Phase 1: Poverty, economic inequality and the labour market in Northern Ireland

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Summary

This report explores the root causes of poverty and inequality in Northern Ireland (NI) through the lens of the labour market. It goes beyond identifying headline outcomes of the labour market such as unemployment rates and wage levels, which have obvious links to poverty and inequality, and asks: Why is the labour market delivering these outcomes? To answer this question we consider underlying macroeconomic, supply, demand, historic, and institutional factors that are shaping the labour market. In addition, to reflect the way in which these underlying factors intertwine differently in different places, we map the geography of the labour market. Finally, drawing on qualitative evidence, we add further detail by considering specific factors.

Context

Six years of economic turbulence since the financial crash in 2007/2008 has left a notable imprint on the economy, the labour market, and in turn, poverty and inequality. NI suffered disproportionately from the recession and has been last in line among the regions of the UK to see the green shoots of economic recovery. Prior to the recession, NI had made great strides in building a more prosperous economy, attracting business investment, increasing skill levels, and narrowing gaps in socio-economic outcomes between the Protestant and Catholic population. On the other hand, like many other high-income countries, even before the recession NI was witnessing stagnation in median incomes, stubbornly persistent child poverty, and a significant share of the working-age population locked out of the labour market. Given these longer-running issues, it is unlikely that the return of economic growth alone will solve the socio-economic challenges in NI.

Findings

To explore poverty and inequality and their causal drivers in the labour market, we used both quantitative and qualitative methods. We drew on data sources including the Labour Force Survey, the Family Resources Survey, and new available data from the Census 2011. To avoid drawing conclusions from snapshot data that may simply reflect the economic context at any one point, we looked at data trends over time. We supplemented quantitative findings with four qualitative case studies in Belfast, Derry/ Londonderry, Strabane, and Craigavon.

A summary of headline trends is as follows:
1. Poverty and inequality in NI

Poverty indicators

- According to the absolute income measure before housing costs (BHC), 20% of the NI population is classified as living in poverty and 19% according to the relative measure (BHC) (2012/2013).
- Using the relative income measure (BHC 2012/2013), 20% of children live in poverty in NI, compared to the UK at 17%.
- According to the absolute measure of poverty, since 2008/2009 poverty has grown fastest among working-age adults.
- Forecasts suggest that poverty levels will worsen among children and non-parent working-age adults out to 2020/2021.
- The NI Family Resources Survey found that between 2009/2010 and 2012/2013, Limavady and Fermanagh had the highest percentage of individuals living on below 60% of the median income before housing costs.
- The NI Multiple Deprivation Measure (MDM) for 2010 found that area deprivation is more prevalent in Belfast and the west of the country. Between 2005 and 2010, the NIMDM showed that Strabane and Limavady had become dominated almost exclusively by very deprived neighbourhoods. Only a small proportion of Local Government Districts (LGDs) had seen some improvement; in Newry and Mourne, for instance, the numbers of most deprived neighbourhoods had halved.
- In 2012/2013, poverty was more prevalent in the Catholic community (22%) than in the Protestant community (16%).

Inequality indicators

- Among Organisation of Economic Co-operation and Development (OECD) countries, the UK has experienced a particularly dramatic rise in inequality over the past three decades, although with a small reduction following the recent recession as the lowest incomes were protected by benefits while higher incomes fell. Indications are that NI has experienced a similar trend.
- The NIMDM 2010 shows that Belfast is the most unequal LGD in terms of the numbers of non-deprived and deprived neighbourhoods. However, while Belfast ranks amongst the UK’s worst-off cities in terms of non-employment, the non-employed do not appear to be particularly segregated in Belfast when compared to other UK cities with a similar non-work rate.
Overall, findings suggest that poverty and inequality are major challenges for NI. Inequality exists between and within groups and across areas. These trends are not simply recession-related; rather they seem to be deep-seated and multifaceted.

2. The NI labour market

• According to the figures for July to September 2014, more than one in four (27%) of the working-age population are classified as inactive. This is considerably higher than the UK average (22.2%). The gap in economic activity between NI and the rest of the UK is persistent – since 1992, NI has, on average, had an economic inactivity rate 6 percentage points higher than the UK average.

