Belfast: Tipping the Balance

A report prepared by Centre for Cities for Belfast City Council
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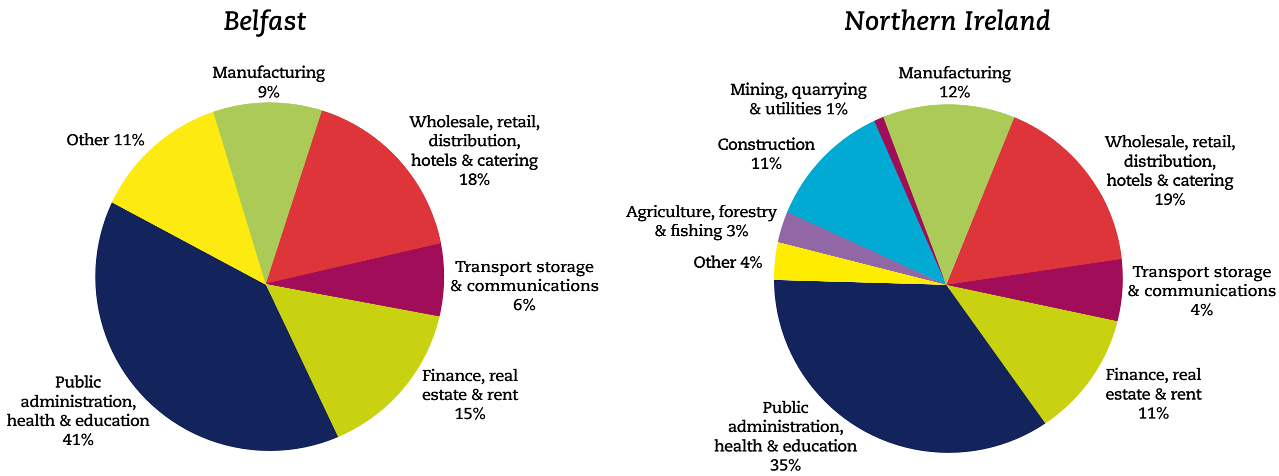
Introduction

Belfast is a Partner City in the Centre for Cities research programme ***'Unlocking City Potential and Sustaining City Growth'.*** The programme works closely with a small group of cities to inform economic development strategies and improve economic performance. This report sets out policy analysis and recommendations in response to two principal questions:

- What can Belfast do to tackle concentrations of worklessness within the city?
- How can Belfast build on a decade of growth to encourage private enterprise in the city economy?

The two questions are interrelated – residents' long-term employment and progression prospects will only be improved by creating the conditions for sustainable growth of key sectors.

Figure 1: Belfast's Sectoral profile



Source: Labour Force Survey: 2007 Local Area Database.

Key recommendations

Belfast City Council needs to strengthen the position of Greater Belfast as the driver of growth in the Northern Ireland economy, with closer cross-boundary collaboration across Greater Belfast. In particular:

- **Belfast City Council should pilot a City Strategy approach to worklessness across Greater Belfast**, including an Employment and Skills Board, in order to better coordinate policies so that residents in deprived areas are not bypassed by growth.
- To rebalance the private and public sectors, **Belfast City Council and Invest Northern Ireland need to streamline business support and enterprise offers** to encourage a more dynamic private sector in the city.
- **Belfast City Council and Invest Northern Ireland need to develop growth strategies for key sectors that provide real growth opportunities for the economy** – such as software – and that provide potential for jobs growth – such as tourism.

Terminology

Throughout the report, Belfast is used to refer to Belfast City; Greater Belfast is used to refer to the six local government districts that form the Belfast Metropolitan Area: Belfast, Castlereagh, Carrickfergus, Lisburn, Newtownabbey and North Down.

Belfast's economic resurgence

Over the last ten years Belfast has witnessed an economic resurgence. Political stability and a strong global economy have encouraged economic growth, and unemployment fell to around four percent in 2007, from over nine percent a decade earlier. The city has seen growth in new industries, like financial services, software and tourism, that provide potential for the future following decades of industrial decline.

However, the economic renaissance is far from complete, and the current recession will affect Belfast's growth, particularly given the strong links to the Republic of Ireland, where the economic crisis is even deeper. Belfast will need to adapt its growth strategy to the shorter-term pressures created by the recession. Recent falling unemployment has masked the concentrations of worklessness that remain, leaving many neighbourhoods cut off from the city's recent growth. Much of this worklessness and deprivation is concentrated in the North, West and East of Belfast City, with the outer areas of Greater Belfast better linked into recent success than the city core. While the employment rate in Greater Belfast is 72 percent (compared to 74 percent for the UK), in Belfast City it is low, at just 65.5 percent, with more than one fifth of those registered as unemployed out of work for more than a year[1].

In addition, a high proportion of Belfast's economy – around 40 percent of employment – is accounted for by the public sector. While this has provided stability over the years, in order to build on the economic transformation of the last decade and to develop a prosperous, resilient economy, the city needs to do more to encourage private enterprise. In particular, the fiscal tightening expected after 2010, combined with scaling-back of EU support in 2013, will hit the public sector, and cutbacks are likely. Creating a more dynamic private sector would also create new employment opportunities, and support work to tackle worklessness.

Belfast and the recession

The continuing recession provides the backdrop to Belfast's economy in 2009. The credit crisis in the financial markets has now become a real crisis in the broader UK and global economy. The UK is now officially in recession and the fall in GDP in the last two quarters (2.1 percent decline) is now nearly as deep as the whole of the 1990's recession (2.5 percent)[2]. The problems within the financial system which have constrained the supply of available credit are far from solved and the forward-looking indicators in the latest business surveys suggest that output has continued to deteriorate during the first quarter of 2009.

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1. NISRA 2006, Total Working Age Employment Rate, Labour Force Survey Local Area Database
2. GDP data: chained volume measures, seasonally adjusted. www.statistics.gov.uk/STATBASE/tsdownload.asp?vlnk=574

Given the momentum of the decline and the global nature of this downturn we now expect GDP during 2009 to contract by more than three percent and the eventual peak to trough decline may now exceed the falls during the early 1980s (4.5 percent peak to trough). In addition, economic activity in the Republic of Ireland – to which the Northern Irish economy is also closely linked – is contracting faster than the UK, with the Central Bank expecting a decline in GNP of close to five percent in 2009 (after a decline of 2¾ percent in 2008). Global credit conditions and the collapse of demand across the globe have damaged Ireland's outlook given its position as a small open economy with a large reliance on multinational concerns.

Belfast's large public sector may shelter the city from some of the worst effects of the recession, but only in the short-term. On a scenario of a 2.5 percent fall in UK GDP in 2009, Oxford Economics forecast a fall in output in Belfast of 1.6 percent, leading to 5,000 job losses over the period 2008-11, equivalent to 2.4 percent of 2008 employment[3]. Longer-term resilience will be affected by the impact of the downturn on sectors that have supported the city's growth and progress over the last decade – such as financial services – and likely future cutbacks in the public sector as the cost of the fiscal stimulus begins to be felt.

Vision - Belfast as a Driver for Northern Ireland's Economy

Belfast is the capital city of Northern Ireland and, together with the other council areas in Greater Belfast, is the core of the region's economy, accounting for 37 percent of the population. The significance of the city and wider city-region creates an imperative on the Northern Ireland Authorities to prioritise reforms and investment in Belfast and Greater Belfast, as this will strengthen not just Belfast's economic performance, but also the wider Northern Irish economy.

Table 1: Belfast as the driver for Northern Ireland

As Proportion of Northern Ireland	**Employment**	**Businesses**
Belfast City	14%	11%
Belfast Metropolitan Area	37%	25%

Source: NINIS, NISRA. Population 2007 Mid-Year Estimates; Employment Total 16+ Labour Force Survey 2006; IDBR Total VAT Registered Businesses 2007

The Review of Public Administration (RPA) has begun to streamline local government within Northern Ireland, and by devolving more powers to local Councils should enable Belfast City Council and the other Councils within Greater Belfast to more effectively drive their economies[4]. While many key policy levers to promote economic opportunity are still held at Northern Ireland level, the RPA gives Councils more control over key issues such as local economic development, planning, local bus services and regeneration. This puts the onus on the Councils themselves to work better to enhance Greater Belfast as the core of Northern Ireland's economy, and to ensure that all residents can play a full role in the economy, in particular those in deprived inner-city areas. Belfast City Council should work with the other Greater Belfast Councils to foster:

- Greater cross-boundary cooperation in Greater Belfast in key areas such as regeneration, employment and business support.
- A better understanding of the interaction between key policy areas, such as housing, skills, transport, regeneration and the economy.

