

# **Towards Cherishing all Equally 2016**



## **Five proposals for a new Programme for Government**

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## Overview

TASC has produced this analysis and proposals based on our independent study of the Irish economy. We are offering them to all elected TDs irrespective of political allegiance in order to inform the debate on the formation of the new government. We hope that those who may be involved in forming a new government, and those who may have a role as a responsible opposition, will find this document of practical use in seeking to identify how we could begin to address some of the inequities in our society in a sustainable and judicious manner over the next five years.

Last year TASC launched the first in-depth study ever undertaken in Ireland on the issue of economic inequality. Inequality is now a major social and economic issue internationally. That report, 'Cherishing All Equally', demonstrated the longstanding deep divide in Irish society in terms of wealth and income and showed how the taxation and social welfare system significantly reduces market income inequality but does little to address wealth inequality.<sup>1</sup> Indeed much of what social welfare does to reduce income inequality could be done more efficiently and effectively when combined with more equitable labour market practices such as the achievement of a 'living wage'.

At the same time policy choices not only at budget time, but in terms of overall political objectives, should work to arrest and reverse to a significant degree the economic inequality which weakly regulated markets creates (see Appendices).

Social transfers are essential in a market based economy, but in Ireland they have to work very hard to partially close the gap between relatively low market incomes and that which is considered necessary for a decent standard of living. In effect the inadequacy of wages and salaries for large numbers of people is to a significant degree hidden. What is also hidden is the skewed way in which our welfare and more particularly our tax system helps those who already have some level of wealth to accumulate more wealth to the exclusion of those who have none except perhaps the home they live in.

What is revealed by our analysis is that Ireland's economic model – that is, the economic assumptions that underlie our economic decisions – leaves many without sufficient to eat, without a permanent home and without hope, and that even the current level of individual social transfers and access to health and education are insufficient to ensure that everyone benefits from growing prosperity.

The banking and economic crisis has been overcome to a significant extent and an economic recovery is now underway. In seeking ways to ensure that such a crisis does not hit us again, or at least to the same extent, it is necessary to take account of the need to build a strong 'social economy'.<sup>2</sup> We know from a growing literature on the subject that doing so, as an integral part of our approach to managing our economy, will enable us to be prosperous as well as competitive, and at the same time will make it possible for growing numbers of our citizens to live better lives.

The European dimension of our proposed solutions cannot be ignored. Europe as a project is facing considerable difficulties at present which require a coherent strategy for a peaceful and prosperous future. That strategy

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<sup>1</sup> Nat O'Connor and Cormac Staunton, 'Cherishing all Equally: Economic Inequality in Ireland', TASC, 2015.

<sup>2</sup> Fergus O'Ferrall, The Flourishing Society, TASC, 2012. The economy should be embedded in a society whose democratic institutions promote the full development of human potentials and capacities.

must include the long neglected social dimension of Europe, which now more than ever needs to be revived and made more concrete in the daily lives of its citizens.

Ireland cannot do what we are proposing on its own. Our ongoing membership of the European Union and of the Euro is fundamental to doing so. As a Member State we have our economic, social and political obligations to Europe and in return we have a right to expect European solidarity in building a better Ireland in a better Europe. We are of the view that in seeking new ways to address old and new problems, Ireland should be an active contributor to forging a new social contract at European level. Such an approach will win us many allies at that level, and will serve the best interests of all citizens, and not simply those of particular powerful interests.

It is significant and very welcome that virtually all political parties and alliances in their general election manifestos acknowledged the need for a fairer Ireland to emerge from our recent crisis. There are of course differences on how that can be achieved. What we are therefore proposing fits well with the broad political objectives of our political representatives, and we are urging all to consider our proposals, which are based on in-depth and original analysis.

**Dr David Begg MA PhD**  
**Director TASC**

## Ireland's Economic Model

Recent research highlights the destabilising impact of growing inequalities on economic performance. A shift in the distribution from lower to higher income groups – to those who consume a smaller proportion of their incomes – depresses aggregate demand and encourages financial deregulation to plug the spending gap. This very process lies at the root of the global financial and economic crisis of 2008.<sup>3</sup>

A recent study by the IMF showed that when the top 20% increase their share of income, at the expense of those in the middle and at the bottom, this causes the rate of economic growth to fall. In addition to the adverse effects on consumption, the IMF found that inequality dampens investment, and hence growth, by fuelling economic, financial, and political instability.<sup>4</sup>

Richard Wilkinson (co-author of the *Spirit Level: Why More Equal Societies Almost Always Do Better*<sup>5</sup>) has pointed out that high levels of market income inequality should be of major concern due to the detrimental impacts on societal well-being. It is not just of concern in relation to material poverty, but also the negative impacts it has on people's sense of self-esteem and the knock-on detrimental effects on their physical and mental health.

There is a related danger arising from the concentration of wealth: the political influence it can bestow. The top 10%, and in particular the top 1%, have the political weight to fight against economic policies that will impose greater social responsibility upon them. There is also a growing concern about the disproportionate role that wealth plays in controlling the print and electronic media, and the consequent potential for a distortion of political and economic choices.

The role of the welfare state, tax policy and, ultimately, the bargaining power of working people through collective bargaining in countering the power of wealth and in reducing economic inequality has also been highlighted by leading authorities such as Richard Wilkinson and Kate Pickett<sup>6</sup>, Thomas Piketty<sup>7</sup>, and Anthony Atkinson.<sup>8</sup>

The competing interests of workers and employers, amongst others, and their political expression through the institutions of the state and public policy, are matters of 'political economy'. Piketty argues that this is where economics, as a *social* science, needs to return – away from orthodox neoclassical thinking – if we are to more fully understand the dynamics of income and wealth inequality over time. Importantly, a political economy approach takes a more holistic view of inequality than just looking at income and wealth: public services, taxation, family composition, personal capacities, and the cost of living also determine how resources are distributed.<sup>9</sup>

### ***Changing the Irish Economic Model***

Given the multifaceted nature of economic inequality, TASC has argued that Ireland should be moving towards a social welfare model where public services play a much greater role, rather than the current over reliance on

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<sup>3</sup> Engelbert Stockhammer, 'Rising inequality as a cause of the present crisis', Cambridge Journal of Economics, 2015.

<sup>4</sup> Era Dabla-Norris et al., 'Causes and consequences of income inequality', IMF, 2015.

<sup>5</sup> Richard Wilkinson and Kate Pickett, *The Spirit Level*, Allen Lane, 2009.

<sup>6</sup> Richard Wilkinson and Kate Pickett, 'The importance of the labour movement in tackling inequality', CLASS, 2014.

<sup>7</sup> Thomas Piketty, *Capital in the Twenty-First Century*, Harvard University Press, 2014.

<sup>8</sup> Anthony Atkinson, *Inequality*, Harvard University Press, 2015.

<sup>9</sup> Nat O'Connor and Cormac Staunton, 'Cherishing all Equally', TASC, 2015.

direct and often inadequate welfare payments to access necessary goods and services through the private market. Ireland’s current model of low spending on public services means that people face very high costs to access basic goods and services, which in other European countries are available either at much lower cost or free of charge.

This high cost of living necessitates higher welfare payments and gives rise to a structural problem of welfare payments constantly falling behind rising costs. Without state intervention to ensure access to basic goods and services through measures such as their increased public provision, regulation of costs, and raising the minimum wage, then current levels of poverty and inequality will continue on their upward trend. Irish citizens lack many of the protections offered by more developed welfare states such as support for early education and childcare, after school care and services for those with disabilities, and extensive and affordable public transport.

Economic inequality is not inevitable and can be significantly reduced. As the chart below shows, Ireland, Denmark and the USA had similar levels of gross income inequality in the period from 1945 up to about 1980. Since then the three have diverged: in the USA inequality has increased dramatically; Ireland also experienced rising inequality, though not to the same extent; while inequality has been relatively stable in Denmark.

### Income share of top 10% in the USA, Ireland and Denmark



Figure 1: Gross income inequality (Source: WWID)

Denmark and the other Nordic countries are small open economies like Ireland but they provide much higher quality public services, a higher standard of living, and are much more equal. To achieve this, adequate taxation to pay for good social services such as affordable childcare, top class health services, free education etc., is regarded as essential rather than as a “burden”.

We must learn from these countries that economic inequality can be reduced if policies join the dots between taxes, public services, family needs and the cost of living as well as the adequacy of cash incomes.

In short, universal provision of public services such as healthcare, education, childcare, pensions, housing, and public transport coupled with decent earnings leads to lower economic inequality, a better society and a more competitive and sustainable economy.

