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Hours and Earnings in the Northern Ireland Labour Market

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HOURS AND EARNINGS IN THE NORTHERN IRELAND LABOUR MARKET

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ABSTRACT

In the aftermath of a prolonged recession, there are tentative signs of economic recovery in Northern Ireland. The recovery in economic output has been more modest in Northern Ireland than the UK as a whole, but trends in the labour market have been more similar. Long-term and youth unemployment remain serious policy concerns, but employment growth has returned and the labour market is beginning to normalize. While the level of employment in Northern Ireland remains among the lowest of any UK region, it is significantly above that of the Republic of Ireland despite similar experiences in both economies especially with regard to the collapse of the construction sector.

However, the evolution of employment growth in Northern Ireland has been different to that of the UK in a number of important ways. This paper examines trends in the Northern Ireland labour market since 2007 to assess what kind of employment is being created. The rise of self-employment seen across the UK has not been evident in Northern Ireland. Instead there has been an increase in part-time and female employment and a shift toward service sector industries. The paper will then assess what implications these trends have for compensation of employees in their earnings both through wages and hours worked. If this recovery of the labour market also signals a shift toward lower-paid, less secure employment, this will have serious implications for the health of the Northern Ireland economy.

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HOURS AND EARNINGS IN THE NORTHERN IRELAND LABOUR MARKET

Paul Mac Flynn, NERI

1. INTRODUCTION

The effects of the Great Recession on the economy of Northern Ireland were profound and long-lasting. The collapse of Northern Ireland's construction sector and property market led to a prolonged recession and consequently a significant increase in unemployment. While most research to date has focused on the economic consequences of unemployment, particularly youth and long-term unemployment, less attention has been given to the effect of the recession on those in employment.

There is a tendency to believe that when employment growth returns to a post-recession economy that the jobs being created will replace jobs that have been lost, this is almost never the case. The people entering employment now in Northern Ireland may be a different cohort to those that left, the types of employment being created are also different. The recession saw shifts in sectors of employment, particularly in the construction sector and while there has been modest jobs growth of late, the sectoral balance of employment has been altered significantly. This paper will attempt to outline the shape of this post-recession labour market and how those in employment have been affected in terms of their hours and earnings.

Issues of hours and earnings have now become prominent in contemporary political debates in the UK under the heading of the "cost of living crisis". Low paid employment has long been an issue for the Northern Ireland economy, but trends since the recession may indicate a shift toward lower paid forms of employment and lower paid sectors of employment.

Allied to the growth of low pay, hours of work have become more uncertain further undermining earnings among low paid workers. Moreover there has been an increase in more precarious forms of employment such as 'zero hours contracts'. Zero hours contracts or contracts of employment without a guaranteed number of hours work, which challenge the concept of part-time and full-time work as it is presently defined.

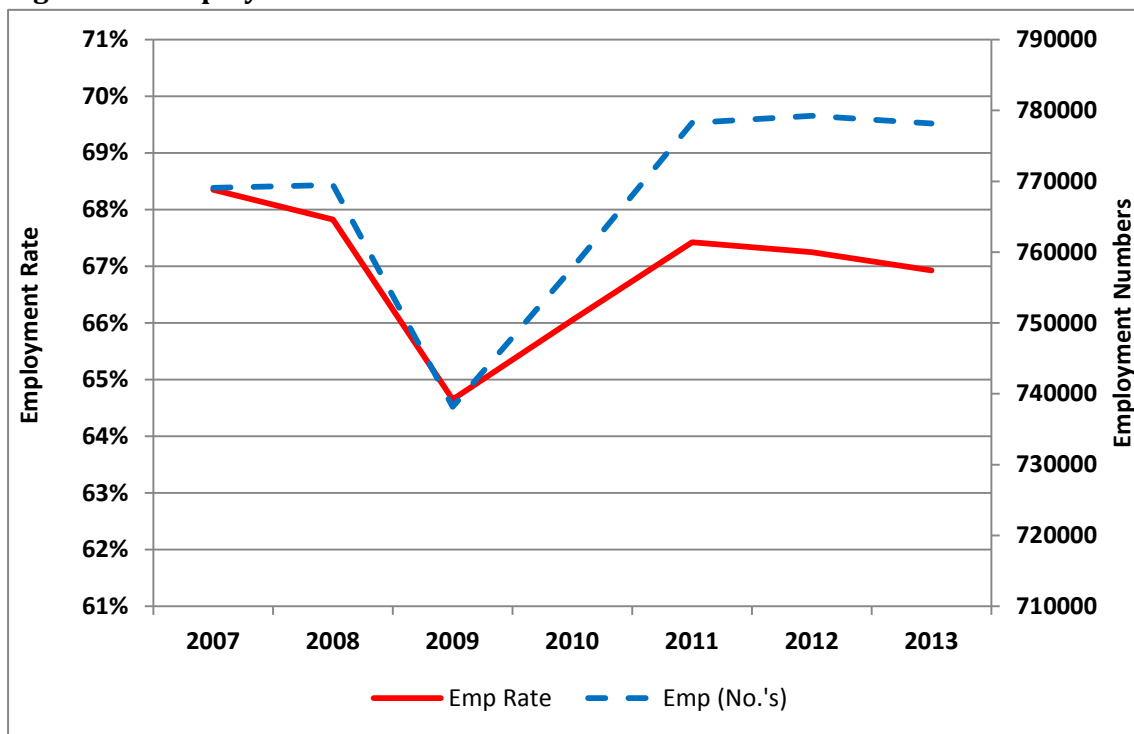
This paper will investigate the post-recession labour market in Northern Ireland and what it could mean for hours and earnings in future. Whether it is new jobs that are being created or changes to conditions of existing employment, the growth of low-paid and precarious employment could disguise an underlying weakness in the Northern Ireland labour market. While the experience in Northern Ireland has been more akin to that of the UK rather than the Republic of Ireland, there are important differences.

The paper is structured as follows; section 2 will outline the changes in patterns and forms of employment in different sectors and occupations. Section 3 will look the profile of earnings and low in this new labour market while section 4 will assess hours of employment. Finally section 5 will draw together these statistics and examine what policy implications can be drawn from them.

2. TRENDS IN EMPLOYMENT

Northern Ireland along with all other regions of the United Kingdom saw significant falls in employment from 2008 until late 2012. Since then employment levels have trended upward but employment rates have remained more static, particularly within some groups. Figure 2.1 shows the trend in employment levels and the employment rate since 2007. What can be seen is that while overall numbers employed has recovered beyond its 2007 level, correcting for population increases the overall employment rate remains the same. This means that while Northern Ireland may have the same number of people in employment as it did in 2007, that cohort is a far smaller section of the total population and as further breakdowns show, it is a very different cohort to that of 2007.

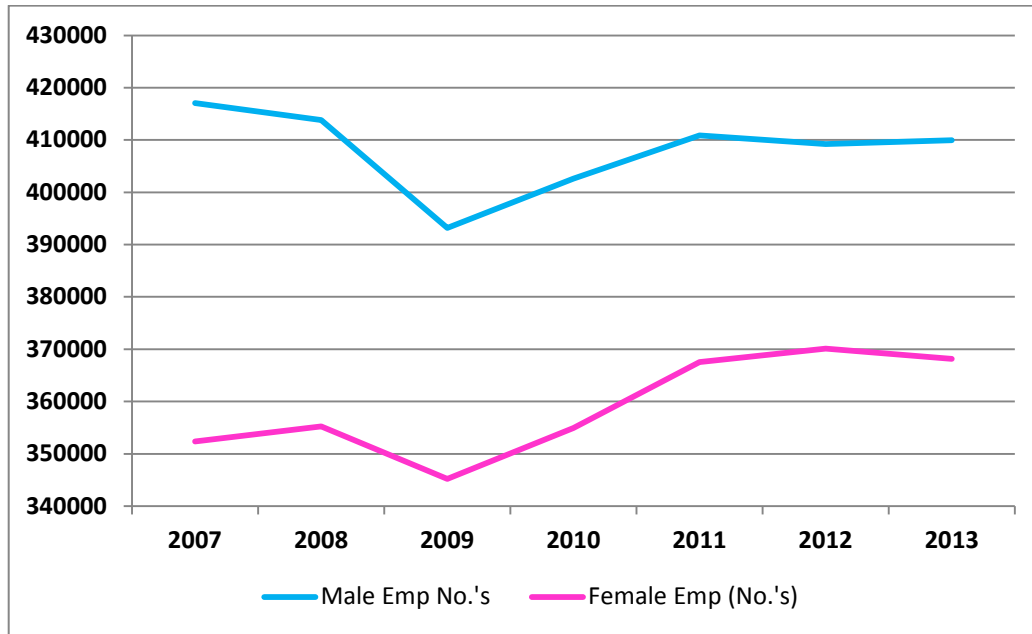
Figure 2.1: Employment levels and rates in Northern Ireland 2007-2013



Source: Labour Force Survey Northern Ireland 2007-2014

Employment levels for both men and women have increased following a substantial decrease in 2008, and employment levels for men have now almost reached their 2007 number, while employment levels for women are significantly above 2007 numbers.

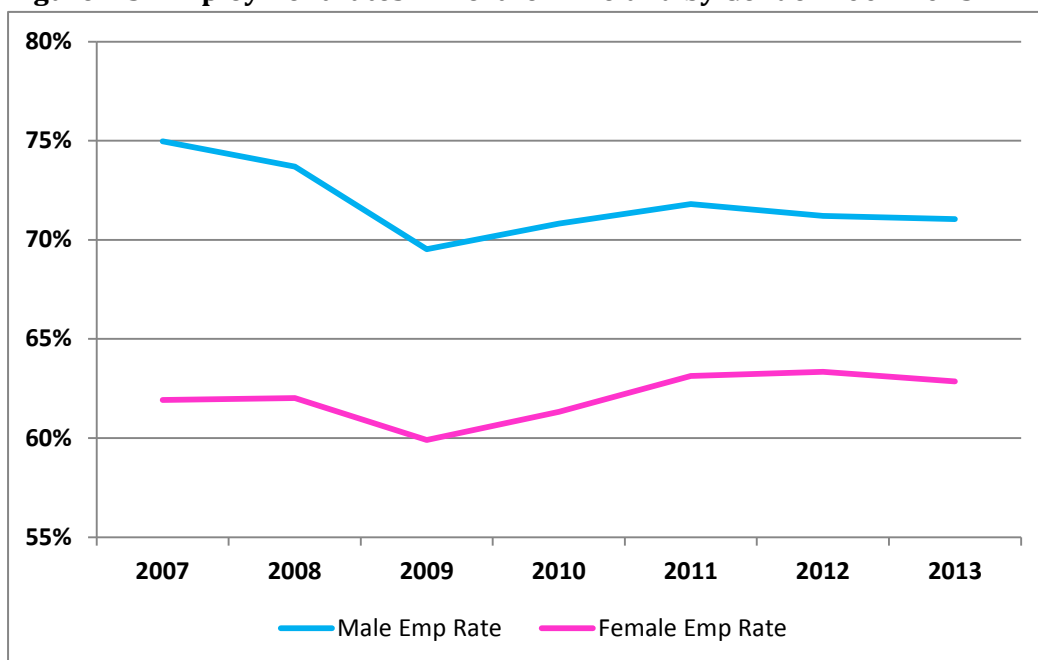
Figure 2.2: Employment levels in Northern Ireland by Gender 2007-2013



Source: Labour Force Survey Northern Ireland 2007-2014

However looking at employment rates paints a much different picture. Male employment rates have fallen by nearly 5% from 2007-2009. As of 2013 the rate is still 3% below 2007 level, indicating a significantly reduced male share of total employment. In contrast the female employment rate, despite a drop in 2008 is now almost 2% higher than it was in 2007. This is the first significant shift in employment, from male to female. Importantly though as sections 3 and 4 will outline female employment is far more susceptible to low pay and uncertain hours, and thus has implications for the labour market as a whole.

