

2009



The Solidarity Factor: Public responses to Economic Inequality in Ireland

Results and analysis of the 2009 TASC Inequality Survey, carried out by Behaviour & Attitudes between May 1st and May 10th 2009

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The Great Levelling? A Celtic Tiger myth unravelled

The transformations wrought by the boom years of the late 1990s and the early part of this decade gave rise to a persistent myth: the myth of a great levelling. A rising tide, we were told, had indeed lifted all boats. “We are all middle class now”, wrote David McWilliams in 2004 (Sunday Business Post, February 8th 2004), and the statistics seemed to bear him out: absolute poverty declined as employment and social transfers (for example, to pensioners and families with children) increased.

Relative poverty, however, remained high. In 2004, the ESRI published a paper asking ‘Why is Relative Income Poverty so high in Ireland?’, and pointing out that

“Ireland is consistently among a group of countries with relative income poverty rates considerably above the European Union average (though not as high as the USA). This has not changed over the course of Ireland’s recent economic boom, since our relative income poverty rates themselves have not fallen indeed they have generally risen over that period.”¹

In 2008, the annual disposable income of the top 10 per cent was 12.9 times that of the bottom 10 per cent.²

Progressive economists and commentators – as well as international organisations such as the OECD – have long pointed out that Ireland is among the developed world’s most unequal societies:

- The top 1 per cent of the Irish population enjoys around €100 billion worth of assets ... and owns 20 per cent of the nation's wealth³
- Of the EU-15, Ireland ranks first in terms of earnings inequality⁴

¹ Why is Relative Income Poverty So High in Ireland? Tim Callan, Mary J. Keeney, Brian Nolan, Bertrand Maitre, ESRI Policy Research Series 53, September 2004

² EU SILC 2007

³ Bank of Ireland Private Banking, Wealth of the Nation, 2007

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- 16.5 per cent of us are classified as being at risk of poverty⁵
- 7.4 per cent of children are still living in consistent poverty.⁶
- 19.9 per cent of children are classified as ‘at risk of poverty’⁷

Inequality has been heightened by precariousness, and TASC argues that any assessment of income inequality must be paralleled by an assessment of income insecurity.

Originally coined in Germany, the term ‘precarariat’ refers to those in precarious employment: often underemployed, members of this group may find themselves in temporary or involuntarily part-time positions, working outside the tax and social insurance networks and/or working without documentation. In many cases, they are ‘self-employed’ – often having been let go by their employers and re-hired on a contract basis. In other cases, they may be employed through a jobs agency, with little or no job security, and little or no access to sick pay or pension entitlements or to other non-pay benefits. Their rates of pay are generally lower than those of the regular workforce and collective representation or negotiations can be difficult to achieve.

Unsurprisingly, the ‘precarariat’ is dominated by women, but as the recession bites harder women are likely to be joined by migrants, young people, those with low levels of educational attainment and older people who are made redundant and may experience difficulty obtaining permanent employment due to a range of factors (including ageism and psychological barriers to upskilling/retraining).

The growth of employment precariousness has created a new division between the majority of workers, in relatively secure employment with attendant rights and benefits, and a growing group of people struggling to earn a living on the fringes of the labour force. As well as employment insecurity, this group must often contend with low wages and non-existent benefits.

⁴ OECD, Decile Ratios of Gross Earnings, 2008

⁵ EU Survey on Income and Living Conditions, 2007. The ‘at risk of poverty’ threshold is set at 60 per cent of median income.

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Income inequality sustained

During the boom years, Ireland failed to address the structural causes of poverty and inequality, which are reasserting themselves as Ireland moved into a deep recession.

All the available data shows that Ireland can be divided into four income groups.

- At the top of the income ladder are the very wealthy: those with six or even seven figure incomes, often – even during the Recession – augmented by generous bonuses. Many of these high earners also continue to enjoy considerable asset wealth, and they have benefitted disproportionately from the edifice of tax subsidies erected during the boom years.

Unfortunately, we have few resources for assessing wealth – as opposed to income – in Ireland. The most recent data available to us is contained in the 2007 Wealth of the Nation Report produced by Bank of Ireland Private Banking, which states that the top 1 per cent of the Irish population enjoys around €100 billion worth of assets ... and owns 20 per cent of the nation's wealth. BoI also estimates that the top 2 per cent holds 30 per cent of the nation's wealth, while the top 5 per cent holds 40 per cent. When residential property is excluded from this calculation, and switching the focus to financial wealth, BoI estimated that 1 per cent of the population accounted for around 34 per cent of the wealth.

