
MODULE 5: AN UNEQUAL SOCIETY

INTRODUCTION

The primary aim of this module is to explore equalities and inequalities that exist in society and explain to students the harmful effects of a grossly unequal society, with particular reference to income, wealth and poverty. This is achieved by exploring concepts and definitions from equality to income distribution, wealth to poverty and using the H.E.A.P. report and chart which graphically illustrates to students the basic facts about income distribution and the existing income gaps in Irish society.

It also encourages students to engage more fully with the material by drawing on real world examples and statistics. The material will help students explore occupational differences and career and progression opportunities within specific sectors.

AIMS:

This module aims to:

- ↘ explain what equality and inequality means to society, provide tools to understand why it matters and explore the types and causes;
- ↘ explore the issues of wealth and income;
- ↘ highlight and identify the effects of inequality for society and on the lives of individuals;
- ↘ examine and analyse the structure and shape of income distribution in Ireland; and
- ↘ encourage students to become more aware of social issues.

MODULE LEARNING OBJECTIVES:

At the end of this module students will be able to:

- ↘ Define equality and inequality, understand what it means and explain the causes of inequality.
- ↘ Understand and differentiate between wealth and income and what leads to inequality of income and wealth.
- ↘ Outline the possible influences on their future career choices.
- ↘ Explain what income distribution is, what it looks like in Ireland and its outcome on Irish society.
- ↘ Identify key determinants of wages and understand what constitutes a decent wage.

A BRIEF INTRODUCTION TO ECONOMICS AND THE ECONOMY

The way in which a society operates, why it is structured in a particular way and how this impacts on the lives of its citizens involves examining some basic principles of economics, understanding wealth, the distribution of income, its effects and how to correct the imbalances and inequalities which exist.

Economy is a Greek word meaning “one who manages a household”. As a relatively new subject, emerging as it has as an area of study only since the 19th century, its definitions are becoming more finely tuned and developed over the years. Economics is a social science, not a pure science and although there are many theories and branches of economics, it involves the study of economic behaviour of people. However, there is the underlying premise in many of those theories which suggests that people act **only on the basis of self-interest** and **have unlimited wants**. On the surface this appears to suggest that people strive for things beyond their means and that an unequal outcome and gap in earnings in society is justified, because it is perceived that it was their own efforts, alone, which made it happen. This may be a very one dimensional view of human beings and society, particularly as other social sciences, such as psychology, sociology and anthropology, would suggest that humans are much more complex beings.

The type of economy in operation also has a bearing and impact on society and the lives of its citizens. In Ireland, as in most of the western world, it is a capitalist system. This system is based on the private ownership of the resources necessary to produce goods and services. It is concerned with earning profit for the owners of capital [resources] under conditions generally described as competitive. Most of the people who work in such a system, workers, do not own capital or what they produce, but instead are paid a wage for their labour.

This system operates within an environment called the free-market or a market economy, which promotes the operation of markets to buy and sell without any regulation or government interference. However, in

reality many economies are “mixed” in that there is some regulation or government involvement to ensure the market doesn’t fail.

Another underlying premise of economics is the condition of scarcity and limited resources and economics looks at how those available resources are managed by individuals and society. Economics is concerned with choices, decisions and their consequences. An economy is made up of many individual households who face decisions every day on how it will be managed, how much money will be spent on what goods and what tasks need to be performed. In society, similar decisions have to be made such as what goods should be produced, how should they be produced, who should get the resources produced, how much income it has, how money should be spent and who should do certain tasks. It also analyses the production of those goods and services and the people who use them: consumers.

In both situations it suggests the resources at their disposal, whether it is money, goods or skills, are limited. Each household has an income, which can go up or down, a set of skills, such as individual talents, education and qualifications and the goods and services they require to live.

The method of allocating such resources should be underpinned by fairness. Where resources are limited, what is available should be distributed as equitably as possible, taking into account the specific requirements of different people. For instance, in a household would it be fair or reasonable to expect teenagers to earn an income and contribute to the household budget? What about their education? What sort of job would you expect a teenager to be able to secure? Would it have long-term prospects? What quality of life would you expect them to be able to achieve?

In general, households will pool their resources to ensure that the basic needs of the household are met, such as shelter, food, clothing and education. If there is any income left over, then households will make a decision whether to spend that on additional luxuries or perhaps save the money for the future to ensure that their basic needs are met and a decent quality of life is achieved.

While this seems fair and straightforward, this is not necessarily mirrored in society. In Ireland, as in many countries of the world, income is not distributed in a fair and equal manner. In fact, in many societies the distribution of income is grossly unfair, meaning that a small minority hold the vast majority of wealth, whilst the bulk of society live on significantly less with many barely surviving at all.

