

The Northern Ireland Labour Market

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Introduction

DESPITE BEING ONE OF THE FASTEST GROWING REGIONS of the UK, Northern Ireland has always been better known for its economic and social problems than for its successes. More than anything it is high unemployment which has differentiated the Northern Ireland economy from the rest of the UK and indeed from much of the rest of Europe. In recent years, however, and particularly since August 1996, this unenviable situation has changed. Unemployment has fallen to its lowest level since the 1970s, and the unemployment gap between Northern Ireland and Great Britain is at a historic low. Many of the EU states now have unemployment rates well above that of Northern Ireland, although this is as much to do with rising unemployment in the EU as with falling unemployment in Northern Ireland. One well-known contrast, however, remains within Northern Ireland: Catholics continue to have unemployment rates twice as high as those of Protestants.

This chapter focuses on two problems. The first is why unemployment in Northern Ireland has traditionally been so high, and particularly the issue of why the unemployment rate should be higher than that in Great Britain when Northern Ireland has had one of the most favourable records of job creation of any UK region. The second is why Catholic unemployment should remain persistently higher than Protestant unemployment despite the fact that Catholic employment has grown more rapidly than that of Protestants. The second section begins with a review of the salient characteristics of the Northern Ireland labour market. This is followed in the third section by an analysis of the dynamics of labour-market change to investigate how migration and wage levels act as adjustment mechanisms to

bring the supply and demand for labour into balance, albeit a balance at a high level of unemployment. The fourth section examines the question of why unemployment is so much higher among Roman Catholics than among Protestants. The chapter concludes that high levels of local unemployment are determined to a significant extent by high rates of natural increase in population and by migration propensities which are insufficiently large to bring labour supply into balance with demand at low unemployment rates.

The Salient Characteristics of the Northern Ireland Labour Market

For most of this century Northern Ireland has suffered the misfortune of having the highest unemployment rate of any UK region. During the decades of close to full employment in the UK, in the 1950s and 1960s, Northern Ireland was virtually the only region with a significant unemployment problem, with unemployment rates usually close to 6 per cent of the labour force. Unemployment had even been moderately high during the Second World War, to the embarrassment of the Stormont and Westminster governments given the acute labour shortages of those years.

Since 1973 unemployment has been both high and fluctuating throughout the UK, as in much of the rest of Europe. Whatever the level in Britain, it has always been the case that the unemployment rate in Northern Ireland has been higher (Figure 1). Indeed for the first 15 years of the post-1973 era

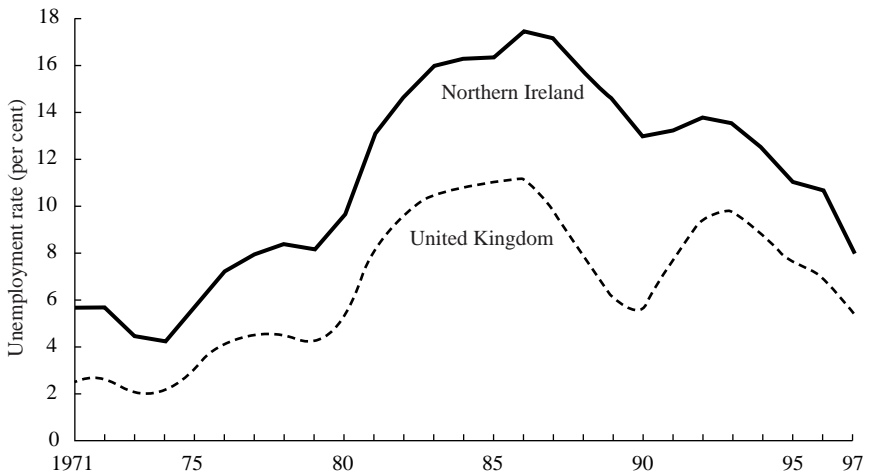


Figure 1. Unemployment rates for Northern Ireland and Britain 1971–97. *Source:* Department of Employment. Labour Market Trends.

of high unemployment, the gap in unemployment rates between Northern Ireland and Great Britain widened remorselessly and by 1989 the unemployment rate in Northern Ireland was a record nine percentage points above that in Great Britain. Since 1989 an equally remarkable reconvergence has occurred. Unemployment in Northern Ireland in 1996, although remaining well above the British level at 11.2 per cent (compared with 7.6 per cent in Great Britain), was closer to the British rate than at any time since the early 1970s when rapid out-migration connected with the Northern Ireland 'Troubles' temporarily depressed unemployment levels.

The unemployment gap between Northern Ireland and Great Britain appeared to stabilise from 1993 onwards, at three percentage points above the British average, and this gap could be interpreted as a dynamic equilibrium at which inflows and outflows into unemployment were balanced. Since August 1996 a further remarkable change has occurred. Claimant unemployment fell by over a third in the following twelve months, reducing the number of unemployed from 87,000 in August 1996 to 60,000 in August 1997 (Table 1).

This dramatic and unexpected decline in unemployment paralleled a similar change in Great Britain, although the rate of decline was twice as rapid in Northern Ireland. In neither Northern Ireland nor Great Britain was the fall in unemployment mainly due to any acceleration in job creation. The reduction of 27,000 in the number of unemployed over twelve months was matched by the creation of only 9,000 extra jobs. Instead, most of the reduction is likely to reflect a change in the administrative

Table 1. Salient characteristics of the Northern Ireland labour market (in thousands).

	Employed and self-employed	Unemployed	Absent from work due to sickness and invalidity	Numbers on training and temporary employment schemes	Working age population
1971	574	35	42	n.a.	879
1981	577	86	49	19	903
1991	634	95	66	24	970
1997	658 ¹	60 ²	99 ³	27 ⁴	1,020 ⁵

Notes: 1 May 1997 for employees in employment, excludes HM Forces; June 1996 for self-employed.

2 August 1997.

3 December 1996.

4 April 1997.

5 Estimate based on 1995 NISRA mid-year estimates, cohort survival and projected migration.

Sources: Department of Economic Development, Northern Ireland Registrar General.

arrangements for unemployment benefits. The introduction of the new Job Seekers' Allowance in August 1997 has tied benefits more closely to the active search for work. The coincidence of the introduction of more stringent rules for job search, and the subsequent large reduction in unemployment, suggests that many of those previously registered as unemployed may not have been actively seeking work. The introduction of the fraud telephone 'hotline' in February 1996 may also have contributed to a reduction in fraudulent claimants.

The reduction in unemployment has been shared equally between short-term and long-term unemployment, and Northern Ireland's extraordinarily high rate of long-term unemployed claimants has moved closer to the average in Great Britain. As a result, the overall unemployment rate is currently only 2.5 percentage points above the British rate, and this may represent a new long-term equilibrium, perhaps more accurately reflecting realities in the labour market. The reduction has also been greatest in areas of highest unemployment, which in Northern Ireland are also mainly areas of majority Catholic population, chiefly located in the west of the Province.

The majority of the 60,000 people registered as unemployed in mid-1997 were males, and the rate of registered unemployment for males was more than double that of females (Figure 2). For much of the 1980s close to one in five males in Northern Ireland was registered as unemployed. Males also form the majority of people on Incapacity Benefit which, we argue below, probably includes a substantial number of what might be termed the disguised unemployed.



Figure 2. Male and female unemployment rates in Northern Ireland 1971–97. *Source:* Department of Employment. *Labour Market Trends*.

The large differences between male and female registered unemployment is not unique to Northern Ireland and is a long-standing characteristic of the UK labour market. In Northern Ireland it appears to be a real difference, not greatly distorted by methods of recording unemployment. In the UK system, in operation until mid-1998, females seeking work did not necessarily register as unemployed, for three main reasons. Firstly, many jobless women are not eligible to claim unemployment-related benefits. For example, some jobless women may have an unemployed partner who is claiming unemployment-related benefits on her behalf. Other women may have a partner in full-time, well-paid employment, and so will not be eligible to claim means-tested benefits.

Secondly, jobless women who have children may find it difficult to meet some of the availability-for-work criteria, which are central both to survey-based definitions of unemployment and to the 'claimant count' of those receiving benefits associated with unemployment. For example, an unemployed mother must be able to have child-care arrangements in place within 24 hours in order to be eligible to claim unemployment-related benefits.

