



*Independent research, challenging inequality and promoting a flourishing society*

## “Creating a Flourishing Society: Tackling socio-economic determinants of health inequalities”

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**Scientific Session 1: Balancing a Strong Economy and an Equitable Society**

[slide 1 – title]

Thank you very much for the invitation to speak to you today.

I’m delighted to have the opportunity to speak to you about TASC’s vision for a ‘flourishing society’.

In doing so, I want to refer to another stream of TASC’s work – on health inequalities – and also to discuss the arguments for tackling economic inequality, which is the root cause of disparities in health outcomes.

TASC is an independent, progressive think-tank. Our core focus is on economic inequality and democratic accountability.

Unsurprisingly, I will therefore focus on socio-economic variables and how these contribute to both health inequalities and the possibility of achieving a more equal, flourishing society. (*This echoes the analysis in the IMO’s own paper on ‘Balancing a Strong Economy and an Equal Society’.*)

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But what is ‘flourishing’? Or ‘human flourishing’ as it sometimes called. There are wide debates about personal wellbeing, life satisfaction, happiness and flourishing. Some of these debates focus on subjective, personal feelings; others focus on quality of life and more objective issues, including mental health.

The debate ranges from positive psychology and ‘self-help’, to philosophical ideas, such as ancient Greek conceptions of the ‘good life’ as one lived well, involving purpose and moral action.

One commonly proposed definition of human flourishing, which I will use, is the notion of a person who has reached his or her potential (in physical, mental, emotional, creative or even in economic terms). This can be conceived as an optimal balance between objective material existence and subjective wellbeing.

[slide 4]

But TASC's vision of a 'flourishing society' is not just about a group of individuals developing their capabilities to live life to the full. It envisages a society where strong material underpinnings are provided, through the economy and through public policy, to bring about the conditions under which as many people as possible can reach their potential, and flourish.

In contrast, economic and social policies that have a singular focus on growth in economic output, or ever-greater consumption of goods and services, are radically incomplete.

[slide 5]

If human flourishing was solely envisaged as an issue of mental health or psychology, some policy-makers might be tempted to take a simplistic healthcare approach: focus on improving health and personal care services – better diagnoses, new medicines and therapies, and so on.

Better services would be expected to lead to improved health outcomes, and this in turn would be expected to include better human flourishing – understood as better mental health.

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However, a health inequalities approach looks at the wider social and economic context in which people live, and opens up the possibility of using other policies – such as employment, taxation and public services (beyond healthcare) to lower socio-economic inequality, thus improving health outcomes and leading to greater human flourishing.

[slide 8]

What are health inequalities?

Given the medical expertise of this audience, I won't dwell long on this, as I imagine that most of you are very familiar with the facts.

Data on public health outcomes shows clearly that people in lower socio-economic groups are more likely to experience chronic ill-health and die earlier than those who are more advantaged.

As well as lowering people's number of healthy life years, socio-economic inequality affects the health status of children from disadvantaged backgrounds, and the incidence of various illnesses are all increased due to socio-economic inequality.

[slide 9]

As Michael Marmot writes in the influential UK *Fair Society, Healthy Lives* report, “the more favoured people are, socially and economically, the better their health. This link between social conditions and health is not a footnote to the ‘real’ concerns with health – health care and unhealthy behaviours – it should become the main focus.”

[slide 10]

For example, as discussed in more detail in TASC’s report in health inequalities, we can see that people from the top 20 per cent (or ‘top quintile’) income bracket will live 1 or 1½ years longer than those in the middle. Those in the bottom quintile will live 1½ or 2½ years less long than those in the middle.

Men do better at the top and worse at the bottom than women.

[slide 11]

Looking at this another way, men and women born to parents in professional jobs have an average life expectancy of 81 years and 86 years respectively, while men and women born to parents who are unskilled, have an average life expectancy of 75 and 81 years respectively.

Simply being born into disadvantage has this effect, which of course indicates the lack of social mobility in Ireland. Many people will remain in the same situation of privilege or inequality into which they were born.

[slide 12]

Many of you may be familiar with *The Spirit Level* book, by epidemiologists Richard Wilkinson and Kate Pickett.

They examined years of social and economic data, and make a compelling case that more economically equal societies tend to have better outcomes.

(Ireland tends to appear in the middle of their diagrams. Neither as unequal as the USA, UK or Portugal – but less equal and doing less well than Nordic countries, Western European countries or Japan.)

[slide 13]

Wilkinson and Pickett’s work shows a range of correlations.

Income inequality correlates with higher infant mortality, greater prevalence of mental illness, higher rates of drug abuse, greater obesity, lower educational scores and less social mobility.

