

what price Northern Ireland?

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1. introduction

The unhappy events of the last two years have served to bring Northern Ireland's political problems to the attention of a large section of the British public. At the same time many people have come to recognise that much of the political and social unrest has its roots in personal economic insecurity and that a prerequisite of political peace must be the creation of a prosperous community, on a par with the rest of the United Kingdom. Yet there is little doubt that the political unrest has in itself served to further retard industrial development and the general achievement of this goal. Faced with this vicious circle, with the Conservatives now firmly committed to a reduction in public expenditure, and with the strong possibility of a change in regional policy, this seems an opportune moment to examine in some detail Northern Ireland's major economic problems, particularly since the war, and to attempt to assess the effectiveness of economic policy pursued by successive Unionist governments.

Ever since the now famous white paper of 1944, successive British governments have maintained the commitment to full employment. While regionally there have

been variations in the level of unemployment, a phenomenon to be expected in a dynamic economy, Northern Ireland has had a persistently higher rate than the national average. This high level of unemployment cannot be considered to be temporary, since it has endured throughout the economic fluctuations since the war, thus it is necessary to reiterate the national commitment to full employment.

In the United Kingdom this has come to be associated with a level of unemployment not in excess of 2.5 per cent of the labour force. Alongside this commitment some reduction in the rate of migration is desirable, on the grounds that a high level of emigration represents an economic loss to a community since it is largely amongst the young and most educated that emigration takes place. Heavy migration seems undesirable on social grounds alone. Together with these assumptions a regionally and structurally balanced economy appears to be a reasonable and well accepted aim of modern government. It is in the context of these assumptions that we judge past and present policies and make recommendations for future action.

TABLE 1
MAIN INDUSTRIES IN TERMS OF EMPLOYMENT AND PERCENTAGE
CHANGE IN EMPLOYMENT 1949/1967

trade group	percentage of total employment		percentage change
	1949	1967	
linen	31.0	13.1	— 54
textiles other than linen	3.0	7.5	+171
textiles	34.1	20.6	— 34
clothing	10.6	10.7	+ 10
engineering	24.0	23.9	+ 9
food, drink and tobacco	9.6	12.7	+ 45
mineral products	1.5	2.1	+ 48
timber and furniture	1.8	1.6	— 4
paper, printing and publishing	2.3	2.6	+ 28
other manufacturing trades	1.8	3.5	+104
total manufacturing	85.7	77.7	— 1
construction	11.1	18.3	+ 80
gas, electricity and water	3.2	4.0	+ 38
TOTAL	100	100	+ 10

source: report on the census of production, 1967

2. heritage

Since its inception in 1921 Northern Ireland has experienced a high and persistent level of unemployment. While prior to 1939 this was a common problem throughout the United Kingdom, its persistence in Northern Ireland in the post war period indicates the magnitude of the underlying problems of the Northern Ireland economy. The loss through this persistently high level of unemployment, while very real in terms of lost output to the United Kingdom, must also be measured in terms of the human suffering and misery which is brought about by long term unemployment. Two major elements stand out which are of great importance; first, the fact that there has been a constantly growing population and, second, the structural decline and readjustment process with which industry has been faced.

population

The population of Northern Ireland in 1951 was 1,370,921. By 1966 it was almost 1,500,000. Projecting present trends the estimated population in 1981 will be somewhere between 1,640,000 and 1,700,000 people. If we look at the birth rate figures (the most significant in calculating the natural increase in population) we find that while births per thousand of the population have fluctuated, the rate, at 21.4 in 1964, has been persistently higher than in the rest of the United Kingdom. While the future birth rate is difficult to estimate, given present trends, Northern Ireland is going to have one of the fastest increases in population in the United Kingdom for some time to come. Thus a large and increasing number of school leavers will have to be absorbed into the labour force, increasing the problem of high unemployment, migration and structural adjustment, and making the proposed aim of full employment more difficult. During the period 1964 to 1970 5,500 young people have sought work in Northern Ireland each year. In the latest development programme (Northern Ireland development programme 1970 to 1975) it is assumed that this figure will rise considerably, perhaps to as many as 6,000 per year. The

proposal to raise the school leaving age to 16 in 1971 combined with the increasing numbers staying on at school will to some extent ease the problem, but there is little doubt that the pressure of demand for new jobs from this source will continue and that, as in the past, a shortage of suitable job opportunities will force emigration on many educated young people.

The figure for new workers seeking employment would have been further expanded had it not been for migration, which between 1961 and 1966 accounted for an annual average loss of 7,000. An examination of table 2 gives reason for thinking that a good deal of this migration is out of economic necessity rather than choice. While many of these regions share similar economic problems to those encountered in Northern Ireland, the fact that, in Scotland and Northern Ireland, migration rates are more than twice that of the highest English region, reflects the lack of opportunity in these regions.

Involuntary migration, which is sometimes put forward as a solution to Northern Ireland's unemployment situation, is thus already quite substantial. Only when the creation of full employment is the only economic objective can such migration be justified. If, however, the object is self sustaining economic growth, such a loss would seem to be undesirable.

TABLE 2
MIGRATION BY REGION

	1961-1966
Northern Region	2.1
Yorks. Humberside	0.2
North West	0.4
Scotland	8.0
Northern Ireland	4.7

source: NIEC manpower.

Apart from emigration, internal migration has in the past been significant, the East of the country gaining at the expense of the West. See table 3 from which it can be seen that between 1961 and 1966 the largest percentage increase in population took place in counties Antrim and Down. These counties which border Bel-

TABLE 3
POPULATION CHANGE

county borough or county	1961	1966	intercensal		persons per acre 1966
			variation 1961 to 1966 number	percentages	
<i>county boroughs</i>					
Belfast	415,856	398,405	-17,451	- 4.2	24.87
London Derry	53,762	55,694	+ 1,932	+ 3.6	25.26
<i>counties</i>					
Antrim	273,905	313,991	+40,086	+14.6	0.45
Armagh	117,594	125,164	+ 7,570	+ 6.4	0.40
Down	266,939	286,631	+19,692	+ 7.4	0.47
Fermanagh	51,531	49,886	- 1,645	- 3.2	0.12
London Derry	111,536	118,964	+ 7,428	+ 6.7	0.25
Tyrone	133,919	136,040	+ 2,121	+ 1.6	0.17
<i>Northern Ireland</i>					
total	1,425,042	1,484,775	+59,733	+ 4.2	0.44

source: 1966 census of population Northern Ireland

fast have a substantial percentage of Northern Ireland's new industries. Their growth and Belfast's decline can, to a large extent, be attributed to the city's slum clearance and rehousing programme. Excluding the special case of Belfast, percentage population growth has been least in those counties having the least density of population while Fermanagh with 0.12 persons to the acre suffered an absolute decline in population over the period.

structural maladjustment

Some indication of the magnitude of the structural problem can be obtained by looking at unemployment rates, particularly compared with the level prevailing in the United Kingdom. Table 4 shows that unemployment in Northern Ireland has been on the average about four times that of the United Kingdom as a whole

over the period 1951-1966, although only three times greater during the second Labour government. If a comparison is made between Northern Ireland unemployment rates and those of other regions of the United Kingdom a similar pattern emerges. In May of this year unemployment in the prosperous South East of England was 1.6 per cent, while the highest throughout Great Britain was in Scotland, which had 4.0 per cent. This compares with Northern Ireland's 6.6 per cent. Inside Northern Ireland the percentage fluctuates widely. In the peripheral towns such as Londonderry, Newry, Enniskillen and Coleraine the rate is much higher, often as much as twice the Northern Ireland average, indicating regional imbalance. In addition the activity rate in Northern Ireland tends to be lower in all groups than in the United Kingdom generally. (The activity rate is the percentage of the total population aged 15 and over who offer

TABLE 4
UNEMPLOYMENT AS A PERCENTAGE OF THE WORKFORCE

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
NI	6.8	10.2	7.9	6.7	6.8	6.4	7.4	8.9	7.35	6.65
UK	1.2	2.0	1.6	1.3	1.1	1.2	1.4	2.1	2.2	1.6
	1961	1962	1963	1964	1965	1966	1967	1968	1969	
NI	1.5	2.0	2.5	1.6	1.4	1.5	2.4	2.4	2.4	
UK	1.5	2.0	2.5	1.6	1.4	1.5	2.4	2.4	2.4	

source: Northern Ireland digest of statistics

themselves, or are prepared to take up employment, students, housewives, and the chronically ill being the main groups which fall outside this category.) The activity rate for males was 64 per cent in 1968 for Northern Ireland compared with 74.4 per cent for Great Britain, while female rates were 35.2 per cent and 39.9 per cent respectively. While the female rates can be seen to be lower in Northern Ireland the rate for males is considerably lower than in the rest of the United Kingdom. The distribution of unemployment between the different categories is as important as the total number of unemployed. In December of 1968, for example, 35.7 per cent of the men classified as unemployed and 26.5 per cent of the women could be described as long term unemployed, that is those who have been out of work for six months or longer. The total long term unemployed (given the above definition) expressed as a percentage of the labour force is 2.8 per cent, which is a full percentage point higher than the United Kingdom's total average unemployment over the period 1951 to 1969.

