



HOUSE OF COMMONS

Northern Ireland Affairs Committee

Oral evidence: [Investment in Northern Ireland](#), HC 792

Wednesday 12 January 2022

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Members present: Simon Hoare (Chair); Scott Benton; Mr Gregory Campbell; Mary Kelly Foy; Sir Robert Goodwill; Claire Hanna; Fay Jones; Ian Paisley; Bob Stewart.

Questions 1 to 53

Witnesses

I: Gareth Hagan, Deputy CEO, OCO Global; Ann Watt, Director, Pivotal Public Policy Forum.



Examination of Witnesses

Witnesses: Gareth Hagan and Ann Watt.

Q1 Chair: Good morning, everybody, and welcome back. A happy new year to colleagues. It would be remiss of me not to note in my opening remarks all of our congratulations to Sir Robert Goodwill in the new year's honours—an honour probably more deserving of the long-suffering Lady Goodwill, but, Robert, our congratulations nonetheless. It is richly deserved. We are all absolutely thrilled for you.

Welcome to this first session of our new inquiry focusing on investment in Northern Ireland. For those who follow the schedule of witnesses, we were due to hear this morning from Mr MacFlynn, the co-director of the Nevin Economic Research Institute. Technical problems have precluded his attendance, but very kindly he has agreed to address us at a subsequent session.

We are delighted this morning to be joined in person by Mr Hagan, deputy CEO of OCO Global, and Ann Watt, the director of Pivotal Public Policy Forum. You are very welcome. Thank you for finding the time to come to us. If we have time at the end, Ms Watt, we might ask you to spin round in your chair, open the piano and tinkle the ivories, but we will see how we get on.

Could I ask both of you, please: what in your view is the effectiveness of the UK Government's investment schemes in Northern Ireland such as the city deals and the levelling-up fund?

Gareth Hagan: Thanks again for inviting me to participate this morning. I really appreciate the opportunity. I suppose I would open up by saying that a strong UK is good for Northern Ireland, clearly. We benefit greatly from those schemes that you have mentioned and many others. You talked about levelling up. As someone from Northern Ireland, I think we all see the need and the opportunity to level up our own small economy within the United Kingdom. The funds that you mentioned are critical to doing that.

My perspective today will largely be around corporate investment. That is what I do for a living. I work for a company called OCO Global. We are an advisory firm. We have worked with the UK Government. We work with Invest NI and the Government of the Republic of Ireland. In fact, we work with Governments across the world. My perspective is the investor's perspective. That is what I will talk to you about today.

Q2 Chair: If you want to look at it from that end of the telescope, it is an interesting end to look from. You spoke about their criticality, which is a given. Can you talk about their effectiveness? Are you able to give us a bit of a comparator of bang for buck, from experiences in other jurisdictions that you may be working in?

Gareth Hagan: If you think about what an investor values when they look to do business, they value skills and talent. The funds you



mentioned are critical to ensuring that we continue to develop the skill base in Northern Ireland. We have done that very successfully in a couple of notable industries over the last number of years, such as technology. It is interesting that Belfast is now seen as being a global top 10 tech hub, which is not something we could have said 15 or 20 years ago. Of course, we rely on a strong manufacturing heritage as well.

Those schemes that you mentioned are critical in terms of maintaining but growing the talent base within Northern Ireland. When you are a small economy, you do not always benefit from the scale or size of investment in big ticket terms. Therefore, we need those schemes to be directed towards the right areas and to make that funding work harder as well.

The other thing that investors value is a business-friendly environment and market access. We benefit from being part of the UK in that regard, undoubtedly so in terms of the environment that we offer. There is also an opportunity, as we move forward, to put a unique Northern Ireland spin on that in terms of market access and a business-friendly environment. What does that mean in the UK, on the island of Ireland and in a European and global context?

We will avail of more of those funds going forward. City deals have been around since 2012. There were 40 of them, roughly, before one reached our isles, but I am delighted that both in Belfast and in the north-west we have those cards to play with as well. Perhaps I can pause there and we can develop the conversation a bit further.

Q3 Chair: As you do pause, you mentioned having a business-friendly environment and so forth. Could you give us a moment's reflection on the criticality of peace and political stability?

Gareth Hagan: It is critical. It is a glib statement in some ways, but it has been said that it is a pretty good solution to conflict. Prosperity and the benefits it brings are pretty fundamental to people's livelihoods and how people live their lives. I am not going to sit and tell this group that there is a silver bullet; of course there is not, but it is critical. Everything we can do to maintain that and to drive an economic agenda that creates prosperity, opportunity and diversification in the economy is fundamental.

Again, looking at my experience across the world, I would not be overstating the point to say that, if you look at industry and the global economy, we are undergoing a level of change that we have probably not seen in any of our lifetimes. Industries are changing in front of our eyes in terms of technology, how we consume and use energy, and what the future economy is going to look like. I might even go as far as to say that, owing to its size—small size often equates to agility and nimbleness—Northern Ireland could be a petri dish for the UK in terms of being a test bed to develop some of these economies of the future.

Q4 Chair: In terms of maximising bang for buck et cetera, do you have any



thoughts on whether the money spent is best spent directly by the UK Government or by the NI Executive? You have referenced, as so many are, the phrase "levelling up", but what is your view on the joined-up interconnectivity of these things? Very often, these initiatives can be siloed. If they were conjoined, you would get a much bigger outcome. What are your reflections on those points?

Gareth Hagan: If I could, I would probably answer the question slightly differently. The most important thing is that the funds get to the right place. Without being glib, I am not that bothered about the Administration that gets it there; what I am bothered about is making sure funds are allocated to those programmes and those opportunities that are going to create economic growth and return on investment.

If you look at economies across the world, in particular very effective small economies, there is another actor in play, which is the private sector. Therefore, reaching out, co-investing and engaging with the private sector is fundamental. It would be remiss of us to believe that either Westminster or the Northern Ireland Executive had all the answers. I would be an advocate of reaching out and making sure that the private sector and the education sector are in those conversations to secure that bang for buck, which, to my earlier comments, it can be more difficult to get in the right place in a smaller economy just because of the scale. I would hope that would be the case.

When I look at city deals and the other investment vehicles that you have mentioned, I have been encouraged by what I have seen in terms of those actors in play having an active role. I would highly encourage that to continue.

Q5 **Chair:** Before we move on, you mentioned access to the UK market and to the wider global and European one. Does the private sector, either existing within Northern Ireland today or potentially looking to invest in Northern Ireland, have as full an understanding as possible with regards to the potential benefits of, as I keep phrasing it, having a foot in both camps?

Gareth Hagan: It absolutely does. Business is typically inhabited by smart people, and they do not always need others to work it out for them. They can work it out for themselves.

Q6 **Chair:** Sorry, that was a politician's question.

Gareth Hagan: No, I know. I will give you a business guy's answer back. What I would say is that I do not think this; I know it, because I regularly speak to investors from across the world. I know they can see the benefit of the things I have mentioned. We survey investors across the globe. My comments around market access are not limited to a Northern Ireland context. They are borne of 20 years of speaking to investors in terms of what is important to them.



They absolutely know that, and we know that as well around this table. Even in the recent past, we have had investments like ADP, which is the largest manufacturing investment in Northern Ireland in a generation, or close to it. ADP has gone on record to say that it made that investment because of the attractiveness of access not just to the UK market but to the broader European market. One of our own indigenous companies, Almac, talks about the "Almac advantage". Those are their words, not mine. They talk to the same set of circumstances.

