

UUEPC OUTLOOK

July 2026



Labour Market Strength Underpins Economic Growth

Northern Ireland's (NI) labour market has continued to perform strongly over the past year. Workforce jobs increased at the fastest annual rate of any UK region between Q1 2025 and Q1 2026, while employment contracted in nine of the twelve UK regions. This reflects continued expansion in public sector employment, alongside sustained growth across parts of the private sector.

Private services have made an important contribution to growth. While Wholesale and Retail employment has declined across much of Great Britain since the pandemic, NI has continued to record employment growth in the sector. This suggests that the structural changes affecting the retail sector have been less pronounced in NI than elsewhere in the UK, although some moderation in employment growth is likely as these adjustments continue.

Looking ahead, job growth is expected to continue in the near term, supported by ongoing demand for Health and Social Care services and continued activity across private services. However, the pace of growth is expected to ease gradually, with employment growth increasingly aligning with broader UK trends over the longer term. Current projections indicate that the number of workforce jobs in NI will exceed one million by 2032.

The wider economic outlook remains closely linked to developments across the UK economy. Expectations for further interest rate reductions have been delayed as inflation has remained higher than expected, partly due to higher energy prices earlier in the year. More recently, however, energy prices have stabilised and concerns that geopolitical tensions will lead to prolonged inflation have eased. As a result, financial markets increasingly expect interest rates to continue falling gradually over the medium term. Lower borrowing costs should support household spending, business investment and housing activity, creating a more favourable environment for economic growth in both NI and the UK.

Key Forecasts

	Northern Ireland (NI)				
	2026	2027	2028	2029	2030
GVA ⁽¹⁾ Growth Rate	1.6%	1.6%	1.7%	1.7%	1.7%
Jobs Growth	1.0%	0.9%	0.8%	0.7%	0.6%
Productivity ⁽²⁾	0.5%	0.7%	0.9%	1.0%	1.1%
Employment Rate (% of working people, 16-64)	71.8%	72.5%	73.0%	73.6%	74.1%
	United Kingdom (UK)				
	2026	2027	2028	2029	2030
GVA ⁽¹⁾ Growth Rate	1.0%	1.4%	1.5%	1.6%	1.6%
Jobs Growth	-0.2%	0.6%	0.7%	0.6%	0.6%
	Macroeconomic Variables				
	2026	2027	2028	2029	2030
Interest Rates (end of year)	3.75%	3.50%	3.25%	3.25%	3.25%
Inflation (end of year)	3.1%	1.9%	2.1%	2.0%	2.0%

Source: UUEPC, OBR

Note 1: Gross Value Added (GVA) is the preferred measure of economic activity. It is similar to Gross Domestic Product (GDP) but excludes the impact of taxes and subsidies (most notably VAT).

Notes 2: Productivity measured as GVA per worker

Sectoral Forecasts

Manufacturing

Manufacturing continued to experience a decline in jobs in Q1 2026, with the vast majority of these losses occurring among the self employed. In contrast, employee jobs have remained relatively resilient, although performance varied across sub sectors [1]. For example, there was a notable reduction within the manufacture of other transport equipment, while food production recorded growth for a second consecutive quarter.

Food production continues to be a key component of the NI economy, accounting for around a quarter of manufacturing employee jobs, compared with approximately 17% in GB [2]. Employee job growth has also continued in the manufacture of fabricated metal products (except machinery and equipment), which remains the second largest manufacturing sub sector.

Construction

Construction began 2026 with strong momentum, increasing workforce jobs by 1.2% in the first quarter. This follows a strong performance in 2025, when the Northern Ireland Composite Economic Index [3] indicated that construction contributed 0.9 percentage points (p.p) to overall annual economic growth.

Looking ahead, the sector is expected to benefit from the programme of investment associated with the City and Growth Deals, which will drive substantial public capital expenditure over the coming decade with the potential to attract further private sector investment. Ensuring a sufficient pipeline of skilled workers will be critical to the successful delivery of these projects and to maximising the opportunities for further investment.