Figure 2.3: Employment rates in Northern Ireland by Gender 2007-2013



Source: Labour Force Survey Northern Ireland 2007-2014

Looking at employment levels among age groups, it can be seen that recent employment increases have favoured older age groups, particularly those in the 50-64 age group and even a the 65+ age group has seen substantial increases since 2007. The 18-24 year old group saw the biggest decrease in overall levels despite small growth in the last two years. Most interestingly growth in the 25-49 age group has seen a much smaller recovery and has only just exceeded its 2007 level. An employment rate for age groups is unavailable, but any such rate would be heavily influenced by outward migration particularly in the 18-24 year old group.

Table 2.1: Employment Levels in Northern Ireland by Age Group 2007-2013

Year	18-24	25-49	50-64	65+
2007	114250	488250	156750	14250
2008	109500	489750	160250	14750
2009	93750	476750	161000	17000
2010	94250	489000	169500	16750
2011	94000	498750	182000	18250
2012	80750	501750	191750	20500
2013	84500	494250	195000	23250

Source: Labour Force Survey Northern Ireland 2007-2014

Employment is becoming older and more female in Northern Ireland and both of these trends have important implications for hours and earnings. While the type of person in employment has changed, so too has the type of employment that that person is engaged in. Across the UK the increases in employment following the recession saw two consecutive shifts in the pattern of employment. The first was an increase in part-time employment and the second was an increase in self-employment. The reasons for these changed patterns are still the subject of debate, but what is indisputable is that they represent a very different form of employment.

Table 2.2: Self Employment Rates & Levels in Northern Ireland and UK 2007-2013 (000's)

Year	NI		UK	
	Self Employed No.'s	Self Employed Rate	Self Employed No.'s	Self Employed Rate
2007	116	14.9%	3,805	13%
2008	117	14.9%	3,826	13%
2009	115	15.2%	3,842	13.3%
2010	124	16.0%	3,960	13.6%
2011	120	15.1%	4,024	13.8%
2012	107	13.4%	4,193	14.2%
2013	111	13.9%	4,324	14.4%

Source: Labour Force Survey Northern Ireland & Labour Force Survey UK 2007-2014

Looking first at self-employment table 2.2 shows the increases in Northern Ireland and the UK since 2007. As of 2013 the self-employment rate both Northern Ireland was 13.9% and the 14.4% for the UK as a whole. The UK rate has however increased by 1.4% since 2007 whereas

the rate for Northern Ireland fell by 1%. The increase in self-employment at UK level has been mostly contained to older workers. Over one third of those counted a self-employed are in the 50-64 age bracket compared with 5% in the 16-24 age bracket. 37% of those counted as self-employed in the UK are over the age of 65 and this proportion has been increasing (ONS, 2013).

Among the over 65's the UK increase in employment was 59% from 2007 to 2013 compared to 63% in Northern Ireland. UK statistics suggest that the growth in employment for the over 65's has been mostly self-employment and that anecdotally this has been professionals who would normally have retired, but are now employed in consultancy. While increasing employment among older age groups is evident in Northern Ireland, the rise of late career self-employment does not appear to be evident. There are also important differences in the make-up of self-employment in Northern Ireland that contradict the UK trend.

Table 2.3: Part-time & Full-time Employee Rates & Levels in Northern Ireland and UK 2007-2013 (000's)

Year	NI				UK			
	Part - time No.'s	Part - time Rate	Full- time No.'s	Full- time Rate	Part - time No.'s	Part - time Rate	Full- time No.'s	Full- time Rate
2007	169	21.6%	611	78.0%	7,427	25.4%	21,801	74.6%
2008	172	22.0%	605	77.1%	7,496	25.4%	21,965	74.6%
2009	171	22.7%	581	77.0%	7,620	26.3%	21,340	73.7%
2010	175	22.6%	593	76.6%	7,866	27.1%	21,153	72.9%
2011	183	23.0%	609	76.4%	7,878	27%	21,287	73%
2012	192	24.1%	597	74.7%	8,068	27.3%	21,451	72.7%
2013	198	24.7%	596	74.4%	8,099	26.9%	21,977	73.1%

Source: Labour Force Survey Northern Ireland & Labour Force Survey UK 2007-2014

The other significant UK labour market trend that has emerged since the recession has been the increase in part-time work. As table 2.3 shows, the rate of part-time employment and consequently the reduction in full-time employment in Northern Ireland has been in the order just under 4%. In contrast the change in the part-time full-time ratio among employees in the UK as a whole has been over 1%.

Table 2.4 Part-time & Full-time Employee and Self Employment Rates in Northern Ireland 2007-2013

Year	NI				UK			
	Part - time Emp	Part - time S Emp	Full- time Emp	Full- time S Emp	Part - time Emp	Part - time S Emp	Full- time Emp	Full- time S Emp
2007	23.4%	11.8%	76.6%	88.2%	25.4%	23.9%	74.6%	76%
2008	23.2%	14.5%	76.9%	85.5%	25.3%	24.1%	74.7%	75.9%
2009	23.5%	13.3%	76.4%	86.7%	25.9%	24.1%	74.1%	75.8%
2010	24.7%	15.2%	75.3%	84.8%	26.6%	25.6%	73.4%	74.4%
2011	22.9%	17.2%	77.3%	82.8%	26.6%	27.5%	73.4%	72.5%
2012	24.8%	18.9%	75.2%	81.1%	26.7%	28.4%	73.3%	71.6%
2013	25.7%	19.2%	74.3%	80.8%	26.6%	27.7%	73.4%	72.4%
2014	25.7%	16.8%	74.3%	82.4%	26.3%	28.4%	73.7%	71.6%

Source: Labour Force Survey Northern Ireland & Labour Force Survey UK 2007-2014

Table 2.3 only lists total employment, there is a part-time a full-time split within employment and self-employment too and this can be seen in table 2.4. While table 2.3 shows a minimal increase in overall part-time employment in the UK and a modest one in Northern Ireland, Northern Ireland and the UK have seen a significant shift toward part-time amongst those in self-employment, both have increased by 5% since 2007 (the shift was larger in 2011-12). There has been a small shift toward part-time among the employed in the UK and a much larger shift of 2.5% in Northern Ireland. The shift toward part-time has been more substantial in Northern Ireland, but a more modest shift to part-time employment in the UK is hidden within self-employment. As shown in figure 2.2 and 2.2 female employment levels and rates have increased since 2007 and it would seem intuitive to attribute the rise in part-time employment to that trend. Table 2.5 sets out the gender breakdown and what the rate and levels of employment tell us about the full-time part-time split.

Table 2.5: Part-time & Full-time Employee Rates in Northern Ireland by Gender 2007-2014 (000's)

Year	Male				Female			
	Part - time No.'s	Part - time Rate	Full- time No.'s	Full- time Rate	Part - time No.'s	Part - time Rate	Full- time No.'s	Full- time Rate
2007	29	6.9%	395	92.6%	139	39.0%	216	60.5%
2008	36	8.6%	384	90.7%	136	37.8%	221	61.2%
2009	37	9.1%	365	90.2%	134	38.3%	215	61.5%
2010	38	9.3%	371	89.6%	136	37.8%	222	61.7%
2011	37	8.8%	381	90.4%	146	39.0%	228	60.7%
2012	44	10.4%	370	87.8%	148	39.2%	227	60.0%
2013	47	11.3%	369	87.5%	150	39.7%	227	59.8%

Source: Labour Force Survey Northern Ireland 2007-2014

Looking at rates of part-time employment, it would seem that there has been a substantial increase in male part-time employment. While there has been an increase in male part time employment, the rate of part-time employment is accentuated by the decreasing number of full-time males in employment. There have been substantial increases in both full-time and part-time female employment and that is why the full-time/part-time ratio has remained fairly stable. Increasing female employment has occurred in tandem with increases in part-time employment, but the part-time employment has been divided equally between genders.

While the profile of those in work and the form of employment in which they are engaged has changed, so too has the industrial make-up of that employment. Most obviously for Northern Ireland, there has been a substantial decrease in employment in the construction sector. In an economic recession, some industries fare worse than others, but as construction is such a labour intensive industry, the effect of the sudden property crash on the labour market has been significant and enduring. Table 2.6 shows how the industrial make-up of those in employment has changed from 2007 to 2013.

Table 2.6: Industry Share of Employment in Northern Ireland 2007 and 2013

Industry	2007	2013
Agriculture, Forestry and Fishing	3.8	3.9
Energy and water	0	1.5
Manufacturing	12.3	11.5
Construction	10.3	7.3
Distribution, hotels and restaurants	19	21.2
Transport and communication	3.8	5.4
Banking and finance	10.8	11.1
Public admin, education and health	35	33.9
Other services	5	4.4

Source: Labour Force Survey Northern Ireland 2007-2013

The construction sector has shown the most marked decline since 2007 when it accounted for just over 10% of employment to just over 7% in 2013, a decline of 28.8%. Public Administration, Health & Education declined by 3.3% while Manufacturing decreased by 6.1%. The Distribution, Hotels and Restaurants sector has increased its share of employment to over 21% of employment an increase of over 11% while there has been a large increase for Transport & Communications it has moved from 3.8% of total employment to 5.4%.

Table 2.6 presents the industrial breakdown of employment in Northern Ireland and how various industries have come to fill the space once occupied by the construction sector. However the share of employment merely explains a ratio between industries it is not a measure of job creation. The total number of workforce jobs in Northern Ireland remains below its 2007 levels and table 7 shows the number of jobs in Northern Ireland is down 3.7% from its 2007 level while in the UK the total has increased by 2%. As with employment share, the construction sector has seen the largest fall of any major sector with 34%. There are also interesting contrasts between jobs figures for the UK and Northern Ireland.