Why is this the case?

Inequalities are imbedded into many of the different structures of society. Some suggest helping the poorest will resolve the situation, however, the gap between rich and poor will continue to exist, unless and until underlying inequalities are addressed.

This is not to suggest that the well-being of the poorest in society is not important, however, it is equally important to remove obstacles and barriers to ensure people are treated equally. Many economists seek to explain away the gap between rich and poor by suggesting that it's all about individual responsibility and not about societal structures.

The remainder of this module will assist students and their teachers to try to assess how fair society is, how income is distributed and whether it is done in a fair and equitable manner.

MANAGING THE MONEY

Wealth and Income

Wealth and income are quite different things although people tend to mistakenly use them interchangeably. Wealth is an accumulation of past income earned and reinvested or saved economic assets from previous periods. It is what you own minus what you owe. Wealth is usually thought of as a stock of assets acquired. Land, property, buildings, plant and machinery, shares, bank deposits and currency are examples of assets and would be considered to be wealth.

Income is money earned or unearned (such as investment returns not earned through labour) by the owners of resources for putting those resources into production. It represents earnings as a flow on a weekly, monthly or yearly basis. There are different types of income with the most popular being wages and salaries, which is income earned by labour. Other forms of income include rent payments, interest payments to the owners of capital, business profits, dividends, pensions, government benefit payments and inheritance.

Wealth affects an individual's standard of living. If people are only measured by their income, someone on a low-income pension, for instance, may be listed as poor, but may have assets in the form of their own house, car and savings from which they can draw. This would mean that they may appear to be low income but have a higher than expected standard of living compared to someone on the same pension but with no acquired assets from which they can draw (paying rent rather than owning your own home).

Budgets

A budget is a list of all planned income, expenses and an outline for how to meet them. Balancing a budget is to ensure that there is more money coming in (income), than money going out (expenses).

It is often very difficult for people to live on a budget due to the price of goods increasing and the occurrence of some unplanned events. However, it is very important that people live within their means, or spend within their income. Where a household balances their budget

and lives within their income, this reduces their dependency on external assistance such as overdrafts and loans, the dreaded debt.

The ability of households to meet their most basic needs is vitally important not only for the household in question but also for the stability of the overall economy. If households have budget difficulties and have relied on credit to increase their income, this will have significant implications if their circumstances and ability to repay their loans experiences detrimental changes.

What might happen if households can no longer pay back their debt on a widespread basis?

Credit

Credit is the opportunity to borrow money with a promise to pay at a later date or in installments. It allows consumers to buy now, pay later. An important factor in credit opportunities is the rate of interest to be paid (see below).

There are different ways in which we can get credit and include:

- ✚ home loans (for improvements)
- ✚ mortgages;
- ✚ credit cards;
- ✚ car loans; and
- ✚ credit for household appliance/furniture purchases.

Interest

Interest is the cost of credit. It is what a lending institution charges on a sum or loan borrowed. There are different types of interest but the most common type is called compounded interest. This is where interest is compounded onto the principal amount of the loan.

Debt

A debt is something owing to someone or some institution. It is something that falls due. Debts come in different forms but generally mean monies that are owed.

It is important for both individuals and society to keep their debt as a decreasing proportion of their income. For instance, banks traditionally calculated the maximum amount permitted for a mortgage to be approximately 40 per cent of a household's net income. This would ensure that money would be available for basic necessities.

Within the EU, for example, each country must not run a deficit in excess of three per cent of Gross Domestic Product and public debt must not exceed 60 per cent of Gross Domestic Product. Again, this is to ensure that there is enough income both to afford basic services and to continue to service the debt.

Debt can become a problem for a number of reasons, such as when either an individual's or a household's income has been significantly reduced or lost, or when the terms on which the loans were taken out have dramatically changed, for instance a sharp rise in interest rates affecting an already large mortgage. Other changes that may affect the ability to repay debt could include long-term or terminal illness or a relationship breakdown. It is important that when repayment problems occur, people are able to get assistance to restructure their loans and perhaps increase the repayment period.

EQUALITY AND SOCIETY

Equality is the state of being equal and there are many different ways in which we can understand it. At an individual level, it is about recognising that although everyone is different in many ways, we should all be treated in a fair and equitable manner.

Different forms of equality exist, but fundamentally it's about ensuring all people in society, regardless of who they are or where they are from, are treated equally and should not be discriminated against. Discrimination is when people are treated unfairly for a range of reasons, but which can be linked to an individual characteristic such as their gender, age, background or family circumstance. Where discrimination lives, inequality breathes.