What’s compelling about their data is that even richer people do better in more equal societies.

The authors explain this as due to less status competition and status anxiety.

To paraphrase the late Garrett FitzGerald, their arguments seem sound in fact, but do they work in theory?

I would suggest that a more complex interwoven pattern of reduced insecurity about risk, the knowledge of a secure social welfare safety net, a sense of solidarity or perhaps entitlement, and many other cultural and psychological factors may be at play. More research is needed.

The correlations shown by The Spirit Level lead to a discussion of the scientific method. Correlation is not evidence of causation, but at the same time the weight of evidence suggests that socio-economic variables have a great deal of causal power. But social science always has the dilemma that, in the absence of laboratory conditions or double-blind clinical trials, it is difficult to establish causation to a high degree of certainty.

When we talk about society and the economy we are dealing with hundreds of variables that impact meaningfully upon people's lives at the same time, and which interact with each other. Also, direct causes may in turn have underlying contributory causes.

Ultimately, the weight of socio-economic determinants of health outcomes is an empirical question, and there is growing empirical evidence demonstrating causation.

But this comes into conflict with prevailing attitudes, beliefs and political philosophies – especially in relation to economics.

[slide 14 – section title]

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At this point, I want to pick up the threads in relation to human flourishing, as the end goal of social, economic and political activity.

Fergus O'Ferrall, who edited TASC's flourishing society essays, argues that human beings have an inherent capacity to think – but this capacity must be nurtured.

By extension, I want to argue that many of the desirable attributes for a person to flourish in our modern economy also need to be nurtured.

This nurturing must be the goal of a flourishing society.

[slide 16]

I've selected a short list of key attributes that might be found in many professional job descriptions and which are certainly commonplace in the discourse about people in the economy.

There is a widespread idea that, through education and training, we can develop a higher skilled workforce that can add greater value and do more complex, higher paid jobs, using more advanced technology. This is at the heart of the Western economic model. (Although many traditional jobs – not least cleaning – are still vital to our economy and our health services).

However, while there is discussion of these human attributes, there is a major divergence of views about whether these attributes are innate or acquired.

The dominant (neo)liberal view is that people have an innate capacity to “pull themselves up by their bootstraps”, “to make an effort” and to be “self-reliant”.

Does nurturing people to do well in the economy just mean giving them a wake-up call, or cutting their benefits? What about socio-economic determinants?

In order to explore this question, I want to focus on one example from health, which is assistance for people to quit smoking.

[slide 17]

Quitting smoking, we are informed by distributors of nicotine patches and gum, requires willpower.

But “clinical trials” demonstrate that quitting smoking is more successful when willpower is supplemented by nicotine or personal support services.

The HSE’s quit-dot-ie website concurs.

The HSE also usefully defines ‘willpower’. It “just means wanting something badly enough”.

I can’t help note the similarity with prevalent attitudes in the economy:

“If you just want a job badly enough, you can find one.”

“If you want to be rich, you just have to work hard and you can do it.”

In the context where there are 26 people who are unemployed in Ireland for every job vacancy annually, it is highly probable that other factors would increase people’s chance to succeed, beyond willpower alone.

[slide 18]

This brings us back to the question of what weighting to give to socio-economic variables when explaining the causes of health outcomes – and inequalities in health outcomes.

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As many of you are probably far better qualified than me to say, recent developments in neuroscience and other empirical evidence are posing questions about the extent (or the existence even) of personal choice and free will.

Yet, while fields such as behavioural economics are growing, there remains a major gap in terms of political philosophy between a scientifically-informed view of human capacity to overcome socio-economic adversity versus (neo)liberal views that people on social welfare have an innate capacity to find work or create opportunities for themselves, regardless of the causal power of the socio-economic circumstances of their birth, their current situation or the strength of the economy.

[slide 20]

To continue with the example of smoking, we have used a variety of techniques to encourage people to quit.

Following Adam Smith, we have provided people with better information with which to make more informed choices.

But not relying on the causal power of rational argument alone, we make appeals to people's emotions in order to shock, or scare, or shame them into behavioural change.

[slide 21]

We also reconfigure 'incentives' – for example, the near-annual increase in the price of cigarettes and alcohol in the national budget.

And among others, TASC and medical charities have called for surtaxes on sugar-sweetened food and drink, to help tackle obesity and diabetes.

[slide 22 – section title]

However, one conclusion, side-stepping much deeper philosophical debates, is that personal free choice is highly constrained by socio-economic circumstances and by the economy.