Thirdly, the term 'unemployed' can be ambiguous for many jobless women. For example, survey evidence has shown that many jobless women, particularly those with children, are reluctant to describe themselves as unemployed because they associate the term with 'doing nothing' (McLaughlin, 1993: 136).

The claimant count on which Table 1 is based is often viewed as an inappropriate measure of female unemployment. A better measure is used in the Labour Force Survey (LFS), based on the International Labour Office (ILO) definition of unemployment. 'ILO unemployment' is an internationally recognised definition of unemployment, according to which an individual is classified as unemployed if she or he (a) is not in employment, (b) has looked for work in the previous four weeks and (c) is available to start work within the next two weeks. The latest figures from the Labour Force Survey (LFS) show that around two-thirds (66 per cent) of married women in Northern Ireland who are ILO unemployed do not claim unemployment-related benefits. This compares to around one-quarter (24 per cent) of single women and a similar figure for men. In the UK as a whole, most unemployed females are not claiming benefits (Table 2). The LFS figure thus shows a much higher level of female unemployment than the claimant count, and can be regarded as a more accurate measure of female unemployment.

The position for females, however, differs considerably between Northern Ireland and Great Britain. In Northern Ireland a higher percentage of the ILO unemployed are claimants, and at the same time there are more claimants who are not actively searching for work. This may mean that there

Table 2. Comparison of ILO unemployed and claimants. Winter 1995/96 (% of economically active).

	Northern Ireland		Great Britain	
	Male	Female	Male	Female
ILO Unemployed and Claimants	9.5	3.0	6.9	2.3
ILO Unemployed, Non-Claimants	3.1	2.7	2.8	4.0
Claimants, Non-ILO Unemployed	5.1	2.9	4.4	1.8
All Claimants	14.6	5.9	10.2	4.0
All ILO	12.6	5.7	9.7	6.3

Source: Labour Force Survey, March 1996, Table 20; Northern Ireland Labour Force Survey, Winter 1995.

are more discouraged females in Northern Ireland. It may also indicate a greater success among ILO unemployed females in claiming benefits. Whatever the causes, it remains true that for females the ILO and claimant count definitions are considerably closer together in Northern Ireland than in Great Britain. One consequence is that in 1995/96 Northern Ireland had the highest rate of female unemployment for any UK region on the claimant count, but the second lowest rate on the ILO definition (Table 2).

The Labour Force Survey also provides a better measure of the number of males actively seeking work despite being based on a sample. It is generally true that there are greater numbers of unemployed males in the claimant count statistics than in the LFS (Table 2). This indicates that a number of the male unemployed claim unemployment-related benefits but are not actively seeking work. These males might be described as discouraged workers, but this total may also include people fraudulently claiming benefits.

The majority of unemployed males in Table 2 were both claimants and ILO unemployed (i.e., actively seeking work). In Northern Ireland in 1996, 9.5 per cent of the economically active were in this category. A further 3.1 per cent were seeking work but were not claiming benefits. Finally, 5.1 per cent were claimants who were not actively seeking work. It is this 5.1 per cent which includes both discouraged workers and fraudulent claimants. As Table 2 shows this category was larger in Northern Ireland than in Great Britain.

Incapacity Benefit Claimants

The existence of discouraged workers who are jobless but neither registered as unemployed nor actively seeking work means that both the claimant and

LFS figures are likely to be underestimates of unemployment. An important source of underestimation has been the growth in the number of people not at work due to illness or invalidity. Numbers in this category have grown from 42,000 in 1971, when Invalidity Benefit was introduced, to 96,000 in 1996 (Figure 3).

The increase in self-reported sickness, outlined above, is puzzling in light of the fact that, according to medically based measures, health status in Northern Ireland has improved significantly over the same time period. For example, the infant mortality rate, which is generally regarded as a fairly robust indicator of general health status among the adult population (Allsop, 1995), fell by around 7 percentage points between 1981 and 1994 from 13 per cent to 6 per cent. Similarly, average life expectancy for males increased from 69 years to 73 years. Similar arguments have been made for the UK as a whole and for other industrialised countries (Blondal and Pearson, 1995).

The main incentive to transfer from Unemployment Benefit to Incapacity Benefit lies in a higher and non-means tested benefit level. Also, there is no requirement to search for work. In the past the certifying authority has usually been the local GP, and the likelihood that certificates were issued on a less than totally rigorous basis led to a change in the rules from April 1996. The benefit, formerly named Invalidity Benefit, now relies on a panel of full-time doctors to assess applicants. The likelihood is that the rise in Incapacity Benefit claimants will cease, and total numbers may diminish. It has yet to be seen whether this will swell the numbers of the claimant unemployed.

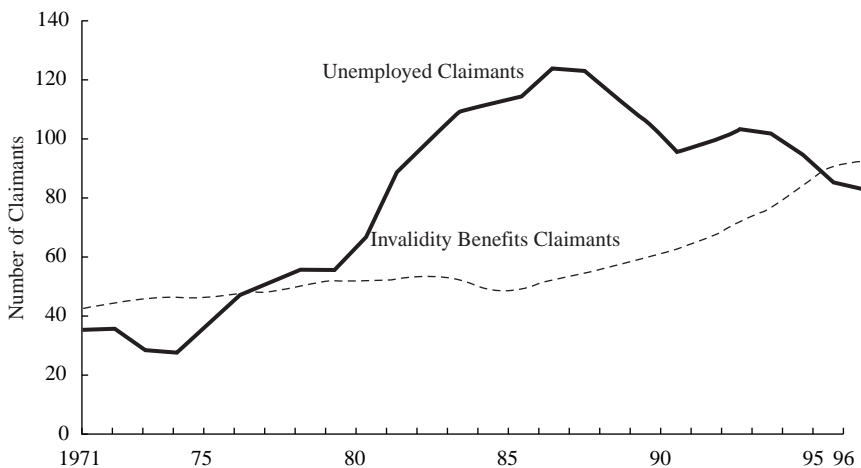


Figure 3. Numbers claiming Sickness and Invalidity/Incapacity Benefits compared with the number unemployed for Northern Ireland 1971–96. *Source:* NI Department of Economic Development, and Social Security Agency.

The rise in numbers claiming sickness and invalidity has accelerated markedly over the last ten years. The numbers claiming the benefit were broadly stable from its introduction in September 1971 until 1985. Since then, the numbers have doubled to 96,000. The 1996 figure is 50,000 above the average for 1971–85 and this may be taken as one measure of disguised unemployment in Northern Ireland. The particularly steep rise since 1992 coincides with a period of steadily falling unemployment. What is striking is that the 22,000 rise in sickness and Invalidity Benefit claimants between 1992 and 1996 is very close to the 20,000 reduction in the numbers unemployed over the same period.

The number of jobs also rose sharply during the 1992–96 period, by 38,000 (6.2 per cent), and a substantial reduction in unemployment was thus expected. At the same time however the labour supply has been boosted by a net migration inflow. This turn-around in migration in the 1990s compared with the 1980s has boosted labour supply by 30,000 over the course of the 1990s up to 1996. Hence, the rise in employment seems to have had its main impact, not on unemployment (however measured), but upon migration, with a small net annual outflow in the 1990s contrasting with the substantial net outflow each year prior to 1990.

Long-Term Unemployment

One of the key characteristics of the Northern Ireland labour market is the exceptionally high proportion of long-term unemployed, i.e., those out of work for more than one year. In 1995 47,400 registered unemployed had been out of work for more than one year. This comprised 57 per cent of all claimant unemployed. Of these, 18,000 people had been out of work for more than five years. Even these very high figures may under-represent the problem. In the 1991 Census of Population 50,000 people described themselves as economically active but with no job in the previous ten years. Some of these were young people who may have been unemployed for less than ten years, but the great majority were over 25 years old.

The problem of long-term unemployment in Northern Ireland is much more an issue for males than for females. Almost two out of every three unemployed males (61 per cent) has been jobless for more than one year whether measured on the claimant count or the LFS. For females the proportion is lower at 41 per cent in the claimant count, and much lower at 27 per cent in the LFS. Although there may be reasons why females would be less likely to classify themselves as long-term unemployed, contrasts in employment trends for men and women suggest that differences may be real. The proportion of the unemployed who have been out of

work for more than 12 months has always been much higher in Northern Ireland than in Great Britain, and is well above the proportion in every other UK region. In Northern Ireland the number of long-term unemployed has been close to or above 50,000 (7 per cent of the labour force) since the early 1980s. Remarkably the number changed little between 1982 and 1996 despite the creation of an extra 100,000 jobs in the period. It seems clear that job creation alone has been insufficient to reduce numbers of long-term unemployed.

