

SUCCESS BY DESIGN

Preparing for a New Ireland

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SDLP

Contents

Executive Summary	4
Headline Proposals	5
Introduction	6
Foundations of a New Economy	8
A Tale of Two Economies	10
Proof of Concept: The Benefits of Cross-Border Co-Operation	12
From Cost to Asset: What the North Can Bring to a New Ireland	13
Tackling the Cost of Subvention	15
The Right Structure for Economic Success	16
The Pathway to a New Ireland Economy	18
No-Regrets Actions: Improving the Present	20
Preparing for the Future: Planning for a New Ireland Economy	21
Conclusion	22



Executive Summary

One of the key questions in any debate about a New Ireland is whether it would deliver better lives for people across the island: better jobs, higher wages, stronger public services and more secure futures. This paper rejects the simplistic arguments that dominate much of the public debate, between claims of an automatic economic dividend and assertions that Northern Ireland is inherently unaffordable. Economic outcomes are not set in stone; they are shaped by policy choices, investment decisions, institutional design and preparation, as well as wider global forces.

The past three decades demonstrate this clearly. Northern Ireland and the Republic began the 1990s from broadly comparable economic positions, yet their trajectories diverged sharply in the period after the Good Friday Agreement. While the South experienced sustained growth and rising living standards, Northern Ireland failed to translate peace into sustained economic renewal. This divergence was not inevitable and cannot be blamed on partition or a troubled history alone. It reflects choices made about skills, infrastructure, innovation and governance – and it can be changed through a different set of choices.

This paper argues that Northern Ireland should not be viewed as a burden in any future settlement, but as a potential contributor to a stronger, more balanced and more resilient all-island economy. Better integration of infrastructure, labour markets, enterprise support and regional development offers tangible benefits for both jurisdictions. Crucially, convergence in productivity, wages and employment would reduce long-term fiscal pressures and strengthen the overall tax base of the island economy. At the same time, the case for integration must be understood within a wider need to build an economy that is socially inclusive, environmentally sustainable and resilient to future shocks.

Institutional design is crucial within this conversation – indeed, no serious debate on the economy of a New Ireland can take place without considering what shape it will take. If viewed purely from an economic perspective, the SDLP believes that a unitary state offers the strongest platform for convergence, growth and resilience across the island. Greater policy coherence, economies of scale in administration, and aligned approaches to infrastructure, skills and enterprise would reduce fragmentation costs and improve long-term economic performance. This economic assessment does not pre-judge wider constitutional questions around identity, consent and democratic legitimacy, but reflects the evidence that institutional coherence matters for productivity, investment and regional balance.

Finally, this is not a conversation only about the future. The paper sets out a series of practical, no-regrets actions that can be taken now to strengthen economic ties and improve outcomes in the present, alongside preparatory work to plan responsibly for deeper economic integration in the future. A New Ireland, if it is to succeed economically, must be built deliberately.

Headline Proposals

No-Regrets Actions

- Establish a Joint All-Island Infrastructure Fund to co-invest in strategic cross-border priorities, including rail, electricity grid reinforcement, offshore renewables and digital connectivity.
- Deliver the All-Island Strategic Rail Review and co-ordinated infrastructure planning across transport and energy to improve productivity and resilience.
- Better align skills systems and open up the all-island labour market, including mutual recognition of qualifications and joint skills forecasting.
- Introduce a Northern Ireland Graduate Return and Talent Attraction Scheme to reverse brain drain and strengthen the local skills base.
- Co-ordinate enterprise, innovation and FDI strategies to support scaling of Irish firms and reduce duplication.
- Establish an All-Island Economic Taskforce to drive delivery on shared priorities, involving government, trade unions, business, local authorities and academia.
- Target investment in growth corridors and cross-border city regions, particularly the Dublin–Belfast corridor and the North West (Derry–Letterkenny).

Preparing for a New Ireland Economy

- Develop a New Ireland Investment Strategy to plan the scale, sequencing and financing of convergence-focused investment.
- Commission an independent economic transition assessment, including analysis of fiscal transition, convergence pathways and the implications of different governance models.
- Begin preparatory work on regulatory and systems harmonisation to reduce transition risk and support deeper economic integration.
- Plan for fiscal transition and convergence through productivity-led growth rather than static debates about cost.
- Reform and empower local government to deliver place-based growth within a more coherent all-island economic framework.



Introduction

One of the most important considerations in the debate around a New Ireland is the economy.[1] For many people, the constitutional question ultimately comes down to whether their lives will be materially better off as a result of such a significant change: better jobs, higher wages, improved public services and greater opportunities for current and future generations. Any serious discussion about a New Ireland must therefore engage honestly with what it means for the economy.

Public debate on this question is increasingly polarised and often lacking in nuance. On one side are those who foresee an automatic economic dividend from unification – an assumption that constitutional change will instantly unlock lasting prosperity. On the other are voices who claim that Northern Ireland is inherently unaffordable, and that unification would impose an unsustainable economic burden on people in the South. Both positions overlook the point that economic outcomes are not hard-wired – they are heavily dependent on choices – about policy, investment, and sequencing – and are shaped by wider global forces beyond the control of any single government.



