

THE H.E.A.P. CHART

Hierarchy of Earnings, Attributes and Privilege Analysis

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FOREWORD

The purpose of the H.E.A.P. Chart and this booklet is to provide some of the basic facts relating to income distribution in Ireland, together with an analysis of Ireland's socio-economic structure (i.e. income distribution, occupation and household type). The current state of income distribution in Ireland is not healthy for Irish society.

Inequality is not a new phenomenon, indeed, it persisted during the good economic times. Significant levels of inequality exist across many areas of the economy, such as taxation, wealth, income and education. Ireland is now in the midst of both an economic crisis and a deepening equality crisis, and the danger is that only tackling the economic crisis will increase the inequality gap which already exists.

The reality is we cannot afford not to address inequality. On the contrary, we need to assert equality as a core societal value – as a benchmark against which to test and refine any proposed responses to recession. There is certainly a need for changes in expenditure and taxation but there is no reason why such changes cannot be implemented in a way which reduces rather than reinforces inequality.

There is both a moral and an economic case for advancing equality.

Equality should be a core value because it underpins the human dignity and worth of all individuals. The desire for greater equality is reflected in a 2009 Behaviour and Attitudes poll commissioned by TASC, showing that 72 per cent of adults are concerned at the level of wealth inequality in Ireland while 85 per cent believe the government should take steps to reduce income inequality.

Living in a more equal society has been found to benefit everyone, not just people previously living in poverty. Furthermore, research has shown that organisational mechanisms to promote equality and diversity enhance productivity, innovation and employee retention. Income inequality has been identified as a causal factor for low life expectancy, poor educational attainment, high levels of violence and lower levels of social mobility.

All of this evidence illustrates that promoting equality must play a central role in developing an effective response to economic recession. There will be no

adequate resolution to the economic crisis without addressing the equality crisis.

A number of practical policy options and strategies should be considered as a matter of urgency. These options draw on experience from other countries.

Investment in social protection

Social protection provides an important safety net for individuals and households who are at risk of poverty. It includes a range of social welfare payments and benefits covering areas such as illness, disability, old age, unemployment and housing. If Ireland is to reduce income inequality and make meaningful social and economic progress, it needs to move towards spending a greater share of GDP on social protection. For example, a recent report published by the Vincentian Partnership for Social Justice, 'Minimum Essential Budgets for Six Households 2008', highlights the challenges faced by people living on low incomes. Looking at different household types, it found that most households on social welfare or the minimum wage have insufficient income to sustain a basic standard of living. Although the overall cost of living is falling, the price of items that low income families buy more of (solid fuel, public transport and childcare) are rising.

In the short term, maintaining current levels of spending on social protection is essential as there are significant economic benefits from social welfare expenditure. Every penny of social welfare expenditure is spent in the economy and stimulates demand, thus increasing employment, which in turn generates tax revenue. In the medium to long term, improvements in social protection spending could be achieved by making taxation more progressive (i.e. ensuring that those who earn the most pay the most taxes), broadening the tax base to include different sources of income and wealth (such as property and inherited wealth), and reducing those tax breaks which disproportionately benefit the better off.

It is also imperative to ensure that the entitlement to, and level of, social insurance-based benefit payments (i.e. PRSI), which are funded by workers, employers and government, continues to remain in place. Maintaining and enhancing the integrity of the social insurance system is central to promoting income equality.

Reducing the income gap

Workable policies aimed at reducing the gap between high and low incomes constitute a second strategy that has been used effectively in other countries to promote economic equality. There are two approaches that can be used to reduce income differentials. The first involves redistributing income from rich to poor households through progressive taxation of income and wealth, while the second involves having smaller differences in incomes before taxes and benefits, which means there is less need for redistribution. Sweden achieves greater income equality through redistribution while, in Japan, income equality is achieved by having smaller income differentials before taxes.

In the medium to long term, advancing income equality would involve a variety of measures, ranging from addressing the excessive levels of executive pay and bonuses enjoyed by some of those at the top of the H.E.A.P., to increasing the income levels of those at the bottom of the H.E.A.P. by setting a minimum income floor, which ensures that no-one has an income less than 60 per cent of the national median income. Preventing excessively high incomes and concentrations of wealth at the top is as important as pulling up the incomes at the bottom.

Investment in education

A third and crucial policy area impacting on income equality involves education. The analysis clearly demonstrates the relationship between education and income levels, whereby those with higher levels of education have the opportunity to earn higher incomes, and those with lower education levels (primary and secondary) have significantly lower levels of income and are at much greater risk of poverty.

Ireland continues to spend proportionately less on education (4.7 per cent of GDP) when compared to the average spend across 30 OECD countries (5.7 per cent GDP). The OECD has also found that Ireland spends relatively little on early childhood development and education compared to other countries, and that the percentage of Irish children living in poor households (16.3 per cent) is significantly above the OECD average (12.4 per cent).

Investment in early childhood development and education in the first six years of life reduces inequality. In purely economic terms, spending in this area is one of the best investments a country can make. Overall, greater investment in education, and especially early childhood education, is needed if income inequality is to be addressed. As with social protection, increased investment in education would require progressive taxation together with a broadening of the tax base.

There is no shortage of policy options that can be used to address income inequality and the three examples outlined above demonstrate some practical steps that can be taken to address the symptoms and the causes of income inequality.

All the evidence shows that addressing income inequality is essential if we want to achieve economic equality, which is of central importance to our future wellbeing. The policy options we choose to advance this aim are less important than whether or not we ultimately succeed in transforming Ireland from a society suffering under the weight of inequality to one characterised by (and gaining from) equality. We hope the H.E.A.P. Chart will inform the debate on inequality and, in particular, will be used to stimulate discussion on how we can achieve greater equality.

TASC and ICTU would like to thank Professor Terrence McDonough and Jason Loughrey from the Social Sciences Research Centre at NUI Galway for undertaking this project and bringing it to life.

David Begg (ICTU)
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INTRODUCTION

AND

PURPOSE

We all live in unequal societies in an unequal world. What stands out most sharply is massive inequality in the life prospects of the rich and the poor – an inequality which impacts on a range of outcomes including life expectancy, health, happiness, education and income.

