

Economic inactivity in Northern Ireland



PIVOTAL

PUBLIC POLICY
FORUM NI

Contents

Executive summary	04
Introduction	06
What does economic inactivity mean?	08
Why economic inactivity matters	10
Historical trends and the current data	12
Employment, unemployment and inactivity	14
Comparisons with Ireland and internationally	18
Inactivity across Northern Ireland	20
Four main reasons for inactivity in NI	24
How Covid-19 has impacted inactivity	33
Conclusions from the data	34
Implications for policy	36

Executive Summary

Economic inactivity describes people aged 16-64 years who are not in formal employment or actively seeking employment. In Northern Ireland, in the first quarter of 2024, there were 314,100 people who were economically inactive, making up 26.7% of the working age population.

Economic inactivity is distinct from unemployment, since individuals classified as inactive are not looking for work or available for work. The main categories of inactivity are sickness and disability, looking after family or home, full-time education, and early retirement.

At the outset it is important to note the personal and often complex issues behind any individual's situation. Some people who are economically inactive would like to work, but cannot do so because of their personal circumstances. There may be a lack of services or support to enable them to work, for example inadequate healthcare provision, childcare, social care or employment support. In addition, people who are economically inactive are often doing valuable unpaid work providing care, fulfilling household roles or volunteering. For that reason, some studies prefer the term "labour market participation" rather than "economic activity".

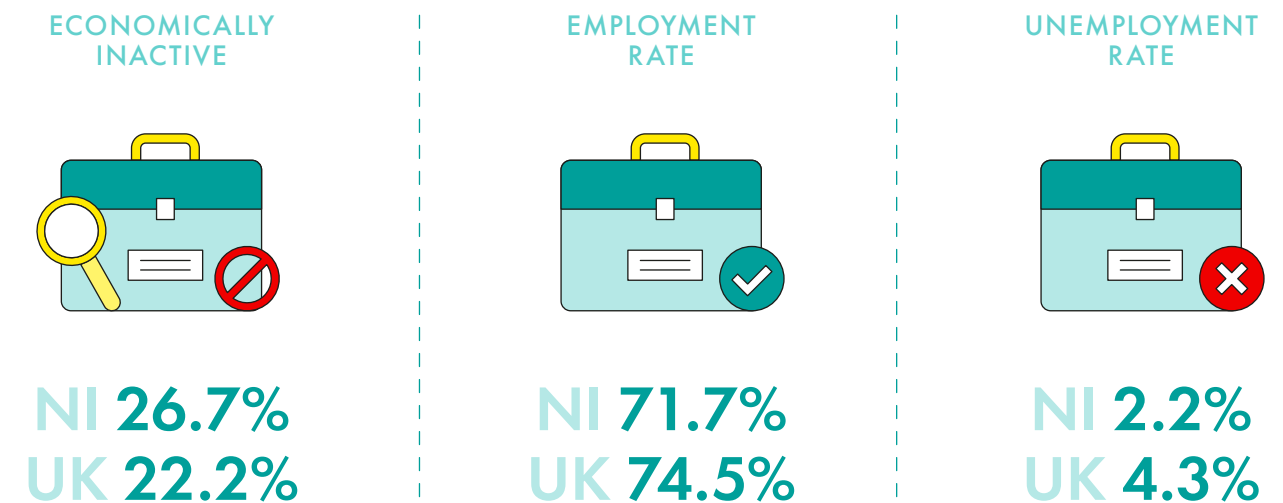
Economic inactivity matters to individuals and families since it may curtail their potential incomes, standard of

living and life opportunities. It matters to society and the economy as a whole because it reduces the size of the labour force, meaning less economic output and lower productivity, as well as having implications for public finances via tax revenues and social security spending. At present, historically low unemployment means that employers in Northern Ireland are reporting problems recruiting sufficient staff to fill vacancies, yet more than one quarter of the working age population is economically inactive. Moreover, as we look to the future with an ageing population, we need more working age people to be in employment.

Over the last 30 years, there has been a general downward trend in economic inactivity in the UK and Northern Ireland, driven in large part by more women moving into paid employment. At the same time, male inactivity has increased, mainly due to sickness and disability. Economic inactivity in NI has remained amongst the highest of UK regions, with a persistent gap of around 4 - 8 percentage points with the UK average. Inactivity in NI is strongly linked to areas of

Fig. 01 Inactivity rates - NI & UK

Source: UUEPC, ONS Labour Force Survey (Q1 2024)



economic deprivation, including places most affected by the Troubles. Inactivity is highest for older age groups and amongst those with lower levels of qualifications.

The biggest category of economic inactivity in Northern Ireland in Q4 2023 is sickness or disability, with 11.9% of the working age population inactive for this reason. This is followed by full-time education (6.4%), looking after home or caring (4.5%), and early retirement (2.6%). Most striking in the recent data is the increase in people who are inactive because of sickness or disability, an upward trend that started around 2013 and then appears to have accelerated since 2020. Within this category there is a particular growth in mental health issues as a reason for inactivity. A parallel stand-out fact is that Northern Ireland has an extremely low rate of employment for people with disabilities compared to the rest of the UK.

Economic inactivity is a complex policy challenge and simplistic policy solutions should be resisted. In the final section of this report we offer some considerations for policy

development. We would highlight in particular the rising proportion of the working age population who are inactive due to sickness and disability, particularly mental health issues, along with Northern Ireland's poor record over time in employment for people with disabilities. We also raise questions about whether current poor provision in some areas of public services (most obviously health and social care) is the cause of some of the current levels of inactivity.

Pivotal offers this initial report to inform and encourage discussion about this important issue. This report is primarily a presentation and analysis of inactivity data. At this stage, it does not attempt to assess whether current policy approaches are effective or explore good practice examples. Future research in this area should put at its centre those who have experience of economic inactivity themselves and the organisations that support them.

Introduction

More than one quarter of Northern Ireland's working age population is economically inactive. This striking figure highlights the importance of understanding an issue that shapes the lives of so many individuals and has a significant influence on the labour market and wider economy.

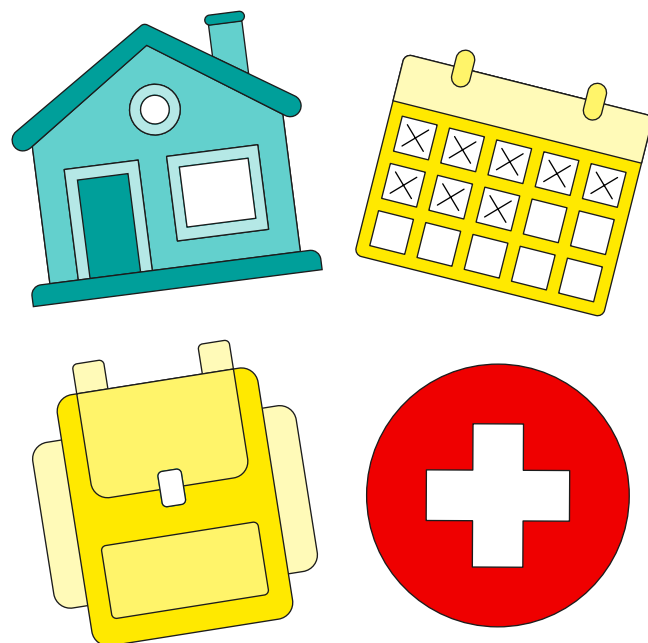
Economic inactivity describes individuals from 16 to 64 years of age who are not in work, nor actively seeking work. Not seeking work is what separates inactivity, as a labour market statistic, from unemployment. It is of particular significance to Northern Ireland due to the consistently higher rates of inactivity here compared to other parts of the United Kingdom. Over the last decade, economic inactivity has fluctuated between 20-25% across the UK and 25-30% in Northern Ireland.

This report will explore the complex relationship between employment, unemployment and inactivity. In Northern Ireland and across the UK, in recent years we have seen historically high rates of employment and low rates of unemployment. While over the last 30 years there has been a reduction in economic inactivity, in more recent years it has not fallen to the degree that increasing employment rates might suggest.

As well as overall rates of economic inactivity, the changing levels of different 'types' of inactivity are altering how policymakers and the wider public view the issue. The four main reasons for inactivity are sickness or disability, looking after family or home, full-time education, and early retirement. Over the last decade there has been a notable increase in the number of people inactive due to sickness or disability, in particular relating to mental health. These trends have been exacerbated since the Covid pandemic.

The long-term increase in the employment rates of women is a particularly striking change in the labour market. This report will detail these trends, and examine how gender, age and geography interact with inactivity rates.

This is an independent piece of analysis by Pivotal. However, two sources are central to this report. Firstly, the work of the



// Simplistic assumptions and proposals to 'solve' inactivity are not only insensitive to these personal and family stories, but are also likely to lead to policy failure. //

Ulster University Economic Policy Centre (UUEPC), in particular their invaluable collection and presentation of data on the [Labour Market Intelligence Portal](#). Secondly, the authoritative recent report authored by Anne Devlin (ESRI), Thomas Hastings and Ian Shuttleworth (both QUB), [Economic Inactivity in Northern Ireland](#), commissioned by the Department for the Economy. The ongoing work of these specialists in the field will be essential to how Northern Ireland gets to grip with this issue, as will the ambitious new [EPIC Futures NI](#) programme – a UKRI-funded partnership between Ulster University and the Department of Communities, Department for the Economy and Department of Finance.

The core labour market data in this report come from the Office for National Statistics (ONS) [Labour Force Survey](#). This data and additional findings specific to Northern Ireland are from the Northern Ireland Statistics and Research Agency (NISRA).

Economic inactivity is an important indicator of the state of the Northern Ireland economy, the cohesion of society and public health. However, it is also a human story connected to the personal lives of people whose circumstances are diverse and often complex. This was especially the case in Northern Ireland during the Troubles and has remained so over the last generation as a post-conflict society. The individual legacies of physical and mental health conditions caused by conflict and its socio-economic impacts remain. These legacies also

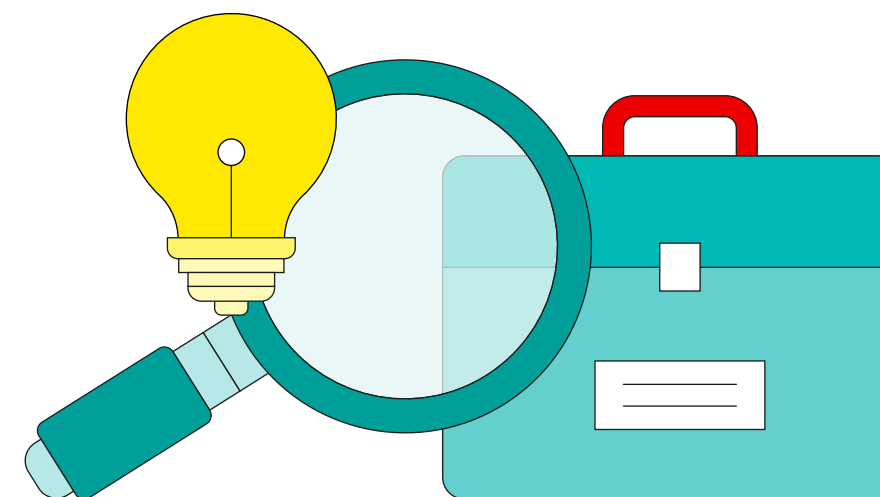
remain difficult to disentangle from other social, economic and public health trends that are impacting across the UK, Ireland and beyond.

Simplistic assumptions and proposals to 'solve' inactivity are not only insensitive to these personal and family stories, but are also likely to lead to policy failure. Analysis and proposed solutions need to engage with the multifaceted reasons for inactivity, including its complex relationship with the economy, the labour market, inequalities and public services.

This report will explain what economic inactivity is, why it matters, how it impacts Northern Ireland and similar economies, and suggest some potential policy considerations to address its impact. It is primarily a presentation and analysis of inactivity data, rather than an assessment of the effectiveness of current policy approaches or good practice examples. Policy analysis and ideas about the strands of economic inactivity that impact NI the most will be the focus of subsequent Pivotal work.

What does economic inactivity mean?

Economic inactivity is an internationally recognised labour market classification used to describe individuals from 16 to 64 years of age who are not in work, nor actively seeking work.



In other words, when discussing official statistics, “economically inactive” describes people of working age who are not employed or classified as unemployed.

For statistical purposes, to be unemployed means to be out of work but available and seeking employment. David Freeman, of the [Office for National Statistics](#), concisely summarises economic inactivity as: “people not working but who don’t count as unemployed as they are either not available or not looking for work (or indeed both).” This clear distinction between the definitions of unemployment and economic inactivity is key to this report’s findings. This distinction between unemployment and inactivity is also important for policymakers and employers when they consider the spare labour capacity in an economy, since unemployment is not just those who are not working, but more specifically those are not working and also available to work.

The significant proportion of the population who are economically inactive – currently 314,100 people, equating to 26.7% of the 16-64 population in Northern Ireland – contains within it a diverse range of people. Those who are economically inactive have multiple reasons for this status, and these varied causes of inactivity have nuanced implications for society and possible public policies. Economic inactivity is not a straight-forward issue, and simple catch-all explanations for the levels of economic inactivity, or apparently simple solutions aimed at reducing inactivity

overall, should be treated with caution. Behind each statistic are the lives of thousands of people and families, often with challenging circumstances and priorities.

Understanding this complexity begins by considering the primary reasons why individuals are economically inactive. The major groups contained within economic inactivity rates are those outside of the formal labour force because they are:

- **Sick or disabled**
- **In full-time education**
- **Looking after home or family**
- **Retired before the age of 65**

There are other smaller groups among the economically inactive, including those ‘discouraged workers’ who have unsuccessfully previously sought employment, and those active in the informal ‘cash-in-hand’ economy, which is understandably difficult to measure. However, the four major groups listed above make up 93% of the measured economically inactive population in Northern Ireland (Q4, 2023) and are the focus for policymakers here and internationally.

The term “economically inactive” has a precise statistical meaning for economists and policymakers, but it is important to recognise its wider connotations. In some jurisdictions, including notably Ireland, the term “participation” is often

preferred instead of references to inactivity. As Devlin, Hastings and Shuttleworth state, some experts in the field consider that the language of “inactivity” is “inappropriate, undervalues certain activities such as caring and has associated negative connotations.” ([Devlin et al](#)).

