Responding to the Recession: the challenge for Ireland's regions

Adrian O'Donoghue discusses the challenges facing Ireland's regional areas in the current economic climate

The focus on Ireland's economic performance over the boom years of the Celtic Tiger years has been marked by a general lack of coverage of the disparate performances of Ireland's regional economies despite the introduction of the National Spatial Strategy in 2002. As we now face into what is likely to be a sustained period of negative economic growth, it is timely to consider the early indicators of how Ireland's regions are performing in this new economic reality and the implications of this for public policy in the medium term.

Traditionally, the Southern and Eastern Region (S&E) has been the main driver of Ireland's economic development, led in the main by the Dublin Region and followed by the South-West. In 2006, these regions combined to contribute a total of 56.7 per cent (Dublin 39.5 per cent) to national output while the Border, Midland and Western Region (BMW) contributed just 19.3 per cent despite employing 26 per cent of Ireland's workers. Dublin in particular has

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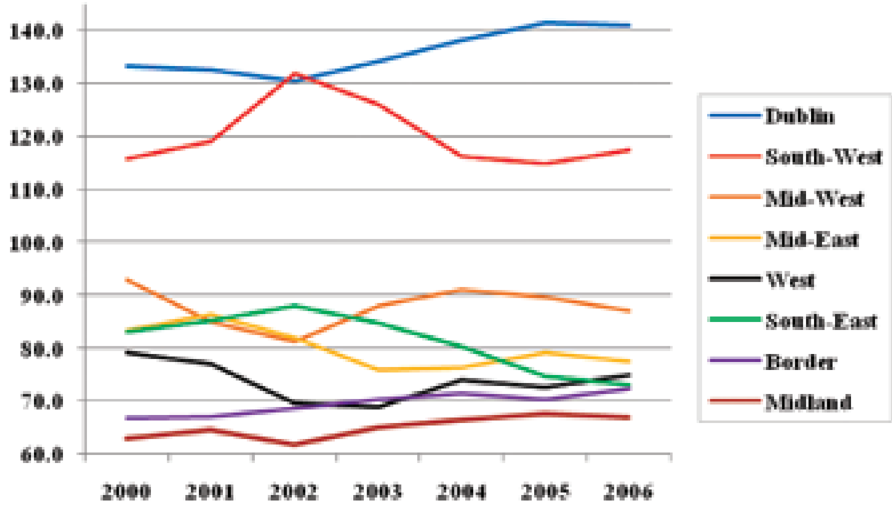

Regional GVA per Person at Basic Prices 2000-2006 (State=100)
Source: CSO

attracted substantial levels of foreign direct investment and has drawn skilled workers from other regions in Ireland and elsewhere. The quality of employment available in the Dublin Region is illustrated by the fact that 34.1 per cent of workers in Dublin have a third-level degree or above which is in stark contrast to the Midland and South-East Regions, where 14.5 per cent and 15.6 per cent respectively of those in employment possess this level of educational attainment. Current employment data trends point to the emergence of a divergent regional impacts resulting from the economic downturn. During 2008, employment fell by 6.5 per cent in the BMW Region compared to 3.2 per cent in the S&E Region and there was a 91.2 per cent increase in the number unemployed in the BMW Region the equivalent figure for the S&E Region 60.8 per cent. This economic shock has immediately created larger regional unemployment differentials, with rates of unemployment now ranging from 10.0 per cent in the Midland Region to 6.1 per cent in Mid-East.

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only be overcome by a structural shift away from primary production to higher value sectors and activities, future divergences in regional productivity will be attributed to the differences in the regional rates of restructuring and technical progress. Without this transformation, economic growth will continue to concentrate on Ireland's core regions with the highest value-added sectors and this will exacerbate regional inequalities in growth, productivity and incomes.

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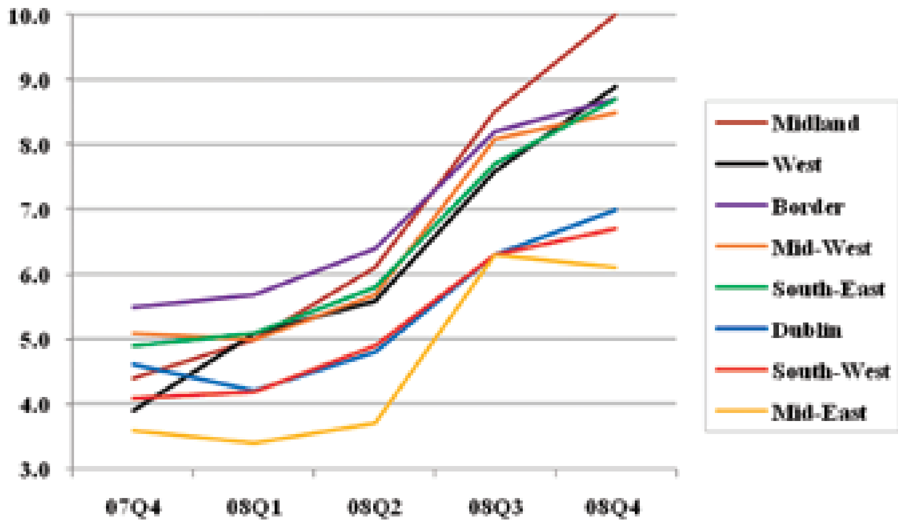
Economic geography literature tells us that the spatial diffusion of technology tends to be localised with the result that national and EU R&D policies can adversely impact on spatial balance by reinforcing existing clusters of activity. The weak spatial focus of the Strategy for Science, Technology and Innovation 2006-2013 and the low levels of expenditure to date in the BMW Region will therefore have a long term negative impact on its competitiveness. It will also delay the process of sectoral restructuring that is necessary in order to achieve greater levels of convergence in regional unemployment and productivity in the long term. The potential for higher education institutes to become stronger driver of regional competiveness has been recently highlighted by the National Competitiveness Council's Statement on Education and Training in February 2009.

The competitiveness of the state as a whole is comprised of the competitive strengths of its constitute regions. Therefore the foundations of our future national prosperity are to be found in ensuring that all regions fulfil their economic potential and maximise their contribution to overall national output. While there is ample empirical evidence that regions are potential arenas for competitive advantage and competitiveness it is essential that the endowments of the factors of competitiveness are enhanced in all regions with a focus on the designated growth centres, in order to ensure their attractiveness for inward investment and also to sustain and grow our indigenous industries. The concentration of investment and development in one or two regions, as some have suggested, would be an inadequate policy approach and would further weaken Ireland's competitive position and exacerbate regional disparities with high economic and social costs.



Rates of Unemployment 2007 Q4 – 2008 Q4
Source: CSO

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