Quarterly Economic Observer

Spring 2016

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NERI Nevin Economic Research Institute

About NERI and this publication

The Nevin Economic Research Institute (NERI) was established to provide information, analysis and economic policy alternatives. Named in honour of Dónal Nevin, scholar, trade unionist and socialist who gave a life of service to the common good, the Institute aims to undertake research that will be of relevance to the Trade Union movement and the general public across the island of Ireland.

This is the 17th *Quarterly Economic Observer* (QEO) of the Institute. The purpose of the QEO is to provide regular, accessible and timely commentary so as to equip trade unions and others in articulating and advancing a new economic paradigm where the old has failed. Unless otherwise stated, the data cited in this Observer are the latest available as of mid-March 2016. The final draft of this document was completed on 11th March 2016.

This report has been prepared by staff of the Institute. The lead author is Dr. Micheál Collins. We are grateful to two external reviewers from the academic and research community who reviewed and commented on an earlier draft of this document. The analyses and views expressed in this publication are those of the NERI and do not necessarily reflect those of others including the Irish Congress of Trade Unions or the unions supporting the work of the Institute.

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The Nevin Economic Research Institute

Quarterly Economic Observer

Spring 2016

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Executive Summary

This edition of the NERI's *Quarterly Economic Observer* (QEO) outlines our latest expectations for the economic outlook in the Republic of Ireland and Northern Ireland (Section 3) and provides an examination of women who are low paid in the Republic of Ireland (Section 4). In particular, we focus on establishing a more detailed evidence base for understanding the nature and shape of low pay among this group.

Economic Outlook

Progress and uncertainty dominate the economic outlook for both parts of the island of Ireland. In the Republic, the economy continues to improve although vulnerabilities remain given the weakness of the broader European and International economies, the forthcoming UK Brexit referendum and the sustainability of positive benefits associated with low interest rates, low oil prices, accommodative ECB monetary policy and favourable exchange rates. Domestically, differences persist in the pace of recovery across the country.

In Northern Ireland economic growth remains positive, but small. Although also exposed to the possible impact of changes to the broader international economy, it faces two specific concerns. First there are short-term uncertainties associated with the forthcoming UK referendum on its continued membership of the European Union; these may persist if the UK votes to leave. Second, there are ongoing challenges related to the performance of Northern Ireland's manufacturing sector.

In both economies challenges remain given high, if declining, long-term unemployment and lower than ideal levels of public investment.

Based on the assumptions and expectations outlined in Section 3, our current projections for the Republic of Ireland include:

- Strong GDP growth of 4.4% in 2016, declining marginally to 3.5% in 2017.

- Consumption will continue its recovery driven by rising real disposable incomes, improving household balance sheets and a strengthening labour market while investment will grow strongly from its currently low base.

- The improvements in the economy will impact positively on the exchequers finances with the General Government Balance falling to -0.6% in 2016 and moving to balance in 2017.

- A steady decrease in unemployment out to 2017, with the 2016 figure reaching 8.3%. By 2017 we expect unemployment to reach 7.8%.

- Further employment growth of 2.2% in 2016 and 1.8% in 2017. We expect the numbers employed to exceed 2 million during this year.

- A steady recovery in average earnings which we expect to rise by 2.0% in 2016 and 2.2% in 2017.

- Domestic political uncertainty may have some short-term impact on government bond yields and financing costs but we expect the effect of this uncertainty on growth to be marginal and temporary. The overall fiscal stance is unlikely to be meaningfully altered even if the detail of fiscal policy may change.

Women and Low Pay in the Republic of Ireland

Section 4 presents an insight into the nature and shape of low pay among one group with a high probability of being low paid: female employees. It finds that:

- There were 207,000 female employees working for low pay, representing 60% of all those in low pay.

- Female employees carry a 29.3% risk of low pay, meaning that almost three in every ten female employees are low paid. The corresponding situation for males is two in every ten employees.

- Female low paid workers feature across all the age groups, although they are concentrated among those under the age of 40.

- Just over 60% of low paid women work in three sectors of employment: Wholesale & Retail (24%), Accommodation & Food (19.7%) and Health & Social Work (18.4%).

- Looked at from a risk of low pay perspective, seven out of every ten female employees in the Accommodation & Food sector are low paid, while it is almost five out of every ten female employees in Wholesale & Retail and in Administration & Support Services.

- One in every two female employees on a temporary contract is low paid while it is one in every four of those women on a permanent contract.

- Almost a quarter of all low paid females work in the Dublin region, with almost one in five (17.2%) in the neighbouring Mid-East region. The lowest concentrations are in the South-East, West and Midlands.

Our examination has also allowed us to gain a greater understanding of the average hourly earnings of low paid women and the importance of their income to that of the households they live in. Among these findings are:

- In 2013 the average hourly rate of pay among all low paid employees was €9.49 per hour. For low paid male employees this was €9.62 per hour while it was €9.41 for females.

- For female employees the average depth of low pay was €2.04 per hour.

- On average the earnings of low paid female employees' represents 55% of their household's total earnings. Some 34% of low paid women provide all of their household's total earnings while 28% provide less than one quarter.

- 46% of low paid women are the main earners in their household; 54% are secondary earners.

- Low paid women, who are the main earners in their household, are concentrated in the bottom half of the income distribution.

1 Introduction

Progress and uncertainty dominate the economic outlook for both parts of the island of Ireland. In the Republic, the economic outlook continues to improve although vulnerabilities remain given the weakness of the broader European and International economies, the forthcoming UK Brexit referendum and the sustainability of positive benefits associated with low interest rates, low oil prices, accommodative ECB monetary policy and favourable exchange rates. Domestically, differences persist in the pace of recovery across the country.

In Northern Ireland economic growth remains positive, but small. Although also exposed to the possible impact of changes to the broader international economy, it faces two specific concerns. First there are short-term uncertainties associated with the forthcoming UK referendum on its continued membership of the European Union; these may persist if the UK votes to leave. Second, there are ongoing challenges related to the performance of Northern Ireland's manufacturing sector.

In this *Quarterly Economic Observer* (QEO) as well as reviewing recent economic trends on both parts of the island, and outlining our expectations for the future economic outlook, we also provide an examination of women who are low paid in the Republic of Ireland. In particular, we focus on establishing a more detailed evidence base for understanding the nature and shape of low pay among this group.

The QEO is structured as follows. Recent economic trends in both parts of Ireland are reviewed in Section 2. Section 3 updates the NERI's macroeconomic projections while Section 4 provides a profile of Women on Low Pay in the Republic of Ireland. Section 5 concludes.[1]

The Nevin Economic Research Institute offers this report as a contribution to public debate on policy making and formation on the island of Ireland. We welcome feedback, comment and suggestions. The precise data used and the specifics of any proposal/projections are subject to review as fresh information and data become available.

[1] The analysis in this document complements a number of recent and forthcoming NERI Research Papers. These are cited throughout the report and can be accessed on the NERI website.

2 Overview of Recent Economic Trends

2.1 Introduction

With annual GDP growth of 1.6 per cent in 2015 the Euro area has now experienced eight consecutive years with growth of less than 2 per cent. The Euro area's unemployment rate has been in double digits for six consecutive years while the trend for HICP inflation has been gradually downward since 2011, albeit still positive, and is now fluctuating around zero. The UK has outperformed the Euro area in output growth and unemployment terms over the last five years. The Republic experienced a much sharper drop in employment subsequent to the financial crash than did the rest of the Euro area, Northern Ireland or the UK, and employment remains below pre-crisis levels. Inflation has remained below the 2 per cent target since 2008. However, 2015 was the first time since 2008 that annual average unemployment fell below 10 per cent.

Table 2.1 Key Economic Trends, 2007-2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employment (% of working-age population)									
R. Ireland	69.2	67.4	61.9	59.6	58.9	58.8	60.5	61.7	63.2
N. Ireland	68.4	67.9	64.7	66.1	67.4	67.1	66.8	68.1	68.2
UK	71.5	71.5	69.9	69.4	69.3	69.9	70.5	71.9	n/a
Euro area	65.5	65.8	64.4	64.0	64.1	63.7	63.4	63.9	n/a
Unemployment (% of labour force)									
R. Ireland	4.7	6.4	12.0	13.9	14.7	14.7	13.1	11.3	9.4
N. Ireland	3.9	4.4	6.4	7.1	7.2	7.5	7.5	6.4	6.1
UK	5.3	5.6	7.6	7.8	8.1	7.9	7.6	6.1	n/a
Euro area	7.5	7.6	9.6	10.2	10.2	11.4	12.0	11.6	10.9
Gross Domestic Product (% volume change over previous year)*									
R. Ireland	5.5	-2.2	-5.6	0.4	2.6	0.2	1.4	5.2	7.8
N. Ireland	4.7	-3.3	-4.7	-1.2	-0.2	1.1	0.6	0.7	n/a
UK	2.6	-0.5	-4.2	1.5	2.0	1.2	2.2	2.9	2.2
Euro area	3.1	0.5	-4.5	2.0	1.6	-0.9	-0.3	0.9	1.6
Harmonised Index of Consumer Prices (% annual average rate of change)									
R. Ireland	2.9	3.1	-1.7	-1.6	1.2	1.9	0.5	0.3	0.0
UK	2.3	3.6	2.2	3.3	4.5	2.8	2.6	1.5	0.0
Euro area	2.2	3.3	0.3	1.6	2.7	2.5	1.3	0.4	0.0

Sources: Labour market data for Rep. Ireland, UK and the Euro area are from Eurostat (2016a) Labour Force Survey Database. Online reference codes lfsi_emp_a and une_rt_a. Labour market data for N. Ireland (NI) is from NISRA (2016). Real GDP growth rate data for the UK and the Euro area are from Eurostat (2016b) National Accounts database; Online reference code nama_10_gdp. GDP data for Rep. Ireland are from (CSO, 2016a) National Income and Annual Expenditure. GVA data for NI are from the ONS Regional Trends Series (ONS, 2015). HICP data for Rep. Ireland, UK and the Euro area are from (Eurostat, 2016c) Prices database. Online reference code prc_hicp_aind.

Notes: *NI output refers to Gross Value Added (GVA). Euro area refers to the 19 current members of the Euro area. Labour market data for 2007-2015 represent averages for the whole year. Total employment refers to all persons in employment (ILO definition) aged 15-64 as a proportion of all persons aged 15-64. Unemployment is measured on the ILO definition basis and refers to persons aged 15-74. n/a = not available

2.2 Recent trends in the World Economy

The world economy grew by 3 per cent in 2015 (OECD, 2016a). This marks the weakest level of growth since 2009. The Republic of Ireland was an exception to the trend as its GDP grew by close to 7 per cent while its main trading partners the Euro area, the United States (US) and the United Kingdom (UK) grew by 1.5 per cent, 2.4 per cent and 2.2 per cent, respectively. The Japanese economy grew by just 0.4 per cent while the Canadian economy grew by 1.2 per cent. Subdued investment despite low interest rates, sluggish wage growth and job creation, and weak growth in global trade all combined to weigh on output growth in advanced economies. World trade volumes grew by just 2 per cent in volume terms. Recent falls in equity and bond prices highlight market concerns about the performance of the world economy.

Economic performance in the Republic's main trading partners remains tentative (Eurostat, 2016d). Seasonally adjusted GDP growth in the Euro area was 0.3 per cent in the fourth quarter of 2015 following 0.3 per cent growth in the third quarter. Survey indicators are suggestive of similar growth levels in the first half of 2016. Fourth quarter seasonally adjusted growth was somewhat more robust in the UK at 0.5 per cent although the US grew by just 0.3 per cent. Fourth quarter real GDP was up 1.6 per cent over the previous year in the Euro area, 1.9 per cent in the UK and 1.9 per cent in the US.

The Chinese economy has been gradually slowing down and rebalancing from manufacturing to services and from investment to domestic consumption. The Chinese economy grew 6.9 per cent in 2015. Lower prices for energy and other commodities continue to weigh on growth in exporters of these goods. Lower prices are also adding to financial imbalances and instability in many commodity-exporting economies, particularly those carrying high levels of debt. The negative terms-of-trade shock has interacted with net capital outflows and tighter financial conditions to create a difficult financial climate (European Commission, 2016). Expectations of tightening monetary policy in the US have increased these difficulties although the Federal Reserve is expected to postpone further tightening. The Brazilian and Russian economies remain mired in recession and contracted in GDP terms last year by 3.8 per cent and 3.7 per cent, respectively. Western sanctions and lower oil prices have hurt external trade and public revenues in Russia. However, the Indian economy grew at a robust 7.4 per cent in 2015.

The Euro area's recovery remains tentative despite the fall in energy prices supporting corporate profits and household real disposable income. The volume of retail sales increased by 2.0 per cent in the Euro area in January compared with the previous year, however industrial production fell by 1.3 per cent in December compared with 2014. Investment/GDP levels remain weak with negative medium-term implications for potential growth. Low investment partially reflects weaknesses in the financial sector and high levels of private debt but also reflects economic and policy uncertainty. Fiscal policy has become less of a drag on growth in the Euro area while monetary policy remains highly accommodative.

Deflation concerns persist despite the ECB's programme of quantitative easing and policy of keeping interest rates extremely low. The flash estimate of Euro area annual inflation (HICP) was minus 0.2 per cent in February 2016. The downward pressure reflects falling energy prices which were minus 8 per cent in February compared to the previous year. The ECB responded in March by cutting its main refinancing rate to 0 per cent, expanding quantitative easing, adding corporate bonds to the range of assets it will purchase and providing incentives to banks to increase lending. The weakness of the euro is helping to stimulate exports from the Euro area and is of particular benefit to small open economies like the Republic. Annual CPI inflation was 1.4 per cent in the US in the year to the end of January 2016 and was 0.2 per cent in the UK in the year to the end of December 2015.

