

# *Social*+ ECONOMIC

~ ... I:» • "T

*Royal Hospitals Trust*  
*Belfast*  
*Northern Ireland*

  
**UNISON**  
*Northern Ireland*

---

*UNISON Branches-Royal Hospitals Trust*

# **Social+ ECONOMIC**

A . . . D . . . T

*Royal Hospitals Trust  
Belfast  
Northern Ireland*

*Researched and produced by*

**CENTRE for PUBLIC SERVICES**

**Research. • Strategy. • Planning. • Training**

The Centre has unrivalled experience of working with local authorities, trade unions and community organisations on developing strategies to retain and improve public services, monitoring privatisation and competitive tendering, and researching changes in the public sector.

# UNISON

*Northern Ireland*

523 Antrim Road,  
Belfast BT15 3BS  
Tel: 0232-370971

*September 1993*

## *Acknowledgements*

*We wish to record our thanks to staff at all levels in the Royal Hospitals Trust for their courtesy and assistance in providing detailed information.*

*Our thanks are also due to the regional office of UNISON for assisting with the analysis of the residential location of former NUPE and COHSE members at the Royal, to the West Belfast Economic Forum, and to Paul Teague, Department of Applied Economics, University of Ulster.*

*UNISON members in the Royal, and local community groups, wish to pay particular tribute to Dexter Whitfield, the author of this report, for his patience and dedication in producing the report to support our campaign timetable.*

# *Contents*

---

	<u>Page</u>
Foreword	2
Summary	3
Introduction	4
<i>Part 1</i>	
The employment impact of running down the Royal	8
<i>Part 2</i>	
The social and economic impact on West Belfast	<b>14</b>
<i>Part 3</i>	
The public costs of unemployment	18
<i>Part 4</i>	
Recommendations	20
<i>Appendix 1</i>	
Calculation of jobs multiplier	<b>21</b>
<i>Appendix 2</i>	
Calculating the public cost of unemployment	23
Sources of information	27

# Foreword

---

For nearly two decades the Royal Victoria Hospital (now the Royal Hospitals Trust) has come under sustained attack by government and by the Eastern Health and Social Services Board.

The hospital occupies a unique position in Northern Ireland and within our local community in West Belfast.

It is the major centre of excellence, providing teaching and research and the majority of regional specialties. It is Belfast's largest District General Hospital and it is our local community hospital. It is also the major employer in West Belfast.

West Belfast suffers from some of the highest unemployment rates in the UK. It is an area which has borne the brunt of job discrimination and it unfortunately tops most of the tables on social, economic and health deprivation.

Our hospital is extremely important to us for all of these reasons. It is also a unifying symbol, employing as it does workers from both Catholic and Protestant communities and providing health care to all.

UNISON (formerly NUPE and COHSE) have engaged in extensive campaigns over the years in order to protect and preserve our hospital's services. The local communities and the unions have worked hand in hand against government and health board attacks, which we have consistently shown to have no basis in good health care planning.

In 1993 we find ourselves facing possibly the most serious attack ever on the future of the Royal.

In recent months we have forced the spotlight of public attention on the worst excesses of the EHSSB's plans. We have pushed our campaign

onto the agenda of governments in the UK and in Ireland. We have secured support from our colleagues in the US and Canadian trade union movements. Most importantly of all, health workers and our local communities have joined in support.

We have already analysed and discredited the EHSSB proposals to run down our hospital. We have produced alternatives.

This latest report has been commissioned by us to emphasise the human and economic cost of the Board's discriminatory and irresponsible proposals.

We now challenge the Government, the Department of Health and Social Services and the Department of Economic Development to justify the Board's plans in the light of our findings.

Accessible and equitable health care is the right of all our citizens. It is under attack. Our local communities and Northern Ireland as a whole will experience major job losses and the cost to the public purse will rise. Yet nothing in the Board's plans will improve, in any way, the health of our people.

Decisions by the Board are due on 14 October. We have already made extensive submissions which, as in the past, are likely to be ignored. We have had enough of lip-service to health care, lip-service to equality, lip-service to economic development. We now demand responsibility and accountability from our health board, from government ministers and from their departments.

*UNISON Branches, Royal Hospitals Trust*

*September 1993*

# Summary

The Government and the Eastern Health and Social Services Board have shown a cavalier attitude amounting to gross neglect in their plans for the Royal Group of Hospitals. These fail to assess the health, social and economic consequences of decisions which will substantially increase unemployment in the city, but particularly in West Belfast where failure to assess the impact on equality and fair employment flies in the face of previous government commitments.

## Job losses

III The removal of the fourteen specialties would result in the loss of 2,770 jobs at the Royal, representing half of the existing workforce.

III At least 1,015 of those who would lose their jobs live in West Belfast.

III Three out of four workers losing their jobs will be women, a total of 2,115 jobs or 76.3% of the total job loss.

III Of those losing their jobs at the Royal, 1,470 (53%) would be Catholic and just over a thousand (37%) Protestant.

III The loss of 1,015 hospital jobs in West Belfast will result in a loss of 245 jobs in the local economy of which 185 will be in West Belfast, making a total job loss of 1,200 in the local community.

II The total job loss, based on 2,770 job losses at the Royal and a small increase in jobs in the same specialties at the three other Belfast hospitals, would give a total loss of 2,270 hospital jobs. A further loss of 560 jobs in the Belfast local

economy will result in a total loss of 2,830 jobs.

II Hospital job losses must be compared to the performance and cost of the Government's Northern Ireland job creation programmes which cost up to £17,727 per job assisted in 1992.

## The public cost of unemployment

II The current public cost of unemployment in Northern Ireland is £10,740 per claimant unemployed per annum. This is virtually the same as the average wage at the Royal of £10,708 (December 1992).

II The annual cost of unemployment caused by the loss of jobs at the Royal will be £24.4m based on 2,270 job losses (assuming 500 manage to find employment elsewhere).

III The annual cost of financing the 2,830 job losses at the Royal and in the local economy will be £30.4m per annum.

III The cost of unemployment in the West Belfast parliamentary constituency is already £100m per annum, based on a detailed costing of unemployment in Northern Ireland. The loss of a further 1,200 jobs in West Belfast will push this figure up to £113m per annum.

# Introduction

---

## The importance of the Royal Hospital

The Royal Group of Hospitals has an international reputation for its research and pioneering work in treating the victims of violence. The hospital has a central role in providing acute health care not only for Belfast city but for Northern Ireland. It is a major teaching hospital. It is also the provider of health care services and the major employer for the West Belfast community. The Royal employs 5,770 staff and is the second largest employer in Northern Ireland.

The Northern Ireland economy already suffers from relatively low output per capita and high unemployment at over 14% of the workforce. Unemployment in some wards in West Belfast is more than three times the Northern Ireland level. There is a wide gap between Northern Ireland and Britain on all the main economic indicators.

The standard of health in Northern Ireland is lower than the UK as a whole 'with life expectancy rates for both males and females lower than the respective national averages. Diseases of the circulatory system account for over 40% of deaths in Northern Ireland and for almost 30% of potential years of life lost. Birth rates are higher than the UK average. The number of people on waiting lists for treatment remains proportionately higher than on the mainland ... This comparatively poor health status of the population must be seen in light of the fact that Northern Ireland continues to have a more disadvantaged population than other parts of the United Kingdom. There is a greater proportion of long-term unemployment and a lower level of average weekly income, despite the fact that average household size is 14% greater than in the

UK as a whole. Other indicators of social need show similar high levels of deprivation, leading to more sickness and greater demands on the caring services.' (*Expenditure Plans and Priorities: Northern Ireland*, Department of Finance & Personnel and HM Treasury, HMSO, 1993)

## Gender and equality issues

The audit is not simply about identifying numbers of jobs but highlighting the adverse impact on women's employment and access to both health services and employment opportunities for the West Belfast community as a whole and the Catholic community in particular.

## Importance of public sector employment in Northern Ireland

The public sector plays a central role in the Northern Ireland economy, employing over 40% of the workforce, and is twice as important to the local economy as in any other UK region. Manufacturing industry has declined further in Northern Ireland and now employs less than twenty percent of the workforce. While the services sector has expanded rapidly in the other regions, the Northern Ireland rate of growth was only forty percent of the UK rate. A disproportionate number of these jobs were part-time and in relatively low skilled areas in retail and distribution activities.

The public sector has traditionally played a key role in training and the potential loss of jobs at the Royal will undoubtedly have wider repercussions in terms of training and skill

development, particularly for the West Belfast community. UNISON has already entered into discussion with the Royal about its transitional role in developing such schemes.

The importance of the public sector in Northern Ireland was summarised in Cooper and Lybrand's review of the Northern Ireland economy:

'The major influence on local economic prospects is the public sector. Public expenditure, which is equivalent to over 60% of GDP in Northern Ireland, is projected to grow by 2.4 % in real terms in 1993-94. However, privatisation, agentisation and market testing will tend to reduce public sector employment, which fell below 200,000 in 1992 for the first time since the 1970s. This is likely to have important economic and social consequences which will need to be addressed.'

This message was certainly not heeded by the EHSSB.

### **Health services and the internal market**

The Government has forced a purchaser/provider split in the NHS in which the Health Boards have become purchasers of health care services while the hospitals have become providers. Capitation funding, through which resources are distributed to hospitals and community health services, has also been introduced. Several hospitals, including the Royal, opted for trust status with effect from 1 April 1993.

