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FOUNDATION FOR EUROPEAN
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Cherishing All Equally 2017

Economic Inequality in Ireland

James Wickham

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Cherishing All Equally 2017: Economic Inequality in Ireland

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JW

Preface

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Cherishing All Equally 2017 (CAE2017) is the third edition of TASC's annual report on economic inequality in Ireland.

Cherishing All Equally 2015 (CAE2015) pulled together existing statistics to present a systematic overview of economic inequality in Ireland. TASC's focus on economic inequality stems from our conviction that a good society is only possible if material resources are distributed in such a way that everyone can be full members of the society.

Our concern at TASC is therefore with the nuts and bolts of inequality. However, as CAE2015 stressed, even this basic inequality has multiple dimensions. It involves income and wealth, but also government spending and taxation, as well as the quantity and quality of public services.

This year's report moves from the general to the particular. Chapter 1 looks at the overall nature of economic inequality in contemporary market democracies: it justifies the focus on inequality within rather than between societies. Chapter 2 concentrates on Ireland within a comparative European framework. Within these international and national frameworks, Chapter 3 looks at one of the most dramatically visible aspects of inequality in Ireland today – the housing crisis.

Europe need not be America

The international perspective highlights both American uniqueness and the importance of the European welfare state. More so than ever before, American society is based on unprecedented economic inequality: ordinary Americans' incomes are mostly stagnant or even in decline, while the gains from economic growth are now pocketed by a tiny minority. While similar trends are visible in Europe, they have been to some extent contained by our national welfare states and even somewhat by the EU itself.

Inequality is not only growing, its form is changing. The expansion of the market commodifies more areas of life: in the absence of good quality public services (pensions, child care, housing, health etc.) the accumulation of private wealth has become more of a necessity for more ordinary people, while paradoxically such accumulation is increasingly the preserve of those at the top. This deceptively democratic 'financialisation' of ordinary life is interwoven with the importance of finance in the economy as a whole where the greater one's financial wealth the more political power one has. In the latter part of 20th century advanced societies could be seen as having a diamond shape – there were a few poorer people, a few richer people, but most people were in the middle. Now the middle is being hollowed out, and society comes to resemble an hour glass with growth at the top – and the bottom.

Tackling these disturbing trends involves more than the longstanding focus of equality and social justice campaigns on taxation and social security. We have to look first at the underlying distribution of income. To use a newly fashionable term, it means a focus on *pre-distribution* rather than just re-distribution. Hence the slogan 'Europe needs a pay rise'. Compared to the US, income differentials have always been narrower in Europe. The societal benefits of this are confirmed by much new research and has been widely accepted as essential to societal cohesion. If this is to remain the case, then it is imperative that at a minimum there is no further erosion in real terms of middle income earners' salaries and wages. It is equally important to raise low income earners to the levels of a living wage, now also accepted in principle by many, but not yet addressed in legislation. To halt the expansion of precarious work and the resulting growth of low wages at the bottom of the society urgent legislation is required. Last year for example TASC suggested that a start could be made by amending the remit of the Low Pay Commission to achieve this end. This has not happened and the recent increase in the minimum wage was grossly inadequate in addressing the issue.

Universal publicly-funded services reduce economic inequality and contribute to social solidarity. If one does not have to pay directly for basic social facilities, then the quality of life and standard of living is more equal for everyone. At the same time the fact that all citizens can use the services to the same extent enhances social solidarity. Universal childcare would also enable more parents to take regular jobs and so move many out of poverty.

Ireland's over-stretched and underfunded welfare state

The indicators introduced in *Cherishing All Equally 2015* are used in Chapter 2 to examine economic inequality in Ireland today. These show how in terms of gross (market) income Ireland is the most unequal society in Europe. However, social security payments and taxation combine to bring the distribution of income closer to European norms.

This qualified success of the Irish welfare system in reducing inequality reveals the nature of Ireland's inequality problem. The state chooses to heavily subsidise the lower paid, the sick, the elderly, and the homeless to counter-act Ireland's low level of employment, our large low wage sector, our extensive precarious employment and the lack of investment in universal public services, without in fact addressing the underlying inequality. This means not just payments to those not at work, but now also more in-work benefits. The state has ended up subsidising the low wage economy – and providing employers with cheap workers. The flip side of this concentration on monetary compensation for low market incomes and our low tax model, is the state's incapacity to plan, to provide proper infrastructure or to organise proper services.

The pre-programmed housing crisis

Chapter 3 focuses on the most dramatic aspect of economic inequality in Ireland today – the housing crisis. This was a crisis waiting to happen.

Chapter 1 showed the importance of lite wealth (commodified property) in contemporary society. This seeming democratisation actually hardens inequality, not least through the new importance of inheritance. Chapter 2 documented the expansion of this form of wealth in Ireland and its flip side, the new risks of over-indebtedness. In fact it is precisely because housing is treated in Ireland as a commodity and not as a service that today's problem has emerged.

One direct cause of the housing crisis has been the almost complete withdrawal of the state from the direct provision of social housing. A response to the crisis has been the increasing reliance on the private rental sector to provide social housing through various forms of rent subsidy. Just as state subsidies to wages are in effect a subsidy to private employers, so subsidies to rent are subsidies to private landlords.

Housing is commodified, that is to say, simply an asset that can be bought and sold. Housing is also financialised, in that this asset can be become part of the wider financial system, it can be used as collateral for loans, it can be spliced and diced into ever more complex financial instruments. This in turn facilitates the entry into the Irish housing system of large-scale international investors whose only interest is of course a high return and consequently high rent and ever higher house prices. As Chapter 3 shows, it is precisely the high rents that makes Ireland so attractive to such funds. The financial and housing crisis triggered in 2007 in Ireland shows what happens when commodification and financialisation of homes become central to government growth policy, as is now openly the case again.

It is time to re-assert the proud tradition of European welfare states – a house or an apartment is first of all a home, not first of all an asset. A social Europe must mean a Europe which houses its citizens. That is not only the responsibility of the state, it is also within its capacity.

This report is a further contribution to an analysis of economic inequality in Ireland. It highlights the fact that if we continue on the current path of maintaining a low tax regime, of subsidising low pay, and landlords and developers to provide homes via the market, we are sowing the seeds of ever deeper disenchantment with our political system. The report also indicates how these issues might be addressed.

I referred last year in the Preface to our 2016 CAE report to the potential for a new social and economic approach emerging from a new politics that could arise from the current configuration of the Oireachtas. Unfortunately that potential has yet to emerge. I drew attention to the EU decision-making process. At the EU level parliamentary legislative decisions interact with the Council of Ministers representing Member State governments. The result is consensual legislation. This I believe remains worthy of study. It is not the purpose of this report to address that issue. However if we are to avoid political stasis with serious consequences for our social economic and political life, then it does need to be urgently addressed, particularly as seems likely, a similar configuration arises following the next general election.

To conclude I wish to thank the staff of TASC, the authors of this report, and our voluntary collaborators without whose expertise this important contribution to our understanding of how we might move towards a flourishing society could not have been written.

I also which to thank Atlantic Philanthropies for their continued financial support and our partners FEPS.

Proinsias De Rossa
Chair of the Board
TASC

Chapter 1

Inequality – A matter of choice

Inequality - A matter of choice

Economic inequality is about the unequal distribution of material resources within society. This inequality has been growing for some time, but until recently social scientists have paid little attention – and politicians even less. In recent decades across the western world, many progressives have focused on identity politics, not noticing the economic gaps opening up in front of their eyes. Now however economic inequality is back on the political agenda.

Cherishing All Equally 2017 is the third edition of TASC's annual report on economic inequality in Ireland. This first chapter provides the overall context. It shows how economic inequality has been growing in rich societies, especially in the USA where inequality has reached levels not seen for about a hundred years. We in Europe have not been immune to these processes, but to some extent have been protected by our welfare states. Defending this European achievement is now crucial.

The first section of the chapter shows how no particular level of economic inequality is inevitable. Today and in the past, some societies are been more prepared to tolerate extremes of inequality than others and here the USA is the extreme case. As the second section argues, today a crucial component of inequality is the new importance of wealth – both for the super-rich ('heavy wealth') and for ordinary people ('lite wealth'). As the third section suggests, figures on income and wealth distribution point us to considering the social reality and social structure of contemporary unequal societies: European societies are moving from 'diamonds' to 'hour glasses'. The fourth section shows how growing inequality has no simple single cause, for different processes have been operating at different points in time in different countries. Therefore rolling back inequality cannot depend on one silver bullet. Nonetheless, tackling inequality is about politics: this means finding simple basic demands that can be supported across Europe. Two such demands are an increase in basic pay ('Europe needs a pay rise') and effective childcare for all.

1.1 Inequality: inevitable, variable?

The discussion of inequality is nearly always within a national framework. We say that 'societies have been becoming more equal' and by 'societies' we mean the nation state. The nation states of Europe – especially those of Western Europe – are welfare states with limited economic inequality. By contrast, American exceptionalism is the extent to which the USA accepts 'high and rapidly rising inequality' (Kenworthy and Smeeding 2016).

Inequality within Ireland, the EU, the World?

We may say that a greater proportion of the population are poor in Ireland than in Sweden. However, in global terms nearly all the Irish population is privileged: in European terms this is a normal relatively affluent country.

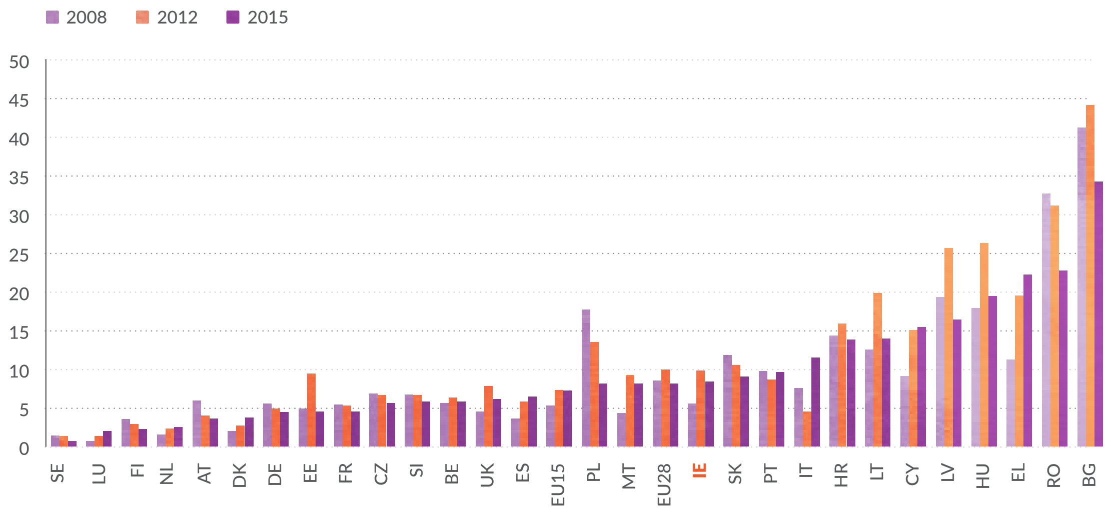
One measure of poverty used by Eurostat, the EU's statistical office, is the extent to which people are deprived of material necessities. For example, one such necessity would be to be able to afford a full meal with 'meat, fish, chicken or a vegetarian equivalent every second day'. In 2014 fully 20% of the population of Romania were deprived in this way, but only about 8% in Ireland and a mere 1% in Sweden **(Chart 1.1)**. It's therefore hardly surprising one early study showed that those in the top quarter of the income distribution in Romania were more likely to be materially deprived than those in the poorest quarter of the income distribution in Ireland

(Fahey 2007). In other words, in terms of material standard of living it is better to be poor in a rich country than rich in a poor country (see especially Milanovic 2016).

The extent of such deprivation is a good measure of the standard of living of the poorest within a society. In these terms Ireland appears as a rather normal European country. Eurostat defines severe material deprivation as doing without at least four from a list of nine necessities. As **Chart 1.1** shows, in 2015 the Irish severe material deprivation was almost exactly the same as the level for the EU28 as a whole, somewhat more than UK, somewhat less than Italy. The chart also shows how in most countries deprivation has fallen, with the most dramatic improvement in Poland. In the 'old' EU by contrast in countries hit by the crisis the deprivation rate increased between 2008 and 2012, the extreme case being Greece where deprivation has continued to rise.

What impacts on people's sense of well-being seems to be the level of inequality in their particular society, not in the world as a whole.

Chart 1.1 Severe material deprivation in EU Member States: 2008, 2012, 2015



Note: Severe material deprivation: at least four from list of nine deprivations.
Source: Derived from European Commission (2016: Chart 48)

Mass migration demonstrates that people do make comparisons between countries as well as within them. One reason for mass migration has always been the belief that you could do better 'over there', even if you know you will end up at the bottom of the new pile. Nonetheless, for most of us most of the time the national and 'society' are approximately coterminous. So what matters is differences within our society. And this is sensible. What impacts on people's sense of well-being seems to be the level of inequality in their particular society, not in the world as a whole.

A potted history of inequality in the West

At some point in the 20th century developed capitalist societies began to become more equal. The move towards greater equality began in Europe around the time of World War I but in the USA it probably only started in the 1930s. Central here was the expansion of the new welfare states, especially after World War II. Several decades later, inequality began to increase again. Once again these changes did not all occur at the same time and in the same way. The new trend towards greater inequality began first in the USA in the 1970s. By contrast, in Europe the change was later and less consistent - indeed none of the EU15[1] countries show a continual rise in inequality over the entire period since the 1970s.

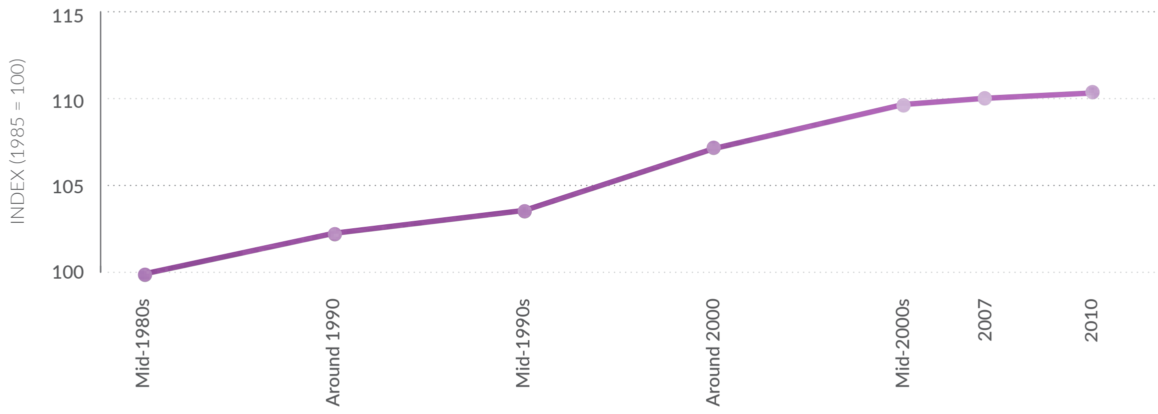
With the end of the 'War on Poverty' the major period of welfare state expansion in the USA was over by the 1970s, whereas the next two decades marked the consolidation of European welfare states as we know them today. Right up until the 2008 crisis, talk of welfare state cutbacks masked the reality of a continuing expansion of social expenditure. Thus between 1982 and 2007 social spending as a proportion of GDP *rose* in most OECD countries including the USA. It fell slightly in Sweden and *quite significantly in Ireland* (Wickham 2016:28; OECD 2011:74).

Box 1.1 Oh happy days – Europe in the 1960s?

Was it better in the past? There have been periods when economic growth coincided with growing equality. Thus in the USA from the New Deal of the 1930s through until the 1970s there was consistent economic growth and growing equality. The same occurred in Europe in the 'trente glorieuse' - the three decades after World War II. Of course, this experience was not that of all Europe, not even of Western Europe. Ireland, like the isolationist and authoritarian regimes of Spain and Portugal, participated in this West European growth largely through emigration.

The simplest way to measure inequality is the Gini coefficient. This generates an inequality score ranging from 0 (the extreme case of complete equality) to 1 (complete inequality). Overall inequality measured by the Gini coefficient has been rising in OECD countries since the 1980s **(Chart 1.2)**.

Chart 1.2 Trends in the OECD average Gini coefficient of income inequality (mid-1980s – 2010)



Source: European Commission (2014: 394)

[1] EU15 – the member states of the European Union after the 1995 enlargement and before the Eastern enlargement of 2004.

Looking at this in more detail, **Table 1.1** shows Gini coefficients for six different countries from the 1970s to 2010. It shows both how inequality has risen in all these countries and how inequality is far greater in the USA than in any of these European countries. Within Europe the largest increase in inequality occurred in Sweden. As a result, whereas the Nordic countries are usually assumed to be the most egalitarian societies in Europe, this is no longer unambiguously the case (Toth 2016). Finally, although the general trend over time has been towards increasing economic inequality, this has not been a steady continuous rise: in Ireland for example the table shows a fall in economic inequality between 2005 and 2010.

Table 1.1 Income inequality 1970s-2010: Gini coefficients

Year	France	Germany	Ireland	Italy	Sweden	UK	USA
Mid-1970s	–	–	–	–	21.2	26.9	31.6
Mid-1980s	–	25.1	–	28.7	19.8	30.9	34.0
Mid-1990s	27.7	26.0	–	32.6	21.1	33.7	36.1
2000	28.7	26.4	–	32.1	24.3	35.2	35.7
2005	28.8	28.5*	32.3	33.0*	23.4*	33.5	38.0
2010	30.3	28.6	29.8	31.9	26.9	34.1	38.0

Source: Wickham (2016: 95) from OECD Income Distribution and Poverty Database

American exceptionalism

In the middle years of the last century, Europeans often looked to the USA as a land of equality. Those days are long gone. Today the USA has been the pace-setter for the growth of inequality within market democracies.

Box 1.2 USA split screen nightmare

Of all the democratic capitalist societies, the USA is now the most class-divided. In his recent book *Our Kids* the American social scientist Robert Putnam (2015) describes the USA as a 'split screen nightmare'. Since the 1970s earnings have been falling amongst the least educated, while at the top incomes have been growing. The net wealth of the poor has fallen, while the wealthy are wealthier, ensuring in turn that their children start their careers without debt from college fees. Amongst poor white women, life expectancy has actually fallen. And so it goes on. Affluent Americans and poor Americans now live in different worlds. The affluent live with the affluent, often in gated communities, the poor only have other poor for neighbours. In education the classes often now attend different schools, so young people have few friends outside their own social class. Finally, the affluent increasingly marry the affluent, so families become more homogenous.

Contrary perhaps to European perceptions, the USA has always had a large number of poor people (poor that is relative to the median income) as well as a significant number of the extremely rich. Even in the 1970s the USA was more unequal than any other advanced society. From the 1980s however inequality began to grow, driven firstly by more unequal wages. Those on the lowest earnings were left behind by those in the middle. However from the 1990s up until the present day the driver of inequality has been very different: the growth of incomes at the very top of the society. While middle incomes have been stagnating or even falling, the top few percentiles of the income distribution have essentially cornered all the gains of economic growth (Kenworthy and Smeeding 2016; OECD 2014).

Why reduce economic inequality?

Amongst richer countries some are more unequal than others. There is no general relationship between a country's wealth (as measured for example by GDP per capita) and its level of economic inequality. As **Table 1.1** has already shown, countries of broadly similar levels of wealth, such as the UK and Sweden, are consistently different in terms of their level of inequality. This makes clear that there is nothing inevitable about a particular level of inequality.

In the past economists often argued that economic growth was reduced by egalitarian taxation and social policies. There is now a broad consensus that inequality is so high in the USA that, whatever about elsewhere, it is detrimental there. The low spending power of the mass of the population is a constraint on overall growth. For economically sustainable growth it is therefore necessary to raise incomes at the lower end of the distribution (Stockhammer and Onaran 2013).

This is the utilitarian basis for the argument for 'wage-led growth' promoted by the European Trades Union Congress (ETUC). However, this acceptance of 'growth' as desirable in itself also ignores the environmental catastrophe that contemporary forms of growth are creating. We need green growth, not just any growth.

Furthermore this economic argument for equality might be wrong (greater inequality might generate more growth). There are however more important non-economic arguments for greater economic equality.

Societies that are very unequal generate social exclusion. Social exclusion occurs when people have so few resources that it is impossible for them to have what the rest of society considers a 'normal' standard of living and a normal style of life. Once this happens the poor do not just have fewer material resources, they become different. Society is made up of us and them. In an unequal society the rich can also be excluded: they live such different lives that they have no contact with ordinary people and no understanding of their lives.

Box 1.3 Is inequality bad for everyone?

In *The Spirit Level* Wilkinson and Pickettt (2009) showed that more unequal societies (such as the USA) have lower levels of health as measured by infant mortality and life expectancy than more equal societies (such as Sweden). More generally, they argue that inequality undermines social cohesion - the shared trust within a society. Consequently, they claim that everyone loses from inequality. However, critics point out that such correlations do not show causality. It is very difficult to identify the direct links between, for example, rising inequality and falling trust (e.g. Nolan and Whelan, 2016).

By contrast, a relatively equal distribution of income and wealth allows everyone to participate in the shared life of the society. All members of society feel they share a common fate. This commonality benefits everyone, rich and poor: combining a relative degree of equality with political freedom allows everyone to participate in the society. This is the form of equality to which European social democrats have usually aspired; in the past it has often been supported by many European Christian democrats.

The nightmares of the 20th century show that attempts in the name of equality to completely abolish markets just end up generating new inequalities based directly on political power. What matters however is the variety within market-based democracies: contrast egalitarian Sweden and unequal UK, compare the USA in the 1950s with the USA today. These differences are the result of socio-political choices. There is nothing inevitable about a particular level of economic inequality within market-based democracies.

Without an effective social policy the EU is probably doomed to disintegration.

Welfare states make a difference

Comparing the USA and Europe highlights the important role of the European nation state in restraining inequality. Compared to the USA, European states redistribute more money. They are able to raise some taxes from the better off, and, because they are welfare states, they transfer some of this to lower income households. Compared to the USA, European states are more likely to provide services (health, education, social care, housing, transport…) either free or at reduced cost and to make these available to the population as a whole. All of this means that in Europe (with important variation between countries) there is a larger public sector than in the USA. Compared to the USA all European states regulate the labour market and ensure (as always to varying degrees) minimal rights for employees. More so than in the USA, trade unions remain significant and employees have rights of representation.

Europe is different because of our welfare states, but paradoxically that has little to do with the European Union (Wickham 2016). Indeed, increasingly ordinary Europeans seem to see the EU as undermining their national welfare state. It is the EU that ensures that 'posted' workers can undercut national wage rates, it is the EU that enforces the privatisation of state services. National social policy has attempted to protect the population against the side-effects of market change, but now the EU appears only concerned to enlarge the market. Without an effective social policy the EU is probably doomed to disintegration.

1.2 Wealthy societies?

Economic inequality also involves wealth, which is almost by definition more unevenly distributed than income. The overall trend towards greater income inequality has been paralleled by a general trend towards greater inequality in wealth. However, the relationship between income and wealth is not straightforward: a society such as Sweden can be relatively equal in terms of income but be relatively unequal in terms of wealth. Household wealth includes both property (especially of course housing) and financial assets and the two may have very different distributions. And finally, unlike for income, there are few internationally agreed definitions and even fewer sources that allow comparisons over time and between countries.

Wealth has become more important. In 2016 the median household net wealth in the Eurozone was €104,100. Although this represents a fall from the level of €109,200 in 2013, it is still considerably higher than any estimate for several decades ago (ECB 2016). Another source shows that in 2010 half of all British households had a net wealth of at least St£218,000 (ONS 2014). The simplest way to see the importance of wealth is the ratio of household wealth to income. In virtually all rich countries this increased by at least three times in the period from the 1970s to the mid-2000s (Maestri et al 2016: 85).

The nature of wealth has been changed by financialisation. Political economy stresses the growing importance of finance within the economy. Not only does the financial services sector generate an increasing proportion of GDP, but non-financial firms derive a growing proportion of their profits from financial activities (Krippner 2005). In this context both for the very wealthy and for ordinary people, wealth is more and more abstract: wealth is simply assets that can be bought and sold, divided up and put together again. The specific form of wealth becomes less important.

First, the very wealthy have a new power that they did not have before. Second, ordinary people find that their life chances now depend upon their assets (or their debts) as well as on their wages or salaries.

Box 1.4 Money matters

An all-pervasive market means everything can be bought and sold. This is corrosive of personal relations, but it also enables a particular form of individual freedom – the freedom of the consumer. The classic social democratic project restrained this freedom in order to roll back the market and expand the role of the state to benefit all citizens – whatever the size of their wallets. The mid-20th century compromise not only expanded existing state education, but also built the European welfare states with their generalised social rights to health, housing, pensions and income support. Contemporary financialisation re-asserts the primacy of the market, making as much as possible open to purchase – by those who have the money! This is often termed 're-commodification'.

Heavy wealth

The very wealthy have a new power. The global super-rich have re-emerged. Their continued accumulation of wealth means that their incomes now derive from the ownership of assets rather than from earnings in the shape of a salary. In a market-based society with extensive financialisation such wealth is fungible – its form can be changed as assets are bought and sold. This means that the super-rich are disconnected from any institutional structures – their relationship to 'their' firms for example is entirely transitory. In the past families like the Wallenbergs (owners of Volvo) in Sweden were at the pinnacle of firms which were national institutions: their wealth, their firms, their country were all interlinked. Today many of the super-rich have little connection to the country in which they formally reside.

The emergence of the global super-rich has meant a group of wealthy individuals powerful in their own right. Such people live in a totally different world to the rest of us. And because the super-rich have little contact with ordinary people, most have little interest in maintaining the institutions of any national society (see especially Freeland 2013). The growth of the super-rich has generated new forms of luxury consumption ranging from fine art to super-yachts. Luxury consumption on this scale generates jobs similar in many ways to those in the French and Italian luxury goods industries of the 19th century. The growth of the super-rich, in other words, changes the rest of the occupational structure.

Interwoven with the elites of the sporting and entertainment worlds, the super-rich are legitimised partly by their very extravagance. And crucially, the super-rich can have political power – at its simplest by funding political organisations. Like the feudal barons of mediaeval Europe, they increasingly demand both separation and adulation from the rest of society.

Lite wealth

Second, there has been the (re-)emergence of 'lite wealth' or 'mass wealth'. Broad swathes of the population own extensive assets: housing, shares, pensions, life insurance and even cars. For most wealth-holders this wealth is of course their house, but now unlike the traditional family farm or even family business, this property is now fungible or 'liquid'. A house is no longer just a home, it is something that can be used to fund an investment or a pension. As one British home-owner put it: 'I suppose in some ways it's our pension' (Smith 2007: 532).