Why equality is important

The achievement of equality is very important for a range of different reasons but fundamentally it is because everyone is born with equal rights. Unfortunately, where a person is born and the type of society into which they are born, tends to dictate the type of rights they experience. This is never acceptable - all people have the same human rights and are entitled to enjoy them equally.

Research indicates that inequality stems from large gaps in income distribution and inequality. Societies that are more equal in terms of income distribution are better for everyone and not for just one section or group. An article by John Baker of UCD entitled **'Poverty and Inequality: ten reasons why anyone who wants to combat poverty should embrace equality as well'** suggests that "anyone serious about eliminating poverty should pursue a more ambitious egalitarian agenda". He points out that poverty and inequality are connected and they "need to embrace a wide range of policies for promoting economic, cultural, political and affective equality, as well as real equality of opportunity".

Others who concur with that view are Richard Wilkinson and Kate Pickett, who in their book 'The Spirit Level' stated that "most of the important health and social problems of the rich world are more common in **more** unequal societies". As they suggest "equal societies

almost always do better" surely this is enough of an incentive to remove income inequalities, create more opportunities and achieve a more equal society.

What is inequality

Inequality can be found in all areas of society in different shapes and forms. Different groups in society experience inequality in different ways as society has created some barriers that exclude people based on the presence or absence of certain characteristics. For instance, people may be treated differently based on their gender, whether they have a disability, or because of their age, ethnic or social background.

Unequal treatment has always given rise to movements to rectify such negative treatment, such as the civil rights movement in Northern Ireland seeking equality among people of different religions, the feminist movement seeking the rights of women to be upheld and the civil rights movement in America seeking the rights of citizens, regardless of descent or ethnic background, to be upheld.

Types of inequality

There are many ways in which people can be treated unfairly and the following are just two types of inequality.

Gender: Gender inequality, traditionally experienced by women rather than men, exists throughout the world and is present in some shape or form regardless of the society. It manifests itself in a range of ways such as:

- ✘ **Occupational segregation** creates difficulty for women entering occupations classed as 'non-traditional' roles, which are highly skilled and highly paid. This forces women to dominate certain sectors and industries with negative results (see next point).
- ✘ **Devaluing women's work** – occupational categories dominated by females tend to have lower rates of pay compared with male dominated roles that require the same skills, qualifications and effort. Traditional areas have included cleaning, catering, nursing and teaching.
- ✘ **Gender pay gap** – there is no country in the world which has the same average hourly rates of pay for men and women. In Ireland the difference in pay between men and women averages approximately 17 per cent.

✚ **Gender discrimination** – acts of discrimination can range from dismissal due to pregnancy or breastfeeding to lack of access to promotion or training, to inessential criteria for jobs.

Economic inequality: Economic inequality results in large gaps in income and opportunity between different groups of people creating further disadvantage and barriers.

✚ **Income distribution** – how income is distributed has a significant effect on the quality of life of the citizens of a society. The more uneven the spread the more unequal a society becomes. Countries such as those in Scandinavia have a more even spread of income (the gap between the highest and lowest earners is smaller), have a more equal society and a reduction in social problems.

✚ **Income inequality** – this can be described as 1) the difference between the rich and the poor of society and 2) the difference in income between those in similar socio-economic groups (people with similar background and education etc). There are many reasons why income is unequal, such as differences in social background, education, skills, age, experience and gender. The level of education and access to education for individuals has a large influence on earnings and is often referred to as 'the education premium'.

Causes of income inequality

Labour market

The requirements of the labour market increases [decreases] the demand for certain skills, which can have a positive [negative] effect on wages in that sector. Ireland was once considered to have a manufacturing economy but this has since shifted to a more service-led economy where jobs in banking, insurance, retail, hotels and restaurants are the order of the day. This has a significant impact on the types of jobs required in the labour market and the associated levels of education and qualifications. The supply and demand of the labour market varies and this determines the composition of occupations and grades within occupations.

Tax system

The operation of the tax system affects the income distribution of an economy and the type of system in

operation, and the level of fairness and transparency is important when looking to create more equity in society. A progressive tax system is considered a better approach to closing that gap as it ensures that wealthier individuals pay a higher rate of tax. Tax systems should be progressive to ensure that everyone pays according to their ability. Unfortunately some tax systems allow certain people to use 'loopholes' within the system to pay little or no tax whilst it is often employees on average wages who pay a higher proportion of tax in an economy.

Education

It is often referred to as the 'education premium' and the level of educational attainment has a significant influence on the type of job people can obtain. Jobs with high levels of educational attainment required are generally those with the higher income.

