



Northern Ireland
Assembly

Committee for the Economy

**Macro-Economic Outlook
Micro Inquiry
Special Report**

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Powers and Membership

Powers

The Committee for the Economy is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of Strand One, of the Belfast Agreement, and under Assembly Standing Order No 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department for the Economy, and has a role in the initiation of legislation. The Committee has nine members, including a Chairperson and Deputy Chairperson, and a quorum of five.

The Committee has power to:

- consider and advise on Departmental budgets and Annual Plans in the context of the overall budget allocation;
- approve relevant secondary legislation and take the Committee Stage of relevant primary legislation;
- call for persons and papers;
- initiate inquiries and make reports; and
- consider and advise on matters brought to the Committee by the Minister for the Economy.

Membership

The Committee has nine members, including a Chairperson and Deputy Chairperson, and a quorum of five members. The membership of the Committee is as follows:

- Dr Caoímhe Archibald MLA (Chairperson)
- Ms Sinéad McLaughlin MLA (Deputy Chairperson)
- Mr Stewart Dickson MLA
- Mr Gordon Dunne MBE MLA
- Mr Gary Middleton MLA

- Mr John O'Dowd MLA
- Mr Christopher Stalford MLA
- Mr John Stewart MLA
- Ms Claire Sugden MLA

Introduction

Under Standing Order 46(7), the Committee has the power to make a special report on any *“matters which the committee may think fit to bring to the notice of the Assembly”*.

The Committee for the Economy recently carried out a Micro Inquiry to seek views from selected industry stakeholders on what they wanted to see included in The Department for the Economy’s plans for the recovery and rebuilding of the economy. The Minister has asked the Committee for advice in this regard.

The Committee asked four questions as part of the Micro Inquiry as follows:

1. What do you see as the most significant structural and infrastructural deficits holding our economy back?
2. What are the changes to our economic model, brought about by the Covid-19 crisis, that are irreversible?
3. What measures should the Executive/Economy Minister take in the short, medium, and long-term to support the recovery and rebuilding of our economy?
4. Where does our economy currently sit - ‘survival/stabilising’, ‘recovery’, or ‘rebuilding’ phase - and where should we be at this point?

The Committee engaged with trade and industry representatives, academics and other stakeholders in a virtual roundtable discussion forum on 5th November 2020. The four questions, above, were discussed in four separate groups, with Committee members joining a feedback session where they heard from a rapporteur from each group. A small number of sector representatives were not able to attend the meeting; however, they provided responses in writing and these have been reflected in this report.

A list of attendees is included at **Annex A**.

Aim

The Committee's aim in carrying out this 'Micro Inquiry' was to engage with key stakeholders to get their views, and to develop a themes-based report in order to stimulate debate on how we should approach rebuilding our economy in the wake of the Covid-19 pandemic. This report is intended to be the beginning of that debate. The following Special Report is a summary of the themes, which emerged in response to the four questions asked.

Summary of themes

This report sets out the key themes stakeholders feel are necessary in order to rebuild and boost the economy in Northern Ireland. There are six main themes arising from stakeholder representations:

- Technology and Digital Infrastructure
- Skills and Employment
- Transport Infrastructure
- Collaboration across Government
- Energy for Businesses and Consumers
- Tourism and the Revival of Town Centres

In summary, businesses and other sectors are yet to realise the full impact of the Covid-19 crisis. The longer we sit in a survival/stabilising phase, the greater the negative impact will be felt in the long-term, with the prospect of a deep recession and a tougher recovery. In saying this, it must be recognised that some businesses are growing and have had opportunities due to the Covid-19 pandemic, and there have also been start-ups during this period. Some are in survival mode and others in growth. However, there is a fear that problems are being pushed down the road to the point where we are in a 'managing decline' phase.

While the pandemic is primarily a public health emergency, the economic risks are real. Sectors such as hospitality, tourism, the arts and transport are the most exposed and have been hit the hardest. Many are still in a state of chaos and are bracing for more job losses in the coming months. Rather than managing decline, there should be a focus on rebuilding. To achieve this, consumer confidence must be boosted to drive productivity and sales.

Economic disruption looks set to continue into the New Year. However, nine months into the crisis, and with hindsight, we can look back and learn from what has worked well, and adopt good policies and procedures accordingly. We should continue to push forward to the recovery phase, directed by a realistic plan specific to our need to start rebuilding back better as we prepare for our next challenge of EU Exit. With

this, comes the challenge of how we will replace EU funding in a 'like for like plus' mode.