Inequalities are embedded in the economic structures of society in areas such as ownership, wealth, income, taxation, employment, health, housing and education. Although many people are aware that economic inequalities exist, some believe that the solution is to improve the well-being of the poorest in society, without addressing the issue of equality itself (i.e. the gap between rich and poor). However, recent research by Richard Wilkinson and Kate Pickett, published in their book 'The Spirit Level', indicates that while it is important to improve the position of the least well-off in society, the level of equality also matters. In the words of the book's subtitle: "more equal societies almost always do better".

Many people find that they associate in their working and personal lives with others at roughly the same level of income and social status. It is easy to assume that the majority of people in the country share your income level. Groups outside our own income level – be it high, low, or middling – tend to be less visible, and therefore easily forgotten or ignored. In order to get the 'big picture' of equality or inequality in Irish society it is important to step outside our own personal experience. We hope that the Hierarchy of Earnings, Attributes and Privilege (H.E.A.P.) Chart and analysis will help us all see that 'big picture'.

The purpose of the H.E.A.P. Chart and this booklet is to provide some of the basic facts relating to income distribution in Ireland, drawing on 2006 data. The analysis provides a clear and eye-opening picture of Ireland's socio-economic structure in terms of income distribution, occupation and household type (e.g. female-headed households, couples etc).

Folded inside this companion booklet, the H.E.A.P. Chart shows colour-coded figures allowing us to locate household types and occupations within the income distribution. This booklet provides a clear explanation on how to use the H.E.A.P. Chart, and puts a human face on the dry statistics underpinning discussions on inequality.

Once we know the overall situation, we can start debating whether the current state of income distribution is healthy or desirable. And if we conclude it isn't, we must begin a new debate about how we address income inequality and how we can achieve a just society.



WHAT

IS THE

H.E.A.P.

CHART?

H.E.A.P. stands for the Hierarchy of Earnings, Attributes and Privilege. Earnings are used to locate households on the chart from the bottom to the top. Attributes include employment status, occupation, and family type. Privilege is where households stand in relation to one another – are they at the top, middle or bottom of the income heap?

While the H.E.A.P. Chart offers an at-a-glance view of income distribution in Ireland, it also merits closer study. In addition to information about household income, the Chart contains information about the structure of Ireland's families and the occupations of the adults in the family.

How to use the Chart

Each icon on the Chart represents 2,800 Irish households. Because of this, some families with less common occupations and household types will not show up on the Chart. If you find this is the case for your household, you can choose the closest matching icon at your income level.

The data is drawn from surveys carried out in 2006. The year 2006 was chosen because it represents the latest available data. It was also the last year of the boom, so much has changed since. The ongoing recession has affected incomes at all levels. Thus, while incomes across the board are reduced, the structure of overall income inequality still applies. The Chart will be updated with new data as it becomes available.

You can find your household's level on the Chart by adding up the incomes of each individual and then adding government benefits received. We have used people's "headline" annual income to make this easier. We could have corrected for taxation and other factors which influence take home pay, but this would have added complications. When adding up your household income, use 2006 figures where possible and make sure to include the following:

The incomes of all adults

The incomes of all children under 16 should be included. Adult children's incomes should be included if they are under €20,000. Unmarried adults in the household who earn more than this amount are considered independent and are represented as separate households. Benefits in kind from your employer, like a company car, should be included.

Perhaps surprisingly, the statistics include employer's PRSI in employee income. Consequently, if you have an employer who pays PRSI you must add this amount to your income to find your place on the chart. If you made less than €18,512 you must add 8.5 per cent as the employer has a lower PRSI. For instance, if you made €10,000 this would be €850. If you made €18,000 this would be €1,530. If you made more than €18,512 you must add 10.75 per cent. This would be €1,075 for every €10,000.

Pensions should be included.

Property income like rent or share dividends should be included.

You should also include any money you made from the sale of any assets like property or shares.

Government benefits

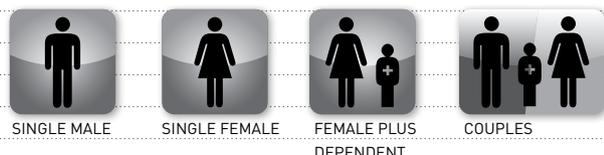
These include:

- unemployment benefits;
- old age benefits;
- child benefits;
- housing allowances; and
- education, survivors, sickness, carer's and disability benefits.

Most families (95 per cent) will be able to use the large chart showing households with incomes of €134,000 or less. Household incomes up to €330,000 are included in the smaller chart. If this chart were printed to the same scale as the bigger chart, the highest icon would be two metres up the chart. Incomes above this level are too dispersed, and the households too few in number, to create an icon, except for one at €600,000. This icon would be a couple with two managerial/professional incomes.

To find your household's position on the Chart

First, find the level of your family's annual household income. Then look along the row to find the icons which most closely correspond to your household type. We have included the following family types:



The 'couples' category includes both couples with and without children. Non-retired couples without children were too few in number to include as a separate category. The same consideration applied to single men with children. Although we would have liked to explicitly recognise this family category, they tended to disappear in the aggregation necessary to create the icons, and hence were not included as a separate category. We were also unable to distinguish between same-sex couples and single people sharing accommodation. Same-sex single adults sharing accommodation are usually represented as separate single adult households.

Finally, find the icon which most closely matches the occupations of the adults in your household (each icon is colour-coded to denote occupation). We have distinguished the following occupational categories:

- Managerial and professional
- Clerical and secretarial
- Craft and related
- Sales
- Other
- Personal and protective services
- Plant and machine operatives
- Unemployed, people with disabilities and students
- Retired
- Farmers
- Home duties

Where a couple has different occupations, the icon is split between the two colours. A full description of the occupations is found on the next page, including many examples of job titles included in each category.

The following illustrates how to locate different households on the Chart.

Example 1:

A couple with two children. The man is a welder earning €27,000. The woman is a sales clerk earning €18,000.

Welders come under 'Craft and related' occupations. Sales clerks come under 'Sales' occupations.

The welder would have to add 10.75 per cent for employer's PRSI.

$$27,000 \times 1.1075 = \text{€}29,902.50$$

The sales clerk would have to add 8.5 per cent for employer's PRSI.

$$18,000 \times 1.085 = \text{€}19,530$$

Child benefit for two children (2006 rate) is €3,600.

$$\text{€}29,902.50 + \text{€}19,530 + \text{€}3,600 = \text{€}53,032.50$$

This couple should go to the line of icons between €52,000 and €54,000 and look for a couple icon with a colour code divided between 'Craft and related' and 'Sales'.