## **Five Proposals for a new Programme for Government**

Taking account of our European obligations and the volatility in the current global economy, the next Dáil needs to plan for sustainable growth in economic development while introducing policies which seek to narrow the distribution of wealth (Appendices i. Ireland and Economic Inequality and ii. Wealth Inequality) and income (Appendix iii. Income Inequality) on a year by year basis, by means of current expenditure and capital investment in social and economic infrastructure; and by legislating for a living wage and decent working conditions, while ensuring that prosperity and services are shared equitably between households and across the country.

Having identified the current state of economic inequality in Ireland we believe it is now necessary to offer some proposals to begin to address it. To effectively address the deep seated inequalities that exist, and seek to prevent them growing or reoccurring, will require a comprehensive and integrated social and economic agenda with, where necessary, reformed agencies to assist in researching, identifying, and implementing new approaches.

To do so we argue that the objectives of the new Government should include:-

- Broadening the tax base while maintaining and improving the current progressivity of the income tax system, and introducing measures to ensure that this progressivity is broadened to cover all income and profits (appendix vii. Tax)
- Achieving a living wage (appendix iv. Poverty and Deprivation)
- Abolishing child poverty (appendix v. Children)
- Fully developing the Early Years infrastructure to provide high quality, affordable, and accessible childcare (appendix vi. Gender)
- Targeting young people who are 'Not in Education, Employment, or Training' (NEETS) – for example, through apprenticeships, training, education, and a targeted public employment programme (appendix iv. Poverty and Deprivation)
- Regenerating disadvantaged urban and rural areas (appendix iv. Poverty and Deprivation)
- Reviving civil society as a key player in shaping policy options

To achieve these objectives requires a new approach to long standing inadequacies in our social infrastructure and in how government develops and implements integrated policies. We therefore make five core proposals, which if implemented, could address these gaps:

### ***1. An Equality Mandate for the Irish Fiscal Advisory Council***

There are strong economic arguments as well as those based on social equity to seek to make Ireland significantly less economically unequal over the next five years (appendix ix. Equality Proofed Budgets). But to achieve this requires 'buy-in' from all government departments. The Government should broaden the remit of the Irish Fiscal Advisory Council to address the social policy implications of its advice, having regard to the objective of reducing wealth inequality and poverty. This would also include equality and gender proofing of the annual government budget, and providing costed options prior to budget preparation to enable public discussion on the financial and societal implications. All government agencies should work in tandem to identify a phased approach and the implementation of policy initiatives to achieve the objectives. Each department of

government should be obliged to engage with these bodies to agree and achieve year by year targets for reducing economic inequality and low pay through the policy options they adopt.

## ***2. A New Civil Society and Inequality Agency***

Create an 'Independent Civil Society Agency' (ICSA) with dedicated funding to enable a renewed civil society to emerge and which would in particular include sufficient funding for the remaking of 'Community Development Programmes', thereby enabling civil society and disadvantaged groups (particularly women, those in poverty, lone parents, migrants, Travellers) to have a voice in the policy formulation concerning them. This ICSA would also research and develop policy to respond to social exclusion, poverty and disempowerment and contribute to the social regeneration of disadvantaged areas.

## ***3. A Living Wage***

Legislate for a living wage (currently estimated to be €11.50 per hour compared to the minimum wage of €9.15 per hour). The Low Pay Commission should be given the responsibility of establishing and updating the living wage – an hourly wage rate that provides employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense, it is an income floor which allows employees to afford the essentials of life.<sup>10</sup> €11.50 per hour is what the Living Wage Technical Group has calculated as the gross hourly salary required by a single adult working full-time in Ireland to afford a socially acceptable minimum standard of living. Achieving this will also require progress towards ensuring that workers have sufficient weekly hours of work to enable them achieve a real living wage.

## ***4. An Enhanced Public Investment Plan***

In order to reduce inequality and provide a social recovery and sustainable economy, a significant increase is required in public investment in areas such as housing public transport, hospitals, schools, regional infrastructure, child care, elder care. This should include:

- **Increase capital infrastructure investment** (to 3.25% of GDP in 2020 and 2021 – an additional €15bn over current plans). This could be funded from a number of sources, particularly from our approach to a sustainable tax base, outlined above. Another possible avenue would be from the proceeds of the planned divestment of the bank shares currently in public ownership - which government should seek to negotiate at EU level.
- **Establish an Infrastructural Commission**, which would bring back much needed long-term planning in this essential area of public policy.
- **Establish a Housing and Homes Agency**. This would develop a comprehensive housing plan which takes account of the need for cohesive communities and an end to the existence of disadvantaged communities and homelessness, lead investment in social and affordable housing (using NAMA), implement regional rent control schemes and introduce the long overdue 1974 Kenny Report. This would also encompass a new Spatial Strategy to ensure regionally balanced investment in social, economic and cultural infrastructure across the country.

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<sup>10</sup> A Living Wage for Ireland was calculated by the Living Wage Technical Group which was established in March 2014 and includes TASC, NERI, and others as part of the group.

## ***5. Ireland's place in a Social Europe for its Citizens***

Ireland's place is firmly in Europe. But Europe needs to return to being a social Europe for its citizens. European institutions such as the ECB, the EU and European Commission also have an important role to play in addressing inequality in Ireland and across Europe. The ECB needs to be reformed to widen its remit to focus also on unemployment and growth, rather than just on inflation, bank regulation and maintaining the stability of the banking system. There is also a need for flexibility in the Growth and Stability Pact Fiscal Rules to enable borrowing when shown to be necessary for public investment and to permit the use of a significant proportion of the divestment of bank shares into public infrastructure development rather than debt repayments.<sup>11</sup> These ambitions need to be reflected in the Programme for Government.

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<sup>11</sup> Paul Sweeney, Chair TASC Economist's Network, 'A Time for Ambition: Ensuring Prosperity Through Investment', TASC, Dec 2015.

## Appendices

### i. Ireland and Economic Inequality: The Indicators

TASC's ground breaking report on economic inequality in Ireland, 'Cherishing All Equally', showed that Ireland is very unequal before taxes and welfare and it could be much better if things were done differently. TASC's frame for understanding economic inequality included the following seven factors: income, wealth, public services, taxation, family composition, capacities and costs of goods and services (see Figure 2).<sup>12</sup> An update of ten key indicators of economic inequality is outlined below. TASC will provide a full update of the first report in its second iteration of the Annual Economic Equality Report later this year.

#### Factors influencing economic inequality

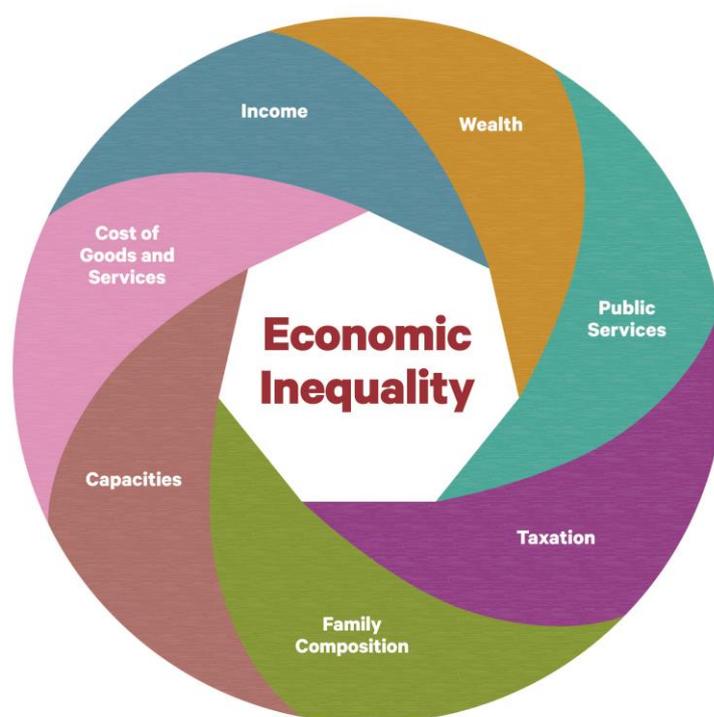


Figure 2: Economic inequality (Source: TASC, 2015)

#### ***Key Indicators of Economic Inequality in Ireland***

It is not possible to reduce economic inequality to any one measurement. Instead it is necessary to read across a 'dashboard' of different information, each of which needs to be interpreted in context. The following data illustrate 10 key indicators (based on annual data) that are especially useful for monitoring economic inequality over time.

<sup>12</sup> Nat O'Connor and Cormac Staunton, 'Cherishing all Equally', TASC, 2015.

