

# NERI Research inBrief

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## Decent Work in Northern Ireland: The challenge of insecurity and low pay

Lisa Wilson

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### SUMMARY

Many analysts agree that the most challenging issue facing the labour market is the quality rather than the quantity of employment.

The evidence presented in this *Research InBrief* however suggests that these headline figures have been masking a more worrying story about the changing nature and quality of employment in Northern Ireland.

Specifically, this *Research InBrief* shows that insecure employment and low pay present particular challenges to improving the quality of jobs and providing decent work for all.

Given the considerable body of evidence demonstrating the negative effect poor quality employment has for individual workers, their families, businesses, and the overall economy it is imperative that improving the quality of jobs in Northern Ireland should be to the forefront of the work of policy makers.

### KEY POINTS

- Whilst permanent, full-time contracts remain the norm, there has been a proliferation in more insecure forms of employment.
- Over one in three workers in Northern Ireland are employed in a more insecure form of employment, than that offered by the traditional standard.
- There have been particular increases over 2008 to 2016 in the share of the labour market comprised of part-time temporary or part-time self-employed workers.
- 20% of workers earn below the real living wage.
- The accommodation and food sector is particularly at risk of low pay, with 75% of workers earning below the real living wage.

#### Nevin Economic Research Institute (NERI)

31/32 Parnell Square  
Dublin 1  
+ 353 (1) 8897722

45-47 Donegall Street  
Belfast BT1 2FG  
+ 44 28 90246214

e-mail: [info@NERInstitute.net](mailto:info@NERInstitute.net)

Web: [www.NERInstitute.net](http://www.NERInstitute.net)



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## Introduction

In recent years concern with job quality has been increasing on the basis of a growing international literature documenting the 'spread of bad jobs', increasingly polarised labour markets, an increase in non-standard and precarious employment, an increase in low skilled work, and rising concerns that for a large proportion of the workforce work does not pay.

As a result, there has been increased recognition internationally that in assessing the state of the labour market we need to consider not just the *quantity* of jobs, but also the *quality* of jobs.

This recognition has come on the basis of evidence which calls to clout the long-held truism that 'any job is better than no job'. Indeed, a mounting body of evidence demonstrates that poor quality employment has numerous negative effects for individual workers well-being and that of their families (Chandola and Zhang, 2017; ILO, 2016; Wilson, 2017).

Beyond this however, there is increasing evidence that poor quality employment negatively effects innovation, productivity, investment in firm specific skills, and consumer confidence which ultimately have a negative effect on businesses and the economy as a whole (OECD, 2015; Taylor, 2017).

This *Research InBrief* summarises some recent NERI research which demonstrates that concerns about job quality are well-founded in the context of the Northern Irish labour market. In particular, as will be shown, low paid, insecure employment is a prominent feature of the Northern Irish labour market.

## Data

The data we use in this paper to measure insecurity in work draws on data from the Northern Ireland October to December Quarterly Labour Force Survey (NI-QLFS) for the period 2008 through to 2016. The NI-QLFS is a subset of the UK-QLFS, carried out by NISRA.

The data we use to measure low pay in Northern Ireland is the Annual Survey of Hours and Earnings (ASHE), a UK-wide carried out in Northern Ireland by NISRA.

## Insecure work: Some insights

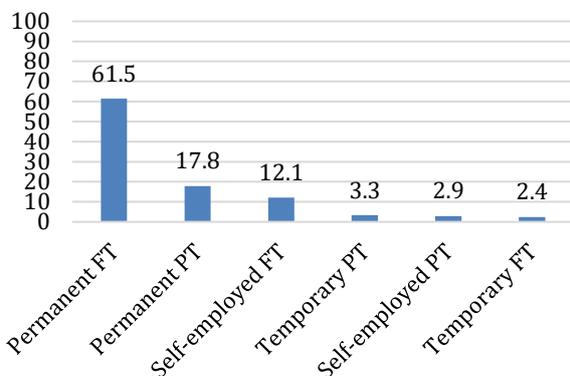
The type of employment arrangement in which one works is the most commonly used indicator of the assurance or security that one's job will remain stable from day to day, week to week, or year to year and is used to here to assess the extent to which employment in Northern Ireland is moving away from the traditional standard model of employment, where the norm for workers is to be employed in full-time, permanent (indefinite), regular employment arrangements and becoming more insecure in nature.

