Unemployment Rate %

ROI
UK
NI
Output

NI Economic Activity vs Country GDP

2009 = 100


NICEI
UK GDP
Scotland GDP
ROI GDP
Productivity Puzzle

• Conundrum
  o How do you get increased employment from decreased growth?

• A feature of UK economy since late 2010
  o Growth in the economy is stagnant at best, labour market -
    different story
  o Economy is producing less with more
  o Counter-intuitive
UK Productivity Puzzle

![Graph showing GDP and Total Employment from 2007 to 2012]
NI Productivity Puzzle

The graph shows the relationship between total employment and output from 2007 to 2012. The data indicates a clear productivity puzzle, where the decrease in employment does not correlate with a proportional decrease in output. The graph highlights the significant fluctuations in both employment and output over the years, with periods of decline in employment coinciding with periods of higher output.
Productivity Puzzle

• Causes
  o Increase in part-time employment
  o Increase in self-employment
  o Reductions in Real Wages (increased labour/capital substitution)
  o Lack of investment in the economy
  o Sectoral shift away from higher productivity

• Loss of human capital through long term unemployment particularly among young people
Youth Unemployment

- Different measures of youth unemployment

  - **Youth Unemployment**: 18-24 year olds economically active, but not in employment

  - **Youth Claimant Count**: 18-24 year olds claiming Job Seekers Allowance (JSA)

  - **NEET**: People aged 18-24 not in Education, Training or Employment. Not just subset of Youth Unemployment. Captures those economically inactive as well
Youth Unemployment since crisis

NI

Youth Claimant Count

2001 - 2013

18 - 24
Youth Unemployment

• Cyclical V’s Structural
  o Classic Structural unemployment (industrial displacement)
  o More specific to young people, education – employment transition

• Increases in long-term unemployment
  o Hysteresis effect – magnified for young people
  o Policy responses for structural unemployment much more complex
Consequences

• Economic
  o Individual – Scarring effect for both wages and employment
  o Macro – increases in structural unemployment can lower long term output potential of an economy

• Social
  o Individual – Effects on mental health and well-being. Pre-existing problem with young people and suicide
  o Macro – Social cohesion. Youth unemployment represents a loss of opportunity, feeling easily exploited
Policy Response

- Existing labour market activation measures
  - Steps to Work – First Start
  - Youth Employment Scheme (YES)
  - Apprenticeships
  - Steps to Success (NEET strategy)
  - Other more targeted scheme

- Schemes have improved, but scale of problem requires bolder solutions
Policy Response

• Schemes wait too long
  o Evidence that swifter interventions lead to better outcomes
  o People who slip in and out of benefits, do not receive help

• Fall into trap of subsidised labour
  o Too often work placement benefit employer not employee
  o Employment that would normally be available now receiving subsidisation
Youth Guarantee

• Provide a guarantee of relevant training or employment to a young unemployed person, as soon as they become unemployed

• Similar to Nordic programmes est in 1980’s
  o Beyond subsidies, employment that is additional
  o Begin to close skills gap, youth guarantee can provide the structure
Cost

• Not a question of deciding whether to spend money on this
  o Present estimates of the cost of youth unemployment in Northern Ireland are up to £300m annually

• European Union
  o ESF unallocated funding (possibly up to €30bn)
  o European Youth Employment initiative (€6bn)