

Response to ‘Modelling productivity levels in Ireland and Northern Ireland’

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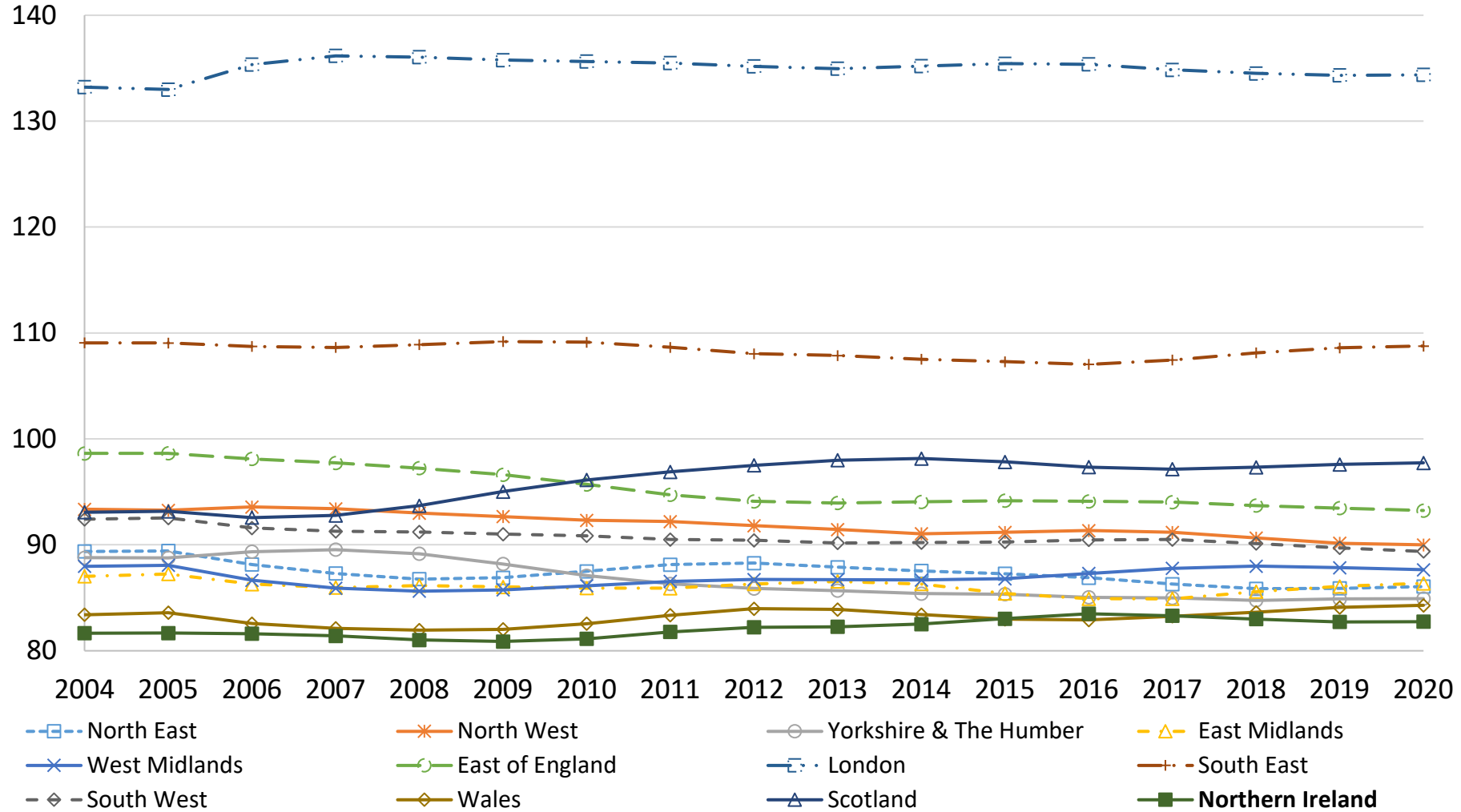


