GINI COUNTRY REPORT: IRELAND

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Country Report for Ireland

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Executive Summary

The aim of this country report for Ireland is to present and examine key patterns and trends in the inequality ‘drivers’ on which the project is concentrating, highlight their potential impacts in the social, political and cultural spheres and the available evidence in that regard, and point to the role of relevant institutions and policies in ameliorating or exacerbating those effects.

Ireland represents a very interesting case study in the light of the remarkable macroeconomic roller-coaster of recession, boom and bust experienced over the past 25-30 years. For much of the 1980s Ireland was in prolonged recession, with high unemployment rates. From the mid-1990s, by contrast, there was the so-called ‘Celtic Tiger’ economic boom, whereby Ireland moved from about two-thirds of the OECD average GDP per capita to 134% of that average by 2007, with GNI per capita in current purchasing power terms more than doubling. A sustained fall in unemployment to exceptionally low levels was accompanied by an unbridled property boom and very rapid increase in levels of household debt. The economic crisis from 2007 then had a more negative impact on national output in Ireland than in any other OECD country. Falling GDP went together with the bursting of the property bubble, a collapse in asset values, a banking crisis of unprecedented proportions, and a ballooning fiscal deficit.

Income Inequality: trends and drivers

In the period up to the start of the economic boom, inequality in Ireland was above the average in the EU-15, with the share going towards the top being relatively high (rather than that going towards the bottom being relatively low). Inequality grew only towards the latter years of the Celtic tiger boom: in the earlier part of the boom, the increase in numbers at work had a positive impact on the incomes of households in the bottom half of the distribution, whereas in the second period employment was already high and increasing profits towards the top was an important distributional feature. Conversely, when the financial crisis hit the immediate impact appears to have been particularly severe on profits, affecting incomes towards the top of the distribution, whereas by 2010 the effects of increasing unemployment and inactivity were becoming more dominant and inequality rose sharply. Policy also had an important role to play, with reductions in direct taxes in the second half of the boom contributing to increasing inequality in disposable incomes, whereas the tax/welfare response to the initial impact of the crisis was strongly progressive.

The linkage between inequalities in income and educational inequalities in a cross-section context is pronounced in the Irish case, with higher levels of educational attainment strongly associated with
higher earnings and household income, and low levels of attainment and skills being key predictors of welfare receipt and dependency. In an overall context of increasing levels of educational attainment, the decreasing proportion of the age cohort failing to complete secondary school is at an ever-greater disadvantage in the labour market. The linkage between welfare recipiency and education also remained deep-seated during the economic boom, in relation not only to unemployment but also welfare payments associated with disability and lone parenthood. In the recession, within age groups those with low levels of education saw a particularly marked increase in the likelihood of moving from employment into unemployment or inactivity, though that increase in non-employment was disproportionately concentrated among younger age cohorts with relatively high levels of education.

**Social Impacts**

While there are major data constraints in seeking to identify social impacts of income inequality, since the time-period covered by annual inequality figures is short, the dramatic fluctuations in macroeconomic conditions mean that Ireland is a particularly interesting setting to examine such potential effects. Levels of material deprivation moved broadly in line with average income over this period, falling substantially in the boom but registering particularly sharp increases in the recession. Inequalities in health and access to health services are deep-seated, with a two-tier system of access to services and consistent socio-economic differentiation in objective and subjective indicators of health; it is not possible with available information to robustly assess whether health inequalities have widened or narrowed over time. The housing market played a central role in the economic boom and bust cycle, with particularly dramatic effects on those who borrowed towards the height of the boom before prices collapsed; access for low-income households continues to be highly problematic. Reported levels of overall life subjective satisfaction are highly structure by education but relatively stable over time, whereas in the recession there was a very marked decline in the percentage reporting that their financial situation was good. Changes in data collection practices make it difficult to draw conclusions about the relationship between trends in inequality and patterns in crime and punishment. Underlying patterns of socio-economic stratification continued to be seen throughout in terms of who was affected by for example material deprivation, as well as in terms of inter-generational transmission of advantage and disadvantage where class position remains strongly associated with educational qualifications despite the major expansion in numbers going on to tertiary level.

**Political and Cultural Impacts**
One of the most striking features of Ireland’s experience over the past thirty years or so, in terms of political attitudes and values, has been the dramatic collapse in levels of trust in government and the political system in the aftermath of the economic and financial crisis. The fact that the latter part of the economic boom is now widely perceived to have been mismanaged, with the property boom and bust and near-collapse of the banking system greatly exacerbating the impact of the international financial crisis and recession, has meant that the political system as a whole – and aspects of Ireland’s Eurozone and EU membership – are being questioned in a manner that would have been unimaginable as recently as 2007.

**Policy context**

Overall levels of Irish public social expenditure as a proportion of national output have fluctuated substantially over time, strongly influenced by the very dramatic changes in macroeconomic conditions. High unemployment and low growth boosted this share in the early 1980s, but it fell back as public spending was cut back and modest economic growth returned in the late 1980s, and fell further in the second half of the 1990s as the very rapid pace of economic growth exceeded the rate of increase in spending. In the second half of the boom, from about 2000 onwards, public spending rose significantly more rapidly than GDP, with particularly marked increases in health, pensions and family-related transfers. The economic crisis then meant sharply increasing unemployment-related transfers and a remarkable decline in GDP. Levels and rates of direct tax also fluctuated, with significant cuts in rates but increases in the proportion paying at the higher rates characterising much of the period. Changes in tax and welfare levels and rates during the 1980s and 1990s and into the second half of the economic boom produced a redistribution of income from the bottom of the distribution towards the top, though maintaining the social protection floor. In the crisis, on the other hand, the nature of the changes in direct taxes and cash transfers has been highly progressive. These substantial changes over time are to be seen in a context where the share of public spending in the economy has been relatively low in comparative terms; despite this, the Irish experience illustrates the crucial role these tax/welfare structures play in ameliorating or reinforcing market income inequalities.
Chapter 1  Introduction

The GINI research project is focused on changes in inequalities in income, wealth and education over time and their social, political and cultural impacts. The aim of this country report for Ireland is to present and examine key patterns and trends in the inequality ‘drivers’ on which the project is concentrating, highlight their potential impacts in the social, political and cultural spheres and the available evidence in that regard, and point to the role of relevant institutions and policies in ameliorating or exacerbating those effects. Availability of data and in-depth analysis of causal linkages is the key constraint on what can be said, but within those constraints Ireland represents a very interesting case study in the light of the remarkable macroeconomic context of recession, boom and bust experiences over the past 25-30 years.

For much of the 1980s Ireland was in prolonged recession, as fiscal correction was implemented after the misguided pump-priming policies of the late 1970s. This began to bear fruit from 1987, but the remarkable take-off that gave rise to the ‘Celtic Tiger’ label was seen from about 1994. In terms of income levels, focusing on Gross Domestic Product (GDP) per capita, Ireland moved from about 60% of the OECD average in the mid-1980s to 134% of that average by 2007, just before the onset of the recession, making Ireland among the highest in the OECD. GDP per head is somewhat problematic as a measure of domestic income in the Irish case, since Foreign Direct Investment (FDI) is particularly important and generates profits which flow out of the country. However, in terms of Gross National Income (GNI) per capita, in 2007, Ireland was still fifth highest in the OECD. From the mid-1990s, Ireland was one of the OECD’s fastest growing economies, with GNI per capita in current purchasing power terms more than doubling by 2007 compared with a 70% increase for the OECD as a whole. Median household incomes adjusted for household size grew very substantially over the same period, increasing by 116%. Over a decade of exceptionally rapid growth was accompanied by an unbridled property boom and very rapid increase in levels of household debt. However, the economic crisis then had a more negative impact on national output in Ireland than in any other OECD country. The fall in GDP from 2008 onwards went together with a bursting of the property bubble, a collapse in asset values, a banking crisis of unprecedented proportions, and a ballooning fiscal deficit. By 2010, despite substantial increases in taxation and expenditure cuts, the Irish government was no longer able to borrow on international financial markets at acceptable rates and had to avail of a ‘bail-out’ by the EU and IMF.
Over these decades Ireland saw the high unemployment of the 1980s give way to what would generally be regarded as virtually full employment during the economic boom period, with unemployment falling from 15 per cent to 4 per cent of the labour force and long-term unemployment at little more than 1 per cent. At the same time, rates of female labour force participation increased substantially. The most recent recessionary period has seen falls in employment, with massive job losses in the construction sector in particular and very high unemployment, affecting young men most severely. Migration fluctuated very sharply as it reflected conditions in the labour market, with a strong outflow in the 1980s, substantial return migration from the mid-1990s, considerable inflow from the new member states from 2004, and renewed out-migration from the onset of the economic crisis.
Chapter 2  The Nature Of Inequality And Its Development Over Time

2.1 Has inequality grown?

Against this background, we now look at trends in inequality over the past three decades, in income and wealth, in the labour market (including wage and earnings inequalities), and in education. For data allowing analysis of trends in income inequality and earnings dispersion in Ireland over the period going back to the mid-1980s, one must rely on a series of large-scale general household surveys which focused on incomes and living standards.⁴ These comprise:

1) The Household Budget Surveys carried out by the Central Statistics Office in 1980
2) The Survey on Income, Poverty and Use of State Services carried out by the Economic and Social Research Institute (ESRI) in 1987;
3) The Living in Ireland Surveys (LII), a longitudinal household panel survey carried out by the ESRI from 1994 to 2001 that formed the Irish component of the European Community Household Panel (ECHP);
4) The Survey on Income and Living Conditions (SILC), conducted by the Central Statistics Office (CSO) annually since 2003 and providing the basis for figures for Ireland for the EU-SILC framework from which the EU’s Social Inclusion indicators are produced.

These data sources are described in for example Callan et al (1989), Callan et al, (1996), CSO (2013). Total sample sizes are of the order of 4,000-6,000 households, and the overall representativeness of the samples has been validated by comparison with a range of external information and reweighting schemes applied sought to compensate for any biases to the extent that available external information allowed (see for example Whelan et al, 2003, Appendix A, CSO 2005). The sampling frames and reweighting procedures employed differ across the surveys, and while there is a great deal of common ground in terms of the information about earnings and household incomes, some differences in the precise questions asked may also affect precise comparability across these sources.

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⁴ The National Employment Survey, a dedicated national earnings survey covering all sectors of the economy, was carried out by the Central Statistics Office in certain years and provides an in-depth data of earnings towards the end of the period.
2.1.1 Household Income Inequality

Median household incomes adjusted for household size have grown very substantially over the period 1995 to 2009, increasing by 116% (Table 2.1).

Table 2.1: Median Equivalised Income (€)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ireland</th>
<th>EU15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>10097</td>
<td>10530</td>
</tr>
<tr>
<td>1996</td>
<td>10467</td>
<td>10898</td>
</tr>
<tr>
<td>1997</td>
<td>11648</td>
<td>11415</td>
</tr>
<tr>
<td>1998</td>
<td>13713</td>
<td>11922</td>
</tr>
<tr>
<td>1999</td>
<td>14086</td>
<td>12237</td>
</tr>
<tr>
<td>2000</td>
<td>15389</td>
<td>13007</td>
</tr>
<tr>
<td>2001</td>
<td>18100</td>
<td>13864</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>17080</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>18075</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>18798</td>
<td>15452</td>
</tr>
<tr>
<td>2006</td>
<td>19757</td>
<td>15552</td>
</tr>
<tr>
<td>2007</td>
<td>22065</td>
<td>16536</td>
</tr>
<tr>
<td>2008</td>
<td>22995</td>
<td>17247</td>
</tr>
<tr>
<td>2009</td>
<td>22432</td>
<td>17294</td>
</tr>
</tbody>
</table>

Source: ECHP, EU-SILC

The degree of income inequality can be summarised using measures such as the Gini coefficient, Atkinson’s inequality measure, the Theil coefficient, and the ratio of the 90th to the 10th percentile. The most widely-used summary measures can be calculated directly from household survey data for the mid-2000s, and compared with figures for the EU Member States produced by Eurostat and for the OECD in Growing Unequal (2008). In the period up to the start of the economic boom, data are only available for occasional years but inequality was above the average in EU15, similar to UK, Greece, Spain; this reflected the fact that the share going towards the top was relatively high, rather than that going towards the bottom being relatively low. Summary inequality measures such as the Gini coefficient appear to have been relatively stable up to 1994 despite major macroeconomic fluctuations. From 1994 onwards there are annual surveys and Gini coefficients for equivalised disposable income among persons derived with different equivalence scales and presented in different publications are shown in Table 2.2. (Nolan et al, 2000, Nolan and Smeeding, 2005, CSO, 2008, Nolan, 2009). Broadly speaking, the level of inequality in these terms is seen to have fallen over the first half of the economic boom, then increased to 2004-7. In the initial period of the economic crisis from
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2007 onwards, inequality fell sharply to 2009 as the share of income going to the top decile declined. However, the 2010 SILC survey shows a bounce-back in the Gini to a level similar to that seen during the boom.

