

# Recession & Austerity: the Experience of Ireland's Regions

**RSA Winter Conference 2012  
London November 23rd**



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



*Research for new economic policies*

# Outline

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

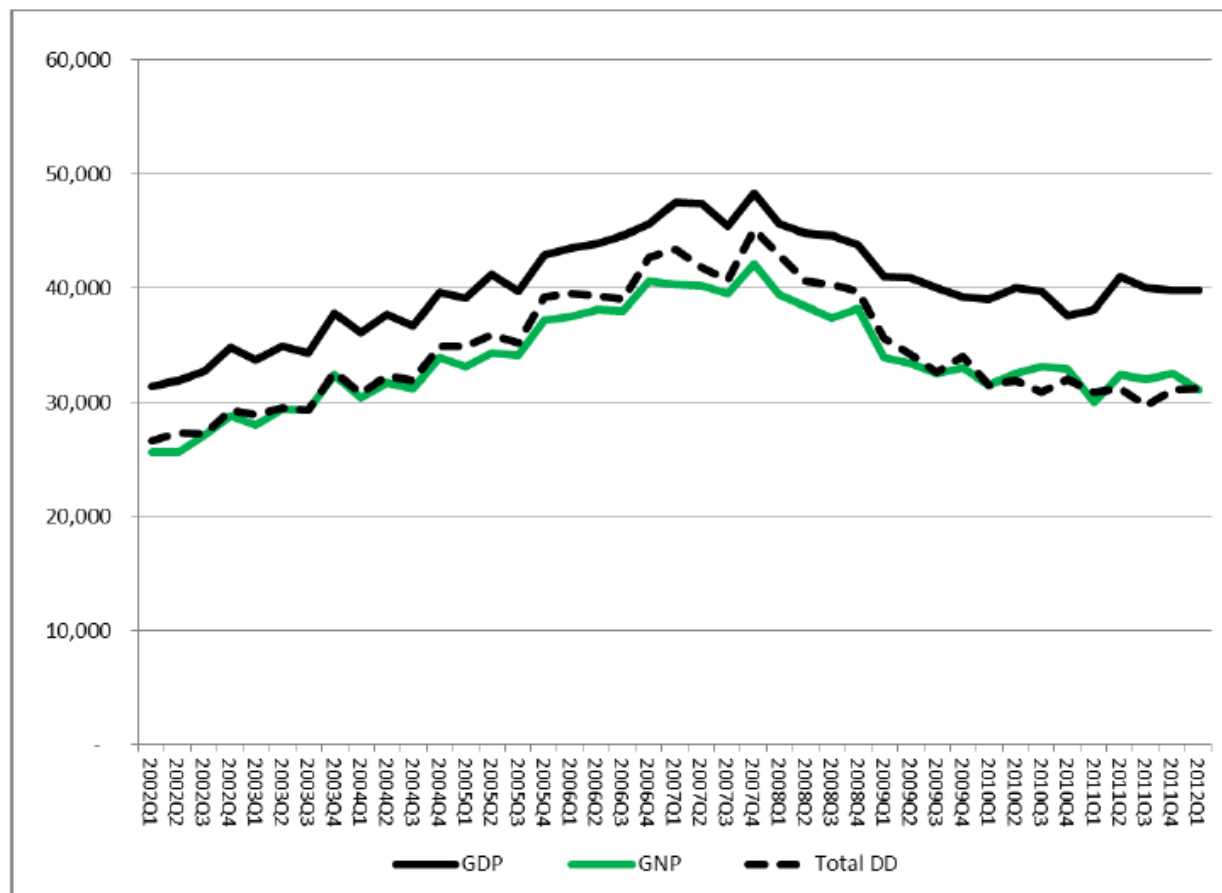
## **Note:**

co-authored paper with PJ Drudy, CURS, TCD.

