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SDLP

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P R E S S R E L E A S E

SDLP ECONOMIC ANALYSIS AND STRATEGY

INTRODUCTION

The immense gravity of Northern Ireland's economic problems can be appreciated by relating the fact that since the SDLP commenced work on this new strategy in May until the date of presentation of this document, unemployment in that short period has risen from 51,466 to 62,000. Over 10,000 additional people have come on the unemployment register. The May figure was not low, it was the highest figure for 46 years and compared with the May figure of the previous year, showed 14,188 more people out of work in Northern Ireland. Unemployment is now twice that of early 1974.

It is accepted by the Party that part of the economic problem has been the worldwide economic recession and the Party also accepts that the economic effects of the Ulster Workers' Council Strike have continued to reverberate through the community since May 1974. But the Labour Government is, above all, responsible for the position of the Northern Ireland economy. Since the Westminster Government undertook responsibility for economic activity in Northern Ireland in May 1974, no major new industry has been brought to N. Ireland. Unemployment has doubled, emigration has increased and the rate of industrial closure has trebled and new state enterprise to which the governing party express commitment, has not been developed. Indeed the Government cutback in public expenditure has been more

Severe in Northern Ireland than in any other part of the United Kingdom. While Northern Ireland's population is $2\frac{1}{2}\%$ of the United Kingdom population, Northern Ireland has been required to carry almost $3\frac{1}{2}\%$ of total Government cutbacks.

The Government's indifference to Northern Ireland's economic plight is best illustrated by a report by the Sunday Times Economic Editor, Malcolm Crawford, of July 25th, 1976 which followed a Government briefing:

"In a class by itself is Northern Ireland where 11.7% of the workforce is idle as the summer holidays approach and 17,000 school-leavers are looking for work. There are some pockets of extremely high unemployment such as bomb-torn Strabane, where one in three are on the dole. But, having lived with the problem for some time, they are much more sophisticated in meeting it.

"Training is ten times more effective than in Britain and better organised to get trainees into industry. And for those without longterm jobs there is Enterprise Ulster to absorb them into a direct labour pool."

The Labour Government has presided over the removal of Rolls Royce - 800 jobs, the collapse of I.E.L. - 1,400 jobs, the loss of 350 jobs at S.T.C. in Larne and many other smaller industries. To add to it, it plans to remove 2,000 defence jobs at Sydenham, Aldergrove and Antrim.

ANALYSIS

What are the immediate prospects assuming government continues to fail to act? Will the expected upturn in Britain's economy reduce N.Ireland's unemployment? It seems unlikely for several reasons.

Firstly, most industries in Britain which have contributed to increased unemployment during the recession have done so by laying off a percentage of their workforce. They find themselves approaching the economic recovery with spare capacity and will rapidly be able to expand output by increasing the labour force and by making more productive use of existing capital. N.Ireland's unemployment during the recession has been created principally by industrial closures which do not retain any real capacity for re-employment. In previous slumps in N.Ireland's industrial history the collapse of industries on such a scale, rather than a decrease in employment and production, was not a feature.

Secondly, N.Ireland felt the effects of the economic recession later than Britain and its recovery will be later than that of Britain. Much of N. Ireland's industry is dependent on the British market and any response to recovery is therefore delayed until the recovery works its way through the British economy. For the recent school-leaver the prospects are bleak and without government action the future for the current secondary school population (Table 1) is unlikely to improve.

The most recent estimate by the office of Population, Census and Surveys for the year ending May 1975 of net emigration is 16,000. This figure is double the emigration of one decade ago, and is an increase of one third on the average levels for the years 1969 - 1973. The full figure of net emigration is even larger because movement to the Republic, to where there has been a net outflow, is not fully accounted for in these figures. The chaotic effect that this rate of emigration is having on N.Ireland's planning cannot be overestimated, as can be exemplified by the dramatic shift in general population predictions by the N.Ireland Department of Manpower Services (Table 2). The figure for 1980 shows a 46,000 population difference for the periods compared. Such fluctuations have far reaching consequences for educational planning as well as for industrial planning. In addition, the cost to society of this high level emigration is accentuated because it is the male workers

and young married couples who are leaving. If economic recovery is marked in Britain, then taken together with proposed tightening of commonwealth immigration, it is to be expected that the demand for labour in Britain, skilled and unskilled, will grow, and net emigration from N.Ireland will tend to remain high.

