



Office of the  
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Deputy First Minister**  
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## **Good Jobs in Northern Ireland**

Tackling poverty and inequality at root



## **New Economics Foundation (NEF)**

is an independent think-and-do tank that inspires and demonstrates real economic wellbeing.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.



This research forms part of a programme of independent research commissioned by **The Office of the First Minister and Deputy First Minister (OFMDFM)** to inform the policy development process and consequently the views expressed and conclusions drawn are those of the author and not necessarily those of OFMDFM.

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## Summary

Northern Ireland (NI) is at a crossroad. The economy was badly hit by the financial crisis and is emerging from recession more slowly than the rest of the UK. The UK government's austerity programme has created further difficulties for NI. There is now an opportunity to rethink the direction of NI's labour market and economic policy. We recommend that this involve a new focus on the creation of good jobs – those which provide a decent wage as well as decent quality work. This is in contrast to the traditional approach of maximising growth and then relying on redistribution to tackle inequality. The evidence is that the latter has failed to deliver shared prosperity, even when growth was strong before 2008. By contrast, there is evidence that a good jobs approach can work by addressing the root causes of poverty and inequality in NI.

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### **How the labour market is driving poverty and inequality in NI**

By examining trends in the data and conducting case study research, we found that the functioning of the labour market is driving the entrenchment of poverty and inequality in NI (Section 1). There are cyclical factors which drive unemployment and inequality; however, there are also enduring structural factors shaping inequality and inactivity across NI as a whole, and in addition leading to sharp spatial inequalities. Poverty is increasingly affecting not just those who are out of work but those who have jobs: while the number of top professional jobs has increased, real wages overall are falling and there is an increasing amount of low-waged work. At the same time mid-level jobs have been lost. In other words, there is not only a long-term jobs deficit, but also a long-term *good jobs* deficit.

### **Why current policy isn't addressing the root causes**

When we reviewed current policy (Section 2), we found some successes in addressing poverty and inequality and its drivers, but we also identified significant gaps. We suggest that these gaps arose because the overall approach has been to target growth and then rely on redistribution to address inequalities – as opposed to building concern for inequality into growth initiatives from the start. Inequality has been considered, but the focus has tended to be on inequality between groups defined by religion or gender, rather than overall economic inequality. We also found that while increasing

the numbers of jobs and upskilling workers was a focus of many initiatives, there has been relatively little attention to the quality of jobs. More generally, we found that there has been little change in the direction of policy over the years, with little learned from the experiences of 2008.

### **Our recommended approach for addressing poverty and inequality at root**

Based on our review of current and historic policy, we identified two critical areas for further development:

- Achieving good jobs for all (defined in Section 3).
- Developing new measures of progress for NI.

#### **1. Achieving good jobs for all**

Good jobs are at the heart of a successful economy because remuneration for work provides the major source of livelihoods for most households. Given the decline in the number of mid-level jobs and the rise of in-work poverty, policymakers need to aim for higher quality jobs as well as a greater quantity of jobs.

We propose a way of achieving this aim, drawing on examples from other countries such as Denmark and the Netherlands (Section 3). This does not just involve creating more highly paid jobs which can only be accessed by those with high levels of education, for example in knowledge-intensive sectors such as technology. Instead it involves a commitment to making all jobs good jobs, including useful and necessary jobs in sectors such as care and retail.

By reviewing available evidence, we explored a selection of policy measures which could be developed and implemented in NI, measures which could start to deliver results immediately. We have grouped possible interventions under three headings.

#### *Designing good jobs*

Designing good jobs applies not just to ensuring quality in the new jobs added to the economy, but to rethinking existing poor-quality jobs to turn them into good ones. The measures we recommend are:

- 1. Leverage social clauses in public procurement.** Social clauses in government procurement and commissioning contracts are increasingly being used to achieve social objectives. They need to be developed in NI so that good jobs outcomes are prioritised.
- 2. Expand take-up of the living wage.** Raising the wage floor is a direct means of lifting low wages. The minimum wage is set nationally but living wage initiatives are growing at the sub-national level throughout the UK.
- 3. Boost employers' demand for skills.** It has been argued that limited employer demand for and use of skills underpins poor quality work. Policy has tended to focus on encouraging workers to up-skill but initiatives to boost skills demand are increasingly recognised as essential. Government can support businesses in a variety of ways to do this.

- 4. Build in progression routes for workers.** The problem of poor quality work is compounded by the extent to which workers are trapped. An important conclusion from the literature is that over the next decade labour market policy needs to tackle progression for the low wage/low skill workforce.<sup>1</sup> Career ladders within and across firms are gaining interest.
- 5. Address pay ratios.** Tackling inequality means looking at top pay as well as bottom pay. Addressing this in the private sector is complex but public institutions can review and publish the ratios in staff pay between the top and median, and between the top and bottom.

### *Funding good jobs*

As well as thinking about the design of good jobs, we suggest ways in which to stimulate investment in good jobs.

- 1. Boost domestic investment in order to avoid reliance on foreign direct investment (FDI).** Pursuit of FDI offers short-term potential for helping a good jobs agenda, but a longer-term view of investment in NI needs to balance a combination of foreign and domestic investment sources for growth and good jobs.
- 2. Develop job guarantees.** Careful use of public subsidies can sustain and support existing employment opportunities and create new ones.
- 3. Establish an NI investment bank and banking diversity.** A dedicated investment bank with a network of local credit sources can be used to create investments that support good jobs outcomes.

### *Owning good jobs*

By shifting the priorities of enterprise it is possible to build in incentives to sustain quality employment on a wide scale. Alternative forms of ownership can be especially effective. We recommend an examination of support mechanisms for alternative ownership models as follows:

- 1. Support and grow co-operative ownership models.** There is a long history of the collective ownership of assets by their users, or those who work on them. Co-operative ownership can deliberately create the conditions for good employment.
- 2. Develop community ownership models.** As an alternative to co-operative ownership, communities (however defined) can take ownership of a local asset with similarly beneficial impacts on the quality of employment.

## **2. Developing new measures of progress for NI**

We have considered policies for achieving good jobs in NI as a priority. Even with a strong intent, however, it will be difficult to re-orientate national and local governments to the good jobs approach as long as the key headline indicator of progress is growth. Although the Northern Ireland Composite Economic Index (NICEI – NI's equivalent to GDP) will remain an important measure, we recommend the development of a more rounded set of headline indicators to better capture societal progress and to send strong signals about priorities. This will be in line with the widespread and high-level acceptance in the UK and

elsewhere that growth is too narrow a goal for economic policy. This will not only help NI citizens hold policymakers to account on what really matters, but could also help build a consensus around the direction of policy.

To be effective, a new set of indicators must be framed by a clear narrative on societal progress, and this should be the result of a process of public and stakeholder engagement which identifies values and aspirations, not just for government, but for society as a whole. Because this process has not yet happened, we cannot make definitive recommendations at this point. However to kick start the process, we conducted a review of possible domains and indicators and made some preliminary suggestions as a 'starter for ten'. Table 1 summarises these – for more details of the indicators, how we selected them and for possible alternatives see Section 4.

**Table 1. Starter for ten: Indicators of progress for Northern Ireland on the economy and its outcomes.**

| Overall area                | Domain              | What the proposed indicators measure   |
|-----------------------------|---------------------|--|
| Functioning of the economy  | Living standards    | <b>Median Household Income</b>   |
|                             | Economic inequality | <b>Average income of top 10% of earners divided by that of bottom 40% of earners</b> |
|                             | Jobs                | <b>Percentage of working age population employed in good jobs</b>                    |
|                             | The future economy  | <b>Net increase in jobs in valuable sectors</b>                                      |
| Key outcomes of the economy | Health              | <b>Disability-free life expectancy</b>   |
|                             | Wellbeing           | <b>Levels of subjective wellbeing</b>  |



## About the project

The New Economics Foundation (NEF) was commissioned by the Office of the First Minister and Deputy First Minister (OFMDFM) to conduct research on the labour market drivers of poverty and inequality in NI and to consider the consequences for policy. The project has resulted in two major reports in line with these two objectives, as well as three policy briefs and this final report. The work has been overseen by a Steering Group comprising representatives from different NI Executive departments and civil society. More information on the methodology can be found in Appendix 1.

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### Reading this report

This report draws together the strands of enquiry across the project to make final policy and practice recommendations. It is intended for a broad audience encompassing ministers and senior officials across NI Executive departments, NI Assembly members and their staff, local authorities, statutory and voluntary organisations, the media, and the public at large.

Section 1 sets the scene with an overview of NI's economic context and then summarises the evidence on the relationships between poverty, inequality, and labour market outcomes in NI and at different spatial levels.

Section 2 summarises our review of existing policy as well as historic policies conducted since 1998. We use a framework based on the findings in Section 1 and on this basis identify key gaps.

Section 3 delivers our recommendations on economic and labour market policy, designed to help NI move towards good jobs for all.

Section 4 details our recommendations for developing a new headline framework for measuring economic progress in NI with a focus on good jobs.

Section 5 outlines our suggestions for next steps for a range of stakeholders.

The report summarises a wealth of detail from the different phases of work. Those who are interested can read more in-depth content and analysis of different aspects of the research in our previous phase reports which are available to [view and download on NEF's website](#).



# 1. Labour market drivers of inequality and poverty in NI

NI faces an exceptionally challenging economic and policy context. On top of long-term challenges as a result of industrial decline, the region suffered more severely from the recession than other parts of the UK and is emerging from it more slowly. Through examining quantitative data and qualitative case studies we explore the causes of high levels of poverty and inequality in NI. We find that these are caused not only by inactivity and unemployment, exacerbated by cyclical factors, but also by longer-term spatial inequalities and structural trends. The latter include growth in low-paid sectors and occupations (where real wages are continuing to fall), and high-paid professional roles, together with a reduction in the number of jobs in the middle.

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## Context: NI's recent economic history

During the second half of the twentieth century, one-time industrial success gave way to decades of steady decline in NI, accelerating sharply during the 1970s and the 1980s. This left a legacy of high rates of unemployment and inactivity as well as low wages. However, with political stabilisation and positive global economic conditions in the early 2000s, NI enjoyed growth per capita averaging 3.4% annually, above the UK average of 3.1% – and even outpacing London's 3.2% annual average over the same period.<sup>2</sup> From 1995 to 2008, employment increased by an average of 11,000 jobs annually, with unemployment falling to an historic low of 3.6% in mid-2007.<sup>3</sup>

Following this period of progress, NI was hit earlier and harder by the financial crash and subsequent recession.<sup>4</sup> A small economy, with a population roughly one-quarter that of London, it has been more exposed to international fluctuations, and to the collapse of the Republic of Ireland's economy in the period 2008–2010. By the middle of 2014, NI's economy was still 12.7% below its pre-recession peak, lagging behind the rest of the UK where the pre-recession peak has been surpassed.<sup>5</sup>

Aside from the more pronounced weakness of the NI economy in recent years, the relative boom of the decade or so to 2007 did not remove the longstanding legacies of industrial decline.

## Context: Political and policy developments

The recent tensions in budgetary negotiations in Stormont are testament to the fact that NI faces serious political and policy challenges. Nevertheless, there are a number of upcoming moments which offer the chance to chart a new direction for NI's economy and society.

### 1. Implementation of local government reforms in NI, April 2015

Reforms will cut the number of local councils in NI from 26 to 11.<sup>6</sup> One of the more promising aspects is regeneration, which includes the introduction of Community Planning. It is hoped that this will offer a new way to tackle poverty and inequality in a place-specific way. In particular, councils will be able to integrate anti-poverty initiatives into regeneration schemes and include specific income-poverty monitoring.<sup>7</sup>

### 2. New Programme for Government, early 2016

This will set the strategic context for the Budget and Investment Strategies for NI over the next five-year period. The programme will include a *Delivering Social Change Social Policy Framework*, which will look at how to promote an inter-dependent platform for economic and social objectives around reducing disadvantage. The need for a strong focus on clearly identified social outcomes sits at the heart of the framework proposal along with a co-production approach.

### 3. Elections to the NI Assembly, 2016

The next election for Members of the Legislative Assembly (MLA) will take place in 2016.

