Austerity and Inequality in Ireland

Christopher T. Whelan*, Brian Nolan**, Bertrand Maitre***

*School of Sociology & Geary Institute for Public Policy, UCD,
**Institute for New Economic Thinking,
***Economic and Social Research Institute
Inequality & Economic Crisis

• Influence of Piketty’s *Capital* & Wilkinson & Pickett’s *Spirit Level* on inequality debate

• Atkinson et al in their historical analysis of the relationship between Economic Crises & Inequality concluded that there was no hard & fast pattern

• Jenkins et al. (2013) showed that the initial distributional effects of the Great Recession varied widely

• Irish economic/political debate provide a striking example of claims relating to increasing inequality/reduced social cohesion consequent on austerity policies
Outline of Analysis

- Trends in real income
- Trends in relative income
- Trends in Gini
- Trends in income decile shares
- Trends in income mobility
- Changing impact of income class on economic stress viewed in comparative European context (for HRP <65)
- Evaluate support for income class polarization v ‘middle class squeeze interpretation
Average Household Disposable Real Income per Adult Equivalent, SILC 2004-2013
Relative Income Poverty (60% median income) by Age, SILC 2004-2013
Trends in Gini Coefficient, SILC 2005-2013
Decile Shares (%) of equivalised disposable income among persons, SILC 2004 to 2013
Decline in Average Income by Decile, 2008-2013, Before and After Housing Costs

- BHC
- AHC
Income Mobility

• Cross-sectional picture masks substantial re-ranking with considerably greater mobility after than before the crisis.

• Those relatively protected – e.g. some elderly – moved up distribution, constituting smaller proportion towards bottom.

• Those worst hit – by unemployment or collapse in self-employment income – moved down and replaced them.

• Polarization v middle class squeeze?

• Decline in average income for bottom decile driven by those “falling” rather than remaining there.

• Those exiting the bottom deciles experience the largest percentage increases in income.
## Household Income Categories and Classification

<table>
<thead>
<tr>
<th>Income ranges</th>
<th>Income classification</th>
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</thead>
<tbody>
<tr>
<td>&lt; 60% of median equivalised household income</td>
<td>Income poor</td>
</tr>
<tr>
<td>60–75% of median equivalised household income</td>
<td>Precarious income class</td>
</tr>
<tr>
<td>75–125% of median equivalised household income</td>
<td>Lower middle income class</td>
</tr>
<tr>
<td>125–166% of median equivalised household income</td>
<td>Upper middle income class</td>
</tr>
<tr>
<td>166+% of median equivalised household income</td>
<td>Affluent class</td>
</tr>
</tbody>
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Measurement of Economic Stress

• Difficulty in making ends meet

• Arrears (in the past 12 months)

• Housing costs a financial burden

• Repayment of debts a financial burden

• Inability to cope with unexpected expense

• Scale that is prevalence weighted and normalised to fall between 0 and 1 – high level of reliability
Change in Economic Stress between 2008 and 2012 by Income Class

Iceland

Ireland

Greece

Poor
Precarious
Lower middle
Upper middle
Affluent Class
Polarization v Middle Class Squeeze

- Iceland: largest increase in the lower middle class - uniform across other classes – closest to fitting middle class squeeze

- Ireland: increases higher in the 3 lowest classes but without clear gradient; precarious class relatively insulated; polarization between poor & lower middle class & upper middle class & affluent classes

- Greece: increased effects for the 3 lowest classes – with clear gradient & income poor constitute 1/4 - strongest evidence for polarization

- Similarities & differences among the hardest hit countries in relation to polarization-middle class squeeze issues – consistent with Atkinson’s no hard & fast pattern conclusion
Mediating Role of Income & Deprivation

- Little change in the size of income classes – no role in explaining changing class effects

- Similar proportionate reductions in income across classes. No role in explaining change once we control for deprivation

- Deprivation plays a significant role in explaining changing income class effects in the 3 bottom classes in Iceland & Ireland & bottom 2 in Greece

- Increases in other classes require alternative explanations. Potential role of debt life course & income & income & life course interaction

- In the Irish non-agricultural self-employment, housing status, life course stage and the interaction of life-course and income class have been shown to play a significant role