Example 2:

A single woman with one child, working as a hairdresser earning €25,000. Her occupation would come under 'Personal and protective services'.

She would have to add 10.75 per cent for employer's PRSI.

$$\text{€}25,000 \times 1.1075 = \text{€}27,687.50$$

She would then add €1,800 child benefit (2006 rate).

$$\text{€}27,687.50 + \text{€}1,800 = \text{€}29,487.50$$

She should go the line of icons between €28,000 and €30,000 and look for a single female icon with dependents colour coded for 'Personal and protective services'.

Example 3:

A single retired man on the contributory government pension. He would be receiving just over €10,000 in pension payments.

He should go to the line of icons between €10,000 and €12,000 and look for a single male icon colour coded for 'Retired'.

Data source

The data for the Chart is sourced from the Irish Survey of Income and Living Conditions (SILC). The data from the Irish SILC feeds into the EU-SILC, which is the EU reference source for comparative statistics on income distribution, living conditions and social exclusion at European level.

The purpose of SILC is to allow the Member States and the European Commission to monitor national and EU progress towards key EU objectives in the areas of social inclusion and social protection. EU-SILC is a multi-dimensional survey focused on income but also covering time, housing, material deprivation, labour, health, demography and education. All the EU countries and a few others now conduct comparable SILC surveys.

Occupational definitions

The SILC survey divides occupations into nine categories. These are: managers and administrators, professionals, associate professional and technical, clerical and secretarial, craft and related, personal and protective services, sales, plant and machinery and other. In addition, those not in work are counted in five categories: unemployed, those on home duties, students, people with disabilities and retired.

To include all of these categories separately would create two problems. Firstly, some categories are not numerous enough, and would tend to disappear when families are aggregated into icons. Secondly, including all categories would create too many colours on the chart. We have combined the managerial, professional and associate professional categories into one 'managerial and professional' category. We have also combined the unemployed, people with disabilities and student categories.

Examples of the types of jobs within each category are listed below.



Managerial and professional

Managers, directors and other executives; scientists and engineers; health professionals; teachers; business professionals; lawyers; writers; and technicians.



Clerical and secretarial

Secretaries; clerks; cashiers; bank tellers; travel agents; receptionists; telephone operators and call centre operators.



Craft and related

Builders; plumbers; electricians; painters; welders; motor mechanics; handicraft workers; food processing workers; textile workers; garbage collectors; construction and maintenance labourers.



Sales

Models; shop salespersons; shop demonstrators; market salespersons; and street vendors.



Personal and protective services

Travel guides; waiters and bartenders; child-care workers; personal care workers; hairdressers; beauticians; undertakers; fire-fighters; police officers; armed forces; domestic helpers and cleaners; caretakers; messengers and porters.



Plant and machine operatives

Power-production operators; water treatment operators; assembly-line operators; industrial-robot operators; chemical-products machine operators; printing-machine operators; sewing-machine operators; food-processing machine operators; and vehicle drivers.



Unemployed, people with disabilities and students

This category includes people who are unable to participate in the active workforce due to disability; those who are currently unemployed, but available to take up employment, and full-time students.



Retired

This category comprises those who have retired on age grounds.



Farmers

Crop growers; vegetable growers; horticulturalists; dairy and livestock producers; poultry producers; farm labourers; forestry workers; and fishery workers.



Home Duties

This category includes people who look after children, older people and/or people with disabilities on an unpaid basis, and those who, because of home duties, are not available to take up paid employment.

INEQUALITY

IN

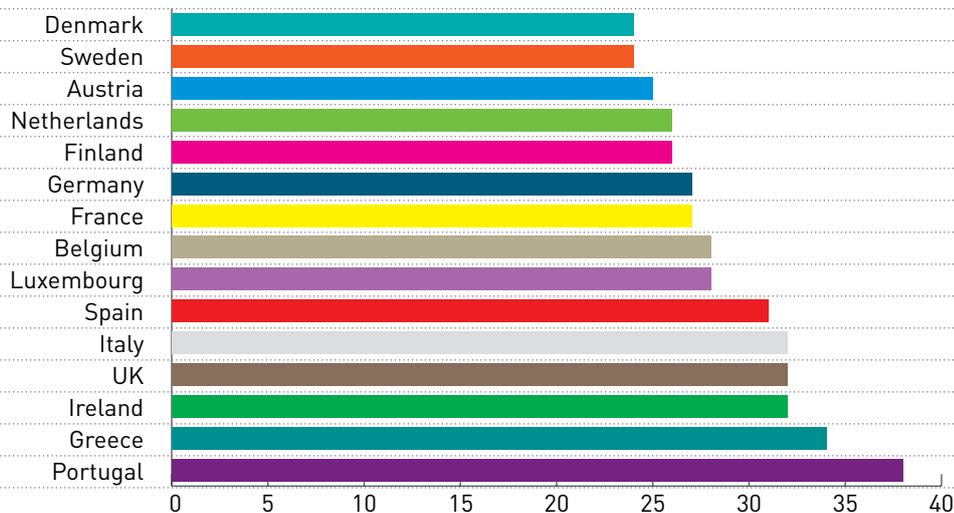
IRELAND

It is often observed that Ireland has a relatively high level of income inequality. We can investigate this by comparing levels of inequality in Ireland with levels in other comparable countries. For this purpose, we will look at Ireland in relation to the other members of the EU 15 (members of the European Union before the recent enlargements).

Measures of inequality

The first measurement we will examine is the Gini Coefficient. This measurement assesses inequality by comparing a situation in which there is perfect equality (everyone in a country has an equal income share) to one of perfect inequality, where one person has 100 per cent of the income and everyone else has nothing. Perfect equality gives a Gini Coefficient of zero. Perfect inequality gives a Gini Coefficient of 100. The closer the Gini Coefficient is to 100, the higher the level of inequality. The EU-SILC survey in 2006 found that Ireland had a Gini of 32. We can't get a good sense of what this means until we compare it to the Gini of other countries.