**MANAGEMENT
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Report's contribution

1. Furthers our understanding of the scale of North-South differences in productivity
2. Offers new perspective on NI's low productivity & its causes
3. Highlights scale of challenge in raising productivity in NI

GVA per hour worked (smoothed), UK=100



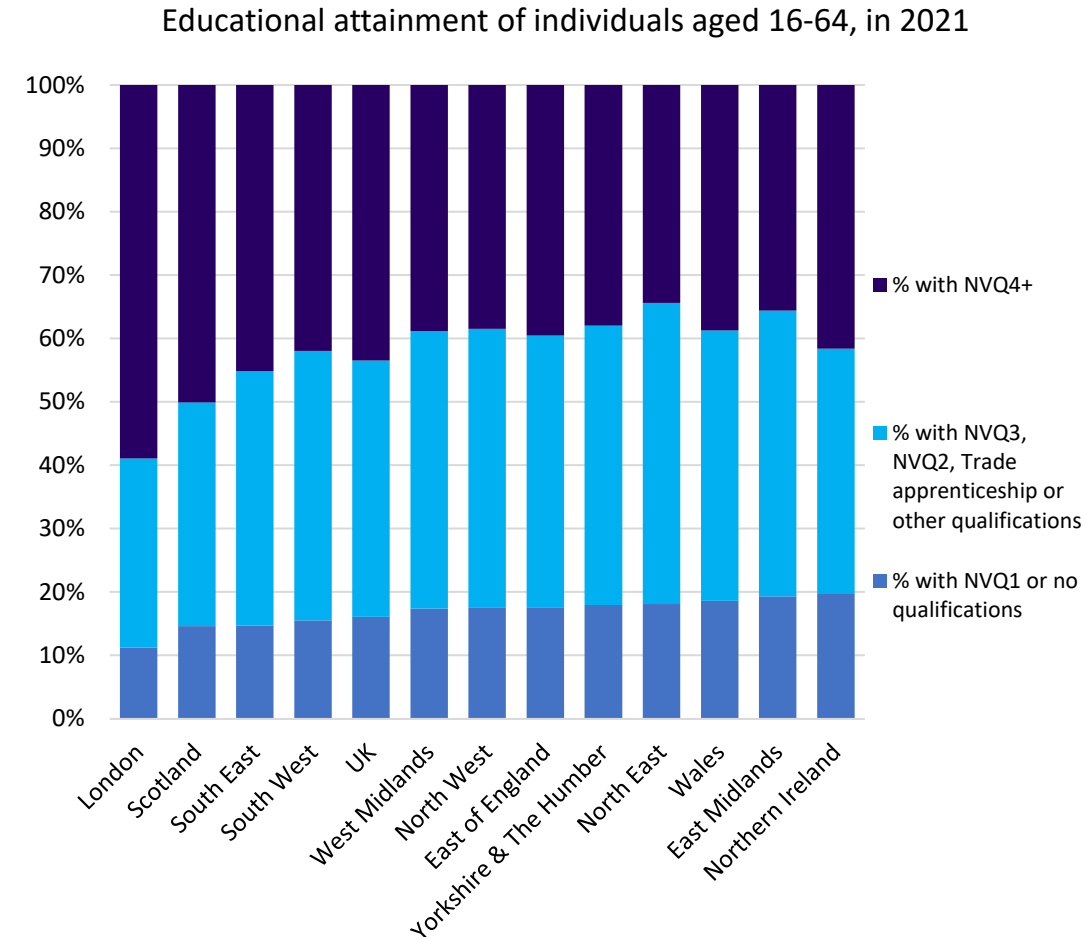
Source: ONS, 2022a.

Other potential explanations?