Undoubtedly to talk about the “inactive” can lead to inappropriate assumptions about people, many of whom lead active lives outside of the paid labour market, including demanding domestic roles, caring for family members, and volunteering. Casual use of “inactive” can also downplay the difficulties many experience managing challenging health issues. Notwithstanding these legitimate concerns, this report will use the term “economic inactivity” as it is intended in the official statistics of the UK and Northern Ireland.

The distinction between the formal jobs market and the often unrecognised care economy is important to keep in mind in any consideration of economic inactivity statistics. The care economy values unpaid labour traditionally provided by women, such as domestic duties and caring for family members ([Cantillon and Teasdale](#)), but this work is not included in official statistics. As well as domestic and unpaid caring work, labour force statistics also exclude unpaid voluntary work. The importance of volunteering and the care economy for society cannot be overstated and highlights how policies directed at the labour force need to engage with wider societal impacts. Various approaches to increasing

participation in the formal labour market needs to be aware of gender, family, care, age, and a multitude of other factors that shape our society.

Behind any individual’s decision about labour market participation will lie complex issues about the availability of affordable childcare, social care provision for ill or disabled relatives, effective and timely healthcare services to enable recovery, support to improve skills, and potentially other factors. The breadth of these issues means that addressing economic inactivity is a cross-cutting, multi-departmental challenge for the Northern Ireland Executive. Responsibility in particular rests with the Department for the Economy to expand economic opportunities and skills, Department of Education to improve education and childcare, the Department for Communities to tailor social security policies and employment support, while issues related to sickness, disability and public health sit with the Department of Health.

Why economic inactivity matters

The impact of economic inactivity can be felt in the personal lives of individuals, in the economic and social lives of local communities, and in the wider economy.

It is of particular significance to Northern Ireland due to the consistently higher rates of inactivity here compared to Great Britain, although rates across the island of Ireland have followed broadly similar trends.

At the macro level of whole economies, a high rate of economic inactivity most obviously decreases the size of the paid workforce and therefore reduces economic output. It can exacerbate skills shortages by reducing the available labour force, and this becomes more pressing in an era of low unemployment. For public finances, high levels of economic inactivity reduce the tax base and tax revenues. Ultimately economic inactivity constrains economic growth, through its impact on consumer spending, investment and productivity. Furthermore, high levels of economic inactivity add pressures on social security budgets at a time when public finances are under pressure to make savings.

Andrew Bailey of the Bank of England explained rising inactivity across the UK as a result of ‘a change to the supply of labour, independent of demand’ (Bank of England, March 2023). This analysis leads Bailey and others to conclude that a fall in labour supply not mirrored in demand for workers puts upward pressure on wages, which in turn contributes to cost-push inflation. Therefore, through inflation, and so lower real incomes for those impacted, this argument links economic inactivity to the cost-of-living crisis.

The long-term challenge of ageing societies has also helped turn policymakers towards addressing those of working age outside the labour force. As dependency ratios increase, the requirement for greater participation in employment by those of working age will grow. Moreover, the economically inactive are predominantly older, including many who are experienced and skilled. Employers and economies suffer from the premature loss of these workers. This highlights how reducing economic inactivity is a route towards securing a more diverse and inclusive workforce, and improving working conditions for workers. Retaining a skilled workforce can also play an important role in tackling Northern Ireland’s [persistent productivity problem](#).

Moving down from the macro-economic consequences, data also highlights how economic inactivity disproportionately impacts some areas and communities. (See [Fig. 12](#)) This clustering of inactivity has obvious impacts on the economic and social life of communities, and can create localised pressures on public services.

Beyond economic and societal concerns, economic inactivity is a human story which relates to personal aspects of many people’s lives and families. It is a subject which requires nuance and sensitivity to individual circumstances. Social security policy, benefits and employment/skills programmes are key instruments for any policy seeking to address inactivity, but the appropriate balance between incentives,

// As the population ages, the economic requirement for greater participation in employment by those of working age will grow. //

support and sanctions through the benefits system is highly politically contested. It also is a debate often short in robust evidence.

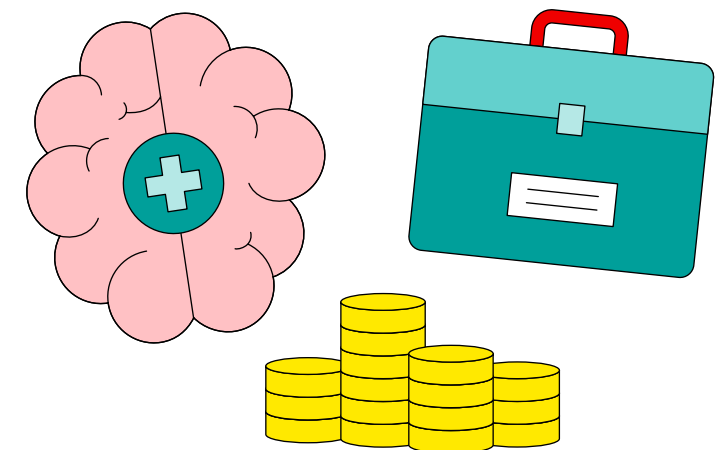
While in-work poverty is an increasing concern, (see [Joseph Rowntree Foundation, 2023](#)), employment remains the primary means of improving most people’s financial situation. As well as a regular income, employment can offer other financial benefits such as employer pension contributions. Employment is consistently found to be important for individual wellbeing. The structure and opportunities employment creates for people can give them personal satisfaction, whilst the workplace is also a primary social environment for many people.

The World Health Organisation argues, “For people with mental health conditions, decent work can contribute to recovery and inclusion, improved confidence and social functioning” (WHO). In a number of studies ([Ye et al](#), [Claussen et al](#)) engagement in the workforce is associated with better mental wellbeing. That Northern Ireland experiences both strikingly high levels of mental health issues amongst its population and high levels of economic inactivity points to particular importance of this issue.

Of course not all jobs are healthy working environments or suitable for those currently economically inactive. “Decent work”, and the pay and conditions that constitute a “good

job” are key to the potential health benefits of employment. ([Nevin Research Institute, ‘Good Jobs: What are they and how do we get more?’](#))

Employment may not be feasible or in the best interests of some people when their health, family responsibilities or financial situation are considered. However, expanding opportunities and incentives for participation in a flexible and inclusive labour market is a route to improving the lives of many people. Policies with this aim can improve employment practices and the job market for many potentially marginalised groups, especially those with caring responsibilities and those with health conditions or a disability, as well as older workers who have become disconnected from the job market.



Historical trends and the current data

In recent decades Northern Ireland has consistently had higher rates of economic inactivity than the UK as a whole. For the vast majority of this time, NI has had the highest rate of inactivity of all the 12 regions and nations of the UK.

Fig. 02 Economic inactivity rates - NI & UK
Source: UUEPC, ONS, Labour Force Survey - Q1 2024

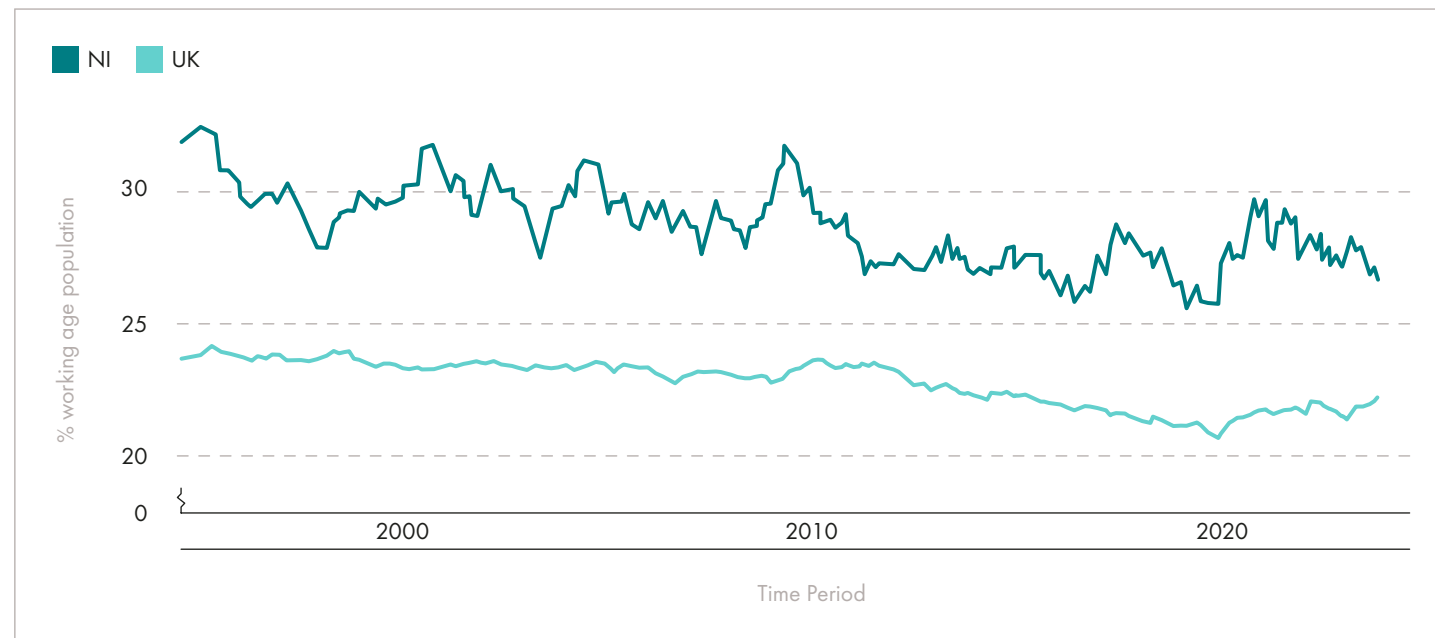
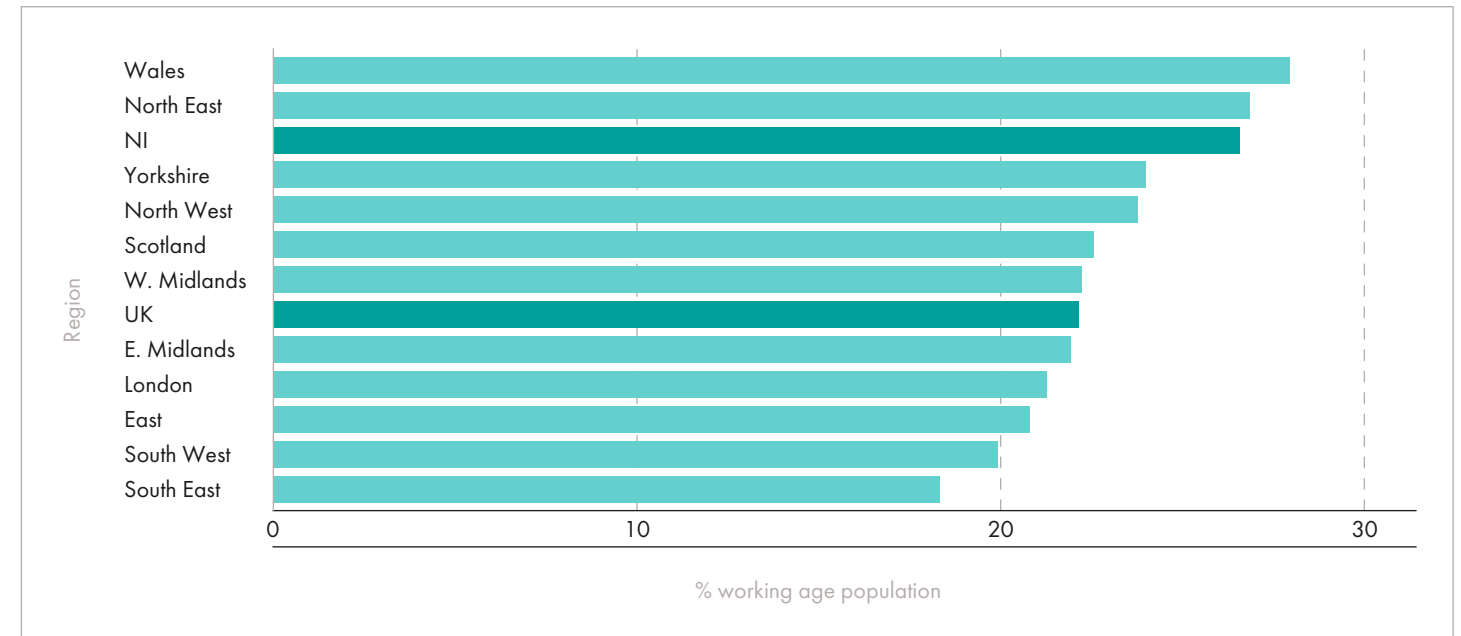


Fig. 02 shows the long-term trends for economic inactivity in NI and UK. The presentation of historical and contemporary data on the [UUEPC Labour Market Intelligence Portal](#) has been invaluable to this report. The data clearly points to consistently higher levels of inactivity in Northern Ireland than the rate for the UK as a whole, and also that NI has had a higher inactivity rate than most other regions of the UK. The

data highlights the relative consistency in the NI-UK inactivity gap, with inactivity in Northern Ireland sitting at 25-30% over the last fifteen years while the UK rate has stayed in the lower twenties. **Fig. 02** also flags how the worst years of the Covid pandemic, 2020-22, saw substantial increases in inactivity rates, followed by an uneven fall.

Fig. 03 Economic inactivity rates (16-64) by UK region
Source: UUEPC, ONS, Labour Force Survey - Q1 2024



The data does, however, also show a notable downward trend in inactivity over the last 30 years, from consistently over 30% in the 1990s, to 25-30% in more recent times. The long-term trend of small but consistent reductions in rates of inactivity across NI and the UK as a whole, through various economic cycles, is often missing from public commentary about this important issue. However, the persistence over more recent years of inactivity for at least 20% of the UK working age population, and one-quarter in Northern Ireland, highlights the “stickiness” of economic inactivity as a policy challenge.

