

Labour market implications of COVID-19

How have restrictions on work impacted different types of workers in Northern Ireland?

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Introduction

1. As the United Kingdom (UK) and Northern Ireland (NI) Governments take action to constrain the number of COVID-19 transmissions, social distancing measures are the first line of defence. This has involved the majority of non-essential businesses closing with an unknown timescale for returning to 'business as usual'. Workers are already feeling the pain, with unemployment claims up and huge numbers of employees due to be paid through the UK Government's Coronavirus Job Retention Scheme (JRS). It is important to note that this latter group are not unemployed, but furloughed. In other words, their current labour market status on this scheme is temporary. However, a proportion of these jobs will most likely be lost, but the quantum depends upon the speed of the post-pandemic economic recovery. Therefore, although employees that are furloughed do not represent unemployed workers, they do represent vulnerable jobs. A CIPD UK business survey in May 2020 indicated **that in the absence of the JRS businesses participating in the scheme would have laid off 35% of their workforces**¹.
2. It is too early to assess the scale of the economic damage on the NI economy caused by the pandemic. However, it is certain that the negative impacts will be persistent beyond the lockdown phase, and there will be a lengthy recovery period. A recent survey by the NI Chamber of Commerce highlighted the fragility of the local private sector, suggesting that two-fifths of businesses have either no or less than one month of cash reserves left². The Purchasing Managers Index for April 2020 indicated that 45% of businesses have already reduced staffing levels³.
3. Although no sector will be left untouched by the current crisis, the impact will be far from uniform. Some sectors will be hit much harder than others. Given that the worker characteristics differ significantly between sectors, certain groups of people will bear a disproportionate impact of the crisis.
4. The situation unfolding is very fluid, and there is limited local data available to date. At a UK level there has been substantial uptake to the JRS and by the 31st May 2020 the scheme had safeguarded 8.7m jobs across 1m businesses. In addition, approximately half of the self-employed have applied for support through the Self-Employment Income Support Scheme (SEISS).
5. It is impossible, at this time, to reliably quantify how many of the jobs safeguarded by government initiatives will eventually be lost. However, it is certain that a significant proportion of the population will face financial difficulty. In a recent survey by the Office for National Statistics (ONS) **one in four (25%) adults stated that the coronavirus was affecting their household finances, with 75% reporting reduced income**. The survey results indicated that an increasing proportion of households have needed to use savings to cover living costs, with evidence of having to borrow money or use credit causing concern for some households.

¹ CIPD (2020) Labour market outlook, Spring 2020. [Available via https://www.cipd.co.uk/Images/labour-market-outlook-spring-2020_tcm18-76992.pdf]

² Northern Ireland Chamber of Commerce (2020) NI Chamber & BDO survey: Cash flow crisis persists but business sees benefit from job furlough scheme. Wednesday 29th April. [Available via: <https://www.northernirelandchamber.com/2020/04/29/ni-chamber-bdo-survey-cash-flow-crisis-persists-business-sees-benefit-job-furlough-scheme/>]

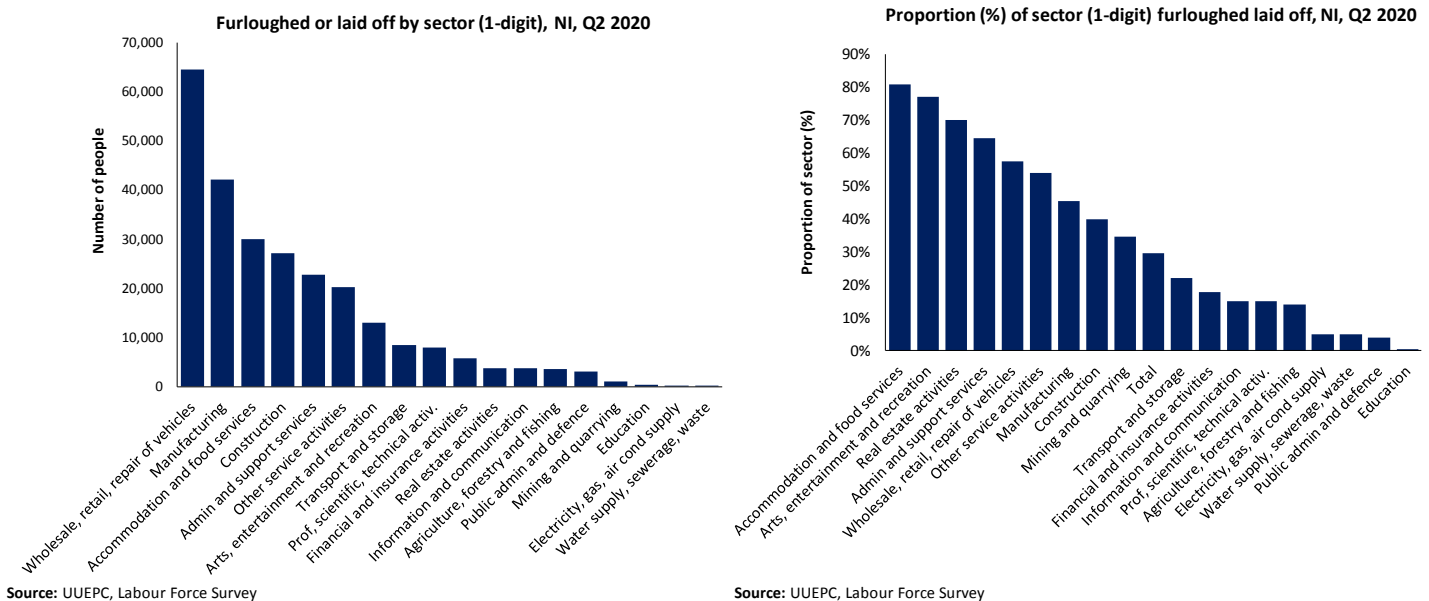
³ Ulster Bank (2020) Northern Ireland PMI – April 2020. [Available via: <https://ulstereconomix.com/wp-content/uploads/2020/05/NI-PMI-April-2020.pdf>]

6. This paper seeks to identify the socio-economic characteristics of the workers temporarily or permanently impacted⁴ as a result of COVID-19. The analysis is consistent with UUEPC's most recent 'Economic consequences of COVID-19' publication⁵. However, the numbers will differ as the analysis in this paper is 'people-based', compared to an analysis using employee jobs in UUEPC's earlier publication. Employee jobs data measures jobs rather than people, double counting workers with more than one job, and excludes the self-employed. The figures presented in this paper are based on total persons employed. **We estimate that 258k people have been furloughed or laid off representing 30% of employment.**
7. The aim of this paper is to identify the groups in society which are more economically vulnerable to future unemployment as this crisis progresses.

In what sectors are jobs at risk?

8. The differences in the types of job roles across industries and varied modes of business operation have meant some sectors of the economy are more exposed than others. For example, the customer facing accommodation and food sector is severely impacted by social distancing restrictions whereas the professional services sector is impacted to a lesser extent, as it has a greater capability for remote working. However, no sector is completely shut down, even the accommodation and food sector retains some level of economic activity as many restaurants are operating a takeaway service and travel agents deal with the consequences of cancelled holidays.

Figure 1: Sector (1-digit, SIC) distribution of furloughed and laid off workers, NI, Q2 2020



9. In absolute terms, **the wholesale and retail sector has had the largest number of people impacted by the shutdown**, accounting for one in four (25%) workers affected. However, the sector most impacted **in proportionate terms is**

⁴ Our analysis includes the self-employed who are unable to work in Q2 2020. Some of this group will now be claiming support through Universal Credit and others through the SEISS.

⁵ UUEPC (2020) Economic consequences of COVID-19 [Available via: https://www.ulster.ac.uk/_data/assets/pdf_file/0004/574204/UUEPC-Economic-Consequences-of-Covid19-Paper-2.pdf]

accommodation and food services, with over four-fifths (81%) of workers in the sector unable to work.

10. At a more detailed sectoral level, retail trade (excluding motor vehicles) is the most impacted sector, accounting for one fifth (20%) of total workers furloughed or laid off. **Although retailers selling essential goods, such as supermarkets and pharmacies, have continued to operate, NI has a relatively large retail sector and the majority of premises remain closed.** This is followed by food and beverage service activities where those furloughed or laid-off account for 10% of total workers impacted, but the sector as a whole, accounts for just 3% of total employment.

Table 1: Sector (2-digit, SIC) distribution of furloughed or laid off workers, NI, Q2 2020

Sector (2-digit)	Furloughed or laid-off	% of total sector	% of furlough or laid off	% of total employment	Percentage point difference
Retail trade, except vehicles	51,000	65%	20%	9%	10.8
Food and beverage service activities	26,800	80%	10%	4%	6.5
Other personal service activities	13,800	70%	5%	2%	3.1
Construction of buildings	11,100	40%	4%	3%	1.1
Specialised construction activities	10,300	40%	4%	3%	1.0
Services to buildings and landscape	8,900	75%	3%	1%	2.1
Manuf of machinery n.e.c.	8,100	70%	3%	1%	1.8
Wholesale trade, except vehicles	7,800	40%	3%	2%	0.8
Sports, amusement, recreation	6,600	75%	3%	1%	1.5
Civil engineering	5,700	40%	2%	2%	0.6

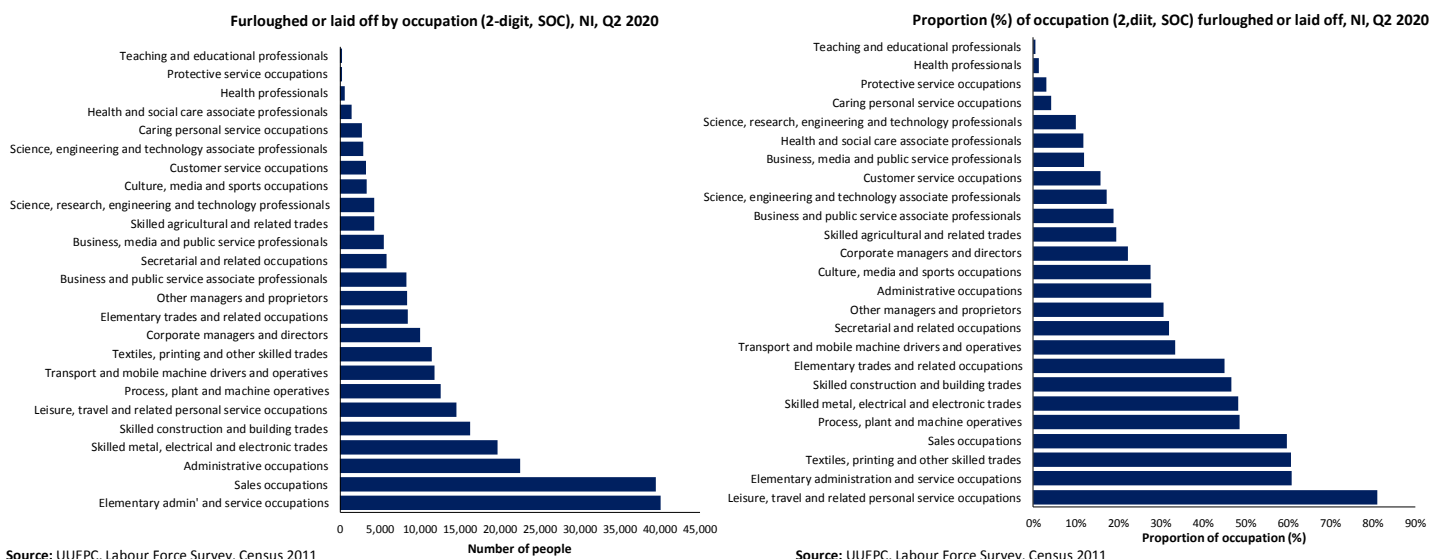
Source: UUEPC, Labour Force Survey

11. **The construction sector has also been severely impacted** as all three construction sub-sectors are in the top ten detailed sectors most impacted by COVID-19 restrictions. The construction sector impact is disproportionate relative to its size. The sector accounts for approximately 7% of people in employment but represents 12% of people who are furloughed or laid off.

In which occupations have workers been furloughed or laid off?