Apart from the fluctuations which roughly follow the British pattern (see graph 1) the high long term trend of unemployment is a reflection of the decline of certain key industries on which Northern Ireland has been heavily dependent. In 1949, 138,600 persons were employed in agriculture. This figure has declined every year since, until in 1969 67,000, or less than half that number, were thus employed. The linen industry, too, has traditionally been a major employer. In 1949 it employed 58,000 people, but by 1967 this figure had been reduced to 27,000, a fall again of over one half.

The other major category, shipbuilding, has shown a downward fluctuating trend falling from 23,700 in 1951 to 9,200 in 1969 (see graphs 2, 3, 4). These three categories together have accounted on average for the loss of over 6,000 jobs per year since 1949. While other areas of the United Kingdom have faced similar structural readjustment, the problem has normally been eased by compensatory growth in new sectors.

Northern Ireland, in common with the rest of the United Kingdom, has experienced a continuous flow of labour out of agriculture. This loss of employment is considerably more acute in Northern Ireland than elsewhere in the United Kingdom, as agriculture occupies a relatively greater position as an employer of labour. Between 1949 and 1969 employment in agriculture declined by over 50 per cent, representing an average loss of 3,500 jobs per annum (see graph 2). The enormous importance of agriculture as a source of employment is well illustrated by the fact that in 1949 19 per cent of the total civil employment was in agriculture, while even today this sector accounts for 10 per cent of employment; and, despite the long term decline, it still remains the largest single employer of labour in Northern Ireland.

The province is characterised by the large number of small farms, and while the decline in employment has taken place almost entirely among those farms classified as very small (that is, holdings providing less than 200 standard man days of employment per year) in 1968 46 per cent of all holdings were still classified in this group. These 18,000 small holders accounted for only about 15 per cent of the total farm output. It is clear that there is considerable under employment among these small holders and that there remains scope for increasing productivity. Compared with the rest of the United Kingdom, Northern Ireland has exactly the same proportion of its farmers classified in this group as the United Kingdom as a whole, but the average annual earnings of these very small holdings in Northern Ireland is reckoned to be only £250. Part of the difficulty in raising incomes arises from the fact that many of the farm inputs in Northern Ireland have to be imported, and two thirds of final output exported again. While a payment of £2 million is made by the British exchequer to Northern Ireland to help cover the additional costs involved by the remoteness of the region, in 1965 this "remoteness grant" was only sufficient to cover the cost of transporting feed grains from Britain.

In 1968 there were 21,000 full time farms in Northern Ireland. Of these between one sixth and one fifth were capable of providing employment for two or more men. Given this and the international trend towards larger farms, it is clear that employment in agriculture will continue to contract, and will remain one of the main sources of pressure on the demand for new jobs. The latest development programme favours some rationalisation, implying an even faster rate of decline in employment. Farmers in Northern Ireland depend almost entirely on government subsidies for the maintenance of their standard of living, and the government is therefore directly involved in agricultural affairs. The net income of Northern Ireland's farmers was just under £28 million in 1963/64 and, according to the development programme it has failed to rise above £30 million since. In 1967/68 fiscal subsidies under the various acts were approximately £20 million. *The Economist* of 23 August 1969 put the figure as high as £35 million. Regardless of which is the more accurate figure it is clear that Northern Ireland's farm incomes are derived very largely from government subsidies. With the high level of unemployment in Northern Ireland and the relatively greater dependency on agriculture as an employer of manpower, it might well be that policies differing substantially from those pursued in the rest of the United Kingdom may be considered desirable.

textiles

Northern Ireland's textiles sector has in the past been dominated by the linen industry, and it has been in that industry that the highest percentage decline in employment has taken place. While employment in the textile sector as a whole fell by 16,000 or 25 per cent during the period from 1949 to 1969, employment in linen fell by 31,000 or by more than 50 per cent in the period 1949 to 1967 (see graph 3). The result of this decline has been a considerable restructuring of the textiles sector, for whereas 91 per cent of the persons engaged in textiles in 1949 were employed in the linen in-

dustry, by 1967 linen accounted for only 54 per cent of the textile employment. Also because of the heavy dependance of linen on female labour, a fall in the linen labour force led in 1969 to a reduction of the percentage of females in the textiles labour force to 50 per cent. The decline in the linen industry has counterparts in other areas of the United Kingdom and came about, to some extent, as a result of the substitution of synthetics and cheaper textiles coming from the less developed countries. Linen goods are essentially luxury goods and the industry has a considerable export market. As such it is particularly sensitive to fluctuations in world trade and international competition. In the post war period some countries protected their own growing textile industries while the United Kingdom remained more open than most to imported textiles. Thus both on the home and export markets the industry has had to compete for business. Changing tastes and improved textures of synthetic fibres have further weakened its hold of traditional markets, and a slowness to re-equip and modernise in the face of declining sales has also contributed to its decline as an employer of labour, despite rising productivity and some recent attempts to blend linen fibre with man made fibres. Nevertheless, much more could be done to promote the undoubted quality of linen goods.

shipbuilding

The shipbuilding industry has been established in Belfast for more than a century, but has been a dwindling source of employment in the post war period (see graph 4). Shipbuilding is well known as being highly competitive and orders have to be won in international markets. The Belfast industry suffers the disadvantage of not being located near to the centres of steel production in the United Kingdom, thus most of the inputs to the industry have to be brought in by sea. These factors combine to make the industry susceptible to the fluctuations in world demand for ships, and contribute to any loss of international competitiveness. The rate of decline of employment

in the industry has been higher than the United Kingdom average. Whereas the United Kingdom's shipbuilding employment declined by 30 per cent over the period 1956-65, the same period in Northern Ireland saw a decline of 42 per cent in such employment; Northern Ireland's proportion of the UK's total shipbuilding labour force has declined from 7.4 per cent to 6.2 per cent. There is also evidence to suggest that the Northern Ireland shipbuilding industry suffers proportionately more from cyclical unemployment in times of recession than does the rest of the UK, and that in times of boom employment is proportionately higher.

The big decline in Northern Ireland's shipbuilding employment occurred in 1961, when 8,000 men were made redundant by Harland and Wolff. This decline was largely as a result of the fall in world demand for new ships, as can be seen from tables 5 and 6. The continuance of the decline in employment during the 1960's did not result in a decline in the proportion of the United Kingdom's shipbuilding carried on in Northern Ireland. This was largely due to the considerable modernisation and rationalisation which took place throughout the rest of the British shipbuilding industry and which resulted in the reduction of the labour force. Consequently the Northern Ireland proportion continued to average about one tenth of the United Kingdom's total.

Despite the maintainance of its share of United Kingdom shipbuilding, the Northern Ireland producers, Harland and Wolff, announced a loss of £4 million in 1966, during a period of intense rationalisation and reorganisation. The appointment of Sir John Mallabar to head the reorganisation programme augured well for the future, and 199,000 gross tons were launched in 1967, a post war peak. The viability of the yard seemed to be assured. Other factors which gave rise to optimism about the future were the devaluation of 1967, which clearly helped British yards; the shipbuilding industry bill of the same year which, amongst other things, made £8 million available

to finance Harland and Wolff's new £13 million building dock; and, in 1969, the raising from £200 million to £400 million, of government guarantees to British shipowners for orders placed in United Kingdom yards. However, in March 1970 the company announced a loss of £3.8 million, despite a full order book, and the resignation of Sir John Mallabar. Rising labour and material costs had eaten away the profit margins allowed for in the fixed price contracts. With the completion of the yard's largest ever ship of a quarter of a million tons in its new building dock, which has the capacity to build one million ton tankers, the yard seems to have all the physical advantages necessary for international survival. Although fears of any imminent closure of the yard have been allayed by the Northern Ireland government, and the redundancy rate appears to have fallen off, the industry still faces considerable problems in competing profitably in international markets. At the same time, one would expect considerable gains from the recent rationalisation, although the first priority is, as it has been in the past, dynamic and efficient management.

TABLE 5.
ORDER BOOKS FOR MERCHANT
SHIPS. GROSS TONNAGE

	United Kingdom	World
1952	6,181,000	15,630,000
1953	5,331,000	13,053,000
1954	3,947,000	11,249,000
1955	4,417,000	17,821,000
1956	5,188,000	29,248,000
1957	5,734,000	34,511,000
1958	5,373,000	27,395,000
1959	4,116,000	22,314,000
1960	3,296,000	17,975,000
1961	2,551,000	18,656,000
1962	2,068,000	18,320,000
1963	2,374,000	18,890,000
1964	2,427,000	21,840,000

source: Geddes report 1966.

Thus agriculture, linen and shipbuilding have accounted for the loss of more than 120,000 jobs since 1949, a formidable problem in a province where total manufacturing employment was only 183,000 in September 1969.

3. Unionist response

Post war legislation, following the development of policy in the United Kingdom, falls roughly into two periods. The period 1945 to 1966 and the period 1966 to date, which has been characterised by increased concern for regional development. Northern Ireland's legislation has followed the general trend of British legislation and divergencies have been more of degree than of kind. The first major post war acts were the industries development act 1945 and the capital grants to industry act 1954, subsequently amended. Under the latter act, grants up to 25 per cent of capital expenditure on machinery and new buildings were made available to all manufacturing and processing concerns, regardless of employment created. These grants enabled existing firms to re-equip and modernise at a considerably reduced capital outlay and it can reasonably be assumed that a large proportion of the modernisation of industry which did take place during the life of the act might not have occurred had capital grants not been available.

