

Working together

How learning and skills support can create
an inclusive labour market in Northern
Ireland

Stephen Evans

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Learning and Work Institute

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Registered office: 4th Floor Arnhem House, 31 Waterloo Way, Leicester LE1 6LP

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Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

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The Open College Network Northern Ireland (OCN NI) is a UK recognised Awarding Organisation based in Northern Ireland. We are regulated by CCEA Regulation to develop and award regulated professional and technical (vocational) qualifications from Entry Level up to and including Level 5 across all sector areas. In addition, OCN NI are also regulated by Ofqual to award similar qualifications in England.

We are an educational charity and an Awarding Organisation that advances education by developing nationally recognised qualifications and recognising the achievements of adults and young people. We work with centres such as Further Education Colleges, Private Training Organisations, Voluntary & Community Organisations, Schools, SME's and Public Sector bodies to provide learners with opportunities to progress into further learning and/or employment.

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Foreword

In this ever-changing world, particularly as we attempt to overcome the challenges around Covid19, the need to support the upskilling of all our people in Northern Ireland has never been greater.

In March 2021, L&W developed projections for long-term unemployment for the UK and for a number of local areas in England and Wales. Open College Network Northern Ireland (OCN NI) therefore commissioned this research with a specific focus on NI and using the latest Office for Budget Responsibility economic forecasts. It also explores and makes recommendations for appropriate policy responses and their implications for the Programme for Government and 10x Skills Strategy.

The pandemic has led to sharp rises in the number of people claiming unemployment-related benefits across the UK, including Northern Ireland. Long-term unemployment is also rising which can have particularly negative impacts. The longer someone is out of work, the less likely they are to move into work, and long-term unemployment can also negatively impact health and wellbeing. There are also clear links between long-term unemployment and learning and skills. Those with the lowest qualifications are more likely to be long-term unemployed, and improving learning and skills can help people to maintain employment by increasing adaptability to economic change.

Tackling long-term unemployment, including by improving access to learning and skills, is likely to be a key priority for the years ahead. A joined-up policy and delivery response that focuses both on those becoming long-term unemployed and those who were already long-term unemployed before the pandemic is likely to be essential.

Our hope is that Government and our social partners across Northern Ireland will engage with and use this research and evidence to help inform their decision making and thereby ensure a prosperous future for all in Northern Ireland.

Our vision is '*a successful, inclusive society where every learner matters.*' Over the coming years, OCN NI will continue to support our Government and our social partners to help tackle educational underachievement, help create a skilled workforce that meets the needs of the NI economy and help redress income inequality.

Paul Donaghy



Chair
Open College Network Northern Ireland

Executive summary

Up to 18,000 people could be long-term unemployed in Northern Ireland in the coming years. Limiting this by helping people back to work quickly, increasing support the longer someone is out of work, and extending employment support to those with health problems, disabilities or caring responsibilities must be priorities for the recovery. Employment and skills support have key roles to play.

Unemployment has risen less than many expected through the pandemic, largely as the furlough scheme and other support protected jobs. Most forecasts suggest unemployment is at or near its peak, though much higher than pre-pandemic with 36,000 people unemployed in Northern Ireland and 48,000 claiming unemployment-related benefits.

There is considerable uncertainty ahead: the unknown path and impact of the virus; whether the economic recovery will be sustained; and how many people will need to change jobs as a result of structural change accelerated by the pandemic, including some of the 26,300 employments still furloughed at the scheme's end in September 2021.

New projections for this report suggest up to 18,000 people could be long-term unemployed in Northern Ireland over the next year, with long-term unemployment remaining above pre-pandemic levels through to 2025. While a lower peak than seen after previous recessions, this suggests employment recovery will be a multi-year task.

In addition, employment has long been lower in Northern Ireland than in the UK as a whole: 60,000 more people would be in work if Northern Ireland's employment rate matched the UK's. The key difference is the higher proportion of people in Northern Ireland who are economically inactive, with the largest numbers being people who are long-term sick or looking after family or home.

We recommend the Executive's skills strategy and programme for Government prioritise:

- 1. Limiting rises in long-term unemployment**, building on the Work Ready Employment Services programme and fast tracking previously-furloughed workers into support.
- 2. Extra support for people who become long-term unemployed** and a Jobs Guarantee for those that don't find work.
- 3. Continue to focus on reducing economic inactivity** by engaging with people to plan to prepare for and find work, including developing cross-agency plans through Local Labour Market Partnerships
- 4. Supporting retraining** for long-term unemployed people needing to switch careers, including by working with Local Labour Market Partnerships to develop joined-up retraining programmes to support people into current and upcoming vacancies
- 5. Expand flexible working** to open up new work opportunities for those with caring responsibilities or health problems and disabilities, building support for job design and flexible working into employer engagement in employment support.

Introduction

The pandemic has led to significant rises in unemployment. These rises have been limited by the furlough scheme, but significant numbers of people were still furloughed ahead of the scheme's closure in September 2021. Future employment opportunities will also be affected by the future path of the virus, recovery of the economy, and nature of adjustment to long-term changes such as the new trading relationship with the EU and transition to net zero.

