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Assembly

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Eóin Murphy

Issues of Note to the Committee for Employment and Learning

1 Introduction

The following paper discusses issues that may be of note to the Committee for Employment and Learning.

The issues discussed in this paper are:

- Northern Ireland Economy and Labour Market;
- Zero hours contracts; and
- Unemployment amongst older workers.

2 The Northern Ireland Economy and Labour Market

The latest GDP figures for the UK have identified a 0.7% growth in GDP for the UK as a whole. The table below from the Office for National Statistics shows quarter on quarter GDP growth since 1998.

As can be seen Quarter 1 and Quarter 2 of 2013 have seen continued growth. This is the first quarter on quarter growth since 2011.

2010 = 100

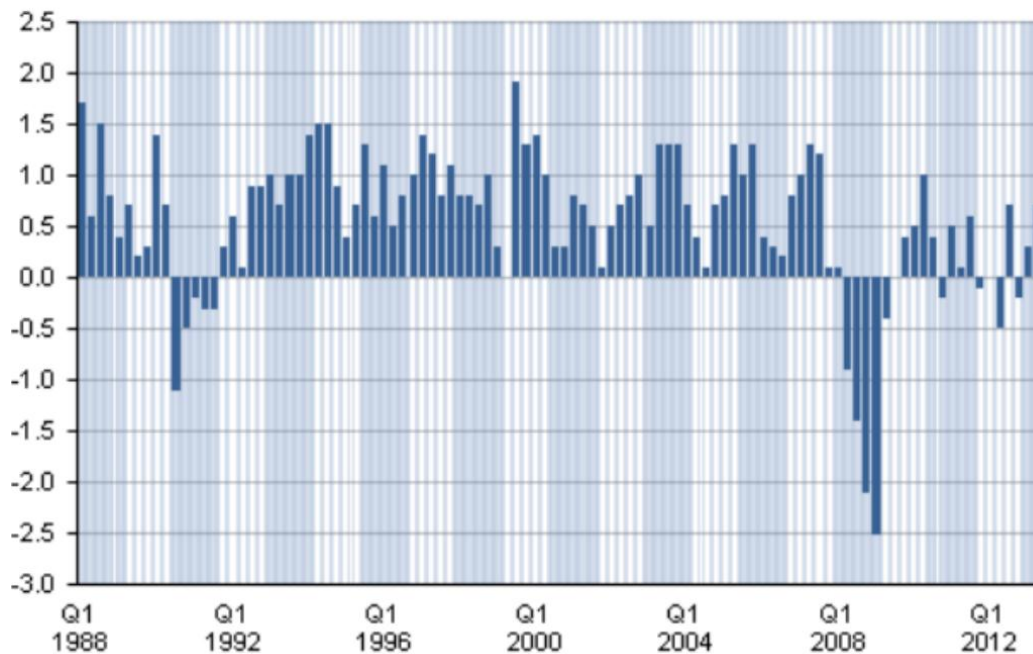


Figure 1: UK GDP

Whilst the UK as a whole is experiencing growth, this trend is not necessarily reflected on a regional basis.

The NI Composite Economic Index (NICEI: an experimental quarterly measure of NI economic performance developed by NISRA) acts as an approximate measure of NI's GDP. It is not possible to provide a comprehensive measure of NI GDP due to a lack of data sources.

It's most recent publication in July 2013 covered quarter 1 of 2013 and found that the NICEI decreased by 0.8% with private sector activity also estimated to have fallen by 1.1%. Indeed as stated by NISRA:¹

The NICEI has risen in two of the last four quarters; however there has been an annual fall of 1.2% since Q1 2012. The NICEI has returned to levels previously recorded in Q2 2004.

Figure 2 below shows the index figures since Q1 2003.

