

Opening remarks, Alan Barrett, Seanad Eireann, 7 Sept 2022

Cathaoirleach and members of Seanad Eireann, I am Alan Barrett, the Director of the ESRI, and I want to begin by thanking you for the invitation to address you today.

I am joined by my colleagues Adele Bergin, Sheelah Connolly, Martina Lawless and Seamus McGuinness and each will speak in a few moments on various strands of ESRI research which are relevant to your deliberations.

But before that, I want to provide a very brief overview of ESRI research on North-South issues.

As some of you might know, the ESRI was founded by Dr. T.K. Whitaker in 1960.

Given Dr. Whitaker's interest in all-island issues, and the key role he played in developing North South relationships in the 1960s, it is perhaps unsurprising that the Institute's research agenda has generally included work on all-island issues.

This was especially true when Sir George Quigley was president of the ESRI around the turn of the century. Like Whitaker, Sir George was a person who advanced an all-island view.

Let me quote from his entry in the Dictionary of Irish Biography:

"In a 1992 speech (Sir George) popularised the notion of Ireland becoming a one-island economy, principally by developing a Belfast–Dublin growth corridor capable of generating an industrial cluster effect. Over time he convinced most unionists to set aside their suspicions and accept such co-operation as an end in itself."

It is important to say at the outset of our presentation that the ESRI does not take institutional views on policy issues and that includes the possible constitutional arrangements on the island of Ireland which you are discussing.

All ESRI research is aimed at providing evidence as an input into policy-making processes rather than advocating from a particular perspective.

The goal is to provide the evidence so that policies can be formulated which maximise economic and social outcomes for citizens and others.

Our work on all-island issues has the same motivation.

This perspective has underpinned our work, including research which has been funded by agencies such as the Shared Island Unit in the Department of the Taoiseach, Intertrade Ireland, Ibec and the Department of Public Expenditure and Reform through the grant-in-aid provided annually to the ESRI.

While our work on North-South issues has the same motivation as our work that focuses solely on issues south of the border, the all-island work has its own character, and I will mention two distinguishing themes here.

First, Ireland and Northern Ireland are both small countries with small populations.

In order to maximise the opportunities which typically accrue to larger populations, it is important that we minimise any barriers to collaboration and cooperation that might arise due to the existence of two jurisdictions on the island.

Hence, the first goal of our research is often to explore potential areas of increased collaboration.

The second objective of the research is to see what could be learned from the unique situation on the island.

We have populations which are similar in many ways but where we have two systems of taxation and public services delivery.

Researchers across Europe try to distil lessons on “what works best” by comparing systems and outcomes in different European countries, as do researchers across the different states of the U.S.

We try to invoke that comparative research method to see if there are lessons from both sides of the border which could benefit people, North and South.

While the Institute does not take a view on the possible constitutional arrangements, we recognise that an important discussion is occurring and we think that our work can assist in addressing some of the questions that arise in that discussion.

With that, I will hand over to my colleague Seamus McGuinness.

Opening Statement ESRI on the Economy, Seamus McGuinness

The following are among the questions we have addressed in academic papers published by the Cambridge Journal of Economics and in Irish Studies in International Affairs (part of the ARINS project):

1. How does the performance of the Northern Ireland economy compare to that of the Republic of Ireland and to British regions?
2. What are the potential explanations for NI's poor productivity performance?
3. What are the potential costs of future reunification?

Relative performance of Northern Ireland economy

- We found no evidence to support the view that Northern Ireland's economy was heavily integrated with either the GB regional economies or the Irish economy. These are important findings because they weaken the argument that a change in the constitutional position in NI, whereby NI's economic ties to the UK are weakened in some way, would have large economic consequences. The findings also suggest that the economic gains to NI from being part of the UK are less than might previously have been thought.
- There is no evidence to suggest that NI has benefited economically from any peace dividend.
- In terms of GDP per capita, NI ranked the 10th poorest from 12 UK regions in both 2000 and 2014, ahead only of the North East region and Wales.
- Relative to RoI (using GNI* for RoI which removes the distortionary impact of multinationals) output per head was 51% lower in Northern Ireland in 2018.
- One reliable measure commonly used to assess living standards is household disposable income. Household disposable income was 12% higher in RoI compared to NI in 2016.
- The proportion of individuals in households at risk of poverty is substantially higher in NI compared to RoI.
- The proportion of individuals at risk of poverty in NI was 14.3% compared to 8.9% in RoI.
- We have found that the Irish tax system is much more progressive and has more pronounced redistributive properties than that which operates in Northern Ireland.
- A good measure that captures overall differences in general welfare and living standards is life expectancy. In 2018, life expectancy at birth in RoI exceeded that of NI by 1.4 years. We can't say for sure what's driving this. A broad range of factors including income, education and employment opportunities, access to healthcare services will together generally determine life expectancy in a region. As such, differences in life expectancy across countries can be interpreted as a cumulative measure of differences in general welfare and living standards.

