

Research Bulletin 22/5 | Covid-19 and Trends Seen Within Northern Ireland's Inactivity Rates

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Summary

For over three decades, the Northern Ireland economic inactivity rate has exceeded that of the UK and remains the highest rate amongst all UK regions.ⁱ With the onset of the Covid-19 pandemic forcing Governments worldwide to introduce emergency healthcare protection legislation and support packages impacting labour markets, this research bulletin seeks to identify and analyse trends within the Northern Ireland economically inactive population as a result of the Covid-19 pandemic.

Findings show that over the course of the pandemic, overall economic inactivity numbers rose from around 308,000 people in January-March 2020 to 327,000 in March-May 2022. Increases in student numbers were seen amid a volatile job market as well as rises in people no longer looking for work because of long term sickness. Offsetting this, there were accelerated falls in people inactive for reasons relating to family and homecare, with increased flexibility of homeworking and a need to support family enabling greater numbers to re-engage in the labour market.

Introduction

Labour inactivity is defined as members of the working age population (16-64) who are not in work and are not actively seeking work. This can be a result of many different factors - such as a retiree, someone in long-term sickness, a student or someone who has other family and homecare commitments.

The economically inactive are significant to an economy as they are often seen as the 'missing workers', neither in a job or looking for a job. In this sense they are not part of employment or unemployment figures (i.e., the economically active) but represent a third possible way that people can be classified in the labour market. Within some cohorts of our economically inactive population, they could potentially work if given adequate support, whilst it is apparent many others would be unable to work no matter what support was made available to them.

A very low unemployment rate, limited migration inflows and a decreasing proportion within the economically inactive who want a job will only tighten our labour market. Furthermore, an ever-decreasing supply gap of mid to high qualification levels with a slowdown in an increase in the working age group also make for a tight

future job market. The latest Ulster Bank PMI from June 2022 notes that while staffing increased, skills shortages remain a capacity constraint for local firms.

