

**Response to Independent Review of Economic Policy
Department of Enterprise, Trade and Industry**

13 November 2009



Belfast Healthy Cities welcomes the opportunity to comment on the Independent Review of Economic Policy.

Belfast Healthy Cities is a partnership organization working to improve the health and wellbeing of people in Belfast and beyond. Belfast is also a leading WHO European Healthy City, designated to Phase V (2009-2013) of the WHO European Healthy Cities Network with a strong track record of meeting WHO objectives in the previous four phases. Key partners include Belfast City Council, Public Health Agency, Belfast HSC Trust, Northern Ireland Housing Executive, Bryson Group, Planning Service and Queen's University of Belfast.

The key aim of Belfast Healthy Cities in Phase V is to integrate health and health equity in all local policies. The work of the WHO European Healthy Cities Network in Phase V builds on the WHO Commission on the Social Determinants of Health, which identified improved living conditions and a fairer distribution of assets, resources and power as key to sustainable health and wellbeing, as well as long term prosperity of all countries. The role of Belfast Healthy Cities' office, as a focal point for intersectoral collaboration and liaison with WHO, is to identify mechanisms and tools for achieving this as well as building and sharing evidence to support the work.

Our comments are based on this overall approach and will be general in nature. We would, however, be pleased to contribute to further development of a new economic policy for Northern Ireland by sharing more detailed relevant evidence.

General comments

Belfast Healthy Cities is concerned that this report considers the economy in narrow terms and in isolation from society as a whole. This limits its ability to consider the wider causes of for example low productivity in Northern Ireland, as well as the contributions of different sectors to society as a whole and the long term overall prosperity of the region.

For example, we are concerned that the public sector appears to be classified as a low productivity sector. The key question is whether GVA and other economic indicators are sufficient to assess the total value of a sector's contribution to national prosperity. Education is a vital sector for securing the long term availability of a skilled workforce. In particular, it plays a key role in tackling the

historically low levels of educational achievement in deprived population groups, which lie at the heart of the high levels of economic inactivity in Northern Ireland. Education also contributes significantly to individual and societal health and wellbeing; people with higher levels of education tend to be healthier and more able to participate in society than people with no qualifications, who are much more likely to be economically inactive due to chronic illness/incapacity. Healthcare services also support a functioning workforce, and by being public and free at point of use allow a wider part of the population to remain healthy enough to work than might otherwise be the case. This is a question of equity as well as economics: the WHO Commission on the Social Determinants of Health found that life expectancy and other positive indicators of health and wellbeing were highest in the Nordic countries, which have invested in universal policies aimed at limiting inequity. The Nordic countries are also among the wealthiest in the world and invest in economic development, as highlighted in the report.

We would also question equating productivity with living standards; firstly, this only looks at material living conditions, and more importantly, it does not provide a picture of how any gains in productivity are distributed across the population. Northern Ireland has a history of skewed distribution, evidenced by the significant concentrations of deprivation, which in turn explain much of the levels of ill health and economic inactivity. Belfast Healthy Cities is working with Belfast City Council and other partners to develop an indicator set for health and regeneration, which centres on the distribution of income and GVA. We would be pleased to present this work to DETI on completion, to highlight the broader issues that affect health and wellbeing.

Overall, Belfast Healthy Cities would welcome further debate on the definition of prosperity. We are concerned that equating prosperity with productivity, and thus economic growth, produces an unduly narrow perspective, which overlooks the wider issues that determine the health and wellbeing of people, communities and society as a whole. We would highlight research on the relationship between GDP and people's life satisfaction, which shows that although GDP has increased significantly in recent decades, life satisfaction has remained stagnant. We would also highlight very recent work by Professor Tim Jackson¹, carried out in partnership with the Sustainable Development Commission, as well as Professor Richard Wilkinson and Kate Pickett.² Their work provides ample evidence that economic growth in the current system has tended to concentrate among a small minority, and has not fulfilled the hoped for 'trickle down' effect emphasized in this report. They also show that while GDP has grown significantly since the 1970s, people's life satisfaction or happiness has stagnated, producing a 'crocodile jaw' curve.

¹ Jackson, Tim. 2009. *Prosperity without Growth: Economics for a Finite Planet*. Earthscan: London.

² Wilkinson, Richard & Pickett, Kate. 2009. *The Spirit Level: Why more equal countries almost always do better*. Penguin: London.

Professor Jackson's work further stresses that a new definition of prosperity, focused on human flourishing rather than material wealth, is now necessary, as it is the only solution to staying within environmental limits and avoiding catastrophic climate change as well as insurmountable costs of tackling it. Climate change is a very serious health as well as environmental threat, and Belfast Healthy Cities is working in partnership with DHSSPS to build capacity in the health sector to meet these challenges.

