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18 November 2009

Dear Jacqui

INDEPENDENT REVIEW OF ECONOMIC POLICY (IREP): DEL CONSULTATION RESPONSE

The Department for Employment and Learning (DEL) was invited to respond to the above consultation through its membership of the Economic Development Forum. DEL welcomes the opportunity to comment on the IREP report which covers areas of foremost importance to the Executive. Skills and innovation are key drivers of productivity and economic growth and provide a central focus for the work of this Department. DEL therefore welcomes the emphasis the report places on these areas. However, the Department is mindful that employment and the employability agenda are also of central importance to the Executive and to DEL.

It is evident that whilst the Northern Ireland economy has come far in recent years, there remains considerable scope for improvement, notwithstanding the current difficult economic climate. Economic development is rightly at the heart of the Northern Ireland Executive's Programme for Government, but to achieve the innovative and dynamic economy the Executive aspires to it must continue to refine its policy toolkit.

I note that the IREP Report makes a number of recommendations which are of particular relevance to DEL. These include recommendations which focus on innovation, skills and structural/liaison issues. Comments on each of these areas are set out below.

Structural/liaison Issues

The report makes a number of recommendations about structural and liaison arrangements for the delivery of economic policy in Northern Ireland. It considers how current co-operation between the various actors could be improved and developed. DEL's response to the IREP "Call for Evidence" highlighted the importance of the relationships between DEL, DETI and Invest NI and how those have been enhanced significantly over the last number of years. The Department recognises that strong co-operation between DEL, DETI and Invest NI creates a firmer basis for improved productivity and enhanced prosperity. DEL therefore welcomes the Review Panel's recommendation that there should be early and comprehensive engagement with DEL and Higher and Further education institutions when Invest NI interacts with external investors. The benefits of such a 'joined up' public sector approach are considerable. The Department has witnessed how meaningful engagement between inward investors and skills providers has had a dramatic impact on the economic fortunes of North Carolina.

The report also makes recommendations about the development of a single Department of the Economy and a range of interim arrangements. Ultimately, the development of a single Department will be a matter for the Executive and Assembly to consider and agree. However, DEL trusts that the liaison arrangements which exist between Invest NI and our two Departments can continue to develop regardless of that wider structural issue.

The Department would also emphasise that careful consideration needs to be given to the interim and other structural arrangements suggested in the IREP report (including the proposed establishment of a permanent sub-committee to prioritise action on the economy and a regional economic advisory body). The Executive has placed the economy at the heart of its Programme for Government. The centrality of its focus on this issue is exemplified by its response to the economic downturn which is now an established item on the Executive's agenda. There is a concern that the establishment of a Ministerial sub-committee on the economy would dilute rather than enhance the Executive's focus on the economy, particularly since so many departments, including DEL, have a significant role to play.

In relation to the Economic Development Forum (EDF), it is clear from the IREP report that the Review Panel itself saw the arguments for and against the Forum's retention as finely balanced. DEL believes that this is an issue which would require careful consideration before a way forward is agreed. Not least, clear thought should be given to the value offered by EDF as a result of it being broadly based and having representatives right across the economic development spectrum. The Department would urge that consideration of this matter should also take cognisance of existing advisory arrangements including

the roles played by Bill McGinnis, the Northern Ireland Adviser on Employment and Skills and the Economic Research Institute of Northern Ireland.

Innovation

DEL supports the recommendation that university and other public sector research should be closely aligned with the needs of industry in Northern Ireland. Both Invest NI and DEL have invested considerable capital and recurrent funding over many years to establish a research base in the two universities which is capable of research relevance as well as excellence. The most recent example is the Department's £17m investment in the "Strengthening the all-Island Research Base" programme which is aimed at developing critical mass on the island of Ireland to undertake research which is socially and economically relevant to both jurisdictions. Further, the Department is supporting an additional 300 PhD places in areas of economic relevance. In cases where DEL is directing funding with the particular aim of strengthening the economy, the Department liaises closely with both DETI and Invest NI in terms of developing the funding programme and assessing the universities' proposals.

The relevance of university research to the economy is reflected in Northern Ireland's increasingly impressive performance in the UK "Higher Education – Business and Community Interaction" (HE-BCI) survey. The latest survey for Academic Year 2007/08 showed that the Northern Ireland Higher Education sector achieved the highest UK growth in income from collaborative research with an increase of 45% to £20.5m and that the value of individual research contracts with the two Northern Ireland universities are now, on average, 33% higher than in 2006/07. Almost £12.77m was spent by the universities on contract research and a further £3.1m on specialist consultancy services. In total the income received by the Northern Ireland universities for the services provided to businesses and the community is estimated at £60m.

Furthermore, compared to other UK countries, Northern Ireland's universities achieved the highest growth in disclosures of potentially exploitable inventions for the period 2006/07 – 2007/08, as well as attaining the highest level of disclosures per institution at regional level – more than double the level of other UK regions.

