

Industrial Development Policy in Northern Ireland — An Evaluation of the IDB

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I INTRODUCTION

A number of studies have highlighted the depth of the economic and social problems which have persisted in Northern Ireland for many years (NIEC, 1989; Kennedy, Giblin and McHugh, 1988; Rowthorn and Wayne, 1988). Since, at least, the 1950s unemployment in Northern Ireland has remained stubbornly above the average for the UK and, perhaps more significantly, above the rates pertaining in Scotland, Wales and the most depressed regions of England. In comparison with the Republic of Ireland the unemployment rate in the North has been around the same level for the last four years. Almost every other indicator of economic and social welfare in Northern Ireland has shown absolute and relative disadvantage. In 1988, for example, GDP per head of population in Northern Ireland was only 76.1 per cent of that in the UK and on a downward trend since the late 1970s (NIEC, 1990a). With a loss of over 42,000 manufacturing jobs over the last ten years, almost one-third

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of the total in 1980, there is now only one in four people working in manufacturing industry, the lowest proportion of any region of the UK outside the south east of England, and around the same share as in the Republic of Ireland. Moreover a recent forecast (Gudgin and Roper, 1990) suggests that the prospects for the Northern Ireland economy will remain very poor. In this context industrial development policy has had, and will continue to have for the foreseeable future, a key role to play in attempts to regenerate the Northern Ireland economy and to create sustainable employment.

The purpose of this paper is to look at the contribution made to employment creation by the Selective Financial Assistance (SFA) scheme operated by the Industrial Development Board (IDB). Section II looks at the general problems involved in evaluating industrial development policy while Sections III and IV present the results of a study of the job creation performance of the IDB since 1982 when the agency was first established. The relationship between job promotions and job creations is examined and information is presented on the actual number of jobs created in IDB assisted companies over the period from September 1982 to June 1988. Estimates of the gross exchequer cost of creating the employment are also made. In light of the results of the study of IDB's performance Section V discusses a range of policy issues relating to industrial development in Northern Ireland. The final section presents the main conclusions of the paper.

II EVALUATION OF IDB SELECTIVE FINANCIAL ASSISTANCE

The primary objective of the IDB is "to maximise continuing employment opportunities in industry and tradeable services in Northern Ireland" (IDB, 1985). In order to evaluate the performance of this agency, therefore, it is necessary to look first and foremost at its record in terms of creating employment. The main indicator of performance used by the IDB itself, and which is published each year in its annual reports, is the number of job "promotions" which it has achieved in each financial year. This indicator, however, is far from sufficient for an accurate assessment to be made of the actual performance of the IDB. This is because the number of jobs promoted by the IDB — the number of jobs that firms state they will try to create over a given period of time and with a given level of financial assistance — is likely to be quite different from the actual number of jobs *created*. At the general level of the economy, for example, it is clear that job promotions have not led to net employment creation. Over the ten year period 1979-80 to 1988-89 the two development agencies in Northern Ireland, the IDB (pre-1982 the Department of Commerce) and the Local Economic Development Unit (LEDU) claim to have promoted over 74,000 jobs and renewed or maintained a further

100,000 jobs which were deemed to be at risk, and yet over this same period manufacturing employment actually declined by 42,000.

There are a number of possible reasons why job promotions may be substantially different from job creations and, therefore, act as a poor and misleading indicator of performance. In particular, firms receiving assistance are likely to be as optimistic as possible about the employment potential of assisted projects since the provision of financial assistance by the IDB is to a large extent dependent on the number of jobs to be promoted. Moreover, it is also in the interests of the IDB to encourage as high a number of job promotions as possible when that measure is used as its main indicator of performance. Largely as a result of similar reasons put forward in the Telesis Report, and recommendations made by the National Economic and Social Council (NESC, 1982a; 1982b) in the Republic of Ireland, the Industrial Development Authority (IDA) changed its annual performance measure from job approvals – essentially the same as job promotions – to “first-time job creations” – the number of gross new jobs in an assisted firm in excess of the peak employment in that firm in any of the previous five years. It should be noted, however, that although preferable to job promotions or approvals first-time jobs are also limited as a performance indicator because they do not allow for job losses in assisted firms or the durability of assisted employment. On the latter point the IDA appears to have begun to allow for the sustainability of employment in its performance figures (published for the purposes of the Programme for National Recovery).