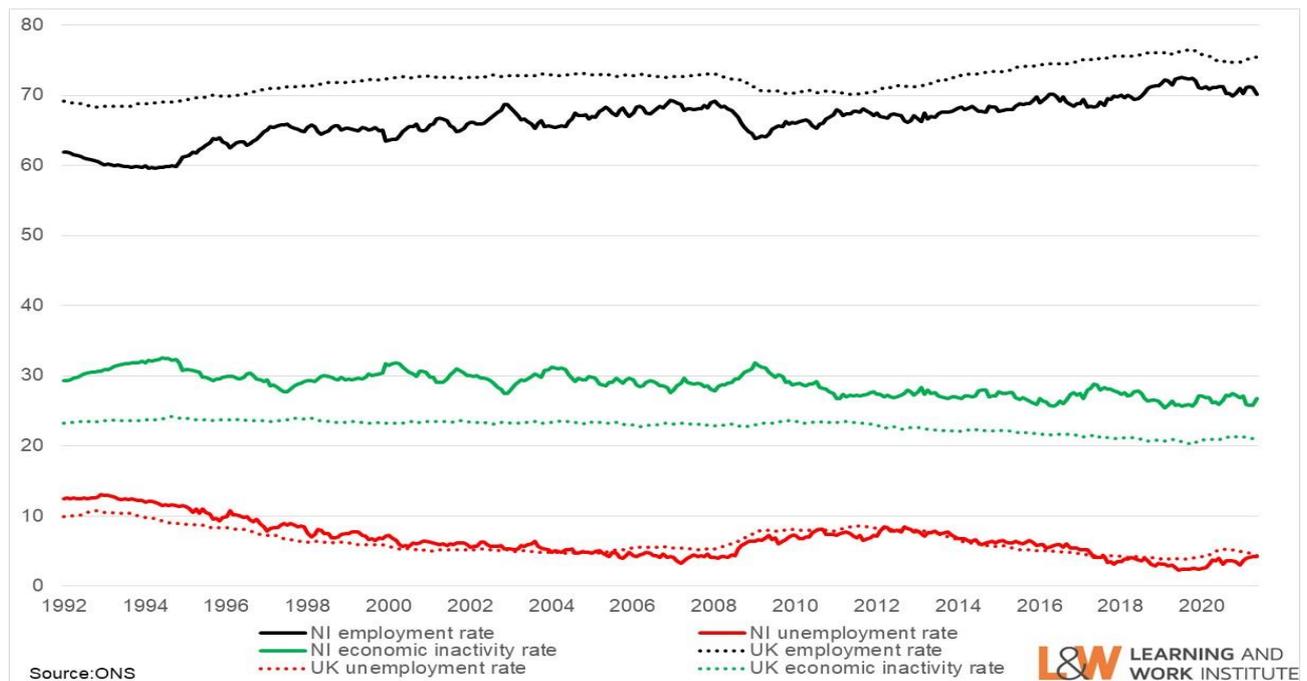
All of this makes it uncertain how high unemployment will rise. Long-term unemployment is particularly damaging as the longer someone is out of work the less likely they are to find a job and it can also negatively impact health and wellbeing. Limiting the rise in long-term unemployment and planning effective support to help those becoming long-term unemployed is therefore essential. In addition, Northern Ireland's employment rate was lower than the rest of the UK prior to the pandemic, with higher levels of economic inactivity the primary reason.

This report looks at these twin challenges of limiting rises in long-term unemployment and cutting economic inactivity. These are at the heart of ensuring an inclusive labour market recovery in Northern Ireland. In particular, it analyses the overall labour market position, develops new projections for the potential levels of long-term unemployment, and identifies policy priorities including for how learning, skills and employment support can work together.

The Northern Ireland labour market

Just over 70% of people aged 16-64 are in employment in Northern Ireland. This has increased over time, it was around 65% in the mid 1990s. However, Northern Ireland's employment rate remains about five percentage points below the UK's (which has also risen over time). This is equivalent to over 60,000 fewer people in work in Northern Ireland.

Figure 1: Employment, unemployment and economic inactivity rates



The key difference is economic inactivity rates: the UK and Northern Ireland unemployment rates are similar, but Northern Ireland's economic inactivity rate is 5.7 percentage points higher. Around one in five economically inactive people say they want a job. In fact, the 53,000 economically inactive people in Northern Ireland who say they want a job is 1.5 times the 36,000 people who are unemployed.

To put it another way, people who are economically inactive account for 60% of those who are out of work but say they want a job.

Box 1: Labour market definitions

Employment is defined as being in paid work or in a job that you are temporarily away from (due to e.g. being on holiday or off sick). The employment rate is the proportion of people aged 16-64 who are in employment.

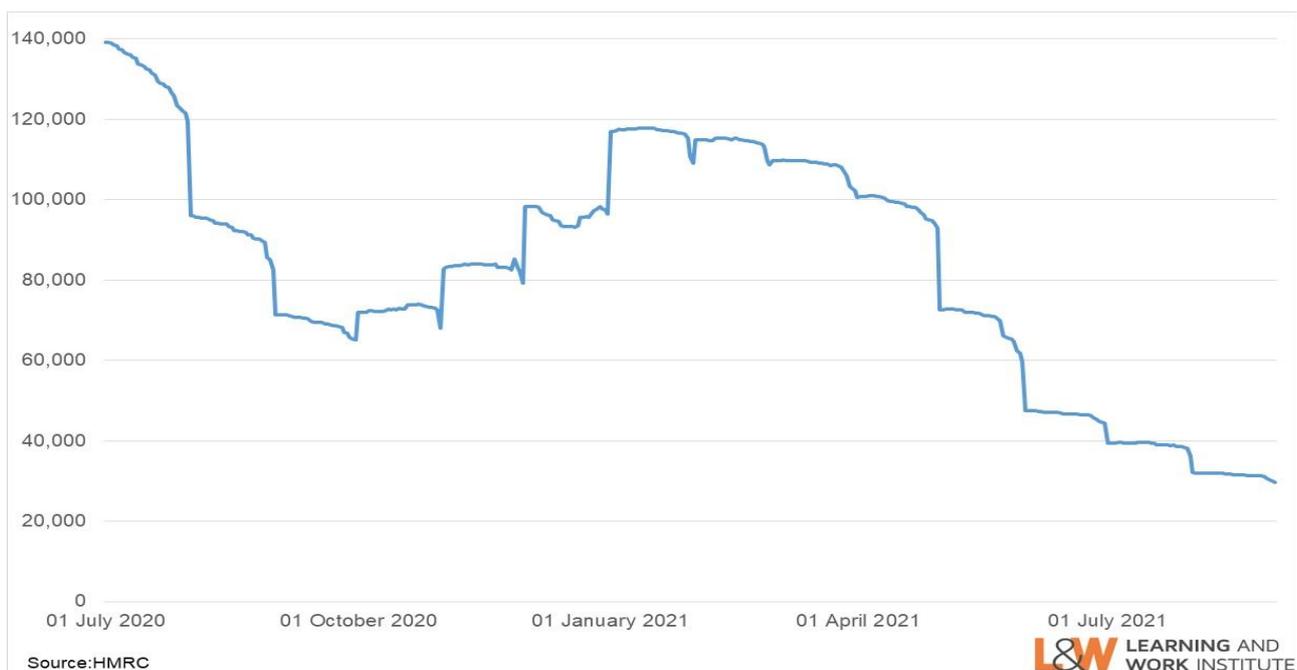
Unemployment is defined as people not in employment who are actively seeking work and available to start work in the next four weeks. The unemployment rate is the proportion of the economically active population who are unemployed.