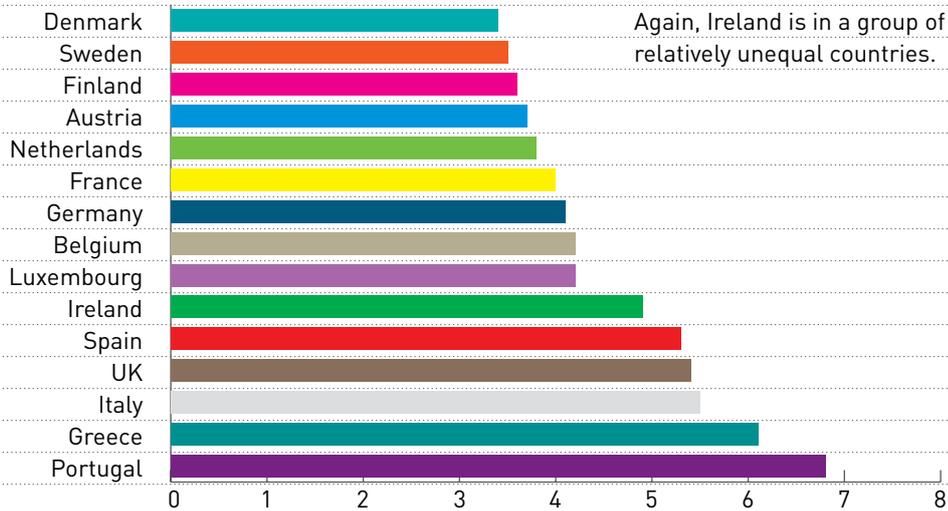
Gini Coefficient of the EU 15



We can see from this that Ireland is among the countries with relatively high levels of inequality. Ireland's inequality measure is 33 per cent higher than Denmark or Sweden.

Another measure of inequality is the income quintile share ratio. This involves taking the share of income of the top one-fifth of the population and dividing it by the share of income received by the bottom one-fifth. The higher this number, the higher the level of inequality.

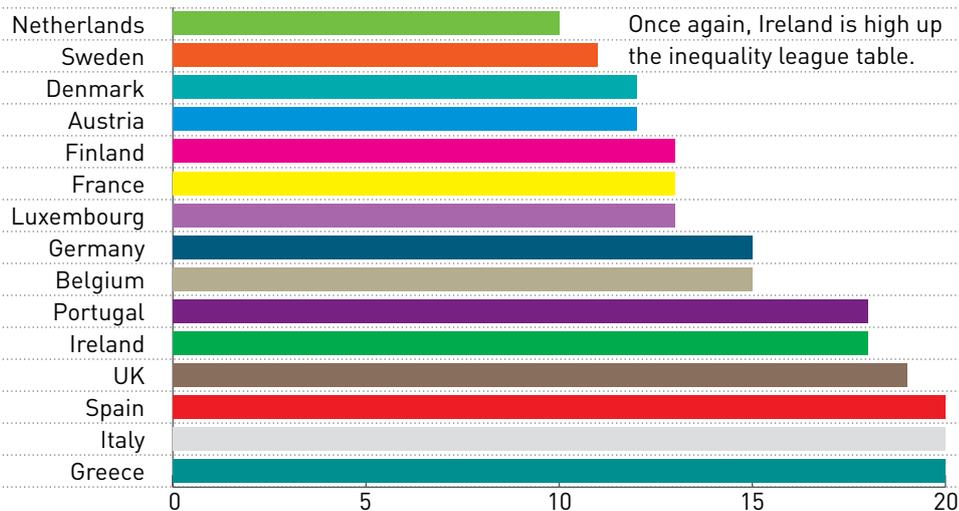
Income quintile share ratios for the EU 15



Poverty rates

A third way to assess inequality is to examine the at-risk-of-poverty rate. This measure looks at the percentage of individuals who receive 60 per cent or less of the median income. If you were to list all the incomes in the country from the highest down to the lowest, median income would be the one precisely in the middle. Exactly half of the country would be richer than the median income and exactly half poorer. If you have an income below three-fifths of the median, you are judged to be at risk of poverty.

At risk of poverty rate for the EU 15 (from Eurostat 2007)





Has inequality worsened?

There has been a great deal of debate around whether inequality in Ireland has worsened during the Celtic Tiger period. Many observers have noted that the standard measures of inequality, like the Gini Coefficient and the income quintile share ratio, while relatively high, did not become worse between 1987 and the latest figures. Their conclusion is that inequality did not increase in Ireland in recent years.

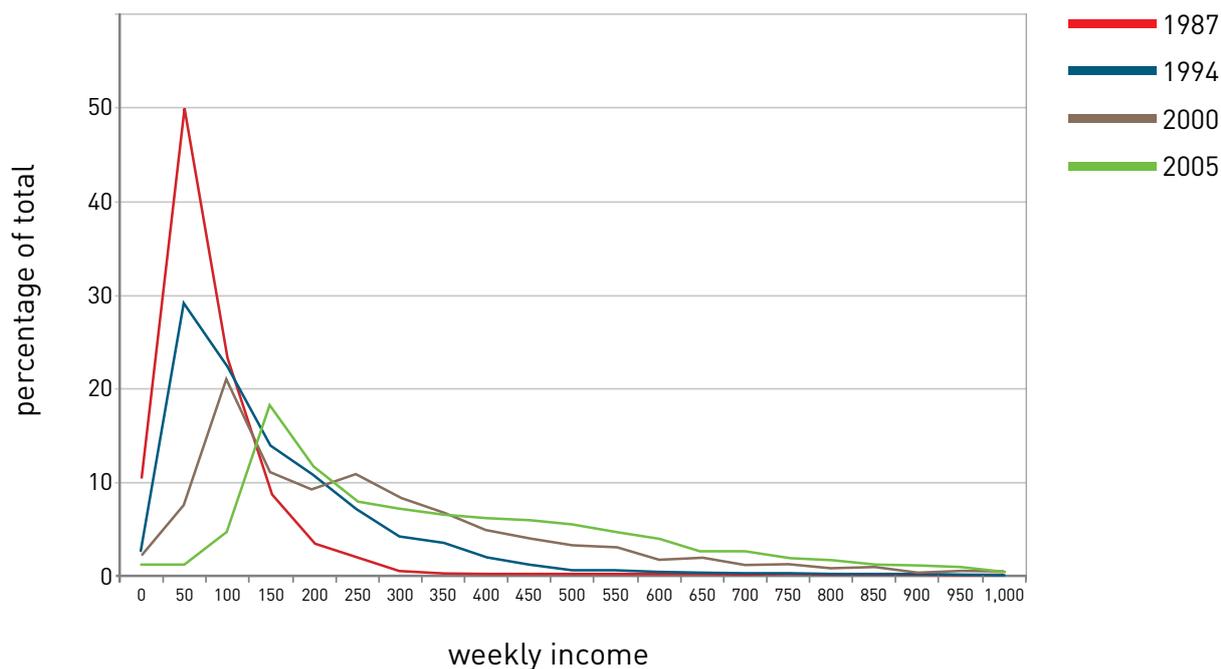
This conclusion is not valid, however.

