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FOUNDATION FOR EUROPEAN  
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## *The Challenge of Economic Inequality to Recovery and Wellbeing*

Nat O'Connor  
Director, TASC

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**#tasconf**

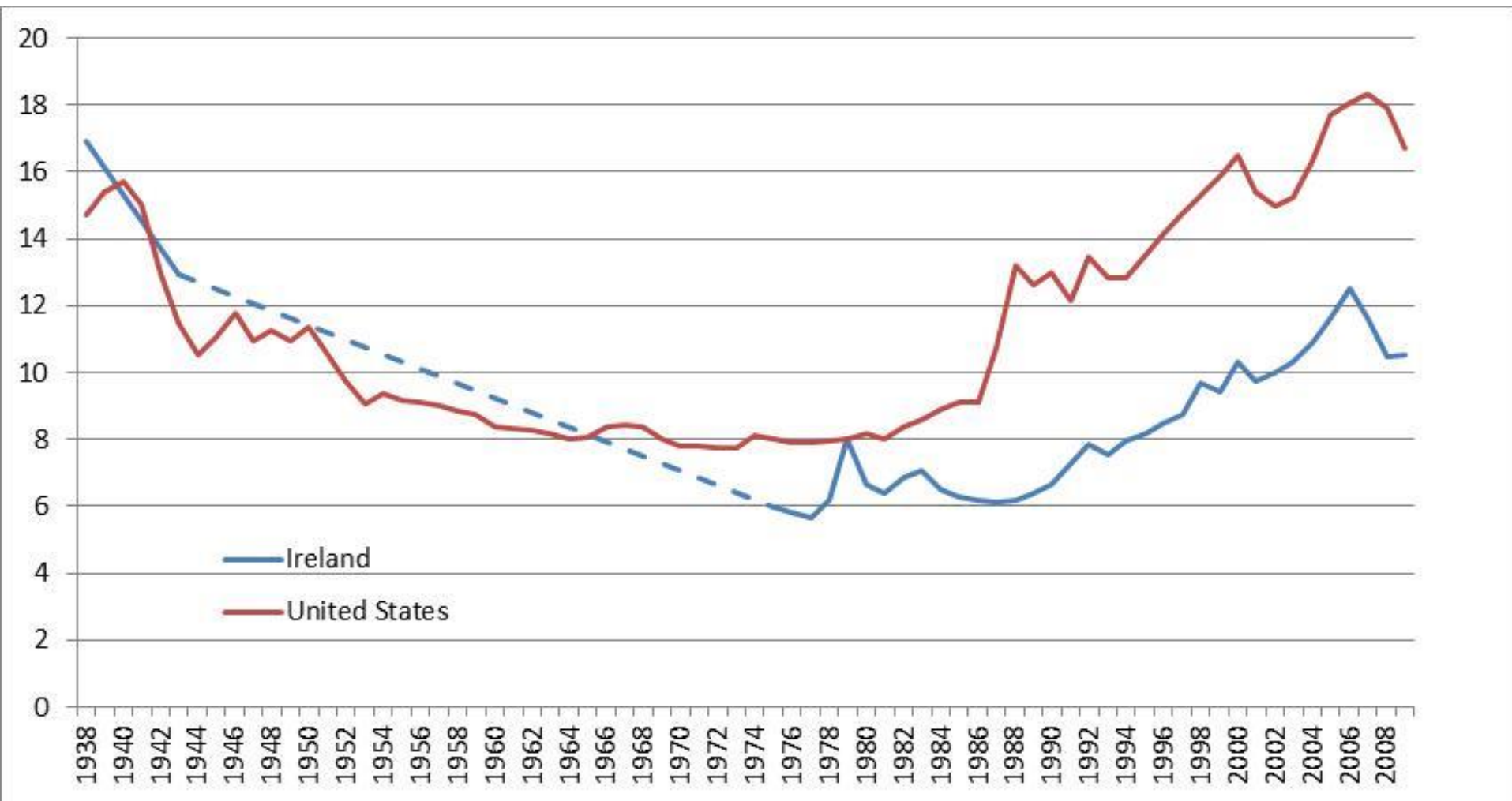
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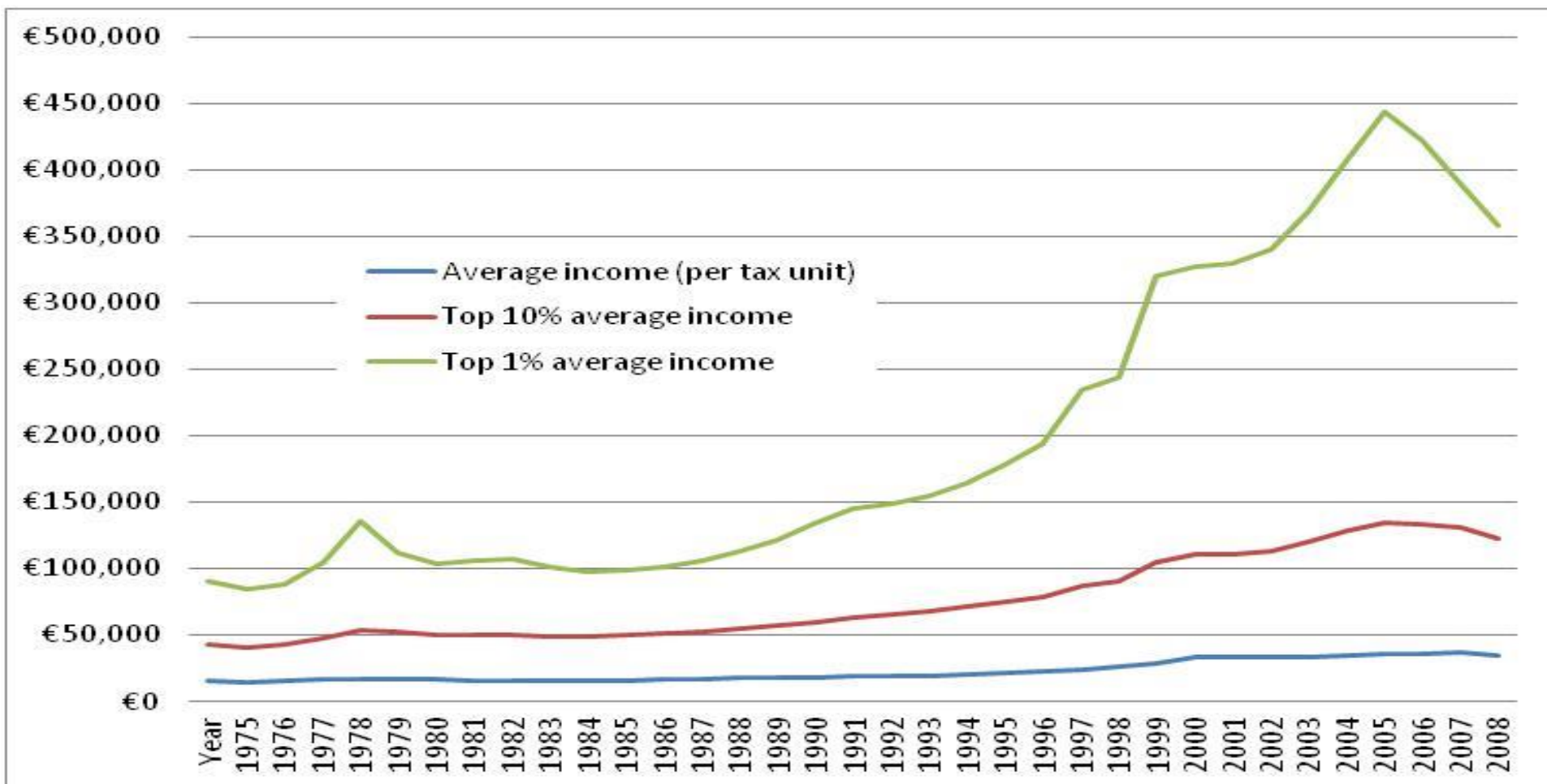
  