The rate was subsequently increased to 33 per cent in 1959. Grants to firms which began production after 1956 were limited to a maximum in any one year of £130,000 in respect of plant and machinery, and £70,000 in respect of new industrial buildings. In the first five years of the act only an average of some £2.6 million per annum was spent. This helped to generate a gross capital expenditure by industry on new buildings and machinery of an average of some £10 million per year.

Under the industries development act, assistance to new firms was much more discriminatory and was related to such factors as the desirability of a particular new industry, the type of employment provided, the potential growth and proposed location within Northern Ireland.

Under the act considerable discretionary powers were given to the minister. Some indication of the magnitude of spending under this act can be gauged from the fact that between 1957 and 1962 a total of £21.1 million was spent, of which grants to new industry totalled £3.1 million, and factory building £18.0 million. During the same period total expenditure on industrial development and re-equipment averaged approximately £9.25 million per annum.

By 1960 regional policy in the United Kingdom was being accorded a higher degree of priority than previously, and the first tentative steps were being taken towards establishing growth areas and towards regional economic planning.

Largely because of the deteriorating position in the development districts of the United Kingdom, interest in regional policy had been growing throughout the early 1960s, finding its counterpart in the legislation of 1966. The Northern Ireland industries development act of 1966 was parallel to the United Kingdom act. It repealed the 1945 acts, its amendments, and the re-equipment of industry act 1953. The criteria for assistance was the creation of employment, that an industry should be successful, or to assist the transfer of an industry to Northern Ire-

TABLE 6
GROSS TONNAGE LAUNCHED

	United Kingdom	Northern Ireland	NI as a percentage of UK
1949	1,267,000	97,353	7
1950	1,325,000	130,720	10
1951	1,341,000	118,174	11
1952	1,303,000	129,977	10
1953	1,317,000	104,663	8
1954	1,409,000	115,447	11
1955	1,474,000	121,606	8
1956	1,383,000	104,913	8
1957	1,414,000	137,156	10
1958	1,402,000	100,352	7
1959	1,373,000	120,421	9
1960	1,331,000	185,547	14
1961	1,192,000	103,959	9
1962	1,073,000	86,657	8
1963	928,000	97,710	11
1964	1,043,000	85,507	8
1965	1,073,074	134,158	12.5
1966	1,084,299	93,421	9
1967	1,297,678	198,640	15

average: 10 per cent

source: Geddes report 1966. Northern Ireland digest of statistics (UK figures) Lloyd's register of shipping.

TABLE 7
ACTUAL EXPENDITURE

year	no. of projects	loans	machinery	building	employ'm't	removal	other	total
1967-68	55	342,741	5,076,590	375,968	965,877	111,084	310	6,529,829
1968-69	58	373,758	7,664,225	1,375,968	1,224,829	282,731	310	11,125,948

land. The main type of assistance offered is the provision of premises and sites by a variety of means, and the modernisation and equipment of these premises for proper occupation. Emphasis continued to be laid on the provision of the variety of services demanded by modern industry, for example, new roads. The intended flexibility of the act gave the ministry of commerce, and in particular the minister, power to allow special assistance to be given to types of industry not previously represented in Northern Ireland, and to those industries employing a high percentage of male labour. The capital grants, unlike investment grants, had the advantage of being paid quickly.

In the first period after the act became law, from March 1967 to March 1968, 5,400 jobs were expected to be created as a direct result of the incentives. During the second period, from March 1968 to March 1969, the number of expected jobs had risen to 6,700, though the percentage of new male employment remained the same at 4,400. Half of the 1968 employment was created in 17 new firms, the other half being in 26 schemes of expansion. Two groups, textiles and engineering, accounted for 72 per cent of these new jobs. Assistance is given in the form of loans and grants, and tables 7 and 8 show the amounts and categories in which assistance was paid and offers accepted in March 1969.

Thus during the year ending March 1969 the cost of creating a job under this act was approximately £1,670. It can be seen that there had been a marked increase in expenditure in the creation of new jobs, the greatest increase coming in the financial year 1968-69.

From October 1969 the grant to new and expanding industries on fixed capital and buildings has been raised from 45 per cent to 50 per cent. This scheme, which was to last until 30 September 1972, has now been replaced by a capital grants scheme giving 45 to 60 per cent of the cost of fixed capital and buildings, depending on the location of the new plant and the employment offered. The Northern Ireland industrial investment general assistance act of 1966 replaced the previous capital grants scheme for the manufacturing and extractive industries with a system of investment grants of 40 per cent to apply to all new buildings, plant and machinery, regardless of employment created. This grant is given virtually automatically to all industries in the designated categories, and unlike its predecessor, no limits were set on the amount of grant an industry could receive in a single year. In the case of mineral exploration, the generation of energy, and shipbuilding, the rate was to be 20 per cent. Again, however, the minister was given considerable freedom to make loans towards categories not mentioned and to vary the rates of grant.

TABLE 8
COMMITTED EXPENDITURE

year	no. of projects	loans	machinery	building	employment	removal	other
1967-68	49	2,072,700	7,986,800	3,852,800	975,050	62,098	123,850
1968-69	59	1,771,400	19,357,143	4,766,762	2,121,600	709,621	69,100
<i>total:</i>	1967-1968,	13,000,442.		1968-1969,	27,024,226		

source: industries development assistance act: 1970 report.

TABLE 9
GRANTS FROM THE INCEPTION OF THE SCHEME TO 31.3.69

trade group	plant and machinery	buildings	total
mining and quarrying	372,726	36,135	408,861
food, drink and tobacco	1,618,606	514,347	2,132,953
engineering	1,488,474	262,790	1,751,264
textiles	2,541,327	458,114	2,999,441
clothing and footwear	245,761	38,975	284,736
bricks, pottery, glass and cement, etc.	1,754,399	682,619	2,437,018
timber and furniture, etc.	162,196	41,722	203,918
paper, print and publishing	451,629	174,794	626,423
remaining manufacturing	975,367	43,697	1,019,064
construction	1,275,755	53,391	1,329,146
	total £10,886,240	2,306,584	13,192,824

source: 1969: report on industrial investment act, 1966.

The minister was also given power to make loans to the designated groups for new machinery, the terms and conditions of the loans being left to the minister. Table 9 shows the breakdown of the grants made from the inception of the scheme until 31 March 1969. Loans were also made to firms for machinery, plant re-equipment, new premises or modernisation. Firms eligible for investment grants are also eligible for loans, the total paid being given in table 10.

Until 1966 inducements to firms to move to Northern Ireland tended to be more generous than those granted to other development regions of the United Kingdom. The 1966 acts are at least in theory unfavourable to Northern Ireland because the acts passed by the United Kingdom and Northern Ireland parlia-

ments brought the incentives offered into line. The theoretical rate of return fell as a result from 12.2 per cent to 10.7 per cent. In practice, however, the Northern Ireland government has been able to maintain its discriminatory advantages by using the industrial development act on more generous terms than those offered in other development regions. The latest development programme analyses the relative competitive position of Northern Ireland *vis-à-vis* the other regions as far as incentives are concerned. Table 11 takes into account all assistance. It shows a large improvement in what Northern Ireland can now offer.

An example of the related advantages which Northern Ireland has in stimulating investment over the other regions of the United Kingdom is industrial derating. Northern Ireland industry is derated by 75 per cent. There is no comparable assistance in England and Wales, and in Scotland industrial property is derated

TABLE 10
OTHER ASSETS

type of asset	£
ships	1,000,878
computers	89,196
mining works	43,755
leased assets (minimum initial lease: 3 years)	33,172
leased assets construction industry (no minimum lease)	58,661
total	1,225,662
grand total (inc. table 9)	£14,418,486

source: 1969: report on industrial investment act, 1966.

TABLE 11
COMPARISON OF INCENTIVES.
ASSISTANCE AS A PERCENTAGE
OF CAPITAL COSTS

region	1964	1970
Northern Ireland	68.5	62.9
development districts	62.4	50.6
rest of Great Britain	50.7	34.1

source: Northern Ireland development programme 1970 to 1975.

by only 50 per cent. The annual savings by Northern Ireland industry as a result of this is about £3 million. Also, an industrial fuel subsidy introduced in 1953 provides a contribution of about £1 million per year towards the cost of coal, gas, electricity or oil used in Northern Ireland. The regional employment premiums which affected all the designated regional development areas of the United Kingdom were the first incentives which directly subsidised labour costs. Similar proposals in the Hall report in 1962 had been rejected, largely on the grounds that they would be difficult to withdraw once introduced. The scheme applied to all manufacturing firms and not just new firms. It amounts approximately to an 8 per cent subsidy on wage bills; however, the selective employment tax premium is to be withdrawn from Northern Ireland in 1971. There are also considerable aids to industry which constitute indirect assistance.

manpower training

For a long time it has been a well documented fact that one of the major needs of a firm contemplating a move to a development area is an adequate supply of skilled labour. It was to meet this need that the 1964 industrial training act was introduced. The act empowered the minister of labour to set up industrial training boards for different branches of industry and commerce, financed by levies on firms and grants from the government. The act was also directed towards assisting firms in installing machinery for training; and where more specialised skill is required, government training centres have been established. Financial assistance to trainees in the development areas was doubled in 1967. The act also subsidises firms renting accommodation for training and tuition for managerial, supervisory and technical staff. Northern Ireland has made greater progress than the rest of the United Kingdom in the provision of training facilities for there are proportionately more places and centres, and the annual output of trainees now stands at 3,000. Of the 4,300 male adults who have attended courses in

government training centres in recent years, the majority have received instruction in engineering crafts. Apprentice courses, however, offer a much wider range of occupational choice, the training in initial skills for young people accounting for two thirds of the places in these establishments.

