



IS NORTHERN IRELAND DIFFERENT? AN INVESTIGATION INTO MIGRATION

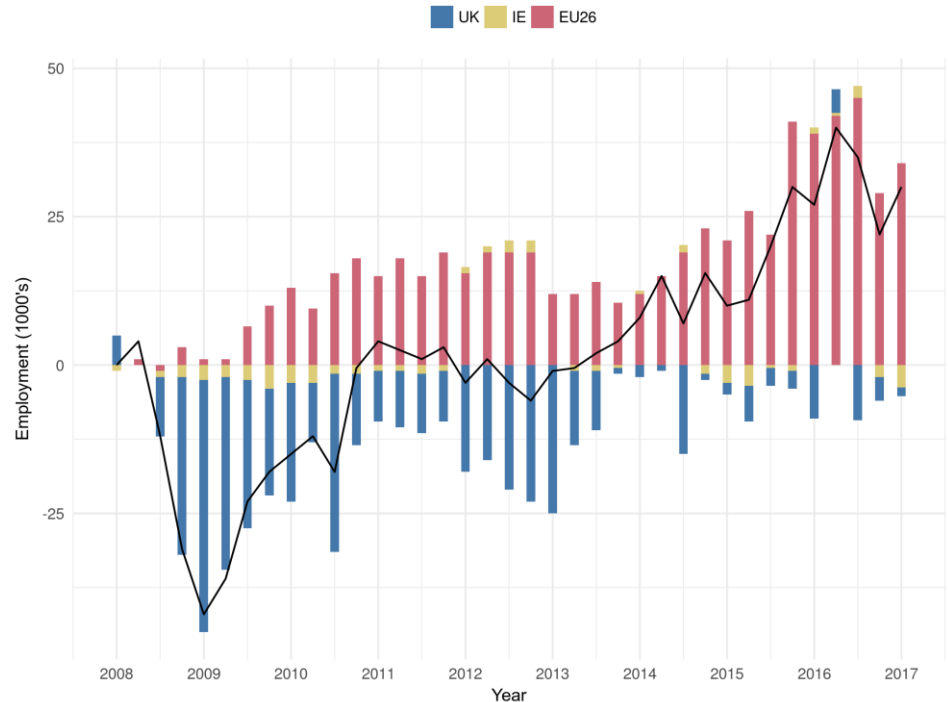
Dr Owen Sims
October 2019

CONTRIBUTION TO EMPLOYMENT

UK Home Office proposed a £30,000 salary threshold for all migrants (EU or otherwise) to enter the economy. How will this impact NI?

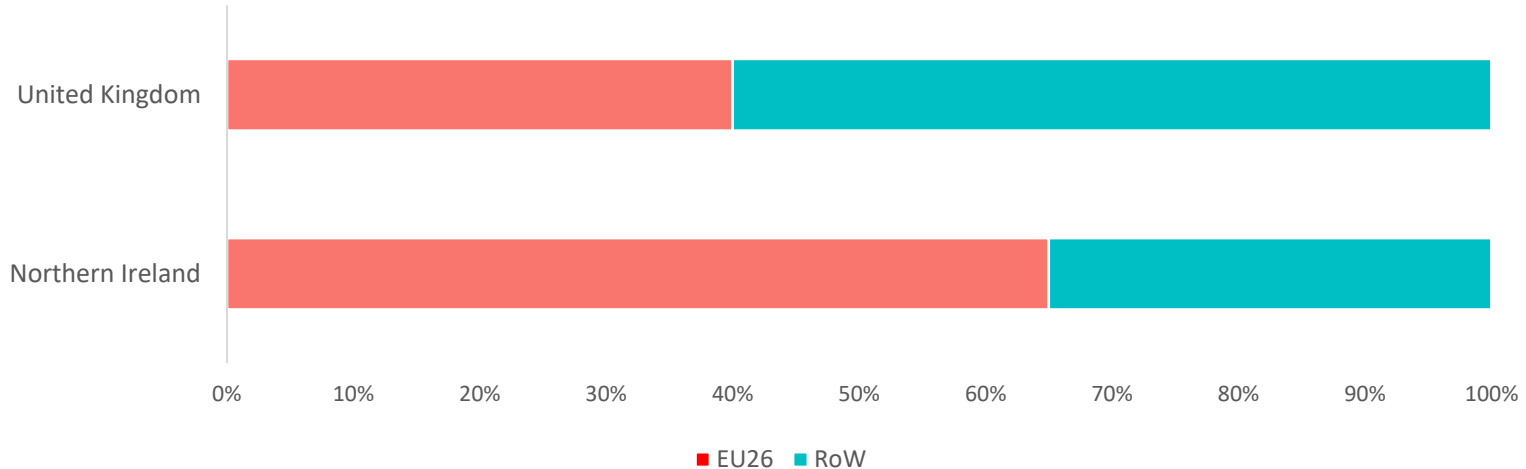
- The global financial crisis (2008/2009) brought with it a structural change to the make-up of the NI labour market.
- Over the past decade migrant workers from EU economies have driven employment in NI beyond the pre-crisis levels.
- Large concentration in **manufacturing, construction, and tourism.**

