



Institute for
New Economic Thinking
AT THE OXFORD MARTIN SCHOOL



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**

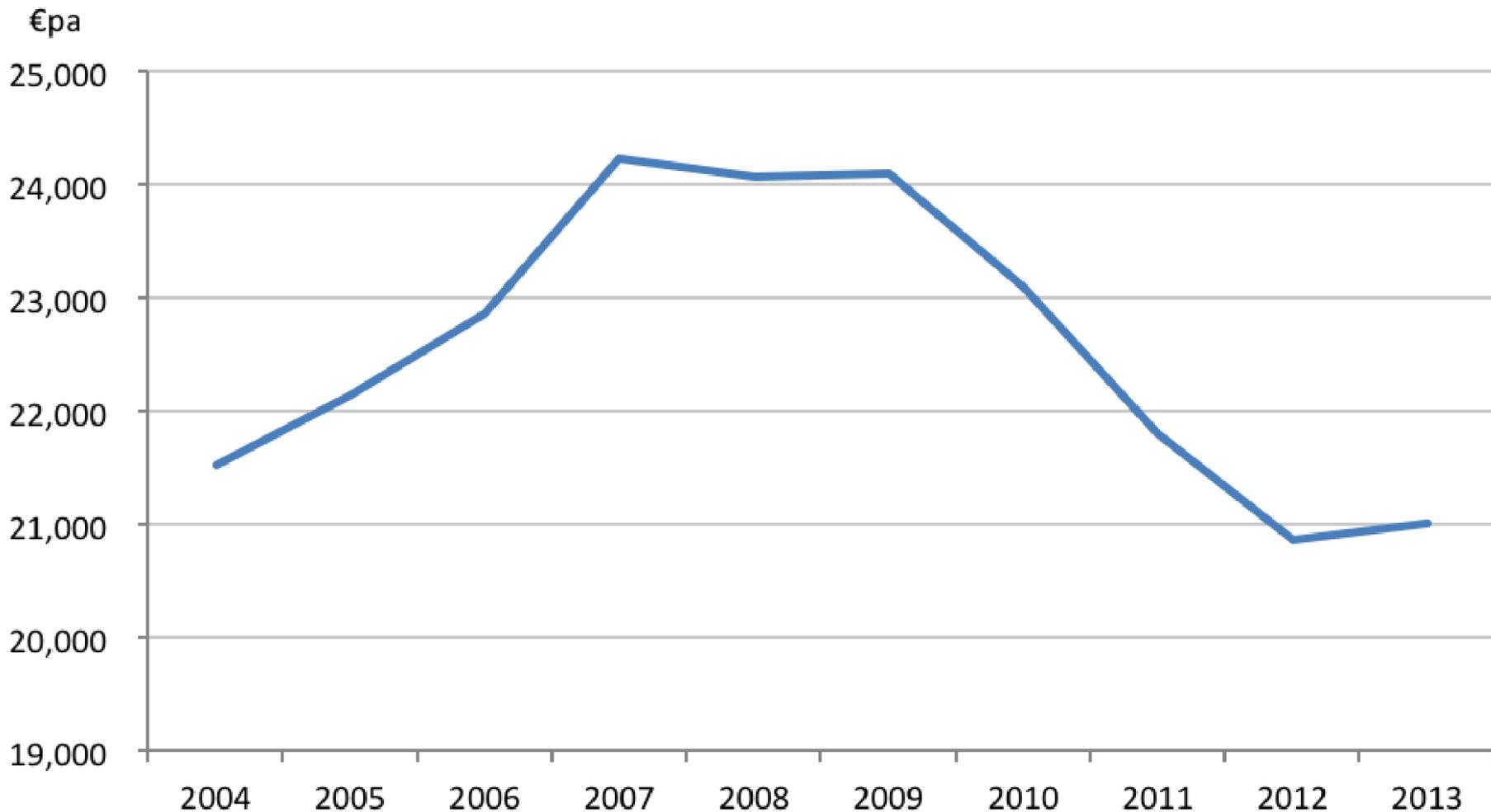
