

Belfast City Council

Belfast flow of people, skills, spending and investment

Report, Autumn 2009

Executive summary

Oxford Economics were commissioned by Belfast City Council in December 2008 to update analysis on Belfast's 'place' in the NI economy, with, compared to their previous *Belfast – Regional Driver* (2004) research, additional focus on the following areas:

- The flow of people, skills, spending and investment into and out of the Belfast economy;
- Improving understanding of Belfast's economic specialisations and inter-linkages with the rest of the NI economy;
- Articulating Belfast's significant contribution to economic elements of the Programme for Government and its potential economic role in light of the recently published Independent Review of Economic Policy; and
- Exploring the risks and opportunities facing the Belfast economy (and running upside and downside scenarios through Oxford Economics' local forecasting model - the same local economic forecasting model used by DRD to feed into the review of the Regional Development Strategy).

This executive summary provides an overview of the main report findings and highlights at the end key policy remarks which are discussed in more depth in the main report.

What Belfast does for the NI economy ...

- Major employer of persons living in and outside the city. There are currently an estimated 108,000 people who work in Belfast but live outside Belfast (in-commuters), up from 96,000 in the 2001 Census year. This represents approximately 55 per cent of the estimated total number of persons employed in the Belfast economy.
- A service centre for the whole NI economy - one-third of all NI service sector jobs are located in Belfast.
- Belfast has half of NI's hi-tech manufacturing jobs, 3 in 5 computer and related service jobs and two-thirds of creative media and arts jobs.
- Belfast is a 'regional economic driver' to an even greater extent than Edinburgh and Glasgow combined in Scotland or Manchester and Liverpool combined in the north west of England.
- A magnet for service sector foreign direct investment (FDI) - Belfast attracts the majority of service sector FDI in NI (two-thirds based on Invest NI figures for planned investment by and assistance to foreign-owned client companies). Though with the exception of FDI in the transport equipment/aerospace sector, Belfast attracts a very small share of inward manufacturing FDI.
- Home to two-thirds of NI's largest 50 companies and one-half of foreign-owned businesses.
- A transport hub for the region.

- Service exporter - while Belfast 'imports' food products, construction services and manufactured goods from elsewhere in NI (and outside), in return it 'exports' many of its services to the rest of NI (especially where the same level or quality of services are not available locally) and outside NI.
- Three-quarters of service exports originated from Belfast in 2006 (the latest year this date is available). Without Belfast's offerings in certain activities (e.g. TV, software, insurance, legal services), other parts of NI would have to import from outside the region. In other words Belfast's economic role is not 'zero-sum' – the regional economy benefits from economic activity in and from Belfast.
- A provider of further and higher education and specialist health services.
- Gateway for tourists.
- Provider of unique retail, cultural, entertainment and visitor opportunities which are not available elsewhere in the region.

Belfast's contribution to achieving Public Service Agreements (PSAs)

- Belfast's exporting service sector and role as a 'magnet' for high-paid (often more labour intensive) service sector inward investment are important contributors to PSA 1 and PSA 3. Also given that private sector productivity in the Belfast economy (workplace GVA divided by workplace employment) is one-third above the NI average (and consequently well above the UK excluding Greater South East average which NI aspires to half the gap with), the entire Belfast private sector is an important contributor to PSA 1.
- Important contributor to research and development (R&D), skills, knowledge-transfer and tourism for which there are targets across different PSAs.
- From a more negative perspective Belfast contributes disproportionately to the number of people living regionally in disadvantaged areas (PSA 12). However, delivering economic growth in Belfast, which will be necessary to help to improve economic outcomes for persons living in some of Belfast's most disadvantaged wards (and thereby close employment differentials), will also benefit all residents and commuters.
- While other sub-regions matter for achievement of PSAs, the research shows that Belfast, given its size and favourable economic structure for tomorrow's economy, will become increasingly important.