12. Some occupations can be highly concentrated within a specific sector (e.g. doctors within the health sector) and others are spread across a range of sectors (e.g. cleaners across almost all sectors). The impact of COVID-19 restrictions varies across occupation types. Amongst the estimated 258k people who have been furloughed or laid off during Q2 2020, **elementary administration and services occupations have experienced the most severe impact**, as an estimated 40k workers have been furloughed or laid off. This represents 14% of total impacted workers and includes a number of job types linked to sectors which have been most adversely affected, and others which cut across all sectors. For example, **bar staff, waiters and waitresses, kitchen and catering staff** are all included within this occupation. **Cleaners and security staff** are also included in this category.
13. The second most affected occupation group is sales occupations, where 39k are estimated to be either furloughed or laid off. This equates to 15% of workers impacted, which is greater than its 8% share of total employment. Although much of the retail sector remains closed for business, trade has continued for essential goods (food, drink, chemists etc.), and **there is a component of sales occupations which can facilitate working from home (e.g. telesales).**

Figure 2: Occupation (2-digit, SOC) distribution of furloughed or laid off workers, NI, Q2 2020



14. **Leisure, travel and related personal service occupations** account for 6% of workers furloughed or laid off, which is triple their share of total employment (2%). Of all the broad (2-digit) occupation groups, workers in this group are most likely to have been either furloughed or laid off. That is, **a person working in this occupation group is more than four times as likely to have been furloughed or laid off compared to a science, research, engineering and technology professional.**
15. The **ability to work from home is the major driver in determining the probability of being furloughed or laid off.** For example, data from the ONS illustrates that the vast majority of IT professionals have worked remotely at some point, and very few in this occupation have been furloughed or laid off. Whereas, in occupations such as retail cashiers, hairdressing and cleaning the vast majority are unable to work from home, and a high proportion have been furloughed or laid off (figure 3 overleaf).

Figure 3: Proportion of workers furloughed or laid off (Q2 2020) versus proportion who have never worked from home (2019), by occupation (3-digit, SOC), NI



16. At a more detailed occupation level **sales assistants and retail cashiers have been the most severely impacted in terms of absolute number of furloughed and laid off workers**, accounting for over one tenth (13%) of the total. This represents almost two-thirds (64%) of people working in this occupation.

Table 2: Occupation (3-digit, SOC) distribution of those furloughed or laid off, NI, Q2 2020

Occupation (3-digit)	Furloughed or laid-off	% of total occupation	% of furlough or laid off	% of total employment	Percentage point difference
Sales Assistants and Retail Cashiers	34,700	64%	13.5%	4.0%	9.5
Other Elementary Services Occupations	16,600	67%	6.4%	1.9%	4.5
Construction and Building Trades	12,200	48%	4.7%	1.4%	3.3
Elementary Cleaning Occupations	10,900	54%	4.2%	1.2%	3.0
Food Preparation and Hospitality Trades	9,500	77%	3.7%	1.1%	2.6
Hairdressers and Related Services	9,300	91%	3.6%	1.1%	2.5
Other Administrative Occupations	8,200	39%	3.2%	0.9%	2.2
Road Transport Drivers	7,600	29%	2.9%	0.9%	2.1
Administrative Occupations: Finance	6,000	24%	2.3%	0.7%	1.6
Secretarial and Related Occupations	5,800	32%	2.2%	0.7%	1.6
Metal Machining, Fitting and Instrument Making Trade	5,700	63%	2.2%	0.7%	1.5
Managers and Proprietors in Other Services	5,400	29%	2.1%	0.6%	1.5
Elementary Storage Occupations	5,200	65%	2.0%	0.6%	1.4
Electrical and Electronic Trades	5,000	41%	1.9%	0.6%	1.4
Vehicle Trades	4,800	38%	1.9%	0.6%	1.3

Source: UUEPC, Labour Force Survey, Census 2011

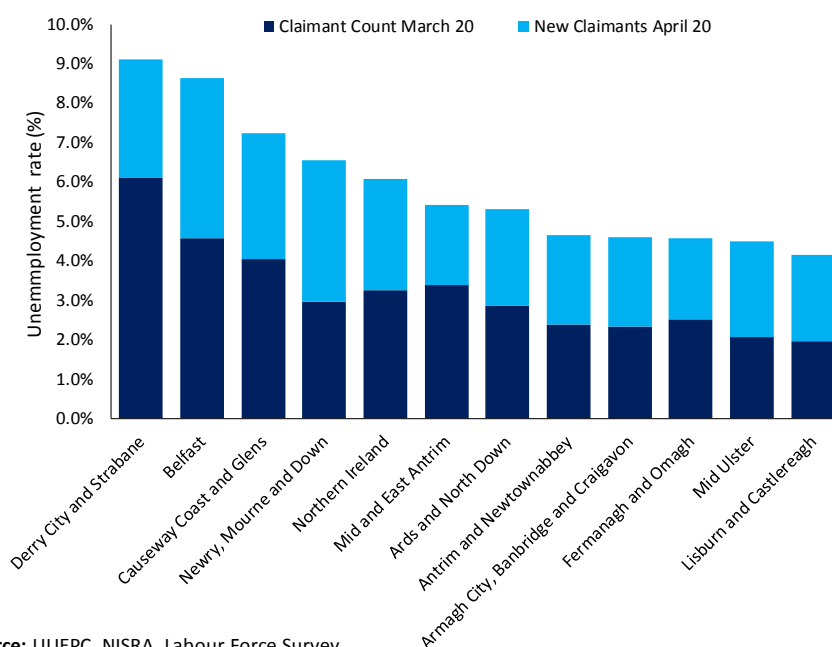
17. The second most affected occupational group is other elementary services occupations (e.g. bar staff, kitchen staff, waitressing staff etc.), accounting for 6%

of the total. However, this represents over six in every ten people employed within this occupation.

Where are the jobs located that have been furloughed or lost?

18. There is limited data available to date to understand the impact of non-essential business closure on the economies of Local Government District's (LGD). The first official data publication was the claimant count figures for April 2020, indicating an increase of 26.5k claimants in NI, almost doubling the claimant count unemployment rate in just over one month to 6.1%.
19. The number of claimants increased across all LGD's over the period. The LGD that experienced the largest percentage point increase in the claimant count unemployment rate was Belfast, increasing from 4.6% in March 2020 to 8.6% in April 2020.

Figure 4: Claimant Count unemployment rate (%), NI, March 2020 - April 2020



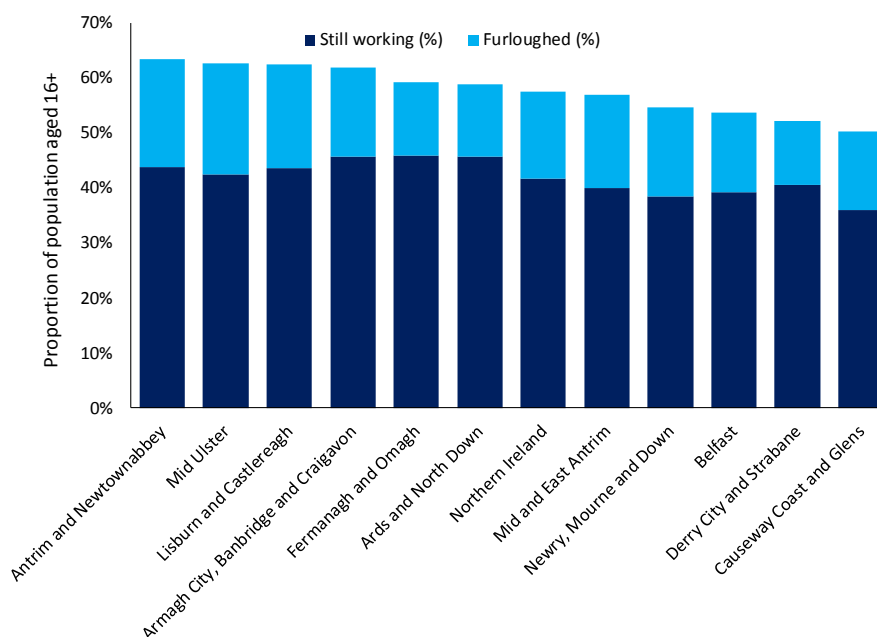
Source: UUEPC, NISRA, Labour Force Survey

20. Notably, the three LGDs with the highest claimant count unemployment rates in March 2020 (i.e. pre COVID-19 restrictions) remain the areas with the highest rates in April 2020 (i.e. incorporating COVID-19 restrictions). That is, Derry City and Strabane (9.1%), Belfast (8.6%) and Causeway Coast and Glens (7.2%).
21. The workplaces of LGD's such as Belfast and Derry City and Strabane are typically more diverse than those outside these two main employment hubs (i.e. they have employment opportunities across a broad range of sectors, as opposed to a high concentration within a small number of sectors). Therefore, the workplaces of those two areas are somewhat protected from significant disruption as a result of COVID-19 restrictions.
22. However, labour market impacts discussed in this paper are residence based (i.e. reporting on those who live within the area), as opposed to workplace based (i.e. reporting on those who work within the area). Wherein the residents of areas such as Belfast and Derry City and Strabane have very different socioeconomic characteristics relative to those who commute to work within these areas. For example, at the time of Census 2011, 28% of employed Belfast residents had at

least tertiary level education, compared to 44% of Belfast’s workplace. Furthermore, 22% of employed Belfast residents had no qualifications compared to 9% of those working in Belfast. In other words, in-commuters to Belfast have a much higher skills profile compared to employed people living in Belfast. In-commuters also account for a larger proportion of professional jobs in Belfast, which are less exposed to being furloughed or laid off.

23. **Those most vulnerable to permanent job loss are furloughed workers.** These types of jobs are the most severely impacted by social distancing measures, and may not be viable once the job retention scheme comes to an end. Social distancing will reduce the trading capacity of a number of sectors, and many businesses will have little choice but to lay off some of their staff.
24. It is estimated that Mid Ulster has the highest proportion of the population (aged 16+) currently furloughed (20%). That is, Mid Ulster had an employment rate of 64% pre COVID-19 restrictions, however removing all currently furloughed workers would reduce the employment rate to 42%. This is followed by Antrim and Newtownabbey where it is estimated 20% of the population (aged 16+) are also furloughed.
25. Although Derry City and Strabane has the lowest proportion of those aged 16+ furloughed (12%) it is an area with one of the lowest employment rates (54%). There is a similar pattern in Belfast where 14% of the population are estimated to be furloughed, which is relatively lower than other LGDs, but has one of the lowest employment rates in NI (56%).

Figure 5: Furloughed and still working, NI, Q2 2020



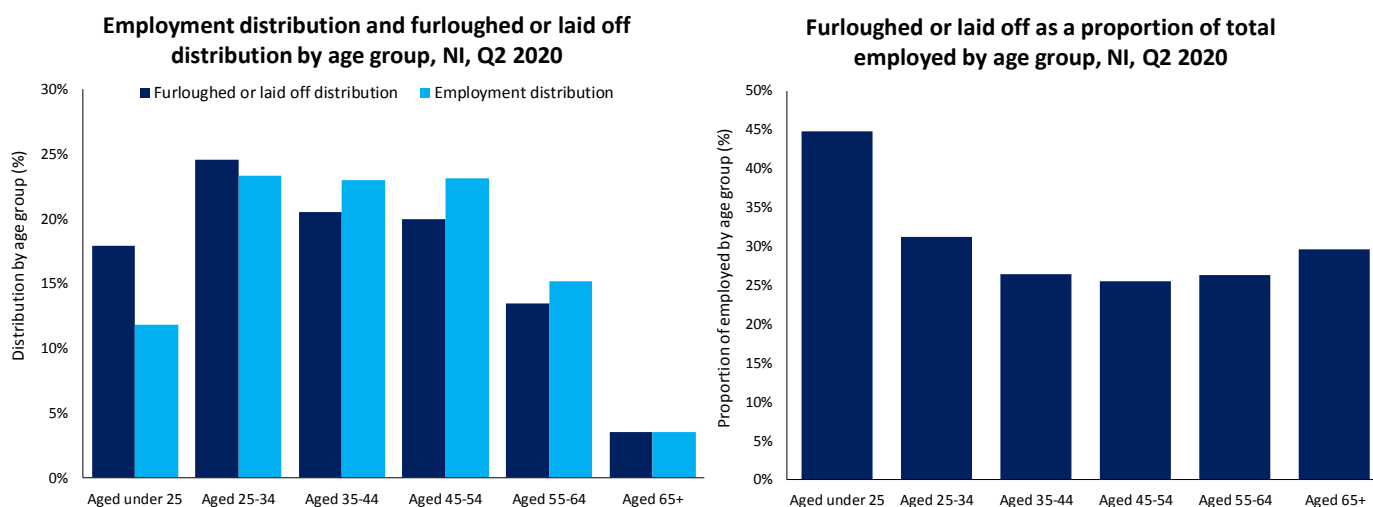
Source: UUEPC, NISRA, Labour Force Survey

26. Any labour market interventions in the recovery period should be equally concerned with those already unemployed before the crisis. Taking a more holistic view of labour market need, highlights large employment gaps, particularly in urban areas, which would be lower on the priority list if COVID-19 displaced workers were to be targeted by policy in isolation. However, it should be recognised that those who are newly unemployed are more work ready than the long-term employed and active labour market interventions should be tailored appropriately.