Change in employment by country of birth, Northern Ireland, 2008-2017



RELATIVELY LARGE DEPENDENCE ON EU26 WORKERS

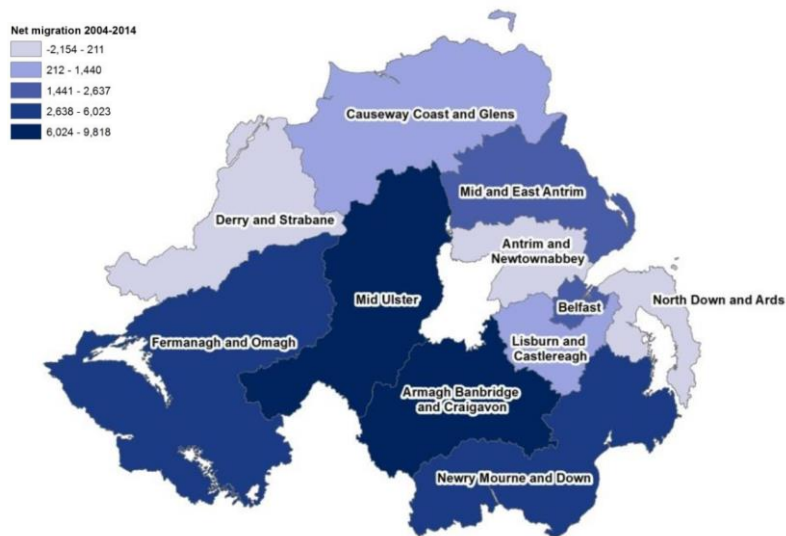
Proportion of migrant workers from EU26 nations and Rest of World (RoW), NI and UK, 2018



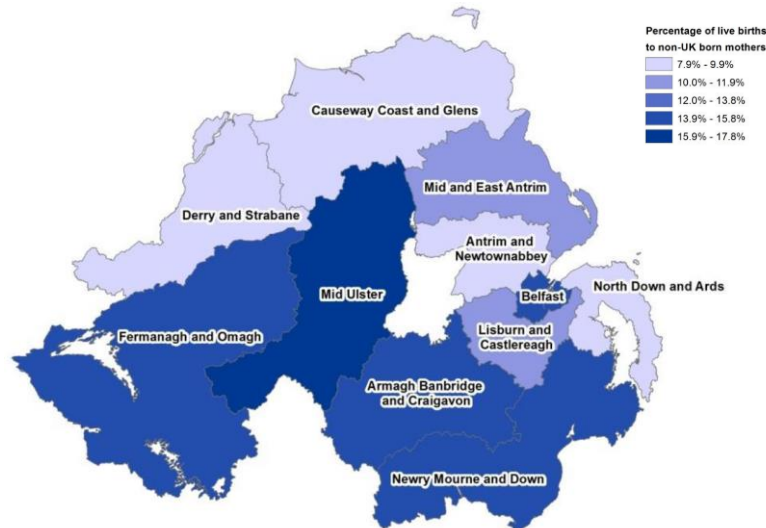
- 65% of all migrant workers in Northern Ireland are from EU26 nations, compared to the 40% across the UK as a whole.
- As a consequence, over **98% of businesses in Northern Ireland have not engaged with the Tier 2 visa system**, instead depending on the free movement of labour across the EU.

GEOGRAPHY OF MIGRANT INFLOWS

Net migration by district, 2006–2016

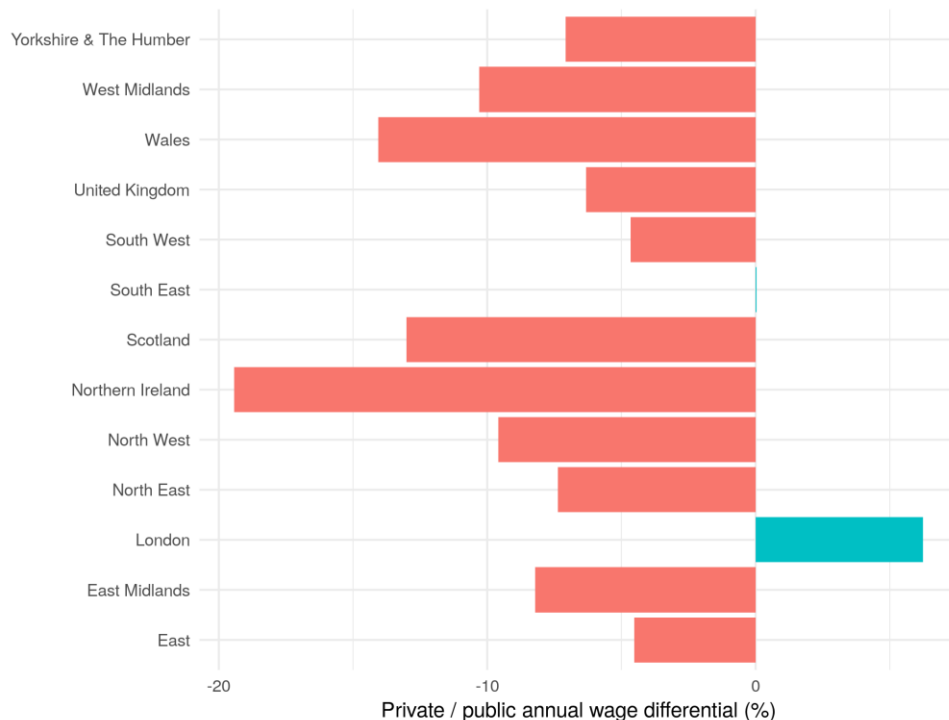


Births to non-UK mothers by district, 2006–2016



- Overall, **8%** of Northern Ireland's population was born overseas: 5.5% from the EEA, and 2.5% from the rest of the world.
- Importantly, migrants largely stay and form social roots when they come to Northern Ireland.

