# One Island, Two Labour Markets

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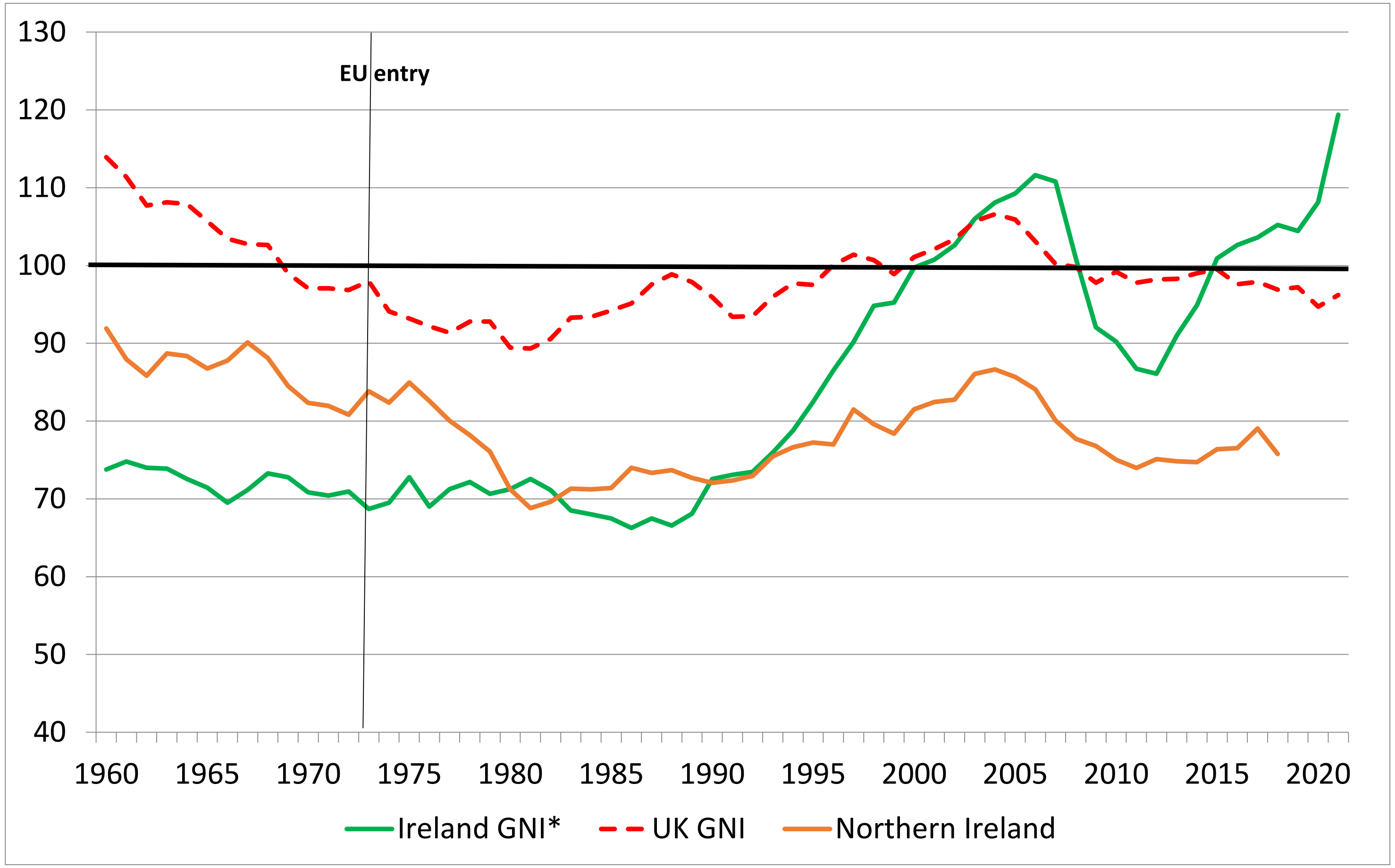
# Background

- O'Rourke and Williamson: migration helped narrow gap in living standards between US and Europe in 19th century
  - Migration important in linking labour markets
- Common British Isles labour market for over two centuries
  - Free movement of capital. Barriers to goods trade for 50 of the last 100 years
  - People move because of differences in wages and unemployment
  - Changes in labour supply affects wage rates – narrowing differentials
  - Labour market outcomes also affected by education
- How has free movement of labour affected the two labour markets on the island since 1922?