More detail is provided on each of the themes below:

Technology and Digital Infrastructure

There has never been a time when we as a society and an economy, have been so reliant on technology. In fact, we have suddenly become reliant on services that allow us to work, shop, access services and learn from home. All of these depend on having the appropriate technology and systems to do so. The Covid-19 pandemic has accelerated changes that would have happened organically in the longer-term. In many senses, there has been 10 years of change in 10 months, especially in areas such working from home practices and use of online retail, etc. The number of people working at home has increased substantially.

We have moved to a hybrid world where online business transactions complement more traditional options. Although many people are adapting to working at home solutions, there will be a need for more business hubs locally where people can come together. This will be important in improving collaboration and boosting mental health.

There is an opportunity now to create more digital government services by having the right digital tools, technology, governance and processes. Digital systems will allow the private sector to interact more efficiently online.

While the majority of staff will no longer travel every day into city centres, they are likely to work via a blended model of 2-3 days in the office and the balance at home. However, some sectors, including the retail sector, will still need people to attend work in shops, factories and other sites.

In view of our new dependence on technology, and the fact that some rural towns have been left behind when it comes to internet services, stakeholders have

emphasised that Government must invest in further in digital infrastructure. There are two areas, in particular, that require urgent review:

- Agreements for mast sharing between telecoms companies to improve rural connections; and
- The development of an action plan for the roll out of 5G.

Skills and Employment

Having a workforce that is flexible, agile and skilled to help local businesses prosper is essential to any economic recovery model. The recent increase in unemployment has had a knock-on impact for our city and town centres and transport sector, especially seen in hospitality, transport and office occupancy.

There is a growing concern about an existing 'skills gap' which is the gulf between the skills workers possess today, and the skills businesses say they need, with a deficit of workers with skills in the science, technology, engineering and maths (STEM) subjects. The result is lower wages, lower productivity and unemployment. In addition to this, there are patterns of repeated, low-paid, insecure employment, as well as cycles of worklessness, within deprived families and communities. The impact of Covid-19 has meant that there is increasing need to consider a 'universal basic income' as it has resulted in deeper disparities and gaps between the 'haves' and 'have nots'. Noticeably, young people and those on low incomes would appear to be among the most affected by the pandemic, emphasising inequalities that exist.

There is a particular skills deficit in trades and vocational roles. This is a long-term concern and more collaboration between colleges and industry could improve employability of students. The apprenticeships model also needs more investment and made more accessible to people of all ages where appropriate. At graduate level, there are too many students graduating in the arts and teaching. Further encouragement to study STEM subjects is required.

The skills deficit has led to low levels of productivity and lack of innovation. Government needs to invest in skills and focus on people of all ages across the

workforce. In the wake of Covid-19, more people will now have to retrain and upskill to enhance their prospects of finding suitable employment.

Stakeholders see the negative issues of unemployment, low paid work, and lack of skills as an opportunity for change. With an increase in unemployment forecast, this is an opportunity for people to start a business and, therefore, we must have a strategy to encourage and support start-ups and entrepreneurship. The development of indigenous businesses with higher earning capacities is key. With this, there is an opportunity to grow our tax base, and focus on environmental policies and reaching the net zero carbon goal set out in Energy Strategy.

In making the points on unemployment and worklessness, stakeholders urged revisiting the Childcare Strategy, as it plays an important role in giving parents the opportunity to work.

There are a number of items in need of strategic review and revised action plans:

- Development of a coherent framework of support and a strategy for enterprise and entrepreneurship supporting start-ups, this could be joined up with colleges and universities and should be long-term and cross departmental;
- A review of the Apprenticeships model and a framework to help more people train for vocational roles; and
- Review the Childcare Strategy to give parents better opportunities to work.

Transport Infrastructure

The emphasis on transport systems over the past nine months has shifted from moving people to keeping a core transportation system operational with a skeleton workforce to ensure freight, schoolchildren and key essential workers can continue to move. With fewer staff travelling to work, fewer tourists, and schools closed for several months at a time, transport operators have experienced an unexpected shortfall in their finances. Now is the time to plan ahead to ensure the public transport network will be ready for a return to operations when there is greater demand.

In addition to the under-investment in transport, stakeholders also raised a lack of investment and insufficient funding for water and sewerage over recent years which has had a knock-on negative impact on the wider economy. For example, it has restricted development in Belfast and multiple towns across the region. It is apparent that funding for infrastructure in Northern Ireland is available from a wide variety of sources. This was supported by suggestions that it would be beneficial if the Department of Finance published a short paper summarising the potential funding streams currently available from these various sources. The Minister for Infrastructure's recent establishment of an Infrastructure Advisory Panel to examine the value in an Infrastructure Commission were welcomed. A long-term infrastructure strategy or framework is critical.