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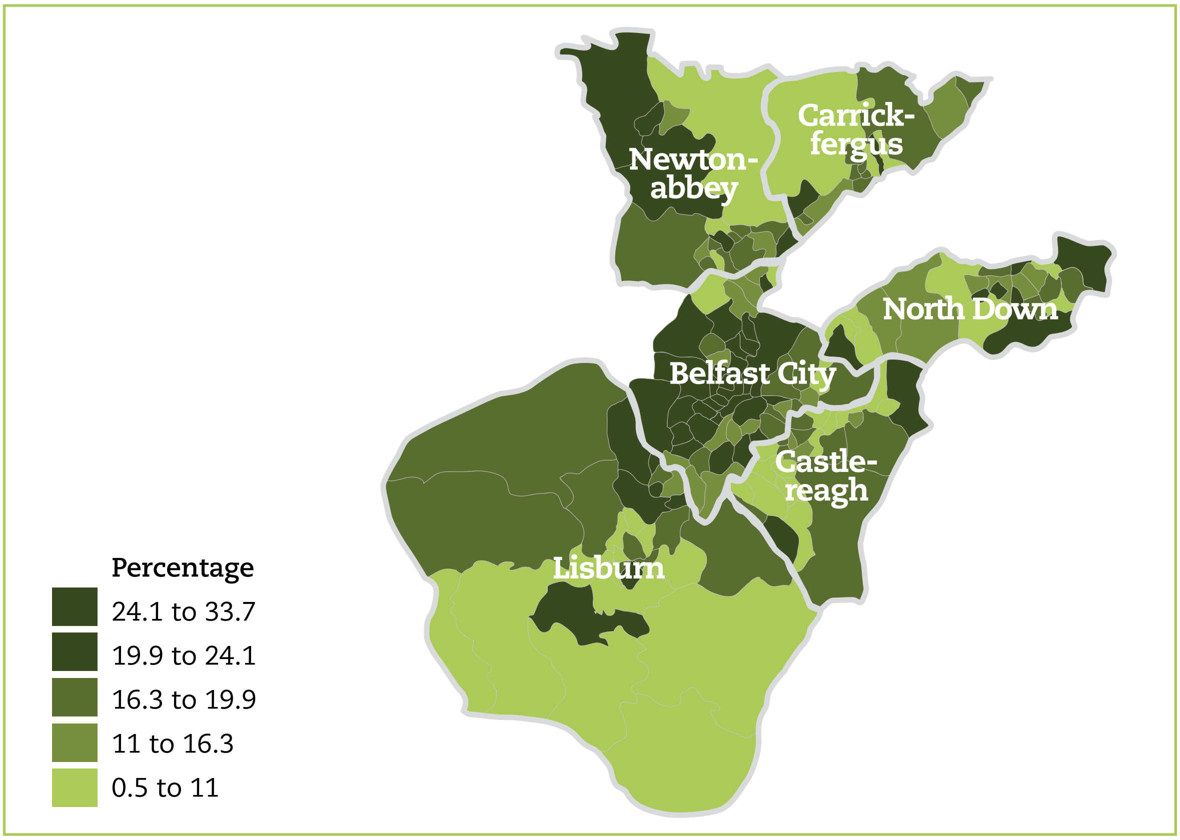
3. Oxford Economics (2008) City Forecasts – Winter 2008. Centre for Cities.
4. Better Government for Northern Ireland: Final Decisions on the Review of Public Administration. March 2006

Tackling worklessness in Belfast

Worklessness is heavily concentrated in Belfast. In Belfast City nearly 25 percent of working age people are in receipt of out of work benefits – in Northern Ireland only Derry and Strabane have a higher rate[5]. While unemployment figures have fallen in recent years in Belfast, this masks longer-term worklessness – in 2007 over seven percent of the population claimed Incapacity Benefit (IB)[6].

The concentrations of deprivation within Belfast show that while the city has made progress over the last decade, this has not been evenly spread– the map below shows how Belfast City still suffers from low employment, while residents of areas such as Carrickfergus and Castlereagh have been better able to access new jobs and employment opportunities. Within Belfast City itself, there is much variation in economic outcomes, with long-term unemployment varying from 30 percent of total claimants in Shankill, Andersonstown and Whiterock, but falling to 10 percent and under in Belmont, Knock and Cherryvalley. Long-term unemployment is clustered in particular in the central areas of North and West Belfast – nine out of the 10 wards with the highest concentration of long-term unemployment were in these areas[7]. And this concentrated worklessness is persistent – Oxford Economics forecast that by 2018, in 12 out of 51 wards less than half of the population who can work, will – only a small improvement on the situation today[8].

Figure 2: Concentrations of Long-Term Unemployed in Greater Belfast - Claimant count long term unemployed annual average percentage 2007



Source: NISRA (2007)

5. Joseph Rowntree Foundation – the Poverty Site. Source DSD (recipients) and ONS (population estimates) November 2008
6. Northern Ireland Neighbourhood Information Service (NINIS). Incapacity Benefit Recipients as a percentage of 16-59 Population.
7. NINIS, NISRA, Claimant Count Long-term unemployed: Annual Averages by Ward: 2007
8. Oxford Economics (2008) The demand and supply of skills in Belfast. Oxford Economics Development Brief, November 2008

Now that Belfast has enjoyed a decade of stability and begun to see real growth returns, there is an imperative to ensure that all residents are able to connect into increasing prosperity, and have the skills and ability to access employment opportunities. This requires a holistic approach to the city's labour market – employment initiatives alone will not be enough if the right jobs aren't available, and if the city's infrastructure does not support access to jobs.

What are the main barriers that the workless face in finding, getting and keeping a job?

Barriers to employment occur at different levels – the wider economy, local city- and neighbourhood-level effects, and individual barriers. The principal causes of worklessness vary between cities, but common factors include:

- **Structural change and deskilling:** Worklessness is often the legacy of structural change. In Belfast, industrial decline in the latter half of the twentieth century was severe – employment in manufacturing declined from around 50 percent in the 1950s, to under 10 percent today – and conflict during the Troubles hindered the city's ability to attract new growing industries. This low level of demand for labour in the city has led to high levels of worklessness, and deskilling of segments of the population as their skills become obsolete in today's economy.
- **Benefits trap:** Low social housing costs and low wages in relation to benefits can reduce incentives to come off benefits and move into work – for some it may represent little financial gain.
- **Spatial mismatches:** Poor transport and a lack of integration within a city can exacerbate the problems facing deprived neighbourhoods. Belfast – a small city by UK standards – has a segmented labour market. Community divisions have meant that residents in certain parts of the city have not linked into areas of jobs growth. In addition, hub and spoke transport links into the city centre add to low levels of integration between North, South, East and West Belfast and Greater Shankill.
- **Neighbourhood effects:** High levels of social housing can act as a barrier to employment by restricting the mobility of residents. Other effects, such as peer influence, can reduce incentives and aspirations of young people not in employment, education or training (NEET), and reinforce intergenerational worklessness. These effects are prevalent in specific areas of the city, e.g. North Belfast.
- **Low levels of private enterprise:** While the public sector has provided employment and stability in the past, the private sector business base in Belfast is relatively small, and this can restrict the growth of new employment opportunities.

This section discusses spatial mismatches and neighbourhood effects within Belfast in more detail, and looks at opportunities to create employment benefits from significant regeneration projects. Measures to encourage more private sector activity – crucial to growing jobs for the city – are discussed further in the following section. Belfast authorities have few levers over structural change and the benefits trap, so these are not explored further.

A City Strategy for Belfast?

Worklessness is concentrated in many cities across the UK, and Belfast, recovering from the Troubles and decades of industrial decline, can look to how other cities have sought to tackle this constraint on their economies. One factor common to all cities is that many agencies and authorities are involved in efforts to tackle worklessness, from national Government, to local authorities, to skills authorities, to Job and Benefits Offices. But this risks a non-joined up approach that fails to take full account of local labour market conditions. This is not a problem unique to Belfast and Northern Ireland, but Belfast authorities and the Northern Ireland Government can look at the approach taken by City Strategies, introduced in 15 pathfinders in England, Scotland and Wales by the DWP, and Employment and Skills Boards.

City Strategy pathfinders were introduced in 15 English, Scottish and Welsh cities with high levels of worklessness in 2006. They are based on the idea that local partners can deliver more if they combine and align their efforts behind shared objectives, and enable neighbouring local authorities and relevant agencies to work together to combine resources and align efforts to develop locally and individually tailored solutions to combat worklessness.

Examples of City Strategy Approaches

Causes of worklessness vary between cities, and City Strategies need to be tailored to local labour market characteristics. Two examples of City Strategies are below:

Blackburn with Darwen – sub-regional structures: The Blackburn with Darwen City Strategy recognises the need for cross-boundary cooperation, and has proposed a Multi Area Agreement to better integrate transport planning, spatial planning, housing strategy, economic and physical development and employment and skills provision across six local authorities This will include the establishment of an Economic Development Company as a delivery vehicle.

West Midlands – employer offer: The West Midlands City Strategy coordinates the several agencies offering employer support to produce a West Midlands Employer Offer, reducing the confusion created by a proliferation of services. This includes recruitment services, job scoping, youth and adult apprenticeships, and free training on basic skills.

These examples provide lessons for better joint-working across the six local authorities in Greater Belfast through a City Strategy model, taking a more holistic view to tackling worklessness, responding to employer need, and streamlining support.

Employment and Skills Boards go a step further than City Strategies, with formal responsibility for employment and skills provision. They work closely with employers, and are able to set priorities, direct funds, and change the way services are delivered.

Recommendations:

- With their new powers under the RPA, Councils within Greater Belfast need to work together better to reduce worklessness and improve economic opportunities in deprived areas across the city. Belfast City Council and the other Councils in Greater Belfast should work with the Northern Ireland Government to pilot a City Strategy approach to worklessness across Greater Belfast.
- Within this, the authorities should make the case to the NI Government for the establishment of an Employment and Skills Board that brings together agencies and employers and is given the authority to set priorities and direct funds, prioritising skills and training according to employer need and targeted towards deprived wards.

Spatial mismatches – can transport better support the labour market?

Transport services need to support the functioning of the local labour market, linking different areas of the city and different forms of transport. But transport infrastructure needs to be appropriate to the industrial structure of the local economy and to local communities' needs.

