

CHERISHING ALL EQUALLY 2016

ECONOMIC INEQUALITY IN IRELAND

Report Highlights: October 2016

Why economic inequality matters

Economic inequality has become a defining global issue since the 2008 financial crash with increased attention paid to the rise in wealth of the super-rich while the majority are affected by austerity, debt and stagnant wages.

Economic Impacts of Inequality

There is a broadly accepted link between rising inequality and reduced economic growth.

“A rising income share of the top 20 percent results in lower growth - that is, when the rich get richer, benefits do not trickle down” (IMF, 2015). “Increased inequality hurts the level and sustainability of growth” (Ostry et al, IMF, 2016).

A political economy explanation highlights that rising inequality causes economic crises resulting from financialisation, globalisation, retrenchment of the welfare state and the declining bargaining power of labour. Low and stagnant wages for most workers depress economic demand and lead to increased household debt (financialisation), while rising wealth at the top is used for speculative investment rather than productive activities.

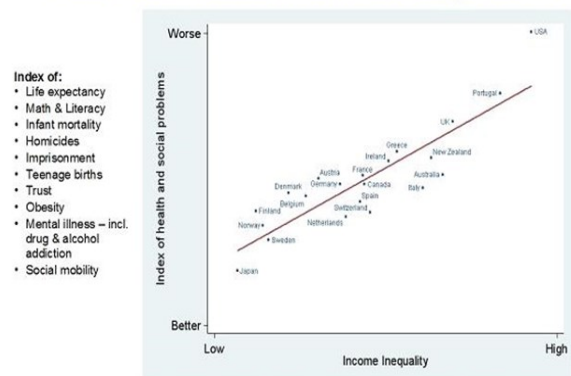
Social Impacts of Rising Inequality

High levels of economic inequality have detrimental impacts on societal well-being - health and social problems are worse in more unequal countries, while countries with more equal distribution of income have better social outcomes for everybody (Wilkinson & Pickett, *The Spirit Level*).

Cherishing All Equally 2016 is the second report in an annual series and is part of a long-term project by TASC to monitor trends in economic inequality in Ireland. It presents key economic inequality indicators in Ireland, which provide critical information for the public, for policy makers and activists alike. This year’s report, authored by TASC Policy Analysts, Dr Rory Hearne and Cian McMahon, includes sections on ‘Why Economic Inequality Matters’, ‘Analysis of Ireland’s Economic Inequality Indicators 2016’, and two themed sections, one on ‘Gender and Economic Inequality in Ireland’ and the other on ‘Children and Economic Inequality in Ireland.’

Cherishing All Equally 2016 provides robust evidence that Ireland is a deeply unequal country and that economic inequality is worsening despite the economic recovery, particularly for children.

Health and Social Problems are Worse in More Unequal Countries



Source: Wilkinson & Pickett, *The Spirit Level* (2009)

RESEARCH HIGHLIGHT 1: KEY INDICATORS OF ECONOMIC INEQUALITY IN IRELAND

Much of the discussion on economic inequality focuses on income. However, this excludes many other important factors which affect inequality such as wealth, public services, tax, capacities, family composition, and the cost of goods and services.

Cherishing All Equally 2016 provides 18 key indicators that monitor these factors of economic inequality in Ireland. These are: Gross and Net Income Inequality, Employment, Unemployment, Minimum Wage, Social Protection, Wealth Inequality, Public Spending, Public Spending on Services, Tax, Social Security Contributions, Childcare Costs, Third Level Education, Second Level Education, Youth Unemployment, Cost of Living, Deprivation, Child Poverty.

Analysis of the recent trends in the 18 key indicators on economic inequality in Ireland reveals that in spite of the economic recovery, economic inequality is worsening in Ireland. Indicators in relation to gross income, wealth, deprivation (particularly child poverty), public expenditure, cost of living and social welfare have all disimproved. There have been some welcome improvements, particularly in relation to the increase in employment rates and the fall in levels of NEETs (Not in Education, Employment or Training). However, high rates of low pay (particularly for women), precarious work and jobless households all remain major issues.

Income inequality

Ireland's 'gross' income inequality is the highest in the EU but our progressive income tax and social protection spending reduces this so that our net income inequality is at the EU average. However, even our net income inequality has risen in recent years from a Gini Coefficient of 29.9 in 2012 to 30.8 in 2014.