N.Ireland because of its reliance on oil for electricity generation, has in the four years, 1972-76 moved from being one of the cheaper regions in Europe for the supply of electricity to a position where it is now one of the most expensive. Electricity costs generally, with the removal of government aid, have risen more sharply than other costs to industry, but in N.Ireland they have risen more steeply than in other parts of Europe. Oil prices have also substantially increased transport costs, which have always been, because of N.Ireland's spatial separation from its major markets, at a high cost to industry. Furthermore, the higher per capita output once enjoyed by N.Ireland industry, has now been eroded.

Future recovery of industry is dependent upon the manufacturing sector. Despite considerable capital investment in the last fifteen years, the manufacturing sector of N.Ireland industry has fallen and currently employs less than one-third of N.Ireland's workforce. The traditionally sound economic pyramid of a broad base of manufacturing industry supporting service industry, is turned on its head in N.Ireland. Service industry has increased its employment from one-third to 50% of N.Ireland's workforce. In addition, of those employed within the service industry, over 60% are employed by the government in the Civil Service etc and that does not include the approximate 11,000 men and women who are employed as search wardens or security employees.

In presenting the problem there is one further consideration that is the general regional imbalance of unemployment. Table 3, which shows the unemployment figures town by town from the years 1971-75, shows that the towns Strabane, Newry, Derry and Dungannon all border regions, are where the unemployment is highest. A glance at present unemployment (Table 4) shows that the towns where the greatest increase has been in the past twelve months are the towns which were already suffering the highest unemployment. These towns, suffer from what can be termed structural unemployment. It is true to say that within the U.K., N.Ireland suffers from structural unemployment, but within N.Ireland the real meaning of severe structural unemployment can be understood in Newry and Strabane. The fabric of the town's industry cannot withstand any real economic recession. An image of the town is created that is prejudicial to any improvement. Furthermore, lower incomes and higher dependency ratios - by that is meant more people living off each income - reduce the standard of living within the entire town. Commercial concerns do not have the same amount of money spent in them.

S T R A T E G Y

What should be done? The momentum of new enterprise has got to be regained. Any new jobs that are at present being created are from existing Companies. This trend, which has continued since early 1974 must be broken (Table 5). Who will break it? Banks make it clear that there is no shortage of capital to back enterprise. The Bank of England in June of this year published figures indicating that the Northern Ireland deposits for the nine months ending April 1976 had increased from £744 million to £822 million, while the advances of Northern Ireland Banks had gone up from £324 million to £342 million. A leading Northern Ireland banker, writing recently said:

"The evidence would seem to suggest that the bank overdraft facilities will be available; the long-term capital can be provided; there are investors and institutions available to take equity participation in potentially profitable projects - where are the entrepreneurs?"

It is a fair question, because during the late 18th century and throughout the 19th and early 20th centuries, the justifiable tradition of the hard-headed Ulster entrepreneur grew up, but he is not putting his money into Northern Ireland today. From examination it would seem that he has decided to invest outside Northern Ireland, in Britain, in the Republic or in Europe.

The new initiative we seek will not come from the Ulster entrepreneur in the absence of a stable political climate. Government must take the initiative, not just to assist private industry. Government must invest in industry that is normally profitable, but because of Northern Ireland private enterprises' inhibitions has not been developed here. Public ownership must provide more than ownership merely of public utilities and public investment and ownership in industry cannot be relegated to that sector of private enterprise regarded

by its practitioners as unprofitable or excessively risky. Government must take the initiative if any real attempt is to be made to show what can be done by Northern Ireland workers. If the industrial momentum required is to be gained, state enterprise can no longer be viewed as a mere instrument for holding down unemployment on a short-term scale while private industry recovers.

A fundamental psychological breakthrough is required which entails the state moving from a reaction role to an initiative role, with direct investment. It may be argued that projects like Strathearn Audio can be taken as evidence that a breakthrough has occurred, but until an overall development plan, motivated by the approach outlined above is undertaken, such projects must be seen as an oasis in a vast desert. Once a basic approach is defined and Government commits itself to taking the initiative outlined, private industrial confidence in the Northern Ireland community will increase and public participation in industry can blend with private enterprise for the benefit of all in the state. We cannot overemphasise the importance of this point as a fundamental basis for our strategy.