Economic inactivity is defined as not being in employment and either not looking for work or not available to start work in the next four weeks. The economic inactivity rate is the proportion of people aged 16-64 who are economically inactive.

Claimant unemployment is the number of people in receipt of unemployment-related benefits. This is different to unemployment as not everyone who is seeking work and available to start work will be eligible for or claiming unemployment-related benefits.

In addition, 26,300 employment remained furloughed as the scheme closed at the end of September 2021, down from a peak of 140,000 in July 2020. People who are furloughed are counted as in employment (see Box 1 for definitions). Not all are likely to have had jobs to go back to and so taking early action to support them to find new jobs where needed is a key policy priority to limit rises in unemployment and economic inactivity (see later chapters for a fuller discussion).

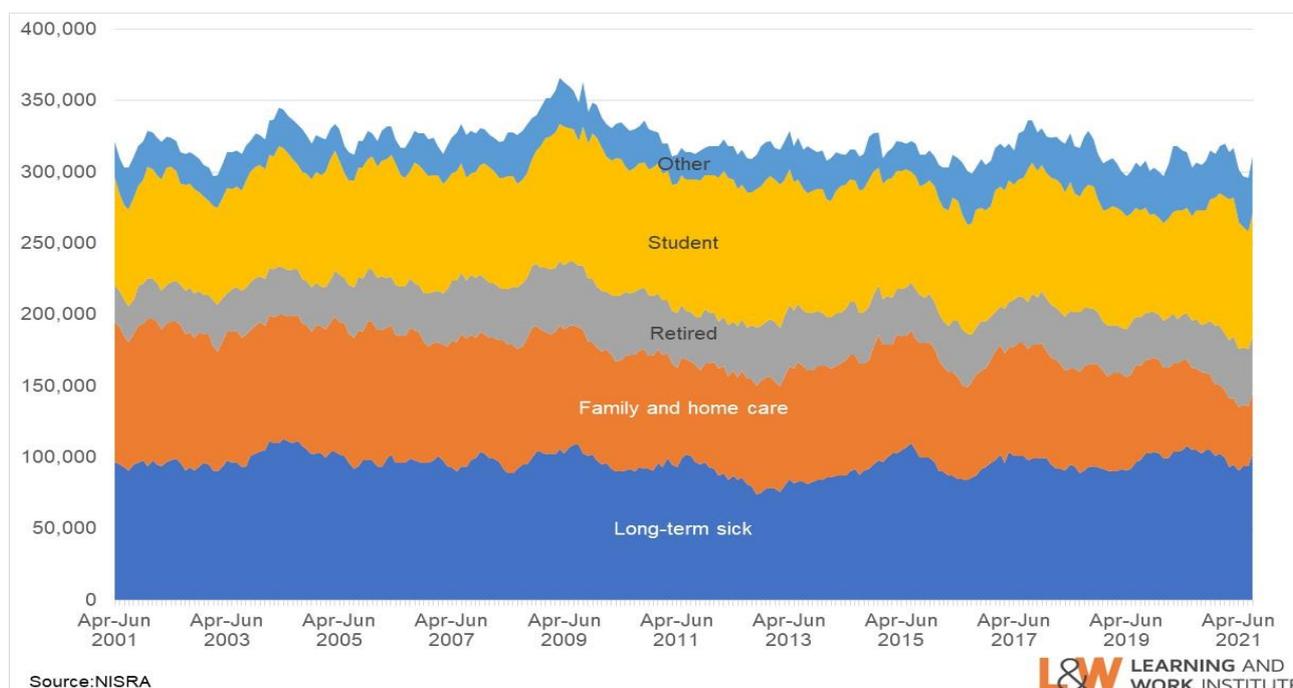
Figure 2: Number of employments furloughed in Northern Ireland



Understanding economic inactivity

The Labour Force Survey asks people for the reason they are economically inactive. The biggest category is those who are long-term sick, some 102,000 people. This is followed by students (86,000) and those looking after family / home (44,000). These are also the largest three categories for the UK as a whole.

Figure 3: Reasons for economic inactivity in Northern Ireland



Over time there have been changes in the relative size of each category. In general (though not universally) the number of economically inactive students has risen as participation in education and higher education has risen for those aged over 16 (though of course students with part-time jobs would be classed as employed rather than economically inactive).