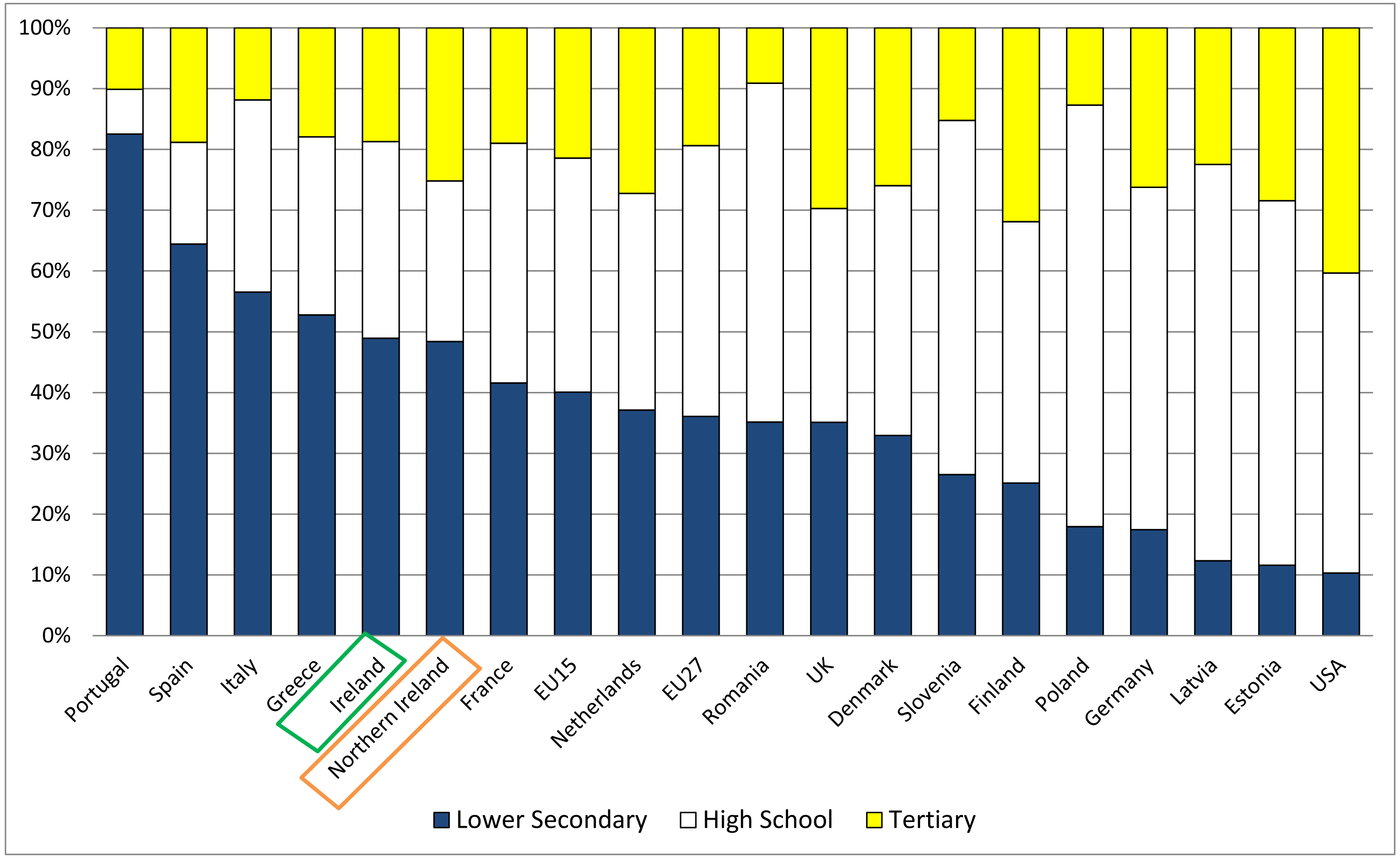
# Outline

- Relative standards of living?
  - GNI*/GDP or relative consumption?
  - Wages play an important part
- Factors affecting labour supply
  - Female labour force participation
  - Education – major impact on productivity and value of output
- Migration
  - Played a huge role – impacted on and driven by relative wage rates
  - Who migrated, whether they stay or return, their human capital
- Wage rates
  - Driven by interaction of demand and supply of labour.
  - Migration very important in affecting supply