Inequality & Economic Crisis

- 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

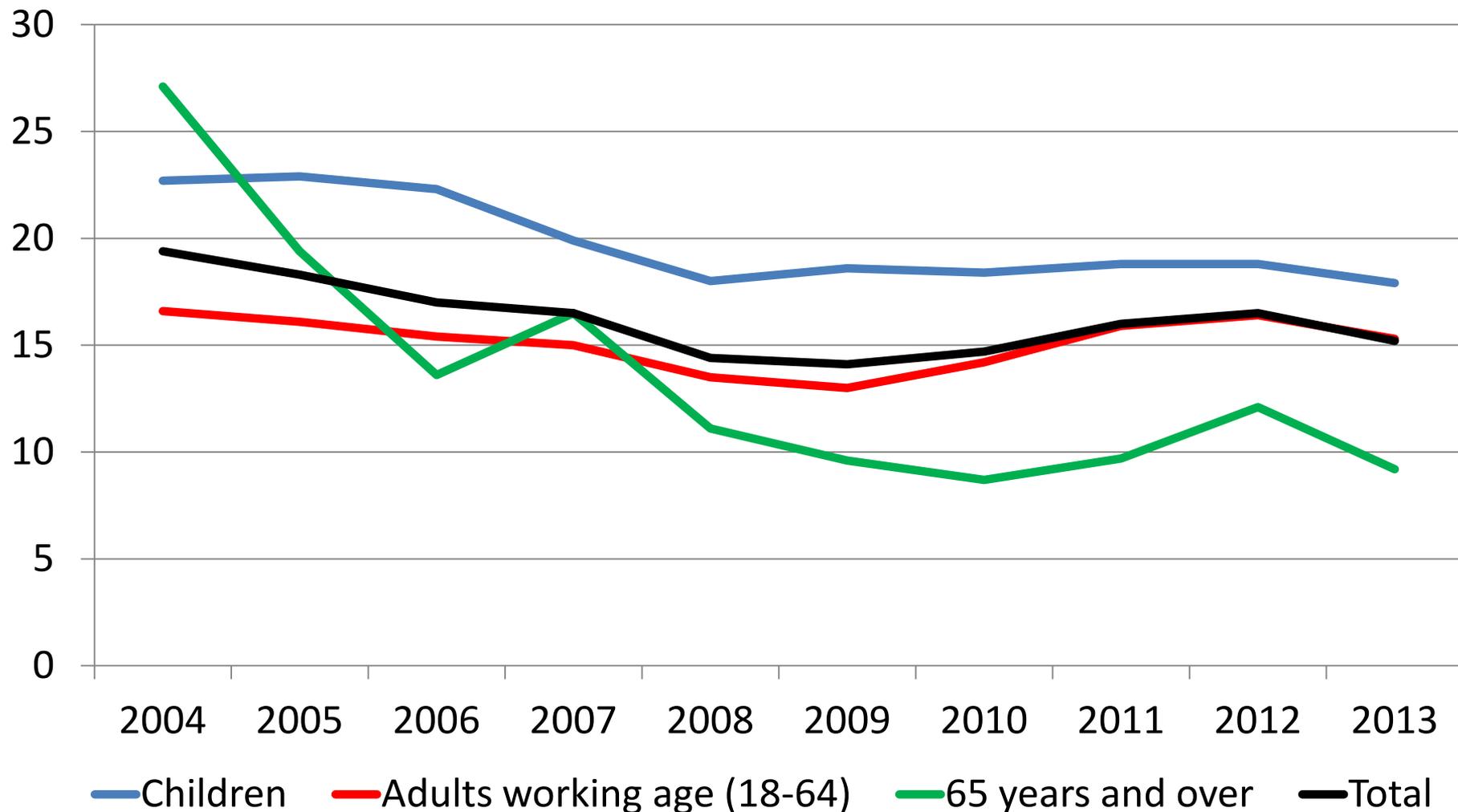
Outline of Analysis

