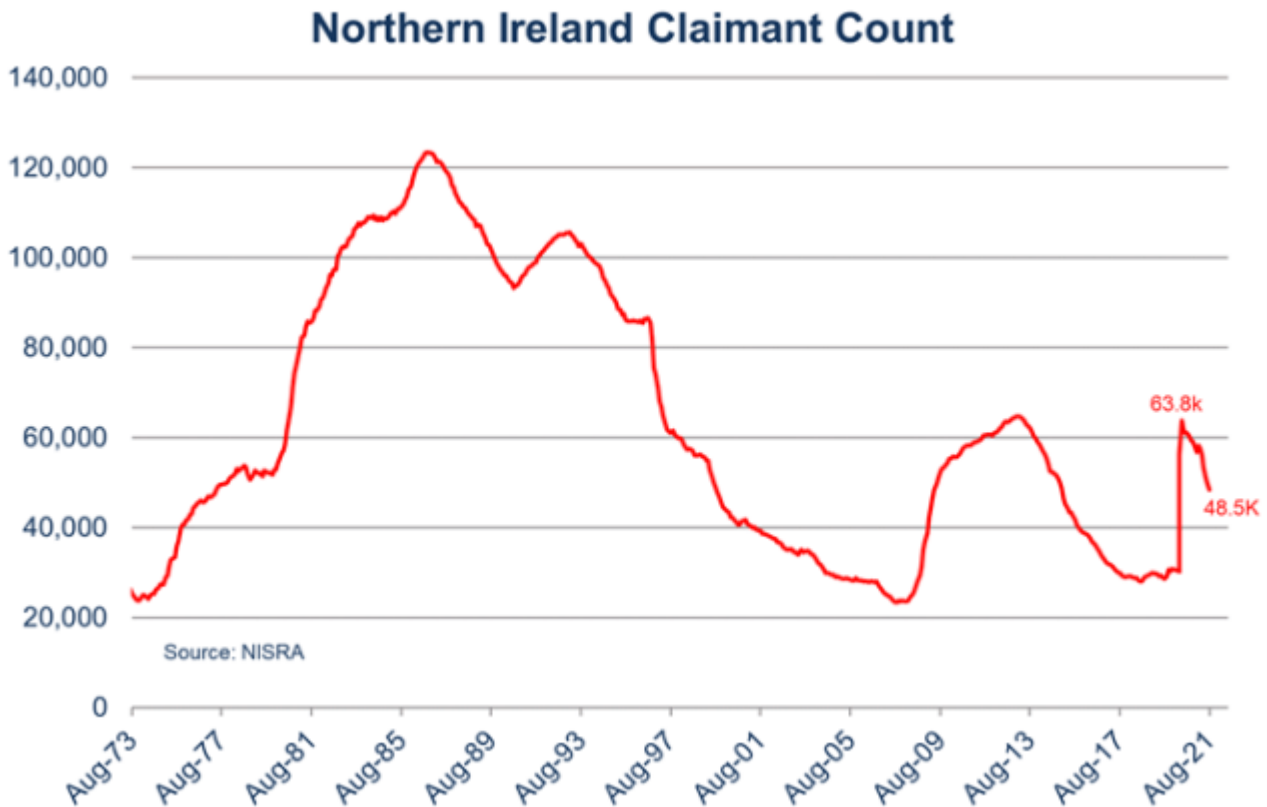


Lockdowns prompted a pause in the labour market with Rishi Sunak rolling out the safety net that was the Job Retention Scheme (JRS). With the play button then hit as many sectors went back to work. In more recent times, we've seen a fast forward in the labour market figures, with the number of payrolls rising for nine consecutive months and hitting a record high for the third month running in August. We may well see this trend continue in September. But with the furlough scheme ending in a couple of weeks, we know it isn't going to be a straight-line recovery from there. The Jobs Retention Scheme has flattered the jobs figures. But we're now moving to a new stage of the recovery, a stage where stimulus is being turned off, inflationary headwinds are intensifying and the increased burden of tax rises is due to be felt from April 2022. We may well therefore see something of a rewind in the jobs data in the next few months as the labour market adapts to the post-furlough world. Don't be surprised if we see payrolls fall back below pre-pandemic levels before the year is out. Getting back to pre-pandemic levels of self-employment and hours worked will take quite some time.