Diverging Economic Fortunes

Indeed, the impacts of such choices are evident in the diverging fortunes of both economies on the island. In recent decades, both sides of the border occupied broadly comparable economic positions. In the early 1990s, neither economy could reasonably be described as wealthy by Western European standards. Both faced structural weaknesses, limited Irish enterprise bases and the need to modernise education, infrastructure and industry. Yet over the last thirty years, their trajectories have diverged sharply.

The Good Friday Agreement promised not only peace, but the possibility of a peace dividend. An opportunity to normalise politics, unlock investment and improve economic outcomes for all. While that dividend has been real, it has not been evenly shared. Much of the economic benefit of peace has been realised in the South, with sustained growth, rising living standards and high skilled employment.[2] In comparison the North has struggled to translate this into sustained economic renewal.[3][4] Chronic underinvestment in skills, infrastructure and innovation,[5] combined with political short-termism and repeated institutional instability,[6] has left the North lagging behind its potential.

That potential, however, remains. Northern Ireland has a young population, internationally recognised universities, strong links to both British and European markets, and a proven capacity to attract and grow high-value sectors when the right conditions are in place. Its underperformance is not inevitable, nor is it a product of its geography or its people. It is the result of human decisions, or indeed the lack of them – and therefore capable of being changed.

At the same time, it would be a mistake to treat the South's economic success as either complete or fail-safe. While the Southern economy has delivered remarkable growth, it also faces well-recognised vulnerabilities: over-concentration in a small number of areas, infrastructure and housing pressures and exposure to global shocks in an increasingly uncertain world.[7]

1 https://www.irishtimes.com/ireland/2023/12/04/poll-shows-importance-of-economic-impact-on-unity-referendum/
2 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4987147
3 https://www.niassembly.gov.uk/globalassets/documents/raise/gfaseminars/g-brownlow-gfa25-presentation-gb-may-25.pdf
4 https://journals.sagepub.com/doi/10.1177/0309816818818309
5 https://www.tara.tcd.ie/tara8/server/api/core/bitstreams/13fda0e3-de66-4418-9187-8e990ae509c8/content
6 https://committees.parliament.uk/publications/47420/documents/245818/default/



Building a Resilient Economy

Rising populism, accelerating climate change,[89] geopolitical instability and shifts in global trade[1011] will continue to pose challenges in the years to come. In this context, there is a strong case for asking not only how growth can be sustained, but how it can be made more balanced, resilient and inclusive.

This underlines a central argument of this paper: economic futures are shaped. The economic impact of unification would be influenced heavily by the form it takes, the degree of preparation involved, and the policy choices made before, during and after any transition. In that context a New Ireland should be understood as a process; one that can either entrench risk and division, or support convergence, growth and resilience across the island. With that, there is a need for a conversation on the kind of economy the island requires to future-proof itself against these challenges.

Crucially, there are steps that can and should be taken now in both the North and the South to improve economic performance, deepen co-operation and deliver tangible benefits for people and businesses in the present. Investment in shared infrastructure, stronger alignment of skills and labour markets, co-ordinated approaches to energy, transport and enterprise, and more deliberate long-term planning across the island can deliver significant dividends now, while also laying the foundations for deeper economic integration in the future.

This paper begins with the economy we need to build, rather than working backwards from a constitutional outcome. It focuses on what can and should be done now to improve economic outcomes, strengthen co-operation and lay the foundations of a more balanced and resilient island economy, while also preparing responsibly a different economic future in a New Ireland. Approaching the debate in this way does not avoid questions of institutional design; rather, it allows different models of governance to be assessed against clear economic objectives.

It does not treat unification as a foregone conclusion, nor does it suggest that constitutional change alone would guarantee improved living standards. Instead, it proceeds from the recognition that economic futures are shaped by the choices made in advance – by the quality of preparation, the clarity of design and the seriousness of intent. In doing so, it puts forward a number of practical ideas and policy proposals intended to support convergence, growth and resilience, and to help ensure that any future New Ireland is capable of delivering sustainable and shared prosperity.

7 https://www.esri.ie/news/esris-economic-outlook-examines-various-risks-to-and-opportunities-for-irelands-economy-for
8 https://www.esri.ie/system/files/publications/WP788.pdf
9 https://www.eea.europa.eu/en/europe-environment-2025/countries/ireland/climate-related-economic-losses
10 https://www.centralbank.ie/news/article/press-release-Financial-Stability-Review-11-June-2025
11 https://www.grantthornton.ie/insights/trade-tariffs/implications-of-tariffs-and-trade-wars/#6130824___Costs-of-trade-disruption

Foundations of a New Economy

If this paper begins with the economy we need to build, it is important to be clear about what that actually means in practice – and what the economy is ultimately for. The SDLP has always argued that the economy should serve people. Our focus has always been on economic and social justice: speaking for those who are locked out of opportunity, challenging inequalities that hold communities back, and pushing for an economy that works for working people, families and future generations.

In this context, economic growth is not an end in itself.[12] The purpose of the economy is to improve people's lives: to provide decent work, security, opportunity and the conditions for individuals, families and communities to thrive. In recent decades, headline growth has not always translated into improved wellbeing for all, with rising output often sitting alongside insecure work, widening inequalities, housing pressures and strains on public services. The challenge, therefore, is not simply to grow the economy, but to shape it in a way that delivers shared and lasting improvements in living standards.