The share of gross income going to the top 10% of earners increased from 34% in 2011 to 39% in 2016. Over half of the increase in total income (€21bn) that has taken place over the last five years has gone to the top 10% of earners alone, while the bottom 50% of earners received just 6% of that increased income. This shows that while employment is increasing, the gain in income from employment is going largely to the top income earners. This is part of the trend of the 'hollowing out' of middle income jobs resulting in a more polarised work force, with a growth in very high end wages at the top and an increase in low paid jobs, low hours employment, and precarious work at the bottom. The Minimum Wage, for example, remains 20% lower than the Living Wage of €11.50 per hour.

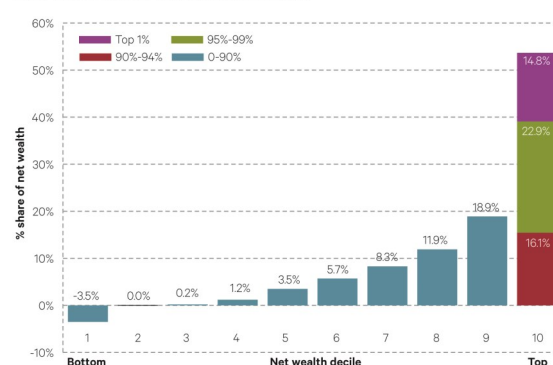
Wealth

Over the last three decades in Ireland the top 10% have increased their proportion of net wealth from 42% to 54%, while the share of net wealth held by the bottom 50% has halved (from 12% to 5%). Financialisation benefits the already wealthy as over half of all financial assets are held by the top 10%. The real extent of the gains of the top is even greater, because tax avoidance strategies mean that much of their income and wealth is not counted.

Key Finding:

Analysis of TASC's 18 key indicators of economic inequality for Ireland shows that after recession and austerity economic inequality is continuing to rise despite the economic 'recovery'.

Chart 13: Net wealth by decile (Source: CSO 2015)



Deprivation and poverty

29% of the population experienced two or more types of enforced deprivation in 2014

This shows the impact of the recession and austerity: this rate is almost double the rate in 2008 (13.7%)

Table 4: Distribution of gross income growth, CAE 2015 to CAE 2016' (Source: Revenue)

Group	Percentage of total increase in gross income received
Bottom 50%	5.77%
Middle 60%	30.31%
Top 10%	56.35%
Top 1%	17.65%

RESEARCH HIGHLIGHT 2: CHILDREN AND ECONOMIC INEQUALITY IN IRELAND

This report's themed section on children shows the pernicious impact of rising inequality on child wellbeing and their ability to flourish in Ireland. This has been found internationally where general levels of societal wellbeing are lower in more unequal countries.

At 36% child deprivation is double the 2007 rate, while 58% of lone parents suffer deprivation, up from 35% in 2007. 29% of children are at risk of poverty or social exclusion which is higher than the EU average and double the rate of Denmark, the country with the lowest level in the EU.

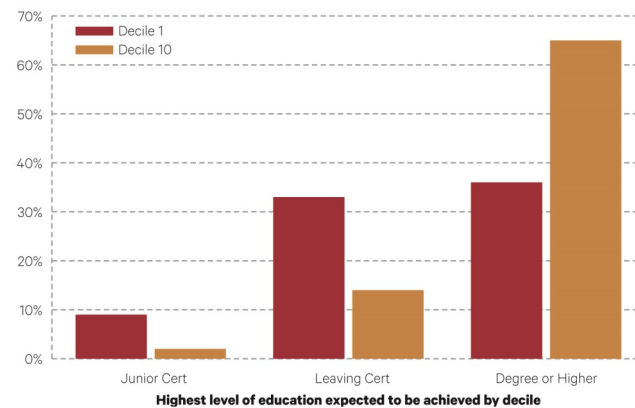
The profoundly damaging impact of economic inequality on children's educational development and wellbeing

