Can the peace dividend and devolution transform business in Northern Ireland? Lessons from the UK’s fastest growing sub-region

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Introduction

• Aim of presentation: to examine possible lessons for Northern Ireland from Milton Keynes City-Region (South-East Midlands Local Enterprise Partnership [SEMLEP]); the UK’s fastest growing sub-region in the context of exploiting the peace dividend and further devolution;

• Structure of the presentation:

1. The context of economic development in post-conflict societies and devolution/decentralisation;
2. The capabilities and capacities of the SEMLEP economy;
3. The exemplar of the economic impact of sport as an means to identify and evaluate capabilities and capacities of sub-regional growth;
Difficulties of measuring and realising the *Peace Dividend* in any economy

• Economic disparities at heart of many pre and post conflict societies (eg resource economic rents from mining in Rwanda);
• BUT evidence difficult because of *what if* counter-factual reasoning;
• In Iraq trend rate of growth pre and post conflict with Iran gives some indication;
• Two sources of evidence in Northern Ireland:
  1. House prices; 4-12% in Belfast; and; 0.8-2.5% over all regions, (Besley and Mueller 2012)
  2. Tourism and real investment: risk premia from reported fatalities higher, (Mackley; 2011)
• Recent evidence by IMF and OECD shows that reducing inequality may lead to growth through increased equity leading to larger overall economic welfare;
• But conflict hits poor hardest and peace dividend benefits slower to reach socio-economically excluded groups.
Analysis of the peacebuilding needs of a given country or region

Defining/Analyzing/Evaluating the peacebuilding relevance of an intervention

Assessing the conflict risks for an intervention (= effects of the conflict on the intervention)

Anticipating/Assessing/Evaluating the conflict and peacebuilding effects of an intervention (= elaborating or assessing result-chains and indicators)
Conflict On-Off growth rates in Iraq

Trend rate of annual growth = 10.8%

GDP non-conflict period

GDP conflict period
Projected regional GDP growth rate in Iraq

• For 2009-2030 = 5.2% p.a.;
• On assumption of long run stability in the key economic regions and “peace dividend’ gains;
• Long run but gradual decline of oil price;
• Greater share for non-oil sector and private GFCF in GDP growth;
• Uplift in oil exports and growth in non-oil exports;
• Increase in economically active population in urban areas and among women.
• BUT, volatility in unemployment rates as capital-labour ratios increases.
Decentralisation/Devolution and Economic Growth

- Relationship proceeds through externalities and backwash effects;
- Regions in federal states grow faster than regions in unitary decentralized states and the difference is statistically significant;
- Lower transactions costs in operating localised economic policy but tax administration may be more efficient at national level;
- Combination of governmental, fiscal, institutional, policy devolution/decentralisation enables growth opportunities;
- Leads to allocative and productive efficiencies allied to greater accountability and participation in decision making to create ‘economic dividend’;
- Important source of localised data architecture and appropriate knowledge managements to inform policy more intelligently (evidence from Scotland);
- Setting own corporate tax rate but be careful of viewing this as the magic bullet for Foreign Direct Investment (FDI).
The tale of two regional economies

GVA = £26.8bn
GVA/head = £16531

GVA = £38.6bn
GVA/head = £21647
Socio-Economic Characteristics, Capacities and Capabilities of the sub-Region

- Milton Keynes and its sub-regional hinterland occupies a unique position in the UK economy. Located equi-distantly between London and Birmingham.
- Developed a comparative and competitive advantage in private sector led services and related activities;
- Outside of London and Birmingham, it has a global reach that is greater than equivalent sub-regions. This reflects both the structure of its sectors and employment;
- Although dominated by logistics, this sector is the apex of a hi-tech global complex (ICT, business, financial technical services incl Charles Swab; Santander; Network Rail);
- Closely linked to Formula 1 is advanced engineering design (Nissan, Mercedes); electronic and digitally-based manufacturing (ALPS); aerospace (Aerospace Technology Institute);
- Four universities with a Central MK University being planned;
- Increased housing supply constraining prices and generating increased real incomes for households.
### Changes in the number of Employees in Milton Keynes 1998-2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
<th>Change in number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998/1999</td>
<td>113,000</td>
<td>-</td>
</tr>
<tr>
<td>1999/2000</td>
<td>121,800</td>
<td>8,800</td>
</tr>
<tr>
<td>2000/2001</td>
<td>124,900</td>
<td>3,100</td>
</tr>
<tr>
<td>2001/2002</td>
<td>130,000</td>
<td>5,100</td>
</tr>
<tr>
<td>2002/2003</td>
<td>129,600</td>
<td>-400</td>
</tr>
<tr>
<td>2003/2004</td>
<td>130,200</td>
<td>600</td>
</tr>
<tr>
<td>2004/2005</td>
<td>134,000</td>
<td>3,800</td>
</tr>
<tr>
<td>2005/2006</td>
<td>133,000</td>
<td>-1,000</td>
</tr>
<tr>
<td>2006/2007</td>
<td>131,700</td>
<td>-1,300</td>
</tr>
<tr>
<td>2007/2008</td>
<td>138,900</td>
<td>7,200</td>
</tr>
<tr>
<td>2008/2009</td>
<td>143,800</td>
<td>4,900</td>
</tr>
<tr>
<td>2009/2010</td>
<td>137,200</td>
<td>-6,600</td>
</tr>
<tr>
<td>2010/2011</td>
<td>139,500</td>
<td>2,300</td>
</tr>
</tbody>
</table>