Table 2.7: Percentage change in Total Workforce Jobs by Industry in Northern Ireland & United Kingdom 2007- 2013

Industry	NI	UK
Agriculture, forestry and fishing	12.5	1.1
Mining and quarrying	-33.3	12.9
Manufacturing	-4.2	-13.5
Electricity, gas, steam and air con.	14.3	40.9
Water supply; sewerage, waste	0.0	22.8
Construction	-36.6	-10.5
Wholesale and retail trade	-5.5	-3.2
Transportation and storage	-5.0	-1.1
Accommodation and food service	0.0	-0.9
Information and communication	6.8	1.3
Financial and insurance activities	-1.2	-4.2
Real estate activities	10.3	24.6
Professional, scientific and technical	-6.0	16.2
Administrative and support service	3.3	5.7
Public administration and defence	-8.2	-12.3
Education	-2.4	9.3
Human health and social work	7.0	13.5
Arts, entertainment and recreation	8.6	5.8
Total	-4.1	1.3

Source: Workforce Jobs Northern Ireland 2007-2013

Comparing Northern Ireland to the United Kingdom as a whole, Northern Ireland clearly suffered a much greater fall in the construction sector, over a third compared to 10%. Other industries such as Wholesale & Retail saw a much larger fall in Northern Ireland compared to the UK. The Professional Sector has grown significantly in the UK while it has decreased by over 6% in Northern Ireland. Increases in Real Estate activity and the Education sector have also been greater for the UK as a whole compared to Northern Ireland. Table 2.6 shows while the Distribution, hotels and restaurants increased its share of employment by 2.2%, the Accommodation and Food sector created no new net jobs and the Wholesale and Retail Sector actually saw a 5% net fall in jobs. Table 2.8 shows that there has been substantial job fluctuations in all industries over the period from 2007-2013, indicating that the people in work in this sector in 2007 may not be the same people employed in it now.

Table 2.8: Change in Total Workforce Jobs by Industry in Northern Ireland 2007-2013

Industry	% change on previous year					
	2008	2009	2010	2011	2012	2013
Agriculture, forestry and fishing	0.0	8.1	-6.1	-5.1	6.1	10.1
Mining and quarrying	-25.0	-11.1	0.0	0.0	12.5	-11.1
Manufacturing	-0.6	-7.6	-2.7	0.0	-2.2	9.6
Electricity, gas, steam and air con.	-14.3	-33.3	25.0	20.0	-33.3	100.0
Water supply; sewerage, waste	5.0	-9.5	5.3	0.0	5.0	-4.8
Construction	-1.6	-12.5	-6.2	-9.0	-9.9	-4.3
Wholesale and retail trade	3.1	-4.0	1.0	-3.1	-2.3	-0.2
Transportation and storage	4.2	1.6	3.9	-8.3	1.7	-7.3
Accommodation and food service	-1.1	2.7	5.8	-10.5	0.6	3.3
Information and communication	6.8	-16.5	0.0	9.1	5.6	3.9
Financial and insurance activities	7.4	-4.6	1.2	-3.6	0.0	-1.2
Real estate activities	10.3	0.0	18.8	-13.2	3.0	-5.9
Professional, scientific & technical	0.8	0.0	-6.7	9.6	-3.6	-5.3
Administrative & support service	9.3	-10.1	2.2	-2.2	2.2	2.7
Public administration and defence	0.0	0.0	-0.8	-3.2	-2.9	-1.7
Education	-0.7	3.4	-2.3	-0.7	-2.7	0.7
Human health and social work	0.8	0.4	2.0	-0.6	-0.6	4.8
Other service activities	-1.4	0.0	2.9	-2.8	4.3	5.6
Total	1.3	-3.0	-0.2	-2.7	-1.3	1.8

Source: Workforce Jobs Northern Ireland 2007-2013

Table 2.8 shows how many net jobs were produced in each sector showing 2011 as the worst year overall for jobs lost in Northern Ireland. The construction sector saw net decreases every year until 2013, in contrast to the Health & Social Care sector which saw net job growth every year except 2011. All sectors saw significant fluctuation, some recorded losses early in the recession, other happened later. The shift in the industrial make-up of employment in table 2.6 reflects a how other sectors have become relatively larger compared to a much diminished construction sector.

Table 2.9: Change in Employee and Self-Employment Jobs by Industry in Northern Ireland 2007-2013

Industry	NI		UK	
	Employment	Self-Employment	Employment	Self-Employment
Agriculture, forestry and fishing	8.3	17.2	-10.8	20.2
Mining and quarrying	0.0	-100.0	13.0	9.4
Manufacturing	-9.6	100.0	-14.4	0.5
Electricity, gas, steam & air con.	14.3	n/a	35.3	218.2
Water supply; sewerage, waste	0.0	n/a	21.1	69.6
Construction	-33.9	-35.2	-15.3	-0.8
Wholesale and retail trade	-1.8	-28.6	-3.3	-1.6
Transportation and storage	-1.0	-21.1	-4.2	17.9
Accommodation & food service	-1.2	33.3	-1.5	8.3
Information and communication	3.1	22.2	1.2	1.8
Financial & insurance activities	-6.5	25.0	-5.9	34.8
Real estate activities	7.1	n/a	24.6	23.2
Professional, scientific & tech	6.4	-35.9	13.2	31.3
Administrative & support	8.0	-35.0	1.8	49.9
Public administration & defence	-5.6	0.0	-12.9	22.8
Education	-3.1	25.0	5.9	74.6
Human health and social work	4.0	66.7	12.4	29.4
Other service activities	15.4	0.0	3.3	14.8
Arts, entertainment & recreation	-2.8	-6.7	-0.3	15.9

Source: Workforce Jobs Northern Ireland 2007-2013

Table 2.9 shows how job growth has split between employment and self-employment in different industries. The UK comparison shows that self-employment grew significantly more in the UK and that it increased in different sectors compared to Northern Ireland. Self-employment in Northern Ireland has grown significantly in sectors such as Transport & Communications and Accommodation & Food Services. In comparison the main growth industries for self-employment in the UK (excluding small sectors like Energy and Water) were Professional and Administrative support. The increase in self-employment in the Professional sector along with the Age profile of the self-employed in the UK gives credence to the anecdotal evidence that much of the new self-employment is made up of professionals who would normally enter retirement but are now free-lancing. Self-employment in Northern Ireland is not growing at the same rate nor is it growing in the same areas.

Table 2.10: Industry Share of Job creation and destruction in 2013

Industry	% of Net Jobs created	Industry	% of Net Job lost
Manufacturing	32.6	Construction	25.7
Human health & social work	26.1	Transportation & storage	25.7
Agriculture, forestry & fishing	15.2	Professional, scientific & tech	20.0
Accommodation & food service	6.5	Public administration & defence	11.4
Administrative & support	5.4	Real estate activities	5.7
Electricity, gas, steam & air con.	4.3	Mining and quarrying	2.9
Arts & entertainment	4.3	Wholesale and retail trade	2.9
Information & communication	3.3	Financial and insurance	2.9
Education	2.2	Water supply; sewerage, waste	2.9

Source: Workforce Jobs Northern Ireland 2007-2013

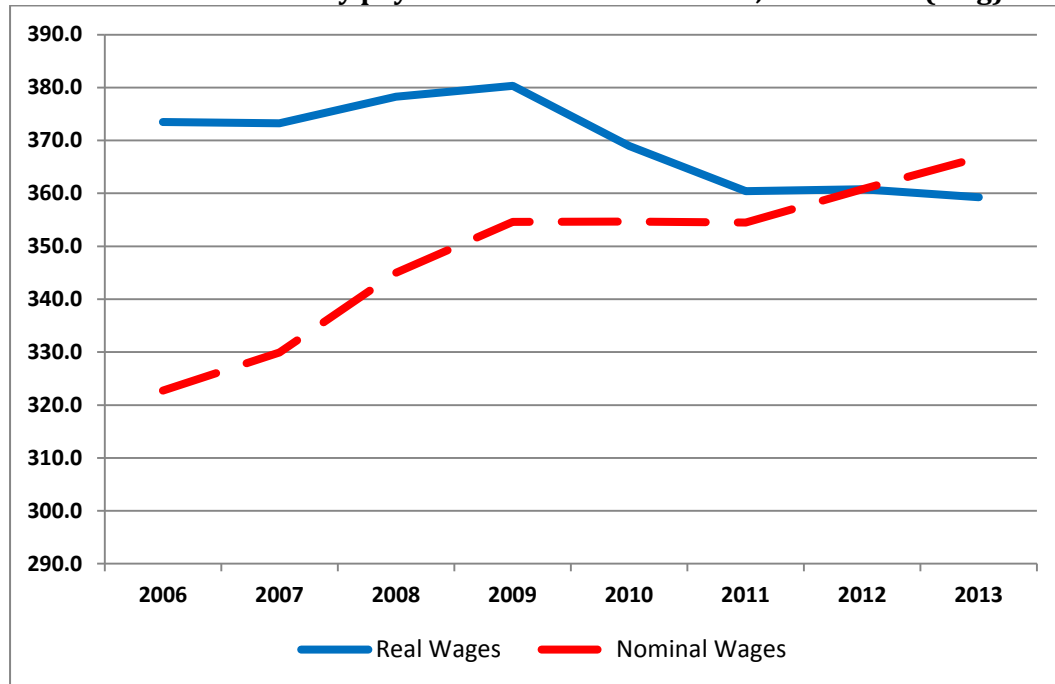
2013 was the first year since 2008 where total workforce jobs in Northern Ireland increased year on year. To illustrate what this new job creation looks like, table 2.10 divides industries into net job creators and net jobs destroyers and shows which industries are leading recovery and which are detracting from it. In 2013 Manufacturing was the largest contributor, followed by the health sector. Construction and Transportation were net job destroyers, accounting for over half the jobs lost in Northern Ireland in 2010.

These labour market statistics identify some key shifts in employment that have taken place since the recession. People in employment are now more likely to be female, older, more likely to work part-time, and more likely to work in the broad service sectors. As the workforce jobs statistics indicate job creation is patchy but apart from Agriculture, employment growth is coming from Accommodation and Food Services and Administration. Each of these shifts has important implications for earnings in the labour market both through wages and the hours worked for them. As the next two sections highlight many of these new forms of employment suffer from low pay and insecure hours.

3. EARNINGS AND LOW PAY

Wages are important but hours worked are just as important and as we will see in Section 4 new employment is more likely to have fewer hours of work, and based on research from Great Britain more prone to precarious forms of employment such as zero hours contracts. This section looks at the hourly earnings profile for this new employment and in particular how susceptible it is to low pay, a significant concern within the Northern Ireland labour market for many years.