- At age nine months, the level of household income a child is born into has no correlation with their inherent cognitive potential.
- However, by just three years of age, children in higher income families perform, on average, better educationally than children from lower income backgrounds
- With a 1% increase in household income predicted to lead to a 5.1% increase in educational test scores.
- By age 9 there is a strong negative correlation between children's self-image and their social class background as children from more disadvantaged backgrounds are more anxious, less happy and report poorer behaviour than children from wealthier backgrounds.
- This is not because children from lower income backgrounds are born less intelligent or unhappier than higher income children but because of the detrimental impacts of multiple economic inequalities (like housing, health, poverty, family stress) on their lives.
- By age 13, children have internalised their experiences of inequality by reducing their expectations. Only 36% of children at age 13 from the bottom income decile expect to achieve a third-level education in contrast to 65% of children from the top income decile.
- Children growing up in disadvantaged areas face multiple inequalities in relation to health and housing.

Chart 39: Increase in children's educational test scores, by age, for each 1% increase in income (Source: Indecon/Barnardos 2015)



Chart 40: Expected highest level of education for children (13 years) by income decile (Source: Indecon/Barnardos 2015)



RESEARCH HIGHLIGHT 3: GENDER AND ECONOMIC INEQUALITY IN IRELAND

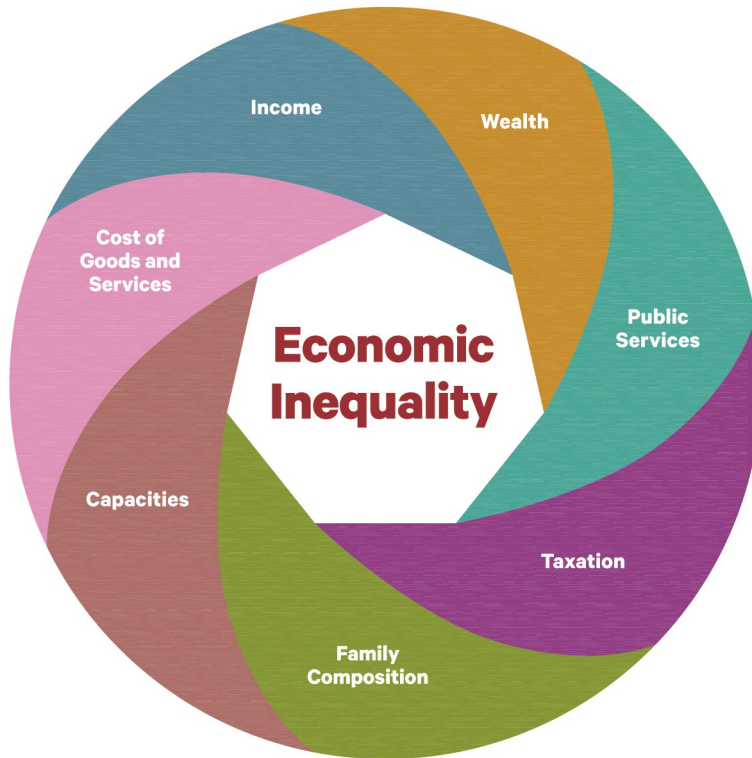
Our section on 'Gender and economic inequality in Ireland', authored by gender experts Dr Ursula Barry and Dr Maggie Feeley, shows how gender inequalities result in a concentration of women in Ireland in low paid, part-time work, and in unpaid care work and in the problems faced by women in lone parent households.

Women's continued position as society's default caregivers, along with wider societal and economic gender discrimination, and the absence of adequate state-provided care structures, results in a significant gendered pay and pension gap.

The gender pay gap in Ireland is 13.9% while the pension gap is 37%.

Gender inequalities also result in women in Ireland being underrepresented in more senior positions in employment and politics: women elected representatives make up 22% of the Dail and 10.5% of board members of the largest publicly listed companies.

Chart 1: Factors influencing economic inequality (Source: TASC 2015)



In this centenary year, *Cherishing All Equally 2016* provides an important contribution towards understanding economic inequality in Ireland one hundred years after the 1916 Proclamation, which declared “equal rights and equal opportunities” to all citizens, and, particularly, “cherishing all of the children of the nation equally”.

References and sources for the data are available in the full report *Cherishing All Equally 2016*, available here, <http://www.tasc.ie/publications/cherishing-all-equally-2016/>

All the charts in this Report Highlights are taken from the full report.

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