Opportunity

The ability to take opportunities when they present themselves is another significant factor in attaining a better income. For instance, if barriers or disadvantage prevent individuals from accessing education or the labour market, it would adversely affect their opportunities and earning power. Discrimination is also a factor in denying opportunity resulting in blocking individuals from contributing to their full potential.

Opportunities to access the labour market and the existence of barriers might prevent entry to particular high-income professions. For instance, before third level education became free for the recipient, professional occupations were outside the range of possibility for many low-income families.

Physical environment and capacity

The capacity to take advantage of the physical environment through investment, education and training is important in the development of an economy and providing opportunities for workers. Countries that do not have the capacity to develop and use their own natural resources can only look on as other more advantaged, developed and richer countries exploit them. Africa is an example of this where European nations effectively plundered the continent of its resources, such as copper and diamonds, and it continues to lag behind other countries in income.

Addressing inequality

Some of the ways in which inequality can be addressed include:

Equality of opportunity, which seeks to ensure all people have the same opportunities to participate in society such as in the labour market. Due to disadvantage 'an unequal playing field' is created so many people don't get the same opportunities in life. For instance, economic inequality could result in individuals not able to afford to stay in education, which could mean little or no formal qualifications. In this example, an individual may experience low-paid work all their life, which limits their income and in turn life choices.

Equal opportunities programmes identify barriers people face and seeks to remove those barriers in order to create the same conditions for everyone. It is about providing opportunities for all regardless of who they are or where they come from.

Equality of income acknowledges that disadvantage exists and not everyone has the same capacity or opportunity to earn as much as others because of unequal access. This approach might seek to balance things out through actions such as government transfers and social welfare payments.

Equality of participation – it is important that all individuals are in a position to participate and contribute to society but this is not always the case. Historically in the workplace, for instance, married women were excluded from certain sectors and industries by law. More recently women were excluded indirectly due to a lack of legal protection during and after pregnancy, with some being dismissed from their job because they were pregnant. In Ireland the participation rates in the labour market for people with a disability is much lower than for the rest of society. Unemployment rates are also very high for members of the traveling community and those from minority ethnic groups.

It is important to be aware that not all groups within society have the ability, opportunities or capacity to participate in society and the labour market at the same rates.

Legislation

In Ireland equality law exists which outlaw discrimination and harassment based on nine distinct grounds. These grounds include:

- gender;
- marital status;
- family status;
- age;
- race;
- religion;
- disability;
- sexual orientation; and
- membership of the traveller community.

For further information on this and other related issues check out the following websites:

www.youth-connect.ie

www.ictu.ie

www.equality.ie

EFFECT OF INEQUALITIES

Regardless of shape or form, inequality has a negative effect on the quality of life for those who experience it and should be eradicated immediately from society. As inequality permeates society, the effects also permeate many facets of an individual's life, such as access to healthcare, education, jobs and housing.

Inequality not only adversely affects the lives of individuals but also the quality of life of people within society. These adverse effects include:

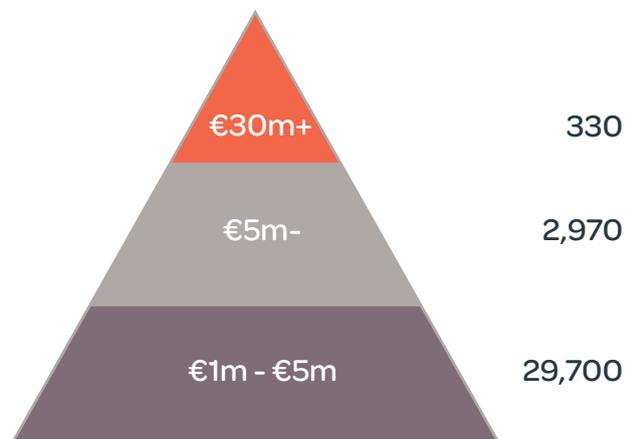
- ✘ discrimination including racism, sexism and ageism for example;
- ✘ behaviour which limits the potential of individuals;
- ✘ income inequality; and
- ✘ social problems such as drug-taking, crime, health problems, homelessness and other such social problems.

Income distribution

Income distribution describes how income earned in a society is distributed among its citizens. It describes who earns what. In a society in which income is evenly distributed, all households would receive exactly the same income. Unfortunately this is not the case in Ireland. In 2007 the Bank of Ireland produced a report 'The Wealth of the Nation', which described the concentration of wealth in Ireland. It estimated that:

- ✘ the top one per cent of the population holds 20 per cent of the wealth;
- ✘ the top two per cent of the population holds 30 per cent of the wealth;
- ✘ the top five per cent of the population holds 40 per cent; and
- ✘ taking out housing wealth and concentrating on financial wealth, the figures change to the top one per cent of the population holding 34 per cent of the wealth.