In this context, it should be noted that these figures were released in 2007, and are likely to have contracted since. This is due to the collapse in the residential property market (which was estimated to account for 72 per cent of all assets), and in the value of financial assets such as shares and pension funds. However, while absolute figures will have changed substantially, there is unlikely to have been a significant change in relative terms. Merrill Lynch, in its 2009 Wealth Report, expresses confidence in the financial resilience of Ireland's wealthy: despite the fact that, at the end of 2008, there were just 16,300 Irish millionaires (a drop of over 20 per cent on the previous year's figures), the company's experts believe that the number of millionaires will start increasing again over the next five years.⁸ While these figures come accompanied with a health warning (the definition of 'millionaire' is a loose one, and may include those who are asset rich – primarily as a result of property realisation – but income poor), it is clear that a substantial group of people at the top of Ireland's income pyramid are weathering the Recession with ease, and will be well-placed to benefit from a future economic upturn.

⁸ Irish Independent, June 25th 2009

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- Below the wealthy are the comfortably off – those sometimes referred to as the ‘contented classes’, who are rapidly becoming less comfortable and more discontented following the demise of the Celtic Tiger. The ‘comfortably off’ are more and more likely to find themselves in precarious employment. If they bought a home within the past five years, they may well find themselves in negative equity, which means that their asset wealth has declined considerably since this group is less likely than the wealthy to hold financial assets (most of their wealth will be tied up in property).

The comfortably off have also been hard-hit by the collapse in financial markets: If they are in a funded pension scheme, they have seen the value of their savings plummet; and those close to retirement, or currently retired, are facing a relatively bleak future. If they had a modest investment portfolio (for example, if they are among the 28,000 Bank of Ireland shareholders with holdings under 500 shares), the value of that portfolio has collapsed.

Like the two groups below them on the income ladder – the working poor and the materially resourceless – the comfortably off are also dependent on a range of essential public services, all of which have been cut or are vulnerable to future cuts. This is especially the case for families with children, who rely not only on services such as health and education, but on the full range of public amenities ranging from sports facilities to parks and libraries, all of which are being hit by cutbacks.

- Below the ‘comfortably off’ are the working poor: those who, although employed, are unable to make ends meet. While tales of Lotto-style salaries, bonuses and share deals made the headlines during the boom, the truth is that Ireland was and is a low-waged economy, with private sector wages ranking 11th out of the EU 15⁹.

That global figure, however, conceals gender and other disparities: half of all women – who make up nearly 40 per cent of the private sector workforce – earn below €12.34 per hour, while half of those aged under 25 earn less than €10 per hour. We do not have data on migrant wages, but it is reasonable to expect that migrants, too, earn substantially less than the (already low) median private sector wage. Half of the entire private sector workforce in Ireland – around 600,000 workers – earn substantially below the average industrial wage. Many in this group have incomes at or just above minimum wage level.

⁹ OECD Benefits and Wages Database 2007

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They are being hit hard by the decline in unskilled employment, especially in the retail, hotel/catering and construction sectors. Even if employed, this cohort gained least from the boom years. According to research commissioned by the retail sector trade union Mandate in 2008

“The median wage, i.e. the point at which half of employees earn more and half less, was €15.39 in the economy as a whole in 2006, but for those employed in the wholesale and retail sector, the median wage was only €11.92. There is a high concentration of low-paid workers in this sector, with three out of ten earning less than €10 per hour. Compounding the impact of their low hourly rates of pay, workers in the retail sector have fewer working hours than many other workers, with an average of 32.2 hours per week; at the median wage, this is equivalent to a gross salary of less than €20,000 per annum.”

Source: End Low Pay, Mandate, March 2008

Employment may significantly reduce the risk of poverty – but it is not a panacea. In 2006, 45 per cent of those classified as being ‘at risk of poverty’ – or almost 800,000 people – lived in households where at least one member was employed, as did almost a third of those classified as being in consistent poverty – or over 500,000 people.

- At the bottom of the income ladder are those who were bypassed by the boom, are currently bearing the brunt of Government cutbacks, and may be bypassed by any recovery. This group comprises the unemployed and the underemployed, those with no education or inadequate education, and those dependent on the State to meet basic needs ranging from income to housing. This group may, in material terms, be dubbed ‘the resourceless’.

Those at the bottom of the income ladder largely comprise welfare recipients: the unemployed and underemployed, lone parents, people with disabilities and those dependent on the state pension.

According to OECD figures for 2006 (the most recent year for which data is available), our unemployment payments are the third-lowest in the EU 15. By the same token, according to the latest OECD ‘Pensions at a Glance’ figures, of the thirty OECD countries Ireland is third from the bottom in terms of pensioner poverty, with 30 per cent of Irish pensioners struggling to survive on incomes below the OECD poverty threshold.