So, what is the latest batch of labour market statistics from NISRA telling us?

Nothing to see here? - 2020 was a record year for redundancies and some of those proposed job losses are continuing to land in 2021 with 700 during the second quarter. That compares with almost 1,100 in Q1. August saw just 130 redundancies following 250 in July. Proposed redundancy numbers slumped from a 10-month high of 850 in July to just 80 in August. With the Job Retention Scheme ending in a couple of weeks, a pick-up in redundancies is anticipated in the coming months.

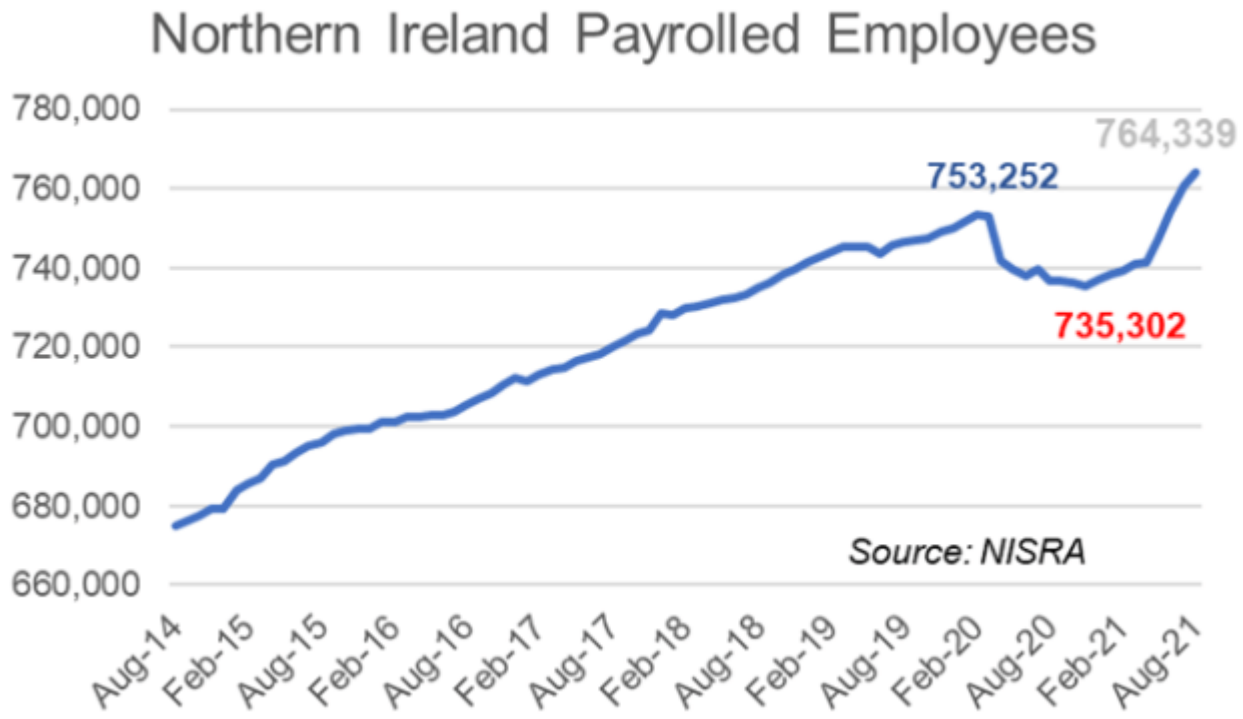


Trending downwards - Northern Ireland's claimant count - which includes those on Jobseekers Allowance (JSA) and Universal Credit claimants who were claiming principally for the reason of being unemployed - has generally been following a downward trend since May 2020's peak of 63,800. August saw the sixth successive monthly fall in claimant numbers with the total falling by 1,000 to 48,500. That marks the lowest total since the pandemic hit, but remains well above the pre-pandemic level of less than 31,000.