Are old or young workers most impacted?

27. The differences in age profile of a sector, the relative size of sectors and the varied extent to which sectors are still able to trade causes differences in the impact of COVID-19 restrictions upon the employment prospects of different age groups. For example, **the accommodation and food sector has had the vast majority of economic activity temporarily paused, and over one-third (36%) of people employed in the sector are under 25 years old.** Given, the under 25's represent just over one-tenth (12%) of total employment in NI, the impact within the accommodation and food sector has been intensively felt by young people.
28. In contrast, wholesale and retail is a much larger sector at around three times the size of accommodation and food, as measured by total employment⁶. Approximately one in five (21%) workers within this sector are aged under 25. However, given the relative scale of the sector, **the absolute number of young people employed in wholesale and retail is almost double the number in accommodation and food.**
29. At the opposite end of the scale there are sectors which have limited exposure to restrictions associated with COVID-19 and employ relatively fewer young workers. For example, **it is estimated less than 5% of the public administration sector has been impacted, where just 3% of people working in public administration are aged under 25.** After accounting for these sector differences, we can make an initial assessment of the number of workers in different age groups that have been laid off or furloughed.

Figure 6: Furloughed or laid off by age group, NI, Q2 2020



Source: UUEPC, Labour Force Survey, Census 2011

Source: UUEPC, Labour Force Survey, Census 2011

30. Figure 6 illustrates that **the temporary reduction in economic activity from the UK containment phase is likely to hit young workers hardest.** Of the total number of workers estimated to be laid off or furloughed in the NI labour market, almost one fifth (18%) are under 25 years of age. This is significantly higher than this age groups share of total employment (12%).
31. **Over two-fifths (45%) of total workers under the age of 25 are estimated to have been furloughed or laid off,** the highest proportion across all age groups. It is important to consider this disproportionate impact on younger people within the

⁶ This is in people-based terms extracted from the Labour Force Survey.

wider context. Jobs within sectors significantly impacted by the restrictions are at a higher risk of being permanently lost, thus young people in employment are at a higher risk of becoming unemployed. This has been highlighted by initial evidence at a UK level suggesting that young people are the most likely to have lost their jobs amongst initial layoffs, and the most likely to have had their hours and income reduced⁷.

32. In this climate of uncertainty, recruitment plans are more likely to be postponed or cancelled, creating a **challenging labour market environment for education leavers**. The combination of a higher risk of job loss and a squeeze on entry level positions is likely to create similar labour market conditions for young people to that observed in the recovery period following the 2008 recession, where youth unemployment peaked at 24% in 2010.
33. An increasing number of **graduates in non-graduate jobs** was another feature of the 2008-12 recessionary period. An unfortunate consequence of rising graduate underemployment, relative to their skill level, is the consequence of **raising the probability of unemployment amongst young people on lower rungs of the qualifications ladder, as they are squeezed out of the labour market**.
34. A further consideration is that young people rely on a flexible labour market to begin their career development through graduate recruitment schemes, work placements and internships. There have been some worrying developments in the graduate recruitment market over the past month. A survey by Prospects highlighted that **29% of final year students have lost their current jobs and 26% have lost their internships, while 28% have had their graduate job offer deferred or rescinded**⁸. The Institute of Student Employers' (ISE) reports that **over a quarter (27%) of businesses plan to reduce the number of graduates they recruit for 2020**. Whilst pathway programmes such as **internships and placements have been cut back by almost one-third (31%)**, and **work experience and other taster opportunities have been cut by more than two-thirds (68%)**⁹.
35. There is a **strong evidence base relating to the long-term scarring effects of leaving the education system during an economic downturn from the 1970's¹⁰, 1980's¹¹ and late 2000's^{12,13} recessions**. Cohorts entering the labour market during periods of economic downturn have faced higher unemployment, lower pay and poor job prospects up to a decade later, compared to young people entering work before or after the downturn.

⁷ Adams-Prassl, A., Boneva, T., Golin, M. and Rauh, C. (2020) Inequality in the Impact of the Coronavirus Shock: New Survey Evidence for the UK. [Available via: <http://www.econ.cam.ac.uk/research-files/repec/cam/pdf/cwpe2023.pdf>]

⁸ Greaves, L. (2020) Graduating into a pandemic: the impact on university graduates [Available via: <https://luminare.prospects.ac.uk/graduating-into-a-pandemic-the-impact-on-university-finalists>]

⁹ ISE (2020) COVID-19: Challenges for student recruitment and development [Available via: <https://ise.org.uk/page/ISEPublications>]

¹⁰ Gregg, P. & Tominey, E. (2004) The wage scar from youth unemployment. [Available via: <http://www.bristol.ac.uk/media-library/sites/cmpo/migrated/documents/wp97.pdf>]

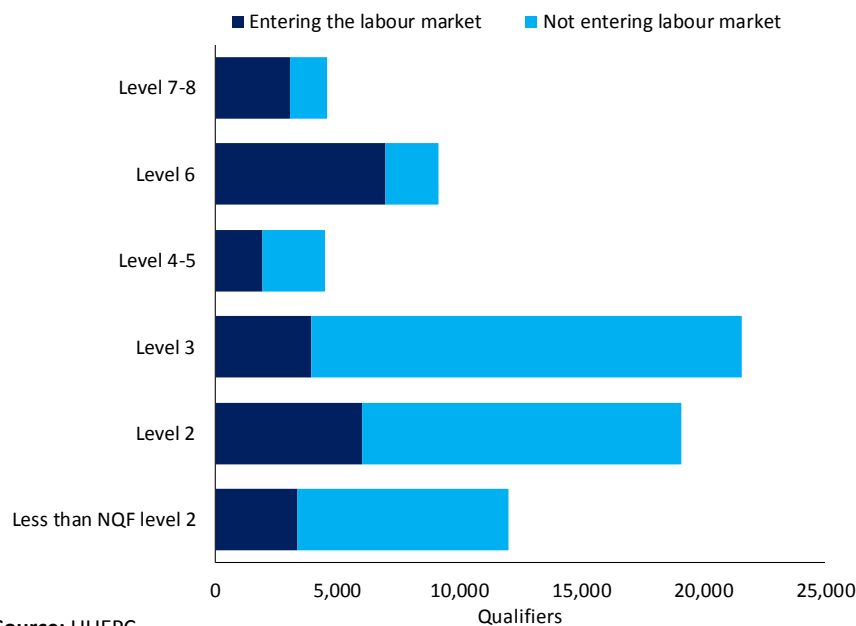
¹¹ Vaitilingam, Romesh (2010) Recession Britain: Findings from economic and social research [Available via: <https://esrc.ukri.org/files/news-events-and-publications/publications/themed-publications/recession-britain/>]

¹² Clarke, S. (2020) Growing Pains: The impact of leaving education during a recession on earnings and employment. [Available via <https://mk0nuffieldfounpg9ee.kinstacdn.com/wp-content/uploads/2019/05/Briefing-paper-Growing-pains-The-impact-of-leaving-education-during-a-recession-on-earnings-and-employment.pdf>]

¹³ Cribb, J. Hood, A. & Joyce, R. (2017) Entering the labour market in a weak economy: scarring and insurance. [Available via <https://www.ifs.org.uk/uploads/WP201727.pdf>]

36. UUEPC’s work on the NI Skills Barometer highlights that in a ‘normal year’ approximately 25,000 young qualifiers enter the labour market (see Figure 7), seeking to leverage their qualifications to gain a job in the field in which they want to develop a career. With the number of vacancies collapsing and high numbers of jobs in the existing labour market at risk, **such a large number of young people entering the search for work will put upward pressure on the youth unemployment rate, and risks long-term scarring effects on the labour market prospects of an entire cohort of education leavers.**

Figure 7: Annual average destination of leavers by qualification (NQF), NI, 2018-2028



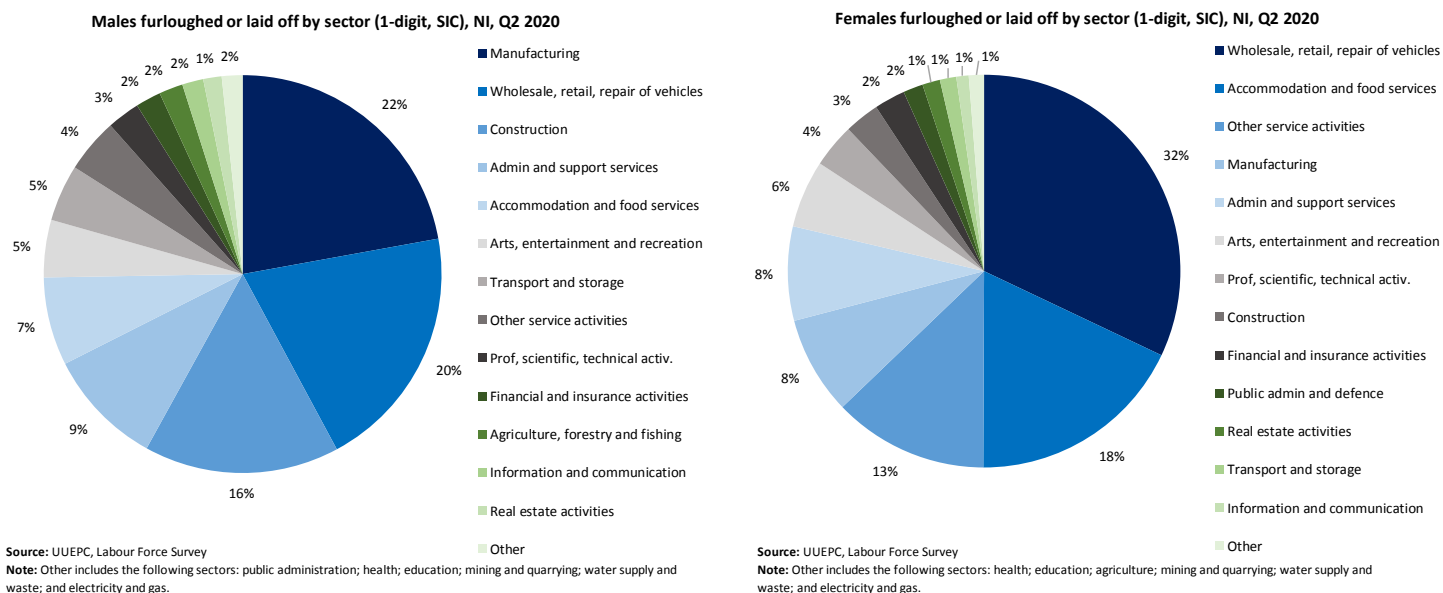
37. Leading economic indicators signalling a pronounced downturn; initial evidence of disproportionate impacts on the young; worrying survey evidence from the graduate recruitment market; and prior knowledge of the long-term negative consequences of entering the labour market during a recession create a recipe for a perfect storm. **The response from education providers to offer attractive flexible options for young people to delay their entry to the labour market, and remain in full-time study, will be an important factor to mitigate against youth unemployment and the long-term scarring effects associated with leaving education during a recession.**

Are males and females affected equally?