This success is reflective of the growing emphasis of the universities on activities which are business and community facing. Within this context, where significant progress is being made, the Department is not persuaded that a new institution for commercially orientated research which is detached from the University sector would be appropriate. It could undermine the strong progress that has been made by the university sector in embedding knowledge transfer as its "Third Mission" of activity next to teaching and research.

The Government Implementation Group responsible for taking forward Government's response to MATRIX will shortly be publishing its recommendations for action. DEL is fully committed to supporting the work of the Industry-led "Innovation Communities". Indeed, Innovation Communities could potentially link to the sectoral initiatives which the Department has recently established in partnership with the HE and FE sectors through the "Connected" programme.

Skills

Skills are and must be clearly defined as DEL's area of responsibility. Ensuring that the skills system in Northern Ireland is flexible and responsive to the evolving needs of industry, including the sectors outlined in MATRIX, is a key focus of the work of the Department. As a result, DEL is examining ways to strengthen further its engagement with employers, especially in SMEs. DEL is seeking to raise awareness of the ways in which it can assist companies address skill needs. Invest NI's continued involvement in skills development should be carefully considered in that wider context so that employers are not confused about which government body to approach when seeking to develop the skills base of their firms.

DEL recognises the increasingly important role that STEM will play to the economy and this is highlighted in the recent 'Forecasting of Future Skill Needs in Northern Ireland' report and the 'Report of the STEM Review' which was launched at the end of September. Mindful of the time it takes to affect change in the skills distribution due to the length of courses, particularly at the higher level, the Department has put in motion a number of recommendations arising from the STEM Review. In addition, a more formal Action Plan is being developed. The need to increase the number of people with STEM skills will be an important theme within the revised Skills Strategy, Success through Skills 2, which is due to be published shortly.

In addition to this, the ICT Future Skills Action Plan has been implemented and a number of activities undertaken. These include the ICT career attractiveness campaign, 'BringITOn', which aims to improve the image of a job in the ICT industry and encourage young people to consider a career in ICT. A first year progress report is due to be published towards the end of November 2009.

As mentioned previously, DEL has already committed to increase, by 300, the number of PhDs in economically relevant areas by 2010. This will have a positive impact on the Programme for Government's STEM target. Further, the Department is considering the impact of introducing prestigious scholarships or bursaries for those studying STEM subjects at college or university.

On the issue of management and leadership, DEL agrees that there is a pressing need for action and this has been highlighted through the Department's 'Success through Skills' and 'Leading To Success' strategies. In response DEL is taking forward significant work to enhance, expand and develop the support available to NI businesses in this area. The Department provides the Management and Leadership Development Programme (MDLP) to address the skills needs of individual in-service managers. Management skills in SMEs and Social Enterprises are developed through the Management Analysis and Planning (MAP) programme, which provides a free leadership and management "diagnostic," as well as the offer of related funding support.

From March 2009 DEL has made the offer of 100% funding to support the training costs on all of its approved management and leadership development programmes. This has resulted in a significant level of uptake, with a total of £2.2M invested in actual training support for SMEs in the current year. The Department's INTRO graduate management programme, with the offer of 200 additional places in the current year, continues to accelerate the progress of graduate level managers in NI companies.

All of these measures, with the offer of enhanced funding, are making a significant contribution to the needs identified in the 'Management Matters' research report which was published jointly by a range of stakeholders including DEL and DETI earlier in 2009.

To build on this evidence base, the Minister for Employment and Learning has commissioned the Northern Ireland Employment and Skills Adviser to consider management and leadership practice in Northern Ireland, particularly amongst SMEs. That work is being led by Mike Campbell, Director of Research and Policy at the UK Commission for Employment and Skills (UKCES). Interim findings are due early in 2010.

Given the extensive and expanding range of tailored management and leadership activity which exists already in Northern Ireland, DEL, as the lead Department on skills, would wish to consider thoroughly the additional value of a new "management masterclass" programme and how such a programme could be delivered to maximise impact.

The above response sets out the wide range of work that is being undertaken by DEL to address skills needs and enhance innovation in Northern Ireland. This includes actions which are already being taken forward to address issues raised in the IREP report. However, in tandem, the Department recognises that the Northern Ireland policy toolkit needs to evolve continuously to meet changing needs and ensure the region is well placed to address the productivity gap. The outcomes of the current review of Success through Skills and the consideration of a Higher Education Strategy for Northern Ireland will be key steps in this process. Thank you again for the opportunity to comment on this important report

and I would be happy to speak further about any of the issues raised above should you wish to seek clarification.

A handwritten signature in black ink, appearing to read "Victor DukeLOW", written in a cursive style.

VICTOR DUKELOW