An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

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

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An Oifig Náisiúnta um Fhorbairt Eacnamaíoch agus Shóisialta
National Economic & Social Development Office NESDO

National Economic and Social Council

Constitution and Terms of Reference

1. The main tasks of the National Economic and Social Council shall be to analyse and report on strategic issues relating to the efficient development of the economy and the achievement of social justice.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

3. Any reports which the Council may produce shall be submitted to the Government, and shall be laid before each House of the Oireachtas and published.

4. The membership of the Council shall comprise a Chairperson appointed by the Government in consultation with the interests represented on the Council, and

   - Four persons nominated by agricultural and farming organisations;
   - Four persons nominated by business and employers' organisations;
   - Four persons nominated by the Irish Congress of Trade Unions;
   - Four persons nominated by community and voluntary organisations;
   - Four persons nominated by environment organisations;
   - Twelve other persons nominated by the Government, including the Secretaries General of the Department of Finance, the Department of Jobs, Enterprise and Innovation, the Department of Environment, Community and Local Government, the Department of Education and Skills.

5. Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairperson to regulate the numbers attending.

6. The term of office of members shall be for three years. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office.

7. The numbers, remuneration and conditions of service of staff are subject to the approval of the Taoiseach.

8. The Council shall regulate its own procedure.

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Membership of the National Economic and Social Council

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Abbreviations

A&E
Accident and Emergency

ASTI
Association of Secondary Teachers in Ireland

CAT
Capital Acquisitions Tax

CE
Community Employment

CEEP
Centre for Employers and Enterprises providing Public services

CER
Commission for Energy Regulation

CGT
Capital Gains Tax

CLÁR
Ceantair Laga Árd-Riachtanais (Revitalising Areas Requirements)

CSO
Central Statistics Office

DB
Defined Benefit

DC
Defined Contribution

DEIS
Delivering Equality of Opportunity in Schools

DIRT
Deposit Interest Retention Tax

DWS
Developmental Welfare State

EC
European Commission

ECB
European Central Bank

EU
European Union

ESRI
Economic and Social Research Institute

ETCU
European Trade Union Confederation

FTB
First Time Buyers

GAA
Gaelic Athletic Association

GDP
Gross Domestic Product

GUI
Growing Up in Ireland

GP
General Practitioner

HBS
Household Budget Survey

HCP
Home Care Packages

HH
Home Help

HSE
Health Service Executive

ICTU
Irish Congress of Trade Unions

ILO
International Labour Organisation

IMF
International Monetary Fund

LTU
Long Term Unemployed

OECD
Organisation for Economic Co-operation and Development

MABS
Money Advice and Budgeting Service

MRTI
Mortgage Repayment to Income

NAMA
National Asset Management Agency

NCPP
National Council for Partnership and Performance

NEETS
Not in Education, Employment or Training

NEPS
National Educational Psychological Service

NERI
Nevin Economic Research Institute

NESDO
National Economic and Social Development Office

NESF
National Economic and Social Forum

PLC
Post Leaving Certificate

PQ
Parliamentary Question

PRD
Pension Related Deduction

PRSAs
Personal Retirement Savings Accounts

QNHS
Quarterly National Household Survey

R&D
Research and Development

RAPID
Revitalising Areas by Planning, Investment and Development

SILC
Survey on Income and Living Conditions

SPC
Social Protection Committee

UEPME
European Association of Craft, Small and Medium-sized Enterprises

UK
United Kingdom

US
United States

VAT
Value Added Tax

VEC
Vocational Education Association

VTOS
Vocational Training Opportunities Scheme

WHO
World Health Organisation

Executive Summary

The economic crash of 2008 has had profound social impacts, exacerbated by the subsequent fiscal adjustments. This report focuses on the social impacts of the economic crisis and the subsequent fiscal adjustments in Ireland, drawing together a broad range of elements, such as unemployment and poverty.

Unemployment has increased

The greatest social impact has undoubtedly been the large and sustained increase in unemployment. Many sectors of employment and areas of the country have experienced unemployment, but some have been more affected than others. Men in the construction industry have been particularly affected with low-skilled workers bearing the brunt of the decline. However, the unemployment figures are also notable for the number of people with third-level qualifications. Long-term unemployment remains high, with six out of ten people now unemployed for more than one year. The largest group of people who are long-term unemployed are men aged 25 to 44, who make up four in ten of the long-term unemployed.

Young people are experiencing high levels of unemployment, with many of them now long-term unemployed. Unemployment among young people is particularly detrimental to the young people themselves and to wider society, and often has long-term consequences.

Unemployment is just one outcome of the loss of a job. Some people may withdraw from the labour market while others emigrate. A large number of people have emigrated—initially it was mainly people who had recently come to Ireland to work, but more recently it has mainly been young Irish people.

Other notable aspects of Ireland's economic crisis are the high rate of jobless households, especially those containing children, the particular circumstances of the self-employed, and people who are underemployed or in precarious employment situations.

Income and wealth have fallen

The majority of households in Ireland have experienced a drop in wealth and/or disposable income since the economic crash in 2008, both as the result of the crash itself (loss of/or reduction in employment and/or assets) and of measures taken as a result of the economic crash (tax increases, social security contribution increases, pay reductions, and welfare reductions). The biggest income drops have been experienced by those who are unemployed, households with children, and students. However, those on the lowest incomes and most vulnerable to poverty are those households where no-one is working. Where these households contain children there is the danger of the transmission of intergenerational poverty, creating a longer-term issue of disadvantage and poverty.

Measures show that there was a decline in income inequality from 2004-2009, followed by a slight increase and then a fall/levelling out thereafter. These fluctuations in recent years reflect the variability in income and wealth changes over this period.

Pensions—mixed impact

Pensioners, in general, have been less affected by the economic crash than other groups. A key reason is the maintenance of the state pension. Occupational pension funds, however, have been hugely impacted by the economic crisis with a large proportion of defined-benefit schemes now in deficit. In addition, pension coverage rates have fallen since the onset of the crisis.

Identifiable patterns of economic vulnerability

A number of aspects of economic vulnerability have been identified: 7 per cent of the population can be classified as ‘poor and vulnerable’ (people who are long-term unemployed, people who are ill and disabled, and lone parents); 7 per cent as ‘poor but not vulnerable’ (many older people and some of the self-employed); and 11 per cent as ‘non-poor but vulnerable’ (people with debts whose outgoings exceed their current income). The ‘non-poor but vulnerable’ is a new ‘at risk’ group that has emerged with the economic crisis, (based on work by Whelan and Maître, 2010).

Increase in poverty

Closely aligned with the ‘poor and vulnerable’ are those in consistent poverty, whose numbers have increased since the onset of the economic crisis. Particularly notable is the increase in deprivation among those who are consistently poor, but also among households not at risk of poverty, reflected in the finding that four-fifths of households have cut back on their spending on at least one of a number of items as a result of the economic climate.

Overall, children have a comparatively high exposure to poverty, with older people having less exposure, although older people living alone (mainly women) and those with ill-health or disabilities have higher poverty levels. Some households where someone is working can also be at risk of poverty, often referred to as the ‘working poor’.

Annual Budgets have been broadly progressive

Since the economic crash in 2008 successive governments have made fiscal changes to redress the impact of the crisis. Over the four-year period (2009–2012) the distributional impacts were broadly progressive. Measures to increase income tax and reduce pay in line with income are mainly progressive, while reductions in social welfare payments and increases in indirect taxes, such as VAT, impact those on low incomes most. In relation to Budget 2013, changes to children’s allowances impacted most on households with children, especially lone parent families. Households where no-one is working or without children are least affected. [1]

Household consumption has fallen

On the expenditure side, household consumption has fallen since the economic crash. The composition of spending has also changed with an increase in the proportion of spending on housing, as well as an increase in expenditure on fuel and light. At particular risk are households where expenditure exceeds income, especially where this could make the household vulnerable. This risk is most likely for those on the lowest incomes, even though others may have higher levels of debt or had larger reductions in their incomes.

Over-indebtedness has increased

The economic crisis has also had an effect on the level of indebtedness, and especially over-indebtedness in some households. In 2010, nearly one-quarter of all households were in arrears with at least one bill or loan, and by June 2012 just over 10 per cent of all mortgage accounts for principal dwelling houses were officially in arrears, with just over one-quarter of these restructured. It is noteworthy that those living in consistent poverty are many times more likely to be in general arrears than the overall population. There is a strong correlation between low income and over-indebtedness with lone parents, people who are unemployed and people who are ill or disabled showing a persistent lack of resources leading to over-indebtedness. There is also a strong association between low educational level, poverty and over-indebtedness, especially among families with children. Recent figures do show, however, an increase in well-educated people finding themselves in arrears particularly where they have a high level of expenditure in relation to their income but they remain less likely than people with low educational levels to be over-indebted.

Importance of public services—some increases but mainly reductions and reform

Good-quality, accessible and affordable public-service provision can protect and support all citizens but especially those who are vulnerable. 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. These reductions have had an impact on the provision of public services, although information to assess this is limited. The available headline indicators show demand-led schemes, such as numbers in receipt of the medical card, have increased, while expenditure on the provision of other services such as school transport and primary care have reduced.

1 Basic welfare rates and income tax rates remained unchanged in Budget 2013. The introduction of a local property tax will impact on those who own their properties (outright or with a mortgage). Those who own higher-value properties will pay a higher amount. In addition, rates of DIRT, capital acquisitions and capital gains tax increased, and an additional levy was introduced on the use of property reliefs.

For example, in relation to education the picture that emerges is of a mix of reductions in some aspects of services and staffing and increases in others, with stories of hardship from individual schools and communities. So, despite the education budget being largely protected there are some concerns about how the specific reductions in the education system are impacting on low-income families with children, particularly if the children have special needs.

On health, there has been a reduction in the budget for key service areas provided by the HSE, with variations by category of expenditure. The largest absolute falls in expenditure have been in primary care and the medical card scheme, grants to outside agencies, and clinical spending. Reductions in grants to outside agencies are likely to affect service provision at the micro level, but it is not possible to assess this with the available data. Overall, it is a mixed picture with declines in some HSE service areas, but with improvements in others.

With regard to housing, there are now just under 100,000 people on local-authority housing waiting lists and nearly 4,000 homeless people. There is an association between low income and housing need so that if incomes continue to fall, it can be expected that housing need may rise. However, there have been changes in the provision of social housing with a move to leasing housing rather than local-authority construction, and providing local-authority housing and other social housing rather than paying rent supplement for private rented accommodation. There are also moves to accommodate people in some of the properties in the unfinished housing estates, where these are suitable.

What is notable across the service areas of education, health and housing is the extent and impact of reform. Some of these reforms are in direct response to the economic crisis, others are the result of the requirement for fiscal adjustment, but others are driven by a desire to restructure service provision.

The community and voluntary sector severely impacted

The community and voluntary sector—which has been active in implementing pilot projects, complementing public-sector provision and advocacy—has been severely impacted by the crisis. In the face of increased demand for their services many organisations have seen their budgets cut, with many making adjustments to ensure continued provision. Nevertheless, many services have been diminished or closed down.

Population changes alongside the economic crisis

Alongside the economic crisis, there have been significant changes in the composition of the population which may also be impacting on some people's lives and access to services. For example, at both ends of the life cycle there have been increases in the birth rate and in the number of older people living alone, especially women, both of which have implications for the provision of the relevant services. There has also been increasing urbanisation, particularly in the commuter belts surrounding the large cities, especially Dublin. The increase in the number of non-Irish nationals living in Ireland in recent years has led to a growing ethnic mix among the population. This increased diversity of the population is a marked feature of this recession compared to previous ones.

Spatial dimensions of the economic crisis

Most areas throughout the country have been impacted by the recession, with some areas more affected than others. The areas most affected by the economic downturn are the outer reaches of the Dublin commuter belt, particularly in the Border, Midlands and South-East regions. Other disadvantaged inner-city areas and deprived urban estates remain relatively deprived with high levels of unemployment and low levels of education.

Some areas of rural Ireland, such as Donegal and Mayo, also show up as very deprived with high dependency ratios. Loss of people and jobs have led to difficulties in many, particularly rural, communities.

Impacts on psychological and physical health

All these impacts of the economic crisis and subsequent fiscal adjustments have been shown to affect some people's psychological and physical health. Unemployment, debt and other financial difficulties have been shown to negatively impact on family relationships and mental health. Financial stress can also affect people's physical health when there is less money to spend on nutritional food and on heating.

Recognition of resilience

Nonetheless, the impact of financial and other stress on individuals and their families is mediated by their resilience. An overwhelming majority of the population in Ireland remain satisfied with their lives although this percentage has declined since the onset of the economic crisis, with 1 in 7 indicating that they were not satisfied with their lives in 2012. Many commentators have argued for the need for a broader understanding and measurement of economic and social progress in future. This would involve measures of social well-being and environmental sustainability as well as economic growth.

Implications

- **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. In these circumstances, people become more dependent on public services such as social protection, employment services, education and training, health and social housing. While the public services have been impacted by the economic crisis and fiscal adjustments it remains vital that they provide an adequate service for all citizens who require them, but especially those who are vulnerable as a result of the current economic situation. In this context, it will be critical that the public services can provide support when the economic situation improves by supporting people to take up the available jobs.

- **Those who were least well off prior to the economic crisis remain so.** This is particularly the case for people and families who are long-term unemployed or jobless, have low levels of education and skills, and have children. Particular attention needs to be given to these households to ensure that they are able to take up job opportunities when the economy improves, that they are adequately supported if for some reason they cannot work, and especially that their children are supported to exit intergenerational poverty. Early education and care, and the education system in general, have a central role to play here. Also important is the distribution of jobs—so that the proportion of jobless households is reduced. This goal will require the collaborative efforts of the social welfare system, the education and training agencies, and the job creation/promotion organisations.

- **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 households and individuals may have bought properties at the height of the boom and now find the property is in negative equity and they are unable to meet their debts. Some of these individuals and households have/had been working and have some skills and qualifications. They require supports of a more short-term nature, both: a) in terms of use or enhancement of their skills so that they are well positioned to take up a job when the economy recovers, and b) supports to assist them to manage their debts. Others, however, may be in danger of falling into long-term unemployment and poverty. They will require additional supports and training, with special attention being paid to children in these households to avoid the transmission of intergenerational poverty.

- **Policies and institutions matter.** To date, Ireland's social welfare system has been reasonably successful in ameliorating the worst effects of the recession, demonstrating that poverty and vulnerability are not intractable problems. For example, many older people and people in poverty have been helped by policies and institutions in recent years. However, it is a valid question to ask whether the policies and institutions in place before the crisis can continue to meet the demands made of them in the current recession. As outlined in this and other NESC reports, various reforms are ongoing in relation to Irish public services. A critical factor will be the extent to which they can ameliorate the social consequences of the economic crisis, while putting in place a modern system of public services. Some relevant factors here are that: a) it may be some time after the economy begins to grow before we see an increase in employment (sometimes referred to as 'jobless growth'), so that extra efforts will be required on the job creation front; b) the skills requirements for the future economy may be somewhat different from the past so that education and training agencies will be required to adapt accordingly; and c) the crisis has highlighted the importance of good governance arrangements and the requirement for having accountability mechanisms in place.

Thus, it may be timely to revisit the developmental welfare state approach, which NESC advocated eight years ago (NESC, 2005), to review its appropriateness in the current circumstances and what changes and reforms might be necessary to ensure that it can protect and support both society and the economy in the recovery years ahead and thereafter.

Chapter 1
Introduction

1.1 Focus

The economic crash of 2008 has had profound social impacts. This report focuses on the social impacts of the economic crisis and the subsequent fiscal adjustments in Ireland, drawing together a broad range of elements, such as unemployment and poverty. The Council views the social and economic impacts of the crisis as interdependent, but considers it important to try to describe as full a social picture as possible for the purposes of analysis and reflection.

The Council seeks to identify how Irish society as a whole has been impacted upon, and to draw out key implications for policy. This work has involved situating the analysis within the current government policy framework, recognising the global and European context, and then presenting a factual overview of the social impacts in Ireland. The developmental welfare state framework is adopted for this analysis, setting out the impacts on income, on services and then on spatial and community aspects.

The analysis draws on numerous data sources. Some of these are comprehensive and up to date but there are other areas with gaps in the available evidence or where the data is incomplete. In these areas there may be a need for additional data to be gathered or further analysis undertaken. In some areas there may be alternative interpretations of the data. The Council takes the view that these various interpretations should not restrain us from our own interpretation of the data with a view to contributing to national debates about the future of Irish society.

It is helpful to reflect on the social impacts of previous crises and recessions. For example, much has been written about social conditions in the late 1980s/early 1990s. **While there are many similarities with previous recessions, such as the groups at risk of poverty and high levels of long-term unemployment, many of the circumstances are now different, such as higher levels of debt, greater diversity in household structures and composition, higher levels of education, and greater ethnic diversity.** As a consequence, a range of responses may be required.

The next section discusses some current government commitments that provide a context for assessing the social impacts of the economic crisis.

1.2 Commitments in the Programme for Government

The government in its Programme for Government commits to 'protecting the vulnerable and to burden sharing on an equitable basis' (Government of Ireland, 2012a: 2). **In relation to expenditure and public-sector reform commitments, the government has stated that the key themes underpinning its approach are: (i) Protecting the Vulnerable; (ii) Fostering Growth and Employment; (iii) Reforming the Public Services; and (iv) Building for the Future** (Government of Ireland, 2012b: 16).

This chapter briefly explores each of these themes and their implications as an overriding context for the social impacts of the economic crisis, before setting out a framework for the analysis in this report and describing the structure of the overall report. It is noted that these expenditure and public-sector reform commitments are only some of a number of government objectives, which also cover areas such as fiscal, banking, economic, environmental and reputational commitments.

1.2.1 Protecting the Vulnerable

A number of government documents state the importance of protecting the vulnerable. This raises the question of who is vulnerable in the context of the economic crisis. Before the economic crisis in 2008 the concept of vulnerability was largely synonymous with poverty. While undoubtedly associated with poverty, the concept of vulnerability also seeks to capture circumstances and dispositions. Rather than relating to population groups *per se*, who could then become the target of policy responses, certain circumstances and processes could lead individuals to become vulnerable; circumstances such as losing your job, not having a home, being illiterate, having an addiction, having a disability, being dependent (young or old), or living alone. These circumstances could be short-term or long-term, but could leave people who do not have support systems (family, friends, community, or state interventions) in vulnerable situations.

Since the economic crash of 2008 a number of things have happened. Many people have lost jobs or had business failures, and there have been fiscal adjustments including reductions in public programmes. In making such reductions reference has been made to the need to 'protect the vulnerable'. In most cases this has been interpreted as ensuring the population groups who are in poverty are not unduly impacted by social welfare reductions or cutbacks in services. However, there has been a questioning of 'who is vulnerable' as many people who previously would have been regarded as reasonably well off or 'middle class' are now experiencing income reductions along with high levels of debt, sometimes referred to as 'the squeezed middle'. But are they vulnerable?

Much of our understanding of vulnerability comes from the literature based in the developing world. There are a number of key concepts in this literature that can usefully inform our understanding of vulnerability in the current economic crisis. These are summarised as follows:

The first is the concept of external risks, which is much used and relevant today. The World Bank (2000) defines vulnerability as 'reflecting the risk of experiencing an episode of poverty over time but also a heightened probability of being exposed to a range of risks'. Researchers at the World Bank, Hoogeveen *et al.* (Hoogeveen *et al.*, 2005),[2] contend that the linkages between poverty and risk define the concept of vulnerability. They argue that 'whereas poverty reflects an unacceptable level of well-being, (risk-related) vulnerability is defined as exposure to uninsured risk leading to a socially unacceptable level of well-being' (*ibid.*: 5).

Secondly, if risks and shocks are the external aspect of vulnerability then coping mechanisms and resilience are the internal aspect. Coping mechanisms are reinforced through capabilities, assets and entitlements.

Thirdly, the external exposure to risk and the internal capacity to cope can have an impact on the consequences of shocks and crises. For example, for 'transiently poor' households an external shock may temporarily cause the household to fall into poverty but these households are generally more resilient and are subsequently able to escape poverty. In contrast, for 'chronically poor' households who experience an external shock their poverty is more likely to deepen and increase in duration as they have less wherewithal to escape.

Fourthly, individuals and households respond in a number of different ways to reduce and mitigate risk and subsequent damage, as well as employing coping strategies, such as modifying their consumption, disposing of assets, bartering, and drawing on community support systems. These responses are underpinned by systems of social protection, and state and civil-society safety nets.

Fifthly, reducing the impact of vulnerability and poverty is not only about risk aversion and the economic aspects of coping mechanisms and support systems, although these are important. A wider conception of the consequences of vulnerability also includes effects such as 'adverse incorporation' (trade-offs between short-term security and long-term well-being)[3] and the psychological aspects of poverty.

Sixthly, vulnerability is not a static state but is related to ongoing processes and changing situations at individual, household and societal levels. Thus, societal structures and institutions can play a role in mitigating the impact of shocks, reducing vulnerability and supporting coping mechanisms to prevent, and provide pathways out of, poverty.

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[2] Hoogeveen, Tesliuc and Vakis work in the Social Protection Unit at the Human Development Network in the World Bank, and Dercon is at the University of Oxford.

[3] An example might be staying in a low-paid unskilled job rather than taking the possibly unpaid time to gain the qualifications required for a better-paid skilled job.

Taking these understandings into account **we can define vulnerability as follows:**

> Vulnerability is taken to mean exposure to risks, shocks and stress that an individual/household is subject to and has difficulty coping with. Vulnerability is linked to poverty but is not the same as poverty. Vulnerability is related to assets and capabilities: the more assets and capabilities people have, the less vulnerable they are, and the greater the erosion of people's assets and capabilities, the greater their insecurity. This affects their ability to deal with the unexpected over time. Vulnerability can affect people's well-being and mental health.

Thus, in the context of the current economic crisis many people and households have experienced an economic shock, but the key issue in relation to their vulnerability is their ability to cope, which may be related to the duration of the event.

1.2.2 Fostering Growth and Employment

The government has emphasised the importance of growth and employment as a means of overcoming the crisis. It suggests measures such as investment in jobs, structural reforms to boost Ireland's competitiveness, dismantling barriers to employment, reorienting labour market activation and training policy, and supporting microfinance and credit to promote small business development.

NESC's (2012a) report, *Promoting Economic Recovery and Employment,* addresses a number of these issues. For example, we make a number of suggestions that we argue could increase domestic demand; we support the establishment of a state investment bank to help support businesses; we suggest ways in which the public sector could be more responsive to enterprises; and we review the principles that should guide tax policy and tax reform in Ireland to be more supportive of growth and employment.

On labour-market policies, NESC's (2011a) report, *Supports and Services for Unemployed Job Seekers,* sets out a comprehensive and detailed review of the services available to people when they become unemployed and comments on ways in which these supports and services can be mobilised to best effect. Unemployment is one of the major economic and social impacts of the economic crisis, so that measures to address unemployment and support people who become unemployed merit special attention. The government is currently engaged in a major programme of institutional reform to better meet the needs of those who are unemployed. The characteristics and needs of people who are unemployed are examined in some detail throughout this report on the social dimensions of the crisis.

1.2.3 Reforming the Public Services

The government is engaged in a programme of reforming the public services, based initially on an in-depth review by the OECD in 2008 and more recently by the

'Croke Park Agreement'[4] (OECD, 2008; Department of Finance, 2010a). One of the objectives of the Croke Park Agreement is to achieve significant reductions in the number of people working in the public sector. In so doing, there is a commitment to large-scale redeployment of public servants within and across sectors and to 'protect frontline delivery' as staff numbers fall. There is also a commitment to reconfigure the design and delivery of public services to deliver greater efficiencies, and increased productivity and improvements in services.[5]

In its wide-ranging project on quality and standards in human services, NESC found that reform was a central element in the provision of quality services (NESC, 2012b).[6] The evidence from this body of work shows that quality should be intrinsic to how we provide human services and that this is a pertinent concern at a time when we need to optimise scarce resources. A key challenge is that services should be better tailored to meet people's needs. This requires reform in the way services are delivered but has the added benefit of making services more efficient with less waste. Some of the key findings from the NESC project include: that there are many ways to achieve quality and, in so doing, services can be tailored to meet specific needs, especially in consultation with service users; the importance of continuous improvement and of the need for a central regulator and/or government departments/agencies to be concerned not just with whether individual organisations are abiding by standards but how they can be supported in this endeavour, and how the entire sector can be continuously improved; the value of measurement especially when it is accompanied by reflection and review of practices in light of the knowledge obtained; and the benefits of constructive dialogue between service users, service providers and policy makers on how to improve performance.

NESC's (2011a) report, *Supports and Services for Unemployed Jobseekers,* has also documented in some detail the reform of the public employment services and associated institutions to address the scale of the crisis (NESC, 2011a). It is within this broader context that this report on the social dimensions of the crisis seeks to document the effect of the economic crisis on the provision of public services, as

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4 The Public Service Agreement 2010–2014, or 'Croke Park Agreement' as it is commonly known, is a four-year agreement between the government and the Public Services Committee of the Irish Congress of Trade Unions (ICTU) and other associations representing public-service staff. For its part, the government agreed not to impose public-sector lay-offs or further public-sector pay reduction, while in return the public-sector unions agreed not to take industrial action and to co-operate with the reforms aimed at increasing efficiency, flexibility and redeployment and reducing overall numbers of people employed in the public sector. The government and the trade unions negotiated a subsequent draft public-service agreement 'Croke Park II', which was not accepted by the trade unions. At time of going to print discussions were ongoing.

5 http://implementationbody.gov.ie/

6 NESC has published a series of reports on quality and standards in human services. These include an overview of concepts and practices that examined international and Irish evidence of approaches to regulation and standards-setting in human services along with the promotion of good practice; sectoral reports on residential care for older people, policing and the search for continuous improvement, achieving quality in the school system, home care of older people, and end-of-life care in hospitals; and a synthesis report that draws the findings of all the work together.

well as the crucial role of public services for Irish citizens, especially at a time of crisis.

1.2.4 Building for the Future

The government has stated that it is 'determined to safeguard children from the brunt of the adjustments' (Government of Ireland, 2012b: 17). NESC has also highlighted the important role of children in society in a number of its reports, most notably its work on the developmental welfare state where children were identified as a specific 'life cycle group' and in its report on well-being where a range of indicators to monitor children's well-being were identified (NESC, 2005; 2009). The NESF[7] has also undertaken research and reported on early childhood care and education, and child literacy and social inclusion (NESF, 2005; 2009).

NESC (and NESF) have argued that children should receive priority in social policy because of the later problems that result from a poor start in life for both individuals and society. Adhering to such a precept accepts that parental circumstances should not be the cause of any child being denied access to key developmental opportunities, so that while all children are supported, some are supported more than others based on need.

This report examines the evidence of the impact of the crisis on children and their families, on the basis that their well-being is important in and of itself, but also for the future of our society.

1.3 Fairness, Trust and Social Cohesion

In addition to the four main themes in its Programme for Government, **the government also commits to 'burden sharing on an equitable basis' and 'forging a new Ireland that is built on fairness and equal citizenship' while being 'guided by the needs of the many rather than the greed of the few'** (Government of Ireland, 2012a: 2–4).

'Fairness' is a difficult concept to define and can be interpreted in different ways by different people. However, in general terms, 'fairness' implies that decisions will be taken free from favouritism, self-interest or preference. That the decisions made will be just and equitable, in that they are dictated by reason, conscience and a natural sense of what is fair. Thus, it could be argued that those who can contribute

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[7] The NESF was established to provide advice to the government on policies to achieve greater equality and social inclusion by analysing, monitoring and evaluating relevant programmes and policies. In January 2007, the NESF was placed on a statutory footing as part of the National Economic & Social Development Office (NESDO), together with the National Economic & Social Council (NESC) and the National Centre for Partnership and Performance (NCPP). The NESF was dissolved in April 2010.

should contribute and those who need support receive that support. The question then becomes what evidence is available to assess who is in a position to contribute and by how much, and who needs support? Another view, though, might be that those who were most responsible for the decisions and actions that contributed to the scale of the crisis should be those who should now 'pay their dues', and those who have been negatively impacted as a result of the crisis through no particular action or decision on their part should receive support where it is warranted.

Related to the issue of 'fairness' is the matter of trust and transparency. As well as being 'fair', decisions have to be perceived to be fair, otherwise trust in the decision makers is undermined. This can pose a difficult dilemma for decision makers as some groups in society may perceive that they are being disadvantaged relative to other groups. Street demonstrations, as have already taken place by groups such as farmers, students, pensioners, and people with a disability, highlight one response to pending or actual decisions of this nature.

The agreement between the government and the public-sector unions (the Croke Park Agreement) set out what was expected of the various parties in the face of the crisis and has delivered a modicum of social cohesion. While there are many definitions of social cohesion it is essentially the bonds that bring people together in a society. It can be understood as a process of building shared values, reducing disparities between people, and generally enabling people to have a sense that they are engaged in a common enterprise, facing shared challenges, and that they are members of the same community (Maxwell, 1996). Thus, the interplay between social cohesion, fairness and trust is delicate and very finely balanced.

1.4 Framework for Analysis

The framework guiding the analysis is the developmental welfare state (DWS), advocated by NESC (2005), and which we believe is still relevant in the current context. The DWS includes the following core components:

- A complementarity between economic growth and social progress and, when correctly designed between economic and social, and now also environmental, policy;

- That social policy assumes its appropriate share of responsibility, along with economic policy, to enable the widest possible number in the population to secure their livelihoods in a decent and humane way;

- Three overlapping areas of welfare state activity—services, income supports and activist or innovative measures—and the integration of these three areas in a way that is developmental for individuals, families, communities and the economy;

- Within this framework, the importance of services that are tailored to meet the diverse needs of citizens and the diverse contexts in which they find themselves;

- That differentiated thinking is brought to bear on income supports for individuals at different stages in the lifecycle, for example through progressive child income supports, working-age transfers for participation, a minimum pension guarantee, and capped tax expenditures;

- The role of activist approaches and innovation that can identify new needs and adapt services and policies to meet them;

- Supporting people across the life cycle—from children, through adults of working age (transitional and anchor adults) to older people. People with disabilities warrant particular attention; and

- Paying attention to strategic and operational requirements, such as governance and leadership, and quality and standards.

This framework is borne in mind when describing and analysing the social dimensions of the crisis.

1.5 Structure of the Report

Bearing in mind the framework for analysis, the issues identified fall broadly under the following chapter headings:

- context;
- unemployment;
- income and poverty;
- expenditure and debt;
- public services;
- place, community and society; and
- conclusions and implications.

As outlined in the 2005 developmental welfare state report, there are interrelationships between these areas, but they are presented separately to identify the key issues more clearly.

Chapter 2 sets the Irish crisis in a global context, focusing particularly on European dimensions of the social impacts of the crisis, paying attention to how Ireland has fared, where relevant. The chapter also provides an overview of Irish decisions taken as a result of the crisis, providing further context for the social dimensions.

Chapter 3 traces trends in unemployment, identifying the profile of the unemployed and focusing, in particular, on youth and long-term unemployment.

Chapter 4 outlines changes in household income and in the income distribution. It addresses pension issues and examines changes in the risks and levels of poverty and deprivation, identifying those who are most vulnerable.

Chapter 5 provides an overview of household expenditure before exploring household debt and financial stress.

Chapter 6 highlights the importance of public services for all households in securing people's living standards and participation in society. Following a general assessment of the impact of the recession on public services, the impact of the recession on education, health and housing are outlined.

Chapter 7 outlines the main population changes that have taken place alongside the economic crisis, highlighting spatial differences and the increasing heterogeneity of the population in Ireland. This is followed by a section on changes in relative deprivation and on the impact of the economic crisis at community level, paying particular attention to the community and voluntary sector. A fourth section describes some of the psychological and physical impacts of the crisis, with the final section noting issues of societal well-being.

Chapter 8 summarises the main social impacts from the findings of the report and sets out some of the implications.

The paper draws on, and summarises, existing material, utilising in particular statistics from the CSO and published research reports. The analysis is mainly focused on statistics and trends from 2008 onwards, but this is dependent on the sources of data and the availability of statistics. It is also borne in mind that the economic crash followed a period of exceptional economic growth, referred to as the Celtic Tiger period, with many atypical economic and social trends. To counter distortion relating to this exceptional period, in some cases longer-term trends are presented to provide a broader context.

While macro-economic factors obviously impact on social conditions, they are not comprehensively addressed in this paper. The economic factors associated with the crisis have been analysed in NESC's (2012a) report, *Promoting Economic Recovery and Employment in Ireland,* and the NESC Secretariat Paper, *Ireland's Economic Recovery—An Analysis and Exploration*.

Chapter 2
Context

Ireland's economic crash and subsequent crisis did not happen in isolation, but within a broader global and European context. This chapter first briefly sets out the global perspective and then situates Ireland within a European context in terms of the impact of the crisis, the social impacts experienced and some of the responses to these social impacts to date. A final section provides an overview of the Irish context in a comparative European sense and in light of the decisions taken by Ireland in responding to the crisis.

2.1 Global Perspective

After two decades of what has been described by the OECD as the 'Great Moderation', recent events (macroeconomic shocks) have resulted in the 'Great Recession' (Ahrend *et al.*, 2011: 5; International Monetary Fund, 2012: 38). Ahrend and his colleagues argue that **how the impact of such shocks is borne by different groups depends partly on institutions.** For example, they suggest that regulatory and social policies, as well as policy responses, seem to have shaped the way the different population groups have been affected by the 'Great Global Recession' (*ibid.*: xvii).