**Table 2.2: Gini Coefficients for Equivalised Disposable Income Among Persons, Ireland 1987-2009**

<table>
<thead>
<tr>
<th>Year</th>
<th>National Sources (1/0.66/0.33 scale)</th>
<th>Growing Unequal (Square Root Scale)</th>
<th>EU SI Indicators (Modified OECD Scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987 ESRI Survey</td>
<td>0.31</td>
<td>0.33</td>
<td>[0.32]</td>
</tr>
<tr>
<td>1994 LII</td>
<td>0.32</td>
<td>0.32</td>
<td>0.33</td>
</tr>
<tr>
<td>2000 LII</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
</tr>
<tr>
<td>2001 LII</td>
<td>0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004 SILC</td>
<td>0.32</td>
<td></td>
<td>0.32</td>
</tr>
<tr>
<td>2005 SILC</td>
<td>0.32</td>
<td>0.33</td>
<td>0.32</td>
</tr>
<tr>
<td>2006 SILC</td>
<td>0.32</td>
<td></td>
<td>0.32</td>
</tr>
<tr>
<td>2007 SILC</td>
<td>0.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008 SILC</td>
<td>0.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009 SILC</td>
<td>0.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 SILC</td>
<td>0.32</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: See table for details

Lower income groups saw an increase in their share of total income from 1987 to 1994, lost out from 1994 to 2000, with some recovery from then to 2007 and, perhaps surprisingly, a further increase as the recession hit in 2008 and 2009, falling back in 2010. At the other end of the distribution the top one-tenth saw little change from 1987 to 1994, and then a decline to 2000 followed by an increase in share over the second half of the economic boom, especially in 2004-06. Household surveys may have particular difficulty right at the top of the income distribution where the most pronounced effects from such a boom might be felt. Data produced by the Revenue Commissioners can be used to estimate the share of total income going towards the top, and show a substantial increase in the share of the top 10 per cent over the decade, from 33 per cent to 38 per cent. The top 1 per cent saw its share rise sharply, with all the growth in share for the top decile concentrated there, so that by the end of the 1990s the share of the top 1 per cent was more than twice the level prevailing through the 1980s. Even larger increases in top income shares in countries such as the USA and the UK have been revealed by similar studies and widely commented on. In the Irish case, though, it is particularly difficult to disentangle the effects of changes in reporting behaviour vis-a-vis the tax authorities from changes in actual incomes, with both probably contributing to the observed trend.
2.1.2  Trends in poverty risk

Relative income poverty rates – termed ‘at-risk-of-poverty’ in the EU’s Social Inclusion indicators – are shown in Table 2.3 using a threshold set at 60 per cent of median income. This poverty measure rose quite sharply from 1994 to 2000, but declined from then up to the onset of the economic crisis in 2007. As investigated in a number of in-depth studies, income poverty measured in this fashion increased in the earlier years of the Celtic Tiger boom, despite the sharply rising levels of employment and incomes from work, largely because those remaining reliant on social transfers fell behind. Much of this ground was made up in the latter part of the boom as social welfare pensions in particularly were increased relatively rapidly. There was also a decline in the depth of poverty, measured by how far those in income poverty fall below the 60 per cent threshold.

This at risk of poverty rate continued to fall as the recession hit in 2008 and 2009, since those towards the bottom of the income distribution were already heavily reliant on social transfers as their main source of income, and median income declined thus reducing the income threshold. In 2010, though, there was a marked upturn in this purely relative poverty measure despite the fact that median income and thus the poverty threshold continued to decline.

Table 2.3: Trends in number of persons at risk of poverty at 60% of median equivalent income

<table>
<thead>
<tr>
<th>Living in Ireland</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>15.6</td>
</tr>
<tr>
<td>1997</td>
<td>18.2</td>
</tr>
<tr>
<td>1998</td>
<td>20.0</td>
</tr>
<tr>
<td>2000</td>
<td>22.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU-SILC</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>19.4</td>
</tr>
<tr>
<td>2005</td>
<td>18.5</td>
</tr>
<tr>
<td>2006</td>
<td>17.0</td>
</tr>
<tr>
<td>2007</td>
<td>16.5</td>
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<td>2008</td>
<td>14.4</td>
</tr>
<tr>
<td>2009</td>
<td>14.1</td>
</tr>
<tr>
<td>2009</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: National-level data (LII, EU SILC IRELAND)

Table 2.4: Trends in number of persons income poor with fixed median income line

<table>
<thead>
<tr>
<th>2004 Threshold indexed to consumer prices</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-SILC</td>
<td>------</td>
</tr>
<tr>
<td>2004</td>
<td>19.4</td>
</tr>
<tr>
<td>2005</td>
<td>18.0</td>
</tr>
<tr>
<td>2006</td>
<td>15.7</td>
</tr>
<tr>
<td>2007</td>
<td>11.5</td>
</tr>
<tr>
<td>2008</td>
<td>10.4</td>
</tr>
</tbody>
</table>
An income poverty measured framed in more absolute terms, increasing over time only in line with the change in prices, tells a rather different story as shown in Figure 2.3 for the middle of the boom period and Table 2.4 and Figure 2.4 for the latter part of the boom and the onset of the recession. Measured vis-à-vis an income threshold held fixed in purchasing power terms, the poverty rate fell substantially in the final years of substantial real income growth, by almost half in the short period from 2004 to 2008, but rose very sharply from 2009 to 2010.

Figure 2.1 shows the evolution of the at-risk-of-poverty rate by age, with a very striking variation over time in the rate for older persons, rising very sharply in the first half of the economic boom before falling back in the latter half and continuing to do so in the period of recession. This was very strongly influenced by the rate of social transfers paid to pensioners, which lagged behind other incomes to 2000 but caught up subsequently, and the extent to which the value of those pensions was maintained in the bust as other incomes declined.

**Figure 2.1: At risk of poverty rate, by age**

![Graph showing at-risk-of-poverty rate by age](image)

Source: Eurostat (EU SILC)

Notes: The at-risk-of-poverty rate is defined as the percentage of people with an equivalised disposable income below 60% of the national equivalised median income; equivalised income is total household income after social transfers and direct taxes adjusted to take account of the size and composition of the household.

Figure 2.2 shows the evolution of the at-risk-of-poverty rate by education level for the working-age population from 2004, and the scale of the decline for those with only low levels of attainment is
notable; many of these individuals would be older/retired, so their incomes would be strongly influenced by the social pension already noted.

Figure 2.2: At risk of poverty rate, by education (18-64 yrs)

![Graph showing poverty rate by education level and year](image)

Source: Eurostat (EU SILC)

Figure 2.3 and Figure 2.4 show the income poverty rate anchored at a point in time, distinguishing persons by their age group, for different periods. A very substantial decline in poverty measured this way is seen for all ages, though a particularly sharp drop for older persons is seen in the most recent period.

Figure 2.3: At risk of poverty rate anchored in 1998

![Graph showing poverty rate by age group and year anchored in 1998](image)

Source: Eurostat (EU SILC)
The important role of the social welfare system in reducing income poverty can be observed by comparing the “at risk of poverty” rates before social transfers with those observed when social transfers are included in income, with social transfers reducing the “at risk of poverty rate” by half or more. Nevertheless, households that are heavily reliant on social transfers for their income still face a much higher poverty risk than others.

Most analysis of inequality and poverty in Ireland has been based on household income, but several studies have focused on consumption as captured by detailed data on expenditure from the Household Budget Surveys carried out by the Central Statistics Office at approximately 5-year intervals. O’Neill and Sweetman (2000), for example, compared trends in inequality and poverty over the period from 1987 to 1994 measured via income with corresponding results based on household expenditure as the measure of resources. They found that over the period in question trends in measured inequality were not sensitive to the choice of resource measure used, i.e. expenditure versus income. However, the identification of those falling below poverty thresholds or in different parts of the income distribution did produce some important differences across measures. In particular, self-employed households were seen to fare better when expenditure was used to measure resources while the opposite was true for households headed by individuals who are retired or on home duties. Clancy and Madden (2005) carry out a somewhat similar analysis from 1987 to 1999. Their results suggest that from 1987 to 1994 conventional measures of inequality fell slightly for income but were little changed for expenditure; from 1994 to 1999, inequality rose with both, though more with expenditure than income. Similar analyses have not yet been carried out for the...
second half of the economic boom, though the expenditure data required has continued to be gathered in the Household Budget Surveys.

From a poverty perspective, the focus of much Irish research and official monitoring on those both below income poverty thresholds and experiencing manifest deprivation – in what has been labelled “consistent poverty” – means that the recognized limitations of measured low income in representing the resources and living standards of certain groups – notably the self-employed and retired – has in effect been addressed by an alternative route rather than by focusing on consumption instead. (This is discussed in more detail in focusing on deprivation and multidimensional measures of poverty and exclusion in Section 3 below.) The problems with taking expenditure as measured in household surveys as a comprehensive measure of consumption, highlighted in the international literature, have also been recognized in the Irish studies.

2.1.3 Wealth & debt inequality

The only in-depth study of the distribution of wealth among households in Ireland is based on information obtained in a large-scale representative household survey carried out by the ESRI in 1987 as analysed in Nolan (1991). This showed that when households were ranked by level of reported wealth, the bottom 70 per cent of households held 28 per cent of total wealth, the next 20 per cent held 12 per cent, and the top decile by held 42 per cent (and the top 1 per cent had 10 per cent). The composition of wealth varies very substantially with level of wealth itself, as

Table 2.5 shows. For the bottom 70 per cent of households owner-occupied housing accounts for 87 per cent of total wealth.

<table>
<thead>
<tr>
<th>Wealth decile</th>
<th>% of total wealth</th>
<th>composition of group’s wealth: %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>home</td>
</tr>
<tr>
<td>bottom 7 deciles</td>
<td>28.5</td>
<td>86.7</td>
</tr>
<tr>
<td>deciles 8 and 9</td>
<td>11.9</td>
<td>64.5</td>
</tr>
<tr>
<td>top 10%</td>
<td>42.3</td>
<td>27.0</td>
</tr>
<tr>
<td>top 1%</td>
<td>10.4</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Source: 1987 ESRI Survey

For the top decile, by contrast, only 27 per cent of wealth was in the form of owner-occupied housing, with farm land significantly more important at 45 per cent. For the top 1 per cent of wealth
holders, the net value of their house accounted for only 16 per cent of total wealth, farm land made up 46 per cent, businesses 23 per cent and financial assets 9 per cent. The top 1 per cent of wealth holders held 19 per cent of all sample wealth in the form of farm land, 33 per cent of business assets, and 29 per cent of gilts, equities and investment bonds etc., but only 5 per cent of total reported deposits and 3 per cent of wealth in the form of housing.

Unfortunately, a similar level of survey-based information about household wealth has not been obtained since that time, so changes in the distribution of wealth during the economic boom and into the recession cannot be reliably tracked. The scale of the increase in house prices during the boom and the level of investment in second homes, followed by the 50% fall in house prices in the recession as the housing bubble burst, were such that this element of wealth-holding will have seen dramatic swings in wealth. The most striking result has been the extent to which households borrowing to purchase property towards the peak have been left in a negative equity situation, with debts exceeding the current value of their house. The absence of data required to track the impact of these price trends, as well as the swings in share values, on the distribution of wealth is a major gap.

2.1.4 Labour market inequality

We now turn to trends in inequality in the labour market, dealing first with employment and then with wage inequality. Figure 2.5 shows the development of employment and participation rates. Over the last three decades, Ireland's labour force has undergone a dramatic transformation, with the high unemployment of the 1980s replaced by "full employment" during the economic boom. The period also saw growing rates of female participation, partly sustained by increasing part-time employment (LFS).

The most recent recessionary period has seen sharp falls in employment, with male employment falling more than female employment, partly reflecting the sectoral patterns of the recession (with construction and manufacturing most heavily hit). In addition, the impact of the recession has been highly differentiated by age, with younger age groups seeing the most striking falls in employment (Figure 2.7).
The most recent recessionary period has seen sharp falls in employment, with male employment falling more than female employment, partly reflecting the sectoral patterns of the recession (with construction and manufacturing most heavily hit). In addition, the impact of the recession has been highly differentiated by age, with younger age groups seeing the most striking falls in employment (Figure 2.7).
As Figure 2.8 illustrates, employment is highly structured by education, with those with the highest educational levels having the highest employment rates. While all educational groups increased their employment rates over the period of economic growth, the most recent period has seen the employment rate of the lower skilled employment fall most dramatically.

In terms of jobless households (Figure 2.9), while Ireland’s economic boom saw marked falls in the percentage of households without at least one member not engaged in any work, this has increased...
since the economic crisis, with the percentage of working-age adults in households of ‘very low work intensity’ according to the EU’s social inclusion indicator with that label rising from 13 per cent in 2006 to 24 per cent in 2010. The unemployment rate for both males and females has risen dramatically in recent years (Figure 2.10) across all educational levels; however, those with lower secondary or less qualifications are experiencing particularly high levels of unemployment (males in particular).

**Figure 2.9: Jobless households**

Source: Eurostat (LFS)

**Figure 2.10: Trends in unemployment rates, by gender & educational attainment (25-64 yrs)**

Source: OECD (LFS)

Labour market entry for young people with no qualification/lower secondary are relatively stable over time (Smyth and McCoy, 2011), except for a recent sharp decrease in entry rates for the no qualifications group. While some will be engaged in education, withdrawal is also prevalent among
this group (McCoy et al, 2010). With the onset of the recent financial crisis, rates of NEETS (not in education, employment or training) amongst young people have risen sharply, for males in particular (Figure 2.11).