Two up, one down - Northern Ireland's unemployment rate jumped from 3.0% in the three-months to April 2021 to 4.0% for the period May - July 2021. That represents the highest rate in almost three years but is the third lowest amongst the UK's 12 regions (UK = 4.6%). This unemployment rate looks and sounds more impressive than it actually is. A low unemployment rate occurring alongside a low economic inactivity rate and high employment rate would be impressive. Unfortunately Northern Ireland has the worst of both worlds as far as these indicators are concerned. While there have been improvements in the latest

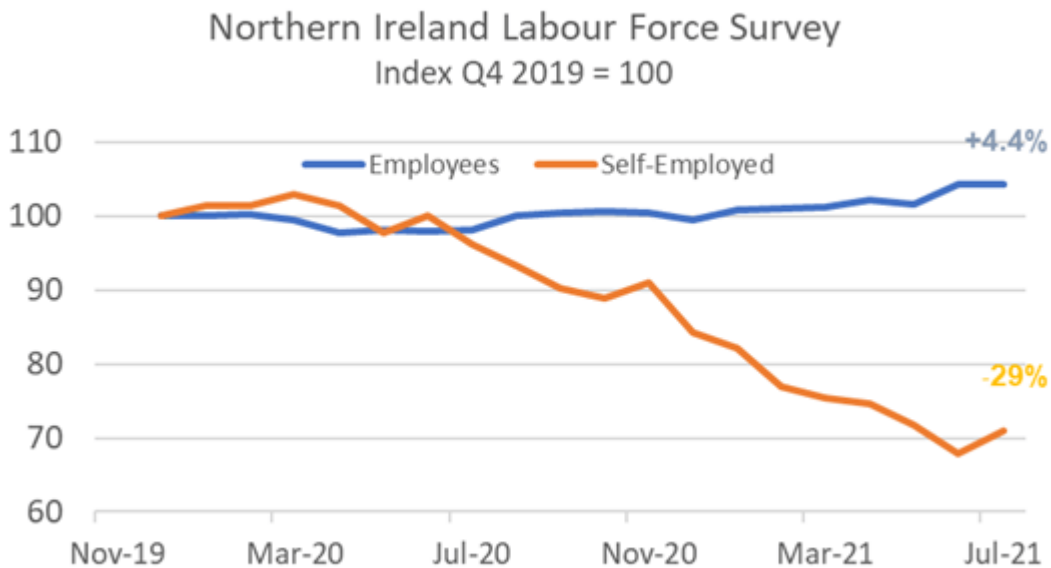
quarter (i.e. employment rate up and economic inactivity rate down), Northern Ireland still has the highest economic inactivity rate within the UK (25.7% versus UK 21.1%) and the lowest employment rate (71.2% versus UK 75.2%). The good news is that NI's economic inactivity rate is back below pre-pandemic levels. However, the employment rate remains below the pre-pandemic high of 72.6% while unemployment at 4% is well above the NI's record low of 2.3% in late 2019.

Pushing higher - The best indicator of employees in employment is the HMRC PAYE Real Time Information System data. This covers employees on payrolls. August witnessed the ninth successive monthly rise in employee numbers with an additional 3,509 added last month. That marked the smallest rise in the last four months with the previous three months recording 6,000-7,000 rise each month. Nevertheless, local payrolls hit a fresh record high of 764,339 employees. Since November 2020's low local payrolls have increased by over 29,000. As a result, there are 11,244 more employees (+1.5%) on payrolls than prior to the pandemic. However, these payrolls include furloughed staff. If these employees were excluded (*36,100 as of end of July 2021*) the payrolls figures would be still well below pre-pandemic levels.