I would say there is an opportunity to be grasped here. I really hope it is grasped by someone from Northern Ireland or someone who has lived away and come back. We might talk about that phenomenon later in the conversation, but I would like to think that we can really grasp the opportunity here.

Q7 **Chair:** Ms Watt, let me pose that suite of questions to you.

Ann Watt: To start with, going back to what Gareth was saying about what investors want, whether it is FDI or domestic investors, they are looking for stability, the right skills and a pipeline of skills, infrastructure and a plan for infrastructure, market access, and public investment in R&D. If we are thinking about how we best ensure the future growth of Northern Ireland, we should be looking at those things.

In particular, I would highlight the skills deficits that we have in Northern Ireland. We can go into that in more detail, but in summary we have an abundance of people with no or low skills and a lack of people with higher-level skills, whether that is vocational qualifications or degree qualifications, particularly in STEM subjects. There is a major need for investment in skills.

Alongside that, we also need investment in infrastructure, given the infrastructure deficits that have accumulated over the years. We need to look not just at what has not been done in the past but also at the future and at what needs to be done to have a different kind of economy and society that is much greener and more sustainable.

There is a whole set of different infrastructure that will be needed in the future. I would highlight in particular skills and infrastructure. If we are going to ask, "Is the UK Government's investment in Northern Ireland effective; has it been effective in the past; will it be effective in the future?" we should be looking at those issues in particular.

You mentioned the plans the Government have for the levelling-up fund and the shared prosperity fund. Obviously, those are welcome. I would sound a word of warning about the bypassing of the Northern Ireland Executive in the way that those schemes are going to be run. It seems to me that there is a risk that projects could be funded in perhaps a piecemeal fashion. That is good for those projects that get funded; don't get me wrong about that. But there is a risk of funding coming directly



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from the UK Government and perhaps not being best used strategically to connect with the overall economic development plan in Northern Ireland.

Just to say a word on city deals particularly, because they were mentioned at the start: as Gareth said, those are really welcome. What I would highlight about those as good and positive is not just the funding but the fact that they have brought about a partnership between the UK Government, the Northern Ireland Executive, councils, higher education institutions and further education colleges. They have been a catalyst for that partnership working. They have identified the key needs in Northern Ireland in terms of investment, namely skills and infrastructure, and they are really ambitious and strategic in their thinking. In Northern Ireland, we need that longer-term thinking; we need that ambition. City deals have acted as a catalyst to make that happen.

Q8 Ian Paisley: For scene setting, it might be helpful if our witnesses could say something about how difficult it is to get bang for our buck now that we practically have full employment in Northern Ireland, when we look at the stats.

What should the Government do to try to improve that situation, other than bring more people to Northern Ireland or have more people come out of Northern Ireland? Could you address that? I get the piece about skills, because improving skills is an important element of that. In our population, those who are not working cannot work or do not want to work, and it is a very small proportion.

Gareth Hagan: Yes, you are right to raise it. It is a structural challenge, particularly in a small economy like ours. I am not an economist, but clearly we are constrained in terms of movement and our ability to move people into Northern Ireland. While we have full employment, do we have the right employment? How do we upskill and shift the mix towards high-value activity aligned to some of the things that we have talked about so far?

Also, is there an opportunity here? I do not know the answer to this, nor do I know the stats in detail, but we do not have an awful lot of movement that goes from the UK to Northern Ireland. We have a lot of movement that goes from Northern Ireland to the UK. We can create a movement the other way. If I think about my own firm in Belfast, in the last five years we have been increasingly recruiting students from the UK who have studied at Queen's and stayed. That probably did not happen much a decade or more ago.

We have to deal with the cards that we are dealt. Yes, it would be lovely to have an influx of talent, accepting that that is possibly more difficult now than it might have been before. We should think about upskilling, shifting the mix and looking within our own borders here in the UK.

Ann Watt: It is an important point. I would slightly challenge you looking at the economy and saying that we have full employment. Yes, we do



have historically high levels of employment and low levels of unemployment, but we also have very high levels of inactivity. Around a quarter of the adult population is economically inactive. We should be looking at how we can encourage those people back into the labour market. That links back to the skills question.

While we have high levels of employment, we also have a predominance of low-pay, low-wage jobs: 25% of jobs in Northern Ireland pay below the living wage. There is a huge challenge there to bring about better-quality, better-paid jobs.

Linking to what Gareth mentioned about inward migration, we do not have very much inward migration in Northern Ireland. We have a huge amount of outward migration. Pivotal has done a significant amount of research into the issue of young people leaving Northern Ireland to study elsewhere and not returning. I can talk more about that, if the Committee is interested in that. There is a big issue about retaining more of our young people. There is also an issue about both getting people to return to Northern Ireland after studying or working elsewhere and attracting new people to come to Northern Ireland, which does not happen on the scale that it does in other economies.

Q9 Chair: Can you just clarify something for us? I know lots of people struggle with this—me included, sometimes. What is the difference between unemployed and economically inactive? You cannot have virtually full employment and the figures that you gave for those who are economically inactive.

Ann Watt: Being unemployed means that you are actively seeking work but you do not have a job, whereas being economically inactive means that you are not actually looking for a job. A lot of people in that category would have a disability, have caring responsibilities or be a student.

Chair: I just wanted to make sure that we are clear on that.

Ian Paisley: The numbers on that are quite interesting. About 100,000 have a serious disability or other things like that. In a population of 1.7 million, that is significant.

Chair: In percentage terms, it registers on the stats.

Q10 Claire Hanna: We will pick up on that issue about young people leaving and the way we can retain that talent. To follow up, you mentioned outward migration. As people have said, to the extent that we have an immigration problem in Northern Ireland, it is young people leaving rather than anything else.

You will remember in the early months after the 2016 referendum there was a consensus in the Executive that there would need to be or there should be a specific immigration policy for Northern Ireland about our reliance on inward migration. Is the lack of access to talent from outside the UK and Ireland something that you see as a barrier? Is there a



potential for a post-Brexit dynamic, including the issue of the movement of EU nationals across the border? Is that something that business is thinking about? How should we counteract that?

Gareth, you were nodding when Ann was talking about the interaction between the UK Government and the devolved Assembly in terms of investment and the potential overreach into the devolution settlement. Are there strategies and ways that either the Executive or business can try to counteract that and ensure the spend is as targeted and effective as it can be?

Gareth Hagan: On the investment and particularly on the FDI point specifically, we should not lose sight of the fact that we punch above our weight in that regard. Last year, roughly 4% of UK projects ended up in Northern Ireland, which is about double what the per capita equivalent would be. A lot of people in Northern Ireland do a very good job in that regard. I work and I am very proud to work with Invest NI a lot. We do a good job on that. There is clearly, though, opportunity for better co-ordination.

I can give you a couple of stats. I also work with the Department for International Trade, so I know both sides of this. There are 54 large capital or high potential opportunity programmes, as they call them in DIT, across the UK, one of which is in Northern Ireland. We would like to get a bit more of that pie. Look at Innovate UK, which is fundamental to the skills and talent agenda we have talked about. It has 4,000 employees across the UK, of which four are in Northern Ireland.

If you take some of those starting points, there is an opportunity for better co-ordination. It is fundamental that Northern Ireland benefits from its larger cousin or sibling, however you want to describe it. While that works well, when you dig into the detail that I have mentioned, there is no doubt that it could work better. It is really important that we do that in order to make the most of what we can.

Ann Watt: Just on that point about the UK Government bypassing the Executive with this funding, I would say the responsibility is on the UK Government to get the best value from the investment they are putting in, particularly since the shared prosperity fund is the successor to the structural funds, which have been really significant in Northern Ireland. The onus is on the UK Government to ensure effective spend.