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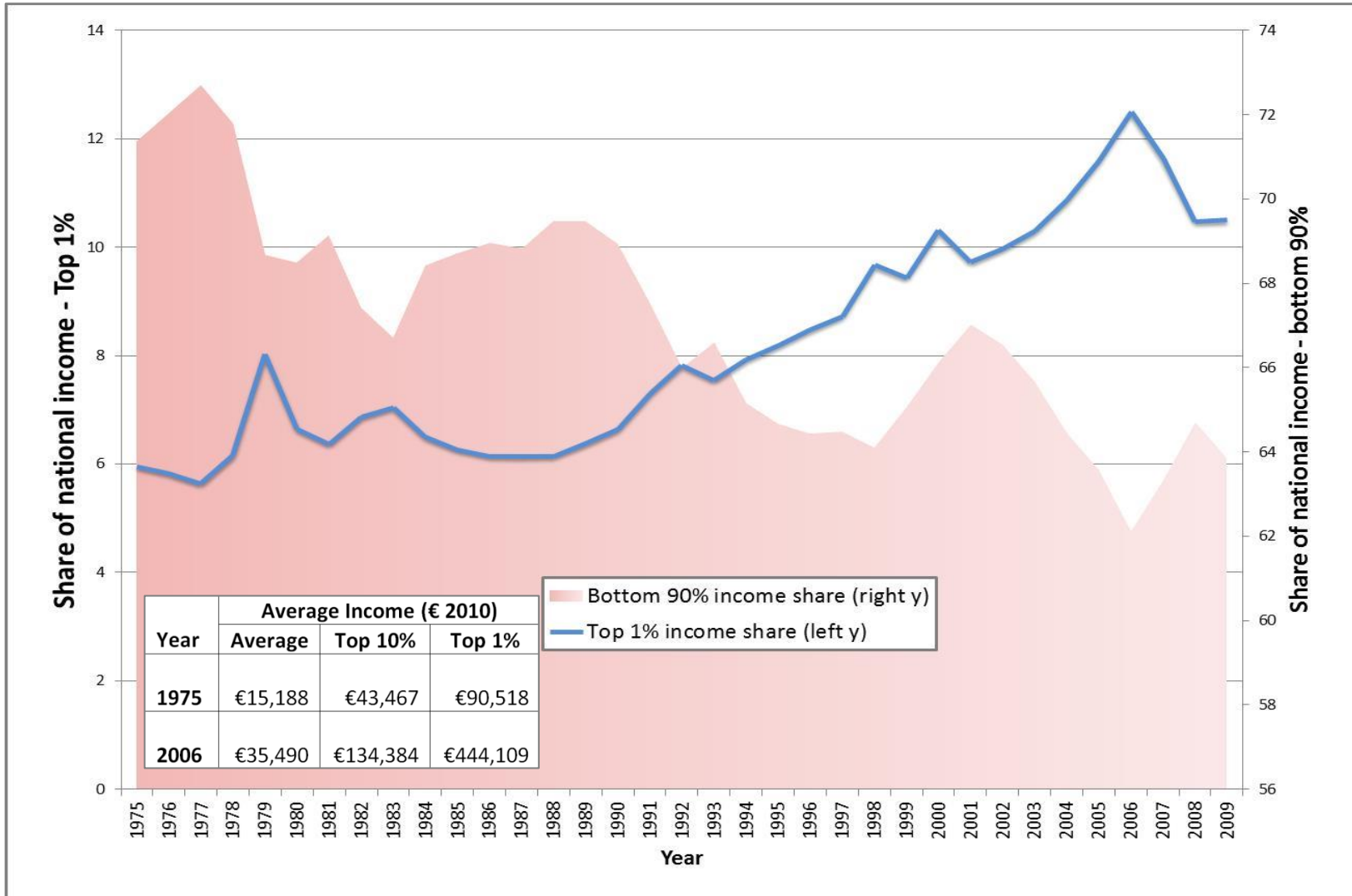
# USA inequality is back at 1920s levels, Ireland trends in the same direction