Compared to other global recessions in 1975, 1982 and 1991, 2009 stands out as the most severe and synchronised global recession since the Second World War (*ibid.*: 38). The ongoing global recovery has several similarities with previous ones but also some important differences. There are similarities in relation to the changes in real GDP, trade, credit, and house and equity prices. However, there are a number of noteworthy differences. The main one is that **the level of unemployment has remained much higher than during previous episodes.** Another distinguishing feature of the current recovery is its uneven nature, with some countries such as the emerging market economies performing better and accounting for the lion's share of world growth since 2009. In contrast, the current recovery in advanced economies has been extremely weak, reflecting in part the legacy of the global financial crisis, particularly in the household and financial sectors.

A particular feature of the current situation has been the level of household debt, which soared in the years leading up to the Great Global Recession. In advanced economies during the five years preceding 2007, the ratio of household debt to income rose by an average of 39 percentage points, to 138 per cent. In Denmark, Iceland, Ireland, the Netherlands and Norway, debt peaked at more than 200 per cent of household income (*ibid.*: 89). When house prices declined, many households saw their wealth shrink relative to their debt, and, with less income and more unemployment, found it harder to meet mortgage payments. By the end of

2011, real house prices had fallen from their peak by about 41 per cent in Ireland, 29 per cent in Iceland, 23 per cent in Spain and the United States and 21 per cent in Denmark. Household defaults, negative equity, foreclosures, and 'fire sales' are now commonplace in a number of economies.

The IMF has found evidence that downturns are more severe when they are preceded by large increases in household debt (*ibid.*: 96). The declines in household consumption and real GDP are substantially larger, unemployment rises more, and the reduction in economic activity persists for at least five years. The larger declines in economic activity are not simply a reflection of the larger drops in house prices and the associated destruction of household wealth. **It seems to be the combination of house-price declines and pre-crisis debt that explains the severity of the recession.** In particular, household consumption has fallen by more than four times the amount that can be explained by the fall in house prices in high-debt economies (*ibid.*: 91).

2.1.1 Social Impacts

There is, as yet, relatively little published analysis of the social impacts of the Great Global Recession. Most of the published material relates to the human-development impact of economic crises in developing countries, for example, see Miller 2005. Nevertheless, the limited evidence that is available suggests a series of impacts: the first can be categorised as the effects of changes in the macroeconomic variables; the second related to microeconomic or social factors.

Changes in the macroeconomic variables (some of which are outlined above) can lead to the following impacts:

- A contraction of the economy can lead to unemployment and loss of earnings and/or income reductions with a consequent impact on household income, and reduced consumption;
- A banking collapse can lead to a loss of credit and a potential loss of savings;
- An economic and banking crisis can result in an inability to service existing debts, and an increase in overall debt;
- Increased levels of unemployment and earned income reductions can increase demand on government expenditures, especially on social welfare systems;
- Diminished tax revenues can require cutbacks in fiscal spending that may lead to limits on social and unemployment support payments and on education and health budgets; and
- A sharp economic downturn can prompt civil unrest, with a possible increase in crime and disorder (*ibid.*: 4).

These macroeconomic changes can lead to a second set of microeconomic or social impacts as follows:

- **Impacts on Household Income—**the likelihood for most households is a reduction in income, increasing the risk of poverty for some. The risk of poverty can be 'immediate', where the income reduction is such that the household falls below the poverty line or it can be 'prospective', where the household's reaction to the crisis may cause it to be more likely to be poor in the future; for example, limiting educational opportunities, neglecting their health, or selling assets.

- **Health Impacts—**drops in income and an increased risk of household poverty can have a number of health impacts. These can include a poorer diet, less recourse to medical services especially where these have to be paid for, the psychological impacts of unemployment, particularly long-term unemployment, and the stress of struggling to pay bills.

- **Education Impacts—**education, especially higher education, may become less affordable if household income drops. The converse, however, is that young people may be more likely to remain in education if there are few employment opportunities available, so-called substitution effects. Thus, the education impacts are mixed (*ibid.*: 5–6).

These are some of the social impacts of economic crises that have been identified at a global level. With reference to our earlier definition of vulnerability, it is apparent that households have different capacities to cope in the face of an economic shock depending on their assets, capabilities and entitlements. These issues are explored in more depth, as they are experienced in Ireland, throughout this report.

2.1.2 The Equality Debate

A particular debate that is taking place at a global level is the extent to which higher levels of income inequality may have contributed to the economic crisis and the extent to which levels of inequality will affect recovery. The OECD, among others, has given considerable attention to this issue. The OECD states that there is a growing consensus that assessments of economic performance should not focus solely on overall income growth, but also take into account income distribution (OECD, 2012: 182).

The OECD reports that rising income inequality tends to be shaped by an increasing concentration of income at the top end of the income distribution, for example, in the USA the top 1 per cent of the population received 18 per cent of pre-tax income in 2008, up from 8 per cent in 1980. While there remains substantial disagreement about the causes of this growing concentration of wealth at the top end of the income distribution, some of the main reasons put forward are:

- Tax rates for high earners have come down considerably over time;

- Tax regimes may seek to increase disposable income, with types and rates of tax preferentially benefitting higher earners;

- New information technologies, along with globalisation, have widened the markets for 'stars', boosting top incomes in the sports and entertainment industries;

- The skill requirements and responsibilities of top managers have become more complex, while their options of alternative positions have improved, increasing their bargaining power; and

- Globalisation has led to a sharp increase in the market capitalisation of large multi-national companies, with the rise in executive pay closely following the rise in company size (OECD, 2012: 187–8).

Taking a broader perspective, the OECD has divided countries into groups according to their patterns of inequality. For example, in five English-speaking countries, including Ireland (Australia, Canada, Ireland, New Zealand and the UK) and the Netherlands, wages are rather dispersed and the share of part-time employment is high, driving inequality in labour earnings above the OECD average. Means-tested public cash transfers and progressive household taxes reduce overall income inequality, but it remains above the OECD average. At the other end of the scale, four Nordic countries and Switzerland all have comparatively low labour inequality because wage dispersion is narrow and employment rates are high. Cash transfers tend to be universal and are thus less redistributive. Income inequality for this group is considerably below the OECD average (OECD, 2012: 182).

The OECD presents an analysis to show that although technological change and globalisation have played a role in widening the distribution of labour income, as described above, the marked cross-country variation is likely due to differences in policies and institutions. The following conclusions are drawn:

- **Education policies matter,** when they promote equal access to education and increase graduation rates from upper secondary and tertiary education;

- **Well-designed labour market policies and institutions can reduce inequality.** A well-set minimum wage, well-functioning trade unions and job-security initiatives tend to reduce labour earnings inequalities;

- **Policies that foster the integration of immigrants** and combat discrimination reduce inequality;

- **Tax and transfer systems** play a key role in lowering overall income inequality, with much of the reduction in inequality across the OECD due to transfers; and

- Of the various types of taxes, **personal income tax tends to be progressive,** while social security taxes, consumption taxes and property taxes tend to be regressive. Progressivity can be strengthened, however, by cutting back tax expenditures that benefit mainly high-income groups (OECD, 2012: 182–3).

The findings highlight the existence of both 'complementarities and trade-offs between reducing inequality and promoting economic growth' (OECD, 2012: 183). For instance:

- **Many policies entail a double dividend** as they reduce income inequality while at the same time boosting long-run GDP per capita, for example, improving the quality and reach of education, promoting equity in education, supporting active labour-market policies, promoting the integration of immigrants, fostering female labour-market participation and reducing tax reliefs;

- By contrast, **some policies may entail a trade-off** between reducing income inequality and raising GDP per head, for example, increasing the flexibility of wage determination, shifting the tax mix from personal taxes towards consumption taxes; and

- **Other growth-enhancing policies may have an ambiguous effect** on income inequality, for example, avoiding high and long-term unemployment benefits, lowering minimum labour costs and moving from income to wealth taxes (OECD, 2012: 183–4).

2.2 European Perspective

A number of analyses have been undertaken on the social impact of the economic crisis by the European Commission and other European bodies, such as the European Anti-Poverty Network (Duffy, 2012) and the European Foundation for the Improvement of Living and Working Conditions (Eurofound, 2011). The Social Protection Committee (SPC) of the European Union has published a report on the social impact of the economic crisis and ongoing fiscal consolidation, which takes into account much of the preceding analyses (European Commission, 2012a).[8] The SPC's report describes the main trends associated with the social impact of the crisis at European level, plus national responses to the crisis. The following section summarises this material, referring to other publications where relevant.

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8 The report is based to a large extent on information provided by member states through an *ad hoc* survey questionnaire among SPC members prepared for the purpose of the report. The report has been subject to consultations with the social partners (Business Europe, CEEP, ETUC, UAEPME) and the Social Platform. The report also draws on previous SPC and EC analyses and documents including consumer and Eurobarometer surveys. The report was published in March 2012.

- **The most evident social impact of the crisis is the high level of unemployment,** registering 9.7 per cent across the EU in September 2011. Employment growth has not been strong enough to reduce persistently high unemployment so that unemployment is not expected to fall in the short term, whilst at the same time, average unemployment spells are lengthening. Ireland has one of the highest unemployment rates, behind Spain. **The increase in the number of long-term unemployed across the EU is one of the most important consequences of the crisis.**

- While until recently **women** have been hit less hard by the economic crisis, they **now appear more vulnerable in the labour market than men,** as the EU-27 unemployment rate for women has been consistently higher than for men since the beginning of 2011. The underlying reasons are related to factors such as type of jobs on the market and the possibility of more women wanting to enter the labour market as their partners are exposed to a higher risk of becoming unemployed as a consequence of the crisis.

- **Young people are hardest hit by the crisis** with youth unemployment being much higher than the unemployment rate for the whole population in the EU-27. Youth unemployment is particularly high in Ireland, as well as in a number of other countries. This leads to a concern about young people entering and integrating into the labour market, and can have long-term consequences on their skills and future labour-market position in terms of career development and wages.

- **There has been a sharp increase in the number of households with a low work intensity,** marking the danger of long-term exclusion from the labour market and society.

- In 2010, 115.5 million people in the EU-27 were deemed to be at risk of poverty or social exclusion, that is 23.4 per cent of the population.[9] [10] This was an increase of nearly 2 million compared to 2009. According to the EU Network of Independent Experts on Social Exclusion, during 2011 the impact of the financial and economic crisis and the implementation of austerity measures led to **an**

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9 The EU-27 is the 27 member states as of 1 January 2007. They are: Belgium, Greece, Luxembourg, Denmark, Spain, Netherlands, Germany, France, Portugal, Ireland, Italy, UK, Austria, Finland, Sweden, Poland, Czech Republic, Cyprus, Latvia, Lithuania, Slovenia, Estonia, Slovakia, Hungary, Malta, Bulgaria, and Romania.

10 People at risk of poverty or social exclusion is defined as the number of persons who are at risk of poverty or severely materially deprived or living in households with a very low work intensity as a share of the total population. At risk of poverty rate (after social transfers) is defined as persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 per cent of the national median-equivalised disposable income. Severe material deprivation is defined as persons who cannot afford at least four out of the following nine items: (i) to pay their rent, mortgage or utility bills; (ii) to keep their home adequately warm; (iii) to face unexpected expenses; (iv) to eat meat, fish or a protein equivalent every second day; (v) a week's holiday away from home; (vi) a car; (vii) a washing machine; (viii) a colour TV; or (ix) a telephone. Persons living with very low work intensity are defined as people aged 0–59, living in households where working age adults (18–59) have worked less than 20 per cent of their total work potential during the past year.

increase in poverty and social exclusion in more than half of member states, despite a declining poverty threshold as incomes across the board have dropped (Frazer & Marlier, 2011).

- The depth of poverty and social exclusion has worsened, with more people dropping to the bottom of the income distribution since the beginning of the crisis.

- **The percentage of children living in poverty or social exclusion was on the rise** in a number of EU countries in 2010. This was as a result of a number of factors related to unemployment, a fall in wages, a decline in income support, and a cutback in services (*ibid.*). There is an identified need to counter the intergenerational transmission of such disadvantages as children growing up in poverty and social exclusion are less likely than their better-off peers to do well in school, enjoy good health and realise their full potential as adults.

- In general, **the poverty risk for people over 65 has decreased across the EU.** There remains significant differences, though, in the level of income between older men and women, because of much lower pension entitlements for women in many countries. By and large, pensions have remained to a large extent unchanged during the crisis and thus changes in pensioners' risk of poverty have been due to wider income distribution and socio-economic changes.

- **There is an increasing risk of poverty for people in work,** with 8.5 per cent of the EU working population in 2010 considered to be 'working poor'. In the EU-27, **lone parents have the highest in-work at-risk-of-poverty rates** (21.6 per cent in 2010). Factors like household composition, level of wages and the number of hours worked all influence the level of in-work poverty. Among the in-work poor, **those on temporary contracts are twice as likely to be at risk of poverty as those on permanent contracts.** However, the SPC highlights that the majority of temporary contract workers are not at risk of poverty and in some member states temporary contracts can be effective at lifting people out of poverty, and that job quality is more complex than the contract type alone.

- Across the EU-27 the economic crisis has reduced disposable income and impaired the ability of households to meet their financial obligations, particularly loan repayments and payment of utility bills. The highest level of unsecured debts were found among lone-parent families and low-income households. Thus, **over-indebtedness is worsening and in some cases threatening access to housing.** A number of countries are applying debt rescheduling measures.

- A report by Jenkins *et al.* (2011) points out that at the beginning of the crisis countries were able to cushion households from the immediate effects by means of benefits and other social-safety nets. Their study predicts, however, that as governments cut public spending and raise taxes to confront structural deficits, household income will be impacted for up to 5 or 10 years or longer, depending on when economic growth returns.

- **Pressure on social-protection systems remains high,** with suggestions of shifts from unemployment benefits to social assistance benefits, given the adverse economic climate and the low level of job opportunities in many member states.

- The SPC contends that the implementation of austerity measures aimed at redressing the existing deficits must not produce the undesired effects of reducing lifetime chances for future generations. Thus, an intergenerational approach should be considered and a long-term vision adopted in order to avoid the exacerbation of inequalities for coming generations and the further segmentation of the labour market. The International Labour Organisation, (ILO), (2011) has argued that it will not be possible to recover from the recession unless social inequalities are addressed through well-designed policies.

- In analysing income inequality, the SPC argues that inequalities, of income or of outcome and access, are a result of long-term socio-economic developments rather than being a direct result of the crisis, as such. Thus, **the impact of the crisis depends to a great extent on who is affected and where they are located on the income distribution** (Jenkins *et al.*, 2011).

- **There is a clear perception of inequalities among citizens** as revealed by the Eurobarometer surveys (European Commission, 2012b).

- **EU citizens are much more worried about future income prospects in 2011 compared to 2008.**

    - The most recent Eurobarometer survey (December 2011; European Commission, 2012b) shows that 80 per cent of respondents think that poverty has increased in their own country over the past twelve months and two-thirds believe it has increased in the EU as a whole.

    - Nearly two-thirds (63 per cent) of EU respondents said that there is a risk of them being unable to cope with an unexpected expense of €1,000 over the coming year; 45 per cent said they might not be able to pay ordinary bills or buy food; and 43 per cent said they might not be able to pay their rent or mortgage.

    - Looking ahead to the next twelve months, just over one in ten (14 per cent) of EU citizens think their household's situation will improve, while nearly half (47 per cent) expect their financial situation to remain stable, and just over one-third (36 per cent) expect their situation to deteriorate (compared to just 26 per cent in October 2010). This was particularly the case in Ireland with 62 per cent of respondents expecting their financial situation to deteriorate, an increase of 30 percentage points from October 2010.

    - Difficulties in access to services are highlighted as an increasing problem with nearly a third (32 per cent) of EU citizens saying it has become more difficult to afford general healthcare; 38 per cent saying childcare has become more difficult to afford; and 40 per cent saying it is more difficult to cope with the costs of long-term care.

2.3 European Social Responses

The SPC of the European Commission notes that member states have been fairly successful in mitigating the impact of the crisis on households and individuals (European Commission, 2012a: 6). They note that **a wide range of policy solutions have been put into place through adopting targeted measures and maintaining social provisions.** They do emphasise, however, that in the prolonged period of the economic downturn it is of the utmost importance to maintain the resilience of social-protection systems as they continue to provide protection and services not only to the most vulnerable but to the population as a whole.

In particular, the SPC records that in the majority of countries there is **a continued focus on labour-market inclusion and activation policies,** with a view to reducing unemployment risk and enhancing labour-market skills and job creation. The types of measures reported include: better targeting of support to the unemployed, wage subsidies, short working-time arrangements, support for enrolment in vocational training and educational programmes to maintain and improve skills, and strengthened public-employment services.

Income-support measures are widely used to mitigate in-work poverty and prevent poverty more generally. Reported measures include the provision of benefits to: low-income pensioners; low-income working households; long-term unemployed; persons with disabilities; and recipients of social assistance.

Many member states have taken **measures to address pension sustainability and adequacy.** These measures aim at raising the effective retirement age, equalising the pensionable age for men and women, providing incentives to prolong working lives, tightening the rules on early retirement, increasing contribution rates to pension funds (public and private), revising pension indexation, and temporarily freezing the level of pension benefits.

Many member states are under **pressure to reduce healthcare costs.** Cost containment of health expenditure has involved either moderating demand through transfer of part of the cost to the patient, or limiting the supply of healthcare services. This is of concern in the context of recent evidence showing the mental health problems caused by unemployment, particularly for lower socio-economic groups (Department of Health UK, 2010).

Attention has been drawn **to the fundamental role of social services** across Europe. Services such as healthcare, childcare, care for the elderly, assistance to disabled persons, and social housing provide an essential safety net for citizens, particularly those at risk of poverty.

Most member states report that they have **regular monitoring exercises** in order to assess the social impact of the ongoing economic situation and ensuing fiscal consolidation.

On the basis of their analysis the SPC presents the following **policy messages:**

- Improved resilience of social-protection systems is needed to withstand prolonged economic shocks;

- Maintaining income support at an adequate level is effective in offsetting the worst effects of the crisis and in stimulating demand;

- The struggle against unemployment is challenged by low job creation and insufficient implementation of active inclusion measures;

- Mitigating inequalities is the key to ensuring the fair distributional impact of austerity programmes and to restoring confidence in inclusive growth; and

- Shifting the fiscal burden from labour to consumption has taken place through increases in excise rates as well as the introduction of base-broadening measures. Yet there is little evidence that shifting the tax burden from labour to consumption has a positive revenue-raising effect, while it inflicts proportionately larger losses on low-income families than on high-income ones.[11]

The policy framework within which EU policy decisions are made is the Europe 2020 strategy, which runs from 2010 to 2020. Europe 2020 sets out a strategy for smart, sustainable and inclusive growth.[12] The European Commission (European Commission, 2012c) has reviewed employment and social developments stating that 'the Europe 2020 objective of inclusive growth gives a new prominence to social issues complementing a strong focus on employment' (*ibid.*: 11). The Commission argues that to respond to the economic crisis effectively and to restore sustainable growth it is essential to address the employment and social dimensions of the crisis (*ibid.*: 3).

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11 This is the view of the Social Protection Committee of the European Commission. Other evidence (for example, from the OECD, see OECD, 2010; Arnold, 2008) suggests that shifting the tax burden away from labour is conducive to growth, which in turn is supportive of revenue-raising.

12 To progress these growth ambitions, five key targets have been set that are to be achieved by the EU by the end of the decade. The five targets are: 75 per cent of the population aged 20–64 should be employed; 3 per cent of the EU's GDP should be invested in R&D; The '20/20/20' climate/energy targets should be met (including an increase to 30 per cent of emissions reduction if the conditions are right); the share of early school leavers should be under 10 per cent and at least 40 per cent of the younger generation should have a tertiary degree; and 20 million less people should be at risk of poverty (for Ireland this translates into reducing the number of people living in consistent poverty by 186,000 between 2008 and 2018).

Having briefly reviewed the global and European context in relation to the economic crisis, the next section provides an overview of the Irish context.

2.4 An Overview of the Irish Context

Ireland is exceptional in a European context in a number of ways. Firstly, its economic crash was earlier and more severe than many other European countries. Because of the severity of the economic crash, Ireland is now one of three IMF-ECB-EU ('Troika') 'programme countries' along with Greece and Portugal.[13] Being an 'IMF-ECB-EU programme country' has a number of implications including receiving a loan ('bailout') in return for adhering to agreed policies to address fiscal imbalances and move towards a path of sustainable economic growth. Adherence to such a programme has involved tax increases, decreases in welfare, spending restrictions and reductions in public-service numbers.[14] Since the crash and entering the IMF-ECB-EU programme there has been a change of government. While many of the measures taken as a result of the crash have been requirements within the IMF-ECB-EU framework, many of the specifics and the balance of measures reflect national political choices within these parameters.

It is recognised that sustainable public finances are a prerequisite to achieving sustainable economic growth. Ultimately, it is economic growth that will provide the jobs that are the most effective means to improving standards of living, as well as providing the resources to tackle social-policy goals. The focus of this report, however, is on the social consequences of the economic crash and the fiscal consolidation measures that have been taken to address it.

Secondly, **Ireland is exceptional in a European context in relation to its high proportion of jobless households,[15] and the proportion of children contained in these households.** The onset of the recession has seen the proportion of jobless households increase, from 15 per cent in 2007 to 22 per cent in 2010 (nearly one-quarter of all households, Watson *et al.*, 2012). This proportion stands out when compared with other European countries, with the next highest (UK) having 13 per cent of its households jobless. This high rate of jobless households is attributed to a structural problem partly caused by a high jobless rate among adults, and partly by jobless adults being less likely to live with working adults and more likely to live with children. A notable feature is the proportion of children (nearly a quarter) who live in jobless households in Ireland.

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13 'IMF-ECB-EU programme countries' receive funding from the IMF, the ECB and the EU as a result of the collapse of their economies in the global financial crisis.

14 The first fiscal consolidation measures were implemented in July 2008, with further measures taken over the following two years, thereby preceding entry into the IMF-ECB-EU programme in 2010.

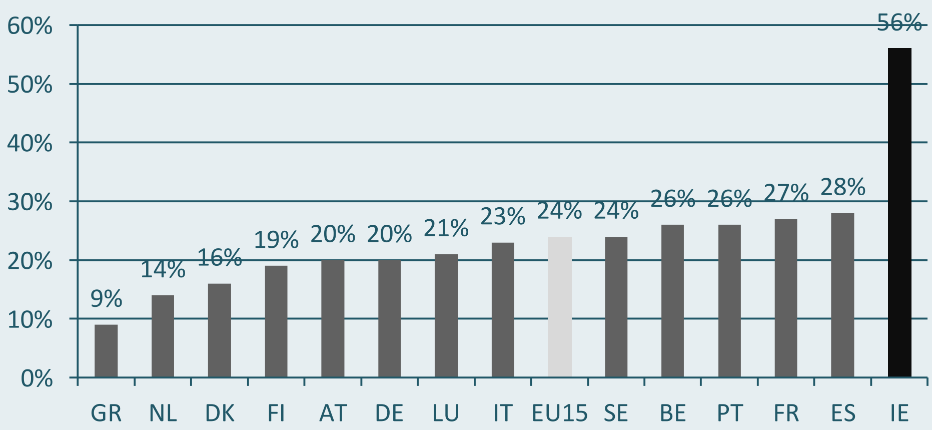
15 A jobless household refers to a household with very low work intensity, i.e. less than 20 per cent of available adult time is spent working.

Figure 2.1 shows that the majority of adults in jobless households live with children (56 per cent), which is twice the EU-15 average in 2009.

Risk factors for people living in jobless households include: if the householder never worked; is in the unskilled manual/service class; has no educational qualifications; is living in rented accommodation (either social housing, local authority or private); has a disability; is a lone parent; or lives alone. These issues are considered in more detail in the remainder of the report.

Thirdly, **Ireland has been relatively successful in ameliorating poverty through its social welfare system.** In the 2000s, Ireland increased many of its social welfare benefits so that by 2008 Ireland had a relatively generous social welfare system in EU terms. The impact of this investment in the social welfare system has resulted in positive poverty reduction effects. For example, the poverty reduction effects of Irish social transfers (excluding pensions, in line with the EU norm) rose from 26 per cent in 2001 to 42 per cent in 2005 and to 60 per cent in 2010 (Social Inclusion Division, 2012: 5). This increase in the poverty reduction effect has taken place despite an increase in the 'at risk of poverty rate' before social transfers (see chapter 4). The poverty reduction effect of social transfers in Ireland has been among the highest in the EU-27: see figure 2.2.

Figure 2.1: Percentage of Adults in Jobless Households Living with Children, 2009

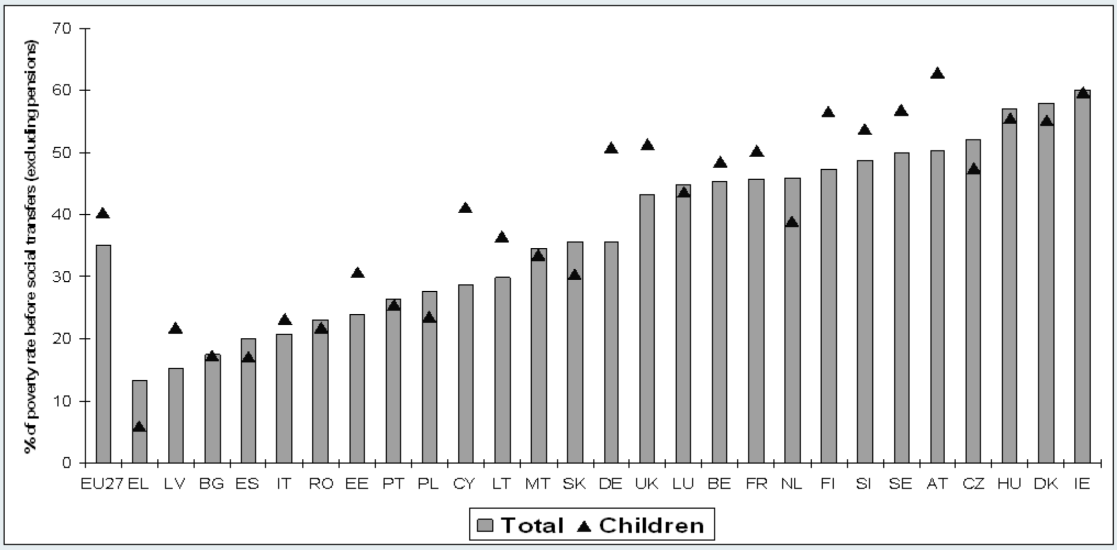


Source: Watson *et al.*, 2012; base=all adults in jobless households.

Social transfers, however, do not take into account the provision and availability of services, such as health and social services, early childhood care and development, education and housing. Nor do they take into account other factors such as the cost of living, levels of indebtedness or the overall tax and welfare regime.

The remainder of this report explores the social dimensions of the crisis in Ireland in some detail. It describes two elements: firstly, direct impacts of the crisis such as unemployment, loss of income/wealth and debt. Secondly, it explores the social impact of decisions taken to address the crisis, many of which are required as part of the IMF-ECB-EU programme—tax increases, wage reductions, cuts in services and welfare. There is clearly some overlap between these two elements. The report will describe, and where possible explain, these various dimensions, drawing some conclusions in a final chapter.

Figure 2.2: Poverty Reduction Effect of Social Transfers in EU-27, 2009



Source: Social Protection Committee (2011), *The Social Dimension of the Europe 2020 Strategy*, Luxembourg: Publications Office of the EU; data from EU SILC 2009, cited in Social Inclusion Division, 2012: 5.

Chapter 3
Unemployment

3.1 Unemployment

Unemployment is arguably the biggest blight of the economic crisis, affecting people's income, their well-being and the overall economy. As argued in NESC (2011a: ix):

> People who have lost their jobs in the current recession or who cannot find employment bear costs of an entirely different order to those whose net pay has been reduced, social welfare has been lowered, have had their entitlement to a public service withdrawn, or are having to wait longer for a public service.

The NESC report (2011a) on supports and services for jobseekers comprehensively addressed the extent and nature of unemployment as a result of the economic crisis and the current responses. Consequently, only a brief overview of the key trends and issues are rehearsed here.

3.1.1 Unemployment Trends

It is hard to get an accurate assessment of the circumstances of people who have lost their jobs. Some people who have lost their jobs may have withdrawn from the labour market temporarily (e.g. gone into education or other activities), or permanently (retired), while others may have emigrated, so that they are not included in the 'unemployment figures'. Conversely, some people who are now unemployed may not have lost a job, having been unemployed before the economic crisis or are now entering the workforce for the first time.

The numbers of those on the Live Register (423,733 people in December 2012, CSO, 2013b) provides the most up-to-date information on numbers of claimants and applicants for Jobseeker's Benefit/Allowance and those signing for credits. However, it is not the official measure of unemployment as it includes part-time workers (those who work up to three days per week), and seasonal and casual workers entitled to Jobseeker's Benefit/Allowance. Unemployment is officially measured by the Quarterly National Household Survey (QNHS), where the latest estimated numbers of persons unemployed as of the fourth quarter of 2012 was 294,600 (CSO, 2013a). The numbers unemployed fell by 6.1 per cent in 2012. This is the second quarter in succession in which unemployment has decreased on an annual basis—which has not happened since 2005.

In 2002, there were 159,300 people unemployed or looking for their first job, with an unemployment rate of 8.8 per cent (CSO, 2003). By quarter three of 2007 (the peak of the boom, in terms of employment numbers), 106,100 were unemployed, but this swelled to 324,500 in quarter three of 2012. **There was a steady increase in the unemployment rate** (QNHS, ILO definition)[16] **from 4.7 per cent in quarter three of 2007 to 14.6 per cent in quarter three of 2012, falling slightly to 14.2**[17] **per cent in quarter four of 2012** (see figure 3.1). **The male unemployment rate was continually higher than the female unemployment rate over this period,** with 196,200 men and 98,500 women out of work in quarter four of 2012. The high male unemployment rates reflect huge job losses in the construction sector and allied trades, particularly in the early part of the recession (CSO, 2007a; 2013a).

3.1.2 Composition of Unemployment

As well as gender differences, there are other differences within the overall unemployment statistics. Young people (under 25), those with low levels of education, and non-Irish nationals have higher unemployment rates than the national average. There are also regional differences.

Young people

Drawing on international evidence and accepting that there are national variations, **youth unemployment rates are typically at least double those of overall unemployment rates** (Bell & Blanchflower, 2010). **Ireland is no exception,** with unemployment rates at 33 per cent for 15–19-year-olds and 26 per cent for 20–24-year-olds, compared to 14 per cent overall in quarter four of 2012, and with young men having higher unemployment rates than young women (CSO, 2013a). Worryingly, **a high proportion of young people are long-term unemployed:** in quarter four of 2012, over half (55 per cent) of unemployed young men (15–24-year-olds) had been unemployed for over a year, as had one-third (33 per cent) of unemployed young women.[18]

Youth unemployment is particularly susceptible to labour-market changes, as it is the most flexible segment of the labour force. Young people are more likely to hold temporary jobs, and to work in cyclically sensitive industries such as construction (Scarpetta *et al.*, 2010). Figure 3.2 outlines the changes in unemployment for different age groups between 2006 and 2012, and shows that the growth in unemployment has been, and remains, highest for those in the younger age groups (although a slight improvement is seen in all age groups but one over 2012).

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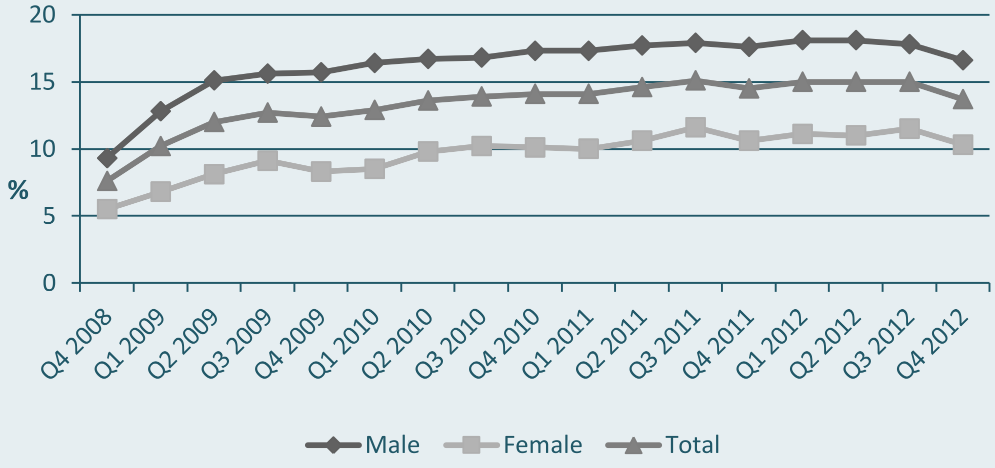
16 The ILO definition of unemployment used in the QNHS is persons who, in the week before the survey, were without work and available for work within the next two weeks, and had taken specific steps, in the preceding four weeks, to find work.

