

Despite the upsurge in recessionary chatter, Northern Ireland's labour market continues to churn out positive headlines. The ILO unemployment rate in the three months to April stood at 2.6%, just north of Q1 2020's pre-pandemic level (2.5%) and the record low of 2.3% (Sep-Nov 2019). Both the HMRC payrolls data and the Quarterly Employer Survey (QES) posted record employee numbers for May and March 2022 respectively. Meanwhile there is still nothing of note on the redundancy front. From a recession watch perspective there is certainly 'nothing to see here' as far as the local labour market statistics are concerned.



Squeeze here - Given that CPI inflation is running at a 40-year high, wage rates rather than unemployment rates are receiving more focus than normal. Northern Ireland's median pay for employees increased by 6.6% y/y in May, a significant increase but well below the current CPI rate of 9% y/y. Furthermore, the annual rise in earnings is inflated as last year's lower base was impacted (downwards) by those people on furlough and therefore reduced earnings. The gap between inflation and average earnings is expected to widen, reflecting the cost-of-living squeeze, and this doesn't factor in the reduction in after tax earnings following the recent increase in National Insurance Contributions. Unlike previous

recessions, talk of widespread job losses and significant rises in unemployment is conspicuous by its absence. Instead, the cost-of-living squeeze trumps fears of a recession / higher unemployment.

Record employment levels - The number of employees on Northern Ireland HMRC payrolls stood at 779,100 in May - a fresh record high. That marked the twelfth consecutive month that payrolls were above pre-Covid levels. As of last month, there were 26,397 (+3.5%) more employees on local payrolls than in March 2020. Today's labour market download include the Quarterly Employer Survey for March 2022 (Q1). The number of employee jobs hit a record high of 794,880 in March 2022. Significantly the private sector has finally recouped the jobs it lost following the pandemic.

Manufacturing a jobs surge - Following a big surge in the latest quarter (+9,540 jobs, +1.7% q/q, +3.5% y/y), NI's private sector posted its largest quarterly gain in employment since Q3 / September 2014. This surge in employment followed the lifting of lockdown restrictions. Manufacturing added 2,440 jobs in the latest quarter (+2.8% q/q) taking total manufacturing employment to 89,510 jobs - a 19-year-high. It is interesting to note that while NI manufacturing employment in March 2022 is back above pre-pandemic levels (+2,100, +2.4%) UK manufacturing employee jobs remain 2.1% below the corresponding Q4-2019 level. Furthermore while NI manufacturing employment is at a 19-year high, just below March 2003 levels, UK manufacturing employment is 26% below March 2003 levels. The contrasting manufacturing employment performance in recent years arguably reflects the benefits from the Northern Ireland Protocol that some NI manufacturers have experienced relative to their peers in GB.

Peak public sector employment? - Public sector employment increased for the sixth successive quarter in Q1 2022. The latest quarterly rise in March (+1,770 jobs, +0.8% q/q) took public sector employment (219,930) to its highest level in almost 11 years. Northern

Ireland's public sector headcount has risen by 3.9% (8,230 jobs) since pre-pandemic levels (Q4-19) and by 6.7% (+13,730 jobs) since the EU Referendum in June 2016. Brexit and the pandemic have contributed to the increase in public sector staffing levels. Given the demands for increased public sector pay in the face of the cost-of-living crisis, attention is increasingly likely to focus on reducing public sector employment in the UK and locally.

Are we there yet? - As far as employee jobs / payrolls data are concerned Northern Ireland has recovered from the pandemic and some. But overall employment (includes self-employment) and total hours worked have not yet returned to their pre-Covid levels. In the three months to April 2022 there were 852k people in employment. That's 24k fewer (-2.7%) than Q4 2019. There are also 24k more people (+8%) aged 16-64 years who are economically inactive (neither in work or looking for work). This increase has largely been due to a move into education. NI's economic inactivity rate of 27.8% compares with 25.8% in Q4-2019. Northern Ireland's employment rate is over 2 percentage points below pre-pandemic levels - 70.2% Feb-April 2022 versus 72.4% in Q4 2019. The lack of recovery in the employment rate is due to the slump in self-employment. During the latest period there were 100k self-employed in NI, that's 34k below Q4-2019 levels (-25%). This factor also explains why total hours worked in Northern Ireland remains 4.1% below pre-pandemic levels.

As good as it gets? - Overall, an encouraging set of labour market statistics. However, the labour market is a lagging indicator of economic activity so this is all rear view mirror stuff. The economic outlook at home and abroad has darkened. So Q2 / Q3's labour market could be as good as it gets. A deterioration in the labour market and higher unemployment are invariably viewed as a bad thing, however this is not necessarily the case. An economic slowdown and a modest increase in unemployment should help to alleviate some of the problems local employers face in the current red-hot labour market such as skills shortages and wage pressures.

Share this:

- [Twitter](#)
- [Facebook](#)
- [LinkedIn](#)
- [Email](#)