What are the potential explanations for NI's poor productivity performance?

- This is likely to be driven by a number of factors including lower educational attainment, lower levels of export orientation and lower intensity & poorer quality FDI.
- Education and human capital development will strongly determine regional macroeconomic outcomes, such as productivity levels and therefore ultimately, growth rates; so this is probably the most important factor driving relatively lower productivity in NI.
- Across all ages, education enrolment rates are lower in NI compared to RoI. For example, the rate of young people (those aged 15–19) enrolled in educational programs is 93% in RoI compared to 74% in NI.
- NI is much less export intensive compared to RoI.
- Exports account for 15 percent of total business turnover in Northern Ireland compared to 54 percent in the Republic of Ireland.
- Foreign Direct Investment in NI is less intensive and of lower value compared to RoI.
- Enhancing FDI flows to Northern Ireland and export activity are likely to be key policy targets in any scenario of constitutional change.

What are the potential costs of future reunification?

- Who will bear the economic costs has been a key feature of the debate on future constitutional change. Subvention, which refers to the gap between public spending and taxes in NI, was estimated at £9.2bn in 2017/18. However, the subvention figure falls by 25% when we subtract expenditures no longer likely to be incurred post-unification such as NI's contribution to UK defence spending, debt services costs and international services. Furthermore, some of the costs of NI's old age pensions (estimated at £3.2bn in 2016/17) could also remain a UK liability.
- Nevertheless, as stated in our submission, the focus for policy should be to address the issues, some of which have been highlighted here, that contribute to lower productivity in Northern Ireland and which create the need for subvention.
- In the event of any border poll ratifying reunification a transition period would be necessary to allow operational responsibility for NI to transfer to the RoI. The length of any transition period, and the success of any new policies implemented during it, will also be of importance. NI's low productivity is a main driver of subvention costs so the success of policy reforms, in areas such as education and industrial policy, will influence this cost.

Seanad Public Consultation Committee, 7th October 2022

Adele Bergin - Education

We have recent research that comprehensively compares the education systems, North and South.

Some of the key research findings include:

- There are marked differences in educational attainment between Ireland and Northern Ireland, with a lower proportion of the population in Ireland having the lowest levels of educational attainment.
- Early school leaving is two to three times higher in Northern Ireland compared to Ireland and this gap has widened over time. The proportion of 16-24-year-olds who leave school with at most a lower secondary qualification is 14% in Northern Ireland compared to 6% in Ireland. This is concerning as early school leavers are more likely to be non-employed or work in low wage and potentially insecure jobs later in life. Furthermore, students from more disadvantaged backgrounds are more likely to be early school leavers in Northern Ireland than in Ireland.
- Both systems face challenges in tackling educational disadvantage. Stakeholders across the island spoke of the benefits of the DEIS¹ programme in Ireland and those in Northern Ireland felt that such a programme could be useful for dealing with educational inequality in Northern Ireland. Academic selection in Northern Ireland, whereby students take selection tests at age 11 with those deemed as high performers continuing education in grammar schools and others in secondary schools, has significant consequences for the social and ability profile of schools and for young people's post-school choices and aspirations. Therefore, students from disadvantaged backgrounds are more likely to be clustered in certain schools in Northern Ireland compared with Ireland. Being channelled into non-grammar schools leads to low educational expectations relative to those who attend a grammar school, particularly for boys from socio-economically disadvantaged backgrounds. This lack of aspirations, particularly amongst disadvantaged boys, was reiterated as an issue by stakeholders in Northern Ireland.
- Students in both NI and Ireland from disadvantaged backgrounds achieve lower grades than their peers from more affluent backgrounds with the effect larger in Ireland, especially at upper secondary level (Leaving Certificate). However, this is reflective of the differences in early school leaving. In Northern Ireland, those who are more socially disadvantaged are more inclined to leave school after lower secondary, while in Ireland most disadvantaged students continue in school following the end of compulsory education but then receive lower exam grades on average.
- The proportion of graduates is the same in both jurisdictions. However, Northern Ireland has only a very small proportion who complete a post-secondary, non-third level qualification compared to Ireland where Post Leaving Certificate (PLC) courses have become very popular. Ten per cent of the population in NI have this level of qualification compared to 30% in Ireland.
- At all levels of qualification, wages are significantly higher in Ireland than in Northern Ireland. Higher returns to education can incentivise individuals to invest in their education and may in part

¹ The Delivering Equality of Opportunity in Schools programme in Ireland targets additional resources and supports for those schools which serve socio-economically disadvantaged communities.

be driving the low levels of education attainment in Northern Ireland. Lower returns to education in Northern Ireland may also be reflective of lower productivity levels in Northern Ireland.

Seanad Public Consultation Committee, 7th October 2022

Martina Lawless – cross-border trade research

Thanks very much to the Committee for the invitation here today. Following on from the comments of my colleagues on the overall structure of the economies in Ireland and Northern Ireland, my work in this area relates to the cross-border activities of firms and the extent of cross-border trade and supply chain integration.