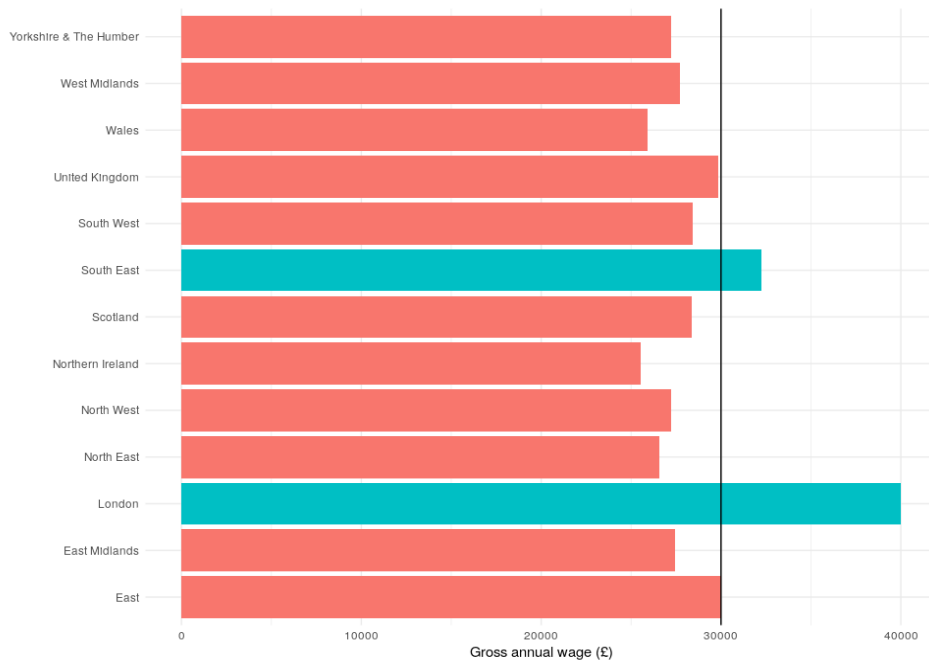
PRIVATE-PUBLIC SECTOR DIFFERENTIAL



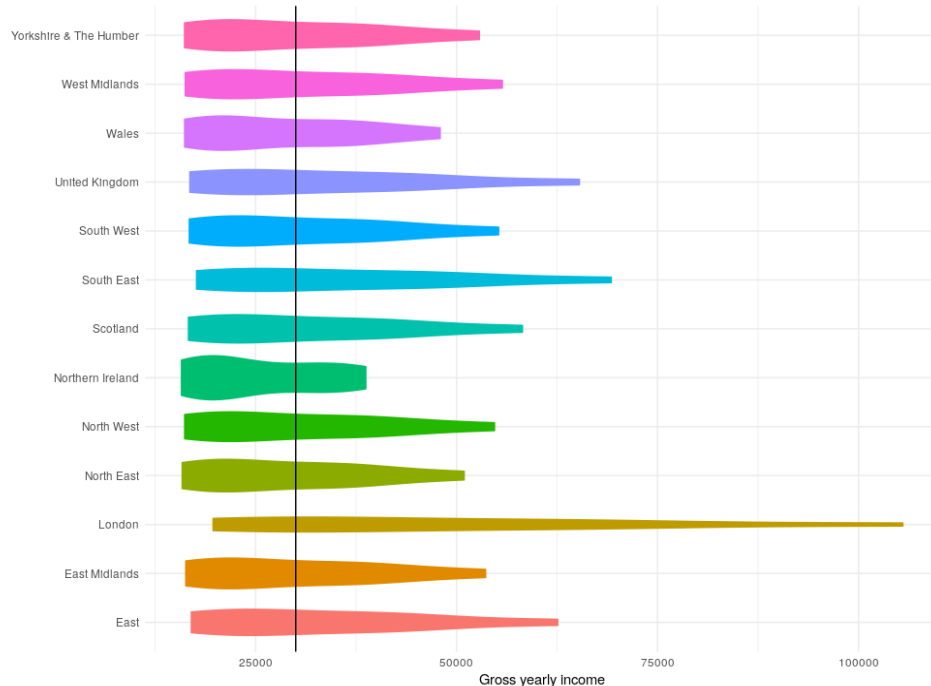
- **Public sector wages tend to distort the averages** for NI compared to the rest of UK.
- In 2019, median gross annual wages in the private sector were **almost 20% lower in NI** compared to public sector wages. NI is a real anomaly.
- Taking this into account, the **median** (*mean*) wage in NI private sector is **£25,525** (£30,865).
- Compared to the UK's **£29,932** (£38,467).

PRIVATE WAGES & DISTRIBUTIONS

Annual full-time private salaries for all UK regions



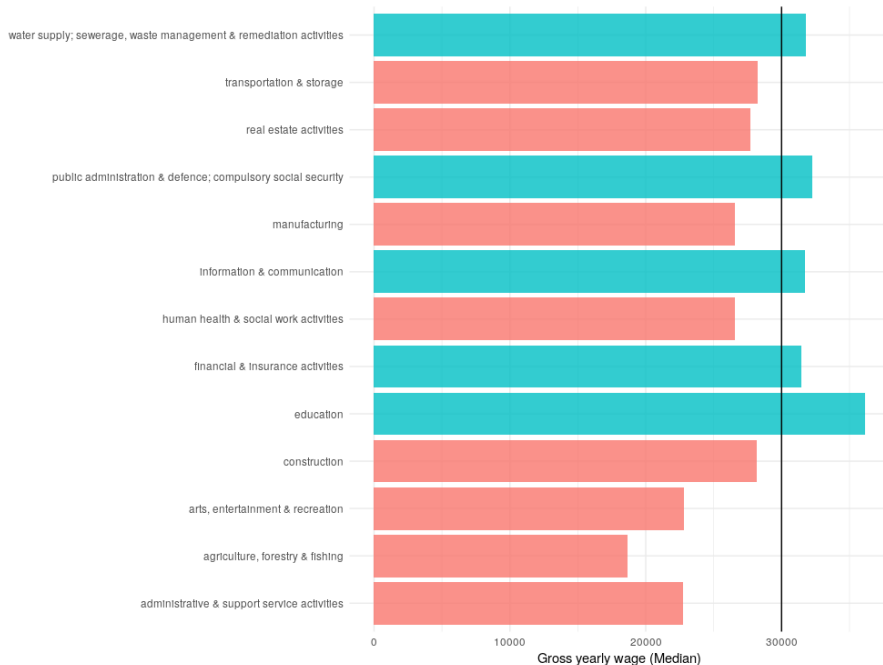
Annual full-time private salary distribution for all UK regions