Figure 1: Reasons for Being Inactive (%), Jan-Mar 2020 and Mar-May 2022

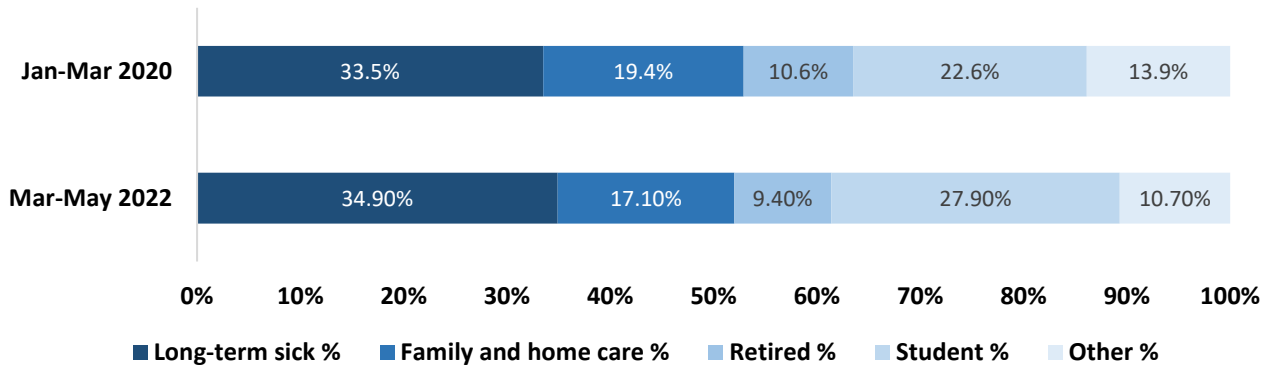


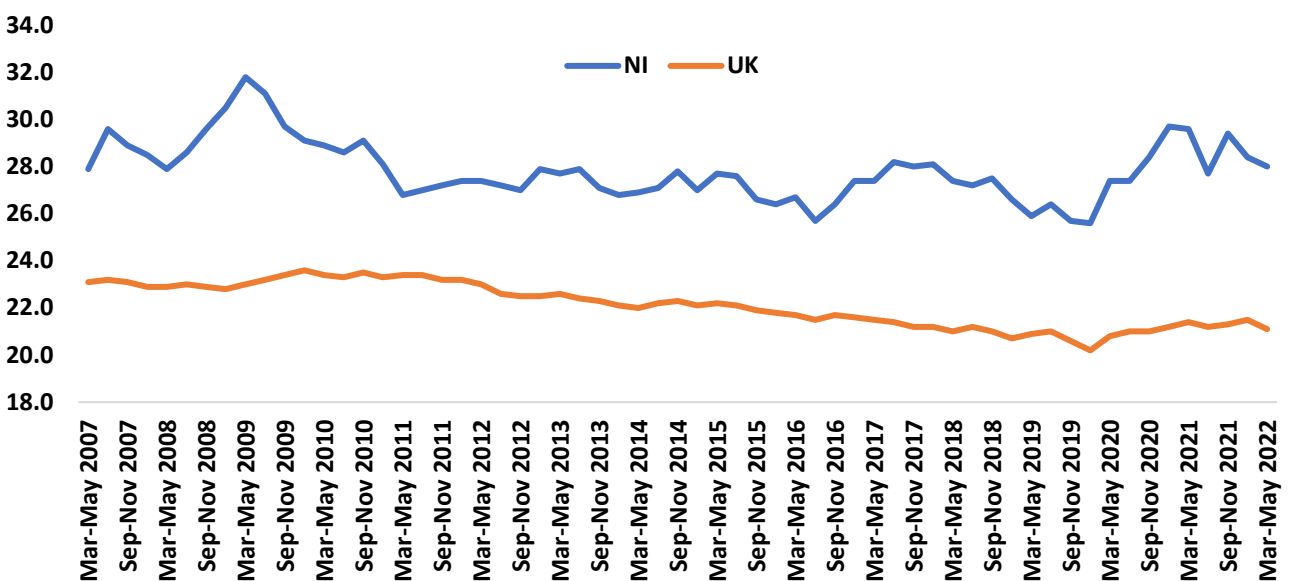
Table 1: Labour Market Indicators (%) for NI and the UK Overall in March-May 2022 Period, Seasonally Adjusted

Indicator	NI	UK
Unemployment Rate (16+)	2.6	3.8
Employment Rate (16-64)	70.1	75.9
Inactivity Rate (16-64)	28.0	21.1

Source: Labour Force Survey

As seen in Figure 2, Inactivity rates within Northern Ireland have consistently been higher than the UK as a whole and remain the highest of any UK region. Latest figures from ONS show that between March and May 2022, the inactivity rate in Northern Ireland stood at 28%, significantly higher than the UK rate of 21.1%. The UK region with the second highest economic inactivity rate – the North East – had a rate that was some 3.2ppts below that of Northern Ireland.

Figure 1: Seasonally Adjusted Economic Inactivity Rates (16-64), March-May 2007 to March-May 2022



Source: Labour Force Survey

Within Northern Ireland, in six of the past seven years from 2014-2020, Derry City and Strabane showed the highest inactivity rates, with Fermanagh and Omagh being the only exception in 2019. On the other hand, the lowest inactivity rates in the 10 years from 2011 to 2020 were observed amongst three different Local Government Districts – Antrim & Newtownabbey, Ards & North Down and Lisburn & Castlereagh. Median weekly earnings by Local Government District in 2021 showed the three districts with lowest inactivity were all in the top 4 highest income earners. In comparison, Derry City and Strabane had the second lowest median earnings of all the LGD's, suggesting correlation may exist between higher inactivity rates and less well-off districts.

The onset of the Covid-19 pandemic and lockdowns caused unprecedented impacts to the UK economy. An estimated 11% decline in GDP in 2020 was the steepest drop since consistent records beganⁱⁱ, and during the first lockdown, UK GDP was 25% lower in April 2020 than it was just 2 months prior in February 2020.ⁱⁱⁱ The pandemic had varying impacts on different sectors, with those most reliant on social contact such as Entertainment and Hospitality being most severely affected by the pandemic, while those sectors that were better placed to quickly pivot to remote working, such as financial services, fared relatively better.