17 The seasonally adjusted rate – the unadjusted rate was 13.7 per cent.

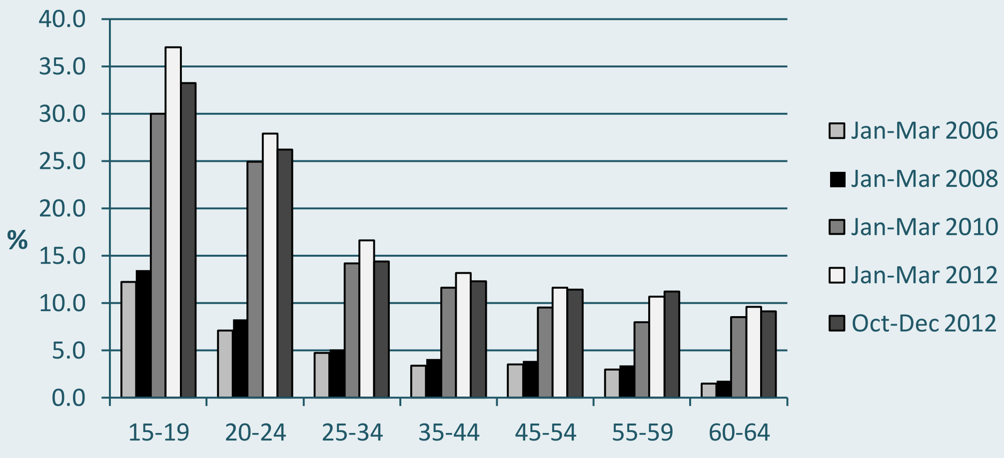
18 CSO, 2013a—using data accessed at http://www.cso.ie/en/qnhs/releasesandpublications/qnhs-calendarquarters/, on 5 March 2013.

Figure 3.1: Unemployment Rate 2008–2012



Source: CSO, online QNHS.

Figure 3.2: Unemployment Rate, by Age Group, 2006–2012



Source: CSO, 2006b; 2013a.

Education level is strongly related to unemployment with higher unemployment rates amongst those with a lower level of education. This relationship for young people is illustrated in table 3.1 where young people (15–25-year-olds) who have only completed primary level have an unemployment rate of 70 per cent. The biggest numbers in this age group who are unemployed—nearly 40,000—are those who have completed upper secondary (Leaving Certificate), and who have an unemployment rate of 39 per cent.

Youth unemployment also varies by county, with the highest rates in Limerick city (50 per cent), Donegal (49 per cent) and Wexford (47 per cent). It was lowest in Dun Laoghaire-Rathdown, at 27 per cent, followed by Fingal, Cork County, Galway city and Dublin city (CSO, 2012e).

It should be remembered that despite the very high rates of unemployment for those under 25, the actual numbers affected are somewhat lower than in older age groups (as the labour force is larger in older age groups). Some 59,000 of those aged under 25 are unemployed, compared to 85,800 aged 25–34, and 69,700 aged 35–44 (quarter four of 2012). Many young people may remain in education or emigrate.[19] These issues are discussed further in later sections of this chapter.

Table 3.1: Youth Unemployment Rate by Educational Level

Unemployment rate for persons aged 15–24 by highest level of education completed

	No. unemployed	Unemployment rate
Primary	4,732	70%
Lower secondary	16,552	65%
Upper secondary	37,398	39%
Third level	7,534	18%

Source: CSO, 2012e, table 4 and p.14.

19 It is worth noting that Ireland has high numbers of young people 'not in education, employment or training', sometimes referred to as NEETS. For example, Ireland has the fourth-highest number of NEETS in the EU-27 at 18.4 per cent, compared to an EU-27 average of 12.9 per cent (National Youth Council of Ireland, 2012).

The effects of youth unemployment

Unemployment for young people has numerous negative effects. Some studies find that the experience of one spell of unemployment increases the probability of further spells.[20] Employers may be put off by a spell of unemployment, and more likely to hire 'fresh' graduates; while a person's skills also deteriorate during a period of unemployment. In addition, most studies agree that early unemployment decreases wage levels over a person's lifetime; and that this is the case particularly for young graduates who become unemployed (see discussion in Scarpetta *et al.*, 2010). Meanwhile, young adults are one of the groups most at risk of poverty, as support from parents diminishes, even though the young adults are not yet fully integrated into the labour market (Barrington-Leach *et al.*, 2007).

On a psychological level, the impacts of unemployment are strong. Some of the effects observed include increased susceptibility to malnutrition, illness, mental stress and loss of self-esteem, as well as the risk of depression. Such negative effects appear to be particularly strong for unemployed young people. Bell and Blanchflower (2010) used longitudinal data for a 28-year period in the UK to compare those who were unemployed at or before the age of 23 with those who were not. Holding a range of variables constant (including social class, education level, gender, disability, and region) they found that those who were unemployed at or before the age of 23 had:

- Lower levels of life satisfaction;
- Lower self-reported levels of health;
- Lower levels of job satisfaction; and
- Lower weekly wages

compared to those who were not unemployed at or before the age of 23. In contrast, a spell of unemployment after the age of 23 did not have these negative effects.

Youth unemployment also has wider societal effects as it delays family composition and parenthood, since younger people take longer to find stable jobs and enter the housing market (Barrington-Leach *et al.*, 2007).

In summary, young people aged 15–25 seem particularly vulnerable in an economic crisis. They have not had the opportunity to acquire the necessary assets and capabilities to counter the impact of the recession, which may have long-term

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[20] This does seem to vary by country. In the US, early unemployment does not seem to have a long-lasting effect on later employment, but it does in the UK.

effects. Thus, they are vulnerable to chronic poverty, which also has long-term societal consequences.

Factors influencing unemployment: educational level, nationality and regionality

For people of all ages, not just those aged 15–24, **unemployment rates are much higher for those without a third-level qualification than for those with one.** In 2010 they were as high as 24 per cent for those who had completed lower-secondary level, improving to 15 per cent for those who had completed higher secondary in quarter four of 2011. For those with a third-level qualification the unemployment rates were below the national average, with 7 to 10 per cent unemployed. **However, it is worth noting that a third-level qualification is no guarantee against being unemployed,** with over one-fifth of the unemployed having a third-level qualification, some 63,000 people (figures for 2010; NESC, 2011a: 23). **This higher educational profile of the unemployed is a particular feature of this recession,** compared to previous recessions.

Nationals from other countries also experience a higher level of unemployment compared with Irish nationals, approximately 16.6 per cent as against 13.3 per cent. This differential is mainly due to the higher unemployment rate among EU-12 nationals[21] who have an unemployment rate of 19 per cent (quarter four of 2012; CSO, 2013a).

There is some evidence of **regional differences in unemployment as a result of the economic crisis.** In quarter three of 2007, there was a difference of 2 to 3 percentage points between the regions with the lowest unemployment rates (Midlands, Mid-East and South-West regions) and the region with the highest rate (the Border region). That gap has become 6 to 7 percentage points four years later. In the fourth quarter of 2012, the South-East, Midlands and Border had unemployment rates of 18.8, 16.9 and 16.5 per cent respectively, while Dublin had a rate of 11.1 per cent (CSO, 2007a; 2013a). Areas that had a high unemployment rate in 1991 were very likely to also have a high unemployment rate in 2011, indicating persistent underlying structural differences (Morgenroth, 2012).

It is also worth noting regional participation rates.[22] For example, the participation rate in the Border Region is just 52.4 per cent compared to a national average of 59.6 per cent (quarter four of, 2012). The participation rate is highest in the Mid-East at 62.8 per cent. The Border Region has had a tradition of working-age people leaving the region in order to find work, and its current unemployment rate (16.5 per cent) would be much higher if its participation rate had not fallen since 2007 (Morgenroth, 2012). Lower than average participation rates are also found in the

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[21] EU-12 are defined as the 10 accession countries who joined the EU on 1 May 2004 (i.e. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia) and includes the 2 new accession states who joined the EU on 1 January 2007 (i.e. Bulgaria and Romania).

[22] The participation rate is the number of persons in the workforce expressed as a percentage of the total population aged 15 or over.

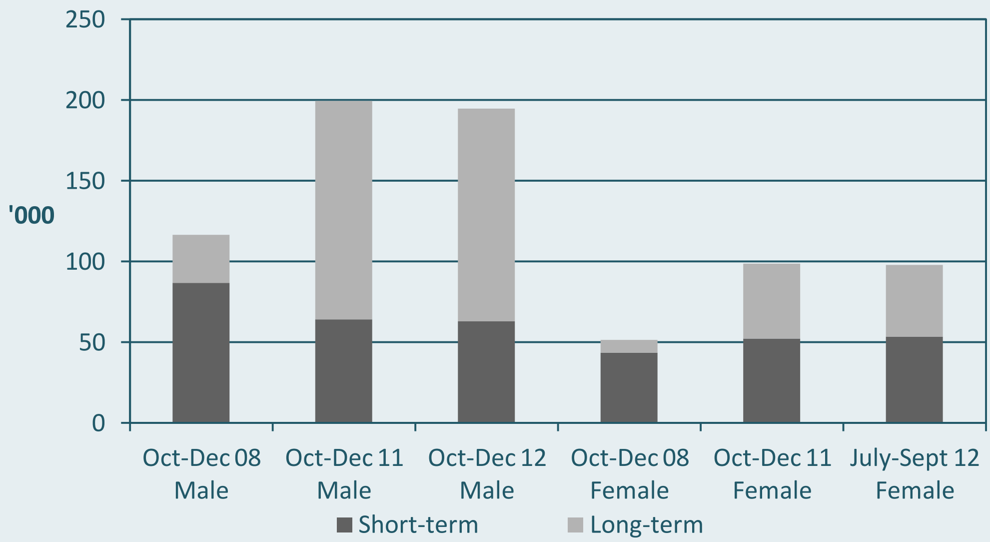
Midlands and South-East. Participation is discussed further in section 3.1.4 (CSO, 2012h).

3.1.3 Long-Term Unemployment

Long-term unemployment (being unemployed continuously for twelve months or more) is one of the most depressing effects of previous recessions. The longer a person is out of a job the less relevant their skills and qualifications become; they are less attractive to employers and they themselves can become demotivated. Their financial resources can become run down as they draw on their savings and adjust to living on a lower income and without the regularity of a job. For many reasons, then, there is a particular impetus to limit long-term unemployment.

Figure 3.3 shows the change in long-term unemployment from just before the economic crash until the fourth quarter of 2012. Long-term unemployment has increased for both men and women, but especially for men. **Overall, long-term unemployed persons now account for 60 per cent of all unemployed persons.** Although the rate is still much too high, a note of positivity is that the number of long-term unemployed has been declining throughout 2012, from a high of 204,300 in quarter one of that year, to 176,400 in quarter four.

Figure 3.3: Number of Persons Unemployed by Gender and Duration of Unemployment, Q4 2008 and Q3 2012



Source: CSO, 2009a; 2012d.

Table 3.2 outlines long-term unemployment by age and gender in quarter four of 2012. This shows that **the largest group of the long-term unemployed is men aged 25–44** (just under 70,000), who make up almost 40 per cent of all the long-term unemployed. Long-term unemployment is highest amongst men aged 45 and over, but the number affected (42,000) is lower. It is a particular challenge to retrain many of the low-skilled long-term unemployed for the future job market.

Table 3.2: Unemployment and Long-term Unemployment (LTU), by Age and Gender, Q4 2012

	Number unemployed	Unemployment rate	No. long-term unemployed	LTU[23]
Men				
15-24	36,900	33.4	20,100	54.5
25-44	101,900	16.3	69,700	68.4
45+	57,400	12.8	42,000	73.2
Women				
15-24	22,100	21.5	7,200	32.6
25-44	53,700	10.0	24,400	45.4
45+	22,600	7.1	13,000	57.5

Source: Abstracted from Supplementary Tables, Tab S4, on CSO website,[24] and CSO, 2013a.

3.1.4 Pertinent Unemployment Issues: Jobless Households; Self-Employed; Employment Sectors Affected; Underemployment and Precarious Employment

Joblessness in households

As outlined in the previous chapter (section 2.4), **Ireland is exceptional in European terms in relation to its high proportion of jobless households.** To recap here, a

23 The number of long-term unemployed expressed as a percentage of all those unemployed.

24 Accessed at http://www.cso.ie/en/qnhs/releasesandpublications/qnhs-calendarquarters/, 5 March 2013.

recent publication by Watson *et al.* (2012) found that **the percentage of people living in jobless households has risen since the beginning of the recession,** from 15 per cent in 2007 to 22 per cent in 2010. In addition, **a quarter of all children are living in jobless households.** Those in jobless households comprised almost two-thirds of those in consistent poverty in 2010, although (as discussed in section 2.4) social transfers have been effective in reducing the degree of poverty in jobless households between 2004 and 2010.

It is worth noting that Watson *et al.* also found that the percentage of people living in *very high*-work-intensity households (e.g. where both partners work full-time) fell from 31 per cent in 2004 to 24 per cent in 2010; while the percentage in *high*-work-intensity households (e.g. where one partner works full-time and one part-time) fell from 27 per cent to 21 per cent. They link this to increases in unemployment, from 2008 on in particular.

The self-employed

There has been a decline in the number of self-employed since 2006, although interestingly this has only been among men, as the following figures in table 3.3 show. It is noted, however, that the numbers of self-employed women are smaller than the numbers of self-employed men. The decline in self-employment among men between 2006 and 2011 was highest in the building and construction worker occupations (down 19,506 persons, or 39 per cent), sales occupations (down 5,288 persons, or 20 per cent), and other manufacturing (down 1,869 persons, or 35 per cent). Watson *et al.* (2012) show that in 2010 the most significant risk factor for being at work and in poverty was self-employment.

Table 3.3: Self-employment, 2006 and 2012

	Q2 2006	Q4 2012	% change
Males			
Self-employed with paid employees	92,600	64,100	-31%
Self-employed with no paid employees	177,400	168,600	-5%
Females			
Self-employed with paid employees	18,400	19,500	+6%
Self-employed with no paid employees	31,400	39,000	+24%

Source: CSO, 2006a; 2013a.

A Citizens Information Board report (2012) has documented the issues facing previously self-employed people based on selected case studies from frontline services, as well as dealing with a wide variety of concerns from the public. The report documents a wide range of concerns including their limited access to social welfare benefits and the difficulty of validating their income for means-test purposes. In addition to providing financial support some social welfare payments provide access to a range of training, education and work experience options. A particular concern is those self-employed people who were effectively operating as employees, especially in the construction sector, and their subsequent entitlement to social welfare payments. Returning to our definition of vulnerability, many of the self-employed have been exposed to shocks, however, they may have assets and capabilities. Nonetheless, they may be in need of temporary supports.

Sectors particularly affected by unemployment

Between 2006 and 2011 (based on Census results) **jobs in 'Building of constructions and civil engineering' showed the largest decline,** falling from 117,309 people working in this area in 2006 to 43,577 in 2011, a fall of 63 per cent. 'Building completion' showed a fall from 43,945 at work to 16,800 (62 per cent decline); and 'Building installation' a fall from 42,847 to 24,922 (42 per cent decline) (CSO, 2012e).

Those most affected by the decline in construction-related employment are labourers, with 27,054 employed in the sector in 2006, compared to 5,503 in 2011, a decline of 80 per cent. The number of carpenters and joiners at work fell from 28,977 in 2006 to 10,533 in 2011; bricklayers and masons from 11,647 to 2,463; and plasterers from 11,906 to 2,717.

Underemployment and precarious employment

There has been a dramatic increase between 2006 and 2012 in the numbers reporting themselves underemployed (that is, working part-time, and seeking and being available for more hours of work), as the following table 3.4 shows. This increase is similar in size for both men and women, although more women than men are underemployed. It has been estimated that, in quarter four of 2011, there was an estimated 29.5 unemployed people for every job vacancy in Ireland (NERI, 2012).

It has also been argued that the high rate of underemployment could mean that when economic growth returns, the first beneficiaries of additional labour demand will be those already at work and seeking additional hours, rather than the longer-term unemployed. If such a trend materialised, then this would mean a delay between economic recovery and growth in employment (Collins, 2012).

Table 3.4: Underemployment among Part-time Workers, 2006 and 2012

	Q2 2006	Q4 2012	% change
Males in part-time employment			
Not underemployed	78,000	77,100	-1%
Underemployed	1,700	65,200	+3,735%
Females in part-time employment			
Not underemployed	269,400	227,300	-16%
Underemployed	2,400	80,600	+3,258%

Source: CSO, 2006a; 2013a.

There are also reports of more precarious employment and zero-hours contracts. For example, 40 per cent of members of the trade union Mandate[25] have had their hours changed by their employer at least once a month, with this more likely for part-time workers. Over a quarter of all members said that they would like more certainty from their employer in relation to their working schedule, both on the days they are to work, and the times of day (Loftus & Behaviour & Attitudes, 2012).

A survey of 500 of the union's members also found that two-fifths reported that their take-home pay had declined in the last year.[26] On average, weekly pay had fallen by €109 per week, and given the low level of earnings in retailing,[27] this represents a very significant loss in weekly take-home pay. These losses are related to both reductions in hours, and to changes in tax and levies. One in three of these workers reported that it was difficult to adequately feed and clothe their families, a third were having difficulties keeping up repayments on household loans, and two-fifths were finding it difficult to keep up with mortgage and rent payments. Some 55 per cent also reported difficulties paying utility bills (*ibid.* 2012).

25 The union of retail, bar and administrative workers. See www.mandate.ie.

26 Prendergast (2013: 16) reports that 'pay freezes have been more the rule than the exception amongst retailers in the past three years'.

27 In 2009, 18 per cent of wholesale and retail workers earned less than €10 per hour, and 63 per cent earned between €10 and €20 per hour. A model using average retail wages and the Vincentian partnership Minimum Income Standard shows that a full-time worker in retailing has an income that is just adequate to cover the expenditure needed to maintain a minimum standard of living, while a part-time worker in retailing would not earn enough to cover these costs. See Loftus & Behaviour & Attitudes, 2012.

There is further discussion of poverty and difficulty in making ends meet in the next chapter.

3.1.5 Participation

People who become unemployed may not show up in the unemployment figures because they withdraw from the labour market (i.e. a fall in the participation rate) **or leave the country** (i.e. a rise in emigration). **From its peak of 65 per cent in 2007** (quarter three; CSO, 2007a), **the national participation rate fell to 60 per cent in 2012** (quarter four; CSO, 2013a). The fall was particularly large for teenagers (ages 15–19), many of whom have remained in education.

At ages 45 and over, a gender disparity emerges with women recording stable or slightly improving participation rates while those of men have fallen (NESC, 2011a: 25). This trend is different from previous recessions, with women less likely to withdraw from the labour market. In fact, women's employment rates, in general, have been declining less than men's, suggesting the importance of women as earners within their households.

This trend is consistent with a finding in Lunn and Fahey's (2011) analysis of the 2006 census data examining changing family structures in Ireland. They found that the educational and occupational composition of couples has changed over recent decades. There is a growing number of younger couples in which the woman has the higher qualifications and/or occupational classification, meaning that for many younger couples it is the woman who has the higher earning power. This fundamentally changes the financial consequences of decisions within the household in relation to balancing work and family life, especially where there are young children. Where women reduce their hours or do not work there may be greater financial consequences for individual families, as well as larger economy-wide effects in terms of underutilised human capital. This changing dimension of family structures seems likely to shape responses to, and societal outcomes of, the economic crisis for years to come.

3.1.6 Emigration

A second important factor curbing the increase in unemployment has been emigration. This has been substantial since 2010, at 87,000 persons in the year to April 2012, and averaging 1.4 per cent of the labour force annually. However, this figure has been partially offset by continuing high levels of immigration, of around 50,000 per year since 2010, thereby reducing the net migration figure to about 35,000 per year. Irish nationals account for over 50 per cent of emigrants, and in 2011, 88 per cent of all emigrants were aged between 15 and 44, with 43 per cent being in the 15–24 age group. Since 2008, between 20 and 30 per cent of emigrants moved to the UK, with over half moving to regions other than the UK, EU or US (particularly Canada and Australia) (see Conefrey, 2013; CSO, 2012l).

While the emigration of young Irish people may provide them with good opportunities overseas and reduce unemployment payments in Ireland, their skills and potential are a loss to the economy and, if their departure is out of necessity rather than choice, can have a detrimental effect on their families and local communities. Others who find themselves unemployed may not be in a position to emigrate, because of family or other circumstances.

3.1.7 Areas where Employment is Growing

Before leaving this chapter, it is useful to consider sectors where employment is currently growing. Census 2011 provides particularly detailed data on this. Table 3.5 overleaf presents data on the main growth sectors between 2006 and 2011.

Table 3.5: Top Industries by Growth in Numbers, 2006 and 2011

Industry	At Work 2006	At Work 2011	Change	% Growth
Primary education	45,495	61,177	18,682	41.1
Retail sale in non-specialised stores	44,662	57,488	12,826	28.7
Other public administration	78,125	88,076	9,951	12.7
Farming	72,731	80,084	7,353	10.1
Social work activities	73,366	80,645	7,279	9.9
Adult and other education	19,547	26,253	6,706	34.3
Retail sale of clothing	15,301	21,039	5,738	37.5
Secondary education	37,354	43,213	5,649	15.0
Computer and related activities	36,656	41,978	5,322	14.5
Higher education	24,870	30,085	5,215	21.0

Source: CSO, 2012e.

The main areas of growth were education, retailing, farming, and computer and related activities. There was also significant job growth in the health and social care area. The Forfás National Skills Bulletin for 2012 identifies skills shortages in information and communications, health and social care, sales and marketing (particularly multi-lingual posts), science, engineering (mainly electronics, medical devices, pharmaceuticals and energy), some areas of finance, and transport (Fás and Expert Group on Future Skills Needs, 2012).

Research on Irish growth and employment from the 1980s onwards indicates that Irish employment growth is strong when GDP growth is both strong and higher than the growth in productivity (see NESC, 2011b).

3.1.8 Summary

In summary, **the number of people who are unemployed has increased dramatically since the economic crash of 2008** with 424,000 people now on the Live Register, 176,000 of whom have been unemployed for more than one year. The unemployment rate (seasonally adjusted) is now 14.2 per cent, increasing from 4.7 per cent in the third quarter of 2007. However, it has decreased on an annual basis in the last two quarters of 2012.

All groups in the population and all areas of the country have experienced unemployment, but some have been more affected than others. Men, largely as a result of the decline of the construction industry, have been affected more than women, with low-skilled workers bearing the brunt of the decline. However, the unemployment figures are also notable for the number of people with third-level qualifications, which is different from previous recessions. The relatively stable participation rate of women is also notable suggesting the importance of women's incomes within their households.

Young people are experiencing high levels of unemployment and many are now long-term unemployed. Unemployment among young people has been shown to be particularly detrimental, often with long-term impacts: physically, economically, socially and psychologically.

Long-term unemployment is the greatest scourge of the economic crisis, and remains high. The long-term unemployment rate has increased significantly from quarter three of 2007 to quarter four of 2012—although the rate has declined slightly throughout 2012. Sixty per cent of the unemployed are now unemployed for more than one year. The largest group of people who are long-term unemployed are men aged 25 to 44, who make up four in ten of the long-term unemployed. Long-term unemployment, however, is at 73 per cent among unemployed men aged 45 and over.

Unemployment is just one outcome of job loss. Some people may withdraw from the labour market while others emigrate. For example, in total, an estimated 87,000 people emigrated in 2012, with a potential loss of future skills. Some of the people from other countries who came to Ireland in the early 2000s have now left, but for those who have remained their unemployment rates are higher than the national average.

There are a number of **notable features to Ireland's current unemployment crisis. These include: the high rate of jobless households,** especially those containing children; **the particular circumstances of the self-employed;** and **people who are underemployed or in precarious employment situations.**

While there has been an uneven impact across employment sectors, some sectors are now seeing some employment growth. The government has stated that its top priority is 'to get Ireland back to work' (Government of Ireland, 2012a: 3), and has set out a broad range of initiatives in its jobs and activation plans. One challenge, however, is whether the scale of the demand can match the level of supply and prevent further people falling into long-term unemployment. Another challenge is to provide the opportunity for people to retrain or gain educational qualifications, as there is a strong correlation between low educational levels and long-term unemployment. There is also a challenge to maximise employment opportunities when the economy starts to grow and to minimise the extent of 'jobless growth'.

Chapter 4
Income and Poverty

This chapter presents material on income changes as a result of the economic crisis, including changes across the income distribution. There is a section detailing the impact of the crisis on pensions. In the latter half of the chapter, poverty trends are documented, including an analysis on economic vulnerability. The chapter concludes with a review of the impact of budgetary policy changes on income.

4.1 Income

This section presents information on the main household income changes and changes in income distribution since the economic crisis.

4.1.1 Income Changes

Many households have seen a drop in their household income.

The most recent average household income figures available are for 2011.[28]

- In 2011, average total *gross* household income was €52,949 (€1,018 per week) down 12.6 per cent from €60,581 in 2008.[29]
- In 2011, average total *disposable* household income was €41,819 (€804 per week) down 14.7 per cent from €49,043 in 2008.[30]
- **In 2011, average disposable income adjusted for household composition** (equivalised, i.e. per individual) **was €21,440 (€412 per week) down 12 per cent from €24,380 in 2008** (CSO, 2013c).

These trends are illustrated in figure 4.1 overleaf.

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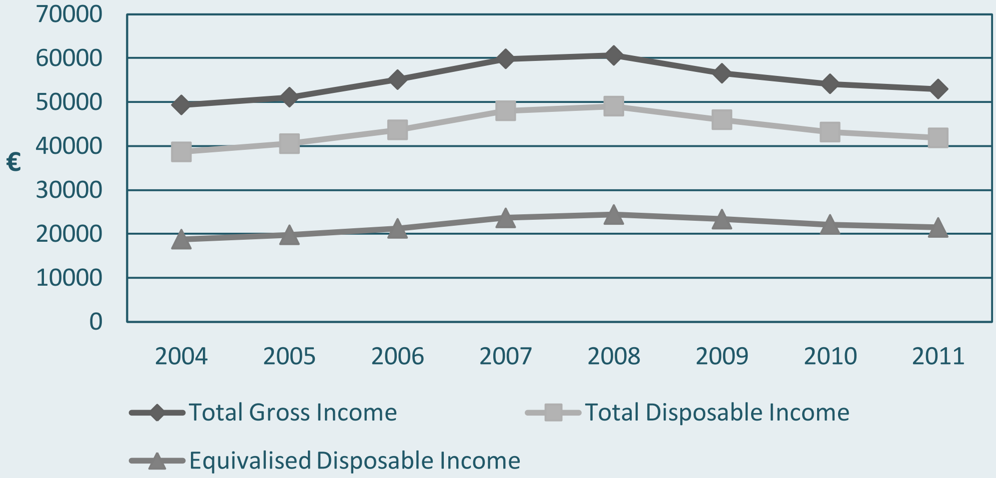
28 From the Survey on Income and Living Conditions (SILC), see CSO (CSO, 2013c).

29 It is also interesting to compare this to household income levels before the Celtic Tiger. The Household Budget Survey for 2004–5 (CSO, 2007b) shows that average gross weekly household income was €990 in that year, which was 48 per cent higher than the €667 recorded in 1999–2000.

30 Disposable income is arrived at after the deduction of income tax and social insurance from gross income.

Figure 4.1: Changes in Household Income (€), 2004–2011



Source: CSO, 2013c—based on SILC figures.

Research by Irish Central Bank researchers (Cussen *et al.*, 2012) examined changes in household wealth across a range of European countries, including Ireland.[31] They found that **in the three years to the end of 2010, Irish household net wealth fell 23 per cent when measured as a proportion of disposable income.** Irish disposable income has fallen by more than any other country surveyed. Irish households' debts were more than three times their annual disposable income at the end of 2010. This fall in wealth is mainly driven by declines in property with household property wealth falling by 28 per cent over that period. Nevertheless, the average value of Irish households' assets is 3.5 times greater than their debts. The study also found that Irish households are saving, mainly to pay down debt.

Returning to the information on income (SILC), some people have experienced greater declines in income than others between 2008 and 2011:

- **When we look at principal economic status the biggest average disposable income drops have been experienced by students (24 per cent) and people who are unemployed (17.7 per cent)**. It should be noted that the survey does not specifically capture the drop in income for a household where the main earner(s) has become unemployed over this time period. People who are not at work due to illness or disability have the lowest levels of income at €15.3k per

[31] The net wealth of households in an economy is calculated by adding the value of all property assets and all financial assets (such as pensions, shares and insurance policies) and subtracting total debts.

annum (3.9 per cent drop), although people who are unemployed also have low incomes at 15.4k per annum in 2011. By comparison, those at work have average disposable incomes of nearly twice this amount at €26.9k (8 per cent drop since 2008; the national fall in income over this period was 12.1 per cent).

- Households with one person at work in the household have experienced a 11.5 per cent drop on average in their disposable income—this compares with a 4.9 per cent drop where there are two earners and a 8.1 per cent drop where there are no earners. Where there is no-one at work in the household (jobless household), the average income is €14.6k, compared to twice this amount at €28k where there are two people in paid employment.

- **In relation to household composition, 'other households with children' and 'households with 3 or more adults'[32] experienced the largest drops in income** at 19 per cent (to €18.2k) and 18.5 per cent (to €21.6k) respectively. Lone-parent households experienced a 13.1 per cent drop, but had the third lowest annual income, at €15.6k.

- Single adult households where the adult is aged over 65 have experienced a 1.9 per cent increase in their income between 2008 and 2011, although their annual income is relatively low at €18.2k.

- Overall, in 2011 people who had a third-level degree or above had the highest levels of disposable income (at €33.2k) and people renting below the market rate, and/or living in a household where no-one was at work had the lowest levels of income (less than €15k).

Averages can mask variations in the distribution of income. **Two measures of income equality** (the Gini coefficient and the income quintile share ratio)[33] **both show that there was a decline in income inequality from 2004 to 2009 with a slight increase and then a fall/levelling out since then.** The Gini coefficient, in particular, is showing some fluctuation in recent years, possibly demonstrating the variability in income and wealth changes over this period. As shown in figure 4.2, the Gini coefficient decreased from 31.8 per cent in 2004 to 29.3 in 2009, rising to 31.6 in 2010 and then declining slightly to 31.1 in 2011.[34] The quintile share ratio

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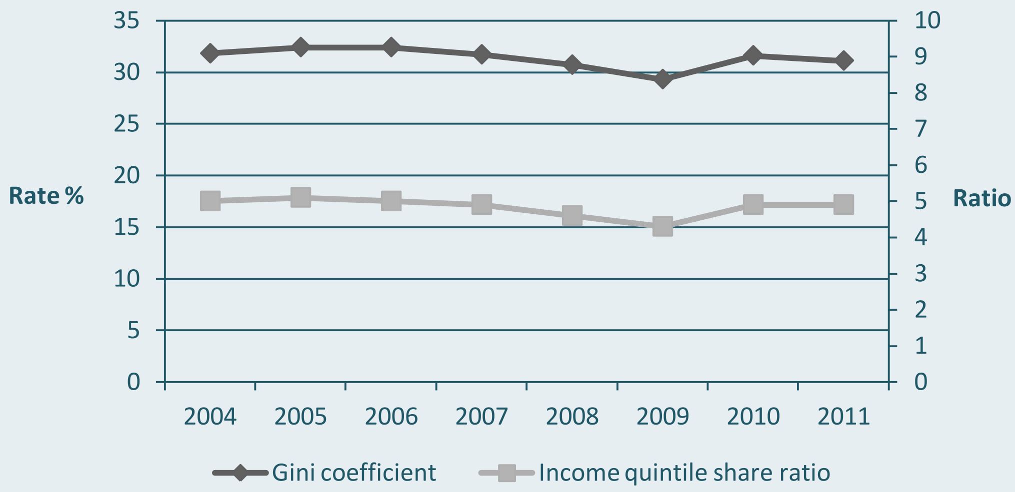
32 'Other households with children' are households where there are more than two adults (people aged 18 and over) in the household, along with children (people aged 17 and under). They are mainly households with adult children and other children. 'Households with 3 or more adults' include households with one or more adult children (aged 18 and over).

33 The Gini coefficient displays the relationship between cumulative shares of the population arranged according to the level of income and the cumulative share of total income received by them. If there was perfect equality (i.e. each person receives the same income) the Gini coefficient would be 0 per cent. A Gini coefficient of 100 per cent would indicate there was total inequality and the entire national income was in the hands of one person. The quintile share ratio is the ratio of total equivalised income received by the 20 per cent of persons with the highest income (top quintile) to that received by the persons with the lowest income (lowest quintile).

34 This was not a statistically significant change between 2010 and 2011.

showed the average income of those in the highest income quintile in 2011 to be 4.9 times that of those in the lowest income quintile. This ratio was up from 4.3 per cent in 2009 (CSO, 2013c).

Figure 4.2: Indicators of Income Inequality by Year, 2004–2011



Source: CSO, 2013c—based on SILC figures.

When we examine the composition of net disposable income, made up of direct income plus social transfers less tax and social contributions,[35] we find that average equivalised direct income fell by 7 per cent between 2009 and 2011, while social transfers increased by 1 per cent over the period.[36] The small increase in social transfers has been attributed largely to increases in unemployment-related payments (CSO, 2012m: 9).[37]

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[35] Direct income comprises employee income, employer's social insurance contributions, cash benefits or losses from self-employment, and other direct income. Social transfers comprise unemployment-related payments, old-age related payments, occupational pensions, family/child-related allowances, housing allowances, and other social transfers. Tax and social contributions comprise tax on income and social contributions, employer's social insurance contributions, and regular interhousehold cash transfers paid.

