TASC

The Solidarity Factor: Public Responses to Economic Inequality in Ireland

AUGUST 2010

Results and analysis of the 2010 TASC Inequality Survey, carried out by Behaviour & Attitudes between March 26th and April 8th 2010

www.tascnet.ie

Preface

Since 2005, TASC has been probing public attitudes to inequality and its remedies. 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.

In 2008, moving the focus from inequality in general to economic inequality in particular, we investigated public awareness of economic inequality and found that the overwhelming majority of respondents believed that wealth was unfairly distributed.

In 2009 – as Ireland entered a full-blown recession, with unemployment growing while Government revenue and expenditure continued to 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 had 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').*

This year, we repeated the questions asked in 2009 and added a new question: in addition to asking whether the Government should take active steps to reduce income inequalities, we probed further and asked whether respondents felt that (1) the minimum wage should be increased; (2) a maximum wage should be set; or (3) some combination of the two approaches should be adopted. Repeating a question first asked in 2008, we also asked whether respondents would be prepared to pay higher taxes to fund improved public services.

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This document is divided into three sections. A summary of the results is followed by a contextualizing commentary. Finally, the Appendix reproduces the results in full together with a note on methodology.

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I. 2010 Survey Results

The 2010 TASC Inequality Survey repeated some of the questions asked in 2008, while also probing the concrete steps which the public believe the Government should take to reduce income inequalities.

Summary of results:

- 87 per cent of respondents believe wealth is unfairly distributed, showing a big increase on 2009.
- 91 per cent of respondents agree that the Government should take active steps to reduce the gap between high and low earners
- When asked regarding specific measures, 16 per cent favour raising the minimum wage, 29 per cent favour establishing a maximum wage and 49 per cent favour some combination of the two approaches
- 35 per cent of respondents would be willing to pay higher taxes to fund improved public services (47 per cent of Dublin respondents)

1. Awareness of inequality

Perceptions of wealth distribution

	2008	2009	**2010**
Wealth distributed not very / not at all fairly	70 per cent	85 per cent	**87 per cent**
Wealth distributed quite / very fairly	29 per cent	15 per cent	**12 per cent**

1.1 The data shows that the recession has been accompanied by an increased awareness of economic disparities.

1.2 One reason for the increase in the numbers aware of unequal wealth distribution may be that increasing numbers are now aware of the precariousness of their own economic situation.

1.3 Not only are they likely to be 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 saw the value of pension funds collapse while growing numbers of employers are switching from Defined Benefit to Defined Contribution schemes. Although some financial assets have increased in value, the types of shares held by most of those households which hold any shares (for example, Irish bank shares) are likely to have significantly fallen in value. The value of most households' greatest asset – their home – is also likely to have fallen sharply.

1.4 Public services, already inadequate, are being cut back, and the impact is being felt particularly in the areas of healthcare and education – areas on which low and middle income households are particularly reliant.

1.5 At the same time, awareness of economic disparities may have been heightened by mounting evidence of the benefits available to those at the top of Ireland's economic pyramid during the boom years. With regard to pensions, for example, Professor Gerry Hughes of the TCD Pension Policy Research Group has shown that employer contributions for executive pensions amount to 46 times the average rate for other employees[1]. In Mapping the Golden Circle, TASC found that the average pay of CEOs in private companies rose by 46 per cent over the two-year period 2005-2007[2]. During the same period, average gross incomes increased by 17.5 per cent, according to the Survey on Income and Living Conditions (SILC).

2. The equality imperative: redistribution

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

Agree strongly / agree somewhat	91 per cent
Disagree strongly / disagree somewhat	4 per cent

2.1 It appears that public awareness of high levels of economic equality is mirrored by a desire to address the issue: 91 per cent of those surveyed agreed with the proposition that the Government should take 'active steps' to reduce the gap between high and low earners, an increase from 85 per cent in 2009.

[1] Professor Gerard Hughes, *Executive Directors' Pensions 2008* <http://www.tascnet.ie/upload/file/Executive%20Directors%20Pensions_100410(1).pdf>
[2] Paula Clancy, Nat O'Connor and Kevin Dillon, Mapping the Golden Circle, TASC 2010.

However, the percentage disagreeing ‘somewhat’ or ‘strongly’ with the proposition remained static at four per cent.

2.2 Public policy measures to reduce economic inequality could either involve reducing the pay gap before tax and social transfers (pay ratios are one example), or could involve redistributive mechanisms which could include, but need not be limited to, some combination of increased taxation combined with improved social transfers, or measures which aim to reduce the earnings gap before taxes and social transfers are taken into account.

2.3 It should be noted that ‘active steps’ were not further specified in the question – i.e., those questioned were responding on a general rather than a specific level. However (see No. 3 below), respondents’ attitudes to specific earnings-related measures were subsequently probed.

2.4 The extent to which respondents were aware that a reduction in economic inequality would involve redistribution is, of course, debatable. It is, however, noteworthy that 91 per cent of those in the ABC1[3] category agreed ‘strongly’ or ‘somewhat’ with the proposition that the Government should take active steps to reduce the gap between high and low earners; an increase from 83 per cent in 2009 (although it should also be noted that agreement was marginally more marked among the C2DE category, where 93 per cent of respondents agreed). It should be noted that this question was **not** asked in the 2008 survey.

3. From the general to the specific: narrowing the earnings gap

Action government should take to reduce the gap between high and low earners

Increase the minimum wage	16 per cent
Establish a maximum wage	29 per cent
Combination of both	49 per cent
Neither / don’t know	6 per cent

3.1 In terms of specific measures to reduce the gap between high and low earners, respondents were offered a choice of increasing the minimum wage,

[3] The survey utilised the following social class breakdown (CSO/Statcentral definition): AB Middle/upper middle class; C1 Lower middle class; C2 skilled working class; D other working class; E Lowest subsistence level; F Farmer.

establishing a 'maximum wage' to cap the incomes enjoyed by high earners, or some combination of the two approaches. Overall, 16 per cent were in favour of increasing the minimum wage, 29 per cent were in favour of establishing a 'maximum wage' and 49 per cent – or nearly half – favoured a combination of the two approaches.

3.2 It is noticeable that the under-25s are most in favour of increasing the minimum wage (23 per cent), a move from which they would be disproportionately likely to benefit. Conversely, 38 per cent aged between 50 and 64 were supported a wage cap, as against just 20 per cent of those aged under 25. The social classes differed little in their responses.

3.4 Although the minimum wage has been in place since 2000, it has been the subject of hefty debate, with calls from some quarters for its reduction[4]. The idea of a maximum wage, or wage cap, has so far received little attention in Ireland.

What could a maximum wage look like?

Two primary options are available:

Relative earnings limit: At its simplest, this would entail ensuring that the highest earner in an enterprise cannot earn more than a specified multiple of the lowest earner's wage (this could also be implemented at a regional or sectoral, rather than enterprise, level.

Direct earnings limit: As the term implies, this involves imposing a direct limit on the amount of compensation any individual may earn within a specified time period

Are there concrete examples of a maximum wage?

In June 2010, the Greater London Assembly passed a motion setting the maximum pay ratio allowed within the GLA and its associated bodies. The GLA has now committed itself to reducing the difference in pay between the lowest and highest paid staff to no more than 20 times, with a long term goal of no more than ten times.

