




Delivering balanced regional growth in Northern Ireland

Summary report

May 2025

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1. Introduction

Background

1.1 Economic growth is typically uneven across countries and regions because it is influenced by factors such as resource availability and concentrations of skilled labour. While this inequality has sometimes been accepted for national growth efficiency, there is growing concern over widening regional disparities within OECD countries, and closer to home in both the UK and Ireland. There is also a growing body of evidence which suggests that these regional gaps may actually contribute to lower overall economic growth and to social discontent.

1.2 The COVID-19 pandemic and subsequent global crises have further highlighted regional vulnerabilities, with some areas more exposed because of economic specialisation and dislocations.

1.3 In Northern Ireland (NI), regional economic disparities have been a long-standing issue. Recent government strategies, including the former draft Programme for Government (2016) and the New Decade, New Approach agreement (2020), have prioritised achieving regional balance. Policy initiatives such as City and Growth Deals and Labour Market Partnerships (LMPs) aim to promote local economic development. These have been recently added to by the Department for the Economy’s Sub-Regional Economic Plan and the creation of Local Economic Partnerships (LEPs).

1.4 This report examines the history of regional balance approaches, whether NI follows the broader trend of regional inequality, how these disparities have evolved and their relationship with overall economic performance. It also assesses the drivers of inequality and potential policy solutions for fostering regional balance.

2. An overview of regional policy approaches

Introduction

2.1 Over time, different economic schools of thought have emerged offering frameworks for understanding and addressing regional disparities. A summary of four major perspectives – Keynesian, Neoliberal, Regional Development theories and Place-Based approaches – are provided in this overview.

The Keynesian Perspective

2.2 A Keynesian approach can be thought of as 'Active Fiscal Intervention'. This advocates for government intervention to stimulate demand and address unemployment, including region-specific interventions or investments in more deprived areas to initiate convergence. For example, post-war policies in the UK and US reallocated industry to less-developed regions through public works, subsidies and state-led job creation. The underlying belief was that left to itself, the market would not fix regional imbalances and that public investment, for example in infrastructure or through state-owned industries or regional development agencies, is needed to boost declining regions' economies. Mid-20th century regional policy reflected this, such as the UK's regional wage subsidies and investment grants to encourage firms to locate in high-unemployment areas.

2.3 Economic development theory argued that free markets tend to increase spatial inequalities through a process of 'cumulative causation' – where prosperous regions attract more resources, while weaker regions decline. Keynesian and related post-Keynesian thinkers further emphasised demand-side factors, in particular a decline in a region's key industries can lead to a downward spiral of lost jobs and demand, justifying government stimulus or protection for those regions.

Neoliberal and Neoclassical Perspectives

2.4 A Neoliberal or Neoclassical approach can be thought of as 'Market-Led' or 'Space-Neutral'. Neoclassical location theory favours minimal government intervention and assumes that market forces and factor/labour mobility will allocate resources across space. Traditional neoclassical models predict that poorer regions will catch up ('converge') as capital flows to areas with lower costs and workers move to places with better opportunities. From this perspective, explicit regional policy is unnecessary or even counterproductive.

2.5 During the late 20th century, many governments shifted toward this market-led approach, scaling back targeted regional interventions. For example, by the 1980s the US and UK had largely abandoned their earlier spatial Keynesian strategies. The logic was that people could relocate to booming areas and that inter-regional competition on cost would create efficiency and encourage greater economic balance. The emphasis was on 'place-neutral' policy, focusing on nationwide growth and policies (such as education and skills policies) without favouring specific locations. In the UK in the 1980s there was a move away from many regional subsidies, relying instead on market forces and mobility (along with limited interventions like Enterprise Zones offering tax incentives in distressed areas).

2.6 However, while neoclassical theory suggested convergence would follow, many countries saw different outcomes under these policies. In the UK, regional income convergence stalled or reversed and a similar process happened across many OECD economies. Proponents of the neoclassical view continue to argue for policies to enhance overall growth (e.g. lower taxes, deregulation) and to encourage labour to follow jobs (a people-focused approach). However, by the 2000s a consensus was emerging that this was not addressing the problems of 'left-behind' places.

Regional Development Theories

2.7 Other literature in regional economics and development has examined why some regions flourish and others lag. This includes the following:

- *Cumulative Causation and Core-Periphery* – Gunnar Myrdal's theory of circular and cumulative causation mentioned above indicates that growing regions build self-reinforcing advantages (skilled labour pools, supply chains and infrastructure) that in turn attracts more investment. In contrast, more deprived regions suffer 'backwash effects' (loss of talent and capital). Without intervention, this ends in a persistent core-periphery pattern. This theory underpinned the push for balanced growth strategies (e.g. including the creation of 'growth poles' in peripheral areas).

- *Agglomeration and New Economic Geography* – in the 1990s this approach formalised how small initial advantages can translate into large agglomerations of economic activity. Firms cluster in regions with good access to markets and suppliers, generating higher profits that make the cluster even more competitive, locking in advantages for core regions. This shows how a wealthy core and an impoverished periphery can co-exist, challenging theories that regional disparities should dissipate over time.