The bidding process that they are using at the minute, which was used for the first set of allocations in the autumn Budget just a few months ago, while it is good for the individual projects that are successful, comes across as lacking in overall strategy and connection. I would say the onus is on the UK Government to connect with the Northern Ireland Executive to make sure there is a strategic coherence to what is going on here.

Going back to city deals, that is being done really well with city deals. An approach like that, I think, would be more appropriate.



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Q11 **Chair:** I get the need for dialogue et cetera, but you would not dispute, would you, that the United Kingdom Government have a right to spend money—it is the icing on the cake, as it were, if you take Stormont expenditure as the cake—across the United Kingdom?

Gareth Hagan: Of course, and it is incumbent on us to create attractive propositions for the UK Government to spend money on. We are absolutely prepared to deal on that basis. You get what you deserve or what you earn. I would not dispute that point, no.

Ann Watt: I would not dispute that, but make sure it is used most effectively and not in a disconnected fashion.

Q12 **Chair:** Yes, that is a table stake in the whole thing.

Gareth Hagan: To my point around small economies, you often have to be more effective and even more judicious in terms of where you spend the money, because it is very easy to spread it around the table and not get a lot of return. That would be the point I would make.

Q13 **Chair:** Yes, and it is harder to hide misspend because the world is a smaller place.

Gareth Hagan: Yes, correct. To come back to the second part of Claire's question and to link it to what you have just said, Chair, if you think about what characterises really successful small economies, there are a couple of points here. First, they do not try to do everything. They try to do fewer things better rather than more things not so effectively. We have done a good job on that in Northern Ireland. Cybersecurity would be a good example of that. We have really pinned our colours to the mast, and we have created a global centre of expertise and excellence. That would be the first point that I would make.

The other point, to Claire's second question, is that effective small economies are often characterised by progressive approaches to immigration and talent. Look at economies like Dubai and Singapore. Singapore is a fascinating case study. It is a fraction of the size of Northern Ireland in terms of land mass, but it has been a powerhouse as a very successful global small economy. Immigration and bringing in the right talent, and having the right policies to make that happen, have been fundamental to that and to other success stories.

Q14 **Bob Stewart:** Just to comment, I had two children educated in Northern Ireland for two years. I was terribly impressed with the education service compared with the rest of the UK. It was a long time ago now, but I was. This is just a feeling, but I always think that the skill level could be really good in Northern Ireland if it is given the opportunity, through levelling up. We need to give people the skills. The basic raw material is extremely good in Northern Ireland. That is just my feeling. It is slightly biased, because I like Northern Ireland a great deal.

My question is about investment strategy in Northern Ireland. Is it



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geographically balanced enough between the various countries, Scotland, Wales and England? Is it fair?

Gareth Hagan: Coming back to a couple of points that we have said, there are two sides to that coin.

Q15 **Bob Stewart:** You do not think it is unfair in principle.

Gareth Hagan: It is not fundamentally unfair. Again, in the international context, Northern Ireland has punched above its weight, which would suggest that we are doing some things right in terms of the fundamentals that I talked about in my opening comments.

To come back to my point around the future economy, Ann made the point about infrastructure. I would totally agree. I often talk about this idea of having a leapfrog effect, if you can understand what I mean. Do not worry about the infrastructure that you do not have today; build the infrastructure that you need in the future.

In Northern Ireland's case, there is a real opportunity to do that. I am constantly surprised by the things that people tell me on a day-to-day basis, but hydrogen is a huge buzzword and a huge sector at the moment. Did you know that one of the unintended consequences of us only having a gas distribution network in the late 20th century is that it is probably the only one that is fit for purpose in terms of hydrogen distribution? These are the things that we should be shouting from the rooftops and leveraging in terms of our economy of the future.

I very much think that things are what you make of them. I am in the category of not thinking that things are fair or unfair, but thinking about how we can move the economy forward.

Q16 **Bob Stewart:** Ann, I am always seriously impressed by the products produced in Northern Ireland. They are good quality and the companies there are excellent. I think that this is a gem, which we have to deal with. Do you think it is fair? Does Northern Ireland get a fair crack of the whip and a fair piece of the cake?

Ann Watt: Can I come back to what you said at the start of your comments about the education system in Northern Ireland? I would like to slightly push back on that. The education system in Northern Ireland has a reputation for being excellent, but it also has significant inequality in it, depending on socioeconomic background, which I would say is the root of many of the problems with lower levels of skills overall.

Yes, there are excellent schools in Northern Ireland, but there is also a big gap in attainment depending on social background. Of young people who are entitled to free school meals, 54% get five A to C GCSEs. Of young people who are not entitled, so who are better off, 80% get five good GCSEs. There is a huge gap depending on socioeconomic background. There is a perception that the Northern Ireland school system is excellent, perhaps because there are grammar schools that in



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some ways mirror the nature of private schools in the rest of the UK, but there is a huge gap in attainment, which feeds into the skills problem. I just wanted to make that point to start with.

To your question: is it fair—is Northern Ireland getting its appropriate share? It is very, very difficult to answer that question. I suppose Northern Ireland will get a share somehow related to its population, similar to what it gets in terms of Barnett additions and public expenditure allocations. Is that fair? Is the Barnett formula fair? That is an enormous question.

I suppose you would have to look at Northern Ireland, look at the economic and social data, the outcomes we have and the need we have, and therefore make a judgment based on that. We have among the lowest productivity in the UK, the lowest levels of skills and many needs within infrastructure. Without a doubt, the investment is needed in Northern Ireland. It is very difficult to give an answer about whether it is a fair allocation across the UK. Of course, there are a lot of political judgments in that as well.

Q17 **Bob Stewart:** I will just finish off, because we have to get on. My only comment is this; perhaps I should have pre-empted my remark. Despite the obvious inequalities in many areas in Northern Ireland, 80% get five GCSEs. That will actually put us back on balance.

Ann Watt: Eighty per cent. of better-off children get five GCSEs.

Q18 **Chair:** Following on from Bob Stewart's question, is there attention on investment strategy across Northern Ireland or is it too Belfast-centric? I am thinking particularly about coastal and rural areas.

Ann Watt: Again this is difficult, because investment in geographical clusters tends to be more effective. Locating businesses together where they benefit from the spillover effects from each other is more effective. Without a doubt, areas outside Belfast are not getting the same share of investment. There is great need in the north-west particularly, but generally in areas outside the Greater Belfast area.

If you are looking at data in Northern Ireland, it is important to look not just at the overall numbers but at the geographical split. There is undoubtedly huge need outside Greater Belfast, particularly in the north-west.

Q19 **Ian Paisley:** When the Government are selling FDI opportunities abroad, do they have a responsibility to sell the map of Northern Ireland as well? It scunnors me—I am sure it does Gregory Campbell as well—that the fastest broadband connectivity in Northern Ireland is in Coleraine. For the Kelvin technology that comes into the United Kingdom, the quickest point to America is out of Coleraine, yet the cyber tech all seems to cluster in Belfast, where it is slower. These are speeds we would not even recognise, but it makes a difference in algorithms and things for those companies. Do the Government have a responsibility to sell these regions



and say, "This is where you should be locating for best value"?

Ann Watt: I would definitely say so. It is Invest Northern Ireland, not Invest Belfast. It should be allocated across the whole of Northern Ireland.

Q20 **Chair:** I am conscious of time. Mr Campbell will be itching to ask his question. Mr Hagan, do you agree?

Gareth Hagan: The simple answer is yes. If you look at organisations like Invest Northern Ireland around the world, that is what they do. They sell the nation; they do not sell part of it.