Compared to pre-pandemic levels in January-March 2020, inactivity rates in March-May 2022 were 1.6 percentage points higher, with 19,000 (6.2%) more people inactive. Inactivity numbers peaked in December-February 2021, where numbers reached 345,000 (29.7% of the working age population) before beginning to fall again. While there are many variables as to the change in inactivity rates, the analysis below is focused on some of the main reasons for changes as a direct effect of Covid-19.

Gender and Age

Inactivity rates amongst different age groups and gender profiles vary to a great extent. The 65+ age category has consistently had the highest inactive numbers, with the majority of retirements being outside the working age. The figures from March-May 2022 showed the 65+ age group to have an inactivity rate of 88.4%, with the 16-24 age group then showing the second highest inactivity rate of 50.0%, with much of this age group still within education and therefore not working or seeking employment. The lowest inactivity rates are seen within the 35-49 and 25-34 age groups, with inactivity rates of 16.2% and 16.5% respectively.

Male inactivity has also been consistently lower than female inactivity rates, with the latest figures showing male inactivity at 23.7%, while female inactivity is at 32.4%. Much of this higher figure is due to family and homecare reasons, with 45,000 females inactive for this reason, 34,000 higher than the male figure. Furthermore, more females are in long term sickness than males, with 61,000 females in long term sick as opposed to 54,000 males within the working age population. For every other category within economic inactivity reasons, females have a higher number of inactive than males.

The 16-24 age group has the largest difference in inactivity numbers for both males and females. For males, 16-24 inactivity numbers are currently 6,000 (+14.3%) higher than pre-Covid-19, while female 16-24 inactivity numbers are 9,000 (+21.4%) higher. Although current figures currently show negatable differences, significant increases in the number of economically inactive were observed for 50–64-year-old males with a 11,000 (+19.6%) increase by January-March 2021 and a 7,000 (+22.6%) increase in 25–34-year-old females by September-November 2020, from January-March 2020.

Family and Homecare

At its lowest point in June-August 2021, there were 45,000 people inactive due to Family and Homecare reasons, 18,000 (-28.6%) less than in January-March 2020, just before the onset of the pandemic. Whilst this number has increased again slightly to 56,000 people in March-May 2022, it is still 7,000 (-11.1%) lower than the pre-pandemic number.

Figure 3: Inactivity due to Family and Homecare Reasons, September-November 2017 to March-May 2022



Source: Labour Force Survey

It is evident that inactivity due to Family and Homecare reasons has been on a long-term decline. As recently as Q4 2017, inactivity for Family and Homecare reasons was around 80,000; 30% higher than the current number. Since the onset of the pandemic, this decline began to accelerate massively, with inactivity dropping by around 26% in just over four quarters. For comparison, there was an 8.7% decline in the four quarters prior to January-March 2020.

Along with making up for a loss of a partner's income, one of the main reasons for this large fall is the increase in working from home throughout the pandemic. Prior to the pandemic, less than 4% of workers worked mainly from home. Following the work from home advice, 41% of workers in Northern Ireland were working from home.

Remote working has re-engaged some of the economically inactive. Between Q1 2019 and Q3 2021, the proportion of the working population inactive due to Family and Homecare reasons fell from 6.1% to 4.0%.^{iv} The Health Foundation also reports that 13% of coupled mothers said remote working has enabled them to increase their labour supply, compared to 5% of both coupled men and women without children. In conjunction with this, the latest BICS survey stated that of the surveyed firms that intended to use increased homeworking in Northern Ireland, 23.9% felt they had a greater ability to match jobs to skills.^v

Although exact numbers are unknown, there remains potential for recruiters to tap into the skillsets of those initially inactive in the labour market. With both firms and the inactive benefitting from the increased use of homeworking, many people, particularly women, have been able to better balance working and commitments to family life, where 12,000 less women are inactive due to family and homecare in latest figures since pre-Covid-19 levels and 22,000 less women inactive for the same reason at its lowest point in June to August 2021.