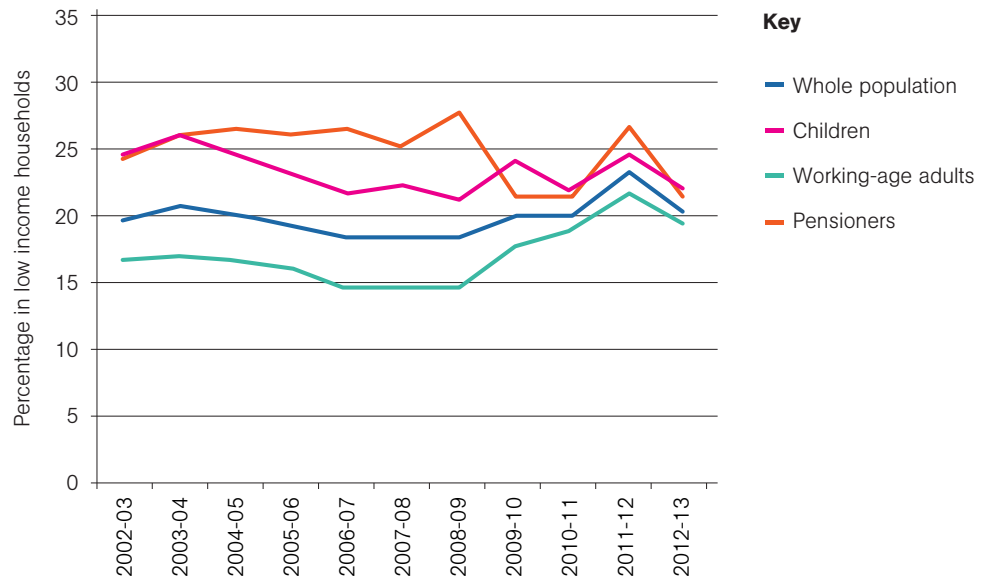
## Key facts about poverty and inequality in NI

### *Working age poverty rising since 2008*

In 2012/2013, 20% of the population was living in poverty according to the low-income measure adjusted for inflation and before housing costs.<sup>8</sup> As shown in Figure 1, for most groups, the rate was relatively stable between 2002 and 2010/2011. It increased for all groups in 2011/2012 and fell again in 2012/2013.

In particular, working age poverty has risen sharply since 2008. This may be the result not only of rising unemployment but also of falling real wages. The latter is evidenced by the rising rates of in-work poverty. In 2012/2013, 36% of individuals living in poverty had at least one member of the household in full-time work. This was an increase from 31% in 2005/2006.<sup>9</sup>

Figure 1. The growth of poverty in the working-age population: Absolute low income levels for different population groups living in low-income households NI 2002/2003 – 2012/2013 (Before housing costs).



Source: FRS, 2002/2003-2012/2013 in Households Below Average Income NI, DSDNI.

### *Economic inequality*

Between the early 1990s and the onset of the economic crisis in 2007/2008, inequality in the UK fluctuated around a level high by international standards. It then fell slightly in 2010/2011 before stabilising again, still at a high level by historic and international standards.<sup>10</sup> There is unfortunately no similar time series data for NI. Recent data suggests that the ratio of the top 10% of earners to the bottom 10% of earners was lower in NI than the UK average, and has dropped slightly between 2012-2014.<sup>11</sup>

### *Low employment and long-term unemployment by UK standards*

NI consistently ranks amongst the lowest UK regions on levels of employment. Even as unemployment reduced during the years after 2004, NI had the lowest rate of employment in the UK out of 12 regions, and saw a particularly sharp drop in 2008. Since then, it has fared slightly better, with the North East having a lower employment rate than NI as of 2013.<sup>12</sup> Nevertheless, in 2014, NI had an employment rate of 68.5% compared to 73.0% in the UK.<sup>13</sup> Long-term unemployment is also high – in 2013, nearly half of those who were unemployed in NI had been unemployed for a year or more.<sup>14</sup>

### *High inactivity by UK standards but some improvement recently*

More than one in four working-age adults were economically inactive in 2014. This was considerably above the UK average of 22.2%.<sup>15</sup> This discrepancy has been persistent, with the NI being an average of 6% higher than UK since 1992, though there have been improvements more recently.<sup>16</sup>

### *High numbers of young people not in employment, education or training (NEET)*

The number of 16–24-year-olds who are NEET (20%) is above the UK average (18%), and, along with Wales, NI has compared relatively badly to the UK on this measure since 2010.<sup>17</sup> Although data for the year to June 2014 also shows that youth unemployment in NI is slightly higher than the UK average, (20.9% compared to 18.6%), overall, rates have remained similar to the UK average, starting at about 12% in 2004 and seeing steep rises after 2008<sup>18</sup>

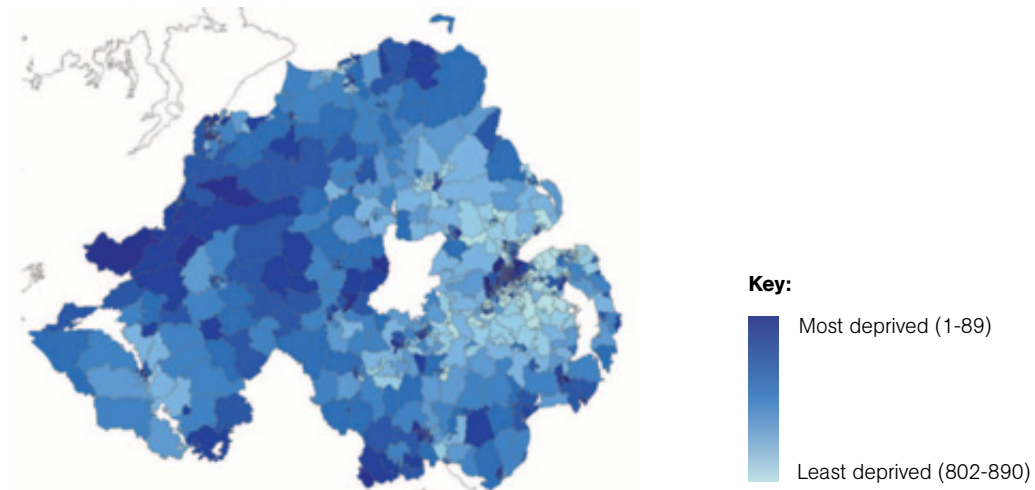
### *Low household incomes by UK standards and falling real wages*

On average, household incomes in NI for 2012/2013 were about 11% lower than in the UK.<sup>19</sup> Full-time workers in the bottom 20% in terms of income earn noticeably less than the UK Living Wage which was £7.85 in 2014.<sup>20</sup> While official figures show that UK average earnings outgrew inflation by a whisker in the third quarter of 2014, real wages for a typical full-time worker in NI continued to fall.<sup>21</sup>

### *Strong spatial inequalities*

Deprivation is not equally distributed across NI. Figure 2 shows clusters of deprivation in the North and West, and in the city of Belfast. Less deprived areas are primarily in the Belfast hinterland.

**Figure 2. Strong spatial inequalities across NI: NI Multiple Deprivation Measure results at Super Output Area (SOA) 2010 (by rank).**



Source: NIMDM, 2010, NISRA Demography and Methodology Branch.

## **Labour market drivers of poverty and inequality in Northern Ireland**

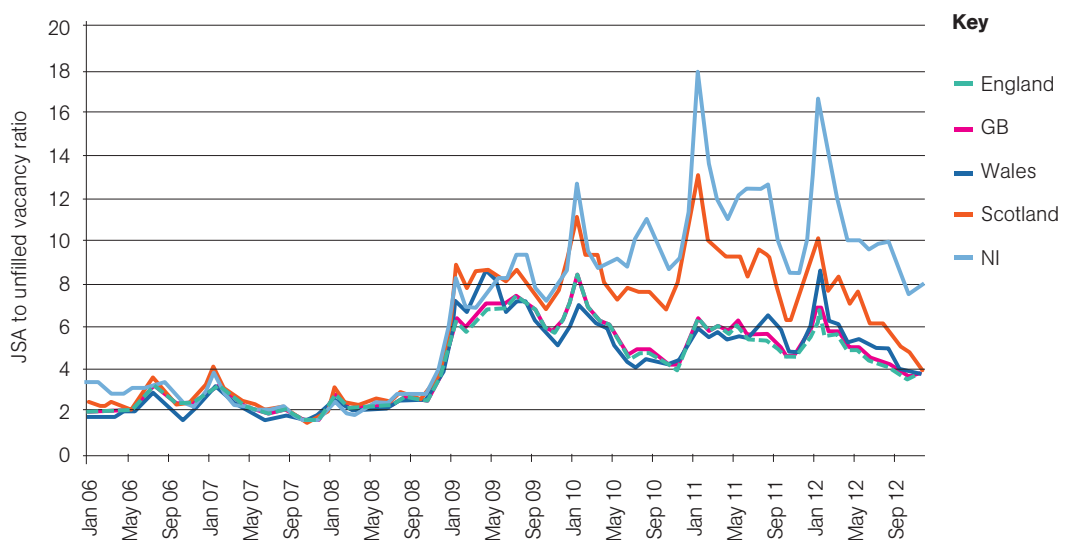
Our analysis of the quantitative data, as well as our qualitative case studies, indicates a number of labour market drivers of poverty and inequality in NI. Some of these appear to be cyclical and others structural although patterns in cyclical changes may reflect structural weaknesses (e.g. the lack of recovery in the NI as compared to the rest of the UK).

## Cyclical drivers

### *A decrease in labour market demand*

Labour demand is relatively weak in NI. Figure 3 depicts the ratio of people on Job Seeker's Allowance (JSA) to unfilled vacancies since 2006. It shows that up to 2010 NI was not dissimilar to other parts of the UK. However, since 2010, the ratio for NI increased more than other parts of the UK, suggesting either a rise in the number of people looking for work, a fall in vacancies, or a combination of the two.

**Figure 3. The jobs gap: The ratio of JSA claimants to unfilled vacancies, England, Scotland, Wales, NI, and Great Britain, 2006– 2012.**



Source: Ratios for England, Wales, Scotland & GB, JSA claimants per unfilled vacancy, NOMIS. For the NI data, ratios were calculated by authors. JSA data source: Claimant count, DFPNI.<sup>22</sup>

### *Volatility in Foreign Direct Investment*

An important part of labour market demand is produced by Foreign Direct Investment (FDI). This often produces jobs which are high productivity and high pay.<sup>23</sup> NI has had some clear successes here in recent years, attracting 7% of all FDI flows into the UK in the period 2008– 2011, well ahead of its share of the economy.<sup>24</sup> However, this relative success hides an absolute decline from £724.3 million in 2008-9, to £464.3 million in 2013-14, despite a very robust recovery over the last year.<sup>25</sup>

### *Decline of the public sector*

Another important part of labour market demand is produced by the public sector. NI has a relatively strong public sector, making up a third of employment opportunities.<sup>26</sup> Not only is it an important provider of jobs, these jobs are often relatively highly paid and highly skilled. Although the number of jobs in the public sector actually peaked in 2009, it has seen a 6.2% fall since then (a loss of 14,020 jobs). Given cuts in public expenditure, it is likely that this trend will get worse.<sup>27</sup>

## Structural drivers

### Low labour productivity

Ni's productivity, measured as Gross Value Added (GVA) produced per hour worked, is the lowest of the UK regions and devolved administrations, at 81.8% of the national figure and 61.3% of London's output per hour.<sup>28,29</sup>