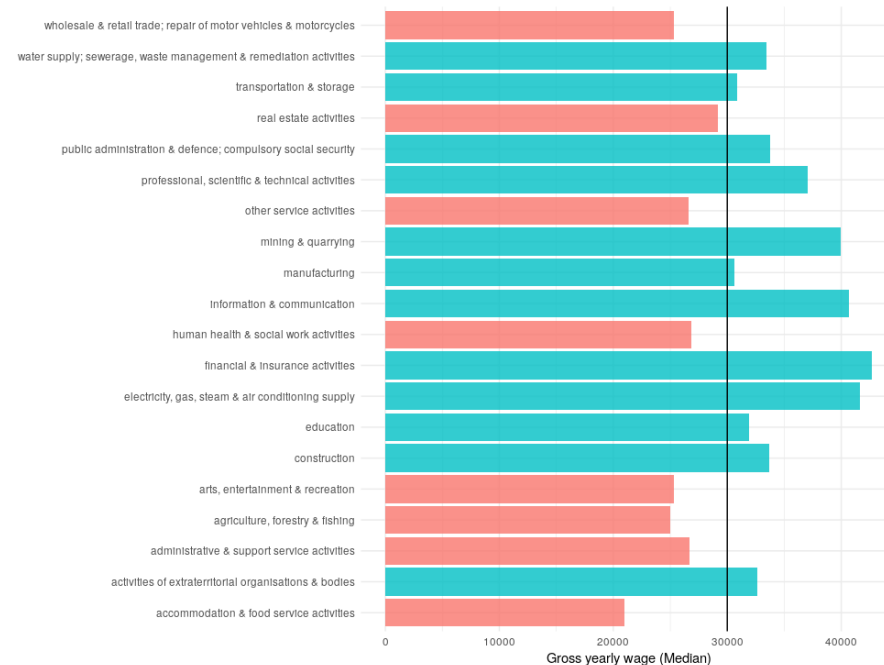
- NI has the **lowest median full-time annual salary** – around **15% lower than UK average**.
- Also, NI has a **truncated salary distribution** relative to all other regions. Makes it more difficult to attain a salary over the proposed £30,000 threshold in many industries.

FULL-TIME ANNUAL INDUSTRY SALARY AVERAGES

Annual full-time private salaries for NI industries



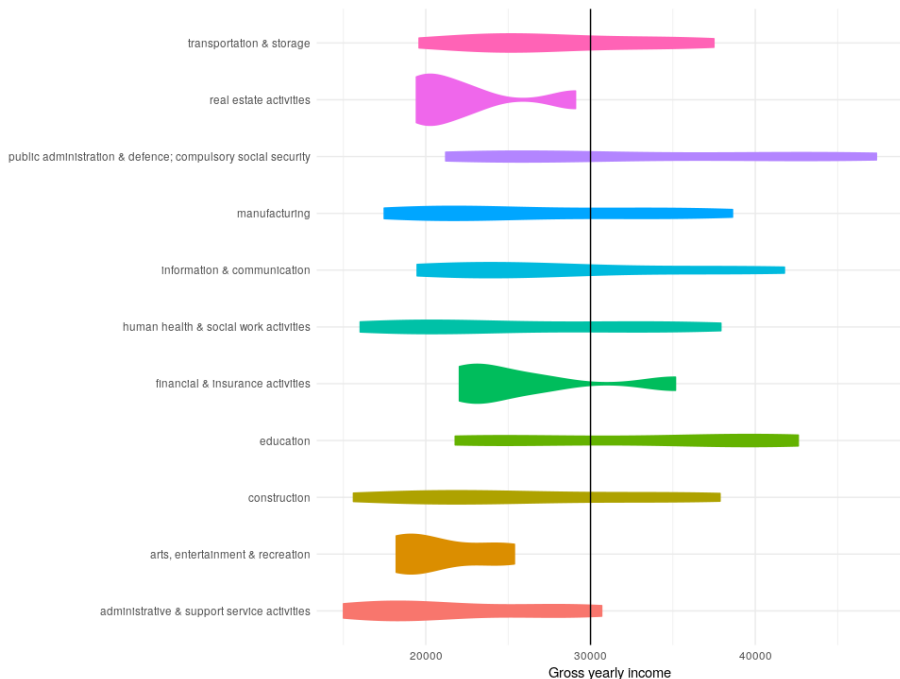
Annual full-time private salaries for UK industries



- Many more industries are at risk in NI than the UK on average: **Agri, Manufacturing & Construction.**
- Moreover, note that some NI industries are not well represented with the ASHE data.