Wealth in the form of home-ownership is more equally distributed than other forms of wealth. By contrast financial assets, such as shares, are more unevenly distributed. During the 1990s several European governments attempted to expand shareholding especially through privatisation of state enterprises. By 1995 around 25% of all British householders owned shares. The expansion was somewhat later in Germany, but by 2008 there were ten million individual shareholders – outnumbering the seven million trade unionists (Deutschmann 2008). This expansion is real but has not created a share-owning democracy: most shareholders only hold one or two stocks and few actively trade them.

Far more important are financial assets in the form of life assurance and above all pensions. By 2010 only 24% of UK households had no private pension wealth. Especially in the UK, public policy has been to promote private pensions, but nonetheless pension assets are more unequally distributed than other forms of wealth.

The dark side of the commodification of home-ownership is the new financial risks faced by ordinary people. In the UK it is now commonplace that families have to abandon their home because of mortgage difficulties. In both the UK and Ireland the explosion in both countries of the buy-to-let market has led to new forms of over-indebtedness. More generally, the expansion of wealth has been paralleled by the growth of debt. In many countries at least the poorest decile of households have negative net worth (their debts exceed their assets). In Britain in 2010 a quarter of all households had negative financial assets (ONS 2014).

Part of the appeal of lite wealth is that it appears to loosen up the social structure. The accumulation of property appears to be open to all and provide another route of social mobility. If people can become wealthier by investing wisely in the stock market, or (more plausibly) buying a property and then letting it, then their living standards no longer depend just on their wages or salaries. In fact the expansion of wealth reduces social mobility. Wealth, unlike income, can be passed on directly to the next generation: given low birth rates, more and more individuals are now inheriting quite substantial sums. Access to education, let alone access to housing, depends on financial help from parents. Social inequality becomes more direct and becomes financialised.

The super-rich can have political power – at its simplest by funding political organisations

1.3 Economic inequality and unequal societies

Measures of inequality such as the Gini coefficient say relatively little about the 'shape' of the society. Is the society unequal because there are a few extraordinarily rich people, or because there is a large group of people with very low incomes? Is the middle being squeezed because there are fewer people with middle range incomes?

How the problem of inequality is defined has implications for policy. For example, the EU's anti-poverty strategy focuses simply on removing people from poverty, but does not mention any possible changes in the rest of the distribution. The clearest example of this policy was the UK New Labour governments which tolerated or even encouraged increased inequality at the top (the growth of Peter Mandelson's 'filthy rich') but also moved large numbers out of poverty[2].

[2] Mandelson's actual remark was that he was 'intensely relaxed about people getting filthy rich as long as they pay their taxes" ('Peter Mandelson gets nervous about people getting "filthy rich"' *Guardian* 26 January 2012). New Labour assumed that the successful UK financial services industry would generate wealth which then could be utilised through taxation to fund better social services for all. In itself the strategy was actually successful.

The European societies had somewhat less than 10% of their population in poverty. In the USA the proportion was closer to 20%.

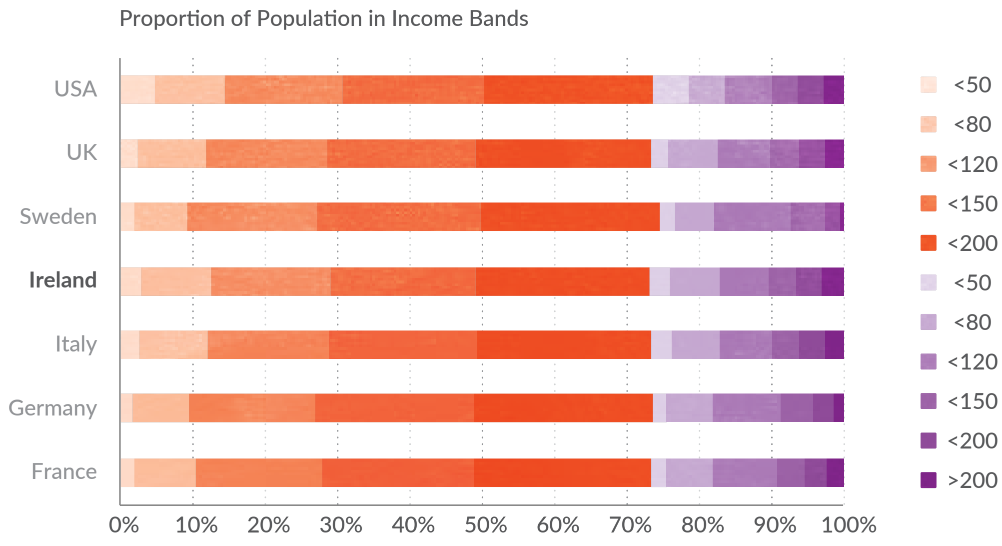
Income bands

One way to summarise the shape of the society is to simply examine the proportion of the population in different income groups, defining income groups as income bands in relation to the median (mid-point) of the income distribution. This is in fact how poverty is defined – those who are defined as at 'risk of poverty' are those with an income of less than 60% of the median. Equally those who are 'privileged' could be defined as those with an income of more than double the median. Although these measures are relative, they do not suggest that poverty (or privilege) is always with us: it is perfectly possible that nobody has income less than 60% of the median, just as it is possible for nobody to have an income above 200% of the median.

Chart 1.3 shows several societies in these terms using data from the 1980s, when the increase in inequality had only recently begun. In this chart the lowest income group is those whose income is 50% or less of the median. Given that this is more restrictive than the normal 60% line poverty definition, this group can certainly be considered in poverty. The chart shows that in these terms all the societies had some people in poverty, but there is a crucial difference. While the European societies had somewhat less than 10% of their population in poverty, in the USA the proportion was closer to 20%.

Turning to the privileged group, **Chart 1.3** shows that all of these societies had broadly similar proportions of their population in this category, with the crucial exception of Sweden, where top incomes were suppressed far more than in other countries. Partly for this reason, Sweden also stands out as the country with the largest proportion of its population in the middle income group (those with incomes from 20% below to 20% above the median). In these terms, 1980s Sweden was the ultimate middle class society;

Chart 1.3 Income groups and income bands 1980s

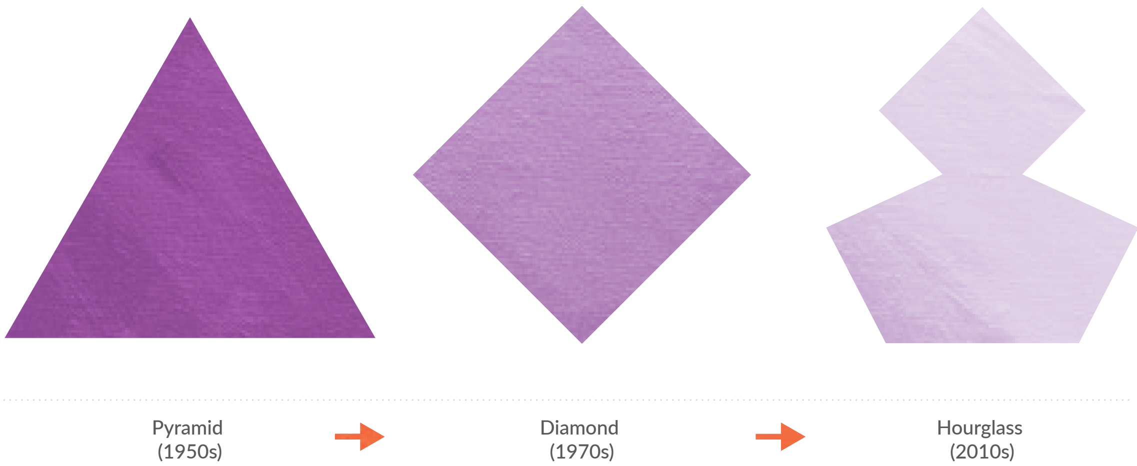


Source: Wickham (2016: 96) derived from Atkinson et al (1995)

From pyramid to diamond to hourglass

Discussing the shape of the income distribution begins to connect to social structure and hence to the lived realities of inequality. Thus the narrowing of income inequality in the middle of the last century meant more people in the middle. Having resembled a pyramid (few at the top, more at the bottom) at the start of the century, in the social democratic 1970s societies resembled a diamond with few people at the bottom or at the top (**Chart 1.4**). In such societies it was possible for everyone to hold a shared definition of what was 'normal'. Notions of social exclusion and poverty, for example, could plausibly appeal to a shared understanding of a normal standard of living from which nobody should be excluded. Now society perhaps resembles an hour glass with both top and bottom growing again: the 'squeezed middle' thesis suggests that there are now relatively fewer people in the middle (Alderson and Doran 2013)[3].

Chart 1.4 Shapes of society

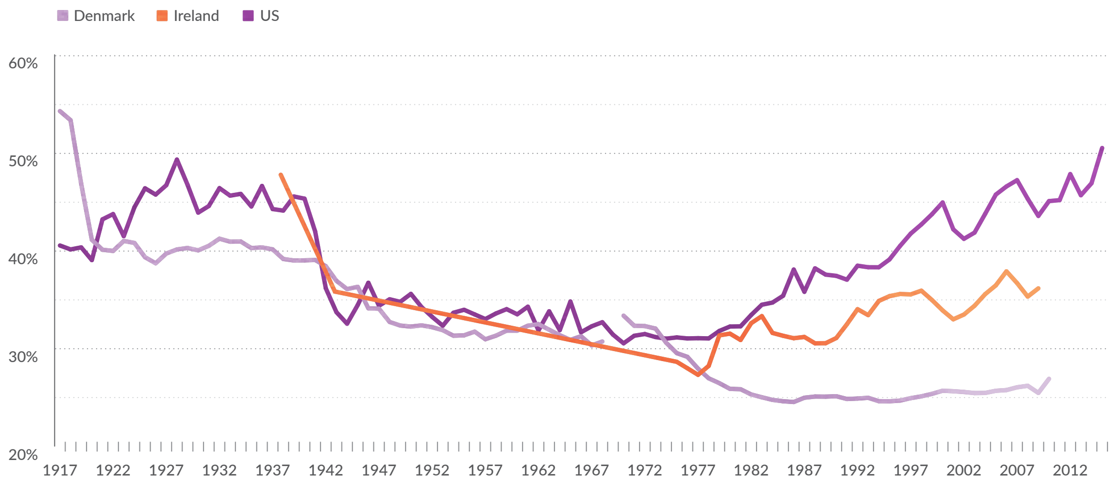


The privileged 10%

Especially in the USA inequality has been growing not just because of continuing deep poverty and stagnating middle incomes, but because the top 10% of the income distribution have been moving away from the rest of the population. As **Chart 1.5** shows, in the US this group is now taking as large a proportion of total income as in the 1930s; the same trend has been occurring in other countries such as Ireland, but not to the same degree.

[3] In Germany there was a small but noticeable decline between 1991 and 2008 in the proportion of the population in the income bands between 60% and 140% of the median, while those at both the lower and (especially) the upper ends grew (Verwiebe 2010: 170).

Chart 1.5 Income share of top 10% 1917-2015



Source: WWID (World Wealth & Income Database)

There has been extensive research on income inequality between genders, but relatively little analysis of the impact of *changes in gender inequality* on broader economic inequality between households. At least in the USA, it would seem that the entry of women into the labour force up until the 1980s reduced household inequality (the growth of women's employment was concentrated in low grade 'white collar' jobs). However, the subsequent entry of more women into professional and managerial jobs combined with 'associative mating' (high earning women marry high earning men) has produced more households with two professional incomes. The growth of these privileged dual earning households is one cause of the growth in economic inequality between households (see Esping-Andersen 2007 but also Harkness 2015).

Wealth as opposed to just income is clearly crucial to the new inequality. Those at the top of the income distribution are also nearly always among the wealthiest. They can use their assets to generate additional income. Not only is wealth more concentrated than income, but the wealthy are also more likely to hold their wealth in different forms than ordinary property owners.

In societies such as the UK and the USA it is also suggested that social exclusion now involves the top five to 10% of the income distribution (e.g. Savage 2015). Not only have this group been pulling away from the rest of the population in terms of income (see **Chart 1.5**) but they are pulling away from the rest of society in terms of living standards and style of life. Increasingly they and especially their children have less and less social interaction with people 'below' them. Secure in their gated communities, they are cut off from the rest of society.

Social mobility

Inequality on the US scale is often justified in terms of social mobility. In the American Dream there are certainly rich and poor, but this inequality allegedly spurs those at the bottom to climb to the top. In turn this individual dynamism is claimed to contribute to economic growth.

Social mobility also has social benefits. High social mobility means that families and friendship networks will contain people with different origins. If the father of a high earning manager is a manual worker, then through their grandparents that manager's children will have experience of a less privileged life. Social mobility can bind the society together. Conversely, if social mobility slows, then those at the top and those at the bottom only know about people like us.

Social mobility means movement up *and down* the occupational structure. At its simplest it involves comparing the occupations of parents with those achieved by their children. The extent of upward movement (the child of a manual worker becoming a high earning manager) depends partly on the opportunities. If jobs are growing in the middle and the top (the diamond of **Chart 1.4**) then people are going to be pulled up into them. But if there is no such growth (the hour-glass of **Chart 1.4**), then upward mobility can only increase *if downward mobility also increases.* Those who call for more social mobility therefore need to ensure that more children of the privileged *move down*!

That is very unlikely. Naturally those with high incomes want their children to do well. In particular this means spending money on their education. The greater the inequality, the more resources those at the top have to purchase their offspring the famous good start in life. In such ways the contemporary USA shows how inequality without high levels of inheritance tax and wealth tax generates inheritance of position.

Box 1.5 From American dream to American fantasy

Until the last quarter of the last century, American education acted to reduce inherited inequality. Increasingly top positions are monopolised by graduates of the elite third level colleges (the 'Ivy League') and these in turn are filled with children of the most privileged. American elite education has become central to the transmission of privilege from one generation to the next (Stevens 2009). It is part of the problem, not part of the solution.

Social mobility is not a solution to inequality. Upward social mobility means that *some* people (the most ambitious, the most intelligent...) born in unprivileged situations leave them, *but everyone else stays*. Rather than improving the situation of all the less privileged, the socially mobile 'teach' that the only thing to do is to escape (see especially Hills 2015). Yet paradoxically, if society became more equal and the situation of the less privileged was improved, then not only would everyone benefit but social mobility would probably increase as well! Those who want more social mobility should argue for greater economic inequality!

1.4 The multiple causes of growing economic inequality

The most basic 'universal' cause for the growing inequality within western developed societies is often taken to be globalisation. More than twenty years ago Reich (1993) suggested that manufacturing jobs were being outsourced to low wage countries, while wages and conditions in personal services were undermined by the mass immigration of low skill labour. From this perspective the rising standards of living in China are the direct cause of growing inequality in Europe and the USA. But this is wildly simplistic. Economic inequality has grown in different ways and at different rates and at different times in different societies. All of which suggests that growing inequality actually has many causes – and that there are therefore ways in which inequality can also be reduced.

Varieties of capitalism and worlds of welfare

Institutional analysis attempts to understand how societies at broadly similar levels of economic development can nonetheless be very different – and such differences include the level of inequality. Thus the 'Varieties of Capitalism' approach (Hall and Soskice 2001) contrasted 'liberal market economies' and 'co-ordinated market economies', with the former generating greater inequality. The former include the UK, the USA - and contemporary Ireland.

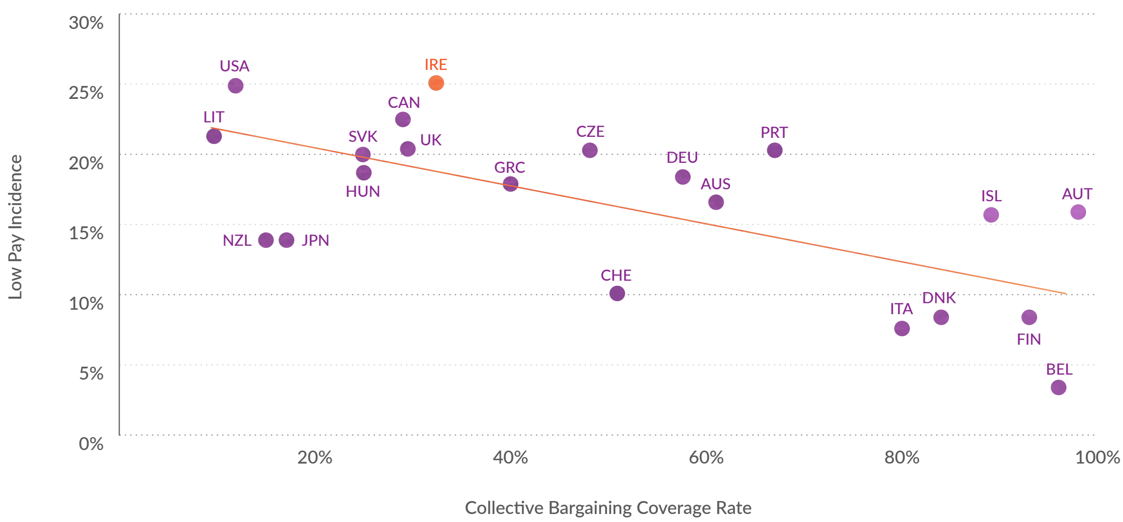
Similarly, in welfare state theory Esping-Andersen's three worlds of welfare (1990) differentiated between liberal, conservative and social democratic welfare models, with the latter reducing inequality. Here too Ireland is usually classified as belonging to the liberal world. Thus Scandinavian social democracy generates relatively low paid but secure jobs largely filled by women in state-funded services, while by contrast liberal market economies generate more irregular and low paid jobs for women in private services.

According to such theories, change in societies is *path dependent*. Even if they face a similar external challenge, such as globalisation, societies process it differently.

The wage share and debt

Within political economy (e.g. Stockhammer and Onaran 2013) the declining wage share is seen as the basis for growing inequality. The wage share falls because of the interaction between (1) union decline and the reduced bargaining power of labour, (2) welfare state retrenchment (including privatisation of state services) and (3) financialisation and growing levels of debt. In fact these processes have proceeded in different ways and at a different tempo in different countries. For example, union density has been declining in the USA since the early 1960s, while at the other extreme it was growing in Sweden until the late 1990s (Wickham 2016: 123). The crucial issue here is not so much density per se as the extent of bargaining coverage (**Chart 1.6**) which impacts directly on the extent of low pay. Conversely, 'flexible' enterprise level bargaining as advocated by the Troika in countries such as Ireland and Greece exacerbates wage dispersion.

Chart 1.6 Collective bargaining coverage and low pay incidence



Source: OECD. Stat and ILOSTAT

Financialisation, like globalisation, has become a catch-all term with many different meanings (van der Zwan 2014). A key element is clearly the growing levels of individual debt in *most* advanced countries. First in the USA, and then in some European countries, lower and above all middle income households responded to stagnating real incomes by borrowing (Barba and Pivetti 2009). Borrowing for consumption simply adds to debt. By contrast the wealthier groups borrow to purchase assets which will in turn yield additional income. The two different forms of debt, in other words, push the two groups further apart.

Even if they face a similar external challenge, such as globalisation, societies process it differently.

Growing inequality and growing financialisation (understood as the growth of global financial movements) have been held responsible for the crash of 2008. Debt is an attempt to ward off future threats, but usually increases the instability of the system (see especially Streeck 2014). For example, Stockhammer (2016) links the growing levels of debt to two equally unsustainable growth models: the Nordic export-led model (where debt is concentrated in the foreign debt of trade partners) and the Anglophone and Southern European model (where debt is held largely by domestic consumers). Both models are seen as a response to the same underlying problem: *stagnating domestic demand due to rising inequality.*

Technological change and job polarisation

Technological change is also considered as a general cause of inequality. The traditional Skill-Biased Technological Change (SBTC) thesis assumed a general upskilling of jobs due to technological change with a consequent decline in unskilled and low paid jobs. By contrast, the routinisation thesis (Autor et al 2003) argued that technological change removes routine jobs, but many unskilled jobs (such as much personal service work) are not routine. Accordingly, there is a general trend for jobs to grow at both the bottom and the top of the distribution - the growth of both 'lousy' and 'lovely' jobs (Goos and Manning 2007). This polarisation thesis has been explored in detail in recent research which suggests that polarisation is widespread but neither universal nor continuous. Occupational polarisation has been especially pronounced in Ireland in the last few years (Eurofound 2015).

Punitive labour market regulation

In contrast to these two general theories, a range of causes have been identified for specific components of inequality. Thus in the UK and Germany a crucial generator of inequality is the *interaction between new punitive labour market activation and low wage employment* (low paid and precarious). The result is growing numbers of working and semi-working poor (see especially Dörre et al 2013). Cuts in benefits levels and social services, especially social housing, can also exacerbate poverty, just as increases in benefits and better social services can reduce it.

Mass immigration into low skilled jobs

Another factor potentially making low incomes lower is undoubtedly *mass immigration*: in the UK mass immigration into low paid jobs pushes down wages at the bottom of the distribution (Dustmann et al 2013). Crucially such immigration generates *new* low wage jobs such as the re-emergence of low paid low skill jobs in US agriculture (Martin 2009)[4]. In the UK these changes were crucial in the recent Brexit referendum, they are a live issue elsewhere in Europe. Conversely mass emigration also has implications for inequality in the country of origin, although these are largely unexplored.

[4] Given the political sensitivity of the issue, it is important to be clear here. Mass immigration can lower low wages, it does not always do so. For example, immigration did not have this effect during the Celtic Tiger bubble because immigrants (including returning emigrants) entered at all levels of the occupational structure in a very tight labour market. The negative impact of mass immigration is strongest where labour markets are de-regulated and unions weak – as in the USA and the UK.

Winner take all labour markets

Rising inequality at the top of the income distribution has also been driven by a range of different factors. In fields such as sport and entertainment *winner take all labour markets* at national and now global levels mean that the leading performers take an ever-increasing share of the rewards. This process has now spread to the upper reaches of many professions, from medical practitioners even to academics (Frank and Cook 1996).

Tax changes at top

Many of the very wealthy, just like the multi-national companies, organise themselves so that they escape national tax authorities altogether

In many countries, but especially the USA, *tax changes* have tended to disproportionately benefit the better-off and the very wealthy. Crucial here has been the reduction or even the complete removal of wealth taxes and inheritance taxes. Many of the very wealthy, just like the multi-national companies, organise themselves so that they escape national tax authorities altogether.

Privatisation

The *privatisation of state enterprises* also polarises incomes. It often (but not always) results in lower wages and worse conditions for ordinary employees, it seems to always result in higher salaries and 'private sector' remuneration packages for senior management. This clearly contributed to wider inequality in the UK in the 1980s (Florio 2004).

Corporate governance

The change in *corporate governance* from managerialism to shareholder value has made firms into drivers of income polarisation. This started in the liberal market economies but has become widespread within co-ordinated market economies (Windolf 2014). Shareholder value puts greater pressure on the wage share and enforces higher and quicker rewards to shareholders ('downsize and distribute' replaces 'retain and invest'), while at the same time facilitating more extravagant managerial remuneration packages.

1.5 Rebuilding European societies

Despite the clear trend to increasing economic inequality, European societies do vary. Such differences show that rising inequality cannot be explained by one simple cause such as 'globalisation' let alone 'capitalism'. National differences show that within the European Union national policies and national states matter: action can be taken at the national level.

The clear difference between Europe and the USA highlights those features that unite Europeans and which differentiate us from the USA. Thus trade unions still matter in Europe; even more clearly, Europe still has its national welfare states. Both are central for any roll-back of inequality. In Europe the traditions of both Christian Democracy (including British 'one nation' conservatism) and Social Democracy value the individual but also the collective; they understand that markets are potentially destructive of human values and need to be regulated rather than simply let rip. We Europeans will have to reclaim this heritage.

Just as growing inequality has many causes, so there are many different possible strategies to reverse the process. In his final book, Tony Atkinson (2015) suggested fifteen key policies that could tackle inequality. In the current European context, there are two policies that could gain political traction....

Improve basic wages

While the incomes of the top 10% (and especially the top 1%) have been growing, ordinary wages have been stagnating or at best growing more slowly. In many countries this has involved the growth of precarious work. Last year TASC's report on working conditions in Ireland showed how 'flexibility' is imposed on workers and people have been pushed into accepting lower pay and conditions (Wickham and Bobek 2016). Inequality will be reduced if the wage share is increased. That means improving the wages and conditions of ordinary workers.

Box 1.6 Europe needs a pay rise

In 2017 the ETUC is campaigning for 'a pay rise for workers throughout Europe: to drive economic growth and tackle inequality'. Wages need to be increased to share the gains of productivity; collective bargaining must be strengthened not further undermined. Under the Treaties wage negotiations are the prerogative of the member states. However through the 'European semester' the Commission is now issuing recommendations to governments – including calling for more 'flexibility' and enterprise level bargaining. Yet we know that sectoral – as opposed to enterprise level – bargaining is a key defence against wage cutting and greater inequality.

Ramp up social investment in all our children

Public services that are available to all reduce the impact of economic inequality. Especially when combined with adequate parental leave (for both parents), childcare enables parents to go out to work and earn money. A universal childcare system, (providing it is not funded through tax-credits from which higher earners benefit most) is thus in itself redistributive (van Lancker and Ghysels 2013). Most women today want to have children and go out to work. It is not surprising that across Europe, countries with inadequate childcare are also countries with low birth rates.

Box 1.7 Europe needs public childcare

In 2002 the Barcelona European Council set the objective that EU states should ensure that by 2010 at least 90% of children aged between 3 years old and school age should have access to formal childcare, and the same for at least 33% of children under 3 years of age. Those targets were not reached. Investing European funds in childcare would reduce inequality within countries. Childcare is the most cost-effective form of social investment: this is what European investment should mean.

The cost of childcare is now the single biggest constraint on women's labour force participation. However, as always a narrow economic focus misses some important issues. Regular work for women means financial independence and is also an important form of participation in society. Good quality childcare also gives all children a good start in life. Childcare that is available to all is an important part of a democratic society.

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Chapter 2

Ireland's economic inequality 2017

Ireland's economic inequality 2017

Chapter 1 showed the importance of the European welfare state in combating inequality. Thanks to our national welfare states, Europe is not America. Chapter 1 also showed how economic inequality is multi-dimensional: it is very unusual for all different dimensions to change in exactly the same way (even inequalities of wealth are not simply reflections of inequalities of income).

TASC's first report on economic inequality in Ireland, *Cherishing All Equally 2015*, identified key indicators of economic inequality. *Cherishing All Equally 2017* continues to use these indicators and **Table 2.1** presents them in 18 groups, ranging from 'Gross income inequality' (Indicator 1) to 'Child poverty' (Indicator 18). The indicators are used in this chapter to identify the particular form of economic inequality in Ireland and the role of the Irish state. In Ireland market incomes (gross incomes) are highly unequal, but taxation and monetary benefits ensure a more normal European pattern of income inequality.

Cherishing All Equally 2016 showed how Ireland combined low tax with low public investment and weak public services, forcing people to purchase in the market services (health, housing, even education) which elsewhere would often be provided by the state. Ireland thus appeared as a case where a focus on only one simple indicator (e.g. the Gini coefficient) under-estimated the extent of inequality. As this chapter will show, Irish economic inequality is shaped by the state's prioritisation of monetary transfers to the less well-off over public services and public investment.