- 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

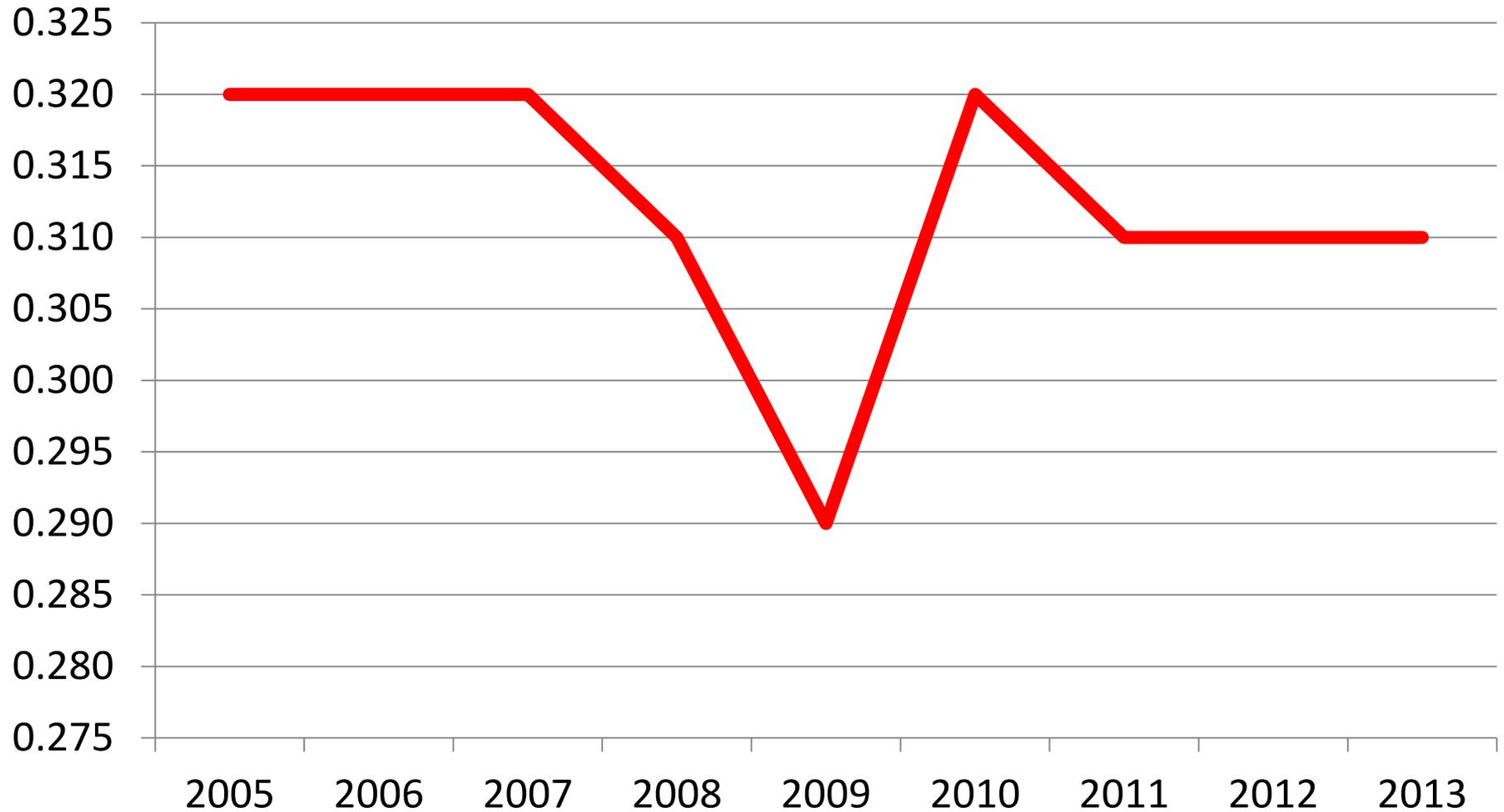
Average Household Disposable Real Income per Adult Equivalent, SILC 2004-2013