Q21 **Mr Campbell:** Welcome to you both. On the issue of Northern Ireland's strategic position, which you alluded to in your opening remarks, most people would say that Invest NI has done a reasonably good job in attracting FDI and supporting indigenous firms, but it seems to be a scattergun approach, in that it is developing a number of sectors.

The whole peace dividend has bypassed many people, certainly in many of the working-class communities. If we zone into a number of the sectors in which we could and do excel, is there any way the UK Government could say, "Over the lifetime of a Parliament, in four or five years, we are going to concentrate on trying to create something in the order of 10,000 reasonably sustainable and well-paid jobs"? That would transform the economy as opposed to this scattergun approach that appears to do well some years and badly in others.

Gareth Hagan: Invest Northern Ireland has done a good job, as we talked about. To the extent that there has been a scattergun approach, I would not fully agree. We have focused on a relatively small number of things and done quite well.

I would agree that there is additional opportunity, though. I would come to manufacturing, for example. It links a little bit to economic activity outside Belfast, if I could put it that way. We would all love to get back to being a more manufacturing-led economy. The current situation that we find ourselves in is much more advantageous to the manufacturing and distribution of physical goods. I go back to the ADP example. That is one of those.

If I were to think about how we focus down, to your question, and how we leverage the position that we currently find ourselves in, in terms of what that could mean, you cannot get away from the dual market access and everything that brings in terms of the manufacturing and distribution of physical product. That is a further string that we could add to our bow in terms of our economy.

In your own part of the world—I am from there originally—I would look at the coast going the whole way around and even on the other side of the border. I think about this at night sometimes. Could we have a hydrogen zone? Do we have a freeport? It is kind of already there, even if we do



not call it that. This is some of the creativity and dynamic thinking that we should put to work here.

Ann Watt: I would agree with all of that. There is a need to focus on key growth sectors. The 10X Economy strategy, which the Department for the Economy published in the spring/summer of last year, 2021, focuses on driving growth in Northern Ireland through innovation and a focus on the particular sectors where Northern Ireland is strong at present and where there is growth in global markets coming. There is that focus in the Department for the Economy on particular growth sectors. That is to be welcomed.

As Gareth and others have said, successful small economies do not try to do everything. They try to do some things really well. That seems to be sensible. What we need to see is Invest NI following up on that strategy from the Department, which is not trying to do everything but focusing on particular areas where we have strength and the potential for growth.

Accompanying that, we need to see the investment in skills so there is a pipeline of people coming through who can do the jobs in these kinds of firms. We need to see investment in the infrastructure to support that, and we need to see Government investment in R&D to support that innovation and growth.

Q22 **Mr Campbell:** The reason I raised that, Chair, is that the UK Government have talked about freeports being created, but they have not really outlined what that would mean or where they would be. A couple of months ago I raised the possibility of expanding that freeport to become an economic zone. I did that because of my own constituency background, where you have a port, an airport and a huge land bank that was given by MoD to Ballykelly. It is hundreds of acres that, for the most part, are lying fairly desolate. That could become an industrial hub.

My colleague mentioned Coleraine and North Antrim, where there is huge superfast broadband access. That could become a dynamic creation of economic activity, if there was the will to say, "This is what we are going to do, and we are going to do it over the lifetime of a Parliament and create X thousand jobs". Would you agree that something like that could give transformational hope for the future?

Gareth Hagan: I absolutely do. What you have done very well is pull together a number of the bits of the jigsaw that we have talked about in terms of focused investment, directing that investment into the right sectors and regional dispersion, given the part of the world that you talked about. I agree with that.

The current position that we find ourselves in is favourable to that. We are not blessed with natural assets, but, if you think about the area of the world that you mentioned, we have an abundance of wind and water. We have space; we have land. You do not need to be a rocket scientist to



work out how you could creatively put those elements together into something that would be transformational. I agree, yes.

Q23 Sir Robert Goodwill: I would like to ask Mr Hagan a little about foreign direct investment. When we were at Spirit AeroSystems, on the former Bombardier site, there had been a little bit of what was described as recreational rioting up at the port of Larne. They were on the phone from Wichita, Kansas, asking, "Is the plant safe? Is someone going to burn down our factory?"

Although we know that things in Northern Ireland are so different to the way they were, is there still a perception around the world that Northern Ireland is a volatile place or that it might be a dangerous place to invest?

Gareth Hagan: The bigger challenge, frankly, is whether people have an awareness of Northern Ireland, rather than whether they have a perception of it being a volatile or dangerous place, honestly. I have been in boardrooms and other rooms across the world, and I have been posed that question: "Where are you from? Where is that?" They do not understand precisely your status.

An awareness of Northern Ireland needs to be built. There is a positive to that: if you do not have an awareness of Northern Ireland, you do not necessarily have an awareness of the past, particularly in a corporate context. Personally, as someone who has lived away and come back or whatever, I think it is a little overplayed. Others round the table may have a different view.

When I speak to investors, I do not encounter a perception, a hurdle or a barrier to get over around political stability or volatility. I do not see that very much at all anymore.

Q24 Sir Robert Goodwill: Depending on the way you look at it, the either insurmountable problem or great advantage is the fact that Northern Ireland has its own specific situation with regards to Brexit and the protocol. In your view, is this a tremendous advantage in terms of attracting investment access to the EU market? Are there particular sectors that might see problems more than others?

Gareth Hagan: I hope I have been reasonably clear in my comments so far: I do see it as an advantage. Yes, I do. I look at that in the same way as I would look at it if it was another part of the world. The fundamentals are the dual market access that we have and the proximity to a very significant market for Northern Ireland and the UK, which is basically on our doorstep. In any context, those would be looked at as a very significant competitive advantage that one would seek to leverage. I do believe that to be the case.

To my earlier comments, it opens up opportunities around sectors in Northern Ireland that have not been as significant as we would have liked them to be. Back to my point about building the economy of the future



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and what that is going to entail, it really gives us a unique opportunity that we should leverage, 100%, yes.

Q25 Sir Robert Goodwill: How integral to the whole Northern Ireland economy is attracting overseas investment? Is there more the Government could do in terms of facilitating that?

Gareth Hagan: It has always been a bigger proportion of our economy than elsewhere in the UK. I quoted the stats earlier in terms of our share of FDI. We have historically been overweight in population terms at least. In order to continue to redress the imbalance and shift the economy in the way we have talked about through this session in terms of greater productivity and quality of employment, you have to create an environment where people come and people do not want to leave. Foreign direct investment has been proven across the world, particularly in a small economy context, to be a very effective strategy to do all of that.

Q26 Sir Robert Goodwill: Ann, do you want to come in briefly on that?

Ann Watt: Just responding to some of those points, all the evidence would suggest that the biggest thing foreign direct investors look for is stability in Government. Gareth is much closer to the frontline experience on this than I am, so I am not going to comment on whether events last year have affected that, but stability in Government is the most important factor.

Investors also look for a Government with a clear economic plan and a clear investment plan for the future. I would suggest that one of the shortcomings of the Northern Ireland Executive is that they lack that ambition for the future. We have talked a lot this morning about ambitious plans for change and growth in Northern Ireland. I would say the Executive have fallen short on that in terms of really grasping the opportunities. They have not put in place longer-term plans for investment in infrastructure, skills, R&D and so on that would really convince investors of the future direction of Government policy in Northern Ireland.

There are some shortcomings of the Northern Ireland Executive there that need to be addressed in terms of longer-term policymaking and much more ambition about what the Northern Ireland economy could achieve.