Chart 3.1: Median Hourly pay rates in Northern Ireland, 2006-2013 (£stg)



Source: Annual Survey of Hours and Earnings 2006-13. Median Hourly earnings (excluding overtime)
Note: Real Wages are calculated using the latest available GDP deflators from HM Treasury

Earnings have been a major concern for the UK economy as a whole as it emerged from recession. Whilst GDP growth in the UK is expected to exceed 3% in 2014, real wages or wages adjusted for inflation are still in decline. As mentioned in the introduction real wages have been falling since mid-2011, and only lower than expected inflation has made any dent in this downward trend. Wages have remained stagnant in many industries but stagnation only explains some of the decline.

GDP stagnated 2010-2013, while employment levels across the UK increased significantly. This situation was characterized as the “Productivity Puzzle”¹, simply put more people were being hired to produce less. While there were many theories posited for this trend, most centred on the idea that firms were either hoarding labour or were substituting labour for capital due to lower relative prices. There is anecdotal evidence for these theories in many firms where workers were not laid-off but were kept on reduced hour’s contracts. With limited access to finance, firms also sought to hire new workers on short-term contracts rather than replace machinery or technology. The price of labour was less relative to that of capital. This may lead some to conclude that much of the employment growth since the recession has been lower value added, and thus lower paid. The previous section outlined this new form of employment, this section seeks to describe how much of it is low paid.

Low pay is officially defined as two thirds of the median gross hourly wage (Eurostat, 2013). For the year 2013, the median hourly wage rate was £10.19 which implies a $\frac{2}{3}$ rate of £6.79. As this measure is a function of the earnings distribution, sensitive to movements within that distribution, we examine two other measure of low pay as well.

¹ See Mac Flynn (2013)

Low pay could also be defined as those earning the MW or below. Introduced in 1999 the National Minimum Wage is set by government on the advice of the Low Pay Commission (LPC) in London. The Commission is mandated to set a statutory wage that would provide a floor for earnings but also one which, if implemented, would not endanger overall employment in the economy. For the year ending November 2013 the UK MW was set at £6.19. While a new rate of £6.31 was set in November 2013, the data we are using is from April 2013 when the £6.19 rate applied.

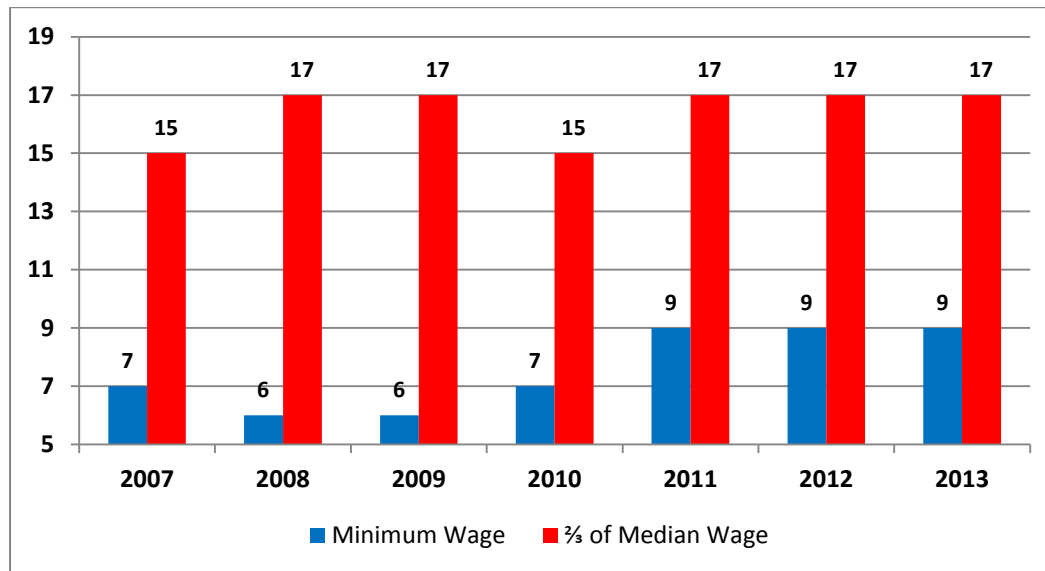
The MW is distinct from the relatively new idea of the Living Wage (LW) which began as UK concept in the early 2000's. The LW began as a campaign by low paid workers in the east end of London who found it impossible to make ends meet working MW jobs in the city. Work was commissioned by the Greater London Authority to calculate a wage rate based on the minimum amount of earnings required to live. In 2011, researchers at the University of Loughborough expanded this analysis to come up with a rate for the rest of the UK outside of London. The LW is set independently by these two groups and is an optional rate which employers can choose to offer. In practice the main distinction between a minimum and LW is that the MW is set with regard to affordability for employers whereas a LW is set with regard to affordability for employees. For the year ending November 2013 the Outside-London UK Living Wage was set at £7.45².

The data we use to measure low pay in Northern Ireland is the Annual Survey of Hours and Earnings (ASHE), a UK-wide survey of the Office for National Statistics and carried out by the Northern Ireland Statistics and Research Agency. ASHE data is a comprehensive but limited guide to pay in Northern Ireland. It is limited in that it provides information for employees only and does not cover the section of the labour force in self-employment (which has been growing sharply since 2010). While the Average Weekly Earnings survey provides monthly, weekly and hourly figures for wages in all categories across the workforce, this survey is not carried out for Northern Ireland. It is also important to remember the figures presented here relate to earnings, not income.

Chart 3.2 shows the percentage of earners earning below both the MW and $\frac{2}{3}$ of the median Wage for Northern Ireland from 2007 to the most recent data for 2013. The time series shows some interesting patterns with regard to these two measures

² The Living Wage outside London is capped every year, see Collins (2014)

Chart 3.2 Percentage Earning at or below Minimum Wage or $\frac{2}{3}$ of Median Wage 2007-2013



Source: Annual Survey of Hours and Earnings 2007 - 2013
Notes: Wages defined as hourly pay excluding overtime
 Living Wage rates for April 2013 = £7.45; April 2012 = £7.20

The percentage of those in low pay as defined by the $\frac{2}{3}$ measure has been consistently between 15% and 17% of employees since 2007. The drop to 15% in 2010 coincided with a fall in the median wage and not a decrease in low pay. Since 2007 however the numbers earning MW or below has increased steadily from a low of 6% in 2008 to 9% in 2013³. Chart 4.2 shows that while overall proportions of low pay are consistently at 17%, the numbers below MW have been increasing.

The LW as a concept has only existed outside of London since 2011 (Hirsch & Moore, 2011), and so we can only show Northern Ireland levels for April 2013 and 2013. As Chart 4.3 shows that in 2013 25% or nearly a quarter of earners in Northern Ireland earned below the LW, a 2% point increase on 2012 figures. While the ASHE data does allow us to calculate an indicative number of jobs, the figures do come with a health warning. The total number of employee jobs in the ASHE data set for 2013 is 674,000 and 25% of this would equal 169,000. However while the percentage below the LW was lower in 2012, the total job count was higher at 753,000 and so 23% would amount to just over 188,000. Therefore percentage figures provide the best picture based on the data available and job counts can provide additional context but direct comparisons across years are not advisable.

³ The overall percentage of those below MW will be skewed by the 18-21 year old group who fall into a lower MW bracket, and the breakdown of age groups is discussed in the next section

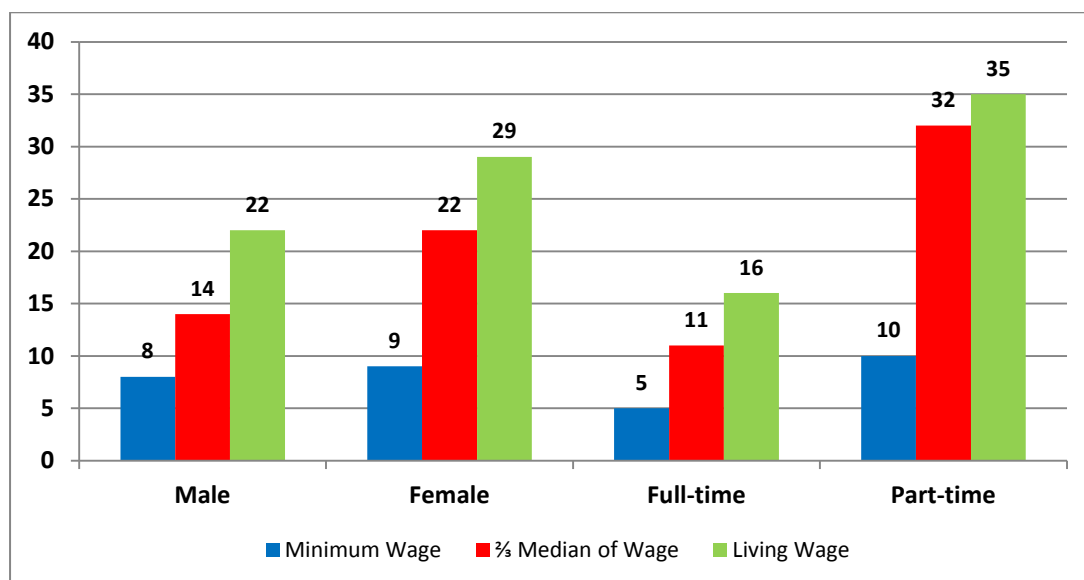
Chart 3.3 Percentage of Earners below the Living Wage in Northern Ireland 2007-2013



Source: Annual Survey of Hours and Earnings 2012; 2013
Notes: Wages defined as hourly pay excluding Overtime
 Living Wage rates for April 2013 = £7.45; April 2012 = £7.20

Looking more in depth at the 2013 figures we can see that differences emerge for those in working full time and part time and for males and females. In 2013 8% of males earned the MW or below while the figure for a female was 9%. Similarly 14% of males earned at or below $\frac{2}{3}$ of the median wage while this figure is 22% for females. Continuing that trend, 22% of males earned below the LW compared with 29% for females. However, often males and females earn equal pay in jobs, but females are often prevented by environmental and family pressures from taking on full time work and find themselves confined to lower paying part-time jobs (Buckner, Grant & Yeandle, 2005).