If the full extent of the problems associated with evaluating the performance of an industrial development agency, such as the IDB, are to be understood a number of additional points should also be noted. First, it is a condition of the SFA scheme run by the IDB that an investment project proposed by a firm could not go ahead without assistance. In other words there should be no element of “deadweight” or “additionality” in the provision of financial assistance. However, it seems likely in the case of the IDB that this condition is not always met because of the large amount of financial assistance available, and the apparent relative ease of obtaining grants in comparison with other parts of the UK. In this context it is difficult to know whether job creation associated with assistance might not have come about anyway. Second, even in situations where aid did lead to genuine new jobs other factors, such as fortuitous market conditions or exchange rate levels, might have been more, or equally, important factors in their creation. In cases where assisted companies actually exceed promotion targets at a time of economic buoyancy it might not be appropriate, therefore, to associate all job creation with financial assistance, even though it is likely to have had an important impact. In the case of Northern Ireland, however, this is unlikely to have been of relevance

if only because of the depressed economic conditions throughout most of the 1980s. Third, the "displacement" effect — jobs that disappear in one area or plant as the direct result of jobs being created with assistance elsewhere — is difficult to estimate. In Northern Ireland this effect could be significant where some assisted companies serve only the relatively small and clearly defined local market, or draw upon a limited pool of skilled labour. Of course displacement is less likely, at least within Northern Ireland, in situations where assisted firms are operating in international markets. Fourth, there are a number of different types of financial assistance available in Northern Ireland and, therefore, it is difficult to identify the number of jobs associated with each specific type of assistance. The final and most fundamental problem in trying to evaluate the performance of the industrial development agencies in Northern Ireland is the almost complete lack of useful statistical information that is publicly available. The failure by both of the development agencies in Northern Ireland to develop useful monitoring systems means that necessary policy evaluation (even self-evaluation) cannot be easily carried out. This also means, of course, that the agencies have been left to operate in a relatively unaccountable manner.

One final point in this context is that the number of jobs actually created by a development agency, such as the IDB or IDA, although important, is not sufficient for a comprehensive evaluation. The quality and duration of assisted employment, as well as the quantity, should also be assessed. For example, whilst politically attractive in the short term, the creation of even a large number of low-skilled, low-paid and low-productivity jobs is unlikely to meet the needs of the unemployed or be in the long-term interests of a developed economy such as Northern Ireland. The specific characteristics of job creation in terms of skill content, industry type, wage level, gender breakdown, full/part-time working, and location are all factors which should ideally be covered in a comprehensive evaluation of industrial development policy. In the case of the IDB few, if any, of these characteristics appear to be considered in the negotiation of assistance to companies and they are certainly not monitored.

III THE IDB AND JOB CREATION

This section looks at the job creation performance of firms offered assistance by the IDB in each of the six years 1982-83 to 1987-88, and how this performance compared with original or amended job promotion targets. Job creation information is constructed in terms of six cohort periods according to the first year in which firms were offered assistance. Each cohort of assisted firms shows the overall net effect on employment creation of expansions, contractions and closures for each year after assistance was first offered by the IDB. For example, the subsequent job creation performance of the cohort

of firms offered assistance in 1982-83 is presented for each of the following five years up to June 1988. For this cohort a relatively lengthy observation period is available during which it should be expected that assisted firms would be able to fulfil their expectations in terms of job creation. In the more recent cohorts of assisted firms the observation period is clearly much shorter and, at least for those firms assisted in the years 1985-86, 1986-87 and 1977-88, a reasonable observation period has not elapsed. Even in these more recent cohorts, however, it would still be expected that some jobs would have been created even though sufficient time may not have elapsed for the total potential of assisted projects to have been achieved.

A clear limitation of this analysis is the problem of looking at assisted projects in which the possible job creation potential has yet to be fulfilled. However, to meet that condition an evaluation study would need to confine itself to looking at performance at least four or five years in the past since it can clearly never be known with certainty what will happen in the future. If a stable pattern of job creation compared with promotion targets was found then it might be possible to predict with some certainty the likely performance of companies which have only received assistance in the last one or two years. The use of "first-time jobs" by the IDA in assisted projects for individual years was an attempt to overcome this methodological problem. As noted already, however, this definition of job creation is also imperfect. Cohort analysis, of the kind presented here is probably the most justifiable methodology and similar to the type used for analysing the IDA in the Telesis Report (NESC, 1982a).