From the snapshot of findings presented in Figure 1 we see that standard employment arrangements (permanent, full-time) account for 61.5% of total employment in the last quarter of 2016, with the remaining 38.5% of the workforce employed in various types of non-standard employment arrangements. Of course, the degree of job insecurity associated with different forms of non-standard employment differs and is dependent upon the particular employment arrangement and so it is for this reason that the analysis distinguishes between those in full- and part-time temporary employment and full- and part-time self-employment.

Admittedly, not all self-employment can be considered insecure. Yet much of the increase of self-employed and own-account workers since the 2008 global economic has been found to be bogus (Citizens Advice, 2015) in nature. This suggests that the growth of self-employment and own-account work may owe more to the spread of precarious forms of employment with many of these workers being 'pushed' into self-employment. This owes more to unemployed workers fearful of benefit sanctions and employers seeking to shift financial risk than it does to a surge of entrepreneurial spirit (D'Arcy and Gardiner, 2014). Moreover, ultimately, it remains that all non-standard forms of employment, including those in self-employment, have

been found to be less secure and of poorer quality than the traditional standard employment arrangement (ILO, 2016).

**Figure 1: Percentage share of labour market, 2016**



Looking more closely to the breakdown across the various employment arrangements we see that permanent part-time contracts are the most prevalent form of non-standard employment arrangement, with close to one in five (17.8%) of all workers employed in this arrangement.

Close to one in seven workers (15%) are self-employed, the vast majority of whom work full-time (12.1%), with 2.9% of the self-employed working part-time. Temporary employment is the least prevalent form of

employment arrangement, with 3.3% of all workers employed in temporary full-time contracts, and 2.4% in temporary part-time contracts.

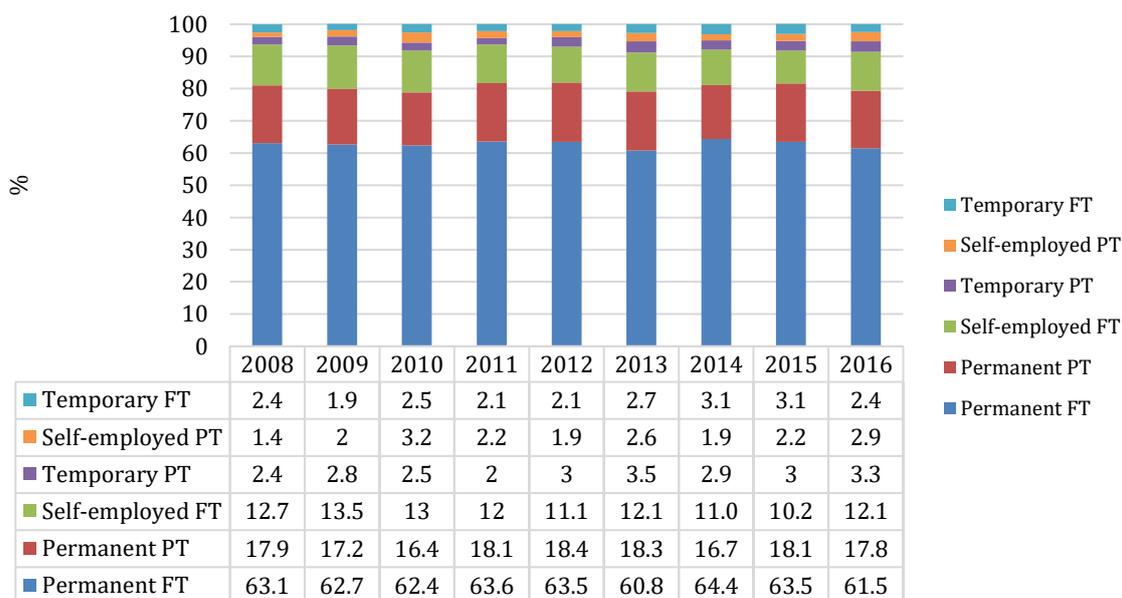
Nevertheless, whilst temporary employment remains the least prevalent form of employment, the percentage of workers who are part-time temporary or self-employed has risen sharply over time.