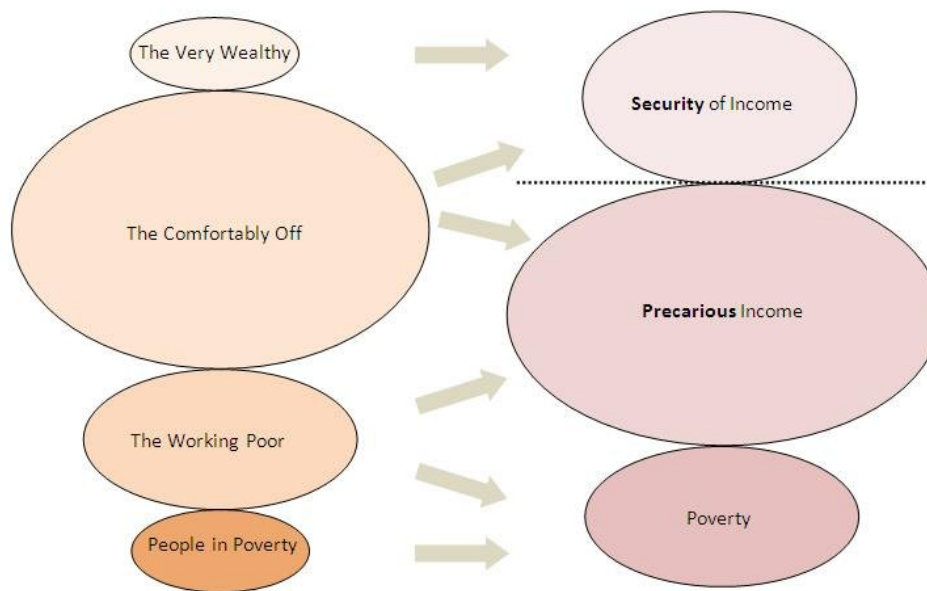
This group – the materially resourceless – has also been hardest hit by inadequate and declining public services, ranging from housing to health and education. Unlike the wealthy, who are well-placed to profit from a future

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economic upturn, the resourceless will continue being bypassed by prosperity unless there is a radical change in public policy.

Each of these four groups is affected – whether positively or negatively – by the security vs. precariousness issues outlined above.

The New Divide: Security versus Precariousness



The concepts of 'security' and 'precariousness' provide us with a new and contemporary prism through which to view the four income categories (very wealthy, comfortably off, working poor, resourceless). When viewing income groups through this prism, it becomes obvious that earlier boundaries (e.g. of occupation) which made income groups relatively impermeable in the past are now much more blurred. Thus – especially in the context of a recession – those who are 'comfortably off' may share precarious employment with the 'working poor'.

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Economic inequality: public perceptions and responses

Since 2005, TASC has been probing public attitudes to inequality and its remedies – and we have consistently found that public concern at inequality, and willingness to adopt a range of measures to address it, is far ahead of government policy.

In 2005, as part of the research for our Democratic Audit, we asked survey respondents which feature they believed to be most important to a democracy, and we found that ‘a more equal society’ was the single most important aspect of democracy.

Last year, moving the focus from inequality in general to economic inequality in particular, we investigated public awareness of economic inequality and found not only that the overwhelming majority of respondents believed that wealth was unfairly distributed, but also that a majority of respondents regarded inequality as the central issue facing society – a finding in line with the 2005 results cited above.

Earlier this year – as Ireland becomes accustomed to recession, with unemployment growing while Government revenue and expenditure shrink – we again probed public awareness of economic inequality in an attempt to gauge not only the consistency of public responses, but also the extent to which the economic downturn has impacted on attitudes towards wealth and income distribution. In addition to probing public perceptions of wealth distribution – as in 2008 – we included a new question, asking whether or not respondents felt that the Government should take active steps to reduce income inequalities (the solidarity factor).

We found¹⁰:

- A pronounced awareness of – and concern at – high levels of wealth inequality in Ireland

¹⁰ The survey was conducted by Behaviour & Attitudes on behalf of TASC. Survey results are based on a sample of 1,000 respondents, quota controlled to reflect the profile of the adult population of the Republic of Ireland. All interviewing was carried out by trained members of the Behaviour & Attitudes field force working under ESOMAR guidelines, from May 1st to May 10th 2009. Interviewing was conducted on an in-home, face-to-face basis. The survey findings can be deemed to be accurate to within plus or minus 3 percentage points.

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- A strong belief that the Government should take active steps to reduce the gap between high and low earners.