It is important to compare Northern Ireland to different regions of the UK to fully understand the issue and raise questions for investigation. The latest inactivity data was the first in decades not to put Northern Ireland top of the UK inactivity league table, with higher rates of inactivity in Wales (28.1%) and North East England (26.9%) than in NI (26.7%). Therefore NI remains one of the highest inactivity rates by region. The North West, Yorkshire, Scotland and the West Midlands are also all above 22%. **Fig. 03** gives this regional breakdown, and shows a greater diversity than the comparison with just the UK average.

The recent change in Northern Ireland’s position was not due to significant improvements in NI’s inactivity rate – it was due to worsening levels of inactivity in other regions of the UK.

Furthermore, it is important to note the [ONS’s concerns and caveats](#) about recent Labour Force Survey data in Great Britain

since the pandemic. As the latest [House of Commons Library Briefing](#) for UK Labour Market Statistics notes: “In recent years, fewer people have been responding to the LFS, which the ONS has identified as a challenge to data reliability.” In Northern Ireland response rates to the survey have remained high and [NISRA](#) expresses firmer confidence in this data. For these reasons it is doubly important not to over-analyse data from one quarter, especially when it may be subsequently revised, and instead to focus on the broader established trends. These trends put Northern Ireland consistently at the upper end of inactivity rates in the UK.

The relationship between economic inactivity and social and economic exclusion can better be judged when we consider the length of time people are inactive. Census data suggests that around one-third of those who are economically inactive have never worked ([Ulster University Economic Policy Centre, 2024](#)). While a large number of these people will be older, it is particularly concerning when it involves young people who have never engaged with the labour market, putting themselves at risk of a lifetime of economic inactivity.

According to [Learning and Work Institute](#), “People who are unemployed are ten times more likely to be in work six months later than economically inactive people. Only 1% of people economically inactive due to long-term sickness are in work six months later.”

Employment, unemployment and economic inactivity

Although economic inactivity should be distinguished from other labour force statistics, there are dynamic relationships between employment, unemployment and inactivity.

This interplay has grown in importance to policymakers in the current era of consistently low unemployment, record high employment, but stubbornly high inactivity rates. Governments' aims to increase employment rates should place economic inactivity centre stage in policy debates. **Fig. 04** shows the broad upward trend in employment rates in both Northern Ireland and across the UK over the last 30 years. We can also clearly see the persistence of an employment gap between Northern Ireland and Great Britain.

Taking the long-view, we can see positive trends in employment rates in NI and UK. However, the UK as a whole has not returned to the record high levels of employment experienced prior to the Covid pandemic. Northern Ireland's lower employment rate is close to its pre-Covid figure of 72.5%. The target of reaching an 80% employment rate across the UK is now widely seen as an achievable, if optimistic, aspiration ([Learning and Work Institute](#)). This goal will again raise the bar for Northern Ireland policymakers seeking to close the employment gap with Great Britain.

Acknowledging long-term progress in improving rates of employment does not detract from important questions regarding the quality of these jobs – in terms of the pay, conditions and security they offer. A focus on "good jobs" is important to improving incomes, wellbeing, productivity and tackling inactivity in Northern Ireland, and we note that this was included as one of the new Economy Minister's four key priorities in February 2024 ([Department for the Economy, 2024](#)).

Northern Ireland's unemployment rate is now 2.2%. It is difficult to overstate just how unusual this is in historic terms. Moreover, NI's unemployment rate is by some margin the lowest of any UK region (see **Fig. 07**).

The 2015 [Enabling Success](#) strategy noted "that Northern Ireland's employment rate has fluctuated between 59% in 1984 when the unemployment rate stood at 17%, to 69% at the height of the economic boom in 2008 when the unemployment rate was at a historic low of 4%." Now unemployment rates below 3% are published without much comment, and Northern Ireland consistently has the lowest unemployment rate across regions of the UK and Ireland. However, it is notable that praise for these historic low rates of unemployment often fail to include reference to the existence in parallel of persistently high rates of economic inactivity.

Recent very low rates of unemployment in NI have sat alongside problems finding sufficient people to fill job vacancies. A survey of businesses in 2023 found 68% of employers in Northern Ireland reported skill shortages, with 24% unable to fill roles due to lack of applicants ([News Letter](#)). The Open University/British Chambers of Commerce Business Barometer continues to monitor these skill shortages and the challenges employers face in recruitment ([2023](#)).

The era of mass unemployment in Northern Ireland, once seen almost as a fact of life, is now a distant memory. But as well as growing employment, persistent economic inactivity is a large part of this story.

Fig. 04 Employment rate (16-64) - NI & UK

Source: UUEPC, ONS, Labour Force Survey - Q1 2024

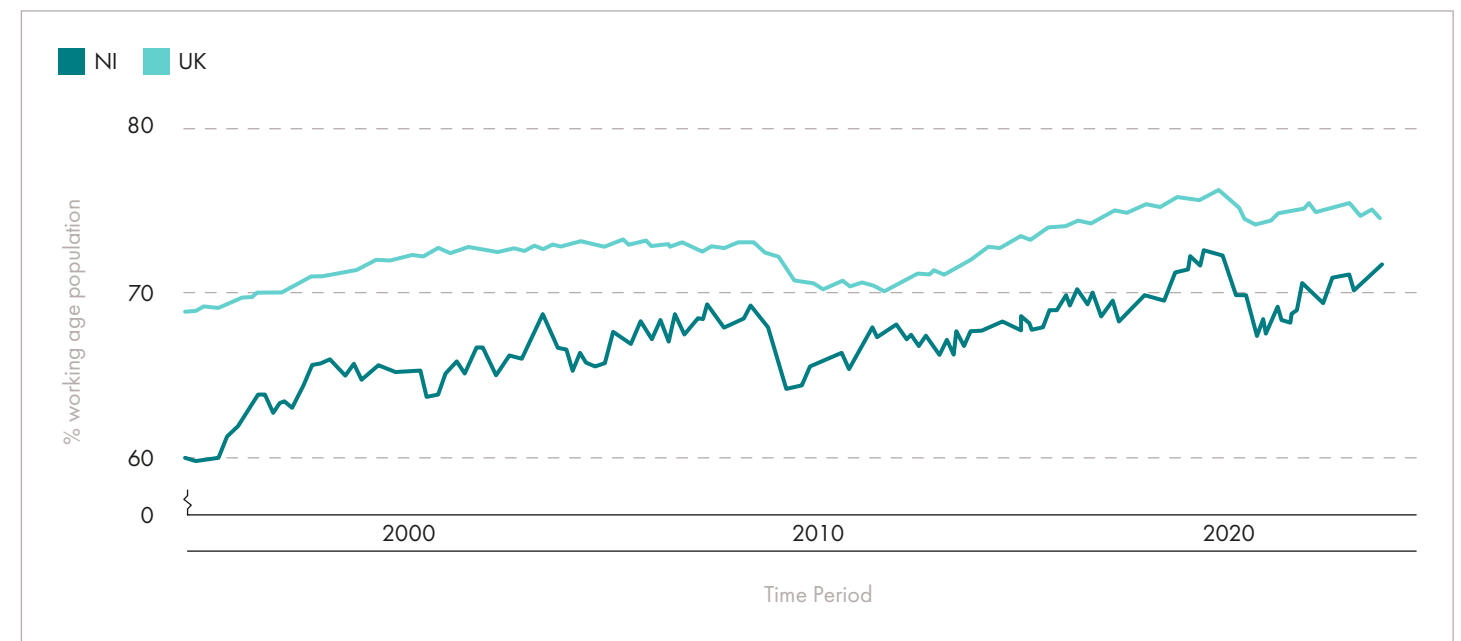


Fig. 05 Employment rate (16-64) - by UK region

Source: UUEPC, ONS, Labour Force Survey - Q1 2024

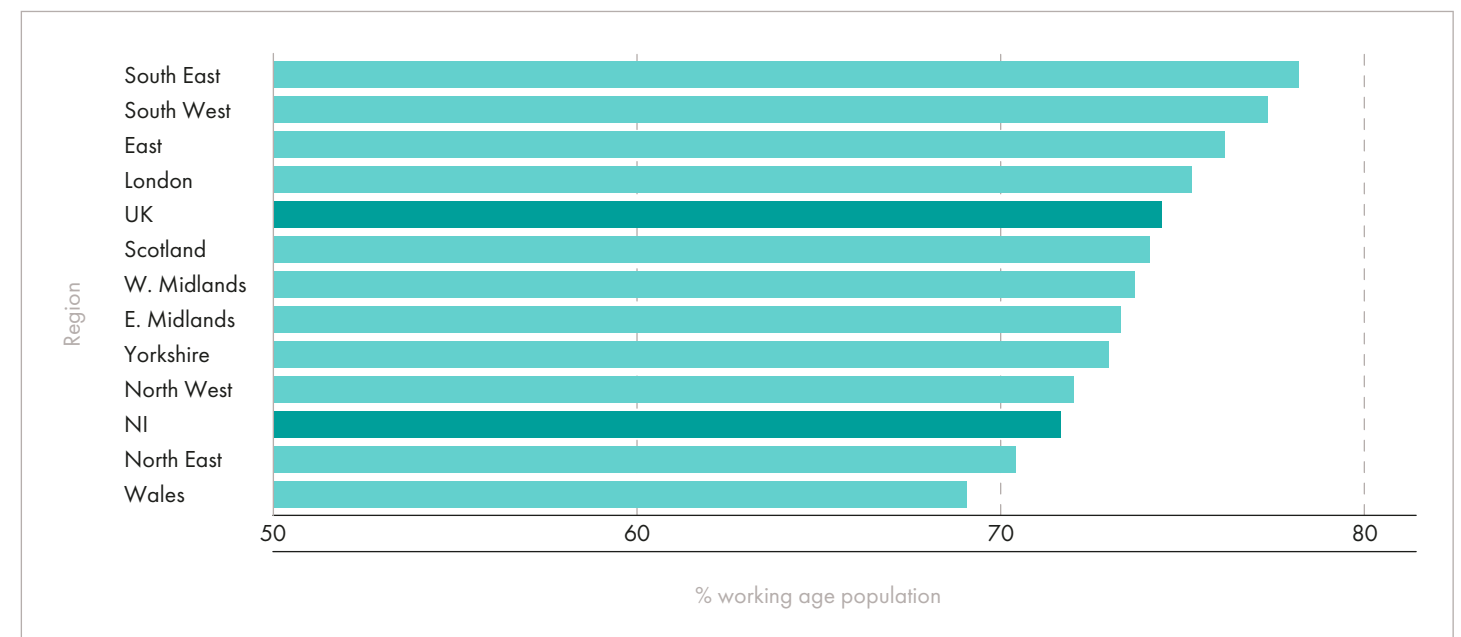


Fig. 06 Unemployment rate (16-64) - NI & UK

Source: UUEPC, ONS, Labour Force Survey - Q1 2024

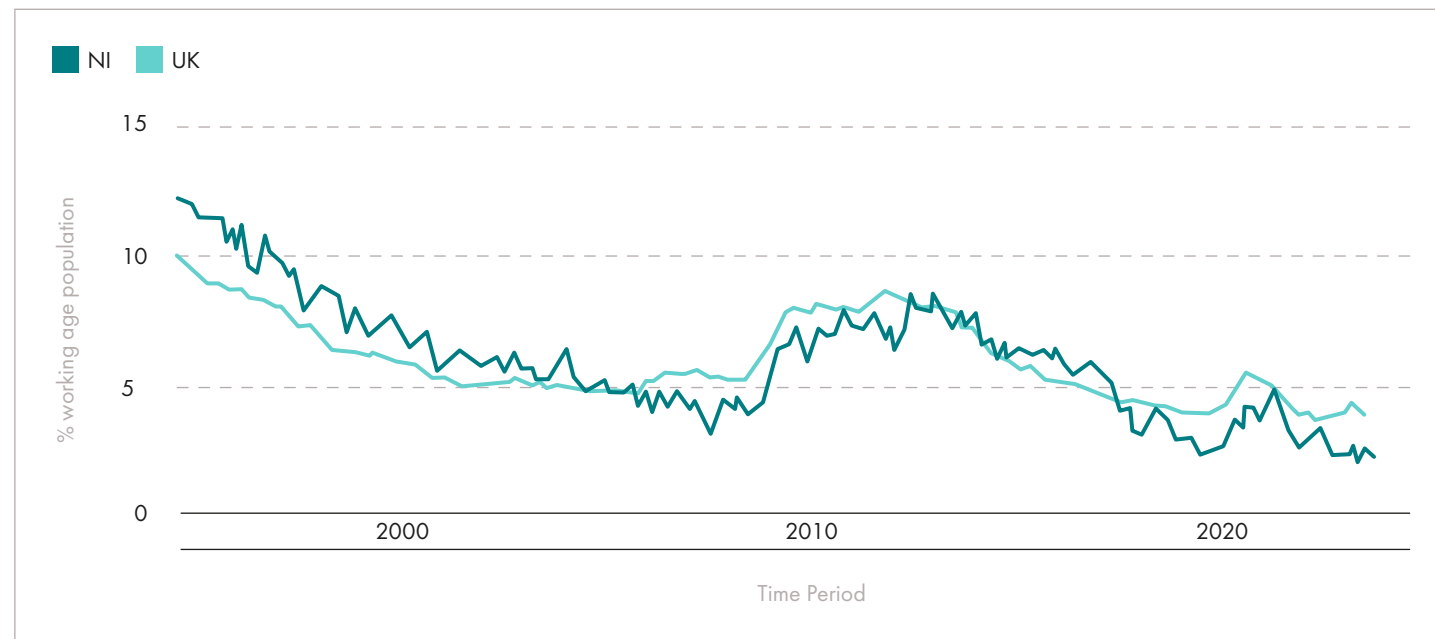
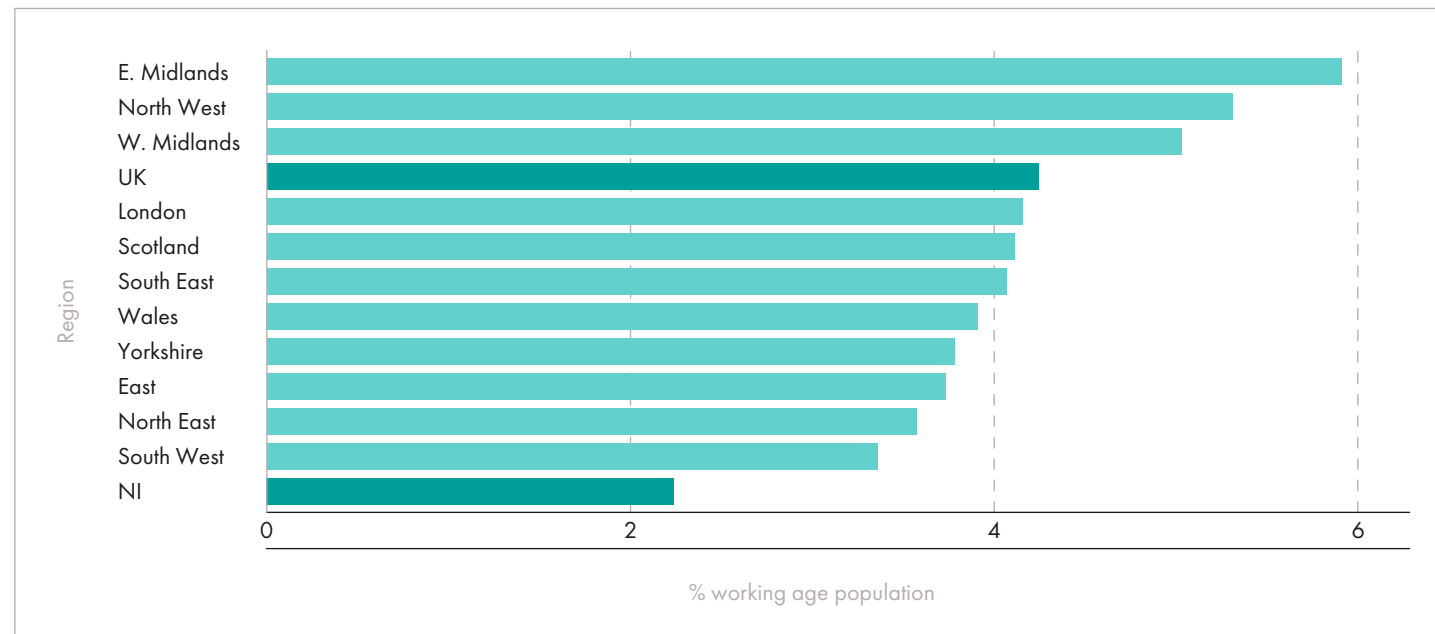


