

Today's labour market report for Northern Ireland arguably contains the most impressive set of labour market statistics since the economic recovery began. Further improvements were made with employment on the rise and unemployment continues to fall. However, youth unemployment remains stubbornly high despite the surge in employment growth over the last 12 months. Tackling youth unemployment should be a key consideration in the context of the ongoing public expenditure cuts.

First, from an unemployment perspective, it is encouraging to note that the decline in the number of individuals claiming unemployment has continued to fall for the 23<sup>rd</sup> successive month in November with the register falling by 700 in the latest period. Last month's total claimant count of 51,200 represents the lowest level since July 2009. Further decreases are anticipated in the year ahead, however, a return to the pre-recession record low of 23,500 in the summer of 2007 is not expected under any scenario in the future. This record low was a result of a freak set of economic conditions that are unlikely to occur again simultaneously.

The ILO unemployment rate of 6.3% for the 3-months to October is some 2 percentage points below the peak of 8.3% recorded at the beginning of 2013. From a gender perspective, the sharp fall in the male unemployment rate is particularly encouraging and is due to the recent surge in the male dominated manufacturing and construction sectors. Male unemployment has fallen from 8.6% in the 3-months to July 2014 to 6.8% in the latest period (3-months to October). This represents a 6-year low and compares with a peak of 10.5% at the start of last year. Interestingly, Northern Ireland's female unemployment rate has been moving in the opposite direction and has jumped from 4.3% in the 3-months to July to 5.6% in the 3-months to October.

According to the Labour Force Survey (LFS) the number of males in Northern Ireland working in some form or another has never been higher at 438,000. Meanwhile the number of females working (383,000) has eased back from its recent record high (391,000).

However, it should be remembered that Northern Ireland's working-age population has increased by around 30,000 people since the downturn began 7-years ago. The challenge will be to create sufficient job opportunities for a growing population.

Whilst all of the above trends are positive the primary labour market concern remains youth unemployment. Northern Ireland's youth unemployment rate, those aged between 18-24 years of age, began the year north of 20% and looks as if it will end the year still above that worrying 1 in 5 level. The latest youth unemployment rate of 21.2% compares unfavourably with the UK's 14.7% rate. Clearly the under 25's are failing to experience Northern Ireland's labour market recovery. Meanwhile the unemployment rate for those aged 25-49 years of age continues to decline and is currently at a 6-year low of 4.5%. The unemployment rate for those aged 50 and over is even lower at 3.6%. In light of this, and in the face of budget cuts, more resources need to be made available in tackling youth unemployment.

### ***Quarterly Employment Survey***

The preferred survey for measuring Northern Ireland employment is the [Quarterly Employment Survey](#). This is an employer survey and measures the actual number of jobs rather than the number of people in working. As such, it excludes the self-employed. The latest survey for September 2014 (Q3) represents the strongest set of job creation figures since the recovery began.

In Q3 2014 the total number of employee jobs increased by 6,460 or +0.9% (+2.0% y/y) relative to the previous quarter. This represented the fastest quarterly rate of growth since Q1 2005. Furthermore, in numerical terms, the net gain in employment of 6,460 jobs represented the largest quarterly increase since Q2 1997.

The latest quarterly rise in employment in Q3 2014 represented the 11<sup>th</sup> successive quarter of employment gains. During this period from Q4 2011 to Q3 2014 there has a net gain in employment of 28,880 jobs. This means almost 70% of the jobs lost (41,780 jobs) during the downturn have been recouped. There are now more people employed in the services industry (591,800) than there were at the pre-recession peak (584,500) in Q2 2008. Conversely, employment within the construction sector, although increasing by over 1,000 in Q3, remains some 36% below its pre-recession peak in Q4 2007.

The surge in employment in the last quarter has been due to gains within the private sector (+6,090 jobs). Indeed, the last time the private sector posted gains of this magnitude was back in Q2 1997. Over the year to Q3 2014 private sector employment has increased by over 17,000 jobs. This represents an increase of 3.5%. However, part of this rise is due to Royal Mail jobs moving from the public sector to the private sector. This is estimated to account for around 2,500 - 3,000 jobs. Nevertheless, even if these jobs are ignored, private sector employment has increased by around 14,000 jobs or +2.9% y/y. This still represents the largest job gains and fastest rate of private sector employment growth since Q2 2008. The reclassification of Royal Mail from the public to the private sector appears to largely explain the 3,030 public sector job losses between Q3 2013 and Q3 2014.

There are a number of caveats, alongside the Royal Mail re-categorisation noted above, that make comparisons of public and private employment gains trickier to assess. These include the movement of part-nationalised financial institutions from the private sector to the public sector in Q4 2008. Some of these (Lloyds Banking Group and its subsidiaries) jobs have since moved back (Q1 2013) into the private sector. Whilst acknowledging these caveats it is noted that private sector employment has increased by 29,960 jobs since the low in Q1 2012. This implies around 80% of the private sector jobs lost during the downturn have been recouped so far. The movement of part-nationalised financial institutions from the public sector into the private sector alongside the privatisation of Royal Mail exaggerate

this position as noted earlier.

Clearly the overall tone of today's employment figures is overwhelmingly positive and you would be forgiven in thinking that Northern Ireland does not have a job creation problem. On closer inspection, however, Northern Ireland is experiencing very strong rates of private sector employment growth with public sector employment largely staying flat over the last two years. Looking ahead, however, the rapid rates of private sector employment growth will slow in 2015 and again more sharply in 2016. Meanwhile the public sector is about to embark upon a sustained period of job losses over the next 4/5 years which should see public sector employment fall back towards 200,000 relative to the current 211,500. The Northern Ireland economy still has a significant challenge in creating sufficient high-waged employment in the medium to long-term. This is the context within which investing in a lower corporation tax rate should be viewed, assuming the appropriate fiscal powers are devolved.

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