



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta  
National Economic & Social Council

# The Social Dimensions of the Crisis: The Evidence and its Implications

## Briefing Notes

May 2013

## Table of Contents

Key Messages	2
<b>Briefing Notes</b>	<b>3</b>
Unemployment	4
Income and expenditure	5
Debt	6
Poverty	7
Housing	8
Health and Education Services	9
Health and Happiness	10
Place and Community	11
Impact of Budgetary Policy	12

## Key Messages

Much has been written about the economic and banking aspects of the economic crisis but less attention has been given to the social dimensions. NESC's report on the social dimensions of the crisis highlights a broad range of social impacts of the economic crisis and the subsequent fiscal adjustments, including: details of who is affected by unemployment; falls in income and wealth; the spectre of over-indebtedness; as well as the impact on public service provision and community facilities.

The report draws 4 main conclusions:

- **Most people have been impacted, at least to some extent, by the crisis.** For some the impact has been minimal, but others have experienced a catastrophic change in their circumstances.
- **Those who were least well off prior to the economic crisis remain so.** In particular, this applies to people who are unemployed, lone parents and people who are ill or disabled.
- **Those who have lost jobs, had business failures, seen large falls in income or wealth, or who carry a large excess debt burden are experiencing an effect of a different order.** Some of these people have the capacity to bounce back, some may require supports of a short-term nature to help them through the current crisis, but others may be in danger of falling into long-term unemployment and poverty.
- **Policies and institutions matter.** For example, Ireland's social welfare system has been reasonably successful in ameliorating the worst effects of the economic crisis.

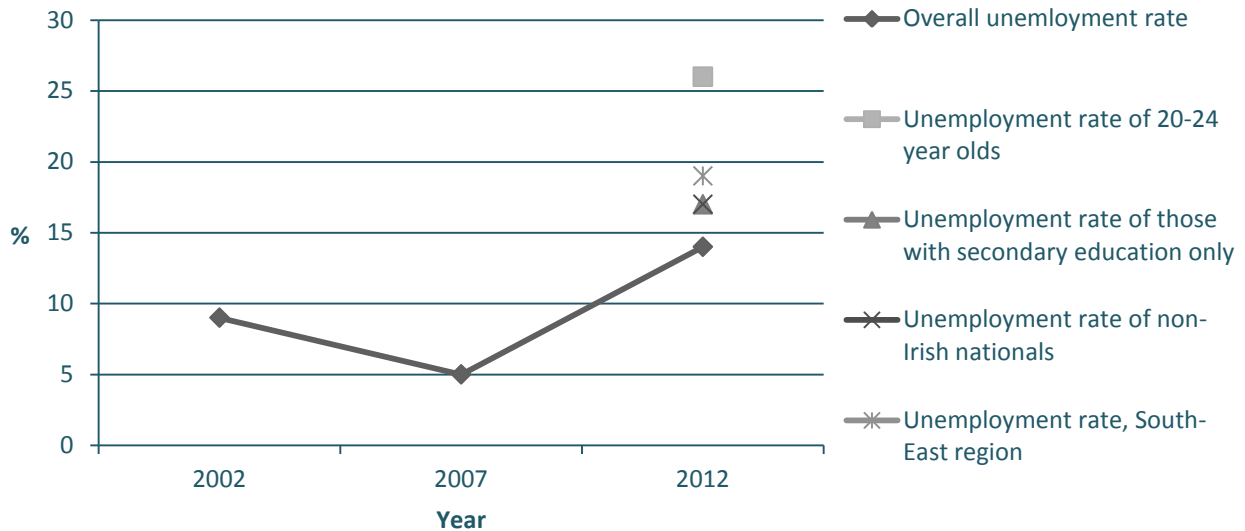
Drawing on published data and research, the report documents the impact of the crisis in relation to: unemployment; income and poverty; expenditure and debt; public services; and society and community. The report focuses, in particular, on the government commitments of: protecting the vulnerable; fostering growth and employment; reforming public services; building for the future; as well as on fairness, trust and social cohesion. An early chapter sets Ireland's experience in a global and European perspective. These briefing notes summarise the key points from the full report.

