

Joint Committee on Implementation of the Good Friday Agreement

Evidence Session: 13th July 2023

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Opening Statement

Thank you Chair for the invitation to provide evidence to your committee, this afternoon, and good afternoon everyone. Thank you also for facilitating my contribution via MS Teams, it is very much appreciated.

As you will be aware I am the Director of the UUEPC, an independent economic research centre based in Ulster University in Belfast. We conduct a wide range of research across several workstreams, one being focused on the Northern Ireland labour market and therefore I am going to restrict my opening comments to providing your committee with a brief overview of the current position in respect of labour market here.

Overall the local labour market continues to hold up reasonably well despite the wider economic headwinds and we are now back to pre-COVID levels of employment.

However, below that headline there have been a number of significant changes and new trends have emerged.

The first is in respect of **payrolled employees**. This continues to grow strongly, it quickly returned to its pre-pandemic peak of 750k and is now on its pre-pandemic trendline and currently sits at 790k, which is at or near all time highs. In addition, the growth in employees in NI, relative to March 2020 is amongst the highest of all UK regions.

In contrast, the **self-employed** numbers are still significantly below their pre-pandemic levels. Falling from approx.. 135k pre-pandemic to just over 100k now. This contraction in self-employment is one of the largest contractions across all UK regions.

There are reasons for this trend across the UK but it is not clear why it is more exaggerated in NI. Firstly, it is generally recognised that the UK furlough scheme was much more effective at protecting employees than the supports given to the self-employed. In addition, there were also changes to the tax rules before the pandemic in the UK was targeted at and impacted those self-employed with no staff and chose self-employment for tax purposes specifically. This would certainly have been a strong factor in transitioning people from self-employed status into employed status.

There is also very significant difference in performance **across sectors** in the local economy. Job numbers in most parts of the private sector are still below pre-pandemic levels or are only marginally higher than in late 2019. The big outlier is Professional Services, which has grown very strongly and the public sector, particularly in Health and Education. In contrast,

sectors such as Retail and Construction remain well below their pre-COVID employment levels.

The final labour market issue I want to talk about is one of the biggest challenges businesses continue to face, which is filling vacancies. Vacancies reached record levels as the economy recovered from lockdown and with rising interest rates over the last year, those vacancy numbers have come down but they still remain at elevated levels compared to historic averages.

So why are businesses struggling to find staff?

- Firstly, the **demographic challenge** – between 1980 and 2010, our working age population grew by approx.. 270k or 90k per decade. It only grew by 15k between 2010 and 2020 and growth is forecast to plateau this decade before going into decline post 2030.
- This raises big policy issues particularly in terms of re-engaging our economically inactive with a focus on skills programmes to encourage them back into the labour market. It also puts an even greater emphasis on the need to ensure all young people leave the education system with the skills both they and the economy need.
- The second big policy area is in relation to **immigration** and there are some interesting findings from the latest National Insurance Number (NINo) registrations:
 - From 2010 to 2020 Northern Ireland would typically have 6k-8k NINo registrations per annum from EU nationals (excluding Ireland). In the last year 22/23 that has fallen to 1k
 - NINo registrations from Ireland specifically, would have historically been a consistent 1k p.a. but in the last two years that has doubled – although still very low at 2k.
 - But the big increase is from Asia (almost 7k) in addition to non-EU Europe and the Rest of the World.
- In 2022/23 NINo registrations totalled 14k, the highest level since 2007/08.

There may be a general view that Brexit has caused a reduction in immigration, which is incorrect, but rather it has contributed to a change in immigration patterns, with a collapse in the numbers from Continental EU (typically lower skilled) but big increases from the rest of the world (typically higher skilled). This is also consistent with bigger growth in sectors such as professional services and across the health service (which require higher level skills) but has created greater challenges in sectors which would previously have relied on easy access to Eastern European migrants.

Thank you chair, I will conclude my opening comments at this point and I am happy to take the committee's questions.