[4] In this context, see TASC's presentation on the minimum wage to the Oireachtas Joint Committee on Enterprise, Trade and Employment (July 2010), www.tascnet.ie

4. Taxation and public services

Willingness to support higher taxation in order to fund improved public services

Fairly or very willing	35 per cent
Not very or not at all willing	62 per cent

4.1 As detailed in the 'Commentary' section of this document below, taxation and the provision of public services can both have a redistributive effect which advances economic equality. In view of this, in 2008 we asked respondents whether they would be willing to pay higher taxes in order to fund improved public services. At that time, 41 per cent of respondents were 'very' or 'fairly' willing to pay higher taxes, while 50 per cent of ABC1 respondents – those most able to pay increased taxes – professed themselves willing to pay higher taxes to fund improved public services.

4.2 This year, at a time when the forthcoming Budget is likely to include increased taxes (albeit to plug the deficit, rather than to fund improved public services), we asked the question again.

4.3 The number professing themselves 'very' or 'fairly' willing to support higher taxation fell from 41 per cent in 2008 to 35 per cent. However, once again the ABC1 demographic was slightly more willing to pay higher taxes, at 39 per cent.

4.4 There was also a marked regional difference, with 47 per cent of Dublin respondents expressing a willingness to pay higher taxes.

4.5 There are a number of possible explanations for the decline in willingness to pay higher taxes in return for improved public services. The political scientist Bo Rothstein has addressed one possible cause:

"Universal welfare programmes depend upon trust in both other people and in the government. One reason for this is that they demand a high level of taxation, and people will only pay high taxes if they believe that they get reasonable value back in the form of services and benefits. Where there is a dearth of social solidarity due to class envy, the social bonds of generalised trust will be weak, and so will the propensity (especially from the middle class) to pay high taxes.

People will identify more with their class or ethnic group (or both) than with members of the larger society. And they will not trust the government to distribute resources in a fair and honest way[5]*.”*

II. Commentary

5. Inequality matters

5.1 It is often argued that inequality is not the most important issue that we should be concerned with, and proponents of this position argue that the problem is the absolute level of deprivation of the least well off. If we can raise the well-being of the poorest in society, what difference does it make that others are still very much better off? Wilkinson and Pickett have found that, while the absolute level of well-being of the worst off is certainly important, the level of equality matters as well. As the authors observe in the subtitle of their book, ‘The Spirit Level’, “*more equal societies almost always do better”.*

5.2 Inequality has also played a role in exacerbating the worst effects of the financial crisis.

“The crisis has structural roots. The aggregate demand deficiency preceded the financial crisis and was due to structural changes in income distribution. Since 1980, in most advanced countries the median wage has stagnated and inequalities have surged in favour of high incomes. This is part of a broader process which has also affected several parts of the developing world. This trend has many causes including asymmetric globalization (with greater liberalization of capital than of labour markets), deficiencies in corporate governance and a breakdown of the egalitarian social conventions that had emerged after WWII. As the propensity to consume out of low incomes is generally larger, this long-term trend in income redistribution by itself would have had the macroeconomic effect of depressing aggregate demand”.
Fitoussi and Stiglitz, The Ways Out of the Crisis and the Building of a More Cohesive World (2009)[6]

5.3 Both in Ireland and elsewhere, the dominant narrative of the late 1990s and the early part of this decade was that all had benefited from the boom. A rising tide, we were told, had indeed lifted all boats – and it can be argued that the incomes of most people rose above inflation. For many, however, those gains were eroded by particularly high inflation in the private housing sector (both owner-occupied and rental).

[5] Bo Rothstein and Eric Uslaner, All for All: Equality and Social Trust, published by London School of Economics, 2005.
[6] http://www.ofce.sciences-po.fr/pdf/dtravail/WP2009-17.pdf

5.4 Income disparities were exacerbated by the boom-time practice of paying disproportionately high salaries and bonuses to those in senior management and certain professionals.

5.5 Although absolute poverty declined as employment and social transfers (for example, to pensioners and families with children) increased, in 2004 the ESRI noted that relative poverty remained high and had not changed over the course of the boom[7]. Relative poverty (i.e. the 'at risk of poverty' measure) is just that – relative, and a function of the median income at any given point in time. For that reason, its critics question its usefulness.

5.6 However, the effects of relative poverty can be devastating for both the individual and society as a whole. Relative poverty is, by definition, closely related to inequality. And, as Wilkinson and Pickett have pointed out in The Spirit Level:

"[…] Almost all problems which are more common at the bottom of the social ladder are more common in more unequal societies. It is not just health or violence but also, as we will show in later chapters, a host of other social problems. Almost all of them contribute to the widespread concern that modern societies are, despite their affluence, social failures."[8]

5.7 In 2007, the annual disposable income of the top 10 per cent was 11.4 times that of the bottom 10 per cent.[9] Using other standard income disparity measures, we find that - during the mid-2000s – Ireland's Gini Coefficient was 0.42 before taxes and transfers (OECD average: 0.45) and 0.33 after taxes and transfers (OECD average: 0.45).[10]

5.8 Progressive economists and commentators – as well as international organisations such as the OECD and the United Nations – have long pointed out that Ireland is among the developed world's more unequal societies[11]. According to the most recent available figures, published by the CSO in November 2009:

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[7] 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.

[8] Richard Wilkinson and Kate Pickett, The Spirit Level: Why Equality is Better for Everyone, Allen Lane 2009.

[9] CSO (November 2009), Survey on Income and Living Conditions (SILC), Table 1.1, pp 24-25.

[10] Perfect equality gives a Gini Coefficient score of zero. Perfect inequality gives a Gini Coefficient score of 100. The closer the Gini Coefficient is to 100, the higher the level of inequality.

[11] See, for example, the UN Human Development Report 2007/2008: Ireland ranks 18th out of 19 OECD countries in the Human Poverty Index. It should, however, be noted that these include the most developed countries in the OECD.

- 14.4 per cent of us are classified as being at risk of poverty.[12]
- 6.3 per cent of children are still living in consistent poverty.[13]
- 18.0 per cent of children are classified as 'at risk of poverty'.[14]

5.9 It should be noted that these 'poverty ratings' have improved over the last number of years. However, they relate to 2008, and social transfers – the primary means for keeping people out of poverty – had continued to improve up to that point. It is probable that, in the wake of the last three Budgets which, combined, saw effective cuts in social transfers and public sector pay, these figures will disimprove again (although they will, of course, also be affected by falls in median income on which the 'at risk of poverty' and 'consistent poverty' measures are based).

5.10 The results of the 2010 TASC Inequality Survey – detailed in the first part of this document – indicate that public awareness of economic inequality, already high in 2008, when the first Inequality Survey was carried out, continues to grow, as does public endorsement of the need to proactively reduce inequality. This is most strikingly illustrated in the public desire to reduce the gap between high and low earners (income disparities being the most obvious, and publicly recognized, manifestation of economic inequality) and, specifically in the public's willingness to accept an increase in the minimum wage, a wage cap or some combination of the two measures. Income disparities do not, however, tell the whole story.

[12] CSO (November 2009) Survey on Income and Living Conditions (SILC) 2008. Table 2.1, p 45. The 'at risk of poverty' threshold is set at 60 per cent of median income.
[13] CSO (November 2009) Survey on Income and Living Conditions (SILC) 2008. Table 4.1, p. 78.
[14] CSO (November 2009) Survey on Income and Living Conditions (SILC) 2008. Table 2.1, p 45. The 'at risk of poverty' threshold is set at 60 per cent of median income.