# 1. Context

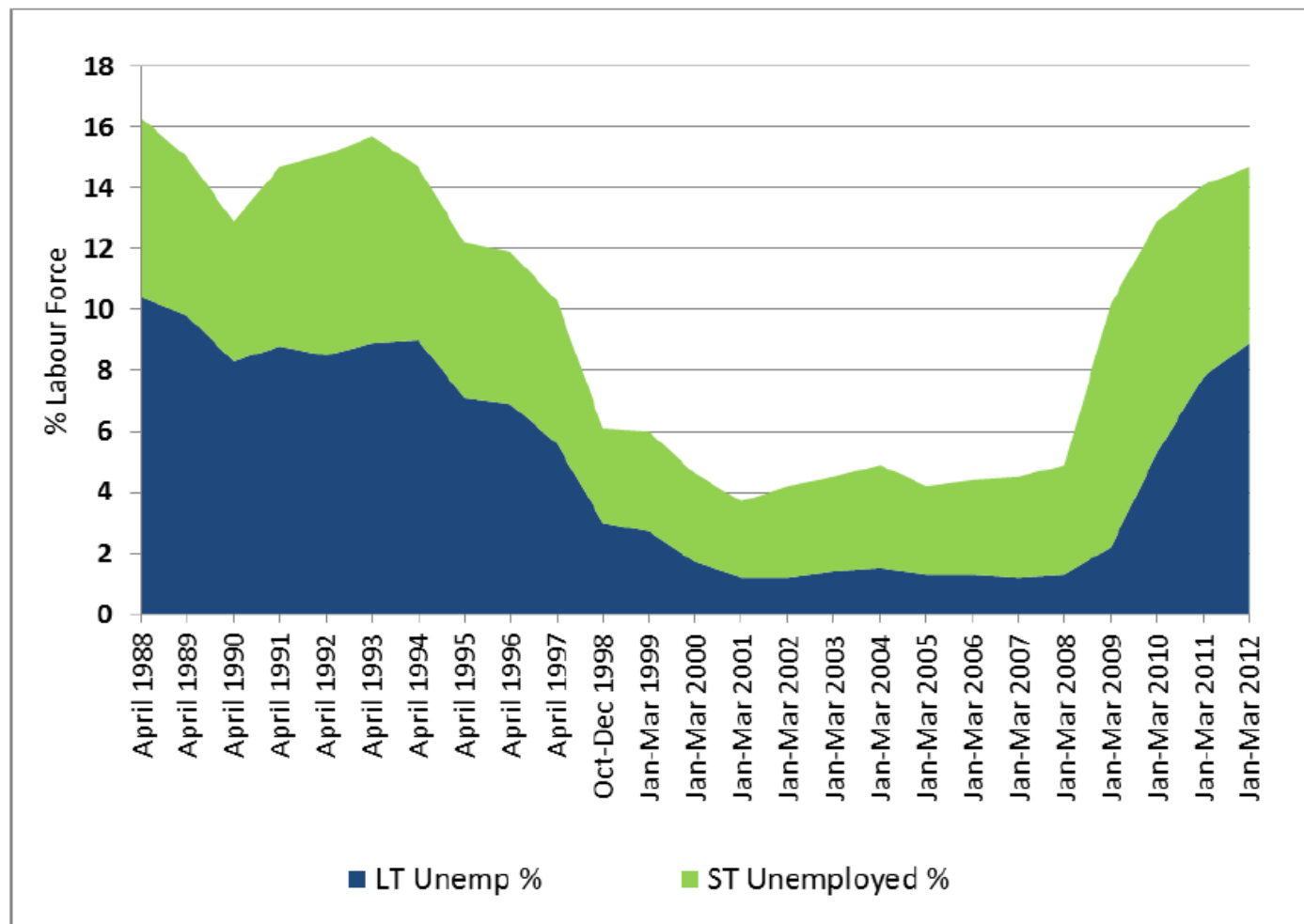
- Since 2008: Ireland in economic crisis
- Combined fiscal, banking, property collapse
- International rescue: ‘Troika’
- Imposed austerity
- Living standards decline for most households
- Some characteristics:



