# Productivity in NI:

## Strengths and Weaknesses

**NERI Labour Market Conference**
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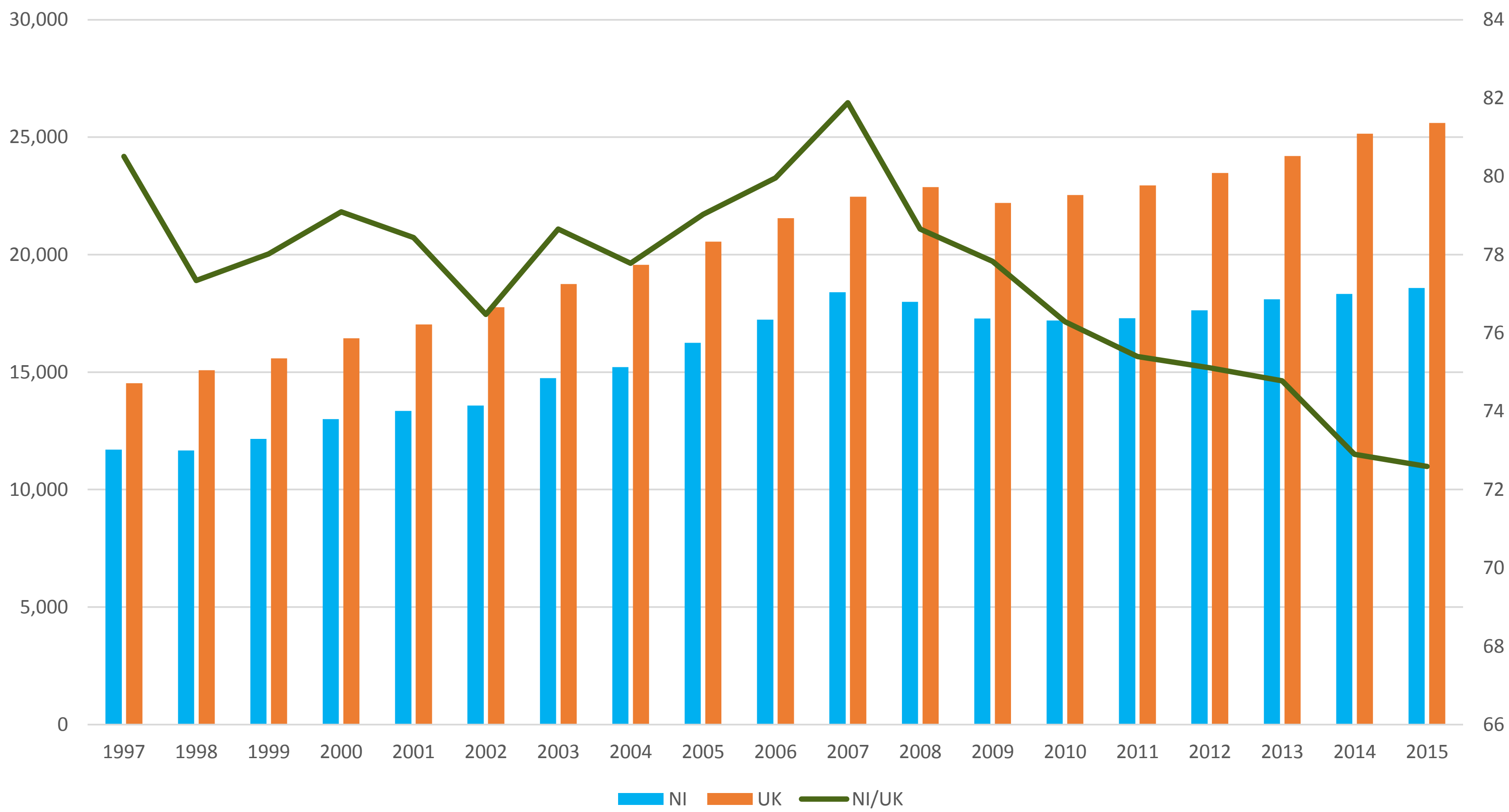
NERI Nevin Economic Research Institute