Fig. 07 Unemployment rate (16-64) - by UK region

Source: UUEPC, ONS, Labour Force Survey - Q1 2024



Economic inactivity and the 'hidden unemployed'

There is undoubtedly much to welcome within this sustained rise in employment and fall in unemployment, and the transformation in the labour market it represents. However, the question of the so-called 'hidden unemployed' complicates the picture. The hidden unemployed are those who would be employed if suitable jobs and support were available, but currently sit in the 'inactive' category and so are not included in the unemployment data. The literature in this field has long pointed to the trend of multi-generational hidden unemployment, especially in areas that have deindustrialised since the 1970s (Beatty and Fothergill, 2005). The hidden unemployed, as with all those defined as economically inactive, are much further from the labour market than those who are officially unemployed, and as a result represent a serious policy challenge.

Insightful new work by the [Ulster University EPIC Futures NI](#) group has addressed the complex question of the 'hidden unemployed' within the economically inactive population. It has done so by concentrating on those who are inactive but state they wish to work. By Q4 of 2023 51,100 of those inactive in NI, 15.8%, stated they wish to work, compared to 19.8% across the UK. This 51,100 in NI is a sizable minority who can be viewed as closer to the labour market than the general label "inactive" at first suggests.

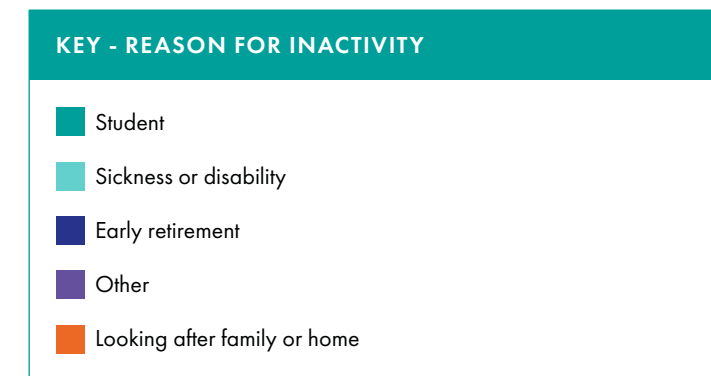
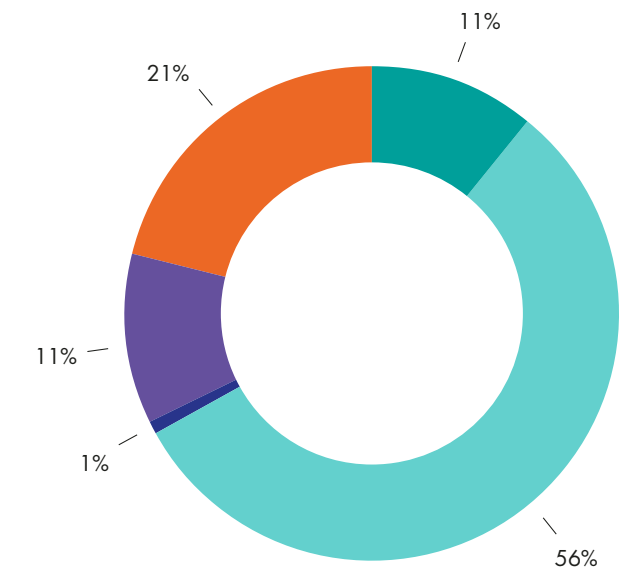
By defining these people as the hidden unemployed and adding them to the officially unemployed, [EPIC Futures NI](#) calculate a "real unemployment" rate in Northern Ireland of 8.2% - three times the official unemployment rate.

This definition and calculation states that those who would like to work are an important component of the inactive population, since they are closer to employment and could be considered part of NI's spare labour capacity. Most significantly, as [Fig. 08](#) shows, 56% of the inactive who state they 'want to work' are suffering from health problems. Almost one in five of the economically inactive due to sickness report they would like to work. 21% of those who are inactive

and say they would like to work are looking after family or home. This research convincingly argues that these groups of potential workers should be a target for policymakers wishing to develop systems to support and encourage a return to work for those currently economically inactive.

Fig. 08 Economically inactive but would like to work (16-64) - by reason (NI, Q4 2023)

Source: UUEPC - Q4 2023



Comparisons with Ireland and internationally

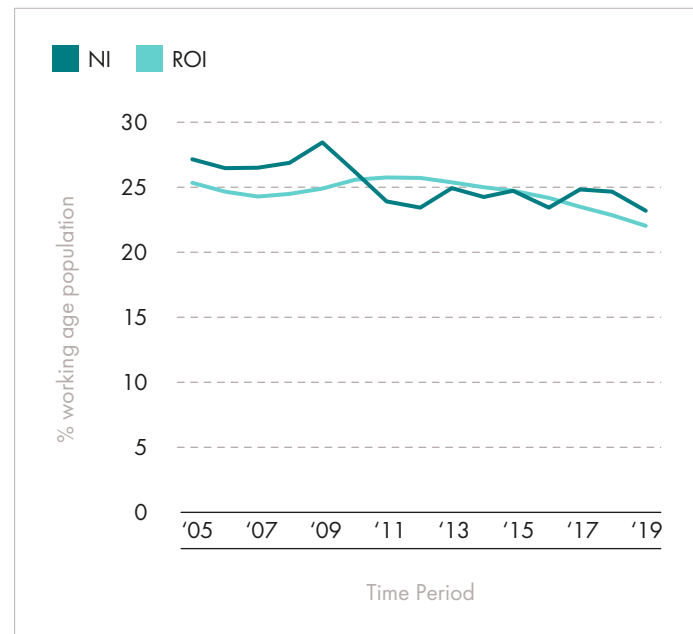
When we examine economic inactivity outside of the UK we can see that rates of inactivity in Northern Ireland are similar to those found in large parts of Europe and among the G7.

Comparisons between economic inactivity in the UK and Ireland need to be treated with some caution. Work by the [Nevin Institute](#) has highlighted the challenge of precise comparisons between economic inactivity across the island of Ireland, because of differing approaches to definitions and measurement.

For the last quarter of 2023 economic inactivity for 15 - 64 year-olds in Ireland was recorded by [Eurostat](#) as 22.6%. For

Fig. 09 Inactivity rates (20-64) - NI & UK

Source: [Devlin et al](#)



the same quarter the ONS modelled UK inactivity, for 16 – 64, as 21.9% and inactivity in Northern Ireland as 26.8%. For the same months, employment rates in Ireland and Northern Ireland were as 74% and 71.7% respectively. Unemployment in Ireland sat at 4.2%, compared to NI's 2.2%.

This suggests an 'inactivity gap' between NI and Ireland similar to that between NI and the UK as a whole. There is a similar difference between the unemployment rate in NI and Ireland, as there is between the unemployment rate in NI and UK. However, analysis of longer-term trends by [Devlin et al](#) suggests that: "The economic inactivity rate in Ireland is very similar to that of NI and has been since the Great Financial Crash." They highlight this longer-term all-island inactivity alignment in [Fig. 09](#), which displays data for 2005-2019.

Indeed, [Nevin's analysis](#) suggested that by the last quarter of 2019: "when comparing the labour market on the island of Ireland, we can say that unemployment is higher in ROI. However, while economic inactivity has been a matter of debate for some time in NI, it is clear that it is now a bigger problem in ROI."

What about differences within the economically inactive population, when comparing Northern Ireland with Ireland? [Devlin et al](#) note that prior to the pandemic Ireland had a significantly lower rate of inactivity due to sick/disabled and a much higher rate of inactivity due to looking after family/home. Inactive students were also substantially higher as a proportion in Ireland.

More research and clearer, comparable, data is required to analyse how inactivity has evolved on the island since 2020. Acknowledging this uncertainty, it is best to conclude that both jurisdictions on the island face a challenge to address economic inactivity.

A comparison between the United Kingdom, the rest of Europe and other members of the G7 is also instructive. This highlights the international challenge of increasing labour participation, and places Northern Ireland's high inactivity in further context. [Fig. 10](#) presents Eurostat data from Q4 2023, and although its methodology differs slightly from that of the UK it highlights the diversity of economic inactivity rates across Europe – from 33.1% in Romania and 32.9% in Italy, down to 14.1% in Iceland. The overall Eurostat average for the European Union is 24.8%.

[Fig. 11](#) shows the context across the G7. Again this highlights the common challenges faced across advanced economies, as well as giving some indication of the different impacts the pandemic has had on inactivity.

Fig. 10 Inactivity rates - Europe

Source: Eurostat, ONS

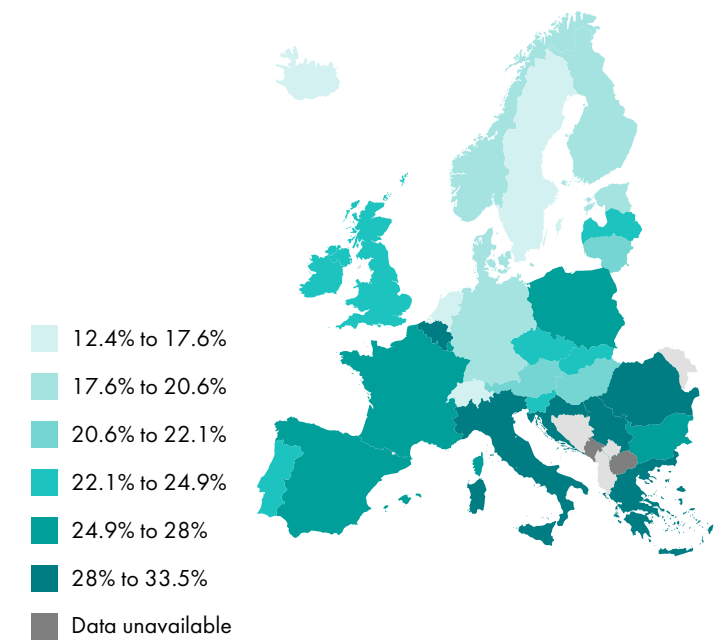
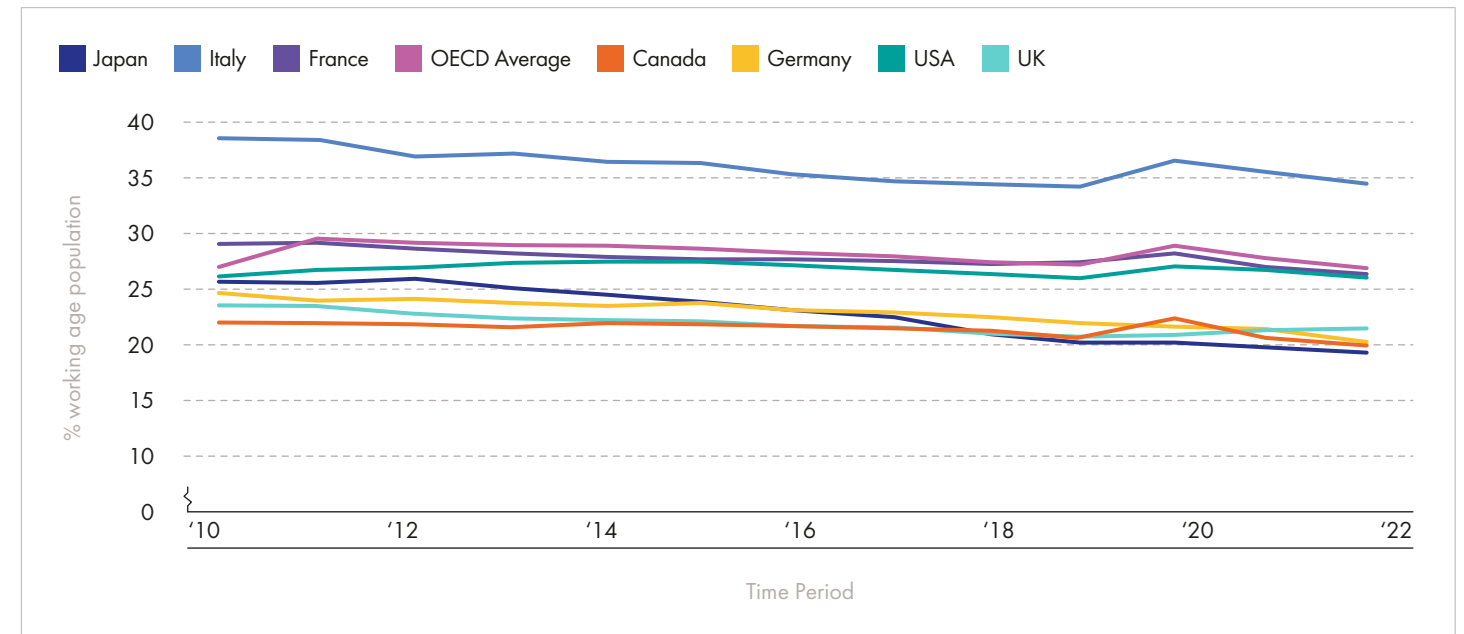


Fig. 11 Inactivity rates in the G7 since 2010

Source: [Office for Budget Responsibility](#)



Inactivity across Northern Ireland

By analysing rates of economic inactivity by area, gender, age and level of qualification, we can better understand and locate it within Northern Ireland's population.