The weight of evidence, from The Spirit Level, from the Marmot Review, the OECD, and so on suggests that information, emotional appeals and financial incentives are insufficient to change people's thoughts and behaviour, to enable them to flourish in our economy, in the absence of an adequate level of socio-economic equality.

[slide 23]

In the global debate on economics, there is a growing concern with inequality – from Obama and Pope Francis making it central to their agendas, to empirically-based analysis from the OECD and IMF concurring that inequality is not only harming society, but it is undermining how well economies can function.

IMF staff papers have shown empirically that more equality does not have to hamper growth, and on the contrary there is evidence that equality can be compatible with growth.

Other scholars have pointed to equality-led or wage-led growth models, as alternatives to ones that are based on the discredited notion of a 'trickle-down effect'.

[slide 24]

The recent Nobel Prize winning economist Robert Shiller used his Nobel speech to state that "The most important problem that we are facing now today, I think, is rising inequality in the United States and elsewhere in the world,"

Other economists, like Joseph Stiglitz or Robert Reich, have been talking about the problems of inequality for decades.

A major recent contribution has been made by Thomas Piketty of the Paris School of Economics, who (with colleagues) has painstakingly shown the rise in inequality, by examining historical tax records across a range of countries.

[slide 25]

This chart shows income inequality in the USA from 1913 to 2012 (represented by the income share of the top 1 per cent).

After the Wall Street Crash and the Great Depression, the income share of the top 1 per cent fell from nearly 20 per cent to less than 10. This was due to a range of policies – not least a top income tax rate of 92 per cent introduced by Roosevelt.

High upper income tax and capital gains tax rates were maintained in the USA right up to the Reagan era, when neoliberal economic ideology took hold. At that point, from the mid-1980s, income inequality rose again and is now at the same levels as the 1920s.

Early data for Ireland is limited, but two years in the 1930s and 1940s indicate a similar pattern, albeit a less severe growth in inequality since the 1980s.

[slide 26]

We can see a similar pattern for the income share held by the top 10%.

They held around 45 per cent of income in the USA in the 1930s, which reduced to around 32 per cent, but grew again and now is closer to 50 per cent of all income.

The corollary of this is that wages across the middle have stagnated or decreased in real terms in the USA.

In Ireland, the top 10 per cent have around 35 per cent of all income.

[slide 27]

Looking at average incomes, we can see real growth in twentieth century Ireland, especially from the late 1960s, when Ireland opened up to international trade and, in 1973, joined what became the European Union.

After some stagnation in the 1980s, we can also see real increases in average incomes in the early Celtic Tiger period – based on a range of factors, including EU structural funds, foreign direct investment, membership of EMU and later the Euro currency, and a general 'catch-up' with other Western European economies.

Of course, this chart only shows income from employment, not welfare or pensions, which is a point I will return to later.

[The transition from red to blue line in the data is from when Ireland aligned the tax year to the calendar year]

[slide 28]

While recognising real growth in average incomes, this contrasts with the much steeper growth in the incomes taken by the top 1 per cent [the green line], which are out of line with the rest of the Irish economy since the late 1980s.

[slide 29]

A wide range of factors explain the growth in inequality, and there is not time to go into them in depth, but essentially inter-generational wealth transfer is one part of the equation, while aspects of globalisation and new technologies led to a loss of well-paid manufacturing jobs in the Western world in favour of services. And political decisions in favour of financialisation of the economy, tax breaks and low taxation also played a decisive role.

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Just now we looked at average incomes from employment, which are currently around €36,000 per annum (per person).

But of course, the health effects of socio-economic disadvantage are more relevant to people in the wider population who are on lower incomes due to unemployment, retirement or inability to work because of disability or care duties.

What we see here is that while 57% of working age adults are in employment, a further 43% are not. Over one million adults of working age rely on a social welfare income, and nearly 300,000 have no income (e.g. students and full-time parents).

Welfare incomes for a single person are €188 per week, or just under €10,000 per annum. With a 'qualified adult', this goes up to just over €16,000 per annum.

The vast majority of older people rely on the State Pension. The higher rate, full contributory pension is just under €12,000 per annum, or nearly €20,000 for a couple.

When children are added in, this obviously raises household costs considerably. Child Benefit provides over €1,500 per annum per child, and social welfare incomes provide nearly the same again per child.

While the Medical Card, Rent Supplement or Social Housing obviously reduce people's cost of living, the overall picture is one of many people in Ireland living on relatively low incomes. The reason these incomes are relatively low is compared to the cost of living in Ireland, and the disproportionately large amount of out-of-pocket expenses that households must bear for services that would be provided publicly in many other Western economies, including childcare and many health services.