The gap in unemployment rates between Northern Ireland and Great Britain is chiefly one of long-term unemployment. Short-term unemployment rates have converged over the 1990s (Table 3) and Northern Ireland's short-term unemployment rate differed little from the UK national average over most of the 1990s. In 1997, short-term unemployment has unprecedently fallen below the UK average on claimant count figures. LFS data for autumn 1997 do not confirm this remarkable change but they do show that there is little difference in short-term unemployment rates between Northern Ireland and Great Britain.

Northern Ireland's rate of long-term unemployment on the other hand has for a long time been over twice as large as that in Great Britain (Table 3). Although the gap between Northern Ireland and Great Britain has narrowed, the long-term unemployment rate in Northern Ireland is still close to double the national average. Insufficient research has been undertaken on the long-term unemployed in Northern Ireland, but it seems clear that they form a block of people who are relatively detached from the labour force. As Scott (1993) showed, the flows into and out of

Table 3. Long-term unemployment in Northern Ireland and UK.¹

	Percentage of unemployed out of work for more than 12 months		Long-term unemployment rate ²		Short-term unemployment rate ²	
	NI	UK	NI	UK	NI	UK
1979	27.9	24.6	3.0	1.3	5.0	2.8
1982	39.4	33.6	7.2	4.1	7.4	5.5
1987	51.1	42.6	8.9	4.4	8.4	5.7
1990	51.3	31.6	7.1	1.8	6.1	4.1
1992	48.9	32.6	7.3	3.3	6.7	6.4
1996	55.3	36.1	6.4	2.8	5.1	4.9
1997 (April)	54.5	36.2	4.6	2.5	3.5	4.3

Notes: 1 Claimant count.

2 Per cent of total economically active.

Sources: Department of Employment, Labour Market Trends; Northern Ireland Abstract of Statistics.

long-term unemployment have traditionally been low. For the category of those out of work for three or more years, the inflow and outflow from the category in 1992 were both 21 per cent. For those unemployed for between one and three years the inflow was greater at 58 per cent and the outflow was 59 per cent. The longer the period of unemployment the lower the probability of leaving unemployment in any one year. This pattern is similar to that in Great Britain except that a lower proportion of the long-term unemployed leave the register each year in Northern Ireland (NIEC, 1994; 1996). Even in 1997, after a rapid fall in the numbers of long-term unemployed, almost two-thirds of the long-term unemployed had been out of work for more than three years.

The reasons for the high proportion of long-term unemployed in Northern Ireland are unclear. One possibility is that long periods of high unemployment lead to greater proportions of long-term unemployment (White, 1991; 1994). This association was seen in both Northern Ireland and Great Britain in the 1980s. With its higher level of total unemployment, it is likely that more people will have drifted into long-term unemployment, but this is unlikely to be the whole explanation. Other possibilities are differences in the rigour with which the Restart Scheme was operated after its introduction in 1986. The Restart interviews were a way of guiding the unemployed into training or back into work. In Great Britain they coincided with the employment boom which led to a return to near full employment in much of southern England. In Northern Ireland unemployment, and particularly male unemployment, remained very high. In these circumstances it seems possible that Employment Service officials in Northern Ireland may not have promoted the Restart interviews as resolutely as their colleagues in Great Britain. If so, the result is likely to have been a lower rate of turnover within the unemployed.

A further possibility is a high level of social security fraud in Northern Ireland. As the only UK region with a land border, cross-border working and claiming is a possibility. Secondly, difficulties in applying the law in some areas, and a greater antipathy to state authorities than in Britain, may also increase the likelihood of deception. The fact that the new Jobseekers' Allowance introduced in 1996, and the introduction of a social security telephone fraud 'hotline' in February 1996, appear to have contributed to the large reduction in long-term unemployment after more than a decade of near stability, suggests that some fraudulent claiming may have been present in Northern Ireland. However, the Jobseekers' Allowance is designed to increase job search activity, and this itself may also have accelerated the pace at which the long-term unemployed get jobs.

Measures of Labour Market Pressure

Unemployment rates are one key indicator of labour market pressure, with high unemployment indicating that the supply of labour substantially outstrips the demand for labour. Using unemployment as a definition, Northern Ireland has until recently had easily the slackest labour market of any part of the UK (Table 4), and this has been the case throughout the last half-century. The next highest unemployment rate has usually been that of the Northern region, with unemployment close to two percentage points below that of Northern Ireland. The gradation across the UK is relatively clear, with the lowest unemployment rates in southern England and the highest in the regions of northern England (North West, Yorkshire, Humberside and North). Although the hierarchy of unemployment rates in 1996 remained close to the traditional pattern, the gap between regions has been narrower in the 1990s than previously. What seems to have happened is that the great employment boom of the 1980s sucked labour into the regions of southern England, while the subsequent recession of 1990–92 did not lead to an equivalent reduction in labour supply. Unemployment thus rose further in southern England than in peripheral regions, such as Scotland and Northern Ireland, which were least affected by the cycle of boom and bust. However, the situation is complicated by the rise in concealed unemployment, not recorded in either the claimant count or the LFS (Beatty *et al.*, 1997).

Unemployment rates are not the only measure of labour market

Table 4. Unemployment, participation and employment rates 1996.

	Unemployment Rate ¹	Economic Activity ²	Employment Rate ³
Northern Ireland	11.2	73.0	65.6
Southern England	6.7	80.4	74.7
Midland England	7.1	75.5	69.8
Northern England	8.3	72.7	66.3
Scotland	7.9	74.2	68.2
Wales	8.0	71.6	65.8
UK	7.4	76.5	70.6

Notes: 1 Claimant unemployment October 1996 - seasonally adjusted.

2 Economically active as percentage of population of working age (16–60/65).

3 Employment rate is employed plus self-employed as a percentage of population of working age. The employment rate equals the participation rate multiplied by one minus the unemployment rate.

4 South East, East Anglia and South West regions.

5 Northern Region, North West and Yorkshire and Humberside.

Sources: Department of Employment Labour Market Trends; OPCS Population Trends; Northern Ireland Department of Economic Development, Registrar General.

pressure, and other measures modify the simple picture of Northern Ireland as the region with the greatest imbalance between supply and demand for labour. Two alternative measures are the *employment rate* and the *participation rate*. In both of these measures the entire population of working age is used as a denominator, in place of the economically active population which is used in calculating unemployment rates. The *employment rate* is simply employment (including self-employment) as a percentage of the population of working age. In many ways this is a better measure of labour market pressure than the unemployment rate because it avoids the definitional and measurement problems inherent in measuring unemployment.

Northern Ireland's employment rate at 65.6 per cent in 1996 lay five percentage points below the UK average, but was very similar to the rates in Wales and the average for the regions of northern England (Table 4). It was also two percentage points above the employment rate in the northern region of England alone. On this measure we might argue that the main distinction is between the tight labour markets of southern England and the rest of the UK including Northern Ireland. This conclusion is not altered by the large fall in unemployment since mid-1996.

Hence we reach the conclusion that unemployment is high in Northern Ireland compared with Wales or the regions of northern England not because there are fewer jobs in relation to the population, but because a higher proportion of the population is economically active in Northern Ireland than in these regions (Table 4). This could reflect the gender composition of employment. A high proportion of females in employment will tend to boost economic activity rates by bringing more females into the labour force. Although Northern Ireland has a slightly higher proportion of females in employment than the UK average, the difference is small, and is unlikely to be the main reason accounting for an economic activity rate higher than in Wales or the northern regions of England. Other potential reasons for the higher rate in Northern Ireland could be a greater resistance to discouragement from economic activity, or indeed a larger black economy (resulting in the double-counting of individuals as both employed and unemployed, hence exaggerating the size of the labour force).

Northern Ireland's economic activity rate was well below that of all UK regions in the 1950s and 1960s, but was boosted by the dramatic increase in size of the public sector following the imposition of Direct Rule in 1972. Between 1971 and 1977 employment in the public sector rose by 40,000 jobs (43 per cent), with many of these jobs, especially in education and health, being taken by females. This increased the female economic activity rate.¹

¹ It also incidentally increased incomes for many families, leading to a house-price boom during the worst years of the Troubles.