Increasing employment for primary care givers, in particular mothers and including lone parents, has led to falls in the number of people economically inactive due to looking after family / home. By contrast the number of people giving long-term sickness as their reason for economic inactivity has generally either grown or stayed the same and reports have highlighted this as being a key driver of higher economic inactivity in Northern Ireland compared to the UK as a whole.¹

In addition, more of those who lost employment became economically inactive than unemployed during the initial lockdowns of spring 2020 compared to previous patterns. This was a combination of fewer jobs to search for as vacancies declined sharply, and the requirement to stay at home limiting job search. There are some signs in the most recent

¹ An anatomy of economic inactivity in Northern Ireland: working paper, Ulster University Economic Policy Centre, 2016.

data of this pattern reversing, though the economic activity rate remains below pre-pandemic levels.

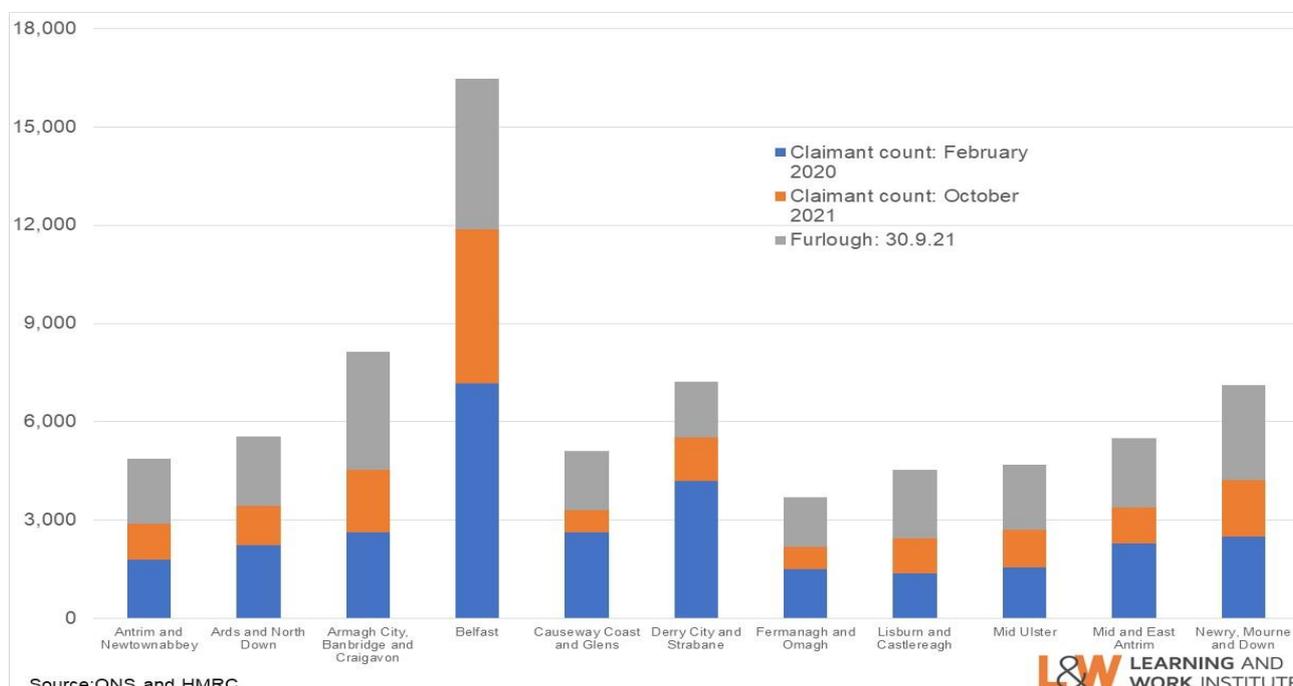
Clearly not everyone is able to work or needs paid work. However, there is likely to be considerable scope to increase employment by reducing economic inactivity: economic inactivity is higher in Northern Ireland than in the UK as a whole; and one in five (53,000) of those who are economically inactive say they want to work.

The local picture

Employment patterns and the nature of the labour market vary across Northern Ireland. The claimant count rate (the proportion of residents claiming unemployment-related benefits) was highest before the pandemic in Derry City and Strabane (4.4%) and lowest in Lisburn and Castlereagh (1.5%). But during the pandemic it rose most in Mid Ulster (94% rise) and least in Causeway Coast and Glens (37%).

The population distribution across Northern Ireland means that the largest number (rather than rate) of people claiming unemployment-related benefits is in Belfast (11,875 in October 2021, up from 7,175 in February 2020). The same is true of the furlough scheme: of the 26,300 employments furloughed in Northern Ireland at the end of September 2021, around one in five (4,600) were in Belfast.

Figure 4: Number of people claiming unemployment-related benefits of furloughed by Local Authority in Northern Ireland



This means it is important for approaches to be tailored to local differences in the number of people out-of-work, opportunities for those who were furloughed but whose jobs may not be sustainable, and differing employer demand and skills requirements.

Projections for long-term unemployment

Long-term unemployment is particularly damaging. The longer someone is out of work, the less likely they are to find employment and the more likely they are to see negative impacts on their health and wellbeing. This is particularly true for young people, where there is a clear long-term scarring effect to career prospects of a period out of work.² But the damaging effects hold for people of all age groups.

Limiting rises in long-term unemployment and providing intensive, active support to those becoming long-term unemployed is therefore essential. To provide a sense of the scale of the challenge, this report develops new projections for potential levels of long-term unemployment. These should not be seen as precise predictions – there are too many uncertainties – but rather a sense of scale, duration and direction of travel. Our aim should be for effective policy responses that mean long-term unemployment comes in much lower than these projections.

What could the levels of unemployment be in the coming years?

