

The North-South Productivity Gap and the challenges to Economic Unity

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N-S Productivity

FIGURE 4.4 OUTPUT PER WORKER, CONSTANT PRICES (VOLUME/REAL TERMS)

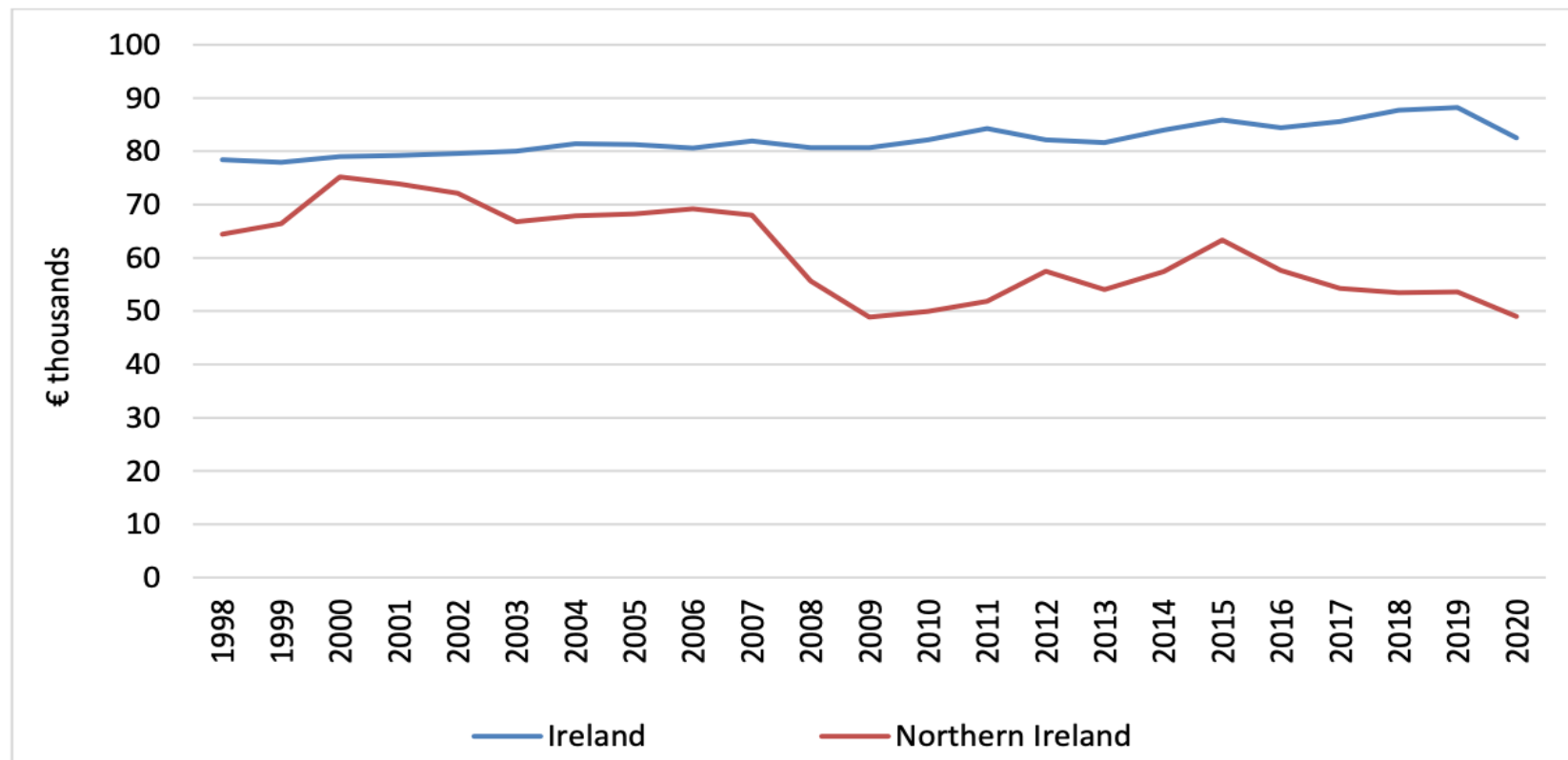
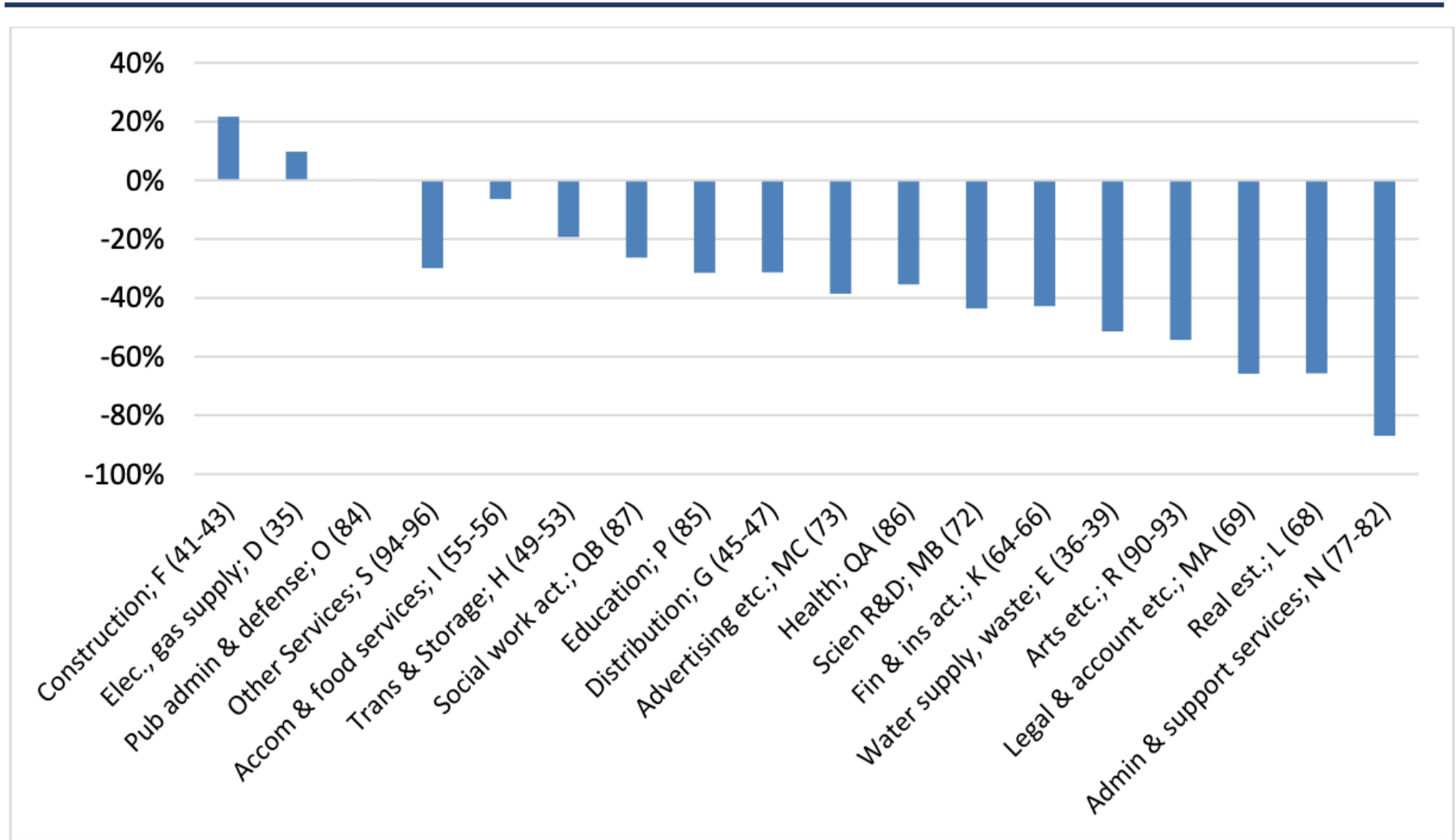