38. Instinctively, given the severity of the impact of the lockdown on sectors such as accommodation and food and wholesale and retail, it could have been expected to observe a predominantly ‘female’ impact. However, as this crisis has unfolded emerging evidence has indicated that **no sector has escaped the collapse of demand, nor the implications of trading under social distancing restrictions.** Indeed, a significant component of sectors which are male dominated (e.g. construction and manufacturing) have also seen a large proportion of their workforce furloughed as part of the lockdown.
39. In total, UUEPC research indicates that **males account for around 57% of those who have been furloughed or laid off, and females 43%.** However, males account for a larger proportion of total employment. Once this is taken into consideration, we estimate that **32% of men have been furloughed or laid off**

compared to 27% of women. That is not to say men are at greater risk of unemployment compared to women. The restrictions currently in place will ease at different points in time for each sector and it is likely that male dominated production sectors such as construction and manufacturing will return to work at an earlier point compared to predominantly female sectors such as accommodation and food.

Figure 8: Sector distribution (1-digit, SIC) of those furloughed or laid off by gender, NI, Q2 2020



40. There is a **significantly different sectoral composition of men and women who have been furloughed or laid off**. For example, manufacturing accounts for over one-fifth (22%) of men and less than one tenth (8%) of women. Construction accounts for 16% of men, but just 3% of women effected. On the other hand, wholesale and retail accounts for one-third (32%) of women furloughed or laid off, yet the sector accounts for just one-fifth (20%) of men.
41. It is also worth noting that **female employment is highly concentrated in sectors which have been relatively insulated from the economic impacts of COVID-19**. For example, employment in public administration, education and health accounts for almost half (48%) of female employment, compared to just 17% amongst men. This creates a large skew in the probability for each gender to be furloughed or laid off.
42. The variance in the sector composition of males and females impacted by the crisis leads to **stark differences in the occupations furloughed or laid off**. For example, amongst females, sales occupations account for 24% of the job loss and furlough group, compared to just 9% of males. Amongst males skilled metal, electrical and electronic trades account for the largest proportion of jobs impacted (13%), compared to 1% of females impacted.

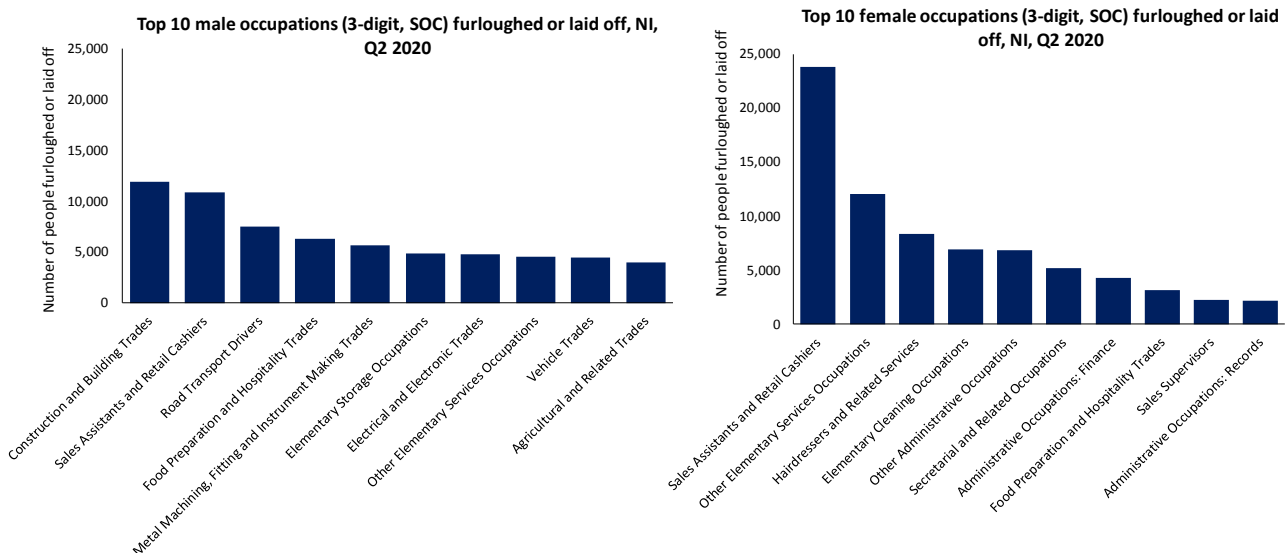
Table 3: Occupation (2-digit, SOC) distribution of those furloughed or laid-off by gender, NI, Q2 2020

SOC (2-digit)	Furloughed or laid off	
	Male	Female
Corporate managers and directors	5%	3%
Other managers and proprietors	3%	3%
Science, research, engineering and technology professionals	2%	1%
Health professionals	0%	0%
Teaching and educational professionals	0%	0%
Business, media and public service professionals	2%	2%
Science, engineering and technology associate professionals	1%	1%
Health and social care associate professionals	0%	1%
Protective service occupations	0%	0%
Culture, media and sports occupations	1%	1%
Business and public service associate professionals	3%	3%
Administrative occupations	5%	14%
Secretarial and related occupations	0%	5%
Skilled agricultural and related trades	3%	0%
Skilled metal, electrical and electronic trades	13%	1%
Skilled construction and building trades	11%	0%
Textiles, printing and other skilled trades	5%	3%
Caring personal service occupations	0%	2%
Leisure, travel and related personal service occupations	3%	10%
Sales occupations	9%	24%
Customer service occupations	1%	2%
Process, plant and machine operatives	7%	2%
Transport and mobile machine drivers and operatives	8%	0%
Elementary trades and related occupations	4%	2%
Elementary administration and service occupations	12%	20%
Total	100%	100%

Source: UUEPC, Labour Force Survey, Census 2011

43. At a more detailed occupation grouping the top three impacted occupations for men are construction and building trades (8% of the total); sales assistants and retail cashiers (7% of the total); and road transport drivers (5% of the total). In contrast the top three occupations for females are sales assistants and retail cashiers (22% of the total); other elementary services occupations (11% of the total) and hairdressers and related services (8% of the total).
44. Figure 9 highlights that **female employment is more concentrated in a narrow group of occupations compared to males**. The top three impacted occupations for females account for over two-fifths (41%) of females furloughed or laid off. In contrast, the top three male occupations account for only one-fifth (20%) of all males impacted.

Figure 9: Top ten occupations (3-digit, SOC) furloughed or laid off by gender, NI, Q2 2020



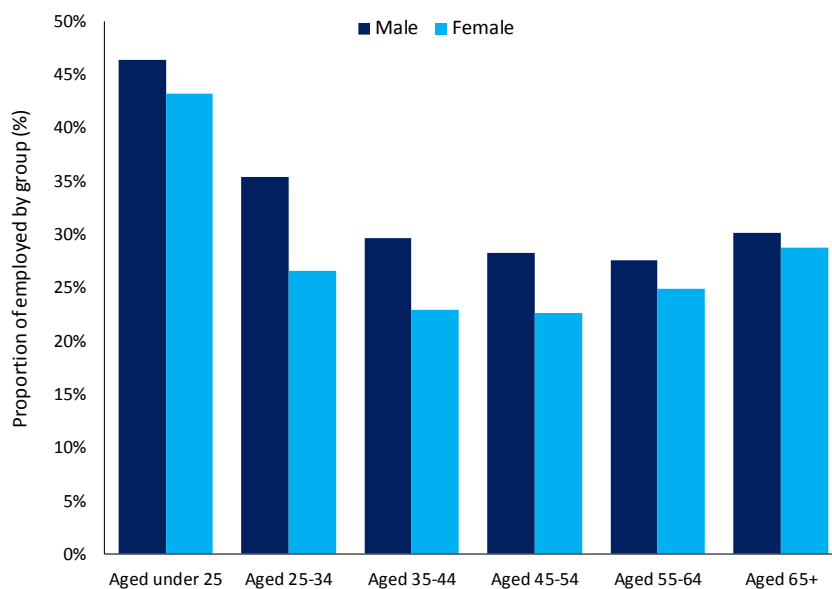
Source: UUEPC, Labour Force Survey, Census 2011

Source: UUEPC, Labour Force Survey, Census 2011

The overarching age and gender story

45. The age composition by gender indicates almost half (46%) of employed young males (under the age of 25) have been either furloughed or laid off. Indeed, males aged under 35 account for almost one-quarter (24%) of those furloughed or laid off despite representing only 18% of total employment, implying this group of workers have been disproportionately impacted.

Figure 10: Furloughed or laid off workers as a proportion of total employed by age group and gender, NI, Q2 2020



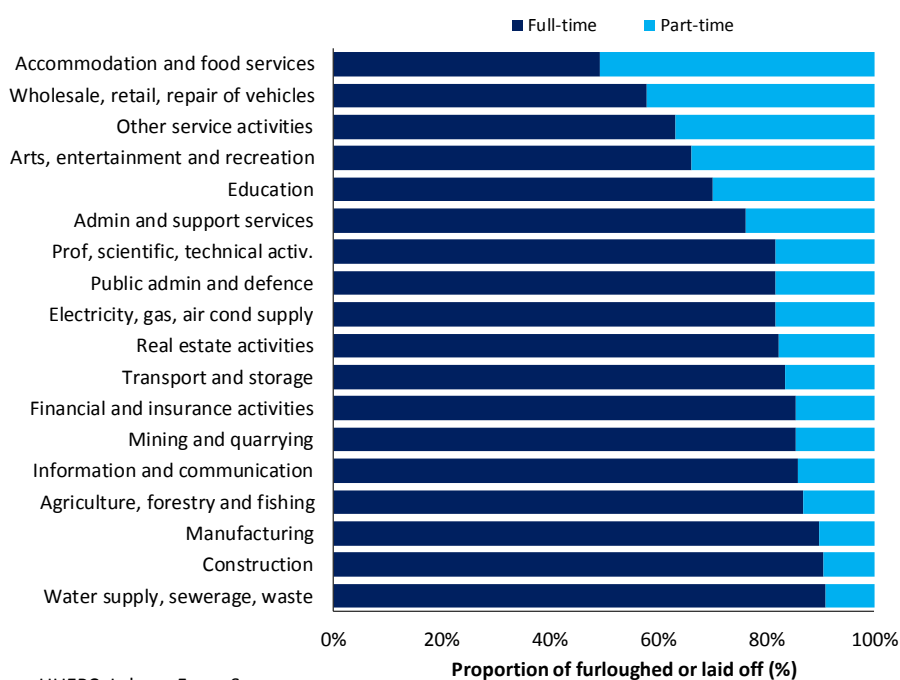
Source: UUEPC, Labour Force Survey, Census 2011

46. In comparison, it is estimated that over two-fifths (43%) of females aged under 25 have been furloughed or laid off. However, females aged under 35 account for 18% of those who have been furloughed or laid off, a similar proportion to their share of total employment (17%). Accounting for the fact that males represent a proportionately larger share of the total employment, their probability of being furloughed or laid off is still higher across all age categories.
47. The detailed occupations which account for the highest proportion of furloughed or laid off males aged under 35 are: sales assistants (13%); construction and building trades (8%); and other elementary service occupations (5%). This composition differs marginally from the total employment composition where the top three occupations are: sales assistants (8%); construction and building trades (6%); and IT and telecommunication professionals (5%).
48. In comparison, the detailed occupations which account for the highest proportion of furloughed or laid off females aged under 35 are: sales assistants (26%); other elementary service occupations (15%); and hairdressers and related services (10%). **This differs significantly from the total employment composition** where the top three occupations are: sales assistants (13%); caring and personal services (8%); other elementary service occupations (8%).
49. It is important to recognise a proportion of these jobs will have been permanently lost, and detachment from the labour market at a young age can have significant consequences for future long-term labour market participation.

Are part-time workers impacted more than full-time workers?