The indicators can also be used to present a differentiated picture of change over time. Thus **Table 2.1** also reports for each indicator the figures from the two earlier reports. It is important to notice that the 2016 figure was the latest figure available in 2016, but of course the actual data may have been collected earlier – for each figure the table therefore gives in brackets the actual year involved. For this year not all indicators could be updated for the simple reason that no subsequent data has been released. For example the survey underlying Indicator 7 'Wealth inequality' was carried out in 2013 and has not been repeated since.

In most cases the sources have been updated, but it would be unusual to find major change from one year to the next. **Table 2.1** indicates whether there has been any change since 2016 with an upward or downward pointing arrow. Where this change represents an improvement – in the sense of movement towards greater equality – the arrow is coloured green. Where there is a dis-improvement – in the sense of a movement towards greater inequality – the arrow is coloured red.

This chapter discusses the indicators under nine different headings, from 'Income' (**Section 2.1**) to 'Poverty and deprivation' (**Section 2.9**). Compared to the previous edition, this edition of *Cherishing All Equally* focuses especially on employment (**Section 2.2**) and on forms of wealth (**Section 2.4**). A key issue is whether the continuing recovery of employment is also reducing economic inequality and deprivation.

As well as looking at changes over time within Ireland, it is important to see how Ireland compares with other European countries. **Table 2.1** therefore provides for each indicator the most recent figure (where available) for the entire European Union (E28). Several charts in this chapter compare Ireland with other EU individual member states, thus highlighting which aspects of inequality are especially serious in Ireland – and therefore where change is especially urgent. Such comparisons show how the Irish welfare state is remarkably effective in reducing the underlying inequalities generated by low employment and low earnings.

What matters to people's experience of inequality is not their gross income, but their disposable income.

2.1 Income

Indicator 1 Gross income inequality; Indicator 2 net income inequality

Our first measures look at inequality in terms of the gross income of taxpayers. The first indicator (gross income inequality) shows how between 2015 and 2016 the share of total income taken by the top 10% declined slightly. This can be interpreted as a slight move towards greater equality. By contrast, the top 1% of income recipients increased their share of total income from 10.95% to 12.05%. Chapter 1 showed that internationally one of the drivers of growing inequality has been that the very affluent have been taking an increasing share of the income of the society (**Chart 1.5**). This appears also to have been happening in Ireland.

Table 2.2 examines the different shares of gross income for the period 2015-2017 and also shows the shares of both the bottom 50% and the middle 60%. For nearly all groups their share has fluctuated from one year to the next, with the exception of the top 1% whose share of total income has risen in each year. Nonetheless, the Gini coefficient of the same incomes shows some decline over the period. However, **Table 2.1** shows the Irish Gini coefficient for gross income is significantly higher than for the EU28 as a whole. Indeed, **Chart 2.1** shows that Ireland is the most unequal society within the EU by this measure.

What matters to people's experience of inequality is not their gross income, but their disposable income. This is the money that they can spend: total market income (wages and salaries, income from self-employment and from assets) plus all cash state benefits and transfers, and less all direct taxes. To focus on gross income inequality, while ignoring tax and benefits, is like saying that summer in Ireland is sunnier than Spain. If one just counts the hours of daylight that is true, but there is the little matter of clouds and rain! The second indicator (net income inequality) is the Gini coefficient for this definition of income and shows some slight decline in inequality since the previous edition of *Cherishing All Equally*.

Table 2.1 Key indicators of economic inequality in Ireland, Cherishing All Equally (CAE) 2015, 2016, 2017 and EU comparison

	Cherishing All Equally 2015	Cherishing All Equally 2016		Cherishing all Equally 2017	EU28
Group 1 Income					
1. Gross income inequality					
Top 10% income share	33.93% (2011)	38.75% (2016 est.)	↘	37.62% (2017 est.)	-
Top 1% income share	9.11% (2011)	10.95% (2016 est.)	↗	12.05% (2017 est.)	-
Bottom 90% income share	66% (2011)	61.25% (2016 est.)	↗	62.38% (2017 est.)	-
Source: Revenue, Ready Reckoner - Post Budget 2017, www.revenue.ie/en/about/statistics/ready-reckoner.pdf					
Gross Gini coefficient	46 (2012)	45.4 (updated 2014 figure)	↘	42.8 (2015)	36.5 (2015)
Source: Eurostat: Gini coefficient of equivalised disposable income before social transfers (pensions excluded from social transfers) [ilc_di12]					
2. Net Income Inequality					
Net Gini coefficient	29.9 (2012)	31.1 (updated 2014 figure)	↘	29.8 (2015)	31.0 (2015)
Source: Eurostat: Gini coefficient of equivalised disposable income - EU-SILC survey [ilc_di12]					
Group 2 Employment and unemployment					
3. Employment					
Share of 20-64 year olds in employment	65.5% (2013)	67% (updated 2014 figure)	↗	68.7% (2015)	70.1% (2015)
Share of 20-64 year old males in employment	70.9% (2013)	73% (updated 2014 figure)	↗	75.1% (2015)	75.9% (2015)
Share of 20-64 year old females in employment	60.3% (2013)	61.2% (updated 2014 figure)	↗	62.6% (2015)	64.3% (2015)
Source: Eurostat: Employment and activity by sex and age - annual data [lfsi_emp_a]					
4. Unemployment					
Share of Irish working-age households that are 'jobless'	17.1% (2013)	16% (2014)	↘	14.5% (2015)	10.7% (2015)
Source: Eurostat, Jobless households - children [tps00181]					
5. Minimum wage					
Statutory Minimum Wage (€9.25) as share of Living Wage (€11.50)	76% (2015)	79.5% (2016)	↗	80.4 (2017)	-
Source: Eurostat, Jobless households - children [tps00181] | Note: Minimum wage increase from €9.15 to €9.25					
Group 3 Social Protection					
6. Social Protection					
Typical payment p.a. for single jobseeker or person with disability	€9,776 (2015)	€9,776 (2016)	↗	€10,036 (2017)	-
Typical payment p.a. for single carer	€10,608 (2015)	€10,608 (2016)	↗	€10,868 (2017)	-
Typical payment p.a. for single pensioner	€12,132 (2015)	€12,132 (2016)	↗	€12,376 (2017)	-
Source: Department of Social Protection, Budget Factsheet: Main Social Welfare Changes and Rates of Payment, https://www.welfare.ie/en/pdf/budfact17.pdf					
Group 4 Wealth					
7. Wealth Inequality					
Top 10% wealth share	42%-58% (2014 est.)	53.8% (2013)	=	53.8% (2013)	-
Bottom 50% wealth share	12% (2015 est.)	4.9% (2013)	=	4.9% (2013)	-
Source: CSO, Household Finance and Consumption survey (HFCS) 2013, 2015, http://www.cso.ie/en/media/csoie/releasespublications/documents/socialconditions/2013/hfcs2013.pdf					
Group 5 Public Spending					
8. Public Spending					
General government expenditure, % of GDP	38.6% (2013)	29.4% (updated 2015 figure)	=	29.4% (2015)	47.3% (updated 2015 figure)
Source: Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]					

	Cherishing All Equally 2015	Cherishing All Equally 2016		Cherishing all Equally 2017	EU28
9. Public spending on services					
Public spending per household on health and education	€13,706 (2012)	€14,348 (updated 2014 figure)	↗	€14,439 (2015)	-
Source: Eurostat, General government expenditure by function (COFOG) [gov_10a_exp]					
Group 6 Tax					
10. Tax					
Tax-to-GDP ratio	29.1% (2012)	29.9% (updated 2014 figure)	↘	24.4% (2015)	40% (2015 provisional)
Source: Eurostat, Main national accounts tax aggregates [gov_10a_taxag]					
11. Social security contributions					
Net social security contributions, % of GDP	5.7% (2013)	5.7% (updated 2014 figure)	↘	4.5% (2015)	13.2% (2015)
Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]					
Group 7 Childcare					
12. Childcare					
Typical childcare fees, % of family net income	27.4% (2012)	27.4% (2012)	=	27.4% (2012)	11.2% (2012)
Source: OECD Family Database, 2014, http://www.oecd.org/els/family/database.htm					
Group 8 Education					
13. Third-level education					
Share of 30-34 year olds with a third-level qualification	52.6% (2013)	52.3% (2015)	↗	52.7% (2016, provisional)	39% (2016, provisional)
Eurostat: Population by educational attainment level, sex and age (%) - main indicators [edat_lfse_03]					
14. Secondary education					
Share of labour force with lower secondary education or less	23.3% (2013)	20.2% (2015)	↘	20% (2016, provisional)	23.1% (2016, provisional)
Source: Eurostat, At most lower secondary educational attainment by age [tsdsc430]					
15. Youth unemployment					
Share of 15-29 year olds 'Not in Employment, Education, or Training (NEETs)	18.1% (2013)	16.8% (2015)	=	16.8% (2015)	14.8% (2015)
Source: Eurostat, Young people neither in employment nor in education and training by sex, age and labour status (NEET rates) [yth_empl_150]					
Group 9 Poverty and deprivation					
16. Cost of living					
Cost of living in Ireland relative to EU average	21.2% above (2012)	24.5% (updated 2014 figure)	↘	22.5% (2015)	-
Eurostat, Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]					
17. Deprivation					
Share of population experiencing two or more forms of material deprivation	26.90%	29% (2014)	↘	25.5% (2015)	-
Source: CSO, Survey on Income and Living Conditions (SILC):2015 Results, http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2015/					
18. Child poverty					
Share of 0-16 year olds at risk of poverty or social exclusion	33.6% (2013)	29% (2014)	↘	27.7% (2015)	26.6% (2015)
Source: Eurostat, People at risk of poverty or social exclusion by age and sex [ilc_peps01]					

Table 2.2 Changes in gross income share 2015-2017

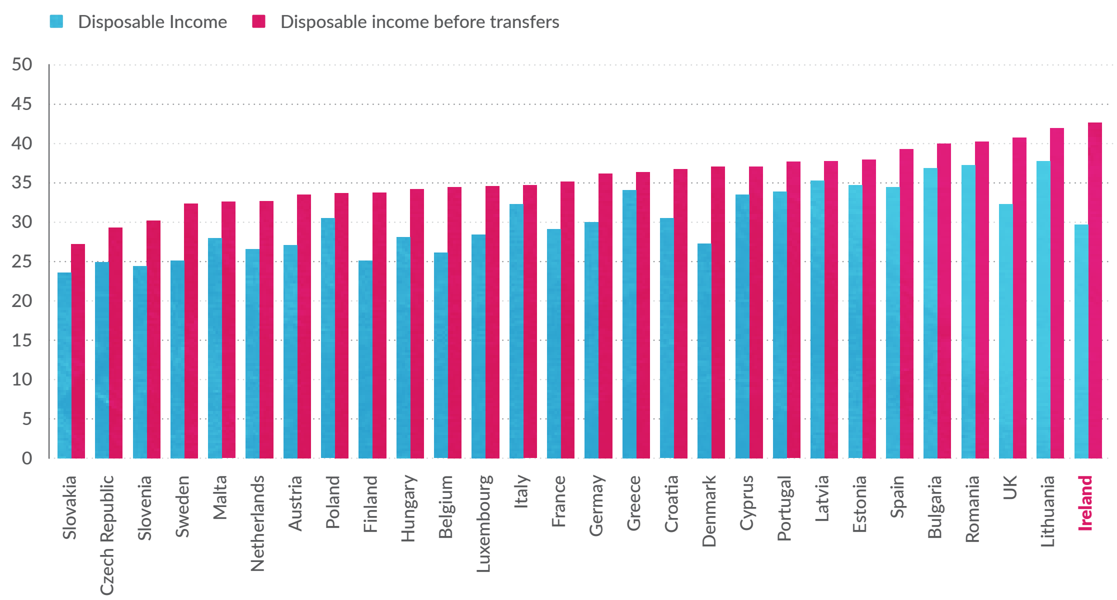
	% Share of income CAE 2015	% Share of income CAE 2016	% Share of income CAE 2017	Percentage point change in income share 2015-2017	Percentage change in income share 2015-2017
Bottom 50%	17.81	15.22	17.57	-0.24	-2%
Middle 60%	52.26	46.02	45.73	-6.53	-14%
Top 10%	33.93	38.75	37.62	3.69	10%
Top 1%	9.11	10.95	12.0	2.94	27%

Source: derived from: Revenue, Ready Reckoner - Post Budget 2017, www.revenue.ie/en/about/statistics/ready-reckoner.pdf

In virtually all countries today, net income inequality is considerably less than gross income inequality. Direct taxes take relatively more from the higher earners; state benefits and transfers go disproportionately to those with low or no earnings. To some extent and in sometimes complex ways, all European states re-distribute income from the top to the bottom.

Contrary to what might be expected, the immediate impact of the crisis was actually to make Ireland more equal.

Chart 2.1 European Union: net and gross income inequality



Source: Eurostat: Gini coefficient of equivalised disposable income [ilc_di12]; Gini coefficient of equivalised disposable income before social transfers (pensions excluded from social transfers [ilc_di12c]

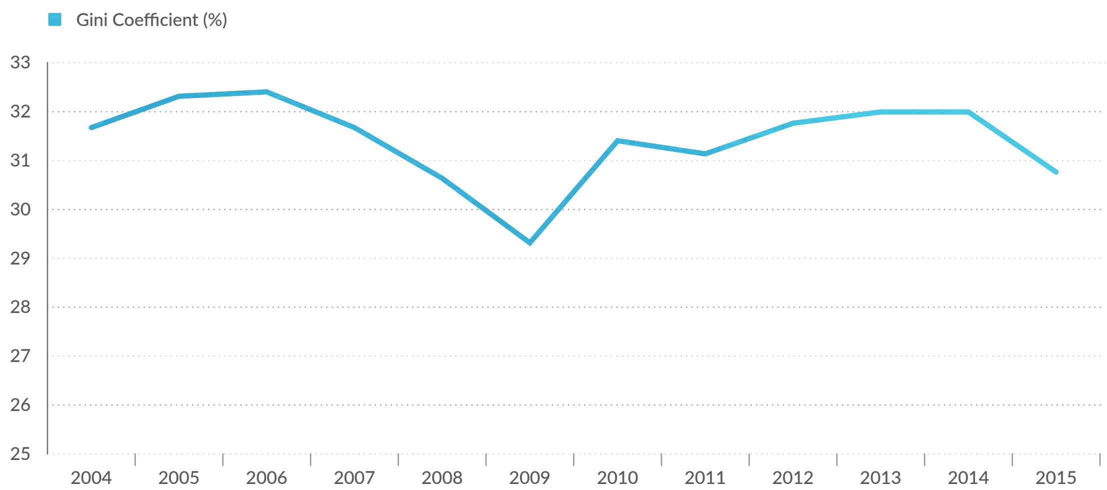
Chart 2.1 shows the most recent Gini coefficients for two forms of disposable income in all EU member states: the higher the bar, the greater the inequality. The wine bars give the Gini coefficient for disposable income before transfers. This is roughly equivalent to gross income. The chart shows that in these terms Ireland is the most unequal society in Europe.

The blue bars in **Chart 2.1** give the Gini coefficient for disposable income after transfers. This is net income – the money that people actually are able to spend. In these terms Ireland is around the average in the European Union. Net income inequality in Ireland is about the same as in Germany: Ireland is not as equal as Sweden or Finland, but not as unequal as Romania or even the UK. Everywhere the state acts to reduce inequality, whether this is through progressive direct taxation that reduces income at the higher end or through transfers to those with little or no other income. In Ireland these activities of the state are crucial: they ensure that Ireland is a rather normal European society without the extreme inequality found in the USA.

Chart 2.1 shows that of all EU countries Ireland has the largest gap between gross income inequality and net income inequality. The main reason for the inequality in earnings is the extent of low paid employment in Ireland. This is compensated for by the welfare state.

Contrary to what might be expected, the immediate impact of the crisis was actually to make Ireland more equal. Within the public sector salaries were reduced proportionally more at the top; the first taxation changes also hit the better off the hardest. **Chart 2.2** shows that net income inequality had been falling in the last few years of the boom and that this continued into 2009.

Chart 2.2 Gini coefficient, equivalised disposable income Ireland, 2004-2015



Source: CSO Statbank, Survey on Income and Living Conditions (SILC) [Table SIA47]

A few years into the crisis, most people's earnings had fallen and gross income inequality had widened dramatically. **Chart 2.3** shows how in nearly all countries market income inequality widened during the crisis. However, state transfers and taxes meant that disposable income inequality did not increase to the same extent and in some cases even fell. The chart shows how in Ireland market inequality rose by nearly seven percentage points – the biggest increase in the OECD. However, in terms of disposable income inequality actually decreased. In the chart the gap in Ireland between the increase in gross income inequality and the increase in net income inequality is the largest for all OECD states. In other words, more so than any other state in the OECD, the Irish state reduced the impact of rising market inequality (OECD 2014:111). None of this detracts from the simple fact that most people experienced a substantial decline in their disposable income and in their living standards. As we will see below (**Section 2.10**), for large numbers of people, this meant a dramatic rise in material deprivation from which not all have yet recovered.

Chart 2.3 Percentage point change in Gini coefficient, disposable and market incomes, 2007 and 2010

Source: OECD Income Distribution and Poverty Database

2.2 Employment and unemployment

Indicator 3 employment; Indicator 4 unemployment; Indicator 5 minimum wage

Here all the indicators listed in **Table 2.1** show an unambiguous improvement on the 2016 figures. As is well known, since 2012 unemployment has been falling and employment rising. By the start of 2017 there were skill shortages in several sectors including construction. Employment has been rising for both men and women; the proportion of households that are jobless has now fallen to 14.5% and the legal minimum wage now amounts to 80.4% of the Living Wage (**Table 2.1**).

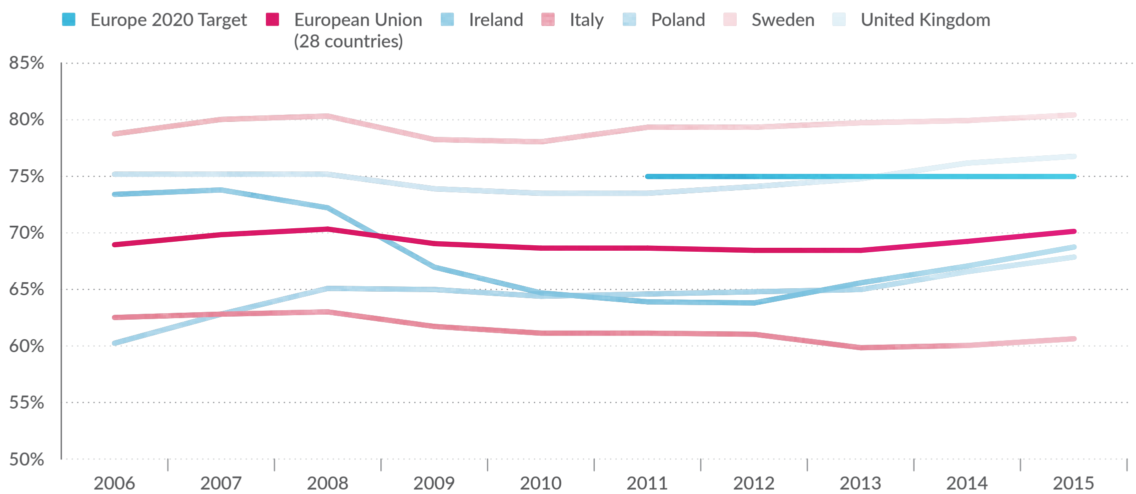
An inclusive labour market?

Work of course provides income and hence economic independence – both from the state and from the family. Work however is also an important source of identity, of social relationships and of participation in society. For such reasons, a high level of employment is seen as desirable in itself. The European Union's Europe 2020 Strategy sets a target of 75% of all aged 20-64 to be in some form of employment. **Table 2.1** shows that despite the recovery the level of employment in Ireland remains lower than in the EU28 as a whole (68.7% as compared to 70.1%) and that both figures remain below the target. **Table 2.1** also suggests that the primary cause of this low level is that the level of women's employment, although increasing, remained below the level of the EU28 in 2015 (62.2% as compared to 64.3%). **Chart 2.4** shows how the employment rate collapsed during the crisis and still remains below the Europe2020 target.

Box 2.1 Ireland's low employment rate

The employment rate is defined as all those in some form of paid work as a proportion of the total working age population. Those who are not at work may be unemployed, but they may also be 'inactive' – not looking for work. Ireland has long been distinguished by its low employment rate. Even at the peak of the boom in 2007 the employment rate in Ireland for all aged 15-64 was 69.1% - below the target of 70% set for the decade in the European Union's Lisbon Strategy. Despite the massive importation of labour during the Celtic Tiger years, employment rates remained comparatively low amongst women, in some inner city areas and in the North-West. This continues to be the case today.

Chart 2.4 Employment rates selected EU states, 2006-2015 (Employed aged 20-64 as percentages of the age group)



Source: Eurostat [lfsi_emp_a]

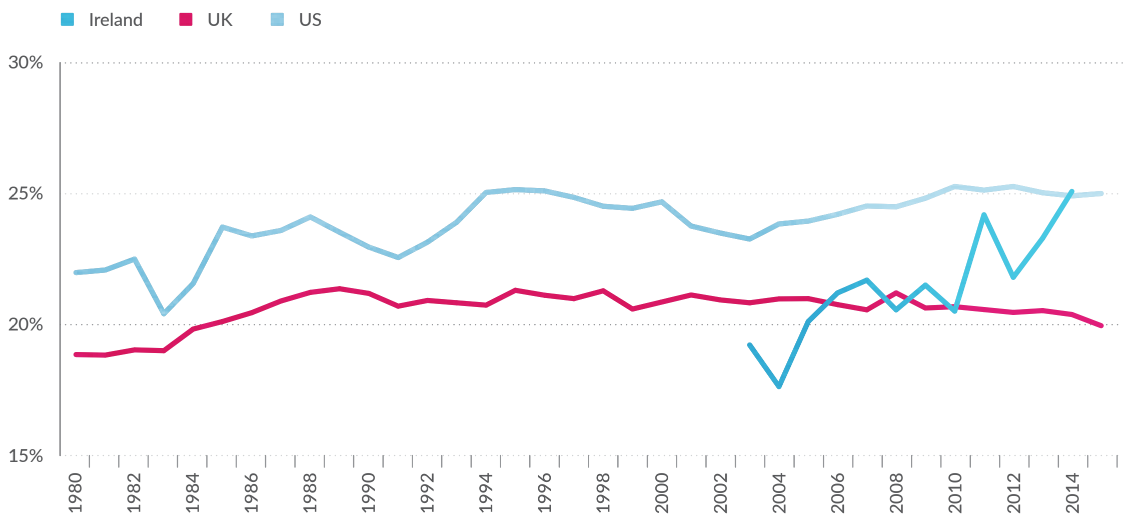
Box 2.2 Employment polarisation and workless households

In many European countries employment has become polarised. There are households where all adults work and there are households where there is little or no employment. This growth seems to be independent of changes in the overall employment rate. In some countries a growing proportion of children live in such households and this probably has negative consequences for their education and subsequent development. Households with 'low work intensity' are defined as households where the adult members only have work for 20% of their available time. In 2015 10.6% of the EU28 population aged less than 60 lived in such households. **In Ireland however this was 19.2% (715,000 people) - the highest proportion in the EU**[1]. This level could be reduced if Ireland had more affordable adequate childcare services.

Low wages

Market incomes (or gross incomes) are very unequal in Ireland (**Chart 2.1**). This is largely because so much employment here is low paid. The OECD defines low pay for full-time workers as two thirds of the median earnings of all full-time earners. As **Chart 2.5** shows, in 1994 for the first time the incidence of low pay in the USA reached 15% and has remained at this level for much of the subsequent period. The incidence of low pay in Ireland began to rise in 2004; it overtook the UK level during the onset of the crisis and as of 2015 reached the US level. According to the same source, the rate of low pay has no relationship to the employment rate – in both Italy (low employment) and Denmark (high employment) the incidence of low pay was 8%.

Chart 2.5 Incidence of low pay: USA, UK, Ireland 1990-2015



Source: OECD.Stat: Labour - Earnings - Decile ratios of gross earnings: Incidence of low pay, http://stats.oecd.org/

Low pay can also be defined as hourly pay which is below a specific threshold. Three such thresholds are used.

[1] Source: Eurostat [tsdsc310] (People living in households with very low work intensity;

First, Ireland, like virtually all European countries, now has a national statutory minimum hourly wage (currently €9.25 per hour). Such a national minimum wage is easy for employers and employees to understand and is relatively easy to enforce; it tends to put a floor under earnings. In Ireland a national minimum wage was first introduced in 2000 and seems to have helped reduce the number of people on very low incomes (Nolan et al 2016: 353).

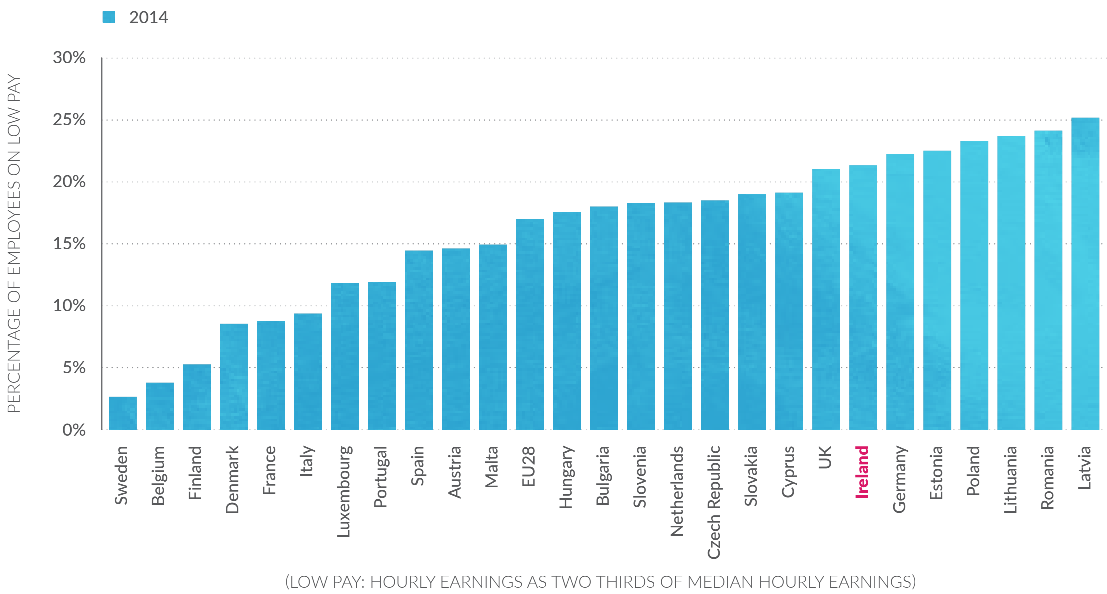
Second, in many countries researchers have attempted to define what is needed to live normally in the society. In Ireland in 2016 the Living Wage Technical Group has calculated that an hourly rate of €11.50 was needed to ensure 'a minimum acceptable standard of living' (Living Wage Technical Group 2016). Whereas the national minimum wage has legal force and is set by the national government, this threshold is only a recommendation, but it is one which takes account of actual living costs in the society. **Table 2.1** shows that the Irish national minimum wage currently amounts to 80.4% of the Irish Living Wage.