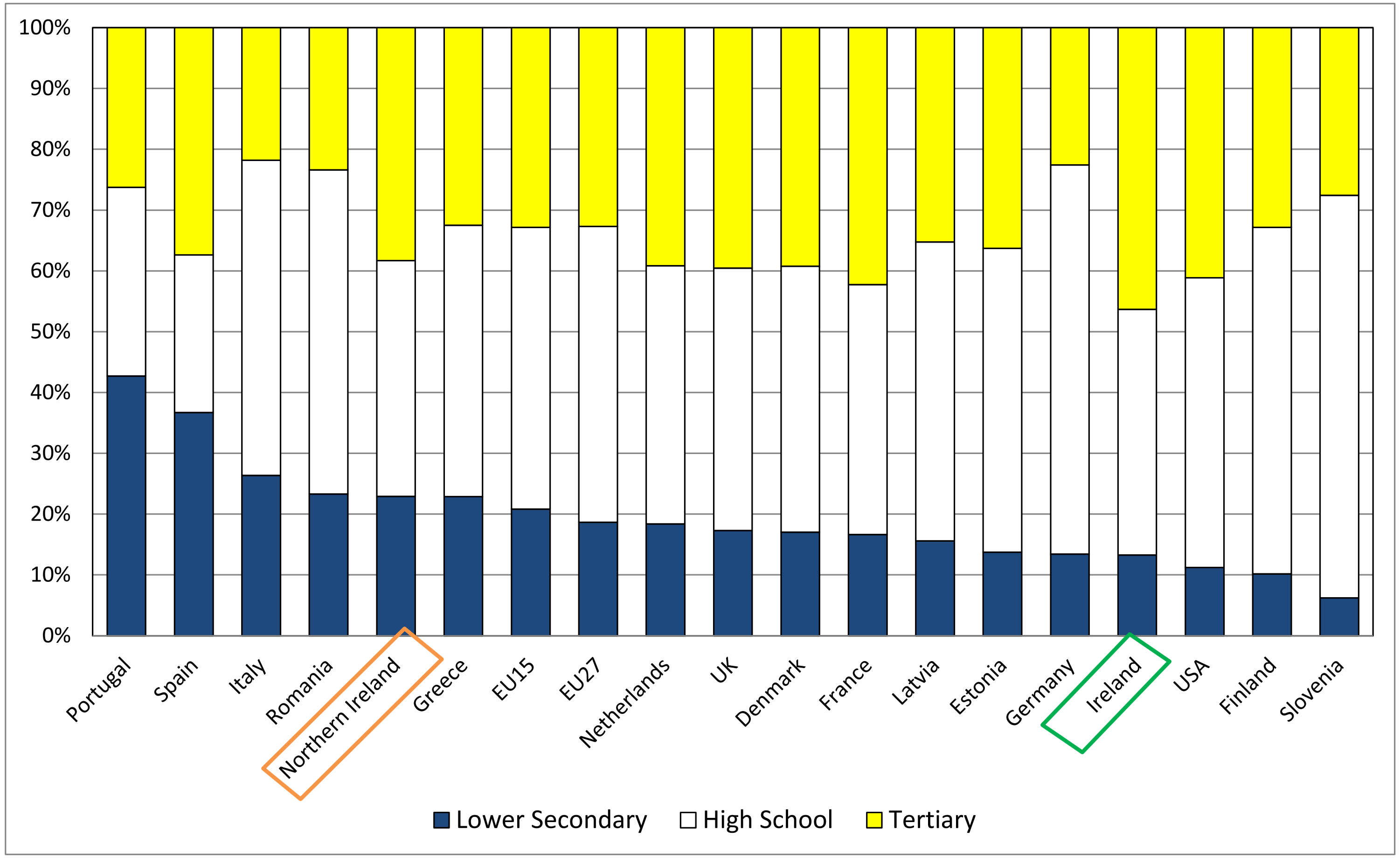
# GDP/GNI* per head, PPS adjusted, relative to EU15



# Educational Attainment, birth cohort 1951-55



# Educational Attainment, birth cohort 1981-85



# Education and human capital

- Failure to develop education systems along with rest of Northern Europe major factor in under-performance up to 1970
- Northern Ireland moved first on secondary education (1947). Streaming by ability poses major problems, with very high early school leaver numbers.
- Republic of Ireland free secondary very late (1967). Schools with mixed ability. Major reduction in early school leavers in recent years.
- Huge investment in third level education in Republic. In Northern Ireland places restricted, with many students emigrating to study.
- Northern Ireland students do not return once emigrate – a major loss. “Homing pigeons” in the Republic.