The industrial training boards are mainly aimed at seeing that the training given for each industry is enough in quantity and quality to meet the needs of replacement and expansion. The engineering training boards, for instance, gauged the needs of the industry as about 1,000 to 1,600 apprentices each year. The board itself recruited about 500 craft apprentices in 1966 for a year's off the job training in government training centres or technical colleges prior to placement in firms. To give the scheme some flexibility apprentices undertake a common course for nine months in basic engineering skills. The longer term training of adults in government training centres for certain skills is faced with some understandable opposition from trade unions. The movements towards upgrading or dilution have been carried out at industry level in discussions between unions and management. In the engineering industry the national agreement for the relaxation of customs provides a fairly sound basis for local action.

physical planning

During the early 1960s there was a revival of interest in regional economic development planning in Northern Ireland. The Matthew report was perhaps the most significant contribution. Professor Matthew was asked to produce a survey and plan of the Belfast region, relating the needs of the area in broad terms to the geographic, economic and cultural pattern of Northern Ireland as a whole.

The wide ranging nature of the brief, marks something of a step forward in the concept of planning in Northern Ireland. The majority of the recommendations were accepted by the government, perhaps the most important of which was

that the uncontrolled expansion of Belfast should be ended. The government is now attempting a "stop line" on development in the Belfast urban areas. Professor Matthew advised, and the government accepted, the development of growth areas other than Belfast. Professor Wilson in his economic plan recommended the development of a new city which was to have an eventual population of 100,000. Further growth centres were recommended in Antrim, Ballymena, Bangor, Carrickfergus, Downpatrick, Larne and Newtownards. Professor Matthew recommended that industry should be concentrated in particular areas such as Londonderry, Coleraine, Dungannon, Enniskillen, Newry and Omagh. By 1966 outline plans had been produced for Antrim and Ballymena, which is projected as a single industrial complex with both towns the site of new developments. By 1968 plans had also been published for the expansion and renewal of Londonderry, with a projected increase in population of approximately 30,000 by the end of the century. Area plans have also been prepared for the Coleraine, Portrush, Port Stewart triangle and for North Down, Newry and West Tyrone. Power has also been taken to protect and develop specified areas of interest to scientists and naturalists. The central development office administers much of this planning and periodically reviews regional plans and prepares area plans under the guidance of steering committees made up of interested parties. The office is also involved throughout the whole field of infrastructural development, including housing and the reform of local government.

Much emphasis has recently been placed on the development of roads, and since the war some £200 million has been spent. The ministry of development is responsible for legislation, planning and all matters concerning roads. During 1968 the 38 mile motorway between Belfast and Dungannon was opened. This is part of a general pattern of development with a view to providing good access to the designated growth areas. Because Northern Ireland is separated from the rest of the United Kingdom by sea, much of her

trade is dependent on the quality of the shipping service and in particular on the port of Belfast. The Hall report drew attention to complaints about the quality of the facilities and the effects they had on the attitudes of firms considering moving. Whilst many of these complaints were discovered to be ill founded a number of the working party considered that there was some justification for a subsidy to overcome the inhibiting effect of the sea barrier. Since 1955 about £1 million per year has been spent on modernising the port of Belfast, including the building of specialised container and deep water berths, and two oil jetties. The importance of the port can be gauged from the fact that it handles some seven million tons of cargo each year. Two smaller ports at Larne and Londonderry handle about one and a half million tons each. Larne has also a substantial passenger traffic.

This then has been the framework of government response to Northern Ireland's problems. During the past few years interest and activity has considerably increased and accelerated. The direct inducements to industry are largely contained in the revised and expanded industrial investment general assistance act and the industries development act passed in 1966. Apart from these acts, Northern Ireland shares the incentives given to other United Kingdom development areas. Agriculture receives much the same treatment as in other regions, though there is a remoteness grant and a loans scheme operated through the Northern Ireland government. Since the Hall and Wilson reports much more emphasis has been placed on development in a wider context than the previous attempts to attract new industries. This is largely a reflection of developments in regional policy in the rest of the United Kingdom. Much greater emphasis is now being placed on the development of growth centres with some attempt to restrain the expansion of Belfast. This is a definite shift in development policy from that of the 'fifties. Some attempt has been made to draw together the various areas of policy to create an environment favourable to new industrial development.

4. value for money?

Given this response to the situation, what have been the results? Since the war legislation aimed at increasing employment had, up to 1969 brought about the creation of 69,000 jobs. When plants and projects assisted in this way come into full production, employment created is expected to rise to 88,000. Recent experience seems to indicate that some of these jobs have been lost again through closures and redundancies. The exact extent of this loss is not easy to gauge, but some of the more dramatic closures have served to highlight this problem. For example, British Sound Reproducers who were attracted to Londonderry at a cost of some £700,000, closed down again in 1967 with a loss of more than 1,000 jobs. While as yet no surveys of the efficiency of this method of attracting industry have been carried out, it would not be unreasonable to assume that the failure rate at least is similar to that of the Republic of Ireland at about 7 per cent. From 1945 to March 1969, the cost of creating these jobs under the industries' development acts of 1945 and 1966

TABLE 13
COMPARISON OF COSTS PER JOB
BY REGION

Region	Cost per job between	
	1.4.60 and 31.3.68	1.4.68 and 31.3.69
Northern	557	655
Merseyside	672	795
South West	445	525
total England	542	675
Scotland	700	770
Wales	680	815
total Great Britain	640	730
Northern Ireland	1400	1670
(1945-1969)		

source: local employment act report, 1960-66.

has been £122,900,000. This represents an average cost over the period for each new job of approximately £1,400, while the annual average cost of creating a new job is currently running at £1,670. The total cost of industrial development and promotion in the post war period

TABLE 12
COMPARISON OF JOBS CREATED BY REGION

area	number of projects	factory building	general purpose loans and grants	building grants		plant total and machinery grants	estimated jobs created
1.4.1960 to 31.3.1969							
Northern	2,792	24,710	24,100	26,661	7,191	82,662	148,196
Merseyside	830	5,333	21,126	23,448	5,671	55,578	82,769
South West	320	835	2,124	1,998	141	5,058	11,377
total (England)	3,986	31,881	49,888	52,344	13,141	147,254	249,044
Wales	973	19,613	9,528	9,026	651	38,818	55,626
Scotland	3,812	30,224	58,307	34,766	7,595	130,892	192,575
total	8,771	81,718	117,723	96,136	21,387 ^d	316,964	497,245
1.4.1968 to 31.3.1969							
Northern	760	4,582	4,801	7,441	194	17,081	25,980
Merseyside	178	732	3,144	2,854	109	6,839	8,661
South West	120	215	811	673	nil	1,699	3,273
total (England)	1,060	5,623	8,756	10,998	315	25,692	38,004
Wales	406	5,358	2,517	3,978	6	11,859	14,558
Scotland	948	2,913	7,700	6,617	134	17,364	22,572
total ^b	2,414	13,894	18,973	21,593	455	54,915	75,134

^b: includes former development districts not included in development areas.

^d: a number of offers made prior to 31 March 1968 were declined.

source: local employment act 1960 to 1966 report.

has been £211,900,000. How can the success of these results be judged? Perhaps the best and most meaningful criteria for assessing this performance is by comparing it with the results obtained in the other development areas of the United Kingdom. From table 13 it can be seen that the cost of creating a job in the development areas in the rest of the United Kingdom during the year ending 31 March 1969 was approximately £730. The highest average cost per job, apart from Northern Ireland, was in Wales at £815, followed by Merseyside at £795. Thus for reasons not immediately obvious the cost of creating a new job in Northern Ireland is twice that of the next highest region, and considerably more than twice that of the British average.

It would seem reasonable to suggest that the linking of assistance to capital expenditure has the effect of creating a bias in favour of capital intensive industries. As Northern Ireland has consistently offered higher capital grants than the rest of the United Kingdom, there is at least the basis of a case for arguing that it has had the effect of encouraging this type of industry. On the other hand the actual amounts offered have, if the wording of the legislation has been implemented, been related to the number of jobs created. Whilst it would be folly to push this argument too far, there are further reasons for thinking that it has been significant. For example, employment in textiles other than linen has grown to approximately three times the 1949 figure whilst output per man has grown more than six times, largely reflecting the heavy expenditure on capital equipment. Partly because of its long textile tradition, Northern Ireland has become one of the major centres of the man made fibre industry in the United Kingdom. The setting up of such firms as British Enkalon, Monsanto, ICI and Courtaulds have all been assisted by the Northern Ireland government. Not only has the cost of creating jobs in these industries been high but it has also tended to perpetuate the narrow structural base of the economy. This is particularly disconcerting as fears of over production in

the man made fibres industry are already being voiced. While all investment is welcome it is worth at least asking if this form of assistance has reached the limits of its possibilities; in the case of capital grants given to existing industries for re-equipment, it would seem difficult to go beyond the present levels in a scheme of general and automatic application without losing the only satisfactory safeguard, which is the willingness of the applicant to invest a substantial proportion of the capital himself. A company that was honestly thinking of setting up a viable plant, that is one where the rate of return at least equalled the cost of borrowing, could find the capital as easily in Northern Ireland as elsewhere. When this type of firm comes to Northern Ireland it does so for reasons other than cash grants. The ones who need capital to induce them seem quite often to be firms who would not be viable outside the development areas and therefore undesirable from many points of view. A related and equally important question is, how much extra investment do capital grants induce? In Britain the figure is put as low as 15 per cent. These points do at least bring into question any further extensions of the "big capital grants" argument. A great deal of emphasis has undoubtedly been placed on the diversification of industry and it is true that some degree of diversification of employment has been achieved, but at the same time, as table 14 demonstrates, Northern Ireland's industrial base remains narrow.