Public Sector Services

Population projections produced by the Northern Ireland Statistics and Research Agency [4] (NISRA) indicate significant demographic change lies ahead, with the number of children and young people expected to decline while the older population is projected to increase significantly. These shifts are likely to have important implications for both the Health and Education sectors, requiring proactive planning to ensure services and workforce capacity align with changing patterns of demand. However, the continued absence of a multi year budget from the NI Executive limits the ability of departments to undertake effective long term financial and workforce planning.

Within Education, the workforce has not only grown but also changed considerably in recent years. Research by UU [5] indicates that the number of classroom assistants increased by approximately 63% between 2018 and 2024. This substantial growth has been attributed to the need to support pupils with a statement of Special Educational Needs (SEN) [7] across both mainstream and special schools.

At the same time, pupil numbers have begun to decline [6], reflecting the demographic changes already beginning to emerge, particularly through reductions in pre school and primary school enrolments. Continued workforce planning will therefore be essential to ensure that staffing levels and skills remain aligned with the evolving needs of pupils and the education system more broadly.

Private sector

Despite ongoing local and global economic challenges, Northern Ireland's private sector has remained resilient. The Quarterly Index of Services [8] reported a 0.9% increase in output during Q1 2026. Growth was strongest within the Business Services and Finance sector, which expanded by 4.1%, while Wholesale and Retail Trade and Accommodation and Food Services recorded a modest decline in output of 0.3%.

Despite this reduction in output, and the continued growth of e commerce, workforce jobs within Wholesale and Retail continued to increase. At a sub sector level, Wholesale Trade (excluding motor vehicles and motorcycles) recorded a 5.6% increase in employee jobs in Q1 2026, while Retail Trade, the largest employer within the sector, also experienced growth, albeit at a lower rate of 0.5% [9]. Recent footfall data [10] indicates that retail parks continue to attract strong levels of consumer activity and so despite evolving shopping habits and wider economic pressures, demand for in person retail experiences remains robust.

Sectoral Employment Actual and UAEPC Forecast (000's)			
Industry	2015-25	2025-35 (Baseline)	2025-35 (Upper)
Agriculture	-2.9	-0.2	0.1
Mining	0.7	0.0	0
Manufacturing	11.0	4.0	7
Elect' & gas	-0.4	0.5	0.6
Water supply & waste	2.7	1.2	1.6
Construction	7.7	8.7	12
Wholesale & retail	7.5	3.5	5.5
Transport & storage	6.1	4.2	5.8
Hospitality	8.2	6.8	9.3
Info' & communication	8.4	6.1	8.1
Finance & insurance	-0.7	0.5	0.8
Real estate	1.6	0.0	0.5
Professional & scientific	14.6	8.8	11.1
Admin' & support	3.9	2.8	3.7
Public Admin' & defence	-2.0	0.3	1.1
Education	14.0	1.5	3
Health & social work	19.8	10.7	13.3
Arts & entertainment	3.0	1.7	2.6
Other services	4.1	1.8	2.9
Total	106.9	62.8	89.1

Forecasting

UAEPC's inhouse economic forecasting model is used to produce two economic scenarios (Baseline and Upper) for the NI economy across a range of indicators.

Under the Baseline, the NI employment rate rises by approximately 5 percentage points over the 10 year forecast period. This increase is driven by both higher employment and demographic change, as population ageing means the working age population grows more slowly than total employment.

The Upper scenario forecasts a higher, more aspirational employment rate for NI, which factors in policy success in achieving a substantially lower inactivity rate.

[1] NISRA, 2026, Quarterly Employment Survey
[2] 2024 (latest year available), Business Register and Employment Survey
[3] Q1 2025 - Q1 2026, NISRA, 2026, NICEI
[4] NISRA, 2026, 2024, based Population Projections for Northern Ireland
[5] O'Connor, U., Courtney, C., Montgomery, A., & Curran, C. (2024, Dec 19). A profile of Classroom Assistants in Northern Ireland. Ulster University
[6] Ibid
[7] Ibid
[8] NISRA, 2026, Northern Ireland Quarterly Index of Services
[9] NISRA, 2026, Quarterly Employment Survey
[10] ONS, 2026, UK Retail Footfall

[6] NISRA, 2026, Post primary enrolments have fallen for the first time since 2016/17
[7] Ibid
[8] NISRA, 2026, Northern Ireland Quarterly Index of Services
[9] NISRA, 2026, Quarterly Employment Survey
[10] ONS, 2026, UK Retail Footfall

Retaining Talent and Reducing Costs in Social Care

While some employee departures are preventable, many exits may be induced due to burnout, pay or organisational change. The departure of experienced staff leads to the loss of valuable knowledge and expertise. It is therefore important that employers monitor staff turnover to determine both the financial and non-financial costs on remaining staff and service users.

