

The Open University
Response to the Department of the Economy
Economy 2030 Industrial Strategy for Northern Ireland



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The Open University welcomes the opportunity to respond to the Economy 2030 Industrial Strategy for Northern Ireland.

We will address the questions as outlined in the questionnaire, beginning with Question 6 (the information requested in the earlier questions regarding contact details is provided above).

6. The Department for the Economy would like your permission to publish your consultation response. Please indicate your publishing preference.

Publish response with name

Publish response only (anonymous)

Do not publish response

7. We will share your response internally with other Northern Ireland Government officials who may be addressing the issues you discuss. We may wish to contact you again in the future but we require your permission to do so. Are you content for the Department to contact you again in relation to this consultation exercise?

Yes No

8. Do you agree with the proposed vision for the Northern Ireland economy? In particular, do you agree with the twin emphasis on competitiveness and inclusiveness?

The Open University strongly supports the desire to ensure that the strategic vision will work for all in society and the twin emphasis on competitiveness and inclusiveness is a prerequisite of a successful industrial strategy.

However we do have some issues around these emphases. Firstly, we will look at the emphasis on competitiveness. As the US economist Paul Krugman (1994)¹, states “firms compete, nations don’t”. The Strategy conflates competitiveness at the firm level with external competitiveness that is then aggregated for the whole economy. This could only occur if all Northern Ireland firms operated solely in overseas markets and not just domestic ones.

Secondly, we propose that the Strategy is clear about whether it is referencing inclusiveness as part of an inclusive growth discourse or as a ‘nice to have’ branding exercise. This is because we feel there is a lack of balance with respect to inclusiveness. There is no analysis of the structure and agency by which inclusiveness will be achieved, therefore the Strategy needs to be more detailed on that. The Strategy is almost entirely driven by indicators and there are no real, detailed measures of how inclusiveness will be achieved. The well-being index referred to is an average index that does not encompass the manifold and complex inequalities that characterise Northern Ireland. Again, the Strategy would benefit from further detail on these points.

In addition to being competitive we feel that the vision should also strive to ensure Northern Ireland nurtures a society that is able to be innovative. Hence, understanding the role of innovation in competitiveness and economic development is increasingly important. There is a need to instil capacity for more people and companies as well as the public sector to deliver innovation into the Northern Ireland economy. In addition, allocating sufficient capital to create sustainable growth and appreciating the long-term economic consequences of sustainability of business are equally important to achieve the required economic transformation.

We also would like to highlight here the omission of the vision of Brexit, the largest parameter influencing the medium to long-term future of not only the Northern Ireland economy but that of the UK and rest of EU. In respect of Northern Ireland’s trade competitiveness it is highly reliant on the rest of the UK and the Republic of Ireland (RoI). The degree of cross-border co-operation and Foreign Direct Investment (FDI) is crucial in sustaining growth and inclusiveness in Northern Ireland, particularly in the key MATRIX sectors. At the heart of this co-operation are Global Value Chains (GVC) that are drivers of modern economies and trade, as clearly set out by Richard Baldwin, the renowned international trade economist². Yet, there is no mention of GVCs or analysis of the ones that operate in Northern Ireland and their wider reach and we would therefore welcome detail on that.

The Northern Ireland economy is the most vulnerable of the UK nation economies to any negative impact of Brexit over the medium to long term. This is due to its relationship to the Republic of Ireland and its heavy reliance on existing fiscal transfers from the UK government and the EU. Unless some kind of special case is made for Northern Ireland within the UK/EU Brexit settlement, its growth and inclusiveness performance is likely to be

¹ Krugman, P (1994) Competitiveness – A Dangerous Obsession, *Foreign Affairs* vol. 73 no. 2

² Baldwin (2016) *The Great Convergence*. Cambridge, M.A. Harvard University Press.

heavily constrained. We suggest that a scenario analysis of this is included in a future version of the Strategy.

We would like to note that lifelong adult education and training is a core part of a successful Industrial Strategy and a precondition to its success.

9. Do you agree with the proposed five Pillars for Growth?

In terms of answering the question 'Do you agree with the proposed five 'Pillars for Growth', we comment further in question 13 as, although we agree generally, we have a number of points to make under these.

We agree that the components of all these pillars are crucial to sustain a successful and inclusive economy. We suggest ranking the pillars, but with recognition that Pillar 2, Enhancing Education, Skills and Employability is vital to the success of all the others and therefore is central. This is because we believe that Northern Ireland needs long term investment and reform to improve the availability of skilled and highly qualified people. Economic success in the coming years will depend on embedding a lifelong learning culture throughout our society. Adults with low and medium skills need to be encouraged and supported to take up learning opportunities throughout their working lives and fill gaps in their basic skills, retrain or upskill.