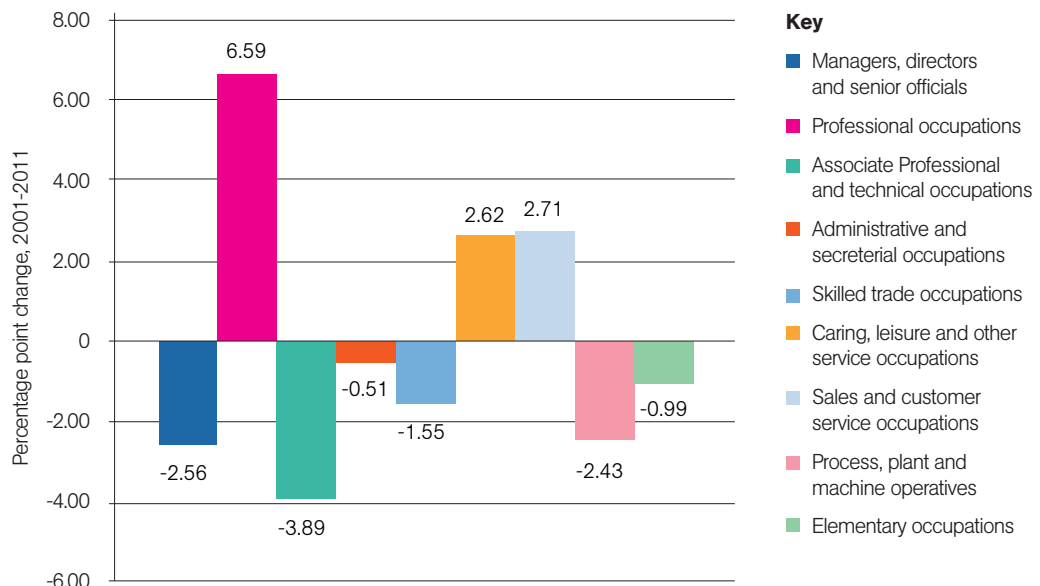
However, in itself this is not a particularly useful observation – the question is why productivity is low? Simply raising productivity may not result in increased wages if labour is in a relatively weak negotiating position: hence the recent failure of median wages to grow in line with productivity in the USA.<sup>30,31</sup>

### Labour market polarisation

Figure 4 shows changes to professions in NI between 2001 and 2011. We can see an increase in highly paid professional jobs, as well as typically low-paid positions such as those in care, customer services, and sales. There have also been reductions in traditional middle-income jobs, such as technical and secretarial occupations or skilled trades.

It is likely that these trends will increase: middle-income professions such as skilled trades and technical occupations are predicted to reduce further across the UK<sup>32</sup> while caring occupations are predicted to grow because of an ageing population.<sup>33</sup>

**Figure 4. Change in distribution of working age population (16– 64 yrs) by occupation of work, Northern Ireland, 2001– 2011.**



Source: Census 2001 & 2011, NISRA.

The result of these changes is an economy shaped like an hour-glass, with high numbers of jobs at the top and bottom, and a hollowing out at the middle. The effect of these changes was strongly felt across our case study areas. Residents described how the jobs available were either of poor quality with limited security:

*“There’s youth work and care work available but people don’t want to do that anymore. I don’t want to do it. It’s hard work, bad pay and a headache.”*  
(Male, unemployed less than a year, Derry/Londonderry)

...or out of reach:

*“Yes they’re [the NI Assembly] always about how many jobs they’ve created in Omagh but they’re all for engineers. If you don’t have those skills then you can’t get those jobs. Most people don’t have engineer jobs.”*  
(Male, long-term unemployed, under 25, Strabane)

Residents in all areas also felt that there were very few opportunities for progression within low-paid sectors.

*“[It’s] not just an issue of getting a job – there’s also no opportunity to progress.”*  
(Female, unemployed less than a year, under 25, Strabane)

#### *Low wages at the bottom of the market*

As noted, the number of jobs in low-paid sectors and occupations is rising – and pay for these jobs is very low: The latest figures for 2014 show median gross annual pay for those working in sales and customer care is just £10,434, and £11,617 for those in caring and leisure occupations.<sup>34</sup>

Residents in our case study areas described how the prevalence of low pay, as well as the difficulties of getting back on benefits once signed off, resulted in a benefits trap.

*“Minimum wage of 6 quid, after petrol and other costs what is the benefit, costs now for optician, dentists and so on. It’s just not worth it. Makes more sense to stay on benefits.”*  
(Unemployed mother with young children, Belfast)

#### *A relatively low-skilled workforce*

Since 2001, NI has created a more qualified workforce. The proportion with no qualifications dropped from 37% to 21% between 2001 and 2011, and the proportion of people with a degree level qualification rose from 17% to 26% in the same time period.<sup>35, 36</sup> Despite this important progress, qualifications overall remain comparatively low. In 2012, the percentage of working-age residents without any formal qualifications (18.4%) was double that in the UK as a whole.<sup>37</sup>

Furthermore, literacy skills across England and NI for the younger generations are lower than the international average.<sup>38</sup> Although this is likely to be due to the fast improvements in other countries, it nevertheless does not bode well in a competitive global economic market.

#### *Poor self-reported health*

In 2011, 20% of the NI population reported having less than good health. Among the working age population (16– 64) 10% reported that their day-to-day activities were limited and 31% of the population reported a disability or ill-health condition. The prevalence of health problems in NI has been linked to ‘the Troubles’, and the NI Poverty and Social Exclusion Survey 2012 illustrated the high numbers of residents who have experienced violent events



and conflict-related experiences.<sup>39</sup> Unfortunately, while this conclusion may be supported by self-reported health status, self-harm and suicide rates have been growing in NI,<sup>40</sup> especially among the younger age group who did not experience the Troubles.

#### *Low union membership*

Growing evidence suggests that collective bargaining is key to reducing income inequality and low wages.<sup>41</sup> While union membership is higher than in the UK as a whole (36% as against 26%, partly reflecting high public sector employment), and while it has not fallen as fast over the last decade, it is low compared to other more equal high-income countries such as Norway (54.7%) and Sweden (67.5%).<sup>42</sup>

### **The spatial pattern of labour market drivers of poverty and inequality**

All of the labour market drivers just described vary spatially. In NI, labour supply factors, such as poor health, high inactivity, and low skills still tend to reflect historic economic geographies, with high unemployment and inactivity in former industrial urban areas and rural localities.

Table 2 shows a group of key indicators at the sub-regional<sup>43</sup> level in 2011. Even at this level of aggregation, clear spatial differences are evident: low activity and high unemployment, along with poor health in Belfast and the North, and higher activity, lower unemployment, and less poor health in Outer Belfast and the East. Both Belfast and its environs nevertheless contain high proportions of people qualified to degree level. The West and South, covering mainly rural areas, show a pattern of low qualifications and relatively low activity, but also a lower claimant count rate than Belfast and the North.

**Table 2. Key indicators in NI sub-regions 2010/11.<sup>44</sup>**

|                       | 16– 64<br>economic<br>activity rate %<br>(2011) | Job Seekers<br>Allowance<br>Claimant Count<br>Percentage<br>(2011) | % 16-64 with<br>level 4 and<br>above (2011) | % reporting<br>less than good<br>health (2011) |
|-----------------------|---|--|---|--|
| <b>West and South</b> | 70.7  | 4.8  | 20.5  | 19.6   |
| <b>Belfast</b>        | 69.0  | 7.0  | 33.4  | 24.1   |
| <b>North</b>          | 68.4  | 6.4  | *   | 21.3   |
| <b>East</b>           | 74.9  | 4.2  | 25.9  | 19.6   |
| <b>Outer Belfast</b>  | 76.6  | 3.9  | 34.4  | 19.4   |

Sources: Labour Force Survey Local Area Database (2011), JSA Claimant Count Annual Snapshot (DSDNI), Census 2011.<sup>45</sup>

\* denotes insufficient sample size

If we look back to the decade preceding 2010/2011, we can see that economic growth in the early 2000s brought some evidence of a changing economic geography, with more pronounced job growth in the boom time in the West and South than in Belfast and the North. Data on the growth and reduction of different industries show that this was largely due to a smaller fall in manufacturing in these areas between 2001 and 2011, and to modest growth in public administration, transport, and (in Fermanagh) wholesale and retail trades.<sup>46</sup> No district bucked the trend of increased polarisation, however, with jobs being gained in both higher paying and lower paying sectors, showing that even under growth conditions, structural inequalities remained. Looking at the most recent data shows a pronounced geography of pay. Districts in the North (the lowest paying sub-region) had an average median hourly pay of £9.30 in 2013, compared with an average of £11.30 in districts in Outer Belfast (the highest).<sup>47</sup>

We read this evidence as suggesting that spatial patterns of poverty and inequality have embedded labour market origins, related to longstanding patterns of labour supply and demand.

During our case studies, participants also mentioned other localised factors which may impact on the relationship between labour market change and poverty and inequality, for example patterns of childcare provision, public transport availability and cost, and the availability and quality of employment services (both statutory and voluntary).

## 2. Section 2: A review of existing and historic policy

This section explores the question of how far policy has been able to address the root causes of poverty and inequality in the labour market identified in Section 1. Looking at policies implemented since 1998, we found that while NI has made significant progress on a number of social and economic fronts, including improving the qualifications profile of its workforce and building stronger communities, significant gaps remain. These include a lack of attention to who would benefit from growth, a failure to seriously address economic inequality, and little focus on the quality of jobs.

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### Context: Devolution and policy-making in NI

Since the Northern Ireland Act of 1998, the Northern Ireland Assembly has been charged with formulating and delivering policy for the country in a range of areas, including education, employment, health, social services, and economic development.

Looking at policy in NI as a whole, the social and economic progress that has been made, for instance, on education, community-building, and greater equality of outcomes between the Protestant and Catholic communities, is impressive. At the same time, however, our research has highlighted that challenges such as low pay, polarisation, and inactivity remain entrenched. The overall question is therefore: *How far have policies gone towards tackling structural labour market constraints and patterns in order to tackle poverty and inequality at root?*

### Criteria used to review policy

We attempted to answer this question by reviewing strategies, funding streams, and individual policies developed since 1998. We judged these against some key objectives for the economy, which we suggested would be needed in order to re-orientate economic policy to seriously address the challenges identified above.

These objectives were as follows:

*Tactical objectives to reduce unemployment and increase activity, whether caused by cyclical or structural factors of the kind identified in Section 1*

- Creating jobs
- Reducing inactivity
- Providing high-quality employment career advice and support

*Strategic objectives to address structural issues*

- Increasing qualifications
- Building inclusive growth
- Creating good jobs
- Building economic resilience

*Objectives designed to address spatial inequalities*

- Targeting of support and effective regeneration
- Delivering good complementary services, such as childcare and transport

In our review, we explored the extent to which these objectives had been considered in policy, as well as considering any progress which had been made towards them.

Policies were selected towards the end of 2013 and early 2014. It is very likely that policies may have been developed since then which have relevance to the areas below. Appendix 2 describes our review methodology. A list of all the interventions that were considered in this review can be found in Appendix 3.<sup>48</sup>

## **Tactical measures to reduce unemployment and increase activity**

### *Job creation*

Job creation is a central feature of a number of the initiatives we reviewed, most notably the Economic Strategy and Invest NI and several of the regeneration schemes. Although overall, there has been around a 30% increase in overall employment between 1993 to 2014<sup>49</sup>, the evidence from specific policies pointed to a limited impact on job creation, with Invest NI often playing a safeguarding role rather than creating new jobs.

Up to 2008 net job creation by Invest NI was relatively poor and expensive. The Northern Ireland Audit Office calculates that over the period from 2005 to 2008, Invest NI achieved an overall cost per job of £23,300, breaking down as £17,500 for indigenous firms and £25,900 for FDI. Compared to other economic development agencies, these costs were high. In comparison, the overall cost per job achieved by the North West Development Agency was £9,100; £12,800 by One North East; and £12,900 by Advantage West Midlands.<sup>50</sup> Nevertheless, without such support for new and particularly safeguarded jobs, it is likely the labour market would have fared considerably worse.

### *Reducing inactivity*

Looking across policy in NI, there have been clear attempts to address unemployment and inactivity as well as skills deficits. However, the picture on real engagement with inactivity is more mixed. There is some evidence to show positive progress in tackling inactivity, for example, the *Pathways to Success* strategy and action plan targeting NEETs has seen a relatively high

percentage of participants move on to employment, further education, and advanced training. However, there is little evidence to show that inactivity as a whole has been positively addressed.

#### *Providing high-quality employment, career advice, and support*

Few of the initiatives addressed the quality of employment support services. Where they did, for instance in the New Deal programmes which encompassed job search support, there was a lack of evidence of long-term impact.