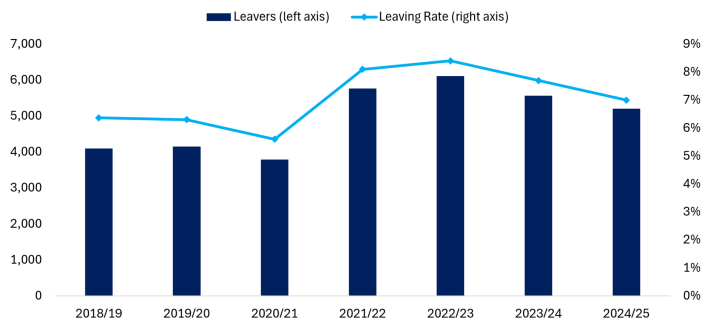
Colleagues from across UU conducted research to examine social worker turnover [11], including estimating the associated fiscal costs. Persistently high turnover rates for this workforce can negatively affect service delivery and increase caseload pressures for remaining staff; impacting their wellbeing and that of service users who are already some of our the most vulnerable children and families in society.

What the research found

Data from the NI Health and Social Care (HSC) Workforce Census [12] highlighted that in 2024/25 5,200 employees left their workforce, equating to a turnover rate of 7.0%. This represents a slight decrease from the previous year, however the number of leavers and leaving rate remained elevated.

Notably, the turnover rate fell to a low of 5.6% in 2020/21, when 3,790 staff left the workforce. This likely reflected employees' increased tendency to remain in their roles during the pandemic.

Figure 1: Turnover (leavers and rate, headcount) within the HSC workforce, NI, 2018-2025



Source: HSC Workforce Census
Note: The analysis was conducted on 2024/25 period

When broken down by staff group (Figure 2), registered nursing and midwifery had the highest number of leavers in 2024/25 at just over 1,200, representing a leaving rate of 6.1%, the fifth highest rate.

Meanwhile, social services recorded just over 620 leavers in 2024/25, corresponding to a leaving rate of 6.6%, making it the third-highest.

The analysis focused on estimating the cost of turnover for Child/Family Care Social Workers [13] who accounted for 44% of the 4,910 Social Workers in the Trusts [14]. Applying the 2024/25 social services leaving rate to the Child/Family Care Social Workers suggests that just over 140 staff left during this period.

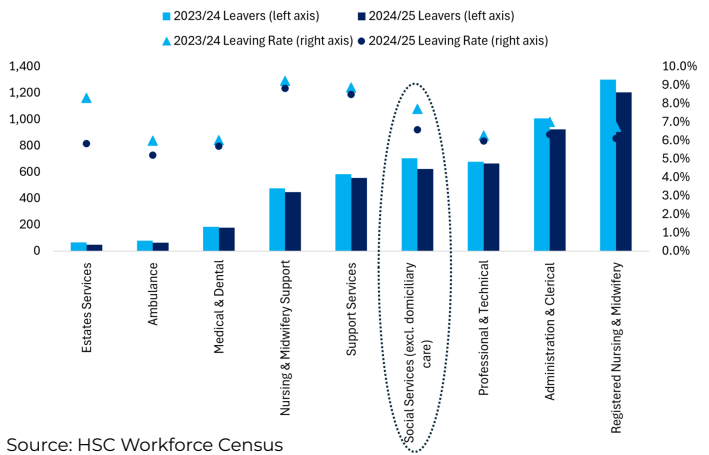
To estimate the financial impact of this turnover the research calculated the costs associated with hiring, training, learning and development and productivity losses while vacancies remain unfilled. Based on these factors, the total cost was estimated at £49,836 per employee [15].