Growth in jobs 1998/99-2008/09: 30,800 jobs
Annual average growth in jobs 1998/99-2008/09: 3,080 jobs per annum
Growth in jobs 1998/99-2010/11: 26,500 jobs
Annual average growth in jobs 1998/99-2010/11: 2,208 jobs rounded to 2,210 jobs per annum.
Changes in the number of full and part-time jobs by sector in Milton Keynes 1998-2008. Work based employment.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of jobs in 1998 as a % of total jobs in year.</th>
<th>Number of jobs in 2008 as a % of total jobs in year.</th>
<th>Change in numbers of jobs 1998-2008</th>
<th>% change in job numbers 1998-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking, Finance and Insurance*</td>
<td>25,400 (22.5%)</td>
<td>43,000 (30.1%)</td>
<td>17,600</td>
<td>69.4%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>35,000 (31%)</td>
<td>37,300 (26.2%)</td>
<td>2,300</td>
<td>6.7%</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>8,000 (7.1%)</td>
<td>12,900 (9.1%)</td>
<td>4,900</td>
<td>62%</td>
</tr>
<tr>
<td>Public Administration*</td>
<td>18,500 (16.4%)</td>
<td>27,000 (18.9%)</td>
<td>8,500</td>
<td>68.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18,000 (15.9%)</td>
<td>11,200 (7.9%)</td>
<td>-6,800</td>
<td>-37.5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>5,200 (4.6%)</td>
<td>7,400 (5.2%)</td>
<td>2,200</td>
<td>41%</td>
</tr>
<tr>
<td>Construction</td>
<td>2,700 (2.4%)</td>
<td>3,400 (2.4%)</td>
<td>700</td>
<td>26.2%</td>
</tr>
<tr>
<td>Agriculture*</td>
<td>200 (0.2%)</td>
<td>400 (0.3%)</td>
<td>200</td>
<td>79.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113,000</strong></td>
<td><strong>142,600</strong></td>
<td><strong>29,600</strong></td>
<td><strong>26.2%</strong></td>
</tr>
</tbody>
</table>

Source: National Statistics Annual Business Inquiry
Percentages of local businesses (PAYE and VAT registered) by Standard Industrial Classification (SIC)
## Strategic Sector Priorities

<table>
<thead>
<tr>
<th>Northern Ireland</th>
<th>MK City-Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecomms &amp; ICT</td>
<td>Logistics</td>
</tr>
<tr>
<td>Life &amp; Health Sciences</td>
<td>Manufacturing &amp; Advanced Technology</td>
</tr>
<tr>
<td>Agrifood</td>
<td>Food &amp; Drink</td>
</tr>
<tr>
<td>Advanced Materials</td>
<td>Automotive &amp; Aerospace</td>
</tr>
<tr>
<td>Advanced Engineering</td>
<td>Advanced Engineering</td>
</tr>
</tbody>
</table>
Population by age distribution SEMLEP (%)
Economically Inactive 2013 (%)
Exemplar of Milton Keynes as International Sporting City (ISC)
ISC Strategic Priorities

1: To support MK’s role as a regional centre, promoting its image, attracting inward investment for skilled employment, quality housing and infrastructure;

2: To support the vitality and viability of CMK as a regional office centre;

3: To enable local communities to achieve improved health and well-being;