Transport Governance

Evidence shows that better integrated public transport brings economic and social benefits to city economies[9]. Measures such as the introduction of integrated ticketing, coordinated bus and train services, integrated transport information or park and ride can do much to encourage greater public transport use. This improves economic outcomes by giving all individuals better access to employment opportunities. In addition, encouraging a shift away from the private car can support environmental sustainability.

Unlike most UK cities, Belfast has not experienced deregulation of transport, and retains a publicly-controlled transport system – rail and public transport responsibility rest with Translink and road powers remain with the regional Transportation Unit. This should be an opportunity for an integrated approach to transport across not just Greater Belfast, but all of Northern Ireland. However, in terms of transport infrastructure and services, there is little effective integration between different services. In addition, Translink is accountable to the Northern Ireland Government, rather than the city authorities, which reduces the Council's ability to improve coordination between city transport and economic development policy. The RPA will see the transfer of a variety of functions to to local authorities, which provides an opportunity for the Greater Belfast Councils through planning and cooperation to influence and link transport proposals with economic development policy, although overall transport policy will remain at the Northern Ireland level.

Transport Patterns in Belfast

The vast majority – 70.2 percent – of residents within Belfast's TTWA rely on their car or van to travel to work[10]. The chart below (Figure 3) also shows the very high use of taxis in the city – unlike in many other UK cities, they are seen as a cheap alternative to public transport. The high proportion of car and taxi use compared to most English cities is driven partly by the lack of integration between transport modes in the city, and results in congestion around core routes, imposing costs on businesses and holding back economic performance.

The Belfast Metropolitan Transport Plan (BMTP) set out target improvements for the city's transport network by 2015. These include measures such as introducing a network of Quality Bus Corridors, introducing orbital bus routes, and creating a bus priority on the strategic highway network. However, congestion in Belfast means that bus commutes are worsening – Translink notes that bus speeds in Belfast have declined 20.4 percent in the six years to 2008, and 8.9 percent in the last year, against an improvement target of 15 percent by 2015[11]. This highlights the congestion problem facing Belfast, and the importance of encouraging a modal shift away from the car.

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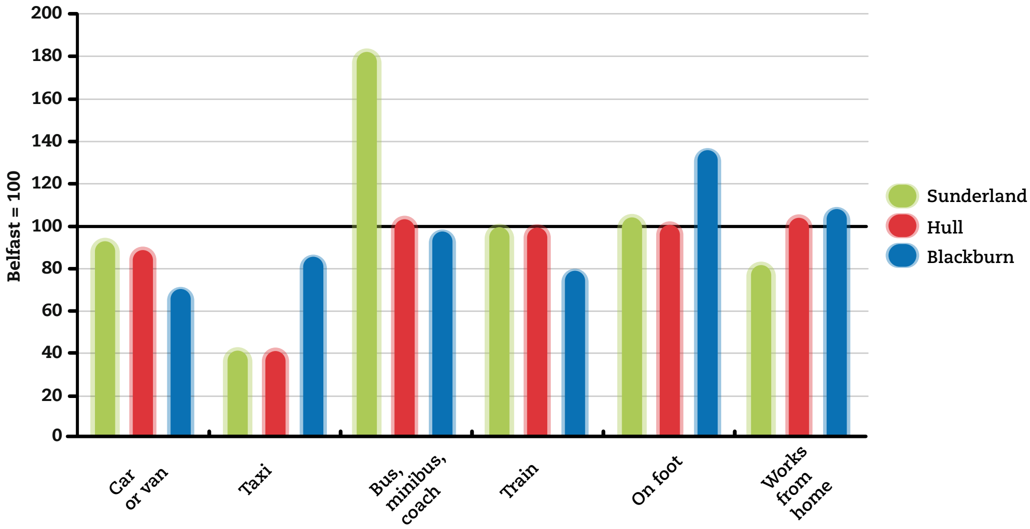
9. Preston J, Marshall A & Tochtermann L (2008) On the Move: delivering integrated transport in Britain's cities. London: Centre for Cities
10. Northern Ireland Census 2001
11. NITHC / Translink Corporate Plan 2008/09 – 2010/11 & Business Plan 2008/09

Figure 3: Travel to Work patterns in ex-industrial cities



Source: Census 2001 and Northern Ireland Census 2001

Car ownership is uneven throughout the Greater Belfast area – in Belfast City there is on average 0.43 cars per person, compared to 0.52 in Greater Belfast, and reaching up to 0.64 in Newtownabbey[12]. Residents without a car in areas of poor public transport connectivity are further disadvantaged in accessing the labour market. And bus services often do not connect people to jobs – the bus map (Figure 4) shows the 'hub and spoke' structure of services into the city centre, lacking orbital or through-city routes.

Community divisions during the Troubles meant that the majority of demand was for transport services into the City Centre rather than orbital. Physical barriers such as Belfast Lough and Cave Hill also exacerbate improving connections between areas, for instance limiting the extent to which the A55 Outer Ring can be upgraded in the North and West of the city. However, these poor connections can increase travel time and costs and disconnect deprived areas from more prosperous ones. These factors combine to increase polarisation within Belfast, with limited access to jobs exacerbating concentrations of deprivation in poorly-connected areas.

Supporting access to jobs – lessons from Merseyside

Poor transport links hamper access to jobs for deprived neighbourhoods in many cities, and business communities, transport providers and local authorities can work together to alleviate this.

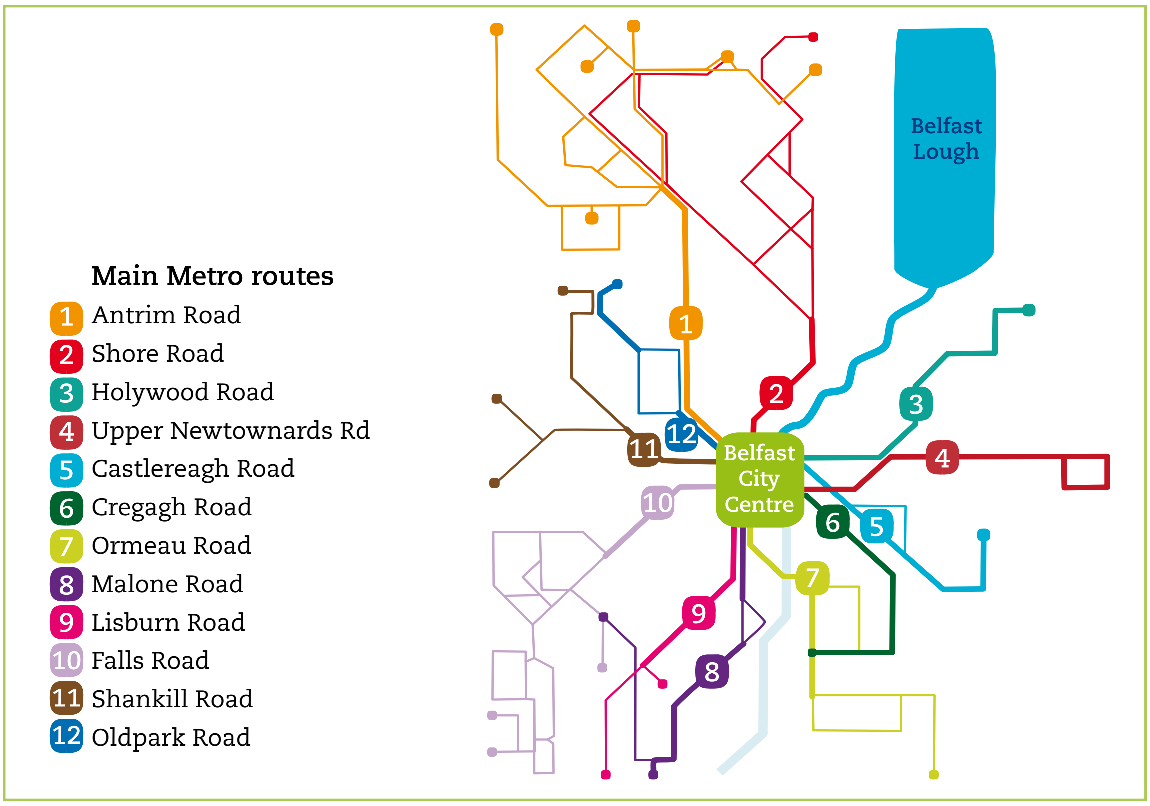
The Haydock Industrial Estate in St Helens employs 4,500 people, but access via public transport for employees was poor. Having identified this issue, the St Helens Chamber worked with the Council and Merseytravel to develop an evidence base to encourage Arriva, the service operator, to improve bus links. Arriva agreed to run a bus service at a low rate linked to the off-peak timing of the shifts – 6am, 2pm and 10pm. This was supported by information and publicity campaigns. As a result, passenger figures have grown, and since its introduction in February 2007, the service now carries around 700 passengers per week.

This is one example that Belfast could learn from to better connect areas of high worklessness in the North and West of the city to areas of jobs growth such as the Titanic Quarter, in the context of encouraging greater cross-Belfast public transport commuting.

12. Own calculations, based on 2005 car registration data (Driver Vehicle Licensing NI), and Mid-Year Population Estimates 2005 (NISRA).

Belfast City Council's lack of direct levers over transport infrastructure makes it harder for transport planning policy to be integrated with economic development objectives. However, the City Council can still have an important influencing role, identifying business and community needs, and working with transport bodies to ensure that transport planning better connects deprived areas to areas of jobs growth, and with the Northern Ireland authorities to prioritise transport investment in the city as the main economic driver for Northern Ireland.