• Inactivity is more common among women, with one in three inactive compared to just over one in five of men in NI. NI has the highest gender pay gaps of all regions in the UK.

• Disabled groups are also more likely to be economically inactive with 56.6% of those of working age inactive compared to 19.4% for the non-disabled in 2014.

• The employment rate was 67.4% and the unemployment rate was 7.3% among the working-age population in late 2013. Estimates show that more than half of those unemployed in NI have been unemployed for one year or more.

• The claimant count rate in NI was 5.9% in October 2014, the highest among the twelve UK regions and considerably higher that the UK rate which was 2.3%.

• The proportion of 16-24 year olds not in employment, education or training in 2013/14 was 20.9%, higher than for the UK as a whole but similar to that of London and the north of England.

• Median weekly full-time earnings in NI in 2014 were £457, lower than the UK average (£518). Median earnings have fallen more in real terms in NI than in any other UK region since 2008.

• Net disposable household incomes for a range of different family types in NI are around 11% lower than for comparable family types in the rest of the UK.

• Low pay is common in NI – more than a quarter earn less than £7 an hour, and almost half of these are part time workers who are far more likely to be female.

Labour market outcomes are likely to affect poverty and inequality in three main ways. First, high benefit dependency makes households and individuals more
vulnerable to poverty. Secondly, the headline statistics show key groups have a high risk of exclusion from the labour market, such as the sick and disabled, those without qualifications, and young people. Thirdly, as most people depend on wages for the majority of their household income, wages are a fundamental driver of poverty and inequality levels.

Key determinants shaping the labour market include:

**Supply side factors**

- **Demographics**: Net immigration and an increase in female participation added to an increase in the labour supply in NI over the past decade. A small decline in the working-age population is predicted between 2011 and 2021.

- **Qualifications**: NI has a relatively low qualified workforce. The percentage of working-age residents without any formal qualifications is double the UK average. There has however, been some progress towards a more highly qualified workforce with a notable increase in the supply of graduates.

- **Health**: Self-reported health statistics reflect the relatively high rates of economic inactivity in NI. Mental health difficulties have been found to relate to experiences of the Troubles, although the higher relative rates of suicide and mental health problems among young people are harder to explain.

**Demand side factors**

- **Labour demand**: NI has experienced weak labour demand relative to other UK regions. Vacancy rates to Job Seeker’s Allowance (JSA) ratios have been consistently high.

- **Business composition and entrepreneurial activity**: There is a higher prevalence of small businesses with a turnover of under £100,000 in NI compared to the UK average. Business starts and survival rates are also lower.

- **Sectoral composition**: The public sector predominates in NI with implications for demand as public spending cuts deepen over the next five years. In terms of private sector activity, the NI economy has seen a shift from industrial to service activity with, for example a decline in both construction and manufacturing.

- **Occupational composition**: Alongside the shift in the sectoral make-up has been some polarisation within occupations in the labour market. Mid-level associate professional and technical occupations have declined while high-paid
professional occupations and low-paid caring, leisure, sales, and customer service jobs have increased.

**Other contributory factors**

- **Labour productivity**: NI has low relative levels of labour productivity when compared to the rest of the UK.

- **Weak collective bargaining structures**: Union coverage is falling in NI, including just over a third of the working-age population.

- **Household composition**: Assortative mating refers to the observation that high-earning graduates are increasingly partnering with other high-earning graduates in high-income countries. This is resulting in a growing dichotomy of work-rich and work-poor households. In NI there has been an increase in lone-parent households, as well as the prevalence of poverty in households with only one adult in NI.

- **Labour market institutions**: Those interviewed in case study areas were critical of the Jobcentre and the role it played in dispensing job and training advice.

Case studies further revealed that childcare, the benefits system, and in adequate transport were barriers to work:

- **Childcare**: Several female interviewees pointed to the lack of affordable and high-quality childcare provision as a barrier to work.