## Key indicators of economic inequality

Indicator Description	Indicator Value	EU (Euro Area 18) Value
<b>Gross Income Inequality</b>	Gross Gini coefficient 45.6 The Top 10% of income earners have 38.75% of gross income	36.9
<b>Net Income Inequality</b>	Net Gini coefficient 30.7	30.9
<b>Wealth Inequality</b>	The Top 10% hold 53.8% of Ireland's wealth The Bottom 50% have 4.9% of the wealth	N/A
<b>Child Poverty</b>	36.1% of 0-17 year olds experience material deprivation	N/A
<b>Unemployment</b>	16% of Irish working-age households are jobless	10.4%
<b>Youth Unemployment</b>	18.1% of those aged 15-29 are 'Not in Employment, Education, or Training' (NEETs)	15.7%
<b>In-work Poverty</b>	15.9% of households with one person at work are at risk of poverty	N/A
<b>Public Spending</b>	Total Government Expenditure is 38.2% of GDP	49.4%
<b>Tax</b>	Total Government Revenue is 34.4% of GDP	46.8%
<b>Cost of Living</b>	24% higher than the EU average	N/A

**Table 1: Key indicators (Source: Eurostat)**

### ii. Wealth Inequality

In terms of wealth, 72.7% of the net wealth is held by the Top 20% in Ireland (see Chart 1). This is higher than the Euro Area average of 67.6%. Half of households (the Bottom 50%) have less than 5% of the wealth. Chart 2 shows that Ireland's wealth inequality has worsened in recent decades.

## Net wealth by decile

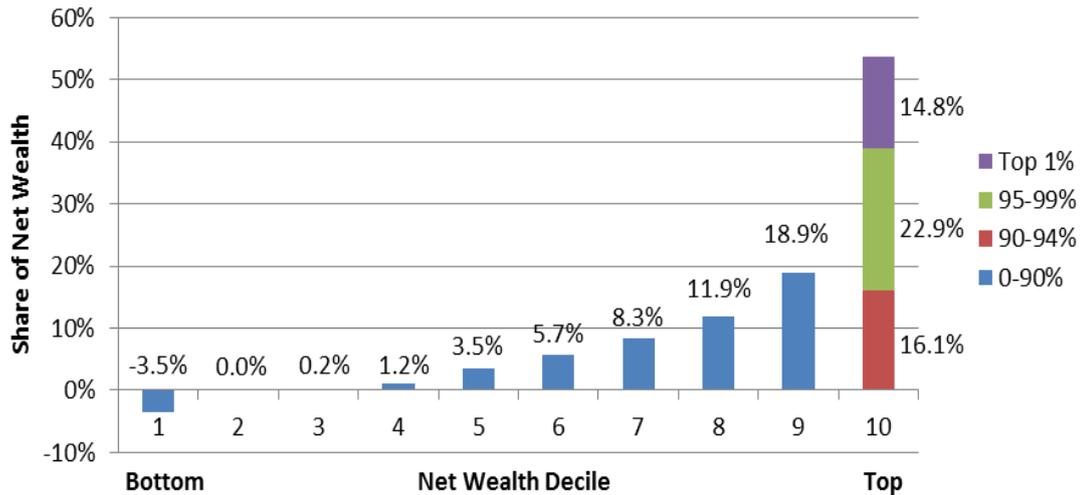


Chart 1: Wealth distribution (Source: CSO HFCS, 2015)

Brian Nolan, using data from the ESRI, identified that in 1987 the top 10% of the wealth distribution owned 42% of net wealth, while the top 1% owned 10%.<sup>13</sup> These figures rose to 53% and 14.7% respectively, according to the latest data from 2015.<sup>14</sup>

## Wealth share of top 10% and top 1%

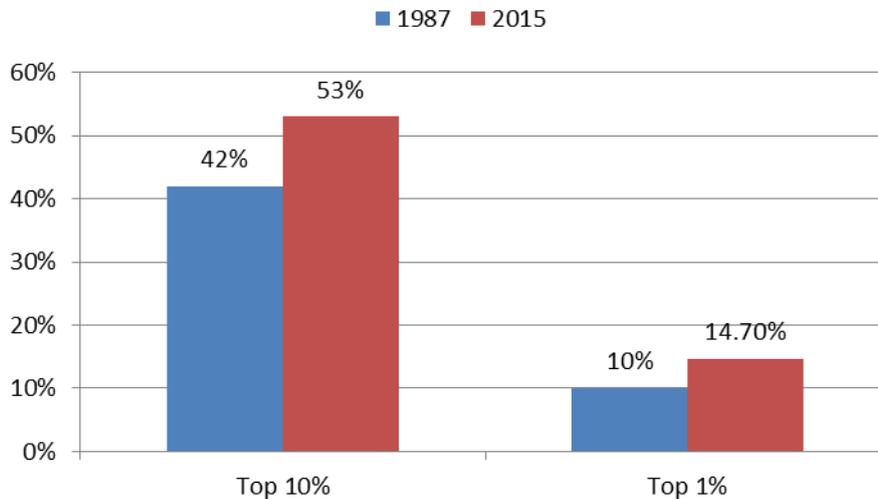


Chart 2: Wealth shares of top earners (Source: Nolan, 1991; CSO HFCS, 2015)

<sup>13</sup> Brian Nolan, 'The Wealth of Irish Households: What Can We Learn from Survey Data?', Combat Poverty Agency, December 1991.

<sup>14</sup> CSO, 'Household Finance and Consumption Survey 2013', January 2015.

### iii. Income Inequality

Ireland has the highest pre-tax and welfare income inequality in the OECD. The distribution of earnings shows that 'average earnings' are €32,042. But half of people earn less than €23,701 (median income) and only 20% of people earn more than €50,000. Recent Revenue statistics show that two-thirds of earners have an income of less than €35,000, and only 10% are above €70,000.

And gross income inequality has worsened during the recovery. Total gross income increased by €21bn between 2011 and 2016. Of this, more than half (€11.8bn) has gone to the Top 10% and nearly 18% of the total has gone to the Top 1% (see Table 2).

#### Distribution of income growth

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%

Table 2: Income growth shares (Source: TASC Equality Analysis, Budget 2016)

Even more significant is the change in income share (Table 3).

#### Income share over time

	% share of income 2011	% share of income 2016	percentage point change in income share	percentage change in income share
Bottom 50%	17.81	15.22	-2.6	-15%
Middle 60%	52.26	46.02	-6.2	-12%
Top 10%	33.93	38.75	4.8	14%
Top 1%	9.11	10.95	1.8	20%

Table 3: Change in income share (Source: TASC Equality Analysis, Budget 2016)

## Net Income Inequality

Ireland's taxation system and social transfers significantly reduce Ireland's gross market income inequality. As a result Ireland's net income inequality (after taxes and transfers), the net Gini coefficient<sup>15</sup>, is 31.8. We can see from the graph below that Ireland comes in the middle of the EU 28 in terms of net income inequality (net Gini). We are more equal than Spain, Greece or the UK but much less equal than Sweden, Finland or Denmark. However, Ireland's net income inequality did deteriorate between 2013 and 2014 as it increased from 31.3 to 31.8. This is the highest level of inequality in Ireland since 2006 when the net Gini was 32.4.

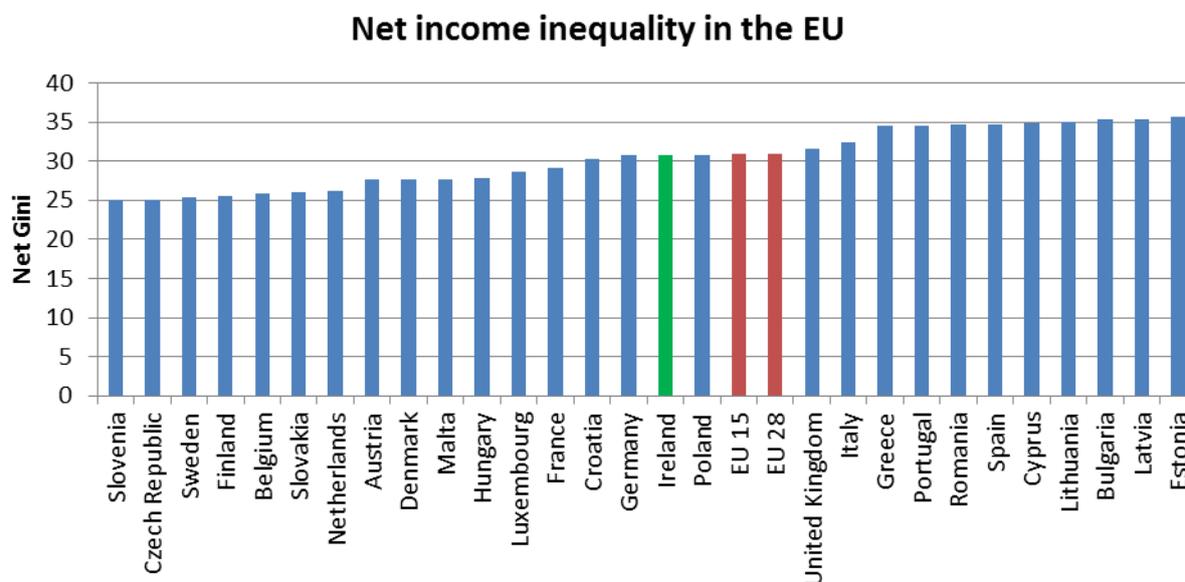


Chart 3: Net Gini (Source: Eurostat)

Analysing levels of inequality require investigation of wealth, gross and net income inequality along with other indicators such as deprivation and the level of investment in public services (as shown in TASC's Frame in Figure 2). TASC argue that focusing solely on one factor, such as the level of net income inequality, ignores other important factors that are causing inequality such as the level of structural inequality. Furthermore, Ireland's level of inequality is not fully captured by the level of net Gini coefficient because our system is focused on cash rather than public services. As a result, measures that look only at net income inequality (or net income poverty reduction) show Ireland in a more positive light, without accounting for the lack of public services.