The National Economic and Social Council (NESC) was established in 1973. Its function is to analyse and report to the Taoiseach on strategic issues relating to the efficient development of the economy, the achievement of social justice and the development of a strategic framework for the conduct of relations and the negotiation of agreements between the government and the social partners. The Council is chaired by the Secretary General of the Department of the Taoiseach. It comprises representatives of trade unions, employer bodies, farm organisations, community and voluntary organisations, environmental organisations, key government departments and has eight independent experts



# Unemployment

## Changes in the unemployment rate, 2002-2012, and the groups most affected by unemployment, 2012



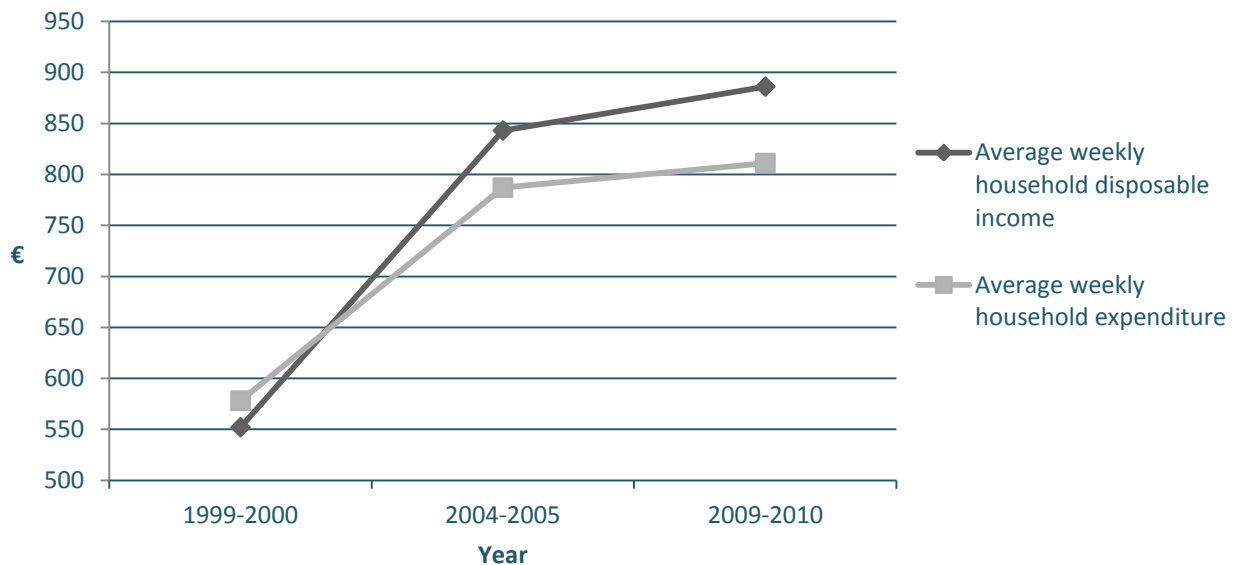
Source: CSO, Quarterly National Household Surveys, 2002-2012.

### The greatest social impact has undoubtedly been the large and sustained increase in unemployment.....

- Unemployment fell from 9% in 2002 to 5% in 2007, but increased again to 14% in 2012, with 324,500 people unemployed.
- Those most likely to be unemployed in 2012 were:
  - young people (an unemployment rate of 33% for 15-19 year olds; and 26% for 20-24 year olds);
  - those with low levels of education (an unemployment rate of 26% for those with primary education only; 17% for those with secondary level; and 7-9% for those with third level [in 2010-2011]);
  - non-Irish nationals (an unemployment rate of 17%);
  - those in the South-East (an unemployment rate of 19%), Border, and Midlands regions (both with an unemployment rate of 17%);
  - those who worked in construction (the numbers employed in these sectors declined by up to 63% between 2006 and 2011); and
  - the self-employed (male self-employment fell by 31%, 2006 to 2012).
- 6 in 10 of those who were unemployed in 2012 were unemployed for more than one year (long-term unemployed). 40% of the long-term unemployed are men aged 25-44.
- Jobless households represented 22% of all Irish households in 2010, up from 15% in 2007.
- 4,100 people were under-employed in 2006, but this rose to 145,800 in 2012 - a 3,556% increase.