In 1949 engineering and textiles accounted for 58 per cent of employment in those industries classified in the census of production. They accounted for 31.5 per cent of output. In 1967 these two groups still accounted for 44 per cent of employment and 20 per cent of output. The employment growth areas in the economy would appear to be in construction, services, food, drink and tobacco, and textiles other than linen. One is thus tempted to conclude that, given the classified groups, little change has taken place in the structural base of the economy; the change has rather been a shift of specialisation inside traditional industries. As far as the creation of em-

land still depends. The problem of insufficient employment is concerned, government measures seem to have assisted this adjustment by the traditional industries, whilst encouraging similar industries to take advantage of the economies of concentration by moving to, or setting up, in Northern Ireland. Indeed, 72 per cent of the new jobs created in 1968-69 were in textiles and engineering, further the growth in textiles has been in the capital intensive man made fibre sector. In engineering a great deal of the growth has been in the manufacturing of mechanical and electrical goods, which, again, is capital intensive. A further factor which appears relevant to the problem is the fact that output per head of the working population is only 75 per cent of the national average. As weekly earnings in manufacturing average some 89 per cent of the rest of the United Kingdom there may well be a disincentive to move labour intensive industries to Northern Ireland which face at least the possibility of higher labour costs. The figure for output per head can probably be explained by the low level of capital investment which took place over a long period. While the present influx of capital intensive industries may not be helping the job situation as one might wish, they do help to raise output per man.

In the sector "other manufacturing industries" the rubber industry has been perhaps the most significant area of diversification. This development has largely taken place since 1964. Further developments of these plants are expected to bring employment in this sector up to 7,000 in the near future. Apart from the change in specialisation in the traditional groups this is perhaps the most important development. The other employment growth areas, food, drink and tobacco, services and construction one would expect to some extent to be a natural reflection of the growth in wealth and leisure time since the war, which Northern Ireland has, to a large degree, shared with the rest of the United Kingdom. The net increase in employment which has taken place in the service industries between 1964 and 1969 was 13,000, while the Wilson report had

growth that has taken place in this sector has been in the professional and scientific services rather than, as expected in the distributive trades, where employment has actually fallen, possibly as a result of SET. Employment in construction is now expanding at a rate of about 2 per cent per annum. Much of the impetus behind this growth appears to have come from the public sector with the increased action in the fields of physical planning and general economic development, employment growth areas in which public investment and employment play an important, if not major, role. From the latest development programme it is apparently assumed that these two sectors will continue to provide more than half the new jobs available during the next five years.

Several relevant considerations can, of course, be drawn from this attempt to analyse post war Unionist response to Northern Ireland's problems. In the first place jobs expected to accrue from the post war projects have hardly been sufficient to keep up with the decline of traditional occupations. The jobs have been created at a higher cost than in the rest of the development areas of the United Kingdom, in fact at more than twice the cost of the average British development area job. This has to some extent been caused by the attraction to Northern Ireland of capital intensive industries, partly because of the extra capital incentives, together with Northern Ireland's inherited deficiency in capital investment, emphasised by the low level of output per man compared with the United Kingdom. A further important factor is that the new industries have in the main been technologically advanced forms of traditional employers, and much of the internal restructuring has apparently been adjustment rather than diversification in the real sense. On the whole the economy remains, as in the past, narrowly based and thus exposed to the same economic dangers which have troubled Northern Ireland in the past, that is, the possibility of social and economic setback through a fluctuation in world demand or technological innovation in those industries on which Northern Ire-

forecast a figure of around 30,000. The efficient backward linkage remains; the diversification which has taken place in manufacturing outside the traditional groups has again tended to be capital rather than labour intensive. No doubt this is much needed capital investment, but it has little impact on the high unemployment level.

In 1970, after years of growing interest and activity in development policies, the situation remains one of high unemployment, migration, regional imbalance and excessive specialisation on traditional industries. The cost of the policies has been high; since 1949 at least £210 million has been spent. The close political and financial ties that exist between Stormont and Westminster clearly demand that an attempt be made to assess the cost of these policies to the United Kingdom as a whole.

the cost to Great Britain

Under the government of Ireland act 1920, power to raise revenue in Northern Ireland was reserved largely to the Westminster government, while certain minor powers were given to the parliament of Northern Ireland. The power to fix and collect such taxes as income tax, corporation tax and most customs and excise duties is still today reserved to

the United Kingdom government. Revenue is raised at exactly the same rates as it is throughout the rest of the United Kingdom, and is termed "reserved revenue". This is paid into the consolidated fund of the United Kingdom exchequer in the normal way and is credited to Northern Ireland. Out of this "reserved revenue" certain deductions are made towards Northern Ireland's estimated share of the cost of common facilities and liabilities. An imperial contribution, being Northern Ireland's estimated share of the cost of imperial liabilities and services, such as the national debt and defence, is deducted, together with the net cost to the United Kingdom of reserved services performed by the central government on behalf of Northern Ireland, such as the post office, the supreme court, customs and excise services and inland revenue. After these deductions have been made the residual revenue is paid from the United Kingdom consolidated fund into the Northern Ireland exchequer for the expenditure of the Northern Ireland government. In practice, the amount of the imperial contribution has varied over the years depending on the needs of the United Kingdom generally and on Northern Ireland's ability to pay. A secondary source of revenue for the Northern Ireland exchequer is the receipts from certain transferred taxes and claims which the United Kingdom government has de-

TABLE 14
EMPLOYMENT BY TRADE GROUPS (FIRMS EMPLOYING 25 OR MORE)
trade group

	1949	1951	1954	1958	1963	1967
linen	31.0	31.3	27.8	22.2	17.2	13.1
other textiles	3.0	3.9	4.2	4.3	5.7	7.5
all textiles	34.1	35.2	32.0	26.5	22.9	20.6
clothing	10.6	11.5	11.4	11.5	11.7	10.7
engineering	24.0	21.4	24.9	26.2	24.5	23.9
food, drink and tobacco	9.6	9.7	10.3	12.4	13.4	12.7
mineral production	1.5	1.5	1.4	1.7	2.1	2.1
timber and furniture	1.8	1.8	1.5	1.3	1.4	1.6
paper, print and publishing	2.3	2.0	2.2	2.3	2.7	2.6
other manufacturing	1.8	1.7	1.7	1.6	2.2	3.5
total manufacturing	85.7	84.8	85.4	83.5	80.9	77.7
construction	11.1	12.0	11.7	13.1	15.3	18.3
gas, water and electricity	3.2	3.2	2.9	3.4	3.8	4.0
	100	100	100	100	100	100

source: Northern Ireland census of production 1969.

legated to Northern Ireland and which is collected by the Northern Ireland government. This "transferred revenue", as it is called, is made up of the proceeds from such things as death duties, motor vehicle duties, stamp and entertainment duties, mineral rights duties and certain fixed customs and excise duties. A third source of income for the Northern Ireland exchequer takes the form of special payments from the United Kingdom exchequer not derived from revenue raised in Northern Ireland. These payments are made to enable the Northern Ireland government to maintain parity with the rest of the United Kingdom in respect of social services.

In the year 1967-68 reserved revenue raised in Northern Ireland amounted to £174.6 million. In that year Northern Ireland's share of reserved taxes actually paid into the Northern Ireland exchequer after deductions of the imperial contribution and the cost of reserved services in Northern Ireland had been made, amounted to £180.3 million. In the same year a nominal payment of £0.5 million was made as an imperial contribution. It is difficult to estimate what the amount of imperial contribution would be if Northern Ireland was able to meet this payment, and in reality a joint exchequer board made up of both Northern Ireland and United Kingdom representatives is charged with making such a calculation, but it is possible to make some estimate of the probable cost in terms of past practices. It is, for example, known that in 1939-1940 Northern Ireland's estimated net share of reserved services together with the imperial contribution, amounted to 40 per cent of the reserved revenue actually collected. If this percentage of 40 per cent is projected on to the 1967-1968 figures, then the contribution due to the United Kingdom exchequer in respect of Northern Ireland's share of the cost of imperial services and reserved services comes to £70 million.

This would leave an amount of £104.6 million available to be paid into the Northern Ireland exchequer for the use of the Northern Ireland government. Since the actual share of the reserved

revenue given to Northern Ireland amounted to £180.3 million, the amount of the subvention by the United Kingdom was possibly £75.7 million. If the imperial contribution was estimated on a *per capita* basis and if only the national debt and defence budget are considered as warranting an imperial contribution, then Northern Ireland's share of the cost of imperial services and liabilities is estimated to be £97.5 million. This would in effect require a subvention of £103.2 million to Northern Ireland to enable it to receive back a share of reserved revenue of £180.3 million.