# The economies over the century

- Two different labour markets in 1911 – no cross-border migration
- Major emigration pre Second World War, especially from RoI
- From 1940s to 1960s Northern Ireland economy performed quite well. Much lower emigration than RoI in 1950s.
- Since 1970 net immigration to RoI, NI significant emigration
- Loss of graduates from Northern Ireland. In RoI homing pigeons

# Population 1911, by birth place, %

| | Locally | Rest of | Rest of | Abroad |
|---|---|---|---|---|
| Living in: | | RoI | NI | |
| Northern Ireland | 90.9 | 4.6 | | 4.5 |
| Republic of Ireland | 95.7 | | 1.1 | 3.2 |
| Belfast | 65.2 | 5.5 | 21.3 | 8.0 |
| Dublin | 68.2 | 22.2 | 2.4 | 7.2 |

Already two labour markets in 1911.

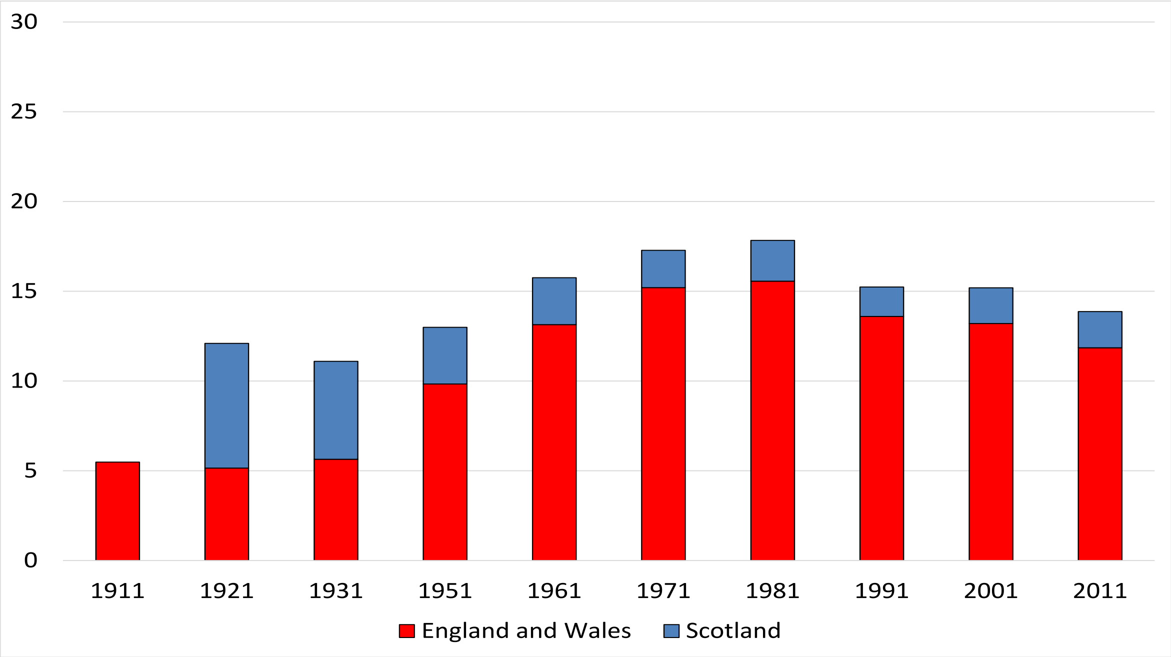
Very few people had migrated across what became the border in 1922

