

Who is better off? Measuring Cross-border Differences in Living Standards, Opportunities and Quality of Life on the Island of Ireland

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Irish Studies in International Affairs, 2021, Vol. 32, 143-60

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Introduction

Possible change in the constitutional status of Northern Ireland is again under scrutiny. In this paper, Bergin and McGuinness argue that both the outcome of the Brexit referendum and changing demographics have boosted the likelihood of a border poll. The issue has been further underpinned by political changes in both the North and South of Ireland. Furthermore, the focus of the Irish government on cross-border issues has grown with the creation of a Shared Island Unit in the Department of the Taoiseach. A key factor in any future cross-border debates and poll is an awareness of differences in living standards.

Literature

Although the literature around differences between the Republic of Ireland (RoI) and Northern Ireland (NI) has been limited, it is now attracting increasing commentary. FitzGerald and Morgenroth (2019), argued that in 2012 living standards in the RoI were approximately one fifth lower than those of NI. The difference they believed was attributable to much higher levels of government consumption in NI, especially the National Health Service's (NHS) better relative performance when compared to the Health Service Executive (HSE). However, a later version of the paper (2020) showed that by 2016 the apparent gap in living standards had fallen to approximately 4%. These results raise questions over the efficacy of a consumption-based metric as a measure of living standards.

McGuinness and Bergin (2020), however, consider other measures of living standards and argue that people in the Republic of Ireland are, on average, better off based on measures such as Gross Domestic Product (GDP) per capita and household disposable income. They argue that GDP per capita in NI was approximately 50% lower than the southern and eastern regions of the RoI (with 75% of the RoI population) but slightly higher than that of the border, midlands and western region. McGuinness and Bergin argue that the HSE and NHS are largely comparable across a range of key statistics, and, crucially, they consider the performance of the NHS in NI to fall below that of the same services in England, Scotland and Wales.

A further contribution to the debate is by Gosling (2020) who draws out the strengths and weaknesses of NI and RoI societies and economies. He lists four key NI strengths as the higher education sector, the NHS (in principle), a good quality of life and a low cost of living. Fourteen key strengths are noted for the RoI, including a strong economy, the higher education sector, good infrastructure, high productivity and high (and growing) pay.

Key Findings

1: Living Standards

Bergin and McGuinness first consider a *range of indicators of living standards*, including income per capita measures, household disposable income and consumption per capita. GDP per capita is one of the most widely used measures for assessing differences in international living standards. However, in RoI GDP figures are skewed by foreign multinationals. To address this issue the CSO have developed a modified Gross National Income (GNI*) series that removes the FDI biases, thus making it a more suitable measure to compare against NI GDP per capita. Accordingly, GNI* was €14,763 higher in RoI relative to NI or a gap of 51%.

A second measure of living standards used by Fitzgerald and Morgenroth (2019) is based on *per capita public and private consumption*. Although measuring the level of goods and services that individuals have, household consumption is not a measure of income. Individuals or a household could have higher (or lower) consumption if they have lower

(or higher) savings rates. Although separate savings data is not available for NI, in RoI the household savings ratio (as a percentage of gross disposable income) fell from 11.5 in 2012 to 7.9 in 2016. Bergin and McGuinness, using 2016 data, estimate that household consumption per capita was €400 higher in RoI while public consumption per capita was €1100 higher in NI, or a difference in public and private consumption per capita of just over 3%.

The third measure considered is *household disposable income*. As a measure, it overcomes problems with the previous metrics as it reflects the total average income available for spending at the household level after taxes and social transfers are considered. Total disposable household income is divided by the number of household members converted into equivalised adults. Using 2017 data, total disposable income per equivalised household income was €3835 higher in RoI compared to NI or a gap of approximately 12% once differences in prices across both areas were considered.