Chart 3.4 Percentage earning below the Living Wage, Minimum Wage & $\frac{2}{3}$ of the Median Wage by Gender & Type of worker in Northern Ireland 2013



Source: Annual Survey of Hours and Earnings 2013
Notes: Wages defined as hourly pay excluding Overtime
 Living Wage rates for April 2013 = £7.45; Minimum wage = £6.19; $\frac{2}{3}$ Median Wage = £6.79

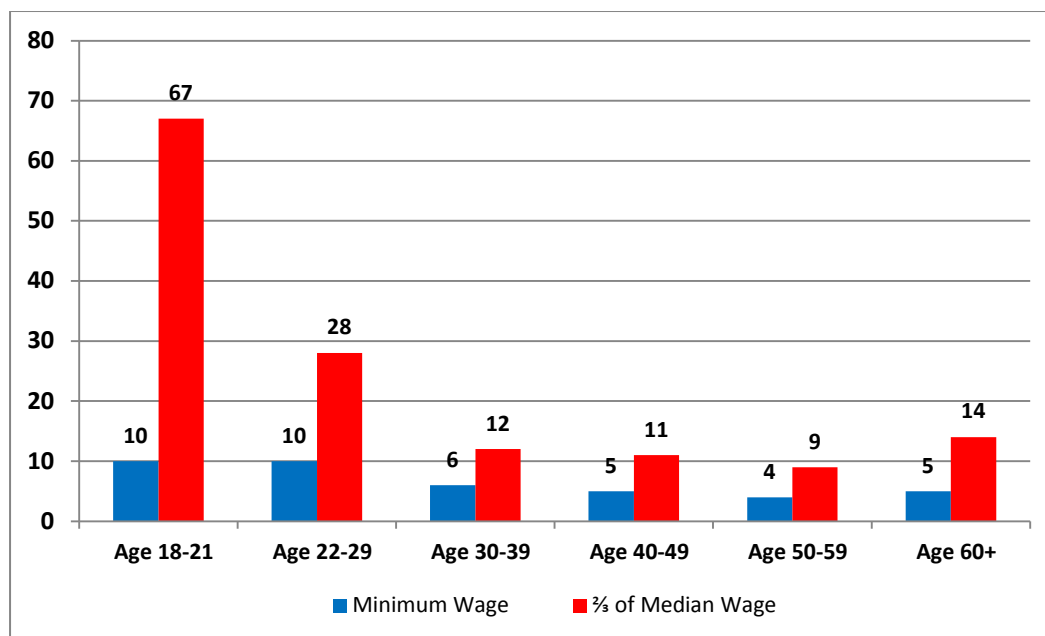
As Chart 3.4 shows only 5% of full time workers earned the MW or below compared to 10% for part-time workers. Only 11% of full time workers are paid at or below $\frac{2}{3}$ of median wage

compared to 32% for part-time workers. 16% of full time workers earn below the LW compared to 35% of part-time workers. As Chart 4.4 shows, low pay is more complex than the overall figures suggest and the next section will examine how low pay affects groups by age, industry and geography.

Age Groups

Age is a common factor in determining low pay as intuitively those at the beginning of their working life would be expected to earn less than those with more experience and/or qualifications. This is reflected in differing MW rates among younger age groups with lower rates for those aged under 18, those aged 18-21 and the standard rate applying for all those 21 and over. As we can see from Chart 3.5, even accounting for the lower MW rate of £4.98 for 18-21 year olds, the two youngest age groups have the highest proportion of MW or below workers. Both have 10% of workers at this threshold, while the proportion almost halves for the next age bracket. The over 60 age group has 5% of workers on or below MW, and this may reflect a higher incidence of part-time work for those at or close to retirement age. The figures for the $\frac{2}{3}$ rate show a similar trend, but the 18-21 group is much larger mainly due to the lower MW rate for that group.

Chart 3.5 Percentage earning at or below the Minimum Wage and $\frac{2}{3}$ of Median Wage by Age Group, Northern Ireland 2013



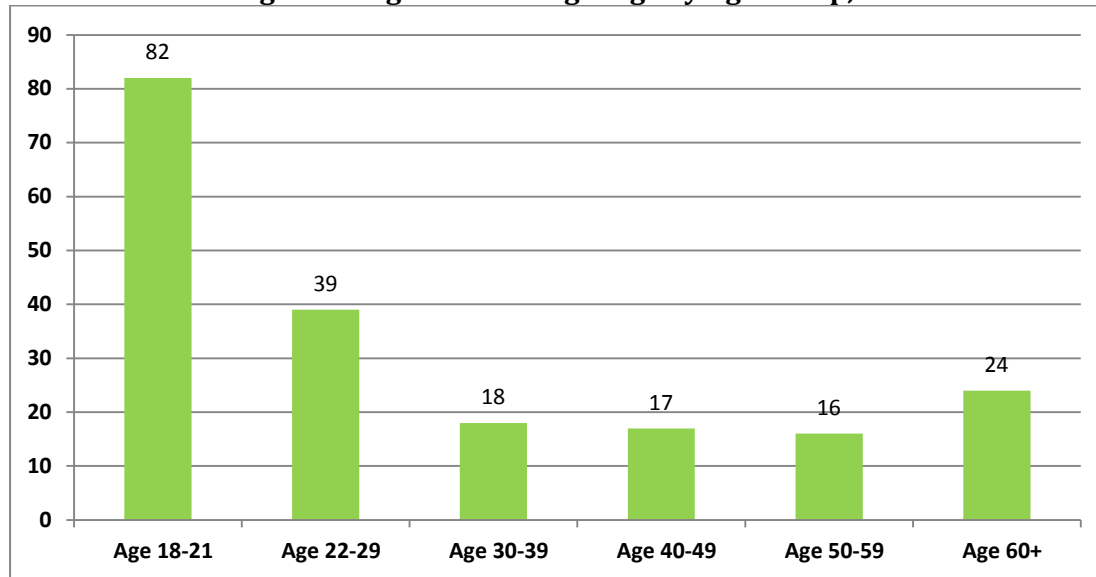
Source: Annual survey of Hours and Earnings 2013

Note: Minimum Wage for 18-21 is £4.98 and for 21 and over is £6.19 $\frac{2}{3}$ Median Wage =£6.79

Like the $\frac{2}{3}$ of median wage measure, the LW does not discriminate by age and so the 18-21 age group obviously falls well short of this threshold with 82% earning below the £7.45 rate. Perhaps the more concerning figure in Chart 3.6 is the 39% of 22-29 age group falling below the

LW and the 28% below the $\frac{2}{3}$ measure. The 22-29 age group encompasses experienced workers, heads of households and covers a much larger section of the population than the 18-21 group, so arguably this statistic is more troubling for the domestic economy. Indicative ASHE jobs numbers would suggest that over 46,000 22-29 year olds earn under a LW. The same pattern emerges for the over 60's on the LW as it does for the MW.

Chart 3.6 Percentage earning below Living Wage by Age Group, Northern Ireland 2013



Source: Annual Survey of Hours and Earnings 2013

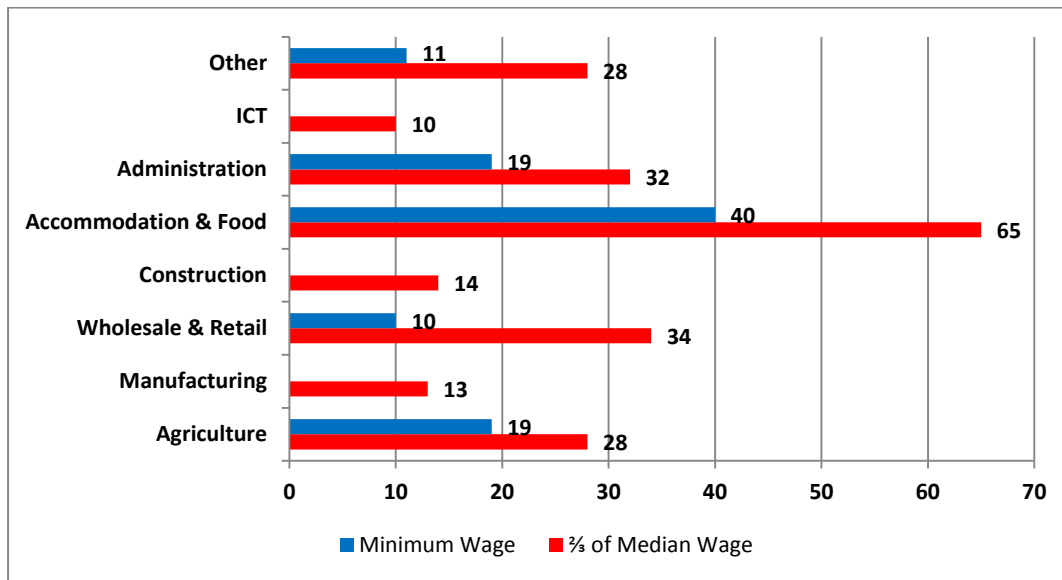
Note: Living Wage (outside London) for all Age groups in April 2013 was £7.45

Industries

The breakdown of low pay by industry is quite important for policy, especially when trying to understand how changes in employment patterns may affect wages. Chart 3.7 presents the broad industrial sectors that have substantial numbers at MW and the percentage earning below $\frac{2}{3}$ of the median wage in 2013.

The Accommodation & Food sector has both the highest percentage of MW or below workers and the highest percentage of workers below $\frac{2}{3}$ of the median wage. Agriculture also records a very high percentage of both categories, as does Administration, but Wholesale & Retail has a higher proportions below $\frac{2}{3}$ of median rate (34%).