FIGURE 4.3 NORTHERN IRELAND SECTORAL PRODUCTIVITY GAP RELATIVE TO IRELAND IN 2019 (%)



North South Key Economic Comparisons

- Productivity per person – 40% higher in the Republic (after removing MNC distortions).
- Foreign Director Investment
 - FDI jobs in NI 20% of the level in the south after allowing for population size
 - Productivity in Multinationals 5 times higher in ROI than NI
- International Tourism
 - about 20% of Republic's earnings.
- Standard of Living – after allowing for costs including housing now 12% higher in the Republic



Current Research

- Why?
 - Why do Multinationals not locate in NI to same degree
 - Talking to Managers, professional advisors, state agencies
 - Why has tourism grown much faster in the south?
 - Why is Dublin so dominant?



Starting Point -the UK Subvention

- £10b pa in most media coverage – seems unaffordable
- What is it?
 - Tax raised in NI + NI share of some tax paid centrally
 - Spending *in* NI
 - NI share of central spending – usually per capita
 - But how much would be relevant to a united Ireland?



THE SUBVENTION FIGURES

- Pre-covid, NI fiscal deficit = £9.4b, includes
 - Pensions (net of contributions) = £3.5b
 - UK Public Debt = £1.6b
 - Defence = £1.1b
 - Outside UK exp. (large Foreign Office) = £500m
 - Corporation Tax underestimate = £500m
 - Central UK services – employee tax = £340m
 - Moving to Irish tax system = £770
- Saving if UK pays its pension liabilities = £8.3b
- Saving if UK refuses to pay people's pensions = £4.8b
- SUBVENTION in the range £1.1b to £4.8b pa

Why is the productivity gap growing?

- Education levels
 - 7% (age 25-34) in ROI with low level qual's – 18% in NI
 - 66% in ROI have a FE or Uni. qual - 40% in NI.
- Infrastructural issues
- UK-wide problems of London centric economy
- Lack of NI control over key policies
- Political Stability and Brexit

Research Preliminary Conclusions

- The Subvention is not the biggest problem
- Weak private sector in NI, low levels of FDI, tourism, low productivity.
 - “First Mover” problem – compounded by Brexit
- Belfast does not have the economic characteristics of a 2nd city.
- If NI had the economic performance of Cork, it would be self-sustaining with better services.
 - Why would NI be worse than Cork/Kerry?