## iv. Poverty and Deprivation

The proportion of the population who are suffering from deprivation and are at risk of poverty are important indicators of economic inequality. In 2004, for example, 12% of the population experienced two or more types of deprivation. In 2014, the figure had more than doubled to 29%, which is an additional 765,000 people suffering from deprivation. The deprivation rate dropped by just 1.5% between 2013 and 2014.

<sup>15</sup> The Gini coefficient is a statistical index that captures the distribution of income. The index is scaled between 0 and 100, where 0 represents perfect equality (everyone has the same income) and 100 represents perfect inequality (one person has all the income).

The crisis years have had a profoundly unequal restructuring effect on Irish society with an additional 10% of the population now reliant on social transfers (welfare, FIS, grants, child benefit, housing support etc.) to keep out of poverty than was the case before the crisis and austerity. Half the Irish population would be at risk of poverty without social transfers. This raises questions about the long term impact of policies pursued in the last decade in Ireland and the sustainability of the type of economy, welfare system and public services that Ireland has developed.

CSO statistics reveal that poverty and deprivation rates for those at work actually increased in the last year. The deprivation rate for households with one person at work rose from 33.8% in 2013 to 35% in 2014. The ‘at-risk of poverty rate’ for these households rose from 13.4% to 15.9%. At 23%, Ireland has among the highest incidence of low paid jobs in the OECD.

### Incidence of low pay in OECD countries

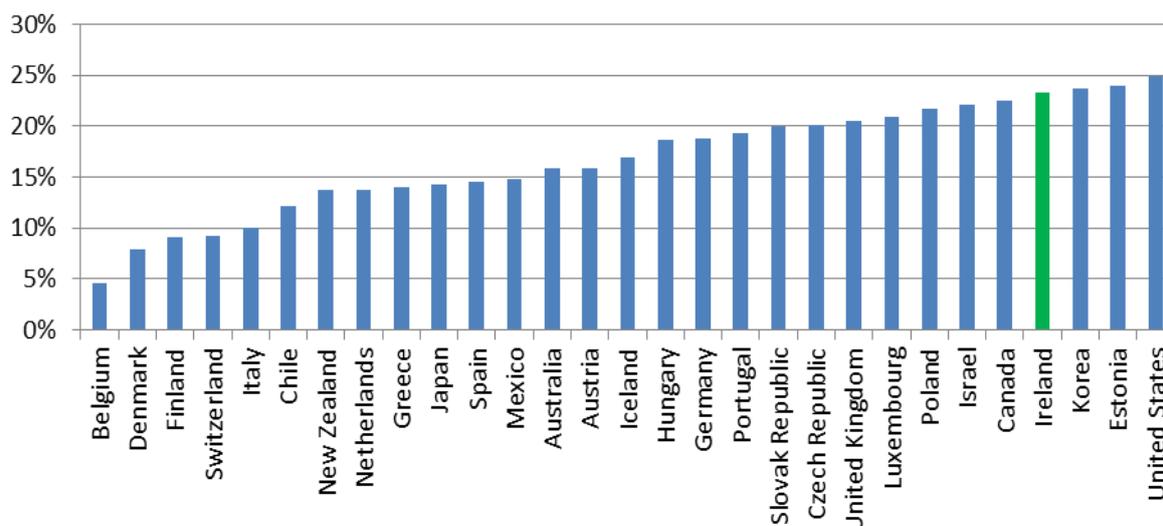


Chart 4: Low pay incidence (Source: OECD Stat)

While the increase in the minimum wage to €9.15 per hour is a very positive development, it is still 20% lower than the living wage of €11.50 per hour.

A living wage is intended to establish an hourly wage rate that provides employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense it is an income floor, representing a figure which allows employees to afford the essentials of life. A living wage, however, also necessitates having sufficient weekly hours of work to achieve that living wage. Being paid the hourly Living Wage rate is insufficient if workers are on zero or low hours contracts.

### **Unemployment and Underemployment**

And while employment levels have improved we still have a significant problem of unemployment and long term unemployment. Furthermore our general employment rate remains an issue while our youth unemployment rate remains just under 20% at 19.2%. Indeed, the proportion of NEETs (young people ‘Not in Employment, Education, or Training’) remains high at 18% and only fell marginally from 18.6 to 18.1% between 2013 and 2014.

As the recovery has become more established, lower-paid services jobs have accounted for a large share of recent employment growth. At the same time, growth in permanent, full-time employment is increasingly confined to top-quintile, well-paid jobs.

There are clear indications that in some low paid areas employers are deliberately creating low hour jobs in order to have flexibility. Involuntary part-time work was a problem even prior to the recession and expanded massively after 2008 – it is now falling but remains very high.

There is also significant growth in Irish ‘bogus’ self-employment with the construction industry seeing more one person firms and employers deliberately replacing traditional employees with the ‘self-employed’ aided by RCT (Relevant Contracts Tax) to avoid paying tax.<sup>16</sup>

Whereas it used to be believed that there was a tendency towards a general upskilling in labour markets, and so a decline of less skilled occupations, it’s now clear that in most countries the trend is towards polarisation – the growth of both ‘lovely’ and ‘lousy’ jobs.<sup>17</sup>

This, in part, explains why there is still a problem with high rates of emigration of young people from Ireland. A total of 35,000 young Irish people emigrated in 2015, which is higher than the number that emigrated in 2010, and it is almost three times the number that emigrated in 2006.

## **v. Children**

Recent research has shown the strong link between increasing inequality and worsening outcomes for children’s well-being. Wilkinson and Pickett’s 2015 research on 21 wealthy countries (including Ireland) finds that higher levels of income inequality are associated with worse outcomes for children as measured through lower scores on the 2013 UNICEF Index of Child Well-being (see Figure 3).

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<sup>16</sup> ICTU, ‘False Economy: The Growth of ‘Bogus Self Employment’ in the Construction Industry’, Winter 2015.

<sup>17</sup> Maarten Goos and Alan Manning, ‘Lousy and Lovely Jobs: The rising polarization of work in Britain’, Review of Economics and Statistics, 2007.

## Better levels of child well-being in more equal countries

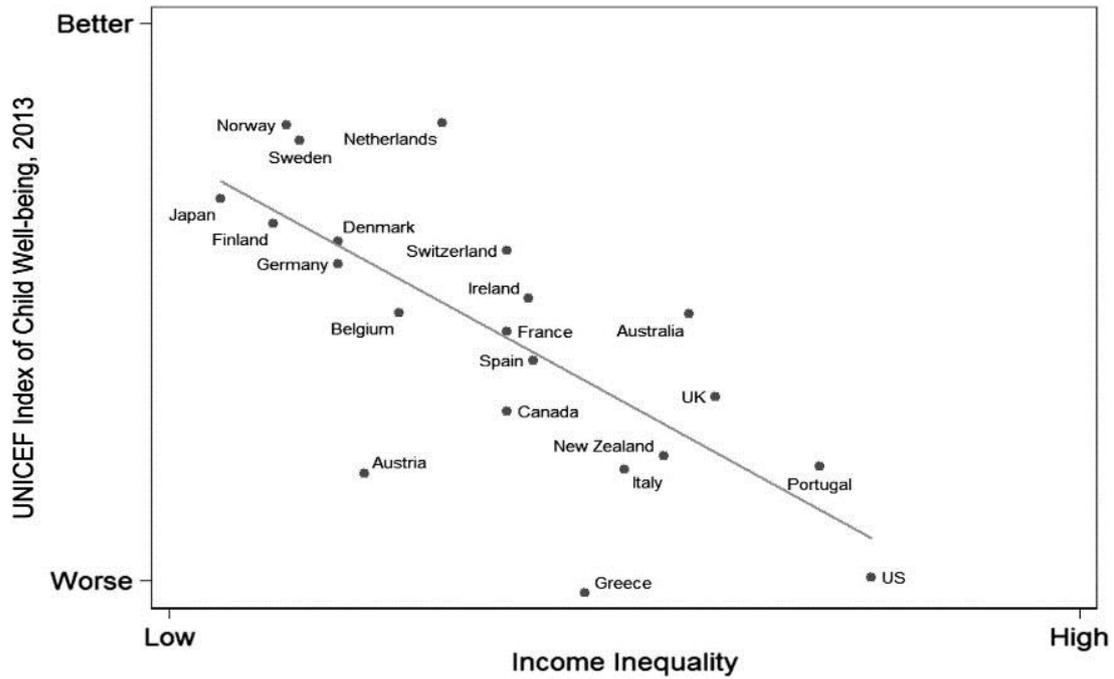


Figure 3: Inequality and child well-being (Source: Wilkinson & Pickett, 2015)

