

## **Grasping the Opportunity: Investing in our Future**

**Peter Hain**

### **Introduction**

When I first envisaged speaking to you today I planned to focus on the challenges facing Northern Ireland in the next two decades and how we can become a world class society with a world-competing economy.

I still plan to do that, because it is in no-one's interest for the Government to be deflected from preparing for that future, however great the present political difficulties may be. Whilst there are disputes about marches at home, globalisation is marching relentlessly on and quite simply we cannot postpone difficult policy and structural reforms in Northern Ireland.

Today's five-year-olds, who will be completing their education after 2020, deserve to enter a thriving job market and need to

be equipped with the skills that will be demanded in that dynamic economy. It will be no consolation to say to them in 15 years' time that Government was too preoccupied with past or present political disputes to plan ahead for their economic security and social future.

Nonetheless I need to address the very serious recent events in Belfast and other parts of Northern Ireland, partly because they are uppermost in all our minds at the moment, but also because I think there is a link between them and Northern Ireland's ability to face the global challenges of the future.

Indeed, unless we can address these problems we will not be in a position to face that future with the purpose and drive required. Be under no illusions: the recent riots and violence, as well as wasting public money, have shaken an international confidence that was viewing Northern Ireland with increasing optimism.

For most people across Northern Ireland, the events in Belfast over the past two weeks have been a deeply unwelcome throwback to the past. The horrific violence and vicious attacks on the police were doubly shocking precisely because we have grown used to the normality that has returned to almost every part of Northern Ireland in recent years. We have grown used to hard-won peace.

I have listened to the many grievances put to me in recent days. I do accept that there is a sense of frustration and anger within unionism, which has been expressed very forcibly to me by Dr Paisley and Sir Reg Empey, leaders for whom I have the greatest respect.

I want to address the other issues that have been put to me, in the terms in which they have been put to me.

What has unionism got from the Agreement?

I don't regard that as a rhetorical question: there is an answer.

For the first time in the history of Northern Ireland, the Irish Republic has dropped its constitutional claim over the territory of Northern Ireland.

For the first time in the history of Northern Ireland, Sinn Fein has accepted that Northern Ireland will remain part of the United Kingdom until and unless the people of Northern Ireland decide otherwise.

For the first time in the history of Northern Ireland, the IRA have accepted that Northern Ireland will remain part of the United Kingdom until and unless the people of Northern Ireland decide otherwise.

For the first time in the history of Northern Ireland, the principle of consent is enshrined in an international agreement.

Now anyone who knows the history of Northern Ireland and of unionism must appreciate the great significance of this.

To those who say that the principle of consent should always have been there, we always have to deal with what is and not what should be: you can't rewrite history but you can make it.

In short, it seems to me that the two fundamental demands of unionism throughout 30 years of the troubles have been met: peace - the end of the terrorist campaign - and the securing of the union.

I think many unionists do see that the Northern Ireland of today is a much better place than it was.

But I accept that there are unionists who are deeply suspicious of the outworking of the Agreement and part of that is because movement on IRA decommissioning and the ending of

paramilitary activity has been so slow. Even after a statement from the IRA that is unusually clear, they wonder whether it will be carried through in action or whether hopes will be dashed once again.

I also want to see the IRA deliver on its promises. I understand the scepticism of unionists given recent history and I know that the Northern Bank robbery in particular reinforced the suspicion that promises made to them were not for real. It is precisely to ensure that decommissioning is for real that we have General de Chastelain's Decommissioning Commission and to ensure that there is no overt or covert paramilitary activity that we have the IMC. These are two independent bodies who will call it as it is. They will tell us what is for real.

To the many people who have said to me that the riots, while wrong, are an expression by loyalists of their belief that violence pays, I would simply say that the lesson of the last 30 years is

unequivocal: violence does not pay. Republicanism made no significant political headway whatsoever until the IRA called a ceasefire; it will make political progress in the future only in proportion to its adherence to peaceful and democratic means.

That is why the IRA has set aside the armed struggle and that is why the British government, unionist leaders, the Irish and American governments and the overwhelming majority of people from all communities in Northern Ireland attach so much importance to the verification of the promises which the IRA made in July.

Violence is wrong – from wherever it comes: it does not pay and the recent violence has imposed a heavy cost on the communities in which it was carried out. The choice for loyalist paramilitaries is clear: play the political role that you claim as your motivation or face the rigour of the law as the mafia

organisations into which you seem to have degenerated. You will not be allowed to terrorise your own communities.

I have a message to those former paramilitaries who want to move forward to build a better Northern Ireland: leave violence and criminality behind and join the rest of us who want to create a new prosperous Northern Ireland.