[36] Although detailed decile data is not yet available, the most recently published SILC data (CSO, 2013c) shows that between 2009 and 2011 average equivalised direct income fell by 7.2 per cent, while social transfers showed a small increase of 0.8 per cent over this period.

[37] The definition of unemployment-related payments in SILC includes Jobseeker's Benefits and Allowances, but also includes redundancy payments that have accounted for part of the increase.

4.2 Pensions

4.2.1 Pension Coverage

The Irish pension system consists of three main components: 1) the State-provided social insurance-based pension and means-tested non-contributory pension; 2) occupational pension schemes, usually for employees in the public sector and in large private-sector firms; and 3) private pensions that are voluntary (e.g. retirement annuity contracts for the self-employed, and Personal Retirement Savings Accounts [PRSAs] for employees), and other forms of saving (Nivakoski & Barrett, 2012).

Overall, approximately 50 per cent of workers are in an occupational pension scheme (Stewart, 2011), but there is strong variation in coverage by sector, as table 4.1 shows.

Table 4.1: Rates of Occupational Pension Cover, 2009, Percentages, by Selected Economic Sector

Sector	% of Workers Covered
Public administration & defence, compulsory social security	93
Education	89
Finance, insurance and real estate activities	88
Human health and social work	87
Wholesale & retail, repair of motor vehicles & motorcycles	61
Professional, scientific and technical activities	58
Accommodation and food service activities	43

Source: CSO, 2011

Most of those with an occupational pension scheme are in a defined-benefit (DB) scheme, which altogether have 532,728 active members. Just under 200,000 of these members are in private DB schemes, and the remainder in public-sector DB schemes. In addition, there are 239,150 active members of defined contribution (DC) schemes (Pensions Board, 2012.). In 2011, there were also 198,000 PRSAs

(Pensions Board, 2012); while approximately 3,000 annuities are purchased each year (Stewart, 2011).

Pension coverage rates have fallen since the onset of the economic crisis, with a QNHS special module in 2009 showing that coverage had fallen from 54 per cent in quarter one of 2008 to 51 per cent in quarter four of 2009. **The fall was highest for the self-employed** (from 47 per cent in quarter one of 2008 to 36 per cent in quarter four of 2009) **and part-time workers** (from 32 per cent to 24 per cent) (CSO, 2011).

4.2.2 Occupational Pension Funds—Assets and Liabilities

Irish occupational pension funds have been hit considerably by the economic crisis (TASC, 2010). In 2007, 66 per cent of total assets in Irish pension funds were in equity (shares), particularly equity in Irish companies;[38] and for the ten-year period ending in November 2010, nominal returns on Irish-managed pension funds amounted to just 1.2 per cent per annum (Stewart, 2011)—although returns have improved since then. With such poor investment returns, the Pensions Board (2012:12) estimated that **70 per cent of private-sector defined-benefit schemes were in deficit at the end of 2011, and on average the liabilities of Irish pensions in 2010 exceeded their assets by over 18 per cent** (Cotter *et al.*, 2012). DB schemes are likely to find it particularly difficult to pay the benefits agreed to members. One result is that most DB schemes are either closed or considering closure to new members. A survey by Mercer (2012a) showed that 87 per cent of companies with DB plans had closed these to new entrants. Cotter *et al.* (2012) note that as pension funds have heavy exposure to equities, underfunding of pension schemes is worst after sharp falls in stock markets—which are also strongly correlated to corporate insolvencies. Where a company becomes insolvent, in practice its pension scheme is very likely to be wound up. If the scheme is underfunded, members will get less than their entitlement, although pensioners have priority over other members of the scheme.

Further problems arise regarding annuities, which have become much more expensive since the economic crisis. Many annuities are invested in government bonds, and as there is such high demand for bonds from countries with strong economies (e.g. France, Germany, the UK), the yield from these bonds has fallen considerably, resulting in reduced yearly payments to those who purchase them to provide a pension.

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[38] Not surprisingly, the reliance on equities has declined since then, and in 2011 52 per cent of DB scheme assets were in equities; and 53 per cent of assets in DC schemes (IAPF, 2011). However, Mercer, (2007; 2012b) show that Ireland and the UK had the highest proportion of pension assets in equities in both 2007 and 2012, compared to other Western European countries.

In addition, some individuals relied on investment in property and in shares, such as bank shares, to fund their retirement, (Hughes & Stewart, 2011). With the collapse in value of both of these, it is likely that their pension incomes have also fallen.

4.2.3 Current Income from Pensions

Data from the TILDA survey shows that **state pensions are the most important source of income among older people in Ireland, and make up about two-thirds of gross income for those aged 65 and older.** Around 26 per cent of older people depend on State transfers as their sole source of income (O'Sullivan, & Layte, 2011). SILC 2010 shows that 63 per cent of the income of those over 65 comes from social transfers, 17 per cent from an occupational pension, and 3 per cent from a private pension[39] (CSO, 2012c).

Based on this data, Hughes & Stewart (2011) argue that State pensions are doing a much better job of providing an income for pensioners than the private pension system. **Tax reliefs are provided to encourage those not covered by occupational pension systems to invest in private pensions. However, the benefits accrue mainly to people in the higher income deciles.** Data from the early 2000s shows that two-thirds of the tax relief for employees' pensions goes to employees in the top income quintile, as does over three-quarters of the tax relief on pensions for the self-employed (Hughes, 2005). Since then the government has introduced caps on the annual earnings contribution eligible for pension tax relief and the size of an individual pension fund. This is likely to have reduced the significant extent to which higher earners benefit from pension tax reliefs. Nevertheless, higher earners still benefit more, as membership of occupational schemes increases with income, and as tax relief is given at the highest marginal rate of tax, so the value of the tax relief as a proportion of income rises as income rises. **In addition, tax reliefs do not appear to have led to an increase in pension coverage.** Despite several decades of tax relief for pension coverage in Ireland (and other countries), low-income, part-time and temporary employees are least likely to be in a pension scheme. Countries with mandatory or automatic enrolment into pension schemes usually have higher occupational pension coverage (OECD, 2012).

Those with public-sector pensions have higher pensions, on average, than those with private-sector pensions (Nivakoski & Barrett, 2012). However, the biggest difference in pension incomes is between those with an occupational pension and those without, as those without have a gross income of about half of those who do have an occupational pension (Stewart, 2011). Media attention has been paid to the pensions and lump sums received by high-paid retiring public servants. To provide a context, however, it is estimated that the average annual pension for civil servants retiring in 2012 was €29,000, with a corresponding average lump sum of

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[39] That is, a voluntary pension organised by an individual (e.g. a PRSA).

€87,000. Thirty-eight per cent of civil servants are on occupational pensions of €10,000 per annum or less.[40]

4.2.4 Pension Issues for the Future

There are a number of issues relevant to future pension provision. Firstly, **in the short term, occupational pension schemes currently in deficit face problems.** If these schemes are wound up and the assets only provide enough to pay existing pensions, then all current and deferred members will lose their pension entitlements. The government has brought in the Pensions Insolvency Payments Scheme to deal with pension schemes that are insolvent, where their sponsoring employer is also insolvent. This may provide some assistance, although to date only a small number of insolvent schemes have used the scheme, and currently the scheme does not cover cases where the scheme is insolvent but the relevant employer is not (Reddan, 2010).

Secondly, **in the medium term, the age at which the State pension will be paid will increase** to 66 in 2014, to 67 in 2021, and to 68 in 2028. Mercer (2012a) found that none of the plans surveyed catered for normal retirement ages greater than 65, which will lead to an income gap that needs to be addressed. In addition, the number of contributions that an individual must pay to access the State contributory pension rose from 260 contributions to 520 in 2012. Reduced rates of payment now apply to people with an average of less than 40 yearly contributions. These changes are more likely to impact on women, although the Homemaker's Scheme[41] may curb the extent of this impact.

Thirdly, **in the long term, the ratio of people of working age to people of pension age in Ireland is expected to fall** from 5.3 in 2010, to 1.2 in 2060 (KPMG, 2012). With a large increase forecast in the number of retirees, and in life expectancy, this raises many questions about the costs and viability of the current pension system. These concerns have been outlined, along with proposals to address them, in a number of reports to government (e.g. the National Pensions Framework– Government of Ireland, 2010).

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40 Brendan Howlin, speaking at a debate at the Oireachtas Sub-Committee on Public Expenditure and Reform on 2 May 2012. See http://debates.oireachtas.ie/FI2/2012/05/02/00005.asp, accessed 2 October 2012.

41 The Homemaker's Scheme allows up to 20 'homemaking years' (spent providing full-time care to a child under 12 or an ill or disabled person aged 12 or over) to be disregarded when calculating yearly average contributions for the contributory State pension. However, those working part-time or job-sharing in order to provide care to children or others (or for other reasons) may have some difficulty paying the maximum number of contributions in each year (see e.g. http://www.citizensinformation.ie/en/social_welfare/irish_social_welfare_system/social_insurance_prsi/part_time_work_and_social_insurance_prsi.html, accessed 5 March 2013).

4.3 Poverty

There are two main measures of poverty used in Ireland—relative income poverty (below a certain income line, termed 'at risk of poverty') and consistent poverty (below an income line and deprived, based on a number of 'deprivation indicators'). Figure 4.3 shows the main trends in these two indicators, plus levels of deprivation from 2006 (pre-crisis) to 2010.

The 'at risk of poverty' rate[42] had been falling until 2009, but saw an increase in 2010 to 14.7 per cent of the population, and a further increase to 16 per cent in 2011. This increase reflects a change in the income distribution between 2009 and 2011, and a widening gap between those in the highest and lowest income deciles. Thus, for example, if an individual who was just above the poverty threshold in 2009 experienced a fall of, say, 14 per cent in their income between 2009 and 2011, and the poverty threshold declined by 9.7 per cent over the same period, then this individual now finds themselves below the poverty threshold, and at risk of poverty (CSO, 2012m: 26).

As noted in chapter 2, **social transfers significantly reduce the poverty risk.** For example, if all social transfers had been excluded, then the 'at risk of poverty' rate would have been 50.7 per cent in 2011, up from 39.8 per cent in 2004. This increase over time demonstrates the increasing dependence of individuals on social transfers to remain above the poverty threshold (Social Inclusion Division, 2012; CSO, 2013c: 4).

In terms of the depth of poverty, in 2009[43] the median income of people who were at risk of poverty was €10,104 (€194.31 per week). This was 16.2 per cent below the poverty threshold. In 2010 and 2011, this gap increased to 17.7 and 19.6 per cent respectively, demonstrating **a deepening poverty.**

In relation to consistent poverty,[44] 6.9 per cent of the population in 2011 had a low income and were deprived. This was an increase of 0.6 percentage points from 2010.[45] **Consistent poverty, which is the Irish Government's official poverty**

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42 The 'at risk of poverty' rate identifies the proportion of individuals who are considered to be at risk of experiencing poverty based on the level of their current income and taking into account their household composition. It is calculated as the percentage of persons with an equivalised disposable income of less than 60 per cent of national median income (internationally recognised measure). The median equivalised disposable income in 2011 was €18,150, giving a 60 per cent threshold of €10,889. Therefore, persons with an equivalised disposable income of less than €10,889 in 2011 were considered to be at risk of poverty. The threshold has decreased by 9.7 per cent since 2009 when the 'at risk of poverty' threshold was €12,064.

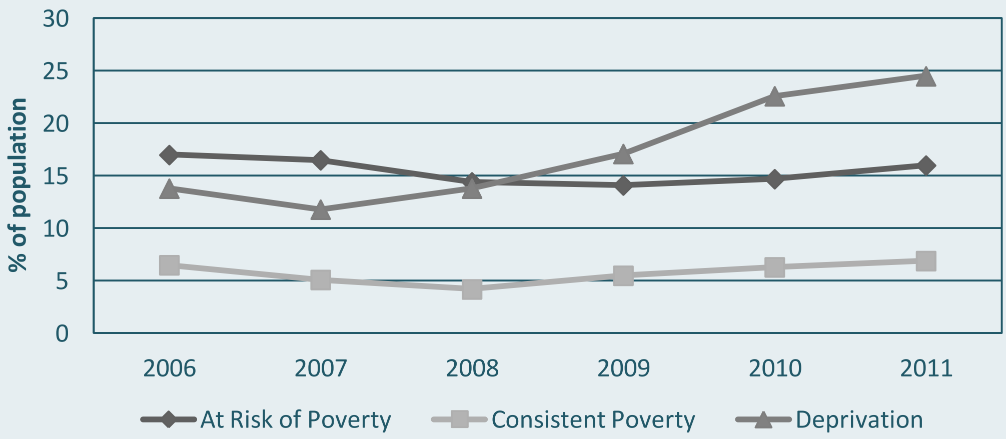
43 This data is not yet available for 2010 and 2011. The figures for 2010, which were published in March 2012, are subject to revision.

44 Consistent poverty is defined as being at risk of poverty at the 60 per cent median income threshold and living in a household experiencing at least two forms of enforced deprivation from eleven basic deprivation items.

45 Not statistically significant.

measure,[46] **fell from 6.6 per cent in 2006 to 4.2 per cent in 2008 before increasing over the next three years to 6.9 per cent in 2011** (CSO, 2013c).

Figure 4.3: Poverty Trends (%), 2006–2011



Source: CSO, 2013c—based on SILC figures.
Note: Deprivation is taken as experiencing two or more types of enforced deprivation; for further details see footnote 48.

Turning to the deprivation component of consistent poverty, **deprivation** (those experiencing two or more types of enforced deprivation),[47] **has more than doubled from a low of 11.8 per cent in 2007 to a high of 24.5 per cent in 2011.** Two interesting aspects to this trend are: a) the **increase in the deprivation rate of those who are not at risk of poverty;** and b) the dimensions of deprivation (*ibid.*).

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46 With targets for its long-term elimination as set out in the National Plan for Social Inclusion 2007–2016.

47 Enforced deprivation refers to the inability to afford basic identified goods or services. It is reported at the household and not the individual level, but it is assumed that each person in a household where a form of deprivation was reported experienced that form of deprivation. There are eleven items on the list. If a person experienced two or more of the eleven basic deprivation items due to inability to afford them, then they are said to be deprived. The eleven items are (i) without heating at some stage during the year; (ii) unable to afford a morning, afternoon or evening out in the last fortnight; (iii) unable to afford two pairs of strong shoes; (iv) unable to afford a roast or its equivalent once a week; (v) unable to afford a meal with meat, chicken, fish or its equivalent every second day; (vi) unable to afford new (not second-hand) shoes; (vii) unable to afford a warm waterproof coat; (viii) unable to afford to keep the house adequately warm; (ix) unable to replace any worn-out furniture; (x) unable to afford to have family or friends for a drink or meal once a month; (xi) unable to afford to buy presents for family or friends at least once a year.

The deprivation rate for those at risk of poverty was 43.1 per cent in 2011,[48] with the deprivation rate for those not at risk of poverty at 21 per cent, a significant increase from 19.1 per cent in 2010. Since 2007, the deprivation rate among this group has more than doubled (from 8 per cent).

Secondly, the most commonly reported deprivation items (for both those at risk of poverty and *not* at risk of poverty, as shown in the brackets, e.g. 35.8 per cent of the people at risk of poverty in 2011 / 18.3 per cent of the people *not* at risk of poverty in 2011) were:

- Unable to afford a morning/afternoon/evening out in the last fortnight (35.8/18.3);
- Unable to replace worn-out furniture (34.3/19.4);
- Unable to have family or friends over for a meal or a drink (26.5/12.5); and
- Unable to afford heating at some stage in the last year (21.7/10.4) (*ibid.*).

When asked if they would be able to afford an unexpected expense of €1,145 in 2010,[49] nearly half (49 per cent) of all individuals said they could not (66.2 per cent of those at risk of poverty and 45.9 per cent of those *not* at risk of poverty). In addition, **just over one-third (34.1 per cent) of all individuals in 2010 reported that their housing costs were 'a heavy burden'** (CSO, 2012m). This is in line with the Household Budget Survey (HBS) finding for 2009–10 that housing is now the largest expenditure item in people's household expenditure, see chapter 5.

Different groupings in the population experience different levels and risks of poverty and deprivation. **Children have a comparatively high exposure to poverty,** with children in lone-parent households and jobless households being especially vulnerable. As outlined in chapter 2, factors that contribute to child poverty include parental labour-market inactivity, low educational levels of parents, and high numbers of children in the household. **Older people have a comparatively low exposure to poverty,** which is linked to dependence on the state pension. Nevertheless, older people living alone (mainly women) and those with ill-health or disabilities have higher poverty levels.

Among the working-age population, **there is a strong link between working-age poverty and unemployment, especially long-term unemployment.** In 2011, unemployed individuals had a 30.6 per cent risk of being in poverty, with 16.5 per cent in consistent poverty. One-third (33.2 per cent) of jobless households had a risk of poverty, with 1 in 6 (15.9 per cent) in consistent poverty. Lone-parent households had a 28.4 per cent risk of being in poverty, with 16.4 per cent in

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48 No statistically significant change from 2010.

49 This data is not yet available for 2011.

consistent poverty (in 2011 the unemployment rate for lone mothers was 25 per cent, and for lone fathers 28 per cent, CSO, 2012k).

In contrast, 6.5 per cent of people in work are at risk of poverty (with 2.1 per cent in consistent poverty, up from 1.1 per cent in 2009) (CSO, 2013c), with this group often referred to as the 'working poor'. The main risk factors for 'in-work' poor are: being self-employed; being in an unskilled job; having no educational qualifications; working part-time; and being older (aged 55–59) (Watson *et al.*, 2012). When Watson and her colleagues studied the profile of the working poor they found that they were not a particularly disadvantaged group, in that 39 per cent had third-level qualifications, 44 per cent were self-employed, and that they were less likely than the non-working poor adults to be in economically vulnerable households or in households experiencing basic deprivation. Nevertheless, where someone who is 'in-work poor' is the only income earner in the household, and there are children in the household, there is an increased risk of poverty.

4.4 Identifying Economically Vulnerable Groups as the Economic Crisis Emerged

Whelan and Maître[50] have undertaken work to identify groups in the population that are, or have become, economically vulnerable as the crisis emerged (data relates to 2008). They note that it is far from clear which individuals or groups are vulnerable, with an associated lack of clarity for the policy implications of pursuing the goal of 'protecting the vulnerable'. They also identify 'vulnerability' as a shift of focus from current deprivation to insecurity and exposure to risk and shock. Thus, individuals and groups at risk of economic exclusion are those who are at risk of falling below a critical resource level (as measured by income poverty lines), being exposed to lifestyle deprivation, and experiencing subjective economic stress. Economic stress relates to difficulty in making ends meet, along with financial pressures due to arrears, debt problems and burdensome housing costs. [51]

From their analysis, Whelan and Maître identify four main groups: the non-poor and non-vulnerable (75 per cent of the population); the poor and vulnerable (7 per cent of the population); the poor but non-vulnerable (7 per cent of the

50 Professor Christopher T. Whelan of the School of Sociology, Geary Institute and Social Science Research Centre, University College Dublin, and Dr Bertrand Maître at the Economic and Social Research Institute.

51 This definition and its measurement can be compared with the definition adopted in this report in section 1.2.1. It contains many of the same elements—risk of being below a certain income level, assets and capabilities (as captured by the deprivation measurement) and ability to cope (measured by economic stress). The Whelan and Maître definition, due to the attempt to measure vulnerability, is necessarily more restrictive than the definition adopted in this report—which also recognises the possibility of an 'economic shock', a wider understanding of assets and capabilities, duration, and the impact on people's mental health and wider well-being.

population); and the non-poor but vulnerable (11 per cent of the population).[52] While these definitions are useful in identifying the various categories and their composition, the percentage of the population in each of these categories may have altered since 2008.

As explained by Whelan and Maître, simultaneous exposure to poverty and vulnerability appears to be related to deficiencies with regard to both current and long-term resources, and the requirement to provide for additional needs. People who fall into this category are sometimes referred to as the consistently poor or 'old poor', for example, people who are long-term unemployed, people who are ill and/or disabled, and lone parents.

Exposure to income poverty in the absence of vulnerability seems to be related to the limitations of current disposable income, but with broader command over long-term resources. Many older people may fall into this 'poor but non-vulnerable' category as they have a comparatively small and regular income, but do not have substantial debts or large financial outgoings. Some self-employed people may also be in this category where they have a low current income but have enough assets to protect them from vulnerability over the longer term.

A third group is the 'non-poor but vulnerable' where the experience of vulnerability unaccompanied by poverty appears to be linked with an absence of wider-ranging or long-term resources and above-average needs. This group are sometimes referred to as the 'new poor', for while their income may be above the 'poverty line' their debts and outgoings may exceed their current income. They may have experienced income losses through unemployment, pay reductions or loss of business income, and previously 'affordable' debt has now become 'unaffordable'.

As noted by Whelan and Maître, 'in the case of the vulnerable but not poor there is nothing in their current circumstances that suggests they are in a position to maintain a sustainable level of adequate consumption going forward in the absence of continuing welfare support or re-engagement with the labour market' (Whelan & Maître, 2010: 29).

This analysis adds to our knowledge of who has been most affected by the economic crisis. The next section presents material on measures that have been taken by the government in the aftermath of the crisis and the impact these measures have had across the income distribution and on particular population groups.

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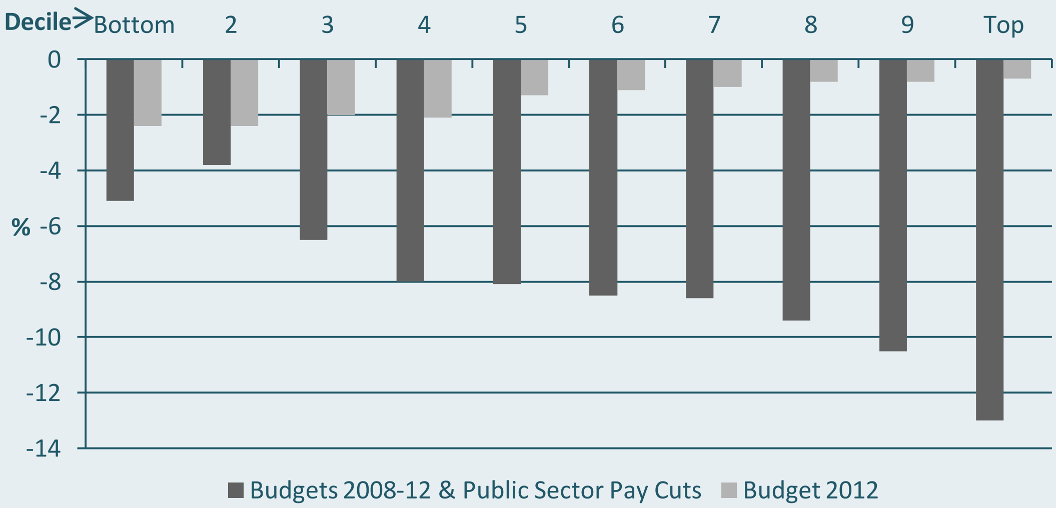
52 Whelan and Maître use latent class analysis to explain the distribution of individuals across a 4x2x2 tabulation comprising four categories of income poverty by the dichotomous basic deprivation by the dichotomous economic stress. Further detail of the analysis is available in Whelan, C.T. & Maître, B. (2010), *Protecting the Vulnerable: Poverty and Social Exclusion in Ireland as the Economic Crisis Emerged*, Discussion Paper Series, Dublin: UCD Geary Institute. www.ucd.ie/geary/static/publications/workingpapers/gearywp201023.pdf.

4.5 Impact of Budgetary Policy

Since the economic crash in 2008, successive government budgets have made fiscal changes to redress the impact of the crisis (for a summary of the main budgetary changes see Appendix A). Using the ESRI tax-benefit model (SWITCH), researchers at the ESRI have assessed the distributional impact of the main tax, welfare and public-pay policies changes in the period 2009 to 2012, see figure 4.4 (Callan *et al.*, 2012).[53]

Figure 4.4: Impact of Budgetary Policy by Income Deciles, 2012 and 2009–2012



Source: Callan *et al.*, 2012: 49

[53] The impact of recent budgets (2009–2012) is shown as compared with a distributionally neutral policy that indexes both tax and welfare parameters with respect to the expected growth/decline in wages. Measures in the 2012 budgetary analysis include: reductions in Child Benefit payable to families with three or more children; reductions in the amounts payable under the Rent Supplement Scheme; restriction of the Fuel Allowance to 26 weeks; reduction in the amount of earnings which is 'disregarded' in the means test for One Parent Family Benefit; reductions in the amounts payable under the Back to School Scheme; increases in VAT and carbon tax; introduction of the household charge; and increase in the exemption limit for the Universal Social Charge. Increases in Capital Acquisitions Tax (CAT), Capital Gains Tax (CGT), Deposit Interest Retention Tax (DIRT) and an additional levy on the use of property reliefs in Budget 2012 are not included. For the period from October 2008 to Budget 2012 the main changes to income tax are taken into account (including cuts to income tax credits and the width of the standard rate band), elimination of the PRSI ceiling and the introduction of the Universal Social Charge. Also included are the initial rise in welfare payments in the October 2008 Budget, and the subsequent cuts in payment rates for working-age payments and Child Benefit. Other measures included are the impact of the public-sector pension levy (Pension Related Deduction—PRD) and the explicit cuts in public-sector pay. Measures introduced in Budget 2013 are not included.

Taking the impact of Budget 2012 first (light bars), the chart shows that the greatest percentage reductions were experienced by those on the lowest incomes, reflecting the fact that increases in indirect taxes are regressive and that cuts in welfare payments have a greater impact on those on low incomes.

However, **over the four year period (2009–2012)** (dark bars), **despite income reductions across the board, the distributional impacts are progressive, with reductions of 5 per cent for the lowest-income group and reductions of 13 per cent for the highest-income group.** As noted by Callan *et al.* (2012: 50), the scale of the progressive impact of earlier budgets, which raised income tax, abolished the ceiling on PRSI payments and introduced the Universal Social Charge, is much larger than the regressive impact of Budget 2012. The public-sector pay cuts had a progressive impact as the rate of the pay cut was increased with income, thus making little difference to low-income households, but reducing the income of higher-income households.

When the effects of these policy impacts are examined by family type (see table 4.2), **families with someone in employment have experienced a 9 to 12 percentage loss in their income. The losses for earning couples with children are the highest at over 11 per cent, reflecting the cuts in Child Benefit. In general, family types dependent on welfare experienced smaller losses of 2 to 7 per cent** (bearing in mind that their income is generally smaller), with the exception of single unemployed persons, who saw their income reduce by 11 per cent over the period. The 'single unemployed' group includes those aged under 25, for whom Jobseeker's Allowance payments were cut between 25 and 50 per cent. Losses for unemployed people aged over 25 were much more limited (Callan *et al.*, 2012: 52).[54] One-parent families have experienced a 6 per cent loss reflecting a number of factors: reductions in the value of the One Parent Family Payment; reductions in the amount of income disregarded in the means test for one-parent families; the introduction of the Universal Social Charge; and reductions in Child Benefit.

The measures introduced in Budget 2013 are not included in this analysis by Callan *et al.* (2012). Basic welfare rates and income tax rates remain unchanged. However, the reductions in Child Benefit and the Back to School Clothing and Footwear Allowance will have impacted most on low-income families with children. The abolition of the standard PRSI allowance will have a proportionally greater impact on low-income workers, while the introduction of a local property tax will impact on those who own properties (outright or with a mortgage). Those who own higher-value properties will pay a higher amount.[55] In addition, rates of DIRT,

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[54] It should be noted that these results refer to incomes at the narrow family unit level, which counts a single unemployed person as a separate unit; household incomes for young unemployed persons living with their parents have not fallen so dramatically.

[55] Those on rent supplement who are renting directly from a landlord may be affected by the new tax, as there are reports of landlords attempting to pass this and similar charges onto tenants via rent increases, although it is owners, not tenants, who are liable to pay the charge (see Threshold Press Release, 'Tenants Will Not Be Liable for Household Charge', 15 Dec 2011. http://www.threshold.ie/news/2011/12/15/tenants-will-not-be-liable-for-household-charge-th/).

Capital Acquisitions and Capital Gains Tax increased; and an additional levy was introduced on the use of property reliefs.

Table 4.2: Impact of Budgetary Policy Changes by Family Type: 2009–2012

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**

Source: Callan *et al.*, 2012: 52.

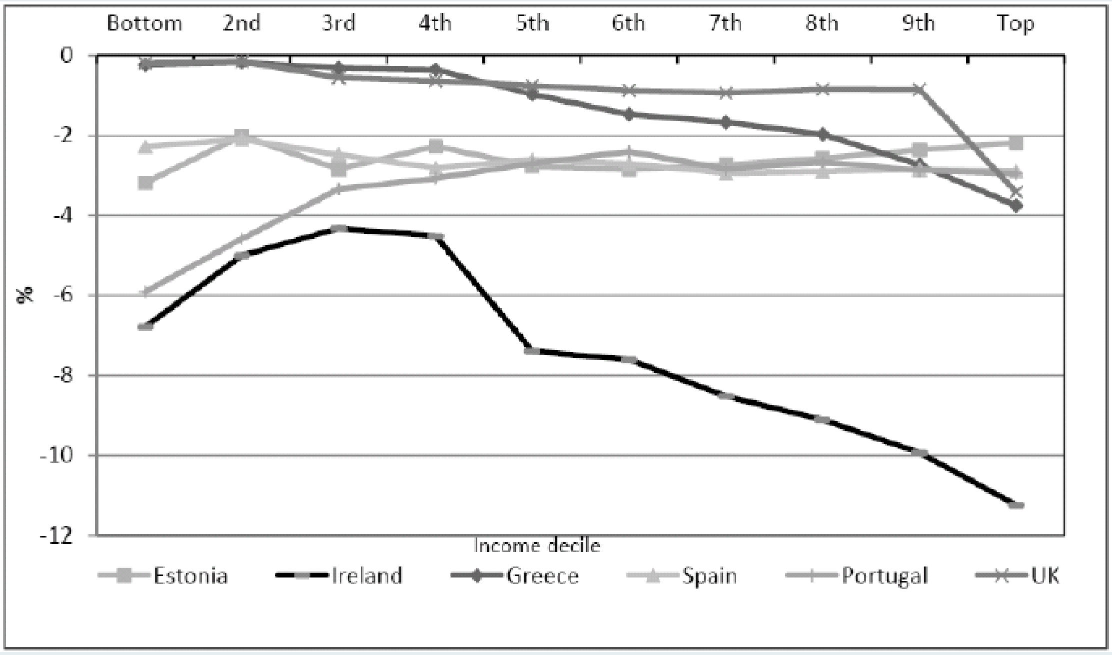
In their social impact assessment of the main welfare and direct tax measures in Budget 2013 the Department of Social Protection found that the budgetary measures resulted in a loss of €5 per week in average household income,[56] with a bigger cash loss of around €7 per week in the top three fifths of the income distribution, and smaller losses of €1.60 to €3.60 in the bottom two fifths. According to the Department of Social Protection households worst affected by the budgetary 2013 measures are those with children, in particular lone parent families. Households where no-one is working or without children are least affected. These

[56] The Department of Social Protection's methodology assumed a 100 per cent take-up of the deferral option under the local property tax.

budgetary measures have resulted in no significant change in the at risk of poverty rate, reflecting the ongoing poverty reduction effect of social transfers (Department of Social Protection, 2013).

When Ireland is compared with five other European countries (Estonia, Greece, Spain, Portugal and the UK), see figure 4.5, **two features stand out. Firstly, the size of the adjustment in Ireland is much greater than in the other five countries. Secondly, the distributional impact in Ireland is the most progressive,** with one important qualification: the smallest income reductions are in deciles 2, 3 and 4 rather than the bottom decile. Callan *et al.* (2012) note that the major reason for this is that older people, who are largely dependent on social welfare payments, have been protected against cuts to their benefits, with an increase in the state pension in 2009. Older people are strongly represented in deciles 2 to 4.

Figure 4.5: Percentage Change in Household Disposable Income Due to Austerity Measures in Six EU Countries, by Income Decile[57]

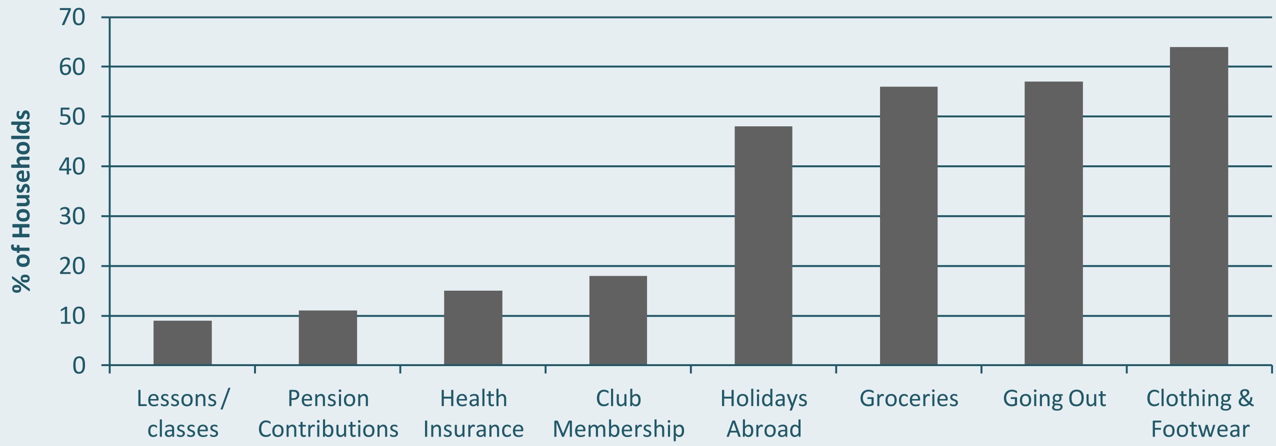


Notes: The austerity measures included here are limited to those that have a direct effect on household disposable income (changes to direct taxes, cash benefits and public-sector pay). They do not include changes to employer or credited contributions. In addition, increases in indirect tax, cuts in public services and some minor tax-benefit changes are not included. Deciles are based on equivalised disposable income in the counterfactual (before austerity) scenario and constructed using the modified OECD equivalence scale to adjust incomes for household size.
Source: Callan *et al.*, 2012: 53, using data from EUROMOD version F4.19 and *SWITCH*.