Table 1 presents the summary job creation information for IDB assisted firms for the period September 1982 to June 1988. Each row in the table gives the cumulative number of jobs created at June of each year for each of the six cohorts of assisted firms. It is important to note that the job creation

Table 1: *Job Creation by IDB Assisted Firms (at June of Each Year)*

<i>Cohort Years</i>	<i>Base Year Employment</i>	<i>1983</i>	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>
1982-83	3,155	592	670	870	364	882	1,076
1983-84	6,733		1,759	1,954	1,850	2,538	2,329
1984-85	11,470			2,055	1,260	1,344	1,427
1985-86	5,690				1,174	1,589	1,787
1986-87	4,274					1,015	1,614
1987-88	4,378						1,030
Total	35,700						9,263

Sources: IDB, NIEC.

figures presented in Table 1 refer only to cases where firms were assisted by the IDB to create additional new jobs. Firms which received assistance to "renew" or "maintain" jobs (employment which is perceived to be at risk) are not included. However, "hybrid" cases where firms received assistance to both create new jobs and renew or maintain existing jobs are included. In cases where firms received more than one offer of assistance during the study period they were placed in the cohort according to the year of the first offer.

Table 1 shows that a total of 9,263 jobs were created by 305 firms offered assistance by the IDB during the period September 1982 to June 1988 and still in existence at the end of that period. This is the direct number of jobs generated within IDB assisted firms over the study period and does not allow for the "multiplier" effects of indirect job creation elsewhere in the local economy. Also the total of 9,263 jobs does not allow for the possible "displacement" effect of IDB job creation in terms of destroying jobs elsewhere in the economy, or the possible "deadweight" effect of jobs that may have arisen irrespective of IDB assistance. As noted already it is inherently difficult to quantify the magnitude of these effects, or even to estimate whether the overall net effect is positive or negative, in the absence of more detailed information.¹ The sum of these effects are, however, unlikely to be as large as the direct job creation within IDB assisted firms. Overall, it is clear that the direct job creation figure of under 9,300 is not high given the length of the time period looked at and the fact that manufacturing employment in Northern Ireland declined by over 5,000 over the study period, and that unemployment in 1988 was over 115,000.

The performance of assisted firms in the six cohorts differs significantly with no clear trend across the time periods. The earliest cohort of firms — those first offered assistance in 1982-83 — performed particularly badly with only just over 1,000 jobs created after almost six years. The more recent cohorts of assisted firms have performed better, with over 1,500 jobs created after just two years by firms first offered assistance in both 1985-86 and 1986-87. Unfortunately the unstable experience of earlier cohorts gives little indication of whether this performance might be sustained in future years.

Given that the IDB monitors its performance in terms of job promotions it is important to look at how job creation from assisted firms compared with original job promotion targets. Table 2 shows the attainment ratios (job creation as a percentage of job promotions) for each of the six cohorts of assisted firms. Over the full period, 1982-83 to 1987-88, IDB assisted firms had created

1. See NIEC (1990b) where a range of estimates for these effects are made. Also a recent study of the Regional Selective Assistance Scheme in the assisted areas of England, Scotland and Wales for the period 1980-84 (King, 1990) found a deadweight effect of 19 per cent, a displacement effect of 27 per cent and a direct employment multiplier of 1.13.

Table 2: *Attainment Ratios (%) of IDB Assisted Firms*

	1983	1984	1985	1986	1987	1988
1982-83	12.3	14.0	18.1	7.6	18.4	22.4
1983-84		32.3	35.9	34.0	46.7	42.8
1984-85			41.0	25.2	26.8	28.5
1985-86				40.6	54.9	61.7
1986-87					35.7	56.7
1987-88						54.0
Total						40.5

Sources: IDB, NIEC.

40.5 per cent of their job promotion targets. In other words at the end of the study period 9,263 jobs had been created and sustained in firms offered assistance out of a promotions target of almost 23,000 jobs. It is clear from Table 2 that for the three earliest cohorts of assisted firms the attainment ratios were very low with significantly less than 50 per cent of job promotion targets actually being achieved. In the 1982-83 cohort of assisted firms only one in five jobs originally promoted actually existed after almost six years, with the ratio for the 1984-85 cohort not much higher. This is in cases where there was a sufficiently long period of time for potential job creation to have been expected to have taken place. Since 1985-86 the performance of IDB assisted firms appears to have improved with over half of job promotions having been achieved at the end of the study period. Indeed in the 1985-86 cohort almost two-thirds of job promotions were actually created after three years. For comparative purposes it is worth noting in this context that over the period 1973 to 1979 the IDA had an attainment ratio of just 21 per cent (NESC, 1982a).