But I do accept that in many working class unionist and loyalist areas – as well, of course, as republican and nationalist areas - there are very real problems of social disadvantage, poverty and exclusion.

But let's be clear, poverty knows no boundaries. In a few minutes I want to mention some of the successes of the past eight years, one of the most visible of which is the Laganside project. I recognise that people in disadvantaged communities,

whether loyalist or nationalist, have a right to ask when their own Lagan side will come?

I do not pretend that there are easy answers to the complex problems of these areas, many of which experienced the very worst of the Troubles and yet – despite considerable investment - have felt themselves to be the last to benefit from the increasing normality.

But significant progress has been made, not least by elected representatives, community leaders, churchmen and other faith leaders, and heroic individuals, many of whom I have been privileged to meet.

But despite what has been achieved, I am conscious of the criticism that our own efforts as a government could be better coordinated, and services more closely connected to disadvantaged communities, and I do acknowledge the

particular needs of loyalist communities. To tackle this I want to embark upon a process of intensive engagement with elected representatives and civil leaders from the protestant community.

I want to ensure that we reach a mature and informed understanding of the complexity of concerns and to formulate appropriate responses on the basis of partnership and within the broader context of a shared future for all in Northern Ireland. I have asked David Hanson to take the lead in this.

But I want to make one thing absolutely clear. I have asked for this work to be taken forward on two clear principles. First, that the focus of Government support and funding must be guided by and through elected representatives, civic and church leaders, and established and proven community workers, of whom there are many.

I have heard loud and clear the disgust of the good people of these communities who perceive public money being channelled into community projects under the influence of paramilitaries who speak the words of community work while undermining those very areas with racketeering and organised violence. Their perception is their reality: and I can understand that concern.

The second underlying principle of this work must be a commitment to cross community partnership. A 'Shared Future' will be at the heart of Government policy and spending priorities.

I say this not because I want to implement a nice sounding or neatly bureaucratic strategy but because I believe very simply that a shared future for Northern Ireland is the only viable future, the only one worth having for the next generation, and

the only way we will be able to compete in the face of the fierce winds of global competition.

Based on these two principles, we will draw together the existing work by Government and consult with elected and community representatives to accelerate and expand it. It is clear to me that the vision of a new Northern Ireland – prosperous, dynamic and at ease with itself – cannot be completed until the weakest areas have begun to enjoy the benefits of peace.

The vision that we all share of Northern Ireland is of a normal civic society in which all individuals are treated as equals and where problems are resolved through dialogue and the state is impartial between contending claims.

A Northern Ireland where your religion, political opinion, race, gender, sexuality, age or disability makes no difference to your

aspirations - and where you come from does not affect where you want to go. And a Northern Ireland that is truly world-class, striving to be the best and not settling any more for second best.

But if this vision is to become a reality, then the Government cannot simply 'mind the shop' awaiting restoration of devolution, but must take the necessary decisions, however difficult and controversial.

### **New threats and challenges in a global economy**

These past seven years, Northern Ireland has made great progress. In many respects no longer the poorest region in the UK, we have an economy growing faster than many other regions of the UK. Manufacturing exports have more than doubled over the past decade.

Unemployment has been halved to its lowest level in generations. We have more jobs than ever in our history and prices are 3 per cent below the UK average. For the first time, the tourism industry attracted over 2 million visitors last year.

But, as leaders of business and commerce consistently tell me, the current imbalance in the economy is unsustainable.

Public spending at over 60 per cent of GDP is, per head, nearly a third higher than the UK average and far higher than equivalent advanced economies across the world. Yet public service performance, in some areas, is among the worst in the UK – with, for example, the longest hospital waiting lists.

Despite more jobs and low registered unemployment, levels of economic inactivity amongst people of working age are much higher than in England, with the number on Incapacity Benefit 74 per cent higher.

Our GDP per head is 19 per cent below the UK average. The private sector is underdeveloped, with almost a third of all employment in the public sector, compared to a UK average of a fifth: this represents a massive call on taxpayers.

For Northern Ireland to become a prosperous economy there is a need for an increased focus on the development of the private sector. We do not have anything like the competitive edge needed in an ever-tougher global economy, where high productivity, high valued added activity and highly developed skills will be the currency of the future.

The world is changing – and fast. European Union enlargement has increased its population by over 74 million to a staggering 426 million – the largest and richest market in the world, with low labour costs in the new countries.

This is a massively changed trading landscape for Northern Ireland - the single market bringing not only tough competition from cheaper economies but also considerable opportunities for more trade with new and growing markets, and new sources of skilled labour.