Figure 4: Belfast's Bus Routes



Source: Translink, www.translink.co.uk

The Belfast Metropolitan Area Transport Plan[13] identifies the need for new investment in Belfast's transport system following years of under-investment affecting the economic competitiveness of Greater Belfast. In addition, Translink has identified key issues for improvement around bus efficiency and better transport integration[14].

Recommendations:

- Encouraging a modal shift away from the car, and delivering on the aspirations to integrate more sustainable transport options, should be a priority. Belfast City Council should seek to use organisational influence and enhanced powers arising from the Review of Public Administration to:
  - Improve information on transport connections, routes and times, maximising the effectiveness of the existing transport network.
  - Introduce a system of integrated ticketing across Greater Belfast bus routes, to facilitate cross-city connectivity. This could be the first step to introducing integrated ticketing across Northern Ireland.
  - Make bus travel more attractive, by improving safety and cleanliness on Belfast's buses.

13. Department for Regional Development (2004): Belfast Metropolitan Area Transport Plan
14. NITHC / Translink Corporate Plan 2008/09 – 2010/11 & Business Plan 2008/09

- Transport improvements should be targeted more effectively to connect areas of worklessness to jobs. Belfast City Council should work with Translink, local business organisations, and the Area Partnerships to identify neighbourhoods where worklessness is exacerbated by poor connectivity, and develop services to link these communities to employment areas. In particular, there is a need for more orbital routes to connect deprived areas in the North and West of the city to employment centres in other areas of the city. Support should also be given to the development of a network of priority bus lanes on major routes at peak times.

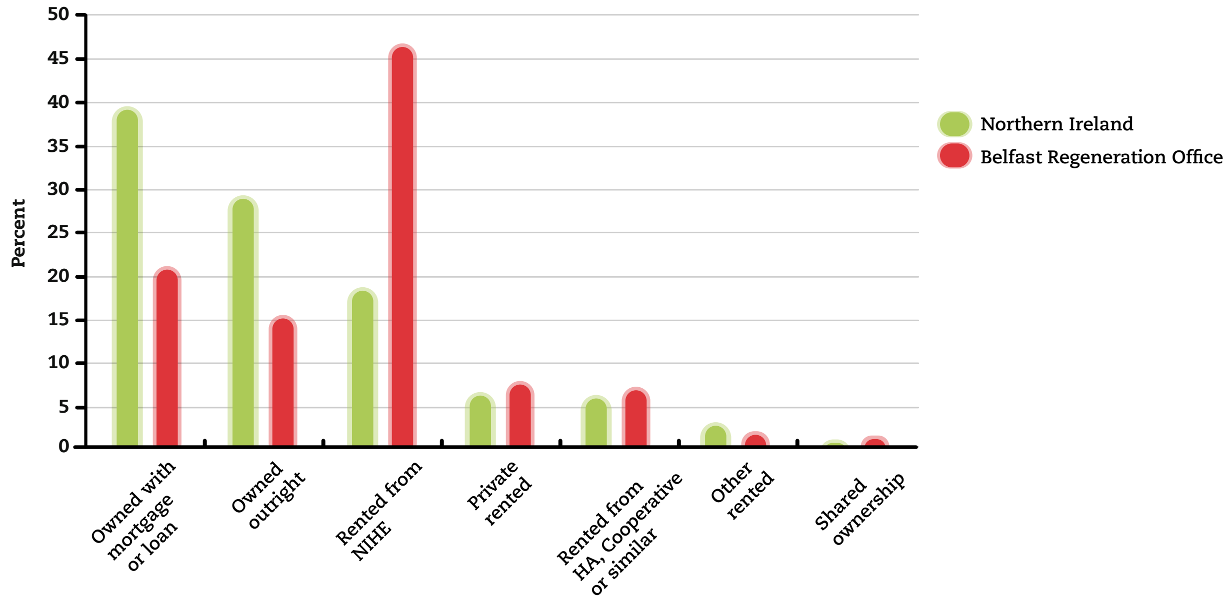
Neighbourhood effects – what is the relationship between housing and concentrations of worklessness in Belfast?

Housing infrastructure within a city can have a key impact on economic performance, in particular through labour markets, and quality, type, and tenure are all important. For example, high levels of worklessness are often prevalent among social housing tenants, and both social housing and owner-occupation are associated with low levels of mobility. More flexible housing systems with a range of tenures can support labour market flexibility, and higher-quality housing will help to attract higher-skilled workers to a city, supporting business performance.

Concentrations of poor quality housing on the other hand, can exacerbate deprivation within a city. Housing market trends can lead to disadvantaged groups being co-located in social housing, resulting in neighbourhoods with concentrations of lower income and workless individuals, often compounded by high crime levels and poor education achievement. This in turn acts as a deterrent to the attraction of higher skilled residents and business investment, creating a vicious circle of deprivation.

In 2003, 36 areas in Northern Ireland were identified as Neighbourhood Renewal Areas under 'People and Place – A strategy for Neighbourhood Renewal', 15 of these are under the Belfast Regeneration Office. Looking at data from Census 2001, a high proportion of residents rent their homes from the Northern Ireland Housing Executive in these deprived areas. Higher proportions also rent from the private sector or from housing associations, cooperatives or charitable trusts. Significantly fewer residents own their homes outright, or with mortgages and loans. These concentrations reinforce worklessness, and act as a brake on the city's economic recovery.

Figure 5: Housing Tenure - Tenure in Northern Ireland and Belfast NRAs



Source: Census 2001, NISRA

If housing can reinforce concentrations of worklessness and deprivation, then policy targeted to this area can provide a route to address the problem. Although Belfast City Council has no direct levers over housing policy, there is scope to engage with the Northern Ireland Housing Executive (NIHE) to ensure that housing policy is aligned with economic development and community development objectives, and to identify areas for linkages at the local level.

Increasing Economic Opportunity through Housing – lessons from Cambridge

Cambridge is a prosperous city, but there are residents within the city that have been left behind by economic success. The Cambridge Housing Society (CHS) is a charitable housing association that manages over 2000 homes, and through this, provides care and support services to over 500 people. These services are targeted to get people with the most basic level of skills back into the labour market.

Through the Community Investment Service, the CHS provides in-home support to disadvantaged residents of the city. These include free 'Learn from Your Sofa' tuition in maths and English, skills and training support that includes financial and digital inclusion, and help with job search and money worries. By providing services directly through housing at the very local level, the Society reaches out to those who may otherwise not have been able to access wider opportunities available in the city.

This example of joining up housing services with employment and skills support at the local level could provide lessons for coordination between local authorities in Greater Belfast working with employment agencies and community service providers.

There are several locally-based initiatives within Belfast that offer community services. The Ashton Centre in North Belfast is one example of a community-owned initiative running needs-based social economy projects, such as childcare, women's groups, and training and employment support programmes. Programmes such as the Local Employment Access Partnership (LEAP) in North Belfast do link to employability initiatives in the South, East and West of the city, but there could be a role for better Belfast-wide coordination with a specific economic focus. A more systematic city-wide initiative where Belfast City Council developed a wraparound service for all those in social housing, for instance through a City Strategy, could coordinate neighbourhood-level employment support linked to employment opportunities across North, South, East and West Belfast and Greater Shankill.

Recommendations:

- With its new powers through the Review of Public Administration on economic development, Belfast City Council needs to identify where housing creates a barrier to economic opportunity in deprived areas, and work with the Northern Ireland Housing Executive to develop a strategy to address these, linking national and city-level polcies.
- Belfast City Council needs to work with the Belfast Area Partnerships and neighbourhood-level initiatives – perhaps through a City Strategy model - to coordinate employment and training support, and identify where advice and support can be provided through social housing. This coordinating role should also reach out towards the other councils in Greater Belfast.

Employment initiatives – worklessness and regeneration

Key regeneration projects enable cities to link physical renewal with economic opportunity for residents, and this needs to be a core principle of any regeneration initiative[15]. Over recent years Belfast has been transformed by physical regeneration, such as the Victoria Square shopping centre and the Waterfront, and the latest development at the Titanic Quarter is expected to create 20,000 jobs by 2015 – although this ambition may need to be revisited in light of the recession.

But experience has shown that specific policies need to be put in place to maximise the benefits of regeneration for the local community, and particularly for deprived areas. In Belfast for instance, the Gasworks Employment Matching Service (GEMS) was put in place to respond to the fact that regeneration of Laganside was not having an impact on social problems in surrounding areas of South and East Belfast. GEMS was set up to provide a locally co-ordinated and effective network of employment support services, and to improve local skills to meet the needs of companies in the Gasworks, promoting economic development[16].

Physical developments need to be closely linked to local economic priorities. While key policy levers such as planning remain at NI Government level, Belfast City Council and the other local authorities in Greater Belfast can together work with the Northern Ireland Planning Service to shape regeneration plans to maximise the local economic opportunities. These need to be based on an understanding of local causes of deprivation – including historical separation between communities, pockets of low skills, incentives – and need to reflect the key linkages between core policy areas such as transport, housing and skills.

While the recession will impact on the pace of regeneration in cities, some public infrastructure projects will be prioritised, and projects like the Titanic Quarter still provide real opportunities. Belfast, as all cities do, needs to ensure physical renewal goes hand in hand with local employment initiatives, both during the downturn, and in preparation for the recovery and the next wave of regeneration spending.

How can the local benefits of regeneration be maximised?

Belfast City Council works with regeneration projects to support benefits to the local community. Working with the Titanic Quarter Development, objectives have been identified around local employment, housing, the wider tourism product of the city, and more[17]. The development also envisages working with the Department for Employment and Learning (DELNI), Invest Northern Ireland (INI) and Belfast Met FE college to develop pre-recruitment training schemes tailored to the needs of current and prospective employers and the long-term unemployed, in particular targeted towards financial services, creative media, and hospitality and tourism. These may need to be revisited in the light of the recession. In addition, they may not tackle the underlying skills issues faced by many of the most disadvantaged residents.

