

TEN WAYS TO TACKLE ECONOMIC INEQUALITY IN IRELAND

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Thomas Piketty's meticulous examination of tax records demonstrates income inequality's rise in Ireland since the 1980s. Wealth inequality is likely to follow a similar pattern, with even greater concentration at the top.

Irish society is split between those with 'good jobs', full-time on good pay, and those in low-paying, part-time or irregular jobs. We know there are hundreds of thousands of people competing every year for the one job that arises for every 26 people who are unemployed. And of course, many adults are not working because they are caring for people at home, suffer from illness or disability, or are in full-time education.

The deep divide between those with good jobs and those without has also distracted attention from the rise of the top 1% – and indeed the top 0.1% and 0.01% of people in Ireland – who have extraordinarily high levels of income and wealth compared to everyone else, and who are the major champions of Ireland's current economic model.

Getting good quality employment remains the primary equaliser for many people. If you can get one of the increasingly elusive good jobs, then you can probably afford the car, the house and to bring up your family with some dignity. But there are simply not enough jobs to go around. The forces of globalisation and technological change help explain why this has happened – computers reduce the need for clerical workers, robots or cheap labour in developing countries replace manufacturing workers, and Internet shopping combined with bigger chain stores and increasingly automated processes replace people working in retail or services.

Extreme inequality has very real consequences. Social mobility is lower in Ireland than European countries, while inter-generational poverty and deprivation are high. We are stuck in a cycle of low taxes, low public investment and low public services. As a result there is no way to boost the economy, while people have to pay higher out-of-pocket costs and do not see great value in public services. This makes raising taxation both difficult and unpopular. And yet there is good reason to believe, from those countries that continually fight economic inequality, that all of society benefits from more equality. More equal countries often have better performing economies too.

In this context how do we go about tackling economic inequality in Ireland in the here and now?

Here are ten proposals from TASC to begin the process of reducing inequality:

1. **Targeted investment in key infrastructure** like clean energy or providing training for people who are long-term unemployed. Investment in a new model of local authority rental housing for a wider range of people could also provide good jobs and boost GDP.
2. **Ensure all workers receive at least a living wage from full-time employment.** At a minimum, full-time work should provide wages sufficient to cover the needs (not wants) of a single person so that he or she can live a dignified life.

3. **Enshrine trade union rights, including collective bargaining, in law.** This would help to ensure that wages are protected (and raised in profitable companies) as well as ensuring that employment terms and conditions are fair.
4. **Accelerate the drive to a universal system of health care in Ireland.** However, not one based on a multi-insurer model or where health insurance premiums receive tax breaks.
5. **Improve childcare and elder care.** Personal care services need strengthening, especially childcare services, which should be largely subsidised as they are across the EU.
6. **Further reform our education system.** There is a need to invest more in primary education to meet the needs of our growing school age population. There is also a fundamental need to ensure that 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.** Ten to twenty per cent of the population need rental options that do not currently exist. They need strong tenancy protection and they need local government or non-profit housing associations to provide large-scale new build rental accommodation.
8. **Ensure everyone has sufficient income.** Those who are engaged in socially-useful unwaged work including care duties and bringing up families, as well as volunteering and other roles in the community, 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 by a public body or NGO in these areas to lower the cost of living.
10. **Adjust our tax system so that we can improve our public services.** All of these improved public services to tackle inequality have to be paid for and that will largely be through our tax system. Ireland has one of the lowest levels of taxation and social insurance in the EU, at three-quarters the EU average level, and 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 changing the rates or bands, or lower VAT by 1%;
 - 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, such as a strong state pension and higher income replacement, would not only boost consumer spending but they would make losing work less risky and boost entrepreneurial activity.

See <http://www.tasc.ie/publications/tasc-a-defence-of-taxation>

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