FULL-TIME ANNUAL INDUSTRY SALARY DISTRIBUTIONS

Annual full-time private salary distributions for NI industries



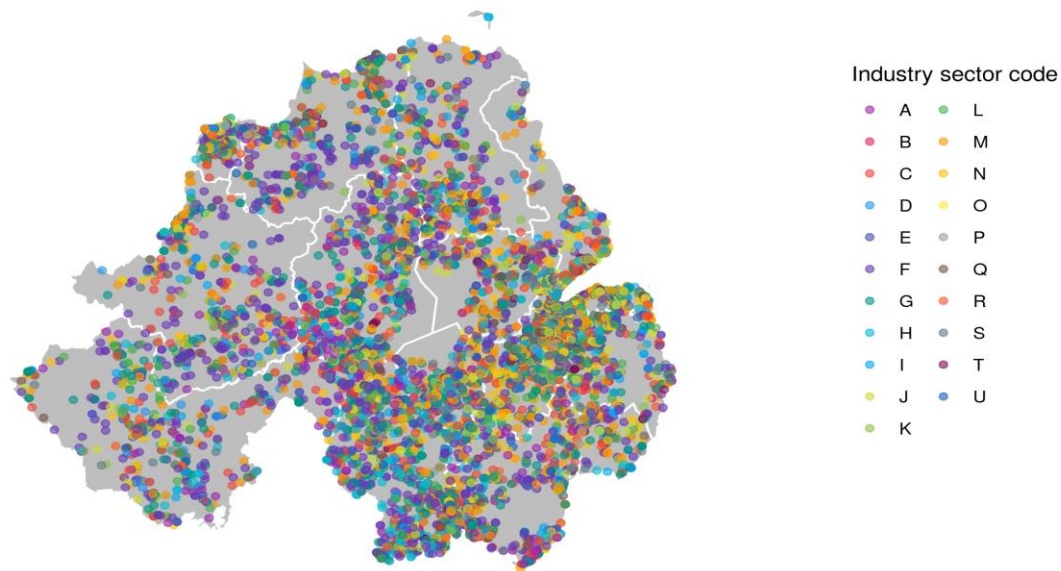
Annual full-time private salary distributions for UK industries



- Across the UK as a whole, workers salaries could surpass the £30,000 threshold even at relatively junior roles. Not so much in Northern Ireland; on average a worker would need to surpass the 65th percentile.

MOST IMPACTED AREAS IN NORTHERN IRELAND (1)

Geolocation of all NI companies registered with Companies House, 2019

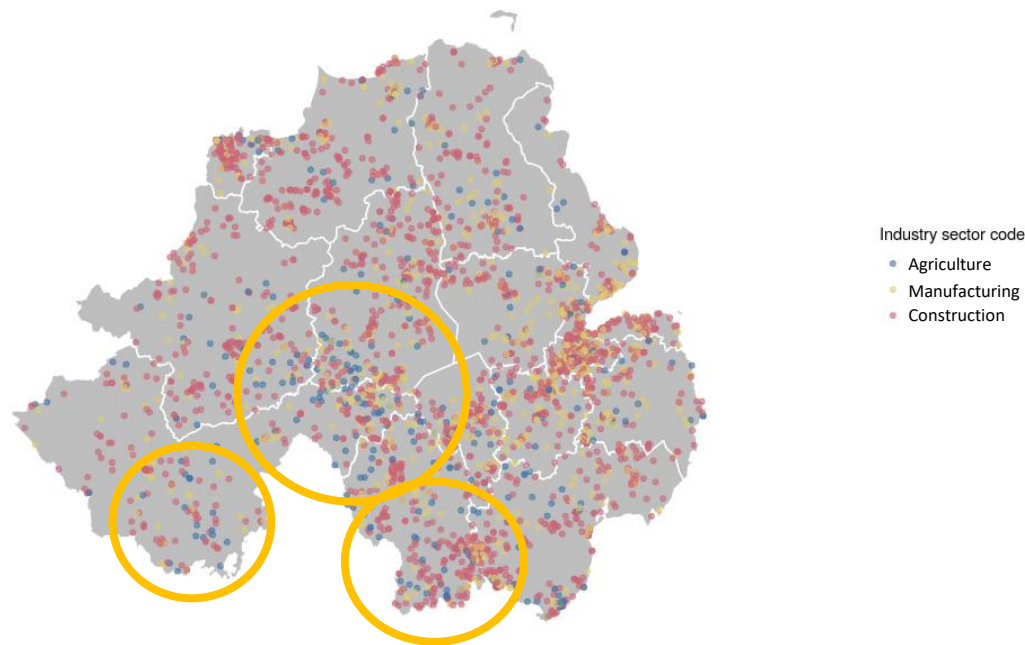


- Companies House have a very nice API, which can be used to request data on all firms operating in NI and across the UK.
- Each company registers a 5-Digit SIC code, which can be aggregated up to the industry sectors, like, *Communication and Information*.
- Also able to extract balance sheet data (by parsing PDFs).

MOST IMPACTED AREAS IN NORTHERN IRELAND (2)

- Construction companies dominate the landscape of NI. But each one is relatively small.
- Mid-Ulster, Armagh & Banbridge and Border areas show concentrations of relatively large manufacturing and agri firms (see yellow circles).
- Notably, also areas that have high levels of migrant inflow (slide 4).