# Income and expenditure

Changes in household income and expenditure, 1999-2000 to 2009-2010



Source: CSO, Household Budget Surveys, 1999-2000, 2004-2005, and 2009-2010.

## Income and wealth have fallen, while expenditure patterns have changed.....

### *Income:*

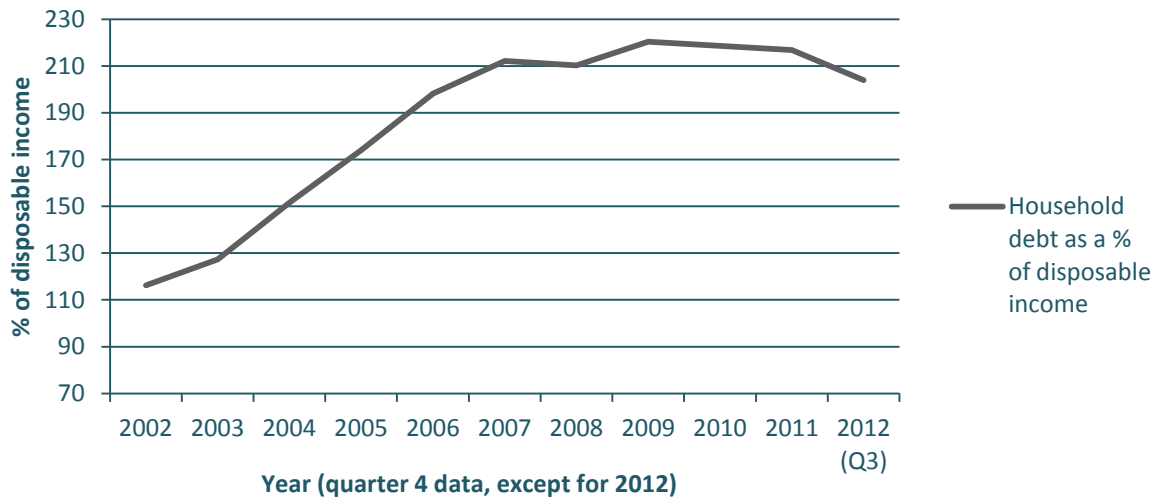
- Average weekly disposable household income has changed from €552 in 1999-2000; to €843 in 2004-5 (up 53%); and to €886 in 2011 (up 5%).
- Lone parents, the unemployed, and those with an illness/disability have the lowest incomes.

### *Expenditure:*

- Average weekly household expenditure was €811 in 2009-10, up 3% from 2004-5 (which was up 36% compared to 1999-2000).
- Key increases in expenditure were on housing, which increased from 12% of total average household expenditure in 2004-5 to 18% in 2009-10 (the first time that expenditure on housing exceeded that on food); and on fuel and light (up 15% from 2004-5).
- In 38% of households in 2009-10, expenditure exceeded disposable income. This could be due to a number of issues, such as spending of savings, spending loans, or working in the black economy.
- Households with lower incomes were much more likely to have spending that exceeded income. If households are divided into ten groups according to their income, 63% of households in the lowest 10% of incomes were spending more than their income, and 53% of those in the second 10% of incomes; compared to 21% in the second highest 10% and 16% in the top 10%.

