

NERI Research inBrief

March 2015 (no20)

Public Sector Employment in Northern Ireland

Paul Mac Flynn

ISSN 2009-5848

SUMMARY

The Northern Ireland Executive is set to commence a voluntary redundancy scheme in the public sector in January 2015. Whether or not such a scheme is necessary or desirable is not the subject of this piece.

This *inBrief* seeks to examine the potential impact of such a scheme on the Northern Ireland economy. Particular regions with higher concentrations of public sector employment will necessarily be more vulnerable to job losses. Similarly the breakdown of gender within the public sector implies that females may make up the majority of redundancies.

KEY POINTS

- Evidence from other UK regions indicates that for every £1 spent on public sector employment, between £0.59-0.71 is spent in the local economy.
- West Belfast, Foyle and West Tyrone have the largest concentrations of public sector employment in Northern Ireland.
- Female employment in the public sector is 18% higher than male employment.
- There is no gender pay gap within the public sector in Northern Ireland.
- A voluntary redundancy scheme could widen the gender pay gap and may have a disproportionate impact on certain regions.

Nevin Economic Research Institute (NERI)

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

e-mail: info@NERInstitute.net
Web: www.NERInstitute.net

Carlin House
4-6 Donegall Street Place
Belfast
BT1 2FN
Northern Ireland
+ 44 28 90246214



Research for new economic policies

Introduction

The Stormont House Agreement of December 2014 contained a provision whereby the Northern Ireland Executive could utilise existing borrowing powers to institute a voluntary redundancy scheme within the public sector. The total amount of borrowing that would be used for this purpose is £700m over four years. The proposed programme could result in 20,000 redundancies over the four year span (DFP, 2014). If this is the outcome, there are a range of impacts that should be considered beyond public finances and the prospective savings that would accrue to the Executive.

There is no method by which we can forecast the take-up of the redundancy scheme within different public services and consequently no way of knowing how services will be impacted. However we can examine the economic impacts of a reduction in public sector employment and the geographical and gender distribution of those impacts.

Economic Impact

Whilst the 2015/16 Budget for Northern Ireland set out how a voluntary redundancy scheme would be paid for and how much it was expected to save each year, there was no consideration given to any wider economic impact. When quantifying the impact of a redundancy scheme, reductions in domestic demand and consequent reductions in private sector employment need to be considered. Recent studies on the impact of reductions in public sector employment in other UK regions have produced indicative multiplier effects for local economies.

Research carried out for the TUC by the Association for Public Service Excellence used the New Economic Foundation LM3 model to determine the effect of reduced public sector employment in the Borough of Swindon in England (TUC, 2009). They found that for every £1 spent on public sector employee wages in Swindon, 59p was re-spent directly in the local economy. When the same methodology was applied to

West Lothian Council in Scotland, the rate was even higher at 71p. In both examples, removing this money from the local economy will lead to further job losses within the private sector. To date, there has been no estimate of the economic impact that a public sector redundancy scheme would have on the wider economy or any cost-benefit analysis of the scheme.

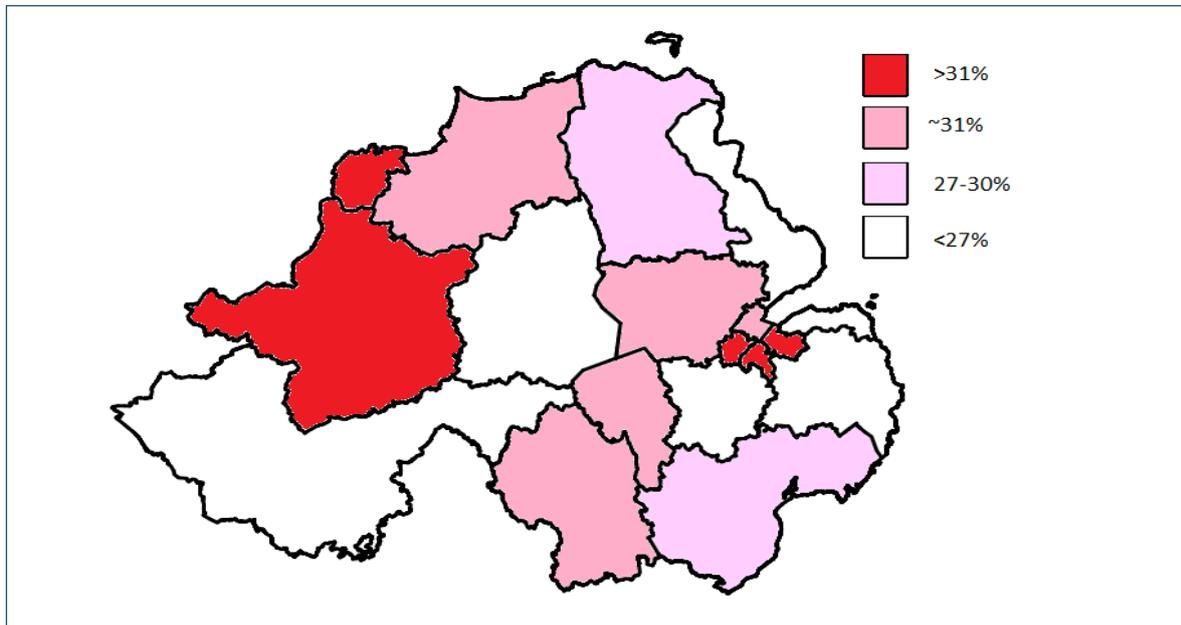
It is worth emphasising that public sector employment, at 31% of total employment in Northern Ireland, is higher than the UK average which is 17% (ONS, 2014). However, such a measure only scores public sector employment against the level of private sector employment; therefore it conceals the true weakness of the private sector in Northern Ireland. If instead public sector employment is given as a percentage of the total working age population, there is a clear divide. While public sector employment per working age adult is 4% higher in NI (18%) than in the UK (14%), private sector employment per working age adult is 18% higher in the UK (59%) than it is in Northern Ireland (41%). The figures point to an above average level of employment in public sector in Northern Ireland but much of this can be attributed to legacy and security issues along with diseconomies of scale associated with governing such a small population. The figures do not support the notion that public sector employment is crowding out the private sector, rather that there is a structural weakness within the Northern Ireland private sector.