[slide 31]

With this information in mind, it is possible to 'see' how different income groups fit into the distribution of income chart. Naturally, those in paid employment tend towards the higher end – representing just under half of all adults – whereas households reliant on social welfare incomes are on the lower end.

However, the prevalence of part-time and zero-hour contract work in Ireland, as well as seasonal work, mixes up the picture in the middle.

[slide 32 – section heading]

In this section, I just want to hint at what we could do about inequality in Ireland.

[slide 33]

Ireland today is a low tax economy when compared to other European countries.

Ireland's total tax base (including social insurance) is only three-quarters of the EU average, and only 60 per cent of Denmark's.

In particular, Ireland has a very low level of social insurance (especially employer's social insurance contributions) which leads to low levels of income replacement when people initially lose their employment.

[slide 34]

There isn't time to discuss all of Ireland's tax system in detail, but suffice to note (in this diagram from a NERI working paper by Micheál Collins) that when direct and indirect taxes are combined, those in the top 10 per cent pay less than 30% of their gross incomes in taxation (largely income tax), whereas those in the bottom 10 per cent pay nearly as much, at 27.67% (mostly VAT and excise).

Those on middle incomes pay least.

What matters in any tax system is **firstly** the effective amount of tax paid (not the mythical "marginal rate"), **secondly** how much tax people pay as a proportion of their gross income and relative to their ability to pay for essential goods and services, and **thirdly** what services people receive, as well as societal benefits, in exchange for taxation.

The latter is a crucial point, because lower taxation also means that people's out-of-pocket expenses are greater than would be the case in countries where more goods and services are provided collectively, leveraging economies of scale. And the cost of paying for these services individually is disproportionately steep for people on lower incomes; who in many cases simply go without – which in the case of going without health checks or health care services, is part of the explanation of how socio-economic disadvantage leads to health inequalities.

As can be seen in Ireland, the overall tax system is regressive to people on low incomes, but progressive (in the sense of people on higher incomes paying more) towards the top end. However, over a quarter of people in Ireland today experience material deprivation – mostly at the bottom end of the scale – whereas those at the top end still have a great deal of disposable income once they have met their essential needs.

The tax system in Ireland could be a great deal more progressive.

[slide 35]

Quickly, in passing, we can see that public spending in Ireland is lower than the EU average – in line with our weak tax base.

Each percentage point of additional spending – or less spending – represents a potentially enormous difference in terms of public services that may provide real socio-economic equality to people.

[slide 36]

Health spending in Ireland is somewhat below average – well below the Netherlands, which has the second highest spending levels. Ireland's new model of health insurance is obviously derived from the Dutch experiment.

However, Ireland has a lower proportion of older people in the population than the EU average, so should have less health costs.

[slide 37]

Education spending is reasonably close to the EU average, although Ireland's demographics involve more young people than the EU average, so spending per pupil or student is lower than this might suggest.

[slide 38]

As indicated earlier, Ireland has a significantly lower level of social protection spending due to the low level of social insurance paid – resulting in people who become unemployed moving immediately to a subsistence level, rather than having a period of greater income replacement, as would be normal in many other European countries, and which provides people with a more robust safety net to maintain mortgage payments, find alternative employment, and so on.

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Finally, I want to bring all of this information together again, and to relate the socio-economic factors to the question of nurturing human flourishing.

[slide 40]

There is valuable evidence in the World Values Survey.

Over decades, the survey has have found that a shift occurs in people's values from Materialism to Post-materialism. Once people have secured an adequate amount of economic gains – income, housing, education and health care – they become less strongly motivated by further material gain, and instead become more concerned with non-material aspects of life, such as family, culture, more leisure time, and so on.

This suggests that if our whole socio-economic system – the combination of private market activity, public services, non-profit activity, family life and personal effort – can provide people with a relatively modest, but secure level of 'economic gains', this would provide a robust basis for human flourishing.

Crucially, this implies that we do not need impossible ideas, like infinite economic growth or ever-greater consumption of the planet's limited resources.

On the contrary, we can potentially define, measure and provide people with a sufficient, adequate material basis for human flourishing, which is feasible within our resource constraints.

This is in line with the Nordic Welfare State model, which has proven resilience, but also the Developmental Welfare State model for Ireland, as published by the National Economic and Social Council (NESCC) in 2005.

[slide 41]

Put differently, a flourishing society can be identified as one in which there is relative equality – or elimination of inequality – in the four pillars of social and economic policy (health care, education, housing, and incomes).

Adequate – and relatively modest – levels of material security can provide the underpinnings required to nurture most human beings to reach their potential and to flourish.



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