# Emigration, % of population

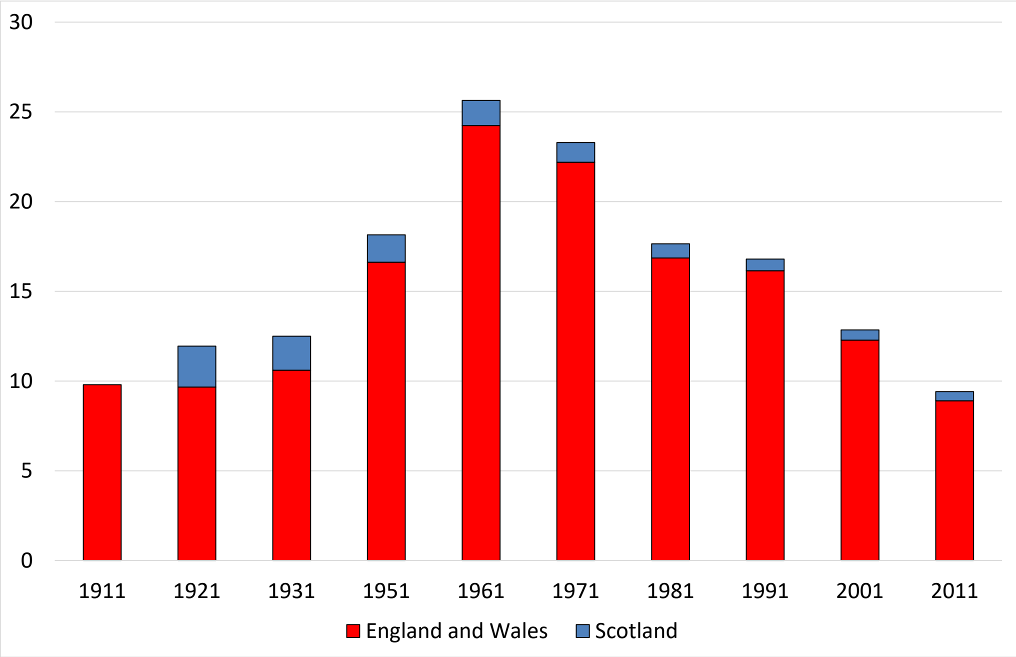
| Years | Ireland | Northern Ireland |
|---|---|---|
| 1901–11 | 0.8 | 0.5 |
| 1911–26 | 0.9 | 0.9 |
| 1926–36 | 0.6 | 0.5 |
| 1936–51 | 0.7 | 0.5 |
| 1951–61 | 1.4 | 0.7 |
| 1961–66 | 0.6 | 0.3 |
| 1966–71 | 0.4 | 0.2 |
| 1971–81 | −0.3 | 0.9 |
| 1981–91 | 0.6 | 0.3 |
| 1991–01 | −0.3 | 0.0 |
| 2001–11 | −0.9 | −0.2 |
| 2011–16 | 0.1 | 0.0 |

# Share of native born population living in GB,%

Northern Ireland




Republic of Ireland



# Returned Emigrants, % of population 40-64

| | Republic of Ireland 40-64 | | Northern Ireland 34-64 |
|---|---|---|---|
| | 1996 | 2016 | 2011 |
| All Education | 16.0 | 15.4 | 7.9 |
| Lower Secondary | 12.6 | | |
| Upper Secondary | 15.1 | | |
| Third Level | 29.7 | | |