At the level of the individual firm it is worth highlighting some important findings that arose from the study of IDB job creation. Over the period 1982-83 to 1987-88, 305 firms were offered assistance by the IDB to create additional employment. Of this total only 34 firms (11 per cent of the total) had created more than 100 new jobs at the end of the period. The job creation in these firms accounted for 72 per cent of all jobs created. This suggests, therefore, that within the overall low level of IDB job creation only a small number of firms made a significant contribution to total employment creation. Indeed 10 firms accounted for 38 per cent of overall job creation over the period. In terms of achieving job promotion targets only 89 firms, or 29 per cent of the total number of firms assisted over the full study period, managed to meet or beat their job promotion targets. The success of the IDB with respect to significant job creation was therefore limited to a relatively small number of

companies in Northern Ireland. The majority of firms assisted by the IDB over the period performed relatively poorly both in terms of creating jobs and achieving their job promotion targets.

Overall this analysis indicates that over the period 1982-83 to 1987-88 the IDB managed to create many fewer jobs than suggested by the job promotion figures it originally announced. This raises serious questions about the usefulness of job promotions as the main indicator of performance. While the IDB may find job promotions useful for motivational purposes within its organisation, and the government can use job promotions for political ends, their use as a true indicator of performance is clearly limited. Job promotions are misleading as an indicator of performance unless it can be assumed with confidence that a reasonably stable proportion of promotions will actually be translated into additional employment at some point in the future. Unfortunately the evidence, at least for the period looked at here, suggests that the required degree of stability between promotions and creations cannot be established with any confidence. As a result job promotions announced by the IDB have led to inflated expectations about the prospects for the Northern Ireland economy.

IV THE IDB AND THE COSTS OF JOB CREATION

The previous section looked in some detail at the record of job creation in IDB assisted firms over the period 1982 to 1988. While this analysis is useful by itself, it is also necessary to try to quantify the actual cost of creating these jobs. The creation of sustainable jobs in Northern Ireland is clearly a high priority given the chronically high levels of unemployment. However, it is also important, especially in the overall context of economic policy in which the reduction of public expenditure is a prime objective and when "value for money" is a clear criterion in the allocation of public resources, that these jobs are created at minimum cost. The estimation of cost-per-job created figures is therefore a crucial element in a full evaluation of industrial development policy. For an area such as Northern Ireland, where the level of expenditure on industrial development is high (NIEC, 1990b) this consideration could be viewed as particularly important.

Relatively little monitoring has been carried out on the cost of creating jobs through industrial development policy. In the UK most reference is made to the work of Marquand (1980), Moore, Rhodes and Tyler (1986) and King (1990). In Northern Ireland the only published analyses have been in the annual reports of the IDB and the LEDU which focus on the cost of jobs promoted (the amount of financial assistance offered to firms divided by the number of jobs that the firms plan to create over a given period of time), and reports from the NIEC (1983, 1985, 1986) which attempted to estimate the

cost-per-job year created in assisted projects. The present analysis extends this work by calculating the cost of jobs created — the amount of assistance actually granted by the IDB to assisted firms relative to the actual number of jobs created at the end of a given period.²

Two methodological problems arise in trying to quantify the cost of jobs created. First, at any given point in time assisted projects will be at different stages of their life-cycle. Some assisted projects will be past their peak in terms of the number of jobs created and the amount of financial assistance they have received, while other more recent projects will not yet have reached their employment peaks and will not have received all the assistance offered (assistance is often offered to firms in stages over an agreed time period and may not be in direct relation to the number of jobs created). A second problem is that many offers to firms for assistance in Northern Ireland involve both the creation of new jobs and the renewal or maintenance of existing jobs which are regarded as being at risk. In the case of these hybrid offers it is not possible to differentiate between the expenditure for new jobs and expenditure on renewed or maintained jobs. For this reason, unlike the analysis of job creation, cost-per-job figures presented in this section refer only to "pure expansion" cases. This is where firms are offered assistance to create new jobs with no element of support for existing employment. Pure expansion cases account for 69 per cent of all the offers, both pure and hybrid, looked at in the preceding analysis of job creation.