Economies do not stand still: they evolve in response to global and domestic pressures, technological change and shifts in how people live and work. In the coming decades, the island's economic model will be shaped by a range of profound challenges – from climate change and the transition to net zero, to demographic change and an ageing population; from technological disruption and automation to heightened geopolitical tension and the reconfiguration of global trade. At home, long-standing issues around regional imbalance,[13] a housing crisis,[14] infrastructure deficits and productivity gaps will continue to shape economic outcomes. The question is not whether the economy will change, but whether that change is shaped deliberately in pursuit of shared prosperity and resilience.

12 https://www.maynoothuniversity.ie/sites/default/files/assets/document/O%27Connor%20NatTASCreport_0.pdf
13 https://www.esri.ie/system/files/publications/RB20090103%20%281%29.pdf
14 https://www.maynoothuniversity.ie/research/spotlight-research/why-fixing-irelands-housing-crisis-requires-change-policy



In that context, to maximise opportunities and overcome future challenges the SDLP believes that any future New Ireland economy should be underpinned by a clear set of principles:

Socially Inclusive

An economy that delivers headline growth while leaving large numbers of people in insecure work or poverty is not sustainable, economically or politically. Participation, job quality and access to opportunity matter as much as aggregate performance. Reducing inequalities in income, health and life chances is not a by-product of growth; it is central to whether growth is experienced as success.

Sustainable

The transition to a low-carbon economy is not only an environmental imperative, but an economic one. Investment in clean energy, resilient infrastructure and reduced exposure to volatile global markets will shape competitiveness and security in the decades ahead. Building resilience to shocks – from energy price volatility to climate impacts – is now a core economic challenge.

Regionally Balanced

Growth that is overly concentrated in a small number of places is neither fair nor efficient. Spatial imbalance weakens productivity, drives housing and infrastructure pressures in overheated regions, and leaves too much potential untapped elsewhere. A stronger island economy requires a more deliberate approach to spreading opportunity across cities, towns and regions, including border and North West areas that have long been underinvested.

Highly Productive

Too much economic activity, particularly in Northern Ireland, remains trapped in low-productivity, low-wage sectors. Closing gaps in productivity through sustained investment in skills, infrastructure and innovation is essential if rising output is to translate into rising living standards.

Open, Competitive and Innovation-Led

Long-term prosperity will depend on the ability to attract and retain talent, support research and development, and help firms scale in global markets.

These principles set out the kind of economy that would best serve people and communities across the island. However, they also highlight how far current economic outcomes fall short of that ambition. To understand the scale of the challenge – and the opportunity for change – it is necessary to look honestly at how the two jurisdictions on the island have diverged over recent decades, the different policy choices that have shaped their economic trajectories, and the consequences of those choices for productivity, living standards and regional balance.



A Tale of Two Economies

Over the past three decades, the economies of Northern Ireland and the Republic have followed markedly different paths. While both jurisdictions entered the 1990s with broadly comparable levels of income, productivity and employment, their subsequent economic trajectories have diverged sharply. Today, the South consistently records significantly higher levels of productivity, stronger wage growth, higher employment rates and a far more robust export base.[15] Northern Ireland, by contrast, continues to experience weak productivity growth,[16] lower average wages and a persistent reliance on public expenditure to sustain economic activity.[17]

The timing of this divergence is notable. The period following the Good Friday Agreement should, in principle, have offered Northern Ireland a unique opportunity to reset its economic model: benefiting from peace and political stability. Instead in relative terms, Northern Ireland's position did not significantly improve in the post-conflict period and, on several measures, continued to fall further behind.

This widening gap underlines an important point: divergence was not the unavoidable consequence of history, but the product of decisions taken during a moment of opportunity.

Partition, Conflict and Policy Choices

Partition undoubtedly shaped the economic development of both jurisdictions. The creation of two separate systems fragmented markets, disrupted natural economic linkages and limited economies of scale. However, partition alone is insufficient to explain the scale or persistence of divergence that continue over a century later. Other small and peripheral European regions, starting from similar positions, have demonstrated that convergence is possible where sustained and deliberate policy choices are made.

The legacy of the Troubles has had a deep and long-lasting economic impact. Prolonged instability deterred private investment, distorted public spending priorities and entrenched a reliance on public sector employment as a means of social stabilisation.[18] While understandable in the context of conflict, these responses left a lasting imprint on the post-conflict economy.

In the years following peace, policy priorities focused heavily on maintaining stability and managing risk. Public spending increased, but largely in the form of consumption rather than long-term investment. The emphasis was on sustaining incomes and services rather than transforming the productive capacity of the economy. As a result, Northern Ireland emerged from conflict with many of its underlying structural weaknesses unresolved.[19]

This contrasted with a more deliberate focus in the South on productivity, enterprise development, export growth and increased Foreign Direct Investment. Over time, these different approaches compounded, producing the divergence evident today.