57 The period of analysis varies between countries, as follows: Ireland, the UK and Portugal 2009–2011; Spain 2010–2011; Estonia 2009 and Greece combined impact of austerity measures from March 2010–May 2010.

Irish households have responded in various ways to these reductions in their disposable income. Information from the Quarterly National Household Survey (QNHS) found that **four-fifths (79 per cent) of households cut back on their spending on at least one of a number of items as a result of the economic climate** in the two years prior to the survey (2011), see figure 4.6 (CSO, 2012f).

Figure 4.6: Cutbacks Made by Irish Households, 2010 and 2011[58]



Source: CSO, 2012f: 1.

The main findings were:

- Almost two-thirds of households (64 per cent) cut back their spending on clothing and footwear;

- More than half of households cut back their spending on going out and groceries (57 and 56 per cent respectively);

58 This pilot module of the QNHS was designed to assess at a high level how households have reacted to the recession. Thus, there are some limitations: while many of the cutbacks and financial measures listed in the survey would be relevant for most households, it is also likely that some were not relevant for particular households. For example, a household may not have been spending money on holidays abroad or may not have had a mortgage. Therefore, in these cases cutbacks or financial changes could not have been made. In addition, it should be noted that no data was collected on the scale of the cutbacks made.

- Spending on health insurance was reduced by 15 per cent of households[59] and 11 per cent cut back spending on pension contributions.

The next chapter provides further material on household expenditure and on debt.

4.5.1 Summary

This chapter has presented and examined information on income and pension changes as a result of the crisis. It has presented poverty trends, focusing on vulnerable groups in the face of the emerging crisis. A final section has examined the impact of recent Budget measures on people across the income distribution and on different family types, noting the main cutbacks made by Irish households.

In summary, **the majority of households in Ireland have experienced a drop in wealth and/or disposable income since the economic crash in 2008.** These reductions have been both as a result of the economic crash (loss of/or reduction in jobs and/or assets) and of the measures taken as a result of the economic crash (tax increases, social security contribution increases, pay reductions, and welfare reductions).

The biggest income drops have been experienced by those who are unemployed, households with children, and students. However, those on the lowest incomes and most vulnerable to poverty are those households where no-one is working.

Measures show that there was a decline in income inequality from 2004-2009, followed by a slight increase and then a fall/levelling out thereafter. These fluctuations in recent years reflect the variability in income and wealth changes over this period.

Pensioners, in general, have been less affected by the economic crash than other groups, as the state pension has, by and large, been protected from cutbacks. Occupational pension funds, however, have been strongly impacted by the economic crisis with a large proportion of defined-benefit schemes now in deficit. In addition, pension coverage rates have fallen since the onset of the economic crisis, especially among the self-employed and part-time workers. These shortfalls are affecting many people now and are of concern for the future.

An analysis that has identified economically vulnerable groups as the crisis emerged classified 7 per cent of the population as 'poor and vulnerable' (people who are long-term unemployed, people who are ill and disabled, and lone parents);

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[59] In 2005, 52 per cent of the adult population held private health insurance (PHI), but this declined to 43 per cent in 2011. The decline was mainly among those of working age, with an increase in the proportion over 65 who have taken out PHI. Forty five per cent of those who have cancelled their PHI stated that this was because they could no longer afford it, and a further 11 per cent lost their PHI when they lost their job (Millward Brown Lansdowne, 2012). However, given that the cost of health insurance increased by 63 per cent between 2005 and 2011 (Consumer Price Index, Statbank), the reduction in the population covered might have been higher.

7 per cent as 'poor but not vulnerable' (many older people and some of the self-employed); and **11 per cent as 'non-poor but vulnerable'** (people with debts whose outgoings exceed their current income). The 'non-poor but vulnerable' is a new 'at risk' category that has emerged with the economic crisis.[60]

Returning to the official Irish measure of poverty, **consistent poverty** (which is closely aligned with 'poor and vulnerable') **has increased from 2008 to 2011, driven by a substantive increase in deprivation.** This increase in deprivation is also evident among households not at risk of poverty, and is reflected in the finding that four-fifths of households have cut back their spending on at least one of a number of items as a result of the economic climate.

To recap, **children have a comparatively high exposure to poverty,** with older people having less exposure, although older people living alone (mainly women) and those with ill-health or disabilities have higher poverty levels. As noted in earlier chapters, there is **a strong link between working-age poverty and unemployment, especially long-term unemployment.** Some households where someone is working can also be at risk of poverty—often referred to as the 'working poor'.

Since the economic crash in 2008, successive governments have made fiscal changes to redress the impact of the crisis. Over the four-year period (2009–2012) the distributional impacts were broadly progressive. Measures to increase income tax and reduce pay in line with income are mainly progressive, while reductions in social welfare payments and increases in indirect taxes, such as VAT, impact disproportionately on those on low incomes. Changes to children's allowances in Budget 2013 impacted most on households with children, especially lone parent families. Households where no-one is working or without children are least affected.[61]

Having examined income changes and their implications for pensions, poverty and vulnerability in this chapter, the next chapter looks at changes in expenditure patterns and exposure to debt as a result of the crisis.

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60 Based on an analysis by Whelan and Maître, 2010.

61 Basic welfare rates and income tax rates remained unchanged in Budget 2013. The introduction of a local property tax will impact on those who own their properties (outright or with a mortgage). Those who own higher-value properties will pay a higher amount. In addition, rates of DIRT, capital acquisitions and Capital Gains Tax increased; and an additional levy was introduced on the use of property reliefs.

Chapter 5
Expenditure and Debt

This chapter firstly presents material on changes in expenditure as a result of the crisis and then goes on to discuss the extent and types of debt experienced by households in Ireland, focusing on those who are most affected.

5.1 Expenditure

The Household Budget Survey (HBS) is carried out by the CSO every five years, with the most recent dating from 2009–2010.[62] Using this information source, average weekly household disposable income (which is income after the deduction of income tax and social insurance from gross income) was €886 in 2009–2010, just over 5 per cent higher than the figure recorded in the 2004–2005 HBS.[63] In comparison, average weekly expenditure in 2009–2010 for all households was €811, 3 per cent higher than in 2004–2005. However, the corresponding increase in retail price levels was just over 7 per cent. As a result, **there was a real decrease of 4 per cent in the volume of average household consumption between 2004–2005 and 2009–2010.**[64] In addition, as incomes and expenditure are likely to have increased from 2004/5 to the peak of the Celtic Tiger in 2006–2007, and only declined thereafter, the decrease from that peak may be even higher than the 4 per cent figure (CSO, 2012i).

Expenditure changes in some items over the five-year period (2004–2005 to 2009–2010) were as follows:

- **Expenditure on housing** as a proportion of total average household expenditure **increased** from 12 per cent in 2004–2005, to 18 per cent in 2009–2010. This is the first HBS where **average expenditure on housing exceeded that on food** (which was 16 per cent of total household expenditure);

- **Expenditure on fuel and light increased** by 15 per cent;

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62 The main purpose of the HBS is to determine in detail the pattern of household expenditure, to update the weighting basis of the Consumer Price Index.

63 In contrast, the 2004–2005 HBS showed that average weekly disposable household income had increased by 53 per cent since the previous HBS in 1999–2000 (CSO, 2007b: 24).

64 This compares to a real increase of 21 per cent in the average volume of household consumption between 1999–2000 and 2004–2005 (*ibid.*).

- **Expenditure on transport decreased** by 5 per cent over the five years, due to a decrease in spending on car purchases. However, expenditure on fuel increased; and

- **Expenditure on alcohol and tobacco decreased** by 16 per cent over the five years (CSO, 2012i).

5.1.1 Variation in Spending by Different Household Types

There was significant variation in the proportion of expenditure spent on different items by different households. For example:

- **Households who had a mortgage on their home spent more in absolute terms on housing than any other household type; but as a proportion of total household expenditure, those who rented privately spent the most on housing.** Households renting from a local authority spent the least on housing.[65]

- **Households with a mortgage spent the most on childcare.** These households also had the highest number of children under 14, and were much more likely than any other group to have two or more adults at work. This may contribute to the high childcare costs in this group (see also sections 5.1.3 and 5.2.11).

- **Overall, urban households spent €59 more on average per week than those in rural areas.** Rural households spent €17 more on transport and €3 more on food per week than urban households. The higher spending on food can be attributed to the larger household size in rural areas; while the higher spending on transport can be related to greater reliance on private transport than in urban areas. Meanwhile, urban households spent €42 more on housing per week, due to higher costs of rent and mortgage in urban areas.

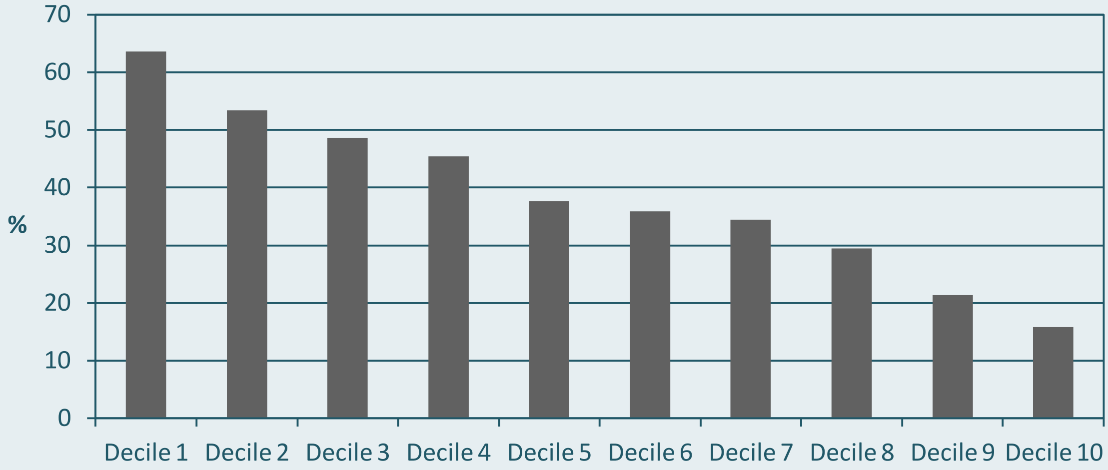
- **As a proportion of total expenditure, households renting from a local authority spent more on food,** which accounted for 21 per cent of their expenditure, compared to 14 per cent for households owned with a mortgage. Households renting from a local authority also spent the highest proportion of expenditure on tobacco, almost four times the national average (CSO, 2012i).

65 That is, of those paying mortgage or rent. Some households own their homes outright, while others live in rent-free accommodation.

5.1.2 Households where Expenditure Exceeds Income

Of particular interest are households where expenditure exceeds income. Following the property boom and increased consumer spending during the Celtic Tiger years, some households may now find themselves in this vulnerable situation, given the collapse of the economy. Overall, the ratio of expenditure to disposable income in the State in 2009–2010 was 0.92, but more detailed analysis shows that **in 38 per cent of households in the State, expenditure exceeds disposable income.**[66] There is, however, variation by income decile, which is outlined in figure 5.1.

Figure 5.1: Percentage of Households per Gross Household Income Decile Where Expenditure Exceeds Disposable Income, 2009–2010



Source: Special run of Household Budget Survey, 2009–2010, kindly supplied by the CSO.

The extent to which expenditure exceeds income is highest in the bottom deciles, ranging from over 60 per cent for the lowest income decile, to 45 per cent in decile 4. According to the CSO, there can be several reasons for expenditure exceeding income. For example, work may be carried out in the black economy (in 2007, the shadow economy in Ireland was estimated to be worth 13 per cent of official GDP, just under the average for all OECD countries, (Feld & Schneider, 2010)). Savings

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[66] Interestingly, the ratio of expenditure to income was higher in 2004–2005 than in 2009–2010; and in 2004–2005, more deciles showed an excess of expenditure over income than in 2009–2010. This may be related to greater availability of credit in the earlier period.

may also allow a household to spend more than their income, e.g. those recently made unemployed, or self-employed people with low business income. Third-level students may get by on loans or savings from summer employment, and retirees may rely on savings and investments.

In table 5.1 overleaf, some key characteristics of households where expenditure exceeds income are compared to all households surveyed in the HBS.

The table shows that the excess of expenditure over income is most marked in the lowest income deciles, with households where expenditure exceeds income in decile 1 having an average expenditure of well over twice their income. It also shows that in income deciles 1 to 3, households where expenditure exceeded income were more likely than all households to have at least one person unemployed.[67] In relation to the working population, households in each income decile where expenditure exceeded income were more likely than all households to have one person at work. For households with two or more adults at work, the picture is less clear.[68] However, it is evident that in all but one decile, and particularly in the lower-income deciles, households where expenditure exceeds income were less likely than all households to have at least one person retired.

67 This was also the case in deciles 9 and 10. However, the absolute numbers involved are so low that interpretation of this data has to be treated with caution.

68 In the lower deciles, households where expenditure exceeded income were less likely to have two adults at work, but in the ninth decile the opposite is the case. The absolute numbers involved are very low and so it is difficult to draw any firm conclusions.

Table 5.1: Characteristics of Households Where Expenditure Exceeds Income, 2009–2010

Variable	Decile 1	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Decile 10	State
Number of households where total expenditure exceeds disposable income	323	294	281	274	223	213	214	187	129	95	2,233
Excess of expenditure over income in these households	€298.10	€237.62	€235.79	€225.05	€258.81	€297.03	€272.36	€316.79	€298.28	€476.88	€275.87
Excess of expenditure over income in these households, as a percentage of income	-172	-78	-55	-41	-39	-38	-29	-27	-21	-23	-41
Households with 1+ persons unemployed—% difference between all households and households where expenditure exceeds income[69]	3.1	6.5	2.1	-2.3	-2.5	-4.7	-2.3	-0.8	1.9	0.0	3.5
Households with 1+ persons retired—% difference between all households and households where expenditure exceeds income[70]	-7.07	-10.9	-8.14	-5.69	-5.44	-1.15	-2.46	0.03	-0.94	-1.4	-2.24
Households with 1 person employed—% difference between all households and households where expenditure exceeds income	4.45	4.54	3.47	5.23	3.64	3.34	0.75	-0.33	7.67	1.46	3.05
Households with 2+ people employed—% difference between all households and households where expenditure exceeds income	0.33	2.18	2.67	4.54	5.35	2.15	2.82	-0.4	-8.67	-0.06	-8.11

Source: Special run of Household Budget Survey, 2009–2010, kindly supplied by the CSO.

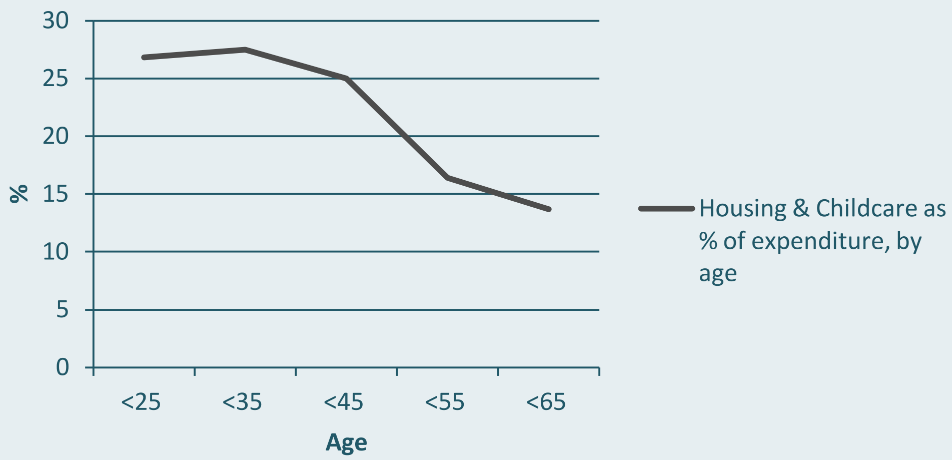
69 Here, a positive value indicates that the proportion of households with 1+ persons unemployed is higher among households where expenditure is higher than income, than among all households.

70 Here, a negative value indicates that the proportion of households with 1+ persons retired is lower among households where expenditure is higher than income, than among all households.

5.1.3 Household and Childcare Expenditures

Durkan and O'Hanlon (2012) have carried out some analyses of the income and expenditure of those who took part in the HBS, by age. They looked at the **proportion of disposable income that was taken up by housing and childcare costs for each age group, and found that these costs amount to 20 to 25 per cent of disposable income for those aged between 25 and 45** (compared to 17 per cent on average). These data is illustrated in figure 5.2.

Figure 5.2: Housing and Childcare as a percentage of Household Expenditure, by Age Group, 2009–2010

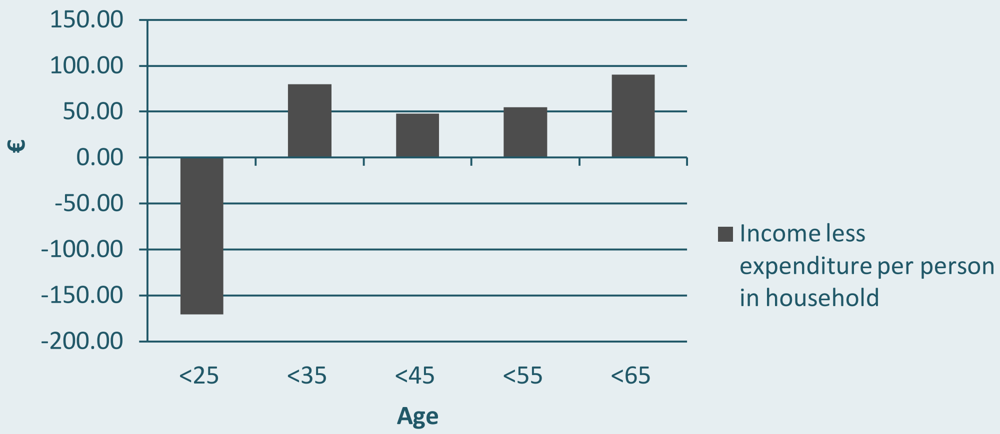


Source: Abstracted from Durkan & O'Hanlon, 2012.

They also found that the excess of disposable income over expenditure was highest for those aged 25–35, and for older age groups, see figure 5.3.

In addition, Durkan and O'Hanlon looked at income and expenditure by tenure status, see figure 5.4.

Figure 5.3: Income Less Expenditure per Person in Household, 2009–2010



Source: Abstracted from Durkan & O'Hanlon, 2012.

In this case, Durkan and O'Hanlon found that those who have a mortgage on their home, or who rent privately, have the largest expenditure on housing and childcare, as a proportion of their total expenditure. The first horizontal bar in figure 5.4 also shows what Durkan & O'Hanlon (2012) estimated would be the mortgage repayments for households who had not actually made their last mortgage payment.[71] If these households had paid their mortgage instalment, their expenditure would have exceeded their income by about 17 per cent. The households who had not paid their last mortgage instalment did not have particularly low average incomes; in fact, their average incomes were the second-highest of all tenure groups. However, their incomes were lower than those of the households that were not in arrears on their mortgages. More detail on this is outlined in table 5.2. This table also shows the low proportion of all mortgages that were in arrears at the time. (The issue of mortgage arrears is examined in more detail later in this chapter.)

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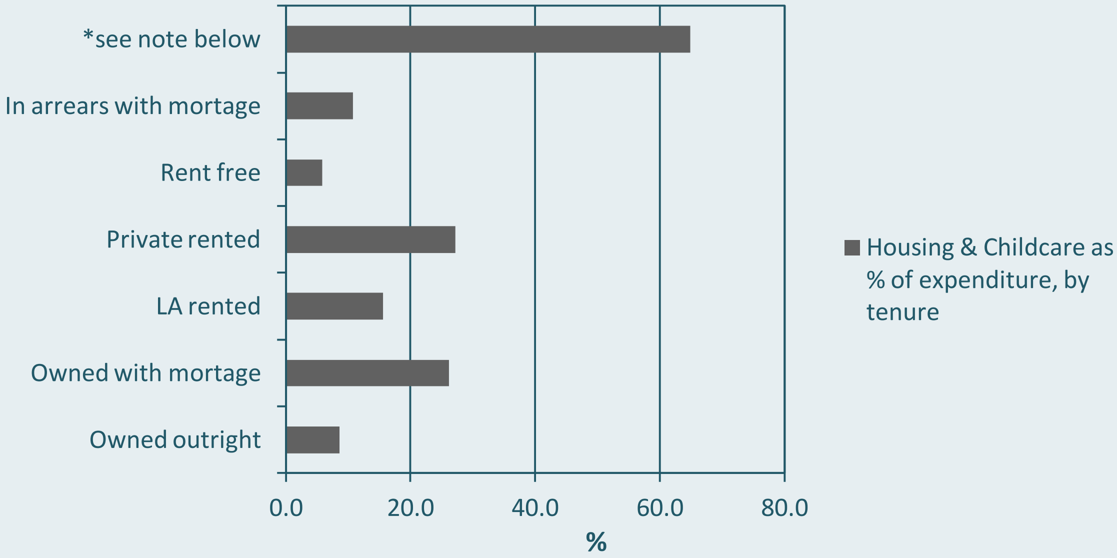
[71] The estimates were based on payments for mortgage protection policies.

Figure 5.4: Housing and Childcare as a Percentage of Average Household Expenditure, by Tenure, 2009–2010



Source: Abstracted from Durkan & O'Hanlon, 2012.
*The first line in the graph should read 'estimated housing and childcare costs as percentage of average household expenditure for those who did not pay their last mortgage instalment'.

Table 5.2: Income and Expenditure of Households, by Tenure Type, 2009–2010

Tenure	Percentage of households	Disposable income €	Total expenditure €	Housing & childcare expenditure €	Disposable income less expenditure €
Owned outright	30.6	793.69	683.02	58.98	110.67
Owned with mortgage, paid last instalment	35.5	1209.81	1153.72	301.75	56.09
Local authority rented	9.8	504.77	448.84	69.86	55.93
Private rent	20.8	723.3	673.08	183.06	50.22
Rent free	1.3	619.38	544.54	32.06	74.84
Owned with mortgage, didn't pay last instalment	2	900.59	734.79	79.03	165.8
In arrears with mortgage, estimated expenditure if had paid last instalment				(398.02)	(-153.19)

Source: Abstracted from Durkan & O'Hanlon, 2012.

5.2 Debt and Financial Stress

One impact of the economic crisis is the level of debt incurred by many households. In 1995, the ratio of household debt to disposable income in Ireland was 1:48, but by 2008 it had increased to almost 1:176, with €176 owed for every €100 income (Russell *et al.*, 2011).[72] However, as the Law Reform Commission (2009) has pointed out, access to credit can be positive and the majority of credit agreements are beneficial to all those involved and do not end in default. Carrying manageable debt in this way is referred to as 'indebtedness'. **A situation of 'over-indebtedness', however, can arise where the borrowing commitments, and/or living expenses, of a person cannot be satisfied from their income within a reasonable time in the future.** This results in difficulties, and sometimes failure, in paying creditors. The growth in access to credit in Ireland during the boom and the subsequent economic downturn, and its associated increase in unemployment, has placed an increasing number of individuals and their families in a situation of over-indebtedness, which will be outlined in this chapter. Summary information on the extent to which households are in arrears on payments will be provided first, followed by more detailed information on mortgage arrears, rent arrears, utility-bill arrears, and other arrears. This will be followed by an assessment of the groups most severely affected by high debt and over-indebtedness. In chapter 7, some of the social implications of ongoing financial stress will be outlined.

5.2.1 Overall Arrears

In 2010, nearly one-quarter (23 per cent) of all households were in arrears with at least one bill or loan. Arrears on things such as bank overdrafts, credit-card bills, personal and other loans (termed 'other bill arrears') were most common (15 per cent of households), followed by utility-bill arrears (12 per cent), and then rent or mortgage arrears (7 per cent). Twelve per cent of households reported having to go into debt in the previous year, in order to meet ordinary living expenses. These figures had increased since 2008 and 2009 (CSO, 2009b; 2012m). Figures from a Eurobarometer survey show that in 2011 25 per cent of Irish respondents reported running out of money to pay ordinary bills or buy food in the previous twelve months. This is an increase of ten percentage points on 2010 figures, one of the highest increases among EU countries (European Commission, 2012b).[73]

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[72] It has, however, fallen by 12 per cent since the peak of the Celtic Tiger, although it is still high by international standards (MacCoille *et al.*, 2012).

[73] Ireland ranked ninth among the EU-28 in 2011 on this issue. Countries where a higher proportion of people ran out of money to pay ordinary bills or buy food in 2011 were (from first to eighth) Greece, Latvia, Lithuania, Bulgaria, Romania, Hungary, Cyprus and Slovakia.

5.2.2 Mortgage Arrears

During the Celtic Tiger era, house values rose spectacularly, and with lending institutions, along with government incentives, encouraging people to buy, many people bought properties at hugely inflated values on very large mortgages, many times their income at that time. When the economic collapse occurred in 2008 property values fell,[74] many people's income fell through pay reductions or job loss, and this resulted in many finding it difficult to service their mortgage.

Lydon & McCarthy (2011) show that mortgage arrears in Ireland were practically zero in 2004. However, data[75] shows that **by June 2012, 11 per cent of mortgage accounts for principal dwelling houses** (86,146) **were in arrears for more than ninety days** (borrowers are defined as distressed if they have arrears to the value of three or more months' repayments).[76] This is a very large increase from 2004, and indeed since the end of 2010, when 24,011 households, less than a third of the June 2102 figure, were in arrears for over ninety days (Kennedy & McIndoe Calder, 2011). **Only 28 per cent of all mortgages in arrears** (both under and over ninety days) **for principal dwelling houses had been restructured** (through e.g. a reduction in payment amount, switch to interest-only mortgage, etc.).

The situation of mortgages on buy-to-let properties is also severe, with 26,770 buy-to-let accounts in arrears of more than ninety days at the end of September 2012, representing 18 per cent of all buy-to-let mortgages.

Another indicator of difficulties in paying mortgages can be seen in the increased take-up of Mortgage Interest Supplement. This payment had seen little change in recipient numbers between 2002 and 2006, but then rose from 3,023 recipients in 2006 to 18,703 recipients in 2011, an increase of 500 per cent (Department of Social Protection, 2012).

5.2.3 Local-Authority Mortgages

A higher proportion of housing loans from local authorities are in arrears than those taken from banks and building societies—although the former is a much smaller group. This is not surprising given that local authorities are generally

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74 Many commentators believe that house prices fell by 50 per cent between 2007 and 2010 (Norris & Brooke, 2011).

75 All statistics in this section (unless otherwise specified) are from the Central Bank's Residential Mortgage Arrears and Repossessions Statistics, for quarter three of 2012, at http://www.centralbank.ie/polstats/stats/mortgagearrears/Pages/releases.aspx. accessed 13 December 2012.

76 Arrears of less than ninety days repayment are not usually considered problematic, as they can be due to minor cash flow issues, errors in processing payments etc.; and 70 per cent of such arrears are 'cured' within one year, according to a study by Kelly (cited in McGuinness, 2011: 7). However, in Ireland the figures for those in arrears of less than ninety days a year ago, and of over ninety days now, would suggest that many are moving from less than ninety days arrears into more than ninety days. There are currently another 49, 482 Irish mortgages which are in arrears for less than ninety days. A small note of positivity is that the number of mortgages in arrears of between thirty and ninety days is stabilising, which means that the number progressing to arrears of over ninety days should begin to decline in due course (Mac Coille *et al.*, 2012).

lenders of last resort for housing. At the end of June 2012, 6,280 of all local-authority mortgages (including those drawn down to purchase houses under the various affordable housing schemes, such as shared ownership and tenant purchase) were in arrears of more than ninety days. This represents 28 per cent of the total number of loans, up from 24 per cent at the end of March 2010—although the numbers are of a much lower scale than mortgage arrears in the non-State sector.[77]

5.2.4 Rent Arrears

In addition to mortgage arrears, **levels of rent arrears have also increased since the start of the recession.** Since 2008, the Department of the Environment, Community and Local Government has collected data on the monetary value of rent arrears in each local authority. This data shows that total local-authority rent arrears have increased from €32.9m on 1 January 2008, to €58.5m on 31 December 2011.[78] Although this data does not show the number of households affected, data from individual local authorities does. For example, in Dublin City Council, which accounted for 33 per cent of all local-authority rent arrears, 2011 figures show that 21 per cent of rent was in arrears. This is estimated to represent 13,400 tenants in arrears (O'Sullivan, 2012b). These figures are considerably higher than in 2006, when 14 per cent of rent was in arrears (Dublin City Council, 2007).

Such data does not exist for private tenancies, but information from the Private Residential Tenancies Board shows that, in 2010, 31 per cent of dispute applications received were related to rent arrears (PRTB, 2011); compared to 19 per cent in 2007 (PRTB, 2008).

5.2.5 Increase in Rent Supplement Recipients

Another indication of difficulties that people face in meeting rent and other housing costs comes from looking at the number of rent supplement recipients. Rent supplement is provided to people in private rented accommodation to help meet their immediate housing needs. **In 2011, 96,803 households were in receipt of rent supplement,** up from 59,861 in 2006, an increase of 61 per cent (Department of

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77 From written reply to PQ 9062/12, accessed at http://debates.oireachtas.ie/dail/2012/02/16/00132.asp, 13 September 2012; and answer by Minister for State Jan O'Sullivan to Deputy Bernard J. Durkan on Tuesday 23 October 2012, accessed at http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/takes/dail2012102300011?opendocument# Local-Authority Housing, on 13 December 2012.

78 Figures obtained from the regularly updated Social and Affordable Housing statistics available on the Department of Environment, Community and Local Government website, accessed at http://www.environ.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/, on 13 December 2012.

Social Protection, 2012).[79] A significant amount of this increase is attributed to the rise in unemployment (Norris, 2011).

5.2.6 Local-Authority Housing Waiting Lists

A further indicator of difficulties that people face in meeting rent and other housing costs comes from examining the numbers on local-authority housing waiting lists. The most recent housing needs assessment showed that **98,318 households were on a local-authority housing waiting list at 31 March 2011** (Housing Agency, 2011). This was up from 42,946 in 2005, a 129 per cent increase. The largest category of housing need by far was 'unable to meet the cost' at 67 per cent. Three-quarters (78 per cent) of households in need of housing support had gross household incomes of less than €15,000 per annum.

5.2.7 Utility-Bill Arrears

As outlined earlier, **11.4 per cent of the population were in arrears with utility bills in 2010,** up from 9.6 per cent in 2009.[80] Data from the ESB shows that 45,000 customers were in arrears in 2009 (O'Sullivan, 2010), but by 2012, this figure had risen to 130,000 (Weston, 2012). The Commission for Energy Regulation (CER) also reported an increase in electricity disconnections from 10,921 in 2007 to 17,794 in 2011, with approximately 10,000 of these being domestic customers in 2011[81] (CER, 2012a).

The number of those in arrears for two months with Bord Gáis[82] had tripled to 115,000 between mid-2010 and mid-2011 (RTÉ News, 2011), but by September 2012 this number had declined to 83,500 (Sheehan, 2012). CER figures also show that in 2011, the number of customers disconnected from gas suppliers had decreased from 7,156 in 2008 to 5,039. This decrease is attributed to the introduction in late 2008 of pay-as-you-go meters for those in arrears with gas bills. These meters must be offered to customers in arrears before a supplier can proceed to disconnection. By the end of 2011, almost 26,000 such meters had been installed. This has helped to reduce the rate of disconnections in relation to gas supplies (although it is not known if this method ensures that customers have adequate heating). The increase in disconnections and arrears for electricity supply may be related to the fact that pay-as-you-go meters for electricity have only

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79 There was a consequent increase in the cost of Rent Supplement from €388m in 2006 to €503m in 2011, a 30 per cent increase. The percentage cost increase is substantially less than the percentage increase in recipients because of adjustments made to the payment – the rent limits have been decreased and the minimum contribution was increased.

80 This data began to be collected for the SILC survey in 2009.

81 In about a third of cases, the disconnections are estimated to be for a vacant property. A property is estimated to be vacant if reconnection (to either the existing or another supplier) does not occur within two weeks of disconnection.

82 For electricity or gas supplies.

recently begun to be installed. In addition, since late 2010, the CER has required energy suppliers to bear half the cost of disconnections, which they argue has led to lower disconnection rates. The CER considers that 'the issues facing customers experiencing difficulty with energy payments is still of serious concern' (CER, 2012a; 2012b).