The problem with the standard argument is that measures like the Gini Coefficient and the quintile share ratio are designed to be independent of the overall level of wealth and income in the country (technically speaking, this is known as mean invariance). This is a useful quality for a measure to have when comparing two different countries. If you want to compare inequality within Chad to inequality within Germany, the measure should not be altered just because Chad is poorer than Germany overall. These measures fall down, however, when comparing the same country during different time periods.

The following example illustrates how a measure of inequality, like the ratio of the top and bottom incomes, may fail to capture a rise in inequality. Suppose a country had two citizens. The poor citizen makes €5 and the rich citizen makes €50. The ratio of their incomes is one to ten. The rich citizen is €45 ahead of the poor citizen. Suppose after ten years their incomes double to €10 and €100. The ratio of their incomes is still ten but the rich citizen is now €90 ahead of the poor citizen. The gap between them has widened but the ratio measure remains the same. This is what has happened over the Celtic Tiger period. The income of all groups has increased roughly proportionately, and hence the Gini Coefficient and the quintile share ratio don't change much. On the other hand, the gap between high incomes and low incomes has widened considerably in Ireland. The usual statistical measures of inequality don't catch this development.

On the next page the graph demonstrates the changes in income distribution, showing the distribution of income in 1987, 1994, 2001 and 2005.

Equivalent weekly disposable income 1987-2005



The red 1987 line shows a distribution with the bulk of incomes bunched closely together and therefore relatively equal. Only a relatively small number of households make substantially more than this group and consequently there isn't a fat tail stretching to the right. By contrast, the green 2005 line shows fewer incomes bunched together and the population is spread out along the horizontal side with many at both high and low incomes. The 1994 and 2000 lines show the movement away from the more equal distribution of 1987.

Wealth inequality

Wealth, or the accumulated resources owned by households, is as important a factor in economic inequality as income. Although there are a range of wealth categories, common forms include bank deposits, stocks and bonds, commercial property, investment funds and pension funds; the value of the family home is also sometimes included.

Net wealth subtracts the level of debt from total wealth.

Statistics about wealth are hard to come by in Ireland. The Bank of Ireland published a study of wealth in 2007, giving us figures for 2006. They found that the gross wealth of the top one per cent of the population was an even €100 billion. This top one per cent owned 20 per cent of the wealth in Ireland. When the value of residential property is excluded, the figure owned by the top one per cent rises to 34 per cent or more than a third.



WHY

INEQUALITY

MATTERS

It is often argued that inequality is not the issue. Proponents of this position contend that the problem is the absolute level of deprivation of the least well off. If we can raise the well-being of the poorest in society, or so the argument goes, what difference does it make that others are still very much better off? Recent research, however, indicates that, while the absolute level of well-being of the worst-off is certainly important, the level of equality matters as well. As the social scientists Richard Wilkinson and Kate Pickett observe in the subtitle of their book, 'The Spirit Level', "more equal societies almost always do better".

The Spirit Level

Wilkinson and Pickett have found that, if you examine the various dimensions of health and a range of social problems, you discover that less equal societies have more problems and poorer records. This is true even in richer societies.

Wilkinson and Pickett have constructed an index to measure societies' performance in the areas of health and social problems, going down from better to worse. The measure includes things like mental illness, life expectancy, infant mortality, educational performance and murder rates. They find that increasing the level of national income per person in the richer countries doesn't improve the score significantly, but increasing the level of equality does improve performance. Conversely, a country's performance declines as inequality rises. The following picture tells this story.

Health and social problems are worse in more unequal countries



Index of:

- Life expectancy
- Math & literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – including drug & alcohol addiction
- Social mobility

Source: Wilkinson & Pickett, The Spirit Level (2009)

www.equalitytrust.org.uk

This chart demonstrates the extent of health and social problems across a number of countries. Each country's dot on the left to right scale shows its relative income inequality. The farther to the right, the higher the income inequality. The dot's vertical position shows how well that country is doing in terms of health and social problems. The higher the dot, the worse the performance. The line sloping up shows that as countries go from low to high levels of inequality, on average their ability to avoid health and social problems gets worse.

There are many reasons for this. Studies show that inequality creates high levels of stress, largely as a result of unhealthy competition and status anxiety. Importantly, overall levels of social trust go down as inequality goes up. The following graph shows Wilkinson and Pickett's findings about inequality and trust.

Levels of trust are higher in more equal rich countries



Source: Wilkinson & Pickett, The Spirit Level (2009)

This chart demonstrates the levels of trust across a range of countries. Each country's dot on the left to right scale shows its relative income inequality. The further to the right, the higher the income inequality. The dot's vertical position shows how well that country is doing in terms of the level of trust. The higher the dot, the higher the level of trust. The line sloping down shows that as countries go from low to high levels of inequality, on average the levels of trust go down.

There are those who argue that inequality is necessary to promote invention, innovation and creativity, contending that a high level of inequality is essential to incentivise a high level of international competitiveness. This, however, does not seem to be the case. On the contrary, inequality reduces children's performance in schools, while Wilkinson and Pickett have found that more equal societies produce more patents for inventions. Most studies find that more equal societies grow faster.

High levels of inequality tend to waste the talents of a large proportion of the population.

Wilkinson and Pickett conclude:

"If you want to know why one country does better or worse than another, the first thing to look at is the extent of inequality. There is not one policy for reducing inequality in health or the educational performance of school children, and another for raising national standards of performance. Reducing inequality is the best way of doing both."