- *Innovation and Endogenous Growth* – modern growth theory emphasises the importance of innovation, skills and knowledge networks (all of which are typically geographically uneven). Regions with universities, R&D centres and a highly skilled workforce can generate self-sustaining growth. Therefore, declining regions can be revitalised by developing local innovation clusters and linking into global value chains. For example, the Basque Country in Spain adopted a cluster-based development model in the 1990s, which focused on regional specialisations and innovation. This approach seeks to build on a region's internal strengths and assets rather than relying solely on external support.

The Emergence of Place-Based Policies

2.8 More recently, there has been a shift towards place-based development strategies. This approach recommends that policy should be tailored to specific regional contexts, leveraging local strengths and knowledge rather than treating policy as 'spatially blind'. This builds on the previous track records of both Keynesian and Neoliberal extremes.

2.9 The 2009 Barca Report for the EU, criticised top-down and sectoral policies that ignored local factors. Place-based development policy focuses on endogenous growth potential, identifying underutilised assets in each region (such as a skilled workforce, natural resources or a niche industry) and addressing the failures holding regions back.

Table 2.1. Traditional Regional Policy vs. Modern Place-Based Regional Policy

	Traditional Regional Policy (Top-Down)	**Modern Place-Based Policy (Bottom-Up)**
Objectives	Compensate lagging regions for disadvantages (usually temporary aid for convergence).	Tap into underutilised potential in all regions to drive development everywhere (focus on inclusive growth).
Unit of Intervention	Administrative units (e.g. provinces, governed from the centre).	Functional economic areas (city-regions or localities defined by real economies).
Strategies	Sectoral programmes imposed uniformly, often focused on single industries or state-led projects in target areas.	Integrated development projects tailored to local context; cross-sectoral initiatives (e.g. linking education, business, infrastructure in a region).
Tools	'Hard capital – subsidies, grants, and infrastructure spending (roads, factories) directed by central government.	Mix of 'hard' and 'soft' capital – infrastructure plus business support, innovation funding, networking, credit facilitation, etc., designed with local input.
Actors	Central government as primary actor; local bodies administer central decisions ('top-down').	Multi-level governance: collaboration between national, regional, and local governments, along with private sector and civil society ('bottom-up').

Source: OECD and McCann

Regional Balance in Northern Ireland (NI)

2.10 Historically, NI has been a recipient of regional policy support from Westminster. During the post-war decades, NI's economy was bolstered by Keynesian interventions similar to those in other regions with high levels of unemployment. These policy tools included the UK's Regional Employment Premium (a wage subsidy to encourage manufacturing jobs in disadvantaged areas from 1967 to 1977), alongside capital grants and investment incentives for firms. The Industrial Development Board (IDB) (now Invest NI) also offered aid to businesses setting up in NI (consistent with this approach) and had some success in industrialising parts of NI and mitigating unemployment, without seeking to develop NI's intrinsic economic strengths.

2.11 In the early 2000s, the NI Executive developed the *Regional Development Strategy 2025* (published 2001) which introduced spatial planning concepts for NI. This designated urban 'hubs' and 'corridors' to create more balanced growth across the province (and was consistent with European spatial planning approaches at the time), but in practice remained largely centrally driven.

2.12 Other external financial support was made available to NI, including EU PEACE funds (although these tended to focus on community regeneration and cross-border cooperation) and ERDF/ESF funding with a greater focus on economic development. NI has also participated in the UK's City and Growth Deals programme. Council-led proposals have led to four major Deals which bring over £1.5bn of co-investment for regional infrastructure, innovation hubs and skills programmes. These deals are fundamentally place-based, designed by local councils in partnership with the NI Executive and HM Treasury, targeting specific regional needs. These deals mark a shift from centrally administered schemes to bespoke regional packages.

2.13 More recently, Northern Ireland has gradually adopted an explicit regionally balanced agenda. In October 2024, the Economy Minister unveiled a *Sub-Regional Economic Plan*, representing a dedicated attempt to achieve regional balance. It includes the creation of a fund to support all 11 council areas, aiming to kick-start local growth initiatives. In addition, Invest NI is being reoriented to direct 65% of its support outside the Greater Belfast area. The Minister also announced that each council will establish a Local Economic Partnership (LEP) with businesses, education institutions and civil society to identify local barriers and opportunities. This is an example of place-based thinking, empowering local stakeholders and tailoring local interventions.

Local Council-Level Policies

2.14 Local government in Northern Ireland historically had very limited powers in economic development and spatial planning. Prior to 2015, NI's councils focused on local services like waste and leisure. As a result, older approaches saw councils mainly as passive recipients of regional policy. This changed with local government reform in 2015, which created 11 larger councils and introduced Community Planning responsibilities. Councils now work with other agencies to develop Community Plans that include economic components for their area. The *Sub-Regional Economic Plan* explicitly identifies councils as key delivery agents of regional balance. This multi-level governance model sees the NI Executive set strategic aims (e.g. to reduce the regional productivity gap) and local councils implement solutions they have identified.

