

cc. Mr Chesterton
Mr Spence
Mr Palmer
Mr Gilliland
Mr McConnell
Mr Blackwell
Mr Bell
Mr Coulson
Mr Ferguson

without
enclosures

Mr S Rickard
CPL

FIRST DAY BRIEFING

Further to your note of 19 August and our subsequent telephone calls I attach:

1. the updated brief on Economic and Social Background;
2. the updated brief on Public Expenditure;
3. the 1986 brief on Major Current Issues in NI Depts; and
4. the Economic and Social Supplementary Briefs.

NB. Those marked * on the index will follow direct from the Department of Economic Development and Brief 22 will be mufaxed tomorrow (Friday) from Central Secretariat.

H HARBINSON
Central Secretariat

4 September 1986

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ECONOMIC AND SOCIAL BACKGROUND

1. Northern Ireland is a small, open economy, particularly vulnerable in being heavily dependent on and subject to:-
 - (i) international markets in over supply (eg textiles, shipbuilding);
 - (ii) agricultural policy decisions within the EC context;
 - (iii) imported fuel, especially oil for electricity generation, gas manufacture and space heating;
 - (iv) a unique combination of overall social, economic and political difficulties.

Unemployment

2. Unemployment stood at 129,432 in July 1986; this represents a rate of 19.1% of the working population which is the highest of all the UK Standard Regions. In several parts of Northern Ireland, unemployment exceeds 30%, with male rates of 40% and higher. At the end of June 1986, there were 9,150 young people undergoing training on the Youth Training Programme and a further 10,900 people benefitting from other training and employment measures for which the Department of Economic Development is responsible.

[In line with the practice introduced in June 1986 for the whole of the UK, unemployment rates are now being expressed as a percentage of the working population ie the sum of employees in employment, unemployed, self-employed and armed forces. Traditional unemployment ^{figures} are based on the sum of employees in employment and the unemployed only. For comparative purposes, unemployment in July 1986 stood at 22.2% on the old basis].

Employment

3. Total employment in Northern Ireland fell by 56,190 (10.8%) from 519,110 in June 1979 to 462,920 by June 1985. Half of this fall occurred between 1980 and 1981 when the effects of the international recession tended to impact most severely on the UK economy in general. In the year to March 1986, total employment fell by 5,476 compared with an increase of 976 in the previous twelve months.

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4. Manufacturing and Construction have been particularly hard hit by the recent recession. Respective losses of 43,860 (30.2%) and 14,260 (38.4%) occurred over the period June 1979 to June 1985. The most recent figures, March 1986, show that total employment in these industries now stands at 98,270 and 20,710 respectively. Substantial parts of the manufacturing base have been permanently lost through the demise of a number of significant companies. In the year to March 1986 manufacturing employment fell by 1,840 compared with falls of 950 and 1,780 in the two previous twelve month periods.

Output

5. Total industrial production in Northern Ireland, having fallen since 1979, levelled off in the first half of 1983 and since then the trend has been upward. The latest figures show that total industrial production is now only 5% below its 1980 level and 10% below its 1979 level.
6. Output of manufacturing industry has displayed a similar trend. Output, fell by 14% between 1979 and 1982, and has now almost recovered to its 1980 level.
7. Overall, the recovery from the most recent recession has been fairly broad based with most sectors displaying stability or some improvement. One significant exception is the construction sector where output is now 30% lower than the 1980 level.

Income

8. Average household incomes in NI are lower than in the UK generally (1983-4 NI £153.0 UK £191.9) reflecting lower average earnings and greater dependence upon benefits, given the higher levels of unemployment. The prevalence of low income in Northern Ireland is substantially greater than for any other standard region in the UK particularly for pensioner and family households. There is a substantially greater number of people dependent upon supplementary benefit and family income supplement in NI compared to Great Britain. In 1983 supplementary benefit provided for 21.7% of the total population in the Province compared to 13.2% of the total population in GB and family income supplement provided for 3.9% of the total population compared to 1.3% of the population in GB.