As the previous chapter discussed, unemployment has risen by less than the scale of the falls in economic output during the pandemic. The key difference has been the Coronavirus Job Retention Scheme (CJRS). Use of the scheme has declined as the economy has reopened. Nonetheless there were still 26,300 employments furloughed in Northern Ireland at the scheme's closure at the end of September 2021.³ Around one half were fully furloughed and one half flexibly furloughed.

Early indications are that many of those that were furloughed returned to work or found new jobs. However, a potentially sizable minority won't be in work and may have dropped out of the labour market altogether.

In addition, the future path of the economy remains uncertain. There was clearly a bounceback in economic growth and restrictions have eased. But will this be sustained through the rest of 2021 and beyond?

Part of the answer to this depends on the virus. Will the success of the vaccine rollout mean a limit to case rises and/or serious illness? Or will a further variant reduce vaccine effectiveness and mean a need for a return to some of the restrictions seen to date or a change in behaviour as people become more cautious?

Lastly, there are also long-term shifts underway before the pandemic which will affect employment. These include the impacts of the new trading relationship with the EU, an aging population, and the transition to net zero.

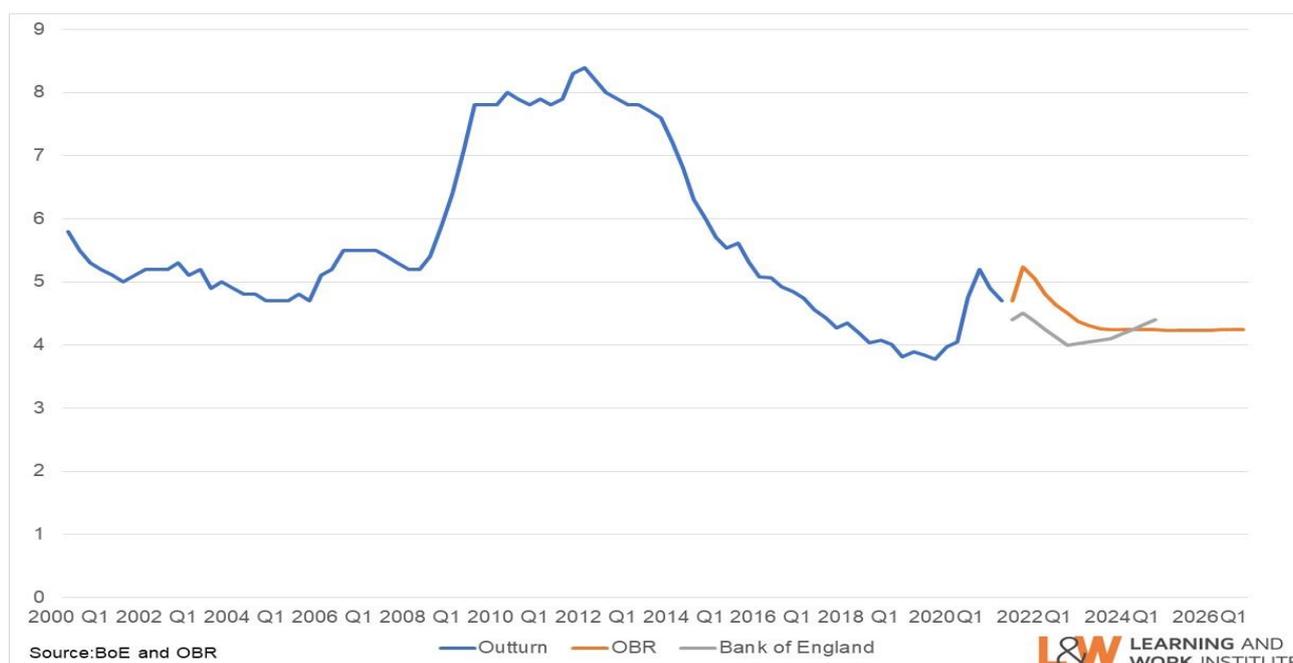
² Facing the future: employment prospects for young people after coronavirus, L&W, 2021.

³ Coronavirus Job Retention Scheme statistics: 29th July 2021, HMRC, 2021.

All of this means there is considerable uncertainty. We have used the latest Bank of England and Office for Budget Responsibility projections for UK unemployment to give an indication of potential unemployment levels in Northern Ireland.⁴

The Bank of England’s projections suggest UK unemployment has peaked and that the end of the furlough scheme had little impact, we use these as an upside projection. The OBR’s projections suggest a small rise in unemployment as furlough ended before unemployment rates fall back again, we use these as a downside scenario.