- **Benefits trap**: The relative levels of benefits versus available wages and insecure contracts alongside difficulties in regaining benefits once signed-off meant that some felt trapped on benefits.

- **Transport**: Mobility was an issue in several areas, especially for those in rural parts of Strabane.

**Geographical differences**

All of these drivers of labour market outcomes are apparent to differing extents in different areas. For example:

- Demographic changes across NI have been unevenly spread with different rates of increase in the working-age population. Immigration patterns have had striking effects for certain areas, such as Craigavon.
Skills gaps are closing as educational attainment improves and a higher proportion of school leavers everywhere achieve higher qualifications. Some districts are not closing the gap as much, however, and some do not seem to be translating educational improvements into the same level of higher education enrolments.

A consideration of area sectoral breakdown alongside skill levels suggests that areas with a higher proportion of residents with Level 4 qualifications tend to have a strong public sector presence compared to districts with a stronger manufacturing base which have a higher proportion of residents with lower level qualifications.

Wage data by district based on ranking of nominal hourly pay reveals that Ballymena, Coleraine, and Strabane perform worst, while figures for Castlereagh and Omagh suggest relative high levels of pay. A comparison of pay by place of residence and workplace suggests that people commuting to places like Derry and Craigavon, are better paid than those who live there. This may indicate a skills mismatch, or possibly a high level of competition faced in regional employment centres.

Case studies revealed differences in the importance of the legacy of the Troubles, with most respondents feeling that community tensions had eased. However, those interviewed in north Belfast still felt that violence was a problem and impeding their opportunities to work.

Conclusions
Findings here shed light on the nature of the poverty and inequality challenge in NI. Trends such as growth in low-wage sectors and occupational polarisation signal the strengthening of the labour market’s causal relationship with poverty and inequality levels. These underlying drivers of poor labour market outcomes are to a large degree no different to what is observed in the rest of the UK, and indeed across many high-income countries.

Despite some similarities, the historical overhang related to the Troubles has added an extra dimension to the labour market challenge in NI. Key challenges going forward, in the context of an increasingly globalised and competitive environment, include addressing low qualifications among the older population and high rates of inactivity across the working-age population. In addition, without action on low wages and the creation of ‘good jobs’ the social and economic costs associated with a more
unequal society – such as economic instability and community tensions – will spiral further.

The challenges and trends that are identified in this report provide a framework by which, in the second phase of the project, we will be able to judge relevant policies – including those related to poverty alleviation, skills and job creation – and the extent to which they can collectively tackle poverty and inequality in NI.
Introduction

The New Economics Foundation (NEF) began research in 2012 to explore the role of the labour market in driving inequality and poverty in Northern Ireland (NI). This report summarises findings on the trends in and connections between poverty, inequality, and the labour market in the NI context. As well as national and district level quantitative analysis, we conducted four in-depth case studies to consider local-level trends and labour market challenges. Drawing on our findings we consider the policy implications and next steps for this research project.

In 2007/2008 the collapse of the Lehman Brothers bank set in motion a global financial crisis. The recession that followed brought a sharp fall in economic output, an increase in unemployment, and wide-scale hardship across the UK and other high-income countries. The recession period has been followed by further economic turbulence and an on-going period of austerity and public sector spending cuts across many countries including the UK. It was only in late 2013, five years after the financial crash, that key economic indicators in the UK began to portray a more favourable outlook. Furthermore, this recovery is regionally imbalanced – with London and the South East seeing a much larger rise in employment growth and economic output than other regions in the UK.2

This research aims to shed light on the particular case of NI in the context of these economic undercurrents and of longer-run shifts towards a more flexible and polarised labour market. NI suffered disproportionately from the economic decline with a relatively higher rise in unemployment and poverty and a greater fall in median wages than in other parts of the country. While relatively hard hit by the recession, NI has been slow to benefit from the upturn so far. These facts suggest that underlying problems remain in the NI economy and labour market.