Unemployment remains very high in the Euro area although the trend is downwards. The seasonally-adjusted rate was 10.3 per cent in January down from 11.3 per cent the previous year. The unemployment rate is 8.9 per cent in the EU and is lowest in Germany at 4.3 per cent and highest in Greece (24.6 per cent) and Spain (20.5 per cent). Youth unemployment is 22 per cent in the Euro area. The high rates of unemployment in parts of the Euro area are suggestive of substantial labour market slack, which in turn implies potential for above trend growth in employment and output in the short-term. On the other hand, the German, US (5 per cent unemployment), and UK (5.1 per cent unemployment) economies are all either at or approaching full employment. German and UK employment rates are both close to their modern-era peaks and the tight labour market conditions in these countries should eventually filter through into faster wage growth. Nominal hourly wages and salaries increased 1.4 per cent in the Euro area in the third quarter of 2015 compared to the previous year, by 3.6 per cent in the UK and by 2.3 per cent in Germany. Hourly wage growth was more sluggish in France (1.5 per cent) and Spain (0.4 per cent) and was flat in Italy (0.0 per cent). Real average hourly earnings in the US were up 1.1 per cent over the previous year at the end of January 2016.

2.3 Recent trends in the Republic of Ireland Economy

The Republic's economy grew very strongly in 2015 (CSO, 2016a). GDP in real terms (i.e. excluding price effects) expanded by 7.8 per cent in 2015 compared to 2014 while real GNP grew 5.7 per cent. While the headline figures are flattered by distortions caused by the multinational sector the overall performance is still very robust. In terms of domestic demand, personal consumption increased 3.5 per cent on an annual basis while government net current expenditure declined by 0.8 per cent and capital formation (investment) grew by a robust 28.2 per cent, albeit from a low base. The strong growth in investment reflects increased purchases of intangible assets (intellectual property) linked to the multinational sector. Exports and imports grew 13.8 per cent and 16.4 per cent respectively over the same period. The strong outcome for exports reflects supportive exchange rate movements. *Public administration and defence* shrank in 2015 comparted to the previous year but all other sectors expanded with the *industry* sector growing 13.7 per cent.

The services value and production indices also expanded strongly in 2015. The non-financial traded services sector was up 5.8 per cent in 2015 compared to 2014 with growth in all sectors bar *transportation and storage* which marginally declined (CSO, 2016b). The volume index of production for manufacturing industries was up 17.1 per cent in 2015 compared to 2014 while the 'modern' production sector (high tech and chemical/pharmaceutical) was up 15.4 per cent over the same period (CSO, 2016c). The volume of retail sales increased by a robust 8.3 per cent in 2015 compared with the previous year (5 per cent in value terms). If motor trades are excluded the volume of retail sales grew 6.2 per cent in 2015 (2.8 per cent in value terms). The volume index increased 4.1 per cent in January of this year while the value of retail sales increased 6 per cent (CSO, 2016d).

The balance of payments current account had a surplus of €2.8 billion in the fourth quarter of 2015 equivalent to 4.9 per cent of quarterly GDP (CSO, 2016e) and €9.5 billion over the entire year equivalent to 4.4 per cent of 2015 GDP. There was an increase of €2.7 billion in the surplus compared to 2014. The merchandise surplus was a record €64.6 billion in 2015 while the invisibles deficit was €55 billion.

The economy's strong performance in 2015 can be attributed to a number of internal and external factors that are cumulatively providing strong tailwinds to economic growth. Net exports has gained from the weakness of the euro against a trade weighted basket of currencies and the Republic is the country best placed within the Euro area to benefit from this weakness owing to its high level of trade external to the Euro area economy. The reasonably strong performances of the US and UK economies has also helped net exports. The fall in oil prices has increased the real income of households and this has increased the volume of personal consumption. The drop in energy costs has also reduced input costs for producers' thereby increasing corporate profitability and subsequent investment levels. The ECB's policy mix of low interest rates and quantitative easing is pushing down financing costs in the Euro area and providing a stimulus to the Euro area economy. The drag on the economy from fiscal austerity has been replaced by a mild fiscal stimulus that is assisting domestic demand. In addition, with aggregate employment and prospects for domestic demand both improving, those households and firms that previously postponed consumption and investment decisions due to the uncertain outlook post-2008 are now starting to increase consumption and investment to more normal levels. The up-swing in the economic cycle as the economy approaches potential output is generating a positive multiplier effect that is accelerating growth in the short-run. This up-swing growth effect is temporary and will dissipate as the economy reaches and exceeds potential output. Finally, the Republic's GDP growth figures are extremely volatile and it would appear that the 2015 growth figures were distorted by the activities of a small number of multinationals producing an outsize effect on the Irish economy.

There were 2,170,500 people in the labour force in the fourth quarter of 2015 (CSO, 2016f) representing an increase of 18,000 persons or 0.8 per cent over the previous year. Seasonally adjusted employment increased by 4,700 (0.2 per cent) over the previous quarter while total employment increased by 44,100 (2.3 per cent) over the previous year. Total employment is now 1,983,000. The employment rate was 63.9 per cent in the fourth quarter up from 62.6 per cent the previous year. Male employment increased by 18,900 over the previous year while female employment increased by 25,200. Full-time employment increased by 38,900 while part-time employment increased by 5,200. Youth employment (persons aged 15-24) fell by 4,400 over the year. The largest sectoral increase in employment was in *construction* (+9,900) while the largest decline was in *financial, insurance and real estate* (-4,000). Six of the eight geographic regions saw total employment increase over the previous year. Total employment fell in the *West* region and the *Mid-East* region. Over half of the net employment gains in the country occurred in the *Dublin* region (+22,900) though the fastest growing region in relative terms was the *Midland* region at 6.2 per cent (see Box 2.1).

The unemployment rate was 8.7 per cent in the fourth quarter of 2015 down from 10 per cent the previous year. Seasonally adjusted unemployment was 9.1 per cent in the fourth quarter. Total unemployment of 187,500 represents a decline of 26,100 compared to the previous year. Long-term unemployment is down to 4.7 per cent of the labour force from 5.8 per cent the previous year and now stands at 102,100. The youth unemployment rate decreased from 20.3 per cent to 18.9 per cent in the year to fourth quarter 2015.

Average weekly earnings were €712.75 in the fourth quarter of 2015. Average weekly earnings increased 1.4 per cent compared to the previous year and were up 3 per cent over the previous quarter (CSO, 2016g). Average weekly paid hours was 32.5 in the fourth quarter, which was up on the previous year (31.9) and also up on the previous quarter (32.2). Average hourly earnings fell by 0.5 per cent over the year falling from €22.04 to €21.94. The largest annual percentage increase over the previous year in average weekly and hourly earnings was in *administrative and support services* (+9.9 per cent and +3.5 per cent, respectively) while the largest decline was in *financial, insurance and real estate* (-4.3 per cent and -7.5 per cent, respectively). Average hourly total labour costs increased 2.3 per cent in the year to third quarter 2015.

Prices in February were little changed over the previous year (CSO, 2016h) whether measured by the CPI (-0.1 per cent) or the HICP (-0.2 per cent). However, the CPI was up 0.4 per cent in February compared to the previous month. *Transport* (-0.43 per cent) made the largest downwards contribution to the overall annual change in the CPI mainly reflecting lower petrol and diesel prices but also a fall in the price of motor cars and air fares. The annual rate of inflation for services was 2.0 per cent in the year to February, while prices for goods decreased 2.8 per cent. Services, excluding mortgage interest payments, increased 2.6 per cent in the year to February. The annual change in the CPI has been below 1 per cent since March 2013.

Residential property prices rose 7.6 per cent in the year to January with prices increasing 11.4 per cent outside of Dublin (CSO, 2016i). However, house prices fell 0.5 per cent nationwide in January compared to the previous month. The number of mortgage accounts for Principal Dwelling Houses (PDH) in arrears is falling (CBI, 2016a) with 88,292 such accounts (11.8 per cent) in arrears during the fourth quarter. Some 12.1 per cent of PDH mortgages by outstanding balance are in arrears of more than 90 days.

Household net worth increased 2.9 per cent during the third quarter of 2015 and is now €617.6 billion or €133,225 per capita (CBI, 2016b). Overall net worth has risen by 39.8 per cent since its low of €441.8 billion in the second quarter of 2012. Household debt fell 1.3 per cent over the quarter to stand at €151.2 billion, its lowest level since first quarter 2006. Even so, household debt as a proportion of disposable income (a measure of debt sustainability) was 160.4 per cent in the third quarter representing the third highest rate in the EU.

The euro was trading at around 1.08 US dollars in early March 2016 down from 1.30 US dollars in September 2014. The euro was trading at around 0.77 UK Sterling in early March having increased in value from 0.70 UK Sterling in late November. Irish government 10-year bond yields have been below 2 per cent since August 2014 and reached a record low of 0.65 per cent in April 2015. The 10 year yield was fluctuating around 0.85-0.90 per cent during late February of this year and the NTMA raised €500 million of six month treasury bills at a record low interest rate of -0.22 per cent in March 2016.

The general government deficit was €3.9 billion or 2.5 per cent of GDP in the first nine months of 2015 (CSO, 2016j). Gross debt was €204.2 billion or 99.4 per cent of annualised GDP at the end of September 2015. Net debt was €165.9 billion or 80.8 per cent of annualised GDP. The third quarter deficit was €1.2 billion amounting to 2.2 per cent of quarterly GDP. An Exchequer deficit of €62 million was recorded up to the end of 2015 (Department of Finance, 2016). Excluding one-off transactions there was an underlying Exchequer deficit of around €3.4 billion in 2015 representing an improvement of €5.2 billion compared to 2014. The Department of Finance estimate the end 2015 general government deficit will come in at close to 1.5 per cent of GDP. Tax revenues grew by 10.5 per cent year-on-year with corporation tax receipts driving the over-performance (up 48.9 per cent year-on-year).

Box 2.1 Trends in the Regional Labour Market during 2015

The headline indicators for the Republic of Ireland labour market have been positive since 2012. For the state as a whole, the labour force has expanded (+27,000), total employment has increased (+134,100), unemployment has fallen (-107,100) and the labour force participation rate is 0.4 percentage points higher. However, these figures mask notable differences in regional performance - a point we highlighted in the Spring 2015 edition of this *Quarterly Economic Observer* (NERI, 2015: 9).

Table 2.2 examines changes to the labour market over the past year (Q4 2014 to Q4 2015). Overall, the picture is positive with a gain of 44,100 net new jobs, a decrease of 26,100 in the numbers unemployed and growth in both the size of the labour force and the participation rate.

Table 2.2 Changes in Regional Labour Market Indicators, 2015

	Labour Force	Participation Rate	Employment	Unemployment
State	**+18,000**	**+0.20%**	**+44,100**	**-26,100**
Border	+7,200	+2.50%	+9,200	-2,000
Midlands	+4,500	+1.20%	+7,100	-2,500
West	-2,200	-0.70%	-2,500	+200
Dublin	+17,500	+0.40%	+22,900	-5,500
Mid-East	-4,800	-1.10%	-2,100	-2,700
Mid-West	-3,000	-0.60%	+300	-3,200
South-East	+900	-0.10%	+900	0
South-West	-2,000	-0.10%	+8,300	-10,300

Source: CSO Quarterly National Household Survey Q4 2014 and Q4 2015 compared

Notes: See Table 7.3.1 in the appendix for the data used in these calculations. The labour force participation rate measures the labour force (those at work, looking for their first regular job and unemployed) as a percentage of the total population aged 15 years and over.

However, the performance is more mixed when examined across the regions. Over the past year four of the eight regions saw their labour force decline, most prominently in the Mid-East (-4,800) and Mid-West (-3,000), with smaller declines in the West (-2,200) and in the South-West (-2,000). These four regions also saw a decline in their labour force participation rate as did the South-East.

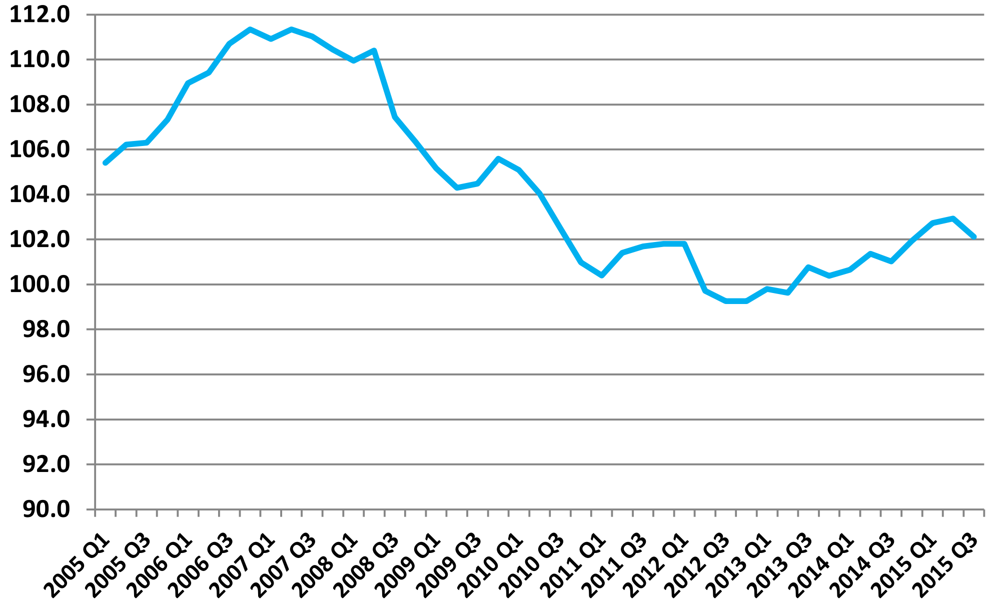
During 2015 six of the eight regions experienced an increase in employment levels, most notably in Dublin (+22,900), the Border region (+9,200), the South-West (+8,300) and the Midlands (+7,100). In two regions employment fell, the Mid-East (-2,100) and the West (-2,500). All areas experienced a reduction in the numbers unemployed except the West which saw an additional 200 net new unemployed individuals.