But that's not all. Looking beyond Europe - with labour costs a fraction of ours, China and India are a growing threat.

Engineering wages in China are 60p an hour – rates of pay that no-one would rightly get out of bed for. At the same time China produced 2.1 million new graduates last year, rising to 2.8 million this year, two thirds of them in science, engineering, IT and technology. With the largest number of software engineers and IT specialists in the world, India is also a huge competitor.

Yet, as they suck in growing billions of exports, both offer Northern Ireland huge opportunities for trade, investment and partnership.

We can never grasp these opportunities through low wages and poor employment rights. The only future for us is to compete at the top end of the market by being the best, with the most innovative and highly skilled workforce and the best technology.

The bottom line will always be key for employers. But the best in Northern Ireland know that you won't get a world class workforce without decent rates of pay, a reasonable work life balance, good pension rights and decent employment rights.

Addressing the challenges we face will require significant investment in enterprise and infrastructure and particularly in increasing the skills of our present and future workforce. It will mean significantly increasing our expenditure on research and development and promoting innovation and assistance for the growth technologies – ICT, Agri-food, aerospace, life sciences and nanotechnology.

It will mean improving the links between industry and the research base, with greater commercialisation of research and development at universities and companies of all sizes establishing greater links to education to ensure a culture of enterprise and entrepreneurship is instilled from school age.

Our universities themselves need to be able to compete with the best in the world with a strong science base funded by increasing public spending on science which is presently just 41 per cent of the UK average.

This Government is working with the private sector, trade unions, and the voluntary sector to create a world class Northern Ireland economy. We have published our shared Economic Vision and are committed to producing a new Regional Economic Strategy to enable us to reduce the GDP

per head gap with the UK average and better promote private sector growth.

The economic transformation that we have seen in the Republic of Ireland in recent years demonstrates what is possible.

### **Investing in our future and the need to reform**

But if the private sector needs to accelerate to keep pace with a changing world, then so too must government and the wider public sector, where in many ways, the scale of the reforms needed is far greater.

We need a far more rigorous re-direction of public spending on innovation rather than protection; in skills and education, rather than subsidising economic inactivity; and in infrastructure rather than public sector bureaucracy.

We need more investment in education, skills and child care, to ensure we equip our workforce to compete with the best in the world.

We need more investment in health and social care, not only for a decent quality of life – but also to cut the costs associated with ill health and ensure no-one is excluded from the opportunity to work.

And more investment in infrastructure – not just our schools and hospitals, but in our transport, energy, water and communications sectors.

But as well as investment, we must reform – and in some cases that means radical reform - to ensure we have the education and health services fit for the 21<sup>st</sup> century and making the very best value for money use of public spending – vital in a fiscal climate that is becoming increasingly challenging.

So, why are these three areas so important for investment and what reforms must go hand in hand with that investment?

### **Education, Skills and Childcare – investment and reform**

In education, the percentage of pupils achieving 5 or more GCSEs at Grades A\* - C is 60 per cent in Northern Ireland, compared to 54 per cent in England, and 96 per cent achieve two or more A Level passes compared to 94 per cent in England. Yet this academic success masks deep-rooted problems.

Some 24 per cent of our working population has no qualifications whatsoever, compared with 15 per cent in the UK as whole. And only 13 per cent of the Northern Ireland workforce has a degree or equivalent, compared to 16 per cent in the UK as a whole.

The recently revised curriculum must ensure that children leave primary school with a strong grasp of the literacy, numeracy and ICT skills that all employers need. To achieve an entrepreneurial culture in Northern Ireland we need to ensure that the ethos and spirit of enterprise is instilled in our children.

New post-primary arrangements must provide pupils with a minimum entitlement at Key Stage 4 and post-16 regardless of the school and a wider choice of schools – including more emphasis on vocational courses, not least in the new specialist schools.

Higher education, which will be benefiting greatly from the new fee income, must focus on subjects that will produce fulfilling employment and a more competitive economy, but university expansion must not be at the expense of expanding the further education system where there may be an even greater need to

fill disturbing gaps in vocational skills and conquer youth unemployment and economic inactivity.

There needs to be much greater collaboration between schools, further education, training and business, and better course and careers advice at a younger age. This is a responsibility also shared with the business community.

Lifelong learning opportunities must be expanded and the economically inactive encouraged to rejoin the workforce, helped by forthcoming reforms to Incapacity Benefit, and investment in new Pathways to Work.

Additionally I plan a new drive to deliver access to high quality, affordable childcare – critical to creating the opportunity and flexibility for people who are bringing up a young family to enter or come back to the workplace. We have fallen behind other parts of the UK in the provision and funding of services for

children, be that childcare, pre-school or after school activities and Sure Start. I intend to begin to address this in the forthcoming budget.