After converging towards the UK average over the 1970s, the economic activity rate in Northern Ireland slowly diverged once again in the 1980s as Northern Ireland missed out on much of the UK service sector boom. In the 1990s it converged once more, until the recent large fall in unemployment, which has taken Northern Ireland's economic activity rate back down to 72 per cent, or 4 percentage points below the UK average. What is clear is that Northern Ireland's labour market, like those of Wales or the regions of northern England, is much less tight than the labour markets of southern England. The employment rate in Northern Ireland is almost 10 percentage points below that in southern England (Table 4). This reflects both a much lower economic activity rate in Northern Ireland, and a higher proportion of unemployed among the economically active.

The employment rate (or its inverse the non-employment rate) is probably the single best measure of labour-market pressure. As a rule of thumb we might regard an employment rate of 80 per cent as indicating full employment. This figure of 80 per cent was for instance the rate reached in south-east England at the height of the 1980s boom. With this definition of full employment, in 1997 Northern Ireland had a rate of joblessness equal to 14.4 per cent of the population of working age, whereas measured unemployment in 1997 was equivalent to under half of this level at 6.3 per cent. The difference between the two figures is a measure of the concealed unemployed. This includes many 'discouraged workers' not included in either the claimant count or the LFS figures. Many of these people are on Incapacity Benefit.

The above review of the various measures of labour-market pressure leads to the conclusion that Northern Ireland faces a chronic over-supply of labour relative to demand, but that Northern Ireland's degree of labour-market slackness is not unique within the UK. On some measures the northern region of England may have an even less tight labour market than Northern Ireland, and Wales and the north-west region of England are only a little tighter than Northern Ireland.

Wages and Salaries

The law of supply and demand leads us to expect low wage levels in slack labour markets. This expectation is borne out in Northern Ireland, where average wage levels are typically 10–15 per cent below the UK average, and 20 per cent below the level of south-east England.

Average weekly earnings in 1996 were 13 per cent below the UK average for males and for manual females (Table 5). The gap was smaller for non-manual females since almost 70 per cent of these work in health,

Table 5. Gross weekly average earnings of full-time employees on adult rates in Northern Ireland 1996 (GB = 100).

		All Sectors	Manufacturing	Services
Male	Manual	86.8	83.8	89.8
	Non-Manual	87.9	78.5	90.1
Female	Manual	87.6	86.2	86.2
	Non-Manual	92.2	79.5	93.2

Source: New Earnings Survey, 1996.

education and other public sector activities in which wage levels are generally the same across all regions of the UK. The wage gap between Northern Ireland and Great Britain is smaller in the service sectors than in manufacturing for the same reason.

The wage gap between Northern Ireland and Great Britain is a long-standing feature of the Northern Ireland labour market. In the 1970s there was some convergence in regional wage levels across the UK, reflecting the influence of wage controls and a growing tendency towards centralised pay bargaining within companies. Since 1980 the opposite has been true. Wage controls have been abolished and pay policies abandoned. Companies have increasingly tended to decentralise their wage bargaining (Walsh and Brown, 1991). As a result of these factors, and of relatively tighter labour markets in Britain compared with Northern Ireland in the 1980s, Northern Ireland's wage gap with Britain widened over the 1980s. Despite the convergence of unemployment rates in the 1990s the wage gap has remained wide (Table 6).

Table 6. Average gross weekly earnings of adult full-time male employees (UK = 100).

	1971	1979	1989	1997
South East	109	107	116	117
East Anglia	92	94	94	92
South West	94	91	94	94
East Midlands	93	96	90	90
West Midlands	102	97	92	92
Yorkshire and Humberside	92	98	91	89
North West	98	98	93	95
North	93	98	90	89
Wales	96	96	89	89
Scotland	95	100	93	92
Northern Ireland	88	90	86	87

Source: New Earnings Surveys.

Around half of the UK's wide regional dispersion of male wages in 1996 is due to differences in the balance of manual and non-manual occupations. Male wage levels in the south-east of England are boosted by around 9 per cent by an occupational structure more heavily weighted towards non-manual occupations than is the case in other regions. This has relatively little impact on Northern Ireland however, since a large public sector gives a representation of non-manual employees which is unusually high for a region in the northern half of the UK.

Not all of the wage gap between Northern Ireland and Great Britain can be accounted for by a slack labour market. As already noted this factor has little influence in the public sector, which still accounts for 30 per cent of employees in Northern Ireland. In manufacturing, a major influence on wage levels in any company is labour productivity, including the need for specialised skills in high productivity industries. An industry-by-industry comparison, at a high (4 digit) level of disaggregation, suggests that half of the wage gap in manufacturing between Northern Ireland and Great Britain is due to the concentration of low-productivity industries in Northern Ireland. Half of the manufacturing employment in Northern Ireland is, for instance, in the relatively low-productivity food, drink, textile and clothing industries, compared to 21 per cent in Great Britain.

Another factor responsible for the low wage levels of Northern Ireland manufacturing is the predominance of small firms, since small firms normally pay lower wages than large employers. One-quarter of employees in Northern Ireland manufacturing work for firms with less than 50 employees. This is the highest proportion of any UK region except south-east England and is double the proportion in the northern region. The proportion of Northern Ireland employees in small firms has also doubled since 1971 and partly accounts for the widening wage gap between Northern Ireland and Great Britain in manufacturing.

A further factor is the need for exporting companies to compensate for higher transport costs than their competitors in Great Britain. The transport cost penalty relative to Great Britain varies by product but the average is 2 per cent of the value of sales (PIEDA, 1984). A reduction in wages to a level 10 per cent below the British average compensates most exporting companies for this cost disadvantage. Partly offsetting this is an advantage of similar magnitude for the 40 per cent of sales made by Northern Ireland companies into markets within Ireland.

Econometric analyses demonstrate a link between high unemployment and low wages. An econometric study of Northern Ireland manufacturing between 1967 and 1983 found that a 10 per cent increase in unemployment led to a 7 per cent decline in wages (Borooah and Lee, 1991). However, econometric work undertaken for this chapter suggests a weaker relationship in the

different labour market conditions of the 1990s (details are available from the author on request). This may reflect the fact that registered unemployment is no longer a reasonable measure of labour availability.

The Geographical Variation in Unemployment Within Northern Ireland

One of the notable characteristics of unemployment in Northern Ireland is its uneven incidence across both areas and communities. In May 1997 the unemployment rate in the Ballymena Travel to Work Area (TTWA) in north-east Ulster was 5.7 per cent. This was below the UK average and below the level of most UK regions. At the other extreme, the rate in Strabane on the western border of Northern Ireland was 12.9 per cent (down from 18.6 per cent in 1996). This was more than double the UK average and above the rate in all British TTWAs. The 10 percentage point range between TTWAs in Northern Ireland was almost as great as between the much greater number and diversity of TTWAs in Great Britain. Even this level of diversity in Northern Ireland is much less than before the recent large fall in unemployment.

The general pattern of unemployment is one of high rates in the west of Northern Ireland including many rural areas (Table 7). Belfast, the largest city, has an unemployment rate below the average for Northern Ireland and close to the average for large cities in the three regions of northern England, Wales or Scotland.

It is commonly believed both within and outside Northern Ireland that the very high unemployment rates in the west of Northern Ireland reflect

Table 7. Unemployment rates in Northern Ireland travel to work areas May 1997 (% of work-force).

East of Northern Ireland		West of Northern Ireland and Borders	
Ballymena	5.6	Magherafelt	7.8
Craigavon	6.4	Dungannon	9.3
Belfast	7.0	Omagh	9.4
Coleraine	9.6	Enniskillen	9.5
		Cookstown	9.9
		Newry	11.0
		Londonderry	11.6
		Strabane	12.9

Note: Northern Ireland average in May 1997 was 8.0 per cent. The UK average was 6.4 per cent.

Source: Department of Employment, Labour Market Trends, September 1996.

low levels of job creation, but there is no foundation for this belief. The west of Northern Ireland has had a faster rate of growth in employment over the last 25 years than the east (Gudgin, 1994a). Growth in employment in the west of Northern Ireland has also been above the average for the UK.