Gareth Hagan: Could I add one final comment on this point? I talked about what investors like: they like market access; they like a business-friendly environment; they like low-cost environments et cetera. The thing that comes across time and time again that they do not like uncertainty. Uncertainty is a little bit different to stability.

To your earlier comment around political stability, I would say that uncertainty is something a little bit different. There is a fair degree of uncertainty around at the moment owing to Brexit, the protocol and



where that might land or whatever. That uncertainty is certainly unhelpful.

Q27 **Sir Robert Goodwill:** Would you say the intermittent operation of Stormont is part of that uncertainty and doubt about that?

Gareth Hagan: You could argue that it contributes to it as well. I have it on good authority that the investment pipeline in terms of investors with an interest in Northern Ireland is stronger than it has ever been. I wonder whether there is something in terms of how that moves through the pipeline to completed and confirmed investments. I would hazard a guess that uncertainty will be an element in that as we move forward, yes.

Q28 **Chair:** Mr Hagan, I think the answer will be yes to this, but correct me if it is not. Have you plotted a graph about your stability, confidence or certainty requirement and how that manifests itself in direct foreign inward investment? When everything is working well, do investments go up? When it is not going well, do investments either pause, drop or retreat?

Gareth Hagan: Yes, you would not want to see some of the graphs that I have plotted in my career, but we have certainly plotted graphs that are similar to some of the things that you have mentioned. Foreign direct investment attraction is not about doing one thing well; it is about doing lots of things well. When you do lots of things well, like the things we have talked about in this session, it is a really powerful formula.

I would come back to an economy like Singapore, which is an interesting one in the context of Northern Ireland, given its size. Even its ethnic makeup is interesting, if you go back and look at history. Singapore is a good example of a nation that does it very well. You would line up all of the things that we have talked about. Do you deliver outcomes? You absolutely do.

Q29 **Chair:** Mr Hagan, could I ask you this as well? We are all politicians, and we represent little bits of geography around the United Kingdom. We look at it in terms of where the politicians draw their lines. We have the common travel area, as we know.

In earlier questions and exchanges with colleagues and with both of you, there has been talk about skills, immigration, education and so forth. When overseas investors are looking to make an investment, are they making it exclusively with an assessment of what is down on the ground in Northern Ireland? Do they look at the UK dimension? What assessment do they give to the all-Ireland economy, the common travel area et cetera—the skillsets both north and south of the border?

Gareth Hagan: It can be all of those, but, for the purpose of this conversation, do they look at it in the context of the UK? Let's say yes to that, and then we can maybe talk about the all-Ireland dimension, which we have not done so far.



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Yes, that is relevant; it is undoubtedly relevant. Again, to depoliticise that, I could look at other examples across the world where countries trade collaboratively in terms of FDI. There are good examples in Europe. Vienna trades heavily on its proximity to the Czech Republic. Dubai trades heavily as a gateway to the Middle East. Puerto Rico calls itself the 51st state of the US. There is no doubt that this type of investment spans national borders.

I have to say that we have good examples of that that are taking shape in the Northern Ireland context. I have spoken to colleagues of both of the gentlemen on my right here, who have talked enthusiastically about the Belfast-Dublin corridor and its opportunities and benefits. I have talked about the north-west plan. That spans the other side of the border as well.

A progressive approach where the sum of the parts is greater than the individual components would be a pragmatic way forward. There is an opportunity for us all to win here, yes.

Q30 **Fay Jones:** mentioned that the pipeline for investment is stronger than it has been for some time. I wondered what your assessment would be of the Department for International Trade's role in that. Is it fully seized of the nuances of how things work in Northern Ireland? Could that be stronger?

Gareth Hagan: It could be stronger, but it is better than it was. I have had the privilege of working with the Department for International Trade, so I have and do see examples on a daily and weekly basis where Northern Ireland is at the fore in terms of competing for projects or for mobile investment.

To my earlier point, we sometimes talk about the difference between what I would call supply-driven investment, where you create the opportunity around a piece of infrastructure or a specific project, and demand-driven investment, which really is driven by the investor and you are trying to catch it as it comes past you. There is an opportunity to create a little bit more of that supply-driven investment in Northern Ireland. That goes back to some of the opportunities that we have talked about in this hour.

As with any process where there are different organisations involved, could the co-ordination be better? Yes, undoubtedly. Could there be a little bit of us, as a small economy, shouting a bit louder? Yes, undoubtedly. My firm facilitated a session just before Christmas where we had the Department for International Trade and Invest Northern Ireland together for a day in Belfast, talking about these very topics. There is an acknowledgment that there is room for improvement. If we can make that improvement, there is lots of opportunity as well.

Q31 **Fay Jones:** Mr Paisley gave the very good example of Coleraine. Is the plan for the DIT investment hub in Belfast the right way to go, or could it



go somewhere that would be more advantageous?

Gareth Hagan: On its physical location, I have had the same conversation with the folks in DIT as to whether you relocate civil servants out of London. Both from a practical and an optical point of view, it is good to spread resources around. As well as practically, the awareness it builds and the softer benefits are significant. I would not rule that out as a fairly effective symbolic step as well, yes.

Q32 **Fay Jones:** Away from the physical presence, does it fit strategically into what the Government are trying to do?

Gareth Hagan: It does. As we have talked about, there is lots of further opportunity in Belfast, but Belfast has benefited and has had a good run, if I can call it that, in the last decade. The investment we seek to attract in the future will not be the same as the investment we have attracted in the past, nor should it go to the same locations.

Ann and I have talked about the need to rebalance the economy towards net zero and other important priorities. I have had the privilege of working with one of the biggest manufacturers in your constituency, which, as we all know, is leading the way in terms of hydrogen technology. If you fuse that with the infrastructure pieces that we have talked about as well, that strategy could be really effective, yes.

Fay Jones: I have a hydrogen fuel cell car manufacturer in my constituency. I will look you up for details on how you are getting on, because I agree with you.

Q33 **Mary Kelly Foy:** Welcome to you both. For me it has been heartening to hear how upbeat and positive you are about the future of the economy in Northern Ireland. How do you assess the impact of Brexit on Northern Ireland as a trade and investment partner? Do you believe that the protocol and all the uncertainty surrounding it will deter investors from investing in the region?

Gareth Hagan: I have talked about that a couple of times through the conversation, Mary. There are a couple of points that I would add. The devil is in the detail here. The detail and the reality sometimes get a little bit lost in the rhetoric.

I was quite encouraged back in October or November time when there was this proposal floated around. Let's be really specific here. There is a lot of noise about border checks, but I would make the distinction between food with a two-day shelf life and an M&S barcode, and the regulated medical products that are coming into Belfast. Let's get into the detail; those two things are fundamentally different. The proposal around not having any checks on the former and then being realistic and sensible about the latter is fundamental.

I am a glass-half-full guy by nature, and there is an opportunity to work through this. The bottom line is that, when you are not in the common



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market, there is an element of checking that has to happen somewhere. I come back to my, albeit simplistic, example of the M&S ready meal versus the regulated medical product. They are fundamentally different. Let's sort the first one out. The first one gets a lot of noise.

It is actually real, by the way. If you go to an M&S shop in Northern Ireland in the last couple of months, there is barely anything on the shelves. Let's sort that out, because that is not good for day-to-day life either, but then let's get to the nub of the issue in terms of how we make this arrangement work. That is going to require getting into some of the detail that I have referred to.

Ann Watt: Just briefly, businesses will tell you that the protocol offers big opportunities for Northern Ireland in the unfettered access to both markets. As Gareth said in one of his earliest comments, businesses will find those opportunities. They will pursue them.