Broader UK Trends – from Regional Policy to Levelling Up

2.15 The NI experience is consistent with the broader UK story, which itself has evolved over the decades from the strongly interventionist approach of the 1960s and 1970s to the 'space blind' approach of the 1980s and early 1990s (with the exception of the

Heseltine urban regeneration initiatives). Under New Labour the worsening regional inequality prompted a renewed focus and Regional Development Agencies (RDAs) were established. However, much of this policy focus was top-down (Whitehall set the agenda and funding) and focused on job creation rather than long-term capacity building.

2.16 There was a turn to localism in the 2010s when the RDAs were abolished and new Local Enterprise Partnerships created. This period saw the launch of the Northern Powerhouse in 2014 and the Midlands Engine in 2015 with their focus on infrastructure (e.g. Transport for the North).

2.17 The most recent UK Government policy has been the Levelling Up agenda (2021–2024). The Levelling Up White Paper (2022) explicitly recognised that the UK's regional inequalities are both very wide and persistent. This means that, on most measures of regional economic performance (productivity, income, etc.), the UK ranks as one of the most unequal developed countries. Key Levelling Up policy tools would include the UK Shared Prosperity Fund (to replace EU structural funds), the Levelling Up Fund (capital investment in local infrastructure/projects, allocated competitively) and further devolution deals to city-regions and counties in England.

Republic of Ireland – insights on Regional Balance

2.18 The Republic of Ireland (RoI) economy has boomed in recent decades, but growth has been heavily concentrated around Dublin, reinforcing regional imbalances with the rest (West/North-West in particular). Irish regional policy through the 20th century included some attempts at decentralisation, such as the establishment of Shannon Free Zone in Co. Clare or the establishment of Regional Technical Colleges which became Institutes of Technology and now Technological Universities. The RoI has also benefited from EU Cohesion funds, including many regional infrastructure projects.

2.19 In 2002, the Irish government introduced the *National Spatial Strategy (NSS),* a 20-year framework to create balanced regional development by designating 'Gateways' and 'Hubs', secondary cities and large towns (including Cork, Limerick, Galway, Sligo and Athlone) that would benefit from investment and absorb more growth. After implementation challenges and the financial crisis, the disparities were still evident by the 2010s. Responding to these issues, the Government launched the *Project Ireland 2040* plan in 2018, consisting of a new National Planning Framework (NPF) and a tied National Development Plan (infrastructure budget).

2.20 A key goal of the NPF is to accommodate population and employment growth more evenly, targeting 75% of growth outside Dublin and strengthening other cities. The NPF states that continued over-concentration in Dublin is 'neither desirable nor sustainable' and explicitly calls for 'prioritising investment into the lagging regions' to unlock their potential. The three Regional Assemblies (Northern & Western, Southern, Eastern & Midland) have produced Regional Spatial and Economic Strategies to implement the NPF at a regional level. In practical terms, the IDA Ireland also has targets for dispersing foreign direct investment jobs beyond Dublin.

EU Cohesion Policy

2.21 Traditionally, many European countries had strong regional policies. For example, France established an agency in the 1960s to decentralise growth from Paris, creating ‘growth poles’ in regional cities (like Toulouse for aerospace). Italy invested heavily in the South through the Cassa per il Mezzogiorno (Fund for the South) from the 1950s-80s. West Germany pursued an equalisation strategy via fiscal transfers to Länder and programmes to aid rural areas, later followed by an enormous rebuilding effort in East Germany after 1990 (with over €2 trillion transferred in solidarity funds over 30 years).

2.22 The EU Cohesion Policy is essentially a supra-national regional policy which allocates funding (European Regional Development Fund, Social Fund, Cohesion Fund) to less-developed regions. Traditionally, EU funds were used for infrastructure in poorer regions (bridges, highways, water systems) and for business development grants. However, EU policy too has evolved, the Barca Report (2009) triggered a reform for 2014–2020 creating a more place-based approach (e.g. requiring integrated local strategies and introducing community-led local development).

2.23 The emphasis shifted from just convergence (narrowing gaps in GDP per capita) to also ensuring each region leverages its strengths and addresses its specific challenges (such as in the Smart Specialisation Strategies). After some decades of convergence (poorer regions catching up) in the late 20th century, the 21st century brought renewed divergence, typically as larger urban areas pulled ahead again. This ‘two-speed’ Europe situation has created the basis for a stronger commitment to place-based interventions at both EU and national levels. Therefore, the EU has followed the same transition from traditional policies of transferring resources to modern approaches that focus on developing local potential and fostering innovation networks in more deprived areas.

3. Regional imbalance in Northern Ireland

Globally the regional problem is growing

3.1 In recent decades (at least until the pandemic), economic development has become more balanced between countries as poorer countries catch up, but regional disparities within countries have increased, more often among advanced economies.