¹ DETI, 17 July 2012, Northern Ireland Composite Economic Index Statistical Bulletin, <http://www.detini.gov.uk/deti-stats-index.htm>

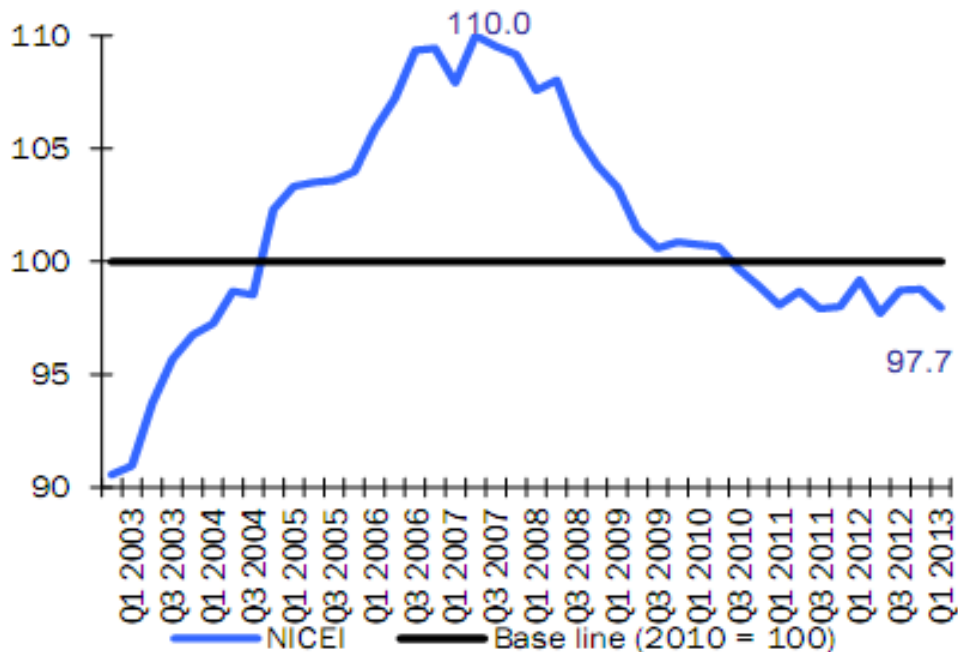


Figure 2: NICEI Quarterly Index

The NICEI is not an exact equivalent of the ONS GDP figures as a result of using some different measures. However, it does provide a close approximation of the UK GDP figures. As such, it highlights that the Northern Ireland economy is continuing to decline in comparison to that of the UK as a whole.

The fall in the NICEI is a result of a decrease in production (-1.1 percentage points) and construction (-0.8 percentage points). The public sector has remained relatively static and services have seen an increase of 0.6 percentage points.

Danske Bank's (Formerly Northern Bank) Quarterly Economic Review found that NI could expect 'subdued' growth over the next two years, with 0.4% for 2013 and 1.7% in 2014.²

Angela McGowan, Chief Economist at Danske Bank stated that:³

The information and communication sector remains a shining star for Northern Ireland and global trends suggest that there is much more capacity for this sector to flourish and expand.

Unemployment also continues to be an issue in Northern Ireland. The latest Labour Market report (August 2013) found an increase of 4,000 of those in employment to

² Danske Bank, Quarterly Economic Overview for Q2 2013,

<http://www.danskebank.co.uk/SiteCollectionDocuments/economic/2013/economic-overview-q2-2013.pdf>

³ BBC News, 21 August 2013, Danske Bank says economic recovery will gather pace in 2014 <http://www.bbc.co.uk/news/uk-northern-ireland-23781922>

797,000. However, NI's employment rate is the lowest of the twelve UK regions at 66.3% and is five percentage points lower than the UK average.⁴

Unemployment has fallen with an unemployment rate of 7.5%. NI has the fifth lowest rate of the UK regions. However, 54.3% of those unemployed have been in this position for more than a year. Long term unemployment can become a significant issue.⁵

As stated by Tony Dolphin of the IPPR:⁶

Being out of work for more than a year can have a scarring effect, making it harder to get a job as well as having a negative impact on one's health and well-being. This means that even when employment starts to pick up again, the long-term unemployed will find it hard to compete with other jobseekers and could find themselves permanently shut out of the jobs market.