Flow of people, skills, spending and investment

Selected findings from the flows analysis is highlighted below:

- **People:** The level of in-commuting to Belfast in 2001 was 96,000 (of which 80,000 travelled by car or car pool). In-commuting is estimated to have grown by approximately 15 per cent since then, with higher levels of in-commuting expected in future. In addition to this are daily flows of roughly 12,000 post-primary pupils resident outside Belfast and almost 130,000 annual hospital admissions by non-Belfast residents, not to mention inflows of shoppers, evening economy customers and domestic and international tourists. All of these flows together add to the infrastructure pressures on the city, as well as of course bringing significant economic benefits.
- **Skills:** Despite the presence of higher and further education institutions, the Belfast workplace economy is heavily dependent on commuter skills, particularly at the higher

end of the skills and occupation spectrum. In the 2001 Census year, 33 per cent (one-third) of in-commuters' highest qualification was graduate level (NVQ 4/5), compared to 15 per cent for persons with no qualifications.

- **Spending:** The Belfast economy is estimated to procure goods and services worth approximately £5.1bn from other NI councils, sustaining up to 32,000 jobs [note these figures in particular should always be appropriately caveated – see the main report (section 5.2) for reasons why]. As well as providing jobs for over 100,000 persons living outside Belfast, spending by in-commuters, net of spending in the Belfast economy, is estimated to sustain a further 18,000 induced jobs in other NI councils. Other major spending flows quantified / presented in the main report include evening economy and visitor spending.
- **Investment:** Despite fears of off-shoring and out-sourcing in industry and elements of services (e.g. call centres), on a net basis Belfast still attracts more inward FDI projects than the number of outward projects (according to data from OCO Consulting). The majority of inward FDI projects to Belfast are from US companies, followed by ROI and Indian companies. The most common activities are design, development and testing; retail; sales, marketing and support; business services; R&D and manufacturing. From a productivity / 'moving up the value added chain' perspective, it is positive that several of these activities are high-end.

Belfast's future

- **Baseline outlook:** In the short-term an abrupt end in Belfast's 'golden era' is predicted with almost 10,000 net job losses between 2008 and 2010 – equivalent to the gains achieved over the longer 4-year period 2004-2008. During the recession, the number of non-employed working age residents is predicted to rise by almost 6,000 and net commuting is projected to fall (as there are fewer jobs to commute to). Looking to the longer-term, the picture is somewhat more positive. Belfast, and urban economies generally, should return to enjoy growth as demand for 'graduatehungry' tradable service workers continues to grow and the national economy rebalances from domestic-led to external export-led growth. Belfast's contribution to total NI net employment growth is forecast to increase from 23 per cent between 1998 and 2008 to 27 per cent in the long-term (2010-2030), although this is not sufficiently strong, and commuters are still assumed to take a high proportion of jobs, to bring Belfast's resident unemployment level back down to its recent low.

The report also provided commentary on a range of upside and downside risks which need to be considered alongside the baseline outlook. These are 'fleshed' out in more detail in chapter 6.

Policy remarks

This research has built up a strong evidence base to justify the importance of cities and specifically Belfast as the driver of the NI economy. As such we (and cities in the rest of the UK alongside bodies such as the Centre for Cities) argue that cities require a clearly identified space in the policy framework to ensure they are correctly supported and fostered as engines of economic growth. Presently this clarity on urban policy is much more progressed in England than in NI where **no explicit urban policy exists**. (Chapter 2 in the report is dedicated to exploring the urban policy context in NI and making comparisons with other jurisdictions which are 'ahead of the game' compared to NI).

Greater powers are being devolved and more responsibilities are being transferred in other city locations compared to NI, even after accounting for some degree of decentralisation under RPA.

The rationale for this shift, which should apply to NI, is that it is a more effective way of developing appropriate policies given the dynamism inherent in cities.

Powers are however being shifted to 'city regions' and not tightly defined city boundary areas (like Belfast City Council). Collaboration is therefore important to ensure policymaking can be effective. We note that the local government element of RPA did not create a Belfast metropolitan 'super council' encompassing Belfast and the other five current councils which make up the current BMA. This would have mapped a new 'super council' against BMAP.

These issues, in our opinion at least, have set a clear direction of where NI policy should go – namely create an urban policy (which ideally could sit alongside rural policy) and devolve greater powers to 'city region' decision-making institutions including new 'super' councils. Of course the details of how, when and if is another matter, especially as 'super councils' will first need time to adjust to their new post-RPA structures and powers. However with the right processes put in place, there is no reason why, with a devolved Assembly, the necessary decisions cannot be taken.