Issues with the three measures of living standards above is that they do not reference inequalities between the economies nor the extent to which the tax and welfare system acts as a redistributive tool that alleviates poverty. Various measures of inequality before, and after, taxes and transfers are considered. This allows each tax and welfare regime and their effectiveness in alleviating both inequality and poverty rates to be assessed. There are different measures of poverty including relative income poverty, which measures the proportion of individuals at risk of falling below a given poverty line. Available data meant that NI and RoI were compared on the basis of relative income poverty only. After taxes and transfers the proportions of individuals in households with an income less than 60% of the national average was 15.9% in RoI compared to 23.8% in NI. This suggests that the tax and welfare system in RoI is more progressive, and effective in alleviating household poverty risk, than that in NI.

2: Measures of opportunity and engagement

Differences in measures of opportunity between RoI and NI, centring on access to early years education, qualification attainment rates, education enrolment rates and opportunities for life-long learning are analysed. The literature has noted differences in educational attainment between the regions. McGuinness and Bergin (2020) found that,

in 2015, over 35% of young people in NI aged 24 to 30 were qualified in the two lowest levels of educational attainment (primary or lower-secondary level) compared to under 11% in the RoI. Equally, just under 40% of NI young people were qualified in the two highest levels of attainment (post-secondary or third-level), compared to 64% in RoI.

Enrolment rates (by age) which reflect the age at which some tend to disengage from education, are discussed and these rates, in turn, heavily influence patterns of qualification. The analysis highlights differences between NI and RoI. Levels of educational enrolment in RoI for 3–5-year-olds were at 100% compared to 86.6% in NI, pointing to lower access to or take-up of early years education in NI. Differences in the rates of young people enrolled in post-compulsory programmes are also large with almost 93% of 15–19-year-olds in RoI still enrolled in education compared to 74% in NI. This gap reflects the relative success of the RoI system in keeping students engaged between Junior Certificate and Leaving certificate, relative to the GSCE to A-level progression rates in NI. Rates of enrolment among 20–29-year-olds in RoI are almost double that of NI, highlighting greater levels of participation in third-level education. Opportunities for life-long learning is evidenced in the higher rates of educational attainment among the over 30s in RoI relative to NI.

Other indicators of opportunity and engagement include the rates of early school leaving and the proportions of young people who have disengaged from the labour market and are not in education, employment or training (NEETs). Early school leaving is measured as the proportion of individuals aged 18 to 24 who have finished no more than a lower secondary education and are not involved in further education or training. According to the OECD, the rate of early school leaving in NI is almost twice that of RoI. In 2018, 9.4% of young people in NI were classified as early school leavers compared to 5.0% in RoI.

To assess the role and/or importance that gender and parental social class may play in determining early school leaving in RoI and NI, probit models of early school leaving using LFS micro-data from Eurostat were estimated. Although gender plays a role in both regions in influencing early school leaving the effect is substantially stronger in NI than in RoI. The effect of parental social class is very strong in both regions with the effects larger

in NI than in RoI. This suggests that the education system in NI is less effective as a means for social inclusion among students from working class backgrounds and males.

NEET status in both regions is broadly comparable, with 13.9% of young people in NI classified as NEET compared to 12.6% in RoI. On a note of caution the composition of NEETs varies substantially from country to country. In RoI for instance, young people with disabilities or lone parents tend to be disproportionately over-represented among NEETs.

3: Measures of well-being

Measures of well-being available from the OECD regional database include indicators related to health services provision, crime rates, housing costs, broadband access, civic engagement, the environment, life satisfaction, quality of jobs and quality of government. Although some of these measures are outdated, they are still informative. Table 1 shows updated health care metrics available from the OECD regional database including the provision of both physicians and hospital beds per 1,000 of population. For context, Table 1 also includes comparison with Austria.

In terms of broad indicators about jobs and the labour market, employment rates are broadly comparable in RoI and NI, although marginally higher in NI. The unemployment rate in 2019 was higher in RoI at 5% compared to just 2.7% in NI. However, the sectoral composition of employment in NI and higher dependence on public sector employment results in more stable employment and unemployment rates. Table 1 shows the homicide rate was lower in RoI relative to NI, however, the incidence of vehicle theft was considerably higher. Housing costs measured as a share of disposable income were surprisingly broadly comparable across both regions. In 2019, 94% of households in NI had access to broadband compared to 90% in RoI, while air pollution rates were somewhat lower in RoI based on the most recent data.