There is in fact almost no relationship between job creation and unemployment across Northern Ireland. Figure 4 shows unemployment rates for Northern Ireland TTWAs in 1991 plotted against growth in employment over the previous 20 years. Unemployment rates in areas of rapid job creation are similar to those in areas where employment has stagnated. The inference is that increases in the demand for labour lead to concomitant rises in the supply of labour. This may occur through migration, commuting, or increases in participation rates. Beatty and Fothergill (1996) show a similar lack of association for coalfield areas in Britain where the collapse in employment has had little impact on registered unemployment.

Unemployment rates in Northern Ireland TTWAs are clearly related much more to religious denomination than to job creation. All of the TTWAs with high unemployment have majority Roman Catholic populations. The areas of low unemployment have majority Protestant populations. Where Presbyterians form the majority, rather than Church of Ireland members, unemployment rates are lowest of all. It is argued below that persistently high unemployment in Northern Ireland

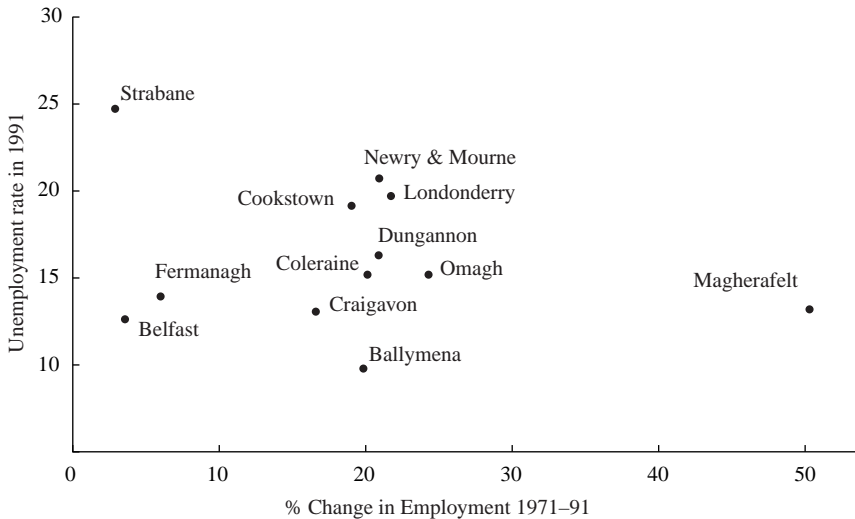


Figure 4. Unemployment and employment growth in Northern Ireland travel-to-work areas. *Source:* Northern Ireland Censuses of Population 1971, 1991.

represents an equilibrium between rapid natural increase in population and slower (although nonetheless quite rapid) rates of job creation. The likelihood is that this equilibrium also occurs at the local scale, resulting in high unemployment in areas with high levels of natural increase in population.

The weak association between job creation and unemployment can be shown perhaps more dramatically in a UK context. Figure 5 shows unemployment rates in 1991 for each UK county plotted against growth in employment over the previous 20 years from 1971–91. The counties of Northern Ireland are amalgamated into the eastern counties, Antrim, Down, Armagh and the western counties, Fermanagh, Tyrone, Londonderry. In the context of a much greater diversity of employment growth it is obvious that, for the UK as a whole, a relationship does exist between employment change over 20 years and unemployment at the end of the period. However, the impact of job creation remains low. A 110 percentage point difference in employment growth (between 80 per cent growth and 30 per cent decline) would reduce the unemployment rate by only 8 percentage points.

Figure 5 shows that the eastern counties of Northern Ireland fit within the broad relationship characteristic of counties in Great Britain, albeit at the high end of the unemployment spectrum along with Merseyside and Teeside. The western counties of Northern Ireland are completely outside the broad relationship. These counties have a growth rate for employment which is above the average for counties in Great Britain. However their unemployment rate, at 17.5 per cent, is double that of counties in Great

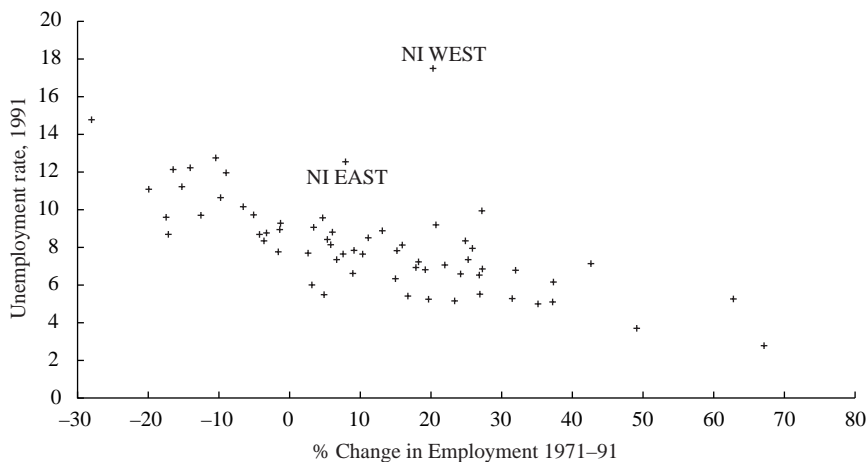


Figure 5. Unemployment rate and change in employment, UK counties. *Source:* NOMIS and NI Department of Economic Development.

Britain with similar rates of job creation. This seems most likely to reflect the high rate of natural increase in population in these areas, combined with a rate of out-migration insufficient to bring unemployment rates into equality with other areas in Northern Ireland and Great Britain.

Religious Differences in Employment and Unemployment

Perhaps the most controversial aspect of the labour market in Northern Ireland is the large and persistent gap in unemployment rates between Protestants and Roman Catholics. It is this difference which underlies many of the geographical contrasts noted in the previous section. Unemployment rates for Catholic males have been between 20 and 30 per cent during most of the years up to 1994, and have always been between 2 and 2.6 times higher than unemployment rates for Protestant males (Table 8). Whereas Protestant males have an unemployment rate which is usually below the UK average, Roman Catholic males have an unemployment rate close to double the UK average.

Unemployment rates are also higher for Roman Catholic females than for Protestant females, but the gap is much smaller. The LFS figures for 1994 show an unemployment rate for Roman Catholic females at 8 per cent compared with 5 per cent for Protestants. The ratio in this case is 1.6:1.

Although it is the unemployment difference between Roman Catholics and Protestants in Northern Ireland which attracts most attention, it is also true that there is a significant difference between Presbyterians and Church of Ireland members within Northern Ireland. Church of Ireland

Table 8. Catholic and Protestant Unemployment Rates for Males in Northern Ireland.

Year	Source	Catholics	Protestants	Ratio
1971	Census	17.3	6.6	2.6
1981	Census	30.2	12.4	2.4
1983-4	CHS	35.8	14.9	2.4
1985-7	CHS	35.5	14.2	2.5
1988-90/1	CHS	27.2	12.2	2.2
1990	LFS	21.7	11.0	2.0
1991	Census	28.4	12.7	2.2
1991	LFS	22.8	9.3	2.5
1992	LFS	24.2	10.1	2.4
1993	LFS	23.0	11.0	2.1
1994	LFS	22.0	11.0	2.0

Sources: Northern Ireland Census of Population; the Northern Ireland Labour Force Survey (LFS) and the Northern Ireland Continuous Household Survey (CHS). The census values are uncorrected for those who do not state a religion.

members had an unemployment rate 45 per cent higher than for Presbyterians in 1991.

It was noted in the previous section that travel to work areas with highest unemployment in Northern Ireland had Catholic majorities, but did not exhibit slow growth in employment. This geographic pattern hides a more striking tendency for employment growth to have occurred among the Catholic population but not among Protestants. In the intercensal period 1971–91, Catholic employment rose by 14 per cent while Protestant employment fell by 0.5 per cent. This difference in employment growth has accelerated in the 1990s. Data collected annually by the Fair Employment Commission shows Catholic employment rising by 13 per cent between 1990 and 1995. Protestant employment in contrast rose by only 0.5 per cent. In both periods there was a rise in female employment for both Catholics and Protestants, although the rise was twice as rapid in the Catholic case. Male employment tended to fall. The decline occurred in both periods for Protestant males. For Catholic males there was a small decline of 2 per cent in the 1971–91 period but a substantial increase of 11 per cent after 1990.

These large disparities in employment growth largely reflect differences between Catholic and Protestants in the growth of the economically active population. The combination of high Catholic unemployment with a relatively high employment growth demonstrates that Catholic employment has failed to fully keep pace with the increase in the Catholic economically active population. It is the balance between changes in employment and changes in economically active population which holds the key to understanding the Northern Ireland labour market, and it is to these dynamic factors that we now turn.