Increase in Student Numbers

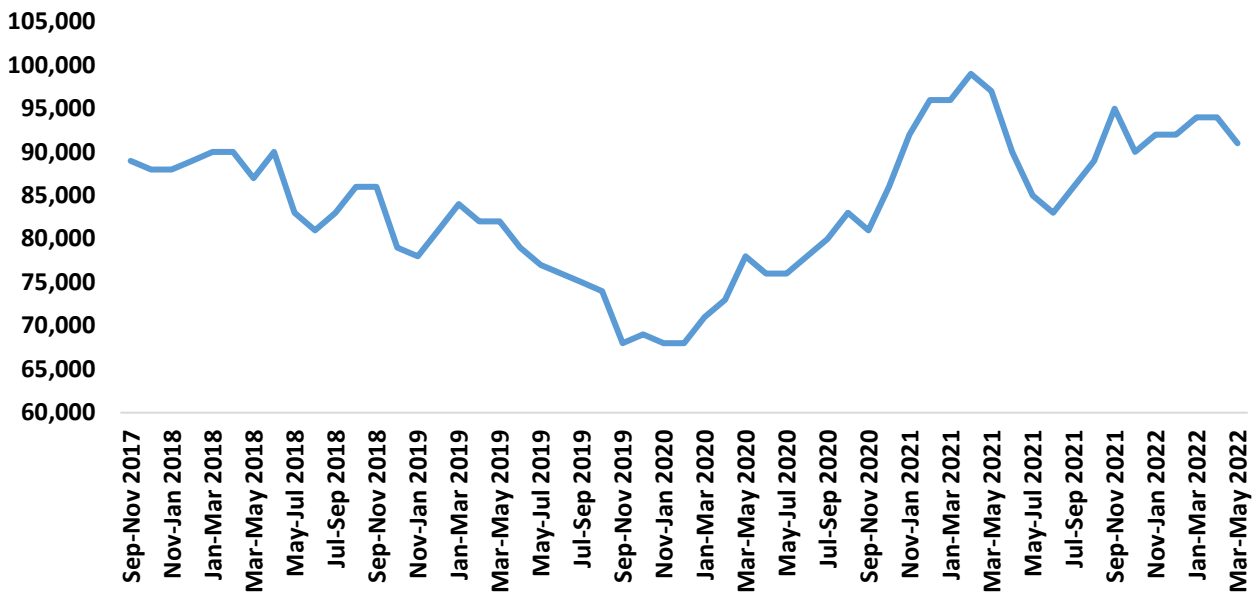
Prior to the pandemic, inactivity amongst those aged 16-24 from January 2018 to December 2019 averaged around 93,000. Youth inactivity peaked from September-December 2021 where numbers reached 108,000 people. This has declined to 99,000 in the most recent figures of March-May 2022.

For the 16-24 age group, those latest figures show there were 15,000 (+17.9%) more people inactive than there was in January-March 2020. In that same period, youth employment fell by 16,000 (-14.7%), while youth unemployment fell by 1,000 (-14.3%). These latest figures for the 16-24 cohort would indicate a loss of labour supply but this must be looked at in conjunction with the 16-24-year-old NEET rates (Not in Education, Employment or Training). These show that from January-March 2020 to January-March 2022, NEET rates have fallen by 7,000 (-31.8%) to a series low of just 15,000. Despite 16,000 falling out of employment, there are now less not in Employment, Education or Training than there was before the Pandemic. Furthermore, for those aged 16-64 that gave a reason for being inactive, 20,000 more people in March-May 2022 stated being a student was the reason for their labour inactivity compared to January-March 2020.

Another observable change seen within economic inactivity as a direct result of Covid-19 is the increase in youth inactivity for Education-related reasons. Figure 4 below shows the number of people inactive due to being a student in Northern Ireland, from September-November 2017. It clearly shows a marked increase after the first lockdown in Spring 2020, but numbers stabilised over the last year. The graph will differ to the figures

provided in the paragraphs above, as the above discusses a brief overview of the youth labour market, whereas the graph focuses solely on those categorised as being inactive due to being a student.