Other important factors regarding the NI Economy are:

- The median gross weekly earnings for all (i.e. both full- and part-time) employees in NI in 2012 was £360.2, some 11.1% lower than the UK median (£405.0);
- However, NI full-time earnings increased by 3.3%, compared to an increase of 1.5% in the UK. The median gross weekly part-time earnings in NI at April 2012 was £148.7, down 1.2% over the year compared with an increase of 1.3% in the UK;
- The seasonally adjusted number of economically inactive persons in the period April - June 2013 was estimated at 567,000. This figure has increased by 5,000 over the quarter and by 12,000 over the year; and
- The more recent seasonally adjusted claimant count decreased by 500 from last month's revised total. It now stands at 62,400 (6.9% of the workforce) in July 2013.

3 Zero Hours Contracts

As defined by the House of Commons Library, a Zero Hours Contract (ZHC) is:⁷

...where a person is not contracted to work a set number of hours, and is only paid for the number of hours that they actually work.

The ONS estimated that for the October – December 2012 period there were 250,000 people in the UK on ZHC, around 0.8% of the workforce.⁸ It should be noted that:⁹

⁴ Department of Finance and Personnel, August 2013, Monthly Labour Market Report, http://www.detini.gov.uk/labour_market_report_-_august_2013_final_.pdf

⁵ Ibid

⁶ The Guardian, 20 June 2012, Long-term unemployment is 'hidden crisis' of slow recovery, warns IPPR <http://www.theguardian.com/business/2012/jun/20/long-term-unemployment-hidden-crisis-ippir>

⁷ Office of National Statistics, People aged 16-24 in employment on zero hours contracts, <http://www.ons.gov.uk/ons/about-ons/what-we-do/publication-scheme/published-ad-hoc-data/labour-market/april-2013/people-aged-16-24-employed-on-zero-hours-contracts.xls>

⁸ Based on Labour Force Survey data

⁹ House of Commons Library, 5 August 2013, Pyper, D and McGuiness, F, Zero-hours contracts,

It is very likely that the LFS figures understate the true prevalence of zero-hours contracts. This is due to the fact they are based on survey responses provided by individuals. Some respondents may be unaware of their contractual arrangements or may not recognise the term zero-hours contract, in which case they will be excluded from the LFS figures.

Figure 3 below shows ONS figures on the use of ZHCs in the UK from 2000 to 2012.¹⁰

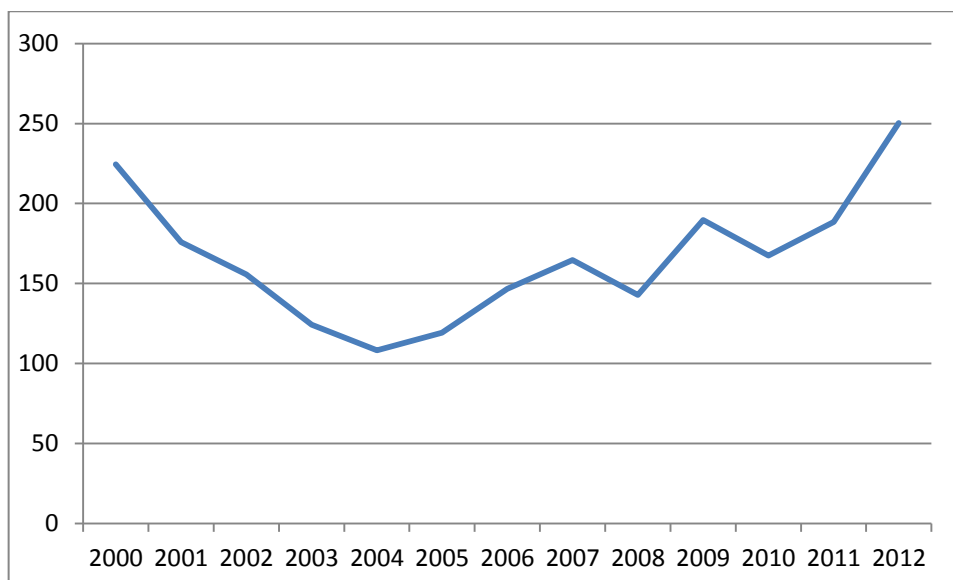


Figure 3: Use of Zero Hours Contracts

As can be seen above, the use of ZHCs rose from a low of 108,000 in 2004 to 250,000 in 2012.

It should be noted that there is considerable variation in the use of ZHC's, with the use of the contracts higher during the October to December period than April to June.