A third threshold is relative to the current level of hourly earnings in the society. Thus for hourly earnings Eurostat defines low pay as two-thirds of median hourly earnings. For 2010 this produced a threshold of €12.20.

Taking these three different thresholds, in 2013 5.5% of all employees had hourly earnings below the (then) national minimum wage, 25.6% had an hourly rate of less than €11.45 and 30.3% less than €12.20. The low paid are disproportionately part-time, female, young, and working in retail and hospitality (although one in six work in the public sector (Collins and Murphy 2016: 82)). As **Chart 2.6** shows, the extent of low pay in Ireland is relatively high compared to other European countries. Furthermore, the extent of low pay depends more on the form of labour market regulation than on the overall wealth of the country.

The low paid are disproportionately part-time, female, young, and working in retail and hospitality.

Chart 2.6 Low hourly pay in the EU 2014



Source: Eurostat [earn_ses_pub1s] Establishments with 10 or more employees

Precarious work

Low paid workers are very often precarious workers. When work is precarious the worker cannot predict earnings from one week to the next. Not all low paid work is precarious and some precarious work is well-paid. There are three main forms of precarious work: irregular part-time work, temporary work and self-employment.

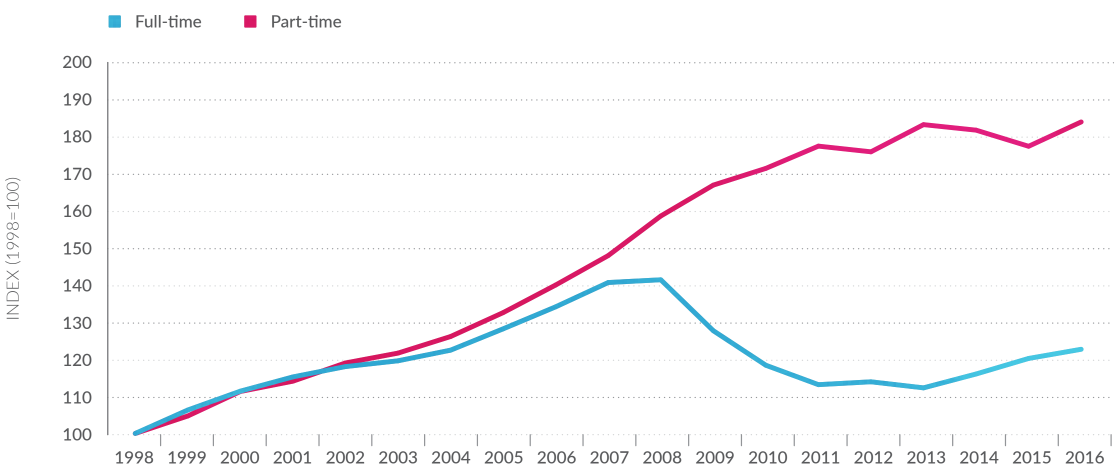
Box 2.3 The social implications of precarious work

Precarious workers lack financial security. Even in the (unlikely) event they have good earnings, they find it difficult to plan financially. This especially affects access to finance such as mortgages. Precarity makes it difficult to plan for the future – including having children (Irish women now have the oldest age at first child in the EU). Precarity –as opposed to just low pay – negatively affects people's mental and even physical health (McGann et al 2016). Because work relations are temporary and transient, precarity means people are less likely to build strong social relations at work. Precarity thus undermines the social benefits of employment. Precarious work can be controlled by effective working hours legislation (no 'zero hours' contracts) and ending bogus self-employment (the 'gig economy').

These issues are studied in the FEPS-TASC current research project, social implications of precarious work.

While much part-time work is regular and even permanent, there has been an expansion of work which is less than full-time and where hours vary from week to week at the behest of the employer. Part-time and full-time work were growing at the same pace from 1998 up until 2008, but in the crisis the amount of part-time jobs continued to grow, while there was a massive decline in full-time jobs (**Chart 2.7a**).

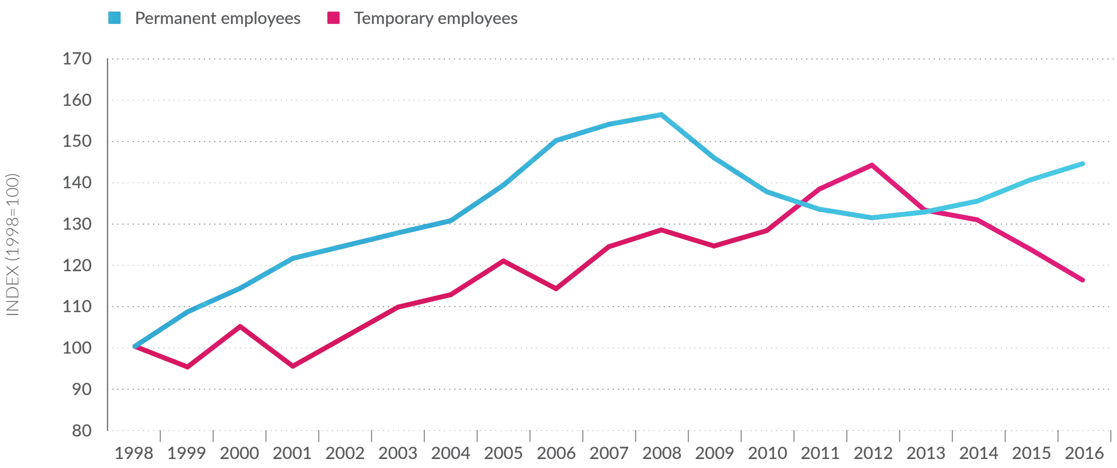
Chart 2.7(a) Full-Time and Part-Time Employment 1998-2016



Source: CSO Statbank

Temporary employment is by definition precarious. Despite claims of rising precariousness, permanent employment grew somewhat faster than temporary employment until the crisis. During the crisis, temporary employment continued to grow, while permanent employment declined. Since 2011 the pattern has reversed: the number of permanent jobs is growing again (**Chart 2.7b**). However, the nature of temporary work has changed: traditional casual and seasonal work is less important, while 'specific purpose' or 'specific duration' contracts have increased. With such contracts employers reduce their obligations to employees.

Chart 2.7(b) Permanent and temporary employment 1998-2016

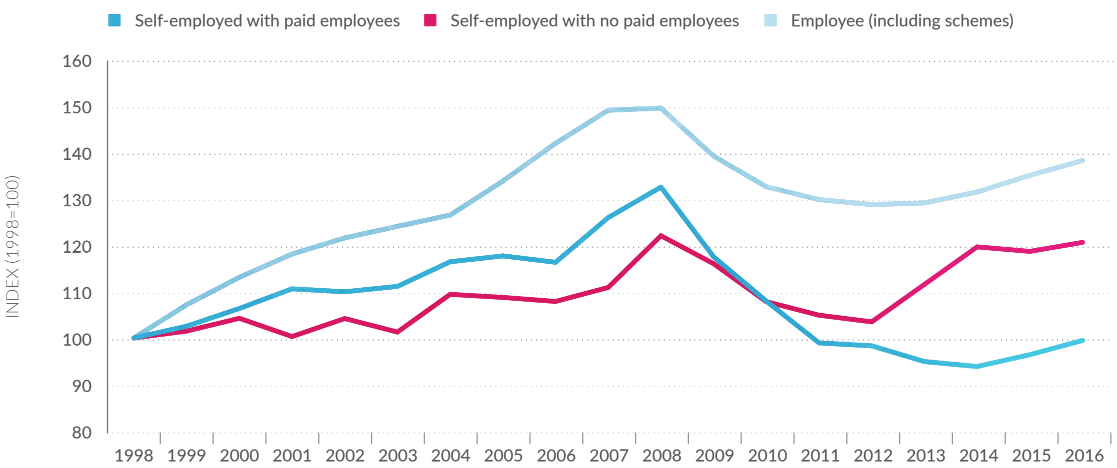


Source: CSO Statbank

Finally, self-employment is also precarious: the worker has no guarantee of work beyond the immediate future. In fact many self-employed do earn a regular living and some self-employed are well paid. Those most exposed to precarious earnings work for themselves and do not have any employees. Accordingly **Chart 2.7c** shows the volume of jobs for employees, the self-employed with employees and the solo self-employed (those without any employees). At the bottom of the recession the number of the solo self-employed began to increase quite fast, but growth has now levelled off.

Much self-employment is simply a survival strategy rather than the expression of an individual's entrepreneurial drive.

Chart 2.7(c) Employment and self-employment 1998-2016



Source: CSO Statbank

Eurostat data shows that Ireland has a relatively high rate of self-employment (16.4% of all at work as opposed to 14.9% for the EU28 as a whole). Much self-employment is simply a survival strategy rather than the expression of an individual's entrepreneurial drive. Indeed, the self-employed are over-represented in the lower income groups (Collins 2016). There has been much attention to the new 'gig economy' where workers such as couriers and fast-food delivery workers get their orders through an internet portal. Such workers – from Uber drivers to Deliveroo couriers - are placed on self-employment contracts. However, in common-sense terms they are employees – except of course that they have minimal rights, cannot have any collective representation and are excluded from important social insurance benefits such as Jobseekers Benefit.

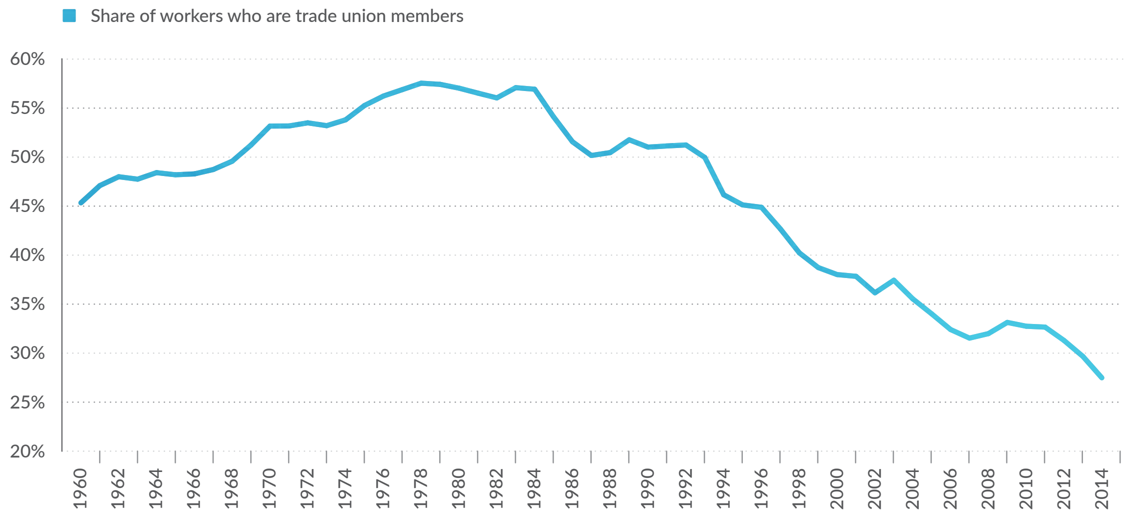
Box 2.4 Bogus self-employment in construction

Bogus self-employment is not new. It is also widespread in more traditional areas such as above all construction. Bogus self-employment is sometimes encouraged by the tax system. As TASC has shown, in the building industry the Relevant Contract Tax system effectively allows an employer to designate employees as self-employed, with an immediate saving on employers' PRSI contributions. TASC has estimated that in 2015 at least 7% of building workers were in this situation (Wickham and Bobek 2016).

Trade union organisation

Trade union density (the proportion of employees that are organised in unions) continues to fall. As Chapter 1 has made clear, this is part and parcel of rising inequality. As in many other countries, trade unions are becoming concentrated in the public sector and have had difficulty organising the lowest paid workers in the private sector. Although the Irish Constitution guarantees the right to join a union, employers do not have to agree to collective bargaining. Increasingly employers – including large and profitable ones – try to avoid direct employment by turning workers into 'contractors' or 'consultants' – and so not eligible to join a union. But most importantly, one reason why people do not join a union is quite simply fear of their employers (d'Art and Turner 2008). Unions are largely absent from much of the crucial multi-national sector.

Chart 2.8. Trade Union Density Ireland



Source: OECD Stat

2.3 Social protection

Indicator 6 social protection

Table 2.2 shows that small rises in welfare payment rates have slightly increased the typical payments for jobseekers, people with disabilities, single carers and pensioners since 2016.

The Irish welfare state has a dramatic impact on the distribution of income because of the features which distinguish it from the welfare state in some Mediterranean European countries. Firstly, the welfare state is extensive, ensuring that there is almost universal access to benefits and (means-tested) allowances; secondly, the level of welfare benefits, while hardly luxurious, are higher than in some comparable countries such as the UK.

Ireland's social protection system ensured that nearly all of those who lost their jobs had income protection[2]. Here a comparison with Greece is instructive: in 2009 only a mere 12.4% of those unemployed received unemployment payments, as opposed to 67.9% in Ireland (Gallie 2013: 24); in Greece in 2010 less than 20% of the long-term unemployed were receiving unemployment benefits, yet over 60% of the jobless poor were effectively not even covered by social assistance (European Commission 2014: 133).

Given the massive rise in unemployment and the level of coverage, during the crisis total spending on social protection increased (Cousins 2016: 43). Although some programmes were cut, the core features of the Irish welfare state remained intact. Emigration rose dramatically, but it was the skilled and the well-educated who left. This time around, the Irish unemployed were not starved into emigration.

The level of welfare benefits, while hardly luxurious, are higher than in some comparable countries such as the UK.

2.4. Wealth

Indicator 7 wealth inequality

CAE2016 showed how wealth inequality has increased in Ireland. A 1987 survey for the ESRI estimated that the richest 10% owned 42% of all net wealth, and the top 1% owned 10% (Nolan 1991). This compared with estimates from 2013 data from the CSO Household Finance and Consumption Survey which showed that the top 10% owned 53.8% and the top 1% owned 14.8% of all wealth. The same source showed wealth in Ireland to be rather more unequally distributed than in the Eurozone as a whole. Wealth inequality has probably continued to increase in recent years, but without updated sources this remains an estimate.

Heavy wealth

Not visible even in the 1% are the few individuals (along with their families and retainers) who are part of the global super-rich. When Forbes counted the number of dollar billionaires in 1987 it estimated there were a mere 140 individuals. By 2006 there were 793, the most recent list (2017) counted 2,043. Ireland's seven billionaires – several of whom do not now pay taxes in Ireland - include the brothers Patrick and John Collison (cofounders of Stripe) of whom John Collison is the world's youngest self-made billionaire.

Lite wealth

In Ireland in 2013 the median household had a net wealth of approximately €100,000. This is about the same as the median household net wealth across the Eurozone countries in 2014 which was €104,100 (ECB 2016: 4).

[2] The largest job losses were in construction, where employment fell from 268,000 in 2007 to 115,000 in 2010. Many of the workers who lost their jobs had only recently arrived in Ireland from the New Member States (Poland, Lithuania etc.) and left in the next few years.

Ireland is an extreme case of the commodification of traditional property. Houses are now not just homes. Houses have been monetised and have become an asset which can be bought, sold and crucially used as collateral to leverage further credit. This was a factor in Ireland's economic collapse in 2008. At the same time, the spread of lite wealth means that the inheritance of property takes on a new importance in Ireland – and this will further reduce social mobility.

For normal households the mortgage remains the most important debt, but in the boom there was also a massive expansion of credit card debt used to finance consumption. Debt was also used to finance further property buying, both as second homes and as buy-to-let investments. Immediately before the crash the household debt to income ratio was fully 196.9% (Karamessini 2013:11).

Not only the global rich, but also significant numbers of the ordinary rich and even the not-so rich hold property in different jurisdictions. For example, by 2012 292,000 British households owned property overseas (ONS 2014); in 2007 individual Irish investors were estimated to own 100,000 properties in Spain (Wickham 2007).

Commodification has created new risks. In Ireland in 2014 17.3% of mortgages on principal residences were in arrears, but fully 27.2% of all buy-to-let mortgages were in difficulty (Central Bank of Ireland 2014). In the recovery these debts have been falling. In December 2016 11% of principal dwelling houses (PDH) mortgages were still in arrears, as were 19% of buy-to-let mortgages (Central Bank 2017).

People on low incomes often effectively have no assets, but with the expansion of credit debts often outweigh assets. Before the crisis many Irish people took on loans which they became unable to afford. Ireland's property crash pushed thousands of new home-owners into negative equity. Those who suddenly had difficult paying their mortgage were likely to be in a weak position on the labour market. Even if they still had a job, they had lower qualifications and crucially more precarious employment than those who were still able to keep up their payments (McCarthy 2014). It seems likely that those who got into difficulty with their buy-to-let mortgages were rather similar. As in any bubble, the outsiders joined last and were most likely to fail to get out in time.

2.5 Public spending

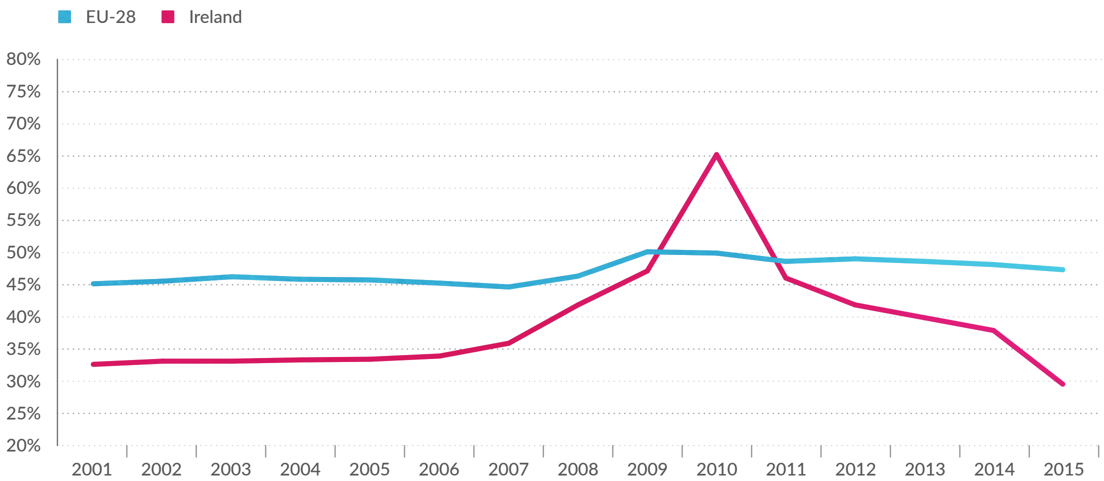
Indicator 8 public spending; Indicator 9 public spending on services

Table 2.1 shows how overall government spending as proportion of GDP has remained constant since CAE2016. Consequently public spending on education and health per household has hardly increased.

State expenditure helps create a more equal society (see **Chart 2.1**). Almost everyone in Ireland receives some direct transfers from the state at some stage of their lives. More fundamentally, public services and public investment are essential to maintain the public space and a civilised society. This is a key characteristic of most European states, by contrast with the USA where military expenditure is far higher and welfare and social spending far lower (Wickham 2016: 13). European states are welfare states and the state is the backbone of European societies.

State expenditure however has to be effective: state services can become about creating jobs rather than providing services; state investment can become vanity projects and patronage for local politicians. In Ireland such failures undermine the public support for the taxation which state expenditure requires. Elsewhere, in high tax societies people have to have trust in the competence and effectiveness of the state.

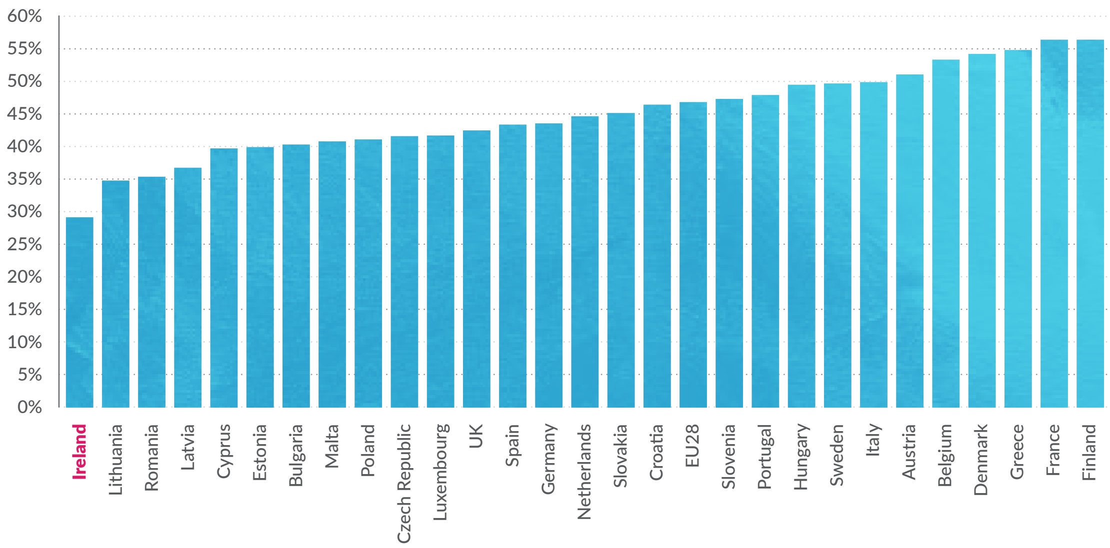
Chart 2.9. Evolution of general government expenditure as % of GDP



Source: Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]

Chart 2.9 shows how government expenditure as a proportion of GDP shot up as the GDP collapsed in the crash. However, CAE2016 showed that by 2014 Irish general government expenditure as a percentage of GDP was the lowest of the entire EU28. Astonishingly, as **Chart 2.10** shows, this was still the case in 2015.

Chart 2.10. General government expenditure as % of GDP, EU28 2015



Source: Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]

CAE2016 documented Ireland's low level of capital spending and the need for capital investment had been outlined in TASC's report *A Time for Ambition* (Sweeney 2015). In the aftermath of the crisis, public transport infrastructure projects such as DART Underground were halted. Local authorities stopped building social housing. Maintaining welfare levels and services was prioritised over investing in infrastructure. We now face the consequences of this choice. The lack of state investment in social housing has led directly to today's housing crisis. And any hope that Dublin can boom on the back of Brexit and the re-location of financial services from London is already undermined by the fact that Dublin's public transport is totally inadequate for a 'competitive' capital city.

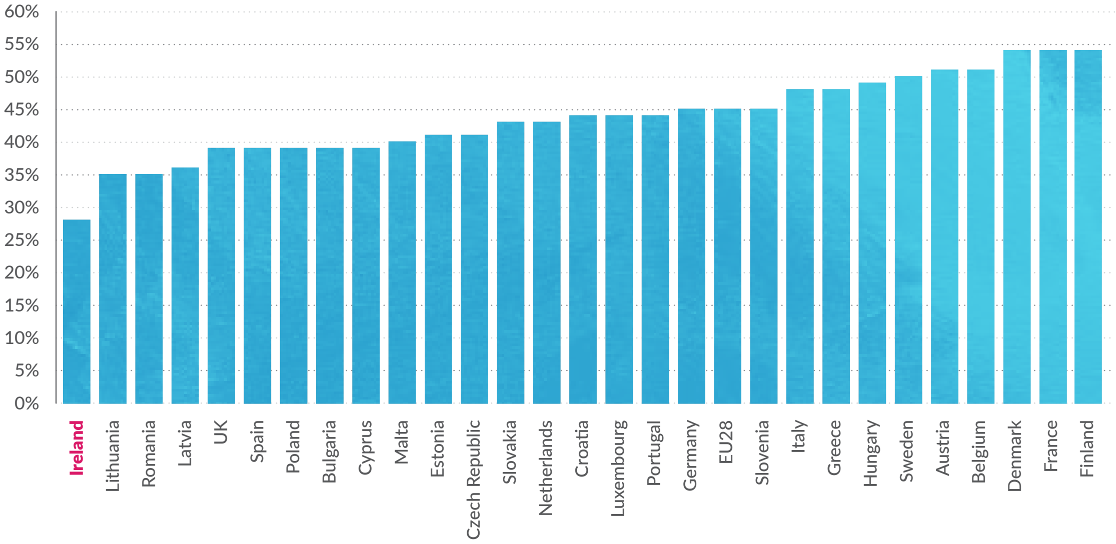
Any hope that Dublin can boom on the back of Brexit and the re-location of financial services from London is already undermined by the fact that Dublin's public transport is totally inadequate for a 'competitive' capital city.

2.6 Taxation

Indicator 10 tax; Indicator 11 social security contributions

A low level of taxation means a low level of state expenditure and minimal state services and public infrastructure. **Table 2.1** shows that Ireland's tax to GDP ratio fell significantly between 2014 and 2015 as did social security contributions as a percentage of GDP.

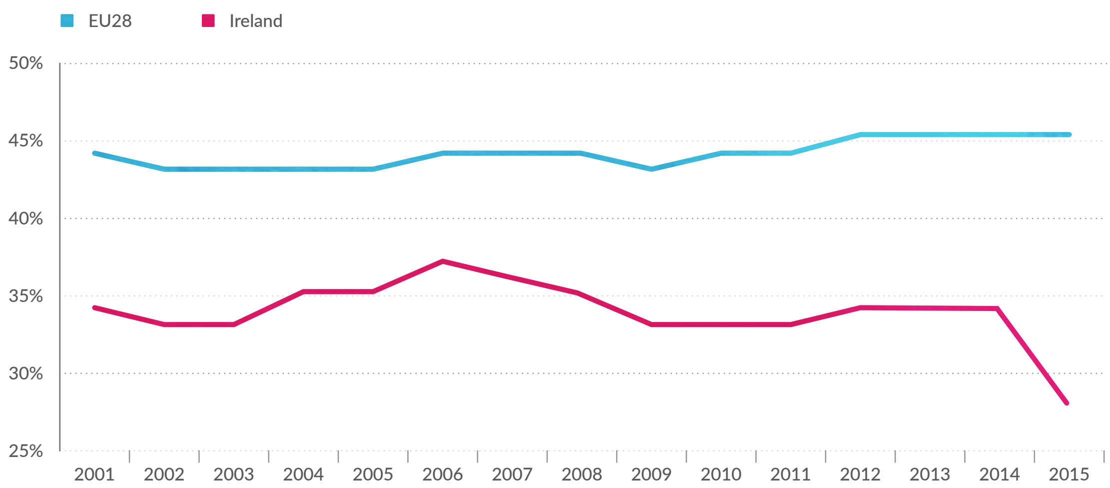
Chart 2.11 General government revenue as % of GDP, 2015



Source: Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]

Chart 2.11 confirms Ireland's position as having the lowest tax-to-GDP within the EU. It is often argued that the importance of profits repatriated out of Ireland by multinationals inflates Irish GDP; sudden peaks in these movements of profits can produce sudden leaps in GDP which seem unconnected to the real economy. It might be more appropriate therefore to use GNP for international comparisons (but see McDonnell 2016). Although the GDP figure for 2015 predates the sudden leap of the Irish GDP in 2016, **Chart 2.12** shows how the fall in revenue between 2014 and 2015 as a percentage of GDP was unprecedented, even though in fact total expenditure actually rose from €71,130m to €75,320m. The problem with measuring Irish GDP does not apply to other member states. Thus, **Chart 2.11** shows the range across the rest of the EU. In particular it highlights the low level of taxation in the UK compared to most other countries in the EU.