![Figure 2.11 Young people not in employment and not in any education and training (15-24 yrs old)](image)

Source: Eurostat (LFS)

### 2.1.5 Wage inequality

In looking at the distribution of earnings across individuals, one can focus on hourly, weekly, monthly or annual earnings, as well as on all employees versus full-time employees or even full-time full-year employees only. The number of hours worked in the week and weeks worked in the year are clearly central to individual earnings and household income, but hourly wages more directly relate to differential rewards to skill and effort, and it is on the dispersion of hourly gross earnings across all employees that the available studies for Ireland have mostly focused.² Hourly earnings are derived for most employees as reported last gross pay received (i.e. before tax or social insurance contributions are deducted) divided by hours worked in that pay period; for the small proportion of responding employees who stated that their last pay was not usual, the usual amount received is divided by hours usually worked. The significant effort invested into harmonizing the earnings measures and coverage of employees in the studies on which we draw (notably Nolan, Voitchovsky and Maitre 2010) provides for some reassurance that the switch from one survey to another is not introducing major discontinuities.

---

Table 2.6: Distribution of Hourly Earnings, All Employees, 1987-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Bottom decile</th>
<th>Bottom quartile</th>
<th>Top quartile</th>
<th>Top decile</th>
<th>Top/bottom decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>0.47</td>
<td>0.73</td>
<td>1.37</td>
<td>1.96</td>
<td>4.17</td>
</tr>
<tr>
<td>1994</td>
<td>0.49</td>
<td>0.69</td>
<td>1.53</td>
<td>2.35</td>
<td>4.77</td>
</tr>
<tr>
<td>1995</td>
<td>0.50</td>
<td>0.70</td>
<td>1.54</td>
<td>2.27</td>
<td>4.54</td>
</tr>
<tr>
<td>1996</td>
<td>0.49</td>
<td>0.69</td>
<td>1.50</td>
<td>2.24</td>
<td>4.62</td>
</tr>
<tr>
<td>1997</td>
<td>0.50</td>
<td>0.71</td>
<td>1.52</td>
<td>2.33</td>
<td>4.64</td>
</tr>
<tr>
<td>1998</td>
<td>0.51</td>
<td>0.67</td>
<td>1.45</td>
<td>2.12</td>
<td>4.16</td>
</tr>
<tr>
<td>1999</td>
<td>0.51</td>
<td>0.73</td>
<td>1.45</td>
<td>2.15</td>
<td>4.21</td>
</tr>
<tr>
<td>2000</td>
<td>0.59</td>
<td>0.75</td>
<td>1.44</td>
<td>2.10</td>
<td>3.56</td>
</tr>
<tr>
<td>2001</td>
<td>0.58</td>
<td>0.74</td>
<td>1.44</td>
<td>2.09</td>
<td>3.62</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>0.56</td>
<td>0.73</td>
<td>1.46</td>
<td>2.04</td>
<td>3.67</td>
</tr>
<tr>
<td>2004</td>
<td>0.58</td>
<td>0.74</td>
<td>1.46</td>
<td>2.12</td>
<td>3.65</td>
</tr>
<tr>
<td>2005</td>
<td>0.57</td>
<td>0.73</td>
<td>1.46</td>
<td>2.11</td>
<td>3.67</td>
</tr>
<tr>
<td>2006</td>
<td>0.56</td>
<td>0.71</td>
<td>1.50</td>
<td>2.18</td>
<td>3.92</td>
</tr>
<tr>
<td>2007</td>
<td>0.56</td>
<td>0.72</td>
<td>1.50</td>
<td>2.26</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: various (see text)

Table 2.6 shows the distribution of gross hourly earnings in 1987, 1994-2001, and 2003-2008 as measured by the level of earnings at different percentiles as proportions of the median, together with the ratio of the top to the bottom deciles, $P_{90}/P_{10}$, the most widely-used summary measure of earnings dispersion.

We see that from 1987 to 1994 there was a marked widening in dispersion at the top of the distribution. The ratio of the top decile to the median rose from 2 to 2.4, while the top quartile also moved further away from the median. In the bottom half of the distribution, the bottom quartile fell away from the median but the bottom decile did not. The overall picture is thus of widening dispersion throughout the distribution except at the very bottom, with the ratio of the top to the bottom decile rising sharply from 4.2 to 4.8. The distribution was relatively stable from 1994 to 1997, with the bottom decile at about half the median and the top decile at $2^{1/4}$ times the median or more. The top decile then fell relative to the median in 1998, followed by a very marked increase in the bottom decile as a proportion of the median in 2000. The net result was that the $P_{90}/P_{10}$ summary dispersion measure fell very sharply indeed from 1997 to 2000, from 4.8 to 3.6, a scale of change rarely seen internationally in this summary measure of earnings dispersion. After 2000 the bottom decile and quartile both fell back
slightly relative to the median, but the bottom decile in particular remained well above the level seen before 2000. However, the top quartile and especially the top decile now pulled away from the median, coming close to reversing the falls seen in the late 1990s. The net impact was that by 2007 the $P_{90}/P_{10}$ ratio had risen from 3.6 back up to 4, a substantial increase but still leaving it well below the level of 4.8 seen in 1994.

Figure 2.12 concentrates on the Celtic Tiger period from 1994, showing how the level of earnings at the bottom decile, bottom quartile, top quartile and top decile evolved year by year, together with the mean and median, each in constant price terms expressed as an index with base 1994=100. We see that the lower part of the distribution saw above-average growth up to 1999, with the upper part lagging behind, but the really striking feature is the scale of the increase in the bottom decile and quartile from 1999 to 2000. In the period from 2000 to 2007, by contrast, the top quartile and decile rise faster than the median. Over the boom period from 1994 to 2007 as a whole, then, the bottom quartile and especially the bottom decile rose more rapidly than the median, while the top quartile and decile lagged modestly behind it.

Figure 2.12 Mean and Percentiles of Hourly Earnings, All Employees, 1994-2007 (Constant 2007 Prices)

Source: Living in Ireland Survey, EU-SILC

Focusing on low pay, a widely used earnings threshold is two-thirds of median earnings. Available figures suggest that Ireland has consistently had a relatively high level of low pay compared with many other EU-15 countries, though similar to the UK (see for example Nolan and Marx, 2000, Maitre, Nolan and Whelan 2011). The SILC sample for the mid-2000s shows about 23 per cent of current employees with hourly earnings below that threshold. (About the same percentage of full-time full-year employees had annual earnings below the corresponding threshold at that point,
whereas 29 per cent of all full-year employees were below the annual threshold.) The extent of low pay in terms of hourly earnings rose from 20 per cent of employees below two-thirds of the median in 1987 to 25 per cent in the mid-1990s, but then was stable or fell marginally during the years of the economic boom. Another source of information about trends in low pay is the series of surveys of private sector firms carried out by the ESRI for the Department of Enterprise, Trade and Employment in relation to the National Minimum Wage (NMW).\(^3\) The NMW was introduced in 2001, at about 50 per cent of average gross earnings (in industry) and so among the highest in the EU relative to earnings, and was subsequently up-rated broadly in line with earnings. These surveys found about 5 per cent of private sector employees at or below the full adult minimum, with that figure quite stable over time.

2.1.6 Educational inequality

Ireland has arguably underwent an “education revolution” (Fahey & Fitzgerald, 1997) from the introduction of free compulsory schooling in the 1960s through to the mass expansion of higher education through the 1990s and 2000s. The proportion of young people completing second-level education over the time period 1984 to 1993 rapidly increased from 67 per cent to over 80 per cent, and has since plateaued, with 2007 completion rates standing at around 84 per cent (Smyth and McCoy, 2011). Young people are now less likely to enter the labour market directly, but pursue further study in either higher or further education (O’Connell et al. 2006; Watson et al. 2006). While well over two thirds (72 per cent) of young people completing secondary education directly entered the labour market in 1984, this fell to 43 per cent in 2004 (Smyth and McCoy, 2011).

In terms of higher education, participation grew slightly in early 1980s, from 20 per cent in 1980 to 25 per cent in 1986, rising to 44 per cent in 1998, with latest participation rates reaching 55 per cent in 2004. The increased overall participation in Ireland has been partly explained by both increased retention at second level and also, growing numbers of mature students entering university (O’Connell et al., 2006). While an increasing proportion of the Irish population have a third level qualification, a declining number are without any qualification (Figure 2.13).

Most groups increased their participation in HE during the 1980s and 1990s. Unskilled manual workers increased from 3 per cent in 1980 to 21 per cent in 1998 (Skilled Manual, other Non-Manual and Semi-skilled groups increased from just under 10 per cent to over 30 per cent in the later period). However, the higher professional group increased from just under 50 per cent to near saturation.\(^4\)

While the participation rates in Ireland of some of the lower socio-economic groups (e.g., skilled manual, semi-skilled and unskilled workers) also increased between 1998 and 2004, research has found that certain groups such as higher professionals and farmers still account for a higher proportion of new entrants than their share of the population.\(^5\) Thus, widening participation in HE for students from disadvantaged backgrounds has been a major focus of educational policy since the 1990s (McCoy et al. 2010).\(^6\)

### Table 2.7: Change in HE Participation, 1998 – 2004, by parental socio-economic group

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer and Manager</td>
<td>1.5</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Higher Prof.</td>
<td>2.5</td>
<td>2.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

\(^4\) Clancy (2001) also reports a social-economic gradient with regards field of study and institution (the higher professional group was most strongly represented in the university sector and in subjects such as Medicine, Law, Dentistry and Veterinary).

\(^5\) See Clancy and Goastellec (2007)

\(^6\) Since 1996, universities have been funded by the Higher Education Authority’s Strategic Initiative Scheme, which was subsequently mainstreamed in core funding. From 1999 onwards, the institutes of technology have also received funding for improving access.
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL Below secondary upper</td>
<td>79</td>
<td>89</td>
<td>76</td>
<td>85</td>
<td>86</td>
<td>8.45</td>
</tr>
<tr>
<td>TOTAL Tertiary</td>
<td>142</td>
<td>153</td>
<td>144</td>
<td>169</td>
<td>155</td>
<td>8.99</td>
</tr>
<tr>
<td>MALES Below secondary upper</td>
<td>78</td>
<td>84</td>
<td>71</td>
<td>85</td>
<td>84</td>
<td>7.32</td>
</tr>
<tr>
<td>MALES Tertiary</td>
<td>131</td>
<td>138</td>
<td>141</td>
<td>171</td>
<td>147</td>
<td>12.42</td>
</tr>
<tr>
<td>MALES Below secondary upper</td>
<td>59</td>
<td>65</td>
<td>60</td>
<td>68</td>
<td>67</td>
<td>12.26</td>
</tr>
<tr>
<td>MALES Tertiary</td>
<td>145</td>
<td>163</td>
<td>153</td>
<td>168</td>
<td>178</td>
<td>23.24</td>
</tr>
</tbody>
</table>

Source: OECD

Table 2.8: Educational attainment at ISCED 1997 5-6 level by parental education level, 2005

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Tertiary education %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; lower secondary education or less</td>
<td>20.6</td>
</tr>
<tr>
<td>Upper secondary/post-secondary non-tertiary</td>
<td>54.9</td>
</tr>
<tr>
<td>Tertiary education - levels 5-6</td>
<td>76.7</td>
</tr>
</tbody>
</table>

Source: Eurostat 2005

2.1.7 Returns to education

Table 2.9 shows the trends in relative earnings by educational level for the period 1998 to 2005. The table compares those with tertiary or lower secondary/less with those with upper secondary/post-secondary level education. In 1998, those with lower secondary or less earned just under 80 per cent of those with upper secondary/post-secondary qualifications, while those with tertiary earned just over 140 per cent of this “middle” group. Over time, both those at the bottom and top of the educational distribution increased their relative earnings, with respect to those “in the middle” of the distribution, by approximately the same proportion. However, this hides some disparities across the genders. For males, while those with tertiary increased their relative earnings by 12 per cent over the period, while for females, the comparable figure is nearly 23 per cent. Thus the relative earnings of females with tertiary education increased much more than males over the period, compared to the respective genders in the upper/post-secondary group. Likewise, females in the low qualifications group increased their earnings by nearly 14 per cent, compared to just under 8 per cent for males.

Table 2.9: Trends in relative earnings, by educational attainment (25-64 yr olds)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL Below secondary upper</td>
<td>79</td>
<td>89</td>
<td>76</td>
<td>85</td>
<td>86</td>
<td>8.45</td>
</tr>
<tr>
<td>TOTAL Tertiary</td>
<td>142</td>
<td>153</td>
<td>144</td>
<td>169</td>
<td>155</td>
<td>8.99</td>
</tr>
<tr>
<td>MALES Below secondary upper</td>
<td>78</td>
<td>84</td>
<td>71</td>
<td>85</td>
<td>84</td>
<td>7.32</td>
</tr>
<tr>
<td>MALES Tertiary</td>
<td>131</td>
<td>138</td>
<td>141</td>
<td>171</td>
<td>147</td>
<td>12.42</td>
</tr>
<tr>
<td>MALES Below secondary upper</td>
<td>59</td>
<td>65</td>
<td>60</td>
<td>68</td>
<td>67</td>
<td>12.26</td>
</tr>
<tr>
<td>MALES Tertiary</td>
<td>145</td>
<td>163</td>
<td>153</td>
<td>168</td>
<td>178</td>
<td>23.24</td>
</tr>
</tbody>
</table>

Source: OECD
Figure 2.14: Trends in relative earnings, by educational attainment (25-64 yr olds) (1998-2005)\(^7\)

![Graph showing trends in relative earnings by educational attainment from 1998 to 2005. The graph displays data for different educational levels and genders, illustrating changes in earnings relative to the median.]