Since 1975, real incomes in Ireland doubled  
But tripled for the top 10%,  
And are five times higher for the 1%



# Ireland's 'Bottom 90%' is Losing Income



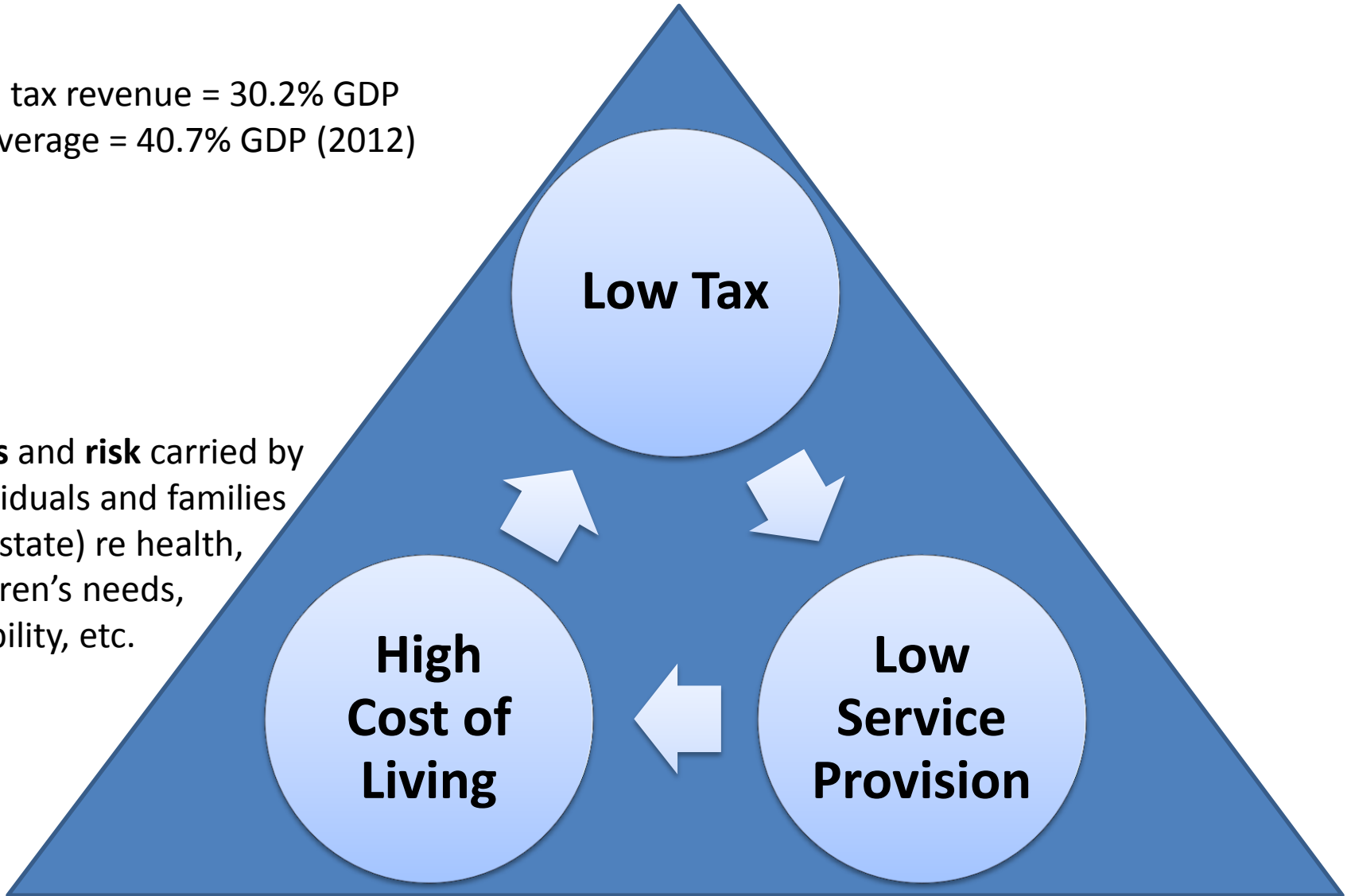
# Ireland's Deep Social Divisions

- 20.7% 'low wage' workers (Eurozone avg. 14.8%)
- 20.2% of population in 'jobless households' (Eurostat 2012, EU average 11.1%)
- Unemployment 300,000+ (June 2013) with 26 people jobless for every 1 job vacancy annually (2013, NERI)
- 23.8% Young people not in education, training or employment (2012, NERI)
- Regional disparity – e.g. unemployment in Dublin 10.4% versus South East 15.7%
- Only 1 in 6 adults in households with enough income (€32,800+) to pay 41% income tax rate
- Yet, Ireland still has one of the highest GDP per capita levels in the world

# Ireland's 'Low Tax Triangle'

Total tax revenue = 30.2% GDP  
EU average = 40.7% GDP (2012)

**Costs** and **risk** carried by individuals and families (not state) re health, children's needs, disability, etc.



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## *Ten Proposals to Tackle Economic Inequality*

Nat O'Connor  
Director, TASC

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# More Good Jobs, Better Pay

## **1. Targeted investment in key infrastructure**

- e.g. clean energy ... training for people who are long-term unemployed ... a new model of affordable rental housing

## **2. Ensure all workers receive at least a living wage from full-time employment**

- Full-time work should provide at least wages sufficient to cover the needs (not wants) of a single person for a dignified life

## **3. Enshrine trade union rights, including collective bargaining, in law**

- For wages protection and fair employment terms and conditions



# Strong 'Pillars' of Social Policy

- 4. Accelerate the drive to a universal system of health care in Ireland**
  - Not multi-insurer or based on tax breaks
- 5. Improve childcare and elder care**
  - Especially childcare services, which should be subsidised as they are across the EU
- 6. Further reform our education system**
  - Invest more in primary education ... ensure all children come out of secondary school geared towards higher skilled work, including good technical options for those not attending university