The following, taken from the above Bank of Ireland report, was described as the Irish Wealth Pyramid and illustrated the numbers of people who held vast amounts of wealth:



Income is determined by a number of factors, such as education, skills and experience, but unfortunately things such as age, employer choices, social background and other such characteristics can also have an impact.

The way in which income is distributed is linked to the type of society in which people live and how equal it is. If, as a society suggests, it values all its citizens equally, this should be reflected in the quality of life of all people. In a more equal society not only would there be a smaller gap between the rich and the poor but there would be more opportunities to achieve an improved standard of living.

There is a close relationship between income, equality and quality of life. For instance, if you had €10 in your pocket, the options on how you can spend it are much more limited than if you had €100 in your pocket. This also applies to income; those on higher income have more options and choice than those on lower incomes.

THE SITUATION IN IRELAND

The H.E.A.P chart graphically illustrates how income in Ireland (based on 2006 statistics) is distributed based on household types and occupational categories.

The following extracts are taken from the H.E.A.P. Report pages 7, 8 and 9. A copy of the chart is included within this resource for use with some of the lessons later in this module. The chart should be positioned in class so that all students have the opportunity to see and work with it.

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.

EFFECTS OF INCOME INEQUALITY

Income inequality affects society in a number of ways. According to Wilson & Pickett, a society experiencing sharp income inequality will have severe effects such as low levels of education, high levels of drug taking and crime with the health of the state deteriorating.

There are a number of outcomes from an uneven distribution of income, one of which is poverty. It has a number of different definitions and measures, but it is important to understand that poverty can be well hidden by households and families who are struggling to survive.

Teacher's note: As with all other circumstances, it is important to be aware that your students come from a diverse range of circumstances and situations. Some of your students may be experiencing the very situations that you are describing. Therefore, it is important that your students are mindful of this and discussions are conducted in a dignified and non-discriminatory manner.

POVERTY

Poverty is about a lack of basic needs such as lack of food, shelter or adequate clothing. It's about not having enough money to spend on items that are essential for basic survival. It's not only about not having the nice things in life but not having the money to see a doctor when sick, continuing in education to secure a better future for yourself, or securing a job to give yourself and your family a decent way of life.

Poverty is a lack of power and control of individuals over their own lives. It is a lack of real opportunities for people, thus denying them their rights and their ability to reach their full potential.

Workers can also find themselves in poverty because they may not have the protection of a decent law or a union to ensure they earn a decent wage for a decent day's work. Poverty comes in many shapes and forms, affects people in different ways and is described and measured in numerous ways.

The one thing everyone agrees about poverty is that it is a negative state and should be eradicated completely, as quickly as possible. To do this, people should be aware of the issues surrounding poverty, identify what it is, what causes it, the effects of poverty on society, how to measure it and then look at what works best to remove it.

According to the Irish Government, the definition of poverty (National Action Plan for Social Inclusion 2007 – 2016) is:

“People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and other resources, people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.”

In effect this means that people are living in poverty if, because of a lack of money, they can't do the things that most people expect to do and take for granted.

There are many different types of poverty and range from not having money to buy enough food, unable to keep your living accommodation warm or not being able to buy clothes.

Types of poverty

Absolute poverty

Individuals don't have access to what are considered to be the basic requirements of life – food, clothing, shelter. Those who experience absolute poverty are struggling just to survive.

Consistent Poverty

This is when individuals have an income below 60 per cent of the median (mid point on the scale of incomes of Ireland) and are also experiencing **enforced deprivation**. This means being on a low income and not being able to afford basic necessities such as new clothes, not having the money to buy food such as meat or fish, not being able to heat your home, or having to go into debt to pay ordinary household bills. (Combat Poverty Agency)

Relative poverty

Where an income is below 60 per cent of the median income (mid-point on the scale of incomes in Ireland). Individuals are not able to partake in what is considered to be normal social activities.

The poverty trap

This situation exists where individuals on social welfare may not benefit from gaining paid employment and so are financially better off receiving state benefits.

The working poor

Poverty is not confined to individuals who are unable to find work. According to the European Foundation for the Improvement of Living and Working Conditions (www.eurofound.europa.eu), across Europe eight per cent of workers are at or below the poverty level (less than 60 per cent of the median income). Most countries address this issue in line with other anti-poverty measures, with the exception of the UK who provide Income Support to low paid workers and Norway who provide tax reductions for lower paid workers.