6. Economic equality – towards definitions

6.1 Economic equality, or its converse, is a function not merely of cash income but also of a wide range of economic benefits and disadvantages, as illustrated below.

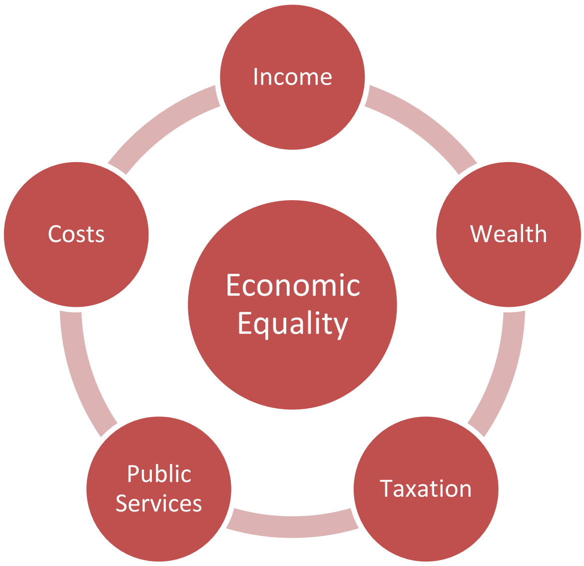

Fig. 1 – Some elements of economic equality

6.2 Public policy in a range of areas can thus exacerbate or ameliorate economic inequality. Apart from direct cash transfers, the areas which have the greatest impact are taxation and public services – and, particularly in these areas, TASC argues that public policy over the past number of years has failed to promote economic equality.

6.3 Over the past decade, reducing economic inequality has not been a stated objective of public policy. Rather, the focus has been on reducing and ameliorating poverty. If reducing economic inequality were to be a public policy objective, coordinated action would have to be taken across all those areas which impact on economic equality/inequality.

6.4 Income

6.4.1 While public policy during the boom failed to use the taxation system to redistribute resources (whether directly, or through improved funding of public services), the austerity policies pursued over the last three Budgets have resulted in cash income cuts for many low earners and social welfare recipients, while also depleting public services.

6.4.2 Households have seen their incomes fall as a result of wage depression, unemployment or underemployment, as well as a direct result of Budget measures.

6.4.3 At the same time, cuts in public services have constrained households to spend part of their income to access hitherto free or subsidised services (for example, childcare in areas where community childcare facilities have been curtailed).

6.4.4 It should, however, be noted that the potential impact of the recession on income distribution, as well as on poverty rates, is disputed, and may remain so until the next set of SILC data is published. In this context, the ESRI recently published a study[15] arguing that, when taken together, the two 2009 Budgets and Budget 2010 "put the greatest burden of adjustment on those with the highest incomes" and that "the average effect on the poorest 20 per cent of households is slight". The benchmark against which this assessment was carried out assumed a 2.5 per cent drop in wages as forecast by the ESRI.

6.4.5 TASC argues that the impact of each Budget must be assessed separately: the 2010 Budget was less progressive than the 2009 Budget, and the trend is a regressive one – a trend which is likely to be compounded by the 2011 Budget in December.

6.4.6 It must also be remembered that, in respect of the lowest quintiles, an apparently small percentage drop in income can mask a devastating impact while, conversely, an apparently large percentage drop in income for the top quintile may have little or no real impact on living standards.

[15] T. Callan, C. Keane and J.R. Walsh, Distributional Impact of Tax and Welfare Policy Changes, in: Quarterly Economic Commentary, ESRI, Winter 2009.

Towards income equality – Recommendations

- In the short term, maintaining current levels of social protection spending, and (at the very least) maintaining current earnings floors such as the minimum wage / JLC rates is essential not only from an equality, but also from an economic perspective, since those on lower income have a higher propensity to spend and, thus, fuel economic demand.
- In the medium term to longer term, improvements in social protection spending can be achieved by making taxation more progressive, broadening the tax base to include wealth, and reducing those tax breaks which disproportionately benefit the better off.
- The entitlement to, and level of, social insurance-based benefit payments (i.e. PRSI) which are funded by workers, employers and government must be maintained and enhanced since the social insurance system is central to promoting income equality.

6.5 Wealth

6.5.1 Wealth is defined as the net worth of a person, household, or nation, that is, the value of all assets owned less any liabilities[16]. Wealth may both provide an income stream (for example, in the form of interest on savings, dividends, rent) and reduce outgoings (in the form of, for example, residential property owned outright).

6.5.2 Many of the very wealthy in Ireland have seen significant reductions in their assets as a consequence of the recession.

6.5.3 Unfortunately, we have insufficient resources for assessing wealth – as opposed to income – in Ireland. This absence of data is a long-standing issue: In fact, the paucity of robust data on wealth was highlighted as far back as 1989 by Sean Byrne (Wealth and the Wealthy in Ireland: A Review of the Available Evidence)[17]. In the preface to Byrne's book, the Combat Poverty Agency noted that:

"Any meaningful analysis of the structures of Irish society and of its socio-economic problems must incorporate information on "how the other half lives" and on how wealth is generated. For economic policy to be balanced and effective there must be more complete knowledge and understanding of the phenomenon of wealth and of the total distribution within Irish society of incomes, wealth and the general command over resources".

[16] Paul A. Samuelson and William D. Nordhaus (2004, 18th ed.). *Economics*, "Glossary of Terms."
[17] Sean Byrne, Wealth and the Wealthy in Ireland: A Review of the Available Evidence, Combat Poverty Agency, Research Report Series No. 5, December 1989.

More recently, the NESC noted that, due to the absence of a comprehensive analysis of wealth in Ireland, Ireland was not included in the OECD's wealth analysis[18].

6.5.4 TASC has recommended that the State carry out a regular analysis of the distribution of wealth, pointing out that the analysis of such data is a standard part of the budget process in other countries such as Norway[19].

6.5.5 In 2007, Bank of Ireland Private Banking published their *Wealth of the Nation Report* produced by Bank of Ireland Private Banking (BOI), which stated 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 estimated 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 was excluded from this calculation, BOI estimated that 1 per cent of the population accounted for around 34 per cent of the wealth. It should, however, be noted that these figures were extrapolated by BOI from UK data and may therefore, even in 2007, not have been entirely reflective of the Irish situation.

6.5.6 Although the value of assets rose in 2006-2007, a recent Goodbody report (October 2009) estimated that housing assets in 2010 will be nearly a quarter less than 2005 levels; however, they also project that financial assets will be over a sixth (16 per cent) higher in value in 2010 compared to 2005.

The chart below illustrates the distribution of wealth in Ireland, based on the BOI report.