Chart 3.7 Percentage Earning at or below $\frac{2}{3}$ of the Median Wage and Minimum Wage by broad industrial sector, Northern Ireland 2013

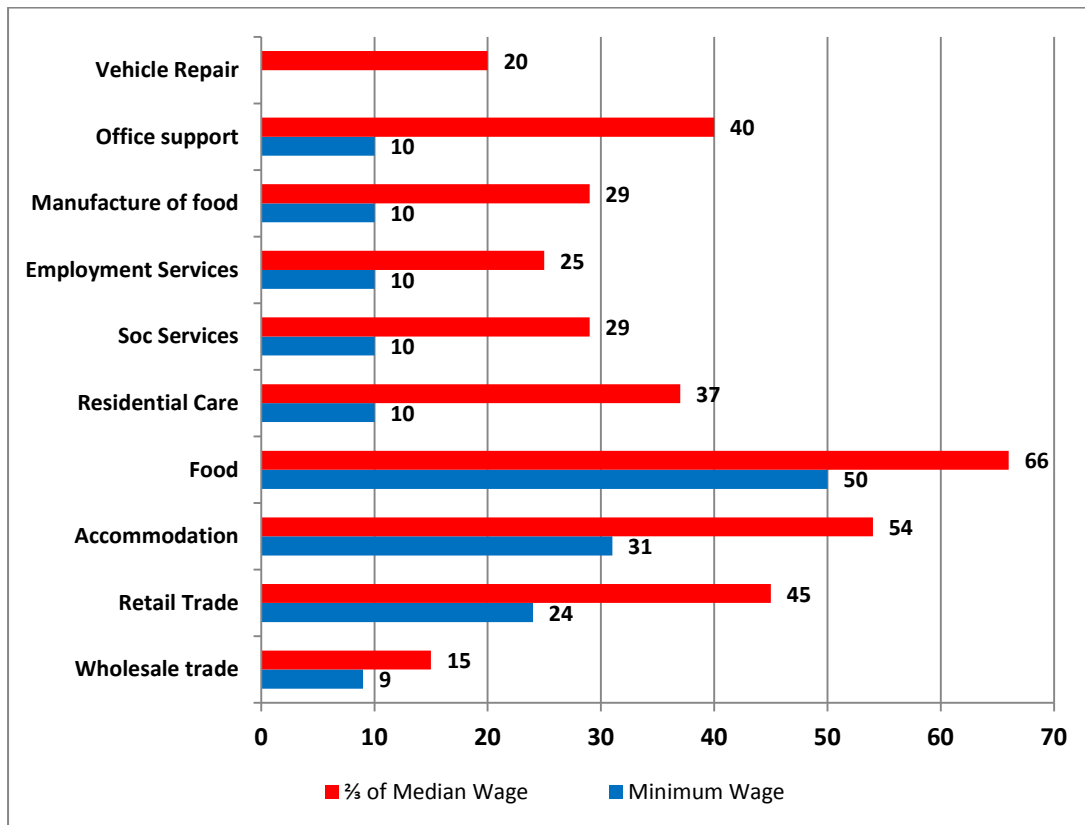


Source: Annual Survey of Hours and Earnings 2013
Note: Minimum wage = £6.19; $\frac{2}{3}$ Median Wage =£6.79

These are broad industrial sectors and there are sub sectors further within them that show more a precise picture of low pay. Chart 3.7 shows that while overall 10% of the Wholesale & Retail sector is at or below MW, Chart 3.8 shows within this 24% of workers are at or below MW in the Retail sector alone. Furthermore it is estimated that up to 45% of these workers could be below $\frac{2}{3}$ of the median wage.

Within Accommodation & Food the data show that over 31% of all Accommodation workers are at or below MW compared to nearly half in the food subdivision. The gap is slightly less on the $\frac{2}{3}$ of median wage measure with 54% of Accommodation workers compared to 66% of Food workers below this threshold. While the Food sector shows the biggest percentage of at or below MW earners, the actual numbers below this threshold are highest in the Retail sector. Indicative jobs figures show that 11,500 food workers are at MW or below, this figure is over 15,000 for the retail sector. The Health sector did not feature in the broad sector analysis as a low paying sector but as chart 3.7 shows within this group two subsectors, residential care and social care have at least 10% of workers at the MW level or below and 37% of residential care workers are below $\frac{2}{3}$ of the Median Wage.

Chart 3.8 Percentage earning at or below $\frac{2}{3}$ of the Median Wage and Minimum Wage by industrial Sub Sector, Northern Ireland 2013

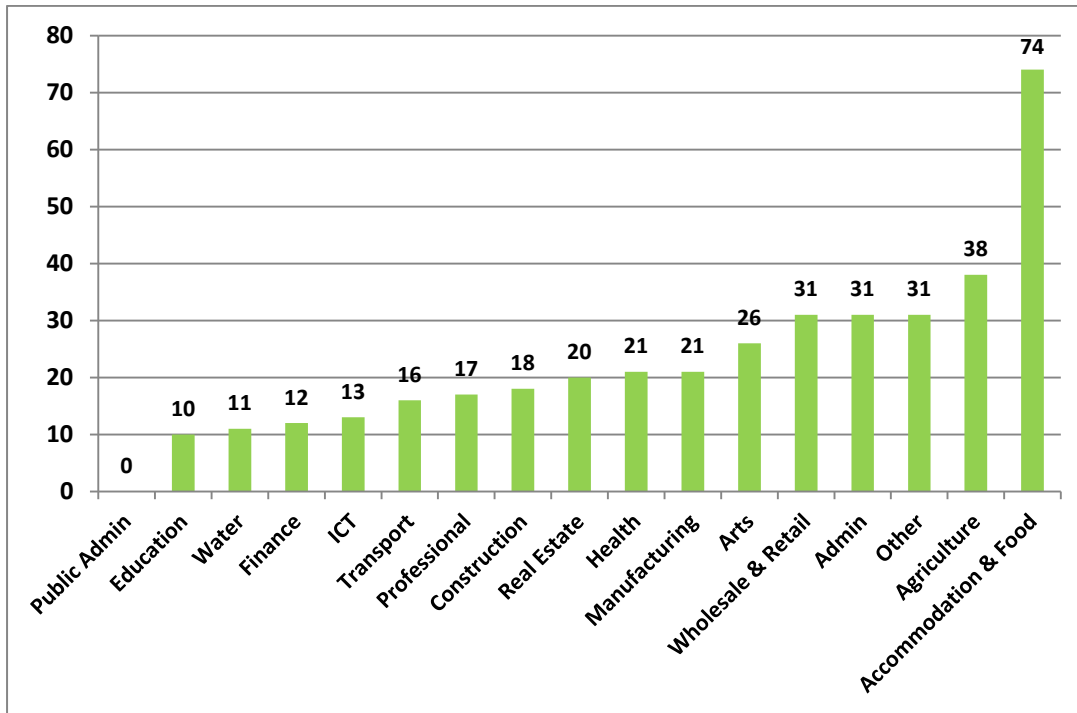


Source: Annual Survey of Hours and Earnings 2013
Note: Minimum wage = £6.19; $\frac{2}{3}$ Median Wage =£6.79

All but one of the broad industrial sectors in Northern Ireland records a substantial pool of workers at or below the LW (see Chart 3.9). The sectors with the largest percentages reflect the same sectors that appeared in the analysis of the MW with the Accommodation & Food sector reporting 74% of workers paid below the LW. There are also notable figures for Real Estate and the Construction sector, while almost 17% of those classed as professional earn the LW or below. No employees categorised as Public Administration were paid below the LW. While the Public Sector has fewer low paid workers than the private sector, but there are still many low paid public sector workers particularly in the Health sector.

While the Accommodation & Food sector records the biggest proportion of workers at or below LW, it is the Wholesale & Retail sector again which has the highest numbers indicated by the job count in this sector. Wholesale & Retail account for 31,310 below LW while the Health sector and Accommodation & Food sector report 26,670 and 24,420 respectively.

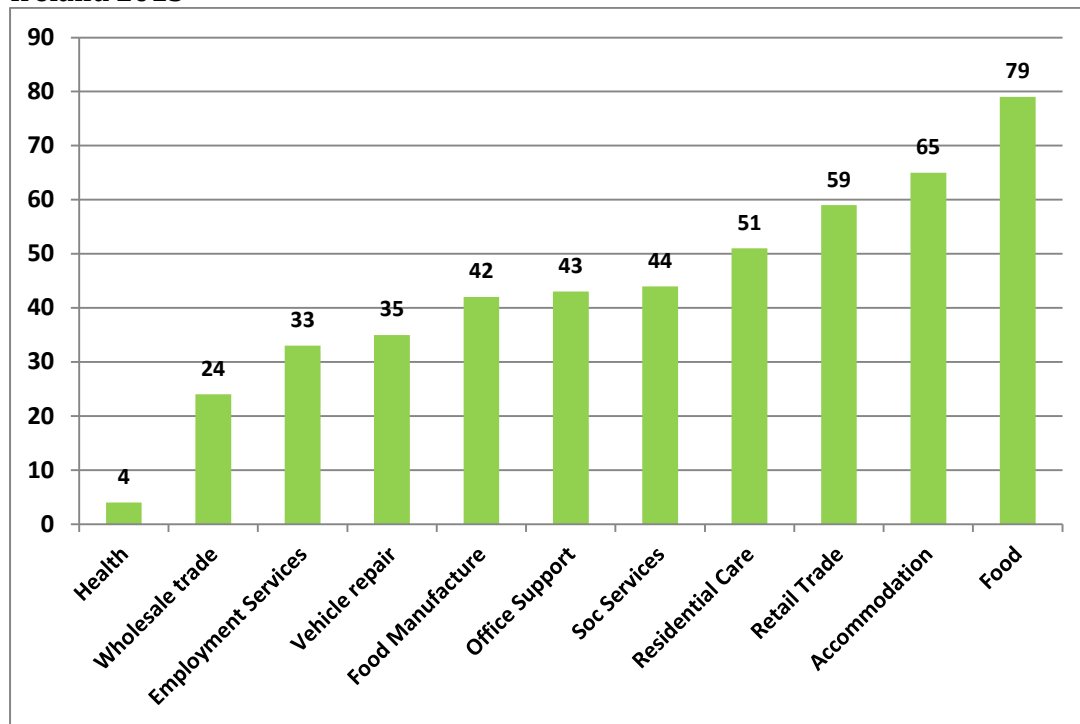
Chart 3.9 Percentage earning below Living Wage by broad industrial Sector, Northern Ireland 2013



Source: Annual Survey of Hours and Earnings 2013
Note: Living Wage rates for April 2013 = £7.45

Once again, breaking down the numbers further shows some subsectors have particularly high percentages below this threshold. The stand out figure is obviously that nearly 80% of Food workers are at or below the LW. Accommodation and Retail workers have 65% and 59% of workers respectively.

Chart 3.10 Percentage earning below Living Wage by industrial Sub Sector, Northern Ireland 2013



Source: Annual survey of Hours and Earnings 2013
Note: Living Wage rates for April 2013 = £7.45

Once again raw numbers differ in magnitude to the percentage figures. Job figures suggest that 18,170 Food workers fall at or below LW compared with 37,760 in the Retail sector. The dispersion of low pay in industries and groups should inform any policy response, particularly with relation to changes in employment.

This section outlined how low pay is especially prevalent among young people, females, those in part-time and in service sector industries such as Retail, Accommodation and Social services. These are the types of employment that have increased Northern Ireland since 2007 and this indicates a worrying shift towards low paid employment.

4. HOURS

An hourly wage is only one aspect of earnings, a worker require sufficient hours to make a basic weekly wage. There has been a worrying reduction in regular hours for people in employment in the labour market across the United Kingdom. The most egregious product of this trend has been the growth of Zero-hours contracts or contracts with no fixed or guaranteed hours of work. Reduced hours mean that it may no longer be possible to assume average weekly earnings from hourly rates of pay and it also means that the definitions of part-time and full-time employee become blurred as hours worked vary so much week to week. We do not have any Northern Ireland data on zero-hours contracts, but we can look at trends from Great Britain

and estimate figures for Northern Ireland based on differences and similarities between both labour markets.