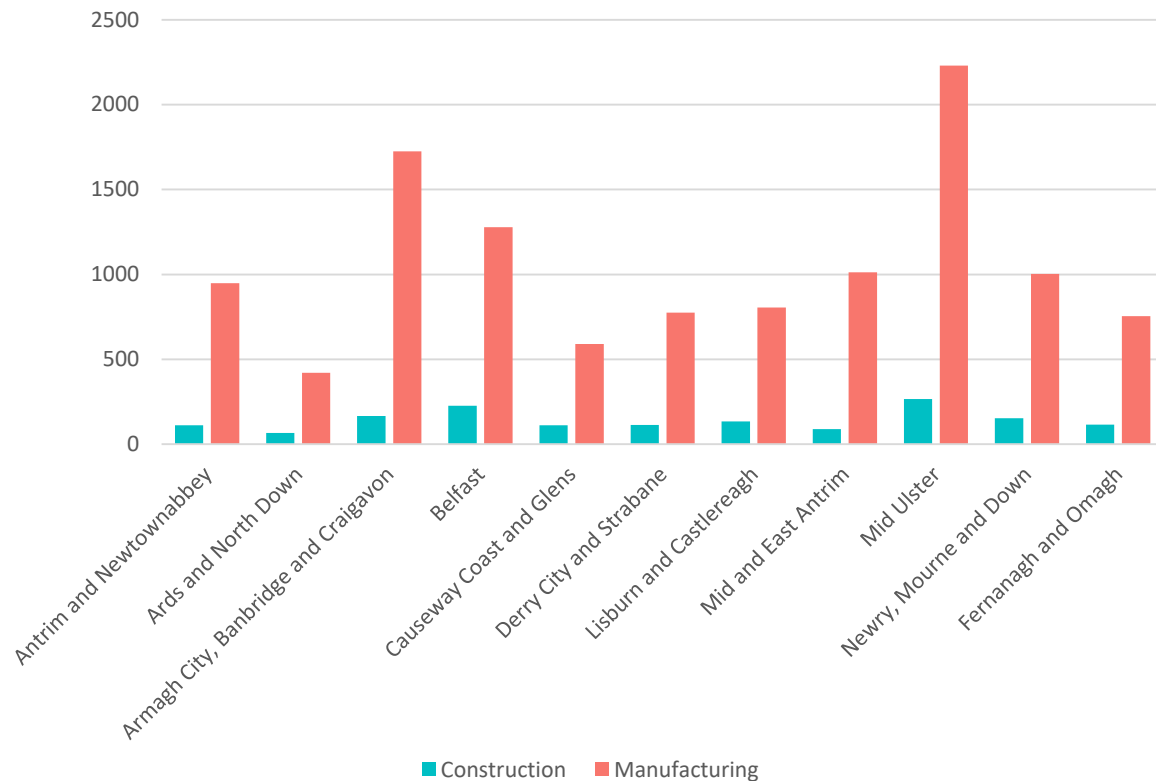
Geolocation of all agriculture, manufacturing & construction firms, 2019



MOST IMPACTED AREAS IN NORTHERN IRELAND (3)

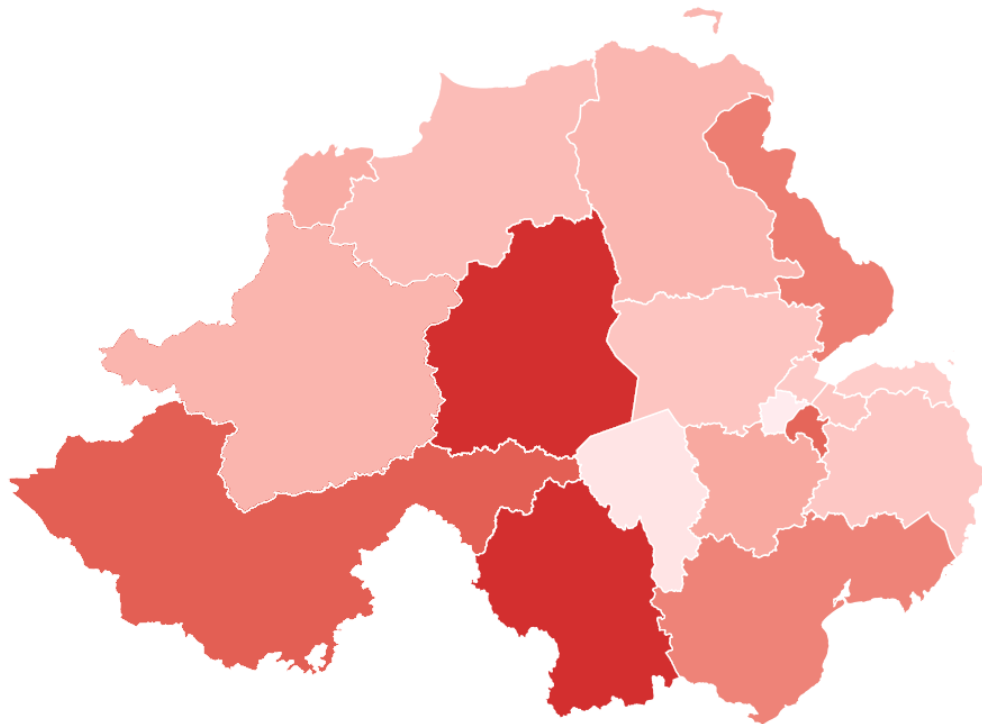
- 19% of manufacturing labour are migrant workers.
- 12% of distribution, hotels and restaurant workers are migrants.
- 6% of construction labour are migrant workers.
- Over 10,000 migrant manufacturing jobs would be at risk of having a salary of under £30,000.

Direct number of migrant worker jobs potentially at risk per district



MOST IMPACTED AREAS IN NORTHERN IRELAND (4)