Measures of life satisfaction are an important indicator of living standards as they tend to reflect overall societal satisfaction across a wide range of indicators effecting everyday life. Unfortunately, the only data point for such an indicator relates to 2014, a time when both RoI and NI were emerging from the 2008 global recession. Respondents were asked to rate their life satisfaction on a scale from 1 to 10, the values for both RoI and NI were above the OECD average level of 6.5. Perceived social network support, which measures

the percentage of people who have family and friends that they can count on, is similar across both areas at approximately 90%. With regards to civic engagement, voter turnout appears to be substantially higher in RoI based on the most recent data, while perceptions of government corruption are marginally lower in NI.

4: Life expectancy

Life expectancy can be explained as a cumulative measure of differences in general welfare and living standards across regions and countries. Whilst life expectancy in NI exceeded that in RoI up to 2005, the RoI rate was converging on the NI rate. Since then, continued improvements in life expectancy in RoI meant that it surpassed the NI rate with the gap between the two increasing in more recent years. In 2018, life expectancy in RoI exceeded that of NI by 1.4 years. Female life expectancy was higher than that of male life expectancy with the gap between RoI and NI in 2018 marginally greater for females at 1.5 years compared to 1.4 years for males. Life expectancy for those aged 65 in RoI and NI was higher in NI relative to RoI up to 2005, after which rates converged until a gap emerged more recently with NI rates falling below those in RoI. In 2018, life expectancy for those aged 65 was 0.5 years higher in RoI, with the gap larger for females at 0.7 years compared to 0.3 years for males.

Conclusions

Substantial gaps exist between RoI and NI in a number of areas including living standards, poverty risk and opportunities for advancement through education and life-long learning with the differences generally favouring the Republic of Ireland. Given the increased likelihood of a future border poll and the focus on north-south issues this analysis highlights a need for greater co-ordination between the statistical authorities in both regions to produce meaningful, comparable and timely statistics. This is crucial for building an evidence base for issues such as a border poll but also to inform policymakers, the business community and public debate on north-south issues.

References

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Table 1: Standard of Living: Measures of Well-Being

	Units	Year	Rol	NI	Austria
Health Access:					
Active Physicians Rate	physicians per 1,000 population	2017 for Rol, 2016 for NI, 2018 for Austria	3.3	2.1	5.2
Hospital Bed Rate	hospital beds per 1,000 population	2018	3.0	3.1	7.3
Safety:					
Intentional homicide rate	homicides per 100,000 population	2018 for Rol & Austria, 2017 for NI	0.9	1.3	0.7
Motor Vehicle Theft Rate	vehicle theft per 10,000 population	2018 for Rol & Austria, 2017 for NI,	97.6	70.1	25.2
Housing:					
Share of Housing Cost	in % of household disposable income	2015 for Rol, 2016 for NI	20.4	19.7	n.a.
Number of rooms per person	Ratio	2014 for Rol and NI, 2013 for Austria	2.1	1.9	1.7
Internet Access:					
Share of households with internet broadband access	% of total households	2019	90.0	94.0	89
Civic Engagement:					
Voter turnout in general election	%	2014	69.7	58.1	74.9
Environment:					
Air pollution, level of PM2.5	Micrograms per cubic metre	2014	5	6.1	14.6
Life Satisfaction:					
Self-evaluation of life satisfaction	Index (scale from 0 to 10)	2014	7.1	7	7.3
Perceived social network support	%	2014	96.8	95.1	92.4
Jobs:					
Employment Rate	Ratio of persons employed aged 20 to 64 relative to the population aged 20 to 64	2019	75.1	75.5	76.8
Unemployment Rate	Rate applies to those aged 15 to 74	2019	5.0	2.7	4.5
Quality of Government:					
Perception of corruption	%	2014	53.6	53.2	51.7

Source: Bergin and McGuinness, 2021, Table 5