5.2.8 Other Arrears

A representative survey of 1,000 adults commissioned each year by the Irish League of Credit Unions[83] shows that **in June 2012, 62 per cent of the Irish population had some form of loan exposure.** The most common was a bank overdraft (54 per cent), followed by a credit card (39 per cent), credit-union loan (18 per cent), and personal loan (15 per cent). Four per cent had a hire purchase loan, and three per cent had a moneylender loan. Forty per cent of those surveyed had borrowed to pay their household's bills in the past twelve months. Of this group, most relied on financial help from family and friends; 30 per cent borrowed from the credit union; and 10 per cent from moneylenders.

Eurobarometer (European Commission, 2012b) showed that in 2011, 10 per cent of Irish people were falling behind with some or many bills,[84] 17 per cent were keeping up but finding it a constant struggle, and 41 per cent were keeping up but finding it a struggle from time to time. The proportion who were falling behind with some or many bills had risen by four percentage points between 2010 and 2011, while the proportion keeping up but finding it a constant struggle had risen by seven percentage points over this period.

5.2.9 How are Households Coping with Indebtedness?

Households have employed a range of strategies to deal with indebtedness. Figure 5.5 overleaf shows the main financial measures taken by households to pay for basic goods and services in the last two years. These have included:

- One fifth of households delayed or missed paying their bills in order to meet their outgoings on basic goods and services. One in ten delayed or missed loan repayments and a further one in ten delayed or missed paying their credit-card bill;

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[83] See http://www.creditunion.ie/communications/pressreleases/2012/title,6905,en.php, accessed 24 September 2012.

[84] The seventh-highest ranking in the EU-28, preceded by Greece, Cyprus, Bulgaria, Latvia, Hungary and Lithuania.

- In the two years prior to the survey, 45 per cent of households spent some or all of their savings and 62 per cent reduced the amount being saved;[85]

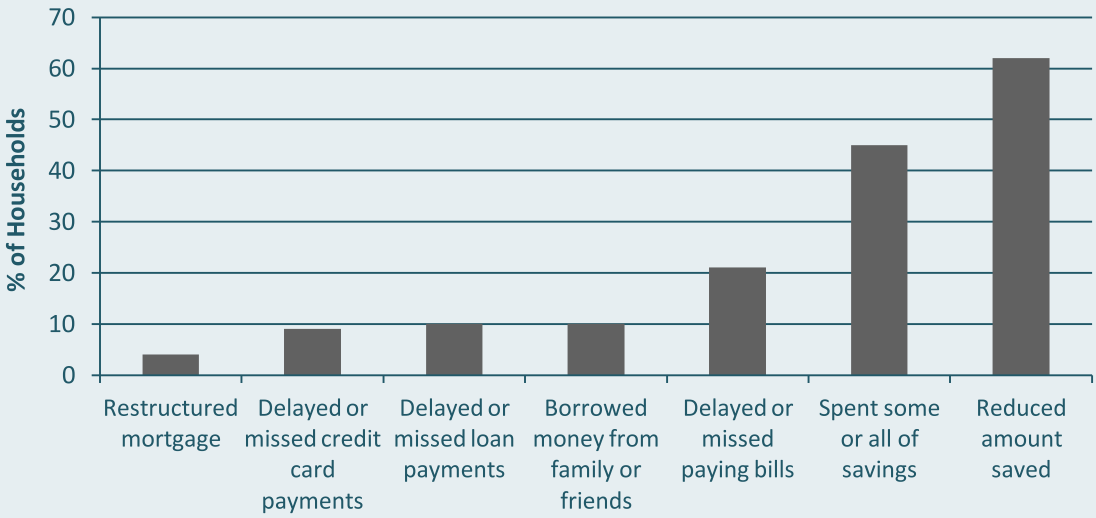
- One in ten households borrowed money from family or friends to pay for basic goods and services in the two years prior to the survey (CSO, 2012f).

MABs has reported a 20 per cent increase in those using its services who have borrowings with a licensed moneylender (Johnston, 2012). The amount owed to legal moneylenders was estimated to be €113m at the end of 2010, compared to €90m at the end of 2008 (Smyth, 2010). There are also many illegal moneylenders in operation (O'Sullivan, 2012a), who charge even higher rates of interest than those which are licensed.[86] A report from 2007 (Financial Regulator, 2007) showed that a quarter of those borrowing from moneylenders also had borrowings from other financial institutions, such as a bank or building society, a credit union, or a hire purchase company. However, as access to credit has declined since 2007, there may be more reliance on moneylenders now.

85 Durkan and O'Hanlon, (2012), show that the savings rate of households increased between 2007 and 2009, and then declined again to 2011.

86 There is no cap on the interest rates charged by licensed moneylenders, with one reported to legally charge 287 per cent interest on a year-long loan (O'Sullivan, 2012a).

Figure 5.5: Financial Measures Taken by Households to Pay for Basic Goods and Services in the Last Two Years, Q2 2011



Source: CSO, 2012f: 4.

5.2.10 Overall Debt—Who is Most Affected?

Even though many households are indebted, and some over-indebted, it is notable that **those living in consistent poverty are many times more likely than the overall population to be in arrears,** see figure 5.6. Fifty-two per cent of households in consistent poverty were in arrears with one or more item in 2010. Between 2009 and 2010, the proportion of households in consistent poverty in arrears with rent or mortgage increased from 16 per cent to 24 per cent, although the proportion in arrears with utility bills decreased from 39 per cent to 29 per cent,[87] and those in arrears with other bills declined from 37 per cent to 32 per cent.

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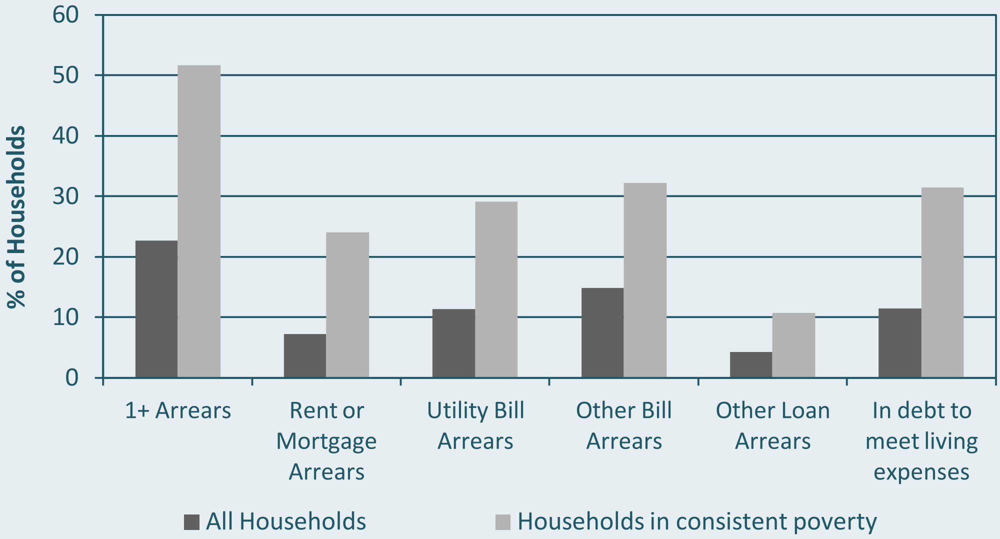
87 This reduction may be due to the introduction of pay-as-you-go meters for those in arrears with gas bills from 2008 on, see section 5.2.7 earlier.

Figure 5.6: Households in Arrears, 2010



Source: CSO, 2012m: 69—based on SILC figures.

Nearly one-third (30.7 per cent) of all households had difficulty or great difficulty in making ends meet, with four out of five (79.2 per cent) of those in consistent poverty having such difficulties.

Research shows that **there is a strong connection between low income and over-indebtedness, with lone parents, people who are unemployed and people who are ill or disabled showing a persistent lack of resources leading to over-indebtedness** (Davydoff *et al.*, 2008; Russell *et al.*, 2011). The results of this research also shows the importance of income shocks as a trigger to over-indebtedness. More than 40 per cent of over-indebted households had experienced a major drop in income, with unemployment and pay cuts being the most commonly cited factors. Households without access to savings or other ways of raising resources are pushed into over-indebtedness by such shocks. Only 2 per cent of households in the top income quintile who experienced a major drop in income in the previous year had become over-indebted, but 21 per cent of households in the bottom income decile had become over-indebted due to such an income shock (Russell et al., 2011). With reference to vulnerability, in facing an income shock the ability to cope is a critical factor, with low-income households having limited capacity thus making them more vulnerable.

5.2.11 Mortgage Debt—Who is Most Affected?

Lydon & McCarthy (2011) show that at the end of December 2010, **over half of all mortgages in arrears had been taken out in 2006 and 2007.** One-third of the accounts were taken out by first-time buyers (FTB), and one-quarter were for buy-to-let mortgages. FTB are less likely to go into arrears than other borrowers; while (as shown in section 5.2.2) those with a buy-to-let mortgage are more likely to go into arrears than those with a mortgage on their principal private residence.

Kennedy & McIndoe Calder (2011) also show that the Midlands, Border and Mid-East regions had proportionally more mortgages in arrears of at least ninety days. They showed that these regions had both higher vacancy rates and unemployment rates. They also had more distressed properties in negative equity.[88]

Not surprisingly, **those with a high repayment relative to their income are more likely to be in arrears.** McCarthy and McQuinn (2011) look at households with such a 'mortgage-repayment-to-income' (MRTI) ratio, using 2007 data from SILC.[89] Their analysis shows that households with the highest MRTI ratios at that time were proportionally more likely to be made up of one adult (either with or without children), who is more likely to be single, female, younger (aged 38, compared to 43 on average), highly educated, and living in an urban area.

The most highly leveraged were also very likely to have obtained their mortgage in the 2000s—over 80 per cent of those in the top three deciles of the MRTI ratio took out their mortgage in the 2000s, compared to 53 per cent on average (which probably explains the higher than average proportion of younger people with the highest MRTI).

Kelly *et al.* (2011) have updated McCarthy and Quinn's paper using 2009 SILC data, and find a similar picture to the latter's analysis of 2007 data. In 2009, the most highly leveraged households tended to be younger, have taken out their mortgage more recently, and have opted for longer mortgage terms.

A number of Central Bank papers on mortgage arrears suggest **unemployment as an important influence on mortgage arrears** (e.g. Lydon & McCarthy, 2011; Kennedy & McIndoe Calder, 2011). Since 2007, unemployment has increased, as has the rate of mortgage arrears. Data from Census 2011 shows that 8.7 per cent of all households with a loan or mortgage were headed by a person who was unemployed or looking for their first job. Of the 50,792 mortgaged homes where the head of household had no employment in 2011, 25,921 (51 per cent) did not have anyone within the household who was at work. Donegal, Wexford, Offaly and Monaghan were the counties where the head of household of mortgaged homes

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88 In December 2010, half of the mortgages in arrears were in a position of negative equity.

89 The MRTI ratio features prominently in international studies on household financial distress, as even if this group is not currently in arrears, it is the group most likely to go into arrears and over-indebtedness (McCarthy & McQuinn, 2011).

was most likely to be unemployed (CSO, 2012b). This finding is in line with Kennedy & McIndoe Calder's (2011) analysis showing that the Midlands, Border and Mid-East regions had proportionally more mortgages in arrears for at least ninety days.

Increases in interest rates can also push mortgage holders into arrears. However, cuts in ECB interest rates since late 2008 have helped to reduce the pressure on mortgage holders (Mac Coille *et al.*, 2012).

In a detailed analysis of SILC that compares 2006 with 2010[90] to identify groups particularly affected by mortgage arrears, some patterns are evident, which reinforce the trends documented in the publications cited above. It should be borne in mind that the data set is very small—in 2006 only 33 heads of household[91] had a mortgage in arrears (0.6 per cent of all heads of household), and 133 in 2010 (2.9 per cent of all heads of household). The patterns in relation to arrears are:

- **In both 2006 and 2010, the heads of household most likely to have been in mortgage arrears in the last year[92] were those with primary or no education,**[93] followed by those with secondary education only. However, by 2010, the proportion of heads of household with third-level education who had been in arrears in the last year had more than doubled, even though they were still the group least likely to be in mortgage arrears.[94]

- **In both 2006 and 2010, heads of household who were ill/disabled, unemployed, and on home duties were most likely to have been in mortgage arrears** in the last year. Heads of household at work were least likely to have been in mortgage arrears in the previous twelve months in both years, although the proportion of these in arrears had increased between 2006 and 2010.[95]

- In terms of household composition of heads of household in mortgage arrears in the last year, those most likely to be in arrears in 2006 were lone parents,[96] and other households with children. In 2010, again **lone parents were most likely to be in mortgage arrears,** followed this time by households of 2 adults with 1–3 children.

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90 NESC has undertaken a detailed analysis of SILC 2006 and SILC 2010 to identify which groups are in arrears with various payments. This SILC data is from the Central Statistics Office SILC Microdata File, copyright of the Government of Ireland. NESC would like to thank the Central Statistics Office and the Irish Social Science Data Archive for making this data available for analysis.

91 By 'head of household' we mean the person who answered the 'household' questions in the survey. The arrears analysed refer to the house in which the person lives.

92 When compared to all heads of household with a mortgage.

93 This refers to completed education level only.

94 In both years, heads of household with third-level education made up the largest group with a mortgage (over 50 per cent of the total).

95 In both years, heads of household at work made up the largest group with a mortgage (70–75 per cent of the total).

96 That is, households made up of one adult and one or more children.

5.2.12 MABS Clients

MABS provides advice to households in debt, or having difficulty paying their debt. **In 2012, almost 70 per cent of MABs clients were social welfare recipients** (growing from approximately 63 per cent in 2007). **At the end of June 2012, the largest group of new clients, 25 per cent, were married people with children** (1,406), closely followed by single people (1,027—18 per cent of all new clients), and then by single people with children (952—17 per cent). Some 2,836 (50 per cent) were aged between 26 and 40, and 2,397 (42 per cent) between 41 and 65 (MABS, 2012a). The debts of new clients were as follows:

- 32 per cent for personal loans with financial institutions;
- 22 per cent for utilities;
- 18 per cent for credit cards;
- 11 per cent for mortgages;
- 4 per cent for hire purchase loans; and
- 4 per cent for moneylender debts (MABS, 2012b).

The proportion of new MABS clients who have a mortgaged property has increased from 21 per cent in 2006 (MABS, 2012b) to 44 per cent in 2012 (MABS, 2012a), (although their debts are not necessarily for mortgage repayments).

5.2.13 Moneylender Clients

The 2007 Financial Regulator's report on moneylending showed that women represented 72 per cent of those surveyed who had borrowed from a moneylender. Thirty four per cent of those interviewed lived in local-authority rented accommodation, and 14 per cent in privately rented accommodation.

5.2.14 Other Data Sources on Who is Most Affected

As outlined earlier, **families with children have a comparatively high exposure to poverty, and the debt of such families also appears to be particularly high.** In 2010, 18 per cent of households with children were in debt from ordinary living expenses, compared to 7 per cent of households without children. (This compares to 14 per cent for the former in 2008, and 6 per cent for the latter) (CSO, 2012a).

Longitudinal data from the *Growing up in Ireland* (GUI) survey indicates a similar pattern. One part of this study interviewed the families of 11,000 children in 2008/9 when the children were nine months old. They were reinterviewed in August 2011, when the children were three years old. There was a substantial increase in the proportion of families who were experiencing difficulties in making ends meet between the two survey periods. At the first interview in 2008–2009, 13 per cent of families had reported making ends meet with difficulty or great difficulty. By 2010, this figure was 21 per cent. These difficulties were most likely in families that were educationally disadvantaged, i.e. in those families where the mother's level of education was lower secondary or less, 37 per cent reported this difficulty, compared to 12 per cent of families where the mother had a degree (Growing up in Ireland, undated-a).

Higher percentages of more disadvantaged families reported that they 'can't afford/cut back on basics', and were 'behind with rent/mortgage' or with 'utility bills'. Some 28 per cent of mothers with education to lower-secondary level or less reported being behind on utility bills, compared to 6 per cent of mothers with a degree. The figures for being behind with mortgage or rent were 14 per cent for mothers with the lowest level of education, and 4 per cent for mothers with a degree (*ibid.*).

A similar pattern was found from the second part of the GUI survey, which interviewed 9-year-olds and their families. They were first interviewed when the children were nine, in 2007-8, and then reinterviewed when the children were thirteen, in 2011–2012. In 2007–2008, 7 per cent of families reported great difficulty or difficulty in making ends meet. By 2011–2012, this figure had more than tripled, to 23 per cent. Eighteen per cent of families where the mother's education was to lower-secondary level or less were behind with utility bills (and 16 per cent with rent or mortgage bills), compared to 7 per cent (and 6 per cent) of families where the mother's education was at degree level or higher. Lone-parent families were particularly affected—while approximately 20 per cent of two-parent families had great difficulty or difficulty making ends meet, 36 per cent of smaller one-parent families reported this, and 47 per cent of larger one-parent families (Growing up in Ireland, undated-b).

The data also showed that when the survey was first undertaken and the child was nine, (in all families) only 4 per cent of fathers, and no mothers, were unemployed.[97] However, by the time the child was thirteen, 10 per cent of fathers and 3 per cent of mothers were unemployed (*ibid.*).

Data from the 2010 wave of TILDA, the longitudinal survey of 8,500 over-50-year-olds in Ireland, show that one-fifth of older people had some debt, not including mortgages on their primary residence. Households with higher levels of education were more likely to be in debt, with one-third of those with tertiary education in debt (of a median of €10,000), compared to 20 per cent of those with primary education (with a median level of debt of €6,000). About 13 per cent of the older people surveyed also own a residential property that is not their main residence.

[97] The mothers of the 9-year-olds were defined as: 57 per cent working outside the home; 0 per cent unemployed; 38 per cent engaged in home duties. Three to four year later when the children were thirteen the mothers were defined as: 59 per cent working outside the home; 3 per cent unemployed; 33 per cent engaged in home duties.

Around 30 per cent of those with tertiary education own at least one such property, compared to just 5 per cent for those with primary education only (O'Sullivan, & Layte, 2011). It is not possible, however, to ascertain from this data if these older people are over-indebted.

Detailed analysis of SILC, comparing 2006 with 2010 (see section 5.2.11) also provides some information on groups particularly affected by rent and utility-bill arrears, and the burden of debt repayment.[98]

When considering rent arrears, what is striking is how little the groups most affected by rent arrears have changed between 2006 and 2010. As with mortgage arrears, the small number of data cases in both years needs to be borne in mind. In 2006, 138 heads of household had been in rent arrears in the last twelve months (2.4 per cent of all heads of household), and 177 in 2010 (3.8 per cent of all heads of household).

- In both 2006 and 2010, heads of household with secondary education only[99] were most likely to have been in rent arrears in the previous year. However, the proportion in rent arrears with primary (or no) education fell over the four-year period, while the proportion with a third-level education in rent arrears increased (although in 2010, neither of these two groups was over-represented among the proportion in rent arrears).

- **A striking finding in both years is the extent to which heads of household who are either lone parents, or who head 'other households with children', are over-represented among those in rent arrears.** In 2006, heads of household of families made up of two adults and 1–3 children were also particularly likely to be in arrears, but this had declined by 2010.

- Again, in both 2006 and 2010, the heads of household most likely to be in rent arrears were the unemployed, those on home duties,[100] and the ill/disabled. The largest increase was in the proportion of unemployed heads of household in rent arrears, with the figure more than doubling over the four-year period.

In relation to utility-bill arrears, there was a strong increase in the proportion of individuals affected between 2006 and 2010, from 6 per cent of individuals in 2006, to 13 per cent in 2010. The socio-economic characteristics of those affected were as follows:

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98 This SILC 2006 and 2010 data is from the Central Statistics Office SILC Microdata File, copyright of the Government of Ireland. NESC would like to thank the Central Statistics Office and the Irish Social Science Data Archive for making this data available for analysis.

99 This section refers to the completed level of education of the heads of household.

100 This is in many ways an overlap with the lone-parent group of households outlined above, as 48 per cent of household heads on 'home duties' were in a household made up of one adult and one or more children.

- In relation to household composition, the very high over-representation of lone parents in arrears over the past year, in both 2006 and 2010, was the most striking pattern, although their representation did decrease over the four-year period.[101] Other households with children were also over-represented among those in utility-bill arrears in both years, although not as much as lone-parent households.

- More detailed demographic data was available on the heads of the households in utility-bill arrears in the last year. This shows that there was a strong increase in the proportion of heads of household in utility-bill arrears who were unemployed, which rose from 8 per cent in 2006 to 20 per cent in 2010. There was also a decline in the proportion of heads of household in utility-bill arrears who were on 'home duties'. In both years, **it was households headed by the unemployed, the ill/disabled, and those on home duties, who were most likely to be in utility-bill arrears.**

- When the highest level of education attained by heads of household is considered, in 2006 it was households headed by those with primary (or no education) or secondary-level education only who were most likely to have been in arrears with utility bills in the past year. By 2010, however, heads of household with primary or no education were least likely to have been in arrears with their utility bills, those with secondary-level education were most likely to have been, and the proportion of those with third-level education who were in arrears had increased considerably.

Analysis was also carried out of those who find the repayment of debt to be a burden. Between 2006 and 2010, the proportion of those aged sixteen and over who did not find repayment of debt to be a burden fell from 11.4 per cent to 6.4 per cent, and the proportion who found debt repayment to be a burden increased somewhat from 20.4 to 23.8 per cent of the population aged over sixteen. Nonetheless, the proportion of over-16-year-olds who stated the question was not applicable was 68 per cent in 2006 and 69 per cent in 2010. Presumably, this group does not have debts to pay back, or perhaps they have paid them back during that period (in line with the Household Budget Survey results, which showed that, on average, the excess of household expenditure over income had declined between 2005–2006 and 2009–2010).

In terms of which groups are most affected by the burden of debt repayment, the following was found:

- Of the over 16-year-olds, **those aged 25–49 were by far the most likely to find debt a heavy burden, and those aged over 65 were least likely to do so.**

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[101] In 2006, households of one adult with one or more children represented 3.6 per cent of the population, but 21.7 per cent of those in utility-bill arrears; and in 2010 these figures were 5.2 and 16.7, respectively.

However, there was no change between 2006 and 2010 in the extent to which each group found debt a heavy burden.

- In 2006, it was those with primary and secondary-level education only[102] were most likely to find debt a heavy burden; while in 2010 it was those with secondary and third-level education who were most likely to find debt repayment a heavy burden.

- There was little change in the work status of the groups finding debt repayment a heavy burden, or no burden at all, between 2006 and 2010. Proportionally, **the unemployed found repayment of debt by far the heaviest burden,** and those at work found it the least burdensome. However, as a much higher proportion of the population are at work, the absolute number of those finding repayment of debt a heavy burden is highest among those who are at work.

- In terms of household composition, there was also little change in the proportion of different groups finding debt repayment a heavy burden between 2006 and 2010. **In each year it was lone-parent families who were by far the most likely to find repayment of debt to be a heavy burden.**

5.3 Summary

This chapter has presented information on expenditure patterns since the economic crisis and on the extent and nature of indebtedness, particularly over-indebtedness. Attention has especially been paid to situations that may make individuals, households and communities more vulnerable.

As expected, **household consumption has fallen since the economic crash.** The composition of spending has also changed with an increase in the proportion of spending on housing, as well as an increase in expenditure on fuel and light. There has been a decrease in spending on transport and alcohol and tobacco.

At particular risk are households where expenditure exceeds income, especially where this could make the household vulnerable. As might be expected, the extent to which expenditure exceeds income is highest in the bottom income deciles. Housing and childcare costs make up a substantial proportion of expenditure in some households, especially for those aged between 25 and 45 with children who have a mortgage or rent privately.

The economic crisis has also had an effect on the level of indebtedness, and especially over-indebtedness, of some households. Over-indebtedness can occur

102 Those aged sixteen and over, and the education level referred to is the highest achieved by the individual.

when a household's borrowing constraints and/or living expenses cannot be met from their income within a reasonable timeframe. **In 2010, nearly one-quarter of all households were in arrears with at least one bill or loan. By June 2012, just over 10 per cent of mortgage accounts for principal dwelling houses were officially in arrears, but just over one-quarter of these have been restructured.** Rent arrears have also increased since the start of the recession.

There has also been an increase in arrears in relation to utility bills with **nearly 12 per cent of the population in arrears in their utility bills in 2010.** In addition, many people are in arrears on bank overdrafts, credit-card bills, and personal and other loans. Households have employed a range of strategies to deal with their over-indebtedness, such as: reducing the amount saved, spending savings, delaying or missing the payment of bills, loans or credit cards, and borrowing from family and friends.

When the households types most affected by over-indebtedness are examined it is notable that **those living in consistent poverty are many times more likely than the overall population to be in arrears.** There is a strong correlation between low income and over-debtedness, with **lone parents, people who are unemployed, and people who are ill or disabled showing a persistent lack of resources leading to over-indebtedness.**

There is also **a strong association between low educational level, poverty and over-indebtedness, especially among families with children,** although recent figures show an increase in well-educated people finding themselves in arrears, especially where they have a high level of expenditure in relation to their income.

Many of the households with high levels of over-indebtedness may be potentially vulnerable, especially if their income has been reduced by the effect of the economic crisis (e.g. job loss/reduction of working hours or as a result of the measures taken such as pay reductions, welfare cuts and tax increases), but it is their **capacity to cope that will determine their vulnerability, with those who have low levels of education and/or who are living in jobless households, often with children, most at risk.**

Good service provision can help to protect and support these vulnerable families. The impact of the economic crisis on public services is examined in the next chapter.

Chapter 6
Public Services

6.1 Introduction

Public services—such as education, health and housing—are critical to the good functioning of any modern society and economy. In its 2005 report, *The Developmental Welfare State* (DWS), NESC highlighted the importance of these public services for households, stating that:

> Access to services—in health, education, housing and other areas—is also integral to social protection and, in some instances, more important to securing people's living standards and participation in society than having a higher money income (NESC, 2005: xiv).

As discussed earlier, many people's income has fallen as a result of the economic crisis and the fiscal measures taken as a result of the crisis, with more people now at risk of poverty and experiencing deprivation. Thus, access to quality public services becomes more important than ever in securing a decent standard of living. For example, there is an even greater demand on the education system as people seek to improve their qualifications to get scarce jobs; the stress of managing on a low income can be detrimental to people's physical and mental health, placing a greater demand on the health services; and as people struggle to pay mortgages and rents there is an even greater demand on the provision of public housing.

At same time, the economic crisis has necessitated fiscal measures to be taken to reduce public expenditure and increase government income, within the broad framework of the IMF-ECB-EU programme. The measures that have been taken, some of which have been described and discussed in section 4.5, have impacted on many households. **It is those households that have fewest resources, however, that have the least capacity to cope and may, therefore, be more reliant on quality, accessible and affordable public services.**

In the following section, some of the effects of these changes in public funding are outlined, before moving to briefly highlight some of the key challenges facing the three service areas of education, health and housing.

6.2 Changes in Funding and Services

It is very difficult to systematically outline the nature of changes in funding and provision of public services since the crisis began. Overall, figures on funding allocations made by government to different departments and agencies are outlined in the annual *Estimates for Public Services*. However, these provide either little detail or varying levels of detail on services funded, with the level of detail published declining over the last few years. For example, in 2013, only two departments (Health, and Social Protection) provide more than a few headings of breakdown, rendering comparison over time even more difficult than previously. These global figures, and the variation in them over the years, make it very difficult to assess changes to particular services.

Annual reports for government departments and agencies provide some more detail on spending, but again the level of detail varies, and the information is rarely presented in a way that allows comparison across time. Few such reports use standardised performance indicators, which would facilitate such comparison. The Department of Public Expenditure and Reform has asked that departmental estimates from now on be presented in a new format, organised on the basis of strategic programmes, which should allow a better understanding of how particular funding is spent.

Budget speeches are another source of information on changes to funding and services, but again the details given vary. For example, for 2012, the Budget summary section on the Department of Education and Skills lists specific reductions in payments, pupil-teacher ratios, and programmes. However, the summary section on the Department of Health provides very little detail on what will be changed, meaning that it is extremely difficult to assess what effect the budget reductions will have on services in this area.

Given these data difficulties, **a number of methods are used in this section to assess changes in funding and service provision.** Firstly, changes in sub-head spending in government departments are outlined, with a focus on sub-heads that are aimed at 'social' spending (e.g. Legal Aid, housing, welfare, etc.). Secondly, detail from Budget speeches is also provided, as in some cases it outlines changes in service provision (e.g. in school transport). Thirdly, some government bodies produce annual reports using performance indicators, which allows the best assessment of changes in service delivery over time, and these are also drawn on (for the HSE, the Department of Education and Skills, and the local authorities). Fourthly, some studies that have been carried out of changes to funding in specific sectors are presented.

6.2.1 Changes in Funding Allocations to 'Social' Sub-heads

Table 6.1 outlines changes in funding allocations to a number of 'social' sub-heads in government departments between 2008 (before the crisis had a strong effect on government spending), and 2012.[103] It should be noted that the data in this table are illustrative and do not outline all changes in funding allocated to 'social' sub-

[103] Breakdowns of departmental spending have been reduced in the *Estimates for Public Spending 2013* and so it is not possible to provide this data for 2013.

heads. Instead, the information outlines changes which can be tracked between these two years using data published in the government estimates.

Table 6.1: Illustrative Examples of Changes in Funding Allocations to 'Social' Sub-heads in Government Departments, 2008–2012

	2008 €000	2012 €000	Change %	Change in total cost €000
Legal Aid	72,691	80,572	11.1	7,881
Probation (services to offenders)	19,393	11,172	-42.4	-8,221
Crime Prevention measures	1,488	157	-89.4	-1,331
Integration (Minister/Office)	9,293	2,502	-73.1	-6,791
Irish Youth Justice Service[104]	59,869	36,318	-39.3	-23,551
Educational services in prisons (Dept of Justice)	1,665	1,265	-24.0	-400
Housing[105]	1,731,010	691,859	-60.0	-1,039,151
Community & rural development	292,717	158,658	-45.8	-134,059
Youth work services	73,095	58,306	-20.2	-14,789
Transport services (Education)	175,206	169,693	-3.1	-5,513
Other grants & services (primary education)*	123,762	50,585	-59.1	-73,177
Library grants (primary education)	2,129	-	-100.0	-2,129
Special education initiatives (primary education)*	14,800	6,000	-60.0	-8,800
Special initiatives—adult education	44,832	44,165	-1.5	-667
Student support (third level)	263,245	333,282	26.6	70,037
Alleviation of disadvantage (third level)	17,984	13,200	-26.6	-4,784
Medical card services	1,709,493	2,468,539	44.4	759,046
Long-term residential care	920,000	1,049,710	14.1	129,710
Overall State Funding Allocation	**62.8bn**	**55.8bn**	**-11.1**	**-7.0bn**

*- Between 2008 and 2012, services were reorganised, and policy changed, under these sub-heads.
Source: Department of Finance, 2008; Department of Public Expenditure and Reform, 2011a; Houses of the Oireachtas, 2012.

[104] The original allocation of €59.9m to the Irish Youth Justice Service in the *Estimates* published in 2008 was later reduced to €44.1m.

[105] There has been a move from construction of social housing to leasing of social housing, which may be a reason for this decline.

This table shows that **nearly all of these 'social' sub-headings have had funding allocations reduced, with many of these reductions higher than the overall reduction in State expenditure of 11 per cent between 2008 and 2012. Conversely, there has been an increase in the funding allocated to some areas, which are mainly demand-led.** For example, there has been a 44 per cent increase in the funding allocated to medical-card services.

There have been increases, too, in funding allocated to some key social-welfare income payments, mainly as a consequence of the crisis, especially in the area of unemployment payments. Table 6.2 outlines these changes, between 2008 and 2013.

Comparing table 6.1 and table 6.2 shows that there have been cuts in funding allocations to a range of public services accessed particularly by the less-advantaged, while there have been increases in demand-led income transfers, such as Jobseeker's Benefit.

Table 6.2: Changes in Funding Allocations to Key Welfare Payments, 2008–2013

	2008 €000	2013 €000	Change %	change in total cost €000
State pension (non-contributory)	964,010	957,300	0.7	6,710
Blind Pension	15,880	15,300	-3.7	-580
Child Benefit	2,469,200	1,911,270	-22.6	-557,930
Jobseeker's Benefit	1,019,800	3,054,110	199.5	2,034,310
One Parent Family Payment	1,082,150	979,500	-9.5	-102,650,
Family Income Supplement	188,200	219,600	16.7	31,400
Farm Assist	85,280	99,450	16.6	14,170
Disability Allowance	1,025,790	1,115,200	8.7	89,410
Carer's Allowance	412,300	534,200	29.6	121,900

Source: Department of Finance, 2008; Department of Public Expenditure and Reform, 2012e.

6.2.2 Changes in Spending on Particular Services

This section considers specific changes in funding for services, as well as increases in payments that need to be paid to access services, which were presented in the *Summary of Budget Measures and Policy Changes*, for Budget 2009 to Budget 2012, inclusive. Details are provided in Appendix B. **The information shows that funding reductions were much more widespread from 2010 onwards.** In 2009 there were some reductions in funding and services, but there were many more increases in funding than in later years.

