Remarks to

Joint Committee on Business, Enterprise and Innovation

City Chamber, Waterford City & County Council, The Mall, Waterford

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Thank you for the kind invitation to share our views with the committee on the impact of the SE Action Plan for Jobs 2015-2017 on the region and our thoughts on how we currently work together for job creation initiatives.

We address the committee as independent academic researchers at the AIB Centre for Finance and Business Research at WIT. We are not political, nor are we politically affiliated, we do not represent WIT management and unlike many other speakers that you will meet on your visit to the region- we have a degree of freedom that comes from not be constrained in our comments by accountability to national bodies or by administering complex institutions. For the past number of years we have provided independent analysis of the economy, drawing on national data sets to inform policy and business decision makers.

Our core assessment is that the SE APJ is on course to fail in its own terms.

If this comes to pass, it will be the only one of the regional plans to have failed. This is no reflection on the team of people in the SE would actioned the plan. Many good things emerged have also from the plan. But, with a handful of months to go before it expires, the plan has not met its only significant target.

The only measurable target of note in the SE APJ is a commitment to bring unemployment within the region to 1% of the National Average. It currently stands at 1.7%.

Beyond this, the SE economy is still in a deep malaise. It is our opinion that the SE entered a deep recession in 2003, four years before demise of the Celtic Tiger. The economy was further hit by the deep national recession, and with national recovery well underway, the dominant underlying trend of malaise in the SE economy is once again clearly discernible.

We see this malaise manifest in the persistently high unemployment rate, and in very pronounced lag in job quality metrics.

The region returns just 45% of the PAYE income tax per head (Revenue, 2016).

The region returns just 40% of expenditure taxes per head (Revenue, 2016).

All measures on poverty, deprivation, unemployment blackspots, disposable income paint the same picture. This is in stark contrast to the performance of all the other regions in Ireland- a very significant gap has opened between the SE and the other regions, and the slide back in economic performance is accelerating. There is a growing awareness of this situation, but it has yet to manifest into any meaningful corrective action.

The SE APJ is failing because all of the specified actions were internal to the region but the region's economic problems do not emanate for within. The region has strong leadership in its municipals, public institutions and corporates- impressive and inspiring people, some of whom you will meet today.

We can see the transformative impact of national investment, a form of positive discrimination to other regions. We also see an unwillingness to make sensible national investments within this region.

There are two very significant elements to this.

#1. The politically directed bodies charged with economic development – so the IDA, Enterprise Ireland and SFI are unwilling or perhaps unable to achieve the level of impact that they do in other – peer regions.

So the IDA which has had a bumper 5 years- adding 51,793 net new jobs, only to add 457 in the SE (0.88%). The SE is home to 10.74% of the Irish population. We contrast this with the transformative performance achieved for the mid-west, Limerick city region.

We identify 8,065 missing IDA jobs from the SE, up from 6,312 in 2016.

Enterprise Ireland does not account in any meaningful way for its regional performance. But from what we have gleaned, the 10.74% of people who live in the SE draw between 1.38% to 6.2% share of various EI funding schemes.

Similar to EI, SFI do not account for regional disbursement of its very significant funding. On shakier ground, we estimate that the SE gets less far less than 1% of SFI funding. This, perhaps more clearly than anything suggests the South East is not a participant in the knowledge economy.

#2. The second element is lower higher education capacity that has transformed a brain drain to a stampede of youth leaving the region.

2/3 of each leaving cert class who go on to higher education leave the region. The SE has only 6,473 higher education degree places, and has the lowest growth of educational capacity of any of the city/regions. There are currently 13,506 people from the South East studying for undergraduate degrees outside the region. This represents a huge brain drain and a direct annual transfer of an €148m of after tax income from families in the SE to richer cities.

The SE has lower educational attainment than other regions, this feeds through to lower incomes and a less high skilled, lower productive labour market. This lower educational attainment, is a problem that has built up over a long time period brought about by lower investment in higher education in the region.

The South East is missing 7,480 higher education places (up from 7,260 in 2016).

We can identify almost €1.7Bn spend on capital investment in the higher education in the past five years, with no identifiable state investment in the SE. In the next five years we estimate that it is proposed to spend less than €36m on additional capacity in the SE.

Four recent policy announcements reinforce the absence of ambition to grasp the higher education nettle.

- The student accommodation strategy proposes building 18,000 places for students in Dublin, and zero in the SE. The SE is the only region beyond Dublin itself that draws on Dublin higher education providers, so it follows that most of this student accommodation is to house the young of the SE.

- The NPS correctly diagnosis's the region's economic problems but makes no suggestions or commitments to solve the higher education deficit.
- The recent announcement PPP investment in the IoT sector reinforces the existing set of higher education relativities that have led to the stampede situation. We are appalled that this policy initiative actually reduces the number of buildings that had been planned for the region.
- Finally the TU bill, as it is currently proposed, locks the region into structural under provision, an unprovided for merger that will be a drag on existing institutional performance, unprovided for multi-campus sites and a reduction in regional-market responsiveness.

In short, if the region is to catch up with the higher education capacity of the other regions- an additional vote of €75m of per annum, recurring funding is needed. This is in line with the funding of the other universities in Ireland. If the institutions are to merge without harming existing performance an additional €18.5m is need per annum for five years to deliver integration (14% of current operating costs), and each additional campus will require between €7-10m per year to operate and provide university level services over and above the €75m already mentioned. We see no appetite to fund a higher education platform, in any shape at these levels; and so we expect that the cumbersome imposition of a merger without the requisite resources, will set back educational capacity within the region for a further generation of citizens.

In sum. The region is in considerable economic distress. At the moment there is no credible plan to solve the regions problems. The SE APJ has failed.

On a more positive note, the Taoiseach and the NPS have recently recognised the regions problems and unique position amongst Ireland's regions. But we have yet to see an ambition to tackle the national policies that have given rise to this situation.

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