**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**



<b>Table 6: Budgetary Adjustments 2008-2015 (€m)</b>				
<b>Adjustment Description</b>	<b>Taxation ↑</b>	<b>Expenditure ↓</b>	<b>Total</b>	<b>Running Total</b>
Adjustment July 2008		€1,000	€1,000	<b>€1,000</b>
Budget 2009	€1,215	€747	€1,962	<b>€2,962</b>
Adjustments Feb/March 2009		€2,090	€2,090	<b>€5,052</b>
Supplementary Budget 2009	€3,621	€1,941	€5,562	<b>€10,614</b>
Budget 2010	€23	€4,051	€4,074	<b>€14,688</b>
Budget 2011	€1,409	€4,590	€5,999	<b>€20,687</b>
Budget 2012	€1,600	€2,200	€3,800	 <b>€24,487</b>
Budget 2013*	€1,250	€2,250	€3,500	<b>€27,987</b>
Budget 2014*	€1,100	€2,000	€3,100	<b>€31,087</b>
Budget 2015*	€700	€1,300	€2,000	 <b>€33,087</b>
<b>Total of Adjustments</b>	<b>€10,918</b>	<b>€22,169</b>		
<b>% Division of Adjustments</b>	<b>33.0%</b>	<b>67.0%</b>		

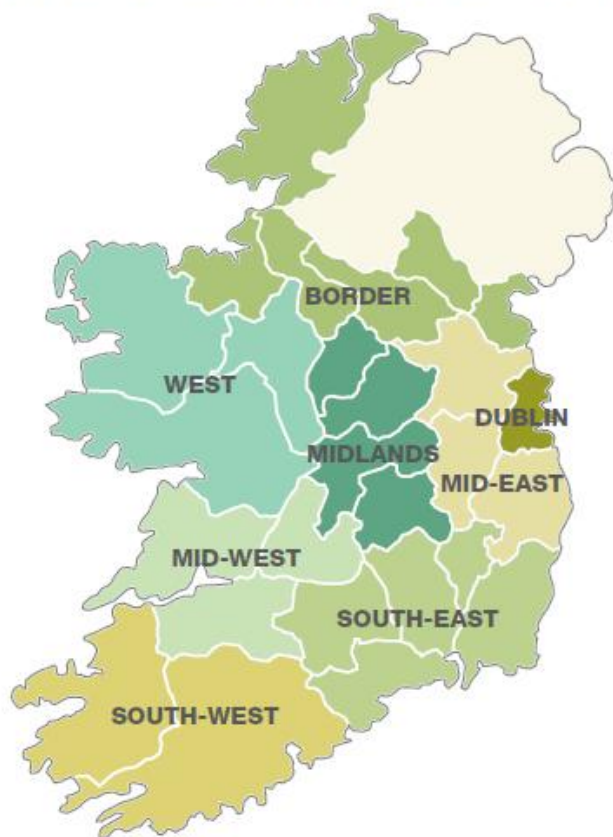
**Note:** \* indicates projected adjustment from Medium Term Fiscal Review Nov. 2011

# 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
  - 4 years: 2007, 2008, 2009, 2010
  - Each 5,000-6,000 households
  - Approx. 12,000 individuals
  - Corrected for sample bias...