50. The composition of job type within sectors plays an important role in understanding the types of workers vulnerable to being furloughed or laid off. Overall, **more than two-thirds of people furloughed or laid off are full time workers (70%), with almost one-third (30%) being part-time workers**. This represents a slight deviation from whole economy averages where 76% of people work full-time and 24% part-time.
51. Some of the sectors most impacted are large part-time employers such as accommodation and food services, where almost half (48%) of those laid off or furloughed work part-time. In the wholesale and retail sector over two-fifths (42%) of people impacted work in a part-time position. However, the lockdown is cutting across NI's private sector. Production sectors such as manufacturing and construction have also been significantly impacted. These two sectors account for almost one-fifth (18%) of total employment and are mostly comprised of full-time workers. Over nine-tenths of workers impacted in manufacturing (91%) and construction (92%) are full-time workers, largely mirroring the structure of employment in the sectors.

Figure 11: Furloughed or laid off workers by full-time and part-time by sector (1-digit, SIC), NI, Q2 2020

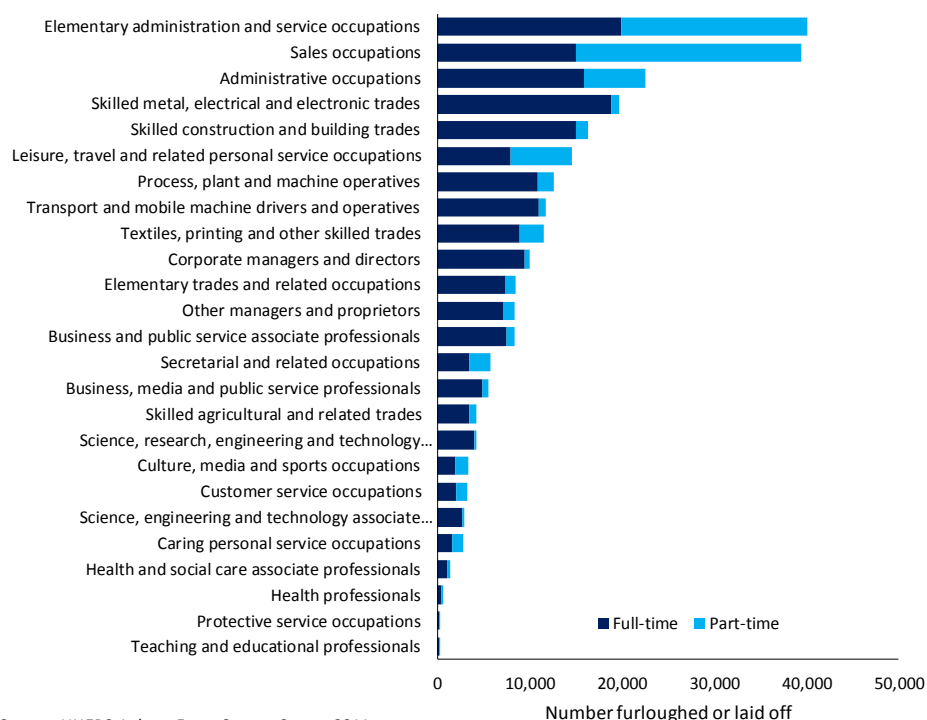


Source: UUEPC, Labour Force Survey

Note: Chart excludes health and social work sector

52. Wholesale and retail and accommodation and food services are the largest providers of part-time employment in NI's private sector. With most of these sectors currently being shut down, it has a significant effect on the distribution of impacted employment on an occupational basis. **Most of the part-time positions furloughed or laid off are in sales occupations (32%) and elementary administration and service occupations (26%)**. A slow recovery period in these two sectors will create a squeeze on job opportunities for those unable to work full-time who require more flexible working hours.

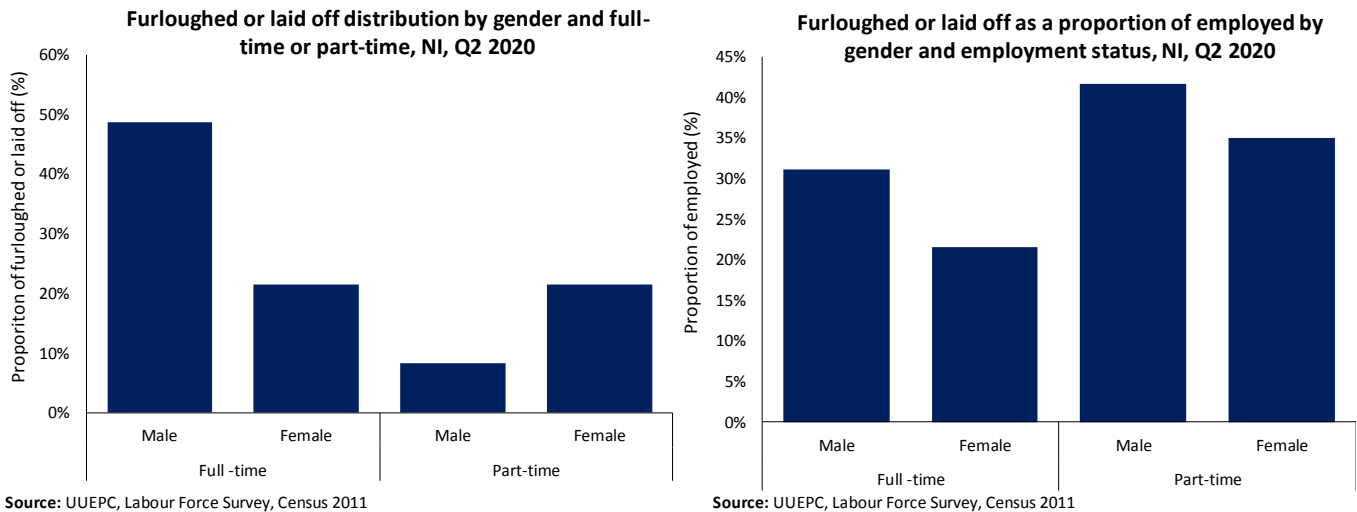
Figure 12: Occupation (2-digit, SOC) distribution of those furloughed or laid off by full-time or part-time, NI, Q2 2020



Source: UUEPC, Labour Force Survey, Census 2011

53. **The distribution of workers currently impacted is much more evenly spread amongst full-time workers.** The top three most impacted occupations amongst full-time positions are: elementary administration and service occupations (11%); skilled metal, electrical and electronic trades (10%); and administrative occupations (9%).
54. There are significant gender differences when job-type is considered. For example, production sectors tend to be comprised of predominantly male and full-time workers, whereas adversely impacted service sectors such as retail and hospitality are weighted more towards part-time and female workers.
55. Overall, **full-time males comprise the largest group amongst furloughed or laid off workers**, accounting for almost half (49%), followed by part-time females (22%). However, male part-time workers are the group with the highest probability of being furloughed or laid off. It is estimated, approximately two-fifths (42%) of part-time males are unable to do their job under the current restrictions or have recently been made unemployed, compared to 35% of part-time females.

Figure 13: Furloughed or laid off by gender and employment status, NI, Q2 2020



56. It is important to note that there are over three times more female part-time workers (160k) relative to males (50k). Therefore, the volume of furloughed or laid off part-time females is three times higher than the volume of furloughed or laid off part-time males.

Is the impact more severe amongst the self-employed or employees?

57. Employees comprise the vast majority (83%) of workers who have been laid off or furloughed, which is unsurprising considering the structure of the labour market, where employees account for 84% of total employment. However, **the probability of being directly impacted by the restrictions imposed is slightly higher amongst the self-employed** (40% furloughed or laid off) compared to employees (28% furloughed or laid off).

58. There are significant differences in the occupation composition of those furloughed or laid off between employees and the self-employed. For example, skilled construction and building trades account for almost one-fifth (18%) of self-employed workers furloughed or laid off, compared to just 3% of employees. Similarly, leisure, travel and related personal services represent 12% of self-employed workers furloughed or laid off, yet the same occupation group represents only 4% of employees.

Table 4: Occupation (2-digit, SOC) distribution of furloughed or laid off workers by employment type, NI, Q2 2020

SOC (2-digit)	Furloughed or laid off	
	Employee	Self-employed
Corporate managers and directors	3%	6%
Other managers and proprietors	2%	9%
Science, research, engineering and technology professionals	2%	2%
Health professionals	0%	0%
Teaching and educational professionals	0%	0%
Business, media and public service professionals	2%	2%
Science, engineering and technology associate professionals	1%	0%
Health and social care associate professionals	1%	0%
Protective service occupations	0%	0%
Culture, media and sports occupations	1%	4%
Business and public service associate professionals	4%	2%
Administrative occupations	10%	3%
Secretarial and related occupations	3%	1%
Skilled agricultural and related trades	0%	6%
Skilled metal, electrical and electronic trades	8%	8%
Skilled construction and building trades	3%	18%
Textiles, printing and other skilled trades	5%	4%
Caring personal service occupations	1%	2%
Leisure, travel and related personal service occupations	4%	12%
Sales occupations	19%	3%
Customer service occupations	2%	0%
Process, plant and machine operatives	5%	4%
Transport and mobile machine drivers and operatives	4%	7%
Elementary trades and related occupations	3%	3%
Elementary administration and service occupations	18%	5%
Total	100%	100%

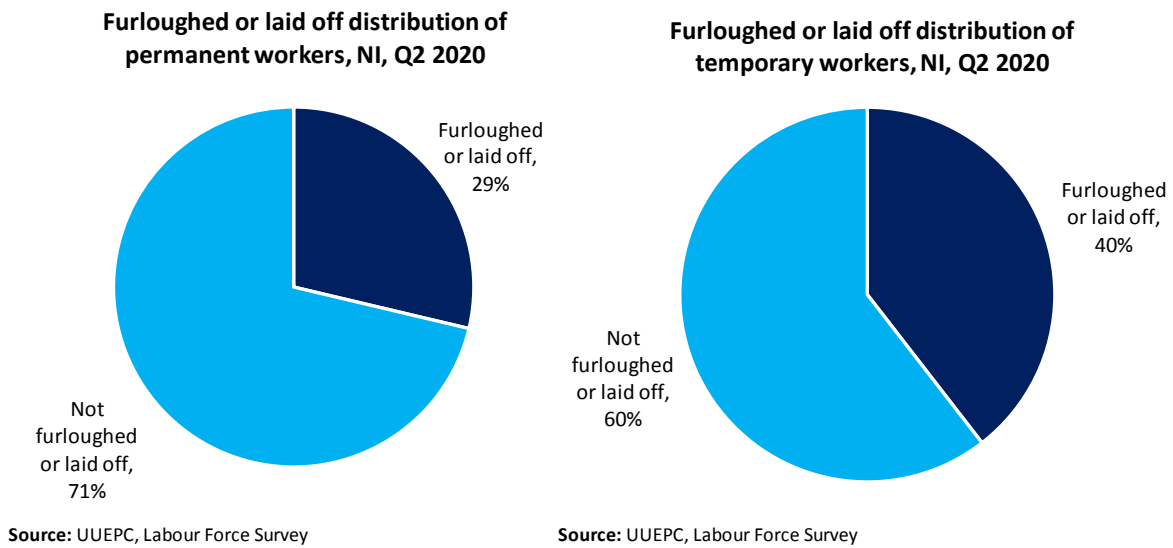
Source: UUEPC, Labour Force Survey, Census 2011

59. Although the self-employed represent a relatively small proportion of total employment, self-employed workers are highly concentrated within specific sectors and occupations. For example, agriculture, construction and other service activities represent over two-fifths (43%) of self-employed workers. Therefore, any disruption within these sectors will have a disproportionate impact on by self-employed workers.

Are temporary workers more at risk than permanent workers?

60. Temporary workers (i.e. jobs not permanent in some way) represent a relatively small cohort within the NI labour market, accounting for 7% of employees. Therefore, they also comprise a small component of overall furloughed or laid off workers at 9%. However, **a temporary worker is relatively more likely to have been furloughed or laid off (40% of total temporary employees) compared to a permanent employee (29% of total permanent employees).**
61. Workers on temporary contracts are typically concentrated in sectors such as education and health and social work as well as retail and hospitality, many of which have been severely impacted by the restrictions, influencing the higher probability of being furloughed or laid off.