# Debt

Household debt as a percentage of disposable income, 2002-2012



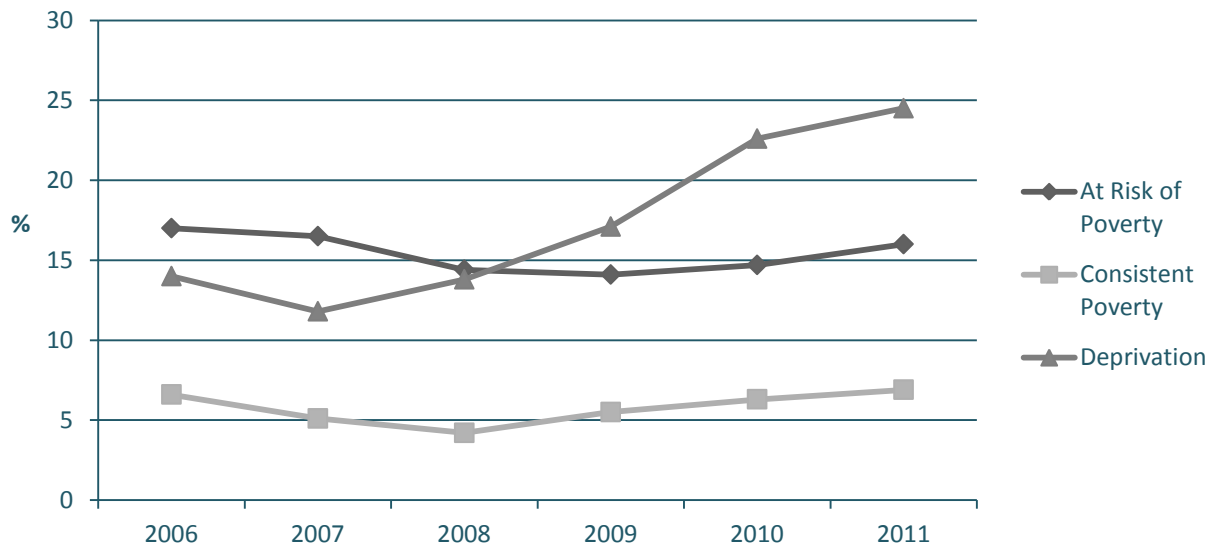
Source: Abstracted from Central Bank and CSO data on debt and income.

## The level of over-indebtedness has increased.....

- The ratio of household debt to household disposable income grew from 1:116 in 2002 to 1:220 in quarter 4 of 2009. It has declined slightly, to 1:204 by quarter 3 of 2012.
- To cope with reduced income, Irish households were most likely to cut back on clothing and footwear (64%), going out (57%), groceries (56%) and holidays abroad (48%) (in 2010 and 2011).
- In 2010, 23% of households were in arrears with at least one bill or loan.
- 52% of households in consistent poverty were in arrears with at least one bill or loan in that year.
- Mortgage arrears of over 90 days are up from practically zero in 2004, to 11% for principal private dwellings in June 2012; and to 18% for buy-to-let properties.
- 11% of the population were in arrears with utility bills in 2010.
- The proportion of the population keeping up with paying their bills, but finding it a constant struggle, rose by 7 percentage points between 2010 and 2011, from 10% to 17%.
- Lone parents, the unemployed, the ill or disabled, and those with lower levels of education are those most likely to be over-indebted.
- 'Income shocks', i.e. income reductions, which often arise from becoming unemployed, ill and unable to work, and/or relationship break-up, are important triggers for becoming over-indebted. This is particularly the case for poorer households, who are less likely to have the resources to cope with such an income shock.

# Poverty

Poverty Trends, 2006–2011



Source: CSO, SILC 2011 and revised 2010 results.

