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The Executive's economic response to Covid-19 cannot try to turn back the clock – it must transform Northern Ireland

There is no easy economic path through Covid-19 – so now is the time for big decisions and greater ambition, according to a new report from think tank Pivotal.

Covid-19 has exposed long-term structural weaknesses in the Northern Ireland economy. The Executive's response has to go beyond simply dealing with the pandemic – it must tackle issues like low skills and productivity and ultimately build a Northern Ireland fit for the future, according to a new report from think tank Pivotal.

The economy in Northern Ireland is likely to suffer for longer than other parts of the UK. According to *A New Economic Vision*, published today (Wednesday, June 24), government ministers across all parties have to work together to both create and then deliver a long-term economic strategy that benefits everyone who lives here.

The economic disruption arising from the pandemic and resultant lockdown will continue for a considerable time. According to the report, this crisis should be used as an opportunity to deal with persistent issues and create new, lasting strengths.

The paper says Northern Ireland has to have a clear focus on long-term opportunities. It examines the impact of Covid-19, how these impacts are not spread equally among the population, and places this in the wider context of ongoing economic weaknesses.

It concludes that this is an opportunity for real change – for improving skills and productivity, for modernising infrastructure, and for working towards a sustainable and greener future.

Economic effects of Covid-19 on Northern Ireland

Pivotal's report shows that the economic effects of Covid-19 and the associated lockdown are staggering. Northern Ireland's GDP is predicted to shrink between 7.5% and 12.7% this year.

Estimates for the UK are similar, the Republic of Ireland is looking at an 8% downturn, and the global economy could contract by 3% in 2020 - a significantly bigger blow than after the 2008 financial crisis.

Moreover, the burden of this downturn lands on some groups of people more than others. Young people, those in lower-income households, and those with the fewest qualifications are among those bearing the biggest load.

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- Workers placed on furlough are the most likely to see their jobs vanish in the coming months. Just over a quarter of employees in Northern Ireland have been furloughed but, among young people, estimates say this rises to 45%. The effects of this will be compounded by a reduction in graduate and trainee placements. Estimates say that youth unemployment could rise from its current rate of 8% to as much as 26% - a much bigger rise than overall unemployment, set to increase to an estimated 5%.
- UK data from April 2020 showed that low earners are seven times as likely as high earners to be employed in a shutdown sector. Prior to the pandemic, approximately 30% of low-income households in the UK reported being unable to manage for a month if they were to lose their main source of income.
- Almost half the total workers in Northern Ireland either placed on furlough or laid off have a highest qualification equal to NQF level 2 or below (i.e. equivalent to GCSEs).

A new economic vision - building the best possible recovery

The scale of the economic contraction brought on by Covid-19 is set to dwarf that of previous recessions. Northern Ireland will almost certainly take longer to recover than the rest of the UK or the Republic of Ireland. Economists think it might not return to 'pre-Covid' functioning for some time, if at all.

This is largely because, even before the pandemic, the Northern Ireland economy was beset with problems. Structural weaknesses included low productivity (15.6% below the UK average); a much higher proportion of jobs in low-paying industries like agriculture, retail, and health and social care; and a skills and qualifications shortfall.

None of these problems have gone away. Covid-19 has left them exposed. The Executive needs to come together to build the best possible recovery for Northern Ireland, one that works for its economy and its people in the short- and long-term.

Pivotal's report suggests that this should involve:

An ambitious economic vision for Northern Ireland – An overarching strategy for a better Northern Ireland economy that ties together all aspects of the recovery. It cannot just be about dealing with the immediate impact of the pandemic. Pre-existing structural weaknesses should be addressed.

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Above all else, it should focus on creating the best possible Northern Ireland, not simply turning back the clock a few months.

This means creating a prosperous Northern Ireland, a place where growth is inclusive, jobs are of a high quality and sustainable into the future, and where all the people living here can build flourishing lives.

A skills development programme – Three quarters of businesses in Northern Ireland have said they are not confident about filling highly-skilled positions. The Executive needs to invest in education, skills and training for a future-ready workforce. This should, in turn, help tackle the productivity gap.

Embracing online learning and the wider acceptance of working digitally sparked by Covid-19 makes this much more achievable. The Executive's online training scheme for individuals affected by Covid-19 is a welcome first step for skills re-training, however it only has 2,000 places.

A strategic training programme is needed to address historical skills shortages, including in engineering, maths, computing and physical sciences.

