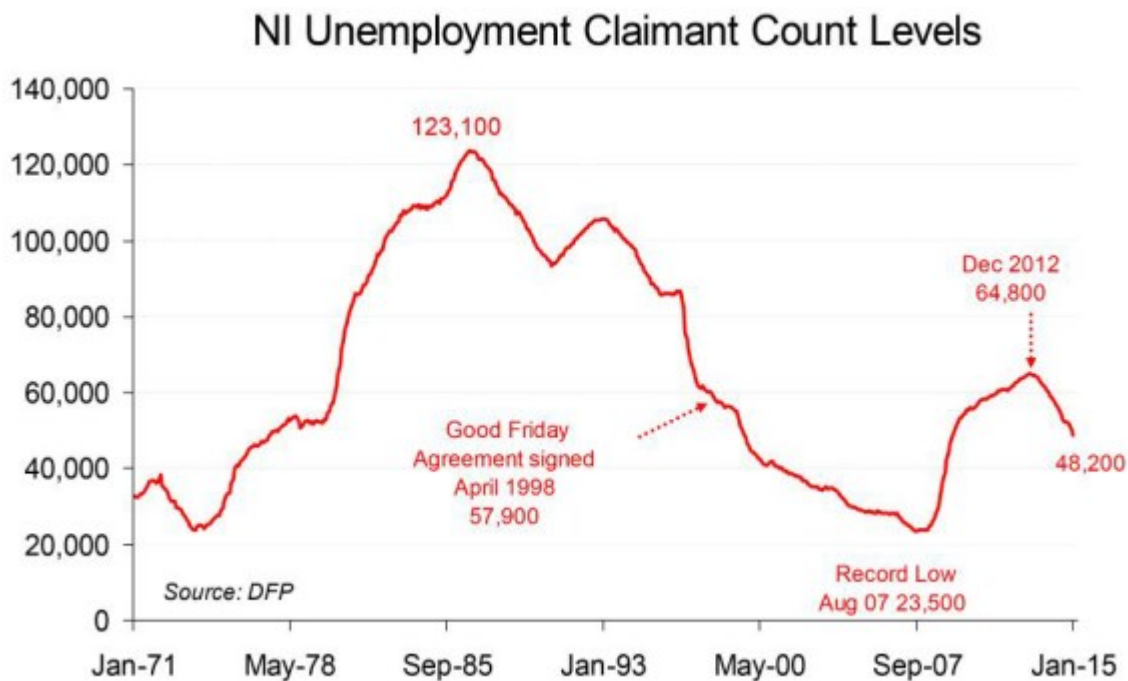




Throughout much of the downturn inflation and unemployment moved in the same direction - upwards. This combination was bad news for households' budgets and the economy as a whole. 2013 proved to be a year of divergence with an economic recovery leading to falling levels of unemployment. However, with the annual rate of inflation remaining stubbornly above the Bank of England's 2% target, a meaningful recovery in households' finances was deferred. More recently, the collapse in the oil price has punctured the 'cost of living crisis' narrative. Rates of consumer price inflation and unemployment are again moving in the same direction. This time, however, it is good news for the labour market, households and the overall economy.



***Claimant count unemployment hits a 69-month low***

Today’s labour market statistics contained a raft of encouraging unemployment headlines. In terms of claimant count unemployment (*which measures those individuals in receipt of means tested unemployment benefits*), Northern Ireland extended its winning streak of falling unemployment to twenty-five months. Furthermore, January’s monthly decline of 1,700 claimants not only marked the largest decline in the twenty-five month sequence, it was also the sharpest monthly decline since May 1999 (-2,200). Northern Ireland’s claimant count stood at 48,200 in January, which is the lowest level in 69 months (April 2009).