15. All Party Urban Development Group (2009) Building Local Jobs – Ensuring Local Communities gain employment from regeneration.
16. Plöger J (2008) Case Study 5: Belfast's Gasworks Employment Matching Service. Report to the Academy for Sustainable Communities. Centre for Analysis of Social Exclusion
17. Draft Memorandum of Understanding Between Titanic Quarter Limited & Belfast City Council to promote Partnership and Regeneration

Given the existence of concentrations of deprivation in surrounding areas, priority needs to be given to ensuring new employment opportunities are accessible to local residents. The draft action plan identifies actions around not just employment, but also key issues such as transport, but there may be more that can be done to link up to deprived neighbourhoods not just in East Belfast, but also North and West Belfast, and in terms of outreach to communities.

Connecting regeneration to deprived areas – lessons from Hull

City authorities can take direct action to link deprived areas to new employment opportunities – and while the City Council has fewer powers than authorities in England, Belfast can learn from successful experiences in other cities to better make the case for similar initiatives. Hull, a geographically isolated city that has also struggled to recover from de-industrialisation, suffers from concentrated pockets of worklessness, often disconnected from employment opportunities.

The City Works initiative in Hull is an excellent example of where direct employer engagement was used to get locals into jobs created by a major regeneration project. The St Stephen's retail development created construction, retail and hospitality jobs, and locals were encouraged to come into two 'job shops' – one in the city centre and one next to a housing estate notorious for high levels of worklessness. Those interested were given information on available jobs and the opportunity to access relevant training. The initiative had a very high success rate in getting locals into jobs, and demonstrates what can be achieved if regeneration efforts are properly linked to training and jobs.

Successful examples such as this can provide useful lessons for Belfast to maximise the impact of major regeneration initiatives, such as the Titanic Quarter.

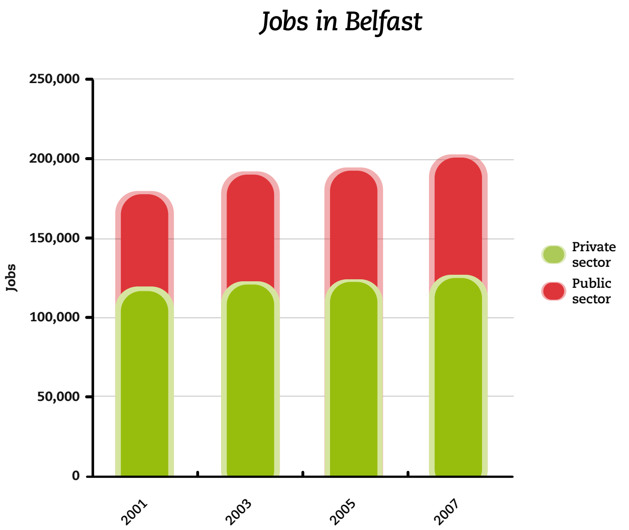
Recommendation:

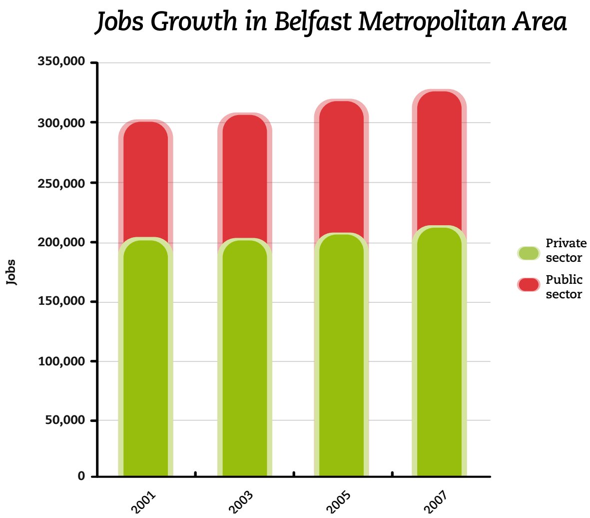
- With their new powers through the Review of Public Administration over urban regeneration and planning, Belfast City Council and the other Councils in Greater Belfast must ensure that all major regeneration projects have an economic action plan targeted at improving opportunities for deprived communities, across Greater Belfast. This will be particularly important when the economy moves out of recession. Inclusion of an Employment and Skills Board within a City Strategy could prioritise outreach to deprived communities, working through housing services and community services.

Private enterprise as a driver for growth in Belfast

Over the last decade of benign economic conditions and global growth, Belfast's economy has prospered. Between 2001 and 2007 employment in Greater Belfast grew by eight percent, to a total of 325,645 jobs. In Belfast City, employment grew by over nine percent.

Figure 6: Employment Growth in Belfast





Source: DETINI: Census of Employment 2001, 2003, 2005 & 2007, workplace-based jobs

This period of employment growth has continued the process of structural change that began in the mid-twentieth century that has seen Belfast move from a manufacturing-based to a service-led economy – leading the way for the rest of Northern Ireland. Belfast, the major city in a predominantly rural region, grew around manufacturing in shipbuilding and textiles, but since 2001, employment growth in Greater Belfast has been driven principally by services (an increase of 9.2 percent), while manufacturing continues to decline (a decrease of -23 percent)[18].

Belfast's transformation to a service economy is set to continue. While the chart below does not factor in the impact of the recession, which is likely to have a significant impact on financial services in particular as a source of growth for UK cities, it indicates the importance of the wider service sector to the Belfast economy.

Table 2: Belfast City Employment Forecasts

	Employment forecasts Change 2008-18	Employment forecasts % Change 2008-18
Rest of production	0	-0.3
Manufacturing	-2	-17.1
Retail & hostels	1	4.7
Finance & business	9	14.0
Public admin, education & health	4	9.1
Other services (transport / comms & leisure, voluntary)	18	7.6

Source: Oxford Economics City Forecasts. Belfast LA. Rest of production includes extraction, utilities and construction

18. *Census of Employment data*

But, the Census of Employment data shown in Figure 6 also demonstrates that Belfast still has a heavy public sector presence – at 35 percent of jobs in 2007 (33 percent in Greater Belfast). The Labour Force Survey estimated that UK-wide, about 20 percent of people worked in the public sector[19]. Increased private sector jobs growth is essential if Belfast is to continue its economic renaissance. This will be increasingly challenging in the current recession, particularly as redundancies start to rise, and many private enterprises will undoubtedly go under. The predominance of the public sector may shelter the city from some of the worst effects of falling employment in the short-term, but in the longer-term cutbacks are likely given fiscal tightening, and if conditions for private sector growth are not fostered, then Belfast will struggle to prosper when the recession turns into recovery.

Belfast's large public sector ahead of expected severe fiscal constraints in the years ahead, and the vulnerability of financial services mean that encouraging private sector growth in a diverse range of employment sectors needs to remain a priority for Belfast authorities.

Creating the conditions for a more dynamic private sector

A strong private sector, which will promote employment growth and encourage resilience, depends on three key factors:

- Encouraging entrepreneurship
- Encouraging exports
- Attracting and retaining businesses investment, based on an understanding of new and growing sectors

All of these require a thorough understanding of the city's key assets and strengths. Looking beyond short-term pressures, Belfast needs to develop a long-term strategy to create the conditions for a more dynamic private sector. This should be shaped around:

- **Making the most of a young, skilled population:** In 2006, 41.2 percent of the economically active in Belfast had skills at NVQ 4 and above[20] – this compares well with other ex-industrial cities (Hull – 16.3 percent, Sunderland 23 percent) and with other large, regional UK cities (Birmingham – 25.3 percent, Leeds 31 percent). Belfast wage levels are average compared to other UK capitals and English Core Cities, and low compared to Dublin, but high compared to other ex-industrial cities.

- **Ensuring low business costs reflect value:** At €319.88/m2 (£23.50/ft2), Belfast recently had the cheapest total operating costs for prime office space in a global survey of 50 cities by property firm King Sturge[21]. However, these low costs need to reflect value for money, rather than lack of demand because of a weak economy. This highlights the imperative for the city and NI authorities to improve transport, infrastructure and skills.

- **Encouraging business to look beyond Northern Ireland:** As a market, the Belfast and Northern Ireland economies are small, with a population of only around 1.7 million. If the city is to continue to grow as a service economy, as the global economy recovers private enterprise needs to look to strengthen links with larger markets.

19. Labour Force Survey (2007) Local Area Database
20. Northern Ireland data from Labour Force Survey: 2007 Local Area Database
21. 36.5 percent in Greater Belfast

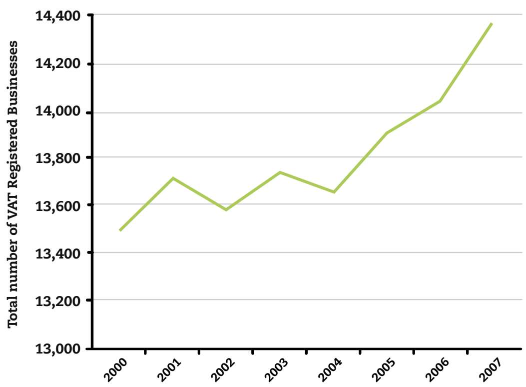
Encouraging Entrepreneurship

Entrepreneurship – attitudes to business growth and development in both start-ups and established firms – is a key driver of economic performance. Entrepreneurship helps to drive economic growth by developing new ideas, strengthening competition, and encouraging the development of new and better products and services in a growing market place. This will improve the diversity and resilience of a city's economy. A more dynamic business sector will be crucial to improving competitiveness and growing new jobs in Belfast in the medium to long-term.