Chart 2.12 Evolution of general government revenue as % of GDP: Ireland and EU28



Source: Eurostat: Government revenue, expenditure and main aggregates [gov_10a_main]

Finally **Table 2.1** also shows the low level of social security contributions in Ireland. Even if the 2015 figure is ignored, it is clear that these are much lower than across the EU. Irish benefits are a mixture of universal payments (paid to all members of a specific category), means-tested payments (such as Jobseeker's Allowance) and payments dependent on the level of contributions (such as Jobseeker's Benefit). Despite recent changes, the self-employed receive fewer benefits than employees. The individual self-employed worker pays PRSI, by contrast both employees and their employers make some PRSI contributions. The total contribution of the self-employed is thus significantly lower than that of employees. At the same time, the fact that the self-employed are responsible for their total contribution is a major incentive for employers to declare employees as self-employed.

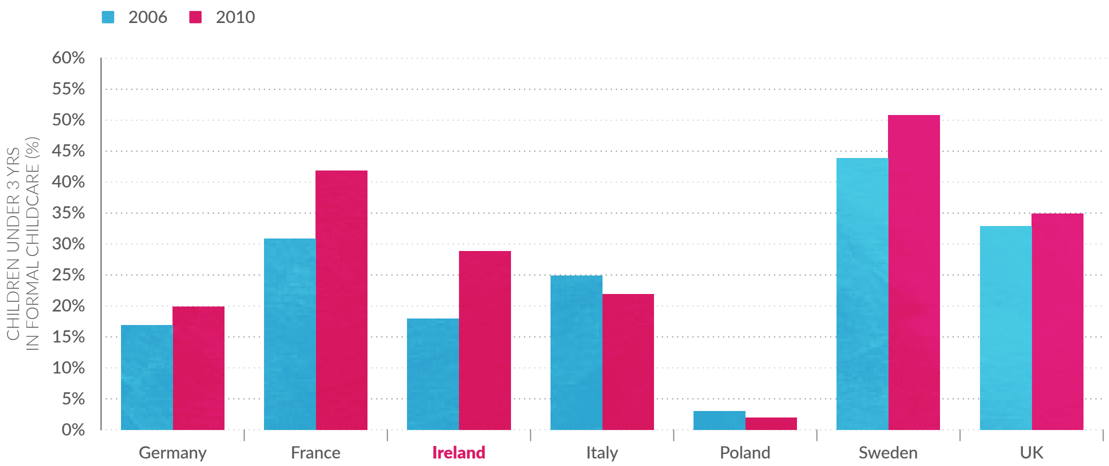
2.7 Childcare

Indicator 12 childcare costs

CAE2016 documented that according to OECD 2012 data, childcare fees in Ireland make up 27.4% of net family income (**Table 2.1**). Now, according to Early Childhood Ireland (2017), 'the average Irish family spends 34% of household income on childcare, double the European average'.

Widely available and affordable childcare can benefit children themselves. It also has the social and economic benefit that it increases women's participation in formal employment and thus retains valuable human capital in the workforce. Furthermore, international research has long shown that, since most women want both to have employment and raise children, it is the most effective way of increasing the birth rate (Castles 2003).

Chart 2.13 Formal childcare 2006 and 2010



Source: European Commission (2013) Table 2.2.2
Trends in the percentage of children up to 3 years of age cared for under formal arrangements 2006–10.
Note: 'Figures for Poland 'are based on small samples and therefore not considered statistically reliable'

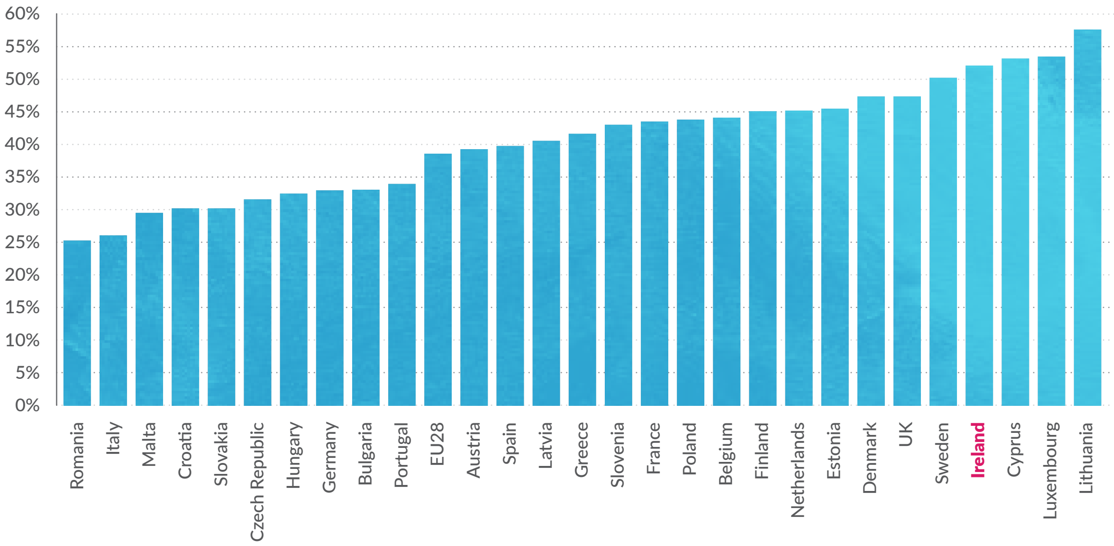
Extensive formal childcare has long been normal in Scandinavia. Many European countries have been attempting to catch up. Starting from a low base, the expansion in Ireland was especially dramatic between 2006 and 2010 (**Chart 2.13**). Expansion has continued since then. The Irish model relies heavily on subsidising services provided by private companies and voluntary organisations. While the Community Childcare Subvention (CCS) gives a means-tested subvention to low income parents, the new Early Childhood Care and Education Scheme provides a free pre-school service to all children over three and less than five and a half years. Nonetheless provision remains patchy. The funding model ensures that care workers are almost entirely in precarious employment.

2.8 Education

Indicator 13 third-level education; Indicator 14 secondary education; Indicator 15 youth unemployment

In Ireland a far higher proportion of the population aged 30-34 have a third level qualification than in nearly all other EU countries (**Chart 2.13**). This has created a well-qualified labour force within Ireland. During the crisis this gave Irish emigrants a major advantage in foreign labour markets.

Chart 2.14 Proportion of age group 30-34 with third level qualification 2016

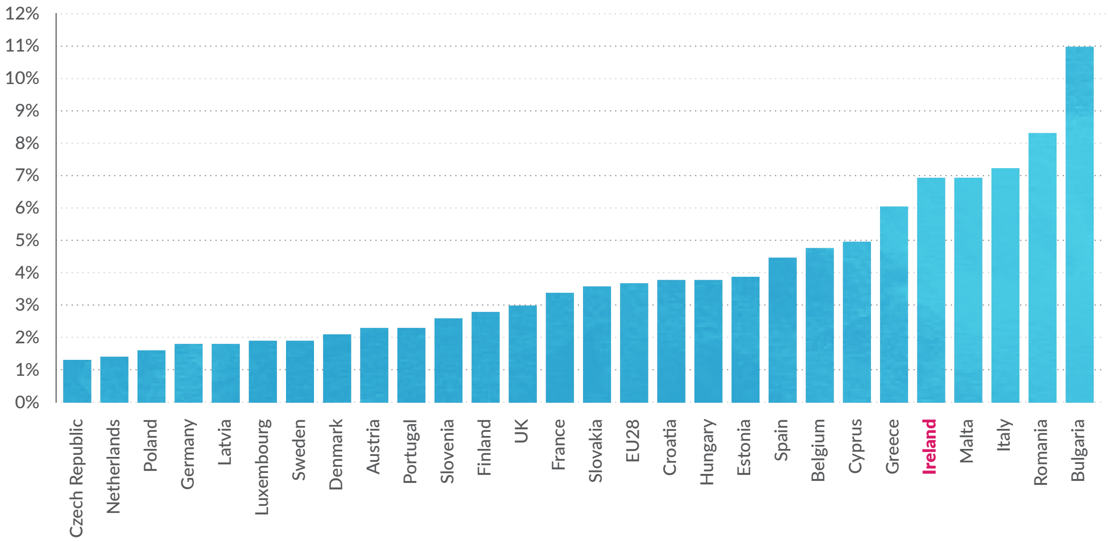


Source: Eurostat [edat_lfse_03]

However, a focus on economic inequality raises some concerns, in particular:

- Access to third level is strongly linked to social class and parental income. To some extent this is true in all countries, but Ireland seems to be a relatively extreme case.
- Many of those who do not reach third level do not gain a useful qualification for future work. The quantity and quality of apprenticeships is low in Ireland. **Chart 2.13** shows that Germany has a relatively low proportion in third level, but most young Germans who do not go to university get an apprenticeship (see **Chart 2.14**) – and the quality of the German apprenticeship system is world-famous.
- The proportion of young people not in education or training ('NEETs') is one of the highest in the European Union (**Chart 2.14**).
- Education is becoming increasingly commodified – it is bought on the market not achieved as a right. For instance, parents who can afford it buy 'grinds' for their children doing the Leaving Cert exam; the elite universities sell their education to the well-off parents of international students; the IDA is now facilitating the creation of a new entirely privately funded school for children of highly paid managers (*Irish Times* 2017).

Chart 2.15 Proportion of age group 15-19 not in education or training (NEET rate) 2015



Source: Eurostat [yth_empl_150]

The high cost of living in Ireland necessitated higher welfare payments in order to ensure access to basic goods and services.

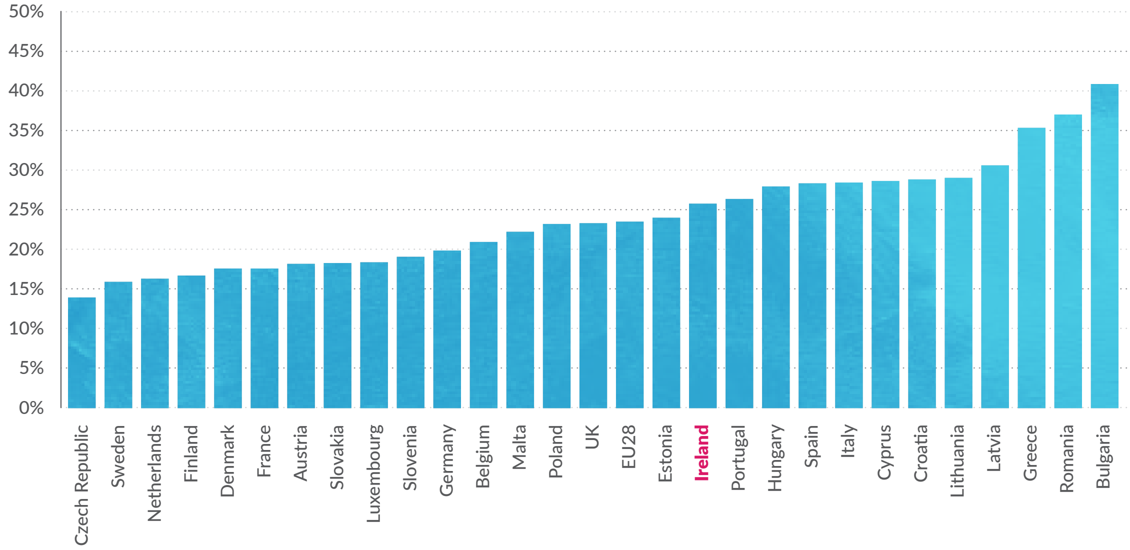
2.9 Poverty and deprivation

Indicator 16 cost of living; Indicator 17 deprivation; Indicator 18 child poverty

The cost of living in Ireland is higher than in many EU states. **Table 2.1** shows that between 2014 and 2015 this gap fell slightly (from 24.5% above the EU average to 22.5% above the average). *Cherishing All Equally 2015* argued that the high cost of living in Ireland necessitated higher welfare payments in order to ensure access to basic goods and services. **Table 2.1** also shows some improvement in two other crucial indicators. There was a fall in both the proportion of the population experiencing material deprivation and in the proportion of children at risk of poverty or social exclusion. Nonetheless, the latter figure for Ireland remained slightly above that for the EU as a whole.

The simplest measure of poverty is a threshold of 60% of the median income: people are considered 'at risk of poverty' if their income falls below this. **Chart 2.15** shows how this poverty rate for Ireland compares with other EU states. The poverty rate in Ireland is higher than in the Scandinavian countries, slightly higher than the UK, and lower than Italy or Spain. In these terms Ireland can be described as in the European mainstream.

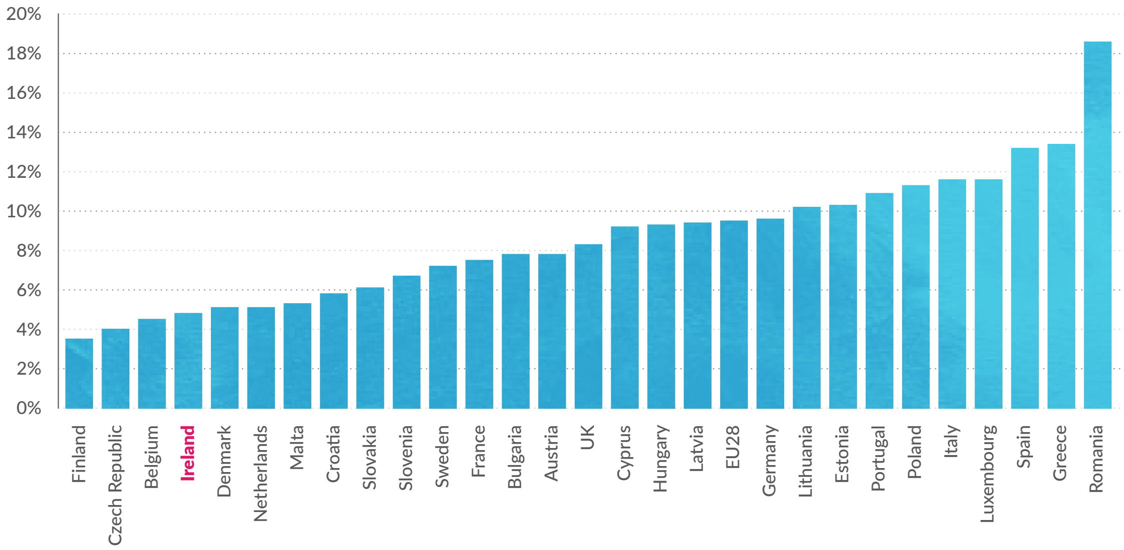
Chart 2.16 Proportion of the population at risk of poverty 2015



Source: Eurostat [ilc_peps01]

Poverty is kept at bay in Ireland because those adults without market incomes (the unemployed, the disabled, the retired) mostly receive some form of income support. The Irish welfare state also operates directly to reduce the impact of low earnings. A substantial number of people now have their low wages supplemented by various forms of in-work benefits. Thus the Family Income Supplement, first introduced in 1984, was paid to around 50,000 families in 2014; by the same date approximately 20% of all jobseekers on the Live Register were working casually or part-time (Collins and Murphy 2016: 76ff). Partly as a result of such expenditure the Irish rate for in-work poverty is one of the lowest in the EU (**Chart 2.17**). In 2015 4.8% of those who were at work were 'at risk' of poverty, as opposed to 8.2% in the UK and 9.5% across the EU28. Such in-work benefits can be seen as a form of corporate welfare for employers (Collins and Murphy 2016:78) since they subsidise the low wages which are all some employers are prepared to offer.

Chart 2.17 In-work poverty rate, EU28 2015



Source Eurostat [table tesov110]

Such measures of poverty, like measures of inequality, are relative to the specific income distribution of the country. If everyone loses the same proportion of their income, then the society remains just as equal as it was before. Furthermore, the poverty rate will not change at all. The problem is that some people may no longer have enough on which to live.

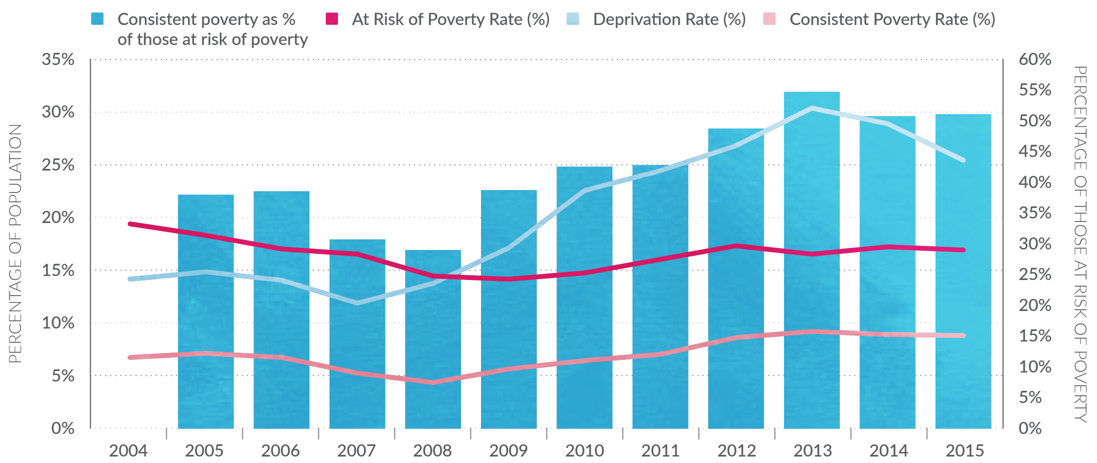
In broad terms this is what happened during the crisis. **Chart 2.18** shows how the 'at risk of poverty' rate remained almost constant throughout the crisis – as explained above, if everyone loses income, then the rate will stay the same. The Chart also shows that at least up to 2015, the recovery did not reduce this poverty rate.

For many people, what mattered far more than such relativities was the simple decline in their real economic resources. Unlike the poverty rate, the deprivation rate tells us about actual living standards. Deprivation is defined as the inability to afford two or more basic necessities. **Chart 2.18** shows how this began to rise from the onset of the crisis and continued to rise until 2013. In 2015 (the latest date for which data is available), the deprivation rate had fallen from that peak but remained well above the pre-crisis level. While this measure focuses only on those unable to afford two of the basic necessities, the measure of 'severe material deprivation' involves doing without at least four of them. **Chart 1.2** showed how this also rose very significantly during the crisis in Ireland but then fell back considerably

The recent changes in the deprivation rate show that most people have been benefitting from the recovery. However, 'most' is not everybody. People considered to be in 'consistent poverty' have an income which places them 'at risk of poverty' (i.e. below the 60% threshold) and cannot afford at least two or more basic necessities. The consistent poverty measure thus combines a relative measure (the percentage of the median income at the time) with an absolute measure (the deprivation rate). **Chart 2.18** shows how, for those at risk of poverty, the deprivation rate peaked in 2013 but the subsequent decline has been uneven. Crucially, the consistent poverty rate (i.e. those with a low income and material deprivation) has remained roughly constant at 8.7%. In other words, while living standards for most people have clearly been improving with the recovery, this is much less true for those at the lower end of the income distribution (CSO 2017). In simple terms, not only did the poor get poorer, but they remain poorer.

The negative effects of the Irish commitment to low taxation are compounded by the commitment to market solutions.

Chart 2.18 Poverty and deprivation, Ireland 2007-2015



Source: CSO Statbank Table SIA12

2.10 Conclusion

This review of TASC's indicators of economic inequality has placed Ireland in an international and European context. This has highlighted some important features of Irish policy and of the Irish welfare state.

In no other European country does the welfare state have such an impact on basic economic inequality as in Ireland (see for example the difference between gross and net income inequality in **Chart 2.1**). Despite cuts, during the crisis the role of the welfare state in redistributing income increased. While living standards fell, the impact of growing unemployment and of falling wages and salaries was mitigated by expenditure on benefits and transfers (see **Chart 2.3** comparing change in gross and net income inequality between 2007 and 2010).

While this shows the importance of the Irish welfare state, it also highlights the problems. The Irish state had to do so much because the underlying reality of extensive low wages and precarious employment was – and still is – so extensive. Not only is the Irish employment rate relatively low, but as for example **Chart 2.5** shows, a relatively high proportion of those at work are on low earnings. As Chapter 1 has already argued, tackling economic inequality requires higher wages for those at the bottom and indeed in the middle of the earnings distribution.

In terms of state provision, the high rate of participation in third level education (**Chart 2.14**) is a clear Irish success story. However, this is undermined by the weakness of vocational education and training – and the consequent extraordinarily large number of young people who are neither at work nor in any form of education or training (**Chart 2.15**).

Furthermore, the determination to keep taxes as low as possible means that Irish state raises little revenue (see for example **Chart 2.11**) and has limited resources available for investment – whether in physical infrastructure or in effective services. The negative effects of the Irish commitment to low taxation are compounded by the commitment to market solutions.

Chapter 3 of this report shows in detail how this is the key to understanding how Ireland's housing crisis has occurred. Yet housing is not unique. Childcare is one of the most important and most effective forms of social investment. Despite recent improvements, childcare in Ireland remains limited and expensive in comparison to other European countries (see **Chart 2.13**) and the reliance on quasi-market solutions here too has created yet another area of low paid precarious employment – and left the problem partially unsolved.

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Chapter 3

A home or a wealth generator? Inequality, financialisation and the Irish housing crisis

A home or a wealth generator? Inequality, financialisation and the Irish housing crisis

Rory Hearne

Housing is the basis of stability and security for an individual or family. The centre of our social, emotional and sometimes economic lives, a home should be a sanctuary; a place to live in peace, security and dignity... Housing has been financialised: valued as a commodity rather than a human dwelling, it has become, for investors, a means to secure and accumulate wealth rather than a place to live in dignity, to raise a family and thrive within a community... Deprivations of the right to adequate housing are not just programme failures or policy challenges but human rights violations of the highest order, depriving those affected of the most basic human right to dignity, security and life itself.
UN Rapporteur for the Right to Housing 2017

Housing is of fundamental importance in securing shelter, security, community and societal development and human dignity (Drudy and Punch, 2005). It is 'a basic human and social requirement' and 'good housing anchors strong communities, a performing economy and an environment of quality' (Department of Housing 2016: 7). Housing also played a major role in the global financial crash, and Ireland's recession with the 'over-stimulation of the housing market' accepted as 'a key causal factor in the scale of the economic downturn' (Government of Ireland, 2011).

Inequalities have been a marked characteristic of the Irish housing system both historically and in more recent decades particularly from the 1980s onwards. Some key features of the system have been: the disadvantaged areas that suffered disproportionally from unemployment and a lack of state investment; the growing housing unaffordability in the Celtic Tiger period; and the exclusion of those with disabilities and members of the Travelling Community (Bissett 2008; Hearne 2011; Drudy and Punch 2005). However, the crisis, austerity[1] and recovery period (from 2008 to 2017) have seen inequalities within the Irish housing system expand beyond anything seen since the foundation of the state.

[1] Austerity refers to the series of budgetary measures implemented by the Irish Government between 2008 and 2014 in response to the economic crisis and to bail out of financial institutions which involved cumulative cuts to public spending, social welfare and raising of taxes of over €30bn (over 20% of Ireland's GDP).

Box 3.1 Ireland's unequal housing crisis

While there are 1,400 homeless families and 2,500 children in emergency accommodation across the country, an additional 5,000 people became millionaires in 2016. Over 77,000 households are still in mortgage arrears while the debt of the developers that owed billions has been written off by NAMA and the banks. In Dublin, there are queues of hundreds of homeless people to get food in nightly soup runs, queues trying to get private rental accommodation and queues of a different kind in higher income suburbs where families are 'outbidding each other' to buy homes. Six 'trophy' houses on one road in Dublin 4 were sold for between €3 and €4 million each in 2016. Meanwhile 198,358 homes lie empty in Ireland (about 13% of total housing stock). In Cork, there are 269 people homeless, and 21,287 vacant units and in Dublin, 3,247 people homeless and 35,293 vacant homes. At the same time, housing and property have provided a key source of wealth for Ireland's richest. A quarter of Ireland's wealthiest 100 people amassed their wealth through construction, property and building (*Sunday Times* 2017).

This chapter provides detailed evidence of how the current housing crisis and government policy is worsening economic and generational inequalities, along with a political economy analysis of the causes of the housing crisis, and some potential solutions to address the contemporary housing challenge and inequality in Ireland.

Section 3.1 details the recent trends and data to provide an overview of the extent of the population affected by the housing crisis, in terms of the housing cost overburden rate, homelessness, housing waiting lists, and households in severe housing distress, and how it affects different housing sectors.

Section 3.2 briefly introduces the macro-level changes in state housing policy from the Keynesian period (1940s to 1970s) when states provided and supported affordable housing (to varying degrees in different countries) for a large section of the population to the neoliberal[2] period from the 1980s to the current period. It explains the processes and impacts of the financialisation and commodification of housing in this period. Section 3.3 looks at the role of Irish government policy in financialisation, austerity and privatisation in housing over recent decades. It explores the impact on housing and inequality of the response to the 2008 crisis through policies such as NAMA, the sale of loans to vulture funds, and the support for Real Estate Investment Trusts. This section provides a critical analysis of the Government's housing plan *Rebuilding Ireland*, in particular its dependence on a private market approach and the privatisation and marketisation of social housing through the private rental sector and sale of public land through new forms of Public Private Partnerships. Finally, Section 3.4 presents a human rights and equality approach to housing with potential solutions to the crisis.

Overall, this chapter demonstrates that the root cause of the current (post-2013) housing crisis in Ireland lies in policies pursued by governments over the last three decades that have privatised, commodified and financialised housing. It shows that these policies have been intensified since the 2008 crash through the Irish state's approach to dealing with that crash: on-going marketisation of social housing in the private rental sector, intensified austerity cuts

[2] Harvey (2005) describes neoliberalism as a process of 'accumulation by dispossession'. Neoliberalism is about creating 'unlimited' market opportunities for the private sector within public governance, services and infrastructure through privatisation and commodification of all public goods and infrastructure. It is the capture of public services and assets for private investment and wealth accumulation rather than distribution to working and middle classes and thus acerbates inequality.

to social housing, attraction of international investors and equity funds into the Irish housing market through the expedited sale of distressed loans and assets from IBRC and NAMA, and various tax breaks for Real Estate Investment Trusts. Macro level economic policy prioritised 'fixing' the banks through re-inflating the property market and attracting foreign speculative investors into residential property which pushed up house prices and rents. This further financialised housing and reduced its affordability for most of those who need it.