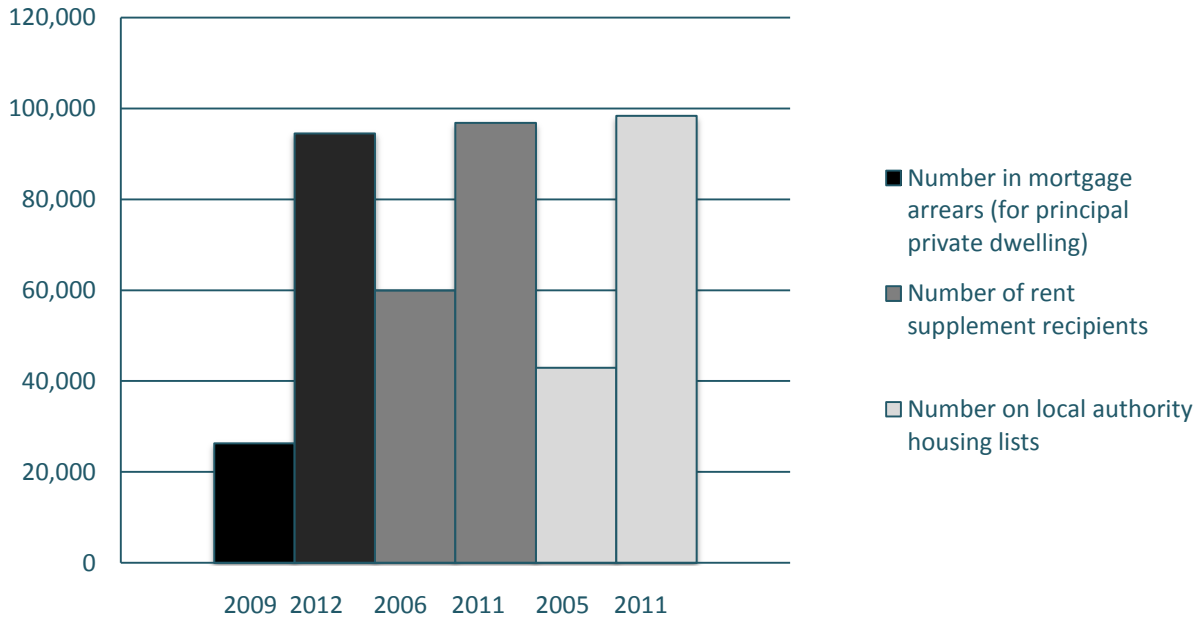
## There has been an increase in poverty, especially in deprivation, since the onset of the crisis.....

- The proportion of those at risk of poverty (living on less than €10,889 per year or €209.40 per week in 2011) fell between 2006 and 2009 to 14%, but saw an increase to 16% of the population in 2011.
- The proportion of those in consistent poverty, that is living on a low income (less than €10,889 in 2011) and deprived of basic necessities (such as adequate food, heating or social interaction) increased from 4% in 2008 to 7% in 2011.
- The proportion of the population who are deprived (lacking at least 2 basic necessities) doubled from 12% in 2007 to 24% in 2011; the deprivation rate for those at risk of poverty was 43% in 2011 (up from 31% in 2007), while the deprivation rate for those NOT at risk of poverty was 21% in 2001 (a significant increase from 8% in 2007).
- The most commonly reported deprivation items were:
  - unable to afford an morning/afternoon/evening out;
  - unable to replace worn out furniture;
  - unable to have family or friends over for a meal or drink; and
  - unable to afford heating at some stage.
- Children have a relatively high exposure to poverty, with children in lone parent households and jobless households being especially vulnerable.
- Older people have a comparatively low exposure to poverty.



# Housing

Number of people with housing difficulties



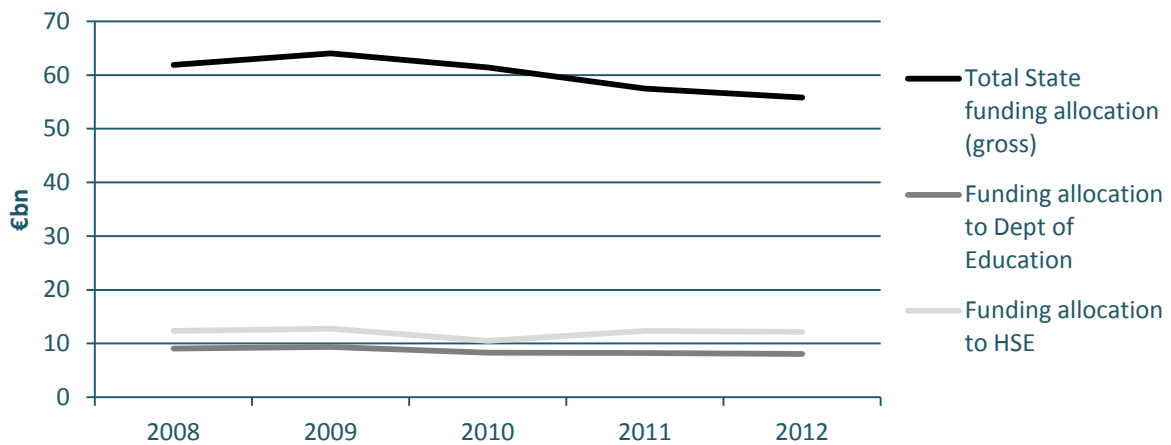
Source: Central Bank Residential Mortgage Arrears 2009-2012; and Department of Environment, Community and Local Government Housing Statistics.