On top of this further payments are made to Northern Ireland under such agreements as the social services (Northern Ireland) agreement act 1949, whereby the United Kingdom government makes payments to Northern Ireland to enable it to maintain parity of unemployment and sickness benefits with the rest of the United Kingdom. Similarly payments are made directly to the Northern Ireland ministry of agriculture to enable it to offer approximately the same subsidies to agriculture as obtain throughout the rest of the United Kingdom. In 1967-68 these two payments were estimated to amount to £14 million and £20 million respectively. If both these payments are taken into consideration the total amount of the subsidy given to Northern Ireland is £109.7 million or £137.2 million, depending on the system used to calculate the imperial contribution.

While this subvention may be justified on the grounds of maintaining parity with the other areas of the United Kingdom it should not be looked on as a permanent subsidy. As long as the subvention continues, the Westminster parliament remains deeply involved in the affairs of Northern Ireland.

5. conclusions

While there have been some improvements, the situation today does not differ in any marked degree from the position at the beginning or the 'fifties. The problems remain the same. Government policy has shifted particularly since 1964 towards more integrated planning, with escalated costs, but while such an approach is to be welcomed the results to date leave much to be desired. Many of the problems remain outside the planner's control, others demand commitments and methods so far avoided by Unionist governments.

In the first place the Northern Ireland government should publicly commit itself to achieving United Kingdom levels of employment. Without such a commitment the Stormont government is denuded of all credibility, especially amongst those sections of the community who have to bear the brunt of unemployment and financial insecurity. Further, whilst accepting that some migration is inevitable, in a supposedly affluent society migration should take place out of choice rather than necessity. Furthermore, the achievements of these aims and perhaps social and political harmony will not come about until there is an equitable dispersal of industry and a shift in the structural balance of the economy. Even taking the optimistic estimates in the 1970-75 development programme, it seems likely that if the recommendations of the report are fully implemented, and given favourable circumstances, some 8,000 jobs per annum in manufacturing would be promoted. The problems of projecting the size of the future labour force and the effect of past rationalisation in the declining industries makes any estimate of the number of jobs required for a programme of full employment somewhat speculative. However, even tentative figures are an indication of the magnitude of the problem and its relationship to present objectives of policy.

In agriculture it is likely that in the absence of major policy changes, the loss of employment will continue at the present rate of some 3,000 per annum. Of this figure, some 1,750 represents the number actually leaving agriculture to

seek employment elsewhere, the rest being lost through natural wastage. Assuming past trends in the linen industry will continue, a loss of some 1,500 jobs per annum will be experienced. Shipbuilding has, it seems, reached a plateau, and a loss of no more than 1,000 jobs is likely to occur over the next five years. This represents a net loss of some 3,450 jobs per annum. On top of this some 5,500 school leavers are likely to be looking for work each year. Given the assumption that a large percentage of the present migration is out of necessity, an attempt to reduce the emigration of workers by 1,000 per annum seems a reasonable objective. If unemployment were to be reduced to the United Kingdom level of 2.5 per cent in annual stages, this would mean creating approximately 5,000 jobs per year. This would require a total of approximately 15,000 new jobs per annum. It is unlikely that the growth of employment in other sectors will make up the difference, even if the rather optimistic estimates of new jobs in manufacturing of 8,000 per annum are achieved, but even that figure is unreal, according to the consultants' observations in the Northern Ireland economic development programme 1970-75. ". . . no one could claim that the present outlook is promising. The promotion of 40,000 new jobs over the years 1970 to 1975 had previously been considered the minimum desirable; even this figure has now the appearance of presenting an immensely formidable task."

Predictions for the future could be eclipsed by the United Kingdom obtaining membership of the EEC; it is therefore necessary briefly to consider the possible consequences for Northern Ireland of our membership. Several general problems would face the United Kingdom's regional policy as a whole, while particular regions would face specific problems. In the first place, the EEC has not reached agreement on a common definition of what constitutes a regional problem and the measures that such problems justify. Furthermore, a wider membership of the EEC could possibly introduce new regional problems in the longer term, with countries at the periphery of

the community somewhat isolated from the bulk of the European market. Northern Ireland, at the extremity of Europe would be vulnerable to this possibility. In the same way one would expect reductions of trade barriers to increase the degree of specialisation and concentration, with some industries gaining at the expense of others. The present EEC situation in agriculture highlights this problem. One would hope that the United Kingdom government will negotiate for special treatment of her agricultural sector, any further deterioration of the returns to agriculture would have proportionally greater effect on Northern Ireland's economy. It is likely that beef and grain producers stand to gain most from EEC membership. The substantial number of pig, egg and milk producers in Northern Ireland will be likely to suffer from rises in the cost of feed stuffs. A further possible problem is the expected tendency of factor earnings to equalise (that is for costs to move towards a common level) as the potentialities of freer movement of capital and labour are realised. While this in itself might be a good thing, any movement of labour to Northern Ireland would clearly aggravate the problems.

Of course, many of these problems have already been recognised by the six members; article 92 of the treaty, for example, makes allowance for a regional policy, but it cannot be said that a common definition of what constitutes a regional problem or an agreed scale of assistance exists. However, it is likely that United Kingdom entry now into the EEC will cause less problems than if a common regional policy had been developed by the members. While Britain's policies in relation to regional problems differ in content and emphasis from many of those of the EEC members, they are not really any greater than the differences within the community. Two further general problems connected with regional policy arise; the use of regional employment premiums and industrial development certificates. Northern Ireland is faced with problems common to all the development areas and if the United Kingdom is to become a member of the community some adjustment

to regional policies seems inevitable. Even if considerable advantages are likely to be gained by the United Kingdom as a whole from membership, for example easier access to certain markets, Northern Ireland faces special difficulties, and is likely to gain less than many other regions of the United Kingdom. Inter-Irish trade seems destined to grow whether or not the United Kingdom and the Irish Republic become members of the EEC. In 1968 the declared value of imports (including transit trade) from the republic into Northern Ireland was £61 million, while exports to the republic stood at £40 million. It seems reasonable to suppose that the Anglo-Irish trade agreement will considerably increase inter-Irish trade. It is not at all clear to what extent Northern Ireland will gain from the gradual relaxation of tariffs, since a great deal of Northern Ireland's produce depends on international export markets rather than on the demand generated in a relatively small internal market. A long term question mark must therefore be left over the likely effects of this movement away from protection.

Most countries are today faced with some regional imbalance and it is natural that growth and decline should be a feature of a dynamic economy. In the case of Northern Ireland the problem has been rather too persistent to fit neatly into this type of regional analysis. The present highly capitalised policy has in the past depended for success on the maintenance of a differential over the rest of the United Kingdom development areas. Many of these areas have done better in the field of diversification than has Northern Ireland. One is thus tempted to conclude, again, that Northern Ireland has certain disadvantages not found in other areas, and in addition to ask further questions about past policies. Are we committed to permanent subsidy of production, a disguised form of protection? Are firms becoming dependant on these subsidies? The answer to all these questions would seem to be *yes*. Surely self sustaining growth should be the aim, rather than perpetual dependence on government subsidies to both capital and labour.

6. recommendations

With the extensive government commitment in Northern Ireland, a question which is vital but seldom asked is, what kind of economy are we trying to create? While we often hear that the task being faced is not merely to create a higher level of employment, the alternate aims of policy are often lost in a fog of phraseology. It is true that much of the groundwork required is restricted by poor statistical information. For example, before a full scale input output analysis of the economy could be attempted, accurate import and export figures would need to be made available. Ministry of commerce figures which require "considerable margins for error" to be allowed, are inadequate. In other countries where there is fiscal union, full and accurate trade figures can and are made available. The financial arrangements, including financial assistance, between Great Britain and Northern Ireland should be more clearly spelt out; for example, the basis on which Northern Ireland's imperial contribution is assessed. Also, given the high cost of creating new jobs and the recent evidence of the subsequent failure of some new employment projects, an independent enquiry should be held to examine the reasons for the high cost and to give some indication of the failure rate in new employment projects.

If full employment, a reduction in migration, a structural and regionally balanced economy, with the ultimate aim of creating self sustaining growth, were accepted by all concerned as definite policy commitments, present policies would be seen in a different light, and the need to supplement them with other more radical policies would become clearer. In this context it is disconcerting to read that "the aims of the programme (Northern Ireland development programme 1970-75) are to foster industrial development which will in turn provide higher income per head and *also more employment*". Surely this lack of ambition is the sort of attitude that brings both governments and planners into disrepute.

The government has considerable power over the declining industries. This is par-

ticularly true of shipbuilding with the government a substantial shareholder in Harland and Wolff; and in agriculture where subsidies make up by far the largest part of the earnings of farmers.

The agricultural sector would seem an obvious potential area for more active government involvement. The point is always being made that approximately ten per cent of Northern Ireland's work force is employed in agriculture, a high figure compared with the United Kingdom, where slightly more than three per cent are so employed. Only one tenth of Northern Ireland's farms are at present able to keep two or more men employed full time. Any reduction of the flow of labour from the land, while unfashionable, would clearly help the employment situation, as employment in agriculture has been declining recently at an average rate of 3,000 per annum. A change in policy towards agriculture could potentially reduce this flow of labour from the land and go some way towards increasing the returns to agriculture. The high cost of foodstuffs has already been mentioned, and a growth in agricultural co-operation could go a long way towards reducing costs and improving marketing services. It is somewhat surprising to find that in 1968 Northern Ireland had a trade deficit of approximately £5 million in the live animals and food sector, in particular, a deficit of approximately £12 million in feeding stuffs for animals.

