

Opening Statement by the ESRI to the Oireachtas Committee on the Implementation of the Good Friday Agreement, 11 May 2023

Introduction

Let me begin by thanking the Chair for the invitation to the ESRI to appear before the Committee and for the opportunity to discuss recent ESRI work comparing the economies of Ireland and Northern Ireland. I am Alan Barrett, the Director of the Institute, and I am joined by my colleagues Dr. Adele Bergin and Prof. Seamus McGuinness. Much of the work that we will talk about today has been undertaken by Adele and Seamus so I want to give full credit to them. My main connection to the economics of Northern Ireland is through my membership of the Northern Ireland Fiscal Council but, as Director of the ESRI, I am very proud of the work that has been done by Adele, Seamus and many other colleagues.

In 1999, a former colleague of ours at the ESRI Prof John Bradley wrote how “comparative discussion of the two economies of Ireland is a very recent phenomenon”. Bradley went on to note how “limited communication over the years between Northern and Southern researchers led to a lack of shared knowledge about the different parts of the island”.

I share these quotes for two reasons. First, it illustrates how the ESRI has been active in North/South research for quite some time. But second, and more importantly, we have been struck by the ongoing lack of North, South comparative research in economics. The work we will discuss today, much of which was funded by the Shared Island Unit in the Department of the Taoiseach, aims to add to this comparative research because it is a good way of learning about economic issues on both sides of the border.

We will present our summaries with reference to three research questions.

First, how do living standards and general levels of welfare in Northern Ireland compare to those in of Ireland?

In work published in the *Cambridge Journal of Economics* and in *Irish Studies in International Affairs*, Dr. Bergin and Prof. McGuinness have comprehensively explored differences in living standards across a wide range of dimensions, including traditional economic measures but also other measures such as opportunities for life progression and general well-being in an attempt to build a more complete picture. There is an emerging body of research pointing to the existence of substantial gaps in income and living standards between Northern Ireland and Ireland. For example, GNI* per capita in Ireland was around 51 per cent higher than GDP per capita in Northern Ireland in 2018.

Other metrics also point towards higher living standards in Ireland relative to Northern Ireland. OECD data showed a gap in household disposable income of 12 per cent in 2017, in favour of Ireland. In addition, the proportion of individuals at risk of poverty in Northern Ireland was 14.3% compared to 8.9% in Ireland.

A broader, overarching measure that captures overall differences in general welfare and living standards is life expectancy. In 2018, life expectancy at birth in Ireland exceeded that of

Northern Ireland by 1.4 years. We cannot be definitive about what is driving this gap. A broad range of factors including income, education and access to healthcare services will together 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.

A second question which we have addressed is the following: How do Northern Ireland productivity levels compare to those of Ireland and what are the explanations for these differences?

The poorer performance of the Northern Ireland economy, relative to both the economies of Ireland and British regions, has been previously linked to its relative low productivity levels. Productivity is measured as the value of goods and services produced per worker and is a key performance metric. While productivity levels were broadly similar in 2000, over the period 2001 to 2020 productivity in Ireland increased by 0.2 per cent per annum and fell by 1.1 per cent per annum in Northern Ireland. By 2020, productivity levels were approximately 40 per cent higher in Ireland compared to Northern Ireland.

Our statistical model of Irish productivity shows that sectoral productivity increases with the share of educated workers employed and with levels of investment. For example, with respect to education, the model suggests that a 1 per cent increase in the share of graduates employed generates a 1 per cent increase in sectoral productivity. The model also finds that export intensity is an important factor in driving Irish productivity. However, despite using comparable data sources and the same methodology, we do not find evidence of causal relationships between the usual factors that drive productivity (education, investment, exports etc) and Northern Ireland productivity.

This apparent lack of evidence on the relationships between productivity and the usual drivers for Northern Ireland suggests that productivity in the region is likely to be relatively unresponsive to single policy levers, such as changes in education and skills provision. Our analysis suggests that a comprehensive strategy is needed aimed at improving competitiveness among Northern Ireland firms, reforming education and skills provision, and increasing investment in an integrated way. More limited policies implemented in isolation are not guaranteed to enhance Northern Ireland productivity.

A third question which we have addressed is: How do the education and training systems of Northern Ireland and Ireland compare with each other?

In 2022 the ESRI published the first major comparative study of education and training systems, North and South. Key findings emerging from the study were that levels of educational attainment in the North are lower than those in the South, with a higher share of the population possessing lower levels of schooling. At the upper end of the qualification's spectrum the proportion of people with third-level qualifications are similar in both regions. 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 more popular. Ten per cent of the population in NI has this level of qualification compared to 30% in Ireland. At the other end of the spectrum, 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. At all levels of qualification, wages are around 40% higher in Ireland than in Northern Ireland.

Social class is a much stronger predictor of educational failure in the North and the ongoing use of academic selection is likely to strengthen this adverse effect. During the course of extensive interviews and workshops with key stakeholders in both jurisdictions, there was a strong consensus that continued academic selection was generally damaging to social progression through education in Northern Ireland. In Ireland, the DEIS programme was thought to have been very effective in lowering social inequalities and improving the outcomes of children from lower income groups.

Other North/South research undertaken by the ESRI

As part of our research programme with the Shared Island Unit, the ESRI has also undertaken research and published reports on topics such as primary healthcare, Foreign Direct Investment, childcare and immigration as well as a study on the evolution of cross-border trade in services. Currently, work is being undertaken on topics such as housing supply and gender dimensions to the labour market. We do not have time in this opening statement to discuss all of this work but we can try to answer questions from deputies and senators.

We thank the Committee for the opportunity to discuss our comparative North South research. We look forward to answering any questions that you may have.