Belfast Healthy Cities supports the general proposal to improve collaboration across Departments and sectors. As suggested above, however, we believe that economic policy should be developed by as wide a partnership of stakeholders as possible, in order to consider all key issues and achieve a policy that supports the long term prosperity for all in Northern Ireland. As an example, the social economy plays a vital role for local communities, as service provider and as a route to employment, but deprivation is a very complex issue which requires an integrated response across government, business and the voluntary sector. The limited change in deprivation geographically and over time bears evidence that isolated efforts are not sufficient to achieve a step change.

The nature of growth and job creation

However, more generally we would stress that what matters is not only growth itself, but the quality of growth. Economic policy must be integrated with wider social and environmental policy in order to achieve a Northern Ireland that people will wish to live in over the long term. This is most likely to support sustainable development in the full sense of the definition, and incidentally is also more likely to provide the conditions for attracting investment.

We share the Panel's concern regarding the types of jobs created in Northern Ireland in recent years, and are pleased that the issue of low wage and low quality jobs is raised in the report. Beyond contributing little to national productivity, jobs of this kind can actually be harmful to health. A growing body of evidence, pioneered by Professor Sir Michael Marmot at University College London, indicates that jobs where employees face high demand but low control over job tasks can result in significant levels of stress, which increases the risk of physical as well as mental ill health. Call centre jobs are a specific example of this type of job, and therefore the continued growth in this sector is questionable from a health and wellbeing perspective. In the context of economic policy, it should also be noted that the increased risk of ill health posed by low quality jobs will have cost implications for the health and social services. It may also limit growth in productivity. A particular concern would be cases of high turnover of employees, who may fall into a revolving door situation between low grade jobs and unemployment, which is particularly detrimental to health and wellbeing.

It should be noted that we do not categorically oppose low grade jobs, but rather the tendency to consider all jobs to be of equal value. We stress that improved

training and progression paths should be provided to allow employees in entry level jobs to build skills and progress.

The structure of the economy

Belfast Healthy Cities supports the proposal to strengthen the ability of small and medium enterprises (SMEs) to provide a supply chain for large companies. However, we are concerned about the overall focus on export led and large companies, and also the priority afforded to attracting foreign direct investment (FDI). In our view, this presents a number of long term difficulties.

Large companies are likely to attract workers from a relatively large area, thus increasing commuting. This will have a negative impact on climate change, which is a significant health as well as environmental threat. It will also disadvantage local businesses across sectors, as the loss of a customer base may force closures. This, in turn, will not only impact negatively on employment, but will also reduce the vibrancy of communities as village and town centres become increasingly deserted. The Green New Deal is highly relevant in this context. Meanwhile, there is a significant body of evidence to show that an integrated policy approach which supports mixed use and local SMEs can help regenerate areas; examples exist in some of the English former coalfield areas such as South Yorkshire. Most importantly, this approach can help strengthen the local economy by creating places where people want to live and are willing to spend money. Belfast Healthy Cities would stress that Northern Ireland remains a region with strong localized identities, as well as a SME based economy. If supported, this could not only help regenerate local areas, but also strengthen their unique character. This, in turn, could act as a driver for tourism, in the context of a market of increasingly refined customers seeking the original and novel.

It is also notable that some of the best practice case studies presented in the report, Finland and Sweden, have built their economic success around local skills and capacity, and chosen to promote regional balance and equity through regional clusters rather than one key hub (unlike England, which has developed London and the south east much to the cost of the north). While this has not eliminated workforce mobility, it has served to prevent a pooling of talent in the capital regions.

With regard to prioritizing the export sector, we would highlight the negative impact this is likely to have on climate change, as products are transported long distances. From this perspective alone, an export focus is unlikely to support health and wellbeing. However, from an economic perspective it is important to also consider potential carbon levies and other similar schemes, which are likely to be imposed in the relatively near future to meet Northern Ireland and UK commitments to tackling emissions. This will significantly affect the competitiveness of Northern Ireland exporters, unless production is shifted

elsewhere which will in turn affect employment and productivity. Belfast Healthy Cities recognizes that exports help finance imports, but from a long term perspective it appears more sustainable to build domestic oriented markets, as the future is likely to involve more volatility as energy and other resources become increasingly expensive. This is also most likely to create jobs and communities that can sustain health and wellbeing.

We recognize that the investment potential of Northern Ireland based actors is limited, thus necessitating an element of FDI. Our concern regarding FDI centres on the fact, recognized in the report, is that this is highly mobile and may therefore not be sustained in the longer term. Job insecurity is a major threat to the health and wellbeing of individuals, while it also reduces the ability of societal level actors to plan services appropriately. Secondly, there are no guarantees that profits generated will be reinvested in Northern Ireland, which limits the effect of productivity gains. In short, Belfast Healthy Cities believes the most sustainable approach to economic policy is to focus on local companies, with FDI as a complementary rather than primary driver.