We suggest that further detail on the financial resources for each of the pillars is specified.

We also note that the pillars are supply-side led. The Northern Ireland Executive has partial control over some of these, but no control over most as they rely on the standards and provisions for the UK as a whole. There is no detail on how the pillars will deal with demand and in particular, how work by the OECD and IMF shows that equality contributes to growth. We suggest consideration of this in a future version of the Strategy.

We also suggest further elaboration on proposed actions for the proposed pillars in terms of how the 'what we are going to do' sections will be operationalised.

10. Do you agree with the importance of continuously benchmarking Northern Ireland against other small advanced economies?

We support the desire for Northern Ireland to aspire to benchmarking against the economic and competitiveness achievement of the countries identified. We note that it may be of limited use to compare Northern Ireland to a number of independent countries who have control over their fiscal policy and variable or limited powers over monetary policy.

Instead, it may be more important to look at countries with a similar profile to Northern Ireland which are consistently ranked in the top three across the five categories of measure used in Figure 3. Only one of the countries, Scotland, appears in the top three across the five categories. It may also be important to benchmark against countries from the emerging economies with a similar profile to Northern Ireland as these might provide important

lessons on strategies they have implemented to achieve growth in their economy and social wellbeing. We propose that the Strategy may want to explore the Nesta paper 'When Small is Beautiful: Lessons from highly innovative smaller countries', at:

<http://www.nesta.org.uk/publications/when-small-beautiful-lessons-highly-innovative-smaller-countries#sthash.b633nmRU.dpuf>. This report looks at a number of the small countries used for benchmarking for this strategy.

It will be equally important to focus on what makes Northern Ireland uniquely different and strong and an attractive place to locate and invest in. It is the confidence in Northern Ireland and its future that will ultimately ensure that it outstrips the performance of other small advanced economies. Therefore we seek further clarification on what areas will be prioritised.

The challenge for policymakers and for delivering the objectives of the Strategy is to improve the capacities and capabilities of the Northern Ireland economy. In this sense, using indicators as a methodology for this may not deliver what is particular or relevant to Northern Ireland.

We also feel that there should be a stronger recognition of how investment in skills can positively impact upon workforce productivity. In England, recent apprenticeships policy has been designed as an explicit intervention to improve workforce productivity, whereas in Northern Ireland the equivalent policy has been focused on the skills pipeline and job creation. According to the UKCES Employer Skills Survey 2015, Northern Ireland displays the lowest level of work-based training in the UK. It is no surprise, therefore, that workforce productivity is also 18% below the UK average. Investing in higher level skills provision is a positive way to improve the productivity of a workforce. The Open University is uniquely placed to help deliver on this through part-time, flexible, online higher education. Due to the flexible nature of distance learning with The Open University, employees are able to study part-time in order to fit their learning around their life commitments and the work demands of their employer (74% of OU students in Northern Ireland are in work). As delivery is primarily online, study time away from the workplace is minimal and at the discretion of the employer. We believe that a new skills policy is required that has, as one of its aims, to improve workforce productivity through incentivising work-based training.

11. Do you agree that the Industrial Strategy should now move towards a rebalancing focus?

The ambition to have a strong private sector which drives economic growth through innovation is vital for the Northern Ireland economy and we support the ambitions of the strategy proposed for rebalancing the focus. However it is vital that this delivers benefits for the whole of Northern Ireland and that remote/rural areas and areas where economic activity is lower are not left behind.

However in order to attract inwards investment from private sectors it is vital that there is public investment in ensuring there is a high-class infrastructure. Without this infrastructure, attracting private sectors will be challenging. The drive to grow the private

sector will mean Northern Ireland will need the necessary workforce with the required skills and ability to be innovative. To achieve this, the Strategy needs to recognise the important role and contribution that higher education can play in this area. Hence there is a need to ensure support for universities to carry out cutting-edge research and innovation and deliver the graduates that will be required to meet the rebalancing aspirations.

As Northern Ireland emerges from the challenges of the economic downturn, it is essential that the rebalancing takes into account not only the vision of the future and the new focus, but also explicitly describes the roadmap to success that the community can rally behind.

One area where we suggest clarification is around what the agency of re-balancing in Northern Ireland will be as there is currently no analysis or evidence provided within the Strategy on how this is to be achieved.