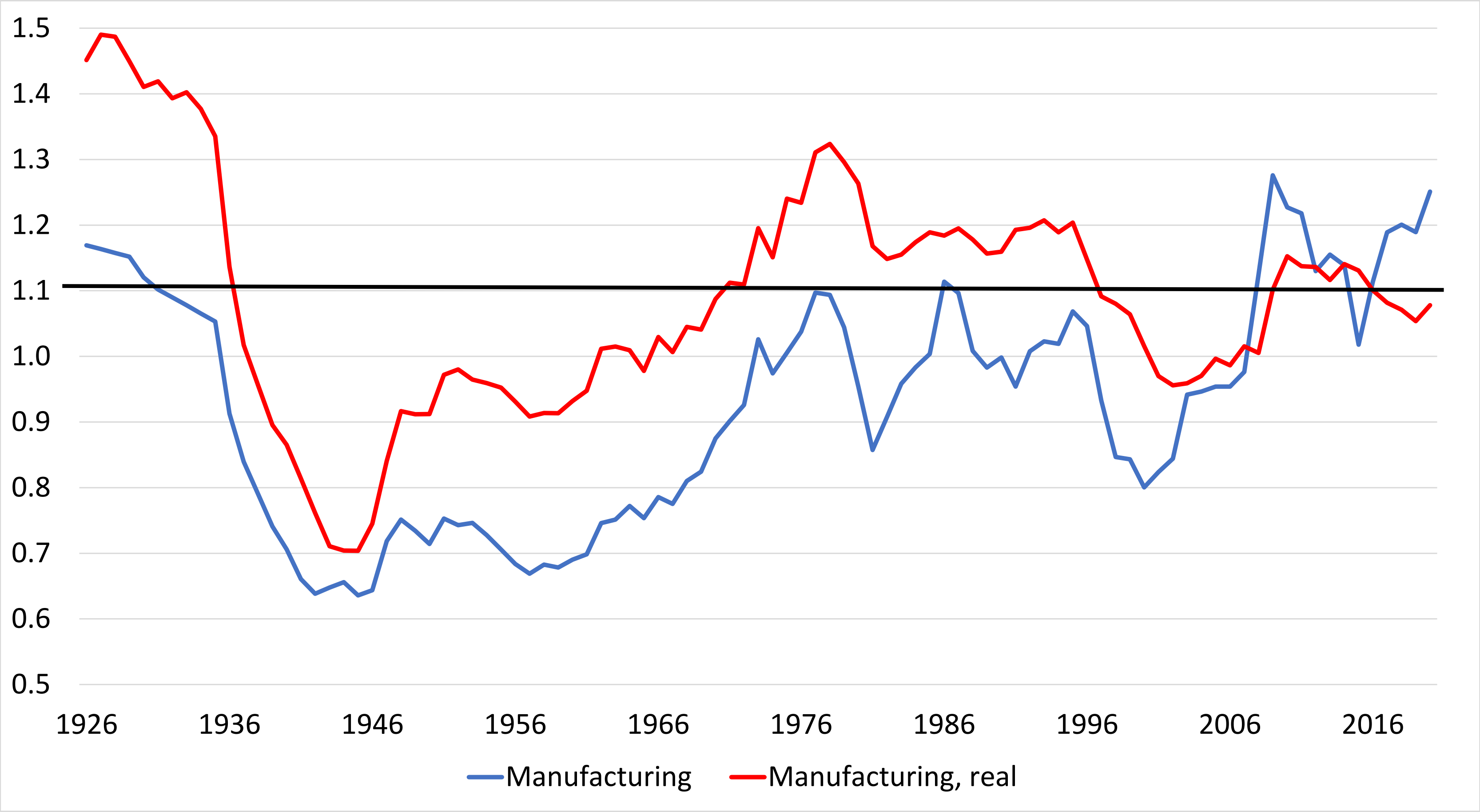
Share of Northern Ireland-born population by location and education, 2011 (%)

| | Lower secondary | Upper secondary | Third level |
|---|---|---|---|
| **Northern Ireland** | 91.9 | 89.6 | 80.9 |
| **GB** | 8.1 | 10.4 | 19.1 |