Heatmap of districts most impacted by proposed threshold

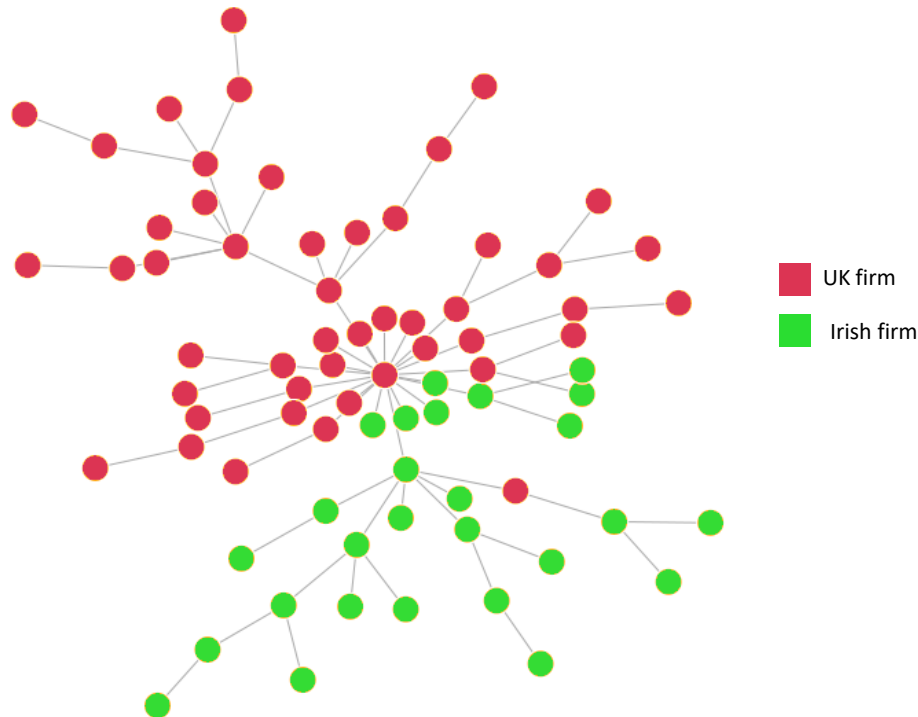


- Two things to note:
 - Manufacturing & construction have **relatively high output and GVA multipliers**.
 - That the most impacted areas are also areas of concern that the Department for the Economy have noted for a **No Deal Brexit**.
- High levels of **economic detriment in mid-Ulster and Border Areas** can have unravelling effects.
 - Combined with potential smuggling and black market activity.

ALL-ISLAND SUPPLY CHAINS ARE IMPORTANT!

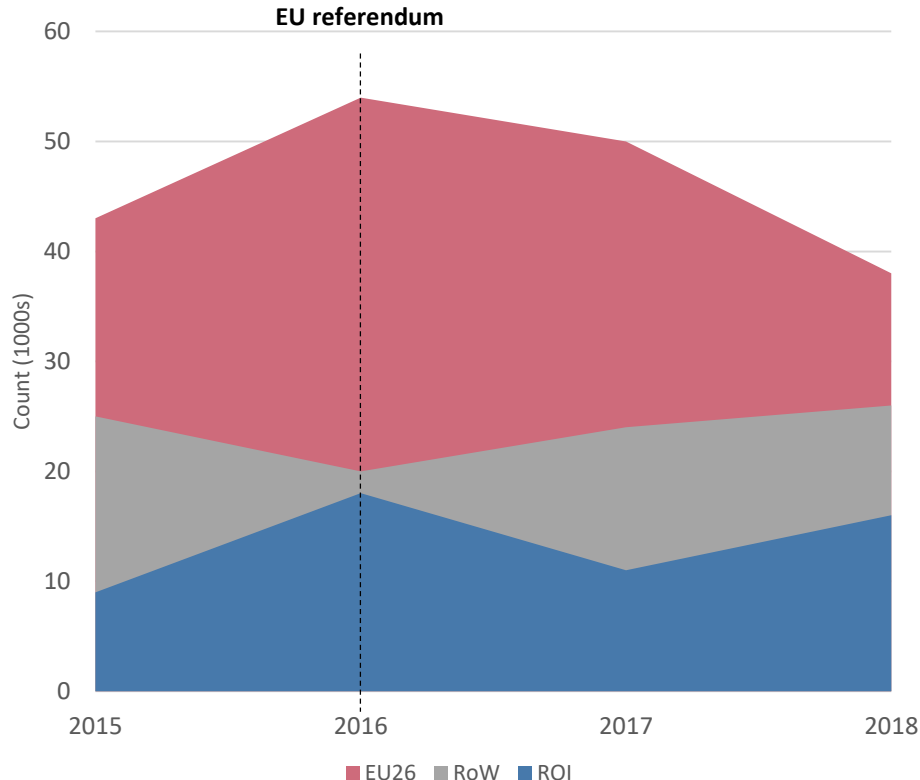
- **Geography matters!**
- Firms in Northern Ireland work in an **all-island basis** with **integrated supply chains** and a **pooled labour** market.
- Consider the example of an agri-food company with supply chain and distribution network in both NI and Ireland.
- Firms in NI rely on a **level-playing field for labour** so that bottlenecks do not appear in NI supply chains.

Supply and distribution network of NI agri-food and manufacturing business



MANY EU26 MIGRANTS HAVE ALREADY LEFT NI...

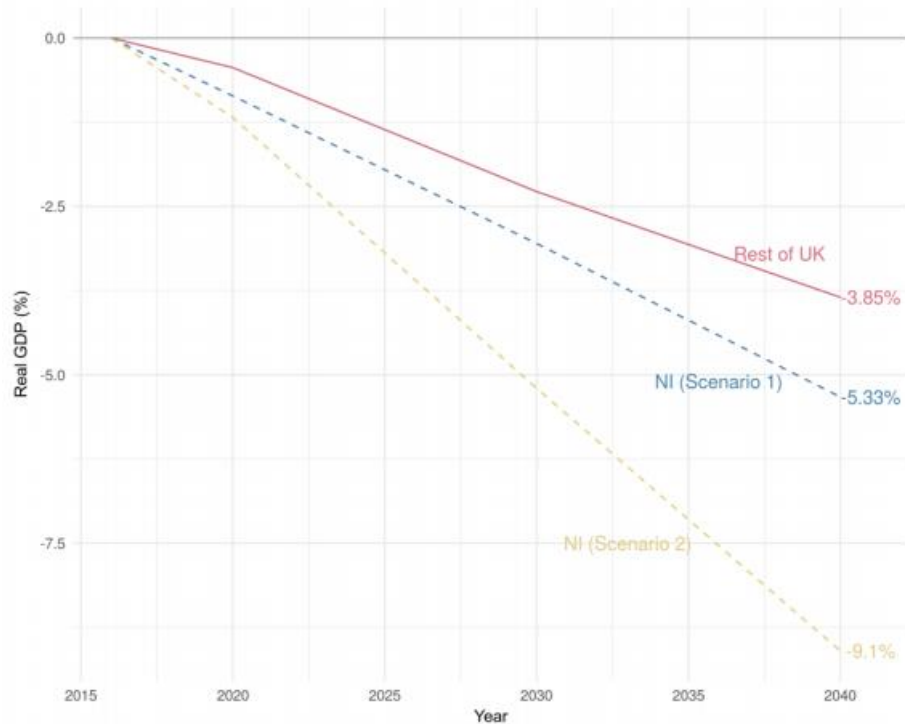
Number of migrant workers in Northern Ireland, 2015—2018