We also note that there are public sector skills shortages in areas of nursing and care professions and that development of those workforces is required too. One example of how this can be done is through The Open University's nursing degree programme, working in partnership with all five Health and Social Care Trusts in Northern Ireland, to enable existing employees to gain a practice-based qualification. Employees, many of which are healthcare assistants, can stay in work while they study. This programme is also an important vehicle for widening participation in higher education, as employees continue working while they study. Employers also like this model as it allows them to grow their own nurses, and they retain their staff while they are studying. Productivity is also improved through work-based learning, particularly when people in employment study online, distance learning as offered by The Open University. Employees are able to stay in work, and apply their new found skills immediately to the workplace. This enables the promotion of social mobility and delivers the skills that employers need.

12. Do you agree that our Industrial Strategy should support sectors where Northern Ireland is world class or where we have the potential to be world class?

We support the proposed strategy to focus efforts on sectors where Northern Ireland has the necessary world-class standing or potential to achieve this status. It is important to focus and invest in the current world-class sectors but also those emerging areas that are part of the plan or the road map to the future.

We think it would be worthwhile to explore further the sectors proposed in order to find out where Northern Ireland is strong and what capabilities we have. It may be useful to have MATRIX assist in identifying these. At present these appear very high-level in the Strategy and further detail would be useful.

We particularly endorse the need to target Digital and Creative Technologies, Materials and Engineering and Life and Health Sciences. To develop these sectors, the Executive will need to ensure there is a higher education sector with the necessary capabilities and capacity to support them. More importantly the Strategy needs to ensure the necessary instruments and activities for transfer of skills, knowledge and innovation exist to make these sectors world-class. In particular, we would champion the need for investment in developing

Northern Ireland university strengths in areas such as the digital economy, cyber security, big data and analytics and space. The Open University has also responded to the UK Industrial Strategy Green Paper by suggesting that in the area of Science and Technology, three extra areas for investment would be useful: sustainable, smart cities; renewable energies; and social sciences. This may be useful to consider for Northern Ireland also.

We believe that all sectors should be treated equally by an industrial policy that underpins an industrial strategy. There is a danger that pursuing a policy discourse of “smart specialisation” based upon privileging a few ‘world-class’ sectors creates absolute advantage in international trade and thus a race to the bottom between regional economies with the same sectoral strategy. GVCs are crucial in sustaining non-tradeable services. For example, if Bombardier moves its operation outside of Northern Ireland, the loss of output and income would impact on the demand at Belfast City Airport, with knock-on effect on the services it provides. Again there is no exploration about this kind of balance within the Strategy and we would welcome this in a future version of the Strategy.

13. For each of the 5 Pillars for Growth:

Do you agree with what we want to achieve?

Pillar 1 – Accelerating Innovation and Research

We agree with this, however we believe that cultural change is a long-term challenge and it may be necessary to view performance in this area based on a staged implementation plan.

Pillar 2 – Enhancing Education, Skills and Employability

We agree with this in that the list of anticipated actions for this Pillar rightly focuses on student development, employability and apprenticeships and upskilling the current workforce. Given the social justice and social mobility mission of The Open University, we are keen to see the skills pillar accessible to all in society, in order to widen participation in higher education.

We would like to highlight that not only school-leavers at 18 years of age go into higher education and it is essential to note that a large number of adult learners enter or continue higher education each year, particularly through the part-time study route, and taking advantage of the flexibility offered by online distance learning. We also take into account the need for people with higher level skills (levels 4-8) and that 80% of the 2020 workforce has already completed formal education, a major focus should be on the upskilling of the current workforce.³

Part-time and distance learning and training must therefore be accessible, affordable and flexible. People should be able to upskill and reskill alongside work and other personal, family and community responsibilities. Such study should enhance employability, job and

³ Access to Success. An integrated regional strategy for widening participation in higher education. Department for Employment and Learning 2012.

life satisfaction, and health and general welfare – as well as maximise the success of the economy.

We would therefore ask that the Strategy includes adult learners alongside young people in this pillar, in order to value the commitment made in point 5.19 “We will support flexible part-time higher education provision alongside the more traditional full-time provision”.

The part-time sector plays a crucial role in contributing to economic growth and social mobility. Part-time study has an important life-changing role to play, particularly for adult learners – it offers the flexibility they need to fit their study around other commitments and provides them with the skills they require to succeed in their careers and improve productivity. Part-time distance learning is a cost-effective way of raising skills levels and training so that people can earn and learn (as stated previously, 74% of OU students in Northern Ireland are currently in work).