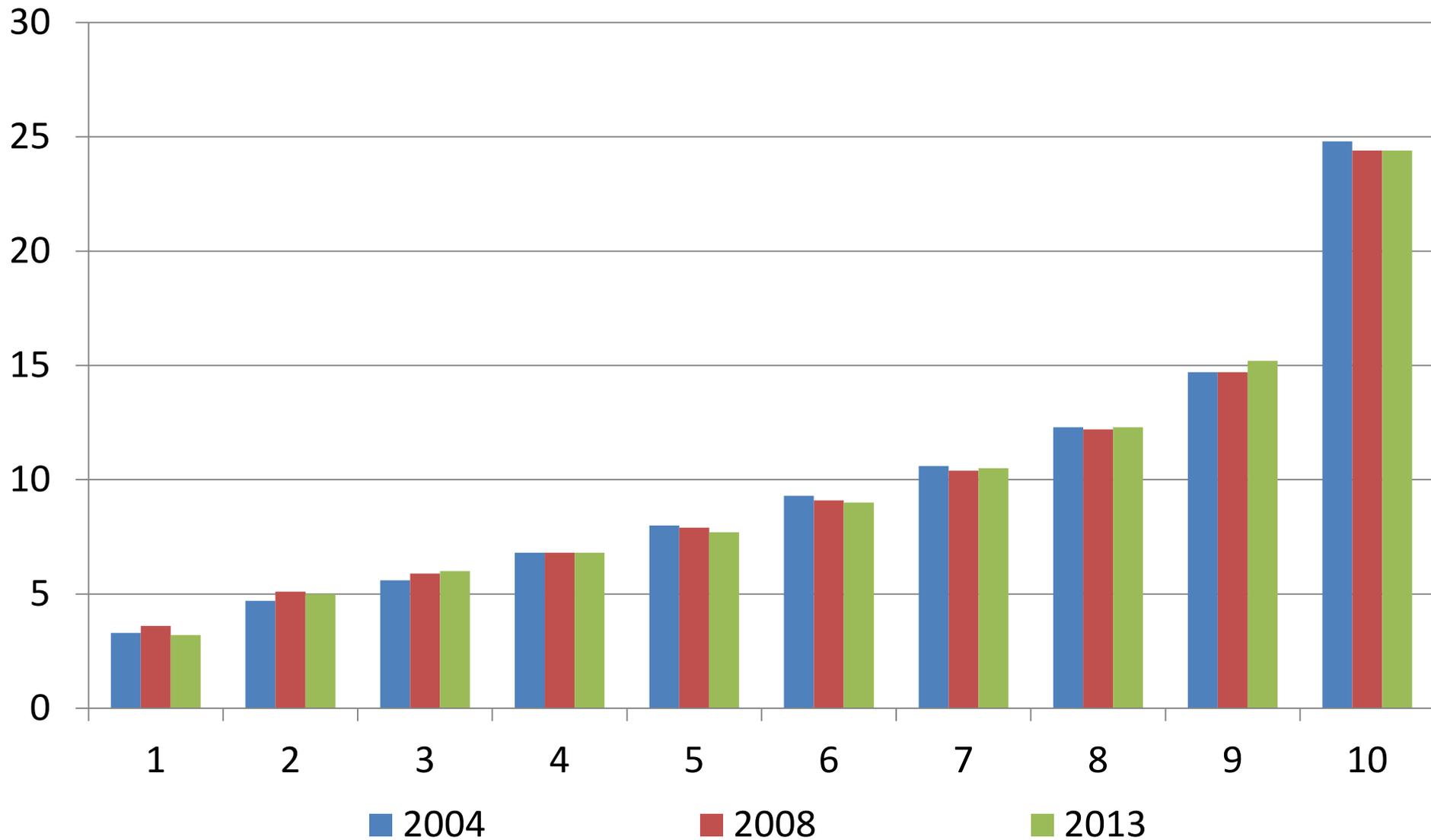
Relative Income Poverty (60% median income) by Age, SILC 2004-2013