Consideration of these changes in spending also show that **a number of services have been subject to reductions or increased charges several times between Budgets 2009 and 2013.** For example:

- The threshold for the Drugs Payment Scheme has increased four times, from €100 in 2009 to €144 in 2013 (this does not apply to those with full medical cards).

- The charge for post-primary school transport has increased twice, from €300 in 2009 to €350 in 2011 (eligible children with medical cards do not have to pay).

- The charge for primary school transport has increased twice, from €50 in 2011 to €100 in 2012 (eligible children with medical cards do not have to pay). However, the concessionary charge was reduced from €200 to €100.[106]

- Funding for the Treatment Benefit Scheme (which provides dental, optical and aural services to insured workers and retired people who have the required number of PRSI contributions) has been reduced twice, by €54m in 2010, and €77m in 2011.

- The Household Benefits Package (which pays a proportion of electricity, fuel, telephone and TV licence costs for pensioners, carers and those with disabilities) has been cut three times, by €30m in 2011, €15m in 2012, and €81m in 2013.

- The training and materials allowance for Community Employment has been reduced twice, by an unquantified amount in 2010, and by €1,000 per participant in 2012.

- Capitation grants for schools, further education and adult education have been reduced several times—by 5 per cent in 2011, and 2 per cent in 2012.[107] In 2013,

[106] Written communication from the Department of Education and Skills. The maximum family charge is €220, and the combined maximum family charge for primary and post-primary schools is €650.

[107] The cut in capitation grants to primary schools was later increased to 3.5 per cent, to meet the costs of not cutting a number of posts under the DEIS programme, which was originally proposed in Budget 2012 (*Irish Times*, 22.2.2012).

capitation and related grants will be reduced by 0.5 per cent for primary schools, and 2 per cent for post-primary schools.

- Pupil-teacher ratios have increased in various schools in 2009, 2012 and 2013.

- Third-level student charges have been increased several times—to €1,500 in 2009 and to €2,000 in 2011; while in 2013 the student contribution for higher education was increased by €250 per year (and is to be increased again by this amount in both 2014 and 2015, to a maximum of €3,000).

- There have been reductions in various Fás training allowances in 2010, 2011 and 2012.

6.2.3 What Impact Have the Cuts Had on Services?

It is quite difficult to assess the effect that reductions or increased charges have had on government services, as there are so few indicators measuring levels of service over time. However, some reports that include such detail are published, and will be presented in the following sections. They are the Local Government Management Agency's *Service Indicators in Local Authorities*, the HSE's *Annual Report*, and annual reports for the Department of Education and Skills.

6.3 Education

The most recent Annual Report published by the Department of Education and Skills is for 2011, and can be compared with the report for 2008, to indicate changes in school staffing and service provision. Key changes are outlined in table 6.3.

The data shows a mix of changes in service provision. For example, the average number of pupils per primary-school teacher increased slightly by 2 per cent, while it increased by 7 per cent for secondary-school teachers. However, the number of DEIS[108] schools implementing Reading Recovery and Maths Recovery programmes increased. The number of learning support/resource teachers and special needs assistants increased, as did the number of referrals dealt with by the National Educational Psychological Services. Meanwhile, the decline in primary-school teacher probations is due to the fact that fewer teachers were eligible for probation in 2011 than in 2008, as fewer new teachers were able to gain employment in primary schools in 2011. This can be linked to the increase in the pupil-teacher ratio; the withdrawal of language support and special-class primary teachers in 2009–2010; and a slowdown in the net increase of primary-teacher numbers in

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[108] DEIS stands for Delivering Equality of Opportunity in Schools. This initiative is targeted at schools that are designated as disadvantaged.

schools, which had grown considerably between the early and mid-2000s.[109] So, **the picture that emerges is one of a mix of reductions in some aspects of services and staffing, and increases in others.**

Table 6.3: Key Changes in School Staffing and Services, 2008–2011

	2008	2011	% change, 2008-2011
No. of primary schools	3303	3300	-0.1
Average number of pupils per primary school	151	158	4.6
No. of primary teachers	31349	31928	1.8
Average number of pupils per primary-school teacher	15.9	16.3	2.5
No. of post-primary schools	732	723	-1.2
Average number of pupils per post-primary school	466	497	6.7
No. of post-primary teachers	27236	25808	-5.2
Average number of pupils per post-primary school teacher	12.5	13.9	11.2
Approximate number of children carried by school transport service	135000	104000	-23.0
No. of primary-teacher probations	2639	2261	-14.3
No. of referrals to National Educational Psychological Services psychologists	13200	19880	50.6
No. of learning support/resource teachers (WTE) in mainstream schools	8241	9854	19.6
No. of special needs assistants (WTE)	10200	10575	3.7
No. of Home School Community Liaison/Rural co-ordinators working with DEIS schools	450	405	-10.0
No. of pupils targeted by School Completion Programme	35000	36000	2.9
No. of DEIS primary schools implementing Reading Recovery programme	212	229	8.0
No. of DEIS primary schools implementing Maths Recovery programme	247	313	26.7

Source: Department of Education and Science, 2009; Department of Education and Skills, 2012.
Note: WTE–Whole Time Equivalent

109 In fact, the number of primary-school teachers inspected for probation peaked in 2007–2008, at 2,639. In 2003–2004, 1,486 primary teachers had been eligible for probation (data supplied by the Department of Education and Skills).

Despite this mixed picture, there are stories of hardship from individual schools, families and communities. As outlined above, however, there is little quantitative evidence to date to assess the impact of these changes on students and their families. Two selected examples, illustrate the impact of some of these changes. A report on changes in the community and voluntary sector as a result of the economic crisis reported on the impact of the reduction in services for Travellers:[110]

> We lost seven visiting teachers in this city and county. Now there is no-one to check on whether Traveller children are going to secondary school or not and give help when it's needed. The parents already miss the service (Harvey, 2012: 28).

An ASTI survey of school principals reported that 'over the last three years, young people are attending schools where classes are larger, subject choice is narrower, pastoral care structures are eroded' (ASTI, 2012). Comment is also made on low morale among teachers and the reduction of guidance counselling from September 2012.

So, **despite the education budget being largely protected, there are some concerns about how these reductions in the education system are impacting on low-income families with children, especially if those children have special needs.** For example, a national survey of public attitudes to disability in Ireland showed a hardening of attitudes towards children with disabilities in mainstream education (National Disability Authority, 2011). This hardening of attitudes was attributed to the allocation of scarce resources within the classroom.

Further work is required to identify and understand the impact of reductions and educational reforms on students and their families, especially those who are most vulnerable, as described in earlier chapters.

The education system will face further challenges in the years ahead. These include:

- As a result of changing demographics, **school enrolment figures will continue to rise over the medium term,** e.g. projected enrolment at primary level will grow by 9.3 per cent over the period 2009/10 to 2014/15 (Department of Public Expenditure and Reform, 2012b: 24). This will bring demands in terms of additional teachers, school accommodation, higher-education provision, and education supports for special needs students;

- The incorporation of skills and training with further and adult education should assist in responding to the increase in unemployment if it provides **more flexible**

[110] The National Education Welfare Board has statutory responsibility to ensure each child between the ages of six and sixteen attends a recognised school, or is in receipt of a minimum education. All schools, and DEIS schools in particular (which approximately half of Traveller children attend), have a remit to target and support children at risk, including Travellers.

education and training models to maximise opportunities for labour-force upskilling and reskilling. The changes have involved restructuring of the VECs and amalgamation of the three qualifications agencies;[111] and

- An ongoing challenge for Ireland's education system is **to meet the demands of a 'knowledge-based economy'**, especially in an increasing global context.

6.4 Health

Health services are provided by the Health Service Executive (HSE). Table 6.4 shows changes in spending on a number of key areas of operation between 2008 and 2011.[112] **Overall, expenditure in these areas fell by 11 per cent, but there are large variations by category of spending within this expenditure. The largest absolute falls in expenditure were in primary care and the medical card scheme** (down 17 per cent, and accounting for 23 per cent of this expenditure in 2008);[113] **grants to outside agencies** (down 12 per cent, and representing 27 per cent of this spend in 2008); **and clinical spending** (down 20 per cent, and representing 7 per cent of this expenditure in 2008).

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111 The integration of the further education and training sectors is to ensure a better service to learners. The amalgamation of the three qualifications bodies is part of the overall programme of rationalising state agencies.

112 The Nursing Home Support Scheme (Fair Deal) is not included as it was not in operation in 2008. Non-pay expenditure on this scheme in 2011 was €561m.

113 The main decreases in this area are in pharmaceutical services, the dental treatment services scheme, cash allowances, and capitation payments. It should be noted that this category includes expenditure on primary care and the medical card scheme. However, the numbers in receipt of medical card have increased (up 25 per cent, see table 6.5).

Table 6.4: Changes in HSE Funding by Key Service Areas of Operation, 2008–2011[114]

	2008 (€000)	2011 (€000)	% change 2008-2011	2008—% of total expenditure	2011—% of total expenditure	Absolute difference in funding, 2008–2011 (€000)
Pay	5,126,617	5,051,788	-1.5	35.4	38.9	74,829
Clinical	1,035,217	829,711	-19.9	7.1	6.4	205,506
Patient transport & ambulances	60,417	56,033	-7.3	0.4	0.4	4,384
Primary care and medical card	3,402,211	2,831,471	-16.8	23.5	21.8	570,740
Other client/patient services	94,544	65,357	-30.9	0.6	0.5	29,187
Grants to outside agencies	3,937,227	3,449,704	-12.4	27.2	26.6	487,523
Housekeeping	254,471	227,815	-10.5	1.8	1.7	26,656
Office & administration	509,543	378,441	-25.7	3.5	2.9	131,102
Total expenditure on above items	**14,420,247**	**12,890,320**	**-10.6**	**100**	**100**	**1,529,927**

Source: HSE, 2009; 2012.

[114] It should be noted that the table does *not* include *all* areas of operation.

It is difficult to compare changes in HSE service levels between 2008 and 2011, as different indicators and targets have been used for each year. Some indicators and targets, however, are the same in each year, and these are outlined in table 6.5.

Table 6.5: Changes in Selected HSE Services, 2008–2011

	2008	2011	% change 2008-2011
Immunisation rate—DPT[115]	93%	97%	4.3
Immunisation rate—MMR	88%	93%	5.7
Flu vaccination rate among over-65s	62%	64%	3.2
Medical card holders	1,352,120	1,694,000	25.3
GP-visit-only card holders	85,546	125,657	46.9
In-patient discharges	604,239	588,623	-2.6
Day cases	637,138	804,274	26.2
A&E attendances	1,154,004	1,168,253	1.2
Home help (HH) hours	12,631,602	11,092,436	-12.2
Home care packages (HCP)	8,990	10,968	22.0
Total clients receiving HH or HCP	64,536	61,954	-4.0
Children in care	5,347	6,160	15.2
Methadone recipients	10,213	10,711	4.9
No. of adults waiting 6+ months for day case treatment	3,738	7,802	108.7
No. of adults waiting 6+ months for in-patient treatment	3,562	3,886	9.1
Children waiting 3+ months for day case treatment	1,650	1,275	-22.7
Children waiting 3+ months for in-patient treatment	1,277	1,238	-3.1
Whole-time equivalent staff numbers	110,992	104,392	-5.9

Source: HSE, 2009, 2012.

[115] Diptheria, pertussis and tetanus.

Table 6.5 shows that HSE staff numbers have decreased by 6 per cent over the four years, and there has also been a reduction of 4 per cent in the number of clients receiving home help or a home care package. The number of adults waiting more than six months for a procedure has increased, with the absolute number just under 12,000. However, many other aspects of HSE services show an increase in the levels of service provided over the four years. There has been a 25 per cent increase in the number of medical-card holders, and a 47 per cent increase in the number with GP-visit-only cards. There has been a 26 per cent increase in the number of day cases (and a corresponding decline in in-patient discharges). There have also been small increases in the vaccination rates, A&E attendances, methadone recipients, and a decline of 2,500 in the number of children waiting more than three months for a procedure.

Nevertheless, table 6.4 shows **a decrease of 12 per cent in grants to outside agencies,** with almost half a billion euro less allocated to such agencies in 2008 than in 2011. Approximately 3,500 outside agencies were funded in 2008, with 2,349 receiving grants of less than €100,000, and 48 receiving grants of over €10m. The twenty organisations receiving the largest tranches of funding were all hospitals (St James' in Dublin topping the list), and voluntary bodies providing care to people with disabilities. In 2011, 562 fewer organisations were receiving grants of under €100,000 from the HSE than in 2008. **This is likely to affect service provision at micro-level, but it is not possible to assess this with the available data.** The number of organisations receiving grants over €100,000 has remained quite stable between 2008 and 2011, although the amounts allocated to them have been reduced. Analysis of funding changes to the 48 organisations who received over €10m revenue funding in 2008 shows that of the 23 organisations that had had their funding cut by at least 10 per cent by 2011, 17 were hospitals. The other six provided services to people with disabilities or older people. Four organisations had their funding reduced by over 20 per cent between 2008 and 2011. These were St John's Hospital in Limerick, the Irish Wheelchair Association, Mercy University Hospital Cork, and the South Infirmary Victoria Hospital in Cork.

Like the education system, **the health system faces a number of challenges.** These are briefly summarised as follows:

- **Increasing population growth,** especially births and the growing proportion of older people, particularly the 'very old', along with increased disease incidence will continue to put demands on the health system (Department of Health, 2012);

- The **increasing costs of health care.** Public healthcare expenditure grew rapidly from 2000 to 2010, from €5.3bn to €14.2bn. This was an increase of 160 per cent, over a period when inflation was 33 per cent. The differences have been attributed to improved and expanded services, and to 'medical inflation' (Social Justice Ireland, 2012: 195);

- There is **an increased demand for medical cards and fewer people have private health insurance.** For instance, in 2010, 47 per cent of the population aged eighteen and over indicated that they had private health insurance—this was down from 49 per cent in 2007. Another 30 per cent reported that they had a medical card—up from 24 per cent in 2007. The proportion of the population with neither medical cards nor private medical insurance, and therefore relying solely on general public health cover, was 23 per cent in 2010 (CSO, 2012m);[116] and

- **The ongoing transformation of the health system in Ireland.** This initially involved the establishment of the HSE, followed by further restructuring, the roll-out of primary care teams, and now the gradual move towards a universal health system. Such a transformation programme is particularly challenging at a time of economic crisis and public expenditure reductions.

6.5 Housing

The housing sector had a central role in the economic collapse, and has faced many significant challenges since. Some of the main impacts have been outlined in earlier chapters, including the growing number of mortgage and rent arrears; and the increase in the numbers on rent supplement and local-authority housing waiting lists. Some other impacts of the crisis on housing are examined in this section, including funding for social housing provision, the problem of ghost estates, and homelessness.

6.5.1 Social Housing Provision and Renewal/Support

Funding for social housing provision and renewal or support declined by one-third between 2008 and 2010. It was decided in Budget 2010 to move away from acquisition and construction of housing by local authorities towards other mechanisms, including leasing. Key summary indicators on local-authority housing services in 2008 and 2010 are outlined in table 6.6.

The figures in the table show **an increase in the number of dwellings in local-authority stock, in the number of registered tenancies, and in the number of inspections and proportion of dwellings inspected.** The only indicator that shows a decline is the time taken to carry out repairs to vacated dwellings (LGMSB, 2011). This may be due to a decline in staff numbers.

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116 Since 2010, the numbers of the population with medical cards has increased, and the numbers with private health insurance has declined, but definitive information on the percentage of the population who are currently covered by neither is not yet available.

Table 6.6: Indicators on Housing Service, 2008–2010

	2008 average	2010 average
Average number of dwellings in stock in each local authority	3601	3767
Overall percentage of dwellings that are empty	3.14	3
Average no. of weeks taken from tenant vacation to date when all necessary repairs are carried out	16.56	20.2
Total number of registered tenancies	7038	8127
Number of dwelling units inspected	454	526
Number of inspections carried out	533	611
Number of dwellings inspected as % of registered	5	14.2

Source: LGMSB, 2011.

There have also been **a number of changes in the provision of social housing.** These include:

- **A decision to lease social housing, with greater involvement of approved housing bodies, rather than construction of local-authority housing by government.** This decision has led to a reduction in the capital budget for social housing (although there has been an increase in the current budget for social housing);

- The **expansion of the Rental Accommodation Scheme,** which allows tenants who find employment to stay in their accommodation, with rent increased in line with the increases in income; and

- Attempts to address the costs of rent supplement, which cost over €500m in 2010. There have been **reductions in the amount of rent supplement paid, and an increase in the amount of 'top-up' to be paid by tenants,** in the budgets between 2009 and 2012. The Government has stated that through rent supplement, the State is paying for 40 per cent of all rented accommodation in the State, and may be providing an artificial floor for rental levels. Reducing rent supplement levels may, therefore, help reduce rent levels overall to a 'natural balance', while also reducing the State spend on this item.[117] However, a number of housing NGOs report cases of people (particularly single people) being evicted from their homes where the landlord would not accept the decreased rent supplement amount; and having to move from areas in which they lived, and in some cases their children attend schools, as suitable accommodation could not be found there for that price.[118]

The extent of housing need also continues to be a challenge with ever-lengthening social-housing waiting lists. There is an association between housing need and low income (two-thirds of households on the social-housing waiting lists are there because they cannot meet the cost of their current/previous accommodation), so that **if incomes continue to fall, it can be expected that housing need may rise.** Against this, there are almost 290,000 homes vacant (CSO, 2012j: 48). Just over one in five of these are holiday homes but some of the remaining 230,000 vacant houses and flats/apartments (73 per cent and 27 per cent respectively) could be potentially used to address some of the housing need. It should be noted, however, that many of these vacant dwellings may be in unsuitable unfinished estates (as described below) or not in locations where there is housing need. Nevertheless, agreement has been reached between the Department of Environment, Community and Local Government and NAMA that 2,000 suitable housing units will be made available to people on social-housing lists through leasing agreements with local authorities and voluntary housing associations. By the end of 2012, 203 properties had been sourced through NAMA, 179 of which were delivered for social-housing purposes.[119] At the end of November 2012, local authorities had transferred a total of 42,687 households from rent supplement—25,123 accommodated directly under the Rental Accommodation Scheme (RAS) and a further 17,564 accommodated under other social-housing options.[120] **With just under 100,000 on the local-authority housing waiting lists, the provision of social housing remains a challenge.**

6.5.2 Ghost Estates

The rate of house building was prolific during the early and mid-2000s. Large and multiple housing estates were being built on the edges of towns, especially within travelling distance of city commuting belts, and also in some seaside and other resort areas. **When the economic crash came in 2008 many of these partially constructed housing estates were left unfinished.** In 2012, from a total of 2,973 housing development sites of two or more dwellings, there were 1,770 unfinished housing developments in the country, with the highest concentration in Longford

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[117] See 'Introduction', by Minister Joan Burton, in *The Daft.ie Rental Report, 2011 in Review*, http://www.welfare.ie/en/downloads/ministersintrorentrept.pdf, accessed on 23 January 2013.

[118] See e.g. Threshold Pre-Budget Submission 2013 to the Department of Social Protection, accessed at http://www.threshold.ie/publications/thresholds-prebudget-submission-2013/, on 23 January 2013.

[119] Oral PQ, 5 February 2013.

[120] Written communication from the Department of Environment, Community and Local Government.

and Leitrim.[121] The number of unfinished housing developments is declining slowly, with a decrease of 296 between 2011 and 2102 (Housing Agency & Department of Environment, Community and Local Government, 2012). **There are implications for home owners living in poorly finished estates that in some instances have few neighbours; no street lighting, paths, or green areas; and are located a good distance away from amenities or services** (Kitchin *et al.*, 2010). Many of these unfinished estates, often referred to as 'ghost estates', have become derelict and dangerous. To help respond to this, the government has provided a €5m fund for unfinished estates under the Public Safety Initiative, with funding being drawn down to address health and safety issues in 130 such estates to date.

6.5.3 Homelessness

The 2011 Census identified **3,808 people as homeless,** with two-thirds male, and 457 aged under fifteen. Of the 3,808, **64 homeless people were sleeping rough, with the remainder in accommodation providing shelter for homeless persons.** Forty-three per cent were in emergency accommodation, 26 per cent in long-term homeless accommodation, and 15 per cent in transitional accommodation. Just under 50 per cent of homeless people had been educated to no higher than lower-secondary level, compared to 25 per cent of the general population. They also reported poorer health—only 60 per cent of homeless people stated that their general health was 'very good' or 'good', compared to 90 per cent of the general population. Forty-two per cent had a disability, compared to 13 per cent of the general population. The most common disability was a psychological or an emotional condition (CSO, 2012g).

There is a wide range of reasons why people become homeless, both structural (e.g. poverty, lack of housing) and related to their individual circumstances (e.g. addiction, mental illness). Organisations providing services for homeless people have noted a large increase in demand for their services, e.g. Focus Ireland and the Simon Communities of Ireland.

6.6 Summary

As stated at the outset of this chapter, quality public services are critical to securing people's living standards and participation in society, and are especially important for vulnerable people. **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.** These reductions have had an impact on the provision of public services, although information to assess this is limited, and headline indicators suggest that

[121] The number of vacant units per 1,000 households was thirty in Longford and thiry-five in Leitrim. The national average was ten.

there are variations in how service provision has been affected by recent funding changes.

While there is evidence of reductions in some budget areas, there have also been increases in other areas. Reductions are more prevalent in service provision, while there have been increases in spending on a number of income-transfer payments and areas that are demand-led, such as medical cards.

For example, **in relation to education the picture that emerges is one of a mix of reductions in some aspects of services and staffing and increases in others,** with stories of hardship from individual schools and communities. So, despite the education budget being largely protected there are **some concerns about how the specific reductions in the education system are impacting on low-income families with children,** especially if the children have special needs.

On health, there has been a reduction in the budget for key services provided by the HSE, with variations by category of expenditure. The largest absolute falls in expenditure have been in primary care and the medical card scheme, grants to outside agencies, and clinical spending. Reductions in grants to outside agencies are likely to affect service provision at the micro level, but it is not possible to assess this with the available data. Overall, **it is a mixed picture with declines in some HSE service areas, but with improvements in others.**

With regard to housing, there are now just under 100,000 people on local-authority housing waiting lists and nearly 4,000 homeless. There is an association between low income and housing need so that if incomes continue to fall, it can be expected that housing need may rise. However, there have been changes in the policy on provision of social housing with a move to leasing housing rather than local-authority construction, and providing local-authority housing and other social housing rather than paying rent supplement for private rented accommodation. There are also moves to accommodate people in some of the properties in the unfinished housing estates, where these are suitable.

What is notable across these service areas (education, health, housing) is the extent and impact of reform. Some of these reforms are in direct response to the economic crisis, others are the result of the requirement for fiscal adjustment, but others are driven by a desire to restructure service provision. Bearing in mind the finding from responses to the economic crisis at global and European level that policies and institutions matter, **it is critical for the reformers to bear in mind the importance of public services for low-income and vulnerable households.** In this regard, it may be timely to revisit some of the concepts of the developmental welfare state.

Chapter 7
Society and Community

7.1 Introduction

Having reviewed the social impact of the economic crisis and subsequent fiscal adjustments on income and poverty, expenditure and debt, and on public services, this chapter presents information on some broader societal and community issues, including spatial dimensions, the impact on the community and voluntary sector, and societal well-being. The second part of the chapter presents some evidence on the psychological and physical health impacts of the crisis.

7.2 Society and Community

7.2.1 Population Change

Alongside the economic crisis, the population has continued to grow strongly and is currently 4.59 million, the highest in 150 years. The population increased by nearly 350,000 since 2006, with the main drivers being very high birth rates combined with falling deaths. These changes are reflected in **an increase in the dependency ratio** from 45.8 in 2006 to 49.3 in 2011, despite the fact that the number of persons of working age continued to grow, reaching over three million for the first time in 2011.[122] Another notable change is **the number of older people living alone,** with 28 per cent (136,295) of people aged 65 and over living alone in 2011. Cities, along with the Border and Western regions, had the highest number of elderly people living alone. Elderly people living alone are **predominantly women** (CSO, 2012j).

Population change is also influenced by migration. Chapter 3 documented that many people, especially young people, had left the country as a result of the economic crisis, to find work elsewhere. The census recorded a total net migration figure in the five years to April 2011 of 125,000. While this is significantly less than the 192,000 in the four-year period to April 2006, it is still significant given the recent economic situation in Ireland. **Strong immigration in the early to mid-2000s**

122 Dependents are defined for statistical purposes as people outside the normal working age of 15–64, i.e., 0–14 and 65+. The age dependency ratio is the sum of the young and old as a percentage of the working-age population.

has resulted in a changing ethnic mix in Ireland. In April 2011, there were 544,400 non-Irish nationals of 196 different nationalities living in Ireland, with the top ten nationalities accounting for 70 per cent of the total. Some 12 per cent of the population are non-Irish nationals with Polish nationals (122, 585) and UK nationals (112,259) combined making up 5.2 per cent of this total. As well as Polish nationals, there were large increases in Romanian and Indian nationals living in Ireland, albeit from a lower base (CSO, 2012j).

At a spatial level the commuter-belt counties to the north and west of Dublin were the main areas of population growth, which, along with Wexford and Cork, all grew by more than 10 per cent. It is notable that since 1996, the population of Leitrim has grown by 27 per cent, as prior to that the county had experienced a century and a half of continuous population decline. County Laois was the fastest-growing county, increasing its population by one-fifth between April 2006 and April 2011. **Cities have lost out to suburbs,** with the population of Cork and Limerick falling, while Galway, Waterford and Dublin all experienced modest population growth.

These population changes have led to an urbanisation of the population. Some 62 per cent of the population now live in urban areas, an increase of nearly 11 per cent on 2006. Rural Ireland has seen some growth, at 5 per cent, but this is much lower than the urban areas. Within urban areas Dublin city has lost its population share at the expense of other urban areas. This fall has been offset by the growth of large towns and small towns (of less than 3,000 population), which were the fastest-growing category, increasing their population by 33 per cent since 2006.

7.2.2 Spatial Changes in Affluence and Deprivation

The Pobal HP Deprivation Index for 2011[123] shows that the recession has impacted throughout Ireland, but that some areas have been affected more than others (O'Brien, 2013). **Most places have suffered to some extent from the downturn, but in relative terms the gap between the most affluent and the most disadvantaged areas remains.** Following the period of economic growth from 1991 to 2006, the index showed that most areas had improved on key indicators, such as employment and education. Since the onset of the economic crisis, however, the index in 2011 shows that most parts of the country now have the same standard of living that they had a decade ago.

The index shows that the areas most affected are the outer reaches of the Dublin 'commuter belt', particularly parts of counties Louth, Longford, Offaly, Kildare and

[123] The Pobal HP Deprivation Index was commissioned by Pobal from the social and economic consultants Trutz Haase and Jonathan Pratschke. The index uses a series of indicators from the Census to measure the affluence or deprivation of all parts of the country. The index comprises indicators on: population change; age dependency ratio, lone-parent ratio; primary education only; third-level education; unemployment rate (male and female); and proportion living in local-authority housing.

Roscommon. Unemployment has substantially increased in these areas,[124] as has the demand for local-authority housing.

Other **areas that were traditionally deprived,** such as some local-authority housing estates in Dublin, Cork and Limerick, **remain relatively deprived** with high unemployment levels and low educational levels. The exception is the inner-city docklands area of Dublin, which has been regenerated and has attracted a relatively well-educated and affluent population. At neighbourhood level, however, these new developments sit cheek by jowl with traditional pockets of deprivation.

The most affluent areas remain the areas around the centres of the main cities and towns, referred to as the 'traditional' commuter belt. In fact, the index has found the five main cities of Dublin, Cork, Limerick, Galway and Waterford to have been less affected overall by the recession than other areas of the country.

Some areas of rural Ireland, such as Donegal and Mayo, show up as very deprived, with high dependency ratios as many people of working age have left to find work. A lack of infrastructure has also been identified as an issue in these areas.

7.2.3 Community

At a local level, therefore, population shifts are having an impact on small rural communities, as they struggle to retain essential services and community infrastructure. By way of example, this phenomenon can be illustrated by the GAA where rural clubs are under pressure to field teams in adult championships. This is against the emergence of 'superclubs' in urban areas, especially Dublin, where teams field six to eight adult teams. In terms of the impact at local level, some 30 per cent of the GAA clubs in Kerry (23 of 76) have less than eight boys per class in catchment primary schools. These clubs are typically in the outer reaches of the county away from the larger employment centres.[125]

Another dimension to the crisis, however, is the galvanising of local communities in the face of adversity. While there is little documented evidence of this yet, there are examples of local activity and innovation as a result of the crisis. One example is the 'men's sheds' and the 'local heroes' project in Drogheda. In response to the recession of the late 1980s/early 1990s, area-based strategies were a central component of the solution with local agencies, including the community and voluntary sector, given the task of addressing local issues. Since then, there has been a substantial increase in local agencies and programmes. Recently, the Department of the Environment, Community and Local Government has reviewed the role and contribution of local and community-development agencies and

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[124] It was noted in chapter 3 at section 3.1.2 that in the third quarter of 2012 the South-East, Border and Midlands had unemployment rates of 19.4, 17.7 and 17.4 respectively. Lower than average participation rates were also found in the Border, Midlands, South-East and South-West regions.

[125] Personal communication with GAA representative.

programmes. **The challenge is in striking a balance between national priorities and the flexibility needed at local level to customise interventions to the local context** (Department of Environment, Community and Local Government, 2012a: 13).[126]

In its *Developmental Welfare State* report, NESC noted the role of the community and voluntary sector in complementing the public sector in the provision of services (NESC, 2005). It also drew attention to the importance of activist and innovative measures in identifying and addressing new and unmet needs—what NESC referred to as the R&D sphere of the developmental welfare state. The community and voluntary sector has an important role in such innovation.

During the late 1990s and 2000s, Ireland's community and voluntary infrastructure was greatly developed, supporting communities across the country and going some way to meeting the needs of a wide range of disadvantaged groups. **However, it too has been substantially impacted by the economic crisis.** Brian Harvey has examined changes in employment and services in the voluntary and community sector in Ireland from 2008 to 2012 for the Irish Congress of Trade Unions (Harvey, 2012). Harvey estimated that in 2008, before the economic crisis, the value of the voluntary and community sector, broadly defined, in Ireland was €6.5bn, receiving about €1.89bn in state funding and employing 53,098 people (full-time equivalents).[127]

In his assessment, **Harvey estimated an overall reduction in government supports for the community and voluntary sector of 48 per cent.**[128] He pointed to reductions in supports for community development and key community projects—such as the drugs initiative, RAPID and the closure of CLAR—as being particularly noteworthy.

As a result of these reductions, Harvey reports that community and voluntary organisations, who have also seen a drop in their income from public donations, have taken a number of actions to 'downsize', including reducing expenses, laying off non-permanent staff and taking a reduction in pay and conditions. Only as a last resort, he says, have they laid off permanent staff and finally closed down services. These changes are taking place alongside an increased demand for their services and a reduction in state provision, especially with the closure of a number of state agencies who would have supported the community and voluntary sector as part of their statutory remit.

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126 The recommendations from the Department of Environment, Community and Local Government's review of local government and local development bodies and programmes have been incorporated into the new local government policy 'Putting People First' (Department of Environment, Community and Local Government, 2012b).

127 See also the reference to reductions in funding for 'outside agencies' in the health sector in chapter 6, at section 6.4. Some of these 'outside agencies' in the health sector are included in Harvey's assessment.

128 This is in the context of an overall reduction in government spending of 2.8 per cent.

7.3 Psychological and Physical Health Impacts of the Crisis

7.3.1 Psychological and Physical Health Impacts of the Financial Difficulties

A number of reports have documented the psychological and physical health impacts of economic crises. A World Health Organisation report on the impact of economic crises on mental health notes that, in general, 'it is the poor that will be hardest hit by the economic crisis' (World Health Organisation, 2011: 6). The WHO notes that substantial research has revealed that **people who experience unemployment, impoverishments and family disruptions have a significantly greater risk of mental health problems, such as depression, alcohol-use disorders and suicide than their unaffected counterparts.** They cite evidence that debt, financial difficulties and housing payment problems can lead to mental health issues. The more debt people have the more likely they are to have mental disorders overall. The WHO is particularly concerned about the impact on children, stating that economic pressure, through its influence on parental mental health, marital interaction and parenting, affects the mental health of children and adolescents. The effects of extreme poverty on children include deficits in cognitive, emotional and physical development, and the consequences on health and well-being are lifelong (*ibid.*: 6).

In their study on people in mortgage arrears, Norris and Brooke found that the vast majority of people who had mortgage arrears and other debt problems experienced very negative impacts on their lifestyle and their personal and familial well-being (Norris & Brooke, 2011: 136). For a minority of those they interviewed, the stress generated by their mortgage arrears led to serious mental health difficulties, with a number reporting they had been prescribed medication for depression, while one interviewee had to be treated as an in-patient in a psychiatric hospital and another had attempted suicide. A significant minority reported that the stress generated by their indebtedness problems had negative effects on their physical health. The majority of those interviewed also reported that their debt problems had a negative impact on their relationships with their spouse or partner and children, and undermined the quality of their family life.