Location

Within Northern Ireland rates of economic inactivity vary significantly across different areas, and indeed within Belfast and other towns. As Fig. 12 shows, Inactivity rates are higher west of the Bann and on the north coast. Equally striking is the clustering of high rates in north and west Belfast.

This spatial dimension to inactivity potentially highlights a number of factors. They clearly point to links between inactivity and other economic indicators related to deprivation. The higher rates of inactivity the further you move from Greater Belfast also point to the challenge of small job markets in many rural areas, which in turn can be linked to infrastructure, resources and lower population densities. The age profile of

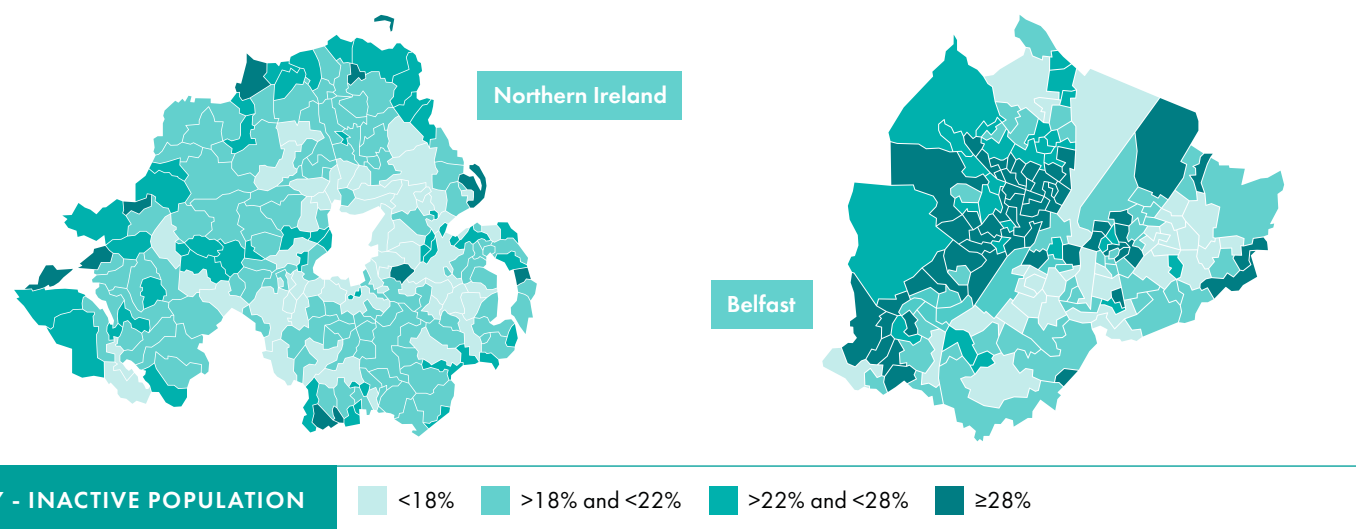
some areas, such as the north coast, is also important to consider.

The disparity within Belfast highlights the links between inactivity and broader economic indicators. Belfast data points to the correlation between areas worst impacted by the Troubles and economic inactivity. The legacy of the conflict can be seen in mental health related issues and economic inequalities and also applies outside of Belfast.

Disentangling cause and effect between these localised factors is extremely complex. They highlight how local economic and social factors interact with macro-economic and wider public health contexts to produce a disparity of rates of inactivity, even within small geographical areas.

Fig. 12 Economic inactivity rate maps - NI & Belfast (2021)

Source: Ulster University EPC, Census 2021



Gender

The transformation in women's participation in the labour market over the last 30 years is powerfully conveyed in Fig. 13. The increased female participation rate has resulted in a marked reduction in the number of women who are inactive due to looking after family or home. However, unpaid domestic and caring responsibilities still sit predominantly with women, with 23% of female inactivity being for this reason, compared to just 7% of male inactivity. Sickness or disability is now the largest main reason for female economic inactivity. Note that multiple factors can combine to result in economic inactivity, for example a section of middle-aged and older women carrying the

majority of the burden of caring responsibilities for both children and elderly parents, together with poorer health increasingly evident across the population.

The increasing rate of male economic inactivity also plays a significant role in the narrowing of the gender labour participation gap. This long-term trend has been traced to the process of deindustrialisation that was especially pronounced in Belfast and other parts of the UK in the 1980s and 1990s (Beatty and Fothergill, 2005). Sickness or a disability remains the main reason for inactivity for males, while the low level of looking after family or home, 7%, points to the continuing prevalence of gendered care roles.

Fig. 13 & 14 Female inactivity (16-64) - by rate (NI & UK), reason (NI)

Source: UUEPC, ONS, Labour Force Survey (Q4 2023)

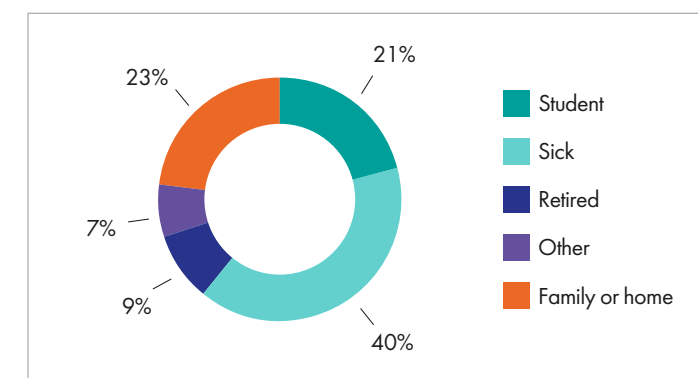
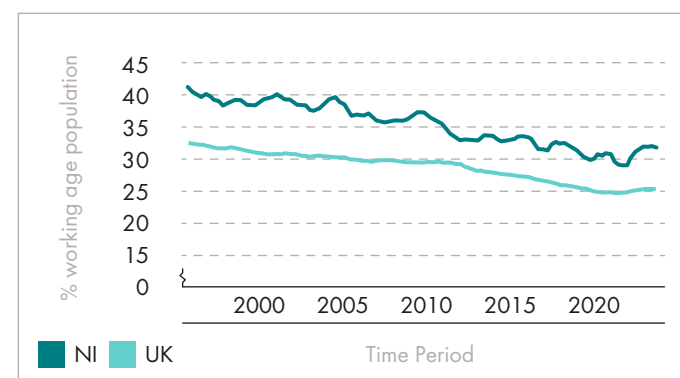
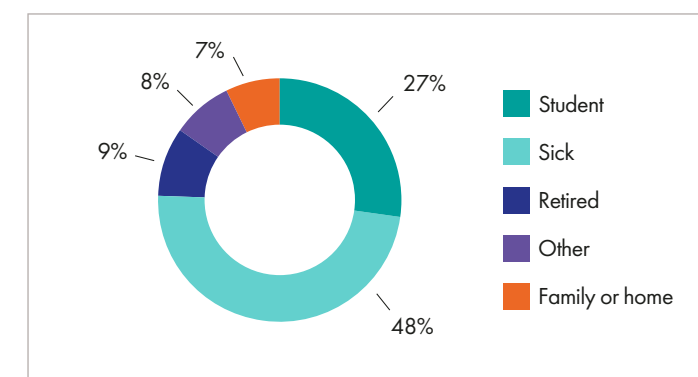
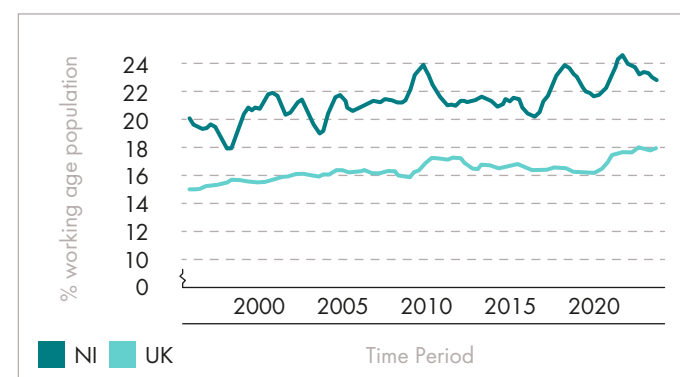


Fig. 15 & 16 Male inactivity (16-64) - by rate (NI & UK), reason (NI)

Source: UUEPC, ONS, Labour Force Survey (Q4 2023)



Age

In Q4 of 2023 Northern Ireland ranks second in inactivity when looking at the 16-24 age group, with only London having a higher rate. Northern Ireland has the highest economic inactivity for those aged 25-49 and those aged 50-64. Overall, a breakdown of inactivity by age produces results largely proportionate to the high rates of inactivity, by UK standards, NI has experienced.

Young people from 16-24 may have many good reasons for being economically inactive, for example they may be at university, school or training at a college. Most concerning

are young people not in employment, education or training. Moreover, the high rates of inactivity amongst the oldest demographic are a continuing challenge in Northern Ireland.

As Fig. 17 reveals, Northern Ireland has the youngest population of the constituent parts of the UK and an age profile similar to Ireland. This is especially important as the “stickiness” of inactivity – how difficult it is to move from inactive to employment – is well established. Therefore, breaking patterns of the “inflow” into inactivity at a young age is an especially important policy objective.

Fig. 17 Population by age - NI, ROI & UK

Source: NISRA Data

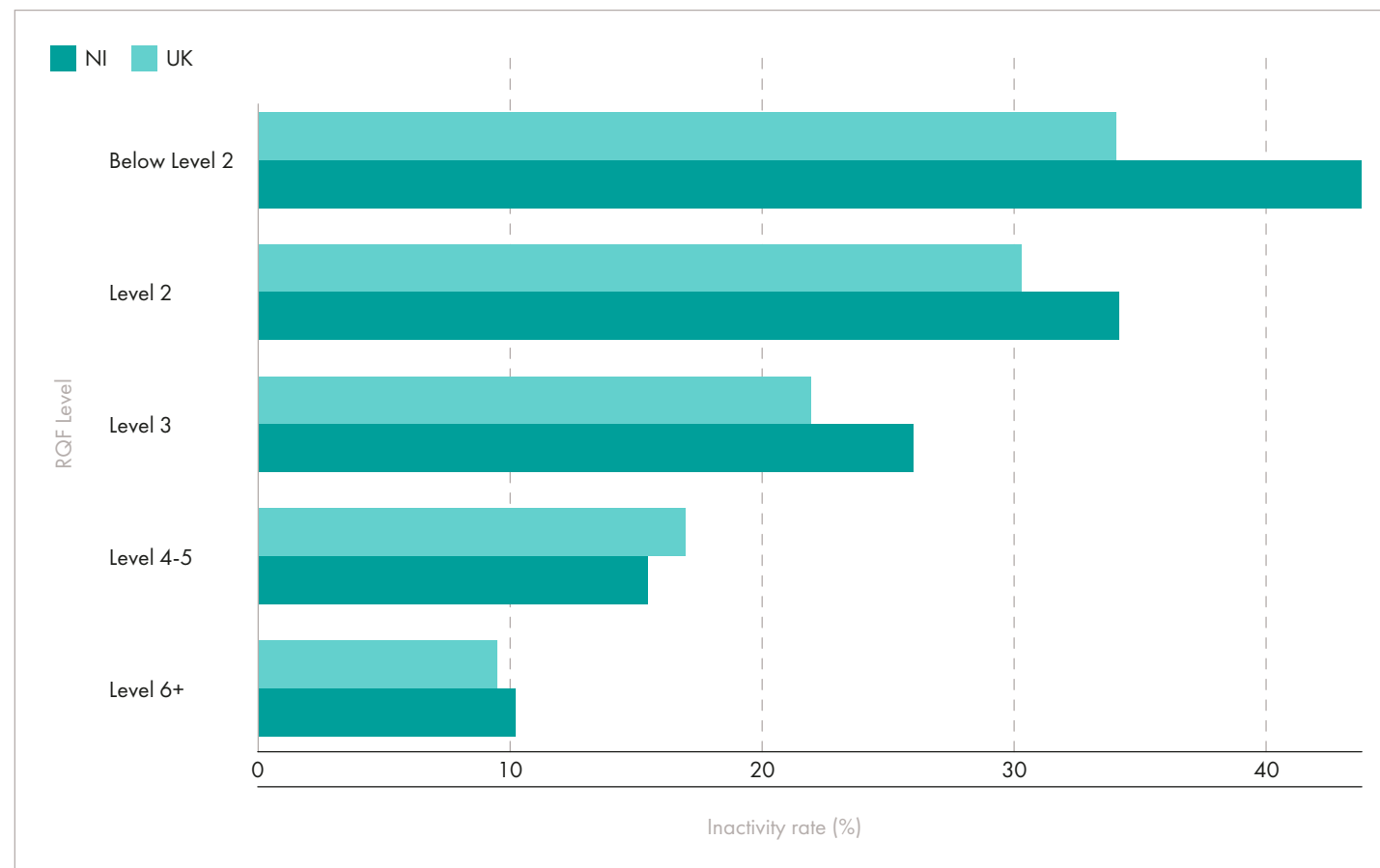
COUNTRY	POPULATION	0 - 14	15 - 64	65+
ENGLAND	56,779,600	17.9%	63.4%	18.7%
SCOTLAND	5,469,400	15.6%	64.8%	19.6%
WALES	3,181,100	16.4%	62.3%	21.3%
NI	1,903,100	19.2%	63.7%	17.2%
IRELAND	5,011,500	19.9%	65.3%	14%

Levels of Qualifications

Data points to a striking relationship between low educational qualification and inactivity in both the UK and Northern Ireland. Moreover, as Fig. 18 displays, compared to other UK regions, Northern Ireland has the highest rate of economic inactivity for people who have below an NQF level 2 qualification. This high rate of inactivity for the least qualified emphasises the connections between economic disadvantage and local labour markets. It also highlights the positive impact on inactivity that may flow from expanding opportunities for education and reskilling, and from ensuring that young people are supported in school and FE/HE to achieve higher levels of qualifications.