3.2 There are two important variations within this overall trend. Firstly, smaller regions (TL3) exhibit greater inequality between them than larger regions (TL2). Secondly, not all countries follow the same trend of growing sub-regional imbalances, with some countries experiencing a decline in regional inequality. The OECD *Regional Outlook 2023* identified four categories of nations:

1. Wealthy nations with rising regional inequalities (e.g. UK, USA, Ireland).
2. Wealthy nations with regional convergence (e.g. Germany, Netherlands).
3. Lower income economies catching up with wealthier nations but experiencing internal divergence (e.g. Czech Republic).
4. Low-growth economies with reduced regional gaps (e.g. Spain).

Regional inequality is growing to a greater degree in the UK and Ireland

3.3 The UK has seen rising regional inequality since the 1990s, reaching similar levels to Italy and Belgium (both well-known for large regional differences in economic performance). A key driver in the UK is London's status as both the wealthiest region and with the fastest growth rate. This is accompanied by a broader century-long out-performance by the South of England compared to the North (however growth in some parts of the South is slowing). In contrast, other regions like Scotland, Northern Ireland and the North West, have grown reasonably quickly in recent years but remain below the national average Gross Value Added (GVA) per capita.

3.4 A similar picture emerges in the Republic of Ireland. Despite regional policies and frameworks being in place for over a decade, Dublin and the South West continue to dominate economic activity. Even with regional targets for economic development agencies, employment in agency-assisted firms is becoming increasingly concentrated in a few regions. This is partially explained by the dominance of Dublin as a primary city but regions such as the Border and Midlands, persistently and to a growing extent, lag significantly behind in performance.

Are regions in Northern Ireland catching up or falling behind?

3.5 The *Sub-Regional Economic Plan* highlights the level of economic imbalances across NI. Figure 1 shows the extent to which inequality varies across different measures and Table 1 sets out the performance of individual councils. Belfast significantly outperforms other areas in GVA per capita, with Mid Ulster in second place and Ards & North Down performing worst. Other economic indicators, such as economic inactivity, workplace wages, export intensity and qualifications, also show regional inequalities, though to a lesser extent than is the case for GVA per capita.