Figure 14: Furloughed or laid off workers by permanent or temporary, NI, Q2 2020



62. The post-recession period (from 2012 onwards) has seen growth in non-standard forms of employment i.e. temporary contracts, part-time employment and self-employed¹⁴. Workers on temporary contracts alone accounted for 10% of total employment growth over the decade 2009 to 2019. This demonstrates the important role that this contract type has in the labour market as a provider of flexible employment for those unable to commit to more regular work. If these types of jobs are lost in significant number and the jobs recovery is not swift, the ability of returning to employment for workers unable to commit to regular hours will be limited.

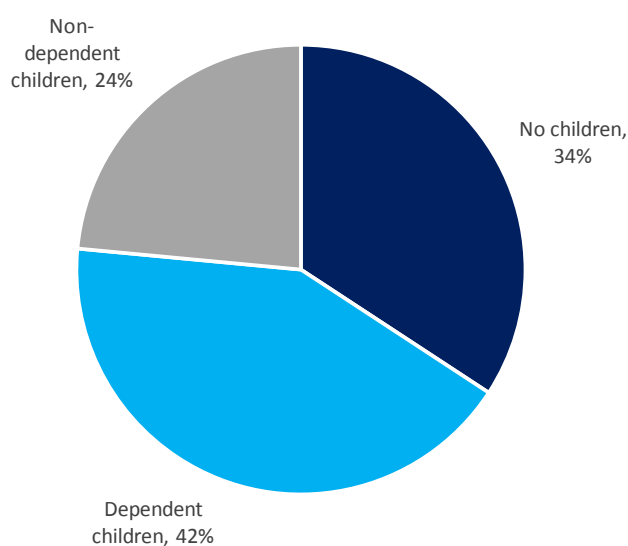
Family type

63. The COVID-19 restrictions have altered working life for parents, as many have had to work from home alongside home schooling and/or providing childcare, as both schools and childcare facilities have remained closed for all but essential workers.
64. It is estimated **a family unit with dependent children¹⁵ account for over two-fifths (42%) of total workers impacted by COVID-19 restrictions**. This translates to 109k workers furloughed or laid off have dependent children, compared to 60k with non-dependent children and 88k with no children. The distribution of those furloughed or laid off by family unit, is similar to the total employment distribution with no group facing significantly worse outcomes. However, as the UK and NI Government's begin to announce the phased reopening of the economy, many parents will be asked to return to work.

¹⁴ UUEPC (2019) Economic Policy Centre Outlook: Summer 2019. [Available via: https://www.ulster.ac.uk/_data/assets/pdf_file/0003/416667/UUEPC-Summer-2019-Economic-Outlook.pdf]

¹⁵ A dependent child is under the age of 16 or aged 16-18 and in full-time education.

Figure 15: Furloughed or laid off workers by family unit, NI, Q2 2020



Source: UUEPC, Labour Force Survey, Census 2011

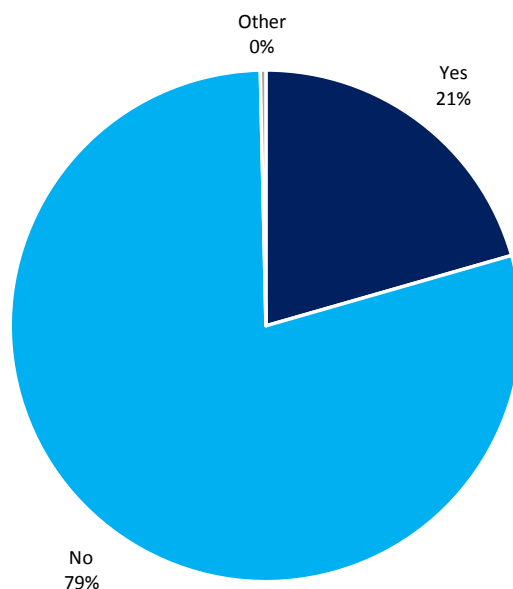
65. **To return to employment workers with dependent children will require childcare provision, either formal (e.g. registered childminders, day nurseries) and/or informal (e.g. grandparents, other relatives).** According to the Northern Ireland Childcare Survey¹⁶ 56% of families in NI used a mixture of both formal and informal childcare in 2019, accounting for 45 hours per week of childcare. A further, 33% of families used formal childcare only and 8% informal only. At the time of writing, formal childcare providers remain closed for all but priority groups, and informal childcare is not possible under the restrictions. In addition, almost two-thirds (64%) of families use grandparents to provide some or all of their childcare requirements, many of whom are shielding.
66. Therefore, the issue of securing access to childcare is unlikely to be solved by the reopening of school and childcare facilities in isolation. Given the nature of how childcare responsibilities have typically been arranged in Northern Irish families, **continued barriers to appropriate childcare are likely to disproportionately impact female labour market participation.** In particular, **lone parents, who are predominately female, will be acutely impacted** without an ability to avail of support from their wider family network.

¹⁶ Employers for Childcare (2019) Northern Ireland Childcare Survey [Available via <https://www.employersforchildcare.org/report/northern-ireland-childcare-survey-2019/>]

Are those with a long-lasting illness impacted more severely?

67. **It is estimated that 21% of workers placed on furlough or laid off have a long-lasting health condition¹⁷.** This is similar to the proportion of total employed self-reporting a long-lasting health condition. Therefore, this group is not disproportionately impacted, but is worth drawing attention to the size of this group - representing 53k workers. It is also worth considering that some of this group are particularly vulnerable and may be shielding. Therefore, their ability to return to work may be limited once restrictions are eased.
68. This group are capable of work, however it is possible many of those 53k workers are also eligible for some form of incapacity benefit. This poses a risk with regard to long-term labour market participation, particularly during a period of economic downturn as such passive forms of benefits are often a last resort for those unable to access or remain in the labour market.

Figure 16: Furloughed or laid off workers by long-lasting health condition, NI, Q2 2020



Source: UUEPC, Labour Force Survey, Census 2011

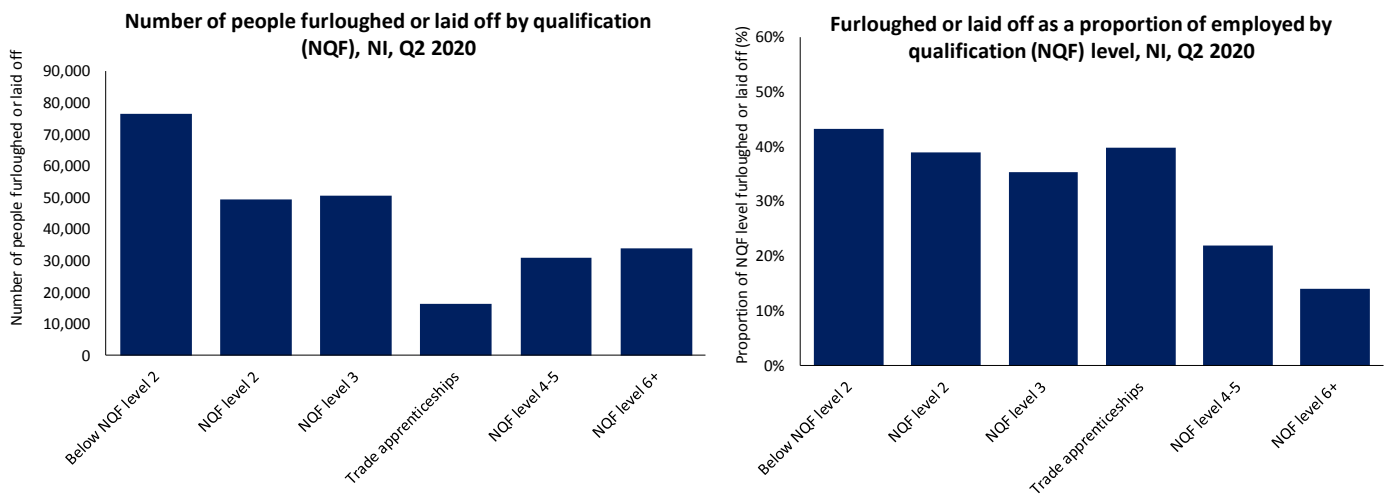
69. If labour market prospects continue to worsen over the course of the pandemic, there is a risk that some of these individuals will **transition onto passive forms of sickness and disability benefits. This is particularly concerning as these claimants are associated with very low exit rates**, i.e. only a minority transition back to employment.
70. Further, **the sectoral composition of any future recovery remains unclear and thus may create challenges for those workers with long term health conditions**, potentially impacting their occupational mobility if their current job is lost.

¹⁷ A health condition lasting longer than 12 months.

Are there differences in impact across the qualification spectrum?

71. The pattern of those impacted across the qualifications spectrum is striking. **Almost half (49%) of the total number of workers who have been furloughed or laid off, have a highest qualification equal to NQF level 2 or below (5 GCSE's A*-C).** One in four (25%) workers impacted have a tertiary level qualification (NQF level 4+), which is much lower than tertiary qualified workers' share of total employment (44%). **The probability of a degree level worker (NQF level 6+) being furloughed or laid off is 14% which is around half as likely as the probability the average person in employment (30%).**

Figure 17: Furloughed or laid off workers by highest level of qualification (NQF), NI, Q2 2020

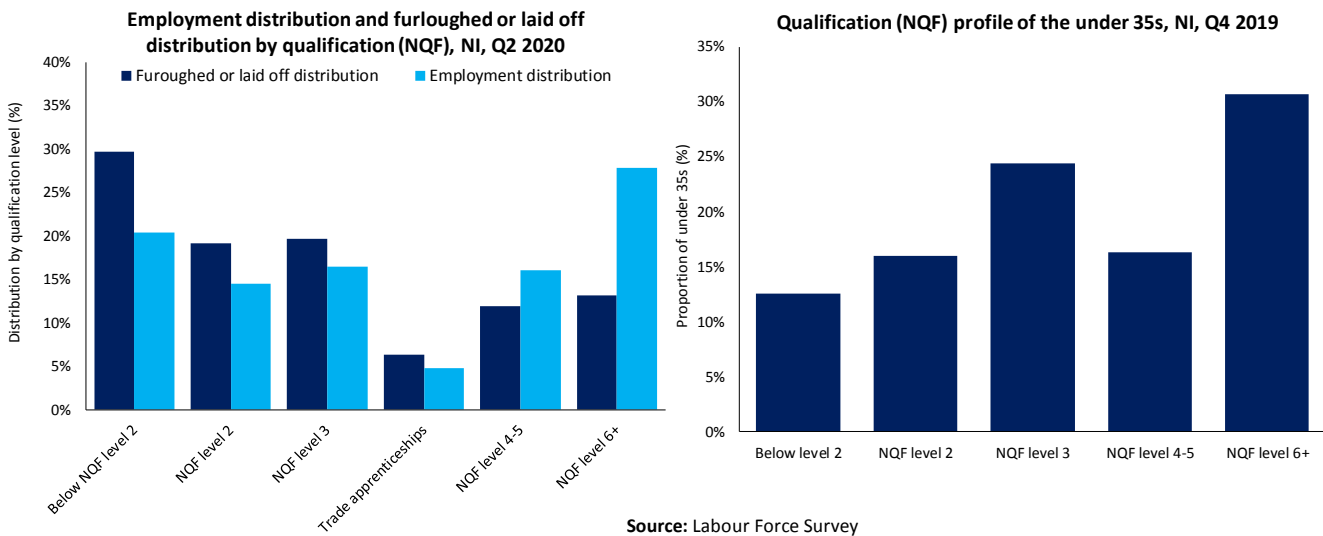


Source: UUEPC, Labour Force Survey

Source: UUEPC, Labour Force Survey, Census 2011

72. The lower qualifications profile amongst the affected workers could create significant challenges in the recovery period if there are further job losses amongst the furloughed group. The qualifications profile of young workers provides a reasonable proxy for skills demand in the local labour market. It includes most recent leavers from the education system and a significant component of job-to-job moves (which occurs with greater frequency amongst younger cohorts in the labour market).