Fig.18 Economic inactivity rates (16-64) - by qualification level (NI & UK)

Source: UUEPC, ONS, Labour Force Survey (Q4 2023)



Four main reasons for inactivity in NI

The economically inactive population is predominantly made up of those who are long-term sick or disabled, those who are caring for family members, students, those who have retired early, and a small proportion who are inactive for other reasons.

Sickness and disability

140,500 people are economically inactive in Northern Ireland due to sickness or disability. This represents 43% of Northern Ireland’s overall economic inactivity, making it the largest category. The measure includes those who are “long-term sick, temporarily sick and disabled”, and there are a wide variety of physical and mental health conditions contained within this one definition.

Over one in ten (11.9%) of the working age population in NI are economically inactive due to sickness and disability, compared to 6.9% in the UK as whole. Northern Ireland is a clear outlier with the highest proportion across all 12 UK regions. To put this in context, the incidence of sickness amongst the working age population in Northern Ireland is more than double that recorded in London (5%).

Some of this high level of sickness and disability will be a result of Northern Ireland’s past, with large numbers of people still bearing the impacts of the Troubles in their physical and mental health. This legacy is significant, but is difficult to measure and disentangle from broader public health trends evident across the UK, Ireland and further afield.

In recent years, since the Covid-19 pandemic, sickness as a driver of inactivity has become an increasing concern across the UK and beyond, and as Fig. 20 clearly shows the upward

curve in NI is especially concerning. Note however that the increase in sickness and disability in Northern Ireland started around 2013, well before the pandemic.

This upward trend in sickness and disability has been at the forefront of recent public discourse about inactivity. There has been a particular focus on mental health related inactivity among young people. The UUEPC argues there is a lack of “robust NI data” on the type of long-term health condition by age, but notes striking 2023 data from Great Britain: of those under 35 who are inactive due to long-term health conditions, 36% are due to a mental health condition, while for the over 50s this figure is 18%. Of course this is 36% of a smaller number, and it can be expected that musculoskeletal and cardiovascular conditions will impact older demographics; nonetheless 36% is a striking figure.

KEY STATISTIC

140,500

People aged 16 to 64 in Northern Ireland are economically inactive due to sickness or disability.

Fig. 19 Reasons for inactivity (16-64) - NI

Source: UUEPC, author's calculations (Q4 2023)



Fig. 20 Economic inactivity due to sickness and disability (16-64) - NI & UK (Q4 2023)

Source: UUEPC, ONS, Labour Force Survey

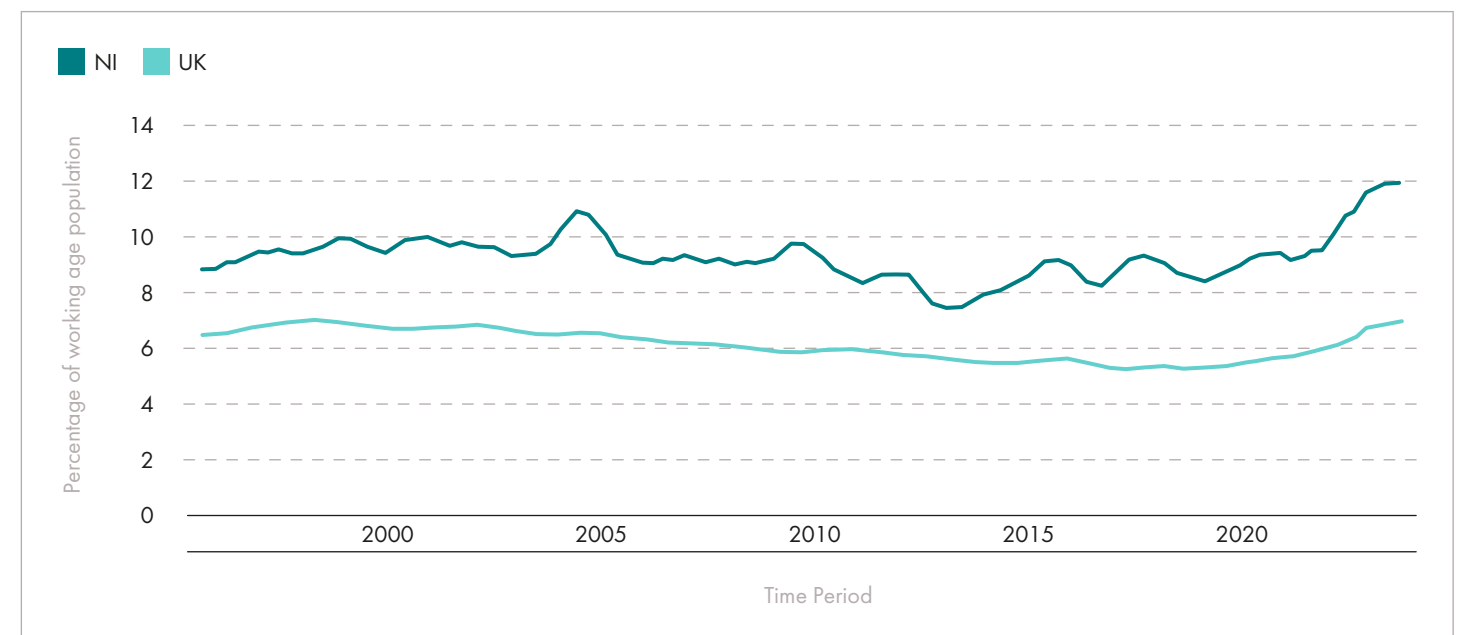


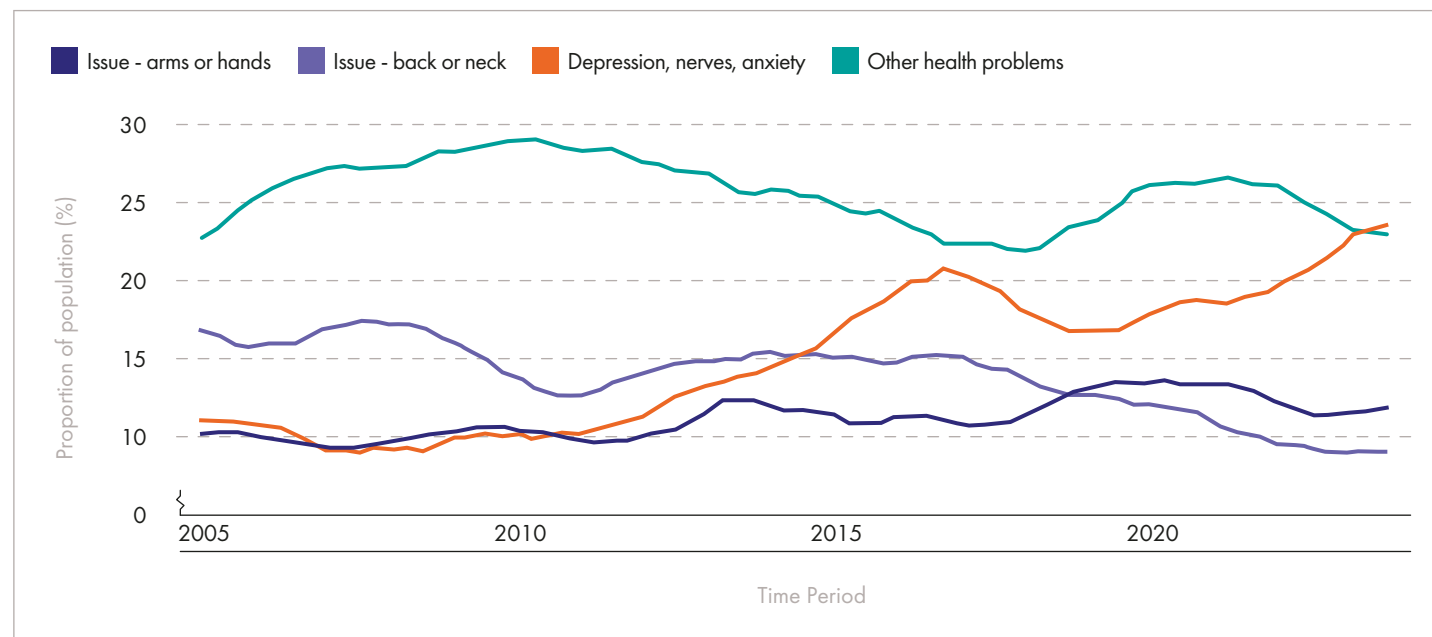
Fig. 21 Economic inactivity due to sickness and disability (16-64) - by UK region (Q4 2023)

Source: UUEPC, ONS, Labour Force Survey



Fig. 22 Main health conditions amongst the NI disabled* population (16-64)

Source: UUEPC, ONS, Labour Force Survey (Q4 2023). * As defined by the 2010 Equality Act



The prevalence of mental health conditions also shows when we look at data for the main health conditions amongst the 16-64 disabled population in NI, Fig. 22. It should be noted that these figures relate to those classified as disabled under the 2010 Equality Act, rather than the economically inactive population, and many of those classified as disabled are in work. However, a striking increase can be seen in the number of those of working age whose daily activities are impaired due to “depression, bad nerves, anxiety”. The data shows a story of a long-term increase and some fluctuation, but a marked increase has been notable since 2020.

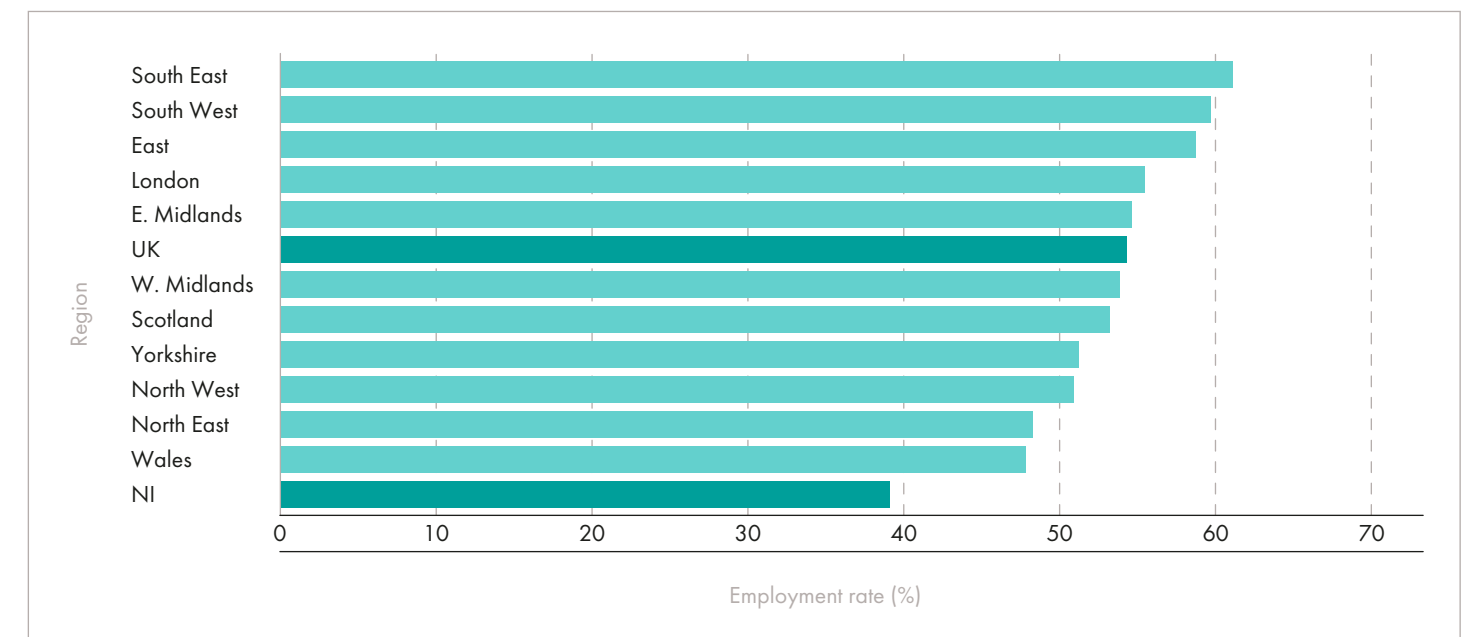
A significant concern in Northern Ireland is highlighted by Fig. 23, namely that the employment rate for those with a disability stands out as being particularly low. At 39% this rate in Northern Ireland is significantly lower than the UK average and the lowest rate across all 12 UK regions. This corresponds with the data on the extent to which disability impacts daily life in Northern Ireland. Devlin et al highlight that “the 2021 Census found that 24% of the Northern Ireland population

report being limited in their day-to-day activities either ‘a little’ or ‘a lot’. This compares to 17% and 22% respectively in England and Wales.”