*Research for new economic policies*

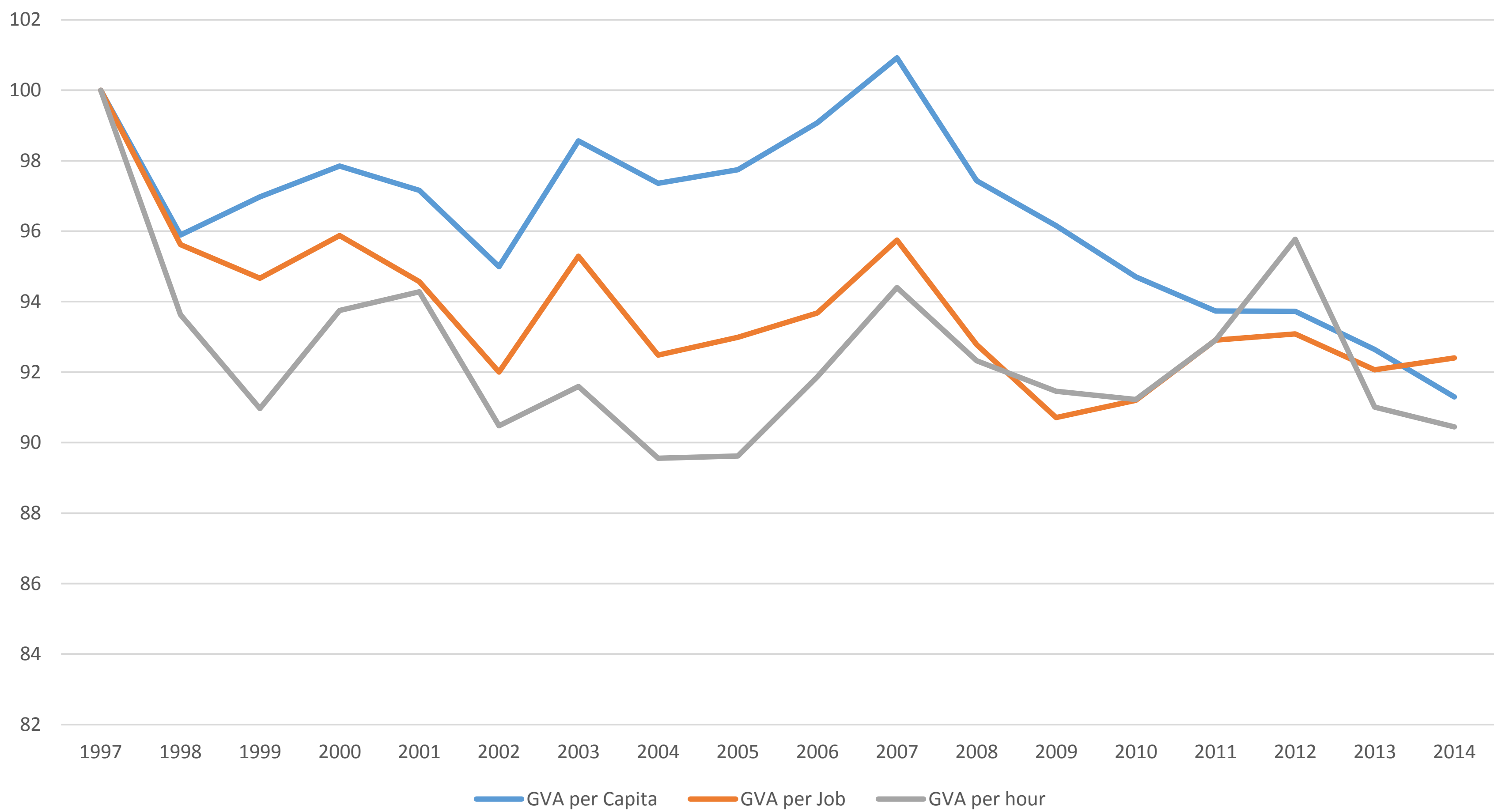
# Outline

1. The Problem
2. Sectoral issues
3. Economy wide issues
4. Policy

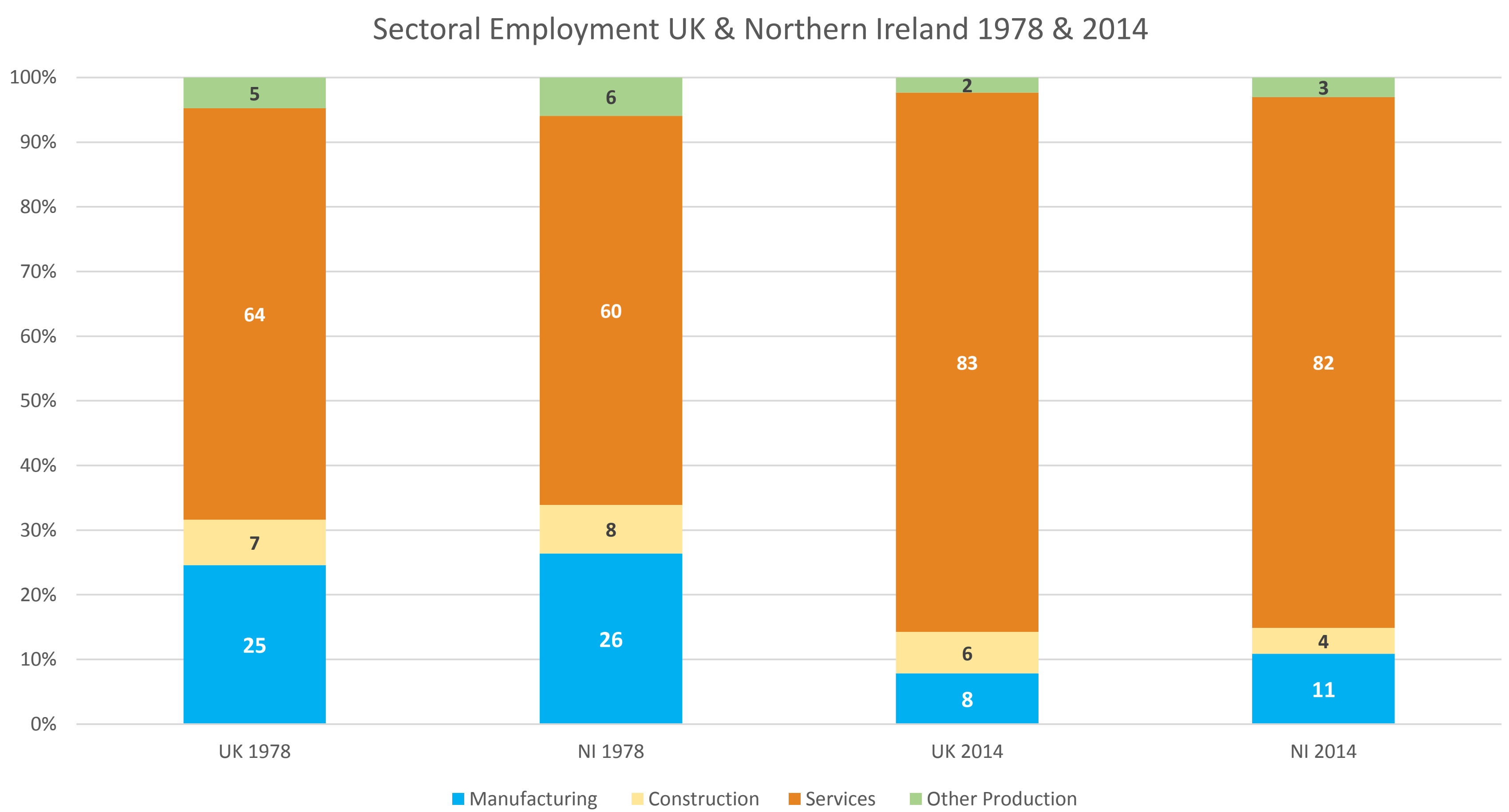
# The Problem


30,000
25,000
20,000
15,000
10,000
5,000
0
84
82
80
78
76
74
72
70
68
66
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
NI
UK
NI/UK

# The Problem


102
100
98
96
94
92
90
88
86
84
82
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
GVA per Capita
GVA per Job
GVA per hour

# The Problem - Sectoral



# The Problem – Sectoral Mix

| Sector | NI Emp Mix | GB Emp Mix |
|---|---|---|
| Agriculture | 353 | 110 |
| Mining | 124 | 100 |
| Manufacturing | 5027 | 3813 |
| Electricity & gas | 405 | 480 |
| Water | 603 | 582 |
| Construction | 1966 | 1971 |
| Retail | 4761 | 4249 |
| Transportation | 1367 | 1749 |
| Accommodation & food | 963 | 1024 |
| Info & Communication | 1089 | 1764 |
| Finance | 1360 | 1781 |
| Real estate | 2842 | 5770 |
| Professional & scientific | 1316 | 2509 |
| Administration | 1198 | 1616 |
| Public Administration | 3625 | 2322 |
| Education | 2441 | 2412 |
| Health | 3818 | 3012 |
| Arts | 372 | 505 |
| Other | 699 | 789 |
| Total | 34410 | 36558 |

# The Problem

| Industry | % Productivity Gap |
|---|---|
| Agriculture | -62.1 |
| Mining | -74.8 |
| Manufacturing | -4.0 |
| Electricity & gas | -12.1 |
| Water | 24.5 |
| Construction | -28.2 |
| Retail | -4.2 |
| Transportation | -12.7 |
| Accommodation & food | -14.5 |
| Info & communication | -30.2 |
| Finance | -37.0 |
| Real estate | -4.9 |
| Professional & scientific | -19.4 |
| Administration | -20.3 |
| Public Administration | 20.8 |
| Education | -3.4 |
| Health | -6.7 |
| Arts | -11.1 |
| Other | -17.2 |