Research carried out by London Economics (2014)⁴ indicated that the economic benefits of The Open University in Northern Ireland are significant. Results reported that the average increase in earning potential seen by students in Northern Ireland over their working lives who have completed an Open University undergraduate degree and who had non-traditional degree entry qualifications (five or more GCSEs at grades A*-C (or equivalent) but less than two A-levels) prior to studying is £85,000 for males and £54,000 for females.

Specifically, we would ask that the reference to ‘An education system that provides our young people with the skills for life and work’ (point 1 under ‘what do we want to achieve?’ on page 41) is extended out to include adult learners too. With particular reference to low-skilled adults, it is important to get them on a learning journey. The Open University offers free online learning to help with initial basic skills acquisition by low-skilled adults through initiatives such as The Open University’s free online learning platform, OpenLearn and its Badged Open Courses.

The Open University’s experience, from reaching 6 million new ‘informal’ learners a year through our free OpenLearn platform, and our associated research, shows us that early bite-size, confidence-building experiences are essential for later success. These initial free courses can serve as the start for an adult’s education pathway but can also be stepping stones to other learning options. Relevant OU Badged Open Courses can be part of this free introductory learning.

For working adults, the next steps into formal learning need to be equally flexible. The Open University’s STEM courses allow people to fit study around work, at their own pace, using advanced technology. Our innovative OpenScience Laboratory gives them remote access to instruments, such as telescopes and microscopes, from anywhere that has an internet connection, so they gain the skills to succeed.

Although we agree with this Pillar, and believe it to be of critical importance, there is no mention of the size of the challenge and how Northern Ireland skills and attainment levels compare with UK figures, as this could have a significant effect on the budget necessary and

⁴ The economic impact of The Open University in Northern Ireland. London Economics, October 2014.

focus here. Beyond the student development and employability focus, there will be a necessity for continuous professional development programmes for industry and university / college staff to complete the full circle of enhanced education. We also feel that the need to reskill and upskill is urgent for any Industrial Strategy, especially in light of Brexit. That is one of the reasons why online learning can help.

In addition to the activities identified, we feel that there should be a priority to strive to attract talent from overseas to relocate in Northern Ireland. This may require specific schemes and measures of support.

Pillar 3 – Driving inclusive, Sustainable Growth

As well as focusing on the number of start-ups with an emphasis on high technology, it will also be important to maintain an understanding of the number of start-ups that remain in business after 3-5 years. This evaluation will be important for informing future evidence-based policy on sustainable growth.

Pillar 4 – Succeeding in Global Markets

It will be important to provide the differentiating factors for investing and locating in Northern Ireland (i.e. why here as opposed to somewhere else). Information Technology will be important for the programme here and should include, as part of its promotion, focused trade shows, an international showcasing event and a targeted international trade development campaign in key countries.

Pillar 5 – Building the best Economic Infrastructure

Looking to the future, it would be important for Northern Ireland to get involved in 5G technology development including infrastructure projects.

What we plan to do to deliver;

Accelerating Innovation and Research and Driving Inclusive, Sustainable Growth (Pillars 1 and 3)

There are a number of cross-cutting activities between research and innovation and sustainable growth which we feel have synergies and are key components. The Strategy's overall desire to ensure young people (although, as stated above, we feel this should not be the only focus – adult learners should also be included here) and women are given the opportunity not only to develop entrepreneurial skills but to meet their aspirations to engage in enterprising activities is vital for the future prosperity of Northern Ireland. We see higher education as an important player in delivering these priorities. The strategy's aim to strengthen links between universities and industry is welcomed and we would like to see more support for universities to establish Innovation Centres and Science Parks to support staff and students wanting to spin out or start-up companies and also, for them to be a driver regionally to attract new high growth businesses. We would strongly advocate exploring how virtual innovation models can be used to ensure that regions with no access

to knowledge-based sectors are also able to engage in innovation and enterprise. Some examples of virtual innovation models are the UK's government's scheme called National Virtual Incubator (NVI), which uses Cisco collaborative technologies to give entrepreneurs access to physical innovation space irrespective of where they are (<https://www.nvintetwork.com>). There are also a number of UK Innovation Centres that are part of this scheme such as the recently established Innovation Birmingham Campus (<https://www.innovationbham.com>) Another example of a different model is the Virtual Hub setup at the Oil and Gas Technology Centre (<https://theogtc.com/innovation-hub/>). Here the Hub enables a wider community to interact with innovation development around relevant challenges and opportunities.

Building international links could play a vital role in bolstering and building the necessary critical mass for Northern Ireland's capabilities in innovation and collaboration with industry. There is a need for Northern Ireland to not only develop close links with UK Catapult Centres but to explore setting up 'satellite' Catapult links in areas of research and sector strengths identified by the strategy such as cyber security and personalised medicine, artificial intelligence, robotics, automation technologies and internet of things.