Underinvestment in the Foundations of Growth

A central driver of this divergence has been sustained underinvestment in the foundations of long-term economic growth. Northern Ireland has consistently lagged in investment in education and skills, infrastructure and innovation – the core inputs required for a modern, high-productivity economy. This underinvestment has been compounded

15 https://www.esri.ie/news/comparative-analysis-of-economies-of-ireland-and-northern-ireland
16 https://www.esri.ie/news/comparative-analysis-of-economies-of-ireland-and-northern-ireland
17 https://www.tara.tcd.ie/tara8/server/api/core/bitstreams/13fda0e3-de66-4418-9187-8e990ae509c8/content
18 https://www.tara.tcd.ie/tara8/server/api/core/bitstreams/13fda0e3-de66-4418-9187-8e990ae509c8/content
19 https://www.tara.tcd.ie/tara8/server/api/core/bitstreams/13fda0e3-de66-4418-9187-8e990ae509c8/content

by fragmented governance and a failure to make full use of the economic potential of North–South co-operation, limiting the scale and impact of public investment in areas where joint planning and delivery could have delivered stronger returns.

Education

While educational attainment has improved in some areas, Northern Ireland continues to experience persistent educational underachievement for significant cohorts of young people, particularly along socio-economic lines.[20] Outcomes remain highly unequal, with too many children leaving the education system without the foundational skills required to access further training, apprenticeships or higher-value employment.

Barriers to all-island educational mobility also continue to limit opportunity and the integration of skills pipelines. Northern Ireland students face structural obstacles in accessing universities in the South, including misalignment between A-levels and the CAO points system, differences in subject requirements, and uncertainty around recognition and progression routes. Recent adjustments to the CAO points framework for A-level students represent a welcome step towards fairer access, but frictions remain across admissions systems, timelines and pathways.[21] These barriers reduce the effective size of the all-island education market, constrain choice for students, and weaken the development of genuinely integrated skills pathways across the island. Over time, this limits labour market integration, narrows opportunities for collaboration between institutions, and undermines the potential to build a more dynamic, all-island talent base.

In Northern Ireland, the overall scale of advanced skills provision has remained insufficient to meet the needs of a modern, high-productivity economy. Graduate retention has been weak, with many young people leaving in search of opportunity elsewhere,[22] reflecting limited career pathways and wage progression at home. This combination of underachievement at the base and weak retention at the top has constrained the development of a strong indigenous enterprise base. More limited alignment of skills strategies and labour market planning on an all-island basis has also reduced opportunities to build larger, more dynamic regional labour markets.

Infrastructure

Infrastructure investment has similarly fallen short of what is required. Weak transport connectivity has limited labour mobility and regional development, while gaps in digital and energy infrastructure have undermined competitiveness. The absence of sustained, strategic co-ordination on major cross-border infrastructure projects has further constrained the development of integrated economic corridors and reduced the overall productivity gains that could have been achieved through shared planning and investment.

In 2018 household disposable income was 18% higher in the Republic of Ireland than in Northern Ireland.

Between 2018 and 2022, early school leaving in Ireland fell from 5 to 2.7 per cent, while it increased in NI from 9.4 to 10 per cent over the same period.

Labour productivity in NI lagged that of Ireland in eight of ten sectors in 2021.

These differences do not reflect disparities in talent or ambition. Northern Ireland has repeatedly demonstrated its ability to attract investment and support high-value activity when conditions are right. Rather, the gap reflects the cumulative impact of policy choices taken – and not taken – over many years. Crucially, this means divergence is not inevitable. The factors that have held back Northern Ireland's performance are the product of decisions, and can therefore be addressed through a different set of choices.

20 https://www.niassembly.gov.uk/globalassets/documents/raise/publications/2022-2027/2025/education/1625.pdf
21 https://www.bbc.co.uk/news/uk-northern-ireland-67644042
22 https://pure.ulster.ac.uk/en/publications/research-bulletin-245-%C7%80-the-northern-ireland-brain-drain/

Proof of Concept: The Benefits of Cross-Border Co-Operation



One of the most immediate and practical ways to begin reshaping economic outcomes on the island is through deeper, more systematic North–South co-operation.

There are already clear examples of where North–South co-operation has delivered tangible economic and social benefits, even within existing institutional constraints. The Single Electricity Market demonstrates the gains from treating the island as one system, delivering greater security of supply and improved efficiency than two fragmented markets could achieve alone. Cross-border health co-operation, such as shared specialist services and the North West Cancer Centre, has shown how pooled scale can improve access and outcomes while making better use of limited resources. More frequent Belfast–Dublin rail services in recent years have also demonstrated how improved cross-border connectivity can support labour mobility, business links and tourism.

These examples illustrate that when co-operation is sustained, strategic and system-wide, there are considerable mutual benefits. Yet too often progress has been piecemeal, slow and dependent on inconsistent political will rather than embedded as standard practice.

The Shared Island Initiative points in the right direction by recognising that practical co-operation, investment and joint planning can deliver benefits in the here and now, regardless of constitutional outcomes. Its focus on connectivity, research collaboration, community regeneration and cross-border infrastructure reflects an understanding that the island functions as an economic system in many important respects.

However, if the full economic potential of deeper integration is to be realised, Shared Island must evolve into a more strategic, long-term framework for co-ordinated investment, infrastructure delivery and economic development across the island.



From Cost to Asset: What the North Can Bring to a New Ireland

Too often, discussions about a New Ireland begin with questions of cost; what it might take, who might pay, what burden it might place on others. Northern Ireland is too easily reduced to a problem to be managed, or worse, written off as an economic "basket case". That caricature does a disservice to the people, skills and assets that exist here, and obscures the real opportunity: that Northern Ireland can be a contributor to a stronger, more balanced and more resilient all-island economy.