While the data indicate a greater spread of positive regional labour market performance than was the case prior to 2015, the concentration of this performance in the Dublin region is pronounced. These trends are likely to carry implications for other policy areas including population densities in rural areas and housing demand in Dublin and its hinterland. It is welcome that over the past year a series of Regional Employment Strategies have been adopted to address these inter-regional issues. Similarly, it is important that this focus is retained as the *National Planning Framework*, the successor to the 2002 *National Spatial Strategy*, is developed.

2.4 Recent trends in the Northern Ireland Economy

The pace of economic recovery in Northern Ireland (NI) decelerated in the third quarter of 2015, notwithstanding an upward revision to growth in the second quarter. The latest figures for the Northern Ireland Composite Economic Index (NICEI) show that the Northern Ireland economy contracted by 0.8 per cent in the third quarter (NISRA, 2015a). Results for the second quarter were revised upward to growth of 0.2 per cent from a contraction of 0.1 per cent reported in October. The NICEI is a relatively new data series and is subject to much historical revision; therefore it is unwise to read too much into minor quarterly changes. Chart 2.1 shows that since 2012 economic output in Northern Ireland is on an upward trend that is punctuated by periods of negligible or negative growth.

Chart 2.1 Trends in the Northern Ireland Composite Economic Index (NICEI), 2005-2015

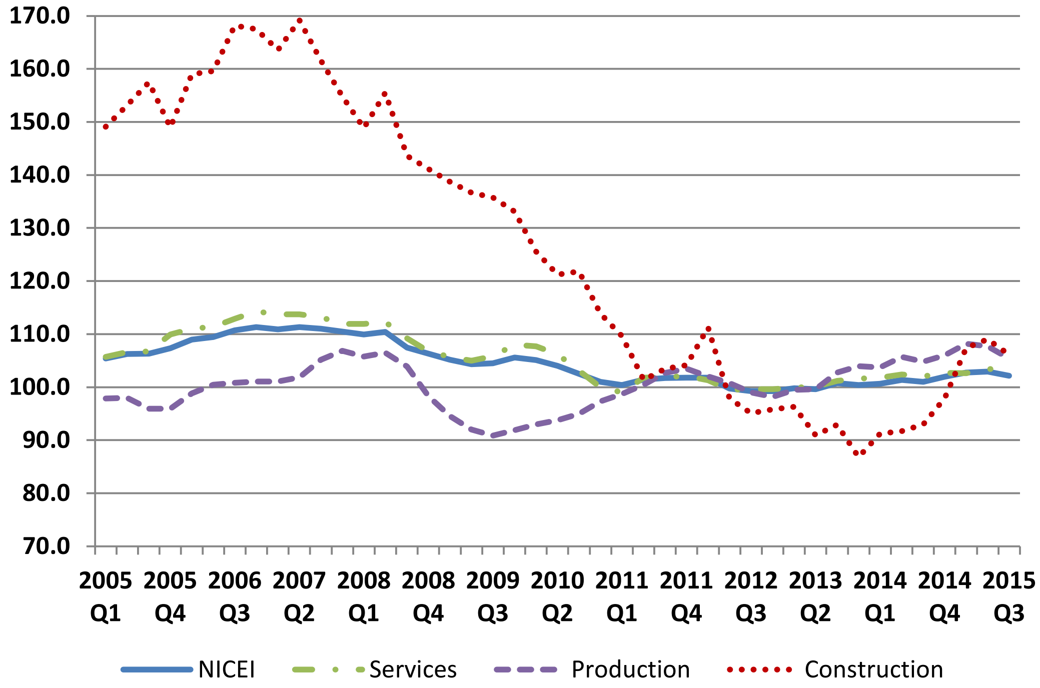


Source: NISRA (2015a) NI Composite Economic Index

The construction sector saw a small contraction in the third quarter of 2015 after 6 consecutive quarters of growth. Since reaching its lowest point in the series in the final quarter of 2013, output in the sector has grown by almost 25 per cent. However the available data does not indicate the extent to which this output is due to increased activity in Northern Ireland. Increased construction activity by NI firms in Great Britain would represent a positive development, however it may be masking weaknesses in the domestic construction market.

The production sector declined for the second consecutive quarter falling by a further 2 per cent. Given the announcement of more job losses and indications of declining confidence in the manufacturing sector, this trend may prove more persistent. The services sector posted no growth in the third quarter of 2015 continuing a disappointing trend that has seen minimal growth since the onset of the recession. Services sector output is only back to levels achieved at this time five years ago. Overall, the improved performance of the construction sector has not been sufficient to lift overall growth and the negative headwinds facing the production sector will impact heavily on the outlook discussed in Section 3.

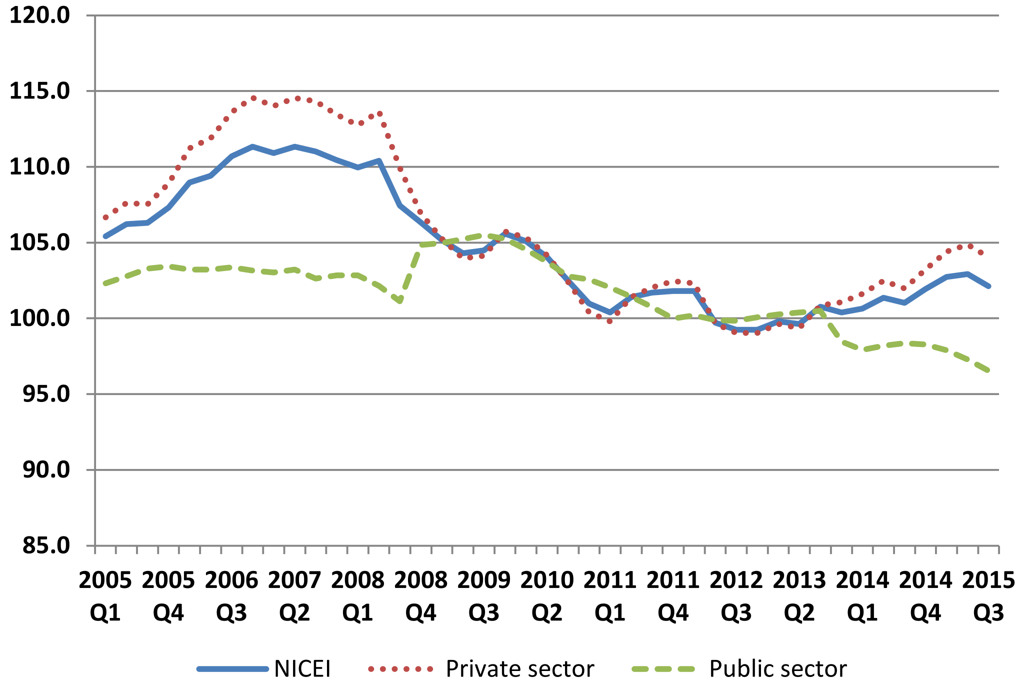
Chart 2.2 Sectoral changes in the Northern Ireland Composite Economic Index, 2005 - 2015



Source: NISRA (2015a) NI Composite Economic Index

Both the public and private sectors contributed equally to negative growth in the third quarter, each declining by 0.8 per cent. The public sector reached its lowest level since the NICEI series began in 2005 having contracted for each of the last four quarters. As outlined in our *Winter 2015 QEO* the public expenditure environment is likely to be as difficult over the next five years as it was over the previous five years and this is likely to bring further contraction to the sector. However the NICEI measures public sector activity by public sector jobs and so it will likely be disproportionately impacted by reductions in employment from the Voluntary Exit Scheme put in place under the Stormont House Agreement. This is perhaps a fundamental weakness of the NICEI in that it cannot tell us how overall output in the public sector is affected by reductions in employment. It may be argued by some that productivity increases may mean that a smaller workforce can maintain current services, but the data available at present does not allow us to assess that point. Once again there is little sign that contracting output in the public sector is being met with expansion in the private sector.

Chart 2.3 Public and private sector performance in the Northern Ireland Composite Economic Index, 2005-2015



Source: NISRA (2015a) NI Composite Economic Index

The most up to date information we have on economic activity is survey data from the Purchasing Managers Index (PMI) for Northern Ireland. The PMI survey reports expectations and intentions of firms in various industries and sectors. The latest data for Northern Ireland, in January, showed an acceleration of growth, driven predominantly by the services sector (Ulster Bank, 2016). The construction sector maintained growth, but recorded the slowest rate of increase in four months. Importantly the PMI indicated that new orders fell in the manufacturing sector and that manufacturing output growth was the weakest of all four sectors. Furthermore backlogs of work and employment levels all fell in the manufacturing sector in the first month of this year. Following disappointing results for 2015 it remains to be seen whether such nascent confidence in the services sector will translate into sustained output growth and whether this will in turn be enough to counter what appears to be a very negative outlook for the manufacturing/production sector.

The labour market in Northern Ireland saw little change in the final quarter of 2015. The unemployment rate fell marginally by 0.1 per cent to 5.8 per cent yet the total number of people unemployed remained static at 51,000. Overall the total number unemployed increased by 1,000 during 2015 and the unemployment rate remains as it was in the final quarter of 2014. The pace of reductions in unemployment is decelerating, particularly when compared with the UK overall. It may take several more years for the rates to fall to the levels seen in the mid-2000s.

The latest figures for the Claimant Count showed a further decrease of 800 people claiming unemployment benefit in the first month of this year and a reduction of almost 10,000 over the last year. Once again the Claimant Count represents a more timely and precise if imperfect measure of unemployment. However for the Claimant Count to reduce by over one fifth in the same year that the Labour Force Survey rate of unemployment shows no change may indicate an emerging disconnect between these two measures.

Levels of youth unemployment in Northern Ireland remain high and have not seen the same rate of decrease experienced by the labour market as a whole. In the final quarter of 2015 the total numbers of youth unemployed increased by over 1,000 while the rate of youth unemployment fell by 0.3 per cent. Both economic activity and employment increased significantly for the 18-24 year old group implying that there may be a persistent or even structural unemployment problem among this age cohort, one that may not be ameliorated by a healthier labour market.

The jobs market in Northern Ireland was dealt some further setbacks in the first few weeks of 2016. The most significant of these announcements was the loss of over 1,000 jobs from aeronautics company Bombardier. The Canadian company has struggled to adapt to the slowdown in sales of private jets especially in emerging economies and has already shed a significant part of its Northern Ireland workforce in the last number of years. The loss of jobs came despite an investment by the Quebec Provincial Government in the company. The C-Series jet, of which the wings are built in Belfast, has subsequently received increased interest from Air Canada which Invest NI believes will safeguard jobs in Northern Ireland. Invest NI have made significant investments in partnership with Bombardier to date and the latest job losses certainly call into question the scale of that support. More importantly the investment in Bombardier made by the provincial government in Montreal saw them take an equity stake in a new partnership with Bombardier. That approach raises the question whether investments made by the NI Executive should seek a financial return beyond overall employment impacts.

Chart 2.4 Youth Unemployment in Northern Ireland, 2005-2015

Source: NISRA (2016) Labour Force Survey

There was better news for the software development sector in Northern Ireland with the creation of 90 jobs in Belfast by US firm Alert Logic and a further 25 jobs announced by Sixty-5 Technologies in Derry/Londonderry. The construction industry benefited from announcements of over 100 jobs by the Dowds Group and Thorton Roofing. However, both companies expect expansion to be based in Great Britain and the Republic of Ireland, echoing concerns about the domestic construction market in Northern Ireland. Elsewhere Connected Healthcare and Belfast International Airport announced 120 and 100 new jobs, respectively, while the Closure of Xtra-Vision meant the loss of 70 retail sector jobs. Overall, while construction and services are driving much of the employment growth the manufacturing sector remains a serious concern.

3 Economic Outlook

3.1 Introduction

Domestic growth prospects are heavily dependent on the economic performance of the wider global economy as well as on future trade and competitiveness patterns. This is particularly the case for small open economies such as the Republic of Ireland. In this section of the QEO we outline our assumptions for the economies of the main trading partners of the Republic and of Northern Ireland. We then set out our baseline expectation for the short-term performance of both of the Irish economies. The main risks to the forecasts are also considered.

3.2 Macroeconomic Assumptions for the Global Economy

The IMF (2016) forecasts global growth of 3.4 per cent in 2016 and 3.6 per cent in 2017. The fund projects a modest and uneven recovery in most advanced economies. Lower oil prices, supportive monetary conditions, less drag from fiscal consolidation (austerity) and improving financial sector conditions provide supportive conditions for growth. The IMF's modest outlook for the global economy is based on an assumed slowdown and rebalancing of the Chinese economy away from investment and manufacturing, as well as an assumed continuation of the current weakness in commodity prices. The IMF's forecast pick-up in growth in 2016 mainly reflects improved prospects for some countries currently in economic distress including Brazil, Russia and parts of the Middle East, although ongoing geopolitical tensions could generate contagion effects, disrupt trade and choke-off recovery. Further tightening of monetary conditions in the United States (US) is identified as a downside risk to the forecast as this could aggravate already fragile balance sheets in commodity exporters. In addition, a hard landing for the Chinese economy remains a realistic prospect and a substantial downside risk to the global economy.

The OECD (2016a) is somewhat less optimistic and projects the global economy will grow by 3 per cent in 2016 and 3.3 per cent in 2017. The OECD points to substantial financial instability risks and the vulnerability of some emerging countries to volatile capital flows and the effects of high domestic debt. The OECD's (2016b) Composite Leading Indicators (CLIs) suggest tentative signs of stabilisation in Brazil and China, firming growth in India and a loss of growth momentum in Russia. The latest CLIs also signal stable growth momentum in Germany, Italy, and the Euro area as a whole, as well as strengthening growth in France, and an easing of growth in the United Kingdom (UK), the US, Canada and Japan.

