

Response to 'Modelling productivity levels in Ireland and Northern Ireland'

David Jordan

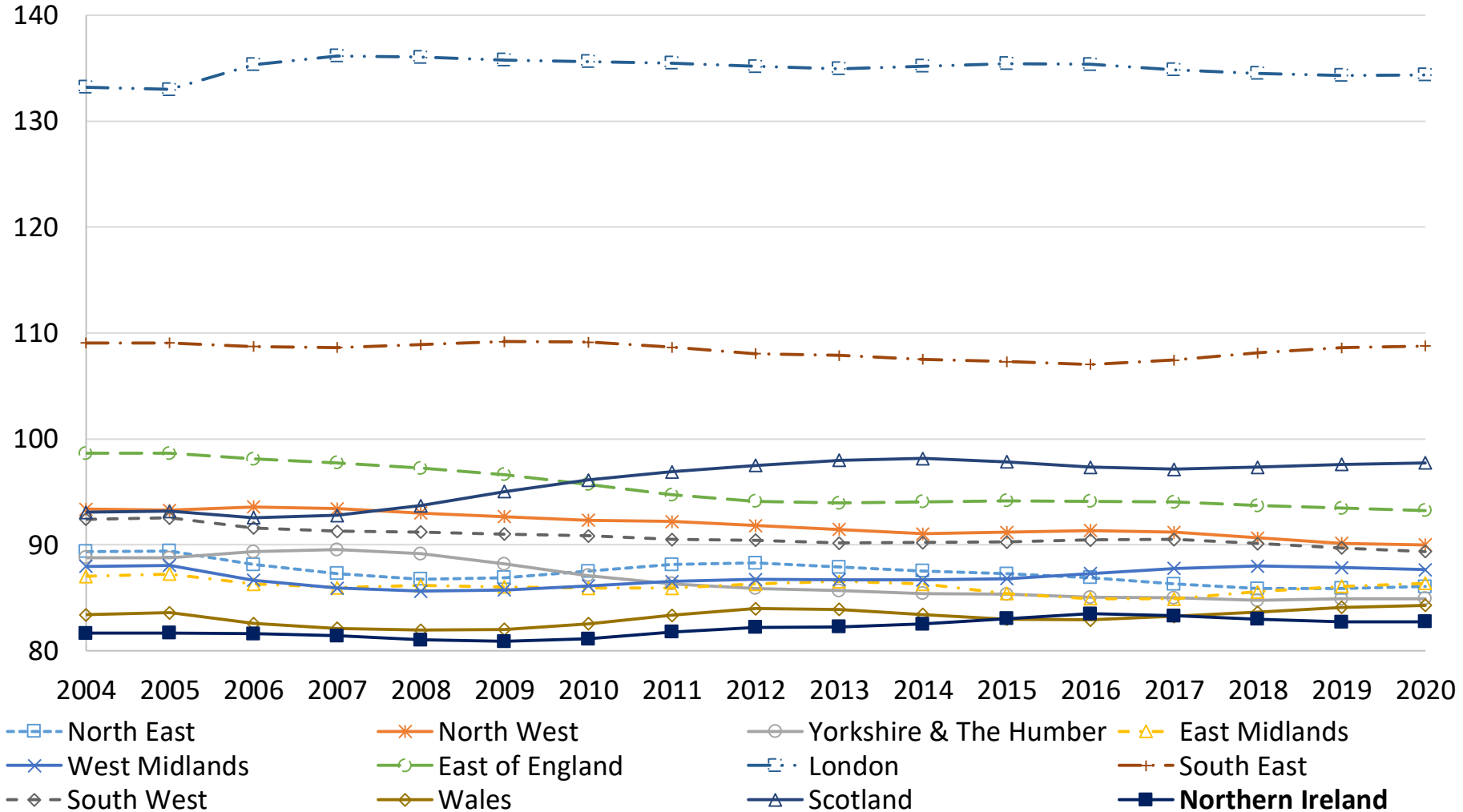
Tuesday 21st March 2023



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



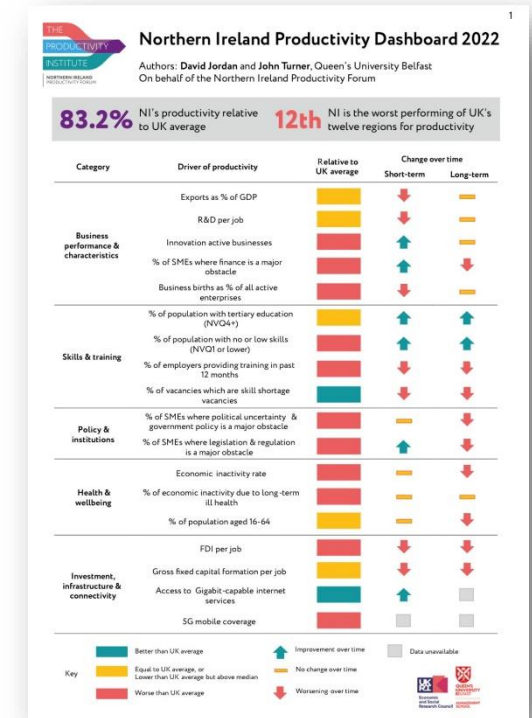