Moreover, whilst the traditional standard of a permanent, full-time job remains the norm what is clear from Figure 2 is that permanent, full-time contracts now comprise the lowest share of the labour market, with the exception of 2013, than what has been the case in any other period throughout 2008-2016.

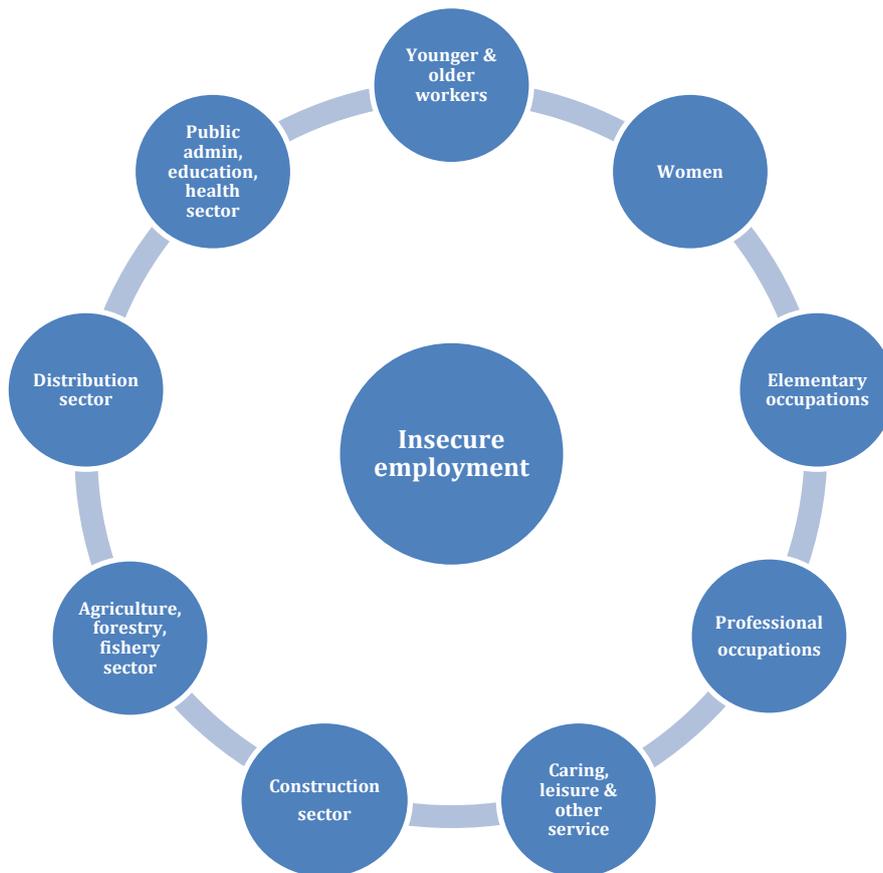
The risk of workers with different characteristics of being in insecure employment was assessed based on a number of different characteristics. As summarised in Figure 3, we found that:

- Younger workers aged between 15-34 have a much higher risk of being in temporary employment than any other age group. Whilst those aged 55-64 have the highest likelihood of self-employment.

**Figure 2: Percentage share of labour market, 2008-2016**



**Note:** Perm FT = Permanent full-time, PT Perm = Part-time Permanent, FT Temp = Full-time temporary, PT Temp = Part-time temporary, FT S-E = Full-time self-employed, PT S-E = Part-time self-employed.