Figure 5: Bank of England and OBR UK unemployment rate forecasts, per cent

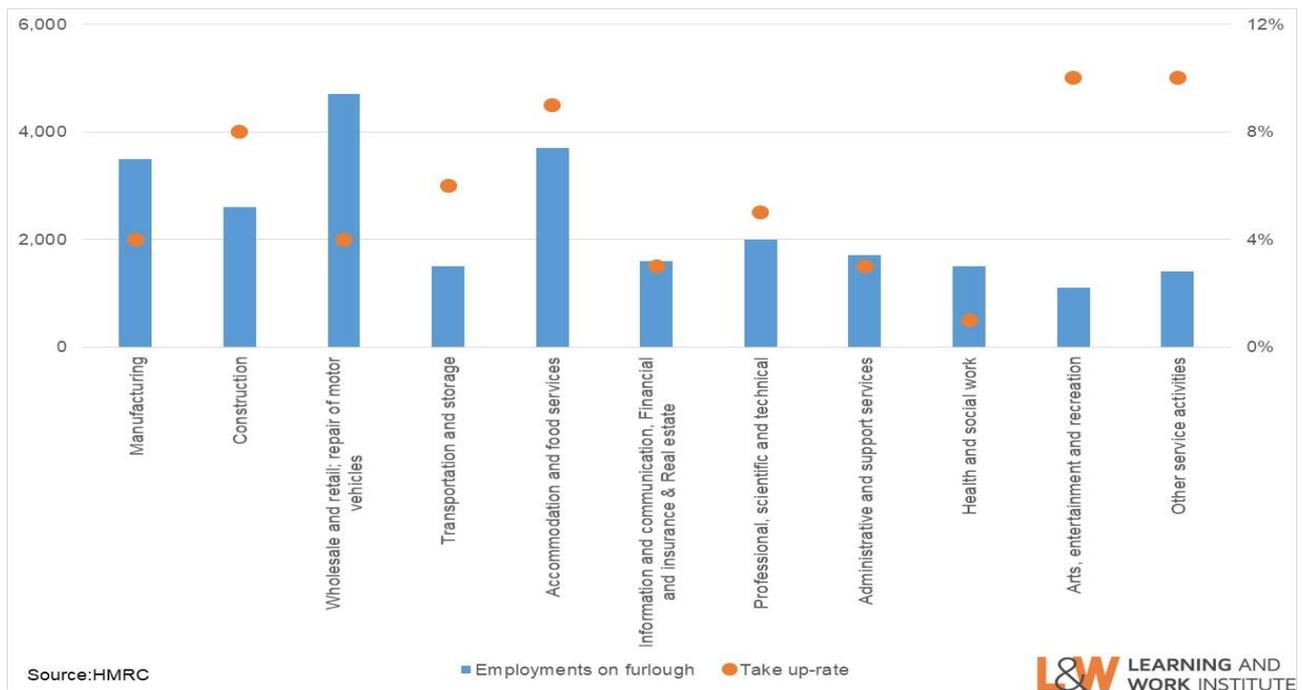


Both of those projections are for the UK. To translate these into projections for Northern Ireland, we apply the same rate of change to unemployment implied by the forecasts to current levels of unemployment in Northern Ireland. We do this for both unemployment (the number of people estimated to be unemployed by the Labour Force Survey (LFS)) and claimant unemployment (the number of people claiming unemployment-related benefits).

Of course, unemployment in Northern Ireland may not follow the path forecast for the UK, and indeed the UK forecast may not be accurate in practice given the range of uncertainties.

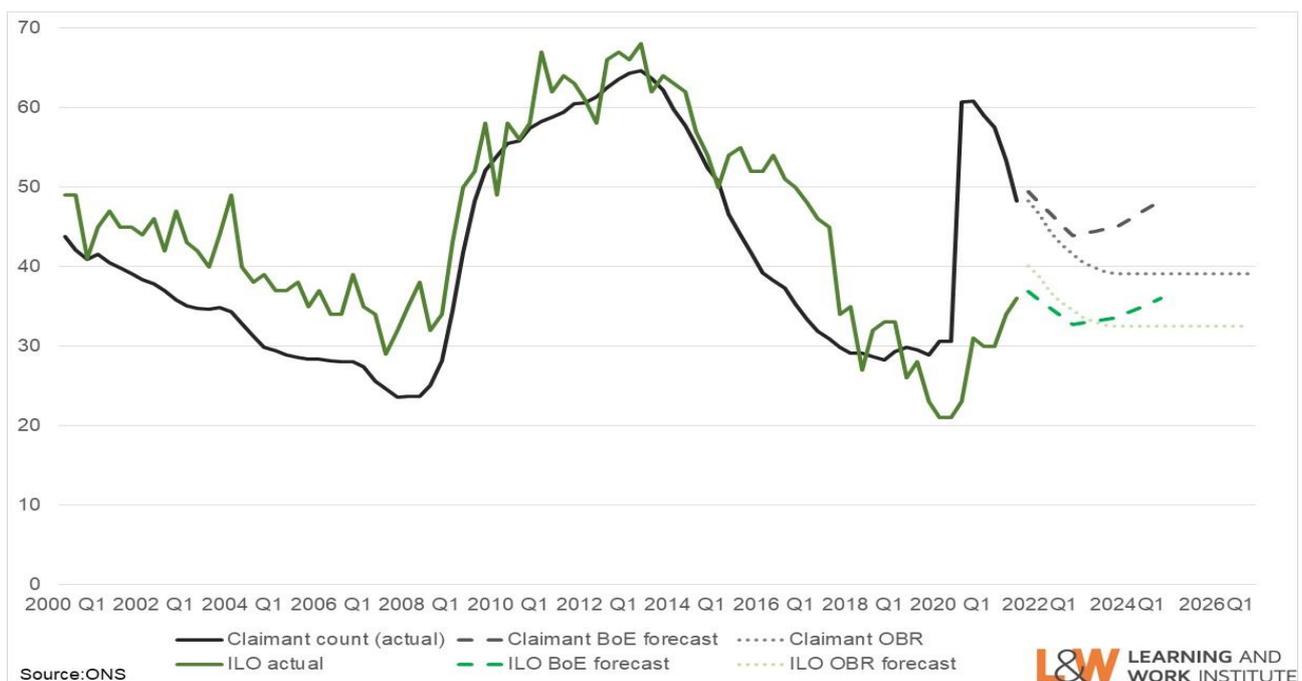
⁴ Monetary policy report: August 2021, Bank of England, 2021; Economic and fiscal outlook: March 2021, OBR, 2021.

Figure 6: Furlough by sector in Northern Ireland, September 2021



Claimant unemployment is currently much higher than LFS unemployment. It may be that claimant unemployment falls more sharply over the coming months as employment services are able to more actively engage people in support as restrictions end. It may also be that the LFS is to an extent underestimating unemployment given the challenges of measurement and conducting surveys during a pandemic. Our judgment is that the 'true' picture is likely to be closer to the LFS measure.