Source: ONS, 2022a.

Potential explanations

- ESRI report shows NI economy not responding in same way to increases in education, investment, and export intensity

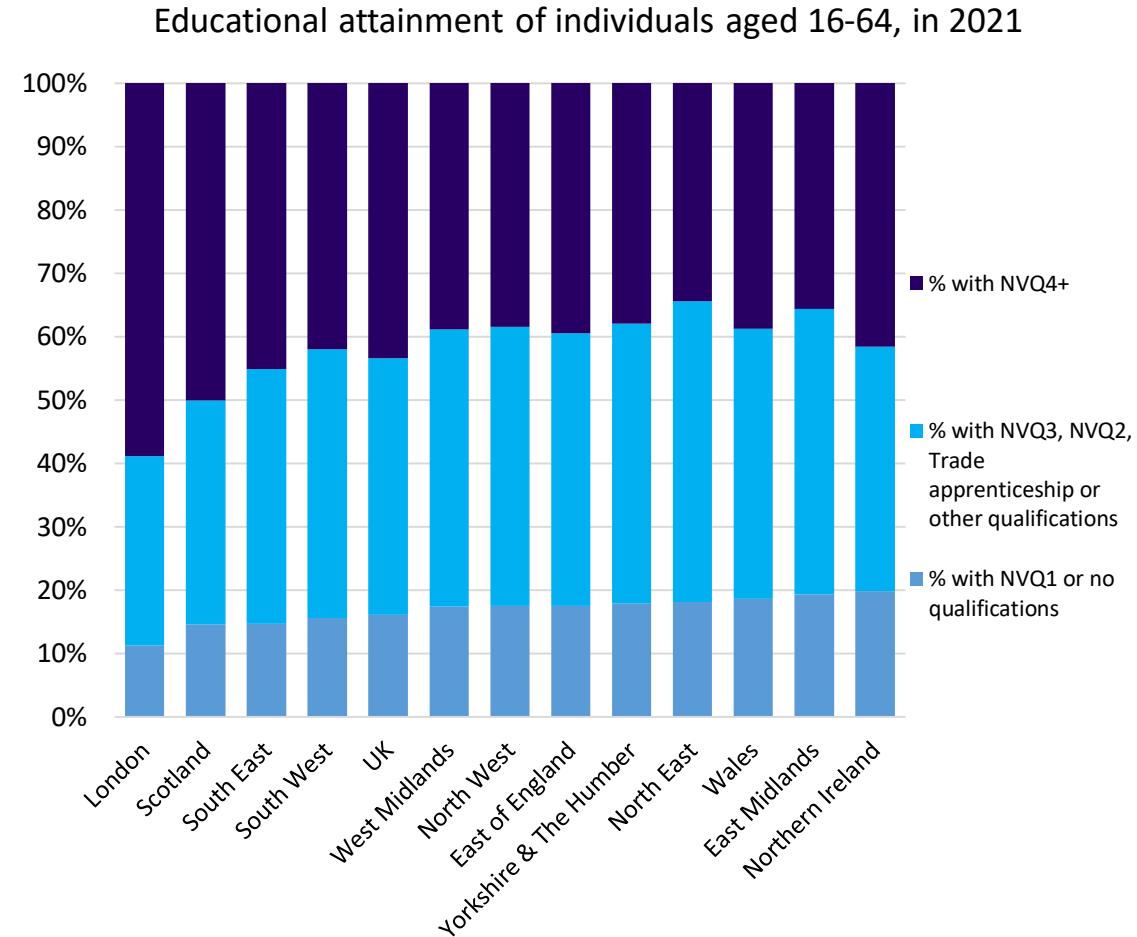
- Potential explanations?