Based on the cost per employee, along with the number of lost employees, it is estimated that the financial burden of Child/Family Care Social Worker turnover in 2024/25 was £7.13 million [16].

It follows that reducing the number of Social Workers leaving by 20% would save £1.43 million. This amount could fund the employment of around 42 Band 5/6 Social Workers [17].

Given that the leaving rate fluctuates annually, if we performed this calculation using the 2023/24 headcount (2,145) and leaving rate (7.7%) the cost is estimated to be over £8.23 million. This highlights the financial impact of the leaving rate and how costs can fluctuate annually based on turnover changes.

Figure 2: Turnover (leavers and rate, headcount) by staff group, NI, 2023-2025



Source: HSC Workforce Census

The wider costs of turnover

The research suggested that these results are conservative as they do not capture wider system impacts such as increased caseload pressures, service disruption, delayed interventions, or the longer-term effects on staff wellbeing and service-user outcomes. The true cost of social worker turnover is therefore broader than the financial estimates outlined in this research.

Why retention matters

This analysis demonstrates that staff turnover represents a significant and measurable financial burden for organisations such as NI's HSC Trusts. These figures highlight that turnover is not solely a workforce issue, but a material fiscal pressure on the public and private sector.

From a workforce planning perspective it would be beneficial for organisations to aim for a low and steady leaving rate to manage budgets and staffing. This requires proactive strategic investment in retention, professional development, wellbeing, and workforce planning. These investments should not be viewed as discretionary spending, but rather as a mechanism to safeguard finances, maintain service continuity, and protect outcomes for customers – in this case vulnerable children and families. Addressing turnover is therefore central to ensuring the long-term sustainability of public and private sectors alike.

[11] Conducted by Mcfadden, P., MacLochlainn, J., et al., funded by the HSC Public R&D Division. The results presented are the views of the author and not the funder.
[12] Department of Health. (2025). NI HSC workforce census March 2025.
[13] The original research focused on this cohort of social workers.
[14] Department of Health, 2025
[15] Sum of hiring costs (£1,000 CIPD, 2024) + training and onboarding (£2,229 Skills for Care, 2019) + ongoing learning and development (Social Workers are required to do an Assessed Year in Employment (75 hours) £1,295 based on Band 5-6 salary, & Professional in Practice average cost £3,773) + productivity for HSC sector (£41,539, UUEPC Model, 2023 -latest year of GVA data)
[16] Ibid.
[17] This study focused on newly qualified Social Workers in their first 5 years and so these staff would fall within Pay Bands 5-6