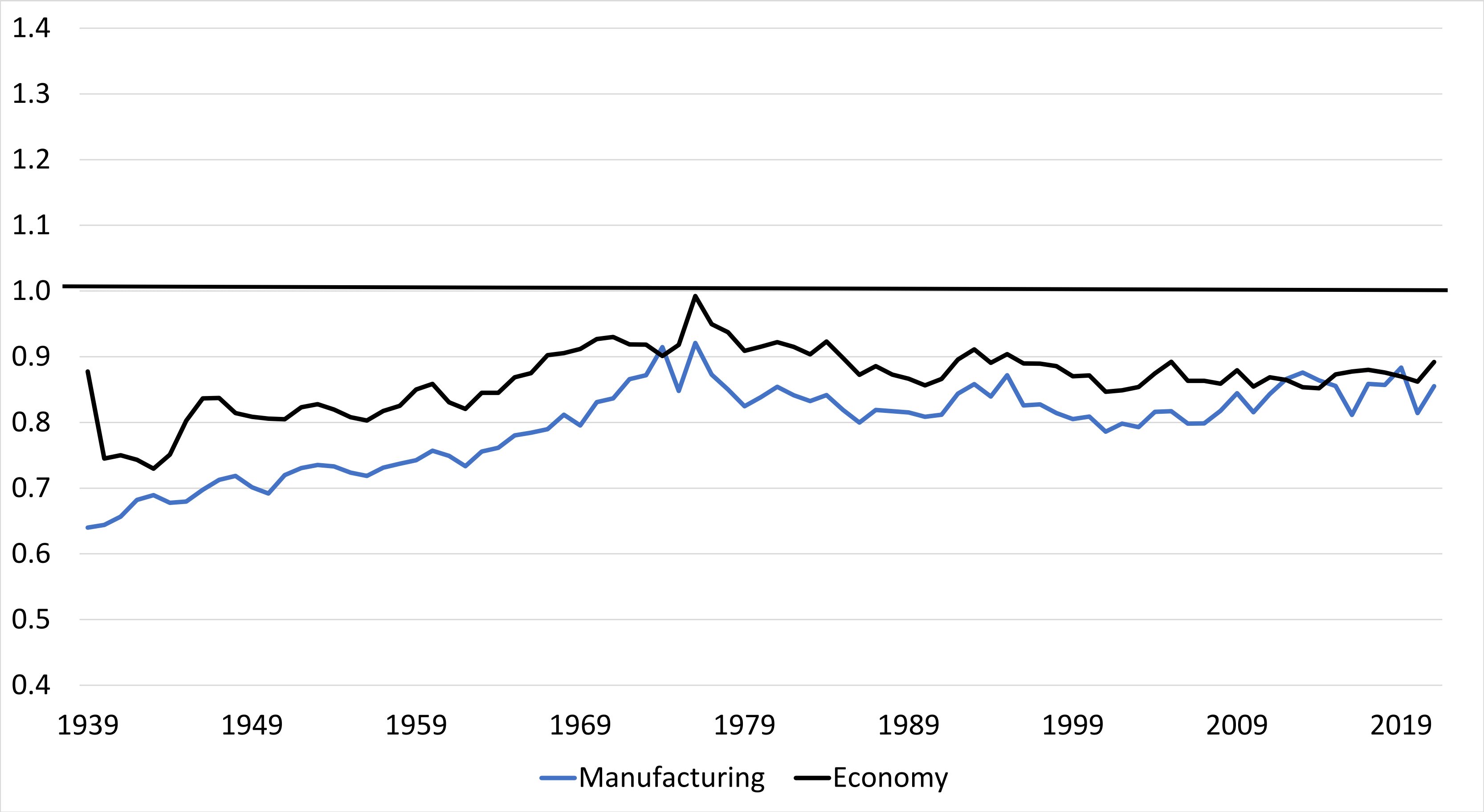
# Wages jointly determined in these islands

- Irish wages lagged GB to 1970 because of lower productivity. Emigrants sought better living standards in GB
- Northern Ireland had a “good war” but Troubles impact on economy and labour market after 1970
- Since 1990, in RoI impact of investment in education showing in higher productivity and higher wages