- Skills
- The Troubles
- Public sector
- Policy & institutions



Skills

- 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?

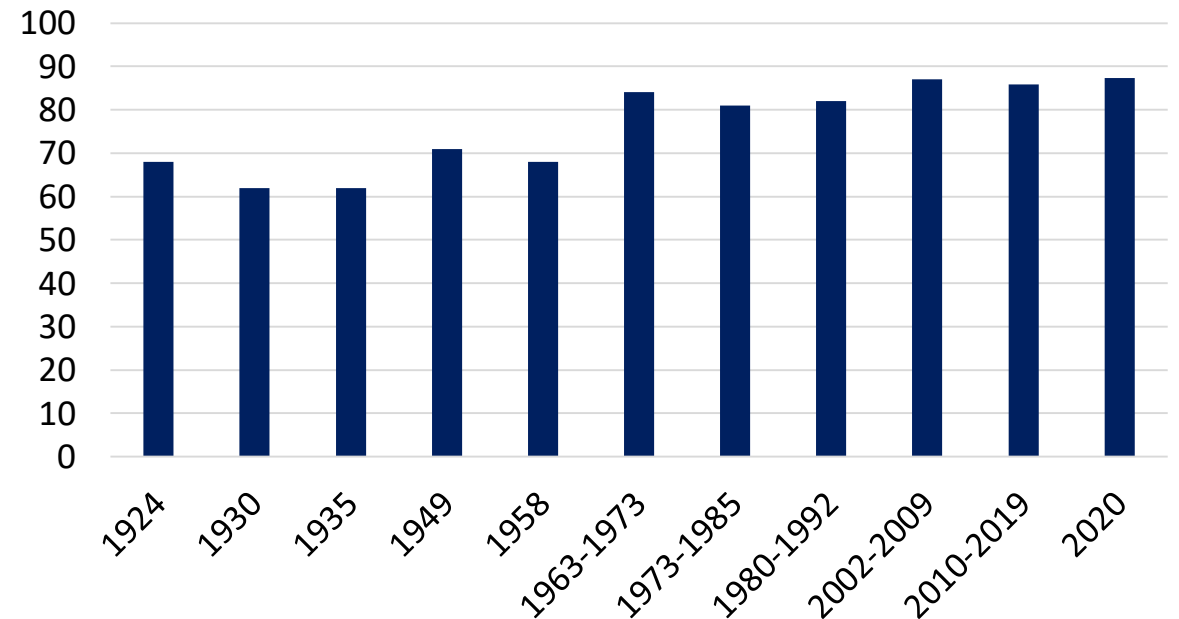


Source: ONS, 2022, Annual Population Survey.

Troubles legacy

- Direct economic impact of The Troubles:
 - Reduction in investment
 - Public expenditure supporting economy
 - Policy balancing economic and non-economic considerations
- But, weaknesses existed pre-Troubles
- Interaction between institutions and political stability?