Jeremy Hanley, Parliamentary Under-Secretary of State for Northern Ireland, stated in an adjournment debate on the Royal Hospital, that:

'The Government expects boards and GP fundholders to use the contracting process and the spur of competition to tackle inefficiencies ... The RGH trust, like every other provider, will be expected to participate fully in this process and to adapt as necessary to meet the requirements of its purchasers' (*Hansard*, 17 May 1993, col. 135). He went on to say: 'In the national health service, we provide neither a job protection scheme nor furniture warehouses.'

The internal market and the contracting process

are accelerating the imposition of market forces on the health service. The Royal and other hospitals will increasingly only be able to provide services if they can successfully compete in this market. Local community health needs are again being ignored in the Government's drive to see service provision determined by commercially driven market forces ultimately leading to the privatisation of the NHS. Hospital closures, cancelled operations, longer waiting lists, patients having to travel longer distances for treatment and budget crises are a common feature of the market led health service.

### **European Commission inquiry into unemployment**

In May 1993 the European Commission launched a detailed study into the causes and potential remedies of unemployment in the EC. It will examine European competitiveness, industrial policy, trade practices, and the role of the welfare state. This social and economic audit of the Royal Victoria Hospital will no doubt be of keen interest to the Commission since it highlights the devastating employment and social effects of reducing health care provision in an area already suffering from high levels of long term unemployment, poverty and inequality.

### **Employer responsibilities of the Eastern Board**

'Ease of staffing' was one of the eight criteria which the Eastern Health and Social Service Board used to guide its decision making in planning hospital services. Other criteria included clinical effectiveness, accessibility, efficiency, flexibility and teaching and research. The 'ease of staffing' criteria stated that 'the pattern should seek to achieve conditions so that recruitment, training and retention of staff by hospitals are facilitated'. This is a very narrow and rather single-minded approach. It conveniently ignores the Board's responsibility as an employer towards the broader health and welfare of its workforce. Its responsibility as an employer covers many other issues, such as training, health and safety and equal opportunities. It is now generally



agreed by most management strategists that in order to maximise the quality of service and the most effective use of resources employers must address a broad range of health and welfare issues of their staff.

It is interesting to compare EHSSB promotional material with reality. A glossy Board publication issued during the consultation process in 1992 was entitled *HEALTH*:

*H-Health gain* (the scale of potential job losses will increase ill-health)

*E-Efficiency and effectiveness* (claims to value for money have a hollow ring when the full public cost of increasing unemployment is taken into account)

*A-Assessment and evaluation* (the Board has been unwilling or unable to evaluate the social and economic impact of its own decisions)

*L-Local emphasis* (the consequences for West Belfast have been ignored)

*T-Technology shifts* (its important role in locating services)

*H-Human resources* ('the people who work for the health and social services are its most important resource').

At no stage has the EHSSB quantified the impact of its policies on employment in relation to the Royal, let alone the wider social and economic consequences. Given the link between unemployment and ill-health the Board is in fact undermining its own health policies. It should also be noted that a review of EHSSB's purchasing strategy, carried out for the Royal by management consultants Touche Ross and Co, did not examine the employment or socio-economic impact either.

EHSSB and Royal Trust Board members, as representatives of industrial and financial capital in Northern Ireland, are in effect making decisions which not only have a substantial negative impact in West Belfast but also undermine decisions in which they are involved through business and the boards of other organisations.

The potential loss of the fourteen specialties and the large scale loss of jobs bring into question the effectiveness of employment, industrial development and equal opportunity initiatives in

Belfast and Northern Ireland. The objective of government initiatives, such as Making Belfast Work, the Industrial Development Board, the Local Enterprise Development Board and other initiatives, such as the International Fund for Ireland, are being systematically undermined by the EHSSB.

## Quality of information

Health care policy decisions have clearly been made without any due regard to the employment implications of these policies. There is not a shred of evidence that the EHSSB has fulfilled any of its duties as an employer let alone considered the wider effects of decisions on the local economy and the community. Both the Board and the Royal must have due regard to equal opportunity questions of gender and religion for which, like all employers in Northern Ireland, they have statutory responsibilities. Responsibility for the proper assessment of health care needs rests with the EHSSB.

This social and economic audit exposes the limited analysis undertaken to date and the need for better quality information for:

III strategic decision making by the Board, including cost benefit analysis and social and economic auditing

III planning health care services.

Whilst we have received cooperation from the Royal in preparing this audit, the quality of the information raises major questions about:

II management decisions in the running of the hospital

III implementing industrial relations and fulfilling employer responsibilities for employment issues such as staffing and health and safety.

If the EHSSB and the Royal are planning the future of health care services on the same information then a complete overhaul of the hospital's management information system is urgently required.

## Objectives of the audit

The brief for the audit was based on five key objectives:

1. To assess the overall employment impact of Eastern Health Board policy changes in terms of job losses and the implications for equality issues; and the consequences for implementing the law in relation to affording equality of opportunity on the basis of gender and religion and avoiding direct or indirect discrimination on these grounds, which is illegal.
2. To quantify the effect on the West Belfast local economy.
3. To identify other social and economic consequences both for the community and for other public services.
4. To identify the impact on the West Belfast local labour market.
5. To identify the full public cost of increasing unemployment through job losses at the Royal and in the local economy.

The audit has a specific and important function identifying the social and economic consequences of the potential loss of the **14** specialties at the Royal. It does not examine the EHSSB's justification of its purchasing strategy nor does it examine alternative policies.

UNISON has already proposed alternative policies in its response to the Board's proposals and the Royal submitted its own proposals in their report *Better Options: Better Care*.

## Note on methodology

The audit is based on the actual number of jobs, not whole time equivalents. All subsequent calculations on the loss of earnings take this into account. It is the actual number of jobs which are important in assessing the impact on the local economy.

The RGH was unable to provide us with the number of jobs linked specifically to each speciality, except in the case where a whole department was affected. The number of jobs in

the other specialities was calculated in proportion to the number of medical and non-medical staff, mainly nursing and medical records staff. The Appendices contain further detailed information on calculating the jobs multiplier and the public cost of unemployment. It should be noted that, whilst we have been as rigorous and as careful as possible in assessing potential job losses within the constraints of this study, they are only estimated figures.

## Part 1

# *The employment impact of running down the Royal*

With the Government's 'reform' of the NHS and the establishment of an internal market, the Eastern Health and Social Services Board (EHSSB) became a purchaser of health services while hospitals have become provider units. Most of the hospitals opted for trust status commencing in April 1993.

In 1992 the EHSSB launched a review of its purchaser role producing a framework report in July which 'identified a potential reduction in the number of hospital beds in the Board's area of the order of 750 (22%) by 1997'. It published its proposals for purchasing acute services from hospitals in January 1993 (Statement of Intent for General (Acute) Hospital Services), together with a purchaser prospectus indicating the volume of activity, although these were in overall terms and not hospital specific. The report identified 14 specialties currently provided at both the Royal and City hospitals.

'The Board's intention would be to substantially reduce unnecessary duplication of purchase of service from the Royal and City Hospitals ... In the case of large volume specialties of general surgery and medicine, gynaecology and obstetrics, the Board would intend to reduce volumes below the combined levels currently purchased from the Royal and City Hospitals ... and would explore the potential to purchase acute immediate care in these specialties from *one or other* of the sites. Other specialties might also be purchased from *one or other* of these sites' (their emphasis).

The 14 specialties are:

General surgery  
Urology  
Trauma and orthopaedics  
Ear, nose and throat  
Oral surgery  
Thoracic surgery  
Accident and emergency  
Anaesthetics  
Gynaecology  
Obstetrics  
General medicine  
Clinical haematology  
Cardiology  
Dermatology

The Royal Group recently carried out an 'investment appraisal' based on a 36% reduction in acute services bed capacity which it claims is consistent with the Board's planned overall 22% reduction in bed capacity.

The Royal Group produced its own response to the Board's proposal in a report, *Better Options: Better Care*, launched in May 1993. It concluded that some duplication was necessary and unavoidable in general medicine, general surgery, accident and emergency, trauma, orthopaedics and anaesthetics. It proposed that the Royal and City hospitals jointly review each of the remaining

nine specialties and '...undertake an appraisal of the costs and benefits of continued dual provision, the provision of services from a lead and satellite site, or provision from one site only for each specialty'.

The Board's report did even attempt to examine the implications, let alone quantify, the potential impact of their proposals on:

- III the scope and quality of health care services
- III on jobs and their responsibilities as employers
- III the wider social and economic consequences
- III the impact on fair employment and equality of opportunity.

**Basis of the audit**

This social and economic audit is based on the potential loss of all 14 specialties for a number of important reasons.

Firstly, we believe the rundown of the Royal remains part of the Board's, if not the Government's, agenda. Nothing has changed and no clear categorical assurances have been made by government ministers or the Department of Health since publication of the Board's proposals.

Secondly, even if the Royal's own proposals succeeded in retaining five areas of current duplication between the Royal and City hospitals, the potential loss of the other nine services would be very significant. Furthermore, decisions affecting the 14 specialties will not be made by the Royal but by the EHSSB, the Department of Health and the Government.

Thirdly, there is value in taking a worst case scenario in order to focus attention on the potential impact on jobs and the community.