Figure 18: Furloughed or laid off workers by highest level of qualification versus skills of under 35's (Q2 2020)



Source: Labour Force Survey

Note: Figures are based on a 4-quarter rolling average to Q4 2019

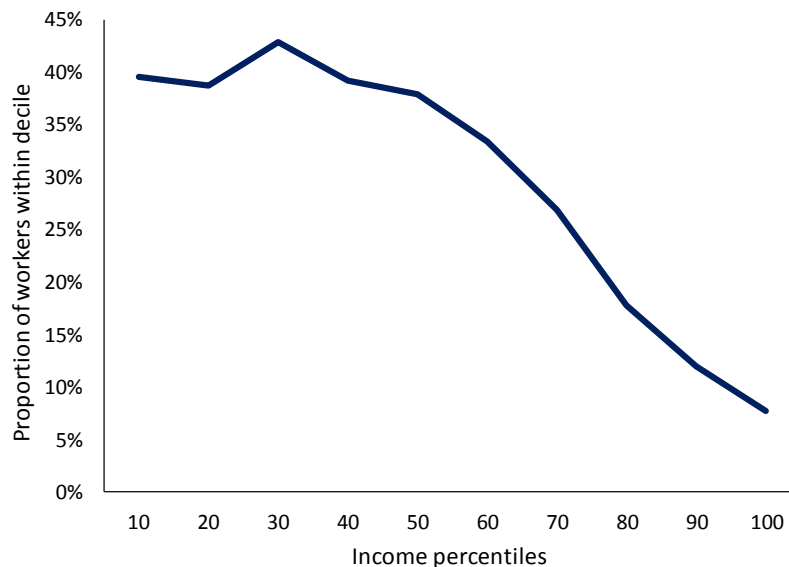
Source: UUEPC, Labour Force Survey, Census 2011

73. As the figure above illustrates, the skills profile of the furloughed and laid off workers is considerably lower than that of the under 35 population in employment. If the sectors in which there have been job losses do not recover quickly, the **skills deficit may cause difficulties in securing alternative employment as lower qualifications will limit occupational mobility.**

What are the inequality implications?

74. The impact across the earnings spectrum indicates there are stark differences in the impacts felt by the highest paid and lowest paid in the labour market. **The bottom three deciles on the earnings distribution account for 41% of furloughed or laid off workers, while the top three deciles account for just 13%.** A worker in the lowest earning decile is around five times as likely to be furloughed or laid off when compared to someone in the top 10% of earners.

Figure 19: Probability of being furloughed or laid off by earnings decile, NI, Q2 2020

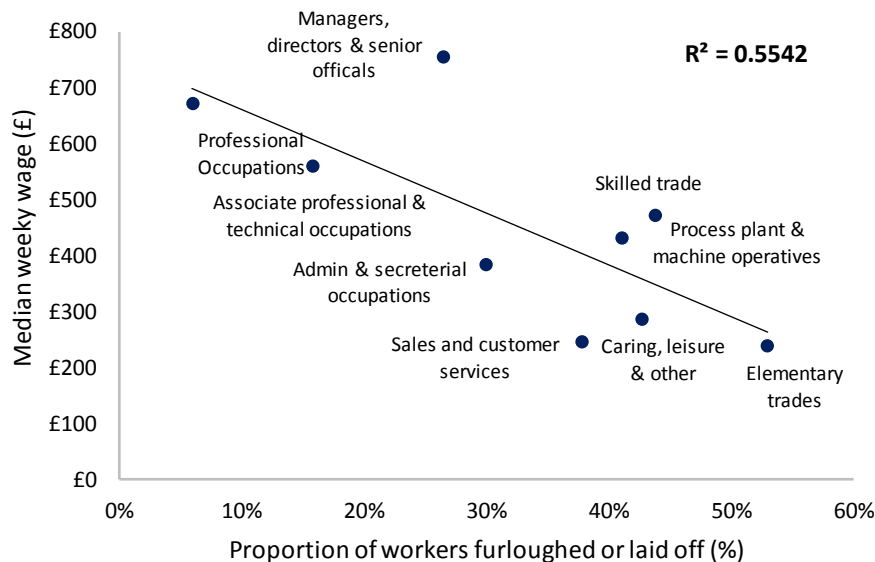


Source: UUEPC, Labour Force Survey, Census 2011

Note: Percentiles are based on the UK income distribution

75. The distributional impacts are unsurprising given the nature of the occupations which have been most severely impacted during this crisis. Occupations towards the bottom of the earnings spectrum such as taxi drivers, retail assistants, security staff and hospitality workers are clearly more likely to be impacted than higher paid professional workers who are more easily able to work from home. **The occupations with the highest percentage of workers furloughed or laid off are also amongst the lowest paid in the labour market.**

Figure 20: Proportion (%) of occupations furloughed or laid off (Q2 2020) versus median weekly earnings by occupation (2019)



Source: UUEPC, Labour Force Survey, Census 2011, ASHE

76. If the sector and occupations most severely impacted face a long and sustained period of dampened demand, **a slow recovery will have negative implications for measurements of income inequality.** There is a wealth of literature which demonstrates the link between higher inequality and a range of negative social, economic and health issues¹⁸. Therefore, it is important to be cognisant of the fact that the uneven distributional impact will create policy challenges beyond those directly stemming from labour market weakness.

¹⁸ D'Hombres, B, Weber, A. and Elia, L. (2012) Literature review on income inequality and its impact on social outcomes [Available via: <https://core.ac.uk/download/pdf/38625367.pdf>]

Summary

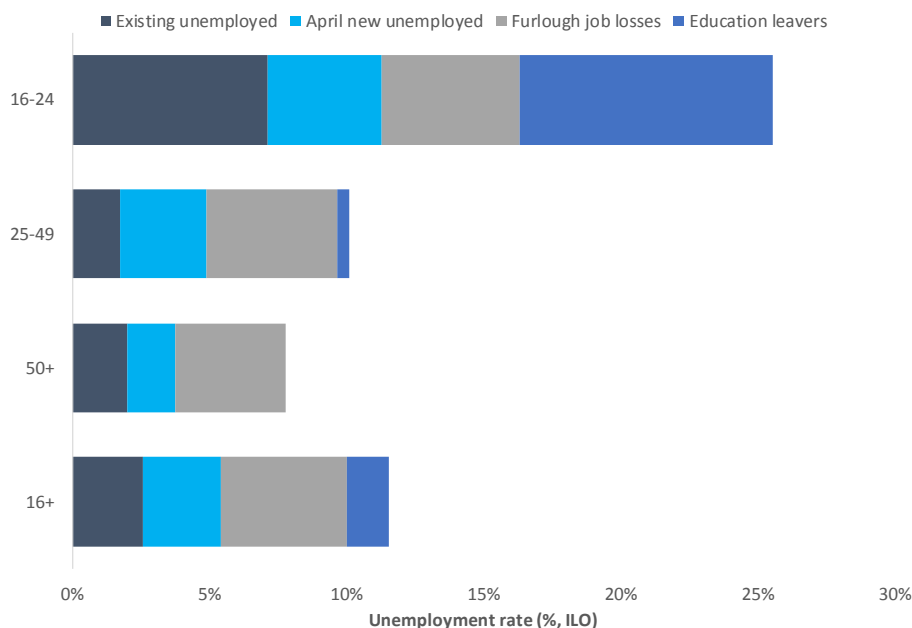
77. This paper has provided an initial estimate of the socio-economic characteristics of the people who have been furloughed or laid off as a result of the COVID-19 pandemic. To date, no official data has been released for NI relating to the number of people who have been furloughed. Therefore, this analysis is based on UUEPC's estimate of the number of people furloughed or laid off during Q2 2020. As more official data is published in the coming weeks and months, this analysis can be updated in real-time.
78. The initial analysis identifies several emerging trends whereby some groups in society are at risk of shouldering more of the burden of the negative social and economic consequences that will emerge over the coming months. The following sub-sections provide an overview of the findings, and, where appropriate, include some policy remarks.

Young people

79. One of the most striking impacts from this analysis has been the **disproportionate impact on the young**. Unfortunately, this tells only part of the picture. The coming months will see a wave of education qualifiers seeking to enter the labour market.
80. A significant component of qualifying students will already be in employment, working in part-time positions to support their study. However, **with reduced demand for entry level positions many students from HE and FE will face difficulties transitioning from their part-time job to their chosen careers**. This underemployment of graduate skills will depress intra-labour market flows and **reduce vacancies available for lower qualified young people**. Alongside this, qualifying students who did not work part-time to support their study will be left out of work and competing for a small number of vacancies in the short-term.
81. The potential damage can be illustrated by a brief scenario which considers the dynamics at play. Unemployment for the 16-24 group was already at 8% prior to the crisis. In April, the number of unemployed people under 25 almost doubled. At the end of the academic year approximately 25k students across the education system will be seeking to begin their careers after qualifying. In addition, a significant component of young workers on furlough, with their jobs vulnerable to redundancy. Based on an assumption that 20% of people on furlough lose their jobs, we can make an initial assessment of the possible impact on the labour market (there is currently no evidence to support this assumption but is certainly possible).
82. Figure 21 illustrates the outcome of this scenario, and the resulting unemployment rates for each age category. Overall, the unemployment rate is expected to rise to approximately 12%. However, **the effect on the 16-24 rate is much more pronounced due to the influx of education leavers into the labour market**. Youth unemployment could increase significantly from a current rate of 8% to 26%, representing the highest youth unemployment rate on record (since the series began in 1995). However, it is only slightly higher than the peak youth unemployment rate

in 2010 (24%), during a period where a weak recovery in the global economy and the government's austerity policy squeezed local economic growth.

Figure 21: Peak unemployment estimate by age group, NI, 2020



Source: UUPC, ONS, NISRA

83. Given the severe negative impact on the young, there is merit in a special set of targeted measures. On the supply side, **the most effective measure is to encourage education leavers to delay entering the labour market**, and instead undertake a qualification on the next rung of the qualifications ladder. This will help avoid the long-term scarring effects associated with entering the labour market during an economic downturn, and make a significant contribution towards narrowing the gap in the unemployment rate between young people and the rest of the labour market.
84. At the higher education level, **artificially capping the number of places would appear to be counterproductive in the current circumstances**. Universities may need to accommodate additional NI domiciled students who would normally study in British or Irish institutions, but are now less willing to travel. In addition, universities should be actively promoting further study at postgraduate level, and a student cap should not act as a barrier during the current crisis.
85. An additional benefit over the long term of having a higher proportion of people progressing to higher level study is the associated positive contributions to NI's competitiveness. The proportion of the 16-64 population with a degree in NI is 23%, which lags the UK at 26%. A narrowing of this gap must be considered as a positive with regard to NI's competitiveness, and attractiveness as a location for FDI.
86. It is incumbent upon education providers to ensure that there is capacity to deliver higher level courses, particularly in areas where NI is known to have skills gaps (e.g. digital skills). It is also the responsibility of the provider to sell the benefits of these courses to young people. Therefore, the provision of one-to-one careers advice via

a digital platform is important, as are online careers fairs to enable students qualifying this year to explore their options.

87. **Stimulating employer demand for young people in the short-term will be much more difficult.** In the aftermath of the 2008/09 recession employers rushed to cut their entry level recruitment schemes, which contributed to rapidly rising youth unemployment. A policy to support employers to prevent repeating the mistakes of the past should be considered. For example, providing **fiscal incentives**, such as national insurance breaks, for employers recruiting young people. **Funded programmes** which link education institutions and employers are another avenue worthy of considerations. For example, a research fund for stand-alone projects in areas considered to be strategically important, with the funding contingent upon the recruitment of an education leaver.
88. This crisis has provided one clear message - **no policy measure is off the table.** Schemes such as the JRS on its current scale were previously unheard of. Therefore, a similar seismic policy intervention to support the young should also be included within the portfolio of interventions under consideration. Such an intervention may be **a commitment to ensure that no young person is left behind as a result of this crisis.** This obligation could include a guaranteed job offer (via a wage subsidy scheme), an apprenticeship or high quality training place for all young people who are unemployed for more than three months. A large scale intervention such as this will have a sizable price-tag attached to it. However, given the extent of the risk to young people being trapped in a period of worklessness and the associated scarring effect over the course of a persons' working life, the long-term benefits may well outweigh the costs.