The timing of this study means we are able to capture the impact of the recession while also taking into account the landscape prior to the recession. This is important because trends in NI, similar to elsewhere in the UK, were already signalling that economic and social policy were not maximising societal wellbeing – incomes were stagnating, household debt was increasing, and inequality was growing. While economic growth may be returning, it would not be wise to think that it alone will deliver the best socio-economic outcomes.

This report brings together and updates findings from four key components of the research to date, including:

1. A literature review on the drivers of economic inequality and poverty (Part 1).
2. Quantitative analysis using national level data, including descriptive analysis of trends in poverty, inequality and the labour market (Part 2) as well as an assessment of what is driving these trends (Part 3).

3. Quantitative analysis exploring the details of socio-economic and labour market patterns at a finer geographical scale (Part 4). This includes understanding the role of skills and geographical mismatches, qualification levels and labour demand (Part 5).

4. Four qualitative case studies in different areas of NI that allow us to drill down further and consider the situation on the ground (Part 6).

Together, these four components of the research help identify the underlying drivers of poverty and inequality within the labour market in NI. We end by pulling together an over-arching narrative of the NI labour market including notable trends and key factors that deserve greater policy attention.
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Part 1: Poverty, inequality, and the labour market: Understanding the connections

1. There is increasing understanding that poverty is a distributional issue with its roots in the structures of the economy and society, which determine allocation of resources.

2. Inequality has been rising up the global political agenda. Evidence has been growing to show that high levels of inequality have decisive negative impacts on economic efficiency and stability.

3. With distribution being at the heart of the matter, growing academic evidence is clarifying that failure to tackle inequality undermines the ability to tackle poverty.

4. The labour market is key to the structural dynamic of poverty and inequality. The profile of poverty has been changing; a large share of those in poverty comprises people who are also in work.

5. An approach to tackling poverty and inequality simultaneously forces us to look at the broader economic context and power dynamics in society within which the structure of the labour market plays a central role.

Introduction

The financial crash and its aftermath, which has included a deep recession in many high-income countries and on-going public spending cuts, has had multiple impacts on the socio-economic landscape of a number of countries. Discussions of in-work poverty and the ‘living standards crisis’ – a situation whereby the majority are feeling a squeeze in their pay packets along with increased costs of living – have become commonplace. Inequality has also become a hot topic as the differences between the rich and the poor have continued to grow, even during the downturn. This section considers why we have chosen to consider the issues of poverty, inequality, and the labour market together. We review the evidence that suggests that there are causal links between the three and make the case that addressing poverty and inequality at root means tackling labour market challenges.

1.1 Links between poverty and inequality

Poverty and inequality are often teamed together but with the focus almost always being on the former. This separation is perhaps unsurprising, given the analytical difference between the two concepts. Poverty is multidimensional but at its core
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considers absolute or relative living standards, often through a measure of household income – for example, the number who live on less than 60% of median income. Inequality is a distributional concept – measuring the gap between and within groups. Despite this difference in meanings, the interactions and relationship between the two are increasingly acknowledged in academic literature. Key reasons for the connection include:

Poverty is a distributional issue: The persistence of poverty in high-income countries is arguably due to the way society is organised and how resources are allocated, whether these are financial or other resources such as access to housing, health and social services, education, and other economic, social services.

The roots of poverty lie in the economic structure: Employment and decent wages are key to lifting people out of poverty and the presence of discrimination and access to services are key to understanding why people fall into poverty. Linking poverty and inequality together enables us to contextualise why poverty happens and its systemic causes.

Poverty is measured as a relative concept: An individual's perception of poverty depends on their relative position in their environment. As such, it is not possible to separate poverty and inequality. None of the commonly used measures of poverty are entirely absolute. The difference lies in the extent to which they incorporate relative measures. The choice of poverty measure, therefore, makes an implicit judgment about how much the poor should benefit from increases in national income.

Inequality can undermine the ability for people to escape poverty: Research has shown that in the UK, if you start off in the bottom of the income spectrum, you are unlikely to make it even to the top half, let alone the top decile. This is to do with the structure of the labour market where initial advantage pays off – there is a growing divide between those who went to top universities and have highly paid jobs, and those who did not.