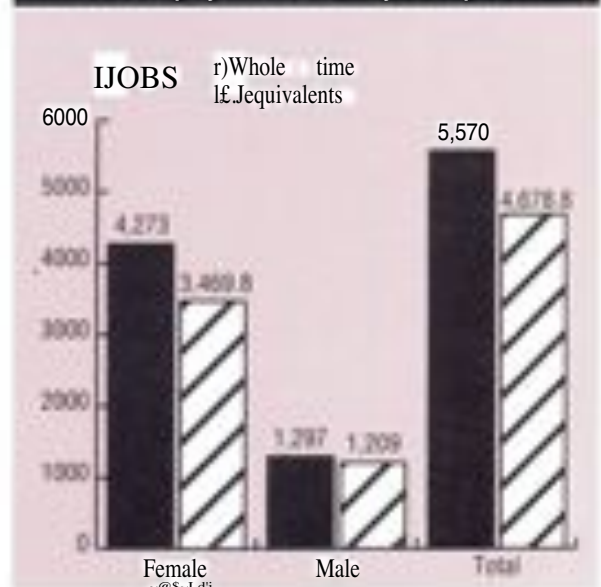
The recent EHSSB announcement of £13.5m cuts, over half at the Royal and the loss of 3,500 operations at the Royal, representing a further budget reduction of £2m, have not been examined separately. We have assumed that the employment effects of both these changes would be overshadowed by, and incorporated within, job

losses as a result of losing the 14 specialties. The majority of the operations were returned to the Royal on a short term basis following ministerial arbitration on the contracting process. However, the Royal recently announced that it already has a £6m budget shortfall and is seeking up to 300 voluntary redundancies. This is the start of the major job and service loss process. This audit shows the immediate impact of the EHSSB proposals but these too will have a 'knock-on' effect. The Royal's own estimate for job and service loss by the year 2000 is approximately 4,000 jobs and the hospital will be reduced to a rump providing limited specialties.

**The potential impact on jobs**

The following tables are based on information supplied by the Royal Group of Hospitals which consisted of separate computer printouts of female and male staff by directorate and department giving number of jobs, whole time equivalents, and grade description. The table below shows the large number of women employed at the Royal and the greater concentration of part-time work among women.

**Table 1.1: Employment at the Royal Hospital**



Source: Royal Hospital Group, May 1993

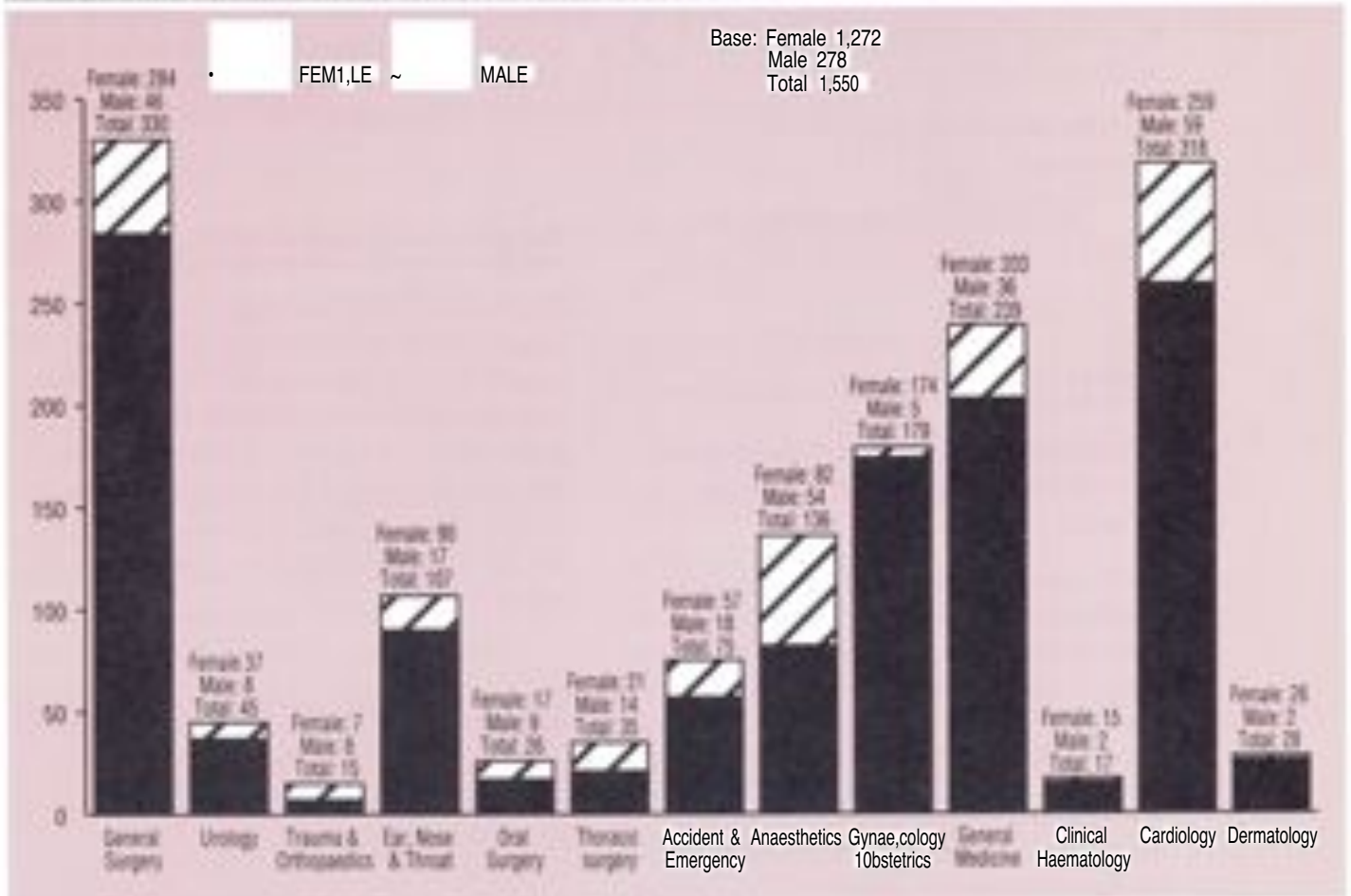
The Royal could not provide us with combined medical, nursing and support service staffing levels of the 14 specialties. The staffing levels for

anaesthetics, ear, nose and throat, gynaecology and obstetrics are those of the entire department identified on the Royal print-out and include medical, nursing and medical records staffing.

Medical staffing levels in the other specialties were identified in the computer printouts provided by the Royal and the nursing and medical records

staffing was then calculated, based on the proportion of the particular specialist medical staff within the department. These are, therefore, only estimated job losses. The data for cardiology was adjusted for estimated staffing in thoracic surgery. The accident and emergency staffing level was separately supplied by the Royal.

**Table 1.2 Staffing levels (number of jobs) in the 14 specialties**



*Source: Calculated from Royal Hospital Group employment print-outs, May 1993*

The potential loss of 1,550 medical, nursing and medical record jobs, which could be lost if the 14 specialties were removed from the Royal represents, represents 52% of the hospital's medical staff and nursing staff.

**Impact on support and site services**

The impact on support and site services was calculated on the basis of two percentages being applied. Firstly, it was assumed that the loss of jobs for domestics, porters, catering and

miscellaneous nurses would be directly proportional to the loss of medical jobs. Since 52% of medical and nursing jobs would be lost in the 14 specialties it was assumed that there would be a similar loss of jobs in support and sites services.

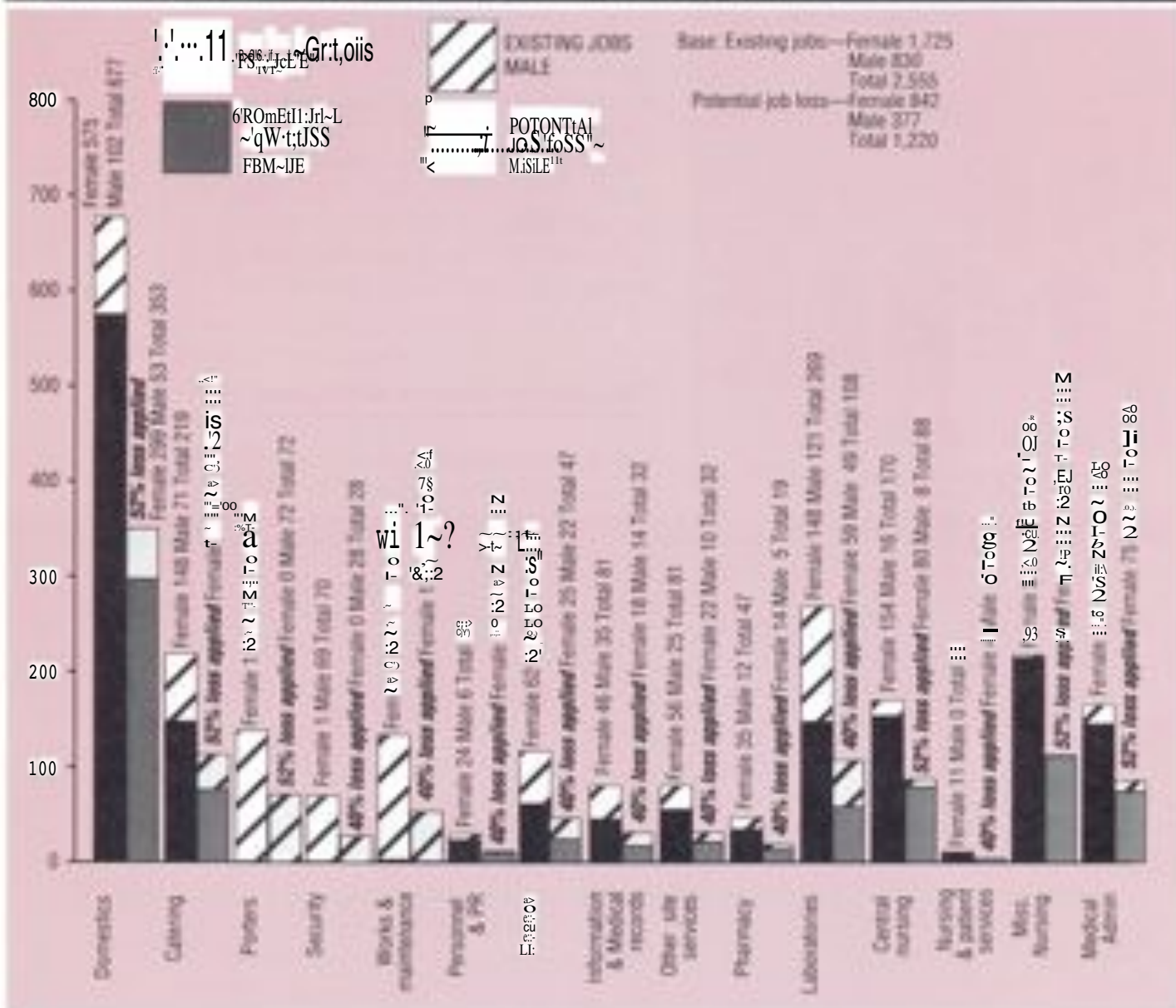
A lower figure of 40% was used for other site services such as works maintenance, personnel, finance, information and medical records, central sterile services, laboratories and pharmacy, all of which require certain minimum levels of staffing to function and where the direct ratio between medical and support staff is more difficult to establish. The application of these percentages is shown in Table 1.3. It shows there are a further

