Income, Income Trends
and their Implications for Recovery Strategies on the Island of Ireland

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

- Since 2008: Both jurisdictions experience similar economic crisis
- Combined fiscal, banking, property collapse
- For Ireland - International rescue: ‘Troika’
- For Northern Ireland – UK spending review
- Outcome for both economies - Imposed austerity
- Living standards decline for most households
- Some characteristics:

![Figure 1. GDP and GNP for Republic of Ireland](image)

Source: CSO Quarterly National Accounts Online database
Figure 2. GVA and CEI for Northern Ireland

Source: Office for National Statistics: Regional Gross Value Added (Income Approach), Northern Ireland Statistics Research Agency: Northern Ireland Composite Economic Index

Figure 3. Unemployment Rate ROI & NI

Source: CSO Quarterly National Household Survey NISRA Labour Force Survey
Table 6.1: Budgetary Adjustments 2008-2015 (£m)

<table>
<thead>
<tr>
<th>Adjustment Description</th>
<th>Tax ↑</th>
<th>Expenditure ↓</th>
<th>Total</th>
<th>Running Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment July 2008</td>
<td>£1,000</td>
<td>£1,000</td>
<td>£1,000</td>
<td></td>
</tr>
<tr>
<td>Budget 2009</td>
<td>£1,215</td>
<td>£747</td>
<td>£1,292</td>
<td>£2,962</td>
</tr>
<tr>
<td>Adjustments Feb/March 2009</td>
<td>£2,090</td>
<td>£2,090</td>
<td>£5,922</td>
<td>£5,922</td>
</tr>
<tr>
<td>Supplementary Budget 2009</td>
<td>£3,621</td>
<td>£3,911</td>
<td>£5,532</td>
<td>£10,614</td>
</tr>
<tr>
<td>Budget 2010</td>
<td>£23</td>
<td>£4,051</td>
<td>£4,074</td>
<td>£14,686</td>
</tr>
<tr>
<td>Budget 2011</td>
<td>£1,409</td>
<td>£4,590</td>
<td>£5,999</td>
<td>£20,687</td>
</tr>
<tr>
<td>Budget 2012</td>
<td>£1,600</td>
<td>£2,200</td>
<td>£3,800</td>
<td>£24,487</td>
</tr>
<tr>
<td>Budget 2013</td>
<td>£1,432</td>
<td>£1,940</td>
<td>£3,372</td>
<td>£27,859</td>
</tr>
<tr>
<td>Budget 2014</td>
<td>£880</td>
<td>£1,600</td>
<td>£2,480</td>
<td>£30,339</td>
</tr>
<tr>
<td>Budget 2015*</td>
<td>£700</td>
<td>£1,509</td>
<td>£2,209</td>
<td>£32,339</td>
</tr>
<tr>
<td>Total of Adjustments</td>
<td>£10,880</td>
<td>£21,459</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Division of Adjustments</td>
<td>33.6%</td>
<td>66.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: * indicates projected adjustment from Dep. of Finance SPU April 2013.

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</thead>
<tbody>
<tr>
<td>Current DEL (NI Spending Review Settlement)</td>
<td>9,888.7</td>
<td>9,836.7</td>
<td>9,858.9</td>
<td>9,927.1</td>
<td>9,985.4</td>
</tr>
<tr>
<td>Real terms % decrease on 2010-11</td>
<td>-2.4%</td>
<td>-4.3%</td>
<td>-6.1%</td>
<td>-8.0%</td>
<td></td>
</tr>
<tr>
<td>Capital DEL (NI Spending Review Settlement)</td>
<td>1,222.9</td>
<td>903.4</td>
<td>858.9</td>
<td>780.6</td>
<td>803.8</td>
</tr>
<tr>
<td>Real terms % decrease on 2010-11</td>
<td>-27.5%</td>
<td>-32.6%</td>
<td>-40.3%</td>
<td>-40.1%</td>
<td></td>
</tr>
</tbody>
</table>

*Not including Welfare spending which is not calculated through block grant, but will be subject to reductions equivalent to % share of UK total.
1. Context

- Looking at the spatial impact
- Within the Republic of Ireland and UK
- Income as a proxy; allows both household and regional examination

2. Regions & Income Defined
2. Regions & Income Defined

Income Data - ROI

- 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 Data - NI**

- Office for National Statistics & National Centre for Social Research
- Households Below Average Income
- Subset of Family Resources Survey
- Microdata
  - 5 years: 2006/07, 2007/08, 2008/9, 2009/10, 2010/11
  - Each 1800 - 1900 households
  - Approx. 2200 individuals
  - Corrected for sample bias…

**Income Concepts**

- Direct or market income EU SILC
- Gross Income HBAI
- Disposable income
  - after transfers and income taxes
- Equivalised Disposable income
  - adjusted for household size and composition
3. Regional Outcomes

Overall

- ROI
  - Nationally incomes just below 2006 level, falling from 2008 onwards
  - Border, Regional and Midlands (BMW) - less affluent above 2006 levels
  - South East – more prosperous, sharper falls – still below 2006 levels

- NI
  - 2010/11 income above 2006/07, but much later peak – further to fall?

ROI

Direct Disposable and Income Changes, 2007-10
ROI & NI

Equivalised Regional Income Trends

ROI & NI

House Price Index
ROI & NI

Construction Employment

UK, ROI, Scotland & NI

Equivalised Net Income
4. Implications for Regional Policy

Recovery on the Island of Ireland

- ROI fall, deeper and more prolonged than NI
- Data will tell if NI will trend toward ROI or rest of UK from 2011 onwards
- NI worse in 2010/11 than UK, but also Scotland
- Raises questions:
  - about a regionally balanced UK recovery
  - about whether strategy for recovery in NI should instead be reoriented toward complementary efforts in ROI

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