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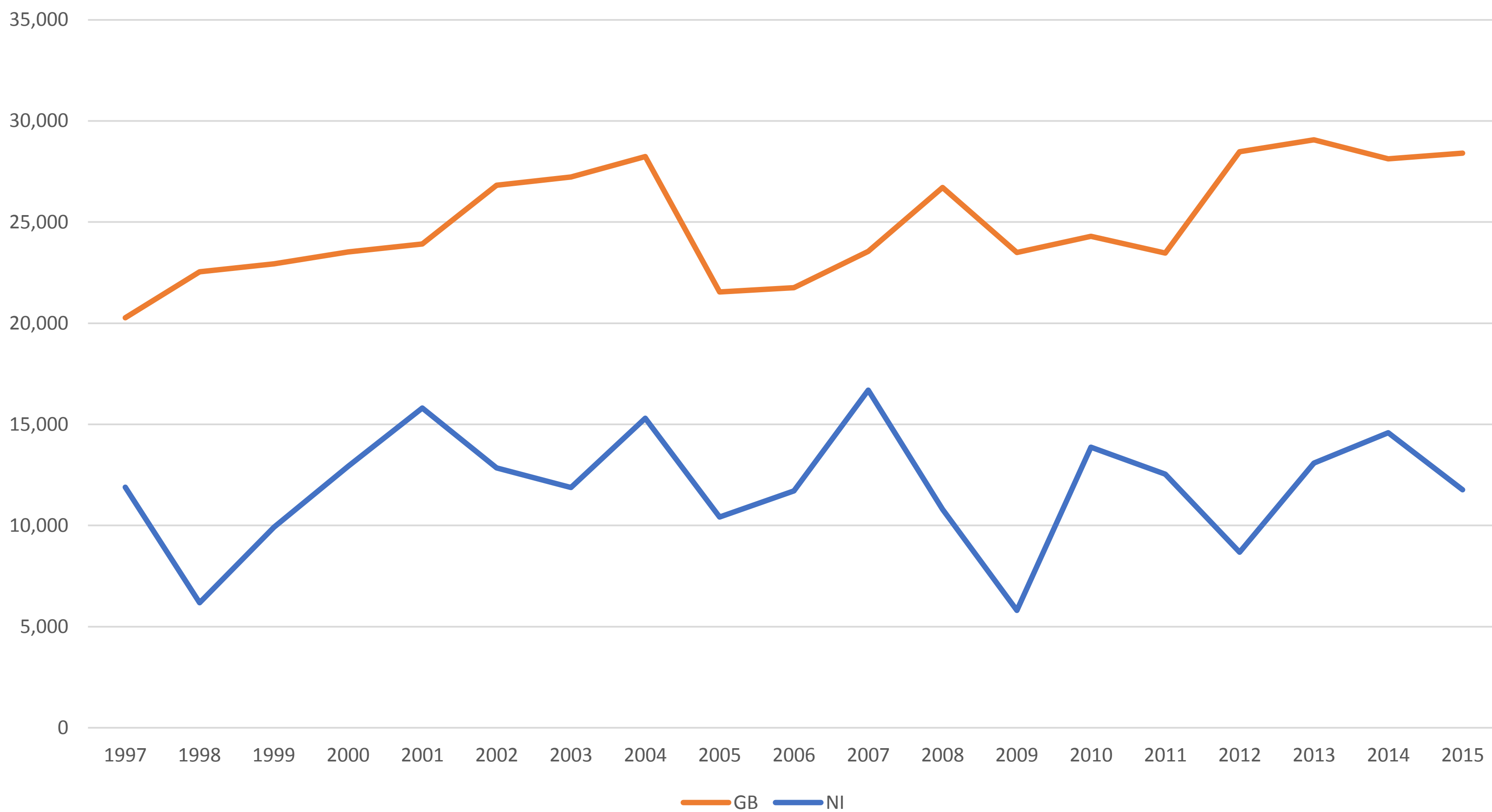
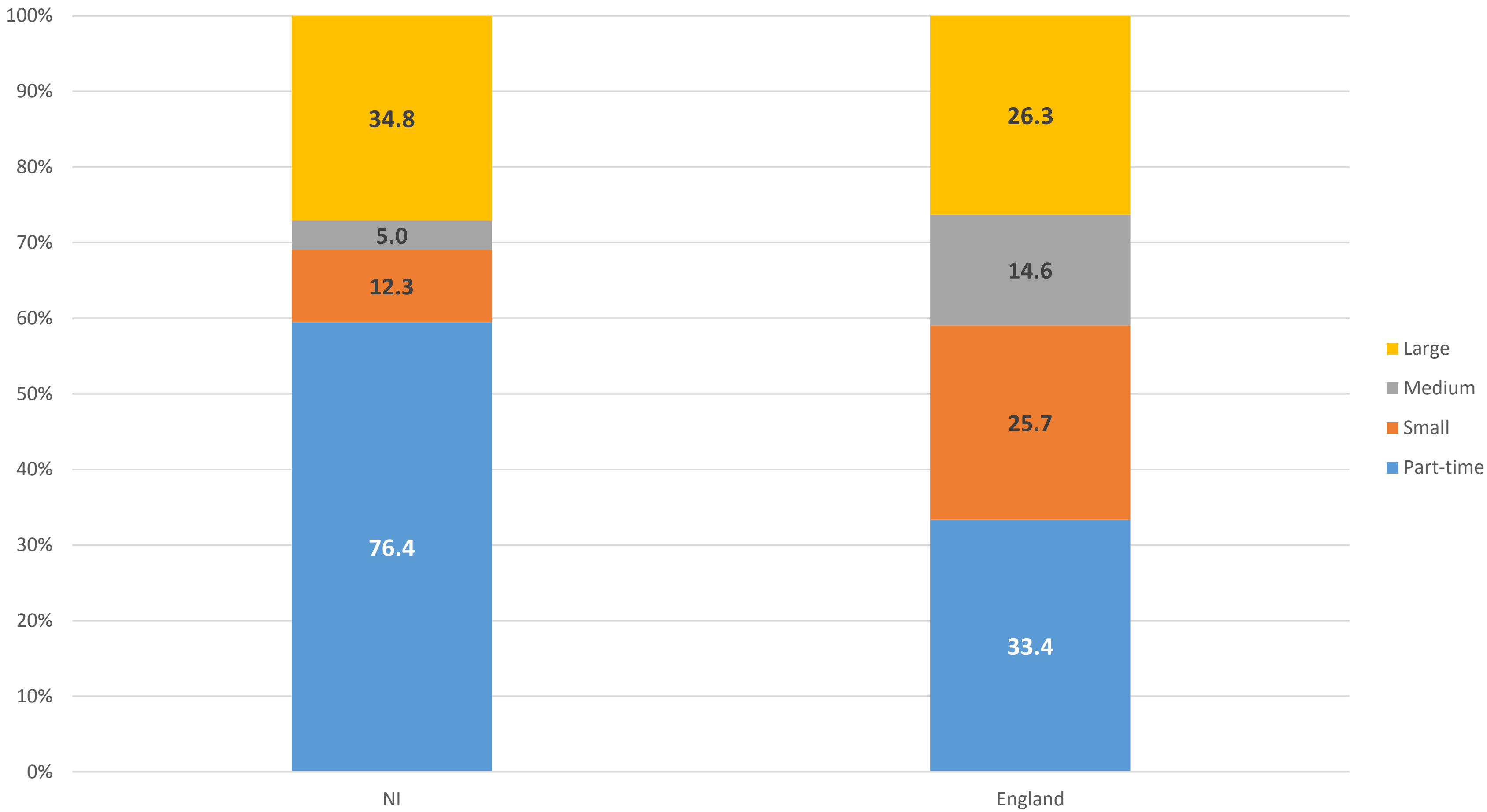
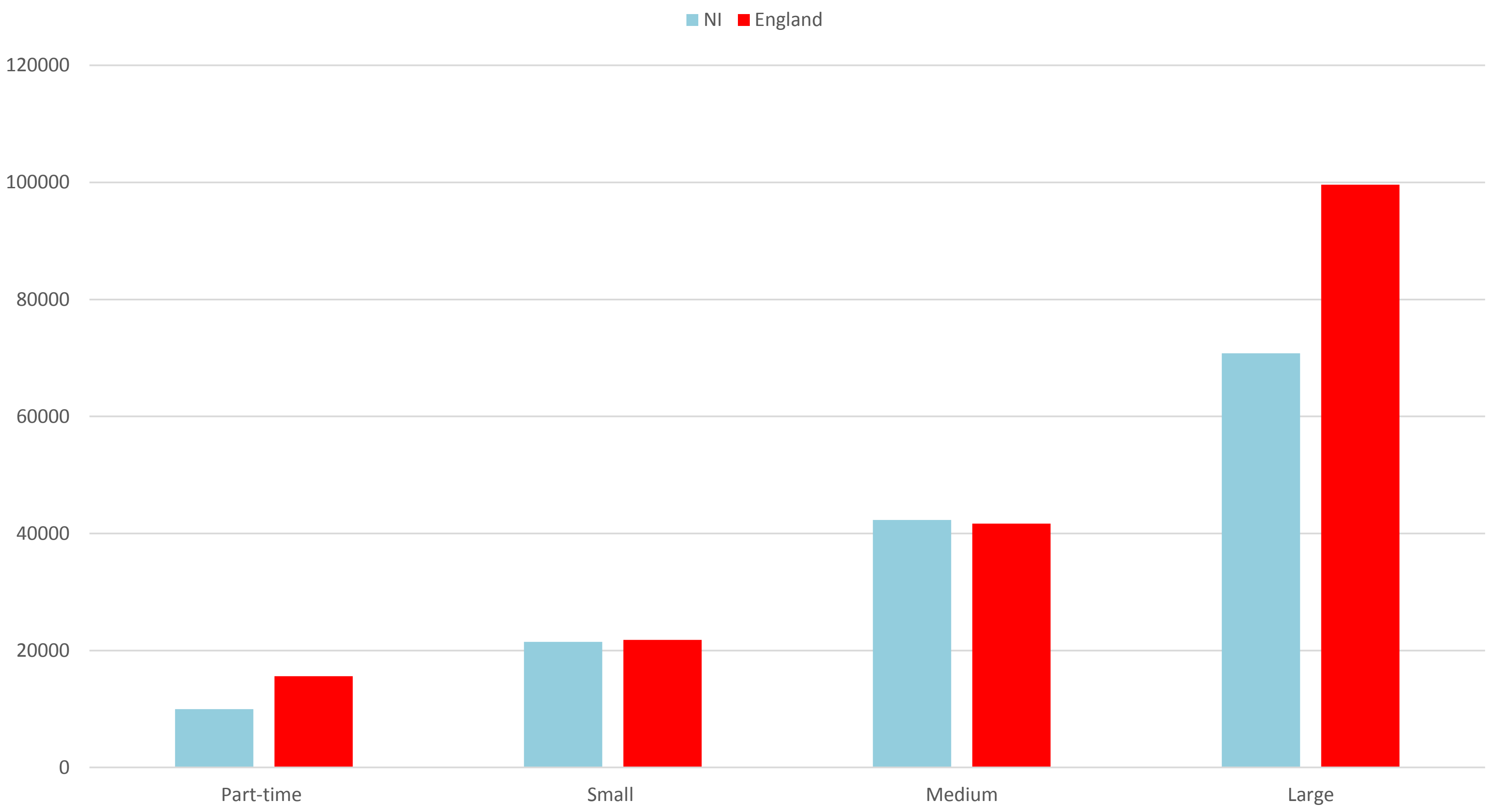
# Agriculture