1,220 jobs in support and sites services connected with the 14 specialties at the Royal. It should be noted that in the absence of any detailed figures from the Royal, these are only estimated job losses.

**Potential job loss**

The potential total job loss within the Royal Hospital Group is therefore 1,550 medical and nursing jobs, plus 1,220 support and site services jobs-a total of 2,770 which represents 49.7% or half of the Royal's current workforce.

**Table 1.3 Existing support and site staff and potential job loss (number of jobs, not WTE)**

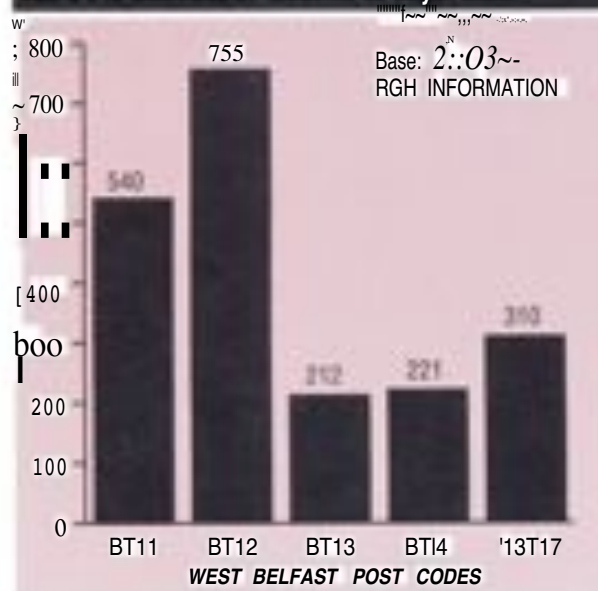


Source: Calculated from Royal Hospital Group employment printout, May 1993

**Residential location of Royal staff**

Information on where Royal staff live has been difficult to obtain. The generally held view was that few medical staff lived in West Belfast, that some nursing staff lived in the area although nursing staff were recruited from Northern Ireland as whole, but a large proportion of support and site services staff lived in West Belfast. The RGH provided us with the number of employees by Belfast postal codes (BT 11, 12, 13, 14, and 17) covering West Belfast, although they were unable to provide any information about occupations (see Table 1.4).

**Table 1.4 Residential location of Royal staff**

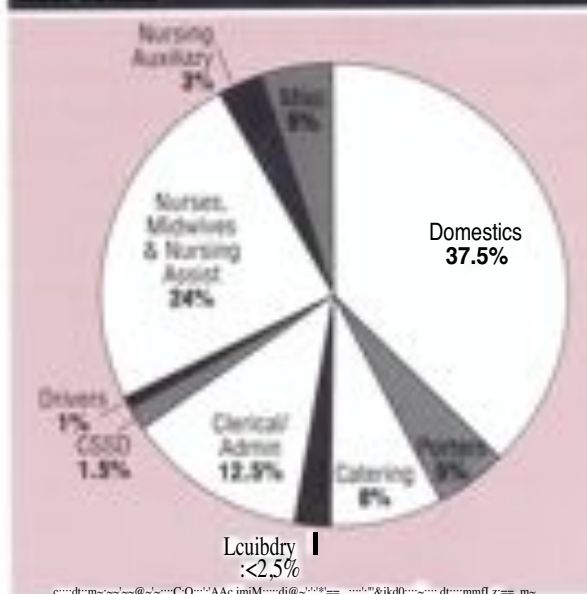


Source: Royal Hospital Group, NUPE and COHSE membership data, May 1993

Based on this information, 36.6% of the Royal Hospital's 5,570 employees live in West Belfast. However, we obtained further information on the addresses of NUPE and COHSE members at the hospital using the union's central computer records, which also provided information on members' occupations. Four out of five of NUPE membership at the Royal (79.2%) live in the five BT codes covering West Belfast.

A similar analysis of COHSE's membership showed that 49% live in West Belfast. Both sets of union membership data included the identification of occupation. Those working as domestics were the largest group representing 37.5% of the membership with nurses and midwives (24%) and admin and clerical (12.5%). These three groups covered three out four members (see Table 1.5)

**Table 1.5 Occupation of UNISON members living in West Belfast**



Source: NUPE and COHSE membership data, May 1993

West Belfast will suffer the loss of 1,015 jobs based on the existing ratio of 36.6% of Royal staff living in the area. The evidence from the NUPE and COHSE membership data highlights the concentration of membership in West Belfast, particularly for domestic and allied services, nursing, and admin and clerical work.

**The impact on women's employment**

Over three-quarters of the hospital job losses will be sustained by women, some 2,115 jobs. Although 82% of the medical and nursing jobs are held by women the total job loss is no greater than the overall proportion of women's employment at the Royal because of the lower ratio in support and site services-see Table 1.8.

Further detailed analysis of the impact on women's employment is included in Part 2.

**Impact on community background**

The EHSSB equal opportunities *Third Monitoring Report* gives data for the Board as a whole and some further breakdown for individual hospitals. However, more detailed disaggregation of the data is required for individual hospitals, particularly for support services and and part-time staff.

Table 1.6: Impact on women's employment

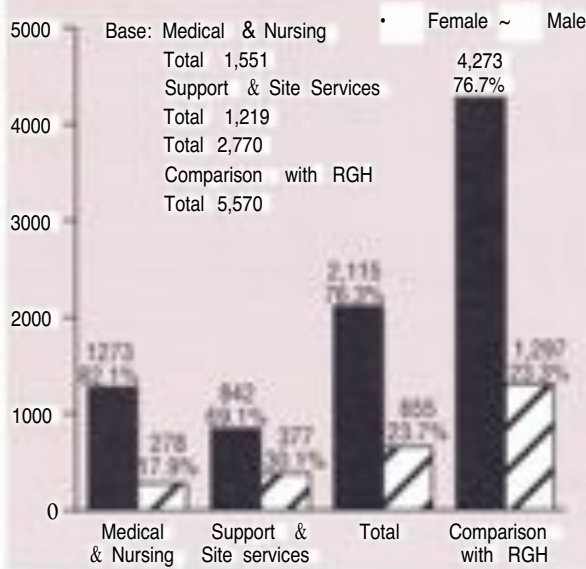


Table 1.8 Community background of Royal staff

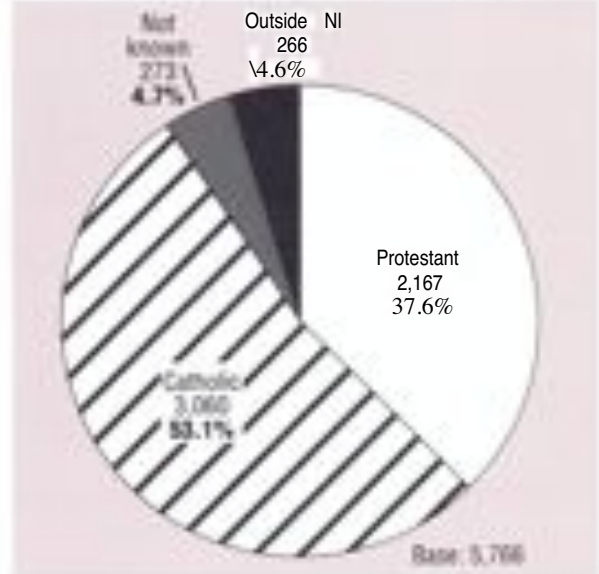


Table 1.7 gives the breakdown of staff by community background for different occupational groups at the Royal and for the EHSSB as a whole.

Given that the loss of 2,770 jobs represents almost half the current jobs at the Royal and since we have no evidence to suggest that staff in the 14 specialties have a different community background from the hospital as a whole, then the loss of jobs at the Royal will have the following impact:

The community background of 2,770 staff based on Table 1.8 is as follows:

Catholic	1,470
Protestant	1,042
Not known	130
Outside NI	128

Source: EHSSB, Third Monitoring Report, Equal Opportunities Unit, December 1992.

Over half of those losing their jobs will be from the Catholic community. The next part of this report examines the potential impact on the West Belfast local economy.

Job losses on this scale, against a background of the unemployment levels obtaining in Belfast as a whole, and particularly West Belfast, would make a nonsense of government anti-poverty initiatives and would have serious repercussions on family and community life. Repercussions for the Protestant Community would be grave, for the Catholic Community devastating.