The Strategy should also seek to drive closer collaboration between universities and further education colleges and create mechanisms for these to create regional consortia to develop the necessary critical mass to deliver the desired impact, for example like the N8 cluster in England. We would also like to suggest that Northern Ireland could learn from international experiences, such as in Canada, where universities have developed effective engagement with industry, in part owing to the establishment of a number of relevant programmes to promote such engagement. For example Canada's National Centres of Excellence receive long-term funding and stability, subsequently enabling collaborating universities to pool resources and expertise on a scale to address societal and strategic priorities. This includes supporting Centres of Excellence for Commercialisation and Research to bridge the gap between innovation and commercialisation.

Under this strand it will be important not to overlook the role that universities can play in assisting the public sector to be more innovative. To foster this collaboration the Strategy needs to explore creating schemes and mechanisms that will enable the public sector to collaborate with universities to access their knowhow and expertise to deliver innovation.

Enhancing Education, Skills and Employability (Pillar 2)

Under the education and skills pillar we feel strongly that part-time education and in particular, distance learning, such as that delivered by The Open University, can play an important role in helping the Strategy ensure young people have the necessary skills to contribute to the innovation and entrepreneurial aspirations of the strategy. However, we would like to see adult learners represented under this section as well as young people, as per our previous statement. Specifically, under bullet point 9, 'Better prepare our young people to compete for work and to match them with employers' need' should extend out to include adult learners who may be entering higher education for the first time, or are

perhaps already in employment and seeking to develop their skills or careers through part-time higher education.

Most companies in STEM industries, for example, have a substantial proportion of their workforce educated to a higher level, but not always to full undergraduate degree level. There are thousands of people who are in the labour market educated to HNC, HND or Foundation Degree level who have never had the opportunity to “top-up” to a full degree. The Open University offers a number of ways for individuals with previous academic credit to have it formally recognised against degree pathways. For example, if someone has a Foundation Degree or an HND in a STEM subject, it will typically only require another 120 credits of study (the equivalent of one year full-time) to bring that up to an undergraduate degree with honours.

Due to the flexible nature of Open University learning, this would typically be achieved by part-time study in order to fit round both the life commitments of the student and the work demands of the employer. As delivery is primarily online, study time away from the workplace is minimal and at the discretion of the employer. This “top-up” pathway is also significant value-for-money. Currently, the cost of 120 credits worth of study at The Open University is £1,916. In return for this investment, the employer gets a more highly skilled, motivated and, potentially, committed employee.

The flexibility offered by online distance learning will be valuable for effective delivery of leadership and entrepreneurship training, especially for adults already in work. Initial learning experiences are crucial and must be short, easy, engaging, free and immediate so confidence grows quickly. People need to know straightaway that they have achieved something (initially with a simple badge or certificate as ‘micro-accreditation’). There are examples of appropriate introductory learning materials on The Open University’s free OpenLearn platform (<http://www.open.edu/openlearn/>), in the leadership and management part of the ‘Skills for work’ section.

This pillar will also help to ensure these aspirations are delivered for those in rural locations with limited access to higher education. It is also important to add that those already in employment who may need to upskill or reskill themselves can also play a vital role in meeting the aims of the strategy. Again, here part-time education and distance learning, as delivered by The Open University can play an important role. It is crucial to include adult learners and those already in employment here.

How we plan to measure progress

In general, what is being planned is in many ways admirable, but the vital issue of how this will be funded is overlooked. Due to Brexit, Northern Ireland will lose £500m per year in EU funding. As a result of devolution of Corporation Tax in 2018, the net loss of Barnett Formula funding from the UK may be around the £500m a year lower. As Corporation Tax only accounts for 2% of the tax intake, either a very significant increase in above-average

trend growth rate is needed or historically very high levels of Foreign Direct Investment – that Brexit is likely to discourage.

What is also missing from the Strategy is any analysis of the new institutional architecture needed to plan and fund the objectives of building and sustaining the five pillars.

We would like further detail on the measures being used to determine and track progress. Particularly, we would appreciate extension of the narrative around the skills pipeline to include not just those people going to university at age 18, but those already in employment and perhaps changing careers and/or studying part-time at a later stage. A focus on upskilling, productivity, leadership and management will ensure the workforce is more productive and effective.

Although the Department for the Economy is leading on this Strategy, it would be useful for the Strategy to outline in a future version what the other major contributing departments will be.