Productivity Growth and Jobs: Looking Beyond the Jobs-versus-Productivity Debate

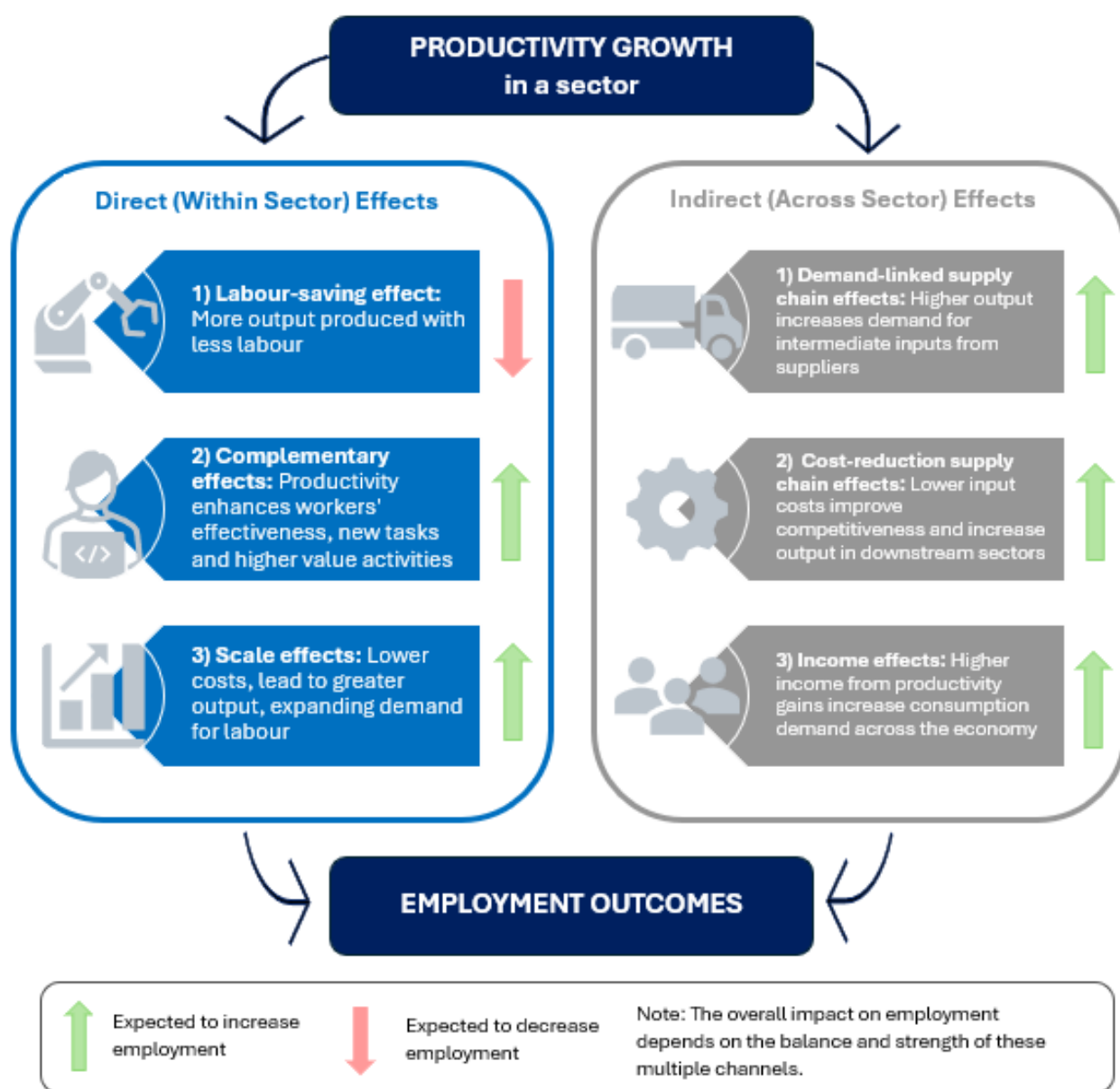
Productivity growth is widely recognised as a key driver of long run economic prosperity. Higher productivity allows firms to produce more output from a given set of resources, supporting higher incomes, improved competitiveness and stronger economic growth. At the same time, concerns often arise that productivity enhancing technologies may lead to job losses. These concerns have become even more prominent with the rapid development of digital technologies, robotics and, more recently, artificial intelligence (AI).

The relationship between productivity growth and employment is therefore an important policy issue. While productivity improvements can reduce labour demand within particular industries, they can also generate wider economic benefits that support employment creation elsewhere. The overall

employment impact depends on the balance between these competing forces.

Recent UUEPC analysis, using data covering UK regions and industries over the period 1998–2023, provides insights on how productivity growth affects employment [18]. The analysis distinguishes between direct effects operating within industries and indirect effects arising through wider economic spillovers. As illustrated in Figure 3, productivity growth can influence employment through a range of channels, including labour saving, complementary and scale effects within industries, alongside broader spillovers operating through supply chain linkages and higher incomes. These indirect effects generally exert a positive influence on employment across the wider economy.

Figure 3: Channels in which productivity growth may affect employment



Source: UUEPC

Productivity growth affects sectors differently

One of the main findings is that the direct employment effects of productivity growth vary substantially across sectors.

Figure 4 presents the estimated direct long run employment effects for NI. These estimates capture how productivity growth within a sector affects its employment.