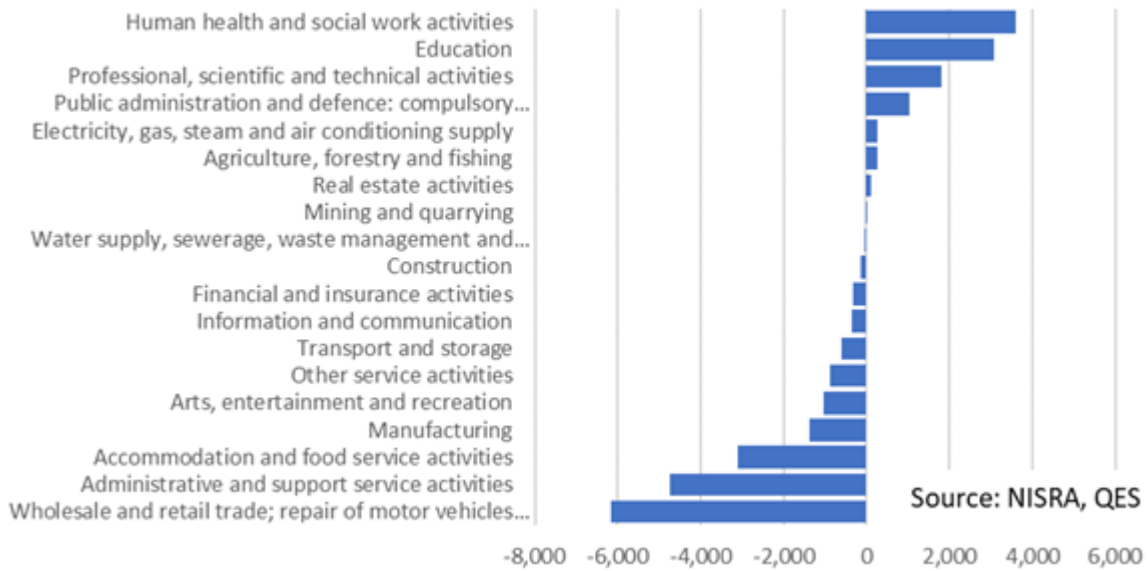
Off-peak - Payrolls may be at a record high but other indicators of employment remain well below their pre-pandemic levels. The Quarterly Employer Survey (QES) for Q2 2021 (surveyed on 1st June 2021) revealed a rise of 2,040 jobs in Q2 (+0.3% q/q) which is less than one-sixth of the rise in HMRC payrolls (+13,515 jobs) during the three-months to June. This was only the second quarterly rise in six quarters. It is noted that the QES survey was conducted on 1 June so this fails to capture the strong growth in jobs during the month of June. Total employee jobs for Q2 2021 (Jun-21) remained 1.6% (-12,530 jobs) below Q4 2019's pre-pandemic level. According to the Labour Force Survey, which measures the number of people working not the actual number of jobs, there were 860,000 in employment in the three-months to July 2021. This represented a rise over the quarter but remains below the 876,000 recorded in Q4-19. The Labour Force Survey conceals contrasting fortunes for employees and the self-employed. Employee numbers hit 763,000 in May-July 2021 which was a record high and represented a rise of 6.3% y/y and is 4.4% above Q4 2019's level. This chimes (albeit much stronger) than the HMRC's payrolls data. However, self-employment in May - July 2021 was a whopping 29% (39,000) lower than pre-pandemic

levels (Q4-19).