Understanding Northern Ireland's underperformance is essential but it is only half the picture. Any serious assessment of the economic potential of a New Ireland must also start from an alternative viewpoint: Northern Ireland is not a region to be supported, but a place with assets, capacity and strategic value that can help drive growth, balance and resilience across the island as a whole.

The Role of SMEs in a New Ireland

Northern Ireland also brings a strong base of small and medium-sized enterprises (SMEs) that, could play a much larger role in driving all-island growth. Many indigenous firms operate below their potential not because of a lack of capability, but because fragmented markets, duplicated regulatory systems and limited access to larger domestic demand constrain their ability to scale. Deeper economic integration would expand the effective home market for SMEs in the North, opening up opportunities to supply larger customers, participate in all-island supply chains and access co-ordinated enterprise supports. Strengthening the conditions for SMEs to grow and scale would not only raise productivity and employment in Northern Ireland, but also help build more resilient, local supply chains across the island.

Integrated Infrastructure and Enhanced Connectivity

Northern Ireland occupies a strategically important position within an all-island economy, offering access points, capacity and redundancy that complement existing Southern infrastructure. Belfast Port, in particular, is a major economic asset with freight, energy and logistics capabilities that can strengthen island-wide supply chains, reduce congestion pressures on a small number of gateways, and improve overall economic resilience.



Northern Ireland also has a central role to play in shaping more regionally balanced growth. The Dublin-Belfast corridor[23] remains one of the most underdeveloped city-region linkages of its scale in Western Europe. Strengthening connectivity along this corridor can be a key part of a wider economic re-balancing strategy: expanding labour markets, supporting innovation spillovers between two major urban economies, and creating the conditions for more distributed growth that eases housing and infrastructure pressures in the Greater Dublin area while unlocking underused capacity to the North.

Equally important is the North West corridor. This cross-border region has long suffered from underinvestment despite its population scale, educational institutions and economic potential. Joint planning, improved connectivity and co-ordinated investment here would unlock latent growth, support regional balance, and demonstrate that the benefits of deeper integration extend beyond the eastern seaboard.

Northern Ireland also brings labour-market depth and strategic infrastructure that matter for the island's long-term resilience. Better integration of labour markets – supported by transport investment, alignment of skills systems and mutual recognition of qualifications – would improve job matching and wage progression in the North, while easing skills shortages[24] and capacity constraints in the South. All-island planning of electricity grids, offshore renewables and transport networks – including delivery of the All-Island Strategic Rail Review[25] – enables better use of existing capacity, reduces duplication and supports more rational sequencing of investment. These efficiencies lower costs, improve energy security and help build the foundations of a low-carbon, more resilient economy.

Northern Ireland can be a key contributor to a thriving all-island economy. Recognising this contribution changes the terms of the debate – from one focused narrowly on cost, to one aimed at maximising shared opportunities and delivering mutual gains. Having established that divergence was not inevitable, or is irreversible, and that deeper integration offers tangible benefits to the whole island, it is necessary to consider how fiscal challenges can be managed over time.

23 https://www.dbec.info/research-reports/
24 https://www.productivity.ac.uk/wp-content/uploads/2025/01/PIP049-Northern-Ireland-Insights-Paper-January-2025-v2.pdf
25 https://www.infrastructure-ni.gov.uk/articles/all-island-strategic-rail-review

Tackling the Cost of Subvention

Any debate around the economy of a New Ireland inevitably focuses on the fiscal subvention. In other words the difference between the amount of public money raised in Northern Ireland through taxation and the amount spent on public services and benefits there under current arrangements.

It reflects the fact that Northern Ireland currently receives more in public spending than it generates in tax revenue, with the gap made up through transfers from the UK Exchequer. This gap is not an inherent feature of Northern Ireland as a place, but the product of long-standing economic underperformance, structural features of the current system, and policy choices that have shaped both the size of the tax base and the scale of public expenditure over time.

The subvention is often presented as a single, fixed number that can be lifted from a set of accounts and treated as a permanent annual bill.[26] This framing is deeply misleading. Headline figures vary depending on the year chosen and the method used to estimate them, but more importantly they reflect how Northern Ireland's economy performs at a given point in time. Treating any one estimate as a timeless fact assumes that today's economic outcomes are locked in indefinitely.

This is why parts of the fiscal debate are flawed. Some estimates take a snapshot of Northern Ireland's current fiscal position and project it forward as if it were fixed in perpetuity. In doing so, they implicitly assume that economic underperformance is permanent and that policy choices, investment and integration cannot alter the trajectory of the economy. That is not an economically serious assumption. Economies evolve. Regions converge. Performance changes when the conditions for growth change.[27]

Improving Economic Performance in the North

The most important question, therefore, is not the precise size of the current subvention, but whether Northern Ireland's economic performance can improve over time. There is no economic law that condemns the North to permanent underperformance. With sustained investment in skills, infrastructure and enterprise, productivity can rise, wages can grow and more people can be supported into good work. As this happens, tax receipts increase and reliance on fiscal transfers diminishes. Convergence is not an abstract concept; it is the mechanism through which the fiscal challenge reduces over time.

This does not mean that costs disappear overnight. Any process of unification would involve a transition period, during which fiscal support would remain necessary to underpin public services and to fund the investments needed to unlock growth. But the direction of travel matters. Treating the subvention as a fixed, permanent burden closes down serious thinking about how to change outcomes. A strategy focused on convergence starts from the opposite premise: that economic performance can change, and that public policy has a central role in shaping that change.