Source: OECD

Table 2.10: Distribution of the 25-64 year-old population, by level of earnings and education, 2005

<table>
<thead>
<tr>
<th>Education Level</th>
<th>At or below half of the median</th>
<th>More than half the median but at or below the median</th>
<th>More than the median but at or below 1.5 times the median</th>
<th>More than 1.5 times the median but at or below 2.0 times the median</th>
<th>More than twice the median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below upper secondary</td>
<td>33.6</td>
<td>30.3</td>
<td>23.1</td>
<td>7.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Upper secondary and post-secondary non-tertiary</td>
<td>21.9</td>
<td>34.5</td>
<td>26.1</td>
<td>9.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Tertiary-type education B</td>
<td>21.5</td>
<td>27.9</td>
<td>26.1</td>
<td>14.0</td>
<td>10.5</td>
</tr>
<tr>
<td>Tertiary-type A and advanced research programmes</td>
<td>8.5</td>
<td>18.4</td>
<td>24.6</td>
<td>20.3</td>
<td>28.3</td>
</tr>
<tr>
<td>All levels of education</td>
<td>21.7</td>
<td>28.6</td>
<td>24.6</td>
<td>12.3</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Source: OECD

---

\(^7\) See also Table A7.3b (OECD) Trends in differences in earnings between females and males (1998-2008).
Figure 2.14 illustrates these trends in relative earnings by educational attainment. We can see from this graph that while relative earnings for female tertiary are higher than male tertiary, the opposite is the case for those at the lower end of the educational distribution.

2.2 Whom has it affected?
To look at how different population groups have fared over time, one can characterise various categories in terms of the way the median equivalised income of their households changed. From 1994 to 2000/01, on this basis children caught up on adults of working age, but older people – aged 65 or more – fell a good deal further behind. Men continued to have higher household income than women but the gap did not widen. Those living in urban areas continued to have higher incomes than those in rural areas, and once again that gap was broadly unchanged. From 2000 to 2007, by contrast, children continued to fare well compared with older adults while older persons as a group saw a marked reduction in the gap between their incomes and those of working-age adults. That was reinforced in the recession, with older persons being largely insulated in income terms while others saw significant declines on average due to the combination of dramatically increased unemployment, reduced hours of work, wage cuts and reductions in social transfer rates for working-age recipients and children.

2.3 Interdependence between various inequalities
The linkage between inequalities in income and educational inequalities in a cross-section context is pronounced in the Irish case, with higher levels of educational attainment strongly associated with higher earnings and household income, and low levels of attainment and skills being key predictors of welfare receipt and dependency. Education is also a central element in intergenerational transmission of economic advantage and disadvantage, as discussed in Chapter 3 below. Considering changes in income inequality and education over the period from about 1980, these interdependencies do not appear to have weakened, being maintained in a context where levels of educational attainment have increased substantially. In that context, the decreasing proportion of the age cohort failing to complete secondary school is at an ever-greater disadvantage in the labour market. The linkage between welfare recipiency and education also remained deep-seated during the economic boom, in relation not only to unemployment but also welfare payments associated with disability and lone parenthood. In the recession, within age groups those with low levels of education saw a particularly marked increase in the likelihood of moving from employment into unemployment or inactivity, though that increase in non-employment was disproportionately concentrated among younger age cohorts with relatively high levels of education.
2.4 Why has inequality grown?

The evidence on trends in income inequality described above suggests that inequality grew only towards the latter years of the Celtic tiger boom, and initially declined in the bust before increasing sharply in 2010. The level and pattern of economic growth was rather different in the first versus the second half of the boom, and the distributional consequences also appear to have varied. In the earlier part of the boom, the increase in numbers at work had a positive impact on the incomes of households in the bottom half of the distribution, whereas in the second period employment was already high and increasing profits towards the top was an important distributional feature. Conversely, when the financial crisis hit the immediate impact appears to have been particularly severe on profits, affecting incomes towards the top of the distribution, whereas by 2010 the effects of increasing unemployment and inactivity were becoming more dominant. Policy also had an important role to play, with reductions in direct taxes in the second half of the boom contributing to increasing inequality in disposable incomes, whereas the tax/welfare response to the initial impact of the crisis was strongly progressive (as discussed in Chapter 5 on policy below).

2.5 Conclusion

In the Irish case, income inequality appears to have increased only towards the latter years of the Celtic tiger boom, and initially declined in the bust before increasing sharply in 2010 to levels not seen heretofore. The macroeconomic context in which inequality rose in the mid-2000s was radically different to 2010, with full employment, a property boom and an overheated economy in 2005-06, whereas by 2010 national output had fallen and unemployment risen dramatically and the property and credit bubble had burst. This means that the social, political and cultural correlates and consequences of higher inequality are also likely to be very different. While data availability sharply constrains what can be said about the current situation, the contrast between these two situations nonetheless represents a particularly interesting feature of the Irish landscape in considering the impact of increasing inequality on a range of social, political and cultural outcomes.
Chapter 3  The Social Impacts Of Inequality

3.1 Introduction

3.2 Patterns and trends in material deprivation

Household incomes are a central element in command over resources and key determinant of living standards, but adequately capturing living standards, and in particular deprivation and social exclusion, requires going beyond income to incorporate non-monetary indicators. These can be used in a variety of ways, instead of or together with income, to construct multidimensional measures of poverty and exclusion. In the Irish case such measures have particular relevance because the poverty reduction targets incorporated into Ireland’s official anti-poverty or social inclusion strategies since the mid-1990s have been based on a combination of low income and ‘basic’ deprivation, the latter being measured via a set of material deprivation indicators. The key data sources available to capture levels and trends in material deprivation are once again the large-scale surveys running from 1994 to 2001 (Living in Ireland survey/ECHP) and from 2004 to 2009 (EU SILC) already discussed in examining income inequality above. Table 3.1 shows that levels of basic deprivation fell dramatically in the first half of the economic boom, up to 2000.

<table>
<thead>
<tr>
<th></th>
<th>Living in Ireland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Deprivation 1 +</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td><strong>EU-SILC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic Deprivation 2 +</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>14.1</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>22.5</td>
<td></td>
</tr>
</tbody>
</table>

Sources: National-level data (LII, EU SILC IRELAND)

The set of indicators and threshold employed in capturing basic deprivation then changed, and the EU-SILC survey shows that basic deprivation was broadly unchanged from 2004 to 2006, was down in 2007, but then started to increase again in 2008. This was followed by substantial increases in 2009.
and 2010 as the recession deepened, so that by 2010 the level of basic deprivation was very much higher than it had been in 2004.

While deprivation indicators have been in use in Ireland for the last two decades, the EU’s social inclusion process has recently also incorporated a measure of material deprivation into its suite of indicators. Figure 3.1 shows that this indicator displays a similar time path from 2004 to 2009 to basic deprivation, with a very sharp increase as the recession took hold; comparing different age groups it shows that levels of reported material deprivation are higher for (households with) children than working-age adults, and are lowest for the elderly, but each of these saw a marked increase in deprivation from 2008 onwards.

**Figure 3.1: Material deprivation rate, by age**

Source: Eurostat (EU SILC)

Notes: People are considered materially deprived if they experience at least **3 out of 9 deprivations**: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone.

Figure 3.2 shows that levels of reported material deprivation are highly structured in terms of education, being much higher for those with lower levels of attainment and rising most sharply for them in the recession.
Figure 3.2: Severe material deprivation rate, by education level (18-64 yrs)

Source: Eurostat (EU SILC)
Notes: People are considered severely materially deprived if they experience at least 4 out of 9 deprivations.

Figure 3.3 shows that levels of reported material deprivation are also highly structured in terms of income, with those in the bottom quintile of the distribution having much higher rates than others; however, the second income quintile from the bottom saw particularly sharp increases in deprivation in the recession.

Figure 3.3: Severe material deprivation rate, by income quintile

Source: Eurostat (EU SILC)
Notes: Income is equivalised disposable household income
3.3 Patterns and trends in cumulative disadvantage and multidimensional measures of poverty and social exclusion

In Irish research and social inclusion strategies, significant emphasis has been placed on the ‘consistent poverty’ measure. To be counted as ‘consistently poor’ a household has to be both on low income (below the 60 per cent of median threshold) and reporting significant levels of basic deprivation, with the items and thresholds used to capture such deprivation having changed at the time of the transition from the ECHP/Living in Ireland Survey to EU-SILC. As Table 3.2 shows, levels of consistent poverty measured this way declined substantially over the first half of the economic boom, and continued to fall to 2008 but rose again in 2009 and 2010 as the recession deepened.

<table>
<thead>
<tr>
<th>Living in Ireland</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Deprivation 1 +</strong></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>15.1</td>
</tr>
<tr>
<td>1997</td>
<td>9.7</td>
</tr>
<tr>
<td>1998</td>
<td>8.2</td>
</tr>
<tr>
<td>2000</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>EU-SILC</strong></td>
<td>%</td>
</tr>
<tr>
<td><strong>Basic Deprivation 2 +</strong></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>6.6</td>
</tr>
<tr>
<td>2005</td>
<td>7.0</td>
</tr>
<tr>
<td>2006</td>
<td>6.5</td>
</tr>
<tr>
<td>2007</td>
<td>5.1</td>
</tr>
<tr>
<td>2008</td>
<td>4.2</td>
</tr>
<tr>
<td>2009</td>
<td>5.5</td>
</tr>
<tr>
<td>2010</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: National-level data (LII, EU SILC IRELAND)

Notes: Consistent poverty (a national measure) is where people are at risk of poverty and reporting at least 2 of 11 items: Two pairs of strong shoes; A warm waterproof overcoat; Buy new rather than second hand clothes; Eat meals with meat, chicken or fish (or vegetarian equivalent) every second day; Have a roast joint (or its equivalent) one a week; Go without heating during the past twelve months; Keeping the home adequately warm; Replace any worn out furniture; Buy presents for family or friends once a year; Have family or friends for a drink or meal once a month; Have a morning, afternoon or evening out in the past fortnight for entertainment.

The EU, in setting a poverty reduction target as part of its 2020 Strategy, framed the target population – labelled as ‘at risk of poverty or social exclusion’ – in terms of three distinct indicators, namely being below the 60 per cent income threshold, or above a threshold in terms of material deprivation, or in a working-age household with ‘low work intensity’ in the year.
Figure 3.4 shows that in the Irish case the size of this target group was stable from 2004 to 2007 but has risen in the recession; those with lowest levels of educational attainment are much more likely to be in this group than others, and saw a particularly large increase since the onset of the crisis.

**Figure 3.4: EU 2020 Population at risk of poverty or social exclusion (EU 2020 Target), by education (18-64 yrs old)**

Source: Eurostat (EU SILC)

Notes: This measure (the EU 2020 Target) encompasses those at risk of poverty or severely materially deprived or living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work-time potential during the previous 12 months.

**Figure 3.5: Severe housing deprivation, by age**

Source: Eurostat (EU SILC)

Notes: Severe housing deprivation rate is defined as the percentage of population living in the dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures: Housing
deprivation is a measure of poor amenities and is calculated by referring to those households with a leaking roof, no bath/shower and no indoor toilet, or a dwelling considered too dark.

Housing-related deprivation is a very specific phenomenon, which may or may not be associated with other dimensions of deprivation.

Figure 3.5 shows that the measure of housing deprivation included in the EU’s set of social inclusion indicators was broadly stable in the Irish case from 2004 to 2007, registering a decline in 2008. Such deprivation is generally higher for children than working-age adults, and lowest for older persons.

3.4 Patterns and trends in available indicators of social cohesion

The European Social Survey provides information on social participation, for example, participation in social activities and frequency of meeting with other people. Table 3.3 shows that this declined somewhat at the peak of the Celtic Tiger economic boom, but a much longer time-span would be necessary to be able to relate these indicators to trends in inequality.