**Figure 3: Overview of key risk factors to insecure employment**

- Women are more likely than men to be in temporary employment, whilst men have a much higher likelihood of being self-employed. Over 1 in 5 men are self-employed, compared to less than 1 in 10 women.
- Those working in the public administration, education and health (9.8%) or distribution, hotels and restaurant sector (7.3%) have the highest likelihood of being temporarily employed.
- Those working in the agriculture, forestry and fishery (66.5%) or construction sectors (34.8%) are at highest risk of self-employment.
- Those in caring, leisure and other occupations (9%), professional occupations (9.1%) or elementary occupations (5.4%)

#### Low Pay: Some insights

Low pay is officially defined as two thirds of the median gross hourly wage (Eurostat, 2013). For the year 2016, the median hourly wage rate was £10.80 which implies a  $\frac{2}{3}$  rate of £7.20. This rate is the same as the 2016 'National Living Wage' which was introduced in April 2016 for workers aged 25+, with a starting rate of £7.20 with the aim of reaching 60 per cent of a typical (over-25) worker's hourly wage by 2020<sup>1</sup>. By implication this means no workers aged over 25 are classified as being low paid using this measure. However, given that any further increases in the National Living Wage are unlikely to provide the extensive boost as it did in its first year, we would expect that this 'wipe out' of low pay is only a temporary phenomenon. In any case, given that any further uprates to the National Living Wage are to be linked only to increases in median earnings, increases in the cost of living will not be taken into account. Furthermore, given that the National Living Wage does not

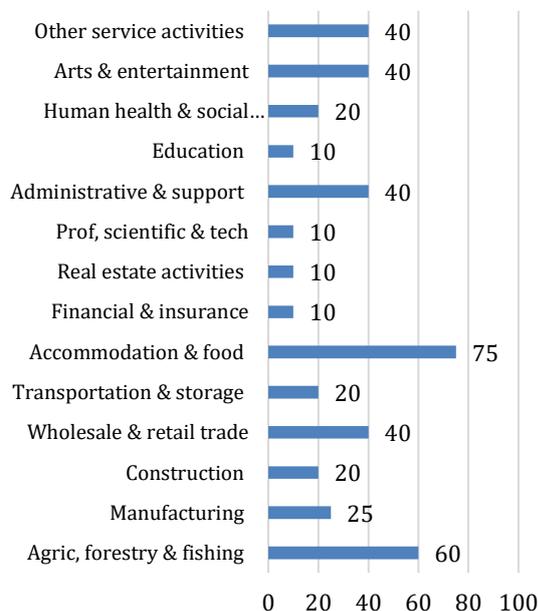
<sup>1</sup> The 2017 National Living Wage rate is £7.50.

cover those under 25, low pay continues to remain a considerable problem for these workers.

On the other hand, the Real Living Wage independently calculated by the Living Wage Foundation takes account of both increases in the cost of living, and applies to all workers over 18, in recognition that young people face the same living costs as everyone else. The Real Living Wage is based on the cost of a basket of household goods and services considered by the public as necessary to obtain a *minimum acceptable standard of living* with many analysts agreeing that this is a much more robust indicator of low pay.

In utilising this measure of low pay we found that one in five workers (20%) in Northern Ireland earn below the real living wage.

**Figure 4: Percentage of employees below real living wage, by sector, 2016**



Examination of the sectoral breakdown of low pay shows that the problem of low pay is persistent across almost all sectors, with workers in some sectors at an increasingly higher risk of being low paid. For example, as shown in Figure 4 above, 75% of workers in the accommodation and food sector are paid below the real living wage. Other sectors particularly affected include wholesale and

retail trade sector (40%) and administrative and support service sector (40%).

### Conclusion

The results presented in this *Research InBrief* show that the nature and quality of employment in Northern Ireland has undergone considerable change in recent years. This has been marked by an overall increase in more insecure forms of employment, with particular increases seen in part-time temporary and self-employment. Furthermore, it was shown that low pay is a pervasive problem in Northern Ireland, with workers in some sector particularly at risk.

Given the considerable body of evidence demonstrating the negative effect poor quality employment has for individual workers, their families, businesses, and the overall economy it is imperative that improving the quality of jobs in Northern Ireland should be to the forefront of the work of policy makers.

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