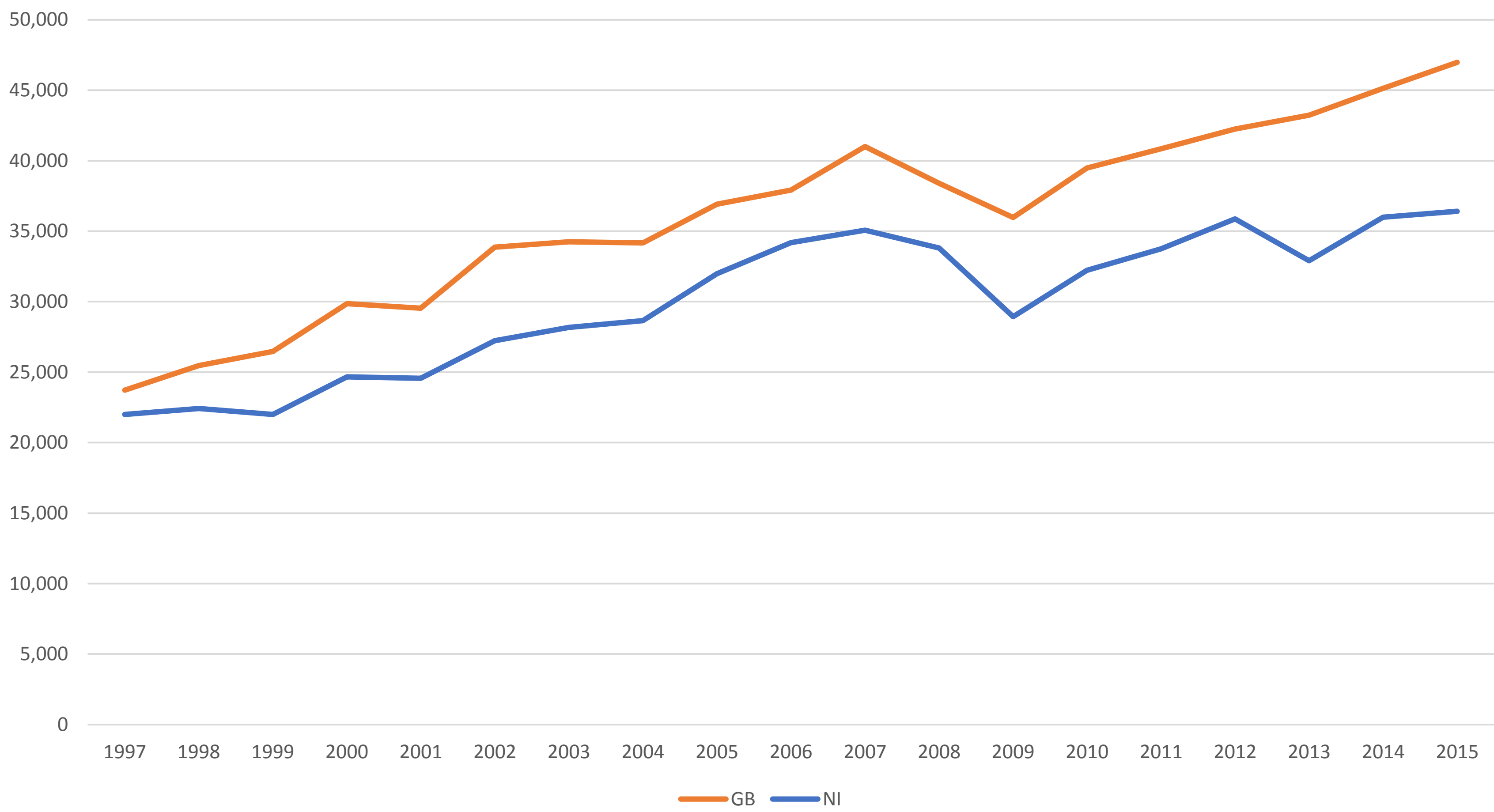
# Agriculture – Farm Size



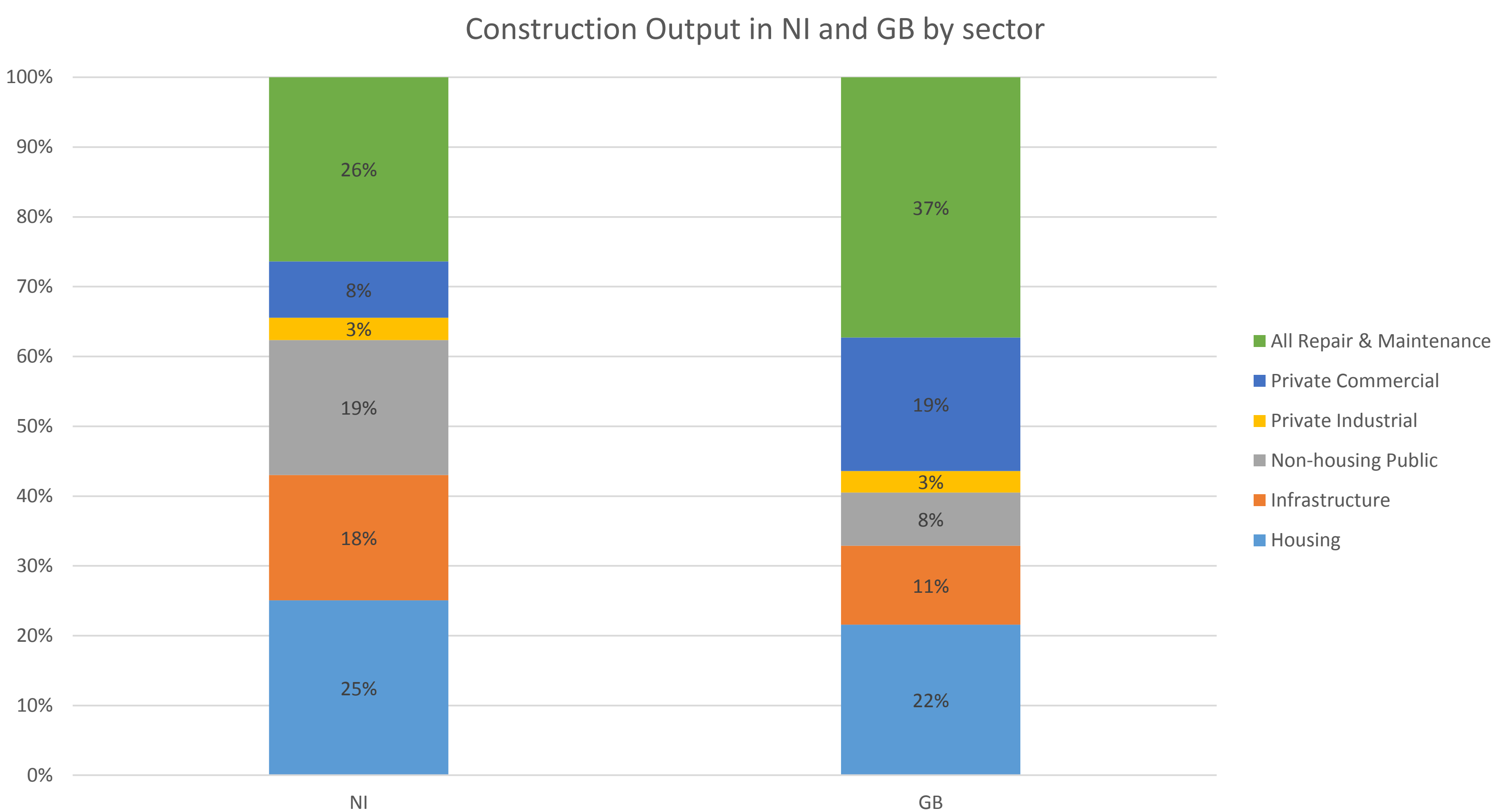
# Agriculture – Farm Income