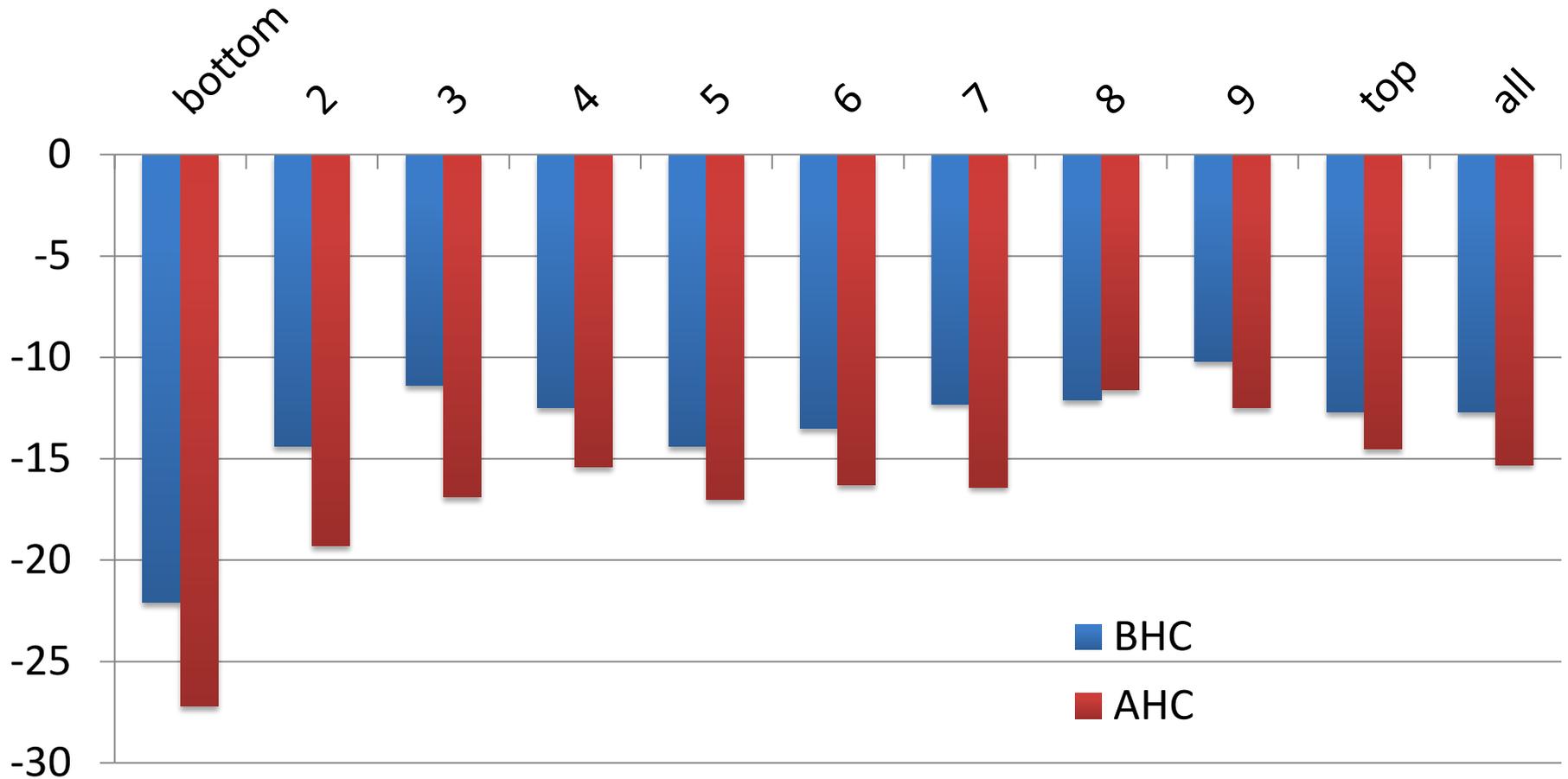
Trends in Gini Coefficient, SILC 2005-2013