### **Strategic measures to address structural issues**

#### *Increasing qualifications*

There has been a relatively strong focus on addressing low qualifications, for example through the *Pathways to Success* programme, the *Bridge to Employment*, *Apprenticeships NI*, and most directly, *Success through Skills*. These programmes have seen some successes, particularly those which involved employer engagement, and work placements. For example, the *Pathways to Success* strategy and action plan, which specifically targets NEETS, has seen a relatively high percentage of participants move on to employment.<sup>51</sup> More broadly, and as already noted, the proportion of the population with qualifications and with degrees has increased.

#### *Building inclusive growth*

Objectives around economic growth and rebalancing the economy sit at the core of the NI Executive's economic strategy, *Priorities for sustainable growth and prosperity: Building a better future*.<sup>52</sup> Economic growth is explicitly referred to alongside the need to address social and community tensions. Similarly broad distributional impacts were a concern of all the initiatives that were assessed. Despite this strong focus, the strategy falls short of an approach to *inclusive* growth, which requires that distributional issues are embedded into the growth model itself,<sup>53</sup> rather than depending on redistribution after economic activity has taken place. This was mainly because while there has been progress on the supply side of the labour market – increasing qualifications, as just noted – there has been less progress on the demand, i.e., the availability of good jobs, which we turn to next.

#### *Creating good jobs*

Our review of the labour market made clear that a critical driver of inequality and poverty was the increase in the number of low-paid jobs at the bottom of the market and a reduction in the number of jobs in the middle. In the absence of action, this trend is likely to continue. Dealing with the problem requires action to address pay levels, particularly at the bottom of the market, and action to increase mid-level jobs and progression opportunities for those who are not qualified for graduate-level jobs at the top of the market. We summarise this as a focus on good jobs.

As just noted, we found that this focus was either non-existent or relatively weak across the initiatives that were reviewed. Employment programmes, especially before the *Steps to Work* initiatives, focused almost entirely on supply-side features. As a consequence their ability to increase employment in economically deprived areas was limited. In addition, the documents reviewed did not mention the need to address labour market polarisation in NI.

There has been some improvement, however, suggesting that introducing targets in this area can work. Prior to 2008, Invest NI had no job quality targets, although it did analyse the salary difference between FDI jobs promoted/safeguarded and the NI Private Sector Median (NIPSM). Between April 2002 and March 2008, 87% of safeguarded jobs had salaries above the NIPSM compared to only 50% of new jobs. Furthermore, 60% of the new jobs were in 'contact centres' and only 33% of these had wages above the NIPSM. In 2008, Invest NI started to measure the quality of job outcomes by recording median pay and targets on job quality. Results improved: 75% of jobs promoted between 2008 and 2011 were above the NIPSM, a marked improvement from 50% over the previous Corporate Plans.<sup>54</sup>

Other schemes, such as the new *United Youth Programme* offering young people in the NEET category structured employment, work experience, volunteer, and leisure opportunities, will create one-year job placements. However, it is not clear that the new jobs created will be jobs with decent pay and conditions. Care should be taken that the programme is not seen as a 'make work' programme, as the Youth Training Scheme (YTS) introduced in 1983 was. The evidence is that instead of increasing the employability of young people the YTS stigmatised them as those incapable of 'real' work, effectively marking them as the least attractive prospective employees.<sup>55</sup> As short-term jobs that are designed as stepping stones into more formal employment, these schemes need to link to the jobs available in the locality and be accompanied with longer-term plans to address low labour demand.

### *Building economic resilience*

The definition of economic resilience incorporates the ability to withstand, to adapt to, and to recover from shocks.<sup>56</sup> Clearly building resilience in a highly interconnected global economy is not easy but a review of key characteristics of resilience indicates that there are ways of boosting strengths. Studies have identified a number of qualities which tend to make economies more resilient: diversity in public, private, productive and financial sectors; diversity of organisational forms; a solid base of physical and human infrastructure; thriving community and voluntary sectors and strong civic engagement; high levels of employment, entrepreneurship, and skills; and a high-quality, sustainable environment.<sup>57, 58</sup>

Our review indicated that policy in NI is addressing the resilience challenge on a number of fronts but with low-to-medium levels of impact. Poverty reduction and employment and skills initiatives together with multiple investments in the social economy are contributing to economic resilience as is sectoral diversity and promotion of a low-carbon economy. These are features of the NI Economic Strategy and Programme for Government up to 2015.<sup>59</sup> Resilience should also be aided by the strong focus in NI across several plans on improving competitiveness (e.g. through Success through Skills) building export sectors (e.g. through Invest NI) and promoting innovation (e.g. through the *Innovation Strategy*).

There are, however, important gaps in terms of addressing economic inequality which hold initiatives back from impacting economic resilience. More generally, initiatives would benefit from explicitly featuring economic resilience as a goal.



### *Addressing spatial inequalities*

Policies to address spatial inequalities are designed to produce a more regionally balanced economy and to ensure that interventions are place-specific. This is especially relevant in the NI context because of the high spatial concentrations of deprivation in NI and significant differences in economic prosperity across regions as highlighted earlier. While there have been some successes, overall economic prosperity is yet to be significantly diffused away from Belfast and surrounding areas. This suggests that trickle-down strategies are unlikely to fix the problem; local strategies are needed. Given that the case studies suggested that service provision was a particular barrier to overcoming local challenges, we have considered the provision of transport and childcare alongside specific regeneration activities.

### *Effective regeneration and targeting of support*

Our review showed that geographical rebalancing of economic prosperity is considered in many current strategies and policies. Most obviously, a series of regional regeneration schemes such as *The One Plan* in Derry/Londonderry or *Strabane 2000* has aimed to tackle regional inequalities head on.<sup>60, 61</sup> In addition, other policies not categorised as 'regeneration' have involved a weighting of funds to areas with high levels of social and economic deprivation, for example the *European Social Fund*.

Regeneration schemes have been more comprehensive than other approaches in their ambition for meeting the challenges that we identified in our research, emphasising as they do the importance of job creation as well as training and business support. However, it is not clear that they have achieved success so far. Poor areas such as Derry, Strabane, and Limavady have remained poor and the regions of Strabane and Limavady have seen an increase in the proportion of neighbourhoods in the top fifth of the employment deprivation domain between 2005 and 2010.<sup>62</sup>

In particular, regeneration schemes have been criticised in NI for being fragmented and for overlapping in unhelpful ways.<sup>63</sup> One review concluded that there has been 'a significant lack of impact of regeneration policy in Northern Ireland' although it is important to note that similar conclusions have been reached for other parts of the UK.<sup>64, 65</sup>

### *Delivering good quality complementary services such as childcare and transport*

Very few strategies or policies considered complementary services such as childcare and transport, and where it was mentioned it was given little prominence. *People and Place: A Strategy for Neighbourhood Renewal* did aim to support people with complementary services through 36 neighbourhood renewal areas, 'helping people in the most deprived neighbourhoods to overcome any barriers to work such as poor transport or a lack of suitable childcare'. However, it is not clear the extent to which barriers to employment have been overcome.<sup>66</sup>

However, the new childcare strategy does indicate that this is an area where action will be taken.<sup>67</sup> The strategy outlines how the NI Executive plans to deliver an improved childcare service based on six principles: affordability, accessibility, sustainability, an integrated approach, quality, and informed



parental choice. This is to be welcomed but there are other key problems with the childcare system that are not considered, in particular the issue of low pay within the sector. Research by NEF has considered how to increase training and pay while expanding provision, finding that while this will increase costs, the investment will deliver multiple benefits for children, parents, childcare workers, and society as a whole.<sup>68</sup>

### **A summary of the policy gaps**

We have summarised the gaps identified in the policy review under five themes.

#### *A gap between diagnosis and action*

Strategy and policy documents explicitly mention many of the labour market policy challenges described in Section 1. However, many of the policy actions associated with these challenges are insufficient in scale and/or do not directly address the root causes of the problem.

#### *Focus on current problems rather than broader trends*

Looking across policy documents, there is a strong emphasis on ameliorating current problems rather than addressing the broader trends. Policies may alleviate short-term unemployment issues, but fail to address issues such as growing labour market polarisation or the global and technological trends leading to declining employment in manufacturing.

#### *Relatively little measurement of outcomes*

Measurement, both in terms of target setting and evaluation, is often insufficient and/ or unaligned with overall objectives. Attention is paid to narrow inputs (funding) and outputs (such as the number of jobs created) rather than outcomes (increased incomes, lower poverty, etc.) and broader impact.

#### *Extensive action on inequality but not economic inequality*

There has been extensive action on poverty and inequality between groups through the labour market in NI and reducing inequality has been a running theme in many of the policies and strategies, but there has not been a significant effort to achieve this through 'inclusive growth'.

#### *Reliance on growth plus redistribution rather than inclusive growth*

Public services and redistribution will always be an important part of a modern capitalist system, but given the shrinking public purse, little attention has been paid to ensuring that the economy itself is designed to generate equitable outcomes, though it is notable that this is a weakness shared with many other governments.

#### *Relatively little change in policy direction over time*

Our review did identify the evolution of policy in a number of important areas. For example, Invest NI now targets job quality and the 2012 economic strategy included a particular focus on innovation, encouraging smart, higher value-added growth. However, our understanding is that the overall strategy of growth and redistribution remains and, even after the economic turmoil of the crash, has not been seriously reconsidered.

### **A way forward for policy development**

This review has found that taken together, headline policies, including those of Invest NI, have taken into account many of the objectives which we identified based on our research, although to different degrees. Inclusive growth and resilience have been by-products of certain policies, such as the European Regional Development Fund (ERDF), but have not been explicit objectives and so not surprisingly have not been achieved to any notable extent. In particular the good jobs challenge has not been addressed.

As the policy focus in NI has, understandably, been on community cohesion and equalities between religious groups, none of the initiatives we looked at have as an explicit aim to address the distribution of income or wealth. In fact promoting greater economic equality overall has barely featured, including in *Together: Building a United Community*<sup>69</sup>.

We conclude that good job creation and its potential for promoting greater equality, inclusiveness, and resilience stands out as a particular gap in policy to date. Recently more attention has been paid to the types of jobs being created with Invest NI support. The wage level of supported jobs is now being measured but a complete view of the components of a good job, including training and progression opportunities, remains absent.

In the next two sections we suggest ways in which to address this. Section 3 sets out both the rationale of a good jobs approach as well as some possible policy levers for achieving it. Section 4 discusses how to measure progress and argues that a strong narrative based on headline measures of progress is a pre-requisite for a sustained and successful effort in this area.

While we suggest that these two areas of policy will be necessary to tackle poverty and inequality in NI, they clearly won't be sufficient. They are not intended as a comprehensive strategy, but rather were identified in consultation with stakeholders as areas where further work would be useful. In particular, our analysis has found that local-level strategies are also needed in order to ensure that the improvements are made in more deprived areas, and spatial inequalities are reduced.

### 3. Recommendation 1: Focus on good jobs

The quality of jobs should be a particular concern for policymakers. Poverty is now increasingly affecting those in work and not just the unemployed. Inequality in NI is driven by a polarised labour market, while ordinary wages have failed to grow. These patterns have consequences for the effectiveness of poverty-reduction initiatives.<sup>70</sup>

These trends point to the need for policymakers to concern themselves not only with enabling those without work to gain employment but also with the type of employment that is created. This section offers some background on schemes that have worked elsewhere, and how they could be implemented in NI.

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#### Introduction

A good job can be defined as one which offers<sup>71,72</sup>

- **a decent income**, i.e., enough to participate actively in society and pursue a fulfilling life.
- **job security**, i.e., some certainty of that income over define period.
- **opportunities for progression.**
- **work in the right quantities**; too little work damages well-being, but so does too much.
- **satisfying work**, i.e., work that utilises skills and provides opportunities to develop.
- **an employee voice** that provides some level of autonomy and participation.
- **decent conditions**, including sick pay, holiday pay, and other non-pay entitlements.

Our policy review revealed that a focus on good jobs is either low or non-existent across NI's major economic and social policy initiatives.