Inequality and Ireland's current crisis

Inequality is also a prime factor in the recession. At the time of writing, Ireland is facing four interlinked crises. We are in the midst of an international crisis, a financial or banking crisis, a fiscal or government deficit crisis, and an unemployment crisis.

The international crisis was caused by many factors, but prominent among them was a high level of inequality in the United States, which led to stagnant consumer demand and high levels of indebtedness. Facing reduced levels of demand, investment was sluggish, and those with money turned increasingly to financial speculation. Financial speculation was further driven by the demand by lower income groups for sub-prime mortgages, and by the bloated bonuses awarded to bankers for short-term performance. This bubble eventually burst precipitating a wider crisis.

Here in Ireland, inequality contributed to high levels of indebtedness, because people borrowed to keep up with higher income consumption levels in housing, cars and other goods. The high incomes of bankers and property developers diverted investment into property rather than more productive uses. This dynamic helped create Ireland's own property bubble. To maintain personal consumption, all income groups supported a tax system based on property transactions rather than income - an unsustainable system which has now collapsed creating a budget crisis. The international crisis, the financial crisis, the budget crisis, and high levels of personal debt have all contributed to a crisis of demand in Ireland, reducing economic activity and increasing unemployment.



THE H.E.A.P.

CHART:

INTERPRETATION

AND ANALYSIS

While we were not surprised by the overall shape of the Chart, two things stood out when we had laid the icons out. In the horizontal dimension of the Chart, the longest line is that just above the €10,000 line. This is because pensions and social welfare payments prevent people from falling further down the Chart. This is in contrast to places like the United States where this kind of floor on income doesn't exist. In the vertical dimension, it is striking that the 'managerial and professional' occupation category is the only one to weave its way from near the bottom of the Chart to the very top of the heap.

The effect of government benefits and taxation on inequality

Social protection provides an important safety net for individuals and households who are at risk of poverty, and includes a range of social welfare payments and benefits that cover areas such as illness, disability, old age, unemployment and housing.

Poverty rates

The incomes of all groups in Ireland have increased over the last number of years, and this could lead one to assume that if everyone's income has increased poverty levels must have fallen. However, this is not the case. The table below demonstrates how poverty levels increased and the role social welfare payments play in addressing poverty.

The role of Social Welfare (SW) payments in addressing poverty

Ireland	2001	2004	2006	2007
Poverty levels before Social Welfare (%)	35.6	39.8	40.3	41.0
The role of Social Welfare (%)	-13.7	-20.4	-23.3	-24.5
Poverty levels after Social Welfare (%)	21.9	19.4	17.0	16.5

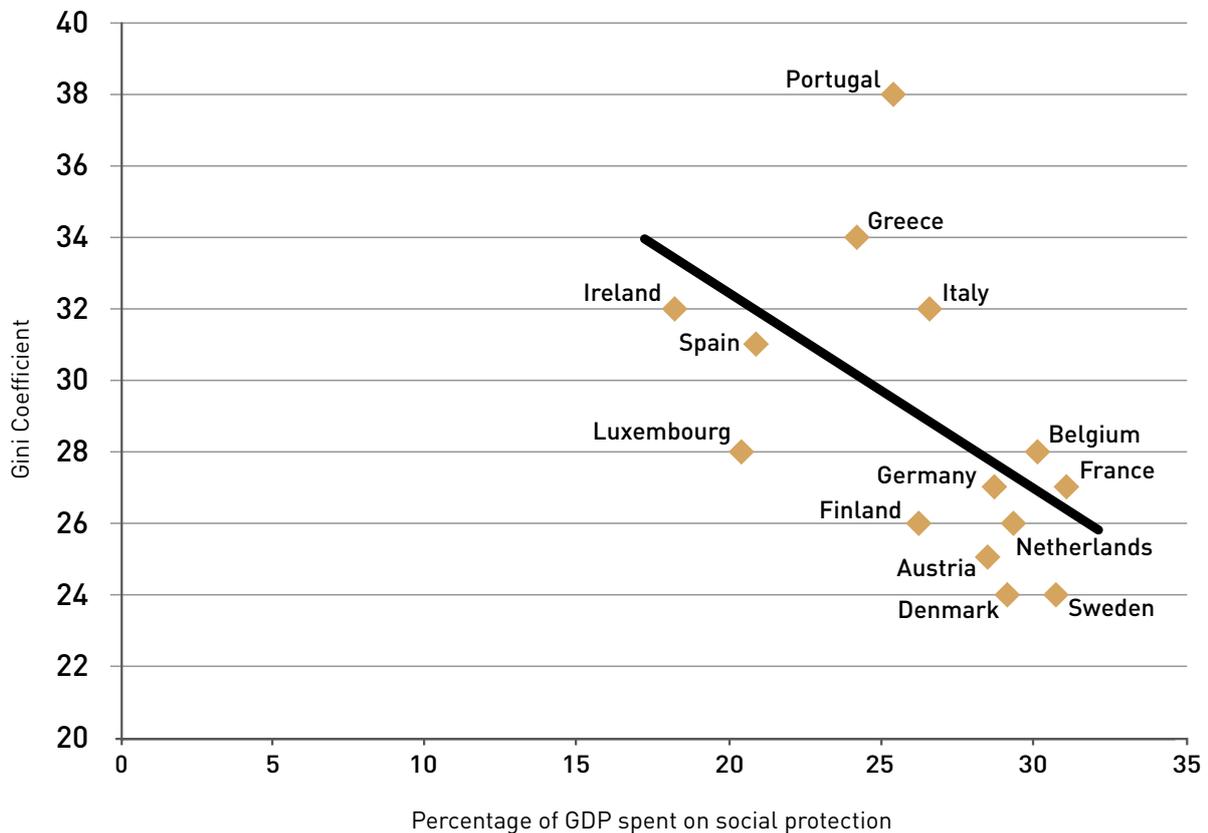
This table shows that poverty levels (before Social Welfare) in Ireland increased from 35.6 per cent to 41 per cent from 2001 to 2007. The table also demonstrates that Social Welfare played a critical role in reducing poverty levels from 21.9 per cent in 2001 to 16.5 per cent in 2007 (these figures are not adjusted for purchasing power). Ireland has also entered into a recession since these figures were published, and we are likely to see poverty levels increase dramatically, not only as a result of growing unemployment, but also due to growing pressure on Social Welfare rates.