The IMF (2016) is forecasting Euro area real GDP growth of 1.7 per cent in 2016 and again in 2017, similar to the European Commission (2016) growth forecast of 1.7 per cent and 1.9 per cent for the two years. The Commission anticipates that consumption and investment will benefit as the legacies of the crisis recede, financing conditions remain supportive and fiscal drag lessens. The ECB expect supportive tailwinds for consumption and investment from monetary policy, low oil prices and the diminished need for deleveraging, while the weakness of the euro should boost net exports. On the other hand, the weak growth prospects in many emerging economies are expected to weigh on Euro area growth. Annual HICP inflation is expected to remain low in the near term despite the looseness of monetary policy but should start to rise as oil prices gradually increase from their current low level. The ECB (2016) foresee annual real GDP growth of 1.4 per cent in 2016 and 1.7 per cent in 2017 along with annual HICP inflation of just 0.1 per cent in 2016 and 1.3 per cent in 2017.

The IMF projects the UK economy will grow 2.2 per cent in 2016 and again in 2017 while the Commission projects growth of 2.1 per cent in both years. The uncertainty surrounding a possible Brexit may impact negatively on investment in the short-term and Brexit itself represents a significant downside risk to the UK economy. The Bank of England (2016) Monetary Policy Committee judges that the UK's GDP growth will settle close to 2.5 per cent over the medium-term with CPI inflation returning to the 2 per cent target in around two years.

Turning to the US, while investment in non-energy sectors is benefitting from the fall in energy prices, the same fall has also led to significant cutbacks in employment and investment in the US energy sector. The latest US economic growth projections of Federal Reserve Board members and presidents had a central tendency of 2.3 to 2.5 per cent for 2016 and 2 to 2.3 per cent for 2017 (FOMC, 2015). Federal Open Market Committee (FOMC) participants generally expect personal consumption expenditures (PCE) inflation to increase gradually to 2 per cent before settling close to the 2 per cent target in 2017. In December the Fed increased interest rates for the first time since

2006, however, the process of monetary policy normalisation is expected to be very gradual.

3.3 Macroeconomic Projections for the Republic of Ireland

Based on existing data and our medium-term forecasts we are now projecting that real GDP will grow at an above trend level of close to 4.4 per cent in 2016 and will grow by close to 3.5 per cent in 2017 (see Table 3.1).

Table 3.1 Outcomes and Projections for Output, Earnings, the Public Finances and the Labour Market, (Rep. Ireland)

	2014	2014	2015	2016	2017
Real Output		*Percentage real change over previous year*			
Gross Domestic Product	€189.0bn	5.2	7.8	4.4	3.5
Personal Consumption	€89.0bn	2.0	3.5	3.0	2.1
Government Consumption	€27.2bn	4.6	-0.8	1.3	1.0
Investment	€36.5bn	14.3	28.2	13.0	7.9
Exports	€215.0bn	12.1	13.8	6.5	5.1
Imports	€180.3bn	14.7	16.4	7.8	5.5
Earnings		*Percentage nominal change over previous year*			
Average Hourly Earnings	€21.68	-0.6	0.8	2.0	2.2
Government Finances		*Percentage of GDP*			
General Government Balance	-€7.5bn	-3.9	-1.5	-0.6	0.0
Gross Debt	€203.2bn	107.5	94.4	89.6	86.6
Labour Force		*Percentage change over previous year*			
Employment	1,913,900	1.7	2.6	2.2	1.8
		Percentage of Labour Force			
Unemployment	242,817	11.3	9.4	8.3	7.8

Notes: Projections for *Gross Domestic Product* and components refer to real economic activity; *Investment* refers to Gross Fixed Capital Formation; *Employment*, *Unemployment* and *Earnings* all represent the average value over the four quarters.

Sources: NERI estimates for 2016-2017; 2014-2015 data is from CSO National Accounts (2015a), CSO Earnings and Labour Costs Survey (2016g), Government Finance Statistics (CSO, 2015b) and CSO Quarterly National Household Survey (2015f).

The impressive 2015 growth figures are unlikely to be replicated as internal and external factors will not be so favourable to the Republic's economy. The impact of lower oil prices on real disposable incomes and investment are already factored into the 2015 output figures and oil prices are, on balance, expected to increase in 2016. In addition, the euro is likely to be somewhat stronger against UK Sterling in 2016, particularly given the uncertainty surrounding Brexit. This will weigh on net exports.

On the other hand monetary policy is likely to remain highly accommodative and fiscal policy will continue to expand modestly. Strong employment growth and pent-up demand after years of stagnant or declining consumption and investment will continue to provide tailwinds for real GDP growth. The most recent services (64.0) and manufacturing (52.9) PMIs are suggestive of reasonably strong growth over the next few months.

An important caveat to the projections is that the Republic is a small open economy with a large financial sector and a large multinational sector, and the behaviour of a few large multinationals can have an outsize effect on macroeconomic aggregates. As a consequence, real GDP growth tends to be very volatile from year-to-year. Even so, we anticipate that real growth will remain strong in 2016 and in 2017, albeit declining year-on-year. GDP growth in 2016 and 2017 will come on the back of further improvements in the labour markets and higher levels of private consumption as well as strong growth in private investment. We forecast nominal GDP will exceed €228 billion in 2016 and €239 billion in 2017. Table 3.2 compares our real GDP projections to those of other agencies.

Table 3.2 Range of Projections for Annual Change in Real GDP, (Republic of Ireland)

	2016	2017	2018	2019	2020
NERI *(March)*	4.4	3.5	-	-	-
Department of Finance *(October 2015)*	4.3	3.5	3.2	3.1	3.0
Central Bank of Ireland *(January)*	4.8	4.4	-	-	-
European Commission *(February)*	4.5	3.5	-	-	-
IMF *(October 2015)*	3.8	3.2	3.0	2.7	2.5
OECD *(February)*	4.1	3.5	-	-	-
ESRI *(December 2015)*	4.8	-	-	-	-

Sources: DOF: Budget 2016, Economic and Fiscal Outlook (DOF, 2015); CBI: Quarterly Bulletin (CBI 2016c); European Commission: European Economic Forecast (EC, 2016); IMF: World Economic Outlook (IMF 2015); OECD: Global Economic Outlook, (OECD 2016); ESRI: Quarterly Economic Commentary (ESRI, 2015)

Domestic Demand

Real disposable household income is increasing on the back of strong growth in employment, rising average hourly earnings and negligible price inflation. The higher level of disposable income, improving household net worth, and quantitative easing programme, are all supporting higher levels of private consumption. Household debt continues to fall and should gradually become less of a drag on consumption as consumers become less inclined to delay purchases. In this context the short-term outlook for personal consumption is positive. There was robust retail sales data in January with all components reporting annual growth in volume terms. VAT and Excise receipts were up strongly in January although the February data was weaker, particularly with regard to VAT. The Consumer Sentiment Index was 108.6 in January (ESRI, 2016). This is the highest level reported since February 2001 and suggests consumer confidence is very strong at the moment and that there will be healthy growth in personal consumption over the next few months. We are projecting personal consumption will grow by 3 per cent in 2016 before moderating to 2.1 per cent in 2017.

While government consumption reflects demand pressures it is also very much a policy instrument and our projections are therefore similar to those presented in the government's Economic and Fiscal Outlook (DOF, 2015). At the time of writing there is uncertainty about 2017 government consumption levels given the lack of clarity about the composition of the next government and consequently the precise direction of fiscal policy. At this point we are forecasting growth in government consumption of 1.3 per cent in 2016 and 1 per cent in 2017.

The Republic's investment/GDP level is low by both advanced economy and historical Irish norms. Gross domestic capital formation (investment) continues to show immense volatility with sharp swings from year to year and the growth seen in 2015 was heavily distorted by investment in intangibles, specifically the transfer of intellectual property from multinationals to Irish based entities, most likely for reasons of tax planning. It is unclear whether, or to what extent, these types of investment will be repeated in 2016. Even so, we project that investment will grow very strongly in 2016 (13 per cent) given the favourable economic environment including improved private sector balance sheets and access to capital, as well as supportive monetary policy. In addition, the low investment/GDP ratios of the last half decade suggest above trend capacity for volume growth in investment in machinery and equipment. Firms will eventually have to move to replenish capital stock levels. Years of subdued investment in housing combined with increased housing pressures in urban areas, particularly Dublin, suggest substantial potential for house building to grow strongly over the next few years. The Construction PMI accelerated in January 2016 to its fastest rate since June 2015 and is now in strongly positive territory (63.6).

Business sentiment is particularly strong for the housing sector (Ulster Bank, 2016). Growth in investment should moderate somewhat in 2017 and we are forecasting growth of 7.9 per cent in that year.

Net Exports

The volume growth of exports and imports reached double digits in 2015. We expect future growth in the volume of exports to be more in line with external demand indicators adjusted for movements in exchange rates and other elements of competitiveness, and that exports will gradually decline down to trend growth in the Republic's trading partners. Stronger short-term growth in imports will be driven by the expected increases in real disposable household income, domestic consumption and investment. Import growth will also be effected by developments in intangible investments and aircraft purchases although these trends are extremely difficult to forecast. While net exports benefited from the depreciation of the euro in 2015 this effect should be diminished in 2016. The relatively strong performances forecast for the US and the UK should continue to help exports. New export orders strengthened in February according to the Services PMI. However, the most recent Manufacturing PMI eased to its lowest reading since February 2014, perhaps reflecting the strengthening of the euro or a slowing down of international trade. We now project that real exports will increase by 6.5 per cent in 2016 and 5.1 per cent in 2017 and that imports will increase by 7.8 per cent in 2016 and 5.5 per cent in 2017. The contribution of net exports to real output growth will therefore be modestly positive in both 2016 and 2017 and much smaller than the contribution from domestic demand.

Labour Market

The seasonally adjusted unemployment rate fell to 8.8 per cent in February and should continue to fall throughout 2016 as the improvement in the economy and increase in domestic demand translate into new employment. In particular, the increase in construction activity from its low base should generate jobs in that sector while the general increase in demand should boost employment in the retail sector and in the accommodation and food services sector. We project that total employment will exceed 2 million by the second quarter of 2016 and forecast that average employment growth in 2016 will be 2.2 per cent over the previous year. Employment growth will slow to around 1.8 per cent in 2017. Average unemployment should fall below 8 per cent by early 2017 (see Table 3.3). However, the speed of decline in the unemployment rate will slow in the next few years as the output gap closes.

Pressure for wage growth will accelerate as the unemployment rate continues its fall and the economy approaches potential output. On the other hand, the absence of inflationary pressures will dampen growth in average hourly earnings across the economy. Even so, growth in average hourly earnings should be close to 2 per cent in 2016 and then somewhat faster (2.2 per cent) in 2017. Aggregate growth in hourly earnings will vary from sector to sector reflecting sectoral differences in labour demand and the tightness of labour supply.

Table 3.3 Projections for Unemployment as a Per Cent of the Labour Force, (Rep. Ireland)

	2016	2017	2018	2019	2020	2021
NERI	8.3	7.8	-	-	-	-
Department of Finance	8.3	7.7	7.2	6.8	6.4	6.2
Central Bank of Ireland	8.2	7.4	-	-	-	-
European Commission	8.5	7.8	-	-	-	-
IMF	8.5	7.7	7.2	6.9	6.9	-
OECD	8.3	7.5	-	-	-	-
ESRI	7.9	-	-	-	-	-

Sources: See Table 3.2.

Public Finances

In light of our projections for economic output and the labour market, as well as our assumptions for Budget 2017, we are now projecting that the government's general budget balance will improve to minus 0.6 per cent of GDP in 2016 (around €1.4 to €1.5 billion in nominal terms) and will be in balance at 0.0 per cent of GDP in 2017. The ongoing fall in the numbers unemployed will lead to reduced expenditure on income supports while more people employed and rising disposable incomes will generate additional revenue flows. The forecast does not factor in the possible sale of the government's share in AIB. One downside risk to our forecast relates to the uncertainty surrounding the sustainability of the 2015 corporation tax yield. We now project that the gross debt to GDP ratio will fall marginally under 90 per cent of GDP in 2016.

Risks to the Outlook

Our baseline forecast is subject to a wide range of downside risks. Market uncertainty over Brexit may delay or postpone investment decisions and put downward pressure on Sterling. Brexit itself would pose huge challenges for the Republic's economy, could lead to border controls with Northern Ireland and with Great Britain, and would likely reduce bilateral trade with the UK with adverse impacts for certain sectors including agri-food and chemicals and pharmaceuticals. Brexit may also induce uncertainty, loss of confidence, and slowdown within the UK economy and this would adversely impact on exports. Brexit would also set a precedent for exit from the EU thereby damaging confidence in the European Union project.

We are assuming a gradual rise in energy prices from their currently low levels but a faster than expected rise would reduce real household disposable income and adversely affect investment and private consumption. A tightening of monetary policy would be particularly damaging to growth (consumption and investment), particularly in light of the still high private and public sector debt overhangs. However, rising interest rates are unlikely before 2018 at the earliest given the absence of any inflationary pressures in the Euro area. An appreciation in the value of the euro would damage Euro area exports. The Republic would be particularly adversely affected by such a development given its openness to international trade. Domestic political uncertainty may have some short-term impact on government bond yields and financing costs but we expect the effect of this uncertainty on growth to be marginal and temporary. The overall fiscal stance is unlikely to be meaningfully altered even if the detail of fiscal policy may change.

