



Official figures continue to point to a buoyant Northern Ireland labour market in the third quarter of 2017. Private sector jobs notched up a thirteenth consecutive quarterly rise and are at their highest level since records began in 1974. Public sector job losses have stabilised (at least for the time being) and are around 10% below their 2009 peak. Overall, Northern Ireland has almost 19,000 more jobs (+3%) than at the pre-recession peak. Significantly, there has been a pick-up in full-time employment growth in Q3 which had previously been lagging behind the surge in part-time employment.

Falling unemployment

Falling unemployment remains a key theme of positivity in the local labour market with the

ILO unemployment rate at a 10-year low. However, unemployment is not declining for all the right reasons with a sharp pick-up in economic inactivity in recent quarters.

Using the economist's jargon, Northern Ireland currently has a tight labour market which is at or approaching full employment. What does this mean? Full employment is the condition in which virtually everyone who is able to and willing to work are employed. Meanwhile a 'tight' labour market has more jobs than workers.

EU nationals attracted elsewhere

Against this backdrop, coupled with EU nationals increasingly attracted to more financial lucrative opportunities elsewhere in the EU, skills shortages are likely to be a major challenge for employers in 2018. Prior to 2017, the UK economy was outperforming the growth performance of the Eurozone. However, last year saw their roles reverse. Skills shortages will also be accompanied by wage increases with competition for labour in many sectors expected to hot up. While this is good news for employees it is bad news for employers experiencing an increase in their cost base. Staff retention will become more of an issue too.

NIJobs.com report

The [NIJobs.com](#) Jobs Report, with Ulster Bank, for Q4 provides a timely indicator of what is happening in the jobs market, including the types of jobs people are looking for and companies are recruiting for. Overall, the latest report shows that the number of jobs listed on NIJobs.com fell by almost 3% q/q in the fourth quarter but is up marginally on the same period in 2016. However, this headline conceals contrasting performances within sectors and between different parts of Northern Ireland.

Global recovery boosting exporters

The strengthening global economic recovery is feeding through into increased demand in Northern Ireland's export intensive sectors. *Production, Manufacturing & Materials* continues to punch well above its weight with a significant number of vacancies. The sector has seen some easing relative to Q3 2017, but was ranked 7th for job listings of the 32 sectors covered. *Engineering* continues to fare even better with the most vacancies of all sectors bar IT. *Science, Agriculture, Pharmaceutical & Food* posted the biggest quarterly improvement (+51%) in job listings in Q4 2017 and the highest number in almost three years. Looking ahead the strengthening global economy bodes well for Northern Ireland exporters and workers employed in these sectors.

Other sectors performing well

Other sectors which posted notable increases in vacancies during Q4 2017 included:

- *Legal* - listed the most number of vacancies to date (+39% q/q & 20% y/y).
- *Customer Service, Call Centres & Languages* - saw advertised vacancies increase by almost a quarter relative to Q3 2017.
- *Social, Charity & Not for Profit* - Despite much of the Third Sector facing a hostile public expenditure (funding) environment, the sector is still the fourth largest in terms of job listings, narrowly behind *Accountancy & Finance*.
- *Nursing, Healthcare & Medical* vacancies increased by 8% q/q in Q4 2017

And those performing less well?

- There are signs that some consumer sensitive sectors are being impacted by the inflationary squeeze on household incomes. In Q2 2017, after *IT* jobs, the *Hospitality*

sector accounted for more recruitment opportunities than any other sector. Despite an ongoing tourism boom, the *Hospitality* sector reported a significant drop in job vacancies in Q3 (-34% q/q and -53% y/y). This follows the 'coffee shop boom' in 2016. This has been followed up by a further easing in Q4. Indeed, Q4 represented the fewest number of job vacancies in the *Hospitality* sector since Q4 2015.

Nevertheless, the sector is still ranked ninth for the number of job opportunities.

- Another consumer sensitive sector is *Retailing, Wholesaling and Purchasing*. The sector has seen vacancies advertised fall by 27% q/q and 28% y/y. Indeed, the latest survey reported the fewest number of vacancies in the last three years. Given the ongoing squeeze on consumer incomes, this trend is expected to continue.

Looking ahead

Looking ahead, one of the key challenges for businesses will likely be the intensification of skills shortages due to increased demand in areas linked to the global recovery and also the fact that EU nationals in many sectors are leaving for elsewhere. EU nationals are increasingly being attracted to faster growing parts of Europe such as the Republic of Ireland with the exchange rate also a factor.

Employers will also be under pressure this year to increase wages as inflation rises and economic conditions remain relatively positive. Many will also be contending with the mandated National Living Wages increases. With rising inflation, the retail industry and consumer sensitive sectors will also come under pressure due to a squeeze on consumer spending. This may well curtail recruitment intentions in these sectors.

Conversely, with visitor numbers continuing to rise and a number of new hotels due to open, recruitment in the hospitality and tourism sectors should continue and indeed, these sectors are expected to find it more difficult to fill vacancies.

In the environment described above, workers rather than employers have the upper hand when unemployment is low and skills shortages are prevalent. Staff retention will be more challenging and wages will likely have to rise.

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