

Welcome to Northern Ireland's 'Hotel California' – Such a Lovely Place?

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Whilst the last few years certainly haven't been 'vintage' for the economy, they have been a golden age for economic metaphors. Loaded imagery used to describe the credit crunch has included roller-coasters, train crashes and investors caught swimming naked after the tide has gone out, and many more. Song titles and lyrics are invariably used to capture the mood of key events. Following on from the plethora of books documenting the credit crunch, it remains to be seen whether a credit crunch themed album will be released.

After all, there would be no shortage of contenders for such a compilation. The US housing market triggered the crisis, so *This Ole House* by Shakin Stevens would be an appropriate opening track. Although it wasn't so much the house but the sub-prime mortgage used to buy it that was the problem. With the credit crunch that followed, Simply Red's *Money's Too Tight to Mention* would resonate with many households and businesses. Meanwhile, the song titles and lyrics that would best describe the deterioration in the public finances could include Johnny Cash's *Busted*. While efforts to shore up the finances would make for the Beatle's number – *Taxman*.

All of the above have a relevance to recent economic events, but, sadly, no song captures the challenges associated with the local economy as well as *Hotel California* by the Eagles. Not only have music lovers enjoyed this piece but they have also tried to decipher its strange lyrics, the meaning of which has been subject to different interpretations. Some people believed the song was referring to the hotel industry in California, or indeed a specific hotel. For others, it was referring to the drug-fuelled lifestyle associated with rock and roll.

According to Eagles band member Don Henley, the song is about the Los Angeles highlife of the 1970s, alluding to the dark underbelly of the American dream and the culture of excess endemic across the US. In essence, the song describes the boom and self-inflicted bust of the Southern Californian music industry in the latter part of the decade. Some of the lyrics that pointed to this excess include '*Her mind is Tiffany-twisted, she got the Mercedes Benz*'. However, as the verse below highlights, the beauty of the highlife was only skin deep. Moreover, the last line suggests participating in undesirable behaviours that most people would not care to admit to.

*Welcome to the Hotel California,
Such a lovely place, (Such a lovely place) Such a lovely face
They're livin' it up at the Hotel California,
What a nice surprise, (What a nice surprise) Bring your alibis*

The lyrics of the Eagles' best known track are clearly open to interpretation, including that of an economist. Indeed, the performance and behaviours associated within the Northern Ireland economy can be viewed through a Hotel California-style existence. Like the Californian music industry in the 1970s, the local economy, or '*Hotel Northern Ireland*', witnessed a boom during the 'noughties'. This was followed by a partially self-inflicted property bust since 2007. The Good Friday Agreement had created a new brand image and provided Hotel Northern Ireland with '*such a lovely face*' (to quote the lyrics of the

song). As a result it became '*such a lovely place*' to live, work and visit with 2007 marking a record high for tourist numbers and a historic low for unemployment.

In 2006 and 2007 there were many people livin' it up in *Hotel Northern Ireland* and the rapid property boom did seem like '*such a nice surprise*'. Indeed, with the '*pink champagne on ice*' it was believed that the local economy was very much on the rise, with luxury cars and second homes the indulgence of choice.

However, before long, many guests in *Hotel Northern Ireland* discovered that in property investment and debt '*this could be heaven and this could be hell*'. Phrases like 'make your debt work for you' have come back to haunt many guests who now realise '*we are all just prisoners here, of our own device*'. Alas, like the scenario described in the Eagles' song, much of our improved economic prosperity was just skin deep ('*such a lovely face*') and concealed a number of undesirable and damaging economic behaviours.

When the downturn arrived, it became clear that the guests of *Hotel Northern Ireland* had overdosed on property and had become addicted to high levels of benefits and wider public expenditure. Indeed, the UK posted a staggering 45% real terms increase in social security and tax credits in a decade, with Northern Ireland benefitting more than other regions from this welfare splurge. Meanwhile, voluntary organisations developed a taste for the exotic cocktails of US, UK and European funding that were readily available.

Now, we are on the cusp of a sustained period of cold turkey and a major hangover is underway. With the economy stripped almost bare, a glance at the mirrors on the ceiling (*a metaphor from the song*) reveals that the dark underbelly of the economy – which has been the target of numerous strategies – remains largely intact. This includes an overweight public sector, low levels of productivity, high rates of economic inactivity and long-term sickness. In terms of the latter, 1 in 4 of Northern Ireland households are currently on incapacity or disability benefits.