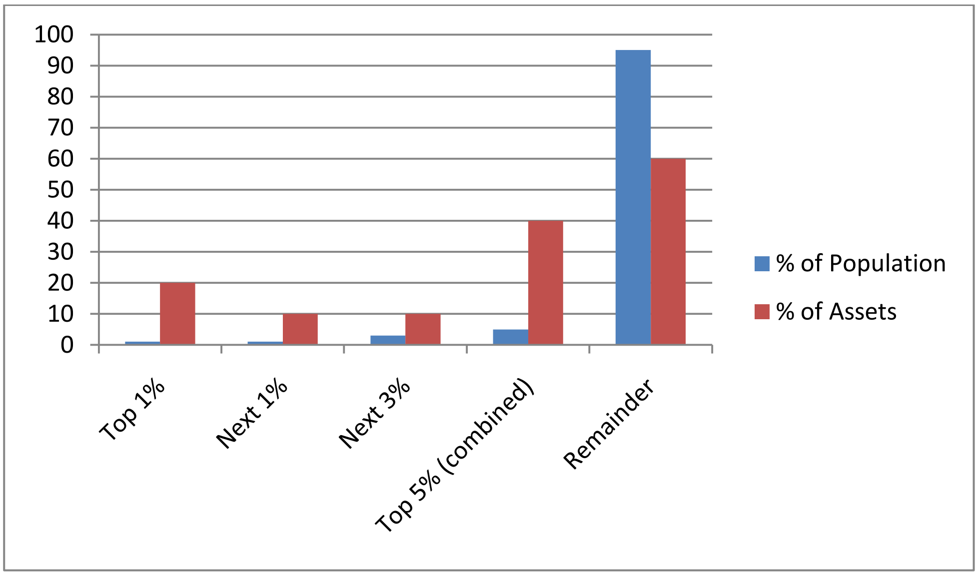

Figure 2 - Wealth distribution in Ireland[20]

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[18] Well-Being Matters: A Social Report for Ireland, Vol. 1, National Economic and Social Council, October 2009.
[19] Failed Design: Ireland's Finance Acts and their Role in the Crisis, TASC, May 2010.

6.5.7 While concentrations of wealth are not unusual internationally, Ireland is unusual in the EU or OECD in having very little taxation on individuals' wealth, such as property or financial assets.

6.6 Taxation

6.6.1 Ireland relies significantly on taxes on goods and services (consumption taxes). These take proportionately more of the incomes of lower income groups, precisely because they spend all or most of their incomes, whereas higher income groups can save money (and defer or avoid consumption tax). In 2010, it is projected that VAT will account for 33 per cent and excise duties for 14 per cent of tax revenue[21].

6.6.2 When compared with other EU members of the OECD, Ireland also makes above-average use of tax expenditures, which disproportionately benefit higher earners. Tax expenditure measures on income tax erode the progressive structure of that tax, especially when costs can be off-set against tax at the higher rate. In addition, excessive use of tax expenditures erodes State revenue to an unsustainably low level which, in turn, reduces the money available for public services.

Taxing inequality – Some recommendations

- Tax breaks, which only some sectors of the economy can benefit from and which by definition disproportionately benefit higher earners, reinforce inequality. That is why TASC has recommended that all tax breaks (tax expenditure) be subject to an economic equality and efficiency audit to ensure that measures benefit the economy and have social benefits that outweigh their costs.
- A tax system which is both stable and equitable requires taxes on wealth, as well as on income and consumption. Taxes on wealth (such as a property tax) are more stable during a recession, and are thus not only directly redistributive but can also help ensure the sustainable revenue flows needed to provide high-quality public services.
- In order to fund the high-quality universal public services which are essential to economic equality, Ireland's overall tax take needs to rise from a low base of 35 per cent of GDP (2008) to a European average of 45 per cent of GDP.

[20] Data drawn from The Wealth of the Nation, Bank of Ireland Private Banking, 2007

[21] Department of Finance, Estimates for Public Services 2010.

6. 7 Public services

6.7.1 Public services can counter-balance inequalities in income or wealth. For example, social housing provided by a local authority is provided at less than market rent levels ('differential rents'), which are linked directly to households' incomes. Similarly, medical cards for low income households provide access to GP services and prescription drugs free-of-charge or at reduced cost to recipients.

6.7.2 Conversely, 'two-tier' public services – where the 'paid-for' service is superior to, or offers greater access than, the 'free' service - exacerbate economic inequality and militate against equality of outcomes (in the areas of, for example, health and education)

6.8 Costs

6.8.1 Costs have a significant impact on economic equality or inequality and may, in turn, be affected by other economic equality factors such as taxation or the availability of public services.

6.8.2 The impact of price rises and falls is not distributed equally. Research published by the ESRI in 2009 showed that households on the lowest incomes faced the highest inflation rates in 2008, and gained least from falling prices: between July 2008 and June 2009, prices for poorest households fell by around 3%, while for the richest households; prices fell by just over 5%[22].

7. Inequality experienced

7.1 The actual experience of asset and income wealth (or their converse) depends on a number of factors which are difficult to quantify: such factors include (but are not limited to) housing tenure, household size and composition, and location. Thus, for illustrative purposes, a household earning €80,000, with a large mortgage as well as childcare and eldercare costs, may find itself worse off in real terms than a household earning €40,000, with no mortgage, eldercare or childcare outgoings.

[22] Jennings, Anne; Lyons, Sean; & Tol, Richard S.J. (August 2009) Working Paper No.308: Price Inflation and Income Distribution. Dublin: ESRI, cited in 'How the Poor Were Made to Pay', Poor Can't Pay Campaign, 2010.

7.2 There is also considerable permeability and overlapping between different groups: the recently unemployed, for example, may (initially) have some savings to fall back on, and may also enjoy opportunities (back-to-education options, mobility to seek work) not available to the long-term unemployed. Thus, while members of both groups may at a given point in time be drawing social welfare, their experience of that situation may be qualitatively different.

7.3 By the same token, those who were 'comfortably off' two years ago may now find themselves working for low wages with little job security – yet, they may have options not available to many of the 'working poor'.

7.4 Regardless of the material experience of inequality, or of income/asset wealth and its converse, recent evidence shows that the relative experience of inequality has a greater impact on the individual or society as a whole than the simple presence or absence of material goods. One of the authors of The Spirit Level, Richard Wilkinson, discussing the impact of inequality on health in a previous book, noted that:

"The reason why having an older car, a smaller freezer or a less smart cell phone is related to health is not because they have direct effects on health: it is because of the social stigma attached to lower material standards. Second-rate goods seem to tell people you are a second-rate person. To believe otherwise is to fundamentally misunderstand the pain of relative poverty or low social status[23]."

8. The economy, jobs and equality

8.1 While employment is not a panacea for poverty or inequality, there is little doubt that unemployment – and particularly long-term unemployment – drives both.

8.2 Recent months have been dominated by talk of the economy 'turning the corner' and 'returning to economic growth'. These projections have been borne out by the most recent data released by the CSO[24], which showed the Irish economy **technically** emerging from recession in the first quarter of 2010, growing for the first time in two years – growth which, however, has been largely driven by multinational companies and exports. In addition, it should be noted that year-on-year growth has been negative (for example, growth fell by -0.7 per cent from Q1 2009 to Q1 2010).

[23] Richard Wilkinson, The Impact of Inequality: How to Make Sick Societies Better; Routledge, 2005.
[24] Quarterly National Accounts, Q1 2010, CSO June 2010.

8.3 This return to growth will have little impact on the living standards of the vast majority of people, many of whom will continue struggling with unemployment, or with the fear of unemployment (or underemployment), and its financial and social consequences. The international evidence regarding historical collapses of this scale – especially those driven by financial crises[25], indicates we are likely to experience 'jobless growth' for some time to come, and this is borne out by the predictions being issued by economic commentators.