Taken as whole, the complexity of measuring, analysing and then responding to the high rates of inactivity due to sickness or disability again highlights the need for a range of policy actions across government departments. A resourced mental health strategy is one clear response to current trends. Another clear area for further policy development is the relationship between inactivity and growing health waiting times and wider public health.

Fig. 23 Employment rate of disabled individuals (16-64) by UK region (Q2 2023)

Source: UU Epic Futures NI



Looking after family or home

Fig. 24 displays that in the long-term Northern Ireland has converged with the overall UK in rates of inactivity due to looking after family or home. It also highlights the notable drop in these rates across the UK, which points to significant changes in family life, women’s participation in the workforce and gender roles in our society.

As the category name suggests, this dataset is inclusive of those looking after children or other family members, and those carrying out unpaid domestic work. As such this category highlights in particular how some young children, older relatives and people with disabilities are cared for in our society. It mirrors the pattern in Fig. 14 of a clear fall in the number of women who are not economically active outside of the home.

It is however also clear that post-pandemic NI has seen a larger increase in this form of inactivity than the UK average, which although small in historic terms will be a trend worth watching. The overall convergence with the UK is worth considering in the context of debates over childcare provision in Northern Ireland, given that government support for childcare is much less generous in NI than elsewhere in the UK. Devlin et al suggest that rates of inactivity due to caring responsibilities are surprisingly low in NI, and that “this may be due to people reducing hours rather than exiting the labour market completely (while men in NI work longer hours than the UK average women in NI work less)...or may be due to more informal childcare being used.” Devlin et al also note that: “While sources on caring responsibilities are hard to come by, recent work has found families in NI utilise informal childcare and care by family much more than families in neighbouring Ireland.”

KEY STATISTIC

53,500

People aged 16 to 64 in Northern Ireland are economically inactive due to looking after family or home

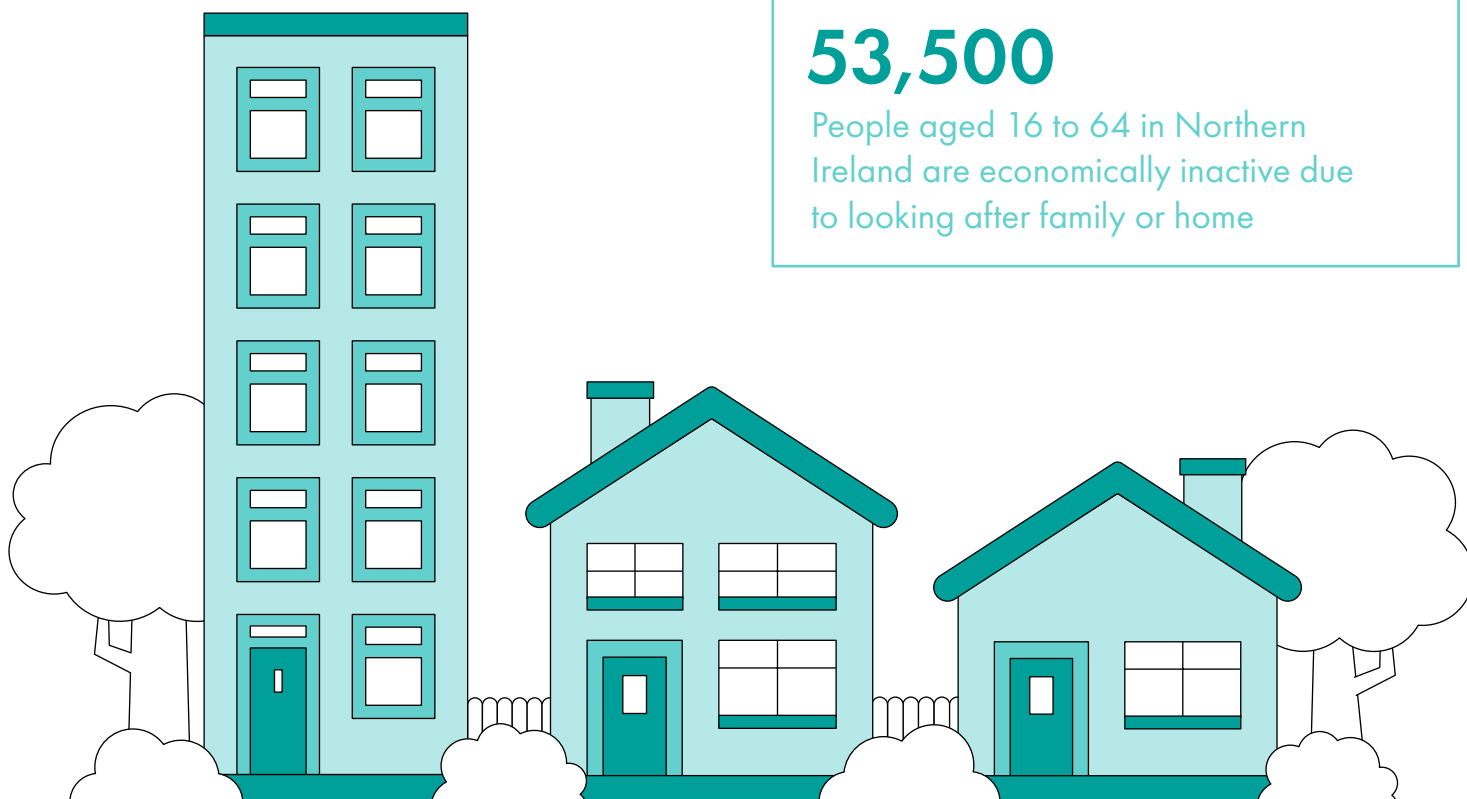


Fig. 24 Economically inactive looking after family or home (16-64) - NI & UK

Source: UUEPC, ONS, Labour Force Survey (Q4 2023). * As defined by the 2010 Equality Act

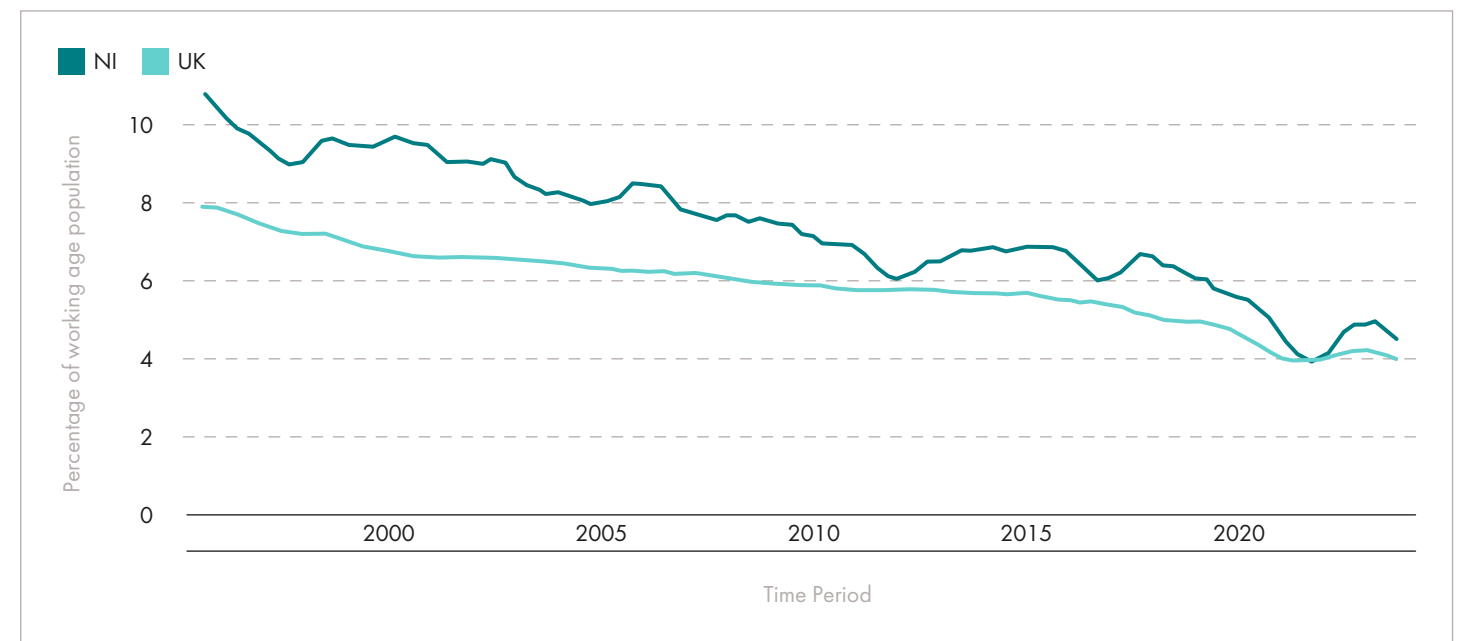


Fig. 25 Economically inactive looking after family or home (16-64) - UK regions

Source: UUEPC, ONS, Labour Force Survey (Q4, 2023)



Early Retirement

Fig. 26 points to a relatively static overall picture with regards to early retirement in Northern Ireland and across the UK. Northern Ireland is at the lower end of the small range for early retirement across the UK. In policy terms early retirees are amongst the 'hardest to reach' of the inactive - those able to retire early are not easily encouraged back to work. The 'great retirement' of people aged under 65 that was observed around the time of the Covid pandemic can be seen in a jump up in the data, but it now looks like this was a short-term phenomenon.

The reasonably static figures for early retirement do however conceal a notable change that has occurred in the UK labour market, which is that in the last decade "some 400,000

workers aged 65 and over have joined the UK labour force, while the number of inactive aged 16-64 has fallen by 200,000." (Machin and Wandsworth) This significant expansion of an older workforce at a time of later retirement, and increasing state pension age, is an important trend. Increasingly workers of pensionable age are enjoying the opportunity to continue working, while others simply can't afford to retire.

Flexibility in working conditions and increasing opportunities to re-skill will be vital for ageing societies. Both are important policy tools when considering both workers aged 65+ and the small groups of early retirees who may be open to returning to work.

Student

An aspect of the labour market data that may be seen as an anomaly is that students are classed as economically inactive if they do not have a paid job, even though they are studying as an investment in their future employment. We therefore report here on students, since they are a significant category of those defined as economically inactive in the data.

As Machin and Wandsworth note, since 2019 there has been a rise in economically inactive students in the UK. Northern Ireland has the highest number of students who are economically inactive (i.e. without paid employment) as a proportion of the total working age population. London is close behind in second place. In NI only 8.7% of economically inactive students report they 'would like to work', compared

to 15.0% in the UK. Correspondingly, full-time students in NI report one of the lower employment rates across all UK regions (32%), compared to the UK average (36%).

KEY STATISTIC

75,500

People aged 16 to 64 in Northern Ireland are economically inactive due to being a student.

Fig. 26 Economically inactive due to retirement (16-64) - NI & UK

Source: UUEPC, ONS, Labour Force Survey (Q4 2023)

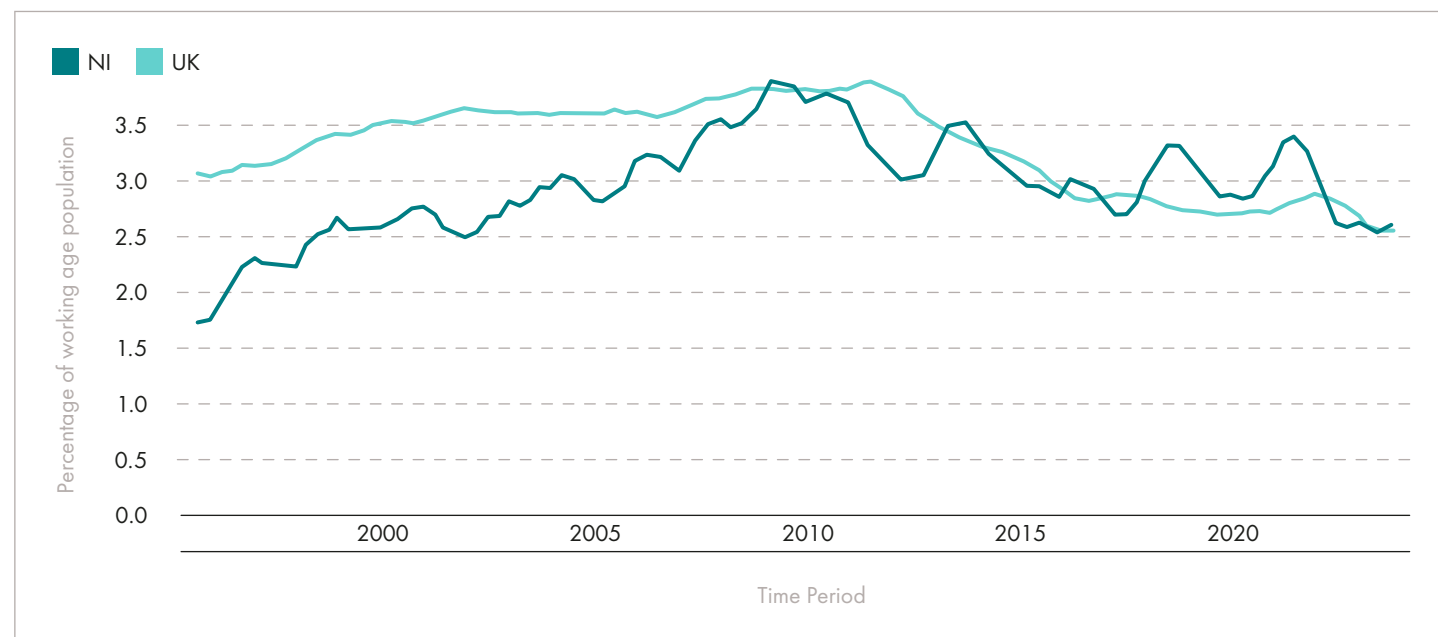
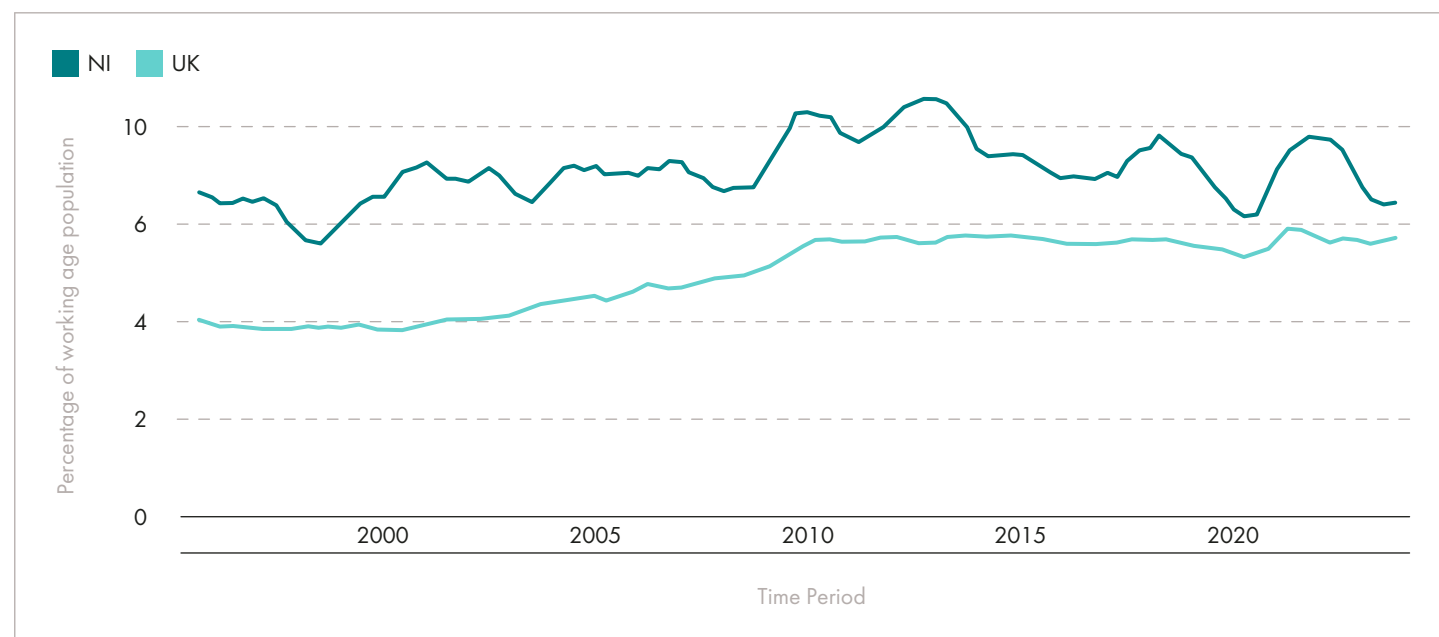