Table 1.7: Community background of Royal Staff

MANAGEMENT LEVEL	PROTESTANT		ROMAN CATHOLIC		NOT KNOWN X N IRELAND		TOTAL	
	UOM	BOARD	UOM	BOARD	UOM	BOARD	UOM	BOARD
BASIC	949 (29%)	10305 (54%)	2106 (63%)	6739 (35%)	177 (8%)	2022 (10%)	3332	19066
SUPERVISORY	1075 (50%)	4813 (52%)	840 (39%)	3412 (37%)	222 (10%)	1025 (11%)	2137	9250
MIDDLE MANAGEMENT	190 (66%)	1018 (55%)	74 (26%)	591 (32%)	25 (9%)	243 (13%)	289	1852
SENIOR MANAGEMENT	22 (39%)	518 (63%)	22 (39%)	178 (22%)	12 (21%)	123 (15%)	56	819
STAFF CATEGORY	Table 5							
ADMINISTRATIVE & CLERICAL	305 (40%)	2197 (58%)	414 (55%)	1322 (35%)	39 (5%)	248 (7%)	758	3767
MAINTENANCE	41 (41%)	333 (69%)	58 (57%)	124 (26%)	* (2%)	2.4 (4%)	101	481
ANCILLARY & GENERAL	176 (12%)	5829 (54%)	1258 (83%)	3825 (35%)	88 (6%)	1142 (11%)	1522	10796
NURSING	1280 (47%)	5284 (49%)	1083 (40%)	4194 (39%)	335 (12%)	1313 (12%)	2698	10791
SOCIAL SERVICES	*(50%)	851 (53%)	-	568 (35%)	*(50%)	194 (12%)	-	1613
PROFESSIONAL & TECHNICAL	354 (59%)	1308 (63%)	191 (32%)	543 (26%)	56 (10%)	217 (11%)	601	2068
MEDICAL & DENTAL	79 (60%)	728 (58%)	38 (29%)	268 (21%)	15 (11%)	251 (20%)	132	1247
AMBULANCE	-	129 (55%)	-	81 (34%)	-	26 (11%)	-	236
TOTAL	2236 (39%)	16659 (54%)	3042 (52%)	10925 (35%)	536 (10%)	3415 (11%)	5814	31000

\*as staff numbers identified are so few that to state the actual number would breach confidentiality total figures have been rounded

Source: EHSSB Equal Opportunities Monitoring Report, August 1991



# *The social and economic Impact on West Belfast*

## **Belfast City impact**

Employment at the Royal has a significant impact on the city's economy. The 5,570 staff have a net take home pay of some £53m annually which is spent primarily in the local economy on housing, goods and services.

The loss of 2,770 jobs at the Royal will be diluted to some extent on a Belfast city basis by a small increase in jobs at the City, Mater and Ulster hospitals, assuming an increase in their staffing levels. This will obviously depend on patient flows, the EHSSB's drive to increase efficiency, and other factors. So the overall loss to the city and the impact on the economy is likely to be less than the full effect of 2,770 job losses. We have assumed that this could amount to 500 jobs, leaving 2,270 hospital job losses.

We have already noted the key role of the public sector in the Northern Ireland economy. The provision of jobs and services in both the public and private sectors leads to spending in the local and national economy which in turn supports employment in these services. There are three types of spending which support local employment:

1. The wages of Royal hospital staff which are spent in local shops, pubs, garages and a wide range of private services.
2. Expenditure by the Royal on goods and services, although many of these are not produced locally.
3. Spending on local services by patients and visitors-transport, florists, cafes, and so on.

A job multiplier has been calculated to determine the impact of the loss of spending in the local economy as a result of job losses at the Royal. This is calculated to be 1.24 (see Appendix 1 for details of how this multiplier was calculated). In other words, for every four hospital jobs which are lost one additional job will be lost in the local economy because of reduced spending.

Thus the potential loss of 2,270 hospital jobs in Belfast will result in the loss of a further 545 jobs in the local economy.

## **Impact of reduced RGH spending on goods and services**

The Royal's budget for goods and services was £20.3m in 1992/93, including estate maintenance and repair (£0.96m), heat, power and light (£1.63m) and equipment maintenance (£0.55m) as well as medical and catering supplies. The purchase of goods and services supports employment in other services in the economy. The loss of the 14 specialties would result in a substantial reduction to this budget of least 40%.

We have not been able to carry out an analysis of the sourcing of these goods and services to determine the share purchased locally, in Britain and overseas. Only a relatively small proportion of this budget is likely to be expenditure which supports local employment as many supplies and specialist equipment will be produced elsewhere and transported to Northern Ireland. Assuming the budget is reduced by £8.0m (40%) of which

£1.0m supports local employment and assuming £65,000 of expenditure supports one job, this spending will lead to a further loss of 15 jobs in the local economy.

**Loss of spending by patients, staff and visitors**

Patients, and particularly visitors to the Royal from outside the city, also use local services. It has not been possible to determine the level or effect of this spending although it is likely to be relatively marginal compared to the other factors noted above.

The loss of the 14 specialties is also likely to result in a reduction of the need for on-site accommodation for staff, visiting doctors and students. Currently there are three tower blocks containing 234 self contained flats, Bostock House nurses' home (295 rooms) and Biggart House (180 rooms). Musgrave and Clark Houses provide accommodation for junior doctors. It has not been possible to examine the use of local services by occupants of these facilities but clearly there would be a potential loss of spending in local shops, pubs, and on taxis and public transport.

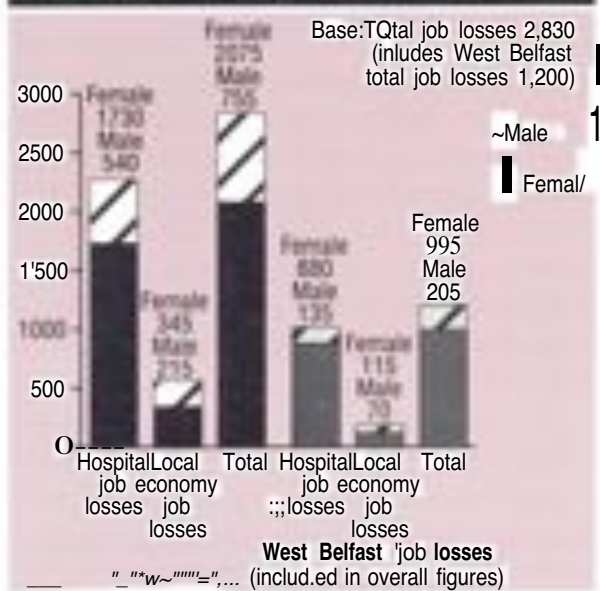
**Loss of construction programme**

The removal of specialties at the Royal will lead to a drastic reduction in the planned five year construction programme and representing a further loss of jobs. The loss of £1m capital expenditure represents about 21 person years employment at 1990 prices (see *The Welfare State*).

**Summary of job losses in the Belfast economy**

Loss of jobs in local economy due to loss of wages	= 545
Loss of jobs due to reduction in hospital spending on goods and services	= 15
	560
The total job potential job loss is therefore 2,270 hospital jobs + 560 jobs in the local economy	= 2,830

Table 2.1: Summary of job losses



**Hospital jobs cut but large subsidies to private sector job 'creation'**

The loss of hospital jobs and the claimed rationale behind such decisions must be compared to the performance and cost of the Government's job creation programme. For example, Local Enterprise Development Unit (LEDU) supported firms created 2,500 additional jobs in 1991-92 (at a cost of £13,480 per job) but there were 3,150 job losses-a net loss of 2.4% jobs.

The Industrial Development Board (IOB) made net payments of £406m in the two year period 1991 and 1992 of which almost half, £198m, was assistance to the aircraft (Short Bros pic) and shipbuilding (Harland and Wolff) industries, both privatised in 1989. IOB home industry job promotion cost £17,727 per job assisted in 1991-92, inward investment cost £5,390 per job, and renewed jobs cost £11,409 per job assisted (IOB Annual Report 1991-92). The net assistance to the aircraft and shipbuilding industries in 1992 was £74m, virtually the same as the Royal hospital's salaries and wages budget of £75.4m in 1992/93.

**Impact in West Belfast**

The loss of 1,015 Royal hospital jobs in West Belfast will have a knock-on effect on the local economy through reduced spending power. This will only be ameliorated by unemployment benefit and income support. Redundancy payments will

have only a relatively short term effect in sustaining consumer spending power.

Using the multiplier of 1.24, the 1,015 hospital job loss will result in further loss of 245 jobs in the local economy, making a total job loss of 1,260. We estimate that three quarters (185) of these job losses will be in West Belfast and the remainder primarily in the city centre, where residents also purchase goods and services. This means that there will be a total of 1,200 job losses in West Belfast.

## Short term impact of redundancy payments

Those losing their jobs would be entitled to redundancy payments which would in effect be a short cushion with respect to the full impact of the loss of spending power in the local economy. The NHS redundancy scheme is only marginally different from the statutory scheme and we have based our figures on the latter. Statutory redundancy is currently a week's pay (maximum £205) for each year of service for those over 20 years old with a minimum of two years continuous service. The rate rises to 1.5 the weekly wage for each year of service between 41 and retirement age.

The Royal were unable to provide average length of service information but, assuming the average is eight years (the Labour Relations Agency report an average annual turnover rate of 13% in Northern Ireland), a quarter of the total service years are at the higher rate, and based on average wages for domestics, nurses, and admin and clerical staff, the total redundancy payment will be about £1.52m. Compared to the £8.79m annual income of the 1,015 job losses it represents only a few months ability to sustain current spending levels, assuming it was combined with unemployment benefit and income support.