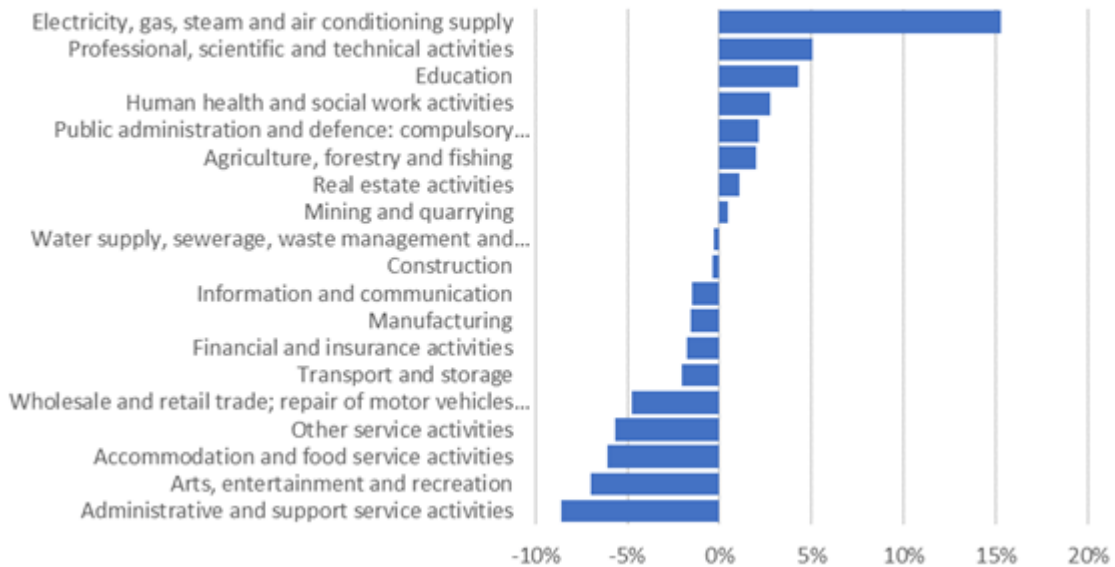


Winners and losers - The HMRC payrolls data doesn't include a sectoral breakdown. However, a detailed breakdown is provided within the Quarterly Employment Survey. The charts below highlight the percentage change in employment (jobs) in Q2 2021 relative to pre-pandemic levels (Q4 2019). The biggest winners in terms of job numbers were the health (+3,600) and education (+3,080) sectors. Meanwhile at the other end of the spectrum were: Accommodation and food service activities (Hospitality sector) -3,100 jobs; Admin and support services -4,740 jobs; and Wholesale and retail activities -6,150 jobs. These sectors also include some of the largest concentrations of furloughed jobs. As a result, the impact is likely to be even greater when the furlough scheme expires at the end of September.