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



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

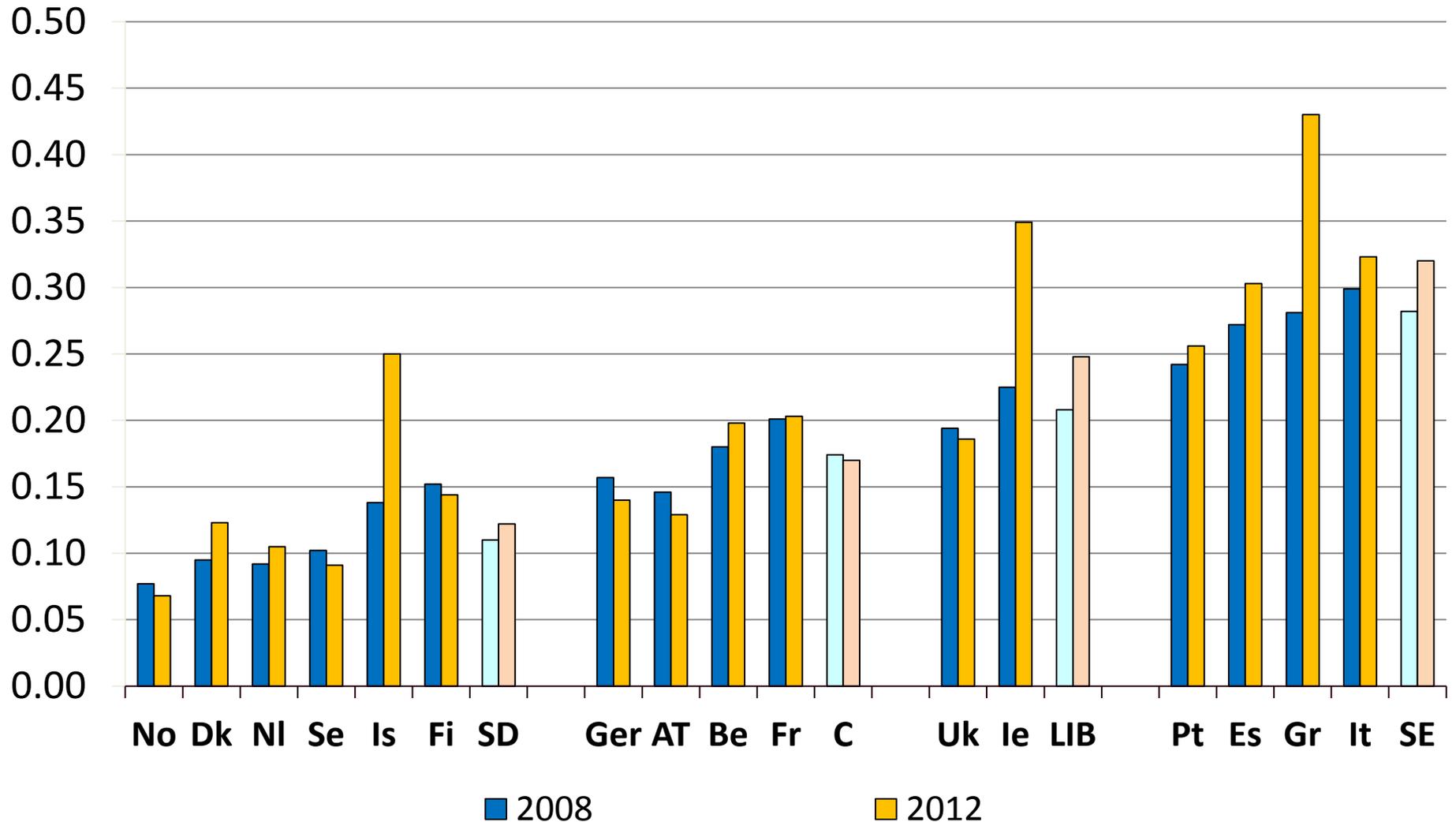
Household Income Categories and Classification

Income ranges	Income classification
< 60% of median equivalised household income	Income poor
60–75% of median equivalised household income	Precarious income class
75–125% of median equivalised household income	Lower middle income class
125–166% of median equivalised household income	Upper middle income class
166+% of median equivalised household income	Affluent class

