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Northern Ireland needs to focus on economic inactivity

Over a quarter of working age people in Northern Ireland are economically inactive. High and rising rates of sickness and disability are a big part of this. The reasons for inactivity are varied and complex, but it is clear that poor levels of support are leaving some people unable to work – at a cost to individuals and families, employers, and to society and the economy as a whole.

Historically, Northern Ireland had low rates of employment, high unemployment and high economic inactivity. Today, unemployment is very low and employment is high – but economic inactivity remains a huge issue.

Economic inactivity means being out of work and not looking for work. In Northern Ireland today, 314,100 people aged between 16 and 64 are economically inactive – 26.7% of the working age population.

A new report from Pivotal, the independent think tank focused on Northern Ireland, examines how economic inactivity has changed over the years, its causes and consequences, and suggests what this might mean for policies here.

Economic inactivity in Northern Ireland, published today [Wednesday, 1 May], found that, while this is a complex issue that requires a lot of further attention, there are some clear patterns that can help policymakers considering changes in the short- and long-term.

While economic inactivity overall is lower than it was decades ago, rates here remain amongst the highest in the UK – and the number of people who are inactive due to sickness and disability has been growing for the past decade.

Around one in nine working age adults (11.9%) in Northern Ireland are economically inactive due to sickness or disability, compared to just 6.9% across the UK as a whole. Sickness and disability is the reason for 43% of all economic inactivity in Northern Ireland, whereas in the UK as a whole it only accounts for 32% of inactivity.

Only 39% of disabled people here are in work, much lower than the UK average of 53%. Many disabled people would prefer to work if they could, but

lack the required support or flexibility from employers. Pivotal's research indicates this is an area where Northern Ireland needs to improve.

Some policy changes – such as better health and social care, training and employment support, improved childcare, and appropriate help for businesses – could provide clear benefits to people who are economically inactive and want to work.

This is a complicated area of policy that cuts across all government departments, including Department for the Economy, Department for Communities, Department of Health and Department of Education. In Northern Ireland in particular, more work needs to be done to increase our understanding of what drives economic inactivity – and how it can best be addressed.

Quotes from Pivotal, CBI Northern Ireland and the NOW Group are below, followed by a breakdown of findings from the report:

Ann Watt, Director of Pivotal, said: “Economic inactivity is a long-standing issue for Northern Ireland. Rates of economic inactivity here have been amongst the highest in the UK for many years.

“The consequences are significant. Economic inactivity can leave people and families in poverty, it can leave them isolated, and it can reduce their life opportunities.

“For people who would like to work but lack the proper support, the right assistance could help them as individuals, and also provide a boost to employers who are struggling to recruit and retain staff – especially now when employment rates are high and unemployment is historically low.

“It seems likely that some current economic inactivity is due to poor public services at present, like inadequate healthcare provision, lack of social care packages, or shortage of unaffordable childcare. So some policy choices could provide benefits in the short-term. However, it is important to make clear that, despite its prevalence in Northern Ireland, economic inactivity here remains poorly understood. More research is needed, given this is a complex area of policy with no single policy fix.

“In particular, levels of inactivity due to sickness or disability are especially high in Northern Ireland. The proportion of people who are economically inactive for this reason is growing. This should be a concern for policymakers.”

Richard Gillan, Chair of CBI Northern Ireland said, “This is a significant and timely report from Pivotal, highlighting a long-standing issue for Northern Ireland’s economy. Businesses continue to report skills shortages and difficulties recruiting. Now and in the future, we need to do much better to support people who are currently economically inactive into employment, especially since many of them would like to work. Employers are ready to play their part in offering training, support and good quality jobs.”

Maeve Monaghan, CEO of NOW Group said, "This report is a stark reminder of the high levels of economic inactivity we continue to face, but we must remember that behind each one of these statistics is a person with different and often complex reasons for not being able to actively look for work. We’re confident with the right structures and ongoing support many can and will move into employment. Despite delivering significant results, our vibrant third sector is constantly facing funding uncertainty. Our politicians must show leadership if the dial is ever going to move. It’s time to properly resource organisations with a proven track record to scale services and support more people into the labour market which will, in turn, reduce businesses’ recruitment pressures and make our local workforce more inclusive.”

Pivotal Director Ann Watt continued: “Economic inactivity is complex, with many different causes and personal circumstances. Simplistic responses are unlikely to be effective. In particular, policies that emphasise sanctions rather than better supports are unlikely to succeed.

“It is also important to note that some people who are economically inactive are huge contributors to the economy. Carers, for instance, effectively provide an enormous amount of labour, most of which occurs without any financial compensation for those carers.

“Given the huge numbers of people locally who are inactive, gaining a full understanding of this issue and implementing effective policies to provide for the wide variety of reasons behind inactivity has to be a priority for the Executive and Assembly.”

The sections below detail some of the findings from the research, put those findings in context, and provide Pivotal's recommendations for what happens next:

What is economic inactivity?

Economic inactivity describes people of working age (between 16- and 64-years-old) who are both not in work and not seeking work. Not seeking work is what separates economic inactivity from unemployment.

Inactivity has a huge impact on the financial and social situation of individuals, families, communities and the economy as a whole.

In Northern Ireland, levels of economic inactivity have historically been consistently amongst the highest in the UK but quite similar to the rate in Ireland – a trend that persists to this day.