Figure 1: Index of various economic indicators (NI=100), LGDs, latest year

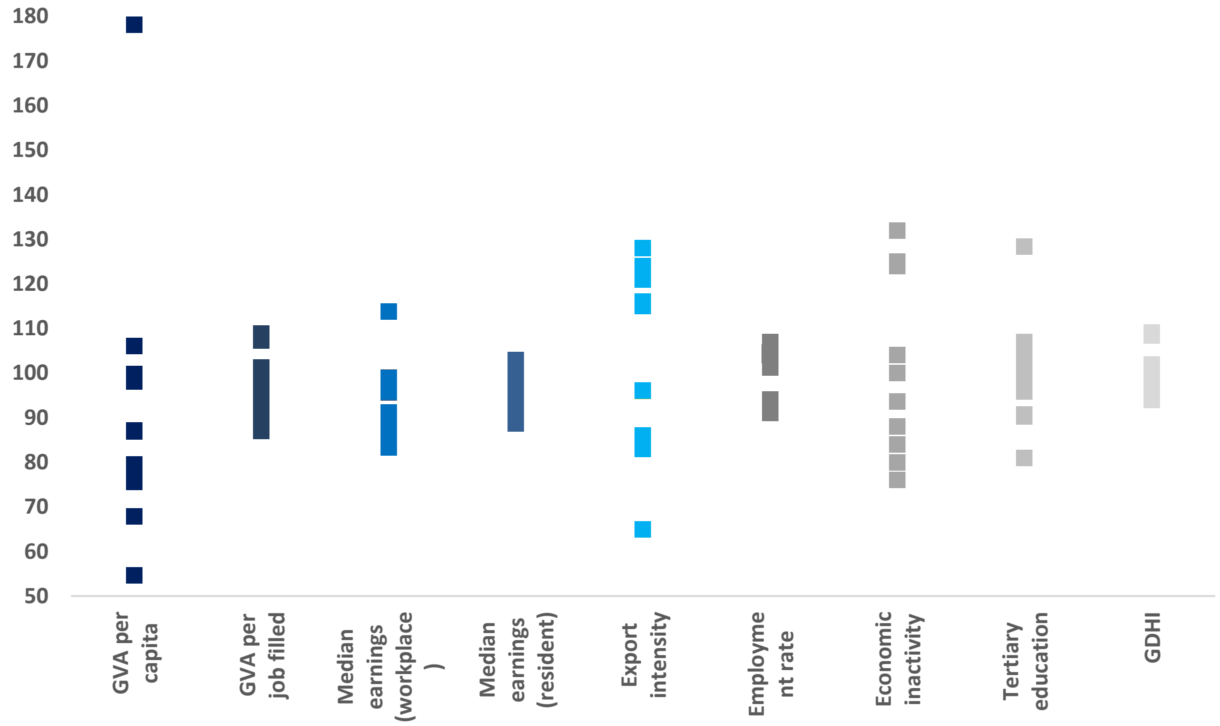

Table 1: Index of various economic indicators (NI=100), latest data

LGD	GVA per capita	GVA per job filled	Median earnings (workplace)	Median earnings (resident)	Export intensity	Employment rate	Inactivity rate	Tertiary qualification	GDHI
	2022	**2022**	**2024**	**2024**	**2022**	**2022**	**2022**	**2022**	**2022**
Antrim and Newtownabbey	98	101	98	103	83	104	80	104	102
Ards and North Down	55	90	83	95	65	101	100	107	108
Armagh City, Banbridge and Craigavon	80	95	99	101	124	105	84	96	98
Belfast	178	109	114	98	115	91	125	101	99
Causeway Coast and Glens	68	92	86	92	96	94	124	81	96
Derry City and Strabane	87	87	91	89	116	94	132	97	94
Fermanagh and Omagh	87	98	96	101	121	102	104	90	97
Lisburn and Castlereagh	100	101	96	103	96	104	88	128	109
Mid and East Antrim	76	96	91	101	86	107	94	99	101
Mid Ulster	106	107	99	101	128	103	76	91	99
Newry, Mourne and Down	76	95	88	93	124	104	80	98	98

Source: ONS and NISRA, UUEPC analysis

3.6 There is no clear ranking with one Council area being dominant across all indicators. Belfast clearly has the highest workplace median earnings but is in the middle of the pack on the resident median earnings measure. This indicates that Belfast is 'sharing' the earnings generated in the council area with residents of other (commuter) council areas.

3.7 The sub-regional plan further notes that the inequalities are persistent, supported by longer time series of data analysis. Figure 2 and Table 2 overleaf also show that the gap in GVA per capita has widened since 1998, Belfast has moved further ahead and Ards & North Down moved further behind. Importantly however, gaps in other measures have narrowed over time, such as productivity and exports.

3.8 NI productivity performance has been a longstanding challenge, as GVA per job filled has been consistently below 90% of the UK average (despite improvement in 2020 and 2021). At a sub-regional level, Belfast and Mid Ulster are top performing LGDs with little between them, while Derry City & Strabane is the lowest rank by GVA per job filled measure. Over the past two decades, regions such as Fermanagh & Omagh and Causeway Coast & Glens have closed the gap but remain behind the leaders.