A climate of recession and high unemployment, such as that experienced in 2009 and 2010, are also a danger to such workers living on the edge of poverty.

Measuring poverty

By measuring poverty we can find out how much poverty exists in our society, identify which groups are most affected by it and monitor changes in its level and distribution.

The most common method of measuring poverty is by a survey in which a representative sample of people are asked to answer questions on their income and spending.

A person is considered poor if either income or spending falls below some minimum level that represents basic needs in each society. This is called the **poverty line**. The poverty line is not the same everywhere because it is relative to what is the norm in a particular country.

In Ireland, poverty data is collected by the Central Statistics Office using the EU Survey on Income and Living Conditions (EU-SILC) and is conducted annually. The measures most commonly used by the

CSO to calculate the number of people in poverty are **Relative Income Poverty and Consistent Poverty**. Using a combination of these measures gives us a more comprehensive picture of poverty in Ireland.

Relative Income Poverty

This is also known as relative poverty, income poverty or risk of poverty. It is measured by setting a relative income poverty line, which shows how an individual's or household's income compares to the average. This line is usually set at a level between 40 and 70 per cent of the average income.

Often, median income may be used rather than mean or average income as it gives a more accurate reflection of income levels. Average income figures tend to be distorted by very high incomes at the top end of the scale.

In Ireland, relative income poverty is measured by calculating the median income, the mid-point on the scale of all incomes in the State from the highest to the lowest, and setting the line at 60 per cent of the median. People whose incomes fall below this line are said to be **at risk of poverty**. The most recent figures show 14.4 per cent of the population is at risk of poverty (2008).

Consistent Poverty

This is also known as the combined income-deprivation measure of poverty and is preferred by the Irish Government. It combines relative income poverty with relative deprivation. People whose income falls below the relative income poverty line and who also experience relative deprivation are regarded as living in consistent poverty.

This is one of the methods used to measure poverty in Ireland: the figure for relative or at risk of poverty is combined with the deprivation indicators below to calculate the rate of consistent poverty, which is currently 4.2 per cent of the population (2008).

Relative Deprivation

This considers access to resources other than income and identifies the proportion of people who are both relatively poor (less than 60 per cent of the median income) and who are also deprived of at least **two** of the 11 goods or services considered essential for a basic standard of living.

A deprivation index of items and activities that are generally taken to be the norm in a particular society is compiled, usually by the organisation responsible for collecting poverty data. In Ireland that is the Combat Poverty Agency.

People who are denied through lack of income, items or activities on this list are regarded as experiencing relative deprivation. It is important to distinguish between enforced deprivation such as this and people making choices not to have these items.

In Ireland, 11 basic items are used to construct the deprivation index:

- ✘ without heating at some stage in the last year;
- ✘ unable to afford a morning, afternoon or evening out in the last fortnight;
- ✘ unable to afford two pairs of strong shoes;
- ✘ unable to afford a roast once a week;
- ✘ unable to afford a meal with meat, chicken or fish every second day;
- ✘ unable to afford new (not second-hand) clothes;
- ✘ unable to afford a warm waterproof coat;
- ✘ unable to afford to keep the home adequately warm;
- ✘ unable to afford to replace any worn out furniture;
- ✘ unable to afford to have family or friends for a drink or meal once a month; and
- ✘ unable to afford to buy presents for family or friends at least once a year.

Other Measures

Apart from the measures above which are commonly used in Ireland and Europe, a number of other measures are used internationally:

Budget Standard Approach – a poverty line is calculated based on the cost of a specific basket of goods and services that are considered by experts to represent a basic living standard.

Food Ratio Method – where the poor are distinguished from the non-poor by the proportion of their money spent on necessities such as food, clothes and shelter.

Social Security Poverty Line – when lowest level of social welfare payment is used as equivalent to a poverty line.

United Nations Poverty Index – combines measures such as life expectancy, literacy, long-term unemployment and relative income.

Picturing poverty in Ireland

The Central Statistics Office is the primary agency for compiling household data in Ireland and their site can be accessed at www.cso.ie. The Survey on Income and Living Conditions (SILC) is probably the most comprehensive report available on household conditions in Ireland. Its primary focus is the collection of information on income and living conditions of the population from which indicators on poverty, deprivation and social exclusion are derived.

The report also contains statistics relating to children in poverty and in 2008 stated that children remained the group most at risk of poverty. The survey indicated that 6.3 per cent of **all children under 17** were living in consistent poverty and 18 per cent were **at risk of poverty**.