As in other countries, economic policy in NI has been aimed at achieving

growth. Strategies have emphasised building the supply side of skills alongside encouraging the emergence or location of high-value, knowledge-intensive, and often highly skilled jobs. But as elsewhere, this approach has not resulted in a sustainable decline in poverty and economic inequality.

### **Why a good jobs agenda?**

Decent jobs are at the heart of a successful economy. We can highlight three principal reasons why this is the case.

#### *Reducing poverty and inequality*

Remuneration for work provides the major source of livelihoods for most households. If people do not earn enough to meet their costs of living, then the demands on welfare payments increase, debts are liable to rise, and there is a risk of households entering in-work poverty. As we see throughout this report, poverty is not limited to conditions of worklessness. There is a strong case for ensuring that jobs pay sufficient wages from the outset.

A recent review conducted by the Work Foundation of the relationship between employment, pay, and poverty called for policy to be focused on stimulating better-quality jobs in particular by looking at what it calls ‘the long-tail of low-wage employment’.<sup>73</sup>

#### *Promoting wellbeing*

Second, work not only fulfils the material need to earn income but also helps to fulfil the human need for purpose and inclusion in society.<sup>74</sup> Studies have found that poor-quality jobs – for example where pay is low, progression opportunities are limited, and job security is uncertain – can be as detrimental to wellbeing as having no job at all.<sup>75</sup>

#### *Supporting sustainable economic growth*

Third, there is a body of evidence that points to decent work and wages being the backbone of most economies and essential over time to economic health. High-quality jobs have been defined as the proxy of stable growth.<sup>76</sup> Recent work published by the International Labour Organization (ILO) presents evidence that for most developed countries, including the UK, economic growth depends on decent wages.<sup>77</sup> Meanwhile, a growing body of research into the causes of the financial crash highlights as instrumental the loss of purchasing power as median wages failed to keep up with productivity and the accompanying rise in household debt.<sup>78</sup>

The reasons described relate to a broader point about reducing high rates of inactivity. While tackling inactivity is an important goal, policy needs to be sensitive to the fact that reduced inactivity, and therefore an increase in the workforce, may impose downward pressure on wages and work quality. It means that efforts to improve activity rates in NI must sit alongside promotion of good quality work, if the overall impact on poverty, inequality, and wellbeing is to be positive.

### Do good jobs come at the expense of growing employment?

A legitimate concern is that policies that aim to improve pay and conditions in a concerted way might impact negatively on the number of jobs available or that could be created. Orthodox economic thinking holds that increasing flexibility in the labour market gives employers freedom that increases the number of jobs and is therefore crucial for bringing down rates of unemployment. However, although some trade-off undoubtedly exists at a certain point between increasing the quality of jobs and job creation (France is an example where the inequality/unemployment trade-off appears to apply),<sup>79</sup> the available evidence suggests that the relationship is weak. Indeed some, such as James Galbraith, have found that for the USA higher wages could produce greater numbers in employment.<sup>80</sup> Standard labour market models tend to overstate the labour demand effects of higher wages, partly because they omit or underestimate the multiplier effects of greater spending in the economy as bottom wages rise.<sup>81,82</sup>

In the UK, fears that the introduction of a minimum wage would increase unemployment were not borne out; the academic consensus is that there was no associated rise in unemployment.<sup>83</sup> Furthermore, in its latest report, the Living Wage Commission estimates that across the UK a further 1 million low-pay jobs could be brought up to the living wage with no loss of employment.<sup>84</sup>

### How a policy focus on good jobs can work

A review of the literature shows that in broad terms some economies have pursued a labour market approach based on prioritisation of decent work within a wider economic strategy based on high-quality conditions and outputs. Other economies have instead pursued an economic strategy built around a more liberalised market approach tending to favour cost reduction as the dominant route to competitiveness and prosperity. This difference has been described as a 'high-road labour market' versus 'low-road labour market' approach (Box 1).<sup>85</sup>

#### Box 1. The high-road approach to the labour market

The basic contrast between what is referred to in the literature as a high-road versus low-road approach to the labour market is that in the first the organisation of economic activity is designed to invest in and create large numbers of high-skilled decent wage jobs, whereas the second generates many low-skill, low-paying ones.<sup>86</sup> A high-road strategy is typically thought to combine the following elements:<sup>87</sup>

- High value-added product strategies
- High levels of training and investment in the workforce
- More differentiation of tasks for workers compared to relatively more routine work in the low-road model
- High levels of investment in equipment
- High productivity and wages
- Good workforce terms and conditions including progression routes

### Box 1. The high-road approach to the labour market (cont)

The two models are marked by a fundamental difference in the way firms compete. Those in the high-road model are more likely to develop competition strategies based on quality where differentiation on product is one feature. Those in the low-road model are more likely to compete on price; products may be more identical or 'mass-market'.

The transition from a low-road to a high-road model is clearly not straightforward. Core economic structures are embedded and difficult to change. However, authors have described the possibility of a twin-track to close off the low-road and pave the high-road.<sup>88</sup> The former can include measures such as a higher wage floor or the use of social clauses (both of which are considered later in this section of the report). Paving the high-road can include government funding and other support mechanisms to enable firms to adapt and invest.

Examples are available across nations and across time that show ways in which the quality of jobs has been made a priority. Previous work by NEF and others has highlighted experiences in Europe and in emerging economies in Asia for example.<sup>89</sup> Every country faces somewhat different conditions, however, and there can be no blueprint for NI to follow. This means that careful attention to regional and local factors is essential as is a willingness to innovate.

Above all – and the point we wish to emphasise is that there is a choice of direction on the labour market available to governments – at national and regional levels. Exercising that choice does not necessarily follow a straightforward path but an essential start is articulating a clear and bold statement of intent and a long-term goal. The overarching intent matters because it starts to influence plans and strategies, prevailing business models, the type of investments that are made, and the framing of individual policy objectives.

### Developing a good jobs approach in NI

Before describing the specific policy ideas that we explored for promoting good jobs, we outline four overarching considerations that we suggest could influence NI's strategic approach for good jobs.

#### 1. Working with identified sectors

As part of its Economic Strategy, the Northern Ireland Executive has identified five sectors which are expected to be critical for future growth in the region:

- Telecommunications & ICT
- Life & Health Sciences
- Agrifood
- Advanced Materials
- Advanced Engineering<sup>90</sup>

These sectors form part of an overall strategy to ‘rebalance’ the NI economy by promoting innovation-led private sector growth. They were selected by the MATRIX panel of industry and academics as being areas in which NI already had strengths on which it could build. Targets for R&D, innovation, and private investment are provided, along with substantial public funding for the creation of some 12,000 new jobs. In terms of this report, it is important to note that the job creation target explicitly requires these jobs to pay ‘50% above the private sector median’ – a clear and welcome intent to create high-quality jobs.<sup>91</sup> Despite this, none of these priority sectors is particularly jobs-rich, which is why we turn next to the concept of the ‘foundational’ economy.

## *2. Incorporating the foundational economy*

With clear job-creation targets that stress good job attributes, along the lines of those already set for the Jobs Fund, a holistic industrial strategy needs to look beyond the familiar high-value sectors and focus on promoting decent work across the economy. At the core should be the objective of creating sufficient good jobs for a mix of skill levels and ambition in the workforce. This is not to limit policy aspirations to support skills development across the workforce or to attract knowledge sectors, but rather to recognise the reality that providing good basic jobs as well as higher level ones will better meet the aim of raising activity rates and valuing the assets of all people. This means taking a broader approach to the problem of good job creation. Encouragingly, elements of this approach is reflected in NI’s 2014 Innovation Strategy which, although focusing primarily on growth rather than job quality, stresses the need for innovation in all sectors of the economy.<sup>92</sup>

The Centre for Research on Socio-Cultural Change at the University of Manchester proposes that attention needs to focus on the ‘foundational economy’, defining it as the 40% or more of a local economy that is essential to its functioning, and depends on local expenditure.<sup>93</sup> This covers both public and private sectors, from healthcare to food retail. These ‘mundane’ but essential activities provide the base for any further economic activity to take place, sustaining employment in localities, and providing jobs in areas that might otherwise suffer from worklessness. These less glamorous sectors are producing jobs: since 2010, low-tech and low value-added sectors have accounted for more than half the private sector jobs created in the UK.<sup>94</sup>

## *3. Marrying regional and local action*

Section 2 of this report highlighted the way in which broad labour market trends in NI co-exist with particular local needs and features. The need for joined-up policies at different levels is a well-recognised goal.

## *4. Building on the enterprise of both public and private*

In NI, the structural changes to local authorities coming into play in 2015 are an opportunity to drive change forward by being more responsive to local factors. The devolution of local economic development matters through community planning is promising, and offers the potential to weave together the economic and social dimensions of exclusion through local regeneration and anti-poverty initiatives.



A common assumption is that having a dominant public sector is negative for the economy. However, there is considerable evidence to suggest that the public sector is an important and vital source of jobs, investment, and innovation and that strong public services are essential in a functioning state.<sup>95</sup>

Our initial policy review revealed that the role of the public sector does not feature in NI's economic strategy documents (though it has been identified more recently in relation to innovation).<sup>96</sup> Although some rebalancing towards the private sector may be desirable in NI, it is important to appreciate the complementarities and co-dependence between the public and private sectors that occur through both public investment opportunities and the multiplier effect from public spending including on wages for public servants.<sup>97</sup> Understanding innovation as the product of an ecosystem of interrelated institutions, systems, and, ultimately, people, will allow for a more nuanced and effective understanding of the innovation process. This would mean looking beyond purely market-focused (and perhaps short-term) relationships amongst key actors, and towards the possibilities of establishing networks and the possibility of sensitive public action in sustaining that ecosystem, the state acting itself in an entrepreneurial fashion.<sup>98</sup>

### **Measures to promote good jobs**

The creation of good jobs refers both to adding new, good jobs into the economy and to transforming existing poor quality jobs into good ones. Clearly, in either case, there has to be demand for the goods or services that job is creating. In the case of improving the quality of existing jobs, wages cannot rise so fast or far that they choke off existing demand, though as we have argued above, this danger is often overstated. In the case of creating new jobs, we suggest that this should be part of a wider industrial strategy designed to make NI competitive in global markets, based on where there is potential demand.

We have explored individual policy measures under three headings to reflect the importance of the design of good jobs, funding solutions for supporting good jobs, and ownership models that can shape good jobs incentives and respond effectively to local needs and preferences.

Table 3 lists the measures we consider. The timeframe over which each one could potentially be implemented and impacts could be expected to begin are shown as short-term (impacts expected to begin within two years) or medium-term (impacts expected to begin within five years). We note that in the long-term a good jobs strategy would be aiming to deliver a 'high-road' economy, building on successes over the short and medium term to decisively embed an approach to quality. Such a model speaks to the overarching aims of building an inclusive and resilient economy.

Table 3. Measures to create good jobs.

|  | Designing good jobs   | Funding good jobs  | Owning good jobs   |
|--|---|--|--|
| <b>Short-term</b><br>Measures can be implemented soon and start to have impacts within two years                 | <ul style="list-style-type: none"> <li>• Leveraging social clauses in public procurement</li> <li>• Expanding take-up of the living wage</li> </ul>       | <ul style="list-style-type: none"> <li>• Boosting domestic investment in order to avoid reliance on foreign direct investment</li> <li>• Providing job guarantees</li> </ul> |  |
| <b>Medium-term</b><br>Measures may take some time to develop and build but impacts could begin within five years | <ul style="list-style-type: none"> <li>• Boosting demand for skills</li> <li>• Building in progression routes</li> <li>• Addressing pay ratios</li> </ul> | <ul style="list-style-type: none"> <li>• Establishing an NI investment bank and banking diversity</li> </ul>   | <ul style="list-style-type: none"> <li>• Supporting different forms of enterprise ownership</li> </ul> |

A brief description of the measures under each heading is now presented.<sup>99</sup>

### Designing good jobs

Whether a job is being newly created or transformed, the process requires that dedicated attention is paid to design in order to purposely address the criteria of a good job as listed at the beginning of this section. We can look at examples from overseas that demonstrate how the same jobs can be designed differently, such as retail assistant posts in Germany and care work in Norway.<sup>100</sup>

#### 1. Leveraging social clauses in public procurement

A commitment to embedding social clauses in all government commissioning and procurement contracts is contained within the current Programme for Government, and is part of a broader commitment, identified in the Stormont House Agreement, to 'reconfigure service delivery in a manner consistent with a shared future'.<sup>101</sup> This fits with the wider policy context. The European Commission has outlined how all procurement should be socially responsible, including through the pursuit of decent work encompassing matters of hours and earnings.