We now deal with each sector:

1. THE MAN-MADE FIBRE INDUSTRY

The man-made fibre industry is the major modern manufacturing industry of Northern Ireland, Courtaulds, Dupont, I.C.I., British Enkalon, Monsanto and Hoechst all have large plants operating in Northern Ireland. An emerging industry of the Republic is the Petro-Chemical industry providing petro-chemical derivatives from natural gas and oil. The feed-in materials required by the man-made fibres industry are now beginning to be manufactured in bulk by the Republic. A formal link-up that will harness the output/input linkage to a maximum is desirable and the SDLP calls for the creation of

a consortium in which the Northern Ireland Department of Commerce, together with its Southern counterpart and the major man-made fibre and petro-chemical Companies participate. We accept the view of the C.B.I. that the "spin-off activity for engineering and other industries are potentially enormous from this project."

2. ENERGY COSTS

We believe that a long-term energy needs survey is required, assessing the full implications that it has for Northern Ireland power and transport. In the short-term we recommend that the Government provide subsidies on gas, electricity and transport for Northern Ireland industry.

3. CONSTRUCTION INDUSTRY

The prevailing political climate is against any injection of public expenditure but borrowing can be defended to aid the construction industry because a net social gain of new houses can be secured, while simultaneously striking at the highest single sector of the unemployed, the construction workers. Despite having the worst housing in the British Isles, Northern Ireland's/ ^{house building} programme has declined (Table 6). At present the Government is not even ensuring that all finance set aside for housing is being used. Moreover, there is the additional benefit of providing employment in the supply trades to the construction industry such as joinery and quarry work and the injection of capital will assist all trading in its general flow throughout the community which will induce further employment. The SDLP recommend the injection of further finance into the house building programme.

4. AGRICULTURE

The slaughter, processing and packaging of meat can be completed in Northern Ireland. We regard the export of live cattle and of carcass as the export/employment potential. The United Kingdom is the world's largest importing country and Northern Ireland

is the closest food exporter as well as being part of the United Kingdom. The opportunities are immense but unless our meat and food products are processed to the maximum extent, ready for presentation to the consumer, the full potential of the agricultural industry is not being realised.

5. FISHERIES

In relation to fisheries, Northern Ireland must review its position. The impending 200 miles exclusive economic zone predicted for the next Law of the Sea Conference has major implications. It provides a vast wealth of resources at our disposal, which the country is in no way geared to exploit. As well as creating a more competitive fishing industry, rejuvenation of the existing industry is required. Even more important, because it is probable that within a short time equal access will be given to all EEC fishermen to fish in all EEC waters, is the determination of where the fish collected off the Irish coasts will be landed and processed.

6. BASE METAL INDUSTRY

The development of base metal in the Republic has become a substantial industry, but like most raw material, base metal, unless developed into more marketable forms is comparatively valueless. Earlier this year the Government of the Republic announced a commitment to the provision of a smelter to process the base metal. The smelter is costing in excess of £50 million and the Industrial Development Agency of the Republic has begun to canvass abroad for private industrial partners to share in the development costs. It is probable that the smelter will be sited somewhere between the major mines at Navan and the port at Drogheda. Irrespective of whether mining deposits are discovered in Northern Ireland, the SDLP feel that Northern Ireland, in return for heavy engineering spin-off on the Northern side of the border, should

contribute to the development costs of the smelters.

It has been stated by the Geological Survey Sector of the Department of Commerce, that the best base metal mining prospects are in the rock formation of East Fermanagh, South Tyrone and West Armagh. Indeed all prospecting licences are now concentrated in this area and the major companies have abandoned prospecting in Northern Ireland outside this area. If mining deposits do exist, then they are as close to the proposed smelter as it is possible to be and nearer than most of the Republic's deposits, other than Navan. In any event, we believe that the programme of industrial development in fields like galvanising and metal-casting which will follow the establishment of the smelter, can be created on a cross-border basis if early negotiations are initiated and Northern Ireland is prepared to contribute to the substantial development costs.

7. FURTHER CROSS-BORDER DEVELOPMENT

Economic under-development is greatest in border areas. Within the EEC it is common to more than Ireland. The Northern Tyrol area, close to the French/Italian border, and also the Southern Jutland area, along the Danish/German border are other border areas suffering economic under-development. Several cross-border ventures have been initiated in these areas, and the concept of creating an industrial estate to straddle the border is being given increased consideration in Brussels. We believe that the concept has merit and recommend it. In Northern Ireland the border area coincides precisely with those districts which have highest unemployment - Newry, Dungannon, Strabane, and Derry. In addition, the availability of port facilities on the Foyle and at Carlingford, widen the dimension of industrial prospects.