TASC's analysis of Eurostat figures shows that the number of children aged 0-6 (the most vulnerable age) suffering from deprivation in Ireland increased from 55,000 (15.9%) in 2007 to 105,000 (25.7%) in 2014.

Ireland now has the third highest deprivation rate for children aged 0-6 in the EU15 at 25.7% (see Chart 5 below). Eurostat SILC data shows that Sweden has less than 5% of their youngest children (aged 0-6) suffering deprivation.

## Child deprivation (age 0-6) in the EU 15

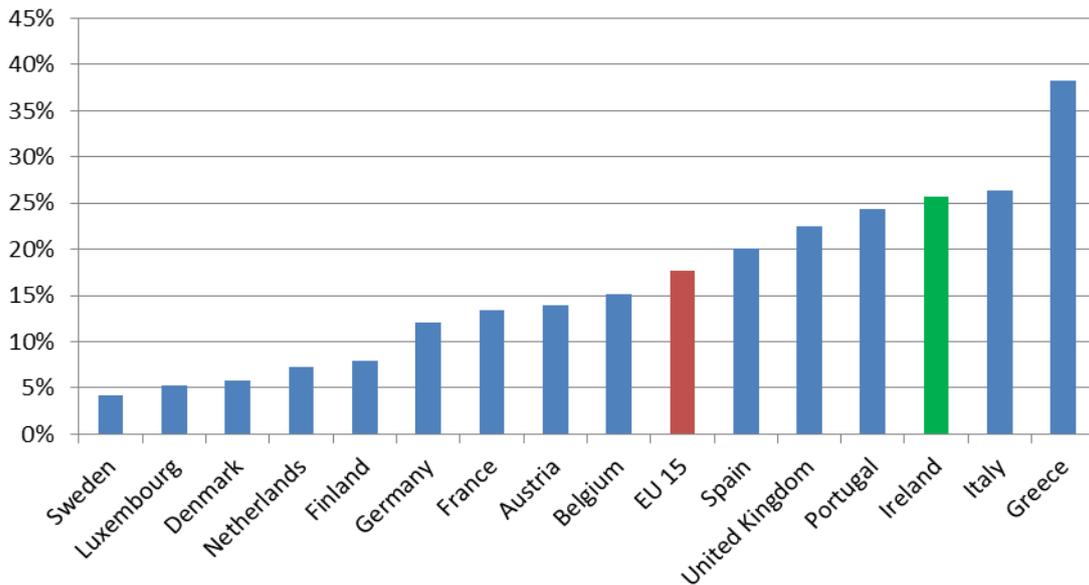
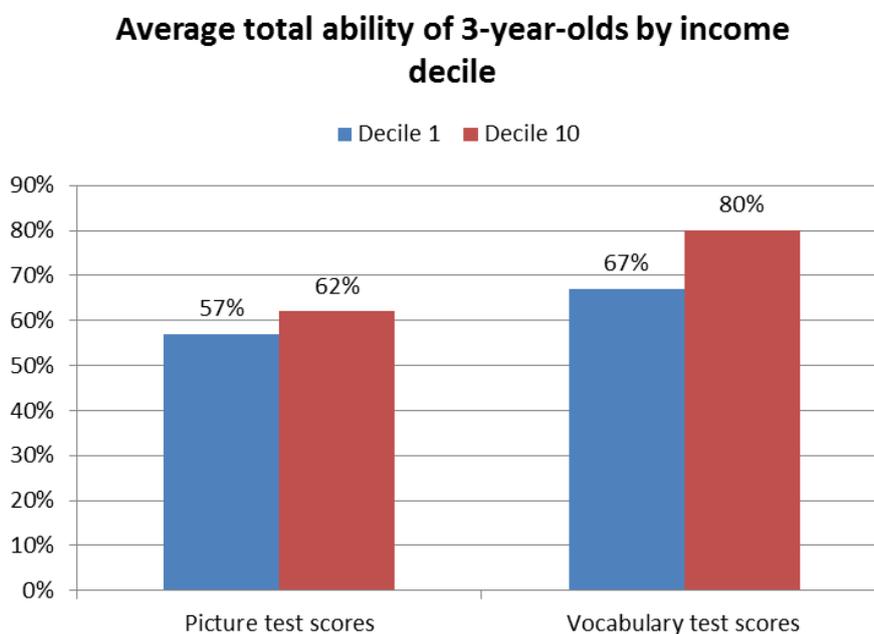


Chart 5: Child deprivation (Source: Eurostat)

Inequality is deeply embedded in Ireland with structural inequality affecting children from the earliest of ages. The recent Growing Up in Ireland research has shown that the impact of being from a lower socio-economic background means that, in terms of literacy and numeracy, by the age of 3 a significant gap has grown between the poor and better off as inequality and poverty impact on children (see Chart 6). This gap continues to grow during the life of the child.



**Chart 6: Children’s developmental test scores by income**  
(Source: ‘Growing up in Ireland’ National Longitudinal study)

**vi. Gender**

Women are much more likely to find themselves in low paid precarious jobs than are men. They are under-represented in senior employment ranks – most notably in the political arena – and where they hold the same positions as men, they are paid less for the same work. This is often in spite of achieving an equal, if not higher, degree of educational attainment.

Women represent 60% of all low paid workers in Ireland.<sup>18</sup> Half of women workers earn less than €20,000; this is below the median wage of €23,701.<sup>19</sup>

With few exceptions, women workers have a higher incidence of low pay than do men across the OECD countries. This holds true in the case of Ireland, where 29% of female workers are in low paid jobs, in comparison to 19% of male workers.

<sup>18</sup> NERI, Quarterly Economic Observer, Spring 2015

<sup>19</sup> NWCI, ‘Budget 2016: Turn It Around For Women’, September 2015.

## Incidence of low pay by gender in OECD countries

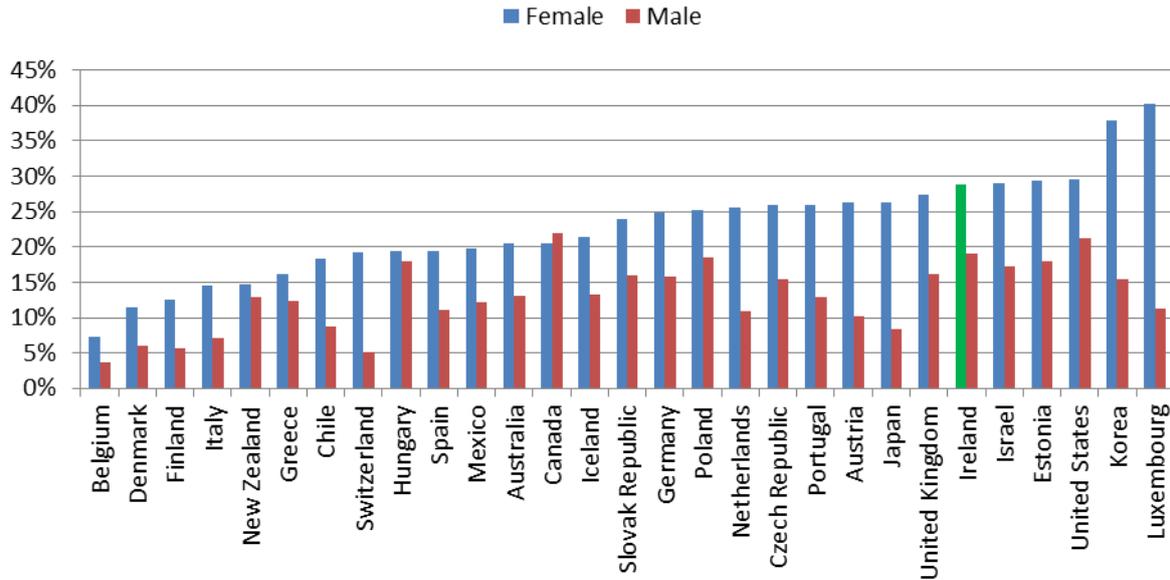


Chart 7: Gendered low pay incidence (Source: OECD Stat)

A total of 35% of women worked part time in Ireland during 2014, more than double that of men. The issues associated with women entering paid work are amplified for lone parents. The employment rate for lone parents whose youngest child is aged 0 to 5 years is 42%, compared to a rate of 63% for the labour force as a whole.<sup>20</sup>

A woman's role in the home is rooted in the Irish Constitution, where a limited role is envisaged for women in the paid labour force.<sup>21</sup> As a result, 70% of family care work is undertaken by women. The lack of public provision and related high cost of childcare stands as a structural barrier to women entering any kind of paid employment – low paid, precarious, or otherwise.