- 7. Develop and implement a comprehensive social and affordable housing strategy**
  - 10 to 20 per cent of the population need rental options that do not currently exist. They need strong tenancy protection and they need large-scale new build rental accommodation

# Living Incomes, Affordable Cost of Living

## 8. Ensure everyone has sufficient income

- Those engaged in socially-useful unwaged work improve society and save the state billions of euro and should be paid a living income
- Pension policy reform is also needed, including reduced tax breaks and an increased tax-funded basic state pension
- Social welfare payment rates should be linked to costs in the real economy

## 9. Reduce the cost of living

- The costs of food, energy, transport, housing, childcare, private pensions, legal services and insurance are all exceptionally high in Ireland
- There is a need for a comprehensive analysis to identify where competition is failing and to provide stronger regulation and/or non-profit provision to lower the cost of living

# Taxation is the Price of Public Services

## 10. Adjust our tax system so that we can improve our public services

- Improved public services to tackle inequality have to be paid for through taxation
- Ireland has one of the lowest levels of taxation and social insurance in the EU, at three-quarters the EU average level
- There is much scope to raise tax on those who can afford to pay it as we pointed out in our recent paper, *A Defence of Taxation*
- Reduce Ireland's high level of tax reliefs – such as tax breaks on health insurance premiums and private pensions which mostly benefit higher earners
- Introduce a 48% tax band for those earning over €100,000 per annum
- Increase income tax credits rather than rates or bands (or lower VAT)
- Amend our social insurance system – especially employer's social insurance which is the lowest in the EU – so that we can provide stronger state pensions and higher income replacement when people lose their jobs
- Greater benefits would boost consumer spending and reduce risk for entrepreneurs

# TASC

*Think-tank for Action on Social Change*



*Independent research, challenging inequality and promoting a flourishing society*

## Help TASC to inform public debate on tackling inequality in Ireland

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