A Dynamic Analysis of the Northern Ireland Labour Market

Descriptions of unemployment and its associations with related variables, taken at one point in time or in a single period, provide a range of insights into the causes of unemployment. However, they cannot demonstrate the key equilibrating mechanisms which balance the supply and demand for labour over time. This is an important shortcoming in attempting to understand economies like that of Northern Ireland where potential labour supply and actual demand are constantly diverging.

Natural Increase in Population of Working Age

An important starting point in a dynamic analysis of unemployment in Northern Ireland is the rapid natural increase in population. This section

focuses on the dynamics of the male labour market since this is where the greatest problem of unemployment lies. Natural increase in the male population of working age (16–65) consists of additions to the labour force (for example by school leavers) less withdrawals due to retirement or death. In Northern Ireland the natural increase in the working-age population since 1971 has averaged 1.5 per cent per annum. In Great Britain the rate of natural increase over the same period has been 0.3 per cent per annum. This means that the male population of working age in Northern Ireland rises on average by 7,000 each year due to natural increase, and by 5,500 in excess of the rate of natural increase in Great Britain. Over the 25 years from 1971 to 1996 natural increase added a potential 157,000 men to the working-age population of 439,000, an increase of 36 per cent. The equivalent increase in Britain over the same 25 years was 9 per cent.

The slow increase in the working-age population in Great Britain means that an equally slow growth in employment can be consistent with only a small rise in unemployment, little net out-migration and a stable economic activity rate. In Northern Ireland the much more rapid natural increase in population of working age inevitably leads to a large potential surplus of labour, unless employment grows much faster than in Great Britain. Rapid population growth can itself produce some acceleration in employment growth, for example via increased demand for public services if the local budget constraint is met by an external subvention (as it is in Northern Ireland). However, total employment will generally not keep pace with population increase unless economic competitiveness is sufficiently high to increase Northern Ireland's share of UK domestic markets and/or export market.²

There is some evidence that rising competitiveness has allowed employment in Northern Ireland to grow faster than the virtually static rate in Britain. Even so, employment growth in Northern Ireland has been much slower than the rate of natural increase in population. As a result, a number of mechanisms have reduced the huge potential labour surplus and brought it towards an equilibrium with the demand for labour. The history of unemployment in Northern Ireland suggests that equilibrium is reached when the Northern Ireland unemployment rate is 3–4 percentage points above that in Britain (although the introduction of the Jobseekers Allowance may have reduced this equilibrium to 2–3 percentage points). The various balancing mechanisms are discussed below, but first we turn

² This statement assumes that public expenditure will only rise to the point where levels of per capita service provision in Northern Ireland become equal to those in Britain. Similarly it assumes that public subsidies to private industry will be insufficient to accelerate employment growth by enough to match the rapid growth in labour.

briefly to the dynamics of employment change in Northern Ireland over the last quarter-century.

Employment Change

For most of the 1970s and 1980s employment in Northern Ireland grew at a rate broadly similar to that in Great Britain. Since 1990 Northern Ireland's performance has been much more favourable than that in Great Britain (Figure 6). At the level of individual regions, Northern Ireland has usually been the third fastest growing of the UK's eleven standard regions over the last three decades, out-performed only by the less urban regions flanking the south-east, i.e., East Anglia and the south-west. Surprisingly, Northern Ireland's job creation record over this period has been better than southern England as a whole (i.e., south-east, East Anglia and the south-west), and much better than any other UK region.

Employment in Northern Ireland grew faster than in Great Britain over most of the 1970s as a rapid expansion in public sector jobs followed the imposition of Direct Rule in 1972. Public sector employment was also rising in Britain, but faster expansion in Northern Ireland added around 30,000 jobs to the Northern Ireland total. This was offset over the 1970s by low growth in the private sector, held back by high levels of political violence. An estimated 15,000 jobs were lost due to the Troubles and the net gain to Northern Ireland over the 1970s was 15,000 jobs or 3 per cent.

The expansion of public sector employment slowed down after 1979

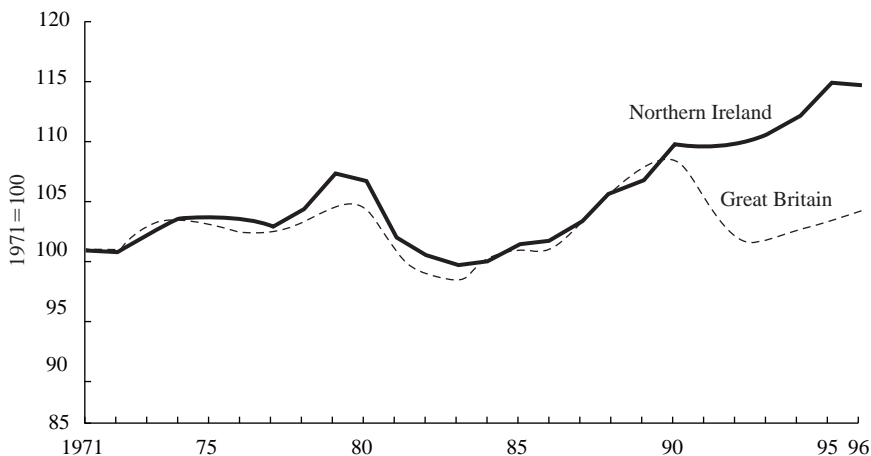


Figure 6. Total employment in Northern Ireland and Britain 1971–96. *Source:* NOMIS, NI Department of Economic Development.

and soon ceased. Employment growth in Northern Ireland fell steadily behind that in Great Britain where growth was rapid due to the debt-induced boom of the 1980s. The latter had only indirect benefits for Northern Ireland, and by 1989 employment in Northern Ireland had fallen behind what it would have been at national rates of growth to the extent of 30,000 jobs or 5 per cent of total employment.

Since 1989 a remarkable resurgence has occurred. Northern Ireland largely avoided the deep UK recession of 1990–92, which was itself a consequence of the preceding boom concentrated in southern England. Northern Ireland has also grown faster during the national recovery since 1992. The result has been an extra 72,000 jobs in 1996 over and above what would have been created at the British rate of employment growth. By 1996, employment was 10 per cent above what it would have been at natural average rates of growth.

As in Great Britain, all of the net addition to jobs since 1972 have been taken by females. Male employment fluctuated over the period but remained slightly lower in 1996 than in 1971. Female employment has in contrast risen by 45 per cent since 1971. In the case of females the growth of employment has kept pace with the natural increase in population of working age, albeit often in the form of part-time jobs. For males the lack of any net increase in the number of jobs has meant a huge potential job shortfall over the last 25 years.

Equilibrating Mechanisms in the Northern Ireland Labour Market

The remainder of this chapter measures the size of the shortfall in jobs over the last 25 years, and examines the ways in which the supply of labour has adjusted to this shortfall. A change in the shortfall in jobs over a period of time can be calculated as:

the natural increase in the population of working age
less
the increase in employment and self-employment
all multiplied by
the base-year participation rate

An increase in employment shortfall will then lead to three consequent changes. These are changes in:

the level of migration;
the participation rate;
the number of unemployed.

The first two of these three changes usually act to bring the supply of labour towards equilibrium with the demand. The change in the number of unemployed forms a residual in which equilibrium can be said to be reached when employment rates are equalised across the UK. The formal derivation of the relations between these variables is contained in Appendix A to this chapter.

In the case of males in Northern Ireland, the increase in the job shortfall over the 24 years from 1971 to 1995 was 166,000 (46 per cent of 1971 employment). This is made up of:

	<i>thousands</i>
Natural increase in working age population 1971–95	+157
Change in employment	<u>–9</u>
Change in job shortfall	+166

The consequences of this rising shortfall were then:

	<i>thousands</i>	<i>% of shortfall</i>
Net out-migration	95	57
Decrease in participation	29	18
Increase in unemployment	<u>42</u>	<u>25</u>
Change in total shortfall	166	100

Over half of the potential shortfall was reduced through out-migration. Around 18 per cent was reduced by a decline in the participation rate. Male participation declined from 89 per cent in 1971 to 83 per cent in 1995. This includes higher rates of staying on in education and early retirement. It also includes an increase in numbers on Incapacity Benefit and government employment schemes. The rise in unemployment over the 24 year period was only 25 per cent of the total potential shortfall.

