



Today we received the last set of labour market statistics ahead of next month's General Election. Theresa May will be pleased at the headlines with a number of record highs and lows.

The number of people in employment in Q1 2017 nudged closer towards 32 million. Both this level and the employment rate (74.8%) have never been higher. Meanwhile the economic inactivity rate, for those of working-age, plumbed a fresh low of 21.5%.

The headline unemployment rate for the first quarter also posted a surprise decrease to 4.6% the lowest unemployment rate since mid-1975. The one piece of negative news concerned wage growth.

Prior to the downturn (2001-2007) UK regular pay growth averaged 4%. Average weekly earnings in the first quarter increased by half that figure (+2.1% y/y). More significantly this is trailing behind inflation (2.7% for April 2017). From this perspective, the election is timely as it will occur ahead of a major squeeze on consumer spending over the next 12 months or so.

What about Northern Ireland?

What about Northern Ireland? The overall tone of the local labour market data lacked the record highs and lows of the national statistics. Nevertheless, there were a few encouraging headlines.

Claimant count fell

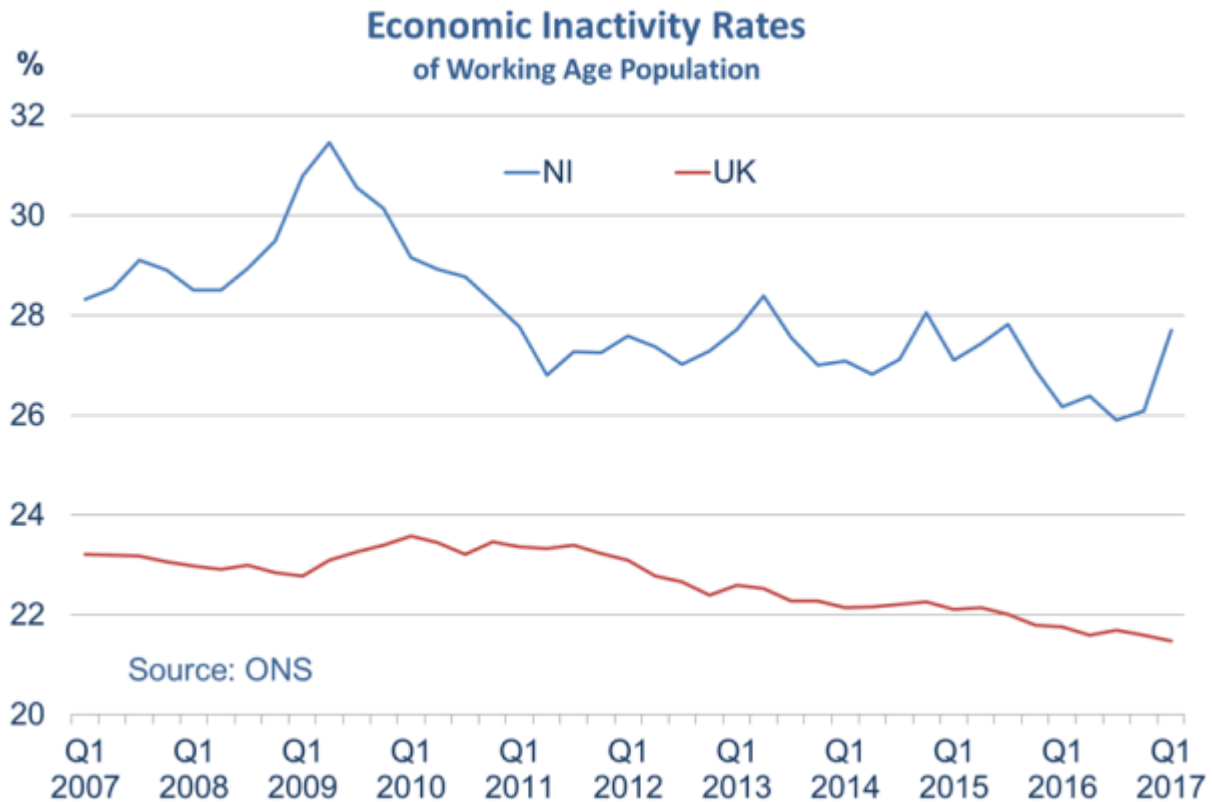
Last month's claimant count (*those claiming unemployment benefit – specifically JSA*) fell by another 200 to 31,500. This has fallen by more than half relative to February 2013's peak, though remains above September 2007's record low (23,500). In the labour force survey, the unemployment rate remained unchanged in Q1 at 5.3% – its lowest rate since Q4 2008.

Youth unemployment fell

The corresponding unemployment rate for those aged 18-24 years ('youth unemployment') fell to 12.1% its lowest level since Q3 2008. Focussing on these three statistics you would be forgiven for thinking that Northern Ireland's labour market recovery is continuing undaunted. On closer inspection, however, there are a number of causes for concern, with Northern Ireland's labour market performance diverging from the UK.