## Impact on women

Women's employment will be substantially affected, accounting for 73.3% of the overall hospital and local economy job losses in the city. However, they account for 83% of the job losses

in West Belfast because of the higher proportion of women in nursing and support services living in the area (see Table 1.5). Women account for nearly one in ten of these jobs. The overall percentage is lower because women's employment accounts for some 65% of retail and service jobs in the local economy.

A large number of these jobs are part-time, for example, the 575 female domestics at the Royal are employed for 368 whole time equivalents. We have not been able to examine the working hours for each occupational group but it is clear from the above data that there will be a substantial loss of full-time jobs at the Royal. A slightly higher proportion (61%) of women in Northern Ireland work thirty one or more hours a week than in Britain (58%). With very high levels of male long-term unemployment in West Belfast, many households rely heavily on income from women's employment.

More than 20% of working women in Northern Ireland are employed in the distribution, hotels and catering sector and the loss of 560 local economy jobs primarily in this sector will lead to further hardship.

The Labour Force Survey 1991 revealed that 56% of Catholic women were economically active compared to 65% of Protestant women, based on women of working age. Twice as many Catholic women (12%) were unemployed compared to Protestant women (6%). Given the community background of the Royal staff, the loss of jobs will have a disproportionately large impact on Catholic women in West Belfast.

## The effect of substantial increase in unemployment in West Belfast

Mass unemployment in West Belfast-nearly 50% in some wards-will rise. A further loss of 1,200 local jobs will increase unemployment by a further 13% in the area as a whole.

## Increasing ill-health and poverty

A recent analysis of census data over the last three decades by the NICVA has highlighted the

increasing levels of deprivation in the city and particularly West Belfast. Using four indicators in the Townsend Index (unemployment, overcrowding, households without a car, and households not owner occupied), eleven wards in West Belfast are among the 25 wards with the highest level of deprivation. Unemployment rates (based on the 1991 Census-percentage of economically active unemployed) range from 24% in Beechmount to 49.3% in the Falls wards. The study concludes that 'unemployment levels have progressively and disproportionately increased in the wards ranked highest in each analysis'. Other data from the DHSS *Spatial and Social Variations in the Distribution of Health Indicators in NI 1990* show that of the ten worst wards for overall health in the whole of Northern Ireland, six are directly serviced by the Royal. Increasing inequality will be accelerated by further job losses in West Belfast.

Social security benefits account for 16.5% of all household incomes in Northern Ireland compared with a UK average of 10.8%. Comparable figures are not available for West Belfast but will be considerably higher, reflecting the high level of unemployment and low average incomes. Increasing inequality will be accelerated by further job losses in West Belfast. Cuts in social security benefits and restructuring of the welfare state now being considered by the Government will have a devastating effect on families in West Belfast.

### **Impact on the local labour market**

The public sector plays a key role in the Northern Ireland labour market as well as the economy as a whole through influencing wage levels and setting standards in working conditions. Whilst terms and conditions need to be improved across the public sector they offer advantages when contrasted with private sector practice.

The potential loss of jobs at the Royal will, at least in the short term, still leave the hospital as a major employer in the city and particularly West Belfast. However, a substantial loss of jobs at the Royal will have the following effects on the local labour market:

~ Fewer vacancies and therefore reduced opportunities for the unemployed.

~ Reduction in training opportunities.

~ Increased adverse impact on basis of gender and religion, contrary to equal opportunity legislation and the Government's promised 'equality proofing' guidelines.

~ Increased casualisation.

~ Lower hourly pay rates. Public sector employers are particularly important in setting standards in cleaning, catering and clerical and administrative jobs where private sector rates are generally much lower. This is particularly important in West Belfast because a large number of women work in these occupations at the Royal and their wages form a significant part of household income.

~ Worsening conditions of service. Holidays, sick pay and other benefits are rarely matched by private sector employers in the occupations affected. Substantially reduced public sector employment at the Royal will lead to the erosion of standards.

~ More fragmented industrial relations. A substantial reduction in employment (and trade union membership) at the Royal will mean a smaller trade union organised workplace which is likely to have less overall influence on the employment practices of other employers.

# The public costs of unemployment

The public cost of unemployment is substantially greater than the cost of benefits to claimants. The Government not only has to payout unemployment benefit, income support and housing benefit but loses income to Inland Revenue and National Insurance contributions. Reduced spending power reduces income from VAT. In addition the Government has 'hidden' costs of administering benefits and in some cases financing redundancy payments. The cost of new or larger economic development initiatives aimed at mitigating some of the effects of unemployment are also costs which must be attributed to the cost of unemployment.

We have calculated the cost of unemployment in Northern Ireland, taking into account specific local costs and responsibilities for services. Details of this cost analysis are contained in Appendix 2 and summarised in Table 3.1.

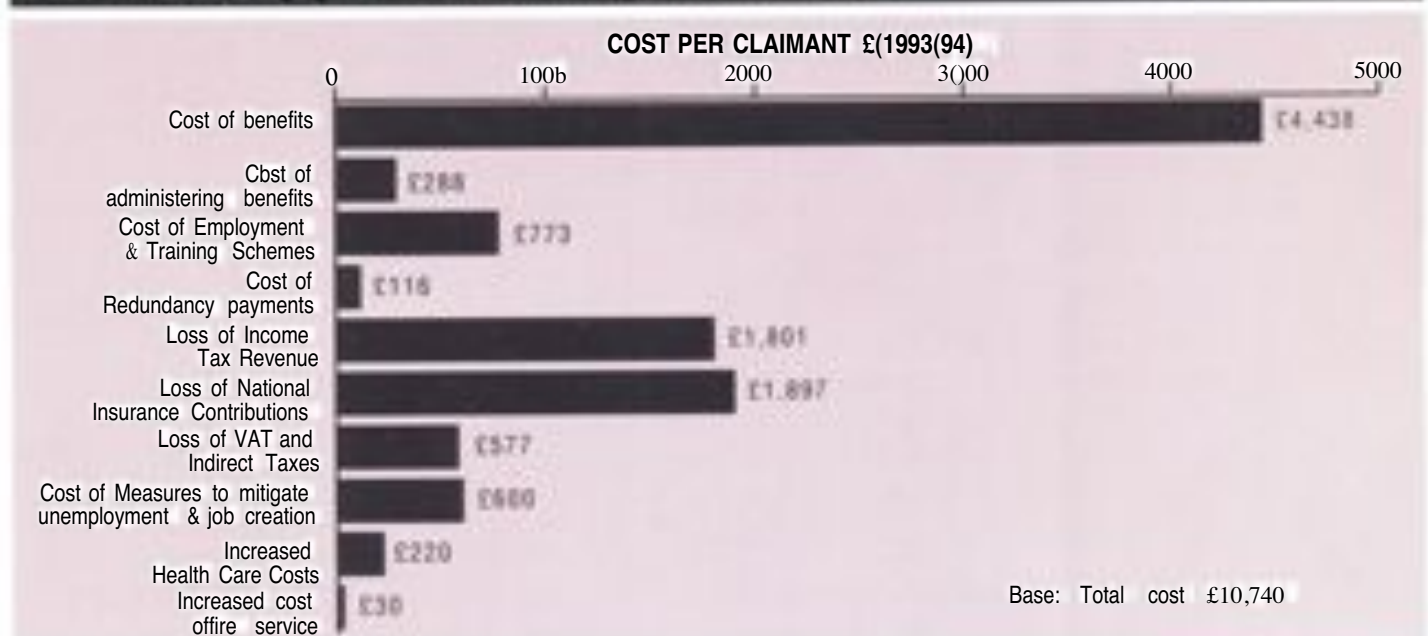
The current cost of unemployment in Northern Ireland is £10,740 per claimant unemployed per annum.

In Britain over ninety percent of the costs are borne by Government departments. But in Northern Ireland the Government bears the entire cost of unemployment, given the relatively small role of local government in service delivery.

## The public cost of job losses at the Royal

The loss of 2,770 jobs at the Royal will dramatically increase unemployment, although not by this actual amount because we have assumed there will be a small increase in jobs in the same specialties in the three other Belfast hospitals and some medical and senior nursing staff are likely to find jobs elsewhere in Northern

**Table 3.1 Cost of unemployment in Northern Ireland (per claimant unemployed)**



Ireland, Britain or overseas. Assuming there is an increase in unemployment of 2,270 the annual cost will be £24.4m.

The annual cost of unemployment at £10,740 per claimant can be compared to the average wage at the Royal of £10,708 (December 1992). In effect the Government will have to payout £10,740 irrespective of whether the Royal retains the specialities or not. Or put another way, it is getting the workforce for the same cost it would otherwise have to pay if the jobs were lost through 'savings'-it only has to finance the buildings, medical equipment and supplies.

These are all *public* costs of unemployment. When either the public or private sector claims it is 'saving' money through contracting out, making cuts in public services or closing factories a substantial additional burden is placed on public finances unless, which is rare, job losses are replaced by new jobs. Just because the financing of these costs is the responsibility of a different department does not make them any less real.

### **The cost of unemployment in West Belfast**

The cost of unemployment in the West Belfast parliamentary constituency is already £100.2m per annum. A further increase of 1,015 hospital and 185 local economy job losses will increase this cost by £12.9m per annum.