Inequality can undermine the effectiveness of poverty reduction initiatives: Research has also suggested that economic inequality can undermine the ability of policy to tackle poverty. It has shown that small changes in income distribution can have a relatively large effect on poverty.

Inequality can mean we are less willing to redistribute: Nobel-Prize-winning economist, Joe Stiglitz, and others have observed that the accumulation of money and influence at the top is distorting the political system such that policies are increasingly less sympathetic towards the poor.
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There is increasing evidence to show that high levels of economic inequality are corrosive for society: Large disparities between the rich and the poor, especially when these groups are spatially segregated, are not conducive for social harmony. This is because there is an erosion of social capital – defined as the connections within and between networks or the ‘glue’ that holds communities together.\textsuperscript{10} As the rich and poor live in different neighbourhoods, go to different schools, shop in different places, etc., they cease to share common experiences and understand each other’s lives. This manifests itself in distrust,\textsuperscript{11} unwillingness to help others and less civic participation.

Inequality can undermine economic growth: The failure to exploit talent means there is less capacity in the economy which impacts on innovation, tax-take, and aggregate economic prosperity and growth.\textsuperscript{12}

For these reasons addressing poverty sustainably means addressing inequality. Analysing both levels of poverty and inequality simultaneously forces us to look at the broader economic context and power dynamics.

1.2 Drivers of poverty and inequality within the labour market

The links between poverty and inequality can be further highlighted through considering their determinants. The drivers of poverty in the developed world context have received more attention than those of inequality. However, the growth in economic inequality in the past three decades has sparked a number of academic studies which seek to understand why inequality has become increasingly visible in high-income countries.\textsuperscript{13,14} The key determinants that are related to the labour market are included, alongside the implications for poverty levels, in Table 1.

<table>
<thead>
<tr>
<th>Driver</th>
<th>Consequences for inequality</th>
<th>Contribution to/ entrenchment of poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globalisation (including goods, services, capital, labour, information and firm mobility)</td>
<td>Rising trade integration and financial openness are thought to have had a negligible impact on inequality trends. The OECD found that higher imports from low-income countries had a demonstrable negative effect on wage dispersion (i.e., widening wage dispersion), although only in countries with weaker employment protection legislation (see below).\textsuperscript{15}</td>
<td>Globalisation has heightened competition between workers globally therefore exposing some workers to a greater risk of poverty. This is especially the case for those with low or no qualifications.</td>
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| **The decline of union membership and power** | One key observation in international inequality data is the fall of the wage-to-profit ratio across the economy. The trigger for this is widely believed to be the reduced levels of collective bargaining – born from the waning power of unions. It is noticeable that the few OECD countries that have managed to contain inequality are those that continue to have a strong union presence. |
| **Skills-biased growth/technological progress** | Product innovation has resulted in new technologies in the workplace that favour more educated workers. In response, employers have increased demand for more skilled workers who complement the new technology. At the same time, workers who do not possess the appropriate skills to operate the new technologies face decreased demand. As such, the wages and employment of the more skilled rise relative to their less skilled counterparts. This bias is further skewed by process innovations which have led to increased mechanisation, such as those on factory lines and supermarkets. Skills-biased growth and technological process has affected the types of jobs created leaving fewer and fewer well-paid opportunities for those without graduate degrees. It has also left those without qualifications more vulnerable to low pay, unemployment, and poverty. |
| **Labour market polarisation** | For the past three decades there have been both a growing number of high-paid graduate roles and low-paid service jobs, with a falling share of mid-level positions. This dip in middle-ranking roles has been connected to the growing divide Reduced opportunities for those without formal qualification or to find work in the few remaining mid-level positions has pushed many towards low-paid jobs and has |
between those on high wages and everyone else. Evidence has indicated that this polarisation is more intense in cities with a strong dependence on the finance sector.\textsuperscript{24}