Figure 4: Inactivity due to Being a Student, September-November 2017 to March-May 2022



Source: Labour Force Survey

While inactivity within the labour market can be deemed as a bad thing, having a larger proportion of the youth population in education should improve long term human capital, livelihoods and contribute more to long term economic growth. The Northern Ireland Composite Economic Index (NICEI) showed the volume of output declined by 15.8% between the first and second quarters of 2020, exemplifying the impact lockdowns had on the economy.^{vi} In such a volatile economic climate where output is low and jobs are difficult to come by, more people are inclined to stay within education because alternatives such as unemployment are far worse.^{vii} Furthermore, graduating during a recession has been shown to lead to large initial losses in earnings of up to 9%, which gradually improve over time, halving within five years, but not disappearing until around 10 years after graduation.^{viii}

Rise in Number of Long-Term Sick

Another direct change in inactivity numbers is the rise of the number of people inactive due to long term illness. Prior to the pandemic, figures in January-March 2020 showed around 100,000 people in Northern Ireland inactive because of long-term sickness. In latest figures for March-May 2022, there were 114,000 inactive for the same reason, an increase of 13.2%. However, at its peak in October-December 2021, there was a total of 131,000 people inactive for being in long term sickness, an increase of 31% from pre-pandemic figures.

The rise in inactivity because of long-term sickness is believed to be as a direct impact of the virus itself. Long-Covid and a fear of the virus has meant that many people who would have been working otherwise are unable to work. It is believed that the age range was not particularly skewed towards workers of an older age band, but reflective of those experiencing symptoms of long covid.^{ix} In January 2022, it was estimated that 1.5 million people in the UK were experiencing symptoms of long covid, inevitably withdrawing many of these people out of the labour market.^x The IFS also report that an estimated one in ten people who develop long Covid stop working^{xi}, while Nature report that approximately 77.3% of cases of reported long Covid may be due to factors unrelated to the Covid infection.^{xii} Using an approximation of Nature, and ONS, figures, approximately 10,500 of the 46,000 self-reported long Covid sufferers were due to a Covid infection, far closer to the current 14,000 increase in long term sick since pre-Covid-19. Having long Covid however, does not automatically make an individual inactive. Some may have been already inactive, while some may have reduced hours to stay in employment.

There was some evidence, however, of the end of furlough having some effect on the long-term sick inactivity numbers. With the Coronavirus Job Retention Scheme ending on the 30th of September 2021, there were accelerated numbers of inactive for long-term sick reasons for the months leading up to this date. June-August 2021 saw around 110,000 people inactive for these reasons, while by October-December 2021, these numbers were inflated to around 126,000. Although there was a far smaller impact than originally feared, research from the Resolution Foundation suggests around 136,000 of the 1.1 million people on furlough in September had moved into either unemployment or inactivity across the UK.^{xiii} With unemployment rates remaining largely unchanged over this same period, the inflated long term sick figure came as a direct result of the end of furlough with many firms no longer able to access the financial support needed to retain all their employees.

Whilst the peak of long-term inactivity was 31% higher than the pre-Covid-19 levels, this could have been considerably worse had the Coronavirus Job Retention Scheme not come into place to protect jobs over Covid, particularly in sectors such as Leisure and Hospitality. Had it have not been for the scheme; more people may have become unemployed which could have discouraged workers from seeking future unemployment thus adding to inactivity rates. Over the course of the scheme, 287,100 individual jobs in Northern Ireland were placed on the scheme, allowing those individuals to stay in employment and stay out of unemployment or inactivity.

Conclusion

Whilst the Covid-19 pandemic caused overall increases in inactivity numbers, this was somewhat limited by the Coronavirus Job Retention Scheme keeping people within employment while restrictions were in place. Most of the increases in inactivity numbers came from more students which could generate greater long-term productivity through adding to a larger pool of skilled workers. The increase in human capital will allow

Northern Ireland to compete more efficiently with greater comparative advantages in higher skilled services/technologies because of its more skilled workforce. Although improving the comparative advantage of one domain naturally leads to the relative worsening of the counterfactual domain, research indicates the United Kingdom is well positioned to gain from improvements in the education of its workforce.^{xiv} The United Kingdom will gain the most from skill acquisition, where research argues the UK's real consumption will rise because of its comparative advantage in Skills. A greater number of young people in education also aligns with the Department for the Economy's 10X Vision for ensuring that everyone has an opportunity to develop skills so that our businesses have the right people, with the right skills, at the right time, to underpin our innovation. Inactivity through long-term sickness has always been significantly higher in Northern Ireland than that of other UK regions, but with increases believed to be as a direct result of the pandemic, these numbers should return to a lower figure than current, with NHS and Government guidance available on facilitating a safe return to work for sufferers with Long Covid. New research by the Ulster University Economic Policy Centre (UUEPC) however has shown that not only does Northern Ireland have the lowest disabled employment of all the UK regions, it also has the largest gap between employment rates of disabled and non-disabled people. If Northern Ireland were to match the current UK disabled employment rate, there would be additional employment of 29,000.^{xv}