But meeting all these challenges comes with a cost. And we simply will not be able to address these aspirations without major reforms.

Northern Ireland has a diverse education system that reflects the desire of people here to be able to choose for their children the sort of school that matches their beliefs and expectations. That is why we have controlled and maintained schools, integrated and Irish medium schools.

We recognise and respect that desire for diversity and the richness it brings - but we must also recognise the cost. In some towns and villages here we have three or four primary schools – where in other parts of the UK there might only be

one. That level of choice is important – but it comes with an opportunity cost.

There has recently been much debate about education funding – but perhaps the debate we need to have is about the relative priority we attach to the different aspects of education provision. With finite resources, we need to recognise that pluralism in school provision may mean that we cannot enhance other, wider aspects of education.

At a time when pupil numbers are falling, we also need to realise that diversity of provision means that we have to become smarter and more innovative in how we manage our school system, rationalising provision where necessary and also building co-operation and cohesion across and between school sectors.

School rolls have been falling now for the last nine years – meaning we currently have nearly 50,000 spare school places. And enrolment is forecast to fall by around 10 per cent – cutting pupil numbers by a further 30,000 pupils by 2015. We also have a large number of very small schools - proportionately more than in the rest of the UK.

This has both educational and financial consequences and that is why we need to look seriously at the pattern of school provision here. The current level of provision is simply not sustainable. We are therefore in the process of reviewing how we plan and deliver our education system. This will inevitably lead to change - and indeed to some schools closing - but our focus must be on ensuring equity of opportunity and the highest standard for all our young people.

The Review of Public Administration must deliver a radical new model for high quality education administration in Northern

Ireland which ensures that more resources are released for the classroom and services are delivered more efficiently.

But that will take time. So meanwhile Angela Smith will be working with the Education and Library Boards and other education bodies on plans to release resources from duplication and address falling rolls to free up money for the front line. Not least to meet emerging pressures, including the vital need to adequately fund the growing numbers of children with special educational needs.

Unless we address the consequences of falling school rolls, low vocational skills, vacant school places and limited access to a broad curriculum, we will simply be incapable of delivering the world class skills standards necessary for Northern Ireland to be prosperous in future.

## **Health and Social Care – investment and reform**

Another major priority for investment and reform is the health and social care sector in Northern Ireland.

We are treating more people than ever and health spending is up from £2.2billion to £3.3billion a year in the last five years alone, and will rise to £3.6 billion by 2008.

The NHS already accounts for over 40 per cent of our Northern Ireland budget, with increases of 6.8 per cent and 5.3 per cent over the next two years, well outstripping inflation.

Despite this record investment, the Independent Health Review recently completed by Professor John Appleby of the Kings Fund made a cogent case for a sustained further increase: and we will need to deliver this.

Yet the Appleby Review also found that our health service is underperforming and inefficient compared to England, despite

the fact that spending per head is 9 per cent higher. He was clear that we are not making the best use of these huge resources and that we need to improve our performance.

There are much longer hospital waiting times, lower levels of productivity and a poor use of resources – not least an unacceptable waste of tens of millions from the way we prescribe drugs in Northern Ireland.

So we must modernise and reform our health and social services, and use the resources we have more effectively. We must deliver much better quality for patients and release more resources for front-line services by implementing Appleby's recommendations, beginning with cutting hospital waiting times to no more than 12 months by next March.

We must consider very carefully Appleby's recommendations about health structures as we take forward the Review of Public

Administration and ensure that new structures are as lean as possible and fit for purpose.

We will also need to ensure that we can provide modern hospital services, particularly to rurally dispersed populations, which are both accessible and sustainable, and I know that Shaun Woodward is addressing very difficult issues about hospital services in the south west on which tough decisions are necessary.

The investment and reform in our health service is critical, not just to ensure a better quality of life for those ill or in pain, but also for our economic success. A healthy, vibrant economy requires healthy people. Yet preventable poor health costs us an estimated 6,500 deaths, over 6 million working days – and millions of pounds - lost to our economy every year.

## **Infrastructure – investment and the role of the private sector**

To achieve a highly competitive, world class economy, we need a first class infrastructure. Not just for our front line key public services – top class hospitals and schools – but also better roads, transportation, energy, water and communication in both urban and rural areas.

We will shortly be publishing our Investment Strategy for Northern Ireland, funded in part by public expenditure but also using our borrowing power and Public Private Partnerships, with the private sector having a key role to play in delivery.