Social clauses have been used for some time in NI and benefit from cross-party support.<sup>102</sup> For example, the proposed £32.5 million grant support for the Gas to the West project will include social and sustainability clauses which aim to contribute to enhancing employment prospects for the longer-term unemployed, apprentices, and graduate placements in the West. The Department of Culture, Arts and Leisure (DCAL) is one of the departments that views social clauses as a vital development. Where they are applied, contractors are scored against the social clause requirements as part of the bids review. We heard from DCAL that contractors are keen to engage with social clause requirements. This is helped by the fact that explicit inclusion of the clauses creates a level playing field protecting bidders against being undercut on cost/quality terms.

A clear set of goals to be achieved using social clauses should seek to raise employment opportunities which embed the good jobs criteria, not least decent wages. To date, the inclusion of standards on pay in social clauses has not been a priority, but there is scope to increase their use to that effect. Notwithstanding concerns about the impact that this could have on public budgets and potentially employment levels, the intention to tackle NI's low-pay problem should be explicit as part of a Social Value Strategy with departments considering how and over what timescale progress can be made. It may be useful to identify any savings to the UK in-work benefits budget and negotiate accordingly.

## *2. Expanding take-up of the living wage*

A review of the literature reveals that a principal route to tackling low wages is to lift the wage floor. The most direct means for doing this — raising the minimum wage — is only available to central government. However, across devolved and local administrations in the UK there has been growing interest in using the living wage to raise the floor.<sup>103,104</sup> Although the living wage is a voluntary mechanism, local government has been using it to effect change in two key ways: first, by ensuring that all public sector workers receive pay at least at the living wage; and secondly by using commissioning and procurement levers to influence private sector employment practices on pay as described in the previous section on social clauses.

Our spatial analysis of labour market challenges in NI is strongly suggestive of the need for a place-based approach to solutions. We consider that approaches to the living wage in NI would benefit from a spatial focus. There are particular opportunities at the local level for developing active partnerships between public authorities, businesses, and civil society both to achieve improvements in employment levels and terms and to work towards greater business productivity. The Business Improvement District (BID) initiative has been suggested as one possible means through which local areas could progress discussions towards a goal for generalising living wage employment.<sup>105</sup> Such an approach would clearly need to be gradual, in particular respecting the challenges for smaller businesses.

## *3. Boosting demand for skills*

One of the key findings in the literature is that addressing the good jobs deficit and low pay specifically through direct means, such as raising the wage floor, cannot solve the problem decisively.<sup>106</sup> For that it is widely considered that longer-term transformation of low-skill, low-cost business models is essential. In particular it has been argued that limited employer demand for and poor use of skills underpins poor quality work.<sup>107</sup>

Action on skills in NI, the wider UK, and other countries has tended to focus on the supply side, investing in supporting young people and the unemployed to upskill and raise their qualification levels. But this focus on one side of the problem is being increasingly recognised as insufficient. Analysis indicates that economies can settle into a low-pay equilibrium where a poorly skilled workforce combines with weak demand for skills from employers.<sup>108</sup>

Although policymakers have typically tended to avoid any suggestion that there is space for intervention in the way businesses approach workforce

matters, we are beginning to see initiatives like the UK Commission for Employment and Skills (UKCES) at national level which aim to encourage employer ownership of the skills agenda with more of a balance between supply-side and demand-side actions.<sup>109</sup> In NI, DEL and Invest NI have leadership and management support schemes for businesses such as the Management and Development Leadership Programme.<sup>110</sup> The Skills Strategy in NI highlights the importance of skills utilisation and notes that for this to improve, management and leadership, alongside building the demand for skills, needs to improve.<sup>111</sup> This is found to be especially true in NI where there is lower managerial and professional performance than elsewhere in the UK.<sup>112</sup>

#### *4. Building in progression routes*

The problem of poor quality work is compounded by the extent to which workers are trapped. Looked at through the lens of low-pay especially, for many workers those initial periods of working for poor wages do not lead to better wages over time. Apart from workers being at risk of being trapped in a low-pay/no-pay cycle, lack of progression blocks entry-level jobs.<sup>113</sup>

As discussed by the Work Foundation, progression up the wage ladder and to jobs with better terms and conditions, can be facilitated in three main ways: by improving skills and the take-up of skills in low-wage sectors (as discussed in the previous section on building the demand-side); by facilitating job mobility; and by developing careers with progression pathways.<sup>114, 115</sup>

There are examples of employers in some low-pay sectors, such as retail and catering, that have been proactive in developing good progression practices.<sup>116</sup> There has also been considerable interest in the creation of 'career ladders' as a way to design and deliver progression pathways across employers. As others have noted, to date there is little evidence of practical implementation and hence outcomes of career ladder initiatives especially in the UK. Career-ladder schemes have mainly been developed in the USA.

It has been suggested in the English context that Local Enterprise Partnerships could provide the means for piloting career ladder schemes,<sup>117</sup> and in NI the equivalent mechanism could be through the 32 Local Enterprise Agencies and the co-ordinating efforts of Enterprise NI. Sector skills councils in NI are also an important network for considering career ladders where a pooled approach to career progression and investment in staff development by industry or sector can provide a mutualised approach to leveraging productivity gains.<sup>118</sup>

#### *5. Addressing pay ratios*

Tackling economic inequality requires attention to the top of the earnings distribution as well as to the bottom. Previous NEF research has highlighted why the extent of differences between top and bottom pay, sometimes thought of as the 'length of the ladder', matters.<sup>119</sup>

Although pay differences are more starkly evident in the private sector, taking action on pay ratios in businesses will require concerted action at national level. It would not be possible for NI as a regional authority to make changes such as to corporate reporting or shareholder responsibilities.<sup>120</sup> However, we propose that a good starting point would be to review pay ratios in public sector institutions in NI and to make the ratios of top to median, and top to bottom pay in those institutions transparent to the public. In previous research,

NEF has highlighted the leadership role that has traditionally been played by the public sector with part of this being through a demonstration effect.<sup>121</sup>

A review of pay ratios in public institutions could have the additional benefit of highlighting opportunities to reduce top pay. This could lead to budgetary savings directly or to an opportunity to boost pay for the lowest earners in the public sector. We can look to Islington Council in London for an example of how pay restraint at the top enabled payment of the living wage at the bottom.<sup>122</sup>

### **Funding good jobs**

Here we consider how approaches to encouraging investment in the form of both promotion of FDI and provision of job guarantees can combine with the development of institutional arrangements for an NI investment bank and banking diversity.

#### *1. Boosting domestic investment in order to avoid reliance on FDI*

There are well-known benefits from FDI including higher productivity and pay in the jobs it creates, so it is little surprise that this is a key plank for NI's policymakers.<sup>123,124</sup>

NI has had some clear successes in FDI in recent years, attracting 7% of all FDI flow into the UK over 2008–2011, well ahead of its share of the economy.<sup>125,126</sup> Over the past year alone, the number of FDI projects increased from 27 to 38.<sup>127,128</sup> Building on this success will be important, particularly in the short-term. However, the global picture cautions against an excessive dependence on FDI. NI's relative success in attracting FDI between 2008 and 2011 hides an absolute decline in flows. FDI in the UK peaked at £91.3 billion in 2007, subsequently falling to a low of £28.9 billion in 2011; NI's FDI fell from £724.3 million in 2008 to £464.3 million in 2013-14, despite a recovery over the last year.<sup>129</sup>

While pursuit of FDI offers short-term potential for helping to drive a good jobs agenda, a longer-term view of investment in NI (and elsewhere) needs to balance a combination of foreign and domestic investment sources for growth and good jobs. Our next two proposals for job guarantees and a diversification of banking in NI offer two potential routes for boosting domestic investment in good jobs.

#### *2. Providing job guarantees*

There are two main variants on the idea of a 'job guarantee'. The first, more radical, version was originally proposed (independently) by Mitchell and Mosler.<sup>130,131</sup> It relies on the government providing a 'buffer stock' of employment, backed by its own funding, which guarantees a job when the level of private sector employment falls below a given level. The Institute for Public Policy Research (IPPR) has recently proposed such a scheme for the UK, with the additional feature of benefits sanctions for those refusing work.<sup>132</sup> At present, however, ambitious schemes of this kind remain at the level of theoretical proposals.

A second variant of a job guarantee relies on temporary government subsidies to support existing employment. These are not true job guarantees in the sense of making full employment a direct aim of policy, but they aim to prevent job losses and to build in good job attributes to the work they support. There are examples of successful implementation of such schemes in both Wales and Germany. The Welsh government's ProAct scheme, for example, was intended to help sustain full-time employment by ProAct offering funding for training, as well as 12 months of wage subsidies to employers. The total cost, as of 2013, has been £27 million, with 10,675 employees supported. It has been widely reckoned a success by the Welsh government and by employers.<sup>133</sup>

Clearly, one of the dangers of such schemes is that what is intended as a short-term boost to employment becomes a longer-term subsidy. In the case of the Welsh scheme, a clear budget and limited timeframe prevented this risk, although it is too early to say whether the scheme did have the long-term desired effect of creating sustainable employment. With two similar economies, and a broadly similar set of devolved powers, an equivalent to the Welsh scheme could be devised for NI. It may be possible to repurpose part of the existing Jobs Fund to run a pilot scheme in NI (and as with living wage measures, it may be worth negotiating with the Department for Work and Pensions (DWP) given the benefit savings that will result).

### *3. Establishing an NI investment bank and banking diversity*

In order to build investment opportunities and provide funding streams for achieving the objectives of a comprehensive, good jobs industrial strategy, we think there is a clear case for the creation of a regionally focused NI investment bank. NEF has previously recommended this approach at a UK level, arguing that the existing British Investment Bank<sup>134</sup> should both adopt a broader mandate than simply volume of lending to small and medium enterprises (SMEs) and should have a local and regional focus for its activities.<sup>135</sup> The exact terms would need to be negotiated, but such an arrangement could involve an NI bank which fit within the UK structure, but which had enough devolved responsibilities to focus clearly on NI priorities for good jobs. Britain is unusual in having a highly concentrated and highly commercialised banking sector with just five major commercial banks accounting for 90% of SME lending.<sup>136</sup> Germany and the USA, for example, both have a wider spread of institutions: publicly owned regional banks (the Sparkasse) in Germany and a network of credit unions throughout the USA. KfW in Germany has provided subsidised loans for loft insulation in one million homes, generating 250,000 jobs a year over the last seven years.<sup>137</sup>

There is potential in NI within the existing funding available via the Jobs Fund, and potentially with access to European Union sources, for a well-directed government policy to sustain an expansion of local credit sources, mobilising locally held savings, and providing guarantees for smaller institutions, at minimal cost and risk.



Northern Ireland has, by UK standards, a comparatively large credit union sector, with 181 institutions serving around 408,000 members,<sup>138</sup> compared to just 500,000 credit union members across Great Britain.<sup>139</sup> The Prudential Regulation Authority has recently noted some risks to the sector in NI, in light of its potential for expansion.<sup>140</sup> Providing facilities for expansion, including IT support, promoting credit union membership, and improving training and skills within the sector are all relatively low-cost government interventions that could provide useful leverage.

More ambitiously, powers to lend money and to borrow against the NI government's own assets, if granted, could be used wisely to leverage additional private sector funding and to meet specific local needs. An arms-length Investment Bank, with a clear social remit to provide good, sustainable jobs across the region, could act as the central trunk supporting a diversity of lending institutions.