## Mortgage arrears, rent supplements and the number of people on local authority waiting lists have increased.....

- Mortgage arrears of more than 90 days are up from practically zero in 2004, to 12% for principal private dwellings in December 2012 (94,488 accounts); and to 19% for buy-to-let properties (28, 421 accounts).
- Groups most likely to be in mortgage arrears include those who have lost their job, those who took out mortgages in the 2000s, and younger mortgage holders.
- The number of mortgage interest supplement recipients rose from 3,023 in 2006 to 18,703 in 2011 - an increase of 500%.
- Local authority rent arrears increased from €33m on 1<sup>st</sup> January 2008, to €59m on 31<sup>st</sup> December 2012.
- In 2006, 59,861 households were receiving rent supplement, but this had increased to 96,803 households in 2011. This increase is attributed mainly to the rise in unemployment.
- In 2005, 42,946 households were on local authority housing waiting lists, but this had risen by 129% to 98,318 households by March 2011.

# Health and Education Services

Funding allocations in the annual Budget estimates, 2008-2012



Source: Estimates for Public Services, 2008-2012.

**There has been an increased demand for public services as a result of the economic crisis, while at the same time public expenditure on service provision, in terms of budgets, staffing and programmes, has been reduced.....**

There have been both reductions and increases in service provision in the education and health areas. For example; **in the education sector**, between 2008 and 2011:

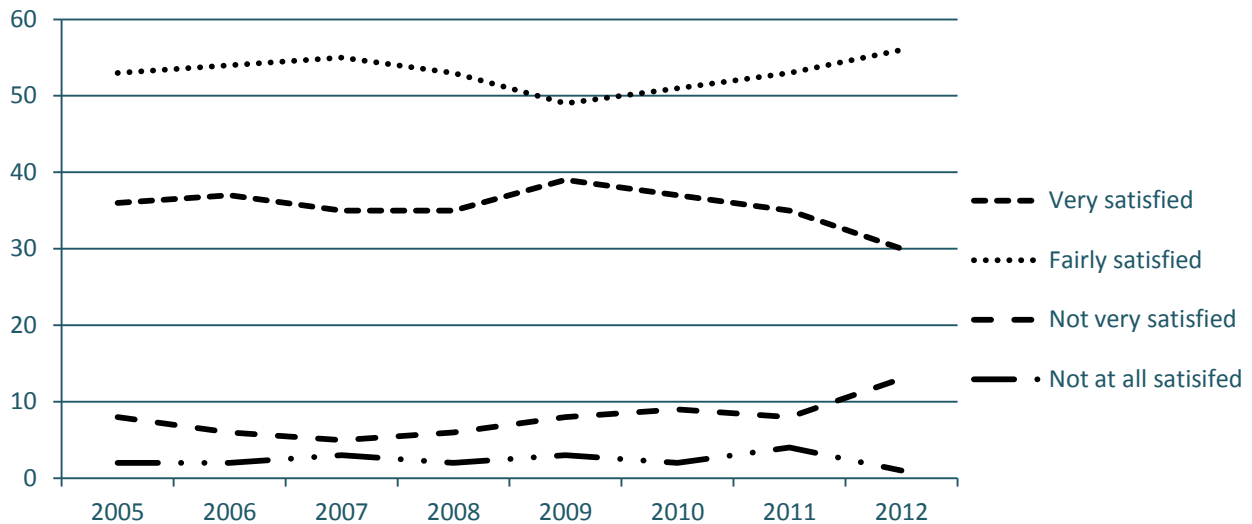
- The average number of pupils per primary school teacher increased by 2.5%.
- The average number of pupils per post-primary school teacher increased by 11.2%.
- The approximate number of children carried by the school transport service decreased by 23%.
- The number of learning support/resource teachers (whole-time equivalent) in mainstream schools increased by 20%.
- The number of home school community liaison /rural co-ordinators working with DEIS schools declined by 10%.