Older workers

89. The proportion of older workers furloughed or laid off is similar to the economy wide average, and much lower compared to young workers. However, there are other effects in the labour market worth considering in the case of older workers. Most notably, **the value of their pension fund is an important determinant of when they can retire.** Stock market declines, market volatility and uncertainty relating to house prices may cause older workers to reconsider their retirement date, and work longer than originally planned.
90. Whilst boosting the number of older workers is in line with pre COVID-19 government policy, **older workers extending their working lives comes with a cost during periods of weak demand.** Labour demand is comprised of two forces. Firstly, expansion demand, where jobs are created via sector growth. Secondly, replacement demand, where job opportunities are created when a person leaves their job. In a typical year replacement demand creates twice as many job vacancies as expansion demand. In an economic downturn, there is little expansion demand and the vast majority of job vacancies are created via replacement demand. Retiring workers are a major component of replacement demand. Therefore, in a recession with limited expansion demand a decrease in the number of older workers retiring will place a further squeeze on the overall number of job vacancies. This

creates a policy dilemma. With a limited number of jobs to be shared amongst the population, **should older workers be incentivised to retire in order to create vacancies via replacement demand, to enabling younger new entrants to access employment?**

91. **The outcomes amongst older workers who lose their job runs counter to those contemplating a later retirement.** Amongst people who lose their job, older workers have much lower re-employment rates. In other words, it is much more difficult for older workers to find a new job compared to younger workers. This group are likely to have different support needs to younger workers, and thus labour market interventions to help secure a return to work should be appropriately tailored.

Qualifications impact

92. Those with higher level qualifications have been relatively sheltered from the crisis, with a much higher proportion of people able to undertake their work remotely. Those in production and customer facing activities have been less fortunate, and these workers also tend to have lower level qualifications. **A worker towards the tail of the earnings distribution is much more likely to have been furloughed or laid off compared to those in the top earning deciles in the NI labour market.**
93. The class divide in the economic impact of this crisis is unsurprising, given the profile of the types of jobs most affected. While the outlook is bleak for the cohort of tertiary qualifiers due to leave education this year, the likelihood is that over the medium term, they are much more likely to be successful in competing for the limited number of vacancies, compared to an unemployed person with lower level qualifications. **With the contraction of many firms' graduate schemes, many new degree holders will cascade to positions normally filled by people without tertiary level qualifications.**
94. Although the underemployment of tertiary level skills is an undesirable outcome, it is more attractive than unemployment. Graduate underemployment will place a tight squeeze on the number of available opportunities for lower qualified job seekers. This effect, alongside the disproportionate impact on jobs associated with lower level qualifications, will ensure **those with lower level qualifications will maintain a disproportionate weighting amongst the expanded stock of unemployed.**
95. Although all groups in society face challenges in the short to medium term future, the most significant labour market barriers are faced by those with lower-level qualifications. We must recognise that demand will not be returning in the immediate future to many sectors and occupations that can be categorised into a typology of high employment, low productivity, low wage and low growth (prior to the COVID-19 outbreak). The restrictions are likely to be in place for some time, and behavioural change amongst the public (e.g. unwillingness to travel etc.) is likely to prevent demand from returning to pre-crisis levels. **The importance of consumer**

behaviour cannot be overstated, as consumer spending has typically accounted for two-thirds¹⁹ of GDP in recent years.

96. We must recognise the structural change that the crisis and subsequent recovery period will bring to the economy, and **not to make the same mistakes as in previous periods of structural change**. In the recent past, the most notable example was a failure to adequately prepare the economy for the decline of manufacturing, shifting from an industrial base to a service-based economy through the 1980's and early 1990's. This created a situation where workers with low levels of qualifications (but not low-skilled) found their occupational mobility constrained. This led to high unemployment, which in many cases ultimately culminated in long-term worklessness.
97. The JRS was a radical labour market intervention, and as we now begin to look beyond the end of the scheme, there will need to be a series of new replacement interventions. This will require a movement away from an active labour market policy based upon interventions focussing on CV development and interview skills. Those who are newly unemployed will benefit more from accredited training courses focussing on technical skills, designed and delivered in partnership with the education sector and employers. **The ultimate aim should be to equip workers with the ability to transition from declining occupations to ones which are more viable.**

Employability skills

- 98.A consistent finding in employer skills surveys is a lack of employability skills amongst new recruits. These tend to be soft skills (e.g. communication, teamwork, leadership) and **are best developed within a work-based learning environment (e.g. internships, work experience, placements)**. The initial evidence is that there will be a significant decline in the number of internships and work placements available. If possible, **we encourage employers to continue to provide internships digitally**. However, it is important to ensure that disadvantaged young people do not lose a competitive edge because of a lack of, for example, family connections. Where possible, such opportunities should be equally available to young people, regardless of their background.

Recruitment freezes

99. Large employers must recognise the impact a recruitment freeze would have on the wider labour market. In particular, the recent experience of a contraction in public sector recruitment following the Great Recession significantly contributed to distortion in the local labour market. A public sector recruitment freeze would disproportionately impact graduates, over two-fifths (42%) of people employed in the sector are graduates accounting for almost half (48%) of all graduates employed in the NI labour market.

¹⁹ NISRA (2019) Structure and performance of the NI economy in 2015 and 2016. [Available via: <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NI-Economic-Accounts-Project-2016-experimental-results.pdf>]

100. **More than any other sector, the impact of any recruitment freeze in the public sector has the potential to place upward pressure on graduate unemployment, and the number of graduates working in non-graduate roles.** We know from previous downturns that the latter of these two factors excludes less qualified young people accessing employment opportunities and raises youth unemployment. Therefore, within the sphere of public services any potential recruitment freeze as part of short-term budgeting decisions must be weighed up against the long term economic, social and fiscal costs. In other words, do the short-term departmental savings outweigh the long-term welfare costs and lower tax receipts associated with more adverse labour market outcomes?

Inequality

101. Initial analysis indicated that those in the lowest earning income deciles are much more likely to be furloughed or laid off compared to those at the top of the income distribution. Therefore, **the least well off are more likely to lose their jobs or suffer from reduced income, thus widening inequality.**
102. Inequality had already been rising in the local economy prior to the COVID-19 crisis. The latest NI Poverty Bulletin²⁰ highlighted that in 2017/18 303,000 people lived in absolute poverty. This represents around 16% of the population, compared to 14% the previous year. Of those living in absolute poverty 92,000 are children, representing over one in five children (21%). **Given the qualifications profile and income levels associated with the types of jobs most at risk, the crisis is likely to create further inequalities in NI society.**
103. Initial evidence from the crisis indicates that households are turning to credit cards to fund basic purchases²¹, and increasing numbers of people have had their income reduced and expect it to diminish further over the coming months. Reports from local food banks highlight significantly increased usage²².
104. This represents a warning signal that the most vulnerable in our society are at high risk of bearing the brunt of the negative consequences from the economic impacts of COVID-19. **With limited savings to fall back on, many have no safety net other than state support.** An unequal distribution of the negative impacts resulting from the crisis risks widening societal divisions that have already deepened in recent years. Poverty is also associated with a range of negative social, economic and health outcomes which are cross cutting across policy areas. Therefore, any increase in poverty levels requires a wide range of interventions ranging from education and skills to public health to tackle these challenges.

²⁰ DfC (2020) Northern Ireland Poverty Bulletin. [Available via: <https://www.communities-ni.gov.uk/system/files/publications/communities/ni-poverty-bulletin-201819.pdf>]

²¹ ONS (2020) Coronavirus and the social impacts on Great Britain. [Available via: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/coronavirusandthesocialimpactongreatbritain/5june2020>]

²² UTV (2020) Poverty in a pandemic. [Available via: <https://www.itv.com/news/utv/2020-06-02/on-the-poverty-line-in-a-pandemic/>]

Sub-regional differences

105. It is important to consider not only the people who have been furloughed or laid off, but also ensure that pre-existing labour market problems are addressed in any policy response. For example, while Antrim and Newtownabbey and Mid-Ulster are areas which have the largest proportions of their residents furloughed or laid off, their employment rates pre COVID-19 were the highest in NI. In contrast, council areas with a lower proportion of workers furloughed or laid off such as Derry City and Strabane, entered the crisis with a much lower employment rate.
106. **Any policy response in the labour market should be as equally concerned with increasing employment for those already unemployed before the crisis, and not solely focussed on workers displaced due to COVID-19.** In a scenario where one fifth of furloughed workers were to lose their jobs, Causeway Coast and Glens; Derry City and Strabane; and Belfast would have the lowest employment rates in NI. Therefore, a more holistic labour market response will identify slightly different target areas than narrow interventions related to a direct COVID-19 response.
107. For a more in-depth analysis of sub-regional effects and discussion of policy options please refer to UUEPC's most recent paper on the Economic Consequences of COVID-19²³.

Sick and disabled

108. There is a significant proportion of the employed population with long-term health conditions, and this is reflected in the number of people 'furloughed or laid off'.
109. If significant numbers of people within this group lose their jobs, they face particular barriers to re-employment, and their health conditions may prohibit employment in certain occupations. A significant proportion of this group would also be eligible for long-term sickness schemes. An increase in participation in these types of interventions **risks increasing the economic inactivity rate**, given the historically low exit rates from these programmes.
110. NI's disabled employment rate is already significantly lower than other parts of the UK, and it is essential that NI avoids falling further behind during this crisis. **When a disabled person falls out of work for an extended period of time, they are more likely to experience difficulties returning to the workplace, and are twice as likely to remain unemployed when compared to non-disabled people**²⁴. Therefore, interventions to sustain employment, even on a shorter working hours basis, will be an important measure to limit long-term worklessness.

²³ UUEPC (2020) Economic consequences of COVID-19 [Available via:

https://www.ulster.ac.uk/_data/assets/pdf_file/0004/574204/UUEPC-Economic-Consequences-of-Covid19-Paper-2.pdf]

²⁴ Taylor, M. (2017) Good work: Taylor Review of Modern Working Practices.[Available via:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

Flexible working

111. The growth of flexible job types over the past decade has helped to increase labour market participation, in particular female economic activity. The availability of temporary and part-time positions has helped the female employment rate reach 68% prior to the COVID-19 outbreak, its highest on record.
112. The continued availability of flexible modes of employment are crucial to provide employment opportunities for those unable to commit to regular hours. **Temporary forms of employment are niche and part-time positions in the private sector are concentrated in a narrow band of sectors.** The easing of restrictions and subsequent recovery will occur at different rates across sectors. Therefore, any slow recovery or large-scale unemployment in sectors which are large providers of part-time or temporary positions will hinder the prospects of those workers who require flexible forms of employment. **The uncertainty surrounding access to formal childcare and limited ability to avail of the wider family network will disproportionately affect women's ability to return to work.** It is also possible that childcare commitments will lead to women who were previously working full-time to request a change to part-time working hours.
113. The recent adjustments to the furlough scheme mean that from July furloughed workers can return to work on a part-time basis, and continue to claim from the JRS for the hours that the employee isn't working. However, **the support from the JRS is not sustainable for much longer and it is worth considering the pattern of working hours in a post-lockdown environment.** In the likely event that the economic recovery takes a longer period than many initial estimates had forecast resulting in a period of weak demand, there will only be a limited number of hours to be distributed amongst the labour force. This provides a choice for employers and policy makers – **is it better to have a larger number of people in employment working shorter hours, or to have existing working patterns with higher unemployment?**

Uncertainty and real time monitoring

114. **The outlook is highly uncertain.** Such rapid and wide-reaching developments bring us into uncharted territory in terms of assessing labour market and economic impacts and in forecasting the length and severity of the shock. For this reason, **real-time monitoring is critical.** For example, publication of the Job Retention Scheme statistics on a regional basis, use of HMRC's real time employment and earnings data regionally, and regular publication of data that can be drawn from administrative data (e.g. redundancies and new Universal credit claims statistics could be published weekly).
115. In the absence of official data on the sector profile of furloughed workers this paper has provided an initial estimate of the socio-economic characteristics of those who have been furloughed or laid off. The analytical systems developed to estimate such figures and develop commentary can be updated as official data is published. It is the intention of UUEPC to do so in order to provide an ongoing and clear picture of the labour market impacts of COVID-19.