- **Brexit is already happening!**
- Since the EU Referendum was called and voted upon, there has been a significant decline of EU26 migrants in NI.
- **Fallen from 54,000 to 38,000 (29.63%) in two years.**
- Multiple reasons:
 - Growing economies in Eastern European nations.
 - Perception and culture.
 - Weakening sterling.
 - Draw from the Republic of Ireland (poaching).

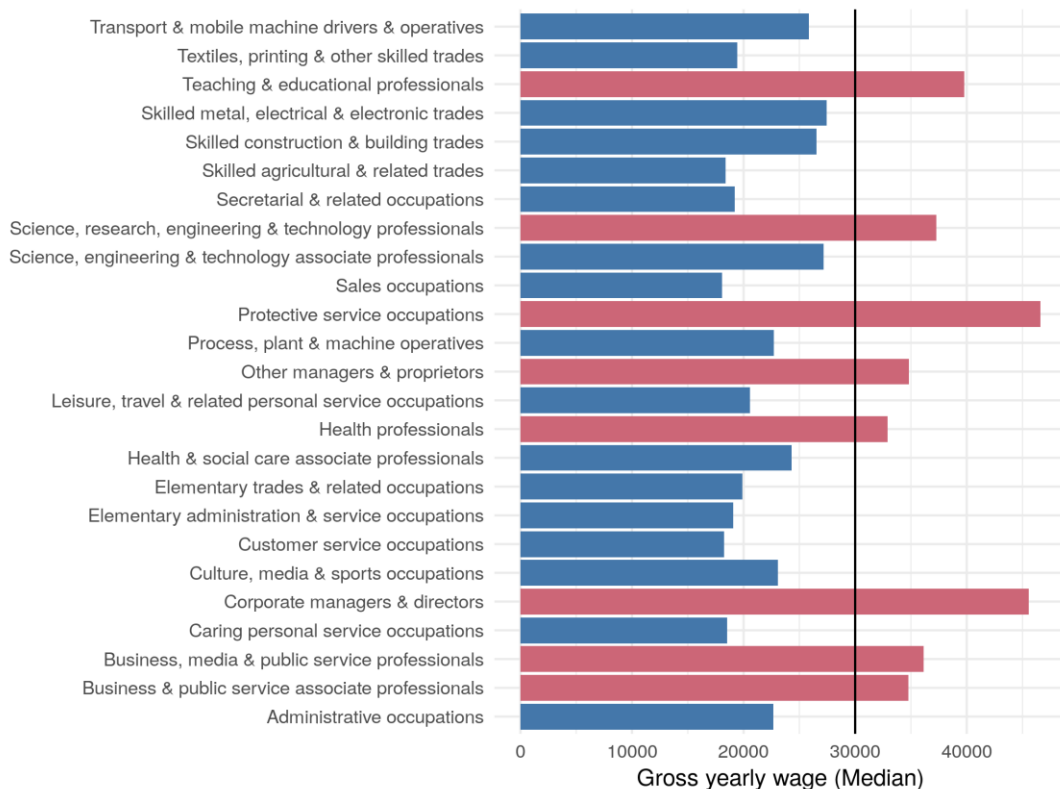
OPPORTUNITY COST LOOKS TO ESCALATE

- The CBI NI publication **All Together Better** measured the contribution of EU26 migrant labour to the NI economy.
- Found that:
 - If the inflow of EU labour fell by 50% there would be a **5.33% impact** on the NI economy by 2041.
 - That's about £20,000 of lost income per capita by 2041.
 - If the inflow of EU labour fell by 75% there would be a **9.1% impact** on the NI economy by 2041.
 - That's about £38,000 of lost income per capita by 2041.



OPPORTUNITY COST LOOKS TO ESCALATE

Average wages for workers (SOC code 2) in Northern Ireland



- The vast majority of occupations will not be covered at the proposed threshold.
- The **productivity loss** of a temporary workers scheme would be significant.
- Taking wage differentials of skilled workers and the cost of training; productivity lost would be **between £10,000 and £18,000 per worker (depending on industry)**.
- There would be a case for a **pathway to a Skilled Worker Route**.

SO, IS NORTHERN IRELAND DIFFERENT?

- Yes. A number of things are clear:
 - The proposed £30,000 salary threshold is not achievable by many NI employers.
 - Manufacturing, construction, tourism, agri-food, and social care are most at risk.
 - These are also sensitive areas in the situation of a hard Brexit or No Deal.
 - Other regions will also see an impact; but labour is much more immobile in NI.
 - NI has a land border with another EU nation.
 - Border regions are exposed.
 - Supply chains are integrated and labour is pooled across the island or Ireland.
 - Proposed 12 month temporary worker period is too short – NI becomes a training ground for Ireland.
 - Pathway for a Skilled Worker seems achievable!