8.4 Ernst & Young[26], for example, identify the danger of a two-tier economy, with the export sector driving growth while the domestic economy lags behind. Bloxham Stockbrokers, in their most recent Irish Quarterly Economic Outlook[27], also expect the export sector to lead the economic recovery and suggest that the labour market "will be the last piece of the jigsaw in the Irish recovery story." The ESRI, meanwhile, has projected[28] that employment will not return to pre-recession levels until 2020 or even later.

8.5 It is therefore unsurprising that, on the one hand figures were released showing that Ireland had technically emerged from recession, while on the other, CSO data shows an increase in the unemployment rate from 10.2 per cent (Q1 2009) to 12.9 per cent (Q1 2010).[29]

8.6 All the indications are thus that we are headed for what the TASC Open Letter in March[30] termed a "jobless, joyless recovery" – rather than a job-rich recovery with equality.

8.7 The sectors of the economy most devastated by the economic collapse are construction and retail – both of which experienced unsustainable growth during the boom years. These sectors will not share in this export led growth, and preventing (often unskilled or low-skilled) construction and retail workers from falling into long term unemployment will require targeted strategies involving job creation, and retraining and upskilling.

8.8 The current environment is characterised by tight credit and by fragile confidence. This has implications for future levels of private investment. Consequently, the only realistic source of large scale investment in the economy is the state itself.

8.9 A feasible short term solution to the jobs crisis would be a temporary increase in capital expenditure. Obviously, such an increase in investment must

[25] Carmen Reinhart & Kenneth Rogoff, The Aftermath of Financial Crises, Paper prepared for presentation at the American Economic Association meetings in San Francisco, Saturday, January 3, 2009.
[26] Ernst and Young, Economic Eye summer forecast, June 2010.
[27] Bloxham Stockbrokers, Quarterly Irish Economic Outlook, June 2010.
[28] Recovery Scenarios for Ireland: An Update, ESRI, July 2010.
[29] Quarterly National Household Survey, Q1 2010, CSO June 2010.
[30] Irish Times, 8 March 2010.

be carefully targeted at projects that are job-intensive and that will provide long-term economic and social benefits. All approved projects should, of course, pass a cost benefit analysis and such projects must have long term positive impacts on the country's productive capacity.

Investing in jobs, recovery and equality

The options for investment include (but are not limited to):

- Improving the physical infrastructure in the areas of public transport, education and health;
- Replacing pre-fabs with high-quality purpose build facilities in our schools;
- Developing a world class high-speed broadband network;
- Developing our green energy infrastructure – especially in areas such as wind and wave energy where Ireland has a competitive advantage;
- Regenerating deprived areas e.g., in Limerick or in parts of Dublin – in many cases, such regeneration projects had reached an advanced planning stage before being shelved, and, of course, they are highly labour intensive.

9. Conclusion

9.1 Following a decade of economic growth and sectional prosperity, inequality in Ireland remains relatively high. The standard measure of inequality, the Gini co-efficient, was 30.2 in 2000[31] – and was 30.7 in 2008[32]. It has been estimated that five per cent of the population controls 40 per cent of Ireland's wealth[33]. The top ten per cent have a disposable income 11.4 times that of the bottom ten per cent[34]. When using standard OECD comparators, Ireland is still below average, albeit not the worst.[35]

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[31] Source for 2000 data was the ESRI's Living in Ireland Survey; cited in CSO (December 2005) EU Survey on Income and Living Conditions (EU-SILC) 2004. Table 1, p 5.

[32] CSO (November 2009) Survey on Income and Living Conditions (SILC) 2008. Table 1c, p 20.

[33] Bank of Ireland Private Banking, *Wealth of the Nation*, 2007.

[34] CSO (November 2009) Survey on Income and Living Conditions (SILC) 2008. Table 1.1, pp 24-25.

[35] OECD comparators use the 9th vs. 1st and 5th deciles, and 5th vs. 1st deciles. See OECD (2009) The OECD Approach to Measuring Income Distribution of Poverty: Strengths, Limits and Statistical Issues; and OECD (2008) Growing Unequal: Income Distribution and Poverty in OECD Countries.

9.2 Inequality has become entrenched. And, for the third year running, TASC's survey shows that the vast majority of respondents are very aware of wealth inequality, while a similar majority believes that active steps need to be taken to reduce income inequality.

9.3 The fieldwork for the TASC survey was carried out in the midst of a recession which has the potential to further exacerbate the situation of those at the bottom of the income distribution. An analysis of the results of the 2010 Inequality Survey, when compared with responses to similar questions two years ago, indicates that the recession has heightened awareness of economic inequality.

9.4 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 economic disparities.

9.5 The challenge facing us now is to translate that public concern into a public policy imperative, and to ensure that economic policy is focused on sustainable job creation as part of a package of measures designed to enhance economic equality.

III. Appendix – Note on the Methodology, Survey Results and Questions

10. Note on the Methodology

10.1 An agreed set of questions were included in the April 1 wave of Behaviour & Attitudes' twice monthly face-to-face Omnibus survey, Barometer.

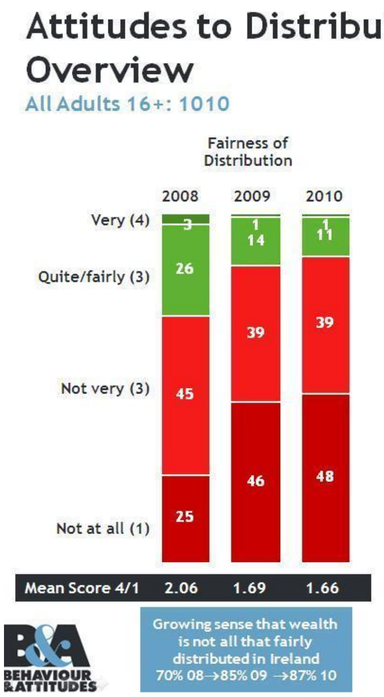
10.2 Barometer is a nationally representative survey of 1,000 adults aged 16+.

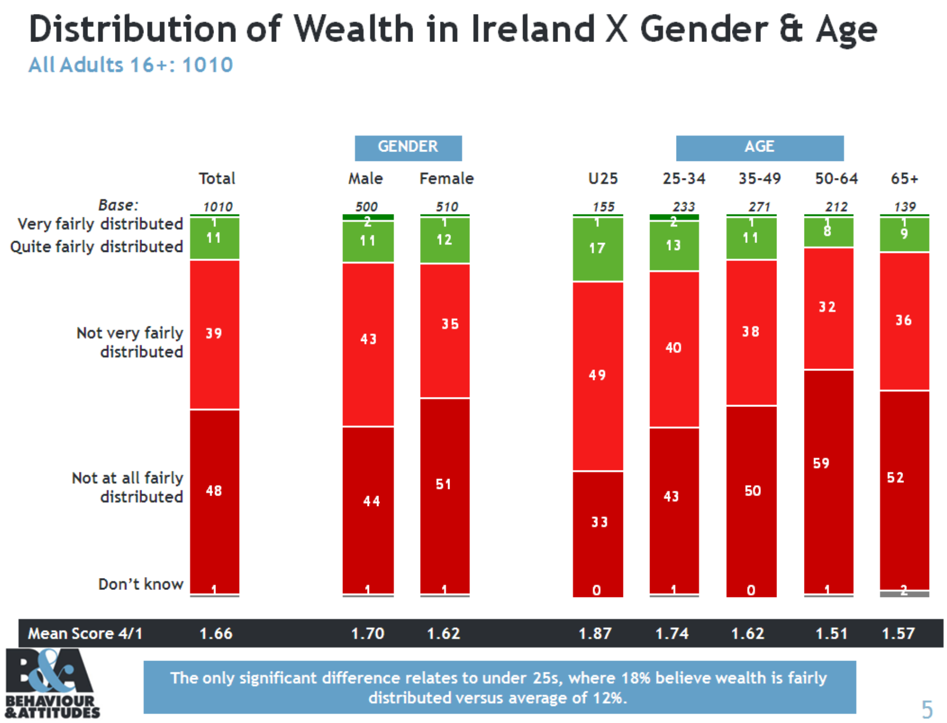
10.3 Quotas are set on gender, age and region to ensure that the results correctly reflect the known demographics of the Republic of Ireland.