Developing a sustainable future – Social distancing measures could be in place for some time. In recent weeks citizens have embraced green spaces and other outdoor leisure options.

Reducing carbon emissions is essential for the health of the planet. It will cause economic disruption but also lead to growth in many areas. Northern Ireland should face its commitment to 80% emissions reductions head on and explore how this can work in tandem with the challenges of the pandemic.

The Executive has a chance to work with the business community on real innovations. For instance, towns and cities may benefit from a strategy to pedestrianise their streets, which would facilitate social distancing and improve the consumer high street experience.

Northern Ireland's connectivity infrastructure is patchy. Investing in broadband will boost remote working and reduce unnecessary travel. Furthermore, market projections show sectors like retail, leisure and education are all set to see large online growth. Broadband is essential for economic development as a facilitator to employment, entrepreneurship, education and business.

Educational recovery plan – Children in Northern Ireland have experienced three months of home schooling and it is unclear when schools will open fully as normal again.

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This is to the detriment of all our school-age children and young people, while those in less fortunate circumstances are likely to be put at the greatest disadvantage. Children in lower income families are at higher risk of attainment gaps, and could experience lasting 'educational scarring'.

Northern Ireland requires a national teaching support service to 'level-up' the educational loss that some children will have experienced during lockdown. This should be one part of a wider educational recovery programme involving online resources, after-school support and targeted careers advice for older children.

Ann Watt, Director of Pivotal, said: "The Northern Ireland economy had several long-standing weaknesses before the emergence of Covid-19.

"This is the start of an extremely challenging period for the economy. Everyone can see that there has been a huge amount of disruption, and that this is set to continue. We should use this time to make changes that Northern Ireland needs.

"The Executive acted quickly in response to the immediate health and economic crises arising from Covid-19. Now it needs to be similarly bold and develop a long-term economic vision.

"This cannot be left to the Department for the Economy alone. The Executive as a whole, across all parties, needs to come together and build a Northern Ireland that is fit for the future. Their efforts cannot try to turn back the clock – they must transform Northern Ireland.

"This requires adapting to the challenges presented by the pandemic, fixing problems that existed before Covid-19, and anticipating the changes that will happen in economies across the globe in the next few years and decades.

"For instance an ambitious skills programme, that leans into digital learning, could be transformational – especially for local young people, who are going to be disproportionately affected by the economic downturn, with both higher-than-average unemployment combined with a shrinking number of graduate and trainee opportunities."

"Committing to a more sustainable future is an imperative for Northern Ireland, as for all countries around the world. There are several ways in which this might go hand in hand with ongoing efforts to adapt to the pandemic.

Pedestrianising high streets could help with social distancing. Broadband has never been more important, investing in our patchy digital infrastructure could provide immediate economic benefits.

"Finding ways that all our school-age children can catch up on lost learning is also imperative."

Notes for Editors

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1. Pivotal is an independent think tank launched in September 2019. Pivotal aims to help improve public policy in Northern Ireland.
2. Its previous report, *Covid-19 in Northern Ireland - Moving out of lockdown*, can be found here. This report was the first in the series looking at how Northern Ireland can best recover from Covid-19.
3. Pivotal's first report *Moving Forward – putting Northern Ireland on track for the future* was published in November 2019. Its second report *Good Government in Northern Ireland* was published on 5 March 2020.
4. Pivotal's Board of Trustees provides oversight of its work. They are Peter Sheridan (Chair), Chief Executive of Cooperation Ireland; Lisa Faulkner Byrne, Project Coordinator, EPIC; Richard Good, public policy consultant; Olwen Lyner, Chief Executive, NIACRO; Seamus McAleavey, Chief Executive, NICVA; and Alan Whysall, Honorary Senior Research Associate, Constitution Unit, University College London.
5. A wider Reference Group has helped steer the development of Pivotal and will provide ongoing guidance.
6. Pivotal's Director Ann Watt is a former senior civil servant with 20 years' experience in public policy development and delivery. Most recently Ann was Head of the Electoral Commission in Northern Ireland.
7. Pivotal has received funding and in-kind support from Belfast Harbour Commissioners, The Community Foundation Northern Ireland, the Department of Foreign Affairs and Trade, The Joseph Rowntree Charitable Trust, NICVA, Queen's University Belfast, Ulster University.
8. For further information about Pivotal see pivotalppf.org or contact Pivotal's Director Ann Watt on 07932 043835.
9. Follow Pivotal on Twitter @pivotalppf.