

We're currently in what they call corporate earnings season and we're getting a flavour of how COVID has been hitting big business. Some companies have been doing well whilst others have struggled. Marks & Spencer on the one hand has seen its first quarterly loss since it was listed on the stock market 94 years ago. By contrast, the likes of Amazon has been generating record earnings as its business model is well suited to the pandemic.



Similarly, it is earnings season for individuals in the sense the latest Annual Survey of Hours and Earnings (ASHE) has been published by NISRA. And what we see is a similar story in that there have been winners and losers. And indeed, you could say that the survey findings have been more marked than normal. For instance, the pay gap between NI and UK earnings widened to its largest in 20 years. That illustrates that the local economy has been hit harder by the recession so far.

On an annual basis, median earnings for full-time employees increased to £28,324. After adjusting for inflation, that remains 2.5% below the median earnings of a full-time employee back in 2009 (£29,046). But within that, whilst private sector earnings have recovered

above 2009 levels, public sector wages haven't. Indeed, the median public sector wage in April 2020 (£32,391) remains almost £2,000 below (-5.7%) the corresponding level in 2009 after adjusting for inflation. Multi-year pay freezes had a hand in that.

One of the main trends in the year pre-COVID was the impact of skills shortages on the earnings of people in their 20s and 30s working in the private sector. They saw solid increases in their earnings, unlike their public sector counterparts. But it's worth bearing in mind that the 30-somethings of today are still earning 10% less after inflation than that age-group did in 2008. This is because they entered the labour market after the last recession and have been battling with that ever since. The same thing is likely to happen to the 20-somethings of today who are entering the current labour market during the pandemic. Indeed, younger generations have already been bearing the brunt of job losses to date and are more likely to have been furloughed.

The impact of furlough is evident in the weekly earnings data from late April. The survey revealed the largest annual decrease in weekly earnings of full-time NI employees on record (-1.1%). When you adjust for inflation, this takes weekly earnings back to 2010 levels. Some manufacturing subsectors also recorded falls in weekly earnings of almost a third, while some areas of construction saw falls of a quarter. The hospitality sector saw declines of over one fifth.

This highlights that whilst the furlough scheme has provided some certainty and has mitigated against job losses, it is not all good. Yes it has prevented massive job losses, but it hasn't prevented massive loss of income and hardship for many families. Those with the lowest incomes had the highest take-up of the scheme and those with the highest incomes had the lowest take-up. So it's people who are already relatively low paid who have had to take the pay reductions.

It's important to remember that over one fifth of Northern Ireland's jobs are deemed to be 'low paid', which is the highest proportion of the 12 UK regions. It is noted that the number of jobs falling below the National Minimum and National Living Wage rose from 1% in 2019 to 10% in April 2020. More than 90% of employees earning below the NMW/NLW were on furloughed rates of pay.

So whilst people on furlough will likely take comfort from still being in employment, dealing with a 20% reduction in income when you are already on low pay is a financial battle. The reality is that lower income people spend a higher percentage of their income on essentials such as food, heat and light, so don't have the disposable income to absorb a 20% pay cut. They also have fewer savings and are more likely to be in rented accommodation, which means they can't benefit from a mortgage holiday.

The proportion of 'high paid' jobs in Northern Ireland also fell to an all-time low according to the latest survey. 16% of jobs are now considered high paid which compares to a peak of 23% in 2005. Clearly while Northern Ireland has been successful in creating high paid jobs in areas such as cyber security and pharmaceuticals, it is also losing them. And we saw last week that Northern Ireland is losing some high-paid engineering jobs to lower-cost locations such as India.

This global competition for jobs will likely become even more acute due to the trends we are seeing in the pandemic. It won't just be manufacturing jobs that will be vulnerable to lower cost economies. Service sector jobs could go the same way in the virtual / working from home world. But this is a two-way street. Northern Ireland has successfully gained from offshoring - think of the legal jobs we have brought in from the likes of Baker McKenzie and Allen & Overy. We clearly have the potential to be more competitive than high-cost locations such as London and even Dublin.

In this even smaller, virtual world, Northern Ireland needs to differentiate itself more than ever and focus heavily on ensuring its competitiveness. But this also provides an opportunity to level the playing field locally in terms of job distribution. The kind of high value IT and cyber security jobs that NI has attracted in recent years have been mostly based in Belfast. However, in the working from home world, the barrier to someone living in the North West filling one of these roles has been removed. Indeed, they could even be competing for jobs currently performed out of Chicago or Canary Wharf.

This means that in 2021, whilst we won't be able to get the flows of labour from Eastern Europe that we had in the past due to Brexit, global flows of labour into the future are actually likely to increase, virtually rather than physically. There will be no digital border in the Irish sea or anywhere else. When it comes to many jobs, you could be in Bangor, Bognor or Bangalore and as long as you have a high-speed internet connection you can perform the same role. The corporate world has been upended and with businesses no longer expect you to be in the same country never mind the same office. Many roles will be location agnostic. More change is coming. You better believe it.

Share this:

- [Twitter](#)
- [Facebook](#)
- [LinkedIn](#)
- [Email](#)