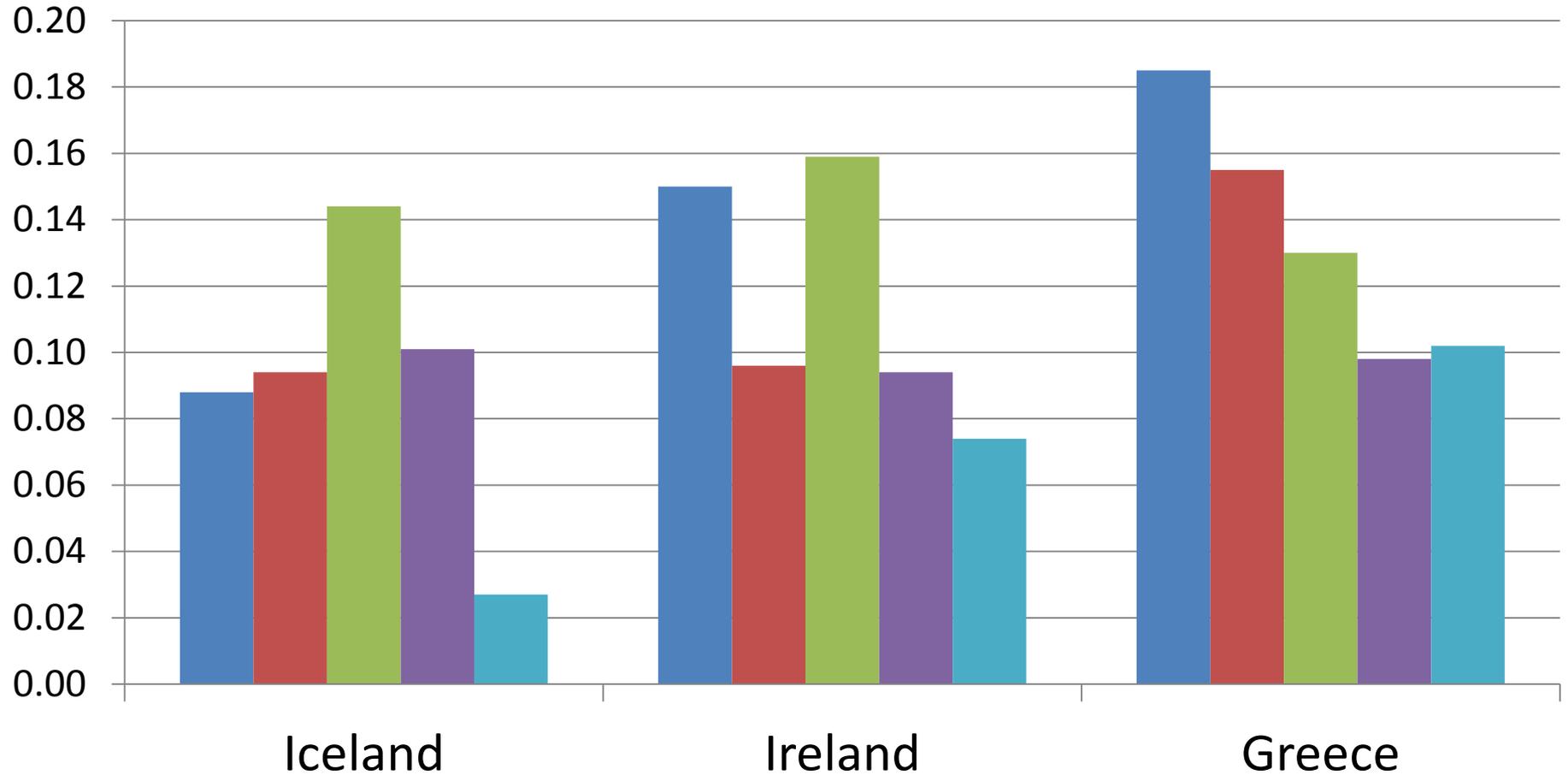
Measurement of Economic Stress

- 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

Mean Stress by Country, Welfare Regime and Year of Survey, 2008 & 2012



Change in Economic Stress between 2008 and 2012 by Income Class"



■ 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