Not only this, but there is clearly considerable room for development and integration of food processing. If Northern Ireland had the same proportionate relationship as Great Britain between employment in food, drink and tobacco, as those employed in agriculture, seven or eight times as many people would be employed in these processes. Clearly much potential exists for expansion in the food processing industries. Given these considerations, and the long term advantages that would accrue, a good case can be put forward for the development of a farming co-operative, initially as a bulk buying and transporting organisation, with the eventual aim of expanding into the processing and retail distri-

bution of farm produce. The Ulster agricultural organisation society, with an annual turnover of some £12 million, is the central body for co-operative societies in Northern Ireland. Its turnover, however, is low in comparison with the £200 million of the Irish agricultural organisation society in the republic, even allowing for the differences in farm acreage and output. An initial investment of capital by the government in such a scheme would make sense from both the economic and social welfare positions.

In the shipbuilding industry there seems to be grounds for optimism after the rationalisation and development programmes of the last few years. In the short term, the yard appears to be faced with full order books and negative profits. Apart from its reflection on both management and labour in the industry, the psychological effect of an unprofitable yard on government and all concerned, has led to gloomy predictions about the eventual closure of the yard.

As in other areas of the United Kingdom where shipbuilding is carried on, a good opportunity exists for implementing a meaningful scheme of worker participation in management. Internationally, shipbuilding appears to be at a favourable stage in its trade cycle and there seems to be no reason, given good management, why the Northern Ireland industry should not take advantage of the situation. A great deal of trouble has, in the past, been caused by fixed price contracts with rapid inflation wiping out the profit margins. Such contracts have often been based on labour and material cost increases, which have proved to be totally inadequate. Thus realistic price and cost control is essential to future contracts. Recently market conditions have allowed escalation clauses to be included in new orders placed in some United Kingdom yards, though the practice still faces considerable opposition from ship owners; such clauses would clearly help Harland and Wolff as would a movement towards more standardised ship production similar to that being developed on the Clyde and at Doxford's in Sunderland.

In the man made fibre industry a danger exists as in the past, that the growing concentration on a cyclically fluctuating capital intensive industry is becoming excessive, and there would appear to be a need for both backward and forward linkage. For example, the expansion of the chemical industry and the development of deep water port facilities and the making of synthetic materials, carpets and so forth. It is regrettable that the one major development along these lines, i.e. Cyril Lord Carpets, was recently faced with liquidation. The new industries inside the engineering group have shown significant growth over the past few years and it would seem desirable to attract the groups which generate ancillary industries. A great deal of room for expansion seems to exist in the consumer durable industries. In passing, it may be worth mentioning that Northern Ireland, with a considerable percentage of her workers employed in engineering must, as in 1968, import some £44 million of iron, steel and metal manufactures. While the opportunity may now have passed, a good case could have been made for the siting of a steel mill in Northern Ireland. On the other hand, there still seems to be scope for further expansion in the capital goods sector of the engineering industry, for example, in machine tools.

In the other obvious growth sectors, services and construction, much will depend on the state of the United Kingdom economy. With Northern Ireland's inherited deficiency in social capital much room exists for further expansion in the construction industry, particularly as such investment serves the double purpose of providing employment and improving the environment in which economic growth can prosper. It now seems to be well recognised that public infrastructure investment is more effective if concentrated on certain well defined areas.

The above recommendations attempt to draw together what might at first sight appear to be contradictory theories of development. On the one hand we welcome and suggest areas in which diversification would be useful, and a valuable

movement in the attempt to rectify a too narrow specialisation; yet on the other hand we urge policies not dissimilar from the continental system of encouraging inter-industry linkage, as for instance, with the French Métropole Equilibre.

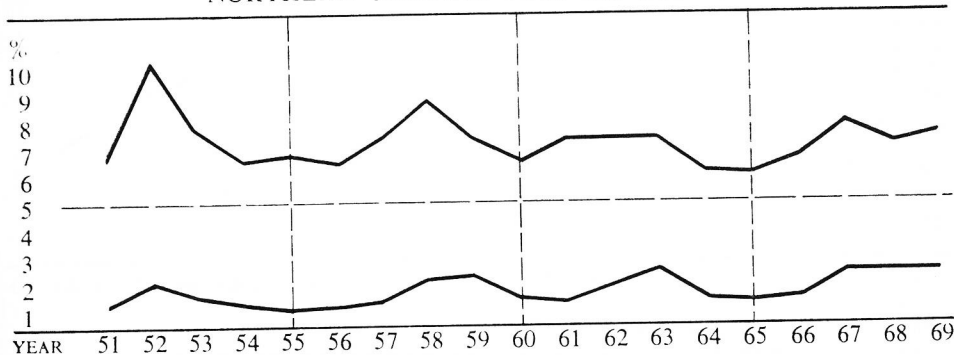
Both policies seem to be necessary in the case of Northern Ireland, for the concentration, which remains a *fait accompli*, requires vertical linkage if such industries are to remain economically viable in the future. At the same time further specialisation would seem undesirable for reasons already mentioned. Such a policy can be further promoted by means not at present being used, particularly as it can be achieved at a relatively low cost.

Looking at Northern Ireland's trade, it is reasonably easy to recognise the gaps that exist in the industrial structure and, therefore potential employment schemes. By way of example there seems to be room for an integrated wood, pulp, paper industry or for the expansion of the furniture manufacturing industry, and these developments should be financed and directed by the use of public or semi-state companies. Such enterprises could be used to fill gaps in the structure of the economy and should be located in areas unattractive to other enterprises.

This type of policy has been pursued with some degree of success in Italy. The cost of such schemes could be minimised with considerable gains to the community in increased employment. It has recently been estimated that the cost of unemployment relief is in the region of £12 million, of which £5.5 million goes to the long term unemployed. If a good percentage of the long term unemployed could be absorbed in such schemes with a wage structure which met with trade union consent, and did not distort local wage rates, then supporting the scheme with a loss not in excess of the unemployment assistance which would otherwise have been paid out, would represent a net gain to the community over the present position. The exact gain is difficult to assess, but it is quite possible that such enterprises could be managed profitably. In any case, pressure on the social services would be reduced and goods or services produced, perhaps with increased diversification, while reducing the level of unemployment. There are of course many problems involved in such schemes, but they do have the advantage of being able to be developed fairly quickly rather than waiting for private enterprise. They can also be adjusted to suit the employment needs of a particular area.