Figure 2: Index of various economic indicators (NI=100), LGDs, earliest year

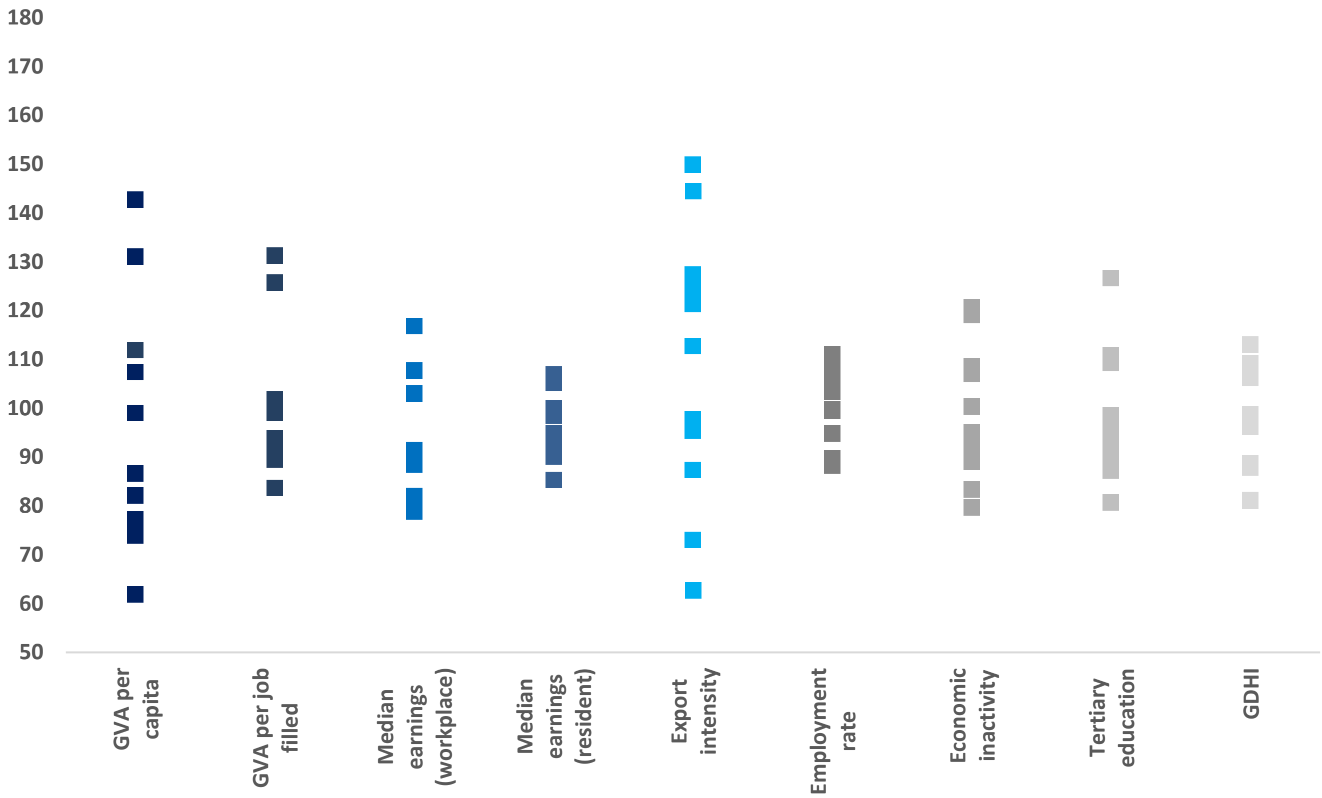

Table 2: Index of various economic indicators (NI=100), earliest data

LGD	GVA per capita	GVA per job filled	Median earnings (workplace	Median earnings (resident)	Export intensity	Employment rate	Inactivity rate	Tertiary qualification	GDHI
	1998	**2004**	**2015**	**2015**	**2011**	**2009**	**2009**	**2009**	**1998**
Antrim and Newtownabbey	107	102	103	107	63	111	83	110	107
Ards and North Down	62	94	82	99	87	108	90	111	109
Armagh City, Banbridge and Craigavon	82	92	89	95	113	103	89	91	99
Belfast	143	101	117	100	98	90	119	109	113
Causeway Coast and Glens	74	89	79	90	95	95	107	81	81
Derry City and Strabane	77	84	89	85	121	88	121	87	81
Fermanagh and Omagh	87	92	88	93	127	100	109	98	88
Lisburn and Castlereagh	99	99	91	105	73	107	95	127	108
Mid and East Antrim	131	131	108	106	125	111	80	94	106
Mid Ulster	112	126	91	94	150	106	92	90	89
Newry, Mourne and Down	74	93	91	99	144	99	100	96	96

Source: ONS and NISRA, UUEPC analysis

Productivity drivers vary across LGDs

3.9 Business birth rates, export intensity and business R&D are identified as important factors driving productivity. Belfast leads in business birth rates and new FDI jobs (78% of the total in 2015-2022) and is also a strong performer along with Mid Ulster and ABC in business R&D. Export intensity is led by the strong manufacturing LGDs of Mid Ulster, ABC and Newry, Mourne & Down. This lack of one dominant sub-region across different enterprise indicators or productivity drivers may explain why the gap in NI is smaller than in other UK regions.

Good Jobs[1]

3.10 Data recently released shows a marginal decline in the proportion of good jobs across NI between 2022 and 2024, although the latest performance remains better than 2017. The *Sub-Regional Economic Plan's* headline indicator for Good Jobs is workplace wages and Belfast has consistently offered the highest wages, albeit this gap is closing with faster wage growth in other LGDs.

3.11 The share of employee jobs paid above the Real Living Wage (RLW) has increased in every LGD since 2015, and the gap between Council areas is closing – Belfast now has 88% of jobs paid above the RLW compared to 77% in Mid & East Antrim (with the lowest). However, the latest earnings data shows a fall in the proportion of earnings above the RLW across councils as pay increases have not kept pace with inflation and therefore sub-regional gaps may increase again. Relatively speaking, the NI balance is similar to trends observed in other lower income UK regions. In contrast, higher income UK regions show greater disparities within each region, this is also typical in most advanced economies, primarily because of higher numbers of high-earning individuals living in those regions.

Employment and economic inactivity rates

3.12 The *Sub-Regional Economic Plan* headline indicator for sub-regional employment rates includes both those in employment and those in Further or Higher Education preparing for employment. This rate shows a 10-percentage-point gap between the highest (Mid Ulster) and lowest (Derry City & Strabane) council areas. The data shows a significant reduction in this gap from 19 percentage points in 2017, encouragingly due to improvements in the lowest performing LGDs.

3.13 This improvement is part of an overall pattern in NI where employment rates, although they remain below the UK average (75%), have improved over time and across all LGDs. Meanwhile unemployment rates have declined, again across all LGDs, to near historic lows. This employment performance is also a reminder that labour markets

[1] Defined as those with permanent contracts, non-zero-hour contracts, and wages above the Real Living Wage (RLW).

are often very local and there is a significant variation within LGDs, often at the Super Output Area level which show persistent trends.

3.14 Economic inactivity rates present a different picture. Overall economic inactivity is down, but the gaps between best and worst performing has increased because rates have fallen faster in some LGDs and more slowly in others (including both Derry City & Strabane and Belfast).

Skills as a driver for employment growth

3.15 Skills is one key factor behind the persistent gap in employment rates between LGDs. In short, higher-skilled areas tend to have higher levels of labour market participation than areas with a lower qualified working age population.

3.16 Since 2009, there has been an overall increase in the qualification levels of the working age population and those areas that have experienced the largest increase in qualifications have also experienced the largest growth in employment. Belfast and Derry City & Strabane have also seen a rise in the proportion of residents with RQF 4+ qualifications but below the average level of growth and therefore have a lower stock of qualifications and skills.