Full equilibrium in the labour market is sometimes considered to be a state in which unemployment is at some frictional minimum. This state is achieved in theory through a fall in wages. In practice wage levels are insufficiently flexible and a net surplus of labour leads to high unemployment. Within an economic union like the UK we might define a regional equilibrium as one in which unemployment rates are equalised across regions. Migration is the main mechanism for achieving this result, but changes in relative wages across regions also play a small part. In addition there is a government policy response in which attempts are made to accelerate the rate of job creation through grants and subsidies to the private sector, and through a direct expansion of the public sector. These measures act on top of the more automatic regional stabilisers in which local spending is boosted through additions to public spending (e.g., unemployment benefits) and reduction in taxation. These mechanisms

usually ensure that unemployment rates tend towards regional uniformity, but they are too weak to result in full equality of unemployment rates.

In the Northern Ireland context, net migration is a function of the difference between rates of unemployment in Northern Ireland and Great Britain, and of the difference in wage levels (Gudgin and O'Shea, 1993). As unemployment in Northern Ireland rises above the UK level, out-migration increases. At the same time the rising unemployment gap tends to reduce wages in Northern Ireland (although not by much), and this in turn accelerates the flow of out-migration. Out-migration in turn reduces labour supply in Northern Ireland, and hence reduces unemployment, leading towards labour market balance. Falling wages (relative to Britain) will also in principle increase the level of employment but again this link is relatively weak.

The evidence from Northern Ireland is that these mechanisms have tended to balance when the unemployment rate is around three to four percentage points above the UK average. At this point wage levels are some 15 percentage points below the UK average, and net migration flows are sufficient to offset the annual national increase in the population of working age. For this reason, unemployment in Northern Ireland is likely to remain around three to four percentage points above the UK average (although as stated above the introduction of the Jobseekers Allowance may have reduced the level of this equilibrium a little). An equilibrium rate of unemployment at 4 percentage points above the UK also characterises the Republic of Ireland (Honohan, 1992), although Fitzgerald (1996) thinks that this equilibrium may be lower in future.

High unemployment in Northern Ireland is driven fundamentally by a combination of a high rate of natural increase in population and an incomplete clearing of the labour market via either migration or wages. The fact that migration flows do not lead to a full equalisation of Northern Ireland and British unemployment rates reflects a range of factors. Some authors blame the UK housing market with its low stock of privately rented houses in all UK regions (McCormick, 1991). However, part of the reason may be a personal attachment to the home region which leads to a delay in migration and in some cases a lack of migration in the face of high local unemployment (Sheehan and Tomlinson, 1996: 73). Finally the lack of flexibility in wage levels reflects both institutional arrangements, including unionisation and social security benefits, and a division of the labour market into insiders and outsiders with little competition between them. Insiders gain specialist experience in their work and hence are partially protected from competition from the unemployed and from new entrants to the labour market.

Catholic and Protestant Unemployment in Northern Ireland

A number of studies have been undertaken to attempt to explain the large gap in unemployment rates between Catholics and Protestants in Northern Ireland. Most of these studies have been cross-sectional, focusing on how much of the unemployment gap can be ascribed to 'structural' characteristics of the two populations. Such characteristics include age, qualifications, socio-economic status, location, marital status and housing tenure. Chambers (1987), Smith and Chambers (1991) and Murphy and Armstrong (1994) employed logit analysis, while Compton (1991) and Gudgin (1994b) used shift-share techniques. Four of these five studies concluded that structural influences accounted for close to half of the unemployment gap. The exception was Compton (1991) who argued that structural factors accounted for most of the gap. However Gudgin (1994b) argues that his methodology is likely to bias upwards the impact of structural factors. The shift-share studies indicate that location and occupation/socio-economic status each account for around a quarter of the unemployment gap. Age structure is a relatively unimportant factor.

One notable aspect of Roman Catholic and Protestant unemployment in Northern Ireland is the relative stability of the ratio of unemployment rates over a long period of time. Gudgin and Breen (1996) show that the ratio might have been expected to fluctuate much more widely as aggregate unemployment has varied over the 25 years to 1996. It transpires that when aggregate unemployment is at 10 per cent, a Catholic:Protestant unemployment ratio of 2:1 is equivalent to a 3 percentage point 'gap' between the Roman Catholic share of jobs and the Roman Catholic proportion among the economically active.³ If aggregate unemployment rises to 20 per cent, this gap would need to widen to 6 percentage points in order to maintain a stable unemployment ratio. The question is why the gap should move in this way to maintain a stable ratio.

Cross-sectional methods are unable to account for the stability in the unemployment ratio. Neither are they able to incorporate dynamic influences including differences in population growth due to natural increase and migration. These dynamic factors were investigated by Gudgin and Breen (1996) using a stylised simulation model. The model incorporated differences in Catholic and Protestant rates of natural increase and migration, for males in both cases (Table 9). Catholic natural increase was over three times as great as for other denominations. Although

³ For instance in 1971 the Catholic share of the economically active was 34 per cent while the Catholic share of the employed and self-employed was 31 per cent. The 'gap' was 3 percentage points.

Table 9. Population changes and migration 1971–91 (in thousands).

	Roman Catholic	Other Denominations	Total
Estimated Natural Increase in Population of Working-Age	61.3	21.9	35.5
Actual Change in Population of Working-Age	27.9	4.4	12.6
Difference (Net Out-Migration)	33.4	17.5	23.0
Annual Average Rate of Net Out-Migration 1971–91	1.15%	0.62%	0.84%

Source: Northern Ireland Census of Population 1971, 1991.

Catholic migration was also proportionately higher, it was not high enough to equalise unemployment rates.

The Gudgin and Breen model incorporated two equilibrating processes, which together maintained the unemployment ratio at a stable level. The first of these was migration. As the unemployment gap between Catholics and Protestants rises, due to differences in population natural increase, Catholic migration rises more rapidly than Protestant migration and in doing so checks the widening gap in unemployment. The second was a sharing of jobs in proportion to the number of job seekers. Since the Roman Catholic population had both a larger proportion of school leavers and higher unemployment, it received a proportionately large share of jobs, including both new jobs and jobs becoming vacant due to labour turnover. This again tended to damp down the tendency for the unemployment gap to widen. Both processes together tend towards an equilibrium in the unemployment gap, and this equilibrium is reached quite quickly irrespective of starting conditions.

The Gudgin and Breen study shows that, taken in isolation, Catholic disadvantage in obtaining and retaining jobs can account for only half of the higher Catholic unemployment rate. In order to account for the other half we must allow for differential population growth and differential migration propensities, and the manner in which such factors interact with Catholic disadvantage. In Gudgin and Breen (1996) this disadvantage is such that a Catholic job seeker would on average have a probability of success in obtaining a job which was 30 per cent lower than for a Protestant. Since this disadvantage on its own produces an unemployment gap similar in magnitude to the impact of structural factors measured in the cross-sectional studies, Gudgin and Breen (1996) deduce that the two are the same. Their conclusion is that Roman Catholic unemployment could be double that of Protestants as a result of differences in structural characteristics plus differences in natural increase and migration. Some of these

factors have relatively small impacts on unemployment when acting in isolation. For example, the impact of higher Catholic natural increase in population is relatively slight when considered alone, raising the long-term unemployment ratio by only around 10 per cent. However, in combination with other factors its impact is increased, and its impact would be substantially greater if the rate of labour turnover fell much below 10 per cent. Gudgin and Breen emphasise that 'We are of course not suggesting that discrimination is absent from Northern Ireland or that chill factors are irrelevant. These things are clearly present in Northern Ireland. Our conclusion is different. It is that it appears perfectly possible to generate a stable unemployment ratio close to that observed in Northern Ireland, assuming only that degree of Catholic disadvantage which is normally described as structural' (1996: 40).

These conclusions remain controversial not least because this approach places no reliance on discrimination to maintain a large gap in unemployment between Catholics and Protestants. The principal critiques of this approach have come from Murphy (1996) and Rowthorn (1996). Murphy makes two main points. Firstly, he argues that a 30 per cent Catholic disadvantage in hiring cannot be equated with the structural disadvantages identified in the cross-sectional studies. Secondly, he argues that the migration function in the Gudgin/Breen model is not sufficiently well specified.