### vii. Taxation in Ireland

Ireland had the fourth lowest government revenue in the EU at 34.4% of GDP<sup>22</sup> in 2014; this is set to fall to 32% in 2016 and 31% in 2017.

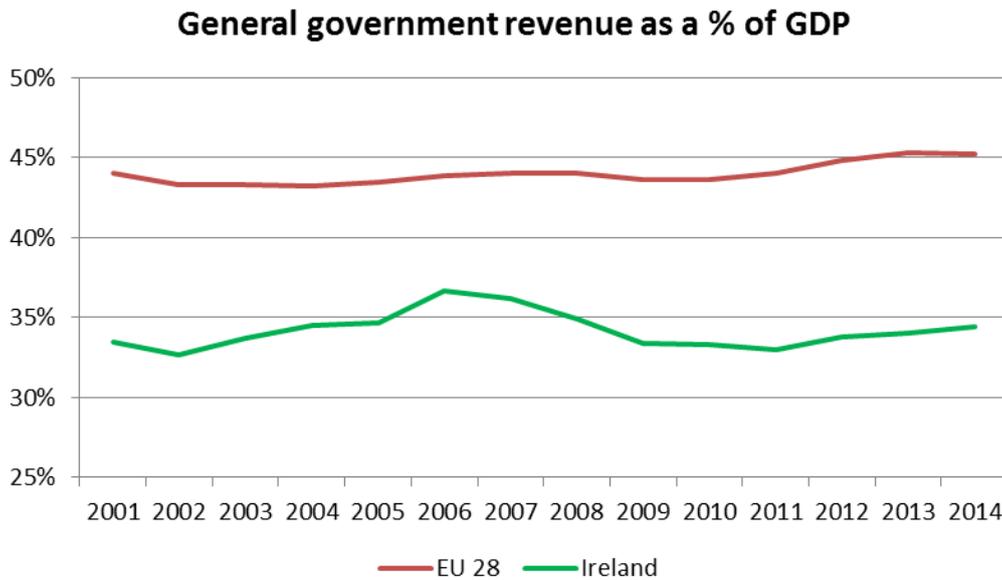
The average ratio for the EU28 (45.2%) is over 10% higher than it is in Ireland and two EU countries (Denmark and Finland) have a revenue-to-GDP ratio that is over 20 percentage points higher than in Ireland.

Ireland's extremely low revenue rate is mostly due to very low social insurance charged on employers, a lack of a higher rate of tax on very high incomes, a low corporate tax rate and lower tax and social insurance on average and low income workers (although indirect taxes affect these groups more).

<sup>20</sup> CSO, 'QNHS Household and Family Units Q2 2015', September 2015.

<sup>21</sup> Ursula Barry, 'The Policy on Gender Equality in Ireland', European Parliament, 2015.

<sup>22</sup> GDP is used here as the standard international comparator. For a useful discussion of the relative merits of using GDP or GNP as the international comparator, see here: <http://www.nerinstitute.net/blog/2016/01/06/low-tax-low-spend/>



**Chart 8: Government revenue (Source: Eurostat)**

#### ***Income Tax Rates in Ireland***

People on low and average incomes in Ireland pay much lower income taxes than what their comparators pay in other countries. People on above average incomes pay less tax than they would pay in European countries, but slightly more than they would pay in English-speaking countries (including the UK).

Higher earners in other European countries pay significantly more tax than higher earners in Ireland.

Ireland has a progressive income tax system with very low earners exempt from income tax. A notable feature of the Irish income tax system is that ‘progressivity’ is at its strongest between €18,000 and €70,000, i.e. tax increases most steeply within these bands. Thereafter, ‘progressivity’ declines because there are no increases in taxation on higher incomes.

## Effective rates of income tax by gross income

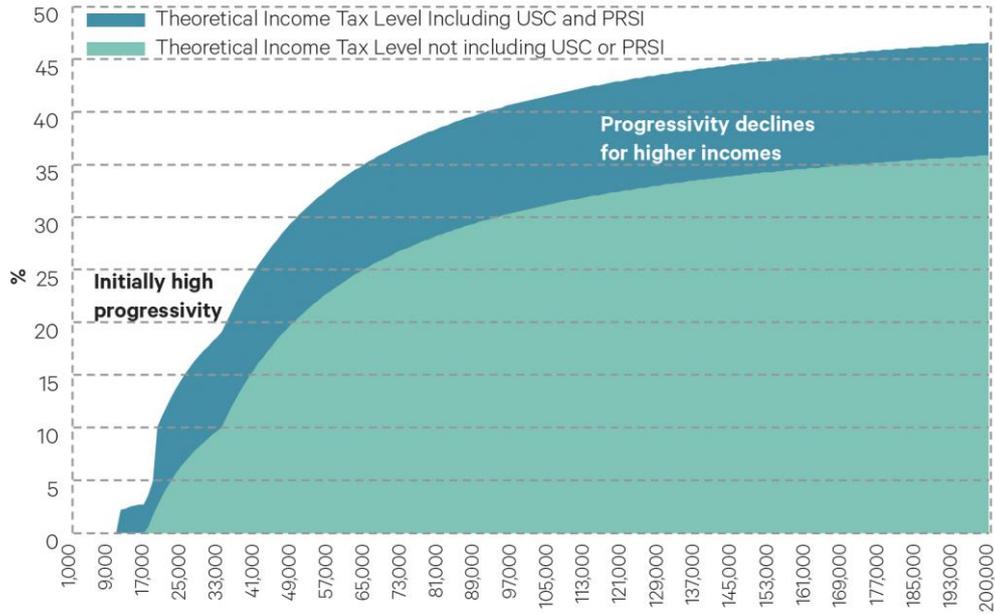


Figure 4: Effective income tax rates (Source: TASC calculations from Revenue data)

### viii. Public Services and Investment

In line with the revenue base, Ireland had the sixth lowest government expenditure in the EU at 38.2% of GDP in 2014, against the EU 28 average of 48.2% (see Chart 9) and an EU 15 average of 49.5%; and with the second lowest level of public capital investment in the EU.

## General government expenditure as a % of GDP

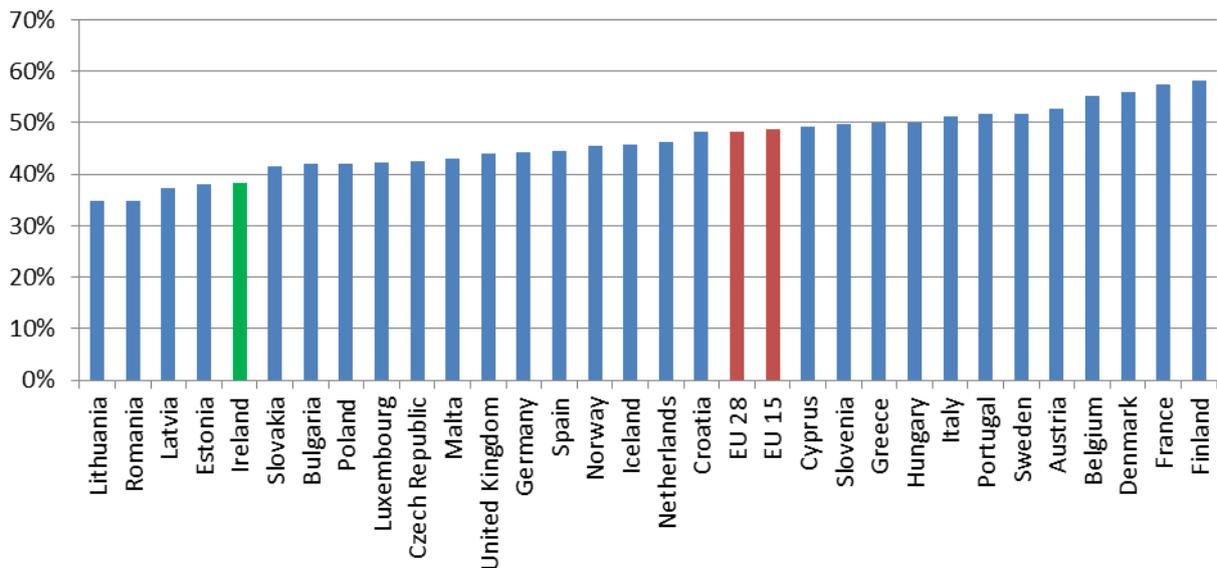


Chart 9: Public spending (Source: Eurostat)

Total public spending as a % of GDP will fall to 33.1% in 2016, 32% in 2017 and then 31% by 2019 and 2020 against a Euro area average that will be closer to 50%. This shows that by 2020 Ireland could end up with the lowest government expenditure in the EU.