Children live in poverty due to differing circumstances, however, parents experiencing unemployment and the level of child income support are very significant factors in this area. Children of lone parents or in families of four or more children are also at a high risk of poverty, although children not living in households are not included in these figures.

Other at risk situations for children include those living in temporary accommodation, such as bed and breakfasts or living on the streets, traveller children, children seeking asylum and children living in institutional care.

Like adults, poverty for children creates exclusion and the loss of opportunity. Children who live in poverty are excluded from doing the things which are considered “normal” in society. It has long-term effects in terms of their health, physical and mental development, education and qualifications achievement, job and career prospects, quality and length of life, and life opportunities.

Other sources of information relating to children in poverty can be found on the following websites:
www.combatpoverty.ie
www.childrensrights.ie

www.barnardos.ie
www.omc.ie (Office of the Minister for Children)
www.socialinclusion.ie (Office for Social Inclusion)

Poverty in the wider world

Poverty is not just confined to Ireland but is experienced in varying degrees in the wider world and most of the statistics make for shocking reading, such as the following:

- ✚ At least 80 per cent of humanity live on less than \$10 a day. Source: World Bank August 2008
- ✚ The poorest 40 per cent of the world's population accounts for only 5 per cent of global income. The richest 20 per cent accounts for three-quarters of world income. Source: 2007 Human Development Report UNDP
- ✚ Over 24,000 children die every day around the world through poverty, hunger, preventable diseases and illnesses and other related causes. This is equivalent to:
 - one child dying every 3.6 seconds;
 - 16-17 children dying every one minute;
 - a 2010 Haitian earthquake occurring almost every 9-10 days;
 - a 2004 Asian Tsunami occurring almost every 10 days;
 - just under nine million children dying every year.

Other figures from UNICEF outlining the plight of the world's children include:

- ✚ 8.8 million children worldwide died before their fifth birthday in 2008;
- ✚ four million newborns worldwide are dying in the first month of life;
- ✚ two million children under 15 are living with HIV; and
- ✚ 101 million children are not attending primary school with more girls than boys missing.

For more information on this and other related information the following sites are very useful:

The World Bank produces development indicators, which can be found on their site www.worldbank.org

The United Nations Development Programme also produces figures on this and other topics and can be accessed here www.undp.org

UNICEF the UN Agency focuses on improving the lives of children around the world can be accessed here www.unicef.org

ELIMINATING POVERTY

According to economists two of the best ways to eliminate poverty is to a) increase economic growth and b) to redistribute income. If we were to consider that income is a 'pie' then the first option is to make the pie bigger. The second option would mean that some people would get a slightly bigger piece and others would get a slightly smaller piece, thus ensuring the slices are more equal.

The following are some general policy options that are considered to go some way towards eradicating poverty, the focus of which is more towards improving the economy than specifically individual experience or circumstance.

Economic growth is generally seen as a positive state in which an economy is consistently growing. In theory more wealth is created for society with none of the associated ills of recession. In practice however, with income not distributed evenly, the effects of growth felt disproportionately along with barriers created by disadvantage, economic growth is not the single answer to eradicating poverty although economic growth is always the aim of governments. Benefits from economic growth have always been unevenly spread, therefore individuals do not equally benefit from it. It also does not address the inequality of the share. If the pie gets bigger, individuals still only get the proportion of it that they obtained before.

Reducing unemployment is an obvious solution to poverty. However, it is important that the jobs created within society can benefit the worker as well as society and are not detrimental to their lives. Jobs created should be sustainable, uphold labour standards, pay a decent wage and provide an environment in which workers can progress rather than be exploited for a cheap wage. The role of trade unions is significant in this area. As a collective, workers and trade unions

can ensure that the jobs created are not only beneficial to society, but importantly to the health and well-being of workers.

Improve the tax system to make it fairer and more progressive. Taxes are considered to be fair if they have considered the ability to pay and the benefits received.

Taxes are called progressive when they place a higher burden on those with higher income. Increasing the highest rate of tax will ensure that those on higher wages will pay a higher rate of tax but in reality many tax systems result in lower paid workers paying the same rate as the wealthiest. It is argued that increasing taxes for the wealthy and entrepreneurs may encourage them to leave a country in search of a lower tax regime. This may have a detrimental effect on the country they have left as they could be considered to be an asset to an economy in the form of potential investment.

There are many critics of high rates of tax suggesting that they can become either a disincentive to work and may also result in discouraging corporate investment. Again, as in many areas of economics, there is no consensus although the closest to agreement is that there may be a level at which a tax rate will become a disincentive to work.