In the **health sector**, between 2008 and 2011:

- Overall expenditure fell by 11 per cent; with the largest falls in primary care and medical card scheme (down 17%), grants to outside agencies (down 12%), and clinical spending (down 20%).
- The number of adults waiting over 6 months for day case treatment rose by 109%, but the number of children waiting over 3 months decreased by 23%.
- The number of clients receiving home help or home care package hours decreased by 4%.
- The number of medical card holders increased by 25%, and the number holding GP-visit-only cards increased by 47%.
- Immunisation rates increased – by 6% for MMR; 5% for Diphtheria, Pertussis (whooping cough) and Tetanus (DPT), and 3% for flu among over 65s.

# Health and Happiness

Percentage of the population feeling satisfied with life, 2005-2012



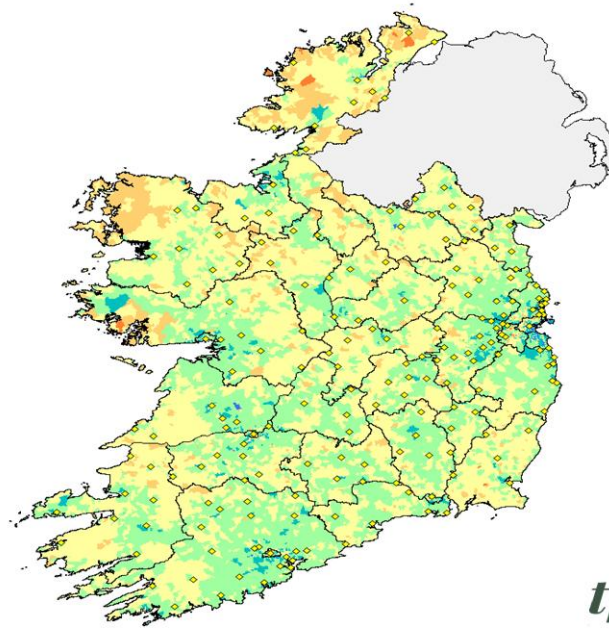
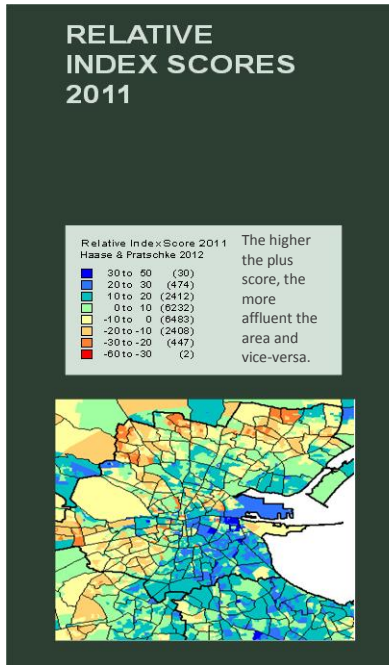
Source: Standard Eurobarometer on Public Opinion in the EU, 2005-2012.

## Despite the impact of financial stress on people's physical and mental health, the majority of people in Ireland remain satisfied with their lives.....

- In 2005, 92% of Irish people were feeling either very or fairly satisfied with their life, but this decreased to 86% in 2012. The proportion feeling not very, or not at all, satisfied with life increased from 7% to 14% over this time period.
- WHO research shows that people who experience unemployment, impoverishment and family disruptions have a significantly greater risk of mental health problems, such as depression, alcohol-use disorders, and suicide.
- A 2012 survey of young people in Ireland shows that those highly stressed by their financial situation experienced high levels of distress, lower self-esteem, and low levels of support.
- The influence of economic pressure on mental health can also negatively affect family relationships and parenting.
- Physical health can also be affected by financial pressure. Between 2004 and 2010, there has been an increase in the proportion of the population reporting food deprivation, and going without heating.
- However, an individual's resilience and capabilities can also help them to cope with financial stress.

# Place and Community

## Relative affluence and disadvantage in Ireland, 2011



th

Source: The Pobal HP Deprivation Index, (Haase and Pratschke, 2012).