Goods trade between Ireland and Northern Ireland has grown substantially since the exit of Great Britain from the EU's Single Market and Customs Union. The unique status of Northern Ireland with its access to both the EU and UK markets has driven this recent substantial increase in cross-border trade and has the potential to continue to feed into broader economic linkages across the island. There remain outstanding issues in relation to the operation of this special status under the Northern Ireland Protocol, and uncertainty from this source could limit the extent to which Northern Ireland can benefit from its unique status. Business investment benefits from clarity on regulation and market access so clear guidance on the operation of the Protocol would be likely to see increased investment in Northern Ireland.

Micro and small firms play a much more significant role in cross-border trade than is usual in exporting and importing patterns, suggesting many firms regard the island as their local market and functional economy. For example, almost all exporting firms in Northern Ireland include Ireland as one of their destination markets and over eighty per cent of small firms that export from Northern Ireland have all their export sales in Ireland. We also find a high degree of cross-border integration through supply chains. As exporting firms have systematically better outcomes across a range of key indicators, including employment and productivity, expanding participation in exporting can make an important contribution to the broader performance of the economy. Cross-border trade can be a stepping-stone in this regard to broader export participation by firms.

While the Northern Ireland Protocol did much to keep trade flowing freely across the border, an important limitation is that this agreement relates only to goods trade. Our research has shown that cross-border services trade is considerably lower than cross-border trade in goods. Services make up one quarter of the total trade going from Northern Ireland to Ireland and just sixteen per cent of the trade going from Ireland to Northern Ireland. This low share of services in trade flows from Ireland to Northern Ireland is in contrast with the high overall services content of Ireland's exports to other markets. There remains the potential for services trade to be negatively affected any divergence between the UK and EU on services regulations in the longer term.

Opening statement – health – Seanad Public Consultation Committee on “*The Constitutional Future of the island of Ireland*” 7th October 2022, Sheelah Connolly

- The Shared Island Unit of the Department of the Taoiseach also recently funded research to examine the healthcare systems of Ireland and Northern Ireland and, in particular, to identify differences and similarities between the two systems.
- A key distinction between the healthcare systems of Ireland and Northern Ireland is the absence of a universal healthcare system in Ireland. In Northern Ireland, all residents are entitled to a wide range of health and social care services that are almost entirely free at the point of use. However, in Ireland, a majority of the population pay out of pocket for a range of healthcare services, including general practitioner (GP) and other primary care services. In Ireland, there is much greater provision of private healthcare services, and a larger proportion of the population are covered by private health insurance.
- Despite these and other differences, both systems are currently facing similar challenges including increasing demand for healthcare services, increasing waiting times, increasing expenditure and workforce shortages.
- As noted by Seamus, life expectancy in Ireland in recent years has exceeded that of Northern Ireland. We also found that Ireland performed better than Northern Ireland for a range of other health status indicators including infant mortality and the proportion of the population reporting a chronic condition, such as diabetes. While 20 years ago, health status was generally better in Northern Ireland (and indeed the rest of the UK) relative to Ireland, the reverse now seems to be the case.
- In terms of inputs into the system, our research found that the number of GPs per capita was similar across Ireland and Northern Ireland. Healthcare expenditure is measured differently across the jurisdictions, but the available data suggests that publicly financed healthcare expenditure in Ireland and Northern Ireland is relatively similar, while privately financed expenditure is higher in Ireland.
- Our research also examined unmet healthcare needs across the two jurisdictions. We found that there are higher levels of unmet healthcare needs due to affordability issues in Ireland relative to Northern Ireland, perhaps unsurprising given the relatively high user charges for a range of services in Ireland. However, a significant barrier to accessing healthcare in both jurisdictions relates to the large and growing waiting times for hospital-based services. While long waits for publicly financed hospital care have been a feature of the Irish healthcare system in Ireland for a number of years, the situation in Northern Ireland has deteriorated rapidly since the onset of the COVID pandemic. For example, between 2017 and 2021, the proportion of the population waiting for an inpatient appointment for more than a year increased from 12 to 20 per cent in Ireland and from 20 to 60 per cent in Northern Ireland.

- Much of the discussion on the healthcare systems of Ireland and Northern Ireland relates to the high user charges for GP services in Ireland, while such services are available free at the point of use in Northern Ireland. Last week, in Budget 2023, it was announced that GP care provided free at the point of use would be extended to an additional 400,000 people. Such a reform would mean a greater alignment in terms of eligibility for GP services between the two healthcare systems. However, user charges for other services and prescription items in Ireland mean that out-of-pocket payments are likely to remain higher in Ireland.
- Differences between the healthcare systems of Ireland and Northern Ireland provide an opportunity to examine how different approaches might impact on outcomes; however, a lack of comparable data on a range of health indicators across the island limits the extent to which such analyses can currently be undertaken.