<table>
<thead>
<tr>
<th>Table 3.3: Social cohesion indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially inactive (much less than normal/less than normal)</td>
</tr>
<tr>
<td>Social isolation (never, less than once a month)</td>
</tr>
</tbody>
</table>

Source: European Social Survey

3.5 Changes in patterns of family formation and breakdown

Family formation in Ireland declined steadily during the 1980s and into the early 1990s but recovered and grew as strong economic growth took off in the mid-1990s (Figure 3.6). The year 1980 had recorded what by then was the highest number of births in twentieth century Ireland, but following a subsequent decline of one-third, the year 1994 recorded the lowest. The recovery in births from 1995 onwards was such that by 2008, births marginally exceeded the previous peak of 1980 and thus marked a new high for births since the nineteenth century. The sudden onset of steep economic recession in 2008 was followed a slight downturn in births in 2009. It remains to be seen what effects the on-going recession will have on births in the future.
The decline in births in the 1980s had been driven mainly by a fall in the number of births per woman: the total fertility rate fell from 3.23 in 1980 to 1.85 in 1994. The subsequent recovery arose in part because of a small increase in the TFR, which had rose to 2.10 at peak in 2008, but the more important driver was a large increase in the size of the female population of child-bearing age: the number of women aged 25-34 years rose by 35 per cent in the decade between 1996 and 2006. Part of that increase was due to new inward migration but the immigrant effect on fertility in Ireland was limited: the immigrant population came mainly from low-fertility countries in eastern Europe and, in contrast to patterns among immigrants in other countries, had fertility rates no higher than those of the native population (Lunn, Fahey and Hannan 2009: 73). Another important feature of the trend in births was a steady increase in births outside marriage for almost two decades after 1980, followed by a third decade during which this trend suddenly plateaued off.
3.5.1 Couple formation & dissolution

Trends in union formation since 1980s showed the same decline-and-rise pattern as had occurred with births. The annual number of marriages fell by 40 per cent between 1980 and 1995 but rose back to the levels of the early 1980s by 2007-8. In addition, cohabitation became more common: the number of cohabiting couples rose fourfold in absolute terms between 1996 and 2006 and as a proportion of all couples rose from 3.9 per cent in 1996 to 11.6 per cent in 2006.
Marital breakdown was uncommon in Ireland in 1980 and divorce was unavailable in law because of a prohibition against divorce legislation in the constitution. An attempt by government to amend the constitution to permit divorce was defeated in a national referendum in 1986 but succeeded by a narrow margin at a second attempt in 1995. A no-fault divorce law requiring four years of separation before a divorce could be granted followed in 1996. Marital breakdown through various forms of legal and informal separation had been on the rise prior to the advent of this legislation but from a low base. Subsequently, Ireland did not experience the same spike in divorce rates that followed the liberalisation of divorce law in much of the western world some two to three decades previously and the upward trend in marital breakdown (counting both separation and divorce) seemed to level off at a low level by European standard early in the 2000s. By then, only about half of couples in disintegrating relationships proceeded to a divorce, with the rest settling for various forms of formal or informal separation. Because divorce data overlap with data on legal separation and do not capture informal separation at all, it is difficult to quantify the rate of marital breakdown precisely, but estimates suggest that it is similar to that in the low-divorce countries of southern Europe such as Italy (Lunn, Fahey and Hannan 2009: 38-45).

3.5.2 Lone parenthood

Census data suggest that, among families with children aged under 15, lone parent families increased from 7.1 per cent of the total in 1981 to 21.3 per cent in 2006 (Fahey and Field 2008: 42). Part of this rise may have been accounted for by improved recording of lone parent families within larger households in Census 2006, but nevertheless the real increase was substantial. In 2006, more than 9 out of 10 lone parent families with dependent children were headed by lone mothers. Among these, 60 per cent had become lone parents through never having been married, 35 per cent through separation or divorce and 6 per cent through being widowed. Among lone fathers, entry to lone parenthood was dominated by separation/divorce (50 per cent), with widowhood and non-marriage accounting for 23 and 27 per cent respectively (Lunn, Fahey and Hannan 2009: 80). Patterns of lone parenthood are heavily stratified by socio-economic position. In 2006, for example, women with incomplete second-level education were 10 times more likely to be unmarried lone parents by age 25-27 than were women with third level qualifications (Lunn, Fahey and Hannan 2009: 82).
3.6 Levels and trends in health inequalities

Health status as measured by life expectancy has improved markedly since the 1980s, as shown in Table 3.4, with much of the increase occurring during the last decade. This has brought average life expectancy substantially above the EU average; this is the case both for men and women.

Table 3.4: Life Expectancy, by age and gender

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy at Age</td>
<td>64.5</td>
<td>68.1</td>
</tr>
<tr>
<td>65</td>
<td>12.1</td>
<td>12.6</td>
</tr>
<tr>
<td>Female</td>
<td>Life Expectancy at Age</td>
<td>67.1</td>
</tr>
<tr>
<td>65</td>
<td>13.3</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: CSO

A number of studies have brought out the extent of socio-economic inequality in mortality rates (Nolan 1995, Balanda and Wilde 2001). The Balanda and Wilde study looked at data on deaths for the ten-year period 1989-1998, for each of the sixty five ‘cause of death’ categories, disaggregated by
age, gender and occupational class. The standardised mortality rate for the lowest occupational class was 235% higher than the rate in the highest occupational class; looking at the main causes of death:

- for circulatory diseases it was over 120% higher
- for cancers it was over 100% higher
- for respiratory diseases it was over 200% higher
- for injuries and poisonings it was over 150% higher

As well as this gap in mortality between the poorest and the richest, for many diseases there was a steep gradient running across all social groups. The study was able to compare overall mortality with other EU countries, showing that (after adjusting for age) the mortality rates from all causes and the main causes of death were greater than for the (combined) EU-15 countries. However, the extent of socio-economic inequality in mortality could not be reliably compared with other countries due to differences in the way socio-economic categorisation was possible. This has also bedevilled attempts to make such cross-country comparisons more generally; while some results for Ireland have been included in comparative studies, no strong conclusions have been reached about the relative scale of socio-economic mortality differentials. Trends over time in mortality differentials across socio-economic groups have also not been studied.

Figure 3.10 illustrates the variation in self-reported health by education for Ireland, with those with higher levels of education much more likely to report better health. In general, responses to such questions are more positive in the Irish case than in the EU overall, for example, in 2008 the EU27 average for males reporting bad/very bad health was 35 per cent, compared to the Irish figure of 17 per cent. The female EU27 average was just under 30 per cent compared to 14 per cent in Ireland.
A number of studies have examined the variation in these subjective evaluations by age, gender and socio-economic circumstances, notably Nolan (1998) using the Living in Ireland Survey and Balanda and Wilde (2003) with the All-Ireland Social Capital and Health Survey, and similar data are available from 2004 from EU-SILC. All reveal significant differences across income, education and social class having taken age and gender into account. Wilde and Balanda also find lifestyle behaviours such as smoking, excessive drinking, exercise and body mass index have significant independent effects on perceived health. Overall, compared to those with third level education qualifications, people with no formal qualifications (or primary qualifications) are only half as likely to report having excellent, very good or good general health.

Comparative data (EU SILC) (see Figure 3.11) show higher proportions reporting good health in Ireland at both high and low incomes, but a similar gradient across the income distribution.
Another health indicator for which socio-economic inequalities have been studied is perinatal mortality. Perinatal mortality rates have been declining over the last three decades, but very substantial differentials on the basis of mother’s socio-economic circumstances have been shown. Based on data from the late 1980s, Nolan and Magee (1994) estimated that the unskilled manual socio-economic group (SEG) in Ireland had a 99 per cent higher risk of perinatal mortality compared to professional and intermediate non-manual groups. Layte and Clyne (2010) recently revisited these
differentials and found that, after adjusting for demographic changes, this differential appeared to have fallen to about 88 per cent.

In terms of the self-reporting of obesity, the female population rates have increased from 10 per cent in 1998 to 13 per cent in 2007; males have increased from 12 per cent to 16 per cent (OECD). Analysis of SLAN data shows that obesity (self-reported) increased by 2 per cent between 2002 and 2007. There is also evidence of a strong socio-economic gradient. Daily smokers as a proportion of the population have decreased from 32 per cent (females) and 37 per cent (males) in the mid-eighties to 27 per cent (females) and 31 per cent (males) in 2007; this may be partly attributed to the smoking ban in 2004. Alcohol consumption per capita (population aged 15 years plus) has increased from 10 litres to 13.4.

3.7 Housing tenure patterns and trends

National data sources for patterns in housing tenure include the Census for 1991, 2002, 2006 – which identifies home owners (with and without mortgages) private and social renting households; Department of the Environment, Heritage and Local Government Annual Housing Statistics Bulletin which details new private and social housing output and social housing rents; Permanent TSB/ ESRI house price survey since 1991 (average house prices); the Consumer Price Index since 1991 (private rents). In addition the Irish module of the EU SILC includes some data on housing tenure, affordability and quality, some of which is detailed in Figure 3.13 below.

Figure 3.13: Housing tenure

Source: Eurostat (LII, EU SILC)
At national level, house prices increased by 270% between 1996 and the peak of the boom in 2006 (Figure 3.14), whereas the consumer price index rose by only 30 per cent concurrently. The average cost of a house in 1996 was just €75,000. In 2005, the average cost had increased to €280,000. Since the end of 2006, there has been a 38 per cent decrease in house prices (44 per cent decrease in Dublin).  

**Figure 3.15: New private and social housing output**

*Source: Department of the Environment, Heritage and Local Government (various years).*

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8 In relation to house prices, the Permanent TSB/ESRI house price survey utilised the hedonic index approach to measuring changes in house prices, similar to that used in the UK Halifax House Price Index since 1984. It is based on the agreed sale price and is calculated using data from mortgage draw-downs. Therefore a lag exists between the time the sale price is agreed and when the mortgage is drawn down.
The Irish housing stock expanded in every decade since the 1940s. However, in recent decades the rate of expansion has increased significantly - between 1991 and 2002 the number of dwellings in the country rose by 26 per cent and between 2002 and 2006 it increased by 38 per cent (Central Statistics Office, various years).

Figure 3.15 reveals that since 1970 this expansion has largely been due to the construction of new dwellings in the private – for home owners or private renters. Local authorities have until recently provided the vast bulk of social housing in Ireland. Between 1930 and 1980 the construction of social housing by local authorities accounted for an average of 20-30 per cent of total housing output (Fahey and O’Connell, 1999). However, between 1988 and 2008, its contribution was rarely above 10% of total output, although from the early 1990s it was supplemented by some additional social housing provision from voluntary sector housing associations.

Figure 3.16: Weekly rent and mortgage payments as a percentage of total household expenditure 1973-2004/5


Housing affordability in Ireland varies significantly by tenure.

Figure 3.16 shows that the proportion of household expenditure which private renters devoted to rent increased from 13 per cent in 1973 to 23 per cent in 2004/05. By contrast, owners with a mortgage spent 7 per cent of their household budget on their mortgage in 1973, rising to 11 per cent in 2004/05. Those renting social housing from a local authority witnessed a decline in the proportion...
of their household budgets devoted to rents between 1973 and 1980 (from 7 to 5 per cent) and a rise thereafter to 9 per cent by 2004.

Table 3.5: Average Gross Weekly Household Income by Housing Tenure, 1999/00, 2004/05

<table>
<thead>
<tr>
<th>Tenure</th>
<th>1999/00 €</th>
<th>2004/05 €</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned outright</td>
<td>563.13</td>
<td>801.81</td>
<td>+ 42.4</td>
</tr>
<tr>
<td>Owned with mortgage</td>
<td>884.94</td>
<td>1,413.51</td>
<td>+ 59.7</td>
</tr>
<tr>
<td>Rented from a local authority</td>
<td>328.41</td>
<td>453.57</td>
<td>+ 38.1</td>
</tr>
<tr>
<td>Private rented</td>
<td>675.22</td>
<td>908.48</td>
<td>+ 34.5</td>
</tr>
<tr>
<td>Occupied free of rent</td>
<td>494.31</td>
<td>634.14</td>
<td>+ 28.3</td>
</tr>
<tr>
<td>Nationwide mean</td>
<td>666.72</td>
<td>987.96</td>
<td>+ 48.2</td>
</tr>
</tbody>
</table>


These developments in housing affordability reflect a number of factors which are highlighted in Table 3.5 and 3.17 below. Firstly social housing rents in Ireland are very low because they are pegged progressively to income (higher income tenants pay higher rents and vice versa) and as is detailed in Table 3.5 below the average incomes local authority tenants are significantly below the national average. Second, rents in the private sector are much higher because they are not subject to any government rent controls but the average incomes of tenants in this sector are also significantly below the national average. By contrast the average incomes of mortgage holders are significantly above the national average.

Figure 3.17: Average Weekly Rents, 1991, 2002, 2006

Source: Central Statistics Office (various years).
Prior to the economic boom of 1994-5, Ireland’s above average but stable levels of inequality were accompanied by a high level of home ownership. During the first half of the economic boom (1995-2000), home ownership rates remained fairly constant and inequality was also relatively stable. However, house price inflation during this period, combined with a contracting social housing sector, forced those who could not afford to purchase a home into the private rented sector. Private rent inflation gave rise to affordability issues for those living in this sector. Over the second half of the boom (2000-2005), inequality rose and was accompanied with continued house price and rent inflation. A key issue during this period was the increasing problem of affordability for those renting in the private sector as the average incomes of tenants in this sector are below the national average and rents are high compared to incomes. In addition, access to home ownership became more difficult for many private renting households due to high house price inflation.

3.8 Crime and punishment

Owing to changes in the way recorded crime data have been gathered and reported over the years, charting long-term trends in recorded crime is problematic, as is the calculation of a total official crime figure. The last major change to the crime classification system occurred in 2006. Table 3.6 provides a snapshot of recorded crime figures for selected offences in those years for which GINI coefficients are also available.