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Expenditure

9. In NI average weekly expenditure is also lower than in the UK generally, and NI households allocate significantly more of their budget to necessities (housing, fuel, food, clothing and footwear) than in the UK (1980 total proportion of expenditure devoted to necessities NI 55.9% UK 50.2%). Fuel costs in particular absorb significantly more of domestic budgets among NI households.

Demographic Factors

10. NI has the highest birth rate amongst the UK regions and has larger families. A higher proportion of the total population is aged under 14 years compared to the UK as a whole, (1984 NI 25.4% UK 19.5%) but NI has a correspondingly lower proportion of elderly people (aged 65 and over) compared to the rest of the UK (1984 11.9% UK 14.8%). Overall, NI has a larger dependent population than the rest of the UK regions.

Health

11. Mortality and morbidity rates tend to be higher in NI relative to GB regions and to compare more closely to those prevailing in Scotland. The Province's infant mortality rate, while improving, remains one of the highest in Europe. The higher rate of morbidity in Northern Irish and Scottish populations is associated with higher rates of service provision in terms of hospital beds, staff and per capita expenditure compared to England and Wales.

Education

12. Northern Ireland retains a largely selective education system with children remaining in the primary phase until they are eleven after which about 25% are selected for a non-fee paying place in one of the Province's grammar schools. Pupil numbers have been declining steadily and are expected to continue to decline in the secondary phase until the early 1990s. The decline in the primary school population has bottomed out and a modest increase is expected over the next 10 years. Northern Ireland pupils obtain better 'O' and 'A' level examination results than pupils in England and Wales (eg 18% gaining 2 or more 'A' levels compared to 14.1% in England and Wales) but a considerably higher proportion leave without obtaining any formal qualifications (22% in NI, 9.5% in England and 17.7% in Wales).

Housing

13. Surveys of housing conditions undertaken in the late 1970s demonstrated that

Northern Ireland had the worst housing in the UK. Government policy has made housing a social priority area in Northern Ireland and preliminary results from the most recent (1984) NI House Condition Survey show that the gap between housing conditions in England and Northern Ireland is continuing to narrow. However, the level of unfit housing at 10.4% in Northern Ireland in 1984 was significantly higher than that prevailing in England in 1981 (6.2%) while the proportion of houses lacking at least one basic amenity was also higher (9.2% in Northern Ireland compared with 5% in England).

Economic Steering Group

14. The Economic Steering Group (an inter-departmental committee at Under Secretary level chaired by the Secretary of the Department of Finance and Personnel) has been provided with labour market projections to the year 1990. These projections expect the contraction in labour demand to persist along with continual growth of labour supply. It is anticipated that unemployment rates of around 25% will prevail in 1990. These estimates make no allowance for possible cyclical effects and are sensitive to the assumptions made in respect of net outward migration levels from the Province.

Social Steering Group

15. The Social Steering Group (an inter-departmental committee at Under Secretary level chaired by the Secretary of the Department of Health and Social Services) meets periodically to examine aspects of social policy. Initial work focussed on the topic 'Work and Society' and is presently a Sub committee is considering how employment potential can be maximised within the constraints of available public expenditure. Other issues being examined are the effects of the Social Security Review in Northern Ireland and Crime Prevention. SSG makes an input to the annual PES Strategic Review. Social Division PPRU provides the SSG Secretariat.

16. Census Revision

Government planning in Northern Ireland has been affected by the campaign of non co-operation which accompanied the 1981 Census. Officials produced a best estimate of the non-enumerated population which led to a Census Revision but it was recognised that if new information came to hand further revision might be required. Recently published information from the Census of the Irish Republic on the extent of in-migration to the Republic from Northern Ireland in the 1971-81 intercensal period has indicated the

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need for such further revision, which was undertaken in late 1985, and is now complete. Irrespective of this further revision uncertainty about the size and distribution of the population will remain until results of the 1991 Census become available.

The Future

17. The combination of demographic trends, decline in traditional employment opportunities, difficulty of generating inward investment against an international image of instability means that without continuing special attention the gap between NI and the rest of the UK in social and economic terms will widen rather than ^{the} reverse.

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