The Chartered Institute of Personnel and Development (CIPD) carried out a study on the prevalence of ZHC's. They found that there were up to one million workers on zero hours contracts. This is 3-4% of the UK's working population.

The CIPD figures are based on a survey of 1,000 businesses of which twenty per cent had at least one person on a ZHC. The survey included a sample of 148 workers on ZHC who on average worked 19.5 hours per week, although 38% described themselves as being employed full-time, working more than 30 hours per week.

Based on the CIPD figures, the Belfast Telegraph estimated that 34,000 people in Northern Ireland were on Zero Hours Contracts.¹¹ This is approximately 4% of the NI working population.

¹⁰ ONS Data

¹¹ Belfast Telegraph, 34,000 employed on zero-hours working deals, says survey,

<http://www.belfasttelegraph.co.uk/business/business-news/34000-employed-on-zerohours-working-deals-says-survey-29474158.html>

Whilst ZHC contracts are of benefit to employers in introducing an additional level of flexibility to its labour force, it does create a number of potential issues:

- Employees are not able to access entitlements normally accrued by workers on standard contracts such as sick and holiday pay;¹²
- ZHC could be an indication of larger problems within the labour market and economy, with companies unable to afford standard contract responsibilities – it may also reflect the higher than expected employment rate during the recession, effectively masking the true unemployment rate – as stated by the ONS:¹³

People on zero-hours contracts are classified as being in employment regardless of the number of hours they actually worked during the survey reference week. This includes anyone who was not required to work any hours during the reference week whilst remaining on their current contract of employment. The continued existence of the contract of employment is the key determinant of their employment status in these situations.

- ZHC can result in a great deal of uncertainty for workers, especially in areas such as provision of childcare and time off sick; and
- There may also be issues regarding access to benefits such as difficulty in claiming 'in work' benefits such as working tax credit and housing benefits as a result of fluctuating hours of employment.¹⁴

The CIPD noted that:¹⁵

Zero hours contracts, used appropriately, can provide flexibility for employers and employees and can play a positive role in creating more flexible working opportunities. However, for some this may be a significant disadvantage where they need more certainty in their working hours and earnings, and we need to ensure that proper support for employees and their rights are not being compromised through such arrangements. Zero hours contracts cannot be used simply to avoid an employer's responsibilities to its employees.

¹² Citizens Advice Bureau, 9 July 2013, Citizens Advice warns on zero hours contracts, http://www.citizensadvice.org.uk/index/pressoffice/press_index/press09072013.htm

¹³ ONS, Estimating Zero-Hour Contracts from the Labour Force Survey <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/articles-and-reports/zero-hours-contracts.pdf>

¹⁴ Citizens Advice Bureau, 9 July 2013, Citizens Advice warns on zero hours contracts, http://www.citizensadvice.org.uk/index/pressoffice/press_index/press09072013.htm

¹⁵ Chartered Institute of Personnel and Development, Stevens, M, 5 August 2013, One million workers on zero hours contracts, finds CIPD study <http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/08/05/one-million-workers-on-zero-hours-contracts-finds-cipd-study.aspx>

