

# Welfare or Well Unfair?

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2014 saw Northern Ireland's so-called 'spreadsheet recovery' broaden out into a more tangible household recovery, with the return of low inflation alongside modest wage growth leading to a recovery in disposable household incomes. A slowdown in the pace of austerity has also helped, and, in turn, households have begun to repair their battered household finances.

That said, people in Northern Ireland typically have the lowest disposal incomes of any part of the UK, according to figures recently released from the Office for National Statistics (ONS).

Last month the ONS revealed its latest estimates, for 2013, of gross disposable household income (GDHI) for regions and sub-regions within the UK - i.e. the amount of money that all of the individuals in the household sector have available for spending or saving after taxes and benefits have been taken into account.

In 2013, the typical disposable income available for Northern Ireland individuals to spend or save was £14,347. This was the lowest of all UK regions and was 81.7% of the UK average (£17,559) - the widest income gap since 2002. The equivalent figures for England, Scotland, Wales and the North East of England were £17,842, £17,039, £15,413 and £14,927 respectively.

Back in 2007 Northern Ireland's gross disposable income per head was 88.3% of the UK average and was above that of Wales (85.6%), the West Midlands (87.3%), Yorkshire & Humberside (87.4%) and the North East (82.6%). However, this improvement was largely artificial, as it was boosted due to unsustainable house price growth being reflected in the income calculation.

Since then, Northern Ireland had a deeper and longer recession than any other part of the UK. Similarly, Northern Ireland's recovery has been much weaker. Northern Ireland's disposable income gap with the rest of the UK narrowed during the boom years, but has steadily widened since. Conversely; Scotland, Wales and the North East have narrowed their respective disposable income gaps with the UK since 2007.

Northern Ireland's average disposable incomes fell in real terms, when adjusted for CPI inflation, for six consecutive years up to 2013. Northern Ireland's GDHI per capita fell by 11.3% cumulatively over this period, which compares unfavourably with a decline of 4.2% for the UK. Furthermore, Northern Ireland's decline was greater than that of any of the 12 statistical regions within the UK (the so-called 'NUTS 1' classification).

These headlines of the ONS data are likely to be seized upon by those arguing that the local economy cannot take more austerity or implement welfare reform measures. However, it is important to note that headline averages can conceal significant variations at a sub-regional level.

Furthermore, the steep declines in disposable incomes in Northern Ireland are also influenced by a marked fall in imputed rental income, which is linked to the steep fall in local house prices.

Politicians in parts of England, Scotland and Wales could be quick to point out that, according to the ONS figures, Northern Ireland, on average, fares relatively better than many of their constituencies. And that their constituents have also had the full range of welfare reforms imposed on them, with no mitigating measures to alleviate the impact.

Comparing Northern Ireland with the 40 regions that make up the so-called 'NUTS 2' statistical classification reveals that South Yorkshire and the West Midlands have marginally lower disposable incomes per head than Northern Ireland.

Going down to the next statistical level - the NUTS 3 classification of 174 regions in the UK - reveals that there are an increasing number of sub-regions in Great Britain that, from a disposable income perspective, are worse off relative than Northern Ireland.

For example, in the East Midlands, both Leicester and Nottingham have GDHI per capita that is just two-thirds of the UK average (NI = 81.7%).

Meanwhile Manchester, Liverpool, Birmingham, Sunderland, Wolverhampton, Portsmouth, Southampton, Blackburn, Coventry, Derby, Blackpool, Stoke-on-Trent, Luton and the Gwent Valleys are some of the other sub-regions that compare unfavourably with the Northern Ireland average.

Granted, Northern Ireland also has its own regional variations within its five NUTS 3 regions, with three of the five (Belfast, Outer Belfast and the East of NI) accounting for close to two-thirds of all NI's total GDHI. Outer Belfast has the highest GDHI per capita in Northern Ireland at £15,208 (87% of the UK average) which is £2,300 above the sub-region with the lowest GDHI, the North of NI (73.5% of the UK average). Belfast and East of NI have similar levels of GDHI per capita at just over £15k (86% of UK average).

Meanwhile after the North of NI, the West & South of NI has the lowest GDHI per capita at £13,357 or 76% of the UK average. It is also noted that Northern Ireland's GDHI in Belfast, Outer Belfast and the East of NI compares favourably with other city areas in England and Scotland, such as Glasgow and Tyneside.

Last month's statistical release confirms that Northern Ireland has experienced something of a lost decade when it comes to closing the income per head gap with the rest of the UK. However, a recovery has been in train since 2014 and this should lead to some improvement that will be reflected in future ONS data releases. Disposable incomes have been boosted by the record falls in food and petrol prices over the last year or so, which are not reflected in the 2013 figures. (Although in recent months petrol prices have started to rise again.)

Next month's Budget is expected to reveal a series of measures (e.g. cuts in 'in-work benefits' and increased fuel duty) that will impact negatively on disposable incomes. Meanwhile it also remains to be seen what happens with welfare reform. Again what does or doesn't happen on this front will have a bearing on disposable incomes.

The headlines from last month's statistical release could encourage Northern Ireland to wallow in its low levels of Gross Disposable Household Incomes and by extension encourage us to continue to plead special status and apply for exemptions from austerity and welfare reforms. However, it is clear that there are plenty of politicians the length and breadth of Great Britain who can claim that their constituents are worse off than the Northern Ireland average.

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