This cost analysis raises fundamental issues about the process of government decision making and the relevance of current financial and auditing systems. Decisions by the Eastern Health and Social Services Board and the Royal Group of Hospitals have direct financial consequences for Northern Ireland as a whole. Fragmented and isolated decision making may be easier for administrative convenience but it exposes the sham of a government which so vigorously claims to be concerned about value for money, public accountability and a citizen's charter.

There is no such thing as a 'saving' in these circumstances. Neither the Eastern Board nor the Royal can claim a 'saving' when another government department is immediately burdened with additional costs. It is all public money. Different departments and budgets are not ends in

themselves, they are only the means by which spending is allocated and distributed.

A system of decision making and accounting whereby the full range of public sector costs is clearly identified and considered is required as a matter of urgency. Social, economic and environmental auditing are needed urgently.

**Part 4**

# *Recommendations*

---

Based on the findings of this social and economic audit we recommend that:

1. All proposals concerning the possible transfer of the **14** specialties be halted until the following recommendations are implemented.
2. A full analysis of the current direct and indirect staffing levels in each of the **14** specialties should be carried out as a matter of urgency, together with an assessment of the employment impact of transfer or change in service levels in both the Royal and City hospitals.
3. The Department of Health and Social Services, the Health Boards, and hospitals should immediately implement a system of social and economic auditing into their planning and policy making processes. This audit shows conclusively that such matters should be an integral part of the public sector's fiduciary duty. **It** should also be an integral part of the 'equality proofing' measures which the Government claim to be implementing.

**It** should be inconceivable that Health Boards and hospitals can ever again make decisions based on such narrow and short sighted criteria when such decisions will have substantive public expenditure implications and detrimental effect on the health of the very people to whom the Boards and hospitals are responsible for health and social services care.

4. The findings of social and economic auditing should be made public.
5. The Royal Hospital should take immediate steps to improve its management and personnel information system.
6. The Department of Health and Social Services and the EHSSB should carry out a full review of their employment policies and responsibilities and adopt best practice policies based on the health and welfare of their staff. In addition, the Royal Trust has a responsibility to adopt best practice employment policies.

# Calculating the jobs multiplier

The methodology for constructing the local jobs multiplier was adopted from the Sheffield Jobs Audit (see *The Sheffield Council Jobs Audit: Why and How*, Clark, Critchley, Hall, Kline & Whitfield, Local Economy, 1986). The multiplier calculates the number of jobs, not whole time equivalents. The calculation starts with the gross wages of Royal staff and a series of deductions are made to take into account the different elements of income which are not spent in support of local jobs. Hence direct taxes, savings, benefits which would be received anyway if the staff were unemployed, and the proportion spent outside the local area or on imported goods. This produces a proportion of wages which supports local jobs. The actual number of jobs supported is calculated, using the average wages in the retail and distribution sector together with the profit per worker and non-wage costs.

The first round multiplier was calculated based on the following:

- A. Gross pay of Royal staff: the 1992/92 wages budget was £75.44m less 11.5% for employers' NI contributions = £66.76m.
- B. Tax and National Insurance payments by employees: without detailed figures for gross tax and NI payments an average tax deduction of 20% has been assumed.
- C. Savings: a savings ratio of 7.67% of gross income was used from UK National Accounts 1992, Table 4.4.
- D. Benefits payable to the unemployed: using the data from Appendix 2 but excluding housing benefit payments because this is not personal income, the average benefit was calculated based on both claimants and non-claimants using the Unemployment Unit Index of **147,000**

unemployed in Northern Ireland, April 1993. Average benefit £2,284 or 19% of wages.

E. Propensity to import: this has to take into account the proportion of expenditure which is either spent on imported items or outside the local area. The Sheffield study used a figure of 58.5% and referred to previous work on Cleveland (60%) and South Glamorgan (57%). A study assessing the economic impact of tourism in Northern Ireland by the NI Economic Research Council refers to an estimated consumption multiplier of 1.3 (for every £100 of income generated by a project in Northern Ireland an additional £30 of income is created through local spending). In the absence of any detailed NI data on this subject but taking into account the open nature of the Northern Ireland economy, a propensity to import of 60% has been assumed.

The first round multiplier was calculated as follows:

$A \times (1 - B) \times (1 - C) \times (1 - D) \times (1 - E)$  to reduce the original wages of Royal staff to that which supports local employment = £15.92m.

The total added value per local retail job was calculated using the average weekly earnings of £182.5 including overtime (*Sales, Occupation Table, New Earnings Survey Northern Ireland*, April 1992). This compares to average weekly earnings of £144.4 and £220.7 for female and male workers respectively in the distribution, hotels and catering sector in the same survey.

The percentage of wages represented by profits is 36.6% for the distribution, hotel and catering sector (UK National Accounts 1992, Table 2.1). The non-wage cost of jobs supported were estimated to be 15% of earnings. This gave a figure of £14,330 for the total added value per job.



Based on local expenditure of £15.92m and a total added value per job of £14,330 = 1,111 jobs giving a first round multiplier of 1.199.

The wages earned by workers in retail and distribution also help to support further jobs in the local economy, hence it is necessary to calculate the impact of second and subsequent rounds of spending.

This is done in two parts. Firstly, for the pay element of using the same formula as above but adjusted to take into account benefits to the unemployed being a higher proportion of the average retail wage (24%). Net local spending of £2.36m supports a further 165 jobs.

The second part of the calculation deals with the profit element adjusted to exclude a deduction for unemployment benefit and a deduction to take into account the proportion of profits exported to multiple store owners (50%). This supports a further 39 jobs.

The second round multiplier was 1,111 jobs supporting a further 204 jobs giving a multiplier of 1.184.

The full multiplier is based on cumulating the multiplier effects:

$$0.199 + (0.199 \times 0.184) + (0.199 \times 0.184 \times 0.184) = \mathbf{1.24}$$

This multiplier of 1.24 has been used to calculate the impact of job losses at the Royal.

# Calculating the public cost of unemployment

## Introduction and methodology

Unless otherwise stated, the source of tables is *Expenditure Plans and Priorities: Northern Ireland*, Department of Finance and Personnel/HM Treasury, February 1993.

The calculation of costs is based on the claimant unemployed. The base figure for 1992/93 is the monthly average claimant unemployed in Northern Ireland of 106,800 (seasonally adjusted). This compares to the March 1993 figure of 106,500 (14.2%) and the Unemployment Unit Index of 148,000 (19.7%).

## Cost of benefits

Unemployed claimants received a total of £333m in benefits, excluding housing benefit, in 1992/93. (Table 9.24, estimated outturn)

The cost of men aged 60-64 receiving Income Support in return for not registering for work and thus reducing the unemployment count by a similar amount must also be included. No data are available for N. Ireland. Using GB figures of 120,000 in 1992/93 representing 1.18% of the elderly receiving pension and other benefits. (Table 7, *Social Security: The Government's Expenditure Plans 1993-94 to 1996-96*, February 1993, HMSO). Applying this ratio to the elderly in receipt of pension and benefits in Northern Ireland gives a figure of 2,600 men in this category receiving approximately £8.4m per annum.

Benefits were increased 3.6% in April 1993.

The cost of housing benefit and rate rebates to both tenants and owner occupiers (Table 9.22) in 1992/93 was:

Rent rebates	£141.2m
Rent Allowance	£ 41.5m
Rate rebate (tenants)	£ 15.1m
Rate rebate (owner occupiers)	£5.1m

Based on 143,800 receiving rent rebates/allowances and 156,800 receiving rate rebates (Table 9.26) the average annual rent rebate/allowance in 1992/93 was £1,270 and a average annual rate rebate of £129.

Assuming 75% of unemployed claimants receive housing benefit and rate rebates, the total cost of housing benefit for the unemployed in 1992/93 was £112m.

It is also assumed that 50% of the net cost of the Social Fund is related to unemployment (£15.8m in 1992/93 after repayment of loans, that is, £7.9m).

Total cost of all the above benefits is £474m in 1993/94 (taking into account the April 1993 increase in unemployment and income support benefits or £4,438 per claimant unemployed).

## Cost of administering benefits

The cost of administering benefits in Northern

Ireland has been calculated using average weekly administrative costs per beneficiary of £9.15 for unemployment benefit (based on the GB figure rather than the NI figure of £22.20 for 1991/92 which is temporarily distorted due to the 'implementation of operational strategy systems'), £2.95 for income support, £12.10 for unemployment benefit and income support, and £1.05 for housing benefit (GB figure) (Table 9.29 and Figure 27, *Social Security, The Government's Expenditure Plans*).

The proportion receiving different benefits is based on amending data on those entitled to benefit to take into account the recent increase in unemployment, thus increasing the proportion receiving unemployment compared to those on income support. In November 1991, 13.8% of the unemployed received UB and a further 2.2% received both UB and IS (in stark contrast to similar figures of 27% and 5% for GB, reflecting the higher levels of long term unemployment in Northern Ireland). The recent increase in unemployment will have resulted in a slightly higher proportion of claimants receiving UB. An average 18,700 received UB in 1992/93 (Table 9.26) and we have assumed that 16,200 (15.2%) received only UB and 2,500 (2.3%) both UB and IS, and the remaining 88,100 claimants received IS.

Part of the cost of administering the Social Fund must also be taken into account. Using GB data of 45.2% administration costs as a percentage of benefit expenditure (Figure 27, *Social Security*) the cost attributed to unemployment in 1992/93 was £3.57m.

The total cost of administering benefits is shown in the following table:

<b>Cost of administering benefits</b>	
Benefit	£m
Unemployment benefit	7.71
UB and Income Support	1.57
Income Support to the unemployed	13.51
Housing Benefit	4.37
Social Fund	3.57
<b>Total</b>	<b>30.73</b>

The annual cost of administering benefits to the unemployed in Northern Ireland is £288 per claimant unemployed per annum.