Our research thus shows that that the ‘solidarity factor’ plays an important role in both public perceptions, and public responses to those perceptions.

Distributing the dividends, sharing the burdens: awareness of inequality

It is apparent that the onset of recession has coincided with an increased awareness of wealth disparities.

Increasing numbers are now aware of the precariousness of their own economic situation. Not only are they concerned about their current and future employment status, but they may also be concerned about their retirement prospects in the wake of the financial crisis, which has seen the value of pension funds collapse. Any shareholdings are likely to have significantly fallen in value, as has the value of most households’ greatest asset – their home. Public services – already inadequate – are being cut back, and the impact is being felt particularly in the areas of healthcare and education. At the same time, the past year has seen growing awareness of the monetary rewards enjoyed by those at the top of our financial institutions.

It is therefore unsurprising that the numbers who feel wealth is distributed unfairly have increased during the past year. The OECD concurs with their view, citing Irish wealth distribution as among the most unequal in the developed world – and seventy-one per cent of those surveyed were unsurprised at the OECD’s finding, an increase over the previous year’s figure. It was, however, interesting to note that the number of those surprised at the OECD findings was less than the number aware of wealth disparities – suggesting that awareness of Ireland’s position relative to other developed countries is lower than absolute awareness of economic inequality.

Perceptions of wealth distribution

	2008	2009
Wealth distributed not very / not at all fairly	70 per cent	85 per cent
Wealth distributed quite / very fairly	29 per cent	15 per cent

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Perceptions of wealth distribution relative to other countries

	2008	2009
Not at all / not very surprised at OECD figures on unequal wealth distribution	64 per cent	71 per cent
Very / fairly surprised	34 per cent	29 per cent

Since 2005, when TASC launched its series of Inequality Surveys, it has been apparent that the public is not only aware of, but also concerned, at high Irish levels of economic inequality. There is also a strong public desire for remedial action. This year, 77 per cent of respondents said they were 'very' or 'fairly' concerned about high Irish levels of wealth inequality – while just 6 per cent professed themselves to be 'not at all concerned'. The percentage who are 'very concerned' increased from 28 per cent in 2008 to 37 per cent in 2009.

Levels of concern at high levels of wealth inequality

Very/fairly concerned at high levels of wealth inequality	77 per cent
Not very/not at all concerned	23 per cent

The equality imperative: redistributing wealth

Public policy measures to reduce economic inequality would, inevitably, involve redistributive mechanisms, such as some combination of increased taxation combined with improved social transfers.

It is apparent that public awareness of, and concern at, high levels of economic equality is mirrored by a desire to address the issue: 85 per cent of those surveyed agreed with

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the proposition that the Government should take active steps to reduce the gap between high and low earners, while only four per cent disagreed 'somewhat' or 'strongly' with the proposition.

Given that the 'active steps' endorsed by the overwhelming majority of respondents would inevitably involve redistributive social transfers, it is noteworthy that 83 per cent of those in the ABC1 category agreed 'strongly' or 'somewhat' with the proposition (although it should be noted that agreement was even more marked among the C2DE category, where 89 per cent of respondents agreed).

It should be noted that this question was not asked in the 2008 survey.

The government should take active steps to reduce the gap between high and low earners

Agree strongly / agree somewhat	85 per cent
Disagree strongly / disagree somewhat	4 per cent

Conclusion

Following a decade of economic growth and sectional prosperity, inequality in Ireland remains scandalously high. The standard measure of inequality, the so-called Gini coefficient, was 0.30 in 2000 – and had actually increased slightly to 0.32 by 2005¹¹. It has been estimated that 5 per cent of the population controls 40 per cent of Ireland's wealth¹². The top 10 per cent have a disposable income 12.9 times that of the bottom 10 per cent.

Inequality has become entrenched. There are, of course, those who view inequality as a necessary by-product of economic growth (closely allied with beliefs that 'rising tides lift all boats' and 'wealth trickles down'). Such views are not, however, shared by the Irish public. On the contrary, for the second year running, TASC's survey shows that the vast

¹¹ EU Survey on Income and Living Conditions, 2006

¹² Bank of Ireland Private Banking, Wealth of the Nation, 2007

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majority of respondents view wealth inequality as a major challenge confronting Irish society.

The fieldwork for the TASC survey was carried out in the midst of a recession which has the potential to increase inequality still further.

The responses to the TASC survey clearly show that the public is not content to maintain the status quo, but rather believes that the Government – representing us all – must take active steps to reduce income disparities. The challenge now is to devise – and then implement – measures which reduce income and wealth inequalities, while marrying the twin goals of social justice and economic development.