It is also important to recognise that convergence is about growth in totality, not simply narrowing a gap. A stronger Northern Ireland economy would expand the overall tax base of the island, support higher levels of demand, and contribute to higher levels of growth and greater economic resilience.[28] Improving economic performance in the North is therefore not a cost to be managed, but an opportunity to strengthen the island economy as a whole.

Ultimately, the subvention should be understood as a starting point for economic planning, not a veto on change. It reflects current outcomes, not inevitable ones. The real fiscal question is whether those outcomes are allowed to persist, or whether they are changed through deliberate investment, integration and long-term planning.

26 https://www.iiea.com/images/uploads/resources/Northern_Ireland_Subvention_Possible_Unification_Effects.pdf
27 https://all-islandeconomy.com/wp-content/uploads/2025/06/21614_Public_Finances_UPDATED.pdf
28 https://cain.ulster.ac.uk/issues/unification/hubner_2015-08.pdf



The Right Structure for Economic Success

One of the central questions in the debate around a New Ireland is not just whether constitutional change would take place, but what form it would take. Would Northern Ireland continue as a devolved region within a new constitutional framework, or would a New Ireland adopt a unitary model of governance. While this is ultimately a political and constitutional question, it also has clear economic implications. If the issue is considered purely from the perspective of economic outcomes – growth, productivity, regional balance and resilience – then structure of governance matters.

The case for deeper economic integration across the island rests on the recognition that fragmentation carries real costs. Separate systems, duplicated institutions and misaligned regulatory frameworks raise barriers to trade, investment and labour mobility.

Over time, this fragmentation contributes to underperformance, particularly in smaller or weaker regional economies. A more unified economic framework offers the potential for economies of scale in public administration, more coherent economic strategy, and greater certainty for investors and firms operating across the island.

The Case for a Unitary State

A unitary state offers the clearest route to capturing these benefits. Common tax, regulatory and industrial policy frameworks would reduce complexity and transaction costs for businesses. Strategic infrastructure, energy and skills planning could be aligned across the island, rather than co-ordinated imperfectly between separate administrations. Standardisation in areas such as enterprise support, innovation policy and labour market regulation would

help create a genuinely integrated economic space, improving the conditions for firms to scale and for workers to move into better opportunities.

By contrast, retaining Northern Ireland as a distinct devolved government within a New Ireland risks carrying forward some of the structural weaknesses that have constrained economic performance to date. Devolution, in principle, offers opportunities for place-based policy and local responsiveness. In practice, Stormont's record has been one of chronic instability, periodic collapse and limited capacity for long-term strategic planning.

These institutional weaknesses have not been neutral in their economic impact. Political deadlock, short-termism and an inability to agree sustained reform have contributed to underinvestment in infrastructure, slow progress on skills reform, weak economic co-ordination and a tendency to prioritise crisis management over long-term growth.

The Case for Local Government Reform

There remains a strong case for devolving decision-making closer to communities through reformed and empowered local government. Place-based delivery, local economic development and community regeneration are best shaped with strong local democratic input. Indeed, both jurisdictions on the island are highly centralised by Western European standards, with local government exercising relatively limited autonomy. There is significant scope to devolve greater powers and resources to local authorities, North and South, to strengthen local economic leadership and improve delivery.

However, from an economic perspective, there is little case for the continuation of Northern Ireland as a distinct, stand-alone layer of economic governance within a New Ireland. Fragmentation at this scale risks perpetuating duplication, misalignment and weak co-ordination – all of which have constrained the economic potential of the all-island economy.

It is important to acknowledge that the economy is not the only consideration in determining the shape of any future



constitutional arrangements. Questions of identity, consent, representation, democratic legitimacy and social outcomes are fundamental, and any future settlement would need to command broad public support. The purpose of this analysis is therefore not to prescribe a constitutional outcome, but to clarify the economic trade-offs associated with different institutional models.

A Model that Benefits North and South

Economic modelling of Irish unification points to potential gains for both Northern Ireland and the South, with the scale of benefit depending on the extent of integration achieved and the policy choices made in the period of transition.[29] The largest and most durable benefits arise where integration reduces barriers to trade, aligns policy frameworks, improves productivity and attracts investment.