Firstly Table 4.1 shows the evolution of median hours worked over the recession. We can see that full-time hours have fallen by 1 hour over the period from 38.8 to 37.8. Full-time hours among females have increased by 0.2 hours, while male full-time hours have decreased by the same amount. Overall part-time figures have fallen by 0.2 hours from 17.9 to 17.7 but the fall was larger among females in part-time with median hours falling by 0.5 hours from 2007.

Table 4.1: Median Hours worked in Northern Ireland 2007-13

Year	Male		Female			
	Full-time	Part-time	Full-time	Part-time		
2007	38.8	19.0	40.0	17.9	37.3	19.4
2008	38.9	18.4	40.0	16.5	37.5	18.7
2009	37.6	19.0	39.0	18.0	37.5	19.2
2010	38.1	18.5	40.0	16.6	37.5	18.8
2011	38.0	19.0	39.9	17.5	37.5	19.4
2012	38.0	18.5	39.6	18.0	37.5	18.8
2013	37.8	18.8	39.8	17.7	37.5	18.9

Source: Annual Survey of Hours and Earnings 2007-13

As noted in section 2, part-time employment among men and both full and part-time employment among women have increased since the recession. Whilst overall full-time hours have taken the largest hit, the largest decrease in hours was part-time female, the group which has seen the greatest employment growth since 2007.

Table 4.2 shows the median hours worked by different age groups since 2009. There were modest falls of 0.1 and 0.3 hours for the two age groups from 22 to 39 and an more significant fall of 2.4 hours 0.1% reduction in the over 65 group. The most significant figure is the 12.9 hours reduction in the 18-21 groups.

Table 4.2: Median Hours worked in Northern Ireland by Age Group 2009-13

Age Group	2009	2010	2011	2012	2013
18-21	31.6	22.8	21.4	20.0	18.7
22-29	37.5	37.5	37.5	37.5	37.4
30-39	37.3	37.5	37.5	37.2	37.0
40-49	37.0	37.2	37.0	37.0	37.0
50-59	37.0	37.0	36.8	37.0	37.0
60+	34.8	31.4	32.4	32.5	32.4

Source: Annual Survey of Hours and Earnings 2009-13

The sizeable reduction in hours for the 18-21 year old group does not represent a reduction on hours worked in the same jobs, it represents a sizeable shift within that age group from full-

time to part-time work. Whilst many in this age group work part-time whilst in Higher and Further Education, the numbers moving from full-time to part-time education cannot be explained by a sudden surge in educational participation in this age group. As table 4.3 shows hours worked in full-time for 18-21 year olds have remained steady whilst part-time hours have actually increased in 2012 only to return to their 2007 level in 2013.

Table 4.3: Median Hours worked in Northern Ireland by 18-21 Age Group Full-time and part-time 2009-13

<i>Year</i>	<i>Full-time</i>	<i>Part-time</i>
2009	38.9	13.8
2010	39.1	13.5
2011	39.0	14.7
2012	38.0	15.0
2013	39.0	13.8

Source: Annual Survey of Hours and Earnings 2012-13

Table 4.4 presents the change in median hours worked from 2012-2013, the only years for which this data is available. The largest increase in overall hours has been in Accommodation & Food but the overall hours in Full-time positions declined while part-time hours increased. Overall figures represent both part-time and full-time and so large increases in overall hours may reflect movement between full-time and part-time. Among those in part-time employment reductions Administration saw the largest fall in hours worked, followed closely by Manufacturing. Part-time Education workers also saw a 4.8% decrease in hours, and this may take in groups like special needs assistants which have been scaled back significantly in recent years.

Table 4.4: Percentage change in Median Hours worked in Northern Ireland by Industry 2012-13

Industry	Overall	Full Time	Part-time
Agriculture, forestry and fishing	16.2	0.2	0.7
Mining and quarrying	3.3	0	n/a
Manufacturing	1.1	0	-7.7
Electricity, gas, steam and air con.	0	0.1	n/a
Water supply; sewerage, waste	3.7	4.7	n/a
Construction	0	0	n/a
Wholesale and retail trade	0.1	0.5	5.1
Transportation and storage	0.1	0.4	3.9
Accommodation and food service	10.9	-1.1	1.2
Information and communication	-0.3	-0.3	n/a
Financial and insurance activities	0	0.1	-1.0
Real estate activities	0	0	0.7
Professional, scientific and technical	0.6	0	7.9
Administrative and support service	4.2	2.7	-7.9
Public administration and defence	0	0	9.5
Education	-0.1	-0.4	-4.8
Human health and social work	-3.7	0	-1.1
Arts, entertainment and recreation	2.2	0.4	15.6

Source: Annual Survey of Hours and Earnings 2012-13

What the above tables show are median hours worked by sector, age groups full-time and part-time across Northern Ireland. The data is taken from the Annual Survey of Hours and Earnings which is carried out in April of each year. What these figures cannot tell us is how regular hours of work are. These are median figures for one week in the year and do not for instance give any information about “Zero Hours Contracts”. Although there is no Northern Ireland specific data available we do know from Great Britain that there are certain sectors where zero hours contracts are most likely. Table 4.5 represents the latest data from Great Britain. The Accommodation and Food sector, which had the only significant fall in full-time hours and as noted from section 3 performs badly on low pay, has the greatest usage of zero hours contracts.

Table 4.5: Proportion of Businesses using Zero Hours Contracts in Great Britain by Industry

Industry	% of Zero Hours Contracts
Construction	10%
Wholesale and Retail	13%
Accommodation and Food	45%
Info, Finance, Professional	7%
Admin and support services	17%
Public admin	10%
Education	15%
Health and Social work	22%
Transport, Arts, Other	12%
Total	13%

Source: ONS (2013) Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours

Overall the pattern of hours worked in Northern Ireland has not changed dramatically. There has been a large shift from full-time to part-time among the youngest age group and female part-time workers have lost most overall. Once again within industries the Accommodation and Food sector along with Administration and Manufacturing saw the biggest losses. Once again industries including Accommodation and Food are a concern to the proportion of zero hours contracts within that industry.

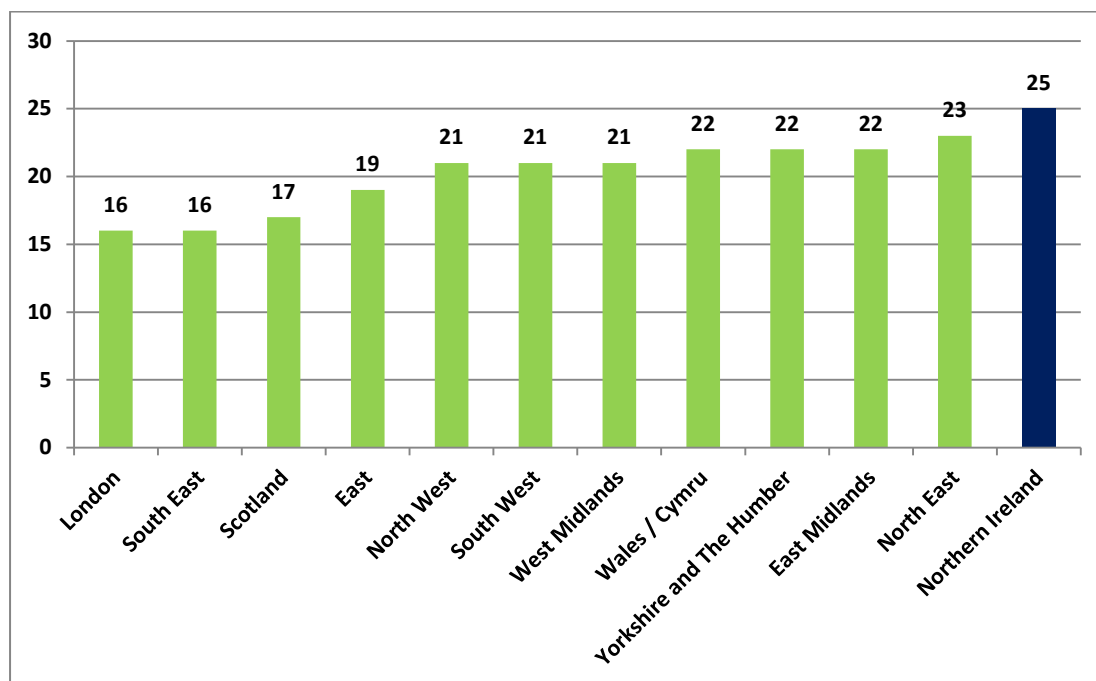
5. POLICY IMPLICATIONS

The trends and changes to the labour market in Northern Ireland outlined in this paper pose several key questions for policymakers over the next number of years. The key questions are all interlinked, for instance will the shift toward part-time employment lead to further increases in low paid jobs. What are the implications of employment shifts toward service sectors for both employment and industrial policy? There are questions that can be answered immediately and those that will require a more long-term approach. Broadly for the short term the main problem arising from the labour market is an increase in low paid and less secure employment. In the medium and long term policy needs to focus on creating both greater employment in higher value added sectors and also create higher value added within existing sectors.

Low Pay

The data presented in the previous section displays the full extent of low pay at all levels throughout the Northern Ireland economy. Low pay should be concerning to policy makers in Northern Ireland not only because of links to poverty and deprivation but also because of its implications for the domestic economy. Northern Ireland is the worst performing region for pay below the LW. The North East of England is a close second with 24%, but even Wales records a significantly lower figure at 22%. An overall UK figure would be skewed by figures for London, but even without it we can see that Northern Ireland is not above average for low pay it is top of the table.

Chart 5.1 Percentage of earners below Living Wage by UK Region 2013



Source: ONS Annual survey of Hours and Earnings 2013

Of course low pay is not simply a matter of exploiting employers and hapless workers; there are structural problems within the Northern Ireland labour market which have given rise to the current distribution of earnings. Structural problems require longer term solutions, and these are policy questions for future research. Low pay is the most egregious consequence of these structural issues and given the current wage stagnation, it requires immediate action.

1. *The Minimum Wage*

Policy options are available to both the UK government and the Northern Ireland Executive in these areas. For the UK government the first such option would be to further raise the MW. The introduction of the Minimum Wage was not an uncontroversial issue. At the time it raised objections from those who claimed it would cost thousands of jobs through lost competitiveness, and from those who felt that a MW would prevent further upward pressure on wages by creating a lower bound of earnings. It remains unclear whether the latter of these concerns has been borne out by experience but certainly most research to date finds no adverse employment effects from the introduction of the MW (Stewart, 2002) and companies with low paid workers tended to experience lower profits rather than pass on higher prices (Metcalf, 2007). The MW is a statutory legal obligation and so enforceable, but as outlined earlier, the rate set by the LPC must not endanger overall employment and so can fall victim to higher levels of inflation. This has been a particular problem over the last number of years.