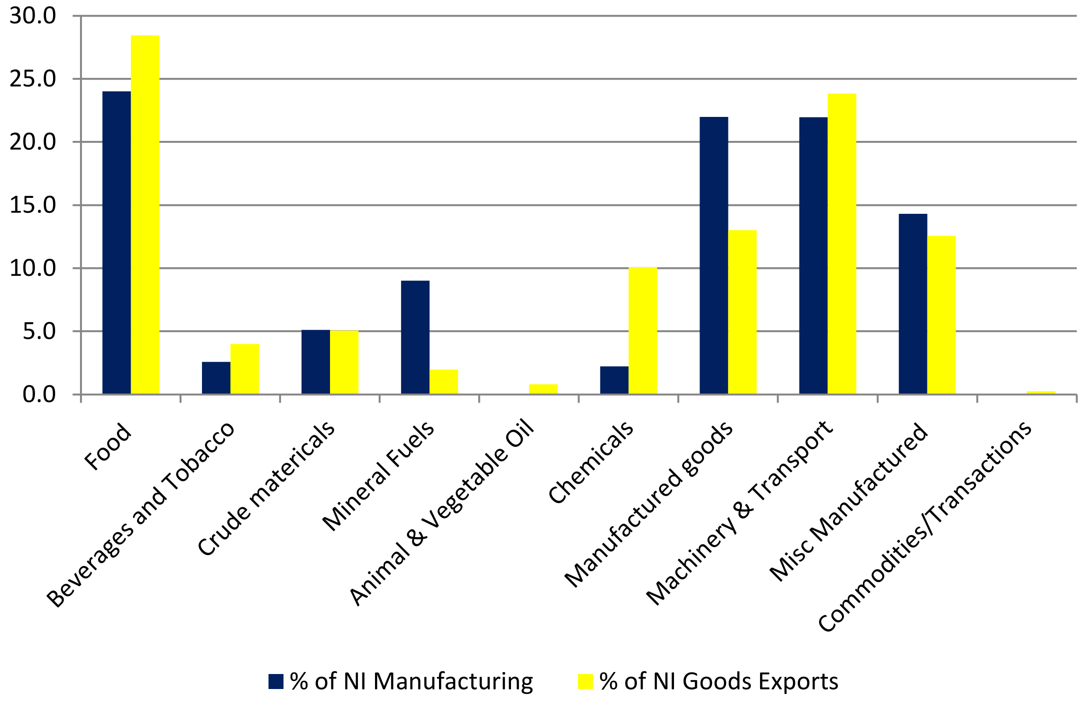
There are a number of other risks to the forecast including developments related to the Base Erosion and Profit Shifting (BEPS) project and the Common Consolidated Corporate Tax Base (CCCTB) project. Developments in these areas may alter the Republic's relative attractiveness as a location for Foreign Direct Investment (FDI). A further deterioration of the geopolitical situation in the Middle East could impact negatively on global trade and exert upward pressure on energy prices. The ongoing migrant crisis is exerting pressure on intra-EU solidarity with unknown consequences for the future of the Union itself. Finally, financial instability and recession in energy exporters, or a sharp decline in the Chinese economy as it attempts to rebalance would lead to a slowdown in world trade and the global economy.

3.3 Macroeconomic Outlook for Northern Ireland

The prospects for the global economy outlined at the beginning of this section will obviously impact on the near term outlook for the Northern Ireland economy. However, there are two specific concerns for the health of the Northern Ireland, one in the short term, the other over the medium to long term.

The short-term risk is the uncertainty created by a possible UK exit from the European Union (Brexit) and the more long term risk is the performance of Northern Ireland's manufacturing sector. The two are interlinked. As outlined in section 2 the manufacturing sector in Northern Ireland has experienced significant job losses over the last 18 months and the outlook remains weak. However, manufacturing could be the sector most impacted if there is any short to medium term disruption to trade with the European Union.

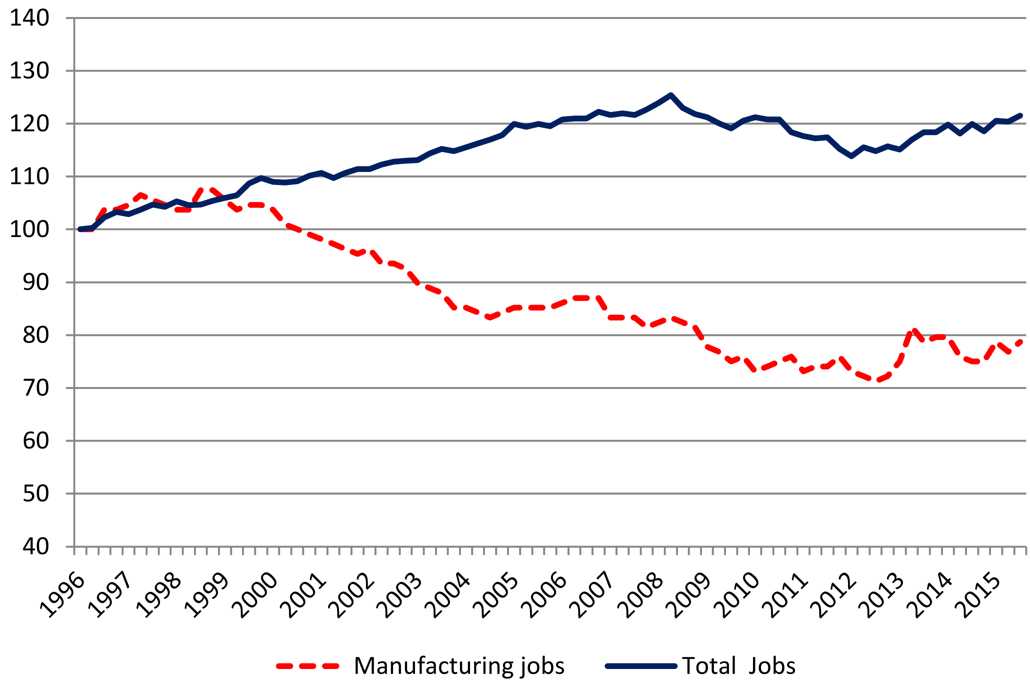
Chart 3.1 Shares of NI-to-EU Trade and Total Manufacturing Employment, 2013



Source: NISRA Census of Employment (2013) & HMRC Regional Trade Statistics (2013)

As chart 3.1 shows, employment in Northern Ireland manufacturing is, in most cases, skewed towards sub-sectors that trade heavily with the EU. Manufactured Goods include areas such as textiles, rubber and metals, while Miscellaneous Manufacturing ranges from household items to cameras and watches. Previous research has identified that EU membership enhances the trade volumes across many sectors but in particular the areas of agriculture, textiles, trade services and transport equipment (Nahuis, 2004). What trade relationship the UK would enjoy with the EU post-Brexit requires a political judgement that is beyond the scope of this analysis. However, it is hard to avoid the conclusion that Northern Ireland's manufacturing sector would experience significant short-term disruption and this could have very significant negative employment effects.

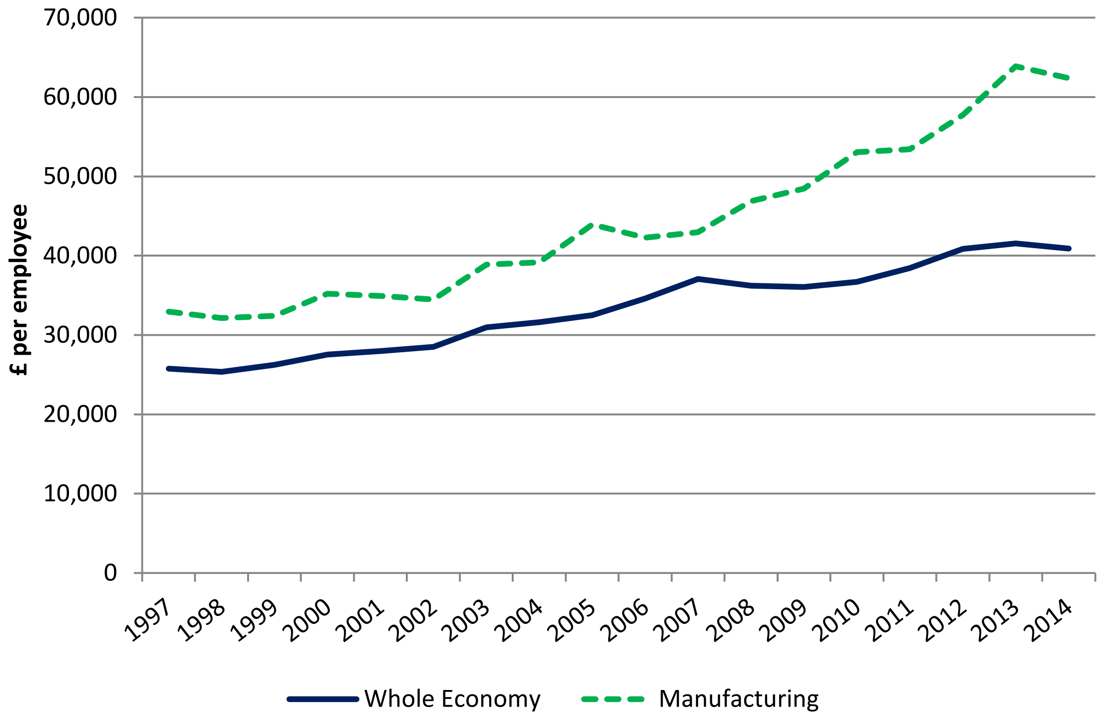
Chart 3.2 Total jobs and Manufacturing Jobs, NI 1996-2015
(1996= 100)



Source: ONS Workforce Jobs by Industry (2015b)

As Chart 3.2 shows, manufacturing jobs in Northern Ireland began a steep decline toward the end of the 1990s. This trend is not dissimilar to that of the rest of the UK or most western economies. However, manufacturing maintained its output despite this loss of employment because of year-on-year increases in productivity. As Chart 3.3 shows manufacturing in Northern Ireland has consistently enjoyed higher output per worker than the economy as a whole, but furthermore it has widened this gap through the most recent recession. But for this above trend growth in productivity, manufacturing in Northern Ireland would be in even more of a parlous state than it is at present.

Chart 3.3 Nominal GVA per Employee in Manufacturing and for the Whole Economy, NI 1996-2014



Source: ONS Regional GVA -Income Approach (2015) & Workforce Jobs by Industry (2015b)

Northern Ireland's manufacturing sector has been the driving force behind the limited productivity growth in Northern Ireland over the last number of years. In order to boost productivity and economic growth more generally, current output in the manufacturing sector needs to be maintained and boosted. The NI Executive needs a comprehensive manufacturing strategy that tackles key issues such as energy costs, energy capacity, skills and support for investment. Recent announcements of job losses in the manufacturing sector put this challenge into stark perspective.

Table 3.4 outlines projections for the Northern Ireland economy from a number of forecasters. Since our *Winter QEO*, both Danske Bank and PWC have downgraded their forecasts for Gross Value Added (GVA) growth in 2016 and 2017. Ulster University had the most pessimistic outlook for economic growth during 2015 and this now sits more comfortably with other forecasts. Of course any projection for the Northern Ireland economy would be dramatically altered by a referendum vote to leave the European

Union in June of this year and so forecasts that follow that decision may give a more informed picture of the future.

Table 3.4 Overview of recent projections of Economic Activity and employment/unemployment (Northern Ireland)

	2015 (Outturn)	2016	2017
Economic Activity	**n/a**		
Ernst & Young (GVA)	-	2.0	-
PWC (GVA)	-	1.4	1.5
Danske Bank (GVA)	-	1.8	2.1
UUEPC	-	1.1	1.0
Employment	**0.3**		
Danske Bank		0.6	0.2
Ernst & Young	-	0.8	-
UUEPC	-	0.6	0.4

Sources: Ernst and Young: Economic Eye, Winter 2015; PWC: Northern Ireland Economic Outlook January (2016); Quarterly Sectoral Forecast Q1 2016 (January 2016) UUEPC Spring Outlook (May 2015)

Note: Gross Value Added differs from GDP by the difference between taxes and government subsidies.

4 Women and Low Pay in the Republic of Ireland[2]

4.1 Introduction

Low pay has returned to a position of prominence in the policy sphere over the past year. Alongside the establishment of a Low Pay Commission, and a subsequent increase in the minimum wage, policy discussion is focusing on understanding the scale and composition of low pay and to considerations of increases in low pay rates. This development complements a broader international focus on low pay, reflecting a research literature on labour market segmentation, the emergence of concepts such as the Living Wage and a post-recession return of pay increases in most countries.

In the Spring 2015 edition of this *Quarterly Economic Observer*, we examined Low Pay in the Republic of Ireland, presenting the first empirical examination of this group since the early 2000s. That analysis, and subsequent papers, highlighted that one in every four employees were low paid. It also highlighted the concentration of low pay among certain groups and sectors.[3]

In this section of the *Quarterly Economic Observer*, we focus on one of the groups in Irish society that are most exposed to low pay: female employees. In doing so, our intention is to establish a more robust evidence base for understanding the nature and shape of low pay among this group. Of course, it may be the case that employees above these thresholds with short, or involuntarily short, working weeks are low paid when judged on a weekly earnings basis.

The section is structured as follows. First we outline the overall situation of low pay in the Republic of Ireland and detail the data employed in our analysis. Next we focus on women in low pay, by establishing a profile of this group and by examining both their depth of low pay and the importance of their low pay income to their overall household's earnings. Finally, the section concludes with a summary of our findings.

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[2] This research derives from a current NERI research project on low pay and a forthcoming research paper examining groups in Irish society with high probabilities of being in low pay; in particular female workers and young workers. The NERI acknowledges the input of external reviewers and their comments and suggestions prior to publication. We also acknowledge the provision of SILC data from the CSO.

[3] See NERI (2015) and Collins (2015a, 2015b and 2015c).