3.17 Quality job opportunities on offer in local labour markets is also a factor driving employment growth. However, if local residents do not have the skills to take advantage of those opportunities, then in-bound commuters are likely to take those employment opportunities. Belfast dominates the local labour market, with 30% of Northern Ireland's jobs, particularly in tradeable services (financial, professional, and ICT). The city also has among the highest number of vacancies per head of population, alongside Lisburn & Castlereagh and ABC. This shows strong churn in job opportunities available. In contrast, Mid & East Antrim has experienced a less dynamic labour market in terms of job growth.

Disaggregating sub-regional growth: A Shift Share Approach

3.18 Shift Share Analysis (SSA) has been used to analyse sub-regional growth at the LGD level and compares this to wider trends in NI and across sectors or industries. A recent development of the technique has been applied to explain the difference in the growth rate between specific regions and the national growth rate.

3.19 SSA is used to disaggregate differential employment growth rates into three main components:

- *Industry-mix effects* measure the change in regional employment that is attributable to industry trends at the national level (NI), taking into account the industrial structure of the local economy (LGDs). The industry-mix effect is dependent on NI sectoral growth trends, rather than sectoral growth trends in a particular LGD.

- *Region effects* measure the contribution of the overall growth rate of the LGD, reflecting local competitiveness effects due to the general business climate within the LGD that benefits (or inhibits) all businesses, regardless of industry.

- *Industry-place interaction effects* capture whether businesses in a particular sector in a LGD are performing better compared to similar businesses elsewhere, taking into account the general NI competitiveness effect.

3.20 The SSA has focused on employment growth across LGDs from 2001 to 2022 and found that six councils outperformed the overall NI employment growth rate – Belfast; Mid Ulster; Newry, Mourne & Down; ABC; Lisburn & Castlereagh; and Derry City & Strabane. The reasons for this differ as follows:

- Belfast experienced the highest employment growth, primarily due to favourable industry mix effects, driven by its concentration in high-growth sectors like ICT and Professional Services.

- Mid Ulster's employment growth was supported by strong local effects, particularly in the Manufacturing, Construction and Retail sectors. However, under-representation in other high-growth sectors limited its performance. ABC similarly benefited from positive local effects with Manufacturing playing a crucial role.

- Newry, Mourne & Down, Lisburn & Castlereagh and Derry City & Strabane saw employment growth due to region-wide competitiveness but had a less favourable industry mix (i.e. tends to have higher employment in lower growth sectors).

3.21 Conversely, the remaining LGDs underperformed compared to NI:

- Mid & East Antrim had the largest employment decline over the last 20 years, exacerbated by several high-profile manufacturing closures and was further hindered by an unfavourable industry mix with a lack of high-growth sectors.

- Causeway Coast & Glens and Antrim & Newtownabbey suffered from challenges in the Construction and Transport sectors.

- Ards & North Down overall experienced a decline in employment, although its concentration in Professional Services provided some upside.

- Fermanagh & Omagh experienced challenges due to a high concentration in low-growth sectors like Agriculture and Construction, with limited presence in high-growth sectors.

3.22 Overall, LGDs with strong local competitiveness features and high-growth industries fared better, while those dependent on lower growth sectors underperformed.

Overall some convergence, but inequalities remain

3.23 In conclusion, the NI sub-regions have experienced some convergence or 'catch-up' across a wide range of economic indicators. However, this has not significantly reduced regional inequalities, and therefore the differences in employment opportunities, productivity performance and earnings persist across Northern Ireland's LGDs.

4. Where next for regional balance?

Introduction

4.1 Cities matter with clear agglomeration effects, but Belfast, while it dominates GVA per capita in NI, is not playing a similar role to UK regional cities (such as Manchester in the North West of England). Nor would Belfast greatly change the economic geography of the island of Ireland, it is a smaller second city to Dublin but would not alter the pattern of primacy ahead of Cork, Limerick and Galway. Secondary cities matter too, but the evidence shows they face the risk of settling into patterns of stagnation or decline as much as acting like dynamic centres.

4.2 Higher education institutions are regarded as critical to addressing regional balance, particularly in the growing knowledge-economy sectors. This tends to be seen both in the production of well-qualified graduates and postgraduates providing a strong skills base, as well as the reputation for the diffusion of research to local industry. In these instances, scale matters and the UK ambition to build a 'new MIT of the North' shows the scale at which this tends to operate.

4.3 Firm location depends on the individuals involved, indigenous start-ups are different to FDI decisions, but in terms of moving to scale the same factors tend to apply. Regulatory matters (e.g. the Windsor Framework), access to finance and tax arrangements are common across the LGDs in NI. However other factors will vary across council areas such as the availability of skilled labour, access to infrastructure, housing, amenities and lifestyle options and other factors such as the location of sectoral clusters will vary across councils. Therefore, individual councils need to build on their inherent strengths to create an area where people will want to live and work.

