

Please find attached the Enterprise Northern Ireland response to the ETI Committee Inquiry into Job Creation and Economic Growth.

I trust that this submission will be of assistance to the Committee's deliberations.

Kind regards

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Enterprise Northern Ireland

Response to
Committee for
Enterprise, Trade &
Investment Inquiry
into Job Creation and
Economic Growth

9th March 2015



INQUIRY INTO JOB CREATION AND BUSINESS GROWTH

Thank you for the opportunity to contribute to the Committee on Enterprise, Trade & Investment Inquiry into how economic growth and job creation can be supported in Northern Ireland in ways additional to the devolution of corporation tax-setting powers from Westminster to Northern Ireland.

Enterprise Northern Ireland, the representative body for the network of Local Enterprise Agencies across Northern Ireland and the thousands of small businesses who have participated in ENI-managed programmes, congratulates the Committee for recognising that the devolution of corporation tax-setting powers – and the ability to set a reduced rate for the region – is on its own not enough to stimulate economic growth and to create jobs in Northern Ireland.

Although reduced rates of corporation tax will greatly assist the rebalancing of the Northern Ireland economy, Enterprise Northern Ireland believes that the Committee should focus on the following key economic drivers in order to contribute to the economic transformation of Northern Ireland, stimulate economic growth and create jobs by attracting increased levels of FDI.

Skills and education

Although Northern Ireland has outperformed many other UK regions in terms of attracting high value added FDI, concerns have been raised around the region having a higher share of low and very low value added FDI when compared to RoI and GB. This calls into question the quality of some jobs created as a result of FDI, and the longevity of organisations locating here within certain industries such as the business and professional services sector.

However, in order to consistently attract high value jobs, high skills levels are required by prospective FDI amongst the workforce pool. Through its successful delivery of business support programmes such as Exploring Enterprise and Exploring Enterprise 2, Enterprise Northern Ireland is aware that there is a clear relationship between a country's or region's level of skills and its economic growth. Skills have a positive impact on an organisation's ability to promote and enhance innovation, and the availability of a skilled workforce is constantly cited as one element in attracting prospective FDI to Northern Ireland.

For instance, one of Northern Ireland's key strengths as a FDI location is the supply of undergraduates and postgraduates, particularly in the subject area of computer science.

This provides a fit with the technology sector, ranking Northern Ireland above other competitor locations.

However, today's businesses across all business sectors typically require a different and flexible skills set from their employees, and there are indications that many businesses and industries are struggling with a general shortage of skills. Many industries have indicated that they are approaching a talent time bomb with many struggling to find employees with the right skills. This is an obstacle to individual business success and will impact greatly on the ability to attract FDI. As a key economic driver for Northern Ireland, the Committee must take action to ensure that Northern Ireland increases the number of high quality under- and post-graduate students across a range of academic disciplines. This is perhaps easier said than done, as forthcoming budgetary constraints due to impact on the primary, secondary and tertiary education system, could have long-term implications in terms of skills development for generations. For instance, announcements last week from the Minister for Education that funding for primary school language programmes would be cut will have a long-term impact on the ability to attract, years down the line, FDI from companies that export to non-English speaking countries.

In order to continue to attract FDI, the region must continue to invest in, and build upon, its supply-side capabilities, including academic education and research. In terms of skills development, the range, number and quality of vocational skills, necessary for attracting the industrial and manufacturing sectors, as well as training development for service sectors, must be prioritised, as should an improvement in language skills. Such investments will ensure that Northern Ireland maintains its advantage in producing highly skilled and trained under- and post-graduates capable of filling the jobs created.

Labour costs

Enterprise Northern Ireland is aware of research that indicates that average labour costs has the greatest impact on FDI jobs creation over and above other key economic drivers, including lower rates of corporation tax. This, combined with lower property costs and the provision of financial incentives, gives Northern Ireland an advantage over competitor locations. The region is therefore believed to provide one of the most cost-effective business environments in Europe.

Enterprise Zone

The development of the first pilot Enterprise Zone for Northern Ireland, announced in the Chancellor of the Exchequer's 2014 Budget speech, should be prioritised. Enterprise Zones in GB have demonstrated their worth in terms of attracting like-minded companies to set up and create jobs. Given the region's strong track record in attracting FDI within the computer sciences sector, and the pool of highly qualified potential employees graduating from colleges and universities, the announcement one year ago had raised hopes hope that the Enterprise Zone would play a crucial role in capitalising on these strengths by creating a thematic area for companies within the technology sector.

As Enterprise Zones can offer a range of incentives for businesses to start up or expand, there is perhaps potential for the Committee to explore the possibility of extending the existing pilot, or developing new Enterprise Zones, across the region, in order to help achieve the Northern Ireland Executive's number one priority to grow the economy. There are undoubtedly countless areas across the region which could advantage from the benefits offered by enterprise zones, perhaps even more so than the site of the pilot in Coleraine.

Business communication

Communication links are frequently cited as one of the incentives offered to potential FDI. However, despite the rollout of the ongoing Northern Ireland Broadband Improvement Programme, access to superfast broadband remains elusive for many. Amongst Enterprise Northern Ireland's member organisations, the network of Local Enterprise Agencies, many complain that they do not have access to superfast broadband, despite being located adjacent to cabinets, or beside properties that do have it on the grounds that it is not considered financially viable to extend it. Enterprise Northern Ireland has been told that lack of high-speed broadband is having an impact on LEAs with some businesses located on workspace managed by the LEAs threatening to leave unless it is rolled out, as it is a necessity for their business going forward. Rural areas, which already find it difficult to attract foreign direct investment, are particularly badly affected. If this situation is replicated across Northern Ireland, it could be difficult to attract potential foreign investment, particularly very high and high added value FDI.

I trust that this submission will be of assistance to the Committee's deliberations, however, please do not hesitate to make contact if you require further information.