4.2 Low Pay in the Republic of Ireland

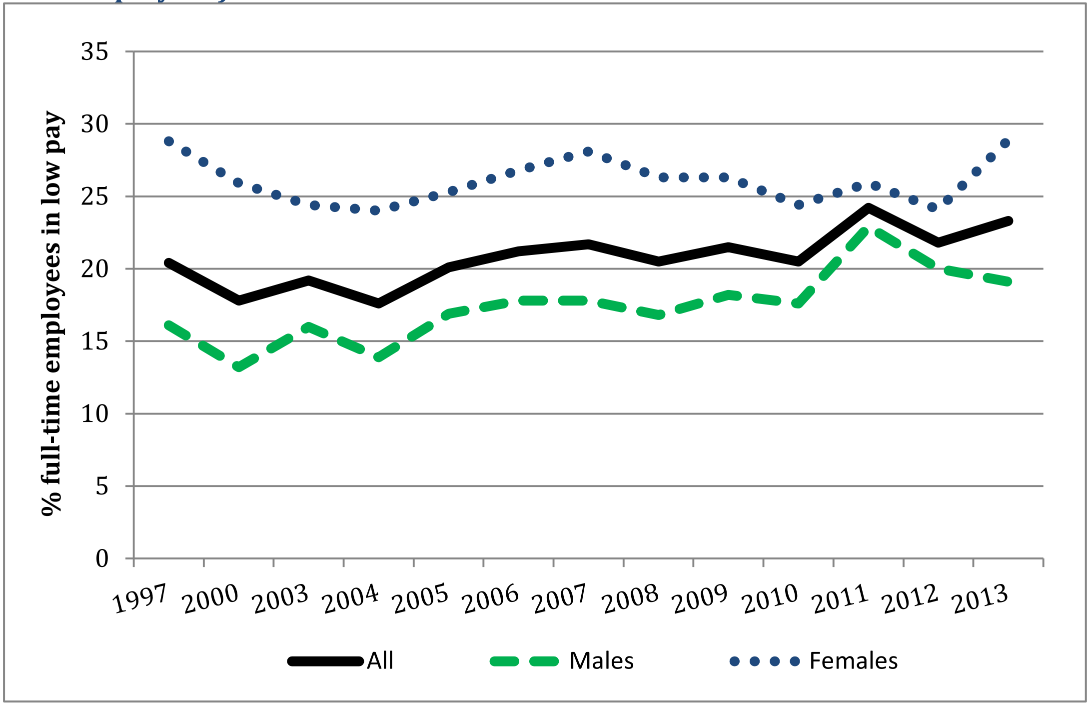
Compared to other countries, the prevalence of low pay is high in the Republic of Ireland. Using a low-pay threshold equivalent to two-thirds of the median (middle) hourly pay rate received by full-time workers, Chart 4.1 shows that across the OECD only two other countries, South Korea and the United States, record a higher proportion of their full-time employees on low pay.

Chart 4.1: Low Pay across the OECD (% full-time employees in 2013)

Source: OECD online database (OECD.stat)
Note: Low pay is defined as those earning less than two-thirds of the median hourly pay received by full-time workers.

Over the past decade and a half, there has been a gradual increase in the proportion of workers classified as being low paid in the Republic of Ireland – see Chart 4.2. In 1997 20.4% of full-time workers were low paid and although this decreased, to 17.6% in 2004, it subsequently increased to reach 23.3% by 2013. Over that time period the rates of both male and female low pay have also increased, albeit marginally for full-time female workers. Notably, the female low pay rate is consistently higher than that for males and for all full-time employees.

Chart 4.2: Low Pay in the Republic of Ireland, 1997-2013 (% full-time employees)



Source: OECD online database (OECD.stat)
Notes: Data unavailable for 1998, 1999, 2001 and 2002. Low pay is defined as those earning less than two-thirds of the median hourly pay received by full-time workers.

Data and Low Pay

In the analysis presented below we broaden this examination to include all employees, both full-time and part-time, who are low paid. The analysis uses micro data from the 2013 Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC). The survey is part of an annual Europe wide household living standards survey and collects income and living standards information from a representative national sample. The data, for 2013, comprised responses from 12,663 individuals in 4,922 households.[4]

Data on earnings is available for all those in the dataset indicating that their principal economic status is 'at work' and who are employees. The data includes values for the

[4] The data includes a probability weight variable to correct for under-representation and non-response and these weights are used in the analysis.

gross monthly earnings of employees in their main job and a value for the number of hours employees usually work in their main job. Taken together these allow an estimation of the average hourly wage rate for an employee in their main job.

As the SILC data is focused only on those whose principal economic status is 'at work' and who are employees, the number of workers represented by the analysis is a smaller figure than the total number of employees in the Republic of Ireland; there are some workers for whom another activity (e.g. studying, retired) is their principal economic status. Overall, the data represents a total of 1,345,395 employees.[5]

Previously published findings from this data have shown that:

- 25% of employees (almost 345,000) are low paid; earning less than €11.45 per hour.[6]
- Women are more likely than men to be low paid.
- 53% of employees aged between 18 and 29 years are low paid. However, low pay exists across all age groups.
- 42% of workers in the wholesale and retail sector and 61.5% of workers in the accommodation and food sectors are low paid.
- Of all occupations, those workers in sales and in personal and protective services carry the highest risk of low pay.
- Among household types, the highest risk of low pay is for single parents where 1 in every 2 such employees are low paid.
- There is a strong relationship between employees on a temporary contract and low pay.[7]

Low Pay and Gender

The higher level of low pay among female employees suggests some research questions that the remainder of the analysis in this section of the *Quarterly Economic Observer* attempts to address. First, who are these low paid workers, what are their characteristics and in what sectors do they work? Second, how far below the low pay

[5] This total represents the weighted value of the final sample size which was also cleaned to exclude variables with missing or spurious monthly earnings / usual hours data.
[6] €11.45 per hour is two-thirds of the median hourly earnings for those in firms of 10 or more employees and in all sectors of the economy excluding agriculture, public administration and defence. This figure is an update of the Eurostat methodology for calculating the low pay threshold. See Eurostat (2012) and Collins (2015a: 13).
[7] See Collins (2015a and 2015b) for further details of these results.

threshold are these employees (their depth of low pay)? Third, how important is the income that these low paid employees receive when judged as a proportion of their household's income? Fourth, are these female low paid earners the main or secondary earners for their household?

4.3 Women and Low Pay

To gain a better understanding of female employees who are low paid, we explore the composition of this group and the probability of female employees with different characteristics experiencing low pay. Reflecting the data outlined above, the analysis considers those who are low paid as employees falling below an hourly pay threshold of €11.45. This figure corresponds to two-thirds of the median hourly earnings for those in firms of 10 or more employees and in all sectors of the economy excluding agriculture, public administration and defence; a calculation of a low pay threshold reflecting the approach taken by Eurostat (2012).

Risk and Incidence of female low pay

Tables 4.1a and 4.1b examine women below this threshold and report both the percentage of each group who are low paid (the risk of low pay) and the proportion of all those below the low pay threshold who possess certain characteristics (the incidence of low pay). As a comparison, figures for the risk and incidence of low pay faced by all employees is also reported.

Overall, the analysis finds that in 2013 there were 207,000 female employees working for low pay, representing 60% of all those in low pay. Women employees carry a 29.3% risk of low pay, meaning that almost three in every ten female employees are low paid. The corresponding situation for males is two in every ten employees.

Female low paid workers feature across all the age groups, although they are concentrated among those under the age of 40. They also feature across all of the highest completed education categories with 54% having not completed secondary education. In both these cases, the situation for women is similar to that for all low paid employees.

Table 4.1a A Profile of the Low Paid (% employees)

	All employees in low pay			Female employees in low pay		
	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number
All	25.6	100.0	344,000	29.3	100.0	207,000
Gender						
Male	21.4	39.8	137,000			
Female	29.3	60.2	207,000			
Age Group						
18-29	52.7	35.8	123,000	57.9	36.1	75,000
30-39	22.5	28.7	99,000	24.1	26.4	55,000
40-49	17.2	16.6	57,000	22.2	19.4	40,000
50-59	16.7	12.8	44,000	19.1	12.0	25,000
60+	25.3	5.6	19,000	29.2	5.3	11,000
Highest Completed Education						
Primary or below	44.9	7.9	27,000	49.0	6.3	13,000
Lower secondary	33.9	13.7	47,000	38.6	11.1	23,000
Higher secondary	38.2	34.8	120,000	47.1	36.4	75,000
Post leaving cert	36.0	17.3	59,000	43.8	20.2	42,000
3rd level non degree	16.9	10.3	35,000	17.4	10.5	22,000
3rd level degree & above	10.0	12.6	43,000	11.3	12.4	26,000
Sector						
Agri., forestry/ fishing	64.6	3.0	10,000	-	-	-
Industry	18.3	11.6	40,000	24.5	7.1	15,000
Wholesale and retail	42.6	23.8	82,000	47.3	24.0	50,000
Accom. and food	61.5	18.1	62,000	69.5	19.7	41,000
Admin/support services	52.3	5.6	19,000	53.4	4.5	9,000
Health & social work	21.3	13.0	45,000	22.3	18.4	38,000
Pub Adm/Defence/Edu.	8.3	5.6	19,000	7.9	5.3	11,000
Others	19.6	19.4	67,000	27.0	19.7	41,000
Hours Worked per week						
1-19hrs	49.2	26.1	90,000	53.0	35.0	72,000
20-34.9hrs	32.7	30.6	105,000	30.1	34.8	72,000
35hrs+	17.7	43.3	149,000	19.0	30.2	63,000
Work status						
Full-time	17.8	50.0	172,000	18.7	38.8	80,000
Part-time	45.8	50.0	172,000	45.7	61.3	127,000
Contract Type						
Permanent	22.0	82.2	258,000	25.9	83.5	158,000
Temporary	48.0	17.8	56,000	47.7	16.5	31,000

Notes: Highest completed education excludes 1.78% of employees who did not state their level. Sector are NACE sectors where Industry includes construction while 'all other sectors' includes: transportation and storage; information and communication; financial insurance and real estate activities; professional, scientific and technical; and those classified by the CSO as 'other NACE activities'. Population figures have been rounded to the nearest thousand. Rounding may affect totals. All decompositions are statistically significant with $p < 0.001$.

- = sample too small to report (i.e. less than 25 cases in the sample data)

Table 4.1b A Profile of the Low Paid (% employees)

	All employees in low pay			Female employees in low pay		
	% in group below threshold	% of all below threshold	Number	% in group below threshold	% of all below threshold	Number
Occupation						
Manager and admin.	10.9	2.9	10,000	12.8	2.3	5,000
Professional	5.6	4.5	15,000	6.0	4.9	10,000
Associate Prof. & tech.	13.1	6.6	23,000	17.4	5.7	12,000
Clerical and secretarial	17.1	9.0	31,000	17.2	11.7	24,000
Craft and related	26.4	9.8	34,000	40.6	3.3	7,000
Personal/protect serv.	46.2	14.4	50,000	46.7	20.2	42,000
Sales	54.3	18.8	65,000	57.9	22.9	47,000
Plant/machinery	28.0	8.2	28,000	35.0	3.5	7,000
Others	52.9	25.9	89,000	64.9	25.5	53,000
Firm Size						
less than 10 employees	42.3	33.5	115,000	47.0	33.9	70,000
10 to 49 employees	31.4	33.1	114,000	33.8	35.5	73,000
50+ employees	14.4	25.5	88,000	17.0	24.3	50,000
unclassified	27.3	7.9	27,000	29.5	6.4	13,000
Region						
Border	32.3	11.3	39,000	39.2	13.1	27,000
Midland	30.4	6.4	22,000	32.5	6.3	13,000
West	21.4	6.9	24,000	24.1	6.7	14,000
Dublin	18.1	23.3	80,000	20.8	23.3	48,000
Mid-West	23.7	11.5	40,000	26.9	11.3	23,000
South-East	29.6	9.2	31,000	32.7	9.1	19,000
South-West	38.1	15.0	52,000	40.2	13.2	27,000
Mid-East	29.8	16.4	56,000	37.0	17.2	35,000

Notes: See notes to Table 4.1a. All decompositions are statistically significant with $p < 0.001$.

Just over 60% of low paid women work in three sectors of employment: Wholesale & Retail (24%), Accommodation & Food (19.7%) and Health & Social Work (18.4%). Looked at from a risk of low pay perspective, seven out of every ten female employees in the Accommodation & Food sector are low paid, while it is almost five out of every ten female employees in Wholesale & Retail and in Administration & Support Services.

The risk of being on low hourly pay declines as an employee's weekly hours increase. Among women working between 1 and 19 hours per week, half (53%) earn less than €11.45 per hour. This risk declines to 30% of those working between 20 and 35 hours per week and to 19% for women working 35 hour or more. One in every two female employees on a temporary contract is low paid while it is one in every four of those women on a permanent contract.

For female employees, the risk of being low paid also varies by occupation type. It ranges from 6% for professional employees to more than 40% for women in craft and related roles, 46% for those employed in personal and protective services and 58% for those employees in sales. Decomposing female low pay by firm size shows that low pay is spread across all firm sizes, although the risk of low pay is highest, at almost 50%, for women working in firms with less than ten employees.

Finally, Table 4.1b provides a spatial perspective on the distribution of female low paid employees using the NUTS3 regional classification. Almost a quarter of all low paid females work in the Dublin region (23.3%), with almost one in five (17.2%) in the neighbouring Mid-East region. The lowest concentrations are in the South-East, West and Midlands.