Issues for consideration

4.4 The increasing focus on place-based policies, including the *Sub-Regional Economic Plan*, raises a range of issues that will require consensus. These include:

- Balancing the need to enhance regional (ie. NI) competitiveness with sub-regional balance – in effect dealing with what could be a trade-off between productivity gains for the region as a whole and the balance of growth across all parts of NI.

- Choosing the right scale for policy levers and interventions – there are some initiatives (e.g. the recent policy in the US of investing in large R&D centres) that tend to be better resourced at a central level than at the local place-based level.

- Ensuring sufficient resources and the correct timescales are in place to address regional disparities – this is a long-term endeavour and will require a long-term financial commitment.

- Meeting the requirement to decentralise with the need to develop appropriate local place-based leadership capacity – it takes longer to put the right people in place than taking the decision to decentralise.

Future Direction

4.5 The *Sub-Regional Economic Plan* has provided the Local Economic Partnerships (LEPs) with £45 million in funding to 2028, to support local economic strategies and proposals. The priorities of the LEPs will be co-designed by Councils, enterprise agencies and other local stakeholders, individual project proposals (current and capital) will then be brought forward for approval. This local economic development initiative builds on the transfer of some economic development functions to local government, as well as their role (either individually or as sub-regional groupings) in developing and achieving funding for four City and Growth Deals. The LEPs also follow the more recent establishment and funding of Labour Market Partnerships (LMPs) on a Council area basis.

4.6 In addition, the aim of achieving sub-regional balance will be assisted by changes to Invest NI, including an enhanced regional focus, with greater resources in the regional office network and a commitment to sub-regional investment targets.

4.7 Finally, the Department for the Economy is putting regional balance at the forefront of its approach with a newly created Regional Balance Unit tasked with 'driving effective delivery of locally chosen actions' and to press the case for local economic development.

4.8 Review of past regional policies in the UK, Ireland and elsewhere, tend to point to three potential (and inter-related) reasons for failure to remove disparities in performance. These are:

- Regional policies are generally not pursued with sufficient ambition, vigour or intensity and the requisite levels of resources are generally not committed. The phrase 'go big or go home' might apply but there is also a necessity for long term consistency in policy as opposed to short-termism or policies hedged by doubt.

- The impact of regional policy has been outweighed and counteracted by the effects of other, 'non-spatial' policies such as general government spending, fiscal and monetary policies which have tended to favour the successful areas of national economies. This tends to apply more often at the national vs regional scale rather than sub-regionally, but the same principle holds.

- The policies were too centralised in design and delivery to deal with specific local factors. In this case partnership meant a one-way flow of ideas and knowledge from the centre outwards.

Policy suggestions from the research

4.9 The following high level policy suggestions have been identified from the analysis undertaken to improve regional balance:

- **Invest in Regional Infrastructure and Connectivity** – improving transport, utility and digital infrastructure in underdeveloped areas is foundational for balanced growth. Good connectivity allows businesses in smaller regions to access larger markets and talent pools and enables people to commute or trade more easily. Policymakers should prioritise projects that not only better link lagging regions with economic hubs, but also improve internal connectivity (local roads, public transport). Similarly, investing in high-speed broadband particularly in rural areas can enable remote working and entrepreneurship in more peripheral places.

- **Strengthen Education, Skills and Innovation Ecosystems** – human capital development and innovation capacity are key drivers of regional competitiveness. Policies should ensure that higher education and skills training are accessible across regions, not just in larger urban areas, and aligned with local industry needs. This could involve expanding or creating education campuses, research centres and vocational institutes in deprived regions. The Basque Country in Spain is an often-quoted example, it was historically an industrial region, but invested heavily in education and R&D, creating a successful economic transformation.

- **Create Place-Based Business Development and Clusters** – encourage the development of industry clusters and support local enterprise, focusing on each area's unique strengths. Rather than a generic approach, tailor business support to the sectors that have potential in each area. Typically identify 2-3 key sectors per area (evidence based), create cluster development programmes for each (with dedicated facilitators) and attract anchor investments into more deprived areas.

- **Build Multi-level Governance and Local Capacity** – empower local and regional institutions to drive economic development, supported by coherent central policies. This requires effective governance alongside building the capacity of local councils and their business and community stakeholders.

- **Leverage External and Cross-Border Opportunities** – utilise comparative advantages of external linkages, such as cross-border cooperation with the Republic of Ireland and other regions in the UK.

- **Monitor, report, evaluate and adapt** – ensure that regional balance efforts are monitored via clearly defined metrics (e.g. reduced unemployment disparities or higher productivity in the poorest region). Regular public reporting on these metrics will keep a focus on results, alongside flexibility to adapt policies as some initiatives will work better than others and learning should be continuous.

About UUEPC

UUEPC is an independent research centre focused on producing evidence based research to inform policy development and implementation. It engages with all organisations that have an interest in enhancing the Northern Ireland economy. The UUEPC's work is relevant to Government, business and the wider public with the aim of engaging those who may previously have been disengaged from economic debate.

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