## Income Concepts

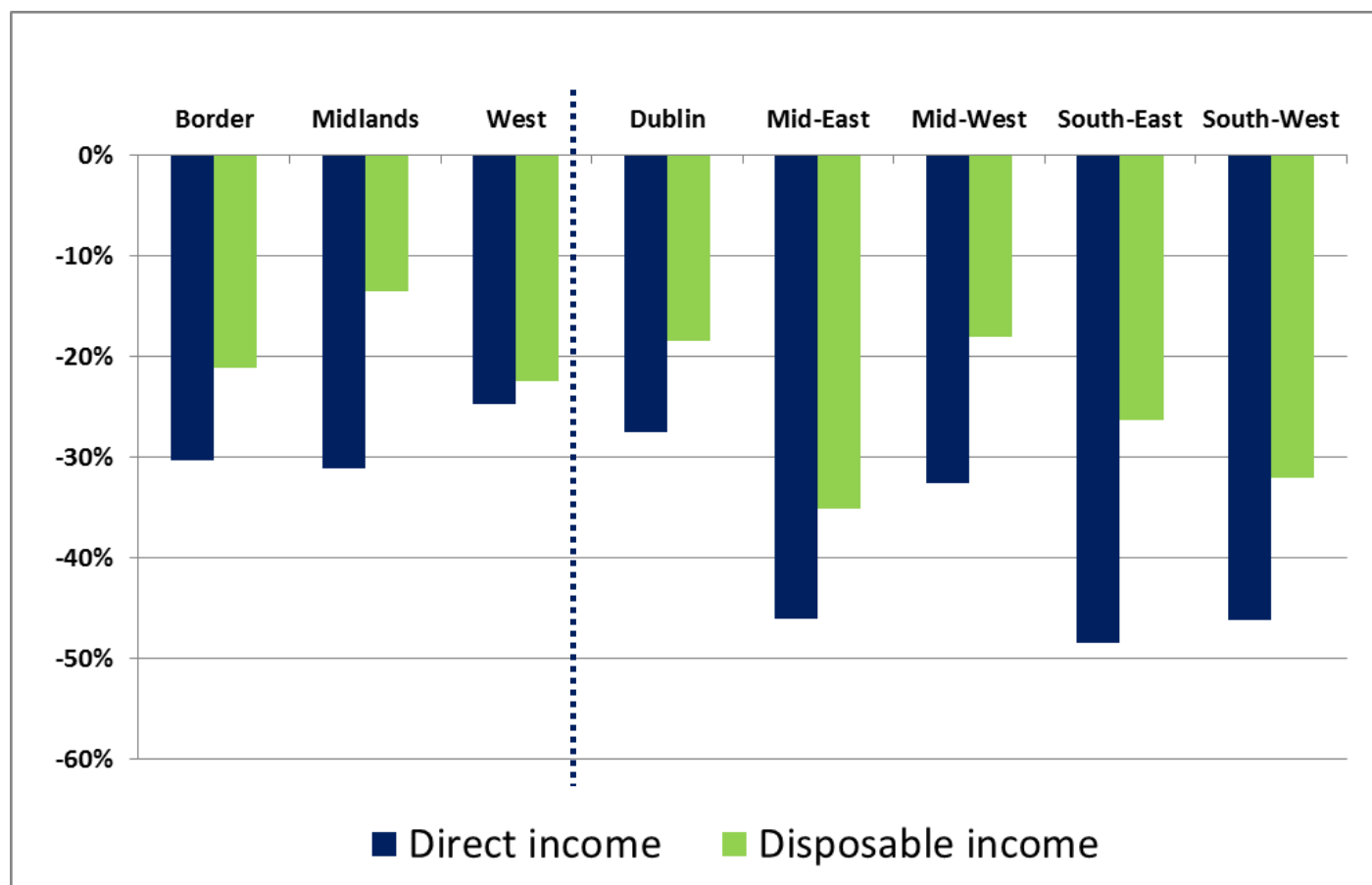
- Direct or market income
- Disposable income
  - after transfers and income taxes
- Equivalised Disposable income
  - adjusted for household size and composition
- 2007-10
  - 36% ↓, 25% ↓; 5% ↓