These policies and the housing crisis have worsened economic inequality in Ireland. Irish and global wealthy investors and equity funds have made massive returns from the increased housing burden for low income households in Ireland, often affected by rising rents, repossessions, mortgage arrears and homelessness. There is an additional wealth transfer from the Irish state to the wealthy in subsidies for landlords, tax measures, the sale of discounted land and assets etc. In order to revive this sector of the economy, government policy thus prioritised the interests and requirements of Irish and international property investors and equity funds over the housing needs of large sections of the Irish population – especially those of the most vulnerable.

The contemporary housing problem in Ireland is an extremely complex issue, but it is not a 'natural' disaster or an accidental policy. It results from the specific housing and the economic policies pursued by government and the interlocking effects of growing social inequality, financialisation, and neoliberal policy. And just as particular government policies have created the crisis it is evident that alternative policies, as demonstrated in countries such as Denmark and Austria, can solve it. Although this chapter presents a clear outline of how privatisation, commodification and financialisation of housing is causing the housing crisis and exacerbating economic inequality, the chapter also highlights clear alternative policy choices that can provide an affordable and secure home to all the people of Ireland and ensure their human right to housing is fulfilled. As well as other policy measures, this will require a New Deal programme of state-led provision of affordable rental housing through a new Irish Affordable Homes Company.

3.1 Crisis for whom? Housing affordability and insecurity

The significant level of affordability stress in relation to housing in Ireland is shown by the fact that one-third of people in Ireland 'worry about and/or struggle to be able to pay their rent or mortgage every month' (Focus Ireland 2016). One in every nine people (12%) are worried they will lose their home (this is 17% for those aged 25-34 indicating the higher proportion of young people affected by the housing crisis), while 6% of the population (220,000 people) are worried about becoming homeless.

The private rental sector

The housing crisis has affected those living in the private rented sector most acutely - from unaffordable rents to the lack of security in their home. Rising rents are making renting as a housing choice impossible. Rising rents are leading to individuals and families becoming homeless, being unable to save for a deposit, going back to live with family, overcrowding, and 'couch-surfing'. For example, there was a 28% increase in overcrowding between 2011 and 2016. In 2016 there were 95,013 permanent households with more persons than rooms, accommodating close to 10% of the population (CSO 2017).

Rents increased by 13.5% on an annual basis in the final quarter of 2016; in Dublin the increase was 15% (Daft.ie 2017). Rents in Dublin are now up almost 65% from their lowest point in 2010 and are a full 14% higher than their previous peak at the start of 2008 (RTB 2017). The average rent for Dublin City Centre is €1,655 per month. In contrast, the Consumer Price Index showed no change in 2016, fell by 0.3% in 2015 and only increased by 0.2% in 2014 and 0.5% in 2013.

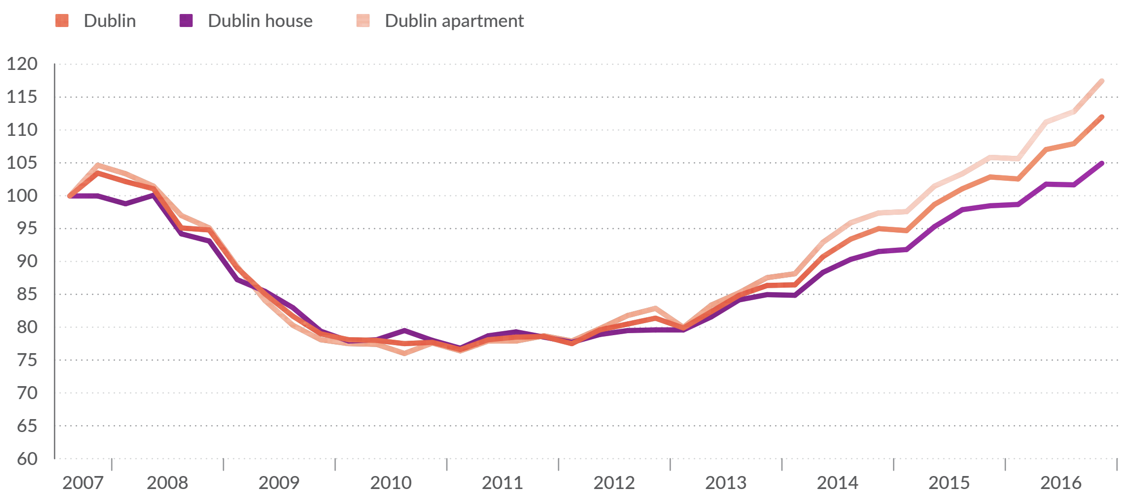
The average weekly rent paid to private landlords in April 2016 was €199.92, up from €171.19 (16.8%) in 2011. The highest growth in rent between 2011 and 2016 was in Dublin City which increased by almost 30%; rises in excess of 20% were also recorded in Dún Laoghaire–Rathdown (26.2%), Fingal (22.8%), South Dublin (22.7%) and Kildare (20.3%). The number of households paying at least €300 per week rent to a private landlord increased by 166% since 2011 (CSO 2017).

A single person on average earnings of €36,000 paying the average monthly rent of €957 for a 1 bed apartment in Dublin is allocating 41% of their net income to the cost of renting. A person on €25,000 (above the median wage of €23,000) would be allocating 55% of net income on renting.

Rents are increasing because landlords are taking advantage of a significant increase in demand. Fewer than 4,000 housing units were available to rent across the country in February 2017, in contrast to over 20,000 being available in 2010.

A single person on average earnings of €36,000 paying the average monthly rent of €957 for a 1 bed apartment in Dublin is allocating 41% of their net income to the cost of renting.

Chart 3.1 RTB rent index - Dublin



Source: Derived from RTB (2017: 17)

Rising rents have resulted in a growing gap between the rent limits set for state housing support (such as the rent allowance/rent supplement and the Housing Assistance Payment) available to lower income private rented tenants and the actual market rent. More than 80% of the homes available to rent are too expensive for people on state housing benefits. A majority of Rent Supplement clients are also making top-up payments to landlords - which is likely to be pushing already low income tenants further into poverty (Simon 2016).

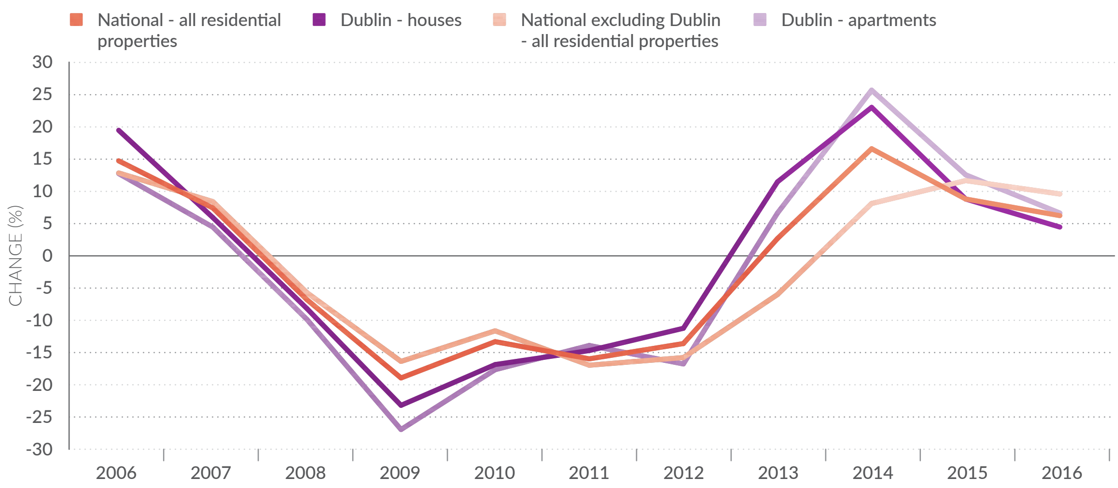
There are also issues relating to insufficient security of tenure for tenants, the lack of enforcement and penalties for landlords (Sirr 2014). Landlords can evict tenants if they state they are moving a family member in or selling the property, or the tenant is unable to pay increased rents. This has been increasingly used in recent years as a way to evict tenants and get in new ones on higher rents or to sell the property. This has been the main cause of the rise in homelessness.

There were 351 complaints from tenants about illegal evictions by landlords in 2016, up from c 320 in 2015 (RTB 2017). Tenants are often unaware of their rights and can find it difficult to access the Residential Tenancies Board. The private rental sector is therefore a relatively insecure form of tenancy (Threshold 2016).

House prices and affordability of mortgages

Chart 3.2 tracks the increase in residential property prices. In January 2017, residential property prices at a national level increased by 7.9%, up from 5.6% in the previous year. (The national index is 31.8% lower than its highest level in 2007. However, from the trough in early 2013, prices nationally have increased by 49.6% and in the same period Dublin residential property prices have increased 65.2%. House prices grew in Dublin by 23% in 2014, but then moderated to 8% in 2015 and 2016.

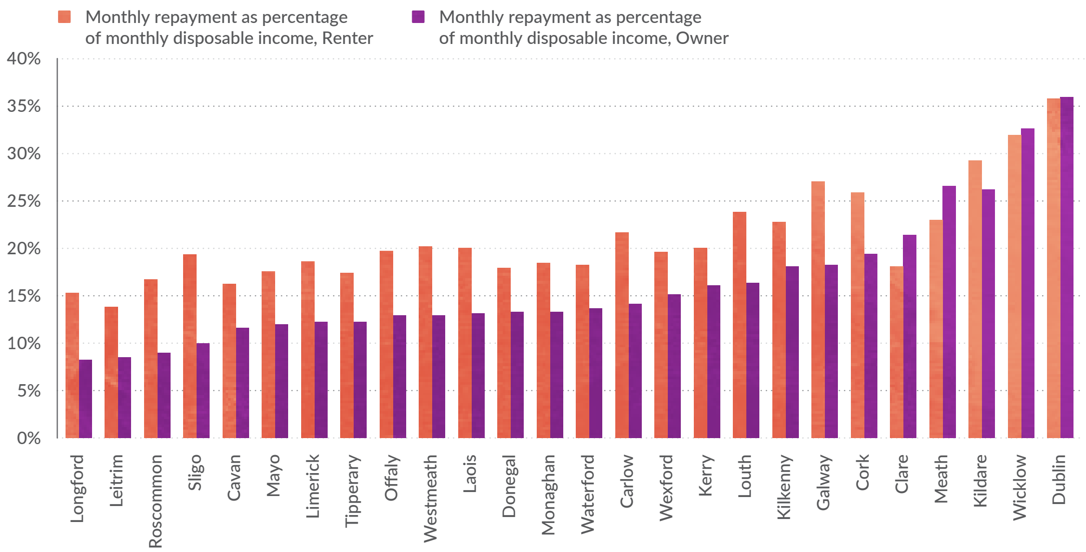
Chart 3.2 Percentage change over 12 months for residential property index (%) by type of residential property and year (%)



Source: Source: CSO StatBank/House Prices/HPM06

Chart 3.3 shows the share of people's income taken up by housing costs. In the first half of 2016 in Dublin mortgage repayments accounted for 33% of net income.

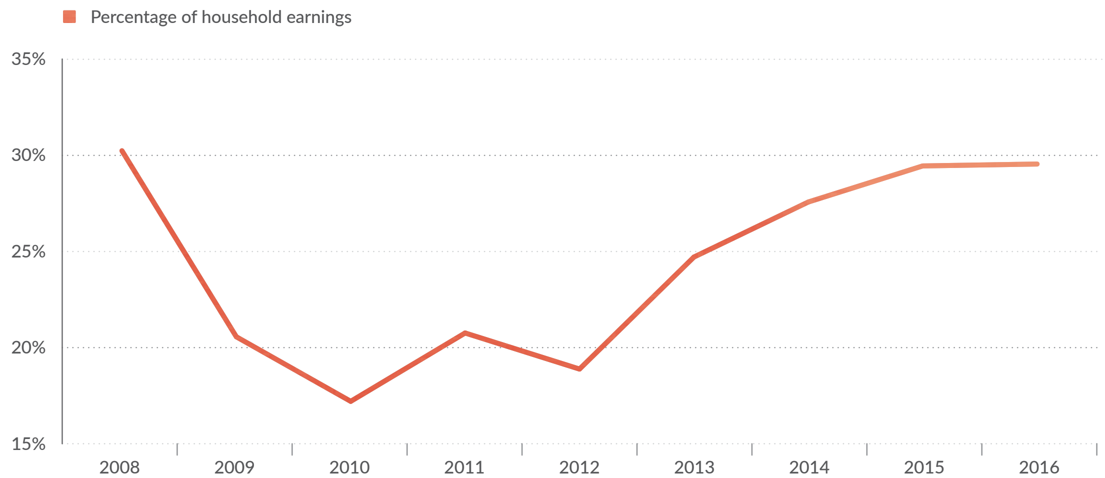
Chart 3.3. Regular monthly housing costs as percentage of disposable housing income 2016



Source: Reproduced from Housing Agency (2017: 33)

According to the Housing Agency, house prices in Ireland are moderately unaffordable but in Dublin they are seriously unaffordable (Housing Agency 2017: 30). **Chart 3.4** shows the proportion of 'annual after-tax income (excluding any social welfare payments) consumed by mortgage repayments' for a two-earner household in Dublin between 2008 and 2016. The chart shows the decline in mortgage affordability from 2012 onwards, with mortgage repayments taking 29.6% of the household's income in 2016).

Chart 3.4 Affordability index for a two-earner household with a 30-year mortgage 2008-2016 (Dublin)



Source: Derived from Housing Agency (2017: 31)

The Central Bank defines affordable housing as 3½ times your gross income which means for two people on the average wage, this is about €245,000, and for two people on the median wage, €189,000. The average price for a house nationally is €242,586, while in Dublin it was €394,059 or seven times the gross income for a couple, both on the median wage.

Inequality of affordability – the housing cost overburden rate

The Housing Cost Overburden Rate is defined as living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income. It is important to note that households spending more than 30% of disposable household income on housing are considered at risk of facing an affordability problem (Housing Agency 2017). Therefore, these figures arguably understate the problem considerably.

The extent to which housing is unaffordable exacerbates economic inequality. **Table 3.1** shows how housing costs have become unaffordable for different groups over time. This is especially the case for income: there is a significant difference in the housing affordability rates for lower income households and higher income households. The proportion of households below 60% of the median equivalised income (households 'at risk of poverty') affected by a housing cost overburden is nine times that of households above 60% of the median income. Over the period of the crisis the proportion of households below 60% of the median income affected by a housing cost overburden increased significantly from 12% in 2008 to 28% in 2012 and remains elevated at 18% (Eurostat 2017). This equates to approximately 150,000 households.

Table 3.1 Housing cost overburden: Ireland 2007-2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
By median income									
Below 60% of median equivalised income	12.3	12.2	17.3	23.1	27.3	28	21	27.1	18.2
Above 60% of median equivalised income	1.2	1.7	1.6	1.7	2.3	2	1.6	2.2	2
By income quintile									
1st Quintile		11.1	14.7	18.6	23.1	25	18.1	23.8	15.6
2nd Quintile		3.5	2.2	3.3	2.9	2.5	3.5	3.7	4.7
3rd Quintile		0.7	0.7	1.1	2.2	1.5	1.3	2	1.9
4th Quintile		0.6	1.1	0.4	0.3	0.8	0.4	0.8	0.4
5th Quintile		0.5	1.1	1.3	1.9	1.7	0	0.9	0.8
By age group and income									
Below 60% in the age group 25-29 years	13.6	29.4	22.1	37.8	31	47.9	25.6	53.3	34.2
Above 60% in the age group 25-29	2.8	4.9	4.2	3	4.6	3.5	2.6	5.1	4
By household type									
Single person with dependent children	7.6	9.6	9.3	10.3	12.8	14.9	11.4	14.2	16.2
Households without dependent children	4.4	3.7	4.4	5.7	7.3	7.3	6.2	8	5.1

Source: Eurostat from EU-SILC [table t_ilc_lvho_hc]

Looking at the different groups in the distribution of income, **Table 3.1** also shows how the housing cost overburden rate for the bottom 20% of the population (the first quintile) is 20 times higher than that of top 20% (the fifth quintile). Between 2008 and 2012 the rate doubled for the bottom 20%, reaching a high point in 2012, then again in 2014. The increases are much less clear for the top 40% of the population, where only a very small proportion were overburdened by housing costs relative to their income.

Housing affordability is also an inter-generational issue, effecting young people more than their elders. However, **Table 3.1** shows clearly how socio-economic background creates differences between young people. Young people on lower incomes are more severely affected by the issue of housing affordability than young people on higher incomes. In 2014, 53% of young people aged 25 to 29 years who came from a lower income (below 60% of median income) background were affected by a housing cost overburden, but only 5% of young people above 60% of the median income were affected.

In terms of household type, we see a similar pattern to trends of poverty and deprivation. The same table shows that the housing cost overburden rate among single parent households has doubled since 2007. In 2015 three times the proportion of single parent households were affected by the housing cost overburden rate as were households without children. Given that most single parent households are headed by women this reflects the gendered impact of the crisis.

Housing cost overburden is primarily an issue of the private rented sector. In 2015 just under a fifth (18%) of tenants renting at market price were affected by a housing cost overburden rate. This is over six times the rate of those with a mortgage or loan (at 2.7%) and five times the rate of those in subsidised accommodation (3.7%).[3] As **Table 3.2** shows, the consistent poverty rate of those in the private rental market is almost three times that of owner occupants and has increased consistently in the last three years.

Table 3.2 Consistent Poverty Rate (%) by tenure status and year

	2008	2009	2010	2011	2012	2013	2014	2015
Owner-occupied	2.3	2.5	3.4	3.8	5.4	5.6	5.1	4.6
Rented at market rate	2.9	8.3	10.6	6.8	9.9	10.0	10.5	11.3
Rented at below the market rate or rent free	16.4	17.9	17.3	21.5	21.0	26.0	23.6	24.9

Source: CSO StatBank Table SIA18

Homelessness

Homelessness has increased dramatically in Ireland in recent years as a result of evictions from the private rental sector (as landlords seek to sell their property or get in higher paying tenants) and escalating rents. These factors within the private rental sector have become even more influential on homelessness as a result of the reduction in the direct state provision of social housing and the increased reliance on the private rental sector to provide social housing.

Family homelessness emerged as a major issue from 2014 onwards. A majority of these families are lone parents (for example, they comprise 70% of the families in emergency accommodation). This reflects the challenges these families face from rising rents, low incomes and inadequate social housing supports. As **Table 3.3** shows, the number of people homeless in Ireland over doubled from 3,226 to 7,421 between July 2014 and December 2016. The number of homeless families in Dublin increased by 289% in this period and there are now 2,546 children homeless nationally.

[3] Source as for Table 3.1.

Table 3.3 Households accessing local authority managed emergency accommodation July 2014 and December 2016

	July 2014	Dec 2016	Change
Homeless Families			
Dublin	271	1,055 (LP 700)	+784 (289%)
National	585	2,129	+1,544 (264%)
Homeless Children			
Dublin	344	1,239 (LP 822)	+895 (260%)
National	749	2,546	+1,797 (240%)
Homeless Adults			
Dublin	1,551	3,310	+1,759 (113%)
National	2,477	4,875	+2,398 (97%)
Total	**3,226**	**7,421**	**+4,195 (130%)**

Source: Department of Housing (2014); Department of Housing (2016)
Note: LP - lone parent

A profile of homeless families in September 2016 also showed that there were a high number of young parents, with 67% under the age of 36. A majority (60%) were born in Ireland and 40% were migrants (of which 20% were EU and 20% Non-EU). A majority of these families were headed by lone parents (65%) of which 86% were women (Focus Ireland 2017).

In Dublin there is a monthly average of almost 700 families living in commercial hotels and other forms of unsuitable temporary and emergency accommodation with families being unable to access cooking facilities and having to travel extended distances in order to bring their children to their school. The government is providing improved emergency accommodation for families in the form of temporary 'Family Hubs' and 'Transition Centres'. However these do not provide adequate and secure housing. 'Emergency accommodation' is becoming a long-term housing response. Homelessness and situations of housing insecurity can have particularly serious impacts on children in terms of their social and emotional well-being and long term development.

Domestic violence and homelessness

Homeless figures do not include the 1,658 individual women and 2,349 children in emergency refuge accommodation. As a result of the housing crisis women are staying in refuges for longer with a knock-on effect that thousands of women looking for emergency accommodation are turned away because refuges are constantly full (Safe Ireland 2016), again another gendered dimension to the housing crisis.

Direct Provision and Travellers

Furthermore, the homeless figures do not include the 4,600 refugees and asylum seekers housed in inhumane and degrading 'direct provision' centres and an estimated 5,500 (18.6%) of the Traveller population that are homeless (Pavee Point, 2016).

Housing Waiting Lists

There has been a dramatic increase in housing need in recent decades as represented in the increase in the numbers of households who qualify for social housing support by a local authority (referred to as social housing 'waiting lists'). **Table 3.4** shows that in 1996 there were 28,000 households on waiting lists, in 2005 42,000 households and by 2013 90,000 households. Over a third (35,572) of these were in the Dublin region. Dublin City had the largest increase between 2013 and 2016, with 19,811 households in need of housing, up from 16,171 in 2013. Many have been on the waiting list for an extended period of time. Twenty-one per cent of those on the list are on it for over seven years and just under half (47%) are on it for over five years (Housing Agency 2017).

In Dublin there is a monthly average of almost 700 families living in commercial hotels and other forms of unsuitable temporary and emergency accommodation.

Table 3.4 Households on national social housing waiting lists, various years

1996	28,000
2005	42,000
2016	91,600

Source: Drudy and Punch (2005); Housing Agency (2016)

Table 3.5 Cities and counties with the largest housing waiting lists 2016

Area	2013	2016	Change (number)
Dublin City	16,171	19,811	3,640
Fingal	6,020	6,858	838
Kildare	5,454	5,572	118
South Dublin	6,217	5,562	-655
Cork City	6,440	4,440	-2,000
Cork (County)	4,804	4,241	-563
Kerry	4,112	3,897	-215
Galway City	2,471	3,322	851
Total all areas	**89,872**	**91,600**	**1,728**

Source: Housing Agency (2016:7)

The ongoing crisis: Mortgage arrears and repossessions

There are 77,493 (11%) of mortgages for a principal dwelling house (PDH) in arrears, 54,269 of those (7% of all mortgages) in arrears over 90 days, and 34,500 in arrears over 720 days. Almost a fifth of buy-to-let mortgages (26,000) are in arrears. Rent receivers have been appointed to 6,023 properties in arrears (Central Bank 2017). As **Table 3.6** shows, there was a 40% increase in the number of repossessions of PDHs in arrears between 2016 and 2015 with 1,694 PDH homes repossessed in 2016, the highest on record so far.

Table 3.6 PDH repossessions

Year	Repossession by lender
2012	602
2013	766
2014	1,311
2015	1,195
2016	1,694
Total	**5,568**

Source: Central Bank (various years)

The financialisation of the housing system is evident from the transformation of mortgages into commodities sold on the international market. 'Non-bank entities' or vulture funds and international financial institutions have purchased large bundles of mortgages at a discount from Irish financial institutions. These entities have increased their holding of the total Irish mortgage stock in just three years from just 2% of the total stock in 2013 to 6% in 2016 (or 8% in value terms) and now own 48,562 PDH and BTL (Buy-To-Let) mortgages (Central Bank 2017). There is a concern that such entities will, as property prices rise, try to repossess houses. There is also a severe inequality here: vulture funds buy the loans at a discount of up to 70%, but the mortgage holders in arrears are expected to pay back the full loan.

Table 3.7 Non-bank entities (vulture funds) mortgage stock and arrears

Quarter	% Of total mortgage stock	% Of total mortgage value	Arrears over 90 days (value)
2013	2	2.5	9,050 (2bn)
2016	6% (5% PDH/8% BTL)	8%	

Source: Central Bank (2017)

Households with severe affordability problems

Table 3.8 below provides an overview of households facing severe housing unaffordability and insecurity. The total, 211,600 households, equates to 10% of all households. This is roughly the same as the proportion of the population who stated they were in fear of losing homes and as those affected by the housing cost overburden rate in the bottom two quintiles. These figures show the level of acute/severe housing affordability and social housing need is over double what the housing waiting list figures suggest. The level of social and affordable housing required is therefore higher than current estimated requirements.

Table 3.8 Households affected by severe housing unaffordability and insecurity

Household situation	Households
Rent supplement (not on Housing Waiting List)	18,000
HAP	16,000
Housing Waiting List	91,600
RAS	20,000
Mortgage Arrears on PDH Over 90 days	54,269
Direct Provision	4,600
Traveller Homeless	5,000
Domestic Violence Refuge	1,658
Total	**211,127**

A structural shift in Ireland's housing system: Decline in home-ownership rates and rise in private rental sector

Prior to the financial crash, home-ownership in Ireland stood at 76%. This was down from a high of 81% in 1991. The home-ownership level has declined even further from 69.7% in 2011 to 67.6%, a rate last seen in 1971. The rate in rural areas is 82% and in urban areas 59.2% (CSO 2017). The extent of transformative change that has happened in Ireland is shown by the fact that the decline in home-ownership here is one of the largest in the EU since the crash (**Table 3.9**).

Table 3.9 Population in ownership tenure status 2007 and 2014

	2007	2014	Change
Ireland	78.1	68.6	-9.5
United Kingdom	73.3	64.4	-8.9
Iceland	86.4	78.2	-8.2
Estonia	86.8	81.5	-5.1
Latvia	86	80.9	-5.1
Slovenia	81.3	76.7	-4.6
Euro Area	71.4	66.9	-4.5
Denmark	67.1	63.3	-3.8
Bulgaria	87.6	84.3	-3.3
Luxembourg	74.5	72.5	-2
Austria	59.2	57.2	-2
Spain	80.6	78.8	-1.8
Greece	75.6	74	-1.6
Cyprus	74.1	72.9	-1.2
Belgium	72.9	72	-0.9
Finland	73.6	73.2	-0.4

Source: Eurostat [ilc_lvh02]

The decline in home-ownership has meant a dramatic increase in the proportion of households in the private rental sector, doubling from 9.9% in 2006 (145,317) to 18.5% in 2011 (305,377) (CSO 2017). In 2016 there were 342,222 registered tenancies with 174,158 landlords and 705,183 occupants in the private rental sector (RTB 2017). This underlines why trends and policies in the private rental sector are so important – they have an impact on a much larger section of the population than in previous decades.