Figure 7: Projections for unemployment in Northern Ireland, thousands



For both measures, it is likely that unemployment is at or near its peak based on the economic forecasts. This peak is likely to be below the peak seen after the financial crisis, which in turn was lower than in the 1980s and 1990s recessions. This shows the success of the furlough scheme and other economic and employment support in limiting the rises in unemployment. Nonetheless, unemployment is likely to remain above its pre-pandemic levels on both measures through to 2025 (when our forecast ends).

How many people might be long-term unemployed?

We then translate these projections for unemployment in Northern Ireland through to projections for long-term unemployment, defined here as being unemployed for 12 months or more.

To do this, we assume the proportion of unemployed people who are long-term unemployed follows the path seen in the last recession. This may prove to be optimistic: long-term unemployment fell much less quickly following the recessions of the 1980s and 1990s. However, it could also prove pessimistic: economic recovery may be swifter this time given this recession was caused by the necessary public health response to the pandemic with restrictions now being lifted. The proportion of people becoming long-term unemployed is higher in Northern Ireland than in the UK as a whole. So any rise in unemployment translates into a larger rise in long-term unemployment in Northern Ireland.

Our upper case forecast takes the more pessimistic forecast for claimant unemployment (which, as set out above, is currently higher than LFS unemployment). The lower case forecast takes the more optimistic forecast for LFS unemployment. This gives a potential range for long-term unemployment.

Figure 8: Projections for long-term unemployment in Northern Ireland

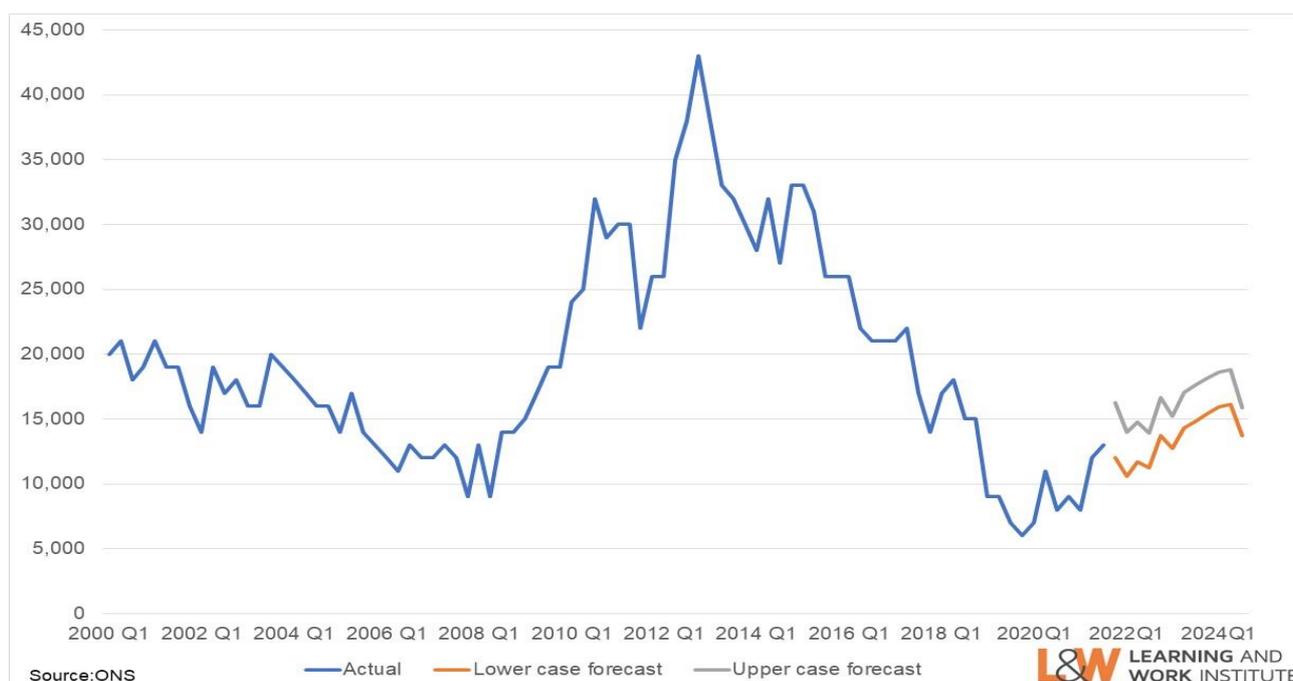


Table 1: Number of people long-term unemployed in Northern Ireland

Year	Actual	Lower case forecast	Upper case forecast
2020	8,750		
2021		11,350	12,300
2022		11,600	14,800
2023		14,300	17,000
2024		15,450	17,280

There are several key points. The first is that the projected peaks in long-term unemployment are much lower than seen after the last recession. This is good news and reflects the success of the furlough scheme and other economic support in protecting jobs and limiting the rise in unemployment. To put this into context, applying this methodology to the UK as a whole would give a peak in long-term unemployment in line with our upside projection produced in early 2021.⁵

The second is that even under these projections, long-term unemployment in Northern Ireland would remain above pre-pandemic levels, at around 11-18,000, through to 2025. That shows that, although things are perhaps not as bad as previously feared, there is still a substantial policy challenge to tackle.

The third is that, along with the uncertainties around levels of unemployment detailed above, employment and skills policy and delivery can affect how many of those who are unemployed become long-term unemployed. That includes by actively engaging those out of work, agreeing an action plan to look for work, and providing appropriate support to do so. That is in addition to ensuring those who become long-term unemployed also receive active support to find work, to limit the amount of time they spend long-term unemployed.

⁵ Recovery and renewal: tackling long-term unemployment, L&W, 2021.