In the 21<sup>st</sup> century, with high expectations rightly placed on government – but also with the understandable resistance to increases in taxation – it is vital that we lever in private sector finance and expertise into our investment plans, and into the

funding and delivery of public services, where there is a clear value for money case.

And because we need a decent transport system, we will continue investing in transport infrastructure. As well as upgrading our water and sewerage systems, to improve the quality of our drinking water, clean up our rivers and beaches and meet tough new EU environmental standards.

We've already invested in telecommunications to enable every single household and business to access broadband by the end of this year – something unique in Europe – and we need to build on this.

Such an infrastructure will provide the foundation on which we will develop these significantly better public services; delivered in an even more effective partnership with the private sector.

So government will play its part in creating a more dynamic and

enterprising environment, building confidence in local business and so enabling it to succeed in markets outside Northern Ireland.

And in all our investment plans, we must ensure we are doing all we can to protect our natural resources and eco-systems for future generations. That also means tackling the threats from global warming by moving from a dependence on fossil fuels towards renewable energy; by reducing our consumption and recycling instead of land filling ever increasing amounts of waste. Northern Ireland can and should become a world leader for environmental sustainability.

### **Funding our future investment**

But making Northern Ireland a genuinely world class place requires not just more public investment but more public service reform, including engaging with the private sector and a ruthless reduction in bureaucracy, duplication and waste. We

must also tackle the hugely wasteful costs of division in this society.

Although Northern Ireland already has the highest level of per capita public spending of any economic region in the UK, conversely, on locally raised revenue, we are well behind the rest of the UK.

Average local household contributions (including water charges) to pay for services in England and Wales this year will be £1275; in Scotland £1205; yet in Northern Ireland only £546. This is simply not sustainable.

If we want Northern Ireland to be world class, have world class public services – or indeed have even comparable services to England, Scotland and Wales – locally raised contributions must increase.

This means increasing rates and introducing water charges from April 2007. But it must be done fairly, and it will be – with protection for those on low incomes. We will require households to pay no more, but no less, than is absolutely vital for the services that they use – in line with households in England, Scotland and Wales.

Our rating reform and water charge proposals, both of which we will shortly set out in detail, can be both fair and bring in the level of resources to fund the investment we need. The new water charges alone will allow us to free up huge resources to other public services, potentially generating up to £300 million every year by the end of the decade.

However, at the same time as the public paying more, government itself must spend more wisely. We must deliver the 2.5 per cent a year efficiency saving across government following the Gershon recommendations – some £589 million a

year by 2007/8 - and embark on an ambitious programme of asset sales.

And most importantly, in a few weeks time, Jeff Rooker will be announcing the conclusions of the Review of Public Administration, and take forward the most radical, cost saving changes in structures for local authorities, health and education and other areas of government, including options for reducing quangos.

This is not just about better use of tax-payers' money, but about good governance and effective delivery. By any standards Northern Ireland is over administered. For a population of just over 1.7 million we have 26 Councils, 4 Health Boards, 19 Health Trusts, 5 Education and Library Boards and about 100 other public bodies – far higher than elsewhere in the UK for a population of Northern Ireland's size.

There is a real choice for the politicians and people of Northern Ireland here. These reforms will be ambitious. They will challenge the status quo. They will disrupt power bases and vested interests. They will lead to a radical shift of resources from the back room to the frontline. But they are all essential to enabling Northern Ireland to be world class and compete on the world stage and we must complete this programme of reform by 2009.

They also offer us, not only an historic opportunity for better public services, but also a shift of power and resources closer to the people: with the devolution of responsibilities to new, strengthened, larger locally-elected councils, working – we all hope – within the context of an effective local Assembly and power-sharing Executive.

In judging these proposals I urge everyone to put, not their own organisational or institutional self interest, but the interests of Northern Ireland first.

## **Conclusion**

Putting Northern Ireland first means finally breaking free from paramilitarism, grisly feuding, rioting, racketeering, sectarianism and organised crime, as we create a society free of intolerance, violence and intimidation. It means not only addressing corrosive community divisions by putting in place practical measures to promote a shared future through strong public policy coupled with political, civic and community leadership.

Although all these things are essential, they are not sufficient.

There is a stark choice for all Northern Ireland politicians.

Ignoring global realities leading inevitably to economic and social decline. Or having the courage and vision to reform.

Northern Ireland is a great place, with great and talented people. It can be greater still – a great place to visit, a great place to invest in, a great place to do business in, and with great public services.

I intend to take the tough decisions, with reform and investment going hand in hand, to equip Northern Ireland for that great and shared future.

Ends

**Rt Hon Peter Hain MP is Secretary of State for Northern  
Ireland and Wales**