### Cost of employment and training schemes

Various government training and employment schemes have the effect of reducing the number of claimant unemployed and are therefore a direct cost of unemployment. This analysis has excluded the cost of Youth Training as it now has more of a training function (leaving aside the quality of training and employment substitution issues) and young unemployed people not on YT do not receive benefit. The cost of sheltered employment and training schemes for the disabled have also been excluded.

The cost of other schemes in Northern Ireland have been included:

	Expenditure 1992/93 £m	Increased % Cost per unit place in 1993/94
Job Training	16.7	6.4
Action for Community Employment	50.0	2.8
Restart	1.2	
Enterprise Ulster	7.4	4.2

(Source: Tables 6.15, 6.17, 6.19, 6.20, 6.21, 6.22, 6.23, 6.24, 6.27, 6.28, 6.29)

Expenditure under these projects totalled £75.3m but this excludes expenditure on Making Belfast Work and Londonderry employment and training projects. The cost of employment and training schemes funded through Making Belfast Work and the Londonderry Initiative have been calculated using the 1992/93 employment and training scheme targets (Table 10.2) and the cost per place data contained in the Tables above and GB unit costs for Jobclubs. This is estimated to be £4.5m in 1992/93.

The cost per claimant unemployed in the current year, taking into account the planned increase in unit costs noted above, is £773 per annum.

### Cost of redundancy payments

Although employers are now responsible for redundancy payments claims can be made to the

Government's Redundancy Payments Service where the employer cannot pay due to insolvency or financial difficulty. This is clearly another cost of unemployment. Using GB data expenditure, including administration costs, this was £318m in 1992/93 or an average cost of £116 per claimant unemployed.

### Loss of income tax revenue

Unemployment reduces income tax revenue. This has been calculated by the Unemployment Unit, based on data on earnings, differences in male/female unemployed seeking full/part-time work, and taking into account the taxation of UB, total income tax foregone in 1991/92 was £3,878m (GB) (*Working Brief*, Unemployment Unit, October 1992). This was calculated on the basis of the total number of unemployed people as defined by the 1991 Labour Force Survey (based on the ILO/OECD definition), plus those wanting and available for work but not actively seeking a job in the previous four week period, producing a total of 3,294,000. Taking into account lower earnings (and thus lower level of income tax paid) but allowing for increased earnings in the last two years, the loss of income tax in Northern Ireland is estimated to be £1,801 per claimant unemployed.

### Loss of National Insurance contributions

The Government loses both employee and employer contributions to National Insurance. The Unemployment Unit has calculated, based on the same assumptions for the loss of tax revenue, that National Insurance foregone totalled £4,086m in 1991/92 (GB data) including £1,809m in employees' contributions and the remainder in employers' contributions. The loss per unemployed person was £1,240 in 1991/92 or £1,825 per claimant unemployed.

Allowing for lower earnings in Northern Ireland (90% of GB earnings) and taking account of increased earnings in the last two years (and therefore higher NI contributions) the loss of National Insurance contributions is estimated at £1,897 per claimant unemployed.

### Loss of VAT and indirect taxes

Reduced spending by the unemployed also reduces the government income from indirect taxation such as VAT and car tax. Lost indirect tax was also estimated by the Unemployment Unit to total £1,152m in 1991/92. This assumes that 90% of income is spent when in work and all income is spent when out of work; that 25% of unemployed people maintain their pre-unemployment spending through savings, increased borrowing, spending of redundancy payments, and income from the hidden economy; and that indirect tax averages 13.6% of consumer spending.

Taking into account that the cost of living for most goods and services is 1.9% higher in Northern Ireland (although 19.3% lower overall when housing costs are included) according to Reward Regional Surveys (*Economic Assessment*, April 1993, The Northern Ireland Economic Council, April 1993), and increased retail prices over the past two years, the loss of indirect taxation in Northern Ireland is estimated to be £577 per claimant unemployed in 1993.

### Cost of measures to mitigate unemployment and job creation

Measures to mitigate the effects of unemployment and the increased use of public services are further costs of unemployment which must be taken into account. Several local authorities in Britain have itemised the increased use and cost of social services, education and other services (summarised on pp.432/433, *The Welfare State*). A similar analysis in Northern Ireland has to take into account that responsibility for social services, education and economic development lies with the Health and Education Boards and government departments or agencies.

As a guide a detailed study in Manchester revealed cost/lost revenue of £520 per claimant unemployed per annum (1986 prices) or equivalent to £725 at current prices.

We have not been able to carry out a separate assessment of costs in Northern Ireland. The Government's expenditure plans for Northern

Ireland contain very little information which could form the basis of an analysis. Part of the expenditure of the Department of Economic Development and the Department of the Environment does show expenditure reflecting the high level of unemployment. The £141m budget for 1993/94 allocated to industrial development goes primarily to the Industrial Development Board (IDB) whose priorities include 'targeting social need' and a further £39m is allocated to local enterprise through the Local Enterprise Development Unit (LEDU). The DOE plans to spend some £41m on urban regeneration projects in the current financial year.

Assuming that 20% of this total expenditure of £221m is related to mitigating the effects of unemployment, the cost per claimant unemployed in 1993/94 is £414 per annum. This excludes expenditure by such organisations as the International Fund For Ireland, which has recently allocated over \$23m and \$1 Om in Belfast and Derry under its Disadvantaged Areas Initiative.

On the basis of the above we have estimated the cost of mitigating unemployment through the increased use of public services and economic development and urban regeneration initiatives is £600 per annum (1993/94) per claimant unemployed in Northern Ireland.

**Increased health care costs**

Several studies have examined the effect of unemployment on physical and mental health although there are recognised difficulties in separating the effects of unemployment from the effects of poverty, recession, housing and social conditions (pp.433-434, *The Welfare State*). Significant increased use of GP and hospital services will increase health care costs. The Office of Health Economics has calculated that the extra cost of visits to GPs and pharmaceutical services is £40.1m (1992 prices based on 3m unemployed) plus £30.6m for the loss of prescription charges. The annual cost of £24 per unemployed excludes the cost of the additional use of GP services by the families of the unemployed and free prescriptions to spouses.

More significantly, it also excludes the cost of increased use of hospital in-patient or out-patient

services by the unemployed. Increased mortality from lung cancer and ischaemic heart disease 'will represent a considerable burden to the NHS' (Office of Health Economics, *Briefing* No 29, July 1993). For example, the average cost of a hospital acute case was £849 in 1988-89 and £60 per day for the mentally ill. (Department of Health, Annual Report, February 1991, Cm 1513).

The total additional cost of health care services to the unemployed has been estimated at £200 per person per annum over five years at 1990 prices (*The Welfare State*) or £220 at current prices.

**Increased cost of fire service**

False calls accounted for 12.7% of all calls attended by the NI Fire Authority in 1991. The increased cost of false fire alarms has been shown to be directly related to the rate of unemployment. A 1% per cent increase in unemployment rate gave an average increase of £23,508 in fire service costs in Great Britain (1981/82 prices) using CIPFA fire service statistics, equivalent to about £30 per claimant unemployed at current prices. (S.Cameron, *Applied Economics*, No 19, 1987).

**Summary**

The total public cost of unemployment in Northern Ireland is £10,740 per claimant unemployed per annum at 1993/94 prices. The different costs are summarised in the following table:

**SUMMARY Cost of unemployment in Northern Ireland (per claimant unemployed)**

Cost per claimant	£ (1993/94)
Cost of benefits	4,438
Cost of administering benefits	288
Cost of employment and training schemes	773
Cost of redundancy payments	116
Loss of income tax revenue	1,801
Loss of National Insurance contributions	1,897
Loss of VAT and indirect taxes	577
Cost of measures to mitigate unemployment and job creation	600
Increased health care costs	220
Increased cost of fire service	30
Total	10,740

# Sources of information

---

Coopers and Lybrand, *The Northern Ireland Economy, Review and Prospects*, January 1993.

EHSSB, *Third Monitoring Report*, Equal Opportunities Unit, December 1992.

EHSSB, *Statement of Intent for General (Acute) Hospital Services Within the Eastern Board Area*, January 1993.

*Expenditure Plans and Priorities: Northern Ireland*, Department of Finance and Personnel/HM Treasury, February 1993.

Heaton, Norma, *Women and Paid Work in Northern Ireland*, *International Journal of Manpower*, Vol. 13, Nos. 6/7, 1992.

Heaton, Norma, Robinson, Gillian, and Davies, Celia, *Gender Matter in the Northern Ireland Labour Market*, *Review of Employment Topics*, Labour Relations Agency, Vol. 1, No 1, April 1993.

NICVA Public Affairs Project, *Twenty Years of Deprivation: A Comparative Analysis of Deprivation in the Belfast Urban Area using census findings published in 1991, 1981 and 1971*, May 1993.

*Northern Ireland Annual Abstract of Statistics*, No 11, 1992.

Northern Ireland Economic Council, *Economic Assessment: April 1993*, Report 100, April 1993.

Royal Hospital, *Better Options: Better Care*, May 1993.

*Social Security: The Government's Expenditure Plans 1993-94 to 1996-96*, February 1993, HMSO.

Teague, Paul, *Governance Structures and Economic Performance: The Case of Northern Ireland*, Paper, University of Ulster.

*Unemployment in West Belfast*, The Obair Report, 1988.

Whitfield, Dexter, *The Welfare State: Privatisation, Deregulation and Commercialisation of Public Services: Alternative Strategies for the 1990s*, Pluto Press, 1992.