Depth of female low pay

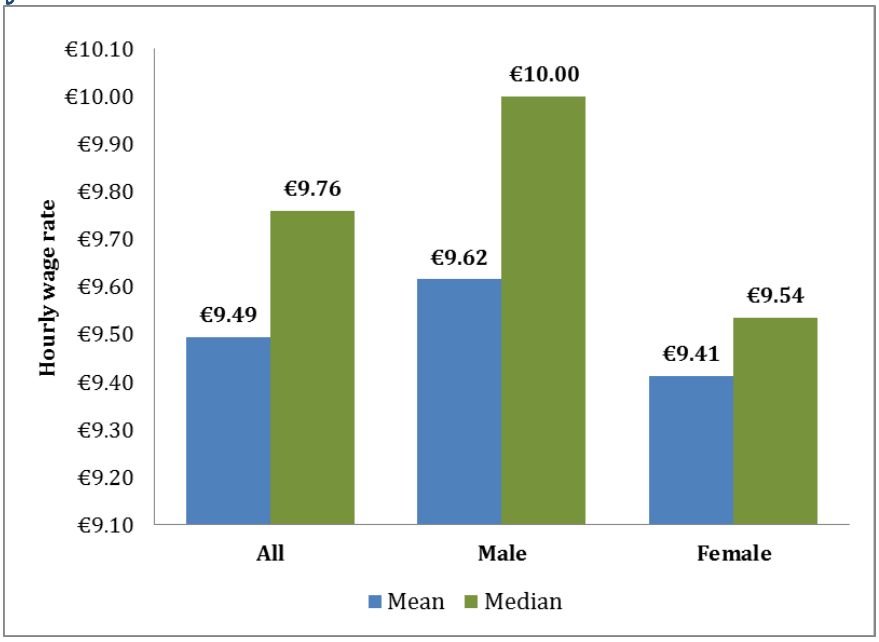
To complement the above profile we next look at how far female employees are below the €11.45 per hour threshold – their depth of low pay. First, Chart 4.3 reports the mean and median hourly wages for all those employees in low pay as well as for all male and female low paid employees.

In 2013 the average hourly rate of pay among all low paid employees was €9.49 per hour. For low paid male employees this was €9.62 per hour while it was €9.41 for females. Median hourly earnings among the low paid show a similar structure. Unusually for earnings and income distribution data, the mean values reported in Chart 4.3 are lower than the median values; a phenomenon driven by the effect of the statutory minimum wage floor which concentrates a large number of low paid workers on or just above its hourly value.

Next, focusing on female employees, Table 4.2 looks at how far these employees are below the €11.45 per hour threshold. Reflecting the results of Chart 4.3, the average depth is €2.04 per hour and the median depth is €1.91 per hour.[8]

[8] To minimise repetition, the remainder of the text corresponding to Table 4.2 focuses on the mean depth of low pay figures. Overall, these provided a similar picture to the results using median hourly values.

Chart 4.3: Mean and Median Hourly Wages for Low Paid Employees



Note: Low paid employees represent all those who earn less than €11.45 per hour.

Table 4.2 The Depth of Low Pay – female employees (€ per hour)

	Mean	Median		Mean	Median
All low paid females	€2.04	€1.91	**Work status*** **		
			Full-time	€1.91	€1.54
Age Group*			Part-time	€2.12	€2.12
18-29	€2.22	€2.20	**Contract Type*** **		
30-39	€1.97	€1.93	Permanent	€1.98	€1.82
40-49	€1.92	€1.74	Temporary	€2.26	€2.39
50-59	€1.84	€1.48	**Occupation***		
60+	€1.62	€1.69	Manager and admin.	€1.36	€1.16
Sector*			Professional	€2.17	€2.04
Agri., forestry/ fishing	€1.58	€1.59	Associate Prof. & tech.	€1.71	€1.17
Industry	€1.67	€1.53	Clerical and secretarial	€1.67	€1.45
Wholesale and retail	€1.98	€1.71	Craft and related	€1.53	€1.45
Accom. and food	€2.30	€2.27	Personal/protect serv.	€1.87	€1.48
Admin/support services	€2.25	€2.23	Sales	€2.11	€1.91
Health & social work	€1.78	€1.51	Plant/machinery	€1.79	€1.53
Pub Adm/Defence/Edu.	€1.73	€1.74	Others	€2.48	€2.45
Others	€2.27	€1.96	**Firm Size****		
Hours Worked per week**			less than 10 employees	€2.29	€2.25
1-19hrs	€2.26	€2.29	10 to 49 employees	€1.95	€1.64
20-34.9hrs	€2.05	€1.82	50+ employees	€1.87	€1.92
35hrs+	€1.77	€1.53	unclassified	€1.81	€1.48

Notes: See notes to Table 4.1a. Depth is measured versus an hourly wage of €11.45. *differences are statistically significant at the 0.001% level; ** at the 0.01% level; at the 0.1% level.

Looking at the age groups, the depth of low pay faced by female employees is greatest for those under 29 years and subsequently declines as age increases. Similarly, it decreases as both the number of hours worked per week increases and as firm size increases.

The depth of low pay is greatest in the Accommodation & Food and Administration & Support Services sectors. It is lowest for low paid female employees in Industry and Agriculture.

The depth of low pay is on average smaller for low paid females who work full-time compared to those working part-time. Similarly, it is greater for those on temporary contracts versus those with permanent employment.

How important is female low pay?

Tables 4.3 and 4.4 establish the importance of the income of low paid employees to their overall household income. As the SILC data identifies earners both individually, and as members of households, we can establish the earnings of a low paid employee as a proportion of the total earnings from employment and self-employment in their household.

On average the earnings of low paid female employees' represents 55% of their household's total earnings, a figure which is slightly lower than that for all low paid employees (58%) and for low paid males (62%). Overall, 34% of low paid women provide all of their household's total earnings while 28% provide less than one quarter.

Looked at across the age groups (Table 4.4), young (under 30 years) low paid female employees are concentrated among those whose earnings represent between 10% and 50% of their household's income. For those aged between 30 and 60 years, there is a split between situations where women are the household's sole earners or account for between 25%-50% of the household income.

Table 4.3 How Important is Low Pay Income?

% of Household Earnings	All Low Paid	Low Paid Males	Low Paid Females
0.01%-9.99%	7.0%	6.0%	7.6%
10%-24.99%	17.2%	12.5%	20.3%
25%-49.99%	26.2%	25.6%	26.6%
50%-74.99%	10.3%	13.9%	8.0%
75%-99%	4.2%	5.3%	3.4%
100%	35.2%	36.8%	34.2%
Mean %	**58.0%**	**62.1%**	**55.3%**
Median %	**49.4%**	**61.9%**	**46.4%**

Notes: Figures represent the earnings of the low paid employee as a percentage of the total earnings from employment and self-employment in the household. Decompositions significant at the 5% level.

In general, the importance to the household of the earnings of low paid female employees also increases as the number of hours worked per week increase. However, over 37% of workers on low hours (less than 20 per week) or who work part-time are the only source of earnings for their households.

Table 4.4 How Important is Low Pay Income? (female employees)

	0.01% - 9.99%	10%- 24.99%	25%- 49.99%	50%- 74.99%	75%- 99%	100%
Age Group						
18-29	10.9%	26.2%	28.1%	10.7%	4.9%	19.3%
30-39	3.9%	13.6%	28.3%	8.5%	0.7%	45.0%
40-49	7.4%	23.4%	29.6%	3.2%	5.0%	31.5%
50-59	3.3%	11.1%	20.8%	7.1%	4.1%	53.6%
60+	4.0%	21.6%	13.4%	8.2%	0.0%	52.8%
Hours Worked per week						
1-19hrs	15.9%	25.0%	13.3%	5.1%	1.4%	39.3%
20-34.9hrs	4.0%	21.1%	28.0%	9.3%	3.6%	33.9%
35hrs+	2.0%	13.9%	40.2%	9.9%	5.5%	28.5%
Work status						
Full-time	1.6%	16.7%	36.1%	10.7%	5.6%	29.4%
Part-time	11.4%	22.5%	20.5%	6.3%	2.0%	37.2%

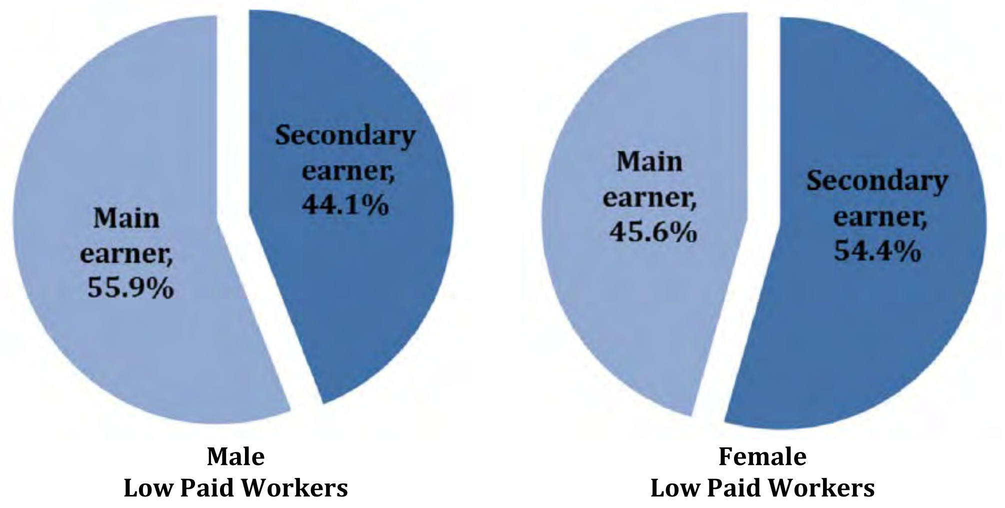
Notes: See notes to Table 4.3. All decompositions are statistically significant with $p < 0.001$.

Female low paid: main or secondary earners?

The data used for the two previous tables also allow us to determine the proportion of low paid workers who are the main and secondary earners in their household. Where the earnings of low paid employees equal half or more of the household's total earnings from employment and self-employment these are classified as the 'main earners'. Otherwise, they are 'secondary earners'.

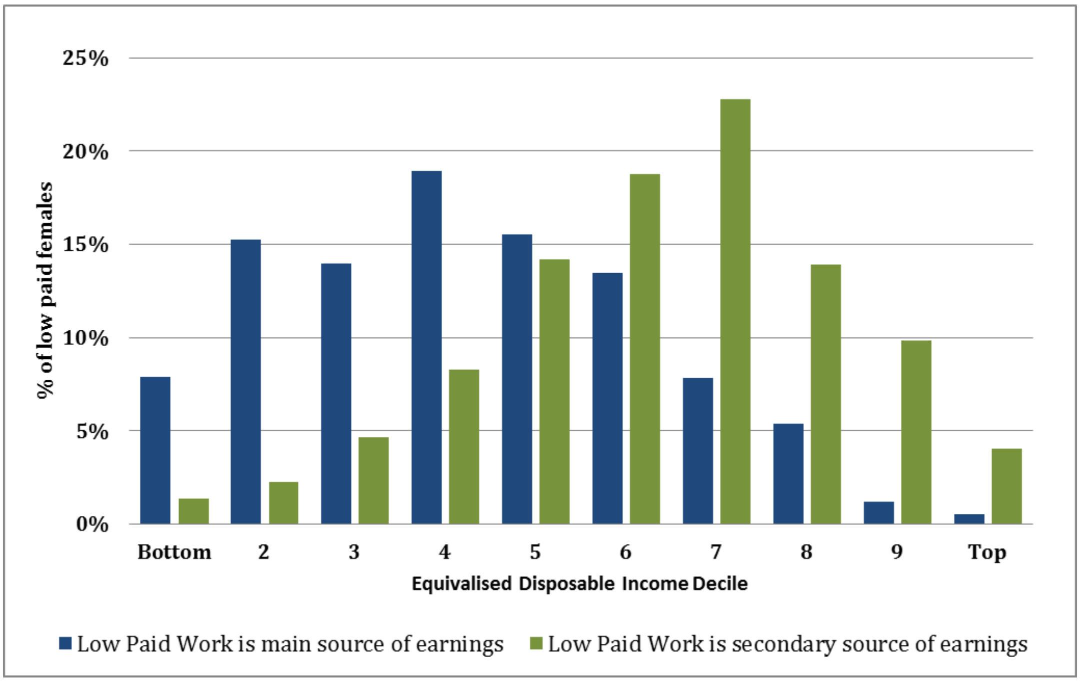
Chart 4.4 reports these results for both male and female low paid employees. Among males 56% are the main household earners while 44% are secondary earners. The position is almost the reverse for low paid female employees with 46% being the main household earners and 54% being secondary earners.

Chart 4.4: Proportion of Low Paid Workers who are Households Main Earner and Secondary Earner



Establishing this insight, into the role and relevance of low pay income within households, provides a more comprehensive understanding of the dependency of the living standards of certain households on earnings from low pay. As a means of developing this further, Chart 4.5 examines the distribution of female main earners and secondary earners across the income distribution. The chart shows where these earners are by equivalised disposable income decile, running from the 10% of individuals in society with the lowest disposable income (post transfers and taxes) to those with the highest disposable income. The distribution is adjusted for differences in household size and composition.

Chart 4.5: Distribution of Low Paid Female Earners in the Income Distribution, by Main Earner and Secondary Earner



Note: See Table 7.4.1 in the appendix for the data used in this chart

As the chart shows, low paid female employees who are the main earners in their household are concentrated in the bottom half of the income distribution. Conversely, those who are secondary earners are concentrated in the top half of the income distribution. While low pay policy is in general focused on enhancing the hourly pay of all employees, if these policy objectives extend to an interest in the living standards of low paid employees, given their household context, the chart points to the importance of differentiating between main and secondary earners. As such, it implies that there are roles for various policy levers including earnings but also including taxation and welfare.