Geographical Impact

The discussion in the previous paragraphs on the economic impacts assumes that the loss of 20,000 public sector jobs would be spread evenly across the Northern Ireland economy.

As mentioned previously, there is no method for predicting take-up of any redundancy scheme and therefore the final geographic impact of this policy will remain unknown. However there are regions within Northern Ireland where

Chart 1 Public Sector Employment as a percentage of total Employment by Parliamentary Constituency, 2013



(ONS, 2014)

effects of any redundancy scheme could be greater. The Census of Employment provides the most accurate and up-to-date figures for the regional distribution of public and private sector employment. The latest figures available are for 2013 and it should be noted that the statistics show where the employee job is located and not the residence of the employee.

Public Sector jobs account for 31% of overall employment across Northern Ireland, but as the map above shows, there is a wide geographical spread. Breaking it down into parliamentary constituencies, five areas have above average public sector employment. In descending order these are West Belfast, Foyle, South Belfast, West Tyrone and East Belfast. Of these West Belfast would be the most vulnerable constituency with over 45% of total employment in the public sector. North Belfast, East Londonderry, Newry & Armagh, South Antrim and Upper Bann all come in at around the national average of 31%. North Antrim and South Down are just below the average figure whilst Mid-Ulster at 21% is has the lowest proportion of public sector employment in Northern Ireland.

Even if we assume a uniform take-up of redundancy across Northern Ireland, some regions will feel a greater impact than others. Beyond the vulnerability of particular regions there is also the question of how local economies would be able to replace such employment from existing private sector industries. In all of the three most vulnerable constituencies, public sector industries together represent the largest sector of employment. In all three constituencies, the second largest sector of employment is Retail and Distribution, which has the second highest incidence of low pay in Northern Ireland. Accommodation and Food has the highest proportion of low pay In Northern Ireland and all three of the most vulnerable constituencies have significant employment in this sector.

Gender Impact

Beyond the immediate financial and economic impact, there would be significant equality impacts from such a significant decrease in public sector employment. Female employment in the public sector is significantly higher than that of males across the UK. Public Sector employment of females is 17% higher than males in the UK,

and it is 18% higher in Northern Ireland. That being said there are significant gaps between wages in the private sector and the public sector. Quite often the gap between public and private earnings in Northern Ireland is the subject of much debate, but the gender pay gap is a significant part of this equation as well

The gap between public and private median earnings in Northern Ireland is 47% compared with 19% for the UK as a whole. However comparing sectors rather than regions gives a more accurate picture. While the median public sector wage at UK level is 2.4% higher than Northern Ireland, the median private sector wage at UK level is 26% higher than Northern Ireland.

The Gender pay gap is defined as the difference in median earnings between male and female employees. For the UK in 2014, the median male full-time weekly wage was 16% higher than the equivalent female full-time median weekly wage. For Northern Ireland there was no such gap, women actually earn marginally more. There are many reasons for this, but one of the main reasons is that the proportion of total employment in Northern Ireland that is within the public sector. The public sector tends to provide more flexible working arrangements and a greater degree of collective bargaining which all play key roles in securing better outcomes for female employees.

Table 1 Gender Pay Gap in Northern Ireland 2013

	Male Full-time	Female full-time	Gap
NI (All)	434	434	0
Public	536	562	-4.6%
Private	402	334	20%
UK (All)	528	455	16%
Public	618	534	15%
Private	502	400	25%

NISRA (2014)

The public sector the gender pay gap for full-time employees at UK level is 15.7% compared to a 25% gap in the private sector. In Northern Ireland the public sector gender pay gap is actually -4.6%, indicating that the median female public sector wage is higher than that of males. This compares to a 20% gender pay gap within the private sector. As with the geographical impacts, how public sector redundancies will be distributed by gender cannot be forecast, but a shift from the public to the private sector within female employment will almost certainly re-open the gender pay gap.

Conclusion

The current proposal for a voluntary redundancy scheme would benefit from a full cost-benefit analysis, before any conclusion is made about the impact it would have on the Northern Ireland economy. Geographical and equality concerns need to be factored in to this process. If the aim of this policy is to “re-balance” the Northern Ireland economy, policies would be more efficiently focused on the gaps between outcomes in the private sector in Northern Ireland rather than the public sector.

References

Northern Ireland Statistics and Research Agency (2014) *Annual Survey of Hours and Earnings 2014*

Office for National Statistics (2014) *Census of Employment 2013*

Trades Union Congress (2009) *Standing Up for Public Services*

Department of Finance and Personnel (2014) *Budget for Northern Ireland 2015/16*

The views expressed in NERI *Research inBrief* documents are those of the author(s) and do not necessarily represent those of the NERI.

Previous editions of this series are available on the institute’s website www.NERInstitute.net