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



Notes: For 1924-1992: manufacturing only. For 2002-2020: all sectors.
Source: For 1912-1992: Birnie and Hitchens, 1999, p.34. For 2002-2020: ONS, 2022.

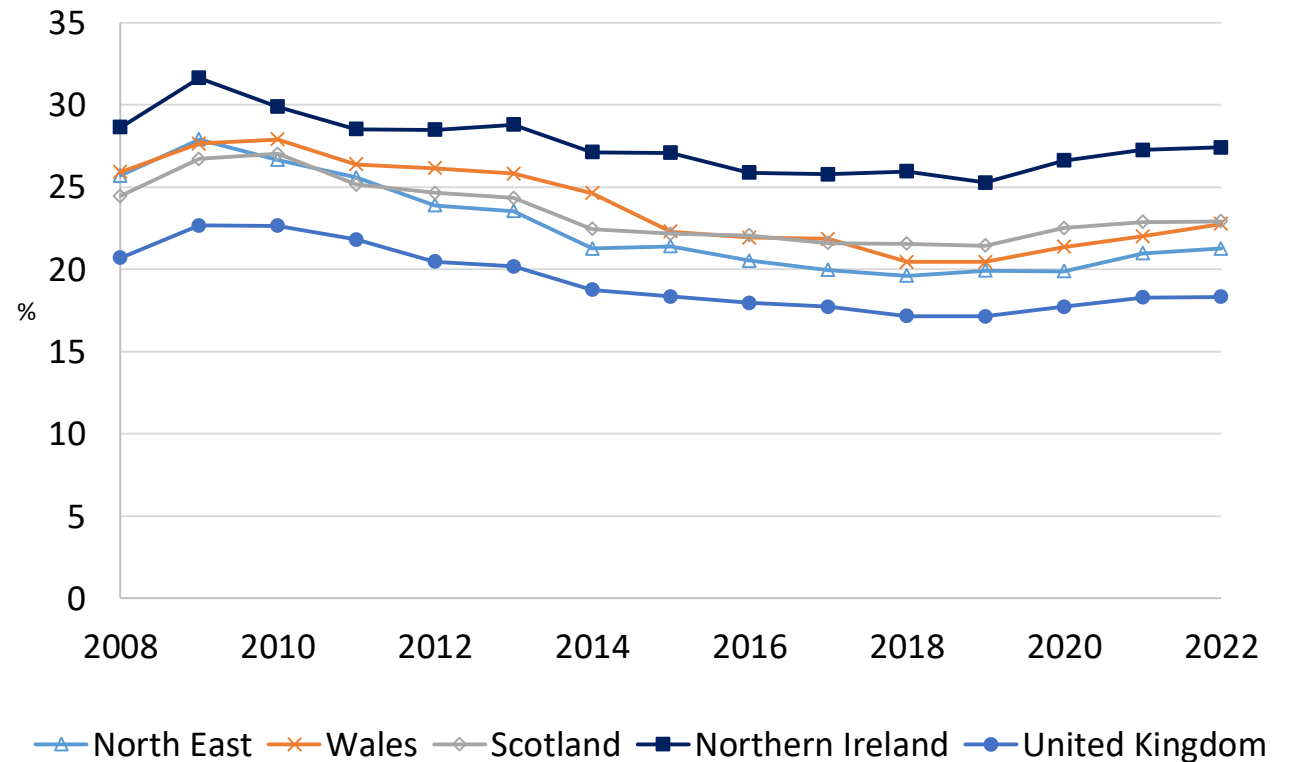
Public sector

- Is low productivity a consequence of:
 - Large public sector?

or

 - Weak private sector?
- Economic inactivity and health

Public sector as % of total employment



Source: ONS, 2023, Public sector employment.

Policy & institutions

- Policy interventions have a poor track record:
 - Problems misdiagnosed
 - Subsidies allowed low productivity firms to survive
 - Less successful at attracting FDI
- Policy silos prevent joined-up policies
- Productivity rarely used as a measure of outcomes
- No single cause of low productivity = no single policy solution