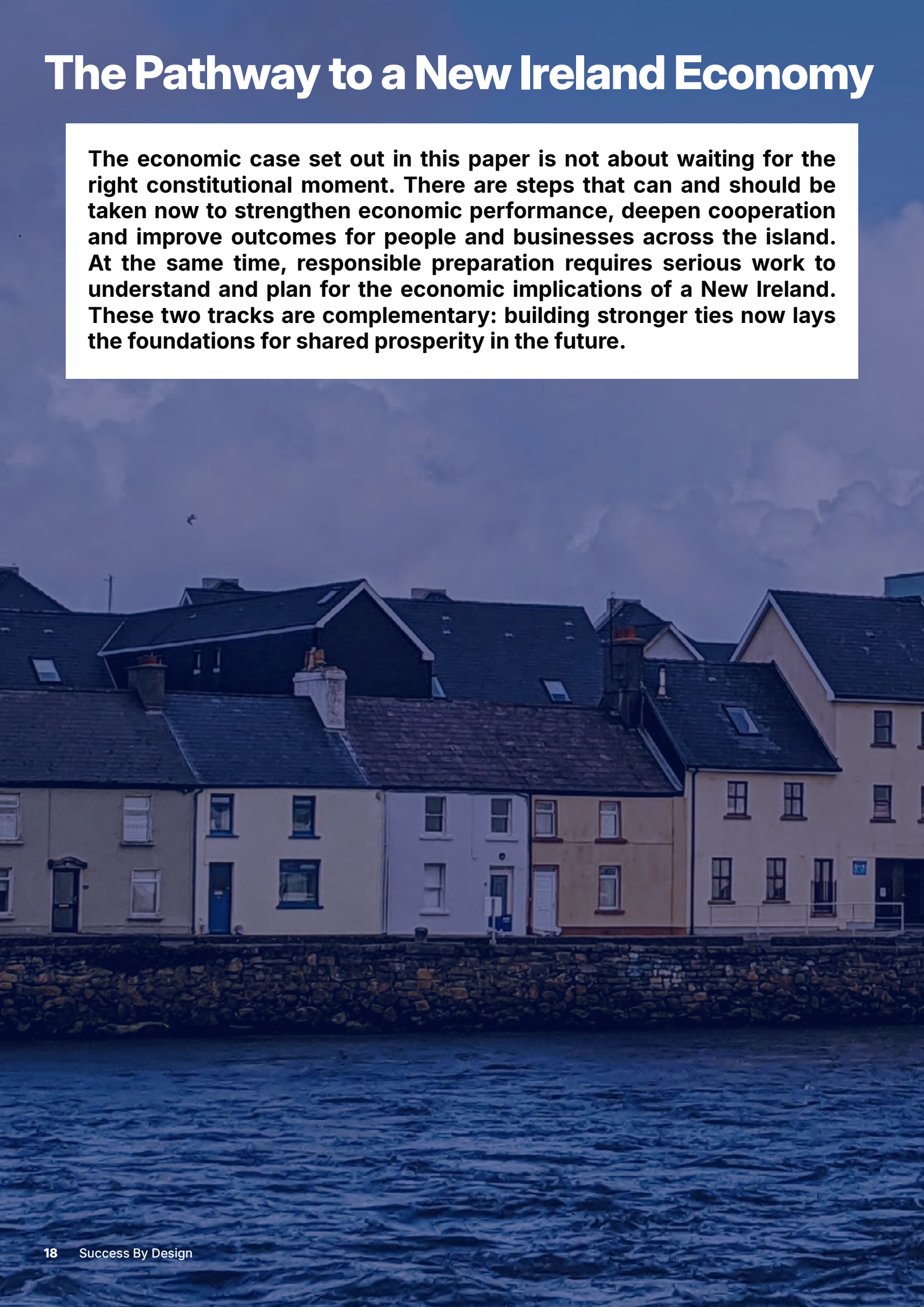
These gains are not automatic; they flow from the design choices that accompany constitutional change. A governance model that maximises policy coherence, reduces duplication and enables long-term strategic planning is therefore central to realising the economic upside.

Ultimately, if the debate is framed through an economic lens alone, a unitary state most likely offers the strongest platform for convergence, growth and resilience across the island. That conclusion does not diminish the wider considerations that must shape any future settlement, but it does underline the importance of aligning institutional design with the economic outcomes people rightly expect: better jobs, stronger communities and a more resilient economy.

29 https://cain.ulster.ac.uk/issues/unification/hubner_2015-08.pdf

The Pathway to a New Ireland Economy

The economic case set out in this paper is not about waiting for the right constitutional moment. There are steps that can and should be taken now to strengthen economic performance, deepen cooperation and improve outcomes for people and businesses across the island. At the same time, responsible preparation requires serious work to understand and plan for the economic implications of a New Ireland. These two tracks are complementary: building stronger ties now lays the foundations for shared prosperity in the future.





No-Regrets Actions: Improving the Present

Establish a Joint All-Island Infrastructure Fund

Create a dedicated Joint Infrastructure Fund to support the planning and delivery of shared, cross-border infrastructure priorities, including strategic rail upgrades, cross-border road links, grid reinforcement, interconnection, offshore renewables, and digital connectivity. A standing fund would allow both governments to co-invest in projects with clear all-island economic benefits, reduce reliance on ad hoc project-by-project negotiations, and provide certainty to delivery agencies and the private sector. The fund should operate with transparent criteria and joint governance arrangements, focused on projects that improve productivity, regional balance and economic resilience.

Deliver a Step-Change in All-Island Infrastructure Planning and Delivery

Prioritise shared infrastructure that improves connectivity, productivity and resilience across the island. This includes delivery of the All-Island Strategic Rail Review, accelerated planning for cross-border transport corridors, co-ordination of electricity grid investment, and joint planning of offshore renewables. Integrated infrastructure reduces costs, improves access to opportunity and strengthens economic resilience in the face of external shocks.

Better Align Skills Systems and Open Up the All-Island Labour Market

Develop joint approaches to skills forecasting, mutual recognition of qualifications, and co-ordinated investment in further and higher education aligned to shared economic priorities. Improving cross-border labour mobility helps address skills shortages, supports wage progression and raises productivity across the island.