## **Owning good jobs**

For a solid, long-term transformation of NI into an inclusive, resilient, good jobs economy, there is potential for thinking more widely about the forms of business model and business ownership that are being used. Whilst conventional, profit-led private firms will remain of central importance, there is an increasing recognition that other forms of enterprise have an important role to play. The NI Economic Strategy has recognised this through its promotion of social enterprises, and the Department of Enterprise, Trade and Investment is piloting Social Economy Hubs amongst other initiatives. Here, we explore the potential contribution of co-operative forms of ownership, which Joseph Stiglitz and others have argued can bring particular advantages.<sup>141</sup>

### *1. Co-operative ownership*

There is a long history of the collective ownership of assets by their users, or those who work on them, from the Rochdale Pioneers opening the first co-operative shop in 1844 in the UK, through to an asset base in the co-operative and credit union sector of £2 billion in Northern Ireland.<sup>142</sup> Arguments given for co-operatives of this kind will depend on the potential gains in efficiency and the ability to meet wider social or economic goals alongside (or instead of) that of maximising revenues for owners.

### *2. Community ownership*

This differs from co-operative ownership in referring to the way in which a community (however defined) can take ownership of a local asset. Examples in the private sector include wind co-operatives, but the UK has a tradition of local authority ownership of utilities and other services. Community ownership of electricity generation, via local authorities, is expanding in Germany, with 90 municipalities entering the energy supply market between 2010 and 2012.<sup>143</sup> The preference for this local form of ownership would depend on the ability of a local community to act as a better custodian of an asset than perhaps more distant owners.



These areas merit further investigation, and the Department of Social Development is currently exploring the potential for community asset transfer. A further obvious target for community ownership is in the production of renewable energy, which, given its sources, often depends on dispersed and relatively small-scale production. Co-operative windfarms already operate in the UK, Baywind in Yorkshire being the first established, back in 1997. It has 1350 shareholders, each claiming a stake in six, Danish-built turbines and receiving revenues from the generation and sale of electricity.

For NI the current target is for renewables to generate 40% of the country's energy from alternative sources by 2020, up from around 10% today. Community ownership could help accelerate the introduction and diffusion of renewable energy generation to help meet this target. Drumlin Wind Energy Co-operative is Northern Ireland's first energy co-op, having raised £2.7 million in its first share offer to operate four 250kW turbines across four sites, working in partnership with Energy4All. The success of the initial investment has led to raising a further £1.2 million in spring of 2014 for two additional turbines.<sup>144</sup>

Aside from the environmental considerations, the advantages of this ownership form for otherwise relatively deprived (and especially rural) communities is that it both generates an immediate source of local revenues and, being locally owned and operated, can more closely set its own priorities to meet local needs.

## 4. Recommendation 2: Developing new measures of progress for NI

In Section 3 we suggested that the NI Executive should re-orientate economic policy to a focus on creating good jobs for all. However, it is difficult to achieve such a shift while progress is still mainly measured through economic growth. We therefore recommend identifying a small number of meaningful additional indicators covering the economy and its key outcomes. In order to be effective, however, they must be framed by a clear narrative about progress, produced through public and stakeholder engagement.

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### The need for meaningful headline indicators in NI

In the previous sections we have seen that on its own, growth is unlikely to solve the structural issues of poverty and inequality across the regions of Northern Ireland. We have also suggested that it is possible to take an alternative route towards a high-road economy which focuses on good, well-paid jobs, delivering high-quality goods and services, resulting in a reduction in poverty and inequality. However, it will be difficult to re-orientate policy to these aims while the key headline indicator upon which government tends to be held accountable – and holds itself accountable – is growth.

This has been increasingly recognised internationally. It is what inspired French President Sarkozy to set up the Stiglitz Commission in 2009 to review measures of progress<sup>145</sup> and there have been initiatives in Wales,<sup>146</sup> Scotland,<sup>147,148</sup> and at UK level to develop meaningful sets of indicators with which to assess societal progress. Of course governments already collect a wealth of statistics across a range of domains; the point is that some of these measures should be used at headline level. This can both help assess the impact of policy on the things that actually matter and *influence* what people think matters, building consensus around priorities (as there now is around promoting growth). This is often referred to as the ‘Beyond GDP’ agenda.<sup>149</sup>

### Key considerations in the development of headline indicators for NI

In considering the process for developing a set of headline indicators, much can be learned from other examples in and outside of the UK.<sup>150,151</sup>

- First, new headline indicators must be framed by a compelling narrative, one which both explains how the world works, and sets out where it should go.

- Second, the transformative potential of indicator sets is more difficult to realise if they are developed through a purely top down process. There has to be a political imperative for change – and thus a public debate about the direction of travel that the indicators measure. This means indicators should be developed through a process involving public and stakeholder deliberation and dialogue.
- Third, indicators should be context specific. Below, we have suggested some indicators relevant to the economic issues facing NI. However, NI is a post-conflict society and additional indicators relevant to this may need to be developed.

### **Starter for ten: A headline indicator set for NI**

In order to kick-start the process, NEF has suggested a set of possible headline indicators to be used alongside the NICEI.

- **Median household income.** A widely used, reliable and sensitive measure to assess the actual living standards for a typical, mid-income household.
- **10:40 ratio.** This is the average household income of the top 10% of earners, divided by that of the bottom 40% of earners. Ratios are easier to understand than some other measures of inequality, such as the Gini coefficient, and this particular ratio, often called the ‘Palma ratio’ is becoming widely used as a sensitive measure of high and low pay.
- **Good jobs index.** This would be a new, composite measure of good jobs in NI. Its design would need to be developed by NI, but could be based on the employment rate (excluding those working involuntarily on part-time, zero-hours, or temporary contracts), the percentage of jobs at the living wage or above, and some measure of the quality of jobs, such as job satisfaction.
- **Net increase in jobs in valuable sectors.** This indicator would require the NI Executive to identify valuable sectors in relation to NI. We suggest that criteria could include their environmental, social, as well as long-term economic value. In this way, this indicator has the potential to capture the creation of future high-quality jobs.
- **Disability-free life expectancy.** By combining self-reported disability, which is widely used as a proxy for health and life expectancy, this measure provides a more sensitive and detailed measure of health rather than a more specific measure which identifies just one aspect of health or life expectancy.
- **Levels of subjective wellbeing.** This could be a composite of four measures: life satisfaction, happiness yesterday, anxiety yesterday, and the extent to which ‘you feel the things you do in your life are worthwhile’. It aims to give a rounded but sensitive indication of peoples’ wellbeing in one composite measure.

These, and some alternatives to them, are set out in Figure 5 (grouped into domains and indicator types). The criteria for selecting these domains and indicators are described in the next section. However, as we suggest that the

process is collaborative and bottom up, and that it takes into account other key aspects of societal wellbeing (such as social trust and cohesion) as well as economic outcomes, these are only intended as a starter for ten. An important additional input into this agenda will be the high-level roundtable, convened by the Carnegie UK Trust and supported by Queens University Belfast, which will be reporting on its findings on wellbeing and social progress in spring 2015.<sup>152</sup>

### *Criteria for domains*

In developing key domains that are important to measure in headline indicators, we considered the following criteria. A domain should be:

- important to many members of the public (and not just to those involved in policy) and
- possible to influence, and seen to be influenced, by policy and
- broadly relevant to the NI Executive's overarching policy goals.

Some care is needed when applying the first criterion. As already explained, indicators both reflect and shape what the public (and others) think is important.<sup>153</sup> This means it may seem that the public gives greater importance to the domains already measured by existing headline indicators, although in fact fuller engagement with the public would reveal that they attach importance to a number of other key domains. Because of this, it has been found that one of the key barriers to the adoption and use of new indicators can be the lack of political imperative for change. One way to tackle this is to ensure that the identification of indicators involves the public in a democratic process.<sup>154</sup>

### *Criteria for individual indicators*

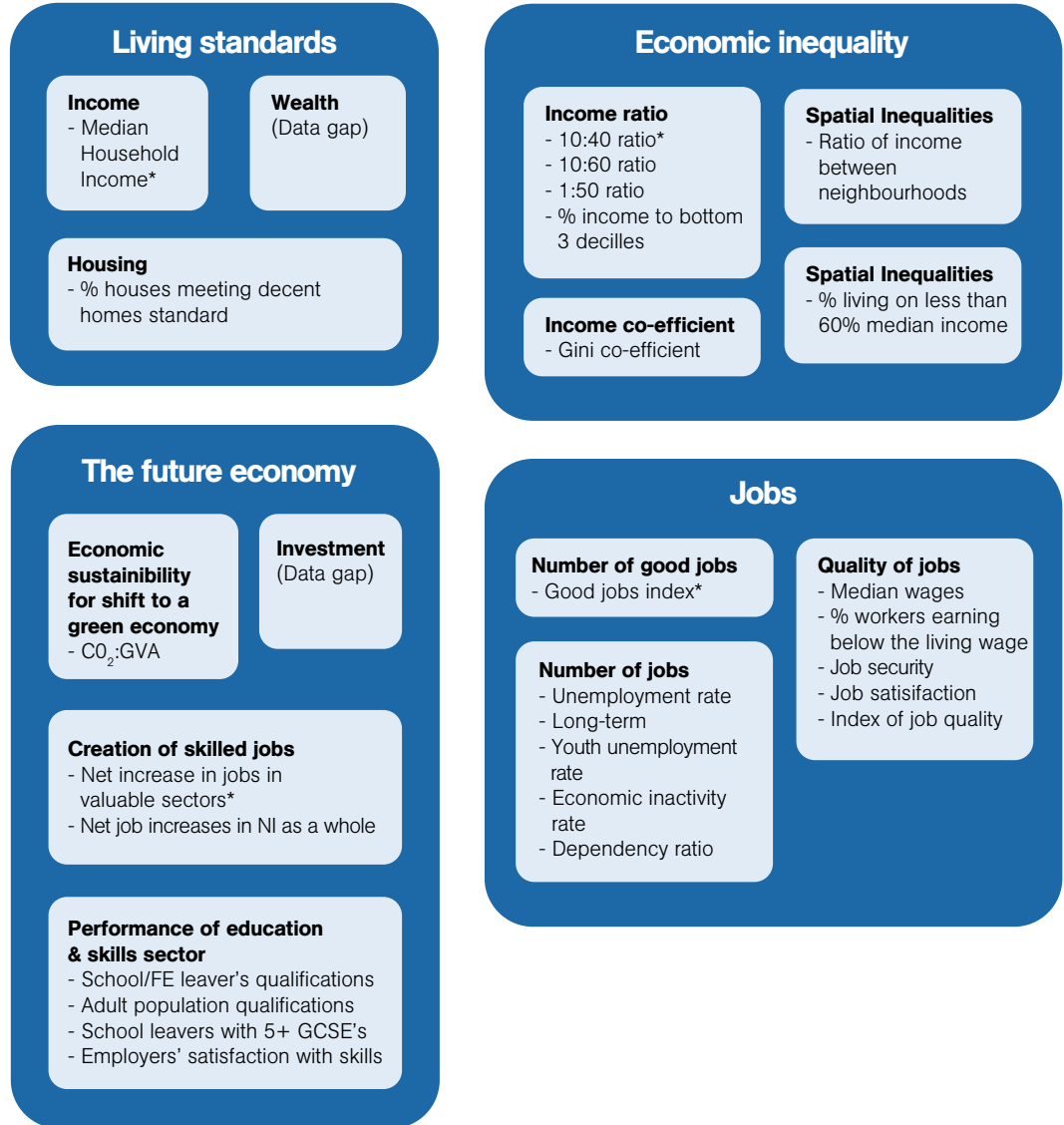
Under each domain, we considered a number of indicators. An indicator is a good signal of progress if it is

- **clear:** can be summed up briefly in a way that will be immediately grasped by members of the public (especially important for composite indices).
- **timely:** can be produced with a frequency and a timeliness that will allow members of the public and elected representatives to use it to judge the performance of the administration.
- **sensitive:** shows movement reflecting changes in what it measures.
- **accurate:** is reliable, valid, and based on data that are robust and designed to minimise measurement error and bias.
- **widely used** (across countries): facilitates comparisons with other places.