NI Employee Jobs Q4-19 to Q2-21 Change in 000s

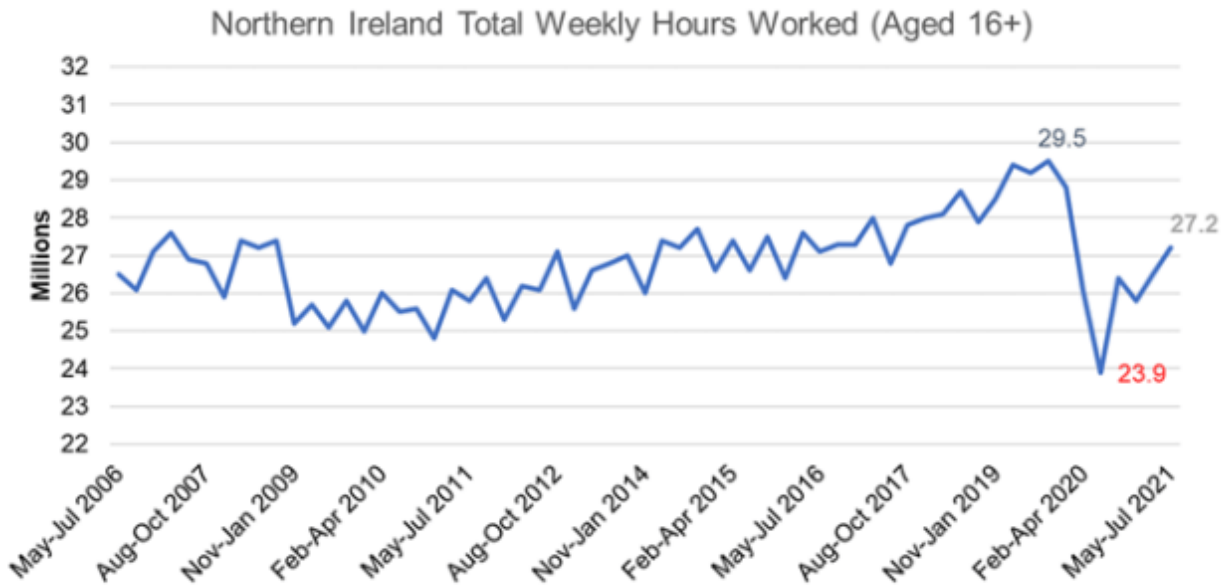


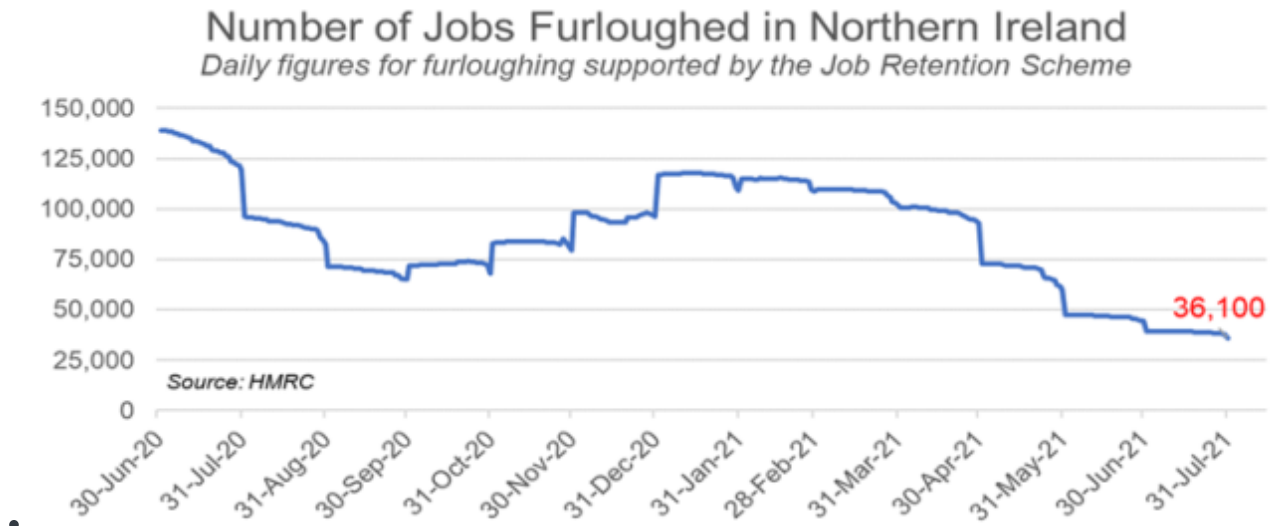
NI Employee Jobs Q4-19 to Q2-21 % Change



Public-Private Divergence - During a downturn the public sector tends to be a safe haven and the latest recession has been no exception. Public sector employment had been increasing prior to the pandemic but the health emergency has seen a further surge in the

public sector’s headcount. Since the pandemic, the number of public sector jobs has increased by over 3,000 (+1.4%) to 214,710 by Q2 2021. This represents the highest number of public sector jobs in almost eight years. Meanwhile the Quarterly Employer Survey for Q2 2021 revealed that the private sector posted its first quarterly rise since Q3 2019. The modest 0.1% q/q increase (+740 jobs) took private sector employment to 556,820 which remains over 11,000 jobs (-2.0%) below Q4 2019’s pre-pandemic level.





More hours – Signs of a labour market recovery are evident in the hours worked data. There were 27.2 million of weekly hours worked during the period May – July 2021. That is up 14% y/y (+3.3 hours) but Northern Ireland’s workers are still working 1.6 million fewer hours (-5.6%) than occurred in November – January 2020 before the pandemic hit and 2.3 million hours fewer (-7.8%) below the peak in Aug-Oct 2019. That means just 60% of the decline in total hours worked following the pandemic has been recovered so far. Clearly the fact that between 36,100- 58,600 individuals were on furlough during this latest three-month period is impacting on this figure. The total hours worked indicator is the key benchmark in measuring when the labour market has truly recovered from the pandemic. Getting back to 29.5 million weekly hours worked, the pre-pandemic level, will take time. Only then can we say the labour market has recovered.

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