This conclusion on the first point is based on Murphy and Armstrong (1994) which included a cross-sectional analysis of transitions into employment. Based on LFS data for 1985–91, Murphy and Armstrong confirmed that Catholic job seekers were only 'about 70% as likely to get a job as Protestant job seekers'. However, their probit analysis suggested that only one-third of this disadvantage was due to structural factors. There is thus some difference between Gudgin and Breen, and Murphy and Armstrong, in their measurements of the importance of structural factors in the lower Catholic than Protestant chances of success in getting a job.⁴

Rowthorn has few criticisms of the general character of the Gudgin and Breen model and does not view Murphy's criticism of the migration function as significant. But Rowthorn accepts that the Murphy and Armstrong results on flows into employment 'if accurate, provide a better source of evidence than the studies of unemployment differentials which Gudgin and Breen cite in their support'. Rowthorn argues that, using this evidence, there would still be a gap between the predictions of the simulation model and

⁴ Subsequent unpublished work by Gudgin however, closes much of this gap by annualising the Gudgin/Breen simulation model, by distinguishing RUC jobs from general employment, and by reweighting the different chances of success of unemployed job seekers and other job seekers irrespective of religion. Details are available from the author on request.

the actual ratio of Catholic to non-Catholic unemployment. Discrimination and the chill factor would be a natural explanation for this gap. His conclusion is that 'this discussion suggests that there is a great deal of uncertainty about the influence of discrimination or chill factors on unemployment'.

Rowthorn also finds it 'difficult to believe that Gudgin and Breen are right in implying that [discrimination and chill factors] have had virtually no effect on the evolution of the Catholic to non-Catholic unemployment ratio since 1971'. He expects that discrimination in the early 1970s in engineering industries should show up in the model. While it was certainly difficult for Catholics to gain jobs in large engineering firms in this period, the fact that these had declining employment over this period, and accounted for only 7 per cent of Protestant male jobs even in 1971, may however, make the point of limited significance. Rowthorn's final conclusion is that there is room for more empirical investigation on this issue.

Dynamic modelling of Catholic and Protestant unemployment provides the first comprehensive quantified theory of religious differences in unemployment in Northern Ireland. Complex modelling exercises of this type are always likely to remain controversial and open to debate about their technical properties. As a result it is easy for a widespread belief in discrimination, as an explanation of high Catholic unemployment, to persist despite a lack of quantitative evidence. In this context it is instructive to note that it is quite possible for large unemployment gaps to persist between religious groups in conditions where discrimination is not an issue. This is the case in the Republic of Ireland where Catholic unemployment rates remain 60–70 per cent higher than those of Protestants (Gudgin 1994b). In the border counties of the Republic with significant Protestant minorities, Catholic unemployment rates remain double those of Protestants in the 1991 Census, and this gap is greater than in the adjacent county on the Northern side of the border.

Summary and Conclusions

Unemployment remains one of the most serious social and economic problems in Northern Ireland. The official claimant count figures for August 1997 suggested that 60,000 people (8 per cent of the labour force) were out of work. However, another 50,000 people claiming Incapacity Benefit may also constitute a form of disguised unemployment, and a further 27,000 people were on government unemployment and training schemes.⁵ Other

⁵ About half of the 27,000 people on government schemes were in youth training. Some, but not all, of these would be likely to be unemployed if the scheme did not exist.

people seeking work are, for various reasons, excluded from the claimant count. The true figure for joblessness may thus be well in excess of 100,000, and could be close to double the official estimate.

Although Northern Ireland is not unique within the UK in having an unemployment problem of this magnitude, it does have a unique combination of high unemployment together with what, by UK standards, is a relatively favourable record of job creation. The reason for this apparently contradictory combination of circumstances lies in Northern Ireland's high rate of natural increase in its working-age population. With the highest birth rate of any European region, Northern Ireland will always have a large potential surplus of labour unless employment expands at a rate much above the UK and European averages.

Over the 25 years to 1996 the natural increase in the male labour force has for instance outpaced the change in employment by close to 180,000 jobs. Only a high rate of out-migration and falling economic activity rates prevented a huge rise in unemployment over this period. Even with these important adjustments of labour supply, male unemployment rose by a significant amount.

The working of the Northern Ireland labour market can be seen as a process of adjustment in which migration has risen to a level which offsets most of the annual natural increase in the labour force. The unemployment gap between Northern Ireland and Great Britain acts as an important influence on the magnitude of migration flows, and unemployment in Northern Ireland thus tends to rise above the level in Great Britain to an extent which is sufficient to induce enough migration to stem any further rise in unemployment. For these reasons unemployment rates in Northern Ireland are likely to remain above those in Great Britain until the level of natural increase converges to the British level. This is already happening in the Republic of Ireland, but the evidence for Northern Ireland is that full convergence may take a long time. Compton (1995) estimates that Catholic birth rates in Northern Ireland will converge on Protestant rates within ten years. At that point Northern Ireland's natural increase in population will be close to the UK and European average. It will however take a further 15–20 years for this convergence to feed through into the labour market.

The argument of this paper is thus that high unemployment in Northern Ireland represents a dynamic equilibrium between a high rate of natural increase in the working-age population and a slower rate of job creation, even if the latter is quite favourable in comparison with Great Britain. Similarly, it is argued that the persistently higher level of Catholic unemployment relative to Protestants within Northern Ireland also represents a dynamic equilibrium, again between high Catholic

natural increase and lower (although nevertheless quite high) levels of job creation.

In some senses high unemployment in Northern Ireland can be said to represent the consequence of local preferences. Compton (1995) argues that high Catholic birth rates in Northern Ireland are due to preference: 'Catholics simply prefer larger families' (73), and 'socio-economic structure plays a relatively small role' (73). Preferred family size has been shown to be a direct function of religiosity, with preferred family sizes of strongly religious Catholics at over 4 children in 1983 (Compton and Coward, 1989). However, as David Coleman points out in his chapter in this volume with reference to international trends, "'Catholic fertility" simply does not work as a general proposition'. Coleman concludes that 'The particularly high fertility of Catholics in Northern Ireland . . . has, it seems, correctly been held up as a specific example of the "minority status effect" on birth rates', that is Catholic teaching has an impact on birth rates when the Church is held in high esteem, for instance when it is an important symbol of identity as in Quebec. Similarly, a lack of full market clearing through migration may itself represent a degree of preference for local residence as Sheehan and Tomlinson (1996) suggest in the case of West Belfast. The reluctance of Catholics to move to, or seek jobs in, majority Protestant areas in Northern Ireland (and vice versa), may be due to their beliefs or experiences of sectarian intimidation. However, the absence of mobility within Northern Ireland would seem to be of little account in explaining higher Catholic unemployment rates, given the geographical pattern and thus sectarian distribution of job creation in recent years. In this respect differential propensity to emigrate in relation to ethnically specific employment rates is of greater importance.

The situation is however changing. Northern Ireland's birth rate is converging on the British average, and Catholic birth rates are converging on Protestant rates. Short-term unemployment rates in Northern Ireland are now below the British average. The key remaining problem is how to get the long-term unemployed back into work, or alternatively into satisfactory retirement.

APPENDIX A: The Algebra of Employment Shortfalls

Change of Job Shortfall between year 0 and year n equals:

$$p_0 \cdot NI - \Delta E.$$

Where NI is the natural increase in working-age population, E is employment, P_0 is the participation rate in year 0, and Δ indicates a change between year 0 and year n.

And $p_0 \cdot NI - \Delta E = p_0 \cdot WMIG + \Delta p \cdot W_n + \Delta U$

Where WMIG is the net number of out-migrants of working age. W_n is the population of working age in the final year and U is the number of unemployed. The labour force L is the sum of the employed and the unemployed.

Derivation

As

$$p_0 \cdot (NI - WMIG) = p_0 \cdot \Delta W$$

And

$$\begin{aligned} p_0 \cdot \Delta W + \Delta p \cdot W_n &= p_n \cdot W_n - p_0 \cdot W_0 = \Delta L \\ &= \Delta U + \Delta E. \end{aligned}$$

It follows that:

$$p_0 \cdot NI = p_0 \cdot WMIG - \Delta p \cdot W_n + \Delta U + \Delta E$$

and

$$p_0 \cdot NI - \Delta E = p_0 \cdot WMIG - \Delta p \cdot W_n + \Delta U.$$

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