Ireland's social protection rates are not generous by European standards. In 2006, spending in this area represented 18.2 per cent of GDP, which compares badly with countries such as France (31.1 per cent) and Sweden (30.7 per cent) and even countries such as Greece (24.2 per cent) and Portugal (25.4 per cent). There is a direct correlation between spending on Social Welfare and income equality: countries that spend less on Social Welfare have higher levels of income inequality.

Were the principles of social insurance in Ireland to be dismantled, this would have a detrimental effect not only on income inequality but on individuals already placed in a precarious situation. It would expose more households to the risk of poverty, which would have a myriad of negative effects on the individual and adverse consequences for society. The effects of such a model can be seen in the United States where citizens are not afforded minimum social protections, the results of which are in stark contrast to our own.

The chart below relates the level of inequality as measured by the Gini Coefficient with the percentage of GDP which is spent on social protection in the EU 15 countries.

Higher levels of social spending are associated with lower levels of inequality

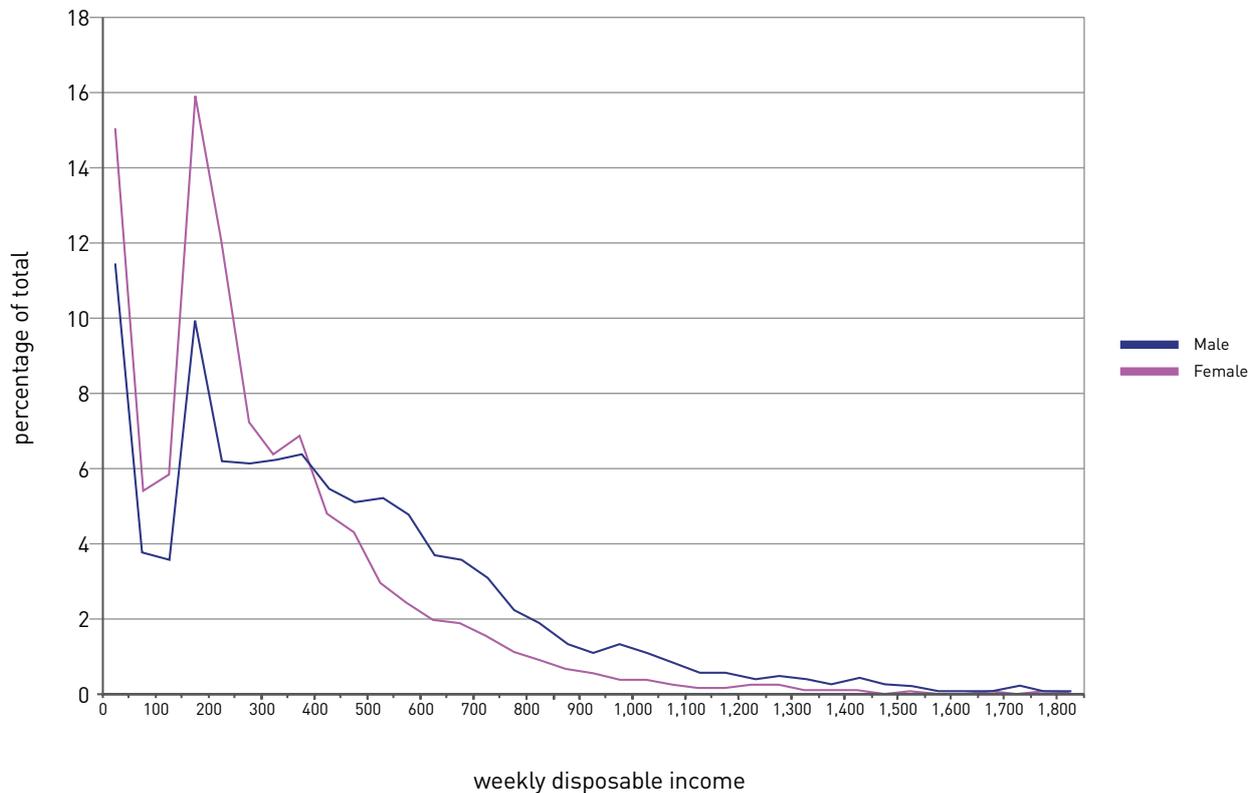


Each country's dot on the left to right scale shows its level of social protection spending. The farther to the right, the higher the spending as a percentage of GDP. The dot's vertical position shows how well it is doing regarding the level of inequality. The higher the dot, the higher the level of inequality. The line sloping down shows that as countries go from low to high levels of social protection spending, on average the levels of inequality go down. For instance, Ireland has a low level of social spending at 18.2 per cent of GDP and a relatively high level of inequality with a Gini Coefficient of 32. Sweden has a level of social spending at 30.7 per cent of GDP and a correspondingly low level of inequality with a Gini Coefficient of 24.

Comparison of incomes for men and women

In addition to inequality among the general population, there is still inequality between men and women.

The following figure compares the incomes of men and women.