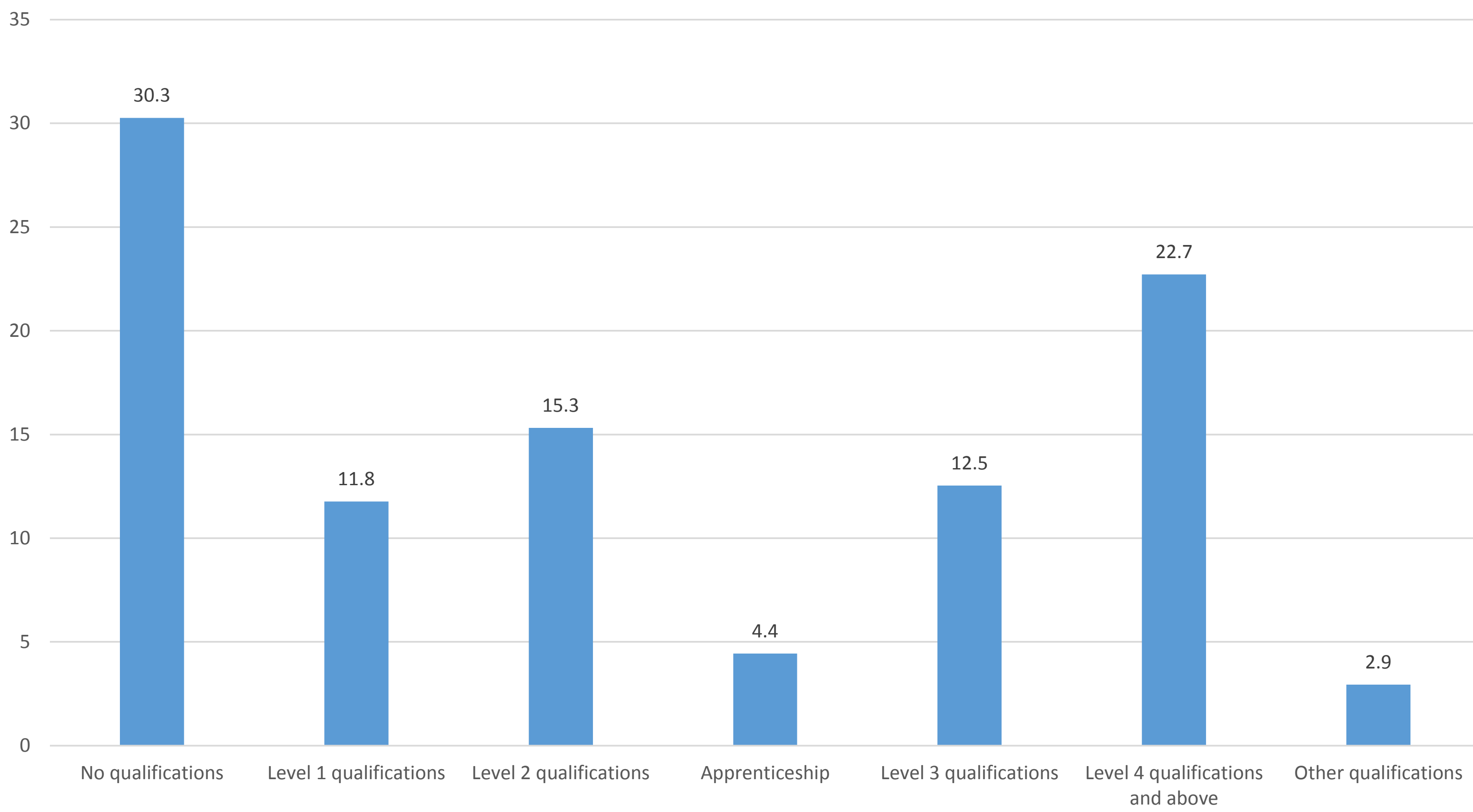
# Construction



# Construction



# Economy-wide Issues - Skills



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