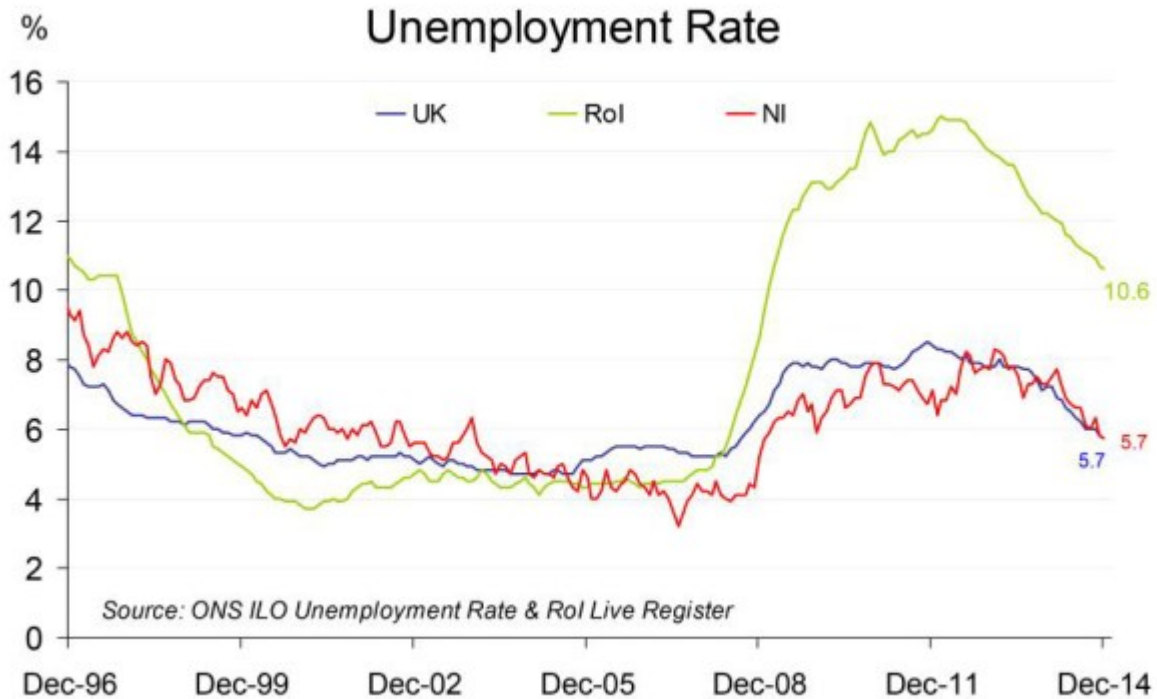
***40% of the rise in unemployment following the downturn has been recovered***

Northern Ireland’s claimant count has now fallen by 10,300 (-17.6%) over the last year and

by 16,600 (almost 26%) since the peak in December 2012 (64,800). As a result, 60% of the cumulative rise in unemployment that occurred during the recession remains. Or alternatively, 40% of the cumulative rise in unemployment that occurred following the downturn has been recovered. Whilst the continuing fall in unemployment is welcome, it is noted that the pace of decline still lags behind the rest of the UK. The latter saw its claimant count decrease by almost 32% over the last 12 months. Furthermore, Northern Ireland's claimant count unemployment rate of 5.4% remains the highest of all the UK regions (UK = 2.5%).

### ***Northern Ireland's ILO Unemployment Rate hits a 71-month low of 5.7%***

Northern Ireland's latest Labour Force Survey (LFS) also included a variety of positive unemployment headlines. The ILO unemployment rate eased to 5.7% in Q4 2014 and remains in line with the UK rate. This represented the lowest unemployment rate in 71 months. The number of ILO unemployed fell by 3,000 in the latest quarter to 50,000. This compares with a peak of 72,000 in the 3-months to January 2013.