| Asset ownership | Those with wealth, either in the form of housing, pension, and/or financial assets, do not only have greater financial security but money to invest in education and business ideas. It follows that once this wealth is concentrated, it compounds the ability of the rich to stay rich and accumulate more wealth. This process has been evident in the UK where the 90:10 wealth ratio has grown exponentially from 100:1 in 2006\textsuperscript{25} to 500:1 in 2011.\textsuperscript{26} | Those without assets cannot access certain opportunities, including business loans and credit. This entrenches and worsens patterns of poverty and contributes to social immobility and inter-generational poverty. |
| Assortative mating and changing household structures | This demographic factor describes the observation that high-earning graduates are increasingly partnering with other high-earning graduates.\textsuperscript{27} This phenomenon has led to a growing dichotomy between work-rich households in contrast to work-poor households. Work-poor households typically are unemployed or in low-paid occupations. In addition, the number of single-headed workless households has increased considerably since the 1970s.\textsuperscript{28} | A concentration of those with lower qualifications within households reduces the chance of at least one member finding well-paid work. For lone-parent families, there are increased demands for caring within the household, which means that members can be constrained from accessing work on a full-time or part-time basis. Research suggests that the demands of childcare in particular are linked to increased risks of entering poverty.\textsuperscript{29} Intuitively, the more carers there are |
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| Welfare policy and changes in in-kind benefits from public services | Welfare provisions play an important part in protecting incomes at the very bottom of the income scale. Studies have consistently found that where the state has dismantled welfare systems and retrenched public services, both equality and social mobility have fallen.\(^{30}\) | The effectiveness of tax/transfer systems in alleviating poverty among the working-age population is fundamental to lowering poverty. Problems and barriers within the benefit system which can contribute to an increase in the risk of poverty include: low levels of benefits; the interaction between the benefit system with the tax system, which may result in recipients not being better off in work; complex and inflexible administration and difficulties in gaining access to benefits. |

| Discrimination and bias | Research demonstrates that low pay and in-work poverty does not affect all households living in poverty equally. Certain groups in the population are more vulnerable than others.\(^ {31}\) Within the equality strands – i.e., age, gender, race, religion, disability and sexual orientation – different groups often face employment discrimination, which can impact negatively on | Particular groups can be disadvantaged in the labour market and in accessing services simply because of their gender or race. This perpetuates poverty. |
experiences of low income and poverty.

| **Stigma** | The ‘keeping up with the Jones’s’ phenomenon has been heightened because of the spending power at the top and the way this has generated an increase in luxury goods available. This has resulted in greater debt-fuelled consumption.\(^{32}\) | In addition to employment discrimination, there is also evidence to suggest that those living in poverty feel stigmatised by wider society.\(^{33}\) |
| **Health problems** | Low pay, poverty, and low income are all linked with ill-health and health inequalities. This can create a vicious circle whereby initial health inequalities are further augmented because the sick find it difficult to find decent employment. | Recurrent health problems, medical appointments and recovery may require intermittent periods out of employment and can affect productivity. Research suggests that people with physical and mental health problems may face discrimination, which place constraints on work.\(^{34}\) |
| **Geographical location** | As more affluent areas tend to have better access to good schools, amenities, and public services – geographical disparities can lock in and further drive economic disparities. | Living in a remote or very disadvantaged community where access to services is limited has been shown to worsen poverty and lesson the likelihood of escaping poverty.\(^{35}\) |
Part 2: National level trends in poverty, inequality, and the labour market

Key findings

1. The economic downturn in NI has been deeper and more prolonged than in the rest of the UK.

2. Underlying patterns reveal that NI has consistently experienced a relatively low rate of employment along with greater rates of unemployment and economic inactivity and a higher number of young people not in employment, education, or training (NEET). High levels of long-term unemployment have also characterised the weakness of the labour market in NI.

3. At its peak in 2011, youth unemployment affected almost one in four young people. The rate has fallen since with latest data showing youth unemployment in NI below most other regions. At the same time however the number of 16–24-year-olds who are NEET is above the UK average.

4. The benefit count in NI was the highest among the 12 regions of the UK at the end of 2013. The regional impact of economic recovery in reducing the claimant count was lowest for NI, revealing the limited benefit from recovery experienced by NI so far. NI also has the joint highest proportion of households classified as benefit reliant.