Policy priorities

The future is uncertain and policy and delivery will need to be fleet of foot. However, we identify five priorities to minimise the number of people who are long-term unemployed and to maintain the focus on increasing employment by reducing economic inactivity. These need to be embedded across policy, including through the skills strategy.

1. Limiting the rise in long-term unemployment

A higher proportion of unemployed people become long-term unemployed in Northern Ireland than in the UK as a whole. We need to limit the number of people becoming long-term unemployed by both:

- targeting support to those who were furloughed but lost their jobs, particularly where people have been furloughed for a significant time - although technically employed their skills may have deteriorated as a result; and
- support everyone who becomes unemployed back to work quickly.

There is, of course, a balance given that many who are newly unemployed will quickly find new work without extensive support. However, light touch support, signposting to available vacancies and learning, and fast tracking those who have been furloughed to more in depth support if that is required could help people get back to work quickly and limit the rise in long-term unemployment. Northern Ireland should seek to build on the existing Work Ready Employability Services programme, including considering our previous proposals for a Universal Support Offer for workers who were furloughed.⁶

2. Extra support for people who become long-term unemployed

People who become or are already long-term unemployed will have had a range of support from a Jobs and Benefits Office and others which has not succeeded in helping them to find and sustain employment. Support therefore needs to be different and more intensive.

Work Coaches and advisers need the tools, skills and time to ensure people have the right support, including referral to provision where needed. Employment provision needs to ensure everyone has something to show for their time, potentially including work experience, an improvement in basic skills, completion of a volunteer placement etc. We have previously argued that employment support for people who are long-term unemployed should include some simple guarantees of contact time with a Work Coach or adviser, basic skills support etc.⁷

The Northern Ireland Executive will need to consider whether more intensive support for the long-term unemployed is best delivered by Jobs and Benefits Office Work Coaches or from a contracted programme, such as a successor to the previous Steps to Success

⁶ When furlough has to stop: next steps to avert long-term unemployment, Evans and Aldridge, L&W, 2020.

⁷ Time to act: tackling the looming rise in long-term unemployment, L&W, 2020.

which closed in March 2021. The ‘right’ answer for individuals may be a range of options and a degree of customer choice after personalised assessments.

We must also think about what happens to people who aren’t in employment by the end of their initial support after becoming long-term unemployed – rather than simply repeating the same cycle again. We argue for a Job Guarantee, with the Northern Ireland Executive providing funding to cover for six months the wages of a job created for those who are long-term unemployed and not secured work through other provision.⁸ This job should include high quality training and support to find work in the open market as the funding ends. It would apply to everyone who has been out of work for a particular period of time, such as 24 months. This would build on the Job Start programme introduced during the pandemic to create similar opportunities for young people at risk of long-term unemployment.⁹

3. Maintaining focus on reducing economic inactivity

Reducing economic inactivity has long been recognised as a key policy priority for Northern Ireland.¹⁰ This requires active engagement, in particular with people with health problems, disabilities or caring responsibilities – the largest group of people who are economically inactive. Many may not be in receipt of out-of-work benefits, and they may have a limited recent work history or need support to improve skills.

Councils, community group and learning and skills providers may be well placed to engage with many people in these groups and should be supported to do so. People then need appropriate and effective employment and skills support. That includes building on and extending the best in current provision. These programmes also need to work closely with learning and skills provision and employers to ensure people get the skills support they need to find work.

Taken in the round, this suggests the need for local strategies to identify how best to engage with people who are out of work, including supporting groups already working in the community, and to ensure high quality effective support covering all the areas people need help with to find and sustain work. Local Labour Market Partnerships, designed to develop local plans and support integration of services, offer an opportunity to do this.

4. Supporting retraining

The pandemic is likely to have accelerated some structural economic changes, such as growth in online shopping. This is likely to mean some of those who are long-term unemployed or at risk of becoming long-term unemployed may not be able to return to the sectors they were working in before. They will need to consider switching sectors and/or

⁸ Unleashing talent: levelling up opportunity for young people, Youth Commission final report, L&W, 2021.

⁹ [JobStart scheme | nidirect](#)

¹⁰ Enabling success: supporting the transition from economic inactivity to employment, Department for Employment and Learning and Department of Enterprise, Trade and Investment, 2015.

occupations. This was likely to become an increasing need in any case as global economic changes combined with longer working lives.

Some people will be able to switch into a new role with relatively little support, perhaps for example to understand how their skills might transfer to a new job or sector. Others might need more intensive support. This will depend on the individual, including how long they have been out of work, and the nature of the career switch.

Learning, skills and employment support must work together to help those at risk of or in long-term unemployment get the help they need to identify and access available jobs and careers where their previous sector has declined. This includes thinking about the appropriate role of training for people who are long-term unemployed, delivery of flexible training to fit around job search, work once found, and home life, as well as the role of apprenticeships including any additional support needed for example to support living costs. One option would be for Local Labour Market Partnerships to identify growth roles with specific current and upcoming vacancies, and to work with employers to design joined-up employment and skills support for career switchers and long-term unemployed people, building this into existing employment support provision and programmes.

5. Flexible working to widen employment opportunities

The pandemic saw a step change in use of flexible and remote working. Many employers with office-based staff are looking at how to develop hybrid working that combine time in the office with time working remotely. This, and flexible working more generally, has the potential to open up a wider range of working opportunities to people with health problems and disabilities and with caring responsibilities – providing work that fits around their needs.

The Northern Ireland Executive and business groups should consider ways to help employers to develop, share and spread best practice in work design, including hybrid working. This could include developing a Flexible Work Hub that collates best practice as well as supporting businesses to talk to each other about their own experiences. This should be built into employer engagement by employment support – encouraging employers to think about job design and flexible working to widen their talent pool and increases the chances of people who are long-term unemployed or economically inactive finding work that suits them.