These are very significant structural shifts within the Irish housing system. In Ireland in recent decades a core objective of government housing and economic policies has been to increase home-ownership rates. The expansion of the private rental sector shows the extent to which these policies have failed.

However, home-ownership is not an 'ideal' tenure as it can also lead to household over-indebtedness and unaffordability as the housing crash and mortgage arrears crisis has shown in Ireland. Yet the principal alternative to home-ownership in Ireland is the private rental sector. As shown already, this has tended to be insecure and increasingly unaffordable. Therefore the decline in home-ownership rates and the associated increase in private renting present a major challenge for the Irish housing system and for government policy. This includes rising residential insecurity, generational and social class inequalities, an increase in exploitative landlordism and ultimately, in the failure to provide affordable and secure housing for increasing numbers of new and existing households.

Declining home-ownership amongst younger lower income households

The biggest decline in home-ownership levels have been among the younger generations (aged 35-44), but in particular amongst lower socio-economic classes (NESC 2014). The home-ownership rate of professionals for this age group only fell by 9% proportionally between 1991 and 2011 but fell by 25% for unskilled backgrounds. This has significant implications for wealth inequality and the welfare state in terms of pension and elderly poverty in the future. The inequality in home-ownership has, in fact, grown between the classes over this period – from a gap in home-ownership levels between unskilled and professionals of 26.1% in 1991 to a gap of 31% in 2011. Census 2016 shows that it was more common to be renting than owning in Ireland if you were under 35. That is an increase from 32 years in 2011, 28 years in 2006, and 26 years in 1991 (CSO 2017).

Data from Eurostat (2017) shows that there has been a proportionally equal fall in home-ownership rates between 2007 and 2014 for those above 60% of the median income (falling from 82.9% to 72.7% – proportionally a 12.3% decline) and for those below 60% of median income(from 55.1% to 47.6% – proportionally a 13.6% decline). Clearly however, the fall for those below 60% is more significant as it brings home-ownership rates in that category below 50%. These households are going to face much more difficulties in covering rent affordability in the private rental sector than those on higher incomes.

Table 3.10 Owner-occupiers amongst social classes age 35-44 years 1991 and 2011 (%)

35-44 yr olds	Professionals	Skilled Manual	Semi-skilled	Unskilled
1991	91	84.8	77.1	64.9
2011	80	71.3	63.8	49

Source: Adapted from NESC (2014)

3.2 Housing – from social and affordable housing to financialised commodity

The neoliberalisation of housing

A fundamental change has taken place in countries' approach to housing over the last three decades. From after the First World War up to the 1970s (referred to as the Keynesian period) the state played a central role in Western Europe. The state directly provided large numbers of decent quality and affordable houses through the facilitation of low cost mortgage lending and the construction of social housing. Affordable and social housing were part of the 'social contract' achieved, in the main, by trade unions and Left political parties. The philosophy underpinning the approach to housing in many countries during this period was that it should be delivered according to social need and as a social right (**Box 3.2**) through relatively non-market (de-commodified) approaches (Drudy and Punch, 2005; Madden and Marcuse 2016). While Ireland signed up to various international conventions on the right to housing, it largely failed to implement this human right in practice.

Box 3.2 Non-market and human rights approach to housing

- Housing treated primarily as a home as a basic necessity– as shelter, a place to stay, to feel secure, to build a base, find an identity, participate in community and society
- Housing as a social good - as a fundamental social requirement like education or public health
- Priority is providing households with access to both decent and affordable housing
- Use values (Home, shelter, security, community, neighbourhood) prioritised
- Housing system is de-commodified (aims to shield/protect households from the market)
- Housing as a human and social right for shelter (in the Constitutions and legislation): Article 25 of the UN Universal Declaration 1948: *'Everyone has the right to a standard of living adequate for the health and well-being of himself (herself) and his (her) family, including food, clothing,* ***housing****, medical care and necessary social services'.*

'Adequate housing' must be affordable, habitable and accessible to disadvantaged groups. It should include security of tenure, availability of services, materials, facilities and infrastructure. Its location must allow access to employment, health care, schools, child care centres and other social facilities (United Nations 1991)

Source: Drudy and Punch (2005)

A dramatic shift took place from the 1980s onwards in the neoliberal[4] period (Aalbers 2016). States facilitated the private property market (see **Box 3.3**) with a particular ideological support for home-ownership as part of creating a market dominated economy and society (Kemeny 1981). Housing was commodified (Madden and Marcuse 2016) and social housing

[4] There has been a strong and widespread global trend towards neoliberal policies since the 1980s including increased 'free markets', competition, deregulation of markets such as financial markets, opening up to international capital flows, and a smaller role for the state, achieved through privatisation and limits on the ability of governments to run fiscal deficits (IMF 2016).

was privatised and marketised (Hearne 2011). The financialisation of housing has further commodified housing. Through the deregulation of financial and mortgage markets housing has become a liquid financial commodity. Madden and Marcuse (2016: 31) explain housing financialisation as a process whereby: 'Managers, bankers and rentiers produce profits from real estate through buying, financing, selling, owning, and speculating'. Financialisation has involved the expansion of credit for mortgaged home-ownership and the investment purchase of housing to 'flip' or rent under the discourse of the asset-based welfare state (Dewilde and De Decker 2016). New financial products were created such as mortgage securitisation involving the bundling of less risky and risky mortgages into more profitable investment products traded on financial markets. This shift was important in Ireland in the context of an inadequate welfare state. Those who can afford to buy a house seek to use it to compensate for the deficiencies of pensions, healthcare and elderly care.

Box 3.3 Market/neoliberal/financialised approach to housing

- Housing primarily viewed as a market commodity (like cars, televisions etc.) rather than a home responding to housing need
- Housing valued primarily for its exchange value – as an asset rather than a home – capital appreciation, return on investment, rental income, wealth generation
- 'The market' is principal provider of housing not the state or government
- Households and individuals access housing through the market (depends on ability to pay (and borrow) rather than need
- Encourages investment and speculation in housing and land

Source: Drudy and Punch (2005)

Low and middle income households loose access to affordable housing as wealth is transferred from the majority of citizens to the wealthy

In Ireland, neoliberal policies included the withdrawal of local authorities' ability to borrow for building social housing and reduced role in issuing mortgages in 1987 (**Box 3.4**). In 1975, local authorities provided almost 8,800 public 'non-market homes for rent, representing one-third of total housing provision while this reduced to just 6% of housing provided in 2006. In 1961 18.4% of housing stock was social housing but this reduced to 12.5% in 1981 and just 8.7% in 2011 (143, 975 houses) (Byrne and Norris 2017; Norris 2016).

Box 3.4 Social housing in Ireland: from direct state provision to privatisation and marketisation

1930s-1970s	Large direct role of state in delivery of social housing, and state support for affordable home-ownership	18% of total housing stock is social housing
1980s	Tenant purchase and 'surrender' grant, 1987 removal of local authorities' ability to borrow and build	12.7% of housing stock is social housing in 1981
1990s/2000s	Shift to reliance on private rental (rent supplement), Part V, acquisition, PPP	6.9% of housing stock is social housing 2002 Households in receipt of rent supplement increase from 28,800 in 1994 to 59,976 in 2003
2008-present	Austerity and marketisation radically reduce direct social housing build, reliance on private rental for social housing increases further – a third of tenants in private rental sector receive state support	8% of housing stock is local authority housing in 2011 Social housing capital funding cut by 88% between 2008 and 2014 Numbers in rent supplement 96,803 in 2011, 85,735 in 2016 (Rent Supplement, HAP, RAS)

Financialisation and inequality

The financialisation of housing has also involved a broader restructuring of the finance-real estate relationship through the increased role of large-scale corporate finance and global private equity funds purchasing and investing in residential property and land (Madden and Marcuse 2016).

Financialisation, privatisation and marketisation have opened up housing and real estate as a key sector for wealth accumulation for the growing 'wall of money' (pension funds, hedge funds, wealth funds) searching for higher returns in a context of reduced profitability and rising risk in the wider 'real' economy (Dewilde and De Decker 2016; Fernandez et al 2015; Rolnik 2013). Housing systems have thus played a key role in the growing wealth of the '1%' and the re-emergence of 'rentier capital' – that is income drawn from owning financial assets, rather than working or from owning productive assets (McCabe 2011; Piketty 2014).

There has been an increase in profits for investors extracted from the housing system, thus increasing the capital share. As a result the housing costs of workers and ower and middle income households have simultaneously risen, thus reducing the labour share. The financialisation of housing thus results in a form of 'accumulation through dispossession'. Low and middle income households loose access to affordable housing as wealth is transferred from the majority of citizens to the wealthy (Harvey 2005; Stockhammer 2004).

Post-crisis financialisation – private rental as global commodity

In the post-crisis period housing financialisation has taken new forms in Ireland with global institutional investors such as private equity funds buying billions of distressed assets and loans and increasingly, through securitisation and direct purchase, investing in the private rental 'build-to-rent' sector (Aalbers 2016; Dewilde and Ronald 2017). Despite the role of financialisation in the 2008 crash, we are seeing an increase in the role and power of corporate finance in national housing systems. Cushman and Wakefield's annual *The Great Wall of Money* report (2017) showed that in 2015 total trans-border real estate investments were a record $443 billion with investors 'particularly attracted to the supply/demand imbalance driven by population growth in many residential markets across European capital cities'. The 'build-to-rent' sector is seen as a 'compelling opportunity because of the limitless demand' and in Dublin it is viewed as 'a home run' (PWC 2017). Real Estate Investment Trusts (REITs) are playing a key role in opening up such housing as an investment asset for global capital (PWC 2017). The growth of REITs is one measure of the financialisation of housing in a country such as Ireland (Madden and Marcuse 2016).

While governments encourage such investment to increase the housing stock available for private renting, this type of rental is usually aimed at the higher income end of the market e.g. young professionals. Such trends tend to reduce the supply of affordable, low-quality housing at the bottom of the housing ladder, and/or negatively affect security of tenure, housing quality and segregation (Dewilde and De Decker 2016).

3.3 Government policy: financialisation, austerity and privatisation of housing

Financialisation as a strategy for economic recovery: selling off Ireland's land and homes – NAMA, the vultures and REITs

The Irish state's strategy to overcome the property and financial crash and achieve economic recovery was (and still is) based upon a recovery in the property market which policies were designed to achieve. This was undertaken through a deepening of the financialisation of the Irish housing (and wider property) system. It required two parts of the one process; firstly, a re-inflation of Irish property prices, and secondly, the attraction of the 'Wall' of private equity and vulture funds to buy up the toxic loans and assets from Nama, from the liquidators of the Irish Bank Resolution Corporation (IBRC) and from the Irish banks. After 2013 the rationale of increasing 'supply' in the context of the housing crisis was added as a justification of this approach. NAMA played a central role in implementing this state policy of re-igniting the Irish property market through selling off toxic loans and assets at a considerable discount to international vulture and property investors (**Box 3.5**). Through 2013 and 2014, as the property market picked up, NAMA's strategy was 'to increase significantly the flow of assets to the market to tap into the increased international – and increasingly domestic – investor interest in Irish real estate' (NAMA 2014). The government made rental profits arising in a REIT exempt from corporation tax in 2013 in order to 'facilitate the attraction of foreign investment capital to the Irish property market' (Noonan 2013). The state also attracted the private equity funds and vultures with a favourable tax regime such as Section 110, which has resulted in the loss of billions in taxes to Ireland (Donnelly 2016).

As a result of these policies, vulture funds have bought up to 90,000 properties and hold at least €10.3billion worth of assets in Ireland (RTÉ 2017). A single vulture fund, Lone Star, bought 60% of all assets sold by the IBRC, 90% of assets sold by NAMA went to US funds (Byrne 2015). **Box 3.5** lists some private equity investors and vulture funds now active in Ireland. The Irish Real Estate Investment Trust (IRES), set up in April 2014 is now the largest private landlord in Ireland with 2,378 apartments. As **Table 3.11** shows, the total assets in real estate funds in Ireland was €18 billion at the end of 2016 (€12bn of these assets were held in property within Ireland) up from €6.9bn in 2014, doubling in 2015, and increasing by 300% by 2016 (Central Bank 2016).

Table 3.11 Assets in real estate funds held in Ireland

Year	Value (€m)
2014 Q1	6,940
2014 Q2	7,790
2014 Q3	9,238
2014 Q4	10,698
2015 Q1	12,247
2015 Q2	12,884
2015 Q3	13,814
2015 Q4	14,800
2016 Q1	15,092
2016 Q2	16,756
2016 Q3	18,176
2016 Q4	18,609

Source: Central Bank (2016)

Box 3.5 A selection of private equity investors and vulture funds which bought property loans and assets in Ireland

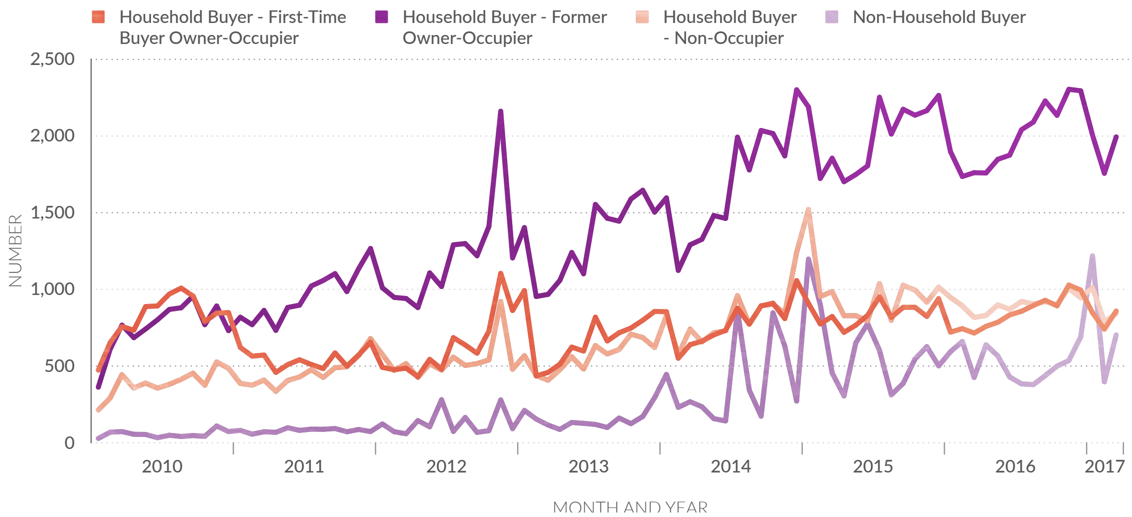
Equity Fund/ Vulture	Assets purchased	Selling body/ agency	Year of purchase
Lone Star	At least €5bn of loans including 1,700 acres of land in Dublin	RBS IBRC (INBS loans)	2015 2014
Kennedy Wilson	Bank of Ireland shares, distressed loans Commercial and residential property	Bank of Ireland Bank of Scotland	2011 2012
Hines - worth €93.2 billion	400 acres land in Cherrywood Offices	NAMA	
IRES REIT	Project Orange –716 residential units	NAMA	2014
Goldman Sachs	Home Mortgages Commercial Buildings	Ulster Bank IBRC AIB	2014 2014 2016
Oaktree - worth €97 billion and its subsidiary Mars Capital	Project Emerald and Project Ruby – Par Value €4.7bn Development of €450 million worth of offices in Docklands Limerick Strand apartments Mortgage loans	NAMA NAMA IBRC	2016 2014
Blackrock- world's largest asset management agency	Docklands commercial and student housing units	NAMA/CIE	2016

Source: Byrne (2015); NAMA (2016)

Inequalities resulting from post-crash financialisation in Ireland

Chart 3.5 shows that from 2013 onwards there was a significant increase in the purchase of housing in Ireland as an investment by non-occupying households (classified as 'Household Buyer – Non-Occupier' and 'Non-Household Buyer').

Chart 3.5 Residential dwellings sales by type of buyer and month, 2010-2017



Source: CSO StatBank Table HPM02

As Table 3.12 shows, these two groups of investors together purchased 5,194 properties in 2010 (22% of all purchases in that year), but this increased to 16,999 properties in 2016 (36% of all purchases). Indeed, in the first quarter of 2017 investor purchases have amounted to 38% of all buyers.

Table 3.12 Buyers of dwellings 2010-2017

	2010	2013	2016	2017 Q1
Household buyers ('Household Buyers… 'First time Buyer Owner Occupier' and 'Former Owner Occupier'	18,793	24,093	34,131	8,203
Investors ('Household Buyer – Non Occupier' and 'Non-Household Buyer')	5,194	8,415	16,999	4,941
Total dwelling purchased	23,987	32,508	51,130	13,144
Investors as % of total	21.7	25.9	33.2	37.6

Source: CSO Statbank Table HPM02

These purchases add a significant demand for housing and thus are inflating house prices and making them less affordable for those seeking housing as a home.

Box 3.6 outlines how the Irish state's approach to dealing with the economic and property crash through the re-financialisation of the Irish housing and property system has resulted in a massive transfer of wealth to already wealthy investors, global equity and real estate funds.

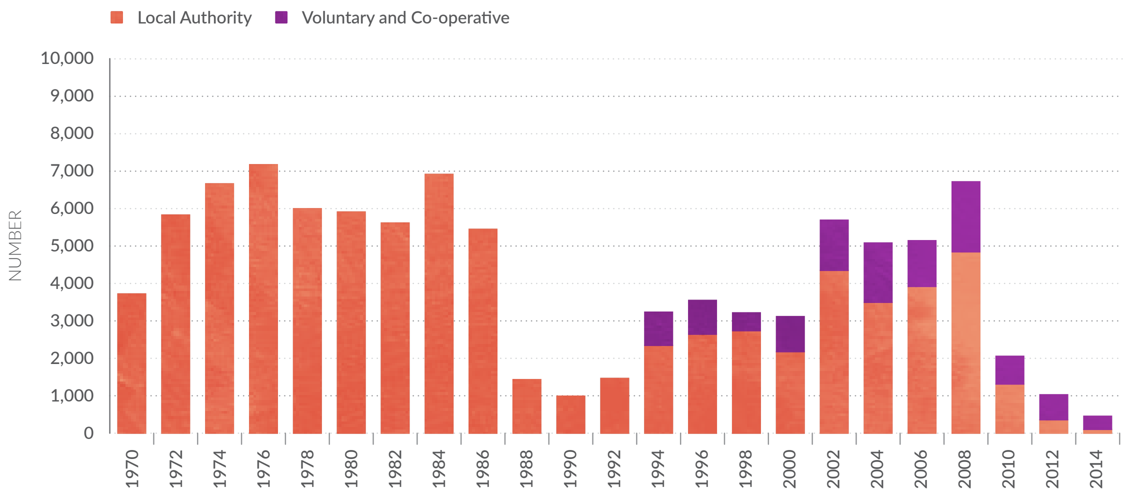
Box 3.6 Impact of the great Irish sell-off: inequalities resulting from post-crash financialisation in Ireland

- Transfer of wealth to the already wealthy Irish and global 1% e.g. of the top 5 Irish billionaires listed in Forbes, one is John Grayken owner of Lone Star
- Encouragement of housing as an investment – increasing house prices
- Encouragement of investment in commercial property rather than housing e.g. NAMA, REITs. Financialising housing and land according to its highest 'exchange' value rather than prioritising its most needed social 'use' value (i.e. for affordable housing).
- Facilitated land hoarding - waiting for (and contributing to) house prices to rise - NAMA sold development land (sites) to investors that had the potential for up to 20,000 housing units but just 1,100 (5%) of these have been built or are under construction.
- Worsening housing affordability - raised rents and house prices
- Eviction of tenants and home-owners in arrears
- Mortgage loans and assets being sold at discount (of up to 60% to 70%) to investors - while those in mortgage arrears being forced to pay full debt back to banks or new owners of debt (e.g. vulture funds)
- Increased cost to the Irish tax payer through increased rental subsidies required in private rental sector (involves massive transfer of wealth to private landlords)
- Increasing the power and influence of private equity investors over housing and economic policy e.g. in 2015 and 2016 intense lobbying by global funds and real estate investors over potential rent regulation and tax changes
- Housing crisis as profit opportunity for wealthy property funds; IRES REIT note that the 'deep imbalance between demand and supply in Dublin's housing market' means their profit outlook is 'very positive'

Austerity and marketisation in social housing

Chart 3.6 shows the annual volume of social housing built in Ireland since 1970. It shows the dramatic decline in new social housing since the mid-1980s. Furthermore, despite the new role of voluntary and co-operative schemes in social housing, they have been utterly unable to make up for the fall in local authority building.

Chart 3.6 Social housing completions by sector, 1970-2014



Source: Department of Environment, Local Authority Scheme Statistics 2016

The Department of Environment suffered the second highest proportionate budget reductions of any Department between 2008 and 2012 reflecting a neoliberal bias against social housing investment. From 2011 to 2015 Ireland had the lowest levels of provision of new social housing in over 35 years with just 75 local authority houses built in 2015 (**Table 3.13**). The resultant lack of social housing is a major factor in the growing homelessness. This shows the serious social fall-out from austerity policies in Ireland. For example, in 2009, 5,373 new social housing units were built (3,362 local authority units and 2,011 voluntary and cooperative units), while in 2010 that fell to 2,081 new units. The reduction in direct build social housing also resulted from policy shifts towards marketising social housing provision through an increased reliance on delivery through the private sector, in particular from the private rental sector, coupled with an ineffective request to developers to include 5% of social housing within new housing schemes. Some local authorities also expressed a desire to shift the responsibility for dealing with the 'problem' of social housing provision over to the private sector.

Table 3.13 Impact of austerity and privatisation on new social house building, 2009-2016

	LA	AHB	Total new social build	Acquisitions	Austerity and privatisation related reduction in supply ('loss') of social housing
2009	3,362	2,011	5,373	727	0
2010	1,328	753	2,081	850	3,292
2011	486	745	1,231	325	4,142
2012	363	653	1,016	351	4,357
2013	293	211	504	253	4,869
2014	158	357	515	183	4,858
2015	75	401	476	1,099	4,897
2016	234	418	652	1,200	4,721
Total					**31,136**

Source: Hearne and McMahon (2016)

Only a fifth (1,829) of the 8,300 new social housing 'pipeline' announced in February 2017 are 'on site' already. There are likely to be less than 1,000 new builds in 2017 (a third of the projected 3,000 figure outlined in *Rebuilding Ireland*).

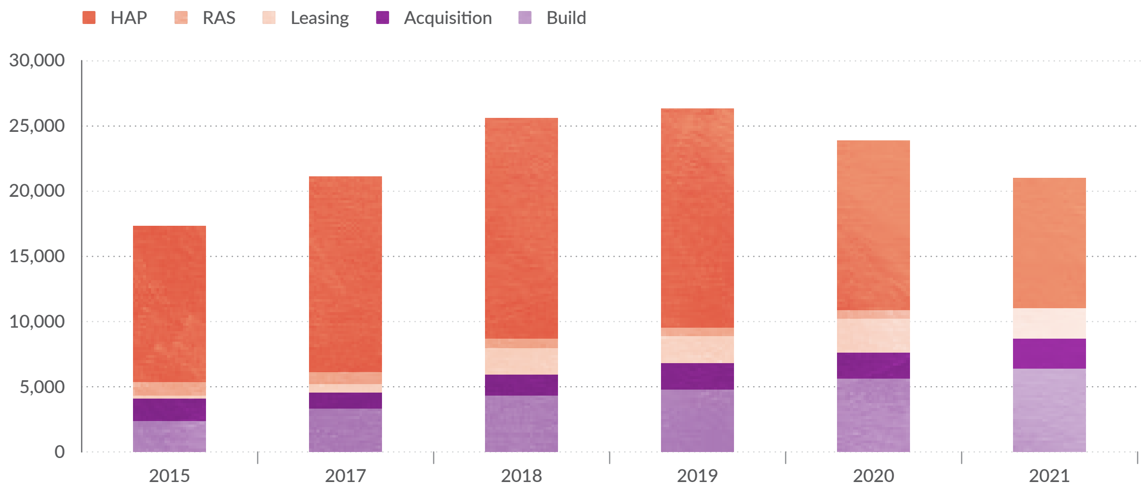
Austerity and marketisation in social housing resulted in only 1,231 social units built in 2011 and an on-going decline until 2013 with just 476 social units built in 2015 (**Table 3.13**). Thus, if the austerity cuts and privatisation policy had not taken place, and social housing had continued to be built at the same scale as 2009, an additional 31,136 social housing units would have been built in the period 2010 to 2016. We can also compare recent years to the six-year period prior to austerity, 2004 to 2009. During those years there were 34,758 new social units built (24,969 local authority and 9,789 housing association). By contrast in the period of austerity and deepening marketisation of social housing (2010-2015) just 5,823 new social units were built - a reduction of 83% on the previous pre-austerity period.

Privatisation and marketisation of social housing: private market is now key supplier of social housing

In *Rebuilding Ireland* (Department of Housing 2016) a majority (65% or 87,000 units) of the 134,000 (misleadingly titled) 'new' social housing to be provided from 2016 to 2021 is to be sourced from the private rental sector, and mainly through the Housing Assistance Payment (HAP) (**Chart 3.7**).

Of the 47,000 new 'build' local authority and Housing Association social housing only 21,300 units will actually be new build exclusively for social housing. Some 11,000 are to be acquired from the market, 10,000 units are to be leased from the market, and 4,700 are to come from Part V.

Chart 3.7 Spectrum of social housing provision forecast, 2016-2021



Source: Department of Housing (2016: 46)

Thus the headline social housing figures disguise the reality of the extremely low level of new build social housing and the over-dependence on the private market to provide social housing. For example, while it was stated that 18,000 new social housing 'solutions' were provided in 2016, in fact there were just 650 actual new build social housing units (and only 210 of these were built by local authorities with just 40 in Dublin). This was far below the 2,200 projected new builds for 2016. Furthermore, Part V delivered just 37 social housing units in 2016 (down from 64 in 2015).

Table 3.14 'New' social housing supply/social housing 'solutions' 2016

	National	Dublin City Council
Voids brought into use	2,100	969
LA New housing build	234	40
AHB New Housing Build	418	23
Leasing	719	250
Part V	37	UA
Acquisitions	1,813	155
HAP Tenancies	12,000	640
Total	**17,321**	**2,077**

Source: Hearne and McMahon (2016)

Overall, of the planned 134,764 'new' social housing units, only 21,000 (15%) are set to be provided through non-market direct social housing provision.