The methodology used to calculate cost per job figures is similar to that used in the analysis of job creation. For each of the six cohorts of firms assisted in each financial year between September 1982 and June 1988 the number of new jobs created by the end of that period has been quantified, together with the amount of selective financial assistance paid out by the IDB to firms where pure expansion was planned to take place. This gives cost-per-job created figures for each of the cohorts of assisted firms at June 1988, and for all of the assisted firms during the whole period. This is similar to the methodology used in the Telesis Report to calculate cost-per-job created figures for the IDA. All the cost-per-job figures presented are in constant 1985 prices using a UK price deflator for gross domestic fixed capital formation.

Table 3 shows the summary cost-per-job figures for both promoted and created jobs for the six cohorts of IDB assisted firms. For all the firms offered assistance to create new jobs during the period September 1982 to June 1988 there was an actual cost-per-job created figure of £15,570 (in 1985 prices),

2. A more detailed presentation of this analysis is given in NIEC (1990b) while a more limited study of the costs of IDB job creation was subsequently published by the Northern Ireland Audit Office (NIAO, 1990).

Table 3: *Cost-per-Job Figures for IDB Assisted Firms (Constant 1985 Prices)*

	<i>Cost-per-Job Promoted</i>	<i>Cost-per-Job Created</i>
	£	£
1982-83	8,047	32,092
1983-84	13,416	14,015
1984-85	12,870	25,804
1985-86	18,298	25,065
1986-87	11,326	5,238
1987-88	11,855	3,765
Overall	12,081	15,570

Sources: IDB, NIEC.

at June 1988, compared with the original cost-per-job promoted figure of £12,081.³ As already stated, because of the fact that many of the more recently assisted firms (especially those in the 1986-87 and 1987-88 cohorts) will not have reached their full employment potential, it is possibly more instructive to look at the individual cohorts, especially the cost-per-job figures in the four earlier periods. Table 3 clearly shows that cost-per-job figures between the cohort periods for both promoted and created jobs are extremely variable. The cost-per-job promoted, for example, ranged from £8,000 to over £18,000 for different cohort periods. The relationship between cost per job promoted and cost per job created has also been unstable. Thus while the 1982-83 cohort had a low cost per job promoted, £8,000, the actual cost of creating those jobs from the cohort which were still in existence at June 1988 was four times as high. The 1984-85 and 1985-86 cohorts of assisted firms also performed badly, both in absolute terms and relative to the original cost-per-job promoted, with cost-per-job created figures of over £25,000. However, the performance of firms in the two most recent cohorts is much improved with cost-per-job created figures well below the cost-per-job promoted, though this must be viewed against the relatively short period which has elapsed since offers were first made to these companies.

Table 4 gives some further background to the cost-per-job created figures presented above. For all the firms assisted during the study period just over half of all offers had been paid by the end of the period, but only slightly over 40 per cent of job promotions had actually been created. Looking at the individual cohorts Table 4 shows that the very high cost-per-job created figures

3. For the period 1973-79 in the Republic of Ireland the IDA had both cost-per-job promoted and created figures around 20 per cent below those of the IDB for the period 1982-88 allowing for price differences.

of over £32,000 for 1982-83 is explained by the fact that almost all offers had been paid out (over 90 per cent) but less than a quarter of the jobs promoted were actually in place or had survived at June 1988. The 1984-85 cohort shows that while two-thirds of offers were actually paid out only one third of planned jobs were created or had survived by the end of the period.

Table 4: *Grant Payment and Job Attainment Ratios for IDB Assisted Firms*

	<i>Payments as % of Offers</i>	<i>Job Creations as % of Promotions</i>
1982-83	90.2	22.6
1983-84	55.2	52.8
1984-85	64.7	32.3
1985-86	60.0	43.8
1986-87	25.9	56.1
1987-88	14.9	47.0
Overall	53.1	41.2

Sources: IDB, NIEC.

The figures for 1985-86 are not too dissimilar. The two most recent cohorts show a quite different picture. In both cohorts the job attainment ratio was well above the grant payment ratio. Indeed for the 1987-88 cohort almost half of the planned-for jobs were actually in place with less than 15 per cent of the assistance offered having been paid out. After only a short period of time (at most just under two years) projects assisted in these cohorts managed to create a significant number of jobs, compared with the number planned for, and at little cost, at least in comparison with earlier cohorts. The evidence so far therefore suggests a much improved performance by recent cohorts. However, it would be unusual if these firms did not receive a higher proportion of their offers in future years thus significantly increasing the cost-per-job created figures for these cohorts.

