

Northern Ireland's labour market statistics have provided a smattering of record highs and lows of the positive variety in recent months. The monthly Labour Force Survey, which signalled a record low in unemployment last month (*3.1% for Q1 2018*), played second fiddle to the Quarterly Employment Survey (QES). This is the most closely watched employment survey as it measures the actual number of jobs.



A number of surveys such as the Ulster Bank PMI and the NIJobs.com Jobs Report have signalled continued growth in staffing levels / vacancies in 2018. The QES confirmed a record number of jobs with growth evident across all the main sectors. Encouragingly the pace of job creation accelerated to 2.5% y/y - the fastest rate of employment growth since the seasonally adjusted series began in 2005. In terms of jobs, there was a net gain of over 18,610 jobs over the year to March 2018. Again this was the largest annual gain since at

least 2005. Overall employment hit 763,440 at the end of Q1 2018.

Close to two-thirds of employment growth over the last year was due to the services sector. However, Northern Ireland's manufacturing and construction sectors are clearly booming as regards job creation. Manufacturing is capitalising on strong global growth and has shrugged off a number of high profile redundancies. Employment is up an impressive 4.3% y/y (+3,570 jobs) with manufacturing jobs at their highest level since 2004. Some industrial sectors such as mining and manufacture of basic metals have seen employment surge by one-fifth over the last year. Others such as manufacturing of machinery and equipment (*think of the County Tyrone quarrying, crushing & screening equipment manufacturers*) have posted a 15% y/y increase in employment.

Construction employment continues to rise strongly (+7.7% y/y) albeit off a low base. The construction workforce is at its highest level since Q3 2010, though this is just three-quarters of the numbers employed back in 2007.

It is important not to get carried away with the number of jobs. Job quality matters more than quantity. Northern Ireland's jobs machine may be working well but the productivity machine continues to misfire. Later this week we will see the release of industrial production and service sector output indices for Q1 2018. While manufacturing and services employment exceeds its pre-recession highs, output remains well below where it was over a decade ago. What does that say about productivity? Well, as an economy we are employing more people to produce less output.

The football World Cup will soon be upon us. As in football, it is not the numbers of players you put on a pitch. Instead, it is how each player performs a specific role and how they function as a team. Teams the world over seek to emulate the footballing success of Germany at World Cups. Similarly in the economic world, Germany's productivity

performance is the envy of the world. We frequently here that the average worker in Germany produces around 25-30% per hour more than its UK equivalent. In turn, NI workers lag behind its UK peers by around one-fifth. In practice this means that an average NI worker would have to work until 5pm Saturday to produce what their UK equivalent would produce by 5pm Friday. Meanwhile the German worker will have gone home lunchtime Thursday.

NI's primary labour market challenge is improving productivity. Those who are classed as economically inactive (*excluding students*) are the least productive of all. Reducing inactivity and increasing productivity (*through skills, innovation, investment, competition and enterprise*) have been and will continue to be the focus in the local economy for the next decade and beyond.

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