4: To provide facilities that are of a national standard, and are located and designed to offer a robust and flexible platform from which a variety of future bids for major events can be launched and delivered;

5: To make the best use of MK’s accessibility and its natural and built infrastructure, to host national and international events, and so strengthen MK as one of the UK’s major event and visitor destinations;

6: To build upon the strengths of MK’s image as a young, vibrant and forward looking City;
ISC Strategic Priorities II

7: To embrace the best of new technology and green sustainable development;
8: To adopt “smart” approaches to international level sport services, such as sports medicine and education, working in collaboration with a range of regional education and health organisations;
9: To provide opportunities for National Governing Bodies of Sport (NGBs) and major club services to be provided from the City;
10: To ensure all ISC proposals (facilities and events) are deliverable and viable. To do this there will be some need for innovative, enabling development, both on-site and off-site;
11: To seek to ensure the ISC is attractive to potential investment from major, national level companies, including those based in MK and in the wider area, as well as offering smaller local companies the opportunity to engage with it;
12: To set the ISC within the context of the South East Midlands Local Economic Partnership (SEMLEP) so as to support wider growth, jobs and economic prosperity through a collaborative partnership across the SEMLEP area.
The Sport Activity-Complex Economy of the Milton Keynes City-Region
## Community Capitals and Sport Clusters

<table>
<thead>
<tr>
<th>Type of Capital</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human</strong></td>
<td>Knowledge, skills, health and well being developed by coaches and trainers</td>
<td>MK sports and medicine hub</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Quality of social network connections</td>
<td>Scale of volunteer networks in sports clubs</td>
</tr>
<tr>
<td><strong>Organisational</strong></td>
<td>Capacities to organise events and activities</td>
<td>MK House of Sport, providing back office services to sports organisations.</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td>Quality of amenities available locally for public participation</td>
<td>Bletchley Leisure Centre. School sports grounds, public parks.</td>
</tr>
<tr>
<td><strong>Infrastructural</strong></td>
<td>Built and natural facilities</td>
<td>International team training centre, Stadium: MK. Community sports coaching hub, Woughton</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>Income and assets available to the public and organisations</td>
<td>Income levels in different parts of SEMLEP area; resources available for sport from MK based companies: Red Bull, Mercedes Benz</td>
</tr>
<tr>
<td><strong>Reputational</strong></td>
<td>The extent of trust in organisations and networks</td>
<td>Increasing support and loyalty to sports brands, e.g. MK Dons, Northamptonshire Cricket Club</td>
</tr>
</tbody>
</table>
Intersection of Community Capitals

- Financial capital
- Infrastructural capital
- Human capital
- Organisational capital
- Reputational capital
- Social capital
- Environmental capital

HABITUS
Sports as Local Economic Game Changer

- ISC strategy incorporated into Core Strategy of Milton Keynes and SEMLEP;
- Home of national centres of excellence in badminton; basketball; Stadium MK (home to MK Dons); Luton FC, Northampton and Bedford rugby clubs; Silverstone F1 racing;
- International events; Women’s World Cup; Rugby World Cup; International; F1 Grand Prix;
- Sports Activity-Complex Economy integrates leisure; retail; culture health and education sectors;
- Entering 2017 European City of Culture competition;
- BIS funded Smart Cities project generated large open data being shared among sub-regional stakeholders;
- Partnership basis to policy process, developing data architecture and knowledge management system to inform and implement policy.
Conclusions

- Effects of peace dividend difficult to measure but studies on housing, tourism and investment show positive outcomes;
- Devolution and decentralisation create a complex set of multi-level governance interaction. Evidence from EU and US show positive growth effects (equity + efficiency gains from peace + economic dividend);
- In MK City-Region the creation of SEMLEP has co-ordinated local and regional policy making and outcomes more efficaciously;
- Learning lessons from other places for policy and its implementation is important but context is crucial;
- MK City-Region is fastest growing sub-region in UK shares some characteristics with Northern Ireland with similar strategic priorities for industrial structure;
- Sports Activity-Complex Economy as an exemplar is a useful integrative concept linking range of sectors more effectively to sustain economy (contribution of sport in NI = 2.3% of GVA);
- Making it central integration into local and regional strategies creates demand effective data architecture and knowledge management system.
Knowledge Exchange Seminar Series (K E S S)

...is a forum that encourages debate on a wide range of research findings, with the overall aim of promoting evidence-based policy and law-making within Northern Ireland.