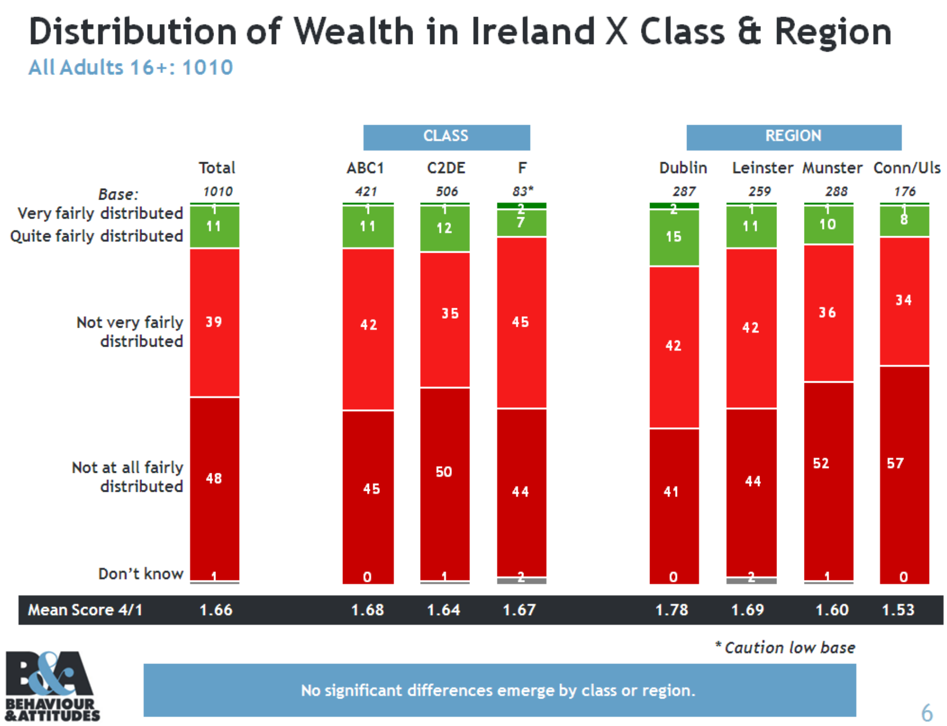
10.4 Interviewing was conducted by Behaviour and Attitudes' fully trained and supervised team of interviewers at 63 locations across the country.

10.5 Fieldwork was conducted 26th March – 8th April 2010.

11. Survey Results

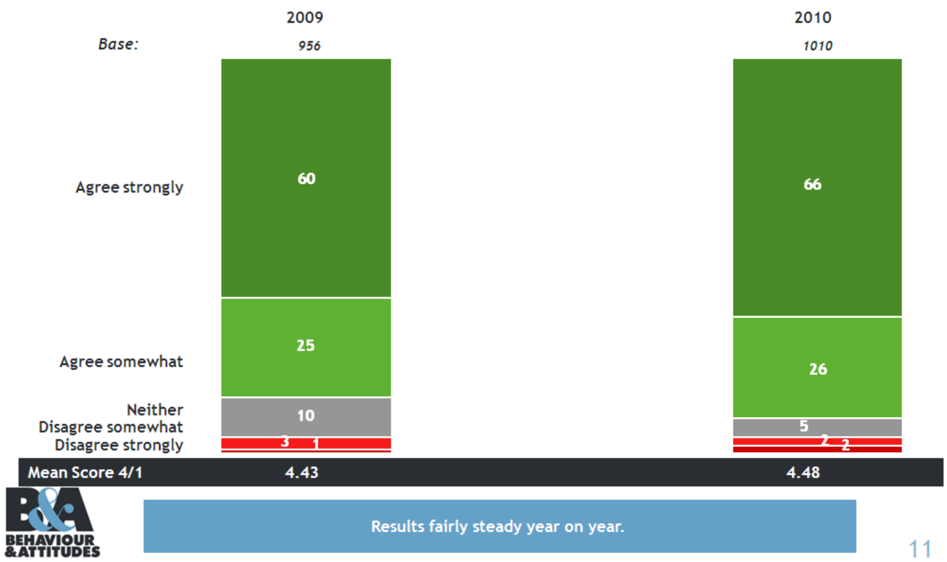



Distribution of Wealth in Ireland X Gender & Age
All Adults 16+: 1010
GENDER
AGE
Total
Male
Female
U25
25-34
35-49
50-64
65+
Base:
1010
500
510
155
233
271
212
139
Very fairly distributed
Quite fairly distributed
Not very fairly distributed
Not at all fairly distributed
Don't know
Total: 1, 11, 39, 48, 1
Male: 2, 11, 43, 44, 1
Female: 1, 12, 35, 51, 1
U25: 1, 17, 49, 33, 0
25-34: 2, 13, 40, 43, 1
35-49: 1, 11, 38, 50, 0
50-64: 1, 8, 32, 59, 1
65+: 1, 9, 36, 52, 2
Mean Score 4/1
1.66
1.70
1.62
1.87
1.74
1.62
1.51
1.57
BEHAVIOUR & ATTITUDES
The only significant difference relates to under 25s, where 18% believe wealth is fairly distributed versus average of 12%.
5


Distribution of Wealth in Ireland X Class & Region
All Adults 16+: 1010
CLASS
REGION
Total
ABC1
C2DE
F
Dublin
Leinster
Munster
Conn/Uls
Base:
1010
421
506
83*
287
259
288
176
Very fairly distributed
Quite fairly distributed
Not very fairly distributed
Not at all fairly distributed
Don't know
Total: 1, 11, 39, 48, 1
ABC1: 1, 11, 42, 45, 0
C2DE: 1, 12, 35, 50, 1
F: 2, 7, 45, 44, 2
Dublin: 2, 15, 42, 41, 0
Leinster: 1, 11, 42, 44, 2
Munster: 1, 10, 36, 52, 1
Conn/Uls: 1, 8, 34, 57, 0
Mean Score 4/1
1.66
1.68
1.64
1.67
1.78
1.69
1.60
1.53
* Caution low base
BEHAVIOUR & ATTITUDES
No significant differences emerge by class or region.
6