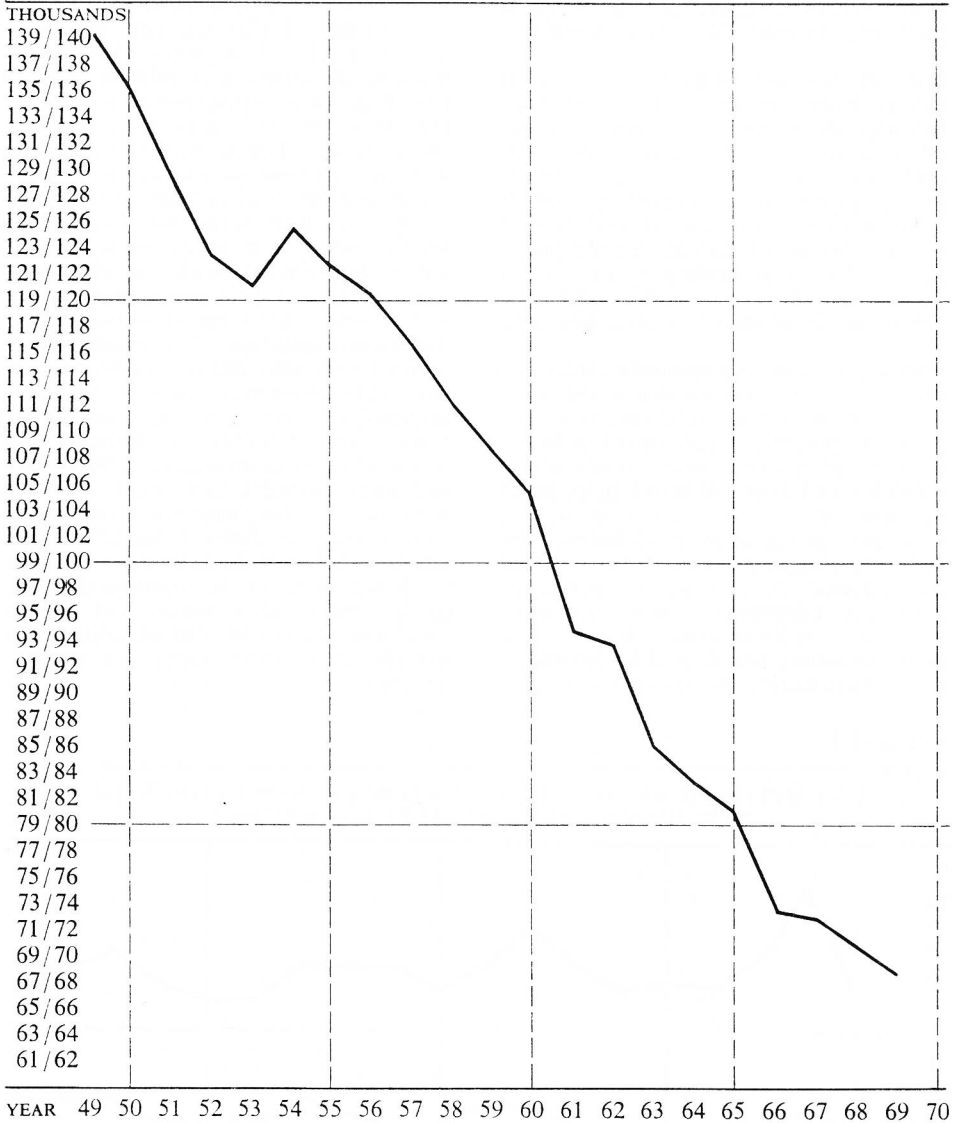
GRAPH 1

UNEMPLOYMENT AS A PERCENTAGE OF WORKFORCE IN
NORTHERN IRELAND AND UK 1951-1969



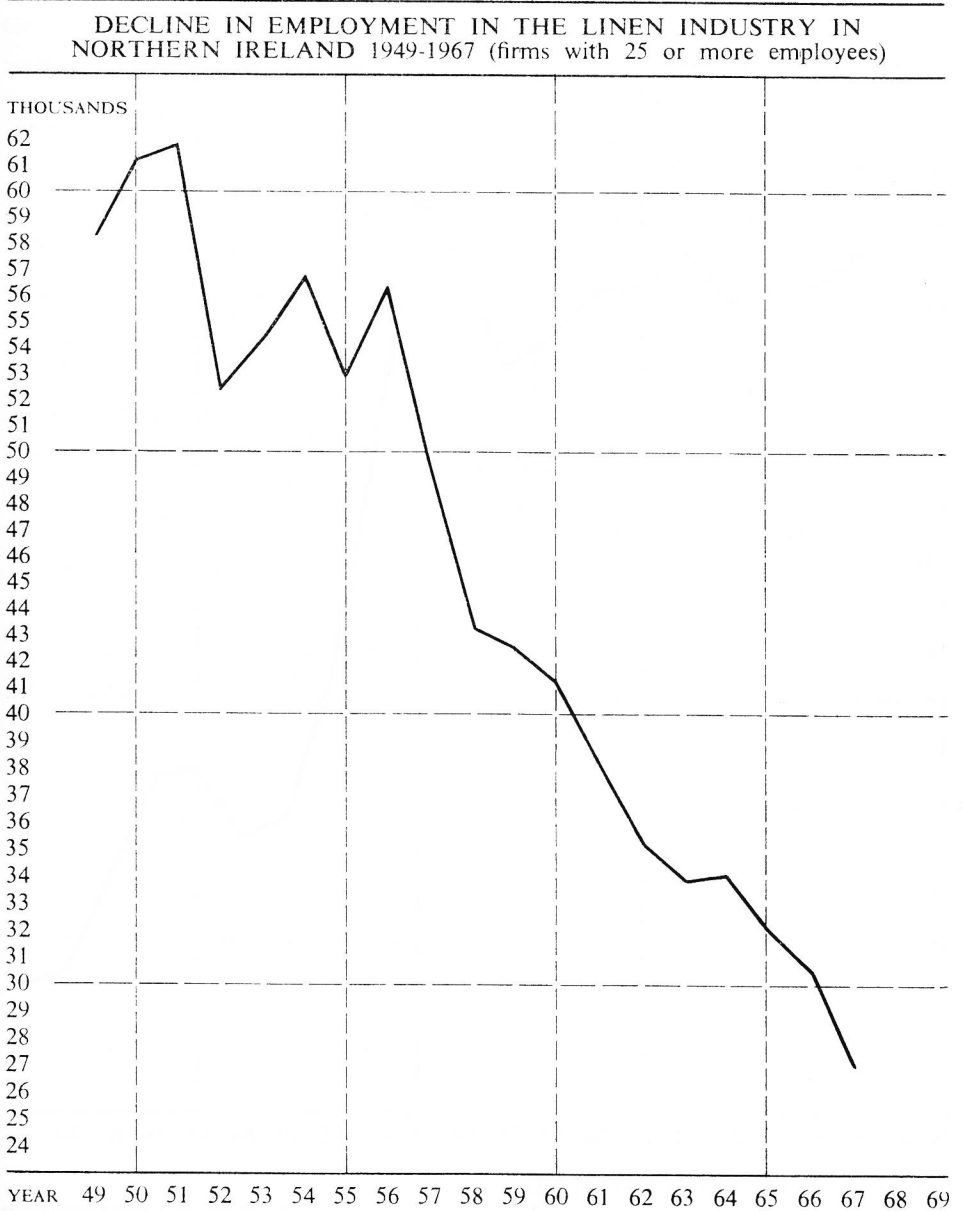
source: UK NI digest of statistics

GRAPH 2

DECLINE IN EMPLOYMENT IN AGRICULTURE IN NORTHERN IRELAND
1949-1969

source: NI digest of statistics

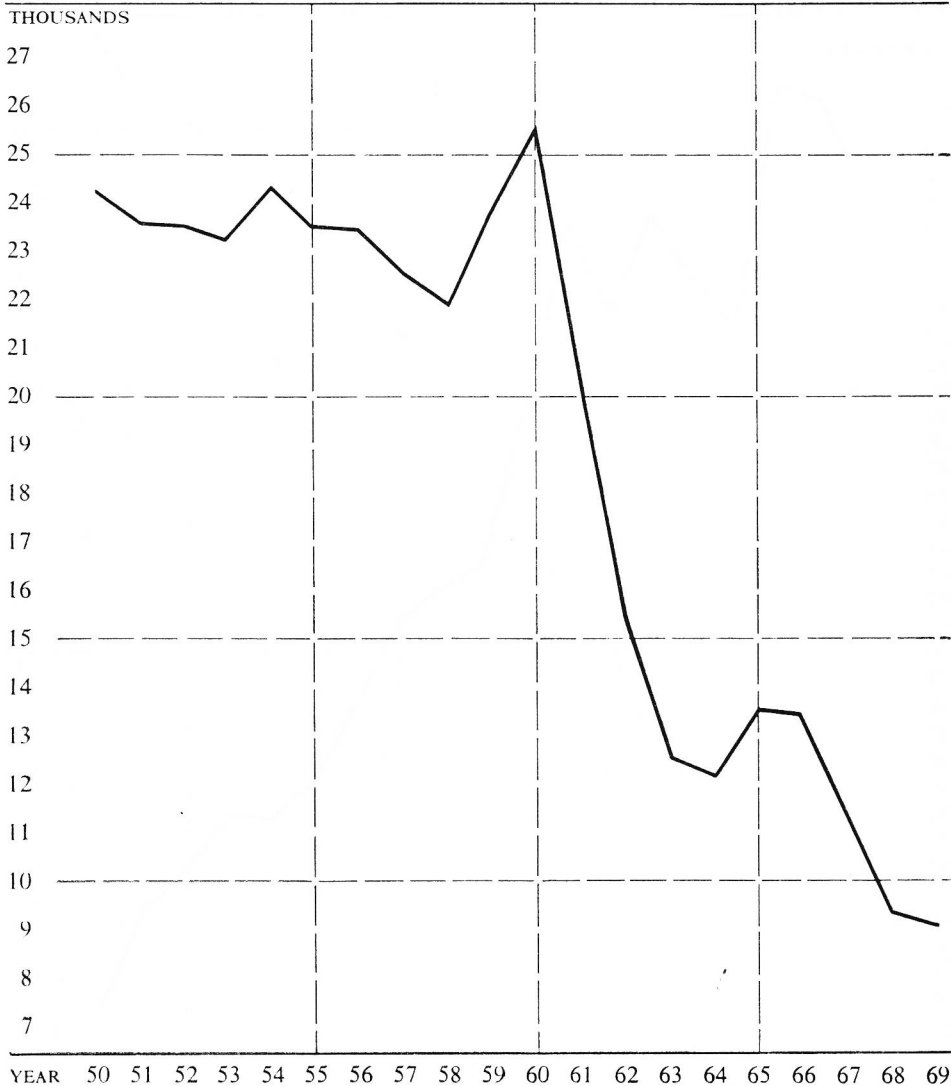
GRAPH 3



source: NI census of production

GRAPH 4

DECLINE IN EMPLOYMENT IN SHIPBUILDING IN NORTHERN IRELAND
1950-1969



source: digest of statistics (NI) 1970 June

young fabian group the authors

The Young Fabian Group exists to give socialists not over 30 years of age an opportunity to carry out research, discussion and propaganda. It aims to help its members publish the results of their research, and so make a more effective contribution to the work of the Labour movement. It therefore welcomes all those who have a thoughtful and radical approach to political matters.

The group is autonomous, electing its own committee. It co-operates closely with the Fabian Society which gives financial and clerical help. But the group is responsible for its own policy and activity, subject to the constitutional rule that it can have no declared political policy beyond that implied by its commitment to democratic socialism.

The group publishes pamphlets written by its members, arranges fortnightly meetings in London, and holds day and weekend schools.

Enquiries about membership should be sent to the Secretary, Young Fabian Group, 11 Dartmouth Street, London, SW1; telephone 01-930 3077.

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