# Relative wages, Ireland v GB

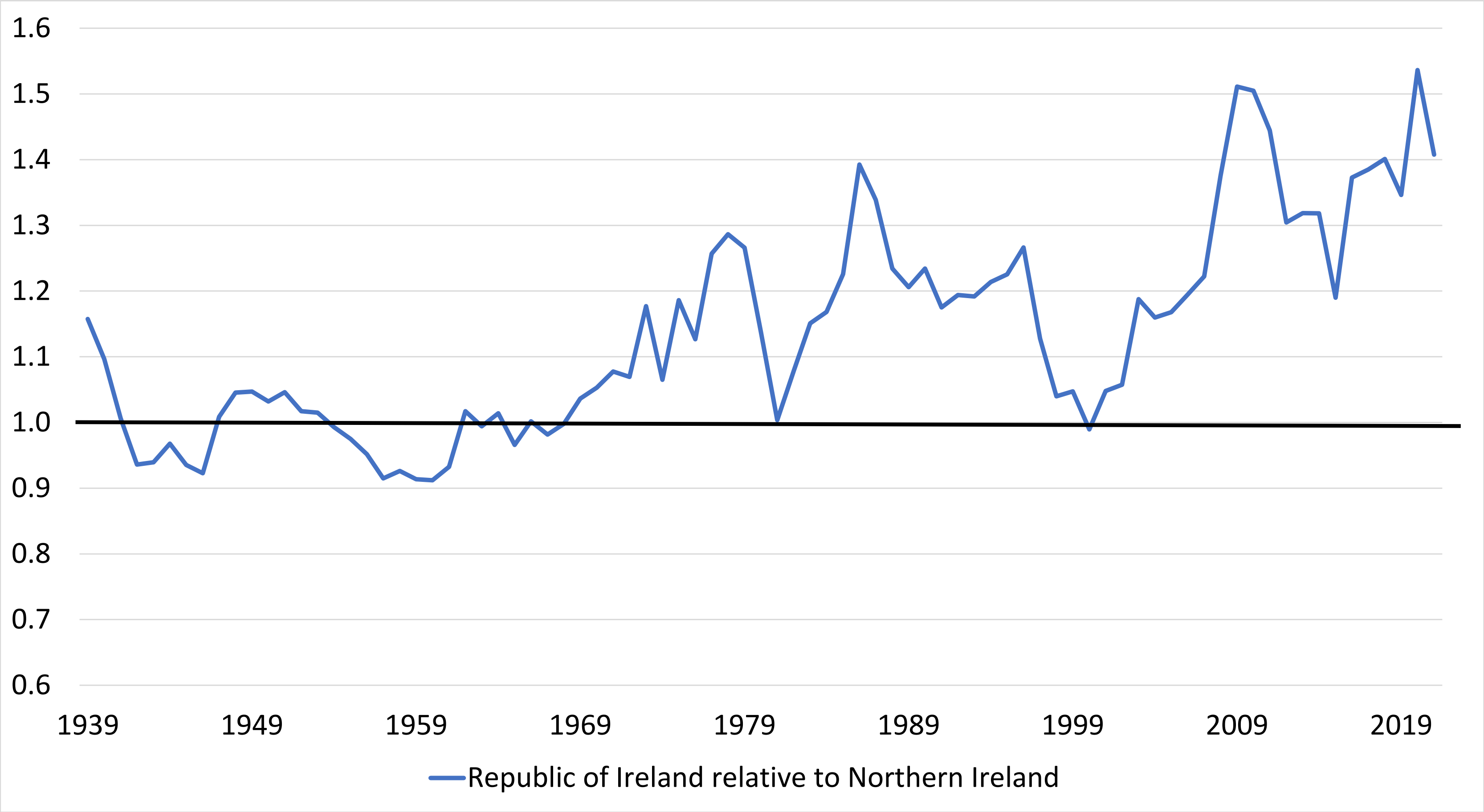


# Relative wages, Northern Ireland v GB



# Relative wages, Ireland v Northern Ireland

## Manufacturing



# Relative wages by education level, Ireland/UK

| | 2002 | 2018 |
|---|---|---|
| **Nominal wage rates** | | |
| Total | 0.89 | 1.16 |
| Lower secondary | 0.84 | 1.00 |
| Upper secondary | 0.85 | 1.01 |
| Third level | 0.79 | 1.13 |
| **Real wage rates** | | |
| Total | 1.00 | 1.03 |
| Lower secondary | 0.96 | 0.89 |
| Upper secondary | 0.97 | 0.90 |
| Third level | 0.89 | 1.01 |

# Returns to Education, 2014

| Educational attainment | Northern Ireland (%) | Republic of Ireland (%) | Difference in rate of return (percentage points) |
|---|---|---|---|
| **Primary** | Reference | 27 | 17 |
| **Lower secondary** | 10 | 39 | 29 |
| **Upper secondary** | 27 | 49 | 22 |
| **Post-secondary** | 45 | 57 | 12 |
| **Higher** | 66 | 95 | 29 |

Source: Smyth, Devlin, Bergin, McGuinness, ESRI 2022

# Some questions

- To what extent were the “high wages” in Ireland in 1922 relative to GB due to limited employment in monopoly firms or to unionisation?
- Big fall in relative wages in RoI in 1930s as major increase in employment in manufacturing in low productivity firms. Labour paid its (low) marginal product? What was the role of trade unions?
- Convergence in RoI wage rates on GB in late 1960s. Was it because costs of emigrating fell or was it due to factors affecting demand for labour?

# Conclusions

- The glue making the Northern Ireland and Republic of Ireland labour markets part of a wider British Isles labour market was migration
- In Northern Ireland wage rates have closely followed GB, though they are lower because of lower productivity
- In the Republic wage rates have also been related to GB trends, though the relationship was not as close. Wages converged on GB by the early 1970s
- In recent years the high proportion of graduates in the labour force in the Republic, and their high productivity, has resulted in rapid growth
- Attracting emigrant graduates back to Northern Ireland could provide a quick win
- While North and South have been linked through the GB labour market, there are still non-economic barriers to movement on the island
    - Very limited cross-border migration today, including commuting