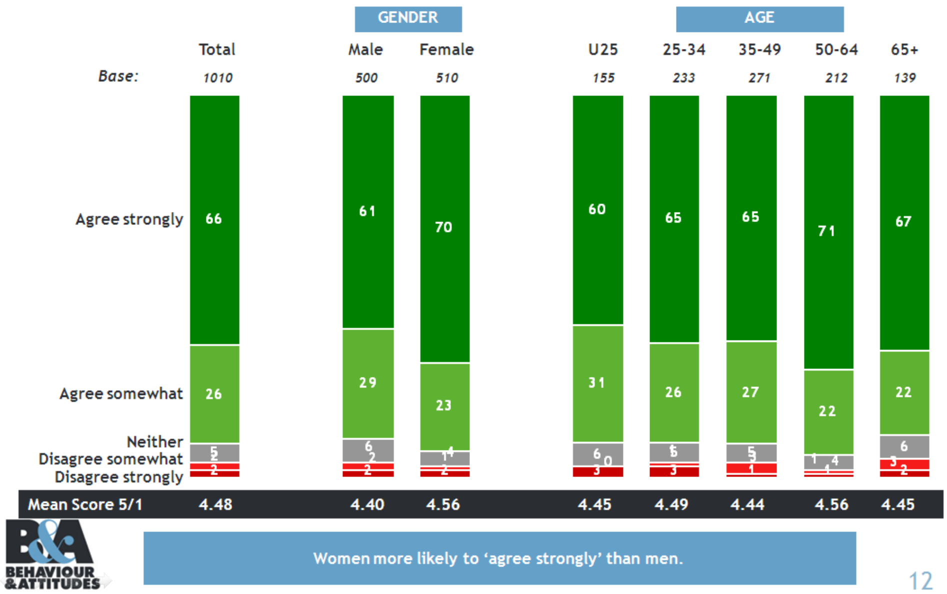
The Government should take Active Steps to Reduce Gap Between High and Low Earners

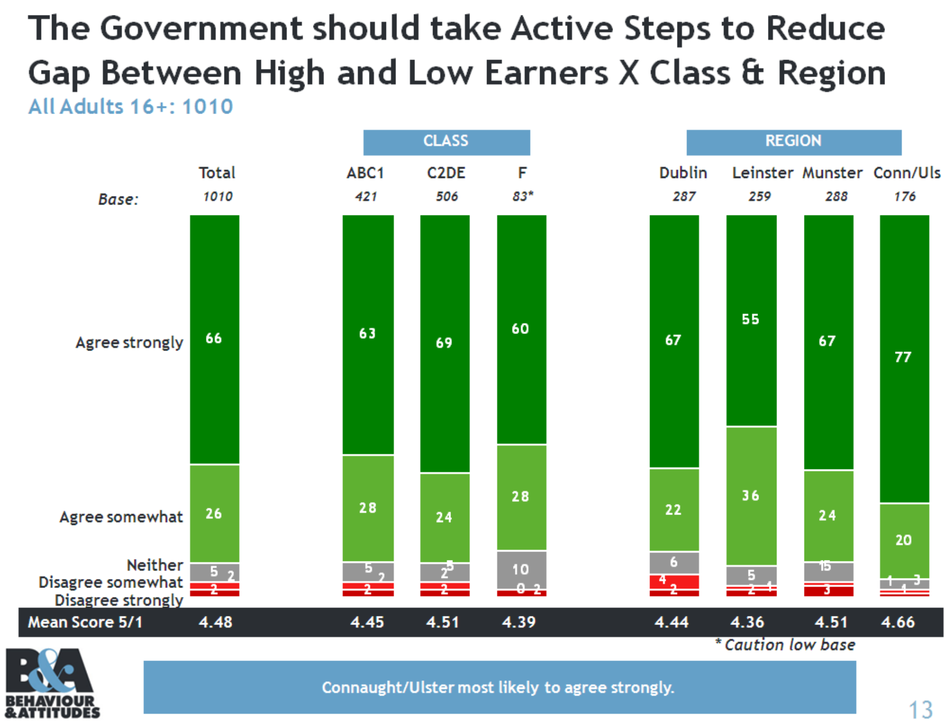
All Adults 16+: 1010

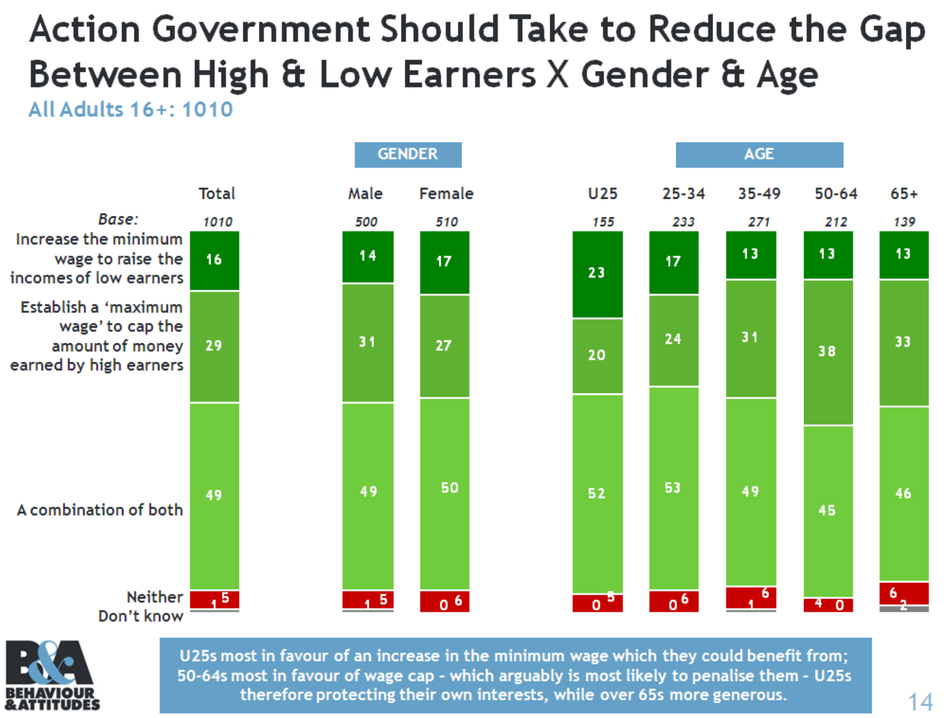


The Government should take Active Steps to Reduce Gap Between High and Low Earners X Gender & Age

All Adults 16+: 1010

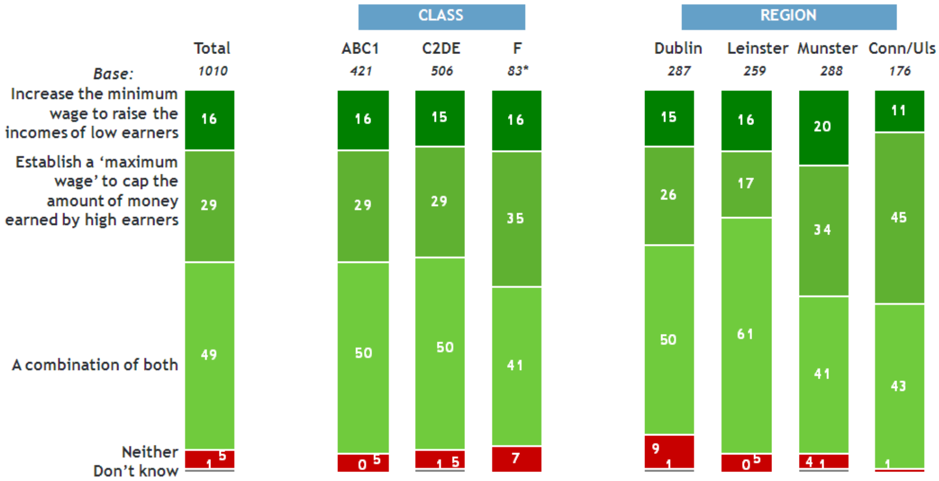



The Government should take Active Steps to Reduce Gap Between High and Low Earners X Class & Region
All Adults 16+: 1010
CLASS
REGION
Total
ABC1
C2DE
F
Dublin
Leinster
Munster
Conn/Uls
Base:
1010
421
506
83*
287
259
288
176
Agree strongly
Agree somewhat
Neither
Disagree somewhat
Disagree strongly
Mean Score 5/1
4.48
4.45
4.51
4.39
4.44
4.36
4.51
4.66
* Caution low base
Connaught/Ulster most likely to agree strongly.
13