<table>
<thead>
<tr>
<th>Year</th>
<th>GINI</th>
<th>Pop (m)</th>
<th>Homicide</th>
<th>Per 100,000</th>
<th>Rape</th>
<th>Per 100,000</th>
<th>Burglary</th>
<th>Per 100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>-</td>
<td>3.59</td>
<td>32</td>
<td>0.89</td>
<td>184</td>
<td>5.13</td>
<td>32,740</td>
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<td>479</td>
<td>10.71</td>
<td>25,420</td>
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Note: Full recorded crime figures were not published for 1999
Source: Central Statistics Office; Annual Reports of An Garda Síochána

It is widely accepted that police statistics provide only a partial image of crime. They are shaped by multiple factors, including actual crime rates, demographic trends, victim reporting patterns, police practices and legislative changes. It has been suggested for example that recent media coverage of childhood sexual abuse may have increased reporting rates for these crimes, temporarily inflating recorded sexual offence figures (Leon, 2000). These problems make comparative analysis difficult but the most recent figures suggest that the overall burden of crime is high in a European context (Aebi et al, 2010).

Victimisation surveys provide an alternative perspective. The CSO has incorporated a crime and victimisation module in four sweeps of the Quarterly National Household Survey (QHNS).\(^9\) This showed a decline in household victimisation between 2003 and 2010 from 12 per cent to 9 per cent and a decline in personal victimisation from 5 per cent to 4 per cent. The survey also found that reporting rates for individual crimes varied widely and that disclosure to police depended on perceptions of police willingness or capacity to provide a remedy. A number of specialised victimisation surveys have also been conducted in recent years, including a prevalence study of sexual violence (McGee et al., 2002).

Ireland joined the most recent sweep of the International Criminal Victimisation Survey in 2005. The survey found that victimisation rates in this jurisdiction were the highest in Europe at 22 per 100,000 of population (Van Dijk et al., 2005). In addition, the International Self-Report Delinquency Survey (ISRD) suggested that Ireland has one of the highest rates of delinquency among participating countries (Enzmann et al., 2010). The reasons for the divergence between official crime reports and self-report measures remain unclear (Aebi, M. et al., 2010).

Ireland’s rate of imprisonment remains low by international standards but the gap is beginning to close (Walmsley, 2011). Sentenced committals to Irish prisons rose from 3,060 per year in 1980 to 10,865 by 2009 and 12,487 in 2010 (see Figure 3.18). The probation population has also grown and is now five times larger than it was thirty years ago (see Figure 3.18). The growth in the prison population between 1994 and 2004 is largely explained by an increase in the number of remands in custody and a decline in the use of temporary release – the rate of sentenced prisoners was virtually unchanged over this period (O’Donnell, 2008). In 1980, just 1,121 supervision orders were made

compared to 6,553 in 2009. In 2010, there were 96 prisoners per 100,000 population excluding prisoners on temporary release (Irish Prison Service, 2011).

Figure 3.18: Prison committals and probation supervision 1980-2009

Source: Annual reports of the Irish Prison Service and the Probation Service

Figure 3.19: Prisoners per 100,000 population

Source: Irish Prison Service, CSO Population and Migration estimates

Trends in juvenile crime and justice have followed a different pattern. The Children Act 2001 introduced a range of new community sanctions and restorative measures, aimed at reducing the

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10 The Irish Prison Service did not publish statistical information between 1994 and 1999, creating a break in the series
number of juveniles in detention. In 2009, 114 children under the age of 16 were held in child
detention facilities and another 39 young people aged 16 and 17 years were among the prison
population (Irish Youth Justice Service, 2010); 844 were supervised by the Probation Service; and
14,047 children were cautioned under the Diversion Scheme (Committee Appointed to Monitor the
Effectiveness of the Diversion Programme, 2010).

Official statistics are published annually by the Central Statistics Office since 2006, the Probation
Service and The Irish Prison Service. Data from the four sweeps of the Quarterly National
Victimisation Survey (1998 and 2003) and the Garda Public Attitudes Survey (2001-2007) also provide
information about crime and victimisation. Ireland also participated in the most recent rounds of the
International Self-Report Delinquency Survey and the International Crime Victimisation Survey. The
biggest issues in relation to the data sources are: breaks in series (e.g. having previously been
overhauled in 2000, recorded crime categories were completely overhauled again in 2006 which
makes it difficult to discuss long-term trends; no prison statistics were published between 1995 and
1999), the limited detail provided by some criminal justice bodies (e.g. the Probation Service only
provides information about the total numbers under supervision and there is no information about
probationer characteristics, sentence length, etc) and the lack of integration across information
systems. Between 1947 and 1999 the Garda report distinguished between indictable and non-
indictable crimes. The former were divided into four groups: offences against the person, offences
against property with violence, offences against property without violence, and other matters.
Figures for all recorded indictable crimes were presented but for non-indictable crimes, as a general
rule, information was available only for those cases where proceedings had been taken. Thus, it was
possible to count how many offences of all kinds resulted in proceedings but the total amount of
recorded crime could not be ascertained. A new computer system PULSE (Police Using Leading
Systems Effectively) led to a major change in the presentation of crime data. The 2000 Garda report
substituted 10 crime categories for the traditional four, and the indictable and non-indictable
distinction was replaced by a breakdown into ‘headline’ and ‘non-headline’ crimes. These changes
were not satisfactorily explained and it is difficult to map all headline offences directly onto their
indictable predecessors. Like police statistics all over the world, the Garda report provides an
incomplete picture. Unlike other jurisdictions, however, there are few alternative sources of
information to hand. Although some national and local surveys have been conducted over the years
(Breen and Rottman, 1985, O’Connell and Whelan, 1994, Central Statistics Office, 1999, Watson,
2000), there remains an excessive dependence on the official picture. When this is unclear,
explanation becomes difficult (O’Donnell, 2005).
Due to changes in data collection practices, it is difficult to draw any concrete conclusions about the relationship between trends in inequality and patterns in crime and punishment. Between 1994 and 2007, homicide rates increased steadily but seem now to be stabilising. Sexual offences followed an upward trajectory between 1994 and 2005 but then declined sharply, while the numbers of burglaries stabilised during this period. There are some indications that the rate of sexual offences has begun to rise again but it is too soon to say whether this represents an emerging trend or a temporary fluctuation.

While Irish crime rates have experienced ebbs and flows over the past thirty years, adult prison and probation populations have increased steadily (Kilcommins et al, 2004). The apparent upward trend in prisoner numbers prior to 2005 is largely explained by an increase in the use of remand and a reduction in the use of temporary release to relieve overcrowding. Since 2005, the upsurge in prisoners appears to represent a substantial increase in the population under sentence. In particular, recent years have seen an unprecedented rise in the number of fine defaulters being jailed— a reflection of the changing economic situation. This group rose from 38% of sentenced committals in 1994 to 54% in 2010. The numbers under community supervision also expanded during this period but growth has been gradual and stable. There are signs of a tentative reversal in government policy towards greater use of non-custodial sanctions but it is too soon to say what impact, if any, these policies will have on the prison population or the balance between imprisonment and alternative sanctions and measures.

3.9 Patterns and trends in subjective measures of well-being, satisfaction, “happiness”

Trends over time in indicators of satisfaction and subjective well-being offer a valuable complement to income and non-monetary indicators of deprivation; the available evidence for Ireland relies heavily on sources such as Eurobarometer, although some such indicators have also been included in the ECHP/Living in Ireland and EU-SILC surveys. Figure 3.20 shows that the proportion of respondents in Eurobarometer surveys reporting themselves to be ‘very satisfied’ with their lives was relatively low in the mid-1980s, when Ireland was in the depths of a prolonged period of economic stagnation; levels of satisfaction were higher before and after that period, and considerably higher than the average across the EU.
Figure 3.20: Satisfaction: % reporting “Very satisfied”

Source: Eurobarometer (GESIS)
Notes: On the whole are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the life you lead?

Figure 3.21: Satisfaction, % reporting “Very Satisfied”, by age finished education

Source: Eurobarometer (microdata)
GINI Country Report Ireland

Figure 3.21 shows that reported levels of satisfaction are highly structure by education, with those leaving education at 20 or older reporting much higher levels of satisfaction than those who did not proceed beyond secondary school.

Figure 3.22 shows the percentage reporting their personal financial situation to be ‘good’ from 2005 onwards, for Ireland and across the EU, and reveals a striking reversal: the Irish figure is 80 per cent or above at the height of the economic boom, compared to about two-thirds for the EU, but while the latter is relatively stable through the crisis the Irish figure falls dramatically to below 50 per cent by 2010.

**Figure 3.22: Personal finances, % reporting as “good”**

[Graph showing percentage reporting personal finances as “good” from 2005 to 2010 for Ireland and EU average.]

Source: Eurobarometer (GESIS)

**Figure 3.23: National economy, % reporting as “good”, 2005 – 2010**

[Graph showing percentage reporting national economy as “good” from 2005 to 2010 for Ireland and EU average.]

Source: Eurobarometer (GESIS)
Figure 3.23 shows that there was an even greater decline in the percentage stating that the national economy was ‘good’, from the remarkably high figure of 90 per cent in 2005-07 down to close to zero by 2010.

A very different type of indicator, but also potentially reflecting or affected by levels of subjective well-being, is the frequency of suicide. Suicide statistics are often somewhat problematic in that reporting practices can vary across countries and over time, but the available figures for Ireland, in Figure 3.24 show a substantial increase from the mid-1980s up to about 2000 followed by a stabilisation and some decline at the height of the boom, with an upturn from 2008.

![Figure 3.24: Suicides per 100,000 population, 1980 - 2009](image)

Source: Central Statistics Office Vital Statistics

### 3.10 Intergenerational mobility, for education and occupation

A striking divergence can be observed in the interpretations of economic change in Ireland for social mobility and inequality of opportunity. Economists have stressed long-run convergence arguments while sociologist have predominantly emphasised processes of marginalization and blocked mobility.

The available data for Ireland relates to the period 1973-2000. The 1970s data come from the 1973 ‘Survey of the Determinants of Occupational Status and Mobility’ (Hout, 1989). For 1987 the data come from The Survey of Income Distribution and Poverty, details of which can be found in Callan, Nolan, Whelan, Hannan, and Creighton (1989). Both the availability of and the changing nature of women’s participation in the labour force mean that is possible to analyse long term trends only in relation to men.
Ireland has long been seen as a test case in relation to mobility processes because of the lateness and rapidity of industrialization. This process was reflected in a transformation of origin and, more particularly, destination class distributions. Using the 7-category CASMIN class schema, in Figure 3.25 we show the trend in the percentage of sons remaining in their father’s class. For those originating in the professional and managerial class the percentage is constant at a level in the mid-fifties. For all other classes there has been a significant reduction in the level of immobility. Absolute mobility refers to the change in observed rates at a point in time for the population as a whole or for specific sub-groups. The most striking change in such outflows over time relates to intergenerational mobility into the professional-managerial class. From

Figure 3.26 we can see that for most classes there was a substantial increase in movement into the professional-managerial class, involving a doubling of the rate for the non-skilled manual and farming classes between 1973 and 2000. Increased flows were also observed into the routine non-manual class.

Applying appropriate statistical techniques, we can distinguish between changes in mobility patterns that can explained simply by taking into account variations in the distribution of occupations across class origins and destinations and those that require some reference to changes in the underlying principles on the basis of which individuals are allocated to classes. We find that 96 per cent of change in mobility patterns over time can be attributed to former while the remainder is accounted for change relative patterns or in other words alteration in the balance of competitive advantage. However, the changes that have been observed in relative mobility have been in the direction of increases openness. Foremost among these changes has been an increase in long-range upward mobility.

To what extent are changes in patterns of inequality of opportunity driven by changes in the relative importance of the paths of the classic origin-education-destination (OED) triangle? The evidence shows that in a period of rapid educational expansion there was no evidence of a weakening in the scale of advantage conferred by class origins. This finding is illustrated in Figure 3.27 where the trends over time in the percentages with a secondary leaving certificate as their highest qualifications found on the professional and managerial and skilled manual classes are set out. The decline in the numbers found in the former and the increase, although less striking, of the numbers in the latter is apparent.

Turning to the relationship between educational qualifications and class destinations, we find that such changes are related to the fact that with an increased availability of higher qualifications went a reduced capacity for such qualifications to guarantee access to more favoured classes. Educational
expansion has been important in promoting economic growth in Ireland. Without such expansion we could not expect that the Irish class structure would have the shape that it now does. In that sense educational expansion is intimately linked to increased educational opportunities. Furthermore, class position remains strongly associated with educational qualifications and investment in education remains a perfectly rational choice for the individual. However, the conventional notion of increased meritocracy, involving a decrease in the origin-education relationship and a strengthening of the education-destination relationship has no relevance in the Irish case. Detailed analysis reveals that that over time the extent to which restrictions on long-range upward mobility were mediated by on educational qualifications, rather than other channels, remained constant from 1973-2000. During this period the impact of both types of influences declined over time.

Throughout the course of the economic boom Ireland remained a highly unequal society in terms of the distribution of income. However, contrary to the assumptions of the majority of sociologists, economic change was associates with substantial absolute social mobility and some increases in equality of opportunity, While there is no necessary relationship between economic growth and increased inequality of opportunity, the pattern of change over time in Ireland suggests that both the long-term up-grading of the class structure, and short-term factors reflected in the tightness of the labour market have played a role.