Overall, stakeholders expressed concern about road and rail infrastructure, particularly in relation to connecting airports, universities and manufacturing sites, citing examples of how major roads have undergone significant upgrades in a piecemeal fashion. Having reviewed feedback from stakeholders, the Committee has also added concerns about road connectivity; the lack of a high-speed rail link connecting towns right across Northern Ireland; and difficulties with connecting bus routes which currently means people need to travel into town centres and out again to reach certain destinations, i.e. routes tend towards being linear, rather than orbital.

Airports are essential to our economic development by providing services to airlines, moving passengers, and transporting cargo. Global business travel has effectively ground to a halt during the pandemic; however, it is predicted that business travel and holidays will begin again when safe to do so, therefore we need to ensure the airports survive until that point. To this end, stakeholders have called on Government to:

- Revisit the strategic roads plan and future-proof plans at the design stage;
- Improve public transport connectivity;
- Keep air connectivity on the agenda as it will be critical to revive this in the near future; and
- Request the Department of Finance to publish a short paper summarising the potential funding streams currently available for infrastructure investments.

Collaboration across Government

The economy's best asset is its people. Excellent collaboration across Government will translate into social progress where people thrive and prosper, good jobs are created along with the skills and networks needed to raise productivity and earnings. We have an abundance of Government structures, but no overarching one. We would benefit from a cross-departmental permanent body to address and bring together joint-working across departments. There should be a closer working relationship between the Executive and local government, with councils having an enhanced delivery role in terms of the economy.

The current membership of the Economy Minister's Economic Advisory Group has a focus on large corporates and overseas trading. We now need to extend this to cover micro businesses and social enterprises, which are vital to the recovery of the economy and make up a larger percentage of the workforce.

Stakeholders felt there were a number of structural deficits in relation to how both central and local government works collaboratively with industry.

From a macro-economic perspective, there is a lack of control afforded to the Executive to raise its own revenue. Other regions with control of tax and revenue raising powers through legislation use taxation to enable those regions to raise earnings from employment, pensions, and property income to address structural imbalances and deficits in their economies. This may be one of the reasons for the Executive lacking a long-term economic vision, which would benefit from looking 20 to 30 years ahead rather than in five-year cycles. The lack of multi-year budgets has also resulted in lack of planning and vision alongside the absence of a Programme for Government, which is holding back the economy. It is likely this has had an impact on procurement policy making it extremely risk averse rather than progressive and giving opportunities to local suppliers.

It is now the time to encourage government, consumers and businesses to support local enterprises, and to accept that buying local is not the same as buying cheap. This would allow local companies to take on new contracts and reduce costs as they build capacity in the longer-term, i.e. localisation of the supply chain.

It should be noted, however, that Northern Ireland is the only part of the UK with no legislation for social value in procurement. How we commission public services should also take into consideration wider social, economic and environmental benefits.

In responding to Covid-19, Governments have demonstrated they can make decisions quicker and be less risk averse and this needs to continue. However, grants to help businesses ameliorate the impacts of Covid-19 need to arrive more quickly to prevent businesses from becoming insolvent. A review of the impacts of bankruptcy, and how it affects business-owners through no fault of their own in most cases, should be conducted with a view to adjusting the existing legislation.

Business leaders are concerned that, as we approach the official date for EU Exit, there remains a lack of information and, therefore, uncertainty about what will happen next. At this point, stakeholders also discussed the possibility of establishing a free port, a zone designated by Government with little to no tax, in order to encourage economic activity.

There are opportunities to learn from the language used in the Scotland Economic Recovery¹ model. Our strategies need to be about people, and a change to our language is required to reflect people's needs. Further investment in the health service is critical, as are new mental health economic indicators. Social enterprises require an overarching Enterprise Strategy, where they have a defined role to play in helping the economy to recover.

To this end, stakeholders have called on Government to:

- Create a cross-departmental permanent body to address and bring together joint working across departments;
- Plan with a long-term economic vision;
- Review procurement policy with an emphasis on shopping local;

¹ Economic Recovery Implementation Plan, Scottish Government, August 2020

- Ensure the Economic Advisory Group has a focus on micro businesses and social enterprises;
- Develop an Enterprise Strategy which allows social enterprises to play a key role; and
- Develop Social Value legislation.

Energy for Businesses and Consumers

How we produce and consume energy is fundamental to economic growth. Without the right strategy for heat, light and power, manufacturing sites and cities will struggle to provide goods, jobs and homes and in turn lower our capacity to deliver on targets for health and wellbeing.

Stakeholders felt that we must quickly address a number of energy-related policies to improve the economy. The majority of the comments made are addressed currently through the development of the new Energy Strategy. This is an area the Committee continues to scrutinise, having recently conducted a Micro Inquiry on this subject and published a Special Report.