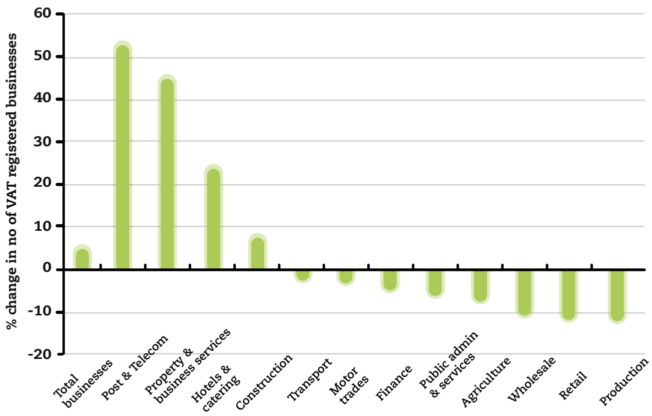
Entry of new businesses is one measure of an economy's level of enterprise. The last decade of strong growth has fostered an increase in the number of businesses in Belfast (Figure 7). The second chart in Figure 7 below shows the breakdown of sectors that have driven this business growth – hotels and catering and property and business services stand out as particularly strong areas.

Figure 7: Business Growth in Greater Belfast 2000-07

Greater Belfast Business Registrations



Growth in number of Businesses in Greater Belfast



Source: DETINI: IDBR

However, despite progress, Belfast still suffers from low entrepreneurship – both in terms of start-ups and behaviour of existing firms. The Global Entrepreneurship Monitor[22] found that only 4.5 percent of the adult resident population were engaged in early-stage enterprise activity – compared to 4.8 percent for the rest of Northern Ireland, 6.2 percent for the UK, and about 10 percent for the Republic. Improving entrepreneurial attitudes in business could play a key role in addressing the balance between the private and public sectors in the medium to long-term, and raising economic dynamism in Belfast.

Entrepreneurship policies

Macroeconomic conditions are of prime importance in creating an environment that encourages more dynamic private enterprise, but specific entrepreneurship and SME policies are also widely used by local and national Governments, with varying success. There has been much literature and debate on policy effectiveness[23], and it is generally accepted that there is a role for policies that provide targeted assistance to correct market and information failures around training, education, finance and advice, but that these need to be carefully designed to limit wasted resource, and not to crowd out private suppliers of business advice.

22. King Sturge (2008): Global Industrial and Office Rents Survey. Total operating costs include net rents, service charges and local taxes.
23. For example, Storey D 'Entrepreneurship, Small and Medium Sized Enterprises and Public Policy' in Acs Z & Audretsch D (eds) (2003) Handbook of Entrepreneurship Research: an interdisciplinary survey and introduction. Springer

Enterprise Programmes in Belfast

In Belfast there are a wide range of entrepreneurship policies available to small and growing businesses, offered by a range of bodies, including Belfast City Council, INI, DETI, DEL and more. Some examples are:

Belfast City Council
- Points of Presence Advice Service
- Enterprise Outreach Workshops
- Belfast Entrepreneurs Network (BEN)
- Pre-enterprise Programme
- Enterprise Events
- Student & Graduate Mentoring

Young Enterprise
- Primary Programme
- Company Programme
- Masterclasses & Big Idea
- Challenges

Advantage NI
- Student Business Bootcamp (BCC & BMET)
- Business Bootcamp (NI wide)
- The Big Idea

Women in Business
- Women Returners Network

Invest NI

Starting a Business Support
- Start a Business Programme network
- Starting an export-focused business
- Starting a globally focused business
- Enterprising Britain 2008

Social Entrepreneurs
- Lead-in capability support
- Core capability support
- Post-start strategic mentoring
- Mentoring support for transitional groups

Female Entrepreneurs
- Women's business
- Booster Programme
- Student Enterprise Awards
- The Big Idea
- Flying Start Global Fellowship

DETI is currently undertaking an audit of enterprise policies and will deliver a new Enterprise Strategy in 2009.

Literature argues that authorities also need to be clear over the objectives of SME policy – are they targeting social cohesion, job creation or increased competitiveness? And should they target particular groups? Policies with more 'social' objectives, such as women's enterprise or targeted to disadvantaged communities may have other advantages, but they are less likely to meet economic goals and raise the overall productivity and competitiveness of an economy.

The box above shows that businesses in Belfast are faced with an overly large array of enterprise and business support policies. This is not a problem unique to Belfast – national and local Government policies throughout the UK have resulted in too many policies and initiatives targeted at enterprise. Proliferation of support programmes causes duplication and can also confuse and deter would-be entrepreneurs and small businesses, so there is a need for signposting, co-ordination and a strategic approach to policy development and delivery.

Increasing entrepreneurship activity through education

Research by the Global Entrepreneurship Monitor[24] highlights the importance for Belfast of enhancing enterprise training at school, college or university, or other training course. The report identified graduates and in-migrants to the city as those that should be particularly targeted, and in particular the need to develop the ethos of entrepreneurship from an early age. Graduates in Northern Ireland were the least likely in the UK to be involved in early-stage entrepreneurial activity. This suggests a key role for Queen's and Ulster Universities, but also for Belfast Metropolitan College – further education colleges can have closer links into the local labour force, and the impact of these need to be maximised.

Belfast's two universities – Queen's and Ulster – are well respected and have strong local ties. The city needs to make the most of these assets, not just in terms of retaining skilled graduates, but also through encouraging entrepreneurial attitudes, and promoting business-university engagement. Through partnerships and programmes like NICENT, Matrix and the Knowledge Exploitation Unit at Queen's, both universities seek to encourage entrepreneurial attitudes in their students, and to reach out to local businesses looking to innovate and grow.

Belfast's further education college, Belfast Met, has made efforts to make business engagement, entrepreneurship and employability integral to its education offer. Through placements, student project-working with local businesses, and programmes like Collaborate that support the development of business skills, the college tries to improve students' transition into the labour force. The college works closely with Belfast City Council, and with Invest Northern Ireland to support inward investment activity with key sectors. A new campus focused on business skills and project-based learning, including incubation units, is to be set up in West Belfast to try and target students in a more deprived area of the city[25].

Belfast City Council's enterprise plan aims to encourage the development of entrepreneurship through education with programmes and events, such as the Young Enterprise Primary Programme, and the Student and Graduate Enterprise Roadshow. But this contributes to the proliferation of different programmes to increase enterprise.

Recommendations:

- Invest Northern Ireland, Belfast City Council and other providers need to clearly target enterprise policies towards meeting economic objectives, and improving the competitiveness of Belfast's businesses.
- With its enhanced role in economic development following the Review of Public Administration, the City Council should signpost businesses seeking support to the most appropriate offer. In the medium-term, the number of enterprise and business support schemes needs to be reduced and streamlined to improve the effectiveness of interventions. The City Council should work with Invest Northern Ireland and DELNI to consolidate business support policies.
- Belfast City Council needs to work with DELNI, Belfast Met, and the two universities to continue to raise the profile of entrepreneurship and encourage more early-stage start-ups, in particular by ensuring that all courses have a commercial / entrepreneurial element.

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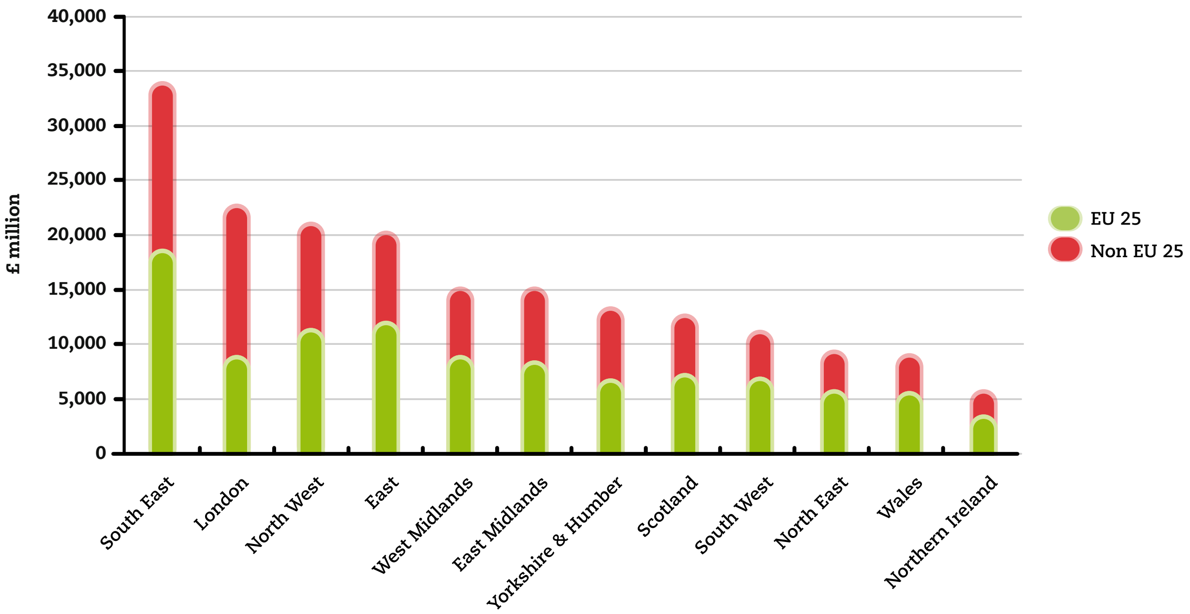
24. Hart M & O'Reilley M (2006) Global Entrepreneurship Monitor 2005
25. Based on an interview with Belfast Met Employer Engagement Unit, January 2009

Encouraging Exports

For small businesses to grow and make a bigger contribution to Belfast's economy, they need to look wider than the Belfast and Northern Ireland market. Northern Ireland's population of 1.7 million is relatively small, and can limit businesses' ambitions. Interviewees have spoken about the prevalence of the 'BMW effect' – those who set up their own businesses tend to only have 'lifestyle business' ambitions, and this can hold back innovation and growth of employment opportunities.