*Last thing I remember, I was running for the door,
I had to find the passage back to the place I was before,
'Relax' said the night man, 'We are programmed to receive,
You can check out anytime you like.....but you can never leave'*

The most profound line of *Hotel California* is its last. '*You can check out anytime you like... but you can never leave*. It strikes a chord with *Hotel Northern Ireland* in a variety of respects such as the labour market, the public sector and inward investment.

Since the recession began, more than 33,000 individuals have joined the unemployment register, with the dole queue expected to treble by 2012 relative to its 2007 low. Unemployment is back to levels we haven't seen since the Good Friday Agreement was signed. The challenge for policy-makers is (*to use another metaphor of the song*) to try and find the passage back to the 2007 economy that existed before. Recreating the economic high will prove extremely difficult in the absence of the past drivers of growth – public expenditure, property, retail and the Celtic Tiger. As a result, the challenge for those who have recently checked into unemployment is: will they ever leave?

More than one fifth of Northern Ireland's workforce lacks any qualifications whatsoever, which is higher than any other UK region. Furthermore, this problem is not just confined to the unskilled. An increasing proportion of skilled local graduates will be checking out of universities unable to find meaningful employment consistent with their expectations or career ambitions.

In light of this, those ambitious individuals with qualifications and lacking suitable job opportunities will very likely decide to check out of *Hotel Northern Ireland* altogether. This is set to reverse the trend of net inward migration that has been apparent since 2004.

Elsewhere, there are obvious *Hotel California* parallels in parts of the public sector, not least the public expenditure boom and forthcoming bust. Although there are now moves afoot to introduce pay freezes and to look at pensions, traditionally, the public sector's superior employment terms and conditions have led it to be viewed by too many as a luxurious employer of first resort. Moreover, the hospitality in the *Hotel Public Sector* was such that for those who checked in, the vast majority would never leave, even if they would prefer to work elsewhere, as conditions could not be matched in the neighbouring *Hotel Private Sector*. It was a case of the longer you stay the higher your pay. Even for those guests who have overstayed their welcome, the hotel management finds it extremely difficult to evict them for anti-economic behaviour. And, clearly, job security and the absence of an appropriate set of incentives do not always promote positive behaviours.

*Welcome to the Hotel California
Such a lovely place, (Such a lovely place) Such a lovely face
Plenty of room at the Hotel California,
Any time of year, (Any time of year) You can find it here*

Over the years there has been plenty of room in the *Hotel Public Sector*, with 25,000 jobs created since 1998. However, with fiscal austerity beckoning, the line: '*Any time of year you can find it here*' will no longer ring quite so true. It is therefore vital that new sources of private sector employment are found and *Hotel Private Sector* is urgently upgraded. To this end, efforts to move resources, functions and activities from the public to private sector should be accelerated.

Of course there are certain aspects of our economy which we do want to experience a *Hotel California*-style existence. Clearly Northern Ireland wants more foreign-direct investment (FDI) to check in and never leave.

However, for some companies, the allure of *Hotel Northern Ireland* may fade, and the length of stay shorten when the frequency and volume of financial assistance starts to decline. The combination of world class infrastructure and skills is a more efficient and effective way of keeping FDI rather than grants. The latter risks seeing guests move on to other 'establishments' for VIP treatment when *Hotel Northern Ireland's* complimentary hospitality (e.g. *financial assistance*) comes to an end.

In this regard, it is vital that the management gains more flexibility to initiate permanent promotional offers, such as a competitive 12.5% corporation tax rate. This, coupled with an excellent service (*skills*) and investment in world class facilities, is crucial in improving the overall ambience rather than simply benefiting individual guests. Clearly, getting new guests in the door is important and next month's US-NI investment conference is hoped to deliver on this. But speedy efficient service, particularly in the field of planning, is also vital with Ryanair recently jetting off into the tequila sunset.

The fact is that *Hotel Northern Ireland* requires major refurbishment and a new business model. A radical economic strategy is needed which will focus on targeting and rewarding positive economic behaviours. This includes switching our addiction from subsidies to incentives and no longer tolerating some of the damaging economic behaviours that have persisted for years. Our alibis for our past poor economic performance are not as believable today and Northern Ireland's economic rehabilitation now requires a determined break from the past. We can begin to check out of this economic situation anytime we like..... but the question remains will we ever leave?

Richard Ramsey
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