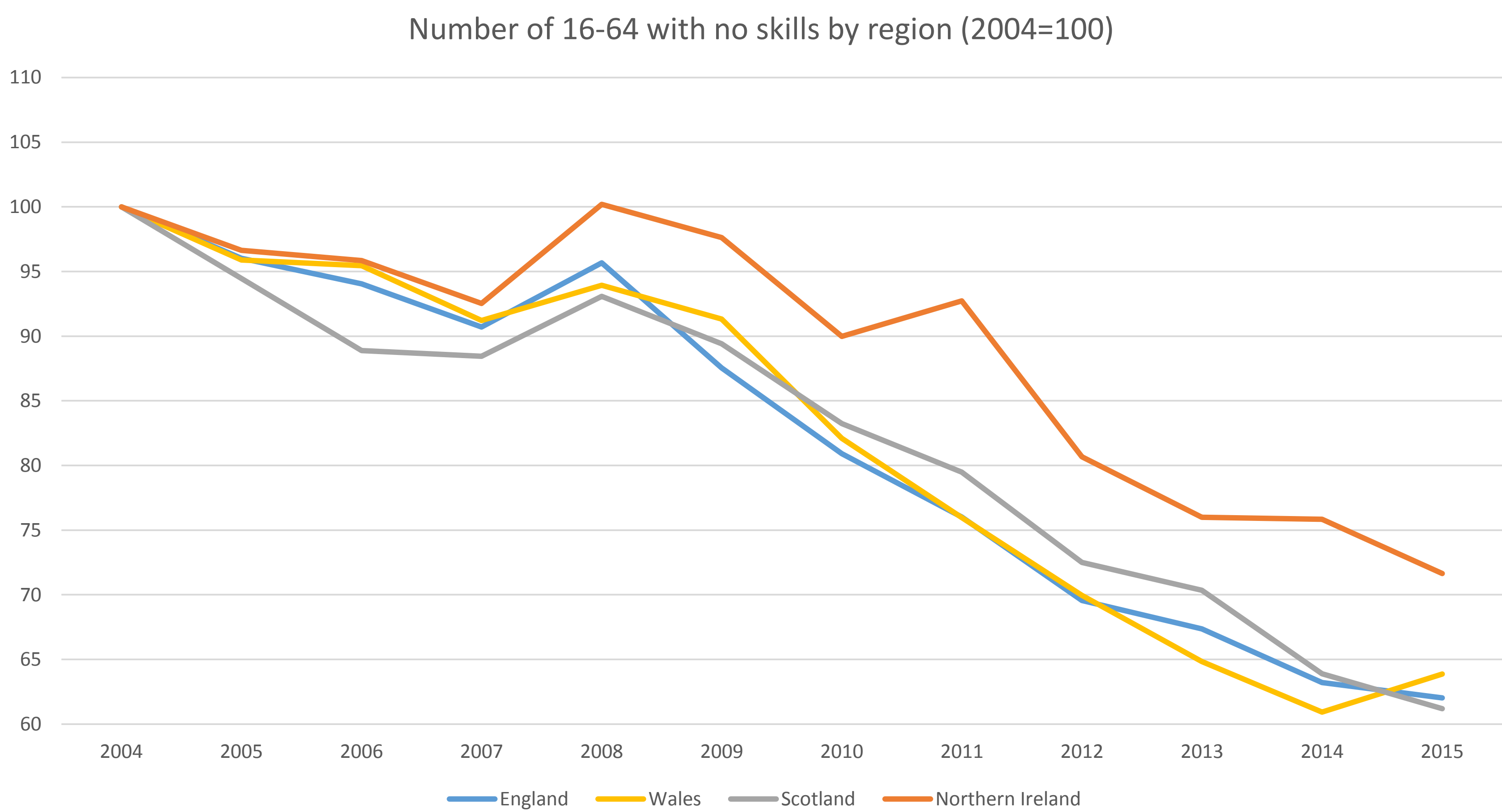

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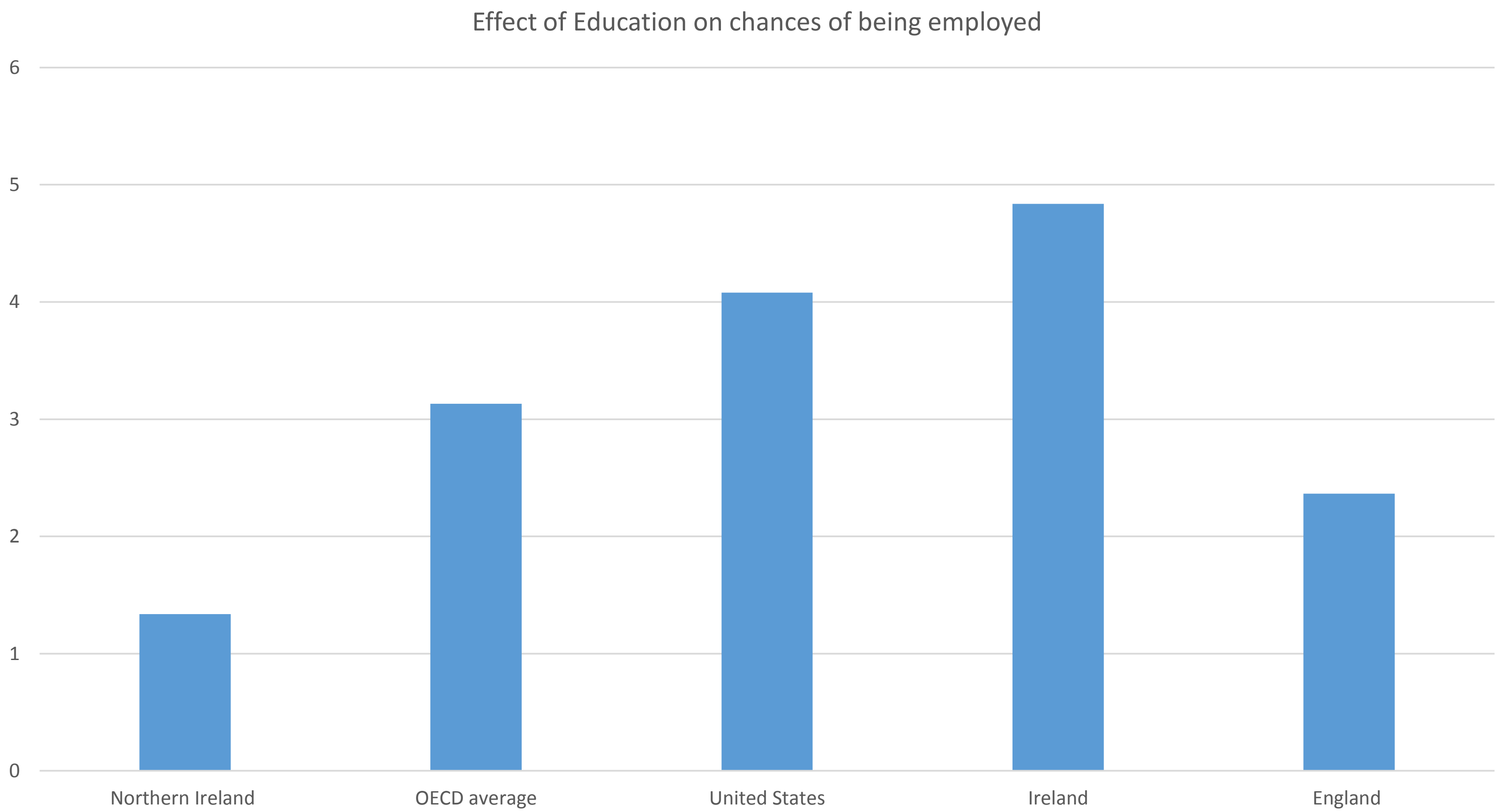

