

# **Title: The Changing Competitiveness of the Irish Furniture Industry**

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## **Abstract**

This paper examines the changing competitiveness of the Irish furniture industry in a European context. The furniture industry is chosen as the setting for the analysis because of its importance on a European level in terms of employment and growth, and within Ireland, because of its apparent turnaround in employment over the period 1991-1999.

The paper draws on the theoretical framework of comparative advantage, increasing returns and competitiveness. Two central research questions are addressed. First, has Ireland's share of the European furniture industry significantly increased? Second, what contribution have output and productivity changes made to the relative position of the Irish furniture industry? The first question is addressed by the application of a location quotient methodology to examine the relative spatial concentration of the furniture industry throughout Europe. The second research question is examined by a shift-share model proposed by Rigby (1992). This model extends the traditional shift-share analysis by apportioning regional employment change to changes in output and productivity. In addition, following Hanham and Banasick (2000), the shift-model used here incorporates a multifactor modification which constrains the model to estimate only the contribution of labour, and not capital, to the productivity effect.

Underlying the two specific research questions is a more fundamental line of enquiry. Has the Irish furniture industry, or specific sub-sectors within the industry, embarked on a noticeably different growth trajectory? Or given the extraordinary growth of the Irish economy over the period - the so-called 'Celtic Tiger' phenomenon - has the industry simply been able to use previously underutilised capacity?

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