Figure 3.25: Percentage sons achieving their father’s class
Changes in patterns of social mobility are likely to lag changes in income inequality by some distance. Changes in income inequality could produce subsequent reductions in educational inequalities leading to increased social mobility. Such changes can be described in terms of the classic origin-education-destination triangle (O-E-D). This could arise because the association of educational outcomes with class origin is reduced and because the direct effect of education on class destination increases. To what extent are changes in patterns of inequality of opportunity driven by changes in the relative importance of the paths of OED triangle? The available evidence shows that in a period
of rapid educational expansion there was no evidence of a weakening in the scale of advantage conferred by class origins.

Turning to the relationship between educational qualifications and class destinations, we find that such changes are related to the fact that with an increased availability of higher qualifications went a reduced capacity for such qualifications to guarantee access to more favoured classes. Educational expansion has been important in promoting economic growth in Ireland. Without such expansion we could not expect that the Irish class structure would have the shape that it now does. In that sense educational expansion is intimately linked to increased educational opportunities. Furthermore, class position remains strongly associated with educational qualifications and investment in education remains a perfectly rational choice for the individual. However, the conventional notion of increased meritocracy, involving a decrease in the origin-education relationship and a strengthening of the education-destination relationship has no relevance in the Irish case.

The major changes in Irish mobility over a period of some thirty years related to absolute mobility rather than relative mobility. 96 per cent of change in mobility patterns over time can be attribute to former while the remainder is accounted for change relative patterns or in other words alteration in the balance of competitive advantage. However, the changes that have been observed in relative mobility have been in the direction of increases openness. Foremost among these changes has been an increase in long-range upward mobility.

Throughout the longer term period of economic growth and indeed the boom Ireland remained a highly unequal society in terms of the distribution of income. However, economic change was associated with substantial absolute social mobility and some increases in equality of opportunity, While there is no necessary relationship between economic growth and increased equality of opportunity, the pattern of change over time in Ireland suggests that both the long-term up-grading of the class structure, and short-term factors reflected in the tightness of the labour market have played a role.

3.11 Conclusion

Large-scale household surveys to capture the evolution of income inequality in Ireland on a year-by-year basis are available only from 1994 onwards: before that, surveys were carried out only in 1980 and 1987. There was also significant break in the annual series with the transition from the ECHP/Living in Ireland survey 1994-2001 to EU-SILC from 2003 onwards. This is a major constraint in seeking to identify social impacts, since the time-period covered annually is short; on the other hand, the dramatic fluctuations in macroeconomic conditions, with stagnation in the 1980s followed by the
Celtic Tiger boom from the mid-1990s followed in its turn by the exceptionally deep recession from the onset of the economic crisis, means that Ireland is a particularly interesting case to study. While average income levels stagnated, then soared and fell from 1980-2010, the distribution of income appears to have been relatively stable until increasing in the last few years of the boom, then fluctuation remarkably in the crisis. Levels of material deprivation moved broadly in line with average income over this period, falling substantially in the boom but registering particularly sharp increases in the recession. Inequalities in health and access to health services are deep-seated, with a two-tier system of access to services and consistent socio-economic differentiation in objective and subjective indicators of health; it is not possible with available information to robustly assess whether health inequalities have widened or narrowed over time. The housing market played a central role in the economic boom and bust cycle, with particularly dramatic effects on those who borrowed towards the height of the boom before prices collapsed; access for low-income households continues to be highly problematic. Reported levels of overall life subjective satisfaction are highly structure by education but relatively stable over time, whereas in the recession there was a very marked decline in the percentage reporting that their financial situation was good. Changes in data collection practices make it difficult to draw any concrete conclusions about the relationship between trends in inequality and patterns in crime and punishment; homicide rates increased steadily between 1994 and 2007 but then stabilised. Underlying patterns of socio-economic stratification continued to be seen throughout in terms of who was affected by for example material deprivation, as well as in terms of inter-generational transmission of advantage and disadvantage where class position remains strongly associated with educational qualifications despite the major expansion in numbers going on to tertiary level.
Chapter 4  Political and Cultural Impacts

4.1 Introduction

A core concern about increasing income and educational inequalities is the negative impact they may have on political institutions and behaviours and the values and attitudes that underpin them. These have been the focus of significant research elsewhere, and Ireland is a particularly interesting case, displaying until recently relatively high levels of trust in institutions, turnout in elections and support for the European Union, to select a few examples. We now look at trends over time in available indicators against this background, and relate them where possible to what appears to have been happening to inequality.

4.2 Political and civic participation

Table 4.1: Voter turnout in Elections (European and National)

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Source: http://www.idea.int/vt/countryview.cfm?id=102

Table 4.1 shows that voter turnout in national elections has declined markedly in Ireland since around 1980, with a low towards the height of the economic boom in 2004. Ireland has one of the lowest average rates of voter turnout in the EU for general elections over the course of the last three decades. Turnout at European elections largely reflects whether they are tied into national elections, but Ireland has seen a decline in voter turnout, and is below average in Europe in terms of voter turnout generally. Ireland’s voting behaviours with regards national elections is less structured by education/socio-economic characteristics than the European elections, where those with lower levels of education are much less likely to vote (Lyons and Sinnott, 2003).

As in the majority of EU countries, Ireland has seen its trade union density decline over recent decades (Figure 4.1). However, Ireland differs from other liberal market economies specifically in terms of the trade union seat at the “top table” in terms of the neo-corporatist social partnership agreements in place since the late 1980s (Wallace, 2003). At the same time, this has been argued
to have led to undermine the legitimacy of organised labour in influencing practices at the workplace level. Membership is strongly structured by sector, with older more traditional sectors having higher rates, and during the boom, unions faced particular challenges in organising the new migrant workforce. More generally, in terms of other forms of association, the 2008 European Social Survey (ESS) reports that 16.5 per cent of Irish people were involved in an association in the past year.

**Figure 4.1: Trade union density and membership**

Source: OECD (trade union density) & http://www.ipw.unibe.ch/content/team/klaus_armingeon/comparative_political_data_sets/index_ger.html (gross trade union members); Klaus Armingeon, David Weisstanner, Sarah Engler, Panajotis Potolidis, Marlène Gerber, Philipp Leimgruber. Comparative Political Data Set 1960-2009, Institute of Political Science, University of Berne 2011.

**4.3 Trust in others and in institutions**

Based on Eurobarometer surveys,
Figure 4.2 illustrates trends in trust in government over the last decade, for Ireland and the EU. While during the early period, Ireland had higher than average trust, this has fallen spectacularly in recent years, with the onset of the financial crisis and exposure of banking and regulatory irregularities. Drawing on another data source, the ESS, trust in parliament also decreased, from just over 30 per cent in 2002 to nearly 23 per cent in 2008.
As Figure 4.3 illustrates, trust in the legal system as captured by Eurobarometer is around the EU average over the period 2003-2010, falling from just under 50 per cent "tending to trust" in 2003 to just over 40 per cent in 2010. This is somewhat comparable to the ESS, which found that trust in the legal system has remained at between 41 per cent and 44 per cent between 2002 and 2008.
As far as trust in others is concerned, the European Social Survey found in 2002 that about half of Irish people reported that in general other people can be trusted. This figure was about the same in 2008, with some fluctuation in the intervening years.

4.4 Political values and legitimacy

The configuration of the Irish political system is distinctive, with two centre parties dominating but the more leftward-leaning Labour Party having a key role in coalition governments for significant period, notably from 1981-87, 1993-97, and in the government which was elected with an overwhelming majority during the economic crisis (Figure 4.4).

Figure 4.4: Left-right government composition


11 % voting for extreme right parties  % voting for extreme left parties  % EU membership approval  % agreeing no further immigrants to be allowed to country  % agreeing getting ahead in society depends on luck/family
While Ireland’s positive stance with regards Europe fell to below the EU average during the 1980s, since then Ireland has maintained a higher than average percentage responding favourably in surveys in relation to membership of the EU. Despite this, the percentage voting in favour of successive Treaty changes in an EU context has declined markedly over time, even before the onset of the economic crisis. The crisis itself, leading to the situation where Ireland had no alternative but to seek a ‘bail-out’ from the EU and IMF, has led to the EU occupying a much larger role in national debate than heretofore, with implications that are difficult to predict at this point.

Figure 4.5: Membership of European Community, % reporting “a good thing”

Source: Eurobarometer (GESIS database)
Notes: Don’t knows are included (not missing)

Attitudes to migrants must be seen in the context of Ireland’s distinctive experience. Long a country of substantial out-migration, the economic boom saw significant in-migration from the mid-1990s. Following EU Enlargement large numbers of migrants came to Ireland from the new member states, but from the onset of the crisis substantial net emigration has been seen, with Irish nationals constituting the largest group among the emigrants. The ISSP in 2002 found that 70 per cent of respondents felt that different ethnic groups abused the social welfare system, but a majority also reported positive attitudes, for example that the authorities should do more for minorities. The European Social Survey in 2002 found that 6.1 per cent of Irish people agreed with the statement “no further immigrants should be allowed into the country”, and this had risen to 11.2 per cent in 2008.
4.5 Conclusion

One of the most striking features of Ireland’s experience over the past thirty years or so, in terms of political attitudes and values, has been the dramatic collapse in levels of trust in government and the political system in the aftermath of the economic and financial crisis. The fact that the latter part of the economic boom is now widely perceived to have been mismanaged, with the property boom and bust and near-collapse of the banking system greatly exacerbating the impact of the international financial crisis and recession, has meant that the political system as a whole – and aspects of Ireland’s Eurozone and EU membership – are being questioned in a manner that would have been unimaginable as recently as 2007. While perceptions of trends in inequality and potential linkages with the political system may have contributed to evolving attitudes during the boom, the most distinctive feature of the Irish experience has been in the bust, where concerns about protecting the vulnerable from the worst effects of the recession have been to the forefront.
Chapter 5  Effectiveness Of Policies In Combating Inequality

5.1 Introduction

Policies to combat inequality take many forms and have an extremely wide range of direct and indirect effects. The structure and parameters of the tax and social transfer systems and the level and pattern of social expenditures on health, education, housing and personal social services are key, but other forms of public spending, the overall level of taxation and public expenditure as a proportion of national income, the design of the Welfare State and how it interacts with the labour market, are all relevant. The focus here is first on the labour market and on direct intervention in the form of minimum wages, together with the structure of collective agreements, affecting dispersion in wages. The broader context and policy setting in terms of taxation and social expenditure is then discussed.

5.2 Minimum wages and collective labour agreements

Ireland introduced a National Minimum Wage (NMW) for the first time in 2000, shortly after the UK did so; until that date there had been minimum rates set only for very specific occupations and sectors. On introduction, it was set at a rate that is estimated to have affected up to 4-5% of private sector employees (Nolan et al, 2003). The NMW comprises a full adult rate per hour and reduced rates for younger workers or those with little experience; these rates are set by the relevant government Minister following consultation with employers and trade unions, and are not formula-based or explicitly linked to wages or prices. The NMW since introduction has been increased on a number of occasions, and as shown in Figure 5.1 appears to have kept pace with median hourly earnings up to the crisis. The NMW was reduced during the crisis in 2010, but this was reversed when the government changed shortly afterwards. As shown in Figure 5.2, the minimum wage for an experienced adult worker had reached €8.65 per hour at that point. Recent studies based on large-scale surveys suggest that the NMW has effectively underpinned the earnings distribution since introduction, with the lower parts of the distribution keeping pace with the median (Voitchovsky, Maitre and Nolan, 2011).
Turning to wage bargaining, in Ireland centralized wage bargaining at the national level was adopted in 1987 in response to the economic stagnation experienced through the 1980s. A process known as social partnership operated, in which the government, employers and unions concluded agreements on wage levels in both private and public sectors, together with a wide range of economic and social policies. The contribution of these agreements to the economic boom, and indeed the extent to which they represented successful social corporatism, is debated though wage restraint does seem to have contributed to enhanced...
competitiveness in the earlier part of the boom (see for example Sexton and O’Connell, 1996, Lane, 1998, FitzGerald, 1999, Allen, 2000, O’Donnell and O’Riordan, 2000, Baccaro and Simoni, 2002, O’Donnell, 2008.. The centrally bargained increases generally set a floor, with more profitable firms – particularly in the multinational sector – often giving greater increases. Public sector workers receiving substantial additional increases from 2002 via a “benchmarking” process aimed at preventing public sector workers from falling behind rapidly rising private sector wages; analysis of microdata on individual earnings by Kelly, McGuinness and O’Connell (2008) suggests that the public sector premium over equivalent private sector workers grew substantially from 2003 to 2006 and was then greater in Ireland than in other industrialized countries.