# 3. Regional Outcomes

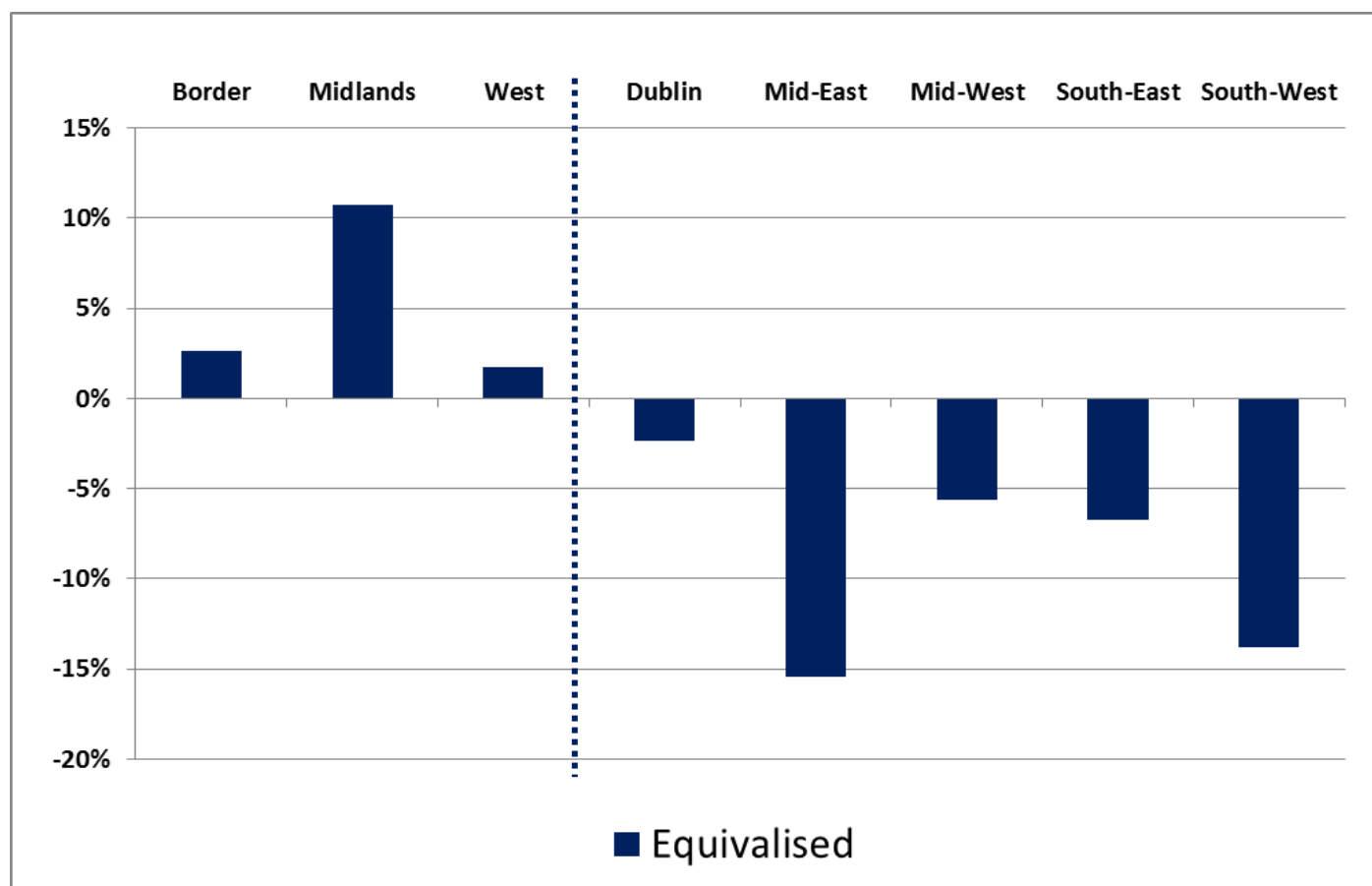
## Overall

- 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



# 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