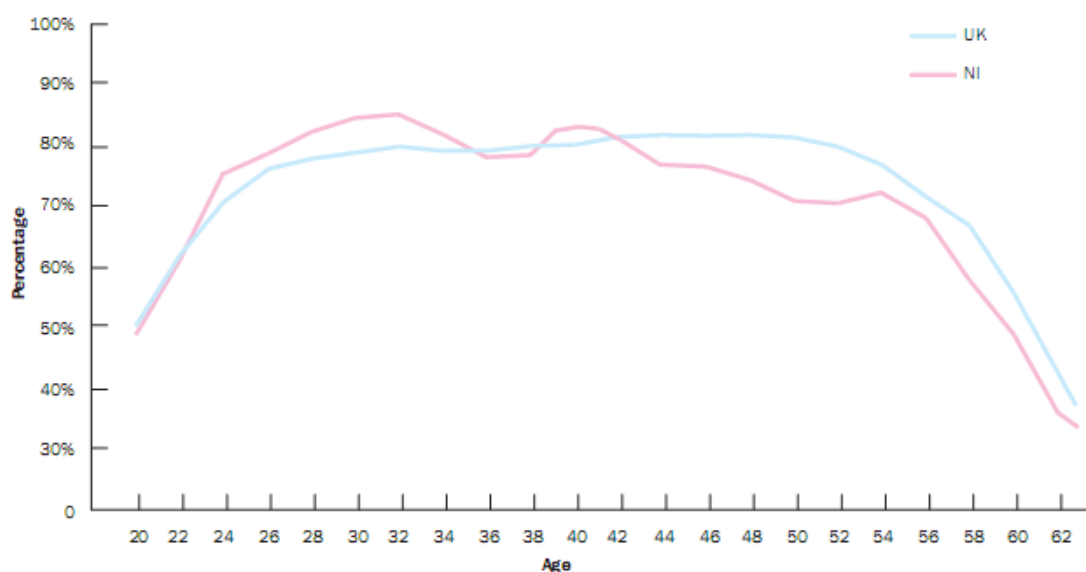
4 Unemployment amongst older people

A great deal of focus over the last number of years has been justifiably placed on the plight of unemployed young people and those who are Not in Employment, Education or Training.

However, for those aged 45 and older, the employment rate in Northern Ireland is lower than the equivalent UK rate. Indeed, as stated in DELs Labour Market Bulletin:¹⁶

Northern Ireland's lower overall employment rate than the United Kingdom can be wholly attributed to lower employment in these older age groups.

Figure 4 below is taken from DELs Labour Market Bulletin and shows employment rates by age.



Source: Labour Force Survey and Annual Population Survey, NISRA

Figure 4: Employment rates, UK and NI by age, 2011

As can be seen, NI's employment rate for people aged 42+ drops well below the UK figure, with the largest gap for the 50 – 54 age group.

Also of note is that over 55, female employment rates in Northern Ireland fall more rapidly than male rates. Female rates are 11.5 percentage points below the equivalent UK rate for 55-59 year olds and 7.1 percentage points below for the 60-64 age group.¹⁷

Older workers aged 55+ are projected to increase by over 50,000, primarily due to demographics and only partly down to the increase in state retirement age.¹⁸

Research carried out by Age Concern on the impact of the recession on older workers found that:¹⁹

¹⁶ DEL, July 2013, Rogers, D Older people and employment in Northern Ireland, Labour Market Bulletin 24

¹⁷ Ibid

¹⁸ Northern Ireland Executive, November 2012, Labour Market Update, <http://www.northernireland.gov.uk/ni-labour-market-update-nov-12.pdf>

- Once out of work, it is less likely that workers aged 50+ will get back into employment; and
- Men aged 50+ who have been made redundant find it extremely difficult to get back into employment.

The report identified a number of barriers facing older workers, including:

- **Skills and training:** Older workers face difficulties finding new employment because, although they have years of experience, they often lack the paper qualifications for jobs which are required by employers today;
- **Health problems:** Health problems and caring responsibilities can be a major barrier to returning to work and can be difficult to overcome without the right support; and
- **The changing job market:** People who have been in work for many years face a completely different job search environment to when they previously applied for jobs.

DEL research found that:²⁰

Lower employment rates in older age groups in Northern Ireland are a major impediment in raising Northern Ireland's overall employment rate and reducing levels of unemployment and inactivity.

In addition, an NI Executive update on the Labour Market stated that it is:²¹

Vital to increase the employment rate amongst older workers aged 55+ as this group tends to have low and diminishing engagement with the labour market.

In order to tackle low employment rates in Northern Ireland it is essential to identify and tackle the issues discouraging older workers from employment.

DEL research suggests that solutions to this issue include the retraining/reskilling of older workers and encouragement for those already out of the labour market to reengage.²²

¹⁹ Age Concern, The Impact of the Recession on Older Workers

http://taen.org.uk/uploads/resources/Impact_of_the_recession_on_older_workers_media_briefing1.pdf

²⁰ DEL, July 2013, Rogers, D Older people and employment in Northern Ireland, Labour Market Bulletin 24

²¹ Northern Ireland Executive, November 2012, Labour Market Update, <http://www.northernireland.gov.uk/ni-labour-market-update-nov-12.pdf>

²² DEL, July 2013, Rogers, D Older people and employment in Northern Ireland, Labour Market Bulletin 24