8. SHIPBUILDING

We believe that the bleak future facing shipbuilding must be accepted and that the continued investment in ships is incompatible with sustained economic viability. We see it as pertinent to quote the statement of the Secretary of State for Industry, Mr. Eric Varley of June 24th, 1976 that "shipbuilding is not witnessing a short-term cyclical recession but a major structural change in demand to last for very many years". Mr. Varley cited the dwindling order books of all British shipyards which in the past eighteen months have carried just less than 20% of what had been normal annual output in previous years. At the major summer conference on world shipbuilding, held earlier this year, it was accepted that world shipbuilding capacity even now is too large, and that by 1980 demand will probably be only one-third of the 1974 level and that the Japanese, who have pledged themselves to maintain their current 50% market share, will have an even greater share. The SDLP believe that future investment in Harland and Wolff should be non-shipbuilding investment and that a major survey should be carried out to best determine how the skilled labour force can usefully assist a growing engineering industry.

9. TOURISM

We recognise that with the continuation of violence and in the absence of a stable political climate, the tourist industry will find expansion difficult. We feel that those involved in the industry should be encouraged to remain in it and that cheap loan facilities should be available to assist them to do so.

10. SELF-HELP INDUSTRY

We believe that there exists an energy and dynamic, hitherto relatively untapped, for self-help and community and co-operative industrial development. We call for the creation of a Community Industry Federation, designed to harness community development and self-held enterprises within Northern Ireland. We believe that for many self-help groups the problem lies in the pre-LEDU stage and we ask for greater examination to be given to this in consultation with the groups.

11. RESEARCH FACILITIES

Our present approach to the study of foreseeable employment needs and population patterns is utterly inadequate and renders economic planning haphazard and potentially inaccurate. We recognise the contributions made by the study prepared in the Republic by Professor Brendan Walsh of the E.S.R.I. and recommend a similar study to be carried out in Northern Ireland. We believe that research facilities in co-operation with our Universities and Colleges of Technology should be created for industrial research, particularly in the field of import substitution and spin-off from existing industry.

12. MANAGEMENT TRAINING AGENCY

The SDLP believe that poor management and poor managerial capability have been a major source of industrial failure and believe that the present Management Development Agency should be broadened into a Management Training Agency under the Department of Manpower.

13. BANKING AND BUILDING SOCIETY FUNDS

The absence in Northern Ireland of its own banking and direct investment has been drawn attention to many times. There is undoubtedly an outward flow from Northern Ireland of banking, building society deposits and unit trust investments. Placing

restrictions on the outflow can be counter-productive but Government should examine the creation of investment facilities for retaining the capital in Northern Ireland.

14. ECONOMIC COUNCIL

With the collapse of the Economic Council, the SDLP believe that there exists the opportunity for Government to widen the base of its Economic Advisory Boards.

15. REHABILITATION OF STRUCTURAL UNEMPLOYMENT

Those towns which suffer from the worst structural effects of unemployment require complete rehabilitation which will encompass the widest possible embrace. It should include a strong building programme, the intense fostering of self-help projects, not only for their industrial assistance, but also because they make a high contribution to the psychological wellbeing of local communities, and the identification of managerial ability, together with the provision of solidly based state manufacturing industry.

16. GROWTH INDUSTRIES

We recommend surveillance of growth industries such as the leisure provision industry, the environmental conservation and protection industry and the oil production industry. Each of them has characteristics which permit Northern Ireland to enter their markets with relative advantage.

C O N C L U S I O N

In conclusion, the SDLP return to its fundamental point. Action must be taken urgently and government must be seen to care and must be competent. It must break out of its fire-brigade policy which only seeks to avert collapse. Government must assert a broad industrial policy that is positive, outgoing and challenging. Government must create the momentum that will halt economic decline and engender economic confidence. We accept that all our proposals would be easier implemented if there existed political stability. The prospect of any or all of them providing a dramatic improvement would be enhanced magnificently by a political solution. The SDLP has shown itself keen to achieve a political solution and issues this economic analysis and proposed strategy in the hope that it will indicate to all in N.Ireland that of all Northern Ireland's political parties we regard the social and economic matters of critical importance. We point out that no other political party has ever attempted to come to grips with the N.Ireland economy.

We call on the British Government, even at this late stage to accept its responsibilities for the economic wellbeing of all and to act courageously and vigorously to assist the people of N.Ireland. The SDLP propose to initiate discussions with the Trade Unions and the C.B.I., with the Government of the Republic and the E.E.C. Commissions and with all other interested parties over the next month in an effort to secure for the people of N.Ireland full and worthwhile employment.