- NI economy not responding in same way to increases in education, investment, and export intensity
- Other potential explanations?
 - Skills
 - The Troubles & Public sector
 - Policy & institutions

Skills

- NI economy appears unresponsive to increases in education
- Traditionally NI has suffered from:
 1. Brain drain
 2. Attainment gap
- Recent improvements in education levels:
 - Proportion with tertiary education has risen from 30.5% in 2016, to 41.6% in 2021
- Appropriate skills?
- Management skills gap?

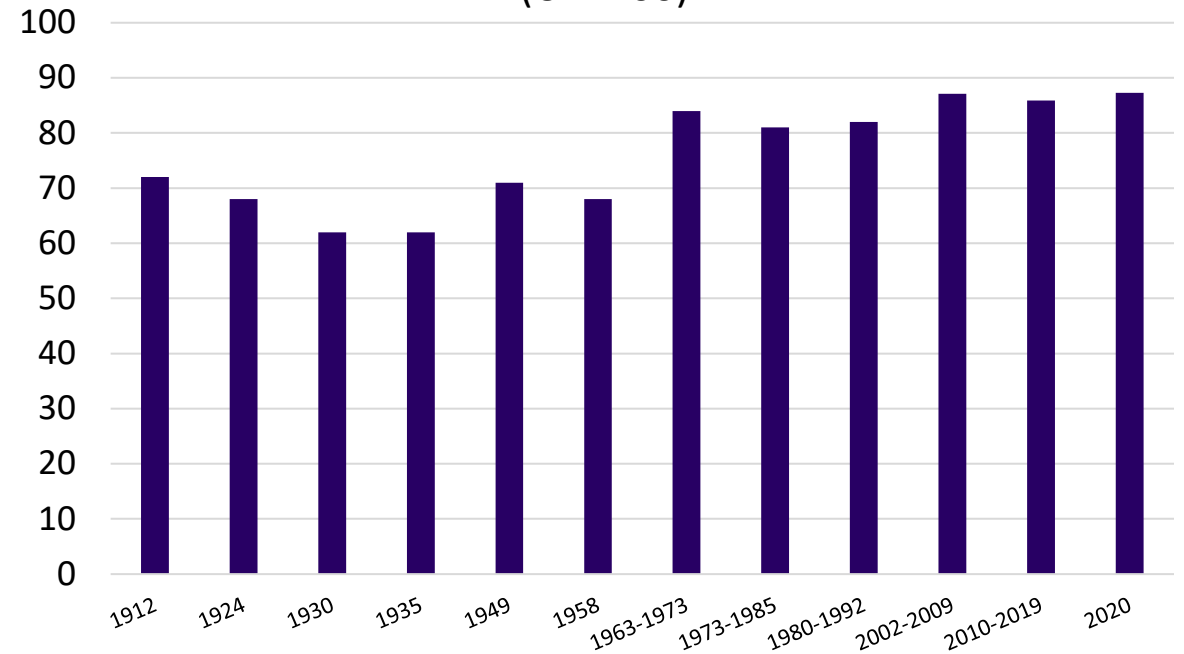


Source: ONS, 2022c, Annual Population Survey.

Troubles legacy & Public sector

- Direct economic impact of The Troubles:
 - Public expenditure supporting economy
 - Policy balancing economic and non-economic considerations
- But, weaknesses already existed pre-Troubles
- Issue: large public sector, or weak private sector?
- Economic inactivity and health

Northern Ireland's long-run productivity per job
(UK=100)



Notes: For 1912-1992: manufacturing productivity only. For 2002-2020: productivity across all sectors.
Source: For 1912-1992: Birnie and Hitchens, 1999, p.34. For 2002-2020: ONS, 2022a.

Policy & institutions

- Policy interventions have a poor track record in NI:
 - Incorrect diagnosis of problems
 - Poorly targeted subsidies
 - Less successful at attracting FDI
- Productivity rarely used as a measure of outcomes
- Policymaking taking place in silos
- No single cause of low productivity = no single policy solution