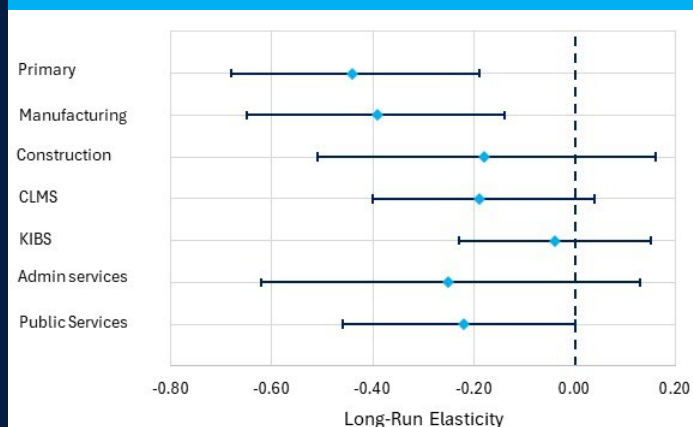
The strongest direct labour saving effects are observed in Primary industries (such as Agriculture), Manufacturing and Administrative Services. These sectors tend to involve a high proportion of routine, standardised and codifiable tasks that are more easily automated or mechanised. These findings are consistent with a large body of research showing that technological change often substitutes for routine and codifiable tasks yielding productivity gains.

By contrast, the estimated direct employment effects are much smaller in Knowledge Intensive Business Services (KIBS), such as Finance, ICT and Professional Services. This does not mean technology has no impact in these sectors. Rather, technology often complements rather than replaces workers in these sectors, enhancing productivity while leaving overall employment broadly unchanged.

Consumer facing services such as Retail, Hospitality and Personal Services also appear less vulnerable to large scale labour displacement. Many of these activities rely heavily on interpersonal interaction and locally delivered services that are difficult to fully automate.

Figure 4 captures the direct employment effects within sectors and do not account for the wider economic spillover effects.

Figure 4: Estimated Direct Employment Effects



Source: UUEPC

Notes: Estimates are long-run direct elasticities, with the central estimated represented by the diamond. For example, the central estimate of -0.39 for Manufacturing indicates that a 1% increase in productivity in this sector is associated with a 0.39% decrease in employment within the same sector, holding other modelled factors constant.

The horizontal bars show 95% credible intervals, indicating the range within which the true employment effect is likely to lie. Narrower intervals indicate greater certainty about the estimate, while wider intervals indicate greater uncertainty.

CLMS refers to Consumer and Local Market Services and includes wholesale and retail, transport, hospitality, arts and other personal services.

KIBS refers to Knowledge-Intensive Business Services and includes Finance, ICT and professional, scientific and technical services.

Spillovers matter

The analysis also indicates that productivity growth generates positive spillover effects across the wider economy. When one sector becomes more productive, other sectors often benefit.

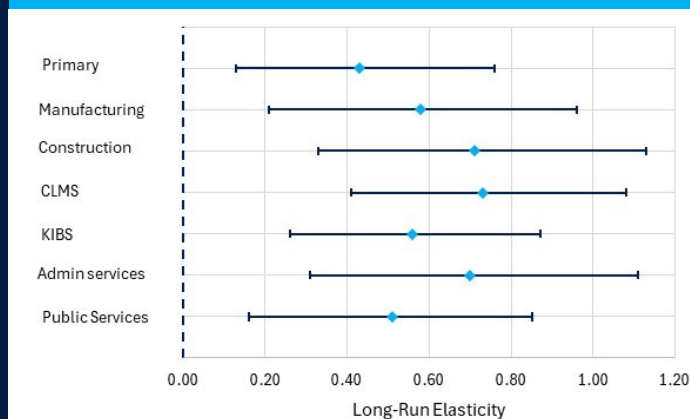
Some of these benefits operate through supply chains. More efficient firms may increase their demand for inputs from other industries. Lower production costs can also reduce prices for downstream businesses, allowing them to expand.

Other benefits arise through higher incomes and stronger demand. As productivity improves, consumers and businesses often have more spending power. This additional spending supports employment across a wide range of sectors.

Figure 5 shows the estimated indirect employment effects for NI. Unlike the direct effects, which vary substantially across sectors, the indirect effects are consistently positive across all sectors examined. This indicates that productivity growth in one part of the economy tends to support employment growth elsewhere. In many cases these positive spillovers substantially offset the direct labour saving effects identified in Figure 4.