Benefits of increased flexibility have also been seen within inactivity rates particularly within the family and homecare aspect. The increase of homeworking has enabled many people, particularly women, to consider employment as they had been previously unable to work due to family and home commitments.

Within the economically inactive cohort, the number who want a job has been on a steady decline. Latest figures show that only 48,000 of the inactive cohort want a job. This is a large reduction from 2020, where figures from May-July 2020 showed around 65,000 people who were inactive wanted a job. While inactivity figures are rising, those wanting a job are falling - pointing to a potential increase in long-term inactivity in Northern Ireland. This is more of a pressing issue than in the UK where an economically inactive individual is more than twice as likely to want a job (19.4%) compared to an economically inactive individual in Northern Ireland (7.9%).

Northern Ireland has less spare capacity in its labour market compared to GB, with unemployment currently at 2.6% compared to 3.8% in the UK. Northern Ireland has always had subdued migration inflows, with lower wages, political uncertainty and lack of family links preventing its ability to tap into migration flows. This, alongside stricter migrant laws post Brexit with a significant reduction in the movement of people because of the pandemic, makes for a tighter labour market.^{xvi} If unresolved, tight labour markets can lead to high wages, unfilled orders accumulating work backlogs and significantly hamper the productive potential of an economy.

High rates of inactivity within the working age population further tighten our labour market compared to the UK and thus make it an even more critical topic for the Northern Ireland economy.

Policy makers have always considered inactivity rates a serious concern, having launched several initiatives and strategies to overcome personal labour market barriers. At a macro level, any success in removing these barriers will have the potential to increase NI's economic competitiveness. The 10X Vision was launched by the Department for the Economy in 2021 aiming to make the Northern Ireland Economy 10 times better through a decade of innovation. This will deliver an economy for all our people, which is more inclusive, more innovative, and more sustainable. In parallel to that 10X Vision, the Department launched 'Skills for a 10X Economy' which will seek to invest in the skills and talent of our workforce and unlock future economic prosperity for everyone. This strategy recognises it is important that the economically inactive are supported to re-engage with the labour market and given the ever-tightening labour market, it is perhaps more important now than ever before.

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For further information or queries please contact analyticalservices@economy-ni.gov.uk

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- i [Economic Inactivity in Northern Ireland | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#)
 - ii [UK economy shrank record 11% in 2020, worst since 1709 | Reuters](#)
 - iii [Coronavirus: Economic impact - House of Commons Library \(parliament.uk\)](#)
 - iv [Future of Remote Working in Northern Ireland: Full Report \(ulster.ac.uk\)](#)
 - v [Business insights and impact on the UK economy - Office for National Statistics \(ons.gov.uk\)](#)
 - vi [NI Composite Economic Index | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#)
 - vii [Covid-19 could be a curse for graduates but a boon for universities | Times Higher Education \(THE\)](#)
 - viii [The Career Effects Of Graduating In A Recession | NBER](#)
 - ix [Begin-again.pdf \(resolutionfoundation.org\)](#)
 - x [What do new UK labour market data reveal about the post-Covid-19 recovery? - Economics Observatory](#)
 - xi [Long Covid and the labour market \(ifs.org.uk\)](#)
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 - xiii [Post-furlough blues • Resolution Foundation](#)
 - xiv [Comparative Adv human capital Ma Nakab.pdf \(ucsd.edu\)](#)
 - xv [Disability-and-the-labour-market.pdf \(ulster.ac.uk\)](#)
 - xvi [Marguerite Shannon: The labour market must be made more diverse - BelfastTelegraph.co.uk](#)