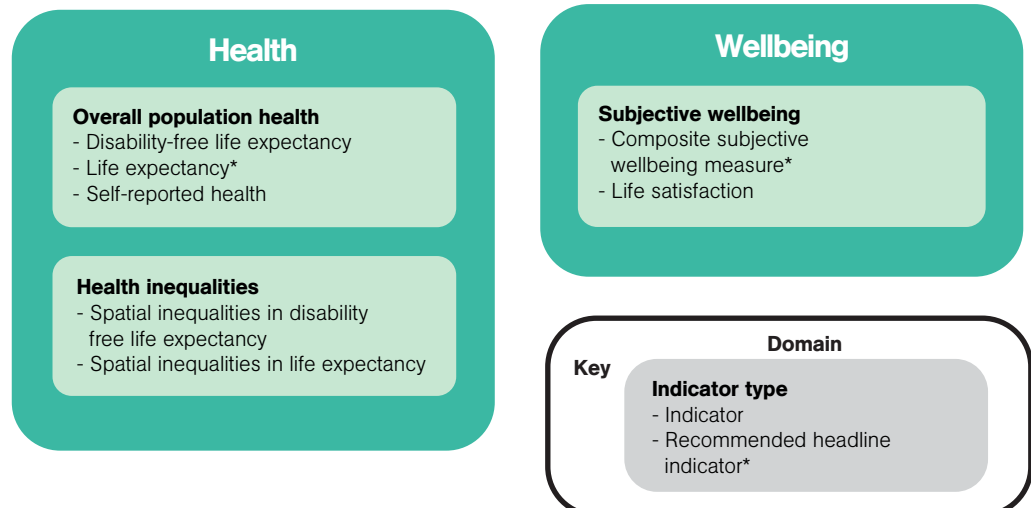
It is worth noting that the requirement for clarity does not mean that an indicator cannot involve complexity in the way that it is constructed, but only that it needs to have a clear overall meaning. For example, the NICEI is a complex statistic but is widely understood as a summary statistic for the well-understood concept of economic growth.

## Starter for ten: Indicators for Northern Ireland on the functioning of the economy and its key outcomes.

### Functioning of the economy



### Key outcomes of the economy



*Criteria for an indicator set*

It is also important to assess the set as a whole. We considered that the set should

- include the NICEI (i.e., the new indicators to be presented as part of the same set).<sup>155</sup>
- contain a small enough number of indicators to be easily digestible while also being comprehensive enough to cover the key areas of importance (in this case, we suggest seven).
- minimise overlap between different indicators.
- be communicable as a single set, with a shared narrative.
- ideally contain indicators of a similar frequency and timeliness.

## 5. Next steps

In Sections 3 and 4, we have described various policies for achieving good jobs and a new way of assessing economic and social progress in NI. This section sets out some of the first steps involved in implementing these recommendations. While the NI Executive needs to lead the way on major aspects of the measures, all stakeholders have a role to play in making positive transformation of the labour market in NI a reality. While transforming the NI economy and tackling poverty and inequality will be a long-term journey, there are nevertheless actions which can be taken now.

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### For the NI Executive

- Make a good jobs goal the first target in the new Programme for Government and develop good jobs indicators for schemes such as Invest NI and the Social Investment Fund.
- Develop and publish a public-facing good jobs agenda alongside the new Programme for Government, to stimulate discussion with local authorities, business, civil society networks, the media and the public.
- Develop a Social Value Strategy that promotes the use of social clauses across public authority commissioners and develops their traction for generating good jobs including raising low wages.
- Begin work to develop banking innovation including an NI Investment Bank with a clear public interest mandate in order to boost domestic investment in order to avoid reliance on FDI.
- Develop a plan and process of engagement with stakeholder groups and the public on a new headline indicator set for NI.
- Review pay ratios in public sector institutions in NI and make the ratios of top to median, and top to bottom pay in those institutions transparent to the public.
- Consider the development of job guarantees, including the potential to repurpose part of the existing Jobs Fund to run a pilot scheme in NI.
- Consider how alternative models of co-operative and community ownership can be supported, particularly exploring the potential of these different forms of ownership in the area of renewables.



**For local authorities**

- Extend the use of social clauses which incorporate good jobs objectives across commissioning and procurement and feed local experience into the Social Value Strategy.
- Identify opportunities to pilot living wage initiatives locally and build in methods for collecting an evidence base where pilots ensure that learning can take place for extending uptake of the living wage and improving the methods for its adoption.
- Use new powers through local authority restructuring to apply good jobs objectives for local areas as part of community planning and the interpretation of regeneration and anti-poverty initiatives at local level.
- Consider how alternative models of ownership can be supported locally.

**For businesses**

- Work with local authorities to develop what can be achieved on good jobs objectives through the application of social clauses in contracts.
- Engage directly with the NI Executive's good jobs agenda so that it can be co-produced in the most effective way and for the benefit of businesses and workers.
- Through networks such as Business Improvement Districts and Local Enterprise Areas table discussions of the good jobs agenda to provide sector- or area-wide perspectives on different elements, such as improving the demand for skills and implementing pilot career-ladder initiatives.

**For civil society**

- Engage directly with the NI Executive's good jobs agenda to ensure that all social partners are represented in developing the agenda and specific actions within it.
- Hold public authorities accountable for their commitment to a good jobs agenda.
- Engage with the NI Executive's work on headline indicators to ensure measures of progress reflect lived experience for the people of NI.
- Take an active role in facilitating the development of community ownership models, particularly in relation to renewable energy.

# Appendices

## Appendix 1: A note on methodology

Our methods across the phases of research have encompassed:

- Extensive literature review on the economy and labour market in NI as well as on current and potential policies relevant to the challenges uncovered.
- Exploration of a range of datasets to reveal national and local trends and patterns in employment, non-employment, educational outcomes, job, and sector clusters.
- In-depth case studies of four neighbourhoods that highlight different labour market challenges. The case study research deployed both quantitative and qualitative analysis, the latter including interviews and focus group discussions in the case study areas.
- Interviews with policymakers and practitioners in NI and beyond to feed in experience to research on potential policy developments for tackling the labour market drivers of poverty and inequality.

Our choice of case studies was made using the following criteria:

- Areas with jobs but also high unemployment.
- Areas with a mix of both Catholic and Protestant neighbourhoods in order to consider equality issues.
- Areas with unexplained demographic change in order to consider the impact of migration.
- Areas with clear inequalities in employment and qualifications outcomes.
- Areas with demand side deficiencies.

Using these criteria, we chose the following four areas

- 1. Ardoyne and Crumlin (Belfast):** These are high unemployment wards in close proximity to employment-rich areas. Crumlin is a majority Protestant neighbourhood situated next to a peace line. Ardoyne is a majority Catholic area. This case study allowed us to consider the local spatial and skill mismatch issues as well as equality issues.
- 2. Creggan Central, Creggan South, Brandywell, Westland, and The Diamond (Derry/ Londonderry):** Data presented here shows that Derry residents are relatively more likely to be on low pay, but that wages are relatively high among those who work in the Local Government District, but live outside it.<sup>156</sup> This finding suggests there is a local skills mismatch or that local residents are unable to compete for higher paid jobs. Further investigation was needed. These particular wards are severely deprived with

high levels of unemployment. A focus on this Catholic majority area will allow us to hold constant the issue of religion and explore barriers to work for different age groups.

- 3. Castlederg and Glenderg (Strabane):** Strabane performs badly across the economic indicators used in this review. The two wards selected here are classified as rural allowing us to consider employment barriers in a non-urban setting.
- 4. Court, Tagnevan, and Drumgask (Craigavon):** These particular wards have relatively high employment and a growing population but low pay. Census data suggests there has been an influx of migrants but further investigation was required to consider the impact of this new community on the labour market and vice versa.

## Appendix 2: Framework of aims and objectives for judging strategies, funding streams, and policies

Table A1. Framework of objectives for judging strategies, funding streams and policies.

|  |  | Outline of objective   | Key questions for policy review   |
|--|--|--|---|
| Tactical objectives to reduce unemployment and increase activity | Job creation   | Create more good jobs to get people into work – there are high job seekers to vacancy ratios.  | <ul style="list-style-type: none"> <li>• How many jobs were created?</li> <li>• How sustainable are the new jobs?</li> <li>• Were distributional issues considered, including job quality, qualifications needed (e.g. accessible for graduates or non-graduates)?</li> <li>• Where were the jobs located?</li> </ul> |
|  | Reducing inactivity  | Tackle inactivity as a major concern.  | If this policy did tackle inactivity, for which group (age, religion, qualifications, health status, etc.)?   |
|  | Providing excellent employment and career advice support               | Address major complaint from case study interviewees about lack of employment support  | Did this policy provide a wrap-around service, supporting people into work? Are these services tailored to the needs of individuals?  |
| Strategic objectives to address structural issues                | Increasing qualifications  | Focus on the opportunity for gaining skills and qualifications beyond school to improve the qualification profile in NI.                                     | <ul style="list-style-type: none"> <li>• Did this strategy/ policy address qualification levels for school leavers?</li> <li>• Did it equip participants with suitable skills in line with NI labour market needs? (i.e., does it address the skills mismatch?)</li> </ul>  |
|  | Building inclusive growth  | Ensure shared benefits of economic growth  | Was a positive impact achieved for those with low or medium incomes?  |
|  | Building economic resilience   | Strengthen the economy to withstand, adapt and recover from shocks.  | What was achieved in terms of workforce qualifications, employment and entrepreneurship, infrastructure, environmental sustainability, and diversity of NI sectors and exports?   |
|  | Creating good jobs   | Create good jobs economy-wide to tackle prevalence of low pay and insecure contracts which discourage people from taking jobs and/or traps them on benefits. | Did this initiative promote jobs with: <ul style="list-style-type: none"> <li>• Decent wages;</li> <li>• Opportunities to progress;</li> <li>• Opportunities for training;</li> <li>• Job security?</li> <li>• Does it encourage the growth of 'good' sectors?</li> </ul>   |
| Objectives designed to address spatial inequalities              | Effective regeneration and targeting of support                        | Develop place-specific policy to reflect different cocktails of labour market challenges.  | At what spatial level was this policy applied? <ul style="list-style-type: none"> <li>• Was the initiative developed in line with the needs of a specific place?</li> <li>• Did it help rebalance the economy geographically?</li> </ul>  |
|  | Delivering good complementary services such as childcare and transport | Address barriers to work highlighted in case study research about availability and costs of childcare and transport  | Did this policy enhance the complementary services which support employment?  |

Please note that this matrix differs slightly from that described in the Phase 2 report. However, although the structure of the matrix has been changed to better reflect the structure of the final report, the content remains the same.

### Appendix 3: Interventions included in policy review

Table A2. Interventions included in the review.

| Category  | Interventions  |
|---|--|
| Strategies  | <ul style="list-style-type: none"> <li>• Building a Prosperous and United Community</li> <li>• People and Place: A Strategy for Neighbourhood Renewal</li> <li>• New Targeting social Need</li> <li>• Lifetime Opportunities: Anti-poverty and Social Inclusion Strategy</li> <li>• Together Building a United Community</li> <li>• Success through Skills – Transforming Futures</li> <li>• Programme for Government</li> </ul> |
| Funding streams   | <ul style="list-style-type: none"> <li>• Invest NI</li> <li>• European Regional Development Fund</li> <li>• European Social Fund</li> <li>• Social Investment Fund</li> </ul>  |
| Employment and skills policies                                  | <ul style="list-style-type: none"> <li>• New Deal 25+</li> <li>• New Deal 18-24</li> <li>• Pathways to Work</li> <li>• Pathways to Success</li> <li>• Steps to Work</li> <li>• Bridge to Employment</li> <li>• Apprenticeships NI</li> </ul>   |
| Regeneration policies   | <ul style="list-style-type: none"> <li>• One Regeneration Plan for Derry-Londonderry</li> <li>• Titanic Quarter, Belfast</li> <li>• Strabane 2000</li> <li>• Overview of Crumlin Road Gaol Redevelopment, Belfast</li> </ul>   |
| Poverty reduction policies directly increasing household income | <ul style="list-style-type: none"> <li>• National Minimum Wage</li> <li>• Working tax credits</li> </ul>   |

## Endnotes

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**Written by:** Annie Quick and Helen Kersley

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[www.neweconomics.org](http://www.neweconomics.org)  
[info@neweconomics.org](mailto:info@neweconomics.org)  
+44 (0)20 7820 6300  
@NEF



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