**Social impacts have been felt throughout the country, especially at local and community level.....**

### *Place*

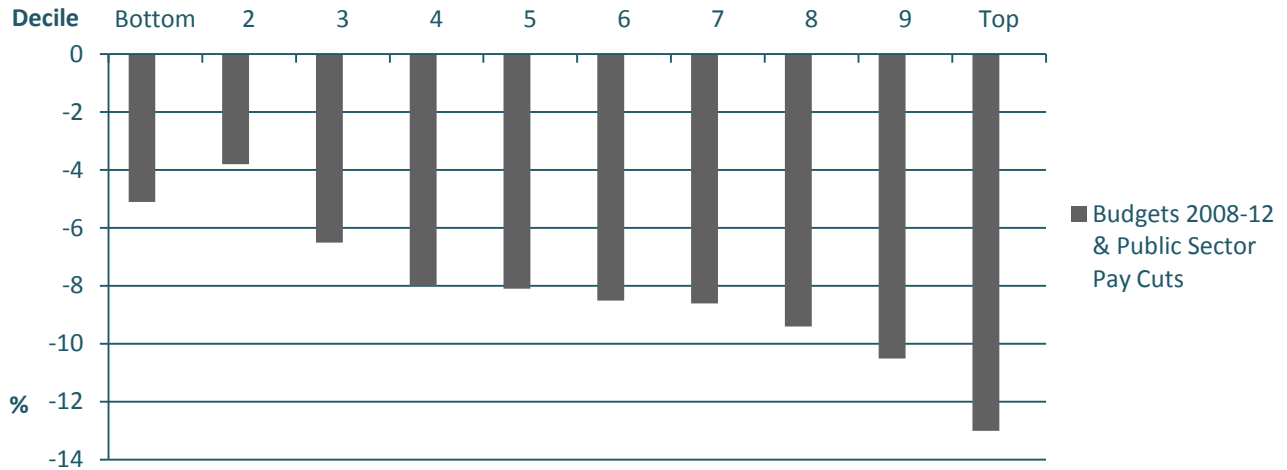
- The Pobal deprivation index shows that most areas throughout the country have been impacted by the recession, with some areas affected more than others.
- The gap evident between the most affluent areas and the most disadvantaged areas before the Celtic Tiger remains, with the exception of the regenerated docklands – but here at neighbourhood level new developments sit side by side with traditionally deprived areas.
- The areas most affected by the economic downturn are the outer reaches of the Dublin ‘commuter belt’, particularly in the Border, Midland and South-East Regions.

### *Community*

- The economic crisis, and associated population changes, have had an impact on communities at local level.
- The community and voluntary sector—which has been active in implementing pilot projects, complementing public service provision and advocacy—has been severely impacted by the economic crisis.

# Impact of Budgetary Policy

Impact of budgetary policy by income deciles, 2008–2012



Source: Callan, T., Keane, C., Savage, M. & Walsh, J.R. (2012), *Distributional Impact of Tax and Welfare and Public Sector Pay Policies: 2009-2012*, Special Article in Quarterly Economic Quarterly, Winter 2011/Spring 2012, Dublin: Economic and Social Research Institute.

**Overall, across the income distribution the impact of recent budgets has been broadly progressive but in relation to the effect on households, the changes have impacted most on families with children.....**

- Over the period, 2008-2012, despite income reductions across the board, the distributional impacts were broadly progressive, with reductions of 5% for the lowest income group and reductions of 13% for the highest income group.
- When the effect of these policy impacts is examined by family type, see table below, families with someone in employment have experienced a 9 to 12 percentage loss in their income.
- The losses for earning couples with children are highest, at over 11%, reflecting the cuts in Child Benefit.
- In general, family types dependent on welfare experienced smaller losses of 2 to 7%.

Family Type	Percentage Gain or Loss
Single, employed	-9.0
Couple, 1 earner	-8.7
Couple, earner with children	-11.4
Couple, 2 earners	-10.8
Couple, 2 earners, with children	-11.7
Single unemployed	-11.1
Couple, unemployed/not at work	-2.2
One parent family	-6.6
Single retired	-1.6
Retired couple	-3.6
Other (ill/disabled)	-3.5
All Family Types	-8.4