This highlights the importance of encouraging Belfast's businesses to look for growth opportunities outside the region, in particular in the UK and the Republic of Ireland, but also in the European Union and further afield. However, Northern Ireland's external trade links are still underdeveloped. Figure 8 below shows how, in terms of goods trade, Northern Ireland exports less than all other nations and regions, both within the EU and outside it (city-level data is not available). Despite the fall in global demand during the current recession, long-term globalisation trends will continue. Of particular importance will be increasing export penetration to the US and to the fast-growing Asian markets that are likely to be the main source of growth in the world economy.

Figure 8: Value of Exports by Region



Source: HMRC (2008) Imports and Exports of UK Regional Trade Statistics

Improving Belfast's external linkages will help strengthen the city's longer-term competitiveness, and that of the wider Northern Irish economy. In the long-term, improvements to transport connections can support this, but in the short to medium-term developing the export potential of indigenous enterprises will be key.

Recommendation:

- In the medium-term, when recession moves into recovery, Belfast City Council should work with Invest Northern Ireland to support local businesses looking to take their first steps to export, and increase export ambitions of businesses. They should work with business organisations to reach out to local businesses, for example through seminars offering market advice, and providing export-readiness assessments to first-time exporters.

Attracting and Retaining Business Investment

Attracting inward investment can help city economies to become more competitive. Investment by internationally successful firms benefits local economies by direct job creation, but also indirectly through introducing new ideas and processes, encouraging innovation and productivity throughout the supply chain, and strengthening links with overseas markets.

International firms base their investment decisions on a variety of factors, including cost, proximity to consumers and suppliers, infrastructure, and the skills of the labour force. Therefore a large part of a city's inward investment strategy will need to be about creating the conditions for growth using the same policy levers as broader economic development – planning, skills, and infrastructure. In Northern Ireland, the majority of these policy levers are held by the Northern Ireland authorities, and Belfast City Council and the other councils in Greater Belfast will have more of an influencing role.

But inward investment trends also shift in line with structural change, and FDI projects are attracted to strengths and clusters in growth sectors. Investment in traditional industry is less attractive – particularly in a globalised economy where European locations can find it hard to compete with lower-cost locations in emerging markets. This creates an imperative for Belfast and Northern Ireland authorities to develop a thorough understanding of the city's economic base, and its strengths and assets going forward.

What are the patterns of inward investment into Belfast – sectors and recent trends?

Over recent years Belfast has had much success in attracting inward investment, building on economic progress and political stability, and capitalising on its low cost base relative to other UK locations – in 2007 OCO Consulting cited Belfast as second only to London in attracting FDI projects[26]. In 2006/07 Belfast was the top UK destination city for inward investment projects outside London, and the city has succeeded in attracting inward investment in recent growth sectors such as software and financial services.

Inward Investment in Belfast

- INI data shows that between 2002/3 and 2007/8, Belfast[27] attracted £481 million of existing and first-time inward investment
- Of this, the top three sectors accounted for 88 percent of the total – software and computer services and business and financial services both attracted 32 percent, and transport attracted 24 percent[28].
- However, inward investment projects are not spread evenly around the city – Belfast South attracted 45 percent of projects, Belfast East attracted 38 percent, Belfast North attracted 9 percent, and Belfast West attracted 8 percent. This highlights the importance of improving links between different areas of the city so that residents can access new opportunities across the city.

As the global economy becomes more uncertain, competition for inward investment projects will intensify, and cities will need to do more to both attract investment and retain investment by existing businesses. In Belfast, a range of authorities have responsibilities for policies that will impact on inward investment.

26. OCO Monitor (2007)
27. Based on Parliamentary Constituencies Belfast North, Belfast South, Belfast East and Belfast West
28. Sectors based on UK Standard Industrial Classifications (SIC) 2003.

The UK Government and the Northern Ireland Government control the national policies that are crucial to businesses' investment decisions, particularly over tax and regulation. There is little regional or local influence over many of these, particularly following the decision of the Varney review rejecting flexibility for corporation tax in Northern Ireland[29]. However, several commentators have raised Northern Ireland's planning procedures as particularly burdensome to business, and questioned whether the balance between economic and other objectives are appropriate. These constraints on business will become more important during a recession.

Invest Northern Ireland is responsible for attracting high quality inward investment to Northern Ireland. The agency's responsibilities cover the whole of Northern Ireland, but given Greater Belfast's importance to the wider economy, prioritisation of the Capital in investment activity would benefit the whole of Northern Ireland.

Although most policy is controlled at national level, Belfast City Council still has a role to play. The Council offers an investor gateway service at www.InvestmentBelfast.com, which provides initial information. The city can also lead in promoting the 'Belfast Brand' – soft marketing of the city's key assets. However, given the current downturn, aftercare for existing investors and encouraging business retention in the city will be equally, if not more, important.

The Belfast Brand

Effective global branding is an imperative for Belfast – a small city geographically on the periphery of the UK and Europe, with a small domestic (NI) market (1.7 m). Belfast needs to punch above its weight. Globalisation increases the importance of place for businesses, and intensifies the competition for investment, increasing the potential for effective branding and marketing to boost a city's fortunes.

Literature on city branding[30] highlights the need for places to focus on their individual characteristics – such as urban attractions, cultural or historical features and natural assets – and unify these around a forward-looking 'vision'. They can help to move on from and combat historical stereotypes and symbols, particularly relevant when seeking to attract new industries. And a wide number of partners, including local authorities, private business and education institutions, need to be brought together to build a strategy for brand development and dissemination.

Belfast has had several 'rebrandings', but in 2008 Belfast successfully launched the 'B' brand. The central idea of the brand is powerful and simple to understand – with 'B' accompanied by messages to reach out to residents and promote the city. But branding is not always used effectively, and authorities need to make the most of 'B' to build new momentum for the city. Belfast City Council now needs to ensure that the new brand is supported and used by local businesses, and targeted to boost both local tourism and inward investment in new industries.

Belfast enterprising

29. Varney D (2007): Review of Tax Policy in Northern Ireland. HM Treasury
30. Such as Langer R 'Place Images and Place Marketing' in Helder J & Kragh S (eds) (2002) Senders and Receivers. New Perspectives on Market Communication

Recommendations:

While core levers over inward investment lie at Northern Ireland level, Belfast City Council need to support the actions of Invest Northern Ireland, for instance by promoting the Belfast Brand and acting as a gateway for new investors:

- Given the pressures on businesses created by the recession, Belfast City Council's economic development team needs urgently to develop a business retention strategy, working with Invest Northern Ireland to identify key investments that may be at risk, and maintaining a dialogue with business over changing pressures.
- A thorough understanding of the city's economy should be a key part of an inward investment strategy, particularly in light of the recession. Belfast City Council's economic development team should lead a detailed economic assessment of the city's potential growth sectors, going beyond the sectors in *Staying Competitive*[31]. This should include an appraisal of weaknesses that could deter investors, such as planning, to support engagement with national government.
- Belfast City Council and the other Greater Belfast councils need to work with Invest Northern Ireland to ensure that, as the core economic driver for Northern Ireland, Greater Belfast is prioritised as a centre for inward investment, in particular in key sectors. The US Inward Investment conference in 2008 was a step forward which should be built upon, including looking to strengthen ties to Europe and Asia.

Opportunities for Belfast from new and growing sectors

Belfast's economy has undergone significant restructuring over recent decades, and while the public sector still accounts for a significant proportion of employment and output, a more dynamic private sector will be essential both to increase higher-value opportunities in the city, and to tackle worklessness. As the recession unfolds, in the short-term strategies to retain investment will be of prime importance, but a view on the future growth potential of key sectors will support longer-term policymaking. In particular, the city needs to distinguish between the needs of industries that can grow and provide real gains in terms of entry-level jobs, such as tourism, and industries the city needs to attract and develop to encourage a higher-value economy, such as software.

Belfast's Local Economic Development Plan looks at the Creative Industries, Environmental Industries, Advanced Manufacturing, and Knowledge Industries. This section gives a brief overview of tourism, software and financial services:

Tourism

Tourism has been an unexpected growth industry for Belfast, with 6.9 million visitors to the city in 2007[32], up 1 million since 2004, delivering a tourism spend of £313.3 million.

Tourism can have beneficial effects on city economies through visitor spending and supply chain effects. Business and leisure tourism is a competitive industry both nationally and globally, and Belfast needs to continue to raise its offer, recognising that it is a nascent industry for the city, and building on recent growth. This is particularly true in more challenging economic times, when visitors and consumers will be more reluctant to spend. However, the recession also offers a major opportunity for Belfast's tourism sector to attract visitors from Great Britain and the Republic of Ireland.