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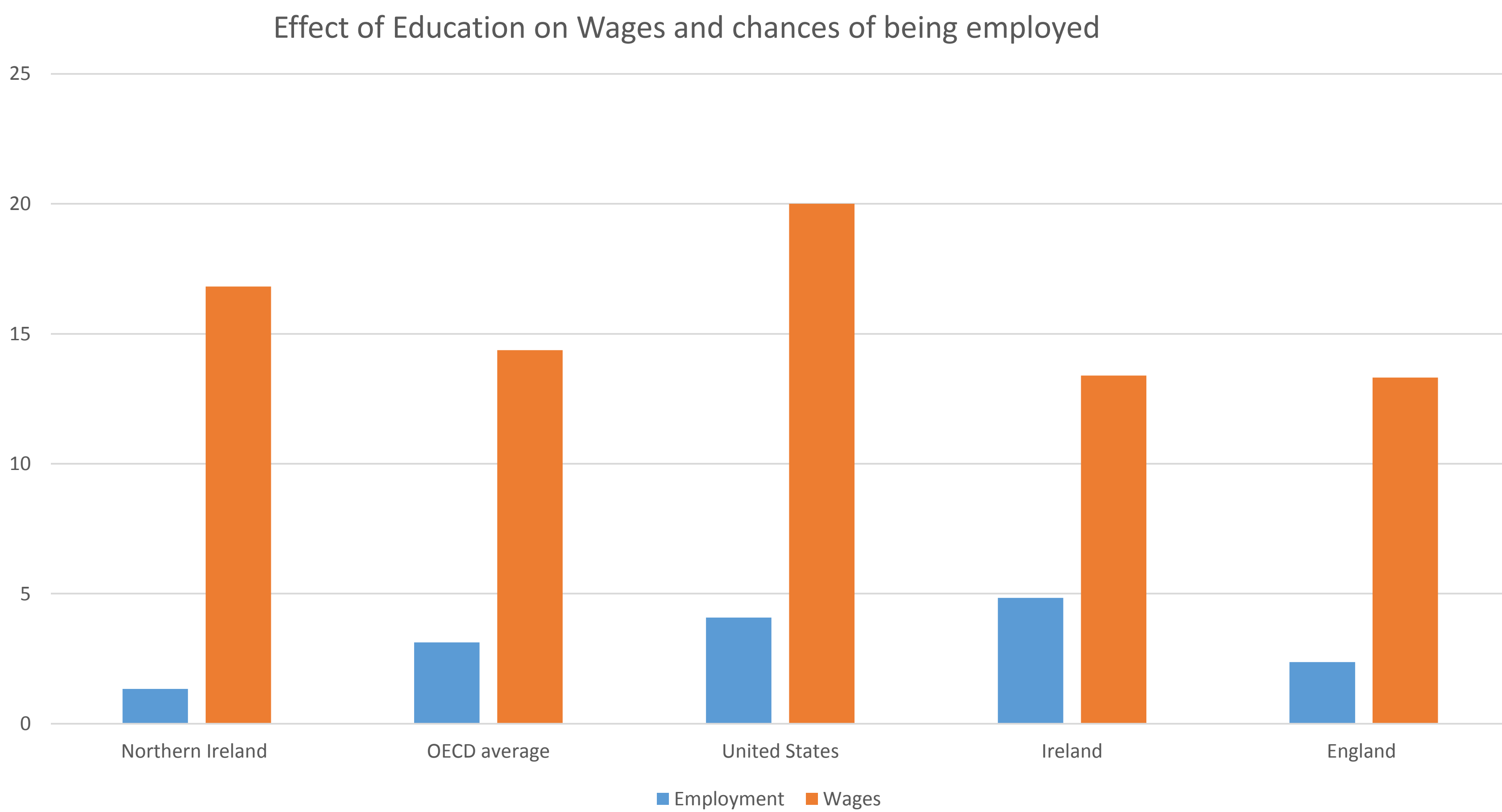