5. Median earnings in NI are below the UK average, especially for males. Overall, net disposable household incomes in the UK, for a range of different family types, are around 11% higher than for comparable family types in NI. Furthermore, NI has the highest prevalence of low-to-middle-income households in the UK.

6. 20% of the NI population is classified as living in poverty according to the absolute income measure and before housing costs. Persistently high rates of child poverty and poverty among pensioners have been experienced in NI.

7. Poverty among working-age people has increased and in-work poverty has become a growing phenomenon, as it has elsewhere in the UK.

8. Forecasts suggest that poverty levels will worsen among children and non-parent working-age adults out to 2020/2021.

9. Among OECD countries, the UK has experienced a particularly dramatic rise in inequality over the past three decades. Indications are that NI has also experienced such a trend. There has been a small reduction in inequality following the recent recession, as higher incomes have fallen, but inequality is still very high by historic standards.
10. Across the UK, vulnerability to poverty affects certain groups disproportionately and this holds true in NI. It has the highest gender pay gap of all regions whilst economic inactivity among women is also marked. The risk of inactivity and poverty is found to be higher in Catholic than in Protestant communities.

11. NI has an uneven spatial distribution of those unemployed and on low incomes with clusters of deprivation in the west of NI and stark spatial inequalities within the Greater Belfast area.

Introduction
This section sets out the key trends in poverty, inequality and the labour market in NI. These include high levels of relative poverty and economic inactivity. As discussed in the previous section, poverty and inequality need to be placed within the economic context in order to understand the underlying drivers. For this reason, we start with key economic and labour market statistics and then consider levels of poverty and inequality.

2.1 The economic context: Gross National Product and growth projections for NI
The Northern Ireland Composite Economic Index (NICEI) is used as a summary of the broad economic performance of NI. As is clear from Figure 1, while NI saw faster relative growth pre-2008 when compared to the UK, it has also experienced a greater fall in economic activity since. The economy has shrunk by more than 10%. Furthermore, the economic downturn in NI has been deeper and more prolonged than the rest of the UK.\(^{36}\) The Office of Budget Responsibility (OBR) predicted growth of 2.7% in 2014 in the UK.\(^{37}\) However, several studies have shown that NI and regions outside of London and the South East are not benefiting as much as the capital city and areas close to it.\(^{38}\) The *Danske Bank/Oxford Economics Quarterly Sectoral Forecast* report estimates that growth in NI, as measured by Growth Value Added (GVA), will pick up to 1.7% in 2014.\(^{39}\)
Figure 1. NI Composite Economic Index and UK GDP Index from 2002 to 2013 (2010=100).

Source: NI Composite Economic Index, Department of Enterprise, Trade and Investment (DETINI), UK GDP, Office of National Statistics (ONS).

This broader macro-economic picture sets the context for all statistics on poverty, inequality, and the labour market included in this report. However, it should not be assumed that GVA growth necessarily means poverty and inequality will decline, rather that there will be greater economic activity.

### 2.2 Headline labour market statistics

Compared to the rest of the UK, NI has been subject to higher levels of economic inactivity and unemployment as well as more young people classified as NEET. Here we demonstrate the severity of the headline statistics and consider if and how trends have got better over time.

**Employment rates**

First, Figure 2 highlights that NI had the lowest employment rates of all UK regions until 2010, after which it fared a little better than Wales and the North East. More recently it has seen its employment rate shift back down to just slightly above the rate in the North East.
Figure 2. The employment rate in UK regions 2004–2013.

Endnotes

1 This report was first published in April 2014. Data were collected during 2013, in some cases referring to 2011 as the latest year. Wherever possible, data were updated in January 2015 to reflect the latest trends.


3 The term was coined by Ed Miliband, Leader of the Labour Party, in 2011.


15 Ibid.


26 TUC press release, 12 July 2012, Top 10 per cent now more than 500 times wealthier than bottom 10 per cent.


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