Low level of new social housing in the pipeline

Only a fifth (1,829) of the 8,300 new social housing 'pipeline' announced in February 2017 are 'on site' already. There are likely to be less than 1,000 new builds in 2017 (a third of the projected 3,000 figure outlined in *Rebuilding Ireland*). In Dublin City, there were only 604 social housing units started on-site in 2016, just five in South Dublin and none in Cork City. At this rate of building, with a social housing waiting list of almost 20,000 in the capital, it could take over 40 years to provide a permanent home to those on the Dublin City Council housing waiting list. And that does not include people who become newly homeless or in need of social housing…

Table 3.15 Social housing projects planned in four Dublin local authority areas

	Dublin City Council	Dún Laoghaire	South Dublin	Dublin Fingal	Total
Local Authority Units	560 (283 Rapid build)	268	365	242	1,435
LA Units Regeneration	250				250
AHB Units	745	1	21	223	990
Total	**1,555**	**269**	**386**	**465**	**2,675**
Completed 2016	97	54	15	48	214
Started on site 2016	604 (173 LA, 131 LA Rapid)	156 (LA)	5	238 (106 LA)	1,003

Source: Department of Housing, 2017a

Problems with the private market approach

The privatisation and marketisation of social housing provision through the private rental sector has meant greater housing distress for lower and middle income households and a rising cost for the state. It has worsened the wider housing crisis by increasing demand and reducing supply in the private rental sector. Under HAP, local authorities are not responsible for re-housing the tenant if an issue arises. HAP does not provide tenants with a permanent home and security of tenure as with traditional local authority housing.

Take a family with a 5-year old child, for example. They want to be sure that in 10 years' time, they will still be living in the locality where their child is going to school. In the private rented sector, if the landlord stops paying the mortgage, or decides to sell the house, the family will be given notice to quit. This is a significant diminution of the human right to secure housing which existed in social housing provided by local authorities.

Tenants that qualify for social housing supports have to access their accommodation themselves from the private market and thus are competing with professionals and higher income renters. They therefore encounter housing disadvantage in terms of access, affordability, quality, administrative practices, discrimination, and increased vulnerability to homelessness. Through HAP social housing is further marketised. Rather than social housing protecting lower income households from the inequalities of the private market, the new social housing actually further exposes them to the market.

In 2016, there were 50,000 tenants in receipt of rent allowance, 16,000 HAP recipients and 20,000 RAS recipients, at a cost of €566 million (€29m on HAP, €42m on SCHEP, €136m on RAS, €300m on rent allowance). If the current approach continues there could be up to 120,000 tenants in receipt of various state subsidies in the private rental sector by 2021. This will require state spending of €1bn per annum which will be going to private landlords, including REITs and global investment funds.

Rebuilding Ireland, therefore, is manipulating and misleading the public as to the level of actual new build permanent social housing. The almost complete reliance of the social housing strategy on the provision of housing from the private rental and housing market means that it is highly unlikely to provide social housing on the scale required given the lack of supply in the private market. Indeed, the profit motive will seek to maintain the shortage. This approach will worsen the wider housing crisis as it adds significant demand to those sectors and therefore pushes up rents and house prices.

Privatising public land through new and expanded PPP projects

Rebuilding Ireland (Department of Housing 2016: 17) also includes a 'new approach to housing provision' through 'mixed-tenure housing development on State lands, including local authority lands'. Essentially it takes the principle of the failed Public Private Partnership approach developed by Dublin City Council in the period of 2001-2007 (Bissett 2008; Hearne 2011; Norris and Hearne 2016) and applies it as the central strategy for state-supported housing provision into the future. It involves public land being handed over into the private ownership of private developers, with 70% of the housing being developed as private units for sale or rent and only 30% as social housing. Three sites are currently being advertised to developers by Dublin City Council and will involve 1,300 housing units (of which just 390 will be social housing) on 30 hectares of state-owned land. Two of the sites housed the communities of O'Devaney Gardens and St Michael's Estate where PPPs collapsed in 2008. It is highly likely that the private investors will sell or rent the housing at prices beyond the affordability range of a majority of Dublin households. This approach hands the power of development and time-line of delivery of housing on public land over to private finance enabling them to dictate the pace of development, the make-up of the master plans, level of affordable housing provision etc. It also entails a large transfer of public wealth to private investors.

Part of the justification of the privatisation of public land is that it achieves 'a better mix between private and social housing, rather than the reliance on large mono-tenure public housing projects'. However, a tenure mix does not guarantee a social or income mix. A social mix requires a more complex policy that combines the social provision of housing with job creation and educational access.

The other justifications include the lack of funding to enable local authorities develop social housing on a wide-scale basis on their land, and that providing this state-owned land at a lower cost to developers will reduce the cost of building and thus make house building viable and increase the 'supply' of 'affordable' housing.

A new State Lands Management Group, has been given the 'objective to identify and release to the market a tranche of lands (from the ownership of other public bodies) capable of yielding up to 3,000 new homes in the first phase, with sites being made available (to developers) at costs that can deliver homes that ordinary people can buy or rent' (Department of Housing 2016: 12). In April 2017 the government released a map of this land. It includes 700 local authority and Housing Agency owned sites (totalling some 1,700 hectares), and 30 sites (200 hectares) owned by state or semi-state bodies in the Greater Dublin Area and other major urban centres. These sites are being offered to developers with the potential for 'up to 50,000 new-build homes' (Department of Housing 2017b). In the same month property sections of national newspapers carried advertisements by Dublin local authorities of the lands initiative sites as 'three new development opportunities…in prime locations' that were being 'brought to the market by Dublin City Council soon'.

This planned sell off and privatisation on a mass scale of state-owned land, including 700 potential local authority sites is one of the most serious mistakes in the government's wider housing plan. This is a shameful use of public land – selling it cheaply to global vulture funds to profit from providing 'unaffordable' housing. It should instead be used to provide predominantly state/public social and cost rental housing and community facilities.

A flawed private market theory

These developments are part of the government's macro-level approach within housing and economic policy, based on a flawed market theory which has focused on providing an array of policy measures including private market 'incentives' and 'demand-led' policies in the hope of increasing the profitability of house building for private finance and developers and thus expecting to increase housing 'supply'. In this vein the state has also provided a €220m infrastructure fund to make development 'viable' on already zoned land (planning permission exists for 27,000 new homes in Dublin, with zoned and developable land for an additional 50,000 homes):

'What we are trying to do is to ensure that the viability of residential investment is significantly improved… The sites are there but for a whole series of reasons, some of them are not being moved on… *We are starting to see an appetite for risk and investment in residential property in Dublin*… We have seen extraordinary *increases in rent for residential properties which has changed that appetite… We need to make sure the incentive remains in place to ensure that money is investing significantly in residential property.'* (Coveney 2017).

However, this is not how real housing markets operate. There is a significant monopoly control over major parts of the housing system by private speculative interests who hold large amounts of land, control over the building process and own large amounts of buildings. They hoard land and allow asset price appreciation and they fix prices – so that even with 'incentives' they do not necessarily build and increase supply and the 'supply' they provide is always aimed at profit maximising – not provision of affordable housing (Drudy and Punch 2005).

We can see this in the private construction industry's investment 'strike' in Ireland in relation to housing finance and building (and particularly since 2013 when it clearly became profitable/viable to invest in, and build, housing). The private sector only built 7,000 housing units in 2015 (Reynolds 2017). This has forced concessions from government and importantly increases in the price of land and houses and rent increases.

An array of government policies have promoted increased property and rent prices (**Box 3.7**). Because these policies provide incentives for financialising housing as an investment asset and subsidise the property industry, they have fuelled another property bubble and created the latest housing crisis.

Box 3.7 Creating the post-2013 housing crisis and bubble: Irish government policies that caused the crisis through financialisation of housing that encouraged a speculative investment approach to housing

- NAMA and IBRC selling loans at discount to vultures/international investors/equity funds
- Austerity reduction in social housing (2008-2015)
- Capital gains tax relief to 'incentivise the purchase of property' (2011)
- REIT tax break (2013)
- Tax reliefs/loopholes to private equity investment funds in property
- Abolition of windfall tax on sale of development land (2014)
- Construction sector reduced VAT rate
- Reduced development levies
- Halving of the Part V requirement from 20% to 10% of developments (2015)
- Increase in tax-free threshold on inheritance from €225,000 to €280,000 (2015)
- Reduced apartment standard guidelines (2016)
- Delayed implementation of vacant site tax (and exemptions) (2016)
- Guaranteed rental increase of 4% per annum and no limit on new and refurbished properties (2016)
- No change to eviction of tenants for sale of private rental property or for family use (2013-present)
- State-funded infrastructure provision for private development (LIHAF) (2016)
- Help-to-Buy scheme (no-cost benefit analysis done) (2016)
- Reduction in Central Bank mortgage lending rules allowing increased lending (2016)
- Part-privatisation of local authority land to private developers/'build-to-rent' equity funds

Government policy has focused on facilitating and subsidising increased rents (and house prices) to make the Irish rental and housing property market 'attractive' (i.e. hugely profitable). This is intended to entice private developers and financiers to increase 'supply'. Appealing to market theory, government also claims this will lead to more affordable rents and prices. Yet this is a flawed and clearly contradictory approach. Prices and rents that have been increased to encourage supply are not going to be reduced by investors and landlords any time soon. Ultimately there is no evidence that increased private market supply of housing leads to reduced rents and prices.

Rising house prices increase inequality

Despite the broad political support in the Irish context for rising house prices and it being a central plank of economic and housing policy, the international research shows that in an economy with unevenly distributed ownership of assets, sharply rising housing prices exacerbate existing inequalities of wealth (Schwartz and Seabrooke 2008). Those in the higher socio-economic groupings reinforce their advantaged position through the operation of the housing market. Home-owners in the lower occupational classes accumulate less housing wealth (i.e. have larger debts), fall out of this tenure more often and own houses of lower quality.

TASC has shown that wealth is highly concentrated in Ireland with 72.7% of net wealth held by the top 20% and the bottom half of the distribution with 4.9% of wealth (Hearne and McMahon 2016). The Top 10% owns 82% of all land (by value) and just 10% of households own 28% of the total housing in the country. Fully 175,000 people own two or more properties – covering 552,000 properties. A mere 6,400 people own 156,500 properties which means that 0.004% of the population own 8% of the houses (Revenue 2016). Home-ownership in the top three deciles is at or close to 90% and ownership in the second decile just 51%. While for lower income groups, such as lone parents, the home-ownership rate is 26.3%, which is less than half the rate for couples with children and single adults.

Thus when house prices rise, these property owners benefit disproportionately over those who do not own property. Because second homes and investment properties form a significant part of the portfolios of wealthier individuals, these portfolios will also rise in value, thus further increasing wealth inequality. For example, an additional 5,000 Irish people became millionaires in 2016 thanks to a combination of rising asset and property values (Knight Frank 2017).

3.4 A human rights and equality-based approach to housing

The human right to housing as a home needs to be implemented. When our financial system was in peril there was no obstacle too large for the state to overcome. Now we face an equivalent crisis in housing needs. It is legitimate to ask why the same radical approach is not applied to the housing crisis.

The human right to housing as a home needs to be implemented. When our financial system was in peril there was no obstacle too large for the state to overcome.

This section sets out a framework and some policy suggestions that could achieve an equality- and human rights-based approach to housing in Ireland. The starting point of such an equality and human rights approach to housing is that policy needs to prioritise the provision of housing as a social necessity and a human right rather than as a speculative investment asset and a financialised commodity. This means secure and affordable homes are prioritised within housing and economic policy ahead of the interests of the property industry, Real Estate Investment Trusts and wealth equity fund investors.

Constitutional protection for 'the right of private ownership' is often cited as a barrier to implementing various policies that would fulfil the right to housing for Irish citizens, such as strengthening tenants' rights from eviction, or compulsory purchase of land or vacant property as proposed in the Kenny Report of the 1970s. However, the Irish Constitution also states in Article 43.2.1 that the aforementioned right to private property 'ought to be regulated by the principles of social justice' and the State may, 'delimit by law' these rights for 'the common good'. Policies aimed at using the large amount of vacant and derelict land and buildings to provide homes to address the crisis, such as fast-tracking and increasing the vacant site tax, compulsory leasing orders (CLOs) on vacant property or a vacant property tax, could invoke these aspects of the Constitution. Similar measures, including a 15% non-resident speculation tax, have been introduced recently in Canada in order to reduce speculative investment in property.

Only the state can guarantee through its policy choices a sustainable and sufficient supply of affordable housing. To do this requires that the Irish state places the direct provision of not-for-profit affordable rental and co-operative housing at the core of its function. Government could achieve this by setting up a new semi-state, public Irish Affordable Homes Company (see NERI 2017) that could directly build between ten and thirty thousand affordable rental homes per annum. This could be seen as part of a Roosevelt-like 'New Deal' to address the housing crisis in Ireland.

The Irish Affordable Homes Company could apply the same energy and creativity as was applied with the ESB delivering electricity across Ireland. This could provide a new affordable cost-rental housing tenure for a broad range of income groups using the European cost rental model outlined below. The local authority and NAMA land currently being sold off to developers and private equity investors should be transferred to this agency instead and thus used to benefit those who need affordable housing. It could build mixed income affordable homes for rent and support co-operative ownership and community land trust ownership models. It could purchase and bring to use the 35,000 vacant homes in the wider Dublin area, the buy-to-lets in arrears as well as derelict sites and land being hoarded by vulture funds, NAMA and developers. It would provide significant value for money as it would have lower costs of finance, reduced land costs and less profit-taking than the private construction industry model. It could also reduce the cost of the state rental subsidy currently going to private landlords and recycle some of it back into the state for further reinvestment into affordable rental housing. This would not remove private sector involvement in housing, but would provide for a greater state and non-profit role within the housing system.

There are claims that the EU fiscal rules restrict government in what it can do with regard to state involvement in social housing. These claims ignore the flexibility provided for in these same rules which are subject to negotiation. In any case, the rules relate to budgetary matters and not to housing policy which is a national competence. In addition, the proposed semi-state vehicle moves expenditure off the state's balance sheet (as with other semi-states). Ireland's budgetary fiscal space can also be increased to allow more investment in areas such as housing if the level of tax to GDP ratio is increased towards European norms (and at least, not reduced further as is planned with tax cuts such as the USC). If flexibility on EU rules is required, then surely the Irish government should prioritise the negotiation of this at EU level in order to ensure investment in affordable housing for its citizens. For example, if the partial sale of AIB takes place, flexibility should be sought from the European Commission for some of the money raised from this to be directed to provide finance for an investment in housing rather than debt repayment (Sweeney 2016).

NAMA still has significant land and housing (it controls a quarter of all residential development land in the Greater Dublin area) and it plans to build 20,000 homes, and has around 6,000 additional residential units. Furthermore, NAMA has paid off 95% of its senior debt (€28bn of €30bn) originally issued, while it has €2.2 billion in cash reserves (NAMA 2016). NAMA should be directed to fulfil its social mandate and to use its remaining cash reserves, land and property to provide social and genuinely affordable housing. NAMA should transfer this land to local authorities or to a new Irish Affordable Homes Company as appropriate.

Tackling the housing crisis through a state-funded programme of construction would also help ensure workers have quality employment. Measures to do this could include public contracts having a Living Wage clause as well as clauses on trade union recognition and collective bargaining. This could counter the growing problem of forced self-employment amongst construction workers which TASC recently identified (Wickham and Bobek 2016). It could also address the training deficit in Irish construction which has arisen partly as a result of the dependency of the industry on short term financed projects.

A state-led approach can also ensure the increased quality and standards of building (see Priory Hall) and the better planning of estates and apartment blocks as places that provide high quality, safe and sustainable homes and communities for individuals and families of all types and age range. A state-led housing body could also address the regeneration of neglected areas affected by social disadvantage and provide local community employment. Housing alone is insufficient to provide a home as community facilities, jobs and social infrastructure and supports (particularly in disadvantaged areas) are all also required (Hearne 2011).

Another important aspect to an alternative approach to housing is improving the quality and security of the private rental sector. Existing regulations need to be properly enforced. Measures that regulate rents (linking rent increases to inflation and/or affordability and quality indexes) can ensure rents are affordable for tenants and improve security of tenure for tenants. Tenants' rights and the affordability of housing as a home rather than investors' and landlords' short-term profits should be the policy priority for this sector. A properly regulated private sector would allow landlords a reasonable return on their investment in a system in which private rental is a housing choice rather than housing of last resort.

European cost-rental housing

Examples of more human rights and equality oriented housing systems exist in other European countries where the state (either directly or through not-for-profit housing companies) provides much higher levels of public affordable housing than is the case in Ireland. **Table 3.16** shows that while just 9% (or 12% housing associations are included) of Ireland's housing stock is public social housing, England has 17% of its stock as social housing, 22% of housing is public rental in Austria (with social housing 38% of housing in Vienna) and it is 22% in Denmark. Denmark also has an additional 8% of its housing in co-operatives while Sweden has 20% public housing and 22% tenant owned co-operative housing.

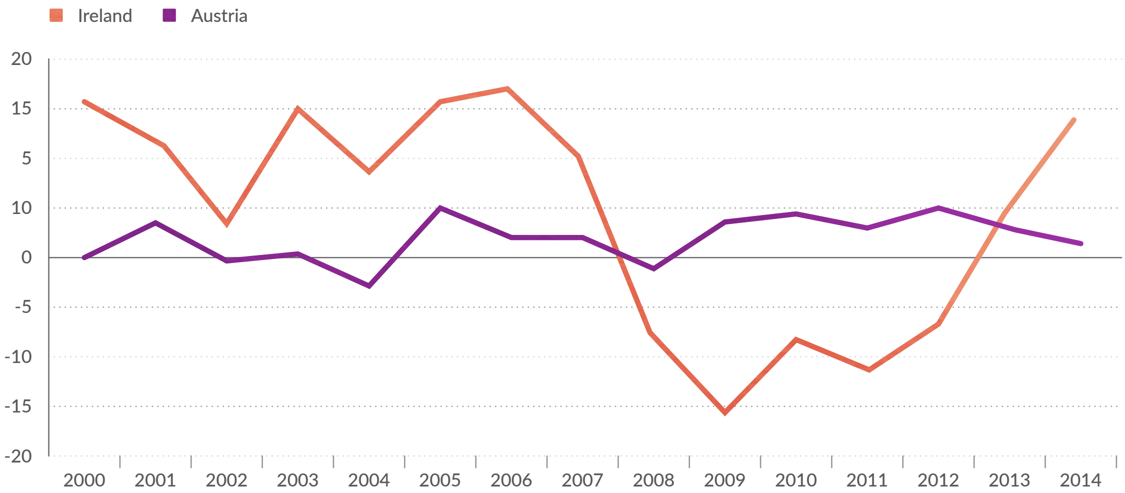
Table 3.16 Social housing as percentage of total housing stock, seven European countries

	Percentage of Total Stock	Percentage of Rental Stock
Netherlands	33	75
Austria	22	56
France	17	44
England	17	49
Finland	16	53
Ireland	9	32
Germany	3	7

Source: NESC (2014: 5)

A high level of direct provision of social housing tends to 'smooth' house price fluctuations. **Chart 3.8** compares the instable 'boom-bust' cycle in house price developments in Ireland with the stability in a country like Austria that has much higher direct provision of social housing.

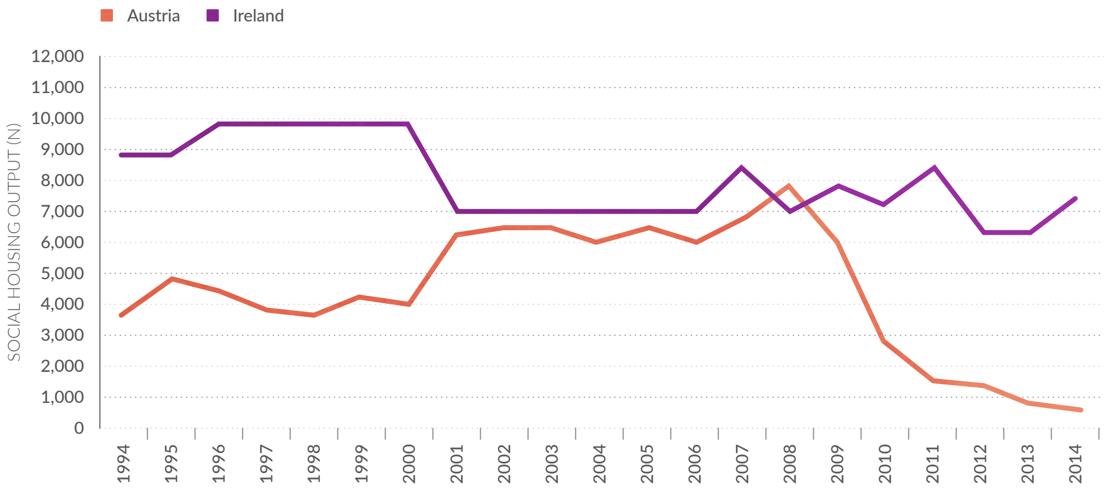
Chart 3.8 Annual % change in house prices in Austria and Ireland, 2000-2014



Source Byrne and Norris (2017)

Social housing accounted for between 28% and 37% of all housing built in Austria between 2000 and 2014. In Vienna social housing accounted for over half of housing output between 2000 and 2008. Austria had almost no decline in either general or affordable housing supply following the financial crisis.

Chart 3.9 Social housing new builds, Ireland and Austria



Source: Byrne and Norris (2017)

Box 3.8 provides a brief overview of how the public cost-rental housing model operates in Denmark.

Box 3.8 Denmark's 'Cost-Rental' social/public housing model

- Housing organisations are non-profit organisations and rent must reflect the costs of provision.
- Social/public housing accommodates 1 million people in more than 8,500 estates, owned by 550 housing associations
- Strong tenant role in management – tenant democracy
- Financed from borrowing from Danish Housing Investment Bank (funded by Danish pension funds)
- Subsidies given by the state towards construction and parts of the building loans are guaranteed by local authorities.
- There is no income test – everybody is entitled to social housing
- Promote a good social mix – provides housing for the lowest incomes and broader income ranges
- The local authority has the right to allocate a quarter of available dwellings to those on their housing list
- Tenants may receive housing allowances depending on their income.
- The rents must cover the costs of repaying the loans and maintaining the building.
- Social housing is not seen as stigmatised – it is called 'public housing' available for everyone

Source: Byrne and Norris (2017), Irish Examiner (2014)

3.5 Conclusion: an alternative is possible

The housing crisis is going to worsen significantly unless there is a shift away from housing as a financialised commodity towards the state directly providing housing as a human right. The housing system in Ireland is chaotic and inequitable. If housing policy continues to be dominated by a private market, financialised approach, then the housing crisis is going to get much worse in the coming years. This will especially be the case for lower income and younger households, the homeless, those in the private rental sector and those in mortgage arrears.

The housing and homelessness crisis is not an accident but a price Irish governments have been willing to pay in order to achieve 'investor and market confidence' and recovery in the property market. The increasingly neoliberal orientation in housing policy in recent decades led to the crisis of 2008. This combined with the Irish state's strategy for recovery resulted in the post-2013 housing crisis which is now a social emergency with major economic implications. The rising numbers of homeless families, those in mortgage arrears and others affected by worsening housing affordability and insecurity are the inevitable collateral damage of a very specific government policy.

The housing and homelessness crisis is not an accident but a price Irish governments have been willing to pay in order to achieve 'investor and market confidence' and recovery in the property market.

Those most affected by the government strategy are those who have been least able to afford it. They are mainly those who are on low and middle incomes who in previous generations would have obtained affordable and secure housing, either from the social housing sector or through support to buy a home. These groups now form a growing market of 'limitless demand' for investors in the provision of private rental housing.

The weak manner in which the government responded, from 2013 onwards, to rising rents and homelessness suggests a capture of many policy makers by the demands of global equity funds, banks and the property industry. Housing affordability and security were not prioritised and previous efforts to control rising housing costs were abandoned. For example, the form of rent regulation introduced enabled on-going rent increases while the various tax supports and loopholes that benefit real estate investment show the strong influence and lobbying of global property funds over Irish housing and tax policy.

The housing strategy is again dependent on the profit estimations and investment strategies of private finance – both Irish developers and increasingly, large international private equity funds, and their decisions whether to sell or develop their own land, invest in private rental provision or in developing local authority land. This is a highly risky strategy that places all the power into hands of the market – the wealthy investors and developers. *Rebuilding Ireland* does not prioritise the provision of housing as a human right and a social need – it does not even mention the human right to housing once.

Ireland's latest property boom is even more unsustainable and dangerous than the previous boom that destroyed the economy and the lives of many. The new boom is largely based on speculative international investment. It is also being fuelled by the re-promotion (through the help-to-buy scheme) of the dream of home-ownership to the lower and middle classes for whom it has become increasingly unaffordable and inaccessible.

The property industry complex – the state, government, banks, media, legal and property professions are erasing the memories of the recent housing catastrophe, in particular of widespread mortgage arrears and homelessness. They are trying to re-articulate the neoliberal ideal of mortgaged home-ownership as the way in which the middle class in particular can secure a home and get their foot on the 'property ladder'. This is ultimately about fuelling private housing demand to push prices higher and make house building increasingly profitable for all the interests who rely on the property chain. However, the reality of inequalities within the housing and labour market today mean that increasing numbers of the working and middle class are being excluded from affordable home-ownership. Furthermore, the reliance on rising house prices as a key factor for economic growth through increased consumption is also unsustainable economically and ecologically.

The failure to learn from past mistakes suggests a system that is beholden to an impotent ideology and to wealthy and propertied interests. By contrast, countries with more successful and affordable housing models such as Denmark and Austria show that it is only the state that can guarantee the supply of affordable housing and homes. The type of policies outlined above have been proposed by many others over the last decade (Drudy and Punch 2005; Hearne 2011 and 2014; NERI 2017; NESC 2014). The issue is not the lack of alternative policies. The problem is not the lack of political will to implement transformative policies, since current policies are in fact profoundly transformative by commodifying and financialising housing more deeply than ever before. The problem is the absence of a political interest in pursuing policies that prioritise the provision of affordable and secure housing to meet people's housing needs. The housing crisis is not an isolated social crisis but stems from and is linked to the failures of the Irish economic model. As documented in TASC's Cherishing All Equally reports, Ireland's social and political institutions are committed to solidifying the private for-profit market, to low taxation and to low public expenditure policies. The human rights and equality approach to housing outlined in this chapter as an alternative policy direction could ameliorate growing economic inequality and weaken mechanisms that generate inequality within the housing and financial sphere. Housing could become a key factor in protecting people from rising levels of market generated inequality and a key mechanism to reduce levels of economic inequality, while making an important contribution to Ireland's economy and job creation.

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Cherishing All Equally 2017

Economic Inequality in Ireland

James Wickham

Cherishing All Equally is the third report in an annual series and is part of TASC's long-term project to monitor trends in economic inequality in Ireland. It presents key inequality indicators in Ireland which year-on-year will provide critical information for the public, for policy makers and activists alike. This year's report also includes a themed chapter on the housing crisis and economic inequality in Ireland. The report assesses the extent to which Ireland lives up to the aims of the 1916 Proclamation:

> *'The Republic guarantees religious and civil liberty, equal rights and equal opportunities to all its citizens, and declares its resolve to pursue the happiness and prosperity of the whole nation and of all its parts, cherishing all of the children of the nation equally'.*

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