This finding helps explain why productivity growth should not be viewed as a clear cut choice between jobs and efficiency. The employment consequences depend not only on what happens within a particular industry, but also on how productivity gains are transmitted through supply chains, consumer spending and wider economic activity.

Figure 5: Estimated Indirect Effects



Source: UUEPC

Notes: Estimates are long-run indirect elasticities. In this case, the central estimate of 0.58 for Manufacturing indicates that a 1% increase in the average productivity growth of other sectors within the regional economy is associated with a 0.58% increase in employment in the Primary sector, holding other modelled factors constant. As in Figure 4, the horizontal bars show 95% credible intervals.

Productivity growth often changes where jobs are located

Overall, the results suggest that productivity growth is more closely associated with employment reallocation rather than widespread job destruction.

Historically, technological change has repeatedly altered the composition of employment. Mechanisation reduced employment in agriculture while supporting expansion elsewhere. Automation transformed manufacturing while service industries grew. Digital technologies displaced some admin' tasks while creating demand for new occupations.

The challenge is that these transitions can be difficult for individual workers. A new job created in one sector is not necessarily easily accessible to someone displaced from another. Workers may require retraining, new opportunities may be located in different places and wages and job quality may differ. The transition can therefore be disruptive even when overall employment remains relatively stable or even increases.

This highlights the importance of managing labour market adjustments. The policy question is therefore not simply whether employment is created elsewhere in the economy, but whether workers can realistically access those opportunities.

Why industrial structure matters

The analysis also highlights the importance of industrial composition in determining how regions experience productivity growth.

The findings suggest that differences in employment responses are driven primarily by differences between sectors rather than differences between regions. This means that the employment consequences of productivity growth depend largely on the types of industries that are present within a regional economy. This has particular relevance for NI.

NI has above average concentrations of employment in sectors such as Agriculture, Manufacturing and parts of the public sector. At the same time, it has a smaller share of employment in several knowledge intensive tradable service sectors, including ICT, Finance and Professional Services.

As a result, the impact of technological change and productivity growth on NI's labour market will depend heavily on how its industrial structure evolves over time. Regions with a larger concentration of sectors experiencing stronger labour saving effects may face greater adjustment pressures, while regions with a stronger presence in sectors benefiting from positive spillovers may be better positioned to capture employment gains associated with productivity growth.

What AI changes and what it doesn't

Although the analysis is based on historical data and does not directly model AI, it provides a useful framework for thinking about how AI may affect employment.

Importantly, AI exposure and employment impact are not the same thing. Previous waves of technological change primarily affected routine production and clerical activities. AI has the potential to influence a much broader range of cognitive, analytical and professional tasks. As a result, sectors such as ICT, Finance and Professional Services may experience substantial changes in the nature of work even if overall employment remains relatively resilient.

Recent evidence from professional service environments suggests that AI adoption increases the speed and quality of junior staff [19]. This points towards important complementarities between AI and skilled labour, at least in some settings.

The broader lesson from the productivity employment evidence is that the employment consequences of AI are unlikely to be uniform. Some activities may be automated, others may be augmented and wider economic spillovers may

prove just as important as direct labour saving effects in determining overall employment outcomes. The overall employment impact of AI will depend not only on technological capability, but also on how firms, workers and institutions adapt through skills development, organisational change, management practices and labour market policies.

The policy challenge

Productivity growth is essential for improving living standards and supporting long term prosperity. The challenge is ensuring that the benefits are widely shared and that workers can adapt successfully to change.

This requires more than just encouraging innovation.

It also requires investment in skills, workforce transition support, management capability, digital adoption and lifelong learning. Policies that strengthen the ability of workers and firms to adapt to technological change are likely to become increasingly important.

About UUEPC

UUEPC is an independent economic research centre focused on producing evidence-based research to inform policy development and implementation. It engages with all organisations that have an interest in enhancing the Northern Ireland economy. The UUEPC's work is relevant to government, business and the wider public with the aim of engaging those who may previously have been disengaged from economic debate.

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