5.3 Taxation

The overall level of taxation and public spending are central to the Welfare State and to the context in which specific policies operate to designedly or inadvertently influence inequality. Figure 5.3 shows that Ireland experienced an unusual degree of variation over the past three decades or more in the overall share of tax revenue in national income/output. Having risen in the 1970s as social spending increased in a growing economy, the very low growth of the first half 1980s saw that share continue to rise in a very different context. The stringent measures required to close the persistent fiscal deficit saw the share of taxation peak and start to fall as economic growth returned, followed by very substantial declines as the economy boomed in the late 1990s, and further declines as the economy continued to grow after 2000. During the second half of the boom substantial cuts in income tax in particular were implemented; as seen in Figure 5.4, taxes on property continued to be low throughout. With the onset of the economic crisis the macroeconomic context once again changed dramatically; while initially this was reflected in a yawning fiscal deficit, as measures are taken to close that deficit the consequence will be a sharply increasing level of overall taxation alongside very substantial cuts in public spending.
There were significant changes in the tax structure over the period from 1980 to 2000, with five income tax rates ranging from 25 per cent up to 60 per cent at the outset, reduced to only two rates, of 22 per cent and 44 per cent, by 2000. Personal allowances deducted before tax liability is computed almost doubled between 1980 and 1987 but were then increased only marginally to 1994, then increased much more rapidly. In 1999 there was a major change in the way allowances operated, as part of a move towards a tax credit system. Tax bands were not increased in line with incomes through the 1980s and into the 1990s so the numbers paying tax at the higher rates rose very substantially, and scope to transfer bands between spouses was restricted from 2000 as part of
a move towards greater individualisation of the system. Table 5.1 shows that income tax rates then fell modestly in the second half of the economic boom. In responding to the economic crisis the main emphasis has not been on the income tax system per se but on the parallel system of income ‘levies’ and social insurance contributions, with the introduction of a substantial new income “levy”, operating alongside the income tax and social insurance contribution systems, subsequently restructured with social insurance as a Universal Social Charge.

Table 5.1: Top marginal personal income tax rates for employee (single, no dependents)

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined</th>
<th>All-in</th>
<th>Top Statutory Income Tax Rate</th>
<th>Threshold (multiple AW)</th>
<th>AW (using PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>44.0%</td>
<td>50.5%</td>
<td>44.0%</td>
<td>1.0</td>
<td>28,782</td>
</tr>
<tr>
<td>2001</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.1</td>
<td>31,076</td>
</tr>
<tr>
<td>2002</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.1</td>
<td>33,319</td>
</tr>
<tr>
<td>2003</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.1</td>
<td>33,939</td>
</tr>
<tr>
<td>2004</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.0</td>
<td>36,332</td>
</tr>
<tr>
<td>2005</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.0</td>
<td>39,206</td>
</tr>
<tr>
<td>2006</td>
<td>42.0%</td>
<td>48.0%</td>
<td>42.0%</td>
<td>1.1</td>
<td>39,389</td>
</tr>
<tr>
<td>2007</td>
<td>41.0%</td>
<td>47.0%</td>
<td>41.0%</td>
<td>1.0</td>
<td>39,478</td>
</tr>
<tr>
<td>2008</td>
<td>41.0%</td>
<td>47.0%</td>
<td>41.0%</td>
<td>0.9</td>
<td>40,862</td>
</tr>
<tr>
<td>2009</td>
<td>42.7%</td>
<td>50.0%</td>
<td>41.0%</td>
<td>0.9</td>
<td>39,772</td>
</tr>
</tbody>
</table>

Source: OECD

Notes: Combined: The combined central government and sub-central government (top marginal) rate, calculated as the additional central and sub-central government personal income tax resulting from a unit increase in gross wage earnings. The combined rate takes account of the effects of tax credits, the deductibility of sub-central taxes in central government taxes etc.

Top Statutory: These are the top statutory tax rates (combined central and sub-central) that apply at the threshold level reported in the fourth column.

All-in: The all-in (top marginal) tax rate, calculated as the additional central and sub-central government personal income tax, plus employee social security contribution, resulting from a unit increase in gross wage earnings. The all-in rate takes account of the same aspects as the combined rate, but does in addition include employee social security contributions and if they are deductible in central government taxes etc.

AW: Average wage (in national currency), meaning the average annual gross wage earnings of adult, full-time manual and non manual workers in the industry (ISIC C to K). For Ireland, data based on manual workers in the manufacturing sector (ISIC D) are used.

Threshold: The multiple of the AW earnings at which the reported combined top marginal rate is first observed.

5.4 Social expenditure

Overall levels of public expenditure in the Irish case peaked as a proportion of national output in the recessionary years of the early 1980s, as high unemployment boosted social transfers while depressing GDP. As Figure 5.5 shows, this fell back as public spending was cut back and modest economic growth returned in the late 1980s, and fell further in the second half of the 1990s as the
very rapid pace of economic growth exceeded that in spending. From about 2000, though, public spending rose significantly more rapidly than GDP, with that expansion in spending occurring across the board, but as Figure 5.6 shows being particularly marked in health, pensions and family-related transfers (i.e. the universal Child Benefit payment, which was increased very substantially).

**Figure 5.5: Public expenditure as percentage of GDP**

![Graph showing public expenditure as percentage of GDP from 1980 to 2007.](image)

*Source: OECD SOCX database*

**Figure 5.6: Public expenditure by type as percentage of GDP**

![Graph showing public expenditure by type from 1980 to 2007.](image)
As shown in Figure 5.7, this increase was seen in both cash transfers and other aspects of public spending. However, public spending as a share of national output remained below the EU average, even when the particular features of GDP in the Irish case (due to the scale of profit repatriation outflows by multinational firms) are recognised and Gross National Income used as the point of reference instead.

Figure 5.8 shows that in the 1990s and up to the economic crisis, levels of social expenditure increased across the board, that is covering non-means-tested as well as means-tested cash and non-cash benefits.

Overall,

Figure 5.9 shows public social expenditure declining as a proportion of GDP in the latter 1990s as GDP grew very rapidly and unemployment fell, but increasing from 2001 despite the fact that unemployment remained low as rates of increase in social spending across the board exceeded real economic growth. The difference between gross and net expenditure in the Irish case is modest, with little tax revenue raised on such spending, so the pattern for net social spending, and indeed net overall public spending, is very similar.
Figure 5.8: Social expenditure (means-tested/non means-tested) in PPS per head

Source: OECD SOCX database

Figure 5.9: Social expenditure (gross and net) as percentage of GDP

Source: OECD SOCX database
Figure 5.10: Social Welfare expenditure as percentage GDP/GNI

Figure 5.10 shows the very rapid fall in expenditure on cash social transfers in the early part of the economic boom, as other incomes grew much more rapidly and the number of unemployed recipients fell, with a reversal in this pattern as unemployment stabilised at a very low level) and rates of support increased relatively rapidly.

Figure 5.11 shows that social pensions, both insurance-based and means-tested, lagged behind national income in the second half of the 1990s but from about 2000 grew very rapidly indeed, more than making up the ground lost.
A substantial body of research has been carried out on the distributional impact of changes in the structure and parameters of the income tax and social transfer systems in Ireland using a tax-benefit simulation model based on microdata developed in the Economic and Social Research Institute. Research on this basis suggests that the very considerable fluctuations in tax and welfare levels and rates during the 1980s and 1990s produced or permitted a redistribution of income from the bottom of the distribution towards the top, though maintaining a social protection floor (see for example Callan and Nolan, 2002). In particular, the strategy of cutting tax rates towards the latter part of the period, continued in the early years of the 21st. century, favoured higher incomes. In the crisis, by contrast, the nature of the changes in direct taxes and cash transfers has been highly progressive (Callan, Nolan and Walsh, 2011; Callan, Keane and Walsh 2012). This reflects the fact that direct tax increases required to help close the fiscal deficit affected upper income groups more in proportionate terms, while rates of social welfare transfers were cut for those of working age but not for pensioners, significantly insulated older persons who comprise a substantial proportion of those on relatively low incomes.

Finally, expenditure on active labour market programmes are seen in Figure 5.12 to have fallen very sharply when unemployment was very low as the economic boom continued to 2007, but then soared as the crisis hit and unemployment rose dramatically.
5.5 Education

Figure 5.13: Education expenditure as percentage of GDP

As shown in Figure 5.13, overall public spending on education was higher at the start of Ireland’s economic boom in 1995 than as it ended in 2007, with the share of GDP going on education declining from 5.2 per cent to 4.7 per cent. This decline was seen both in school and third-level sectors.

Source: OECD (Education at a Glance)
5.6 Conclusion

Overall levels of Irish public social expenditure as a proportion of national output have fluctuated substantially over time, strongly influenced by the very dramatic changes in macroeconomic conditions. High unemployment and low growth boosted this share in the early 1980s, but it fell back as public spending was cut back and modest economic growth returned in the late 1980s, and fell further in the second half of the 1990s as the very rapid pace of economic growth exceeded that in spending. From about 2000 public spending rose significantly more rapidly than GDP, with particularly marked increases in health, pensions and family-related transfers, but the economic crisis meant sharply increasing unemployment-related transfers and a remarkable decline in GDP. Levels and rates of direct tax also fluctuated, with significant cuts in rates but increases in the proportion paying at the higher rates characterising much of the period. Changes in tax and welfare levels and rates during the 1980s and 1990s and into the second half of the economic boom produced a redistribution of income from the bottom of the distribution towards the top, though maintaining the social protection floor. In the crisis, on the other hand, the nature of the changes in direct taxes and cash transfers has been highly progressive. These substantial changes over time are to be seen in a context where the share of public spending in the economy has been relatively low in comparative terms; despite this, the Irish experience illustrates the crucial role these tax/welfare structures play in ameliorating or reinforcing market income inequalities.
References


Nolan, B. (2009), ‘Income Inequality and Public Policy,’ The Economic and Social Review, 40(4), 489-510


Van Dijk et al. (2005) The Burden of Crime in the EU. Available at: http://www.europeansafetyobservatory.eu


Appendix

Measurement Issues

Comparability between national and comparative sources

The EU-SILC replaced the Living in Ireland Survey (LIIS) which was conducted by the Economic and Social Research Institute (ESRI). The last results for the LIIS related to the reference year 2001. The LIIS was a panel survey, also known as the European Community Household Panel (ECHP). While the income definitions used are similar there are some operational differences. The income reference period in the LIIS was a standard 12-month calendar period whereas in the EU-SILC a floating 12-month reference period is used (i.e. for each respondent the income reference period is the 12 months preceding the date of interview).

Additionally for the EU-SILC 2003 exercise the interviewing period ran from June through to December and therefore any seasonal issues such as the timing of bonus/commission payments (and hence recall issues) may not be fully accounted for in the EU-SILC 2003 data. However it should be noted that the EU-SILC is a continuous survey and EU-SILC 2004 data is based on a 12-month interviewing period. Notwithstanding these differences, the income data from the two sources and the analyses based on them are broadly comparable. Thus the at risk of poverty rates and related poverty measures such as the Gini coefficient are also broadly comparable between the two surveys.

The levels of deprivation reported in the EU-SILC are not comparable with those in the LIIS and the derived consistent poverty measures are also not comparable. Typically the deprivation rates recorded in the EU-SILC were higher than those reported in the LIIS. As a result the derived consistent poverty measures obtained from the EU-SILC are higher than the corresponding LIIS figures. This reflects the sensitivity of indicators of this type to changes in survey methodology and there is confirmation of this effect from other sources both nationally and internationally.

Differences in the Eurostat and National poverty figures can be explained by two reasons, use of different definition of income and different equivalence scale.

Definitions of income

The EU definition of gross income differs from the national definition of income in that it does not include income from private pensions or the value of goods produced for own consumption. Also employer’s social insurance contributions are included in Ireland’s national definition of gross income but are excluded from the EU definition. The EU definition of income is used throughout this chapter.
Equivalence scales

Furthermore, the EU use an alternative equivalence scale (the OECD scale) to that used for national indicators in Ireland. The OECD equivalence scale assigns to the first adult a value of 1, to each subsequent adult a value of 0.5 and to each child a value of 0.3. As the values for subsequent adults and children are lower, higher equivalised incomes are yielded by this methodology other than for single adult households who have a value of 1 under either scale. The effect on the ‘at risk of poverty’ threshold is that a higher threshold for Ireland is used under EU definitions. As a result of this higher threshold, higher proportions of people in single adult households will be found to be at risk of poverty as their equivalised income will be lower than that calculated nationally (due to the exclusion of private pensions etc) and the at risk of poverty threshold will be higher. In Irish poverty research, the equivalence scale attributes a weight of 1 to the first adult, 0.66 to each subsequent adult (aged 14+ living in the household) and 0.33 to each child aged less than 14 years (Whelan, 2007). In the case of indicators for Ireland for all households the effect of all of these differences has generally been that a higher at risk of poverty rate is recorded using EU definitions rather than national definitions.
## Appendix Table A1 Participation rate age 15+ from QNHS, 1998-2011

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<th>Labour market participation (%)</th>
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<tr>
<td>1998Q2</td>
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</tr>
<tr>
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</tr>
<tr>
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<td>57.6</td>
</tr>
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<td>58.6</td>
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<tr>
<td>1999Q3</td>
<td>60</td>
</tr>
<tr>
<td>1999Q4</td>
<td>58.8</td>
</tr>
<tr>
<td>2000Q1</td>
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</tr>
<tr>
<td>2000Q2</td>
<td>59.5</td>
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<tr>
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<td>60.7</td>
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<td>2000Q4</td>
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<tr>
<td>2001Q1</td>
<td>58.9</td>
</tr>
<tr>
<td>2001Q2</td>
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### Table: Participation in Education and Training, by Highest Education (aged 25-64)

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<th>Year</th>
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<tr>
<td>2008Q2</td>
<td>63.7</td>
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<td>59.9</td>
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</table>

### Figure A1: Participation in Education and Training, by Highest Education (aged 25-64)

- **Source:** Eurostat (EU LFS) NB only available since 2004