Income tax is just one area of how taxes are raised; VAT or a sales tax is another form of tax. This puts an additional amount of money onto the cost of the good. It is an example of a regressive form of tax as everyone pays the same amount of tax regardless of income, although it is generally introduced because it is an easy method of raising revenue.

What other forms of tax can you think of?

Redistribution of income attempts to spread income more evenly and fairly. Imagine total national income as a pie; redistribution would seek to ensure that the shares are more evenly divided and when the pie increases through economic growth, the shares continue to be in proportion to each other although bigger.

Decent wages

Achieving decent wages ensures a decent income for workers, particularly as the majority of the population solely rely on a wage to provide their household

income. It is the aim of trade unions to improve wages and working terms and conditions, but also to advance the position of workers in society, engage in decision-making and ensure their voices are heard.

Wages

Wages are the most common form of income for workers. Owners of the resources needed for production obtain income in the form of rents or dividends. Those who are excluded from the labour force for a range of reasons receive income directly from the government at a level determined by government in the form of social welfare benefits.

The following are some of the elements that may influence the level of wage/salary that workers hope to obtain:

Educational Attainment

It has long been known that higher levels of educational achievement can help to secure higher levels of income, particularly in a stable economy. A graph from the H.E.A.P. report outlines the disparity of income between those with a university qualification and higher and those without such a qualification. Those without a university qualification dominate the lower incomes whilst the opposite is the case for the higher levels. This highlights the significance of educational opportunities and attainment in wage determination. For more information on this and income distribution in Ireland, download a copy of the report from www.ictu.ie/publications/fulllist/heap-booklet/

Union organisation

Wage rates and levels of wages are the result of negotiations between an employer and their employees. Where a union is present, negotiations can take place on a collective basis (for all employees who are members of a union), which increases the bargaining power of workers in the pursuit of a decent wage rate.

Research has shown that workers in unionised employments enjoy enhanced terms and conditions, benefits and higher wages.

Workers in very vulnerable or lower-paid jobs are not always union members and do not have the protection or support of a trade union to bargain on their behalf. It is therefore important that all workers, particularly

those in vulnerable employments, are encouraged to join a union and voice their concerns.

High skilled vs lower skilled

The demand for skilled labour grows more quickly than the demand for lower skilled labour. It is important that if young people are not interested in remaining in an educational stream that they should examine a more vocational route and consider learning a skill or a craft.

Improving wages

To improve wages workers need to have the collective strength of their co-workers and trade union.

Decent work for a decent wage

“The primary goal of the ILO (International Labour Organisation) is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.” Juan Somavia, ILO Director-General

Employment in a job with a decent level of pay is an important route out of poverty. Decent work with decent pay is about creating and maintaining jobs that offer workers an income from which they can adequately provide for themselves and their families.

According to the ILO, decent work contains the following elements:

- opportunities for work that is productive and delivers a fair income;
- security in the workplace;
- social protection for families;
- better prospects for personal development and social integration;
- freedom for people to express their concerns, organize and participate in the decisions that affect their lives; and
- equality of opportunity and treatment for all women and men.

Minimum wage

For more information on the minimum wage see Module 3.

Joint Labour Committees (JLCs)

Joint Labour Committees are statutory bodies established under the Industrial Relations Acts, 1946 and 1990. They provide a mechanism and procedure for the fixing of minimum rates of remuneration and the regulation of conditions of certain employments. They are substantially representative of a particular class or group of workers and their employers.

There are 19 JLCs in existence with each one composed of workers' representatives and employers in the particular sector concerned.

Employment regulation orders (ERO)

These are agreements made by the relevant Joint Labour Committee on pay and conditions. The Labour Court makes an ERO that confirms the proposals put forward by the JLC and is legally binding. The ERO makes the JLC agreement enforceable by law.

Registered Employment Agreements (REAs)

For any sector or industry, workers' representatives and employers can agree minimum rates of pay and conditions of employment and then register that agreement with the Labour Court. This then makes the agreement legally binding on both parties to the agreement but also to anyone else working in that particular industry or sector which the agreement applies to.

A full list of REAs currently on the register can be found on the website of the Department of Enterprise www.entemp.ie

Useful resources

Books:

The Spirit Level – Wilson & Pickett

“Economics for Everyone – A short guide to the economics of capitalism” by Jim Stanford (2008) and its website www.economicsforeveryone.com

Websites:

This website provides information on all money and credit related matters www.itsyourmoney.ie

TASC is an independent think-tank dedicated to combating Ireland's high level of economic inequality and ensuring that public policy has equality at its core www.tascnet.ie
www.teachingeconomics.org