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31. Belfast City Council (2007): Staying Competitive: Local Economic Development Plan 2006-2010
32. Belfast City Council
33. Belfast City Council (2007): Staying Competitive: A Local Economic Development Plan

Most importantly for Belfast, tourism can deliver direct employment benefits at the lower end of the labour market, providing an entry route into employment for lower-skilled residents. This makes tourism an important potential growth sector for Belfast, as the city seeks to reduce high levels of inactivity and worklessness. This has been recognised by the HARTE programme, which provides job training opportunities in tourism and retail for benefit recipients and ensures a guaranteed interview for benefit recipients.

But despite the recent growth of the sector in the city, it is still nascent, with visitors from outside Northern Ireland only accounting for 1.5 million visitors, or just under 22 percent of the total. Given the disproportionate spending by these visitors (60 percent of the total), growth presents real opportunities for the city. In addition, with 33 percent of daytrippers to the city in 2007 coming from the Republic, the depreciation of sterling can be a real boost for Belfast's retail sector[33]. However, despite these opportunities for growth, tourism does not currently feature in Belfast City Council's Economic Development Plan[34].

With its growth potential and the opportunities to link tourism to enterprise and worklessness strategies, tourism needs to be raised as a priority sector alongside higher value industries.

Encouraging Tourism – lessons from Brighton & Hove

Other cities in the Unlocking City Potential and Sustaining City Growth research programme have integrated tourism well into their economies – notably York and Brighton & Hove.

The Brighton & Hove Tourism Strategy 2008-18 is a refresh of the city's approach to tourism. The strategy is based on an understanding of visitor perceptions of the city, and an evaluation of strengths, weaknesses, opportunities and threats. Looking to the next ten years, the city is reshaping its approach with the objective of uniting the needs of the visitor, the industry, the community and the environment, and developing visitor experiences around the city's unique points. Through investment in infrastructure and the physical environment, and improving quality and raising standards, the city has identified concrete actions for a number of responsible authorities, including the City Council, the tourism authority, and transport authorities.

Tourism has been a recent growth industry in Belfast, and provides opportunities for the future. Belfast can usefully look to other cities with more established tourist industries to develop a forward-looking, joined-up approach to the sector.

Recommendation:

- Belfast City Council should raise the profile of tourism within the Local Economic Development Plan, in particular given its potential to create employment opportunities at the lower end of the labour market, building on the progress of programmes such as HARTE. The Council should work with BVCB to progress a Belfast-wide tourism strategy, including:
  - Coordinated tourism services – bringing together the city's offer in accommodation, information and transport.
  - Developing a comprehensive tourism skills strategy, bringing programmes like HARTE together with hospitality and tourism programmes offered by the city's education institutions, and working with schools to raise the profile of tourism as a career option.

33. Belfast City Council (2007) Tourism facts and figures
34. Belfast City Council (2007) Staying Competitive: A Local Economic Development Plan

Software

Software has been identified by Invest Northern Ireland and Belfast City Council as a key sector for the city. Information Communication Technologies are often considered an important element in economic development plans, particularly as, in an era of globalisation, the sector can support the development of a high-value, service-oriented economy. The propensity within the sector for entrepreneurship and knowledge spillovers also means that clusters of firms do develop, and provide a way for cities to develop niche areas of competitiveness. The requirements for a successful software cluster are based around infrastructure and skills. High-speed internet networks are essential, along with a good supply of technologically literate graduates.

Belfast has attracted investment from a number of multinational software firms, including Microsoft, Fujitsu, Oracle and SAP. The sector portrays particular expertise in wireless, IT and financial services software, customer relationship management and information management. Belfast's universities and Belfast Met's IT Professional Academy contribute to the software skills base – INI states that the number of IT-specific employees in Northern Ireland grows by about 15 percent each year. Northern Ireland was the first EU region to achieve 100 percent broadband coverage in 2005, supported by EU funding. However, the rate of innovation in the software sector means that the region cannot be complacent – DETI are looking to deliver next generation broadband for all, and this is essential if the city is to retain investment by multinational firms.

Supporting Strength in Software: Sunderland Software City

Sunderland has suffered heavily from deindustrialisation, and has identified the software sector as a key potential source of future jobs and growth. The Sunderland Software City initiative is a strategy based around providing the right business facilities, attracting inward investment, and engagement with schools, colleges and universities to increase the awareness of software as a career option. The initiative was initiated by the private sector, but is a public-private partnership between the City of Sunderland, Sunderland University, the North East Business and Innovation Centre, One North East, Codeworks Connect, and private sector industry led by the Leighton Group.

Belfast can learn from examples such as this to identify the best way to promote software as a growth sector for the city.

Recommendation:

- Belfast City Council should support DETI's objective to deliver next generation broadband to support investment by software firms. To develop a competitive niche, the City Council should engage with industry bodies, such as Momentum – the ICT trade association in Northern Ireland – to identify the software needs of specific business sectors in the city, and to reach out to local schools to increase awareness of the sector. This should support the development of a sectoral growth strategy across Greater Belfast.

Financial Services

In line with the restructuring of the city's economy from manufacturing to services, and in common with many other UK cities over recent years, Belfast has begun to attract new investment from financial services firms, expanding to host institutions such as Barclays, HSBC, and Anglo Irish. The financial sector in Belfast is predominantly retail-based, but recent growth has also seen institutions establishing back-office operations in the city, to take advantage of lower costs relative to Dublin and London – particularly notable is the investment by Citi, a major bank. The sector is one of the key business sectors identified by Invest Northern Ireland. During a decade of growth, Belfast has been able to attract financial services firms because of three key factors:

- A young, skilled population – Queen's, Ulster University and Belfast Met all have finance-related courses.
- Relatively low wages and low office costs.
- Close links to both the UK and Republic of Ireland economies.

However, the current recession is hitting the financial services sector hard in the UK, in the Irish Republic, and globally. While high-value jobs in the sector have contributed to many cities' growth experiences in recent years, this is unlikely to continue, and many institutions will be seeking to consolidate and reduce employment – in January Ulster Bank announced its plans to cut 700 jobs, 200 of which will be in Northern Ireland. While Belfast's low cost-base may help the city retain some of the back-office and support functions it has attracted, the sector is new to the city, and not yet deeply embedded in the economy. It is unlikely that financial services will be able to provide major opportunities for employment growth in Belfast in the near-term.

Citigroup in Belfast

Belfast attracted a key investment by Citigroup – a major global financial institution – to the new Titanic Quarter. The city now hosts the company's technology, operations, legal and compliance functions. Citi was attracted to Belfast by its young, skilled population and low business costs.

Citi, like all financial institutions, is being rocked by the turmoil in financial markets and the global recession. However, while Citigroup is axing 52,000 jobs globally, it has recently created an additional 145 jobs in Belfast, taking employment in the city to 850. Invest Northern Ireland was instrumental in securing the investment. Now INI and Belfast City Council need to work closely with Citigroup and other financial firms to understand rising pressures and do what they can to mitigate them and support job retention, ensuring that key skills are not lost to the city.

Recommendation:

- Given the continuing troubles facing financial institutions, the importance of financial services within Belfast City Council and Invest Northern Ireland's inward investment strategy should be reconsidered. The Council and INI should urgently work together to develop a business retention strategy targeted to those institutions already located in the city, in particular around skills needs, workspace and infrastructure, and develop a diverse strategy to promote Belfast as a location for wider professional services.

Key policy imperatives

Over the last decade of political and macroeconomic stability, Belfast has seen the start of an economic transformation, with city-centre regeneration, and jobs growth in key areas. However, the city still faces significant challenges, and in particular recent gains are at risk as the world economy enters a severe recession. This report has outlined three key areas where Belfast and Greater Belfast need to focus policy efforts in order to sustain recent economic progress.

- Belfast City is at the core of Greater Belfast, which accounts for nearly a third of Northern Ireland's population. Therefore investment focused on enhancing Belfast's economic prosperity will raise the growth of Northern Ireland as a whole. Although the Review of Public Administration has devolved more powers to local authorities, control over the most significant levers remains at Northern Ireland. Belfast City Council, working with other authorities in Greater Belfast, needs to make the case for investment in the city, for the benefit of the wider region, and needs to promote greater cross-boundary cooperation in key areas.

- Despite a resurgence in recent years, high levels of concentrated worklessness still hold back Belfast's economic performance. Belfast City Council needs to pilot a City Strategy approach within Greater Belfast, using a better understanding of the interaction between key policy areas such as housing, transport and skills, to enable all residents to benefit from new economic opportunities.

- Belfast has seen a more dynamic private sector over the last decade, but more progress needs to be made, particularly given the still high levels of public sector employment, and low levels of entrepreneurship and business growth. Belfast City Council needs to work with Invest Northern Ireland to streamline support to businesses, encourage a more outward-looking economy, and focus on key sectors, such as software and tourism, that provide a real opportunity for new sources of growth and jobs for the city following the current recession.

Acknowledgements

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Belfast City Profile

Total population (2007)	267,535
Population growth (2000-2007)	-4.7%
Working age population (2007)	161,731
Total jobs (2007)	198,796
Jobs growth (2001-2007)	8.8%
Working Age Economically Active (2006)	70.1%
JSA claimants (January 2009)	3.5%
Gross average weekly wage (residence 2008)	431.2

Skills Profile (2007)	
NVQ4 & above	47%
Below NVQ4	71%
No qualifications	37%

Sources: Population: NISRA: Mid Year Population Estimates; Jobs data: DETI: Northern Ireland Census of Employment 2007; Economically Active: NISRA: Labour Force Survey Local Area Database 2006; Working Age Skills Profile: Labour Force Survey Local Area Database 2006; Wages: Annual Survey of Hours and Earnings 2008

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