Action Government Should Take to Reduce the Gap Between High & Low Earners X Gender & Age
All Adults 16+: 1010
GENDER
AGE
Total
Male
Female
U25
25-34
35-49
50-64
65+
Base:
1010
500
510
155
233
271
212
139
Increase the minimum wage to raise the incomes of low earners
Establish a 'maximum wage' to cap the amount of money earned by high earners
A combination of both
Neither
Don't know
U25s most in favour of an increase in the minimum wage which they could benefit from; 50-64s most in favour of wage cap - which arguably is most likely to penalise them - U25s therefore protecting their own interests, while over 65s more generous.
14

Action Government Should Take to Reduce the Gap Between High & Low Earners X Class & Region

All Adults 16+: 1010

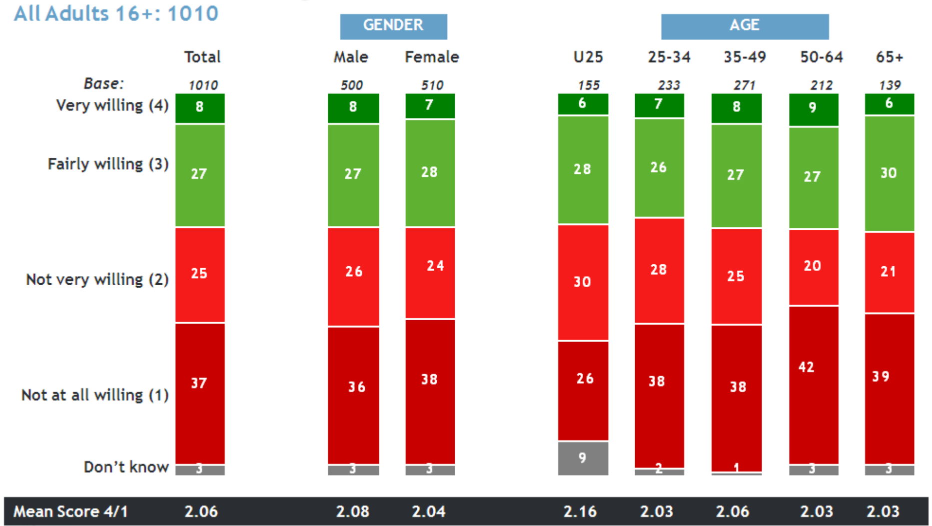


Little difference by social class; Munster and Connaught/Ulster significantly more in favour of wage cap.

15

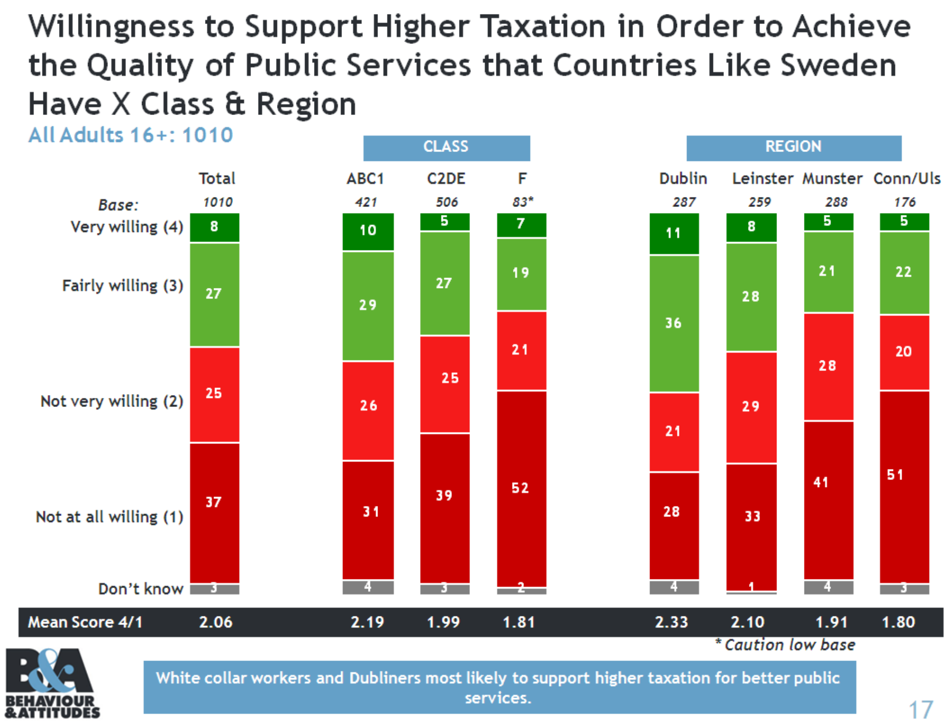
Willingness to Support Higher Taxation in Order to Achieve the Quality of Public Services that Countries Like Sweden Have X Gender & Age

All Adults 16+: 1010



1 in 3 are willing to support higher taxation for better public services - no difference by gender or age.

16


Willingness to Support Higher Taxation in Order to Achieve the Quality of Public Services that Countries Like Sweden Have X Class & Region
All Adults 16+: 1010
CLASS
REGION
Total
ABC1
C2DE
F
Dublin
Leinster
Munster
Conn/Uls
Base:
1010
421
506
83*
287
259
288
176
Very willing (4)
Fairly willing (3)
Not very willing (2)
Not at all willing (1)
Don't know
Mean Score 4/1
2.06
2.19
1.99
1.81
2.33
2.10
1.91
1.80
* Caution low base
BEHAVIOUR & ATTITUDES
White collar workers and Dubliners most likely to support higher taxation for better public services.
17

12. Questions

Which of these statements best describes how you feel wealth in Ireland is distributed?

- Very fairly distributed across all groups in society
- Quite fairly distributed across all groups in society
- Not very fairly distributed across all groups in society
- Not at all fairly distributed across all groups in society

The incomes of high earners in Ireland are typically more than seven times those of people on the lowest incomes. Do you agree or disagree that the government should take active steps to reduce this gap between high and low earners?

- Strongly agree
- Agree somewhat
- Disagree somewhat
- Strongly disagree

Which if any of the following steps do you feel the Government should take to reduce the gap between high and low earners?

- Increasing the minimum wage to raise the incomes of low earners.
- Establishing a 'maximum wage' to cap the amount of money earned by high earners.
- A combination of the two approaches (i.e., increasing the earnings of those at the bottom while capping the earnings of those at the top).
- Neither of these approaches.

Compared to some other EU countries the quality of public services in Ireland, such as transport, health, education, social security and pensions is low. How willing or not would you be to support higher taxation in order to achieve the quality of public services that countries like Sweden have?

- Very willing
- Fairly willing
- Not very willing
- Not at all willing