4.4 Conclusion

The analysis in this section of the QEO is intended to provide a more detailed insight into the nature and shape of low pay among one group with a high probability of being low paid: female employees. Our analysis, based on CSO data from 2013, found:

- There were 207,000 female employees working for low pay, representing 60% of all those in low pay.
- Female employees carry a 29.3% risk of low pay, meaning that almost three in every ten female employees are low paid. The corresponding situation for males is two in every ten employees.
- Female low paid workers feature across all the age groups, although they are concentrated among those under the age of 40.
- Just over 60% of low paid women work in three sectors of employment: Wholesale & Retail (24%), Accommodation & Food (19.7%) and Health & Social Work (18.4%).
- Looked at from a risk of low pay perspective, seven out of every ten female employees in the Accommodation & Food sector are low paid, while it is almost five out of every ten female employees in Wholesale & Retail and in Administration & Support Services.
- One in every two female employees on a temporary contract is low paid while it is one in every four of those women on a permanent contract.
- Almost a quarter of all low paid females work in the Dublin region, with almost one in five (17.2%) in the neighbouring Mid-East region. The lowest concentrations are in the South-East, West and Midlands.

Our examination has also allowed us to gain a greater understanding of the average hourly earnings of low paid women and the importance of their earnings to that of the households they live in. Among these findings are:

- In 2013 the average hourly rate of pay among all low paid employees was €9.49 per hour. For low paid male employees this was €9.62 per hour while it was €9.41 for females.
- For female employees the average depth of low pay was €2.04 per hour.
- On average the earnings of low paid female employees' represents 55% of their household's total earnings. Some 34% of low paid women provide all of their household's total earnings while 28% provide less than one quarter.

- 46% of low paid women are the main earners in their household; 54% are secondary earners.
- Low paid women, who are the main earners in their household, are concentrated in the bottom half of the income distribution.

Overall, the profile of low paid female employees is not all that different to the profile of all low paid workers; a not unsurprising conclusion given that women comprise the majority of the low paid. However, the analysis underscores the concentration of low pay, and female low pay, in certain sectors of the labour market and in the younger segments of the employee population. From a household income and living standards perspective, the concentration of low paid female main earners in the bottom half of the income distribution is of particular note. If the objectives of public policy in this area extend beyond hourly rates to include the living standards of employees, the results point towards roles for various policy levers including earnings but also taxation, welfare and public supported services such as childcare.

This analysis inputs into a larger NERI research project on low-pay and earnings. By implication, it will examine the impact on individuals, households, business and the economy in general of increases to low pay, or the broader adoption of concepts such as the Living Wage.

5 Conclusion

As outlined throughout this edition of the *Quarterly Economic Observer* (QEO), progress and uncertainty dominate the economic outlook for both parts of the island of Ireland. While economic growth remains low in Northern Ireland, compared to much stronger outcomes and projections for the Republic, the short-to-medium-term outlook for both is dominated by uncertainty. These reflect the weakness of the broader European and International economies, the forthcoming UK Brexit referendum and the sustainability of positive benefits associated with low interest rates, low oil prices, accommodative monetary policy and favourable exchange rates.

Our analysis in Section 4 of this document has focused on one group of workers who are at high risk of experiencing low pay, female employees. As its findings indicate, the profile of low paid female employees is not all that different to the profile of all low paid workers; a not unsurprising conclusion given that women comprise the majority of the low paid. However, the analysis underscores the concentration of low pay, and female low pay, in certain sectors of the labour market and in the younger segments of the employee population. From a household income and living standards perspective, the concentration of low paid female main earners in the bottom half of the income distribution is of particular note. If the objectives of public policy in this area extend beyond hourly rates to include the living standards of employees, the results point towards roles for various policy levers including earnings but also taxation, welfare and public supported services such as childcare.

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7 Appendix

Appendix 7.1. Overview of recent economic trends – Republic of Ireland

	2011	2012	2013	2014	2015
Total Expenditure					
Consumption €m	84,617	84,579	85,724	88,959	92,381
Investment: private and public €m	29,921	33,450	31,677	36,511	47,249
Government current spending €m	26,155	25,955	26,110	27,236	27,851
Exports €m	176,112	187,427	191,434	214,961	260,593
Imports €m	-144,811	-157,399	-156,765	-180,287	-215,830
Domestic Demand €m	141,473	144,281	144,283	154,611	170,131
Total Income					
GDP €m	173,940	174,845	179,448	189,046	214,623
GNP €m	141,813	143,331	152,042	162,877	181,021
Income from Agriculture €m	3,282	3,099	3,190	3,393	n/a
Income non-Agriculture: Wages €m	67,800	67,328	67,672	70,027	n/a
Income non-Agriculture: Other €m	63,847	62,608	64,363	67,856	n/a
Employment					
Labour Force	2,173,700	2,165,800	2,182,100	2,172,400	2,186,000
Labour Force Participation Rate %	60.4%	60.2%	60.7%	60.4%	60.5%
Employment	1,845,600	1,841,300	1,899,300	1,926,900	1,983,000
Employment full-time	1,411,300	1,395,000	1,448,600	1,474,700	1,534,100
Employment part-time	434,300	446,300	450,700	452,200	448,800
Underemployment	140,800	147,600	139,300	124,300	106,500
Unemployment	328,100	324,500	282,900	245,500	203,000
Unemployment %	15.1%	15.0%	13.0%	11.3%	9.3%
Long-term Unemployment	191,700	193,000	165,100	139,200	109,800
Long-term Unemployment %	8.8%	8.9%	7.6%	6.4%	5.0%
Migration					
Immigration	53,300	52,700	55,900	60,600	69,300
Emigration	80,600	87,100	89,000	81,900	80,900
Net Migration	-27,400	-34,400	-33,100	-21,400	-11,600

	2010	2011	2012	2013	2014
Public Finances					
Total General Gov. spending €m	76,550	69,844	70,371	n/a	n/a
Total General Gov. revenue €m	55,331	56,623	58,866	n/a	n/a
General Gov. Balance €bn	-21.22	-13.22	-11.50	n/a	n/a
General Gov. Gross Debt €bn	190.1	210.2	215.3	203.2	n/a
General Gov. Gross Debt % GDP	109.3%	120.2%	120.0%	107.5%	n/a
Earnings and Prices					
Average earnings € per week	688.24	692.67	677.40	670.91	691.81
Average earnings % change	-0.8%	0.6%	-2.2%	-1.0%	3.1%
Private sector av. earn. % change	0.7%	1.2%	-1.3%	-0.6%	4.0%
Public sector av. earn. % change	-2.5%	1.0%	-1.3%	-1.1%	0.3%
Inflation CPI %	2.6%	1.7%	0.5%	0.2%	-0.3%
Inflation HICP %	1.1%	2.0%	0.5%	0.4%	-0.1%
Inequality and Poverty					
Gini coefficient	31.1	31.2	31.3	31.8	n/a
Quintile ratio	4.9	5.0	4.8	5.0	n/a
Relative poverty %	16.0%	16.5%	15.2%	16.3%	n/a
Consistent poverty %	6.9%	7.7%	8.2%	8.0%	n/a
Deprivation rate %	24.5%	26.9%	30.5%	29.0%	n/a

Sources: CSO Quarterly National Accounts; CSO National Income and Expenditure; CSO Quarterly National Household Survey; CSO Population and Migration Estimates; CSO Earnings and Labour Costs; CSO Consumer Price Index; CSO SILC Reports; and Eurostat online database.

Notes: Earnings and labour market data are for Q3 in all years.
Domestic Demand is Total Domestic Demand.
National accounts data reported at current market prices.
Public Finance indicators from Eurostat.

Appendix 7.2 Overview of recent economic trends – Northern Ireland

	2011	2012	2013	2014	2015
Total Expenditure					
Personal consumption £m	-	-	-	-	-
Investment: private and public €m*	7,675	9,220	-	-	-
Government consumption £m	-	-	-	-	-
Exports £m	5,910	5,627	5,985	5,924	-
Imports £m	5,774	5,690	5,821	5,955	-
Domestic Demand £m	-	-	-	-	-
Total Income					
GVA £m	31,800	32,684	33,537	34,834	-
GNP £m	-	-	-	-	-
Income from Agriculture £m	433	380	461	408	-
Income non-Agriculture: Wages £m	17,918	18,258	18,441	18,393	-
Income non-Agriculture: Other £m	13,449	14,046	14,635	15,583	-
Employment					
Labour Force	862,000	865,000	865,000	873,000	876,000
Labour Force Participation Rate	61.0%	60.8%	60.5%	60.7%	60.5%
Employment	781,500	780,000	776,500	795,000	823,000
Employment full-time	611,000	597,000	594,000	618,000	622,000
Employment part-time	185,000	194,000	199,000	194,000	193,000
Underemployment	6.4%	7.1%	8.8%	7.4%	-
Unemployment	62,500	65,000	65,000	56,000	53,000
Unemployment rate %	7.2%	7.5%	7.5%	6.4%	6.1%
Long-term Unemployment	27,500	33,000	34,500	30,000	31,000
Long-term as % of Unemployed	44.1%	50.7%	53%	53.5%	58.5%
Migration					
Immigration	23,724	23,255	23,100	24,381	-
Emigration	25,218	24,570	25,438	22,810	-
Net Migration	-1,494	-1,315	-2,338	1,571	-

	2011	2012	2013	2014	2015
Public Finances					
Total General Gov. spending £m	19,133	19,364	19,802	20,055	-
Total General Gov. revenue £m	-	-	-	-	-
General Gov. Balance £m	-	-	-	-	-
General Gov. Debt nominal £m	-	-	-	-	-
General Gov. Debt % GDP	-	-	-	-	-
Nominal earnings and Prices					
Average earnings £ per week	354.5	360.8	365.5	363.1	382.5
Average earnings % change	0.1%	1.8%	13%	-0.7%	5.3 %
Private sector av. earn. % change	0.1%	-2.3%	2.5%	0.4%	8.4%
Public sector av. earn. % change	1.9%	5.4%	-1.7%	2.0%	0.5%
Inflation CPI %	-	-	-		
Inflation HCPI %	-	-	-		
Inequality and Poverty					
Gini coefficient	31	30	28	30	-
Quintile ratio	3.7	3.7	3.7	3.6	-
Relative poverty %	20%	21%	19%	21%	-
Absolute poverty %	20%	23%	20%	23%	-
Deprivation rate %	-	-	-	-	-

Sources: HMT Public Expenditure Analysis 2015; HMRC RTS; ONS Gross Value Added (Income Approach); NISRA Labour Force Survey; NISRA Northern Ireland Migration Flows; NISRA Annual Survey of Hours and Earnings; Department of Social Development Poverty Bulletin

Notes: Where cells are blank the data are unavailable.
*Investment as Gross Fixed Capital Formation (estimated)

Appendix 7.3 Further Data to accompany Section 2

Table 7.3.1: National and Regional Labour Force Indicators, 2007-2015

	2007	2012	2014	2015	2014-2015 change
Labour Force (000s individuals)					
Border	235.2	205.4	206.4	213.6	+7,200
Midlands	132.6	127.2	130.9	135.4	+4,500
West	214.8	211.3	201.7	199.5	-2,200
Dublin	670.1	626	642.9	660.4	+17,500
Mid-East	261.3	257.5	259.9	255.1	-4,800
Mid-West	182.7	177.5	170.1	167.1	-3,000
South-East	238.8	224	232.2	233.1	+900
South-West	325.1	314.6	308.3	306.3	-2,000
State	**2,260.6**	**2,143.5**	**2,152.5**	**2,170.5**	**+18,000**
Participation Rate (% of total population aged 15 years and over)					
Border	61.0	52.4	54.0	56.5	+2.5
Midlands	63.7	57.8	59.1	60.3	+1.2
West	62.7	61.2	59.5	58.8	-0.7
Dublin	65.8	61.9	62.8	63.2	+0.4
Mid-East	66.8	62.8	62.6	61.5	-1.1
Mid-West	61.7	59.6	57.7	57.1	-0.6
South-East	62.4	57.2	58.7	58.6	-0.1
South-West	62.6	59.5	58.2	58.1	-0.1
State	**63.8**	**59.6**	**59.8**	**60.0**	**+0.2**
Employment (000s individuals)					
Border	221.1	171.5	185.8	195.0	+9,200
Midlands	126.1	105.7	113.7	120.8	+7,100
West	206.4	180.9	181.1	178.6	-2,500
Dublin	640.0	556.3	587.5	610.4	+22,900
Mid-East	251.9	225.5	237.9	235.8	-2,100
Mid-West	173.2	150.1	152.8	153.1	+300
South-East	226.6	181.8	204.5	205.4	+900
South-West	310.6	277.0	275.6	283.9	+8,300
State	**2,156**	**1,848.9**	**1,938.9**	**1,983.0**	**+44,100**
Unemployment (000s individuals)					
Border	14.0	33.9	20.6	18.6	-2,000
Midlands	6.5	21.5	17.2	14.7	-2,500
West	8.4	30.4	20.6	20.8	+200
Dublin	30.2	69.8	55.5	50.0	-5,500
Mid-East	9.4	32.0	22.0	19.3	-2,700
Mid-West	9.5	27.4	17.3	14.1	-3,200
South-East	12.1	42.1	27.7	27.7	0
South-West	14.4	37.6	32.7	22.4	-10,300
State	**104.6**	**294.6**	**213.6**	**187.5**	**-26,100**

Source: CSO Quarterly National Household Survey online database

Appendix 7.4 Further Data to accompany Section 4

Table 7.4.1: Distribution of Low Paid Female Earners in the Income Distribution, by Main Earner and Secondary Earner

Decile	Main Earners	Secondary Earners
Bottom	7.9%	1.4%
2	15.3%	2.3%
3	14.0%	4.6%
4	19.0%	8.3%
5	15.5%	14.2%
6	13.5%	18.8%
7	7.8%	22.8%
8	5.4%	13.9%
9	1.2%	9.8%
Top	0.5%	4.0%
Total	**100.0%**	**100.0%**

Notes

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