force Survey, UUEPC analysis

Note: Totals may not sum due to rounding

Note: Figures refer to a 4-quarter rolling average

Note: Denominator to calculate the real unemployment rate is the sum of the economically active population plus economically inactive hidden unemployed

Summary

The data presented in this paper has highlighted the outstanding recent performance in the NI labour market. Worklessness has fallen to record low levels. However, the ILO unemployment rate underrepresents a number of groups within the labour market who would like to work if a suitable job opportunity was available.

The implication is that the level of spare capacity in the economy is greater than indicated by the headline ILO unemployment rate. Therefore, a core element of worklessness still exists but it manifests in a more challenging structural form. This includes discouraged workers displaced by industrial change; people with skills shortages; individuals with caring responsibilities; people returning from sickness; and students seeking flexible employment opportunities. Some of these groups face particularly acute challenges. A booming labour market with a low unemployment rate cannot guarantee success in matching this group to jobs without supporting supply-side interventions.

To make an overall assessment of labour availability, it is important to take account of spare capacity amongst those already in employment. The next report in this series will undertake an analysis of underemployment within the NI labour market. The final paper will bring together our analysis of spare capacity in briefing papers one and two using an hours-based approach and draw upon the evidence presented in the three papers in a policy discussion.