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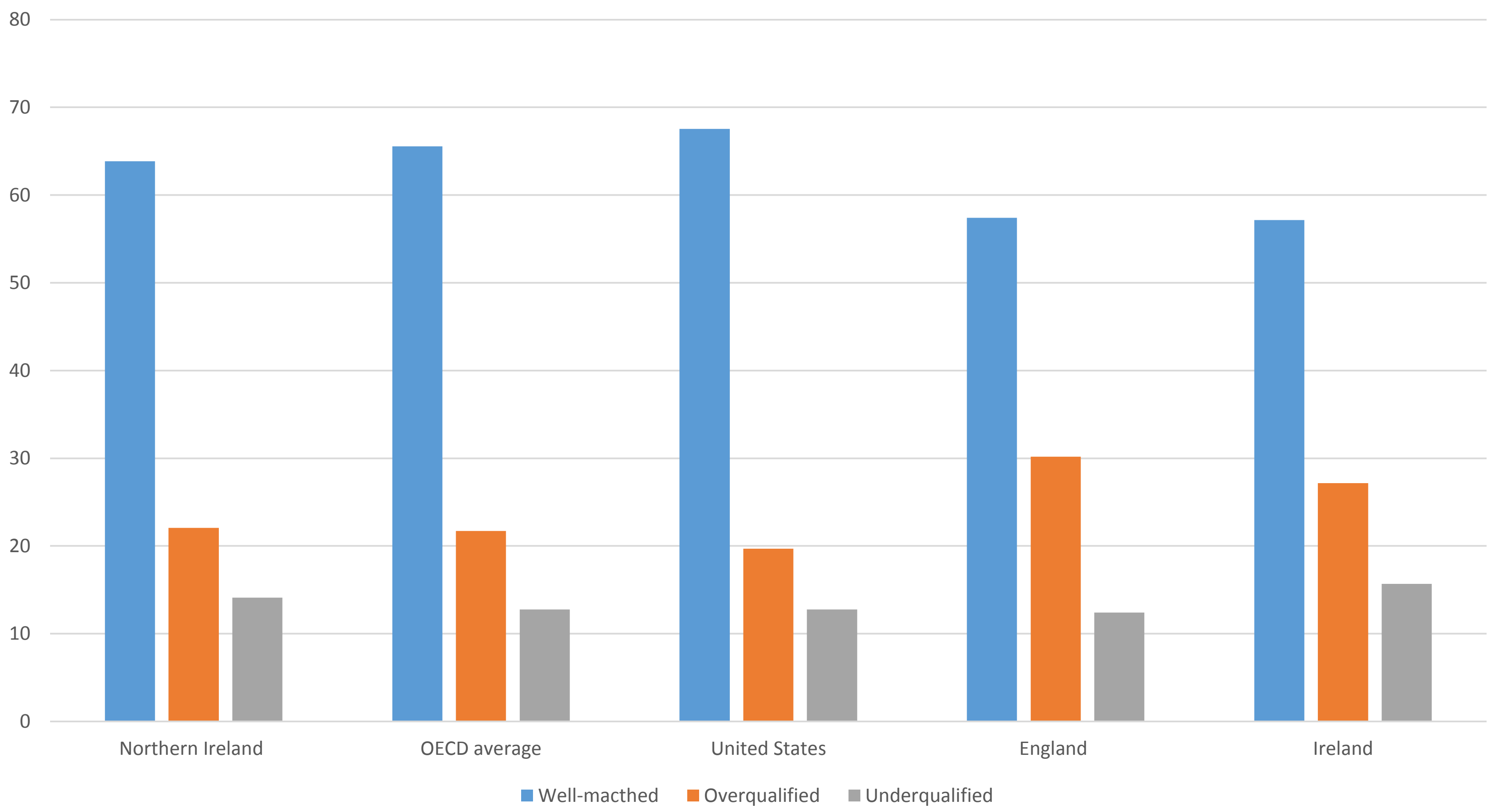
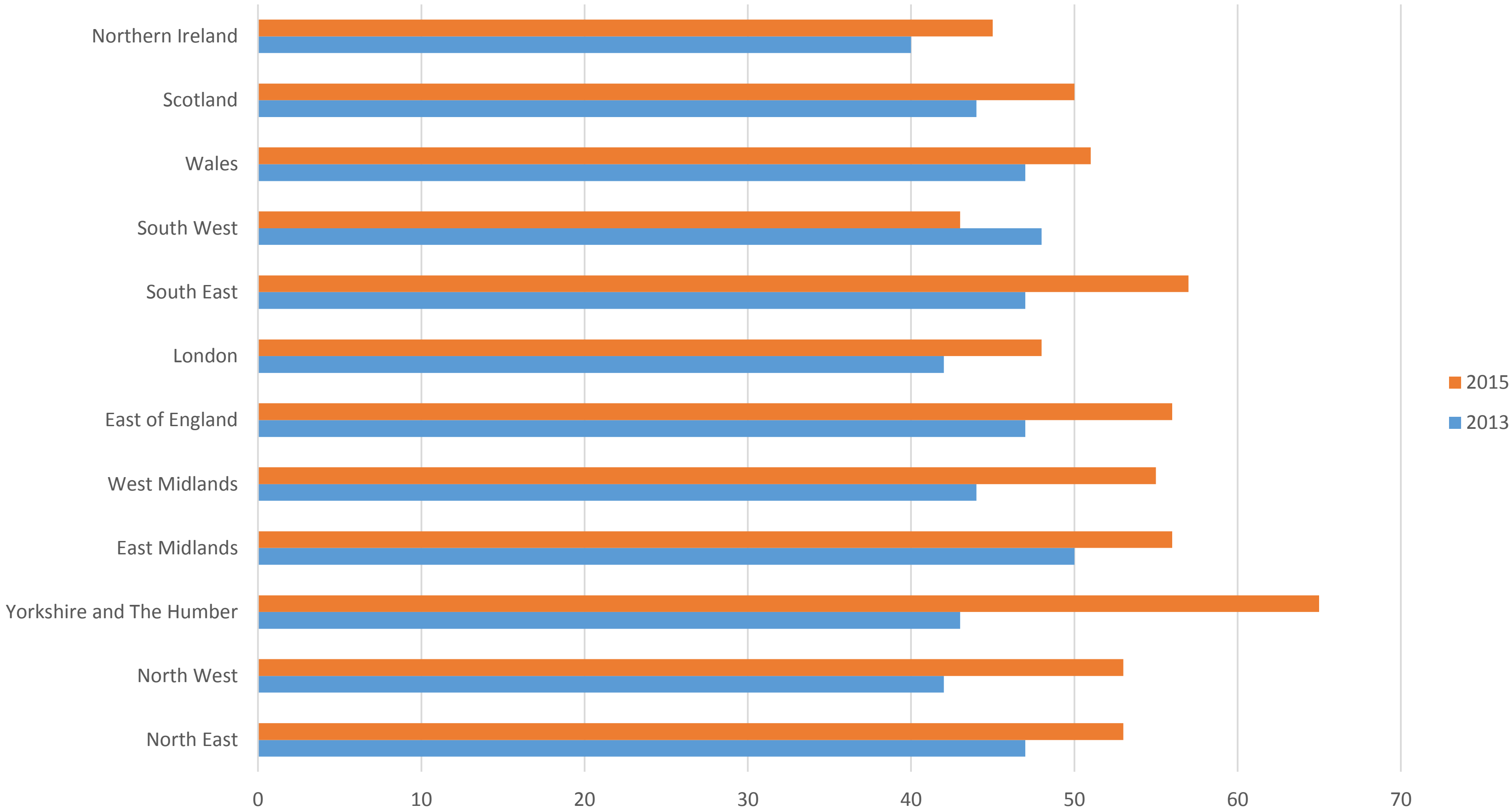


# Economy-wide Issues – Innovation



# Low skills equilibrium?

- Vicious cycle of low demand and low supply of skilled labour leading to entrenched low value added output.
- Long a feature of UK economy, boosted by recession
- Not always easy to prove, chicken and egg etc. but NI certainly looks like a particularly bad case

# Low skills equilibrium?

- Some Key Features
  - Innovation – focus of limited investment is on cost reduction rather than improving quality or expanding range
    - UK Innovation Survey 28% of process-related investment focused on cost reduction v's 17% for improving capacity
  - Lack of market pressure – firms establish a defensible niche, market not forcing higher value added production
    - Of NI firms that reported no innovation activity the most common reason stated was "no need due to market conditions"

# Low skills equilibrium?

- Main problem is absence of coordination
- Not obvious what policy or intuitional change can make progress
- Need for more interventionist industrial policy in order to coordinate take up of skills
- Current suite of policies excessively focused on supply-side measures across policy spectrum