There are issues with the protocol that need to be resolved, but I would echo those points about needing to get into the detail and resolve that but also see the great opportunity that it presents for Northern Ireland. Businesses are already doing that. There are some that are already relocating operations to Northern Ireland because of the market access. That can be built on.

However, business and investors want certainty and predictability. The political difficulties around the protocol at the minute mean they are not getting either of those things: they are not getting the certainty and the predictability. We need a quick resolution and, as Gareth says, to get into the detail to do that.

Gareth Hagan: Alongside the things we have talked about in regard to foreign direct investment and why Northern Ireland is a unique opportunity, we are also attractive to UK companies. When we think about levelling up and greater connectivity between Northern Ireland and the UK, it is also an attractive proposition for UK companies to avail of the market access that Northern Ireland might offer in the future. We should not look at this purely through the prism of international investment. What is good for the international investor is good for the UK investor as well.

Q34 **Mary Kelly Foy:** The unique position that Northern Ireland has of being in both markets is creating opportunities. Do you see any downside to that at all?

Gareth Hagan: The downside comes back to the points we have mentioned in terms of, first, the uncertainty and the complexity, and, secondly, the political noise that sits around it. Businesses have been a little confused. I have seen some previous iterations of this Committee where you have talked about that, and you have had people from the manufacturing sector talk about the problems and complexity that the current arrangements have created.



To my earlier point, we can demystify quite a lot of that, and create clarity and assurance to create a stable basis to move forward.

Mary Kelly Foy: That is good to hear.

Q35 **Claire Hanna:** We have spoken about moving and retaining people and talent. Ann, I know Pivotal has looked a lot at this issue. Could you speak about the overarching trends in the movement of young people away and back to Northern Ireland? Gareth mentioned that he is a returner, and that phenomenon is to be welcomed. What are the general trends that you are seeing?

Ann Watt: Pivotal has taken a real interest in this issue of why young people leave Northern Ireland and do not return. Just to give you an idea of the headline numbers, there are 17,000 young people from Northern Ireland studying at universities in Great Britain at any one time across the academic years of a degree course, so 17,000 young people leave. We know that 64% of them do not return or have not returned one year after graduation. There is a huge loss of talent away to universities elsewhere and, significantly, those people are not coming back or at least two-thirds of them are not coming back.

Importantly, Northern Ireland does not have an inflow of students to make up for that loss. If you look at, for example, the data for English, Welsh or Scottish universities, they will have quite a significant outflow of students, but they also have a big inflow. Northern Ireland does not have that. We are losing large numbers of young people. People say talented young people are one of Northern Ireland's biggest exports.

Given a context where we are looking at having an ambitious economic strategy for Northern Ireland, and looking for high growth in high-skill, high-wage sectors, we need to be retaining more of those young people in Northern Ireland and, indeed, attracting them back. There is nothing wrong with going away for university, working somewhere else and getting new experiences. In fact, that is a great thing—a really good thing. It is something I did myself and stayed away for years, and also came back as a returner to Northern Ireland. But we need to do much more to encourage people back later in life, as well as retain them in the first place.

We have done a recent report on why young people leave Northern Ireland and it came up with some really interesting results. This is a research survey and interviews with more than 350 young people. We asked them why they left to study elsewhere and what would encourage them to return. In summary of that, there are both pull and push factors that cause young people to leave Northern Ireland. The pull factors, things that attract them away, are what you might expect about university courses elsewhere, about wanting to get away and have a different experience, about a sense of being able to access better job placements and, indeed, graduate opportunities elsewhere. Those things attract people away.



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The thing that was new, interesting and actually quite powerful in this research that we just published was that young people reported very strongly that they also feel pushed away from Northern Ireland, because of poor community relations and because they see the Northern Ireland Executive not being a Government that represents them. They felt they wanted to leave Northern Ireland because they saw it continuing to be a divided society and because they did not see the Executive responding to the issues that mattered to them as young people. They therefore welcomed the opportunity to go away.

Those were quite stark findings, quite sobering findings in lots of ways, about continuing division in Northern Ireland and about young people's perceptions of Government in Northern Ireland. I would say, as a policy recommendation coming out of that report, we need to see much more ambitious strategy about retaining talent in Northern Ireland. To say we need a more ambitious strategy, we need a strategy at all. I was shocked to see when we looked at this issue that there is no policy in place at all about retaining talent in Northern Ireland or attracting people back.

The Executive really should prioritise that, to look at higher education funding in Northern Ireland, the cap on higher education places and how we can encourage people back later in life who have gone away to study elsewhere.

Q36 Claire Hanna: Thank you; that is really interesting. It is good that you have been able to do that qualitative research with young people. It would bear out that rancid sectarianism and social regressiveness anecdotally seem to be the push factors. Have you any evidence of that growing or decreasing as a factor?

You are correct to say that it is a natural thing to want to leave as well and people leave excellent places, but is there a shortage or undersupply of third-level opportunities in Northern Ireland? Did you find much evidence of people who would have wished to go to university in Northern Ireland but a place was not available for them?

Ann Watt: Yes, to your second question first: without a doubt, there is far more demand for university places in Northern Ireland than there are places for students. We know that there are 100 applicants for every 60 places. Some of the young people who leave Northern Ireland are definitely leaving because they are actively saying they want to go away, to go to a particular university or to do a particular course. A significant number of them are also going because there is not a higher education place for them in Northern Ireland.

The Committee may be aware of the student numbers cap that is in place from the Executive. That number has not increased significantly in recent years and higher education funding has not increased either. There is a huge issue there for the Executive, to look at the whole approach to funding higher education in Northern Ireland, including the number of places.



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Your first question was whether people's views on sectarianism and division in Northern Ireland are changing over time. We just did a current snapshot research, so I cannot say whether they are changing over time. It is obviously deeply depressing that, more than 20 years on from the Good Friday agreement, young people who probably were not even born at the time of the Good Friday agreement are still reporting that they find the society in Northern Ireland really divided and that they are keen to get away from it.

Q37 Claire Hanna: Gareth, do you have anything on the places in particular?

Gareth Hagan: I will just add one point. The constraint around the places—the MaSN cap, as I think you call it—is definitely something that we need to look at. I will maybe just take the education point one level further. Education is a source of innovation and entrepreneurship. I cannot quote the exact data, but I have it on good authority that Queen's in particular is a hotbed of successful spin-outs, resulting in innovation, entrepreneurship and economic activity. I am sure of the same within Ulster University as well. Let's not lose sight of that link, which is basically education as a springboard into economic activity. We have proven that even on a constrained basis we can do that very well.

Q38 Chair: In that subliminal messaging, do you think it is widely enough understood across all of the communities of Northern Ireland that it is education that provides all of the keys for everyone to open all of life's doors?

Ann Watt: If you look at the educational attainment data split by socioeconomic background and by community background, it is well known that the lowest attainment is those from the poorest socioeconomic background. The lowest attainment of all is from boys from a Protestant background. There is definitely an issue there about levelling up, coming back to that phrase. There is definitely an issue there about closing that attainment gap for all those groups who are underachieving, particularly people from more working-class backgrounds. That has been an issue in Northern Ireland for many, many years. It has been a focus of multiple policy reviews.

There have been improvements. If you look at the data, there is definitely an improvement in attainment for the groups that have performed more poorly historically. It is improving, but it needs a sustained, ongoing focus, looking at not just what is going on in schools but the family and community support that is behind those children and young people.

Q39 Chair: The private sector is usually very good at forging good relations with universities, because the universities are very good at forging relationships with the private sector. What is the outreach from the private sector, in going into schools to talk about the skills required for the 21st-century economy?



