Recession & Austerity: 
the Experience of Ireland’s Regions

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Dr Micheál Collins 
NERI (Nevin Economic Research Institute) 
Dublin 
mcollins@NERInstitute.net

NERI Nevin Economic Research Institute 
Research for new economic policies
Outline

1. Context
2. Regions & Income Defined
3. Regional Outcomes
4. Implications for Regional Policy

Note:
co-authored paper with PJ Drudy, CURS, TCD.
1. Context

• Since 2008: Ireland in economic crisis
• Combined fiscal, banking, property collapse
• International rescue: ‘Troika’
• Imposed austerity
• Living standards decline for most households
• Some characteristics:
Figure 2: Trends in the nominal values of GDP, GNP and TDD, 2002-2012 (€m)

Source: CSO Quarterly National Accounts online database.
Figure 1: Ireland’s U-Shaped Unemployment Curve, 1988-2012
<table>
<thead>
<tr>
<th>Adjustment Description</th>
<th>Taxation (€m)</th>
<th>Expenditure (€m)</th>
<th>Total (€m)</th>
<th>Running Total (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment July 2008</td>
<td>€1,000</td>
<td></td>
<td></td>
<td>€1,000</td>
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<tr>
<td>Budget 2009</td>
<td>€1,215</td>
<td>€747</td>
<td>€1,962</td>
<td>€2,962</td>
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<tr>
<td>Adjustments Feb/March 2009</td>
<td>€2,090</td>
<td></td>
<td>€2,090</td>
<td>€5,052</td>
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<tr>
<td>Supplementary Budget 2009</td>
<td>€3,621</td>
<td></td>
<td>€5,562</td>
<td>€10,614</td>
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<tr>
<td>Budget 2010</td>
<td>€23</td>
<td>€4,051</td>
<td>€4,074</td>
<td>€14,688</td>
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<tr>
<td>Budget 2011</td>
<td>€1,409</td>
<td>€4,590</td>
<td>€5,999</td>
<td>€20,687</td>
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<tr>
<td>Budget 2012</td>
<td>€1,600</td>
<td>€2,200</td>
<td>€3,800</td>
<td>€24,487</td>
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<td>Budget 2013*</td>
<td>€1,250</td>
<td>€2,250</td>
<td>€3,500</td>
<td>€27,987</td>
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<tr>
<td>Budget 2014*</td>
<td>€1,100</td>
<td>€2,000</td>
<td>€3,100</td>
<td>€31,087</td>
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<td>Budget 2015*</td>
<td>€700</td>
<td>€1,300</td>
<td>€2,000</td>
<td>€33,087</td>
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<tr>
<td><strong>Total of Adjustments</strong></td>
<td><strong>€10,918</strong></td>
<td><strong>€22,169</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>% Division of Adjustments</strong></td>
<td><strong>33.0%</strong></td>
<td><strong>67.0%</strong></td>
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<td></td>
</tr>
</tbody>
</table>

* indicates projected adjustment from Medium Term Fiscal Review Nov. 2011.
1. Context

• Since 2008: Ireland in economic crisis
• Combined fiscal, banking, property collapse
• International rescue: ‘Troika’
• Imposed austerity
• Living standards decline for most households
• Some characteristics
• Looking at the spatial impact
• Income as a proxy; allows both household and regional examination
2. Regions & Income Defined

Regional Authorities - NUTS III Regions

Regional Assemblies - NUTS II Regions
Income Data

- Central Statistics Office
- Survey on Income and Living Conditions (SILC)
- Part of European Living Standards surveys (Lisbon)
- Microdata
  - Each 5,000-6,000 households
  - Approx. 12,000 individuals
  - Corrected for sample bias…
Income Concepts

• Direct or market income

• Disposable income
  o after transfers and income taxes

• Equivalised Disposable income
  o adjusted for household size and composition

• 2007-10
  o 36% ↓, 25% ↓; 5% ↓
3. Regional Outcomes

Overall

- consistent regional divide
- Dublin and Mid-East higher than all others

Over period

- Dublin ↑ its relative share
- For household disposable income:
  - 2007: mean income 20% > national average
  - 2010: mean income 29% > national average
- Commuter regions: largest direct income ↓
Direct and Disposable Income Changes, 2007-10

[Bar chart showing changes in direct and disposable income across different regions: Border, Midlands, West, Dublin, Mid-East, Mid-West, South-East, South-West.](chart)
Equivalised Regional Income Changes, 2007-10
4. Implications for Regional Policy

Ireland’s recovery

- Where are we going?
- Role for Regional Policy and local governance
- Regional Policy has been weak to date
  - Plans and proposals but limited commitment/action
  - Few success stories
  - Unduly centralised and lacked coherence
  - Progress via redistribution rather than development
- If divides to be addressed; more attention needed for credible regional, rural and urban policy