- Northern Ireland currently has 314,100 economically inactive people, which is 26.7% of the working age population.
- Economic inactivity varies by location. In 2022 there was a 10 percentage point difference between the council areas with the highest and lowest rates of inactivity.
- Since 2001, inactivity rates amongst females have reduced from 40% to 31.9%, while male inactivity has increased from 21.7% to 22.9%.
- Right now, employment is high at 71.7%, while unemployment is very low (2.2%).
- People who are inactive tend to have much lower levels of qualifications, which is important since it may not be easy for them to move into a job.

Reasons for economic inactivity

The four main reasons why people can be economically inactive are:

- Sickness or disability
- Retirement before the age of 65
- Looking after home or family (including carers)
- In full-time education

The most significant group in NI is those dealing with sickness or disability. In recent years this group has grown. The rise in inactivity due to sickness/disability started around 2013 here (and slightly later elsewhere in the UK, which has followed a similar pattern). This increase has accelerated since the Covid-19 pandemic.

Long-term sick and disabled people account for 43% of total inactivity in Northern Ireland, as opposed to just 32% in the United Kingdom.

For younger people – those aged 16 to 24 – rates of inactivity in Northern Ireland are higher than in all other UK regions aside from London. However, this is mostly explained by the large numbers of students here.

While Northern Ireland has historically had similar levels of economic inactivity to Ireland, the composition is different. A higher proportion of people here are sick or disabled, while Ireland sees more people inactive due to caring responsibilities.

Disability and sickness

Compared with the rest of the UK and Ireland, Northern Ireland has both high rates of disability and low rates of employment for people with disabilities.

The employment rate for disabled people in NI (39%) is significantly lower than the UK average (53%) and the lowest rate across all 12 UK regions.

Sickness or disability accounts for 43% of all economic inactivity in Northern Ireland – 140,500 people in total.

Over one in ten (11.9%) of the working age population here are economically inactive due to sickness or disability, compared to 6.9% in the UK.

Among the different groups of economically inactive people, those who are sick or disabled are the most likely to want to work. Over half of economically inactive people in Northern Ireland who would like to be part of the jobs market are sick or disabled.

Economic inactivity due to sickness or disability can be down to a number of factors. In Northern Ireland, the most commonly cited are:

- Mobility or dexterity difficulty – 58%
- Psychological or mental health condition – 56%
- Long-term pain or discomfort – 56%

There is evidence that Northern Ireland has higher rates of mental ill health than the rest of the UK. This may explain some of the significantly higher rates of economic inactivity here due to sickness or disability.

There is ongoing debate about how much the Covid pandemic affected economic inactivity. In the UK, overall economic inactivity rose steeply from 2020, but has now fallen back almost to its previous level. However, inactivity due to sickness and disability in the UK has continued on an upward trend since 2020. The UK is the only G7 country whose employment rate has not yet returned to pre-pandemic levels.

Inactivity rates in NI increased markedly in the period from 2020, and while it has fallen since, it has not returned to its pre-Covid level. Moreover, the overall figure masks the fact that inactivity due to sickness/disability in Northern Ireland rose steeply from 2020, accelerating an upward trend that had been happening since 2013.

Why change is important

Reducing economic inactivity – where appropriate – could be transformative for Northern Ireland.

It could increase incomes for individuals and families, reduce poverty, boost economic output, productivity and growth, and reduce local skills shortages – which is particularly important right now because of the tight jobs market. With high rates of employment and low unemployment, many employers say they are struggling to recruit and retain staff.

Increasing the number of working age people who are in work will also be important as the local population ages.

Some people who are economically inactive could be supported into work – increasing their individual life choices and boosting the jobs market. Providing support for such people should be a priority for government.

The future

Overall, economic inactivity is an under-researched area and more work needs to be done to identify and understand contributing factors, in general and within Northern Ireland in particular.

What is certain is that there can be no quick fix, or single policy cure.

However, while a lot of uncertainties remain, there are still plenty of things that can be done to improve local access to the job market.

Better health care (including for mental health), better social care and better childcare are all important policy priorities on their own. They all also have the potential to allow different people to start seeking work. In addition, there should be a focus on helping people to stay in employment, rather than become economically inactive, when they face challenges with health or caring responsibilities.

There are excellent examples of employment and training programmes that support people who are current economically inactive into jobs. Often delivered by voluntary and community sector organisations, unfortunately they frequently find themselves struggling to secure sufficient funding to deliver their services.

Government could also explore how well local employers are able to adapt working practices in ways that could open up their workplace to people with different disabilities.

Any future research should put at its centre those we are economically inactive, so that analysis and policy responses are properly informed by those with first-hand experience of these issues.

ENDS

Notes to Editors

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1. Pivotal is an independent think tank launched in September 2019. Pivotal aims to help improve public policy in Northern Ireland
2. Pivotal's earlier reports are available [here](#)
3. Pivotal's Board of Trustees provides oversight of its work. They are David Gavaghan (Interim Chair); Richard Good; Sarah Creighton; Judith Gillespie; Jarlath Kearney; Sinéad McSweeney; Rosalind Skillen; Andrew McCormick; Seamus McAleavey; Alan Whysall
4. Pivotal's Director Ann Watt is a former senior civil servant with 20 years' experience in public policy development and delivery. Most recently Ann was Head of the Electoral Commission in Northern Ireland (2014-2019)
5. Pivotal has received funding and in-kind support from Belfast Harbour Commissioners, The Community Foundation Northern Ireland, the Department of Foreign Affairs and Trade, The Joseph Rowntree Charitable Trust, NICVA, Queen's University Belfast, Ulster University
6. For further information about Pivotal see pivotalppf.org or contact Pivotal's Director Ann Watt on 07932 043835
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