It is important to note that the cost-per-job analysis presented in this section only accounts for selective financial assistance from the IDB for new jobs, and does not allow for financial assistance for renewed or maintained jobs, or the automatic assistance that many of the firms would have received under the Standard Capital Grants scheme over the study period. Although this analysis only looks at pure expansion cases, a significant number of the firms examined would also have received assistance to renew or maintain jobs, either before or after the offer of assistance for pure expansion. If it had been possible to include payments for renewed and maintained jobs and SCGs in the analysis the overall cost-per-job figures would have been significantly higher.

Over the period 1982-83 to 1987-88 the IDB spent £112.6m on firms involved in pure expansions. Over the same period total expenditure on hybrid cases and renewed and maintained jobs has been estimated at around £250m while SCGs accounted for over £261m.

To conclude the analysis of the cost of creating employment in IDB assisted firms two further points should be made. First, it can be argued that evaluations on the basis of either gross or net exchequer cost-per-job⁴ is both wrong in principle and damaging in practice. The argument of principle is that it should ideally be the resource or opportunity cost, not the exchequer cost, which measures the effectiveness of industrial development policy. In this sense the exchequer cost-per-job calculations presented here are simply an accounting rather than an economic evaluation. No account is made for the possibility that the £112.6m spent on selective financial assistance for pure expansion cases in Northern Ireland could have been allocated differently and with more beneficial results for either the Northern Ireland or UK economies. Whilst a "value for money" approach might appear to have common sense, and indeed a political appeal, it has a questionable relevance to the real economic question of the most effective allocation of resources. However, attempting to take some account of the resource cost is particularly problematic. This is especially so in the absence of a generally accepted model of the spatial operation of the UK economy. Since it is difficult to adequately measure the effect on overall economic activity of changing the spatial pattern of manufacturing investment it has been argued that the cost of industrial development policy "will be inadequately proxied by the exchequer costs and attempts to minimise exchequer costs could have adverse effects on the operation of the system as a whole" (Swales, 1989).

Second, a wider economic analysis of the costs of industrial development policy would also try to incorporate the social costs and benefits of expenditure on industrial development. For example, such a study might consider the effect of industrial development on migration flows which would influence the provision and costs of public services in both Northern Ireland and elsewhere, and the effect of the redistribution of economic activity on levels of pollution and congestion (for example, in the south east of England).

4. Net exchequer costs, which allow for flowback in the form of increased tax revenue and reduced government spending as the result of the impact of financial assistance to firms, are clearly more important at the UK rather than the Northern Ireland level, because of the way in which public expenditure is allocated.

V INDUSTRIAL DEVELOPMENT POLICY ISSUES

The previous sections of the paper presented an analysis of the effects and costs of selective financial assistance granted by the IDB since 1982. In this section some wider aspects of industrial development policy in Northern Ireland are examined.

The findings of the study presented in this paper suggest that the IDB's selective financial assistance scheme has managed to achieve only a modest impact on industrial employment in Northern Ireland. It is useful, therefore, to examine why this has happened. In the first place it is clear that the agency has had to operate in a unique political and economic environment. The political situation in Northern Ireland has undoubtedly had an adverse effect on the level of economic activity, both in terms of limiting the number of inward investment projects, and restricting further investment by overseas companies already established. Moreover, the problems associated with the peripheral location of the economy, in particular the absence of economies of scale or agglomeration which would assist indigenous companies to develop to a size sufficient to break into international markets, act as significant barriers to growth.⁵ In addition, in the early years of its existence the IDB was faced with coping with the local impact of a major recession in the UK economy. This mixture of short and longer-term difficulties has clearly limited the IDB's ability to create new employment opportunities. That said, it is nevertheless important to examine whether the way in which the agency has operated in relation to its job creation record represents the best use of the resources at its disposal.