Establish a Northern Ireland Graduate Return and Talent Attraction Scheme

Northern Ireland loses a significant share of its graduates to opportunities elsewhere. A targeted graduate return scheme – offering relocation support, employer incentives, paid placements, and structured career pathways in priority sectors – would help reverse brain drain, strengthen the local skills base and raise productivity. This should be aligned with all-island labour market initiatives to ensure that talent flows benefit the whole island economy, rather than reinforcing existing imbalances.

Better Co-Ordinate Enterprise, Innovation and FDI Strategies

Move towards a more joined-up approach to enterprise support, innovation funding and inward investment promotion. Competing to attract the same investment with different incentives and regulatory regimes weakens the overall offer. A co-ordinated all-island proposition can help firms scale, support regional clusters and strengthen the island's position in global markets.

Establish an All-Island Economic Taskforce

Create a standing, independent taskforce to drive practical co-operation on shared economic priorities, including infrastructure sequencing, skills alignment, sectoral development and regional balance. This body should bring together government, trade unions, business, local authorities and academia, and be tasked with turning strategic ambition into deliverable programmes.

Strengthen Regional Growth Corridors and Cross-Border City Regions

Support targeted investment in the Dublin–Belfast corridor and the North West (Derry–Letterkenny) as engines of balanced growth. This means co-ordinated spatial planning, transport investment, housing delivery and innovation support to unlock the potential of these underdeveloped but strategically important regions.

Preparing for the Future: Planning for a New Ireland Economy

Develop a New Ireland Investment Strategy

Undertake detailed work on the scale, sequencing and financing of investment required to support economic convergence in a New Ireland. This should focus on productivity-enhancing investments in infrastructure, skills, innovation and regional development, and identify how public and private capital can be mobilised over time.

Commission an Independent Economic Transition Assessment

Support a comprehensive programme of research to assess the economic trade-offs between remaining within existing UK arrangements and deeper economic integration within a New Ireland. This should include analysis of fiscal transition, productivity convergence, public service reform, labour market integration and long-term growth scenarios – as well as the implications of different governance structures (including unitary and devolved models) for economic performance, investment efficiency and regional balance. The purpose of this work is not to prescribe a constitutional outcome, but to ensure that future decisions are informed by robust, transparent evidence.

Begin Preparatory Work on Regulatory Harmonisation

Map the key areas where regulatory alignment would be required to support deeper economic integration, including labour market regulation, enterprise supports, competition policy, procurement and elements of tax administration. Early technical work on harmonisation reduces transition risk and allows design choices to be made deliberately rather than under pressure.

Plan for Fiscal Transition and Convergence

Develop a credible framework for managing fiscal transition in the event of constitutional change, focused on reducing long-term fiscal pressures through convergence in productivity, wages and employment. This should move beyond static debates about cost and towards a dynamic plan for growth across the island.

Model All-Island Reform of Local Government for Place-Based Growth

Prepare for a future in which stronger, better-resourced local authorities play a central role in delivering regional growth, housing, regeneration and skills pathways. This includes exploring how powers and resources could be better devolved in a New Ireland to support balanced regional development within a more coherent all-island economic framework.



Conclusion

This paper has set out a clear proposition: the economic future of this island is not predetermined. The stark divergence between North and South over recent decades was not inevitable. It reflects choices made about skills, infrastructure, innovation and governance – and, critically, choices not made. That same lesson applies to the future. A New Ireland, will not succeed economically by default. It's outcomes will be shaped by the seriousness of preparation, the quality of institutional design and the willingness to invest deliberately in convergence, growth and resilience.

Northern Ireland should not be viewed as a fiscal problem to be managed, but as a place of unrealised potential and a contributor to a stronger, more balanced all-island economy. Improving productivity, wages and employment in the North is not simply about narrowing a gap; it is about expanding the economic capacity of the island as a whole. Convergence strengthens the tax base, deepens domestic demand and improves resilience in the face of global shocks. Framing the debate solely around static notions of cost misses the central point that economic performance can change when the conditions for growth change.

The design of institutional governance is key in this respect. Fragmentation carries real economic costs in duplication, misalignment and weak co-ordination. While wider constitutional questions must ultimately be resolved through democratic consent, the economic evidence points towards the importance of coherence, scale and long-term planning capacity if the benefits of deeper integration are to be realised. Institutional arrangements should be judged against the outcomes people care about most: secure work, rising living standards, stronger public services and more balanced regional development.

Preparation Should Begin Now

Crucially, this is not a conversation that can be deferred to some future constitutional moment. The steps required to build a more resilient, productive and inclusive island economy are needed now. Investment in shared infrastructure, alignment of skills systems and labour markets, co-ordinated approaches to enterprise and innovation, and more deliberate regional development are not speculative bets on a future settlement; they are no-regrets actions that improve economic outcomes in the present while laying the foundations for deeper integration in the future.

The choice facing policymakers is therefore not between certainty and risk, but between managed change and continued drift. The economic status quo carries its own costs – in lost potential, entrenched underperformance, growing regional imbalance.

A more integrated, more balanced and more resilient island economy will not emerge by accident. It will only be built through deliberate choices, sustained co-operation and long-term investment. That is the challenge this paper sets out – and the opportunity it invites us to grasp.



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The SDLP's vision is a reconciled people living in a united, just and prosperous new Ireland.