Ireland also has the lowest investment in capital infrastructure in the history of the state with capital spending at around 2 % of GDP, below the EU average of 2.7% of GDP.

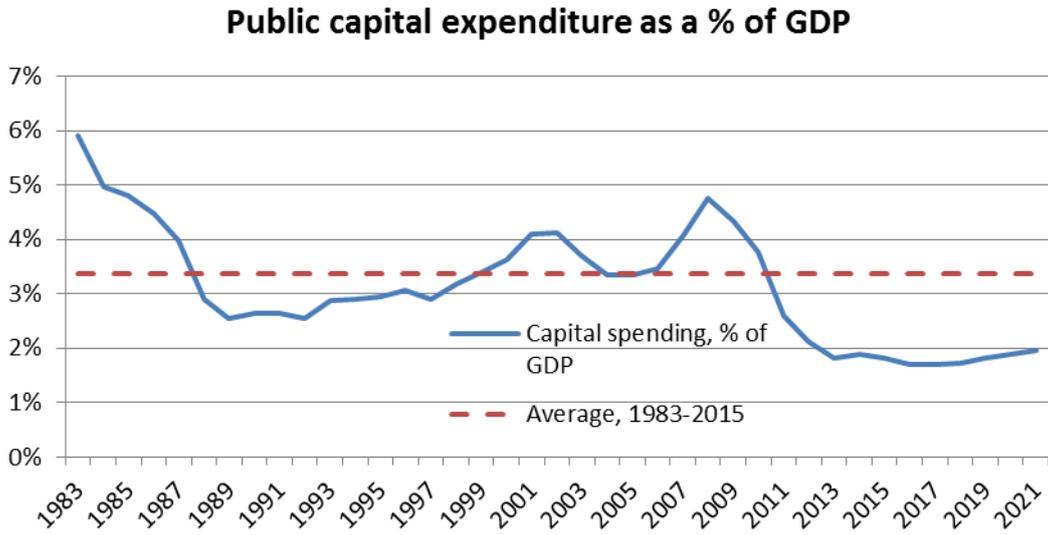


Chart 10: Public capital expenditure (Source: IFAC Fiscal Assessment Report, November 2015)

**Health Spending**

Ireland’s spending on health as a % of GDP at 8.1% is below the OECD average of 8.9%.

But only 68.5% of health spending in Ireland is public (i.e. 31.5% is private) versus the OECD average of 72.7% and countries such as the Denmark where it is 84.3% and the UK where it is 86.6%. This means that only 5.5% of GDP is spent on public health care in Ireland versus 7.3% in the UK. The % of total healthcare spend that is public is an important measure of the equity of healthcare systems.

## Current health expenditure by sector in the OECD

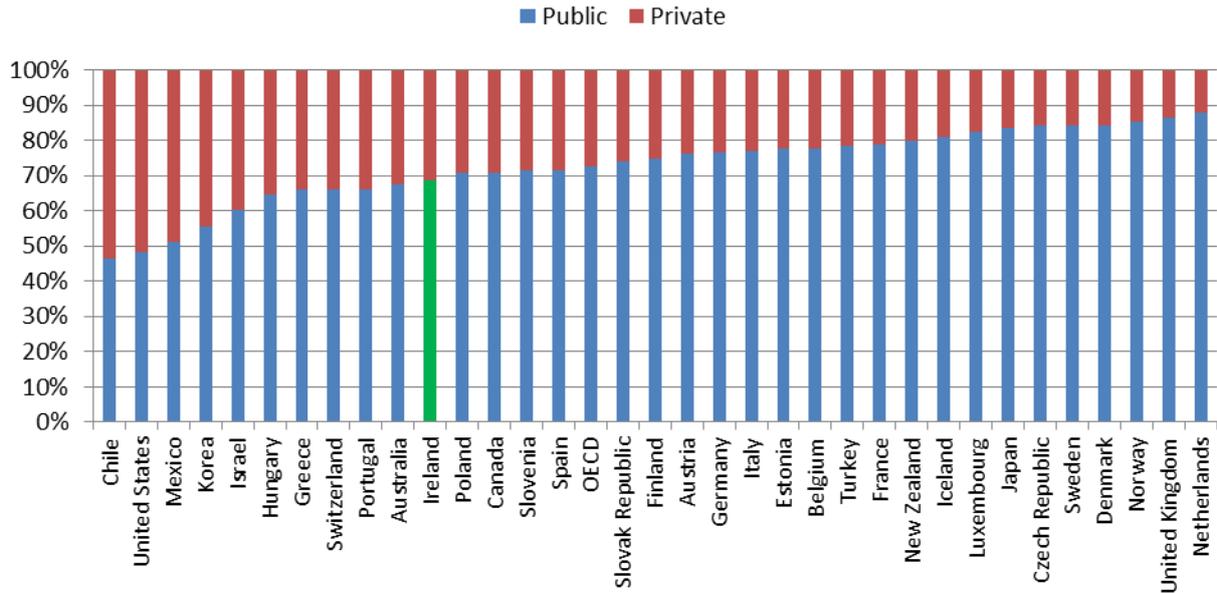


Chart 11: Health spending by sector (Source: OECD Stat)

### Social Welfare

The social welfare system is a core component of fairness and equality in Irish society. Social protection payments provide a safety net for almost all families and directly support the living standards of a large proportion of our society. Via child benefit, illness and disability payments, unemployment supports and old age pensions, among others, the system dramatically alters the shape of Ireland's income distribution and enhances equality. Only 15% of social protection spending is for those who are unemployed (€3bn out of €19bn). In fact without social welfare payments and transfers to both working people and families and the unemployed, 49.8% of Ireland's population would be at risk of poverty (up from 43% in 2008).

The basic social welfare rate for a single person is almost €20 a week below the poverty line. Yet the basic welfare payment has not been increased since 2011, while cuts to welfare assistance for those under 25 remain in place. This is despite the fact that inflation has increased 4.5% since 2011 and thus erodes the value of the basic social welfare payment.

### Housing

Since 2011 Ireland has had the lowest level of social housing construction (local authority, voluntary and cooperative housing) in more than 40 years (even lower than during the recession in the 1980s). This resulted in severe cuts to regeneration projects in disadvantaged local authority estates across Dublin, Cork and Limerick.

## Social house completions by sector

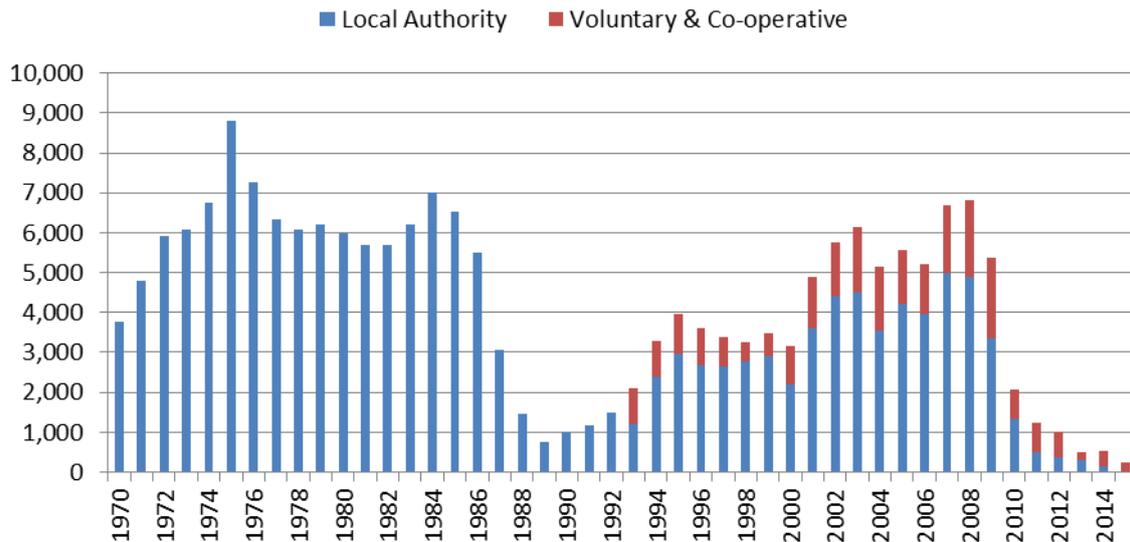


Chart 12: Social housing completions (Source: Department of Environment)

The scale of the housing emergency includes over 90,000 people on social housing waiting lists and 1,500 children and their families are homeless in Dublin. There was a 110% increase in homeless children between August 2014 and December 2015. Mortgage arrears also remains a problem: despite the fall in the total number of mortgage accounts in arrears, the number of mortgages in arrears over 720 days has risen by almost 45%, to 37,269 in 2015. This could possibly bring an additional 16,000 repossessions.