Gareth Hagan: There are lots of examples, and Ann might share some specifics, of where we have done that rather well in Northern Ireland. You could attribute the development of the tech sector and the skills required within that as much to private sector investment in that, both indigenous and international firms, as well as the education authorities.

Again, it comes back to one of the benefits, I would argue, of a small economy where, in theory, you should be able to do that more easily, with a smaller private sector and a more accessible education sector. That should be a strength. It has been a strength. In fact, I think I am right in saying that we have been very successful in creating bespoke programmes that have produced exactly the right type of talent we need for those opportunities. We need more of it, please, yes.

Q40 **Ian Paisley:** This really goes to what Ann was saying. It was very powerful. We heard from Queen's University about the drag factor that having a cap on Northern Ireland students created for keeping talent and skill in Northern Ireland. Chair, this Committee would do well to make a recommendation to the Government that they have to lift that. Otherwise, we are just on a continuous circle here.

I am wondering if there is room for the Government to be working on a programme at those universities in England and Scotland where young people from Northern Ireland come, have brilliant academic careers and then go on to other careers outside of it. Is there a programme that could be put in place to encourage them to come home afterwards? You are a diaspora on the GB mainland, but you should be coming home after you have learned those life skills. Is there room for that type of programme?

Gareth Hagan: On something like the programme that you mentioned, absolutely, it is a great idea. You will be familiar, I am sure, with Northern Ireland Connections, which is a diaspora programme and actually has been effective in getting the word out and bringing people back. All that we have talked about in terms of creating the economy that we aspire to is the pull factor that we do not quite have at the moment, because there are more attractive, or at least perceived as more attractive, opportunities elsewhere. Yes, there are the specific programmes like the one you mentioned, but also the underlying economic activities that we talked about.

Q41 **Ian Paisley:** Ann, should the cap on Northern Ireland students be lifted?

Ann Watt: Yes, definitely. The Executive needs to look at the whole funding piece for higher education in Northern Ireland. Funding has not risen for 10 years. The cap has not changed significantly for 10 years. Northern Ireland's economy is changing.

The global markets are changing. We have new economic plans and we need a revision of the cap. It is not just about the student numbers; it is also about the funding that goes in, whether it is Government funding or whether it is funding from student fees, because all of that contributes to the quality of the student experience. If you are not providing a quality



student experience, that is another reason for students to leave and go elsewhere.

On your point, Mr Paisley, about a scheme to get graduates back who have studied elsewhere, that is a good example of something that could be part of a much bigger strategy for addressing educational migration. At the minute, as I said, there is no plan whatsoever. Students go and that is it. There is no connection with them while they are away. There is nothing in place to share information about them and about reasons why they might come home to Northern Ireland or opportunities that there might be. That is a real shortcoming that should be addressed.

Q42 Ian Paisley: Tens of thousands of people in Hong Kong have applied for BNO—British national overseas—status and have been granted, effectively, British passports. There clearly is a desire and they see the UK as a location where they would come if things in Hong Kong did not suit them in the future. Is there an opportunity for us to be marketing Northern Ireland as a location for Hongkongers to settle, to raise their families and to have employment, bringing a whole new dimension into our economy and into our country, given that we already have a very highly successful indigenous Northern Ireland Chinese population, principally from Hong Kong in the early 1970s also?

Ann Watt: Potentially, there is. It is not something I have given any thought to at all, but, in terms of thinking about how we meet our future labour needs and skills needs, it could be. You would have to think about how to ensure really effective integration of a large new community into Northern Ireland. Northern Ireland, as the Committee will be aware, struggles with issues of integration, as well as integration of newcomers in some circumstances. It would be important to look at that properly.

Gareth Hagan: That is a really interesting idea. I have not thought about it either, but I have a couple of initial thoughts on it. You could say that, with Hong Kong and its relationship to China, specifically Greater Bay, there are parallels to Northern Ireland and its position in the UK context. That is an interesting parallel.

We work with the Government of Hong Kong and have done for 15 years. The economic make-up of Hong Kong, in terms of fintech, technology and the other sectors that are prevalent there, would be a very welcome addition to our skills base and our economy here. As I say, I have not given it any thought, but there is an interesting idea there somewhere, yes.

Q43 Sir Robert Goodwill: I would like to ask a little bit about how good Governments have been at picking winners in terms of the sectors that are likely to be the sectors of the future. I know as politicians we are often lobbied to try to bail out industries in decline—the shipyards, the steelworks, et cetera. What are those sectors of the future and have you confidence that the Government will be able to identify where to put in that seed corn money, where to put in that investment, where to work



with the universities to deliver that?

Ann Watt: In the Department for the Economy's 10X Economy strategy, published in the spring of last year, they identified what they see as the key sectors. They see growth in Northern Ireland very much being driven by innovation in those sectors. They have identified those based on where Northern Ireland's current strengths are and where future market opportunities are. There are sectors like software, artificial intelligence, cybersecurity, advanced composites, green tech and various others. It seems to me that that makes sense.

As we have discussed, small economies need to specialise and not try to do everything, so that seems like a sensible approach to me. You need then to make sure you are linking properly, as has been mentioned, into the universities particularly and building on the strengths there are with the research capacities in the universities in Northern Ireland at the minute, but it would seem good to me that you focus on those sectors.

My one word of caution would be that Northern Ireland's economic growth needs to benefit everyone, not just those who are able to secure the higher-paid, higher-skilled jobs. We have to make sure that any strategy based on these high growth sectors benefits the whole of the economy and of society, noting the issues we have talked about already: high levels of economic inactivity, low levels of skills and high levels of inequality in the population as a whole. This should not just be about some people who do very well out of the success of some sectors.

Q44 **Sir Robert Goodwill:** The hydrogen economy has already been mentioned in this session, given that Northern Ireland has a fairly recent gas network, which would be more suitable for hydrogen than others. Is that one that has been earmarked? I know that Wrightbus in Ian's constituency—it would be probably too strong to say it is betting the farm on hydrogen—certainly sees hydrogen as the future for heavy vehicles. Do you think Northern Ireland could build on that?

Gareth Hagan: Yes, I referred to Wrightbus earlier and the privilege of working with the company. I talked at the beginning about the fact that the global economy is at a crossroads in terms of industries that are evolving. There is a sweet spot for Northern Ireland in leveraging what we have become very good at in terms of digital, software, technology skills, which are going to sit across a lot of that future economy, but also broadening that and bringing in other elements like hydrogen. Manufacturing has talked about how the protocol and various arrangements might aid that as well.

I do believe there is a sweet spot. It is about this point I made around looking forward, not being hung up about what we have not done in the past, but leapfrogging into these future-looking sectors. With decisive decision-making, we could really make a difference there, yes.

Chair: You have both touched upon this. Not everybody can be a



research chemist or a consultant heart surgeon.

Claire Hanna: Not with that attitude.

Q45 **Chair:** It was more of a question than a de facto statement. I could not, certainly, because I do not like blood. That is by the bye.

Quite a lot of commentary that we have heard these last several months, and I am going to paraphrase, has been that the peace dividend of the Good Friday agreement has benefited everybody. The prosperity side of that peace dividend coin has disproportionately benefited the professional and high skilled in terms of inward investment and that sort of thing.

What could be done to address that economic activity in order to see a strategic focus on the provision of reliable but not necessarily high-skilled jobs, so that all strata within the socioeconomic breakdown feel that they have a stake in the game, an investment in Northern Ireland, an opportunity to grow their families, provide their livelihoods, et cetera?

