The Challenge of Economic Inequality to Recovery and Wellbeing

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USA inequality is back at 1920s levels, Ireland trends in the same direction
Since 1975, real incomes in Ireland doubled
But tripled for the top 10%,
And are five times higher for the 1%
Ireland’s ‘Bottom 90%’ is Losing Income
Ireland’s Deep Social Divisions

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

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

Costs and risk carried by individuals and families (not state) re health, children’s needs, disability, etc.
Ten Proposals to Tackle Economic Inequality

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More Good Jobs, Better Pay

1. **Targeted investment in key infrastructure**
   – e.g. clean energy ... training for people who are long-term unemployed ... a new model of affordable rental housing

2. **Ensure all workers receive at least a living wage from full-time employment**
   – Full-time work should provide at least wages sufficient to cover the needs (not wants) of a single person for a dignified life

3. **Enshrine trade union rights, including collective bargaining, in law**
   – For wages protection and fair employment terms and conditions
Strong ‘Pillars’ of Social Policy

4. Accelerate the drive to a universal system of health care in Ireland
   – Not multi-insurer or based on tax breaks

5. Improve childcare and elder care
   – Especially childcare services, which should be subsidised as they are across the EU

6. Further reform our education system
   – Invest more in primary education ... ensure all children come out of secondary school geared towards higher skilled work, including good technical options for those not attending university

7. Develop and implement a comprehensive social and affordable housing strategy
   – 10 to 20 per cent of the population need rental options that do not currently exist. They need strong tenancy protection and they need large-scale new build rental accommodation
Living Incomes, Affordable Cost of Living

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

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

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

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