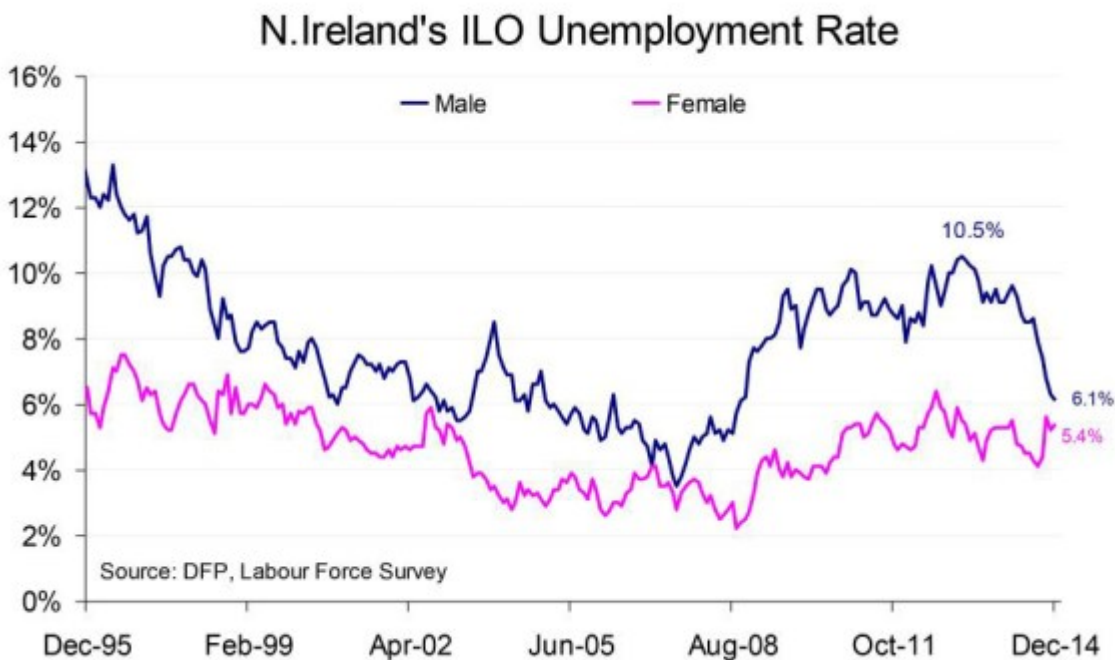


***Northern Ireland’s youth unemployment hits a 34-month low of 17.8%***

The younger generation has borne the brunt of the recession as far as the labour market is concerned. Having peaked at 25% in Q3 2013, the unemployment rate for those aged between 18-24 years of age has remained stubbornly high. Encouragingly, however, the latest figures reveal a fall in Northern Ireland’s youth unemployment rate to 17.8% in Q4 2014 (UK=14.3%) - a 34-month low. Despite this latest fall, Northern Ireland’s youth unemployment rate is four times greater than the rate for the 25-49 years of age group and five times the rate prevailing amongst the over 50s. Efforts to tackle unemployment rate age inequality need to be redoubled.

***Gender unemployment rate inequality narrows***

Whilst unemployment inequality based on age remains a major policy concern, there has been a significant convergence in the unemployment rate inequality between males and females. The male dominated manufacturing and construction industries bore the brunt of the job losses during the downturn. This gave rise to the term ‘Mancecession’ with the male unemployment rate peaking at 10.5% in early 2013. Conversely, female unemployment peaked at 6.4%. 2014 has witnessed a dramatic decline in the male unemployment rate which stood at 9.3% in Q1 2014 and has fallen to 6.1% by Q4 2014. The latter represents the lowest rate in over 5-years and is just 0.7 percentage points above the equivalent rate amongst females (5.4%). This represents the narrowest differential in the respective unemployment rates in over 7-years.



***‘Activating the inactive’ remains a key challenge within the context of fewer resources***

A falling unemployment rate is encouraging; however, this assumes that falling unemployment is resulting from a rise in employment. This is not the case with employment falling by 6,000 in the latest quarter. Instead, the fall in the unemployment rate is stemming from an increase in economic inactivity rather than increased employment. The number of economically inactive (*those neither in work or looking for work*) for all people aged over 16 years of age, rose by 11,000 in Q4. It is noted that the number of economically inactive of working age (*16-64 years of age*) at 327,000 is at its highest level since Q2 2013. Northern Ireland's rising economic activity rate is a concern with 28% of our working age population neither in work or looking for work. This is the highest of all the UK regions and compares with a UK average of 22.3%. Northern Ireland's policymakers will want to see unemployment and economic inactivity moving in the same direction before they carried away with headline improvements within the labour market. 'Activating the inactive' remains a key challenge for the Northern Ireland economy particularly within the context of lower levels of public expenditure.

Mancession has been and gone but challenge to activate the inactive  
remains | 7

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