Using the consumer price index the MW has reduced by 5.2% from 2007/08 to 2013/14. The Low Pay Commission recommended in February 2014 that the MW should increase by 3% from

its current £6.31 to £6.50 and the government have accepted this recommendation. This is significant in that it would be the first above inflation increase in the MW since 2009. While it could certainly be considered a move in the right direction, it only begins to reverse the cumulative real losses faced by workers over the last five years.

The MW also needs to be enforced. At present the fine for non-payment of the national MW is a maximum of £5,000 plus 50% of wages not paid. Proposals have been brought forward to increase the maximum fine to £20,000 plus 100% of wages not paid. This is a welcome policy change but enforcement is just as important as deterrents especially for more vulnerable groups such as young workers and migrants.

2. The Living Wage

The Northern Ireland Executive and local government should lead by example and implement the Living Wage across the public sector, including contracted service providers. They could also lead a campaign to encourage the private sector to take up the LW, but all this would be voluntary.

The LW is a significant improvement from the MW, but it also has its limitations. Research points out that the LW cannot guarantee a minimum standard of living. Calculation of the LW assumes an adequate number of hours worked and the full take-up of in-work benefits (Lawton & Pennycock, 2013). This emphasises that earnings are no guarantor of income as differing circumstance such as family size mean that no wage rate can substitute for adequate in work welfare provisions. The second drawback at present is that the LW is non-statutory and determined by research units in the Greater London Authority and the University of Loughborough, not government. The LW campaign has sought to provide accreditation services for employers who want to advertise that all their employees earn above the LW. This kind of voluntary campaign has been useful in bringing the concept of a LW to the fore, but the vast majority of companies that have signed up so far are not operating in sectors with particularly large incidences of Low Pay.

An obvious course of action for the UK government would be to abandon the MW and put the LW on a statutory footing. Once again the arguments against such a proposal would be that it would endanger employment or damage competitiveness, by setting a rate without due regard to wider macro impacts. Research from the National Institute for Economic and Social Research (NIESR) uses labour demand elasticities to calculate the effect on labour demand from introducing a mandatory LW. Their calculations suggest job losses of up to 160,000 in the UK (Riley, 2013). It also finds that there would be significant labour for labour substitution with younger workers losing out to older experienced workers.

The NIESR research only models the effect of the increase in wages for firm level demand, it does not factor in spill over effects from increased economic activity. Low paid workers are likely to have a high marginal propensity to consume so most of what is awarded in higher wages is likely to flow directly back into the domestic economy. Reed (2013) calculated the size of demand stimulus created from increased wages and how this extra economic activity would translate into jobs using an IMF employment multiplier. When these figures were combined with the NIESR job loss figures a net increase of 7,000 jobs was estimated from introducing the LW.

A net increase in jobs is not surprising as the NIESR research mentions that if the same labour demand model were used to model the impact of the introduction of the current MW, it would still forecast significant decreases in employment. Given that these employment effects were not borne out by experience, the figures provided by Reed seem plausible. The NIESR research also emphasised that while they forecast job losses, these losses would only represent 4% of the estimated 4 million workers who would see an average wage increase of 15%.

3. Sectoral Wage Minimums

There are policy options beyond a LW that could be adopted by the Executive in Northern Ireland. As the previous section showed, low pay is concentrated in certain industries, and these industries are least likely to take up the voluntary LW. Unsurprisingly the same NIESR research found these sectors would bear the brunt of job losses from the introduction of the LW. Another structure that could be adopted is to recognise the vast differences between sectors of the economy and form wage rate groups for different industries. This would allow employers and employees to set industry standards for minimum pay that could account for productivity and competition. This need not come from the UK government as the wage groups would be formed locally among industry representatives and trade unions. The sectors in Northern Ireland with the highest proportion of low wage earners such as hospitality and retail are the least exposed to external wage competition. Wage groups would allow employers to agree minimum wage standards for a sector and apply that rate without fear of being undercut by a competitor. This would not be dissimilar to the system of Joint Labour Committees that have been recently resurrected in the Republic of Ireland. That system of agreements could provide a model for Northern Ireland.

Insecure work

Data from the Labour Force Survey shows that about a fifth or 20% of those in part-time employment would prefer a full time job, which is double the equivalent percentage of part-time workers in 2008. This is the only official underemployment statistics available in Northern Ireland. From January 2008 until January 2014 approximately 26,000 more people were employed on a part-time basis. Over the same period there was an increase of 22,000 in the number of people who reported lack of a full-time position as their main reason for working part-time (NISRA, 2014). So while part-time employment has grown and given a welcome boost to overall employment, there is clearly an unmet demand for full-time employment in Northern Ireland.

However, as mentioned earlier the traditional full-time/part-time split that defines hours of work may no longer be appropriate. Due to the rise in “non-fixed hours”, workers who consider themselves in full-time employment may not be employed on full-time hours. This trend is evident in part-time employment as well. This presents a serious challenge for policy makers in tackling underemployment and insecure employment. There is at present no data on the number of Zero Hours Contracts in Northern Ireland, though an indicative figure of 28,000 can be produced from an estimated UK total (Northern Ireland Assembly, 2014). The data available for Great Britain discussed in the previous section shows not only the extent and detail of ZHC, but importantly measures attitudes of workers to these contracts. Zero-hours contracts are

defended on the basis of the flexibility they offer to employers and employees not to be constrained by agreed hours of work. It is said that this allows flexibility for small employers who could not afford to guarantee either full-time or part-time contracts and thus it is argued that many jobs would not be possible without ZHC. It is argued furthermore that ZHC provide flexibility for employees, who due to other obligations cannot commit to a fixed set of hours.

Alternatively it is suggested that ZHC contracts only benefit a small number of employees who require such flexibility whilst at the same time they allow some employers to use the insecurity of a ZHC to avoid pay progression and labour rights for some employees. This is why data on the attitudes of those with ZHC and similar insecure forms of employment is so important. In order to make policy it needs to be clear whether ZHC provide much needed flexibility for a functioning labour market or whether they provide avenues for exploitation. If the numbers in Northern Ireland bare any relation to those collected for Great Britain it would be difficult to conclude the former. That is because it is highly unlikely that such a proportion of the workforce would require such an extensive level of flexibility. It is easy to envisage someone such as a student perhaps enjoying such flexibility, but it is hard to envisage a large group of people who would be unable to commit to at least part-time hours, irrespective of whether they follow a regular schedule. Furthermore many transactions including the lease or purchase of a property require proof of steady income to guarantee payment. It is difficult to see how so many people would forego such certainty and broader financial planning in exchange for uncommitted hours of work.

However, all such assertions are hypothetical and in order to build a solid policy framework to address insecure work, real Northern Ireland level data is required. At present the data from Great Britain does provide some foretaste of the situation.

Higher Value Added

Nearly all economic and enterprise policy documents In Northern Ireland focus on the need to attract and create employment in “higher value added” sectors and thus more secure and better paid jobs. Many government policy documents also focus on strategies to attract foreign direct investment through a lower tax rate on corporate profits. While the efficacy of such a strategy is not the subject of this paper, it should be noted that corporate tax competition is one aspect of one strategy to create employment in higher value added sectors and there are many competing alternatives.

Northern Ireland has an historical problem with under-investment dating from the deindustrialisation of the 1970’s. Outside a handful of large firms, Northern Ireland is dominated by small and medium sized enterprises. A significant body of literature has grown up around the work of Mazzucato (2013) and her contention that SME’s historically do not invest in research and development and innovation. Large firms do innovate but historically these achievements have been made with significant state investment and support. This is a problem for Northern Ireland and direct comparisons with the Republic of Ireland corporate tax experience may not be appropriate. A state investment strategy which identified a number of key growth sectors within the economy and which made available the kind of long-term patient finance that is needed could build the intensive industries that give rise to supply chain firms and attract Foreign Direct Investment with a similar skills profile.

Enterprise strategies for Northern Ireland will be the subject of forthcoming NERI research, but there is another challenge presented by the sectoral breakdown of employment. Whilst it is necessary to increase employment in more highly paid sectors in production and manufacturing, it is worth recognizing that certain service sectors we regard as low paid cannot remain that way. As highlighted earlier the increase in low paid service sector employment needs to be combatted in the short term through measures such as a living wage and sectoral agreements if possible. In the future however we also need to focus on creating more skills and thus higher value added employment in what are now low value added sectors.

Technological progress has changed employment and business patterns drastically over the last number of decades, in particular with the advance of the internet. New technologies have replaced labour and skilled positions in many industries. However the advance of technology has had an impact on those jobs we broadly define as mid-level or semi-skilled positions. While computer technology may have replaced a lot of clerical and administrative roles, it has not for instance replaced the roles of an engineer or a surgeon. But neither has it replaced the role of an office cleaner or a hospital porter, it is the jobs in between. This hollowing out of the labour market is referred to as labour market polarization (Resolution Foundation, 2013). In order to avoid a swelling of low-paid employment, particularly in the service sector, there needs to be a significant boost in human capital both by firms and by the state in the form of up-skilling. This up skilling could then lead to a higher value added boost in wages.

Beyond up-skilling though, there is a broader point to be made about how particular economic activity is valued in the economy. While market forces dictate wages and returns for capital and investment, this does not always lead to the optimal allocation of value. Of course policymakers need to prioritise higher value added sectors and up skill lower value added sectors but a certain shift toward some lower value added sectors is inevitable. Issues of demography and an “ageing society” in particular will require more employment in industries such as residential and social care. At present these sectors can be categorised as low paid and low value added. In order to prevent a large increase in low paid employment driven by demographic factors, there needs to be a reassessment of the value of these services, particularly with regard to some other sectors of the economy.

There are examples in the economy at present which highlight a sub-optimal valuation of work among sectors of our economy. For instance in 2008 the UK finance executive of a failed bank was retained to advise on its restructuring on a monthly salary 3 times the annual salary of a childcare worker with 20 years of experience (Perrons & Plomien 2013). In a market economy there will always be pay discrimination, but the degree to which the present labour market can allocate value is certainly open to question.

6. CONCLUSION

There are trends emerging within the Northern Ireland labour market that pose a series of challenges for policymakers. The pattern of employment has shifted toward particular groups and industries and the shape and form of employment has shifted also. The available evidence suggests that these shifts may result in a growth of low paid and insecure work. The first challenge is to tackle low pay through increased wage floors and to promote wage agreements across sectors. Regulation also needs to ensure that employees cannot be exploited through the

use of flexible contracts by introducing minimum work requirements. The shift toward lower paid sectors of employment poses a challenge to industrial policy, that in order to achieve a significant increase in prosperity more active and focused state intervention is required. However shifts toward certain sectors are inevitable and there is an onus on all economic actors to both add value in certain sectors of our economy and to recognize and reassess value in others.

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