Much of the focus in this area relates to the development of renewable energy systems through revised planning systems, upgrading the electricity grid, making homes and buildings more energy efficient and the development of a Climate Change Act.

To this end, stakeholders have called on Government to:

- Revise the local planning system process to enable quicker and more agile planning permission for renewable energy systems;
- Invest in the electricity grid to facilitate development of greener energy systems and to lower the price consumers pay;
- Reform the energy efficiency rating process in homes and employ the local construction industry to build greener homes and retro fit older properties; and
- Produce a Climate Change Act and a clear strategy to reduce our carbon footprint.

Tourism and the Revival of Town Centres

Tourism brings in wealth, exposure, growth and employment to the economy and as such makes an important contribution. Tourism has been decimated by the Covid-19 pandemic, and the industry is very concerned about the future, particularly the international market and conference tourism. Hotels cannot recoup lost nights and have little scope to 're-purpose'. A 'Covid-19 secure paper' has been developed in the hospitality industry, similar to a food hygiene rating. This could translate to other industries and services.

Stakeholders would like service-users and customers to be incentivised to obey the rules with more stringent sanctions in place for those flouting them. Additionally, stakeholders are looking for more reassurance that short-term financial support will be delivered quickly through the furlough schemes, and business support through incentives to employ staff, for example, similar to the 'kick-start scheme' as business and the economy are now on life support and need to be weaned off but at the right time. To give certainty, it would be beneficial to publish new rules and regulations quickly on how to operate with a 3rd and 4th wave of Covid-19.

Town centres, or 'High Streets', have consistently suffered over the last number of years, due to a combination of out-of-town shopping centres, the move to online shopping, car-parking charges and the high cost of doing business. This, coupled with travel, office working, retail and hospitality restrictions due to the Covid-19 pandemic, has changed how businesses and consumers interact with town centres.

Government can introduce a number of relatively simple measures that would have a great benefit for business in town centres. Stakeholders have suggested a number of improvements. The repurposing of city centre landscapes to include retail, hospitality, offices, and residential areas would bring back the hustle and bustle, and exciting atmosphere to draw in tourists and others alike. How consumers and businesses interact with town centres has changed in the sense that people commute into town centres for retail, hospitality or office working and then leave. It was also noted that we are reliant on students, tourists and office workers to visit and

stay in city centres and therefore need the right product-offering and marketing to attract these groups.

It was also pointed out that we need to be aware of global companies and their focus on shortening supply chains. There is a possibility that they may plan to relocate back to their own countries. While this presents opportunities for the private sector, it also has consequences for the local economy in terms of tax residency and the lost economic multiplier effect stemming from employed residents. With the UK's new migration policy, to be implemented in January, Northern Ireland's economy will be left at a distinct disadvantage relative to competitors in the Republic of Ireland and rest of Europe. Stakeholders urge the Home Office to accept the Migration Advisory Committee recommendations in relation to Northern Ireland.

Stakeholders pointed out that we need to develop strategy for 'Inclusive Cities'. For example, cities are now more pedestrian and cycling friendly, but they also need to have more residential areas. An 'Inclusive City' should guarantee equal rights and participation of all.

In respect of the many retail businesses struggling to keep afloat during the pandemic, Committee members drew attention to the possibility of insolvencies and bankruptcies on the horizon. To this end, they will explore the current bankruptcy and insolvency legislation with a view to removing 'punishment' for those who businesses have not succeeded through no fault of their own.

To this end, stakeholders have called on Government to:

- Review city centre infrastructure;
- Support independent retailers to increase choice and originality;
- Plan ahead to ensure high streets offer a mixture of business, retail, social enterprises and people living nearby;
- Develop an Inclusive City strategy;
- Revalue properties and review rates collection;
- Renew consumer and business confidence by jointly developing a communications campaign to and promote the message that 'NI is a safe place to go'; and

- Review the current bankruptcy policy.

Stakeholder Organisations

Belfast Chamber of Trade and Commerce

CBI NI

Development Trusts NI

Enterprise Northern Ireland

Hospitality Ulster

Logistics UK

Manufacturing NI

NILGA

Northern Ireland Chambers of Commerce

Northern Ireland Hotel Federation

Northern Ireland Retail Consortium

Northern Ireland Tourism Alliance

NOW Group

Pivotal Public Policy Forum NI

Renewable NI

Retail NI

Social Enterprise NI

The Federation of Small Businesses

The Londonderry Chamber of Commerce

The Nevin Economic Research Institute

Ulster Bank

Ulster University