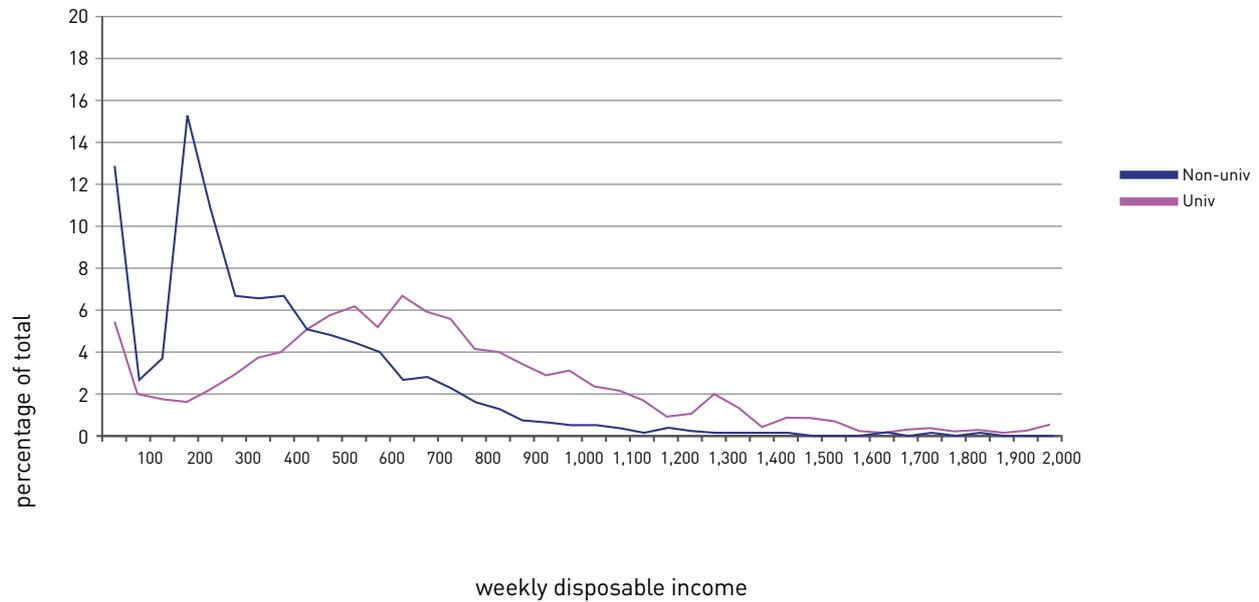


The chart shows women dominating the lower incomes whereas men are better represented at higher income levels. All those 16 or over are included.

Women's income in 2006 was around two-thirds of men's income. After adjusting for differences in hours worked, women's hourly earnings were around 86 per cent of men's. The proportion of men at risk of poverty in 2007, after pensions and social transfers, was 15 per cent compared to 19 per cent of women.

The effect of education on inequality

The following graph compares the incomes of those with a university qualification and higher to those without such a qualification.



You can see that the lower incomes are dominated by those without a university qualification while the opposite is the case for higher levels. Only those 25 and over are included.

The chart demonstrates the central role played by educational opportunities in determining subsequent income – the education premium.

Highest education level achieved by household head

Highest education level achieved	Percentage of household heads	Equivalised gross income median (€)
Primary/no formal	30	13,489
Lower secondary	18	19,742
Upper secondary	17	24,933
Post Leaving Cert	9	26,433
Third level – non-degree	9	31,812
Third level – degree or above	17	45,707

The table on the left gives the median gross income by education level achieved. The median is the middle income if all incomes in the category were listed from top to bottom. Equivalised means a correction has been made for the size of the household.

At risk of poverty i.e. percentage of households below 60 per cent of equivalised median disposable income

	At risk (%)
Primary/no formal	33.6
Lower secondary	23.3
Upper secondary	15.1
Post Leaving Cert	11.6
Third level – non-degree	8.7
Third level – degree or above	3.2

The table on the left shows how higher educational levels reduce the risk of poverty. Disposable income refers to income left for spending after deductions such as taxes.



CONCLUSIONS

We hope that the H.E.A.P. Chart has helped to illuminate an important aspect of life in Ireland today. Since we each occupy only one place in the heap, it is difficult to know about the conditions faced by those both above and below us. Further, studies like those carried out by Wilkinson and Pickett in 'The Spirit Level' have established that the shape of the heap is important as well as the level of income it represents. More equal societies do better.

This insight is particularly disturbing for us in Ireland. Ireland has for many years been among the most unequal of the developed societies. Our boom, now apparently over, raised the overall level of income in Irish society. Unfortunately, however, studies show that we did not use the benefits of the boom to reduce the level of inequality. On the contrary, the distance between those at the top and those at the bottom has widened. This widening inequality has played a role in our current crisis by encouraging the expansion of unsustainable consumption levels and debt, while tax rates have been cut below those which could sustain decent public services.

We must not ask an imaginary international bond market what kind of society we should have. We should instead set about building the society we want. A good society will have a much higher level of income equality, and the social solidarity that goes with it, as one of its essential foundation stones.

APPENDIX:

SUGGESTIONS FOR WORKSHOP USE

Exercise 1

Place the poster on the floor of the classroom in a corner of the room opposite the windows. Have one participant stand 3.6 metres from the bottom of the poster to represent the top icon at an income of €600,000. Have another student stand outside the window on a premarked spot 6.3 metres away to represent a CEO income of €1,000,000. You might also want to represent €4,000,000 at 25 metres if you have space. Call everyone back in the room and engage in discussion. Did they think incomes in Ireland were this unequal? Is this level of inequality acceptable? Can it be justified? Is this level of inequality good or bad for society?

Exercise 2

Have each participant add up and write down their family income. (This works better with adults or perhaps older teenagers.) Then have them identify their household composition. Then they should identify the occupations of the adult members of the household. Answer any questions about where an occupation might fit in the categories on the poster. Then allow the students to examine the H.E.A.P. Chart closely (perhaps in small groups) to identify for themselves where their household appears on the Chart.

Ask the participants to volunteer any surprises they may have got. Was anyone surprised at how high their income was on the Chart compared to the general population? Was anyone surprised at how low their household was? Did anyone turn up in the middle when they didn't expect to?

Collect the descriptions of the participants' households. Make sure they are not identified by name. Shuffle the descriptions. Locate the households on the chart and mark them (use sticky notes to avoid permanently marking the poster).

Discuss the position of the workshop in relation to the rest of the population. Did they form a pattern or were they bunched up at a certain level. Ask the participants to explain why this is the case.

Exercise 3

Ask the participants what level of income it would take to live comfortably for a family of four in Ireland today. You may have to specify a particular place, like Dublin or Tullamore, depending on where your participants live. This could be done openly and you could attempt to arrive at an agreed level of income. Or you could have participants write down a level anonymously and you could take an average. Hold a pointer or stick at this level on the Chart and examine how many households fall below this level. Ask the participants if they were surprised by the number below the comfort level.

The at-risk-of-poverty level of income for a family of four corresponds roughly to €28,000 on our Chart. The Vincentian Partnership for justice undertook a study which calculated a "Minimum Essential Budget" for a family of four which stood at just under €34,000 for 2006 on our Chart. Show these levels on the Chart. Discuss.

Exercise 4

Ask the participants to identify other dimensions of inequality besides income. Examples might include place of residence, working conditions, access to education, settled vs. traveller, etc. Discuss how these other dimensions of inequality do or do not relate to income inequality.

Exercise 5

Brainstorm policies which could be adopted by government which would reduce inequality.

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