A relatively high level of public money is available for industrial development in Northern Ireland. While it remains to be conclusively demonstrated that this level of subsidy has led to a lack of dynamism in industry, as suggested by government, it is clear that a sudden cut in the level of public funds would have serious consequences for the Northern Ireland economy (NIEC, 1990c). However, since few lasting jobs have been created as a result of these subsidies it is pertinent to question whether public funds have been used in the most effective way. At present the IDB is required to assess all applications for selective financial assistance according to certain well-defined criteria. First, a project should be viable in that it should become self-sustaining within three years. Second, a project should be purely additional in the sense that it should not be able to proceed without assistance. Third, the project should strengthen the economy by the improvement of efficiency or the introduction of new products or technology. In addition a project should not displace

5. O'Malley (1989) puts forward similar arguments for late industrialising economies such as the Republic of Ireland.

economic activity elsewhere in the UK economy. While these criteria may appear sound it is clear that they have not been adhered to in the past. The very failure of most assisted projects to achieve their job promotion targets calls into question the practical application of these criteria. The fact that no major industrial investment has taken place in Northern Ireland over at least the last ten years without a significant degree of public financial assistance suggests that either there has been a large degree of deadweight, or if this is not the case, then there has not been a single investment project which was deemed viable in purely commercial terms. Despite the depressed nature of the Northern Ireland economy the former proposition seems much more likely especially given the fact that many firms have received more than one offer of assistance. In addition it is unlikely that assisted projects in Northern Ireland have not led to the loss of jobs elsewhere in the UK economy given the level of aid available, and the fact that a high proportion of sales from IDB assisted firms go to the British market.

This conclusion suggests that industrial performance would be improved by a much more selective use of public funds. In other words selective financial assistance would actually become truly selective, rather than the automatic way in which it has effectively been used in the past. A number of improvements can be suggested briefly here. First, assistance should be administered in a more targeted manner. For example, a more sectoral approach could be introduced whereby certain industries are prioritised for assistance. Second, stricter conditions and performance targets should be used in the offer of assistance to firms, with penalty clauses implemented if targets are not met. Third, applications for assistance should be considered in relation to the wider needs of the firm and in the context of the development of specific sectors of the economy. In the past financial assistance has been granted to firms on the basis of individual projects rather than on a programme basis. This has resulted in some companies receiving a series of financial assistance packages for different projects which may have been better assessed on the basis of the overall and longer-term development needs of the company. Fourth, the emphasis in the past by the IDB on subsidising physical capital, rather than labour, should be considered. Fifth, a more critical view of the types of projects which are eligible for assistance needs to be taken. For example, the support of firms where wage costs are the crucial factor in determining overall profitability is unlikely to be in the best long-term interests of the Northern Ireland economy. Finally, it is important to clearly differentiate, as the new strategy document (DED, 1990) does, between the financial needs of indigenous and internationally mobile investment projects.

VII CONCLUSIONS

This paper has shown that of the 23,000 jobs promoted in 305 firms assisted by the IDB over the period 1982-83 to 1987-88 less than 10,000 jobs were in place at the end of the period, an attainment ratio of job creations to promotions of 40.5 per cent. Moreover, job creation was limited to a small number of companies. The majority of firms assisted by the IDB performed relatively poorly both in terms of creating jobs and achieving their job promotion targets. The overall cost-per-job created was £15,570 (constant 1985 prices), almost 30 per cent higher than the original cost-per-job promoted.

The IDB's primary objective is the maximisation of continuing employment opportunities. In this context it is difficult to assess to what degree that objective has been achieved because of the impossibility of knowing what figure would correspond to a maximum, or what would have happened in the absence of the IDB support. Therefore, in a necessarily subjective assessment, it could be argued that given the fairly unique circumstances of the Northern Ireland economy over the period looked at, and in particular the difficulties presented by the political situation, the performance of the IDB was reasonable. On the other hand, in comparison with the continuing high levels of unemployment (around 100,000 at the beginning of 1989) and a fall in manufacturing employment of over 5,000 between 1982 and 1988, the achievements of the IDB have been negligible.

An important point that needs to be emphasised in this context is that although the prime objective of the IDB is to create employment this should not be interpreted as being synonymous with an objective to reduce unemployment. The creation of employment opportunities in a regional economy is unlikely to lead to a corresponding reduction in the numbers unemployed for two reasons. First, a rise in employment increases the participation rate bringing more people into the local labour market because of the greater availability of jobs and second, an expansion of job opportunities lowers the rate of emigration. For these reasons any fall in unemployment is likely to be less than the rise in employment brought about by the IDB's activities. It has been suggested (Gudgin and Roper, 1990) that for every three jobs created in Northern Ireland only one person comes off the unemployment count. It follows, therefore, that unless the IDB is to achieve a rate of job creation far in excess of its past performance, it is unlikely to have a significant impact on the overall level of unemployment in Northern Ireland.

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