The Social Housing Strategy 2020 had a very welcome commitment to put local authority and social housing back as a central plank of housing policy. However, of the 110,000 'social housing' units in the plan, 75,000 are to come from the private rented sector (through the rent allowance and the Rent Accommodation Scheme).

Adding to this, NAMA has been selling off its residential and commercial property and land (as is likely to happen with the promised 20,000 'starter homes') to international vulture funds rather than to Irish people who need the housing.

### **Cost of Living**

The low level of public spending and the often marketised nature of the Irish economy and society mean that Ireland remains an expensive place to live. The cost of living in Ireland is now 25% higher than the EU average. Inadequate public services and infrastructure contribute significantly to the high cost of living, particularly in areas such as childcare, housing, education, healthcare and transport. Also, people on low incomes are worst affected by high costs of basic necessities as they take a larger proportional slice of their income.

This explains Ireland's high level of household indebtedness, where Ireland has the fourth highest level of household indebtedness in the OECD as a percentage of net disposable income.

## Household debt as a % of net disposable income in OECD countries

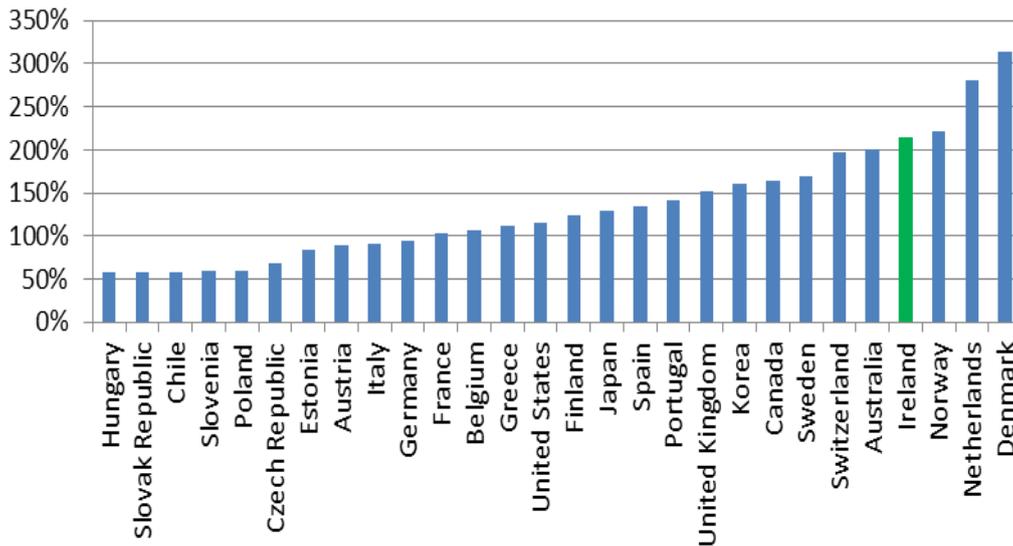


Chart 13: Household debt (Source: OECD Stat)

High costs, such as childcare, worsen inequality in many ways. For example, evidence from the Growing up in Ireland study shows the impact of inadequate childcare on lower income groups taking up employment. Those in the lowest two deciles are over six times more likely to be prevented from looking for a job because of difficulty arranging childcare than those in the highest two income deciles. While those in the lowest decile are five times more likely to have turned down or left a job because of childcare difficulties. Providing a high quality, affordable, universal, public early childhood care and education system would, therefore, be a key way to address inequality and poverty.

## Difficulty in arranging childcare by income decile

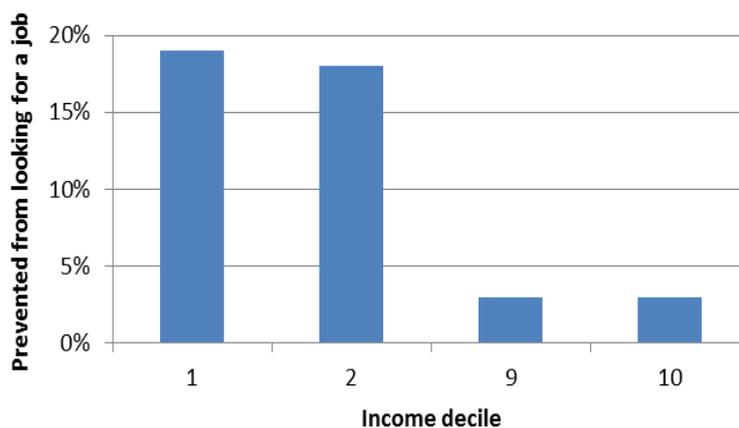


Chart 14: Access to childcare (Source: 'Growing up in Ireland')

## ix. Public Opinion and Equality Proofed Budgets

Despite the dominant focus of media and political debate on tax cuts, a number of opinion polls over the last few years have shown that a majority favour investment in public services.

A recent Eurobarometer poll, for example, shows people's main concerns in Ireland are housing (34%), health and social security (29%) and unemployment (32%), with tax much less of a concern (9%). Likewise, a Behaviour and Attitudes survey commissioned by TASC in June 2015 showed that almost 70% of people felt the government should prioritise investing in public services rather than spending money to cut income taxes.

### Majority favour public investment over tax cuts

Issue	Cited As Most Important in Ireland	EU Average
Housing	34%	8%
Unemployment	32%	36%
Health and Social Security	29%	14%
Crime	21%	10%
Rising Prices/Cost of living	16%	14%
Taxation	9%	8%

**Table 4: Public spending versus tax cuts**  
(Source: Eurobarometer, Public Opinion in the European Union, Autumn 2015)

An opinion poll commissioned by TASC in December 2014 found that 50% of respondents were willing to pay higher taxes to improve public services, and 63% supported an increase in the tax rate for high earners (over €100,000 per annum). The majority also favoured a wealth tax.

The trend in these polls indicates that Irish people increasingly want to see accessible and high quality universal health care, education and other key public services and they see these as a priority over tax cuts (Chart 15).

### Level of agreement with: The government should prioritise investing in public services rather than spending money to cut taxes

■ Strongly agree ■ Agree ■ Don't know ■ Disagree ■ Strongly disagree

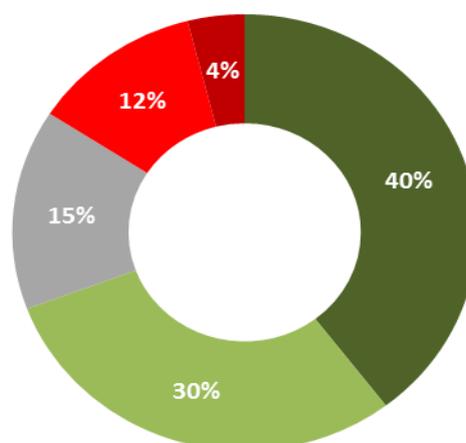


Chart 15: Public services favoured over tax cuts  
(Source: TASC Behaviour and Attitudes Survey, 2015)

#### ***Enabling Public Debate on Economic Choices: Equality Proofing the Budget***

What the opinion polls show is that equality matters to Irish people and they want to discuss the key priorities for economic policy. There is a need for more transparent government policy making to ensure that the public is informed and economic policies are equality proofed.

An Equality Impact Analysis of the annual government Budget should be presented to the public well in advance of the Budget being presented, not after.

The Budget is a key mechanism through which we indicate as a country where our priorities lie. It is therefore essential for democracy, public engagement and social inclusion that the budgetary process is as accountable and participative as possible. It would be helpful if such reform of the budgetary process was implemented for Budget 2017.