Gareth Hagan: Ann, do you want to start? I have a philosophical view, but you have a more data-driven view.

Q46 **Chair:** It may be a philosophical question. Everybody who talks about inward investment talks about cyber, or about this, that and the other, but sometimes we need to focus on that range of jobs provided by a range of investments.

Ann Watt: It is about investing in skills, so that we are upskilling the population to be able to benefit from not necessarily the highest-skilled jobs, maybe not the jobs that require a degree or a master's degree, but maybe the jobs that require a vocational qualification at level 3, 4 or 5. It is about upskilling everyone and then having a smart approach to the kind of investments being encouraged that looks at using that range of skills.

It is both a supply side and a demand side thing, if you want to talk like an economist. On the supply side, it is about increasing the skills at all levels, noting the 25% of people in Northern Ireland who have no or very low qualifications. The skills barometer in Northern Ireland, produced by the Economic Policy Centre at Ulster University, indicates that the biggest skill shortages in Northern Ireland for future sectors are in the middle levels of vocational qualifications, rather than the very high-level qualifications.

It is about boosting those groups into further education and potentially into higher education after that, and giving those people the skills where they can avail of some of the opportunities, while on the demand side making sure that opportunities are not just at the very highest skill level.

Q47 **Chair:** Does that suggest a greater focus on lifelong learning?

Ann Watt: Yes, without a doubt. That is within the Executive's skills strategy, which is out for consultation at the minute. It has a clear emphasis on lifelong learning, because we absolutely need to change



what is going on in schools at the minute, but that is only going to help the young people coming through the education system. We need to be looking at the huge stock of people within the adult population who have very low levels of skills as well.

Q48 Chair: Would you characterise that consultation as an evolutionary step in a process or quite a large innovative step in terms of focus and resource?

Ann Watt: Do you mean the skills consultation?

Chair: I mean the focus on lifelong learning.

Ann Watt: That will be a big change in how skills are approached in Northern Ireland generally.

Q49 Chair: There has been an under-focus on it hitherto.

Ann Watt: Yes, without a doubt.

Q50 Chair: Shall we have a bit of philosophy now, Mr Hagan?

Gareth Hagan: I was going to give you two dimensions. I will save philosophy for the second. Let me talk about it in terms of investment cycles. If you look at foreign direct investment across the world in any given year, 70% of total foreign direct investment is reinvestment; i.e. it is a secondary investment from an existing investor.

To your point, basically you have to focus on the reinvestment, because actually quite often that looks different and is going to bring in a different skill set and different talent pool. What might start off as the brain surgeon doing the research can evolve into the pharmaceutical distribution or whatever might come along with it.

From an investment cycle point of view, we need to make sure we do not miss that opportunity. If we have had a good decade, let us make sure that the next decade is even better.

From a philosophical point of view, I believe that there is a little bit of success breeding success. Seeing people succeed inspires others to do the same. We need to create something so that we can inspire and create aspirational opportunities that have not always been there in Northern Ireland. If the guy or girl around the corner is getting on, you start to think about it yourself as well. I hope that we do not miss that opportunity. We have to realise that that does not always happen by osmosis. We need to make that happen and create those opportunities. Those would be my two perspectives on that.

Q51 Claire Hanna: We have talked about skills tangentially in terms of inequality in schools and maybe undersupply of university places. I know we rank very, very low in terms of that. What would be your top one or two things that the Executive need to do right? I know there is a focus on them in the city deals, certainly for the Belfast region ones, but what are



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we lacking in skills and, as the Chair has indicated, for different parts of the economy?

Ann Watt: Overall, the stats show, as we have talked about, that we have a high proportion of people with no or low qualifications. We are looking at people who do not have any qualifications above GCSEs, if indeed they have that. That is one focus. Then we have a low proportion of people with degrees compared to the rest of the UK or compared to Ireland. Those two things are a focus.

I just mentioned the skills barometer, produced by the Economic Policy Centre at Ulster University. It looks at the future skill needs of the Northern Ireland economy over the next 10 or 20 years. They have identified particular shortcomings in vocational qualifications at levels 3, 4 and 5. That is where they would say the biggest skill needs are going to be.

As the global economy changes, the nature of work is going to change, and there are going to be far fewer low or no-skill jobs. We need to prioritise supporting people who do not have skills to be trained up and get qualifications, so that they can get jobs and compete in a jobs market that is developing, where some jobs are going to disappear in the coming years.

Q52 **Claire Hanna:** Do you have anything to add to that, Gareth?

Gareth Hagan: From a business point of view, make it simple. Reduce the red tape. We talk a lot about investment, innovation, R&D and skills. It can be complex to navigate at times and removing that complexity would be a benefit. I look at economies like the US that do this in a pretty black and white way, in terms of the incentives, the grants and the programmes that they put forward. Perhaps one of the Brexit benefits is that we have a little more leeway to do some of that than perhaps we had before.

I would just make it really simple for business. It comes back to the point I made before: just make it really clear where the investment is, and how it links to the return on investment and the benefit. Sometimes in this space there is a minefield to navigate. Make it obvious to business how to actually make that happen.

Q53 **Sir Robert Goodwill:** I was just going to ask if Northern Ireland faces the same problem that we face in North Yorkshire. Employers complain that the basic skill that people lack is the skill to get out of bed and arrive at work at 8 am on two consecutive days. Now they do not have the option of getting the Lithuanian guy to come and do the job instead. What can we do to get these difficult-to-reach people, maybe people with disabilities or ex-offenders? Is there more scope to actually get people who probably did not even see themselves as being part of the workforce into the workforce and building that self-respect of work?



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Gareth Hagan: Yes, that is somewhat of a philosophical question. I would say there are fewer Lithuanians around in the last couple of years. Whether the local workforce is the right solution to pick up some of that slack, I will not comment on that. My experience is that it is about creating opportunity and hopefully we have demonstrated in the last hour that that is fundamental to this. Typically, motivation will stem from opportunity.

There is not a silver bullet here. There are practical interventions that we have talked about on the training side, and there is economic development and policy interventions that create the bigger picture that people can relate to. However, there is not a silver bullet. It is a number of the things that we have talked about.

Ann Watt: We have discussed the high levels of economic inactivity in Northern Ireland. As has just been mentioned, that may be because of disability, caring responsibilities or some other reason. There are often complexities in people's lives, which mean it is very difficult for them to work, or maybe they have given up on work because of what has happened in the past.

With the right tailored support, people can be helped to get into training and hopefully into jobs. Many people, even though they are economically inactive, may actually want to work. It is just there are too many barriers in their way. There are things that can be done, which may involve quite intensive support for a period, to support people in that situation.

Gareth Hagan: If anything, the experience of the last 18 months or two years has taught us that there are different ways to work. The ways in which we work have changed, will change and will have changed forever more. Therefore, some of those barriers that Ann has alluded to, which may have been real inhibitors to people working up to now, are maybe not the case when we think about remote working, digital working, et cetera. It is all of those things that we need to put in the mix.

As we think through, to one of the earlier questions around Northern Ireland's priorities and the things we should double down and focus on, to me that should be an active dimension in this in terms of understanding the constraints, real or perceived, and the policies and industries that will address those.

Chair: Thank you both very much indeed. It has been a fascinating first session on this inquiry. You have both given us a lot of information and food for thought. The Committee is grateful to you for that.

Mr Hagan, your answer being a philosophical answer reminded me of Father Jack Hackett in "Father Ted". Whenever he was asked a difficult question, he always said that it would be an ecumenical matter. You are in good company in that respect. Thank you all very much indeed for your time.