Fig. 27 Economically inactive due to being a student (16-64) - NI & UK

Source: UUEPC, ONS, Labour Force Survey (Q4 2023)



Summarising inactivity in the UK

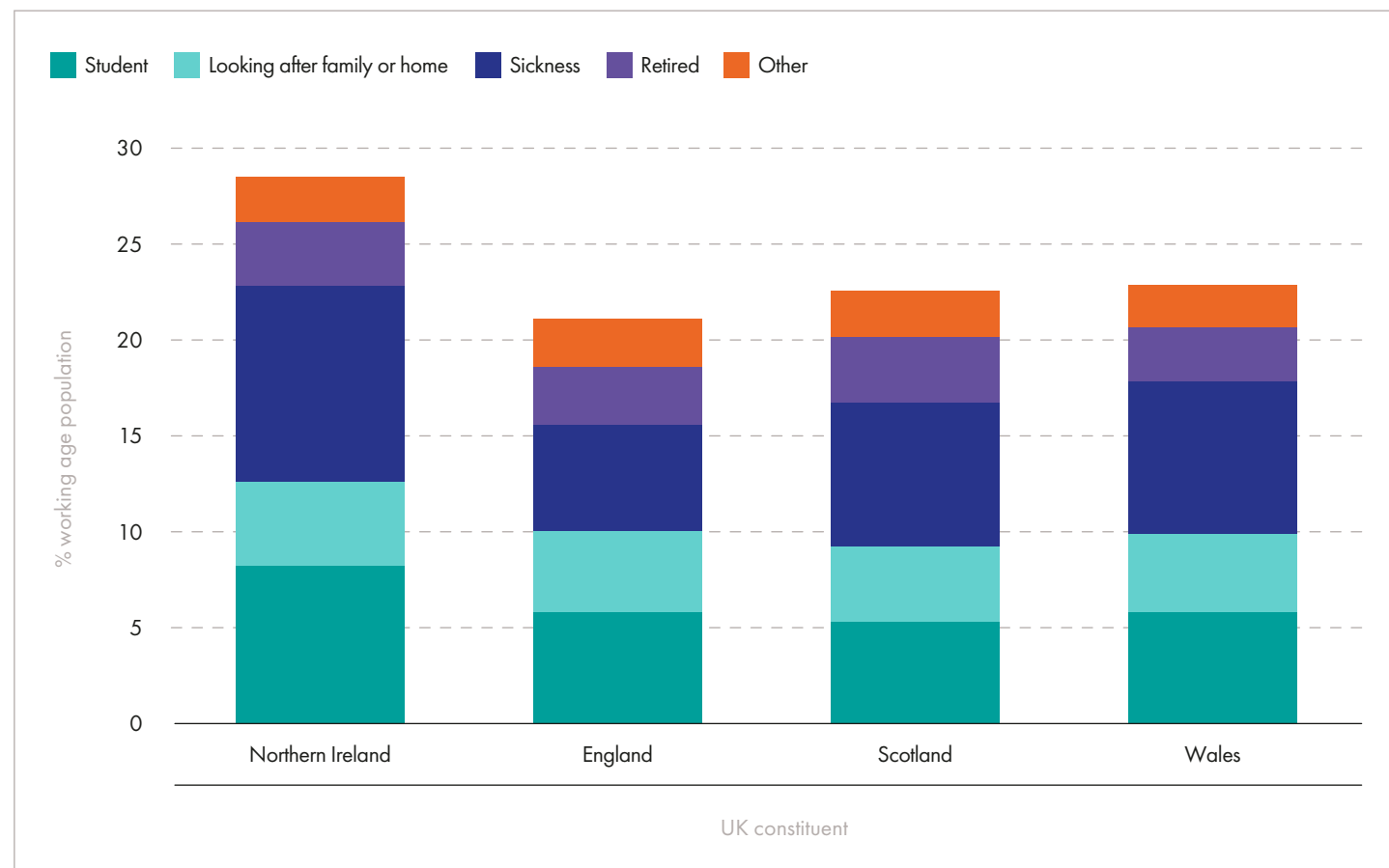
Fig. 28 neatly summarises the reasons for inactivity across the different parts of the UK (chart collated by Devlin et al using data from 2021-2022). These figures will have evolved since then, but the overall picture and key findings remain. In presenting the overall rate of inactivity made up of its constituent parts, the chart helpfully shows both the differences in overall economic inactivity rates across the UK and the variations in the reasons for inactivity.

The chart shows the higher rate of inactivity overall in Northern Ireland compared to England, Scotland and

Wales. Looking at the composition of the data, the greater prevalence of inactivity due to sickness and disability in Northern Ireland stands out. We can also clearly see the impact of high numbers of students in NI – a ‘positive’ form of inactivity - on the data. There is a striking similarity between rates and reasons for inactivity in Scotland and Wales, which are both above England but lower than NI (although we know that since 2021-2022 inactivity in Wales has moved sharply upward). There is relative consistency in the different parts of the UK in rates of inactivity due to looking after family or home and due to early retirement.

Fig. 28 Inactivity rates by reason - UK constituent parts (July 2021 - June 2022)

Source: Devlin et al, ONS and authors' calculations



How Covid-19 has impacted inactivity

Fig. 29 Economic inactivity change in the G7 since pre-pandemic

Source: Office for Budget Responsibility



The global pandemic had a profound impact on the lives of millions of people and on the world of work. Many aspects of this legacy and policy responses to it remain highly contested, and difficult to disentangle from other ongoing economic, social and public health trends.

Fig. 29 shows the UK's higher economic inactivity rate since before the pandemic, which contrasts with many OECD countries which have seen inactivity fall over this period. The UK is the only G7 country with a lower employment rate now than before the pandemic. This troubling trend points primarily to increases in economic inactivity due to long-term sickness and disability. This issue is currently attracting much public and political concern.

Health conditions have played a large role driving the substantial increase in economic inactivity since 2020. Devlin, Hastings and Shuttleworth note that: "All constituent countries of the UK saw increases in inactivity over the first year of the pandemic, but the increase was largest in NI. This large increase was driven by increases in the proportion studying and those who were long-term sick/disabled."

The rises in inactivity due to sickness and disability since 2020 are significant (Fig. 20). For the UK as a whole, recent increases have returned inactivity due to sickness or disability to rates not seen for 20 years. Northern Ireland saw a particularly marked increase, although note that inactivity due to sickness and disability had been on an upward trend in NI since around 2013. The current high rate in NI is therefore not simply a post-Covid issue, but may be a continuation, or evolution, of pre-existing health and disability trends.

The Health Foundation notes for the UK: "With 688,000 more people out of the workforce since before the pandemic, 6.6% of 16-64-year-olds are now economically inactive for health reasons, a record high since 1993." Their analysis points to a sharp increase in mental health issues among young adults over the last decade. However, since the pandemic across the UK it has been among 50-64 year-olds that the growth in inactivity has been most prevalent. Of the rise in UK inactivity between January 2020 and January 2023, 68% of this increase was within the 50-64 age group, 14.9% within 16-24s, 8.7% within 25-34s, and only 7.9% within 34-49s (House of Commons Briefing, 2023).

Conclusions from the data

- Northern Ireland's overall rate of inactivity remains stubbornly higher than most other regions of the UK. Historically it has been more closely aligned with rates in Ireland.
- Inactivity comes about for a number of reasons, or a combination of several reasons. It is a complex area without easy policy solutions.
- Rates of inactivity due to sickness and disability are on an upward trend, and remain consistently higher in NI than all other regions of the UK.
- Northern Ireland has very low rates of employment of disabled people compared to the rest of the UK.
- Inactivity due to mental health issues represents a growing component of the sick or disabled group in Northern Ireland, and across the UK.
- Historically high employment and low unemployment in Northern Ireland has not significantly reduced the overall rate of economic inactivity.
- The transformation of women's roles in the economy has dramatically reduced women's economic inactivity and the gender gap in inactivity over the last thirty years, although inequalities remain especially among older women.
- In contrast, economic inactivity amongst men has risen in the last thirty years, which has also contributed to the reduction in the gender gap.
- Regional trends within NI highlight the clear links between rates of economic inactivity and broader economic indicators of income and deprivation.
- High rates in some rural areas highlight the challenge of reducing inactivity and increasing prosperity in areas with poor infrastructure and fewer job opportunities.
- There is a striking relationship between level of educational qualification and inactivity, highlighting both the importance of skills training to tackling inactivity and the connection between education, income and employment opportunity.
- There is an ongoing discussion about how Covid-19 has contributed to economic inactivity levels. There has been a marked rise in inactivity from sickness and disability in both UK and NI since 2020, although note this type of inactivity has been rising in Northern Ireland since around 2013.

Implications for policy

In this final section we suggest some early ideas about policy implications from this analysis.

- Inactivity has a huge impact on the financial and social situation of individuals, families, communities and the economy as a whole. Supporting those who are inactive into work should be a top priority for the Northern Ireland Executive, especially given NI's persistent high prevalence of this issue and the future labour needs of the economy.
- As well as the benefits for individuals and families, addressing economic inactivity effectively could unleash new and valuable potential for Northern Ireland's economy, leading to higher incomes, increased economic output, higher productivity, and reduced skills shortages. This is particularly important as we face an increasingly tight labour market at present, and in the longer term, an ageing population.
- Expanding the labour force by reducing inactivity would also have the benefit of making the workforce more inclusive of those with disabilities, mental health conditions, older workers, and those from marginalised groups.
- Inactivity is a very complex issue with many different causes. Simplistic solutions should be avoided. In particular, policies that emphasise sanctions rather than support are unlikely to be successful.
- Inactivity is a cross-government issue impacted by multiple areas of public services. For example, people may be or remain inactive because of inadequate health care, an absence of social care for a loved one, or a lack of affordable childcare. Poor provision in each of these areas of public services in Northern Ireland at present is likely to be contributing to persistent rates of economic inactivity.
- The high and rising rates of economic inactivity due to sickness and/or disability in Northern Ireland should be of particular concern to policy makers.

- Many people who are inactive are a long way from the labour market and will need considerable tailored support to access employment. People who are inactive tend to have much lower levels of qualifications, which will increase the challenge they face in returning to or entering the labour market.
- Northern Ireland has a very poor track record of employment of people with disabilities. This highlights the need for a focus on reducing the barriers to employment for those with a disability, challenging preconceptions, and gaining a better understanding of why NI has higher rates of disability that significantly impact daily life.
- The difficulties involved in moving out of inactivity into work, particularly after a period of time, would suggest a strong policy approach to supporting people to stay in their jobs when faced with challenges of illness, disability or caring, rather than having them leave work and become economically inactive.
- There is a particular need for more research and better data on the significant rise in inactivity for health reasons, including mental health issues. These complex trends require analysis of the increasing prevalence of these issues internationally, the legacy of the pandemic, pressures on local health services, economic inequalities and deprivation, and the legacy of conflict in NI.
- More studies and discussions are needed regarding how employment practices and different sectors can better respond to these challenges. With many employers struggling to recruit staff, policies making skills, training and employment support more accessible and effective for people who are currently inactive will be key.
- Any future research should put at its centre those who are economically inactive, so that analysis and policy responses are properly informed by those with first-hand experience of these issues and those who work to support them.

In the next stage of this work, Pivotal will do further research about how different policy approaches can be effective in addressing aspects of inactivity in Northern Ireland. In so doing we will involve people who are inactive themselves and organisations who work with them.

1 May 2024

www.pivotalppf.org

 @PivotalPPF

PIVOTAL

PUBLIC POLICY
FORUM NI