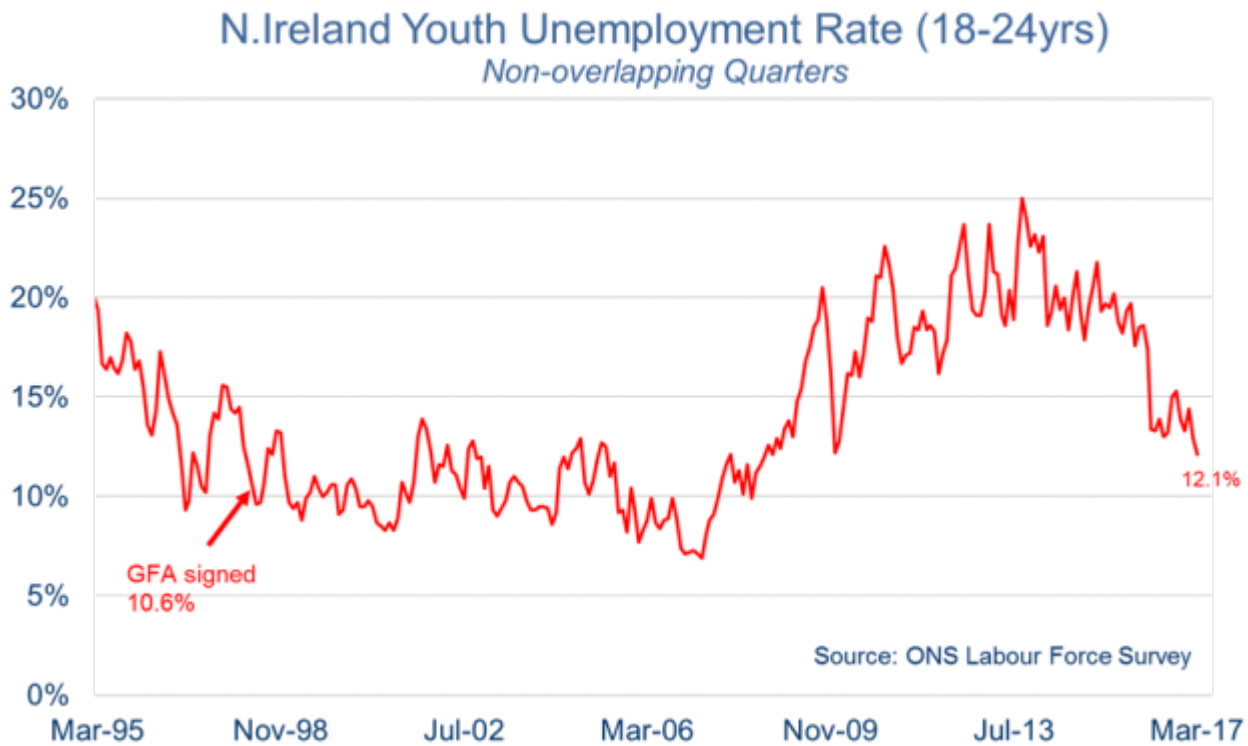
Employment and economic inactivity moving in wrong direction

Northern Ireland's unemployment rate may have remained at an 8½ year low, but employment and economic inactivity are moving in the wrong direction. Last year's record (high) employment and economic inactivity (low) rates look to be short lived.



The number of economically inactive, defined as those neither in work nor looking for work, jumped by 24,000 q/q (+4.5%) in Q1 2017 and by 31,000 y/y (+5.4%). The latter represents the steepest rise since June-August 2009. The differential between Northern Ireland's economic inactivity rate (27.7%) and the UK's (21.5%) is at its widest margin since Q4 2009. Within the economically inactive cohort - those who don't want a job as they class themselves as 'long-term sick' - has jumped by 14% or 10k since Q3 2016.

The rise in economic inactivity is most noticeable within the 18-24 years of age group. With the number of inactive rising by 7k q/q (+13%) and +13k (+28) y/y. With employment within this age-group falling by 6,000 (-6%) over the same period, it is clear that the decline in the youth unemployment rate is a superficial headline giving a misleading picture. The youth unemployment rate may be at its lowest since Q3 2008 but there are 16,000 (15%) fewer people of this age in employment.



The number of people in employment in Northern Ireland peaked in Q4 last year at 845,000. Employment fell by 21,000 or 2.5% between Q4-2016 and Q1-2017. The pace of decline for employees in employment accelerated to 1.6% q/q and 3.5% y/y in Q1 2017.

The latter represents the sharpest fall in employee jobs since Q2 2009. Full-time and part-time employment have posted year-on-year declines of 2.4% and 1.5% respectively in Q1 2017. Self-employment remains Northern Ireland's only employment category recording growth (+8.3% y/y).

Younger generation bearing brunt of job losses

Looking at the age profile of the fall in employment, it is noted that the younger generation are bearing the brunt of the job losses. Those aged 18-24 years of age in employment fell by 6.1% y/y in Q1 2017. This compared with a 1.4% decline for the 25-49 years of age cohort.

Meanwhile those aged 50-64 (Male) / 50-59 (female) have witnessed an increase of 2.3% y/y.

Economy on the turn?

Despite a few positive headlines, the latest labour market statistics for Northern Ireland suggest that the economy is on the turn. The record employment and economic inactivity rates of last year are fading fast. Today's employment figures though are more negative than other surveys, such as the Ulster Bank PMI have suggested for Q1. Next month's Quarterly Employment Survey for Q1, which is the most definitive barometer of the number of jobs in the economy, will be closely watched.

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