Several other reports have underlined the negative effect of over-indebtedness[129] on health, both physical and psychological (e.g. Oireachtas & Library Research Service, 2010; Law Reform Commission, 2009). In the UK, a survey of over 900 over-indebted clients of the Citizens Advice Bureau showed 62 per cent were suffering from stress, anxiety or depression. A quarter of these clients were already seeking

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[129] Where a person's net resources (income and realisable assets) renders them persistently unable to meet essential living expenses and debt repayments as they fall due (Combat Poverty Agency definition, cited in Law Reform Commission, 2009).

treatment for stress, depression and anxiety from their GP and just under half of those who were receiving medical treatment for their depression felt their symptoms were caused by debt problems. In Ireland, 81 per cent of women consulting with MABS advisers (in 2006) mentioned their mental/emotional health during their consultation, with stress, depression and anxiety being the most common problems. Some 19 per cent reported insomnia, and 8 per cent had had panic attacks (see Oireachtas Library & Research Services 2010).

The *National Study of Youth Mental Health in Ireland*, which surveyed over 14,000 15–25-year-olds in Ireland, showed that **young adults' experiences of financial stress are strongly related to their mental health and well-being.** Some 46 per cent of those surveyed reported being 'stressed', and 14 per cent as being 'highly stressed', by their financial situation. These groups also reported being under pressure to work while in education. Young adults who were highly stressed by their finances had considerably lower levels of self-esteem than those who were experiencing low or no financial stress. They also had significantly elevated levels of distress, beyond the normal range, and reported lower levels of support. In addition, the report showed that mental health difficulties often appear in early adolescence and peak in the late teens and early twenties. This stage in a young person's life is, therefore, a particularly vulnerable one, (see My World Survey, 2012).

However, the impact of financial stress on individuals and their families is also mediated by their resilience. This is an important component of an individual's make-up, which can be harnessed, given supportive conditions. A person's autonomy, self-determination, interest and engagement, aspiration and motivation, and whether people have a sense of meaning, direction, and purpose in life, all influence this. Resilience can be supported by developing people's capabilities (see NESC, 2009; Gaffney, 2011). This may be why research has found that although socio-economic disadvantage can have a negative impact on child well-being, other stressors in a family (such as child emotional and behavioural problems, maternal depression, child isolation, extent of parental self-efficacy, and quality of parent-child relationship) provide more explanation for poor child well-being (McAuley & Layte, 2012).

In terms of physical health, 40 per cent of the women consulting with MABS advisers mentioned physical health problems, and 27 per cent said that the debt was affecting the health of family members (Oireachtas Library & Research Services, 2010). **As people often prioritise paying mortgage/rent and utility-bill debts, spending on healthy and nutritional food is likely to be reduced.** Indeed, a recent report showed that the proportion of the population reporting food deprivation increased between 2004 and 2010. Those most affected by food poverty in 2010 were those in consistent poverty, households with a number of children, the unemployed, and the ill or disabled (Carney & Maître, 2012). Spending on heating is also often reduced.[130] These may lead to increased health problems.

Over-indebtedness can lead to the social exclusion of families, as they become unable to pay to take part in activities which other members of society take part in. For example, in the SILC 2010, 38 per cent of families with children reported being unable to afford a morning, afternoon or evening out in the last fortnight, and 32 per cent had been unable to afford to have family or friends for a drink or a meal once a month (CSO, 2012a). As this could reduce social relationships, which are so important to the well-being of both adults and children (McAuley and Layte, 2012), this may have negative effects on social and psychological well-being in the longer term.

7.3.2 Recession, Unemployment and Suicide

Kennelly & Connolly (2012) show that **the link between recessions and suicide is unclear,** with some researchers finding that deaths by suicide increase during a recession, while others disagree. However, there is more evidence in relation to the links between suicide and unemployment, which not surprisingly increases during recessions. Cross-country studies on suicide report mixed results on the association between unemployment and suicide, with some studies showing that high rates of unemployment are associated with high rates of suicide, some showing that there is no effect, and others showing that the effect is significant only for women. Several single-country studies, however, do show that suicide rates rise as unemployment does, for both women and men. In addition, studies of individuals who have taken their own lives show that the suicide rate in a range of countries, including the USA, UK, Finland, Denmark and Sweden, is higher among the unemployed than the employed, for both women and men. Kennelly and Connolly note that some of this effect may be due to experience of mental health difficulties, although this can work two ways—unemployment can increase the risk of mental ill-health and so of suicide, or those with mental health difficulties may be more likely to be unemployed.

Within Ireland, Walsh and Walsh (2011) examined the association between age- and gender-specific unemployment and suicide, finding that between 1988 and 2009 there was an association between unemployment and suicide. The effect was particularly strong for males aged 25–34, and not significant for males aged 45–54. The results were much weaker for women. However, in a follow-up paper, Walsh (2011) found that there was a large fall in the suicide rate in Ireland in 2010, especially among males aged 25–34 and 35–44, so that the negative association between unemployment and suicide in Ireland is not clear. Indeed, looking at CSO statistics on suicide between 2004 and 2011, the rates for women have remained at 4 per 100,000 between 2004 and 2010, while those for men have fluctuated

[130] In the 2010 SILC, 11 per cent of individuals went without heating at some stage in the last year, up from 6 per cent in 2006.

between 15 and 19 per 100,000 over that period, and so it is difficult to identify a trend. Nonetheless, a study of individuals who have died by suicide shows that the suicide rate in Ireland is higher among the unemployed than the employed for both women and men, (see Corcoran & Arensman, 2011).

These results suggest that overall, higher unemployment in Ireland is associated with higher rates of suicide.

7.4 Societal Well-being

All these social impacts of the economic crisis and fiscal adjustments have a cumulative impact on the broader fabric of society. **Compared to other EU citizens, Irish people have consistently rated themselves as one of the happiest, but these figures have declined since the onset of the crisis.** When asked about their satisfaction with life in 2005, 92 per cent of Irish people were either very or fairly satisfied with their life, but by 2012 this percentage had fallen to 86. In addition, the proportion feeling not very or not all satisfied with life increased from 7 per cent in 2005 to 14 per cent in 2012.[131]

Many have argued that in future a broader perspective should be taken on economic and social progress (for example: NESC, 2009; OECD, 2011; Commission on the Measurement of Economic Performance and Social Progress, 2009; Carnegie UK Trust, 2011). The thrust of the argument is that we need a broader measure of progress than GDP. This broader approach makes the case for the incorporation of social and environmental indicators into the measure of progress as well as economic growth. Such a measure would take into account people's quality of life and well-being, focusing on not only economic resources, but also on work, participation, relationships, care, health, community, environmental sustainability, democracy and values.

In launching the report of the Commission on the Measurement of Economic Performance and Social Progress, Joseph Stiglitz stated that:

> In an increasingly performance-oriented society, metrics matter. What we measure affects what we do. If we have the wrong metrics, we will strive for the wrong things (Stiglitz, 2009).

In rebuilding the Irish economy and society it would be a useful exercise to set out the parameters for the kind of society we want.

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131 Assembled from Eurobarometer survey data, http://ec.europa.eu/public_opinion/cf/showtable.cfm?keyID=1&nationID=11,1,27,28,17,2,16,18,13,32,6,3,4,22,33,7,8,20,21,9,23,34,24,12,19,35,29,26,25,5,14,10,30,15,&startdate=2005.06&enddate=2012.05, accessed on 7 February 2013

7.5 Summary

Alongside the economic crisis, there have been significant changes in the composition of the population. The population has continued to grow, driven on by an increasing birth rate, which has implications for the provision of early childhood care and education. Another notable feature is the number of older people, especially women, who are living alone, with implications for the provision of services and supports to meet their future needs.

Population growth has been uneven with **increasing urbanisation, particularly in the commuter belts surrounding the large cities, especially Dublin.** The population imbalance has implications for the provision of services in rural areas. The increase in the number of non-Irish nationals living in Ireland in recent years has been a distinguishing feature of **an increasing ethnic mix**. One in eight of the population now has a nationality that is non-Irish, with people from Poland and the UK making up a large proportion of the non-Irish nationals. The increased diversity of the Irish population is a marked feature of this recession in Ireland compared to previous ones.

Most areas throughout the country have been impacted by the recession, with some areas affected more than others. **The gap between the most affluent areas and the most disadvantaged remains,** with the exception of the regenerated Dublin 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, Midlands and South-East Regions. Other disadvantaged inner-city areas and deprived urban estates remain relatively deprived with high levels of unemployment and low levels of education. Some areas of rural Ireland, such as Donegal and Mayo, also show up as very deprived with high dependency ratios.

Population changes and the economic crisis have, therefore, had an impact on communities at local level. Loss of people and jobs have led to difficulties in many, particularly rural, communities. Some, however, are responding by galvanising their local communities and developing locally based responses. This community development and area-based approach was very much a feature of the response to the last recession. Following a review of the current local and community development programmes, the government has recently introduced a new government policy that incorporates some of these elements. **The challenge is in striking a balance between national priorities and the flexibility needed at local level to customise interventions to the local context.**

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.** In the face of increased demand for their services, many organisations have seen their budgets cut, with many making adjustments to ensure continued provision. Nevertheless, many services have been diminished or closed down. This is taking place alongside the closure of a number of state agencies that would have supported the community and voluntary sector as part of their statutory remit.

The economic crisis and subsequent fiscal adjustments have affected some people's psychological and physical health. Unemployment, debt and other financial difficulties have been shown to negatively impact on family relationships and mental health. In some cases this can impact on children's longer-term health and well-being. There have also been studies that show a possible link with suicide in some cases. Financial stress can also affect people's physical health when there is less money to spend on nutritional food and on heating. Over-indebtedness can also lead to social exclusion of some families as they are less able to participate in regular social activities.

Nonetheless, **the impact of financial and other stress on individuals and their families is mediated by their resilience.** An overwhelming majority of the population in Ireland remain satisfied with their life (86 per cent), although this percentage has declined since the onset of the economic crisis, with 14 per cent indicating that they are not satisfied with their life in 2012. Many commentators have argued for a broader understanding and measurement of economic and social progress in future. This would involve measures of social well-being and environmental sustainability as well as economic growth.

Chapter 8
Conclusions and Implications

8.1 Introduction

This report has documented the social impacts of the economic crisis and subsequent fiscal adjustments on communities, families and individuals in Ireland. There are data limitations on the extent to which this has been possible and it has been difficult to document the extent and nature of the cumulative impact of a number of factors on people's well-being. Nevertheless, it has been possible to provide a broad overview of a range of impacts and the extent of some of these.

The work has been informed by four key commitments in the Programme for Government:[132] (i) **'protecting the vulnerable'** and what is understood as vulnerability; (ii) **'fostering growth and employment'; **(iii) **'reforming public services';** and (iv) **'building for the future'**, paying particular attention to how children have fared through the economic crisis. **Issues of fairness, trust and social cohesion are also addressed,** particularly in relation to the decisions taken for fiscal adjustment purposes and their impact on people's ability to cope.

The report adopts the broad framework of the developmental welfare state (DWS). In particular, it is concerned with the complementarity of economic and social issues. In adopting the analytical framework of the DWS, the report firstly considers employment and income dimensions such as unemployment, income changes and income distribution, pensions, poverty, expenditure and debt. The report then reviews how public services have been impacted as a result of the crisis and subsequent fiscal decisions. The third main element of the DWS is activist measures and here the report presents material on the spatial dimensions of both population change and the economic crisis, setting out the impact of the crisis on some communities and the effect on and of the community and voluntary sector. A section here sets out the effect of the economic crisis and financial worries on people's mental and physical health.

An early chapter in the report provides a global perspective on the economic crisis and some of the social impacts that have been documented. Some key points emerging from this analysis are: a debate on the extent to which higher levels of income inequality may have contributed to the economic crisis and the extent to which they may affect recovery; and the important role that policies and institutions

[132] It is acknowledged that these expenditure and public-sector reform commitments are only some of a number of government objectives, which also cover areas such as fiscal, banking, economic, environmental and reputational.

play in protecting vulnerable citizens and, more generally, providing a springboard for recovery. Policies such as improving the quality and reach of education, supporting active labour-market policies, promoting the integration of immigrants, fostering female labour-market participation and reducing tax reliefs have been found to have both economic and social benefits—the so-called 'double dividend'.

A range of social impacts emerging from European analyses of the economic crisis are also documented, with the conclusion that, in general, most European countries have been fairly successful in mitigating the main impacts of the crisis on households and individuals. It is noted that a wide range of policy solutions have been put in place across European countries, especially through adopting targeted measures and maintaining social provisions. In particular, the main provisions include: a continued focus on labour-market inclusion and activation policies; income-support measures to prevent poverty; measures to address pension sustainability and adequacy; cost containment of health expenditure; paying attention to the fundamental role of social services; and ensuring regular monitoring is carried out in order to assess the social impact of the ongoing economic situation and the ensuing fiscal consolidation.

Ireland is exceptional in a European context in a number of ways. Firstly, Ireland's economic crash was earlier and more severe than most other European countries, so that Ireland is now one of three 'IMF-ECB-EU programme countries'. As a result of the economic crash Ireland is embarked on a process of fiscal consolidation involving a substantial reduction in public spending and increases in taxes and charges. Secondly, **Ireland is exceptional in a European context in relation to its high proportion of jobless households, and the proportion of children in these households.** The rate was comparatively high even before the economic crisis and the downturn has seen the number of jobless households increase. Thirdly, **Ireland has been relatively successful in ameliorating poverty through its social welfare system,** as a result of investment during the Celtic Tiger years. Ireland fares less well, however, in the provision, availability and affordability of public services, such as health, education and housing.

The next section sets out the main conclusions of the detailed examination of the social impacts of the economic crisis and subsequent fiscal adjustments in Ireland, with the final section highlighting some of the implications.

8.2 Main Conclusions

The biggest economic and social impact of the economic crisis has undoubtedly been the large increase in unemployment. Many sectors of employment and areas of the country have experienced unemployment, but some have been more affected than others. Men in the construction industry have been particularly affected with low-skilled workers bearing the brunt of the decline. However, the unemployment figures are notable for the number of people with third-level qualifications. **Long-term unemployment remains high. Young people, especially,**

are experiencing high levels of unemployment, with many of them now long-term unemployed. Unemployment among young people is particularly detrimental and often has long-term consequences.

Unemployment is just one outcome of the loss of a job. Some people may withdraw from the labour market while others emigrate. **A large number of people have emigrated**—initially it was mainly people who had recently come to Ireland to work, but more recently it has, on the whole, been young Irish people.

Other notable aspects of Ireland's employment crisis are the **high rate of jobless households,** especially those containing children, the **particular circumstances of the self-employed,** and **people who are underemployed or in precarious employment situations.**

Turning to income changes, **the majority of households in Ireland have experienced a drop in wealth and/or disposable income since the economic crash in 2008,** both as the result of the crash itself (loss of/or reduction in jobs and/or assets) and of measures taken as a result of the economic crash (tax increases, social security contribution increases, pay reductions, and welfare reductions). The biggest income drops have been experienced by those who are unemployed, households with children, and students. However, **those on the lowest incomes and most vulnerable to poverty are those households where no-one is working.** Where these households contain children there is the danger of the transmission of intergenerational poverty.

Measures show that there was a decline in income inequality from 2004-2009, followed by a slight increase and then a fall/levelling out thereafter. These fluctuations in recent years reflect the variability in income and wealth changes over this period.

Pensioners, in general, have been less affected by the economic crash than other groups. Occupational pension funds, however, have been hugely impacted by the economic crisis with a large proportion of defined-benefit schemes now in deficit. In addition, pension coverage rates have fallen since the onset of the crisis.[133]

As stated earlier, the government is concerned to 'protect the vulnerable'. A number of aspects of economic vulnerability have been identified: **7 per cent of the population can be classified as 'poor and vulnerable'** (people who are long-term unemployed, people who are ill and disabled, and lone parents); **7 per cent as 'poor but not vulnerable'** (many older people and some of the self-employed); and **11 per cent as 'non-poor but vulnerable'** (people with debts whose outgoings exceed their current income). The 'non-poor but vulnerable' is a new 'at risk' category that has emerged with the economic crisis.

[133] Based on analysis by Whelan and Maître, 2010.

Closely aligned with the 'poor and vulnerable' are **those in consistent poverty, whose numbers have increased since the onset of the economic crisis.** Particularly notable is the **increase in deprivation** among those who are consistently poor, but also among households not at risk of poverty, reflected in the finding that four-fifths of households have cut back on their spending on at least one of a number of items as a result of the economic climate.

Overall, **children have a comparatively high exposure to poverty,** with older people having less exposure, although older people living alone (mainly women) and those with ill-health or disabilities have higher poverty levels. Some households where someone is working can also be at risk of poverty, often referred to as the 'working poor'.

Since the economic crash in 2008, successive governments have made fiscal changes to redress the impact of the crisis. Over the four-year period (2009–2012) the distributional impacts were broadly progressive. Measures to increase income tax and reduce pay in line with income are mainly progressive, while reductions in social welfare payments and increases in indirect taxes, such as VAT, impact those on low incomes most. Changes to children's allowances in Budget 2013 impacted most households with children, especially lone parent familes. Households where no-one is working or without children are least affected.[134]

On the expenditure side, **household consumption has fallen since the economic crash.** The composition of spending has also changed, with an increase in the proportion of spending on housing, as well as an increase in expenditure on fuel and light. At **particular risk are households where expenditure exceeds income,** especially where this could make the household vulnerable. This risk is most likely for those on the lowest incomes, even though others may have higher levels of debt or had larger reductions in their income.

The economic crisis has also had an effect on the level of indebtedness, and especially over-indebtedness, in some households. In 2010, nearly one-quarter of all households were in arrears with at least one bill or loan, and by December 2012 almost 12 per cent of all mortgage accounts for principal dwelling houses were officially in arrears, with just over one-quarter of these restructured. It is noteworthy that **those living in consistent poverty are many times more likely to be in arrears than the overall population.** There is a strong correlation between low income and over-indebtedness, with lone parents, people who are unemployed and people who are ill or disabled showing a persistent lack of resources leading to over-indebtedness. There is also a strong association between low educational level, poverty and over-indebtedness, especially among families with children. Recent figures do show, however, an increase in well-educated people finding

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[134] Basic welfare rates and income tax rates remained unchanged in Budget 2013. The introduction of a local property tax will impact on those who own their properties (outright or with a mortgage). Those who own higher-value properties will pay a higher amount. In addition, rates of DIRT, capital acquisitions and Capital Gains Tax increased, and an additional levy was introduced on the use of property reliefs.

themselves in arrears particularly where they have a high level of expenditure in relation to their income, but they remain less likely than people with low educational levels to be over-indebted.

Good-quality, accessible and affordable public-service provision can protect and support all citizens but especially those who are vulnerable. **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.** These reductions have had an impact on the provision of public services, although information to assess this is limited, and headline indicators suggest that there are considerable variations in how service provision has been affected by recent funding changes.

While there is evidence of reductions in some budget areas, there have also been increases in some other areas. Reductions are more prevalent in service-provision areas, while there have been increases in spending on a number of income-transfer payments and services that are demand-led, such as medical cards.

For example, **in relation to education the picture that emerges is one of a mix of reductions in some aspects of services and staffing and increases in others,** with stories of hardship from individual schools and communities. So, despite the education budget being largely protected, there are some **concerns about how the specific reductions in the education system are impacting on low-income families with children,** especially if the children have special needs.

On health, there has been a reduction in funding for a number of key services provided by the HSE, with variations by category of expenditure. The largest absolute falls in expenditure have been in primary care and the medical card scheme, grants to outside agencies, and clinical spending. Reductions in grants to outside agencies are likely to affect service provision at the micro level, but it is not possible to assess this with the available data. Overall, **it is a mixed picture with declines in some HSE service areas, but with improvements in others.**

With regard to housing, there are now just under 100,000 people on local-authority housing waiting lists and nearly 4,000 homeless people. There is an association between low income and housing need so that if incomes continue to fall, it can be expected that housing need may rise. However, there have been changes in the policy for the provision of social housing with a move to leasing housing rather than local-authority construction, and providing local-authority housing and other social housing rather than paying rent supplement for private rented accommodation. There are also moves to accommodate people in some of the properties in the unfinished housing estates, where these are suitable.

What is notable across the service areas of education, health and housing is the extent and impact of reform. Some of these reforms are in direct response to the economic crisis, others are the result of the requirement for fiscal adjustment, but others are driven by a desire to restructure service provision. Bearing in mind the finding from responses to the economic crisis at global and European level that policies and institutions matter, **it is critical for the reformers to have regard to the**

importance of public services for low-income and vulnerable households. In this regard, it may be timely to revisit some of the concepts of the developmental welfare state.

The community and voluntary sector—which has been active in implementing pilot projects, complementing public-sector provision and advocacy—**has been severely impacted by the crisis.** In the face of increased demand for their services many organisations have seen their budgets cut, with many making adjustments to ensure continued provision. Nevertheless, many services have been diminished or closed down.

Alongside the economic crisis, there have been significant changes in the composition of the population, which may also be impacting on some people's lives and access to services. For example, at both ends of the life cycle there have been increases in the birth rate and in the number of older people living alone, especially women, both of which have implications for the provision of the relevant services. There has also been increasing urbanisation, particularly in the commuter belts surrounding the large cities, especially Dublin. The increase in the number of non-Irish nationals living in Ireland in recent years has led to an increasing ethnic mix among the population. This increased diversity of the population is a marked feature of this recession compared to previous ones.

Most areas throughout the country have been impacted by the recession, with some areas more affected than others. **The areas most affected by the economic downturn are the outer reaches of the Dublin 'commuter belt',** particularly in the Border, Midlands and South-East Regions. Other disadvantaged inner-city areas and deprived urban estates remain relatively deprived with high levels of unemployment and low levels of education.

Some areas of rural Ireland, such as Donegal and Mayo, also show up as very deprived with high dependency ratios. Loss of people and jobs have led to difficulties in many, particularly rural, communities.

All these impacts of the economic crisis and subsequent fiscal adjustments have been shown to affect some people's psychological and physical health. Unemployment, debt and other financial difficulties have been shown to negatively impact on family relationships and mental health. Financial stress can also affect people's physical health when there is less money to spend on nutritional food and heating.

Nonetheless, the impact of financial and other stress on individuals and their families is mediated by their resilience. An overwhelming majority of the population in Ireland remain satisfied with their life although this percentage has declined since the onset of the economic crisis, with one in seven indicating that they were not satisfied with their life in 2012. Many commentators have argued for the need for a broader understanding and measurement of economic and social progress in future. This would involve measures of social well-being and environmental sustainability as well as economic growth.

8.3 Implications

There are **four main issues emerging from this analysis.** The first is that **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. In these circumstances, people become more dependent on public services such as social protection, employment services, education and training, health and social housing. While the public services have been impacted by the economic crisis and fiscal adjustments, it remains vital that they provide an adequate service for all citizens who require them, but especially those who are vulnerable as a result of the current economic situation. In this context, it will be critical that when the economic situation improves the public services can support people to take up the available jobs.

The second issue is that, **as might be expected, those who were least well off prior to the economic crisis remain so.** This is particularly the case for people and families who are long-term unemployed or jobless, have low levels of education and skills, and have children. Particular attention needs to be given to these households to ensure that they are able to take up job opportunities when the economy improves, that they are adequately supported if for some reason they cannot work, and especially that their children are supported to exit intergenerational poverty. Early education and care, and the education system in general, has a central role to play here. Also important is the distribution of jobs—so that the proportion of jobless households is reduced. This goal will require the collaborative efforts of the social welfare system, the education and training agencies, and the job creation/promotion organisations.

The third issue is that **those who have lost jobs, had business failures, seen large falls in income and wealth, or who carry a large excess debt burden are experiencing an effect of a different order.** Some of these households and individuals may have bought properties at the height of the boom and now find the property is in negative equity and they are unable to meet their debts. Some of these individuals and households have/had been working and have some skills and qualifications. They require supports of a more short-term nature, both: a) in terms of use or enhancement of their skills so that they are well positioned to take up a job when the economy recovers; and b) supports to assist them to manage their debts. Others, however, may be in danger of falling into long-term unemployment and poverty. They will require additional supports and training, with special attention being paid to children in these households to avoid the transmission of intergenerational poverty.

The fourth issue, **particularly apparent from the global and European analyses of the social implications of the economic crisis, but also from the presentation of the Irish situation in this report, is that policies and institutions matter.** To date, Ireland's social welfare system has been reasonably successful in ameliorating the worst effects of the recession, demonstrating that poverty and vulnerability are not intractable problems. For example, many older people and people in poverty have been helped by policies and institutions in recent years. However, it is a valid question to ask whether the policies and institutions in place before the crisis can continue to meet the demands made of them in the current recession.

As outlined in this and other NESC reports, various reforms are ongoing in relation to Irish public services. A critical factor will be the extent to which they can ameliorate the social consequences of the economic crisis, while putting in place a modern system of public services. Some relevant factors here are that: a) it may be some time after the economy begins to grow before we see an increase in employment (sometimes referred to as 'jobless growth'), so that extra efforts will be required on the job creation front; b) the skills requirements for the future economy may be somewhat different from the past so that education and training agencies will be required to adapt accordingly; and c) the crisis has highlighted the importance of good governance arrangements and the requirement for having accountability mechanisms in place.

Thus, it may be timely to revisit the developmental welfare state approach, which NESC advocated eight years ago, to review its appropriateness in the current circumstances and what changes and reforms might be necessary to ensure that it can protect and support both society and the economy in the recovery years ahead and thereafter.

Appendix A
Main Changes in Tax and Social Welfare Benefits since 2009

Budget 2009

- Income levy introduced
- Introduction of public-sector pension levy
- 3 per cent rise in welfare payments
- Standard rate tax bands increased
- PRSI ceiling increased
- Increase in mortgage interest relief for first-time buyers
- Increase of 0.5 per cent in standard rate of VAT
- Increase in rate of Capital Gains Tax and DIRT (Deposit Interest Retention Tax)
- Limit imposed on amount on which tax relief on pensions can be claimed

Supplementary Budget April 2009

- Levy rates doubled, health levy doubled
- PRSI ceilings raised
- Christmas bonus abolished
- Early Childcare Supplement halved, to be abolished with introduction of free Pre-School Year
- Reductions in rent supplement
- Cuts in payment rates for unemployed under 21
- Mortgage interest tax relief to be phased out over 7 years from 1 May

- Increase in rate of Capital Gains Tax, Capital Acquisitions Tax and DIRT; tax-free thresholds for gifts to relatives and non-relatives reduced; reduction in tax relief on rented properties

- No change in income tax rates

Budget 2010

- Cuts in welfare for those of working age of 4 per cent

- Child Benefit cut by 10 per cent with compensation for welfare recipients

- Increase in Family Income Supplement thresholds

- €20m decrease in rent supplement

- Restriction of reliefs on income tax

- Reduction of 0.5 per cent in standard rate of VAT

Budget 2011

- Cuts in welfare for those of working age of 4 per cent

- Child Benefit cut by 10 per cent with no compensation for welfare recipients

- Universal Social Charge—combining income and health levies—payable on income over €4,004 per year (€77 a week) at a rate of 2 per cent on income up to €10,036, 4 per cent on income between €10,036 to €16,016 and 7 per cent on income above that level

- Cuts in public-service pensions

- Tax reliefs restricted on pension contributions

- Reduction in tax credits; reduction in standard rate bands

- Abolition of a range of tax reliefs

- Reduction in rent supplement

- Household benefits package reduced by €30m

- Abolition of PRSI ceiling; increase in PRSI rates for some groups
- Stamp duty on property transactions reduced to 1 and 2 per cent
- Increase in rate of DIRT; lowering of ceiling for payment of capital acquisition tax

Budget 2012

- Child Benefit reduction for third and subsequent children
- Reduction in the Fuel Allowance season
- Changes to the One Parent Family Payment, and to Community Employment scheme payments
- Increase in number of contributions needed for State pension
- Reductions in the Back to School Clothing and Footwear Allowance
- Reductions in the Rent Supplement Scheme
- Reduction of €15m in the Household Benefits Scheme
- Universal Social Charge exemption raised to €10,000
- Introduction of €100 Household Charge
- VAT raised by 2 per cent to 23 per cent
- Increases in carbon tax
- Increase in lower exemption threshold for payment of income tax
- Increase in rate of Capital Acquisitions Tax, Capital Gains Tax and DIRT

Budget 2013

- Child Benefit reduced by €10 a month per child
- Duration of Job Seekers' Benefit reduced by three months
- Respite Care Grant reduced

- Reductions in Household Benefit Package
- Back to School Clothing and Footwear Allowance reduced
- Removal of PRSI allowance
- Standard rate of Universal Social Charge to apply to those over seventy
- Local property tax introduced (to replace Household Charge); effective from July 2013
- Further increase in carbon tax
- Changes in the maximum allowable pension fund
- Increase in rate of Capital Gains Tax, Capital Acquisitions Tax, and DIRT

Appendix B
Changes in Funding for Services, Budgets 2009–2013

This Appendix outlines specific changes in funding for services, and increases in payments to access services, for Budget 2009 to Budget 2013, inclusive.[135]

Changes in income-support payments are not outlined. Reductions in funding where no detail is provided are not included, either (e.g. 'reduced funding to sporting bodies and agencies' (Department of Public Expenditure and Reform, 2011b). Although such reductions may have an effect on services provided, it is not possible to gauge if, and to what extent, this may be the case.

2009:

Increases:

- Additional funding of €0.5m provided to the Family Support Agency to provide further supports for parenting
- €10m is being provided for 125 additional therapy posts in disability and mental health services, targeted at children of school-going age
- €55m allocated to implement the Fair Deal scheme
- Additional €10m being provided for special education
- Capitation funding to schools to be increased by €20m
- Additional €10m to voluntary and co-operative housing sector
- Further €3m for homeless accommodation
- Further €39.5m provided under rental accommodation scheme
- Increased provision of €8m for initiatives tackling economic and social disadvantage in RAPID areas
- €50.4m being made available for the Rural Social Scheme

[135] For Budget 2009 to Budget 2012, the changes are those outlined in the *Summary of Budget Measures and Policy Changes,* 2009 to 2012. Information for Budget 2013 was presented differently to earlier years, and so the data for 2013 is from the two Ministers' Budget speeches, from the *Expenditure Report 2013*; and in some cases specific detail on, e.g. allowances, was taken from the Citizens Information Board website.

- Increase of €15m in funding for Home Energy Saving scheme; €5m to Warmer Homes Scheme

- €45m provided for National Broadband Scheme

Decreases/additional charges:

- A&E charge increased from €66 to €100 for non-medical card holders

- Drugs Payment Scheme threshold to increase to €100 per month

- Long-stay charges to increase by €23–31 a week

- Staffing schedule (number of students on which classroom appointments are based) being increased by one point in primary and post-primary

- School-related grants being cut back by €26.6m

- Third-level funding charges to increase to up to €1,500

- Post-primary school transport charge increased to €300 per year

- Greener Homes scheme cut by €15m

- Public transport infrastructure—€900m allocated to this, €70m less than in 2008

- Reductions in Scheme of Compensatory Allowances in Disadvantaged Areas; and Early Retirement and Young Farmer Installation scheme (farming) (Department of Finance, 2008).

2009 (Supplementary Budget)

Increases:

- Establishment of Enterprise Stabilisation Fund of €100m (over two years)

- €128m for activation opportunities for 25,000 unemployed people (Department of Finance, 2009b).

2010

Increases:

- Provision of 500 additional teachers over three years
- 28 additional NEPS psychologists
- Additional resources (unquantified) for books, curricular activities; capitation grants maintained

Decreases/additional charges:

- €54m decrease in treatment benefit scheme (applies to medical, dental and optical treatments)
- Drugs Payment Scheme threshold increased to €120
- Prescription charge of 50c per item (max €10 per household)
- €30m decrease in Dental Treatment Services Scheme
- Reduction of €7m in teacher support services
- Reduced funding (unquantified) to Fás and Skillnets for training for those in employment
- Reduced funding (unquantified) for Community Employment training and material
- Reduced funding (unquantified) for third-level places for Fás
- Cessation of Fás Training Allowance for new entrants not entitled to Jobseeker's Benefit/Allowance
- Reduction (unquantified) in Jobs Initative/CE allowances
- Reduction of €15m in supports for Developing Communities, Drugs Initiatives funding, Rural Gaeltacht and Island Development, and Irish language supports (Department of Finance, 2009a)

2011

Decreases/additional charges

- Further reduction of €77m in Treatment Benefit schemes
- €9m reduction in community development programmes and projects in Department of Community, Equality and Gaeltacht Affairs
- School transport—charge for post-primary increased to €350 per year, fee of €50 introduced at primary level (excluding medical card holders)
- 5 per cent reduction in all capitation grants (total of €22m), including those for adult literacy, community education, school completion programme, Youthreach
- Reduction of €8 per week in Fás training allowances
- Reduction in VTOS long-term unemployment bonus of €12 per week
- Charge of €200 for PLC students, and higher-education student contribution of €2,000
- €5m reduction in criminal legal aid
- €5m reduction in probation services funding (better targeting of resources to be used) (Department of Finance, 2010b)

2012

Increases:

- Additional €10m provided to allow transfers into Rental Accommodation Scheme

Decreases/additional charges:

- One-off grants for multiple births discontinued
- Increase in minimum number of pupils required for allocation of teaching posts in one, two, three and four-teacher schools
- One-point increase in pupil-teacher ratio in fee-charging post-primary schools
- Reduction in training and materials allowance on Community Employment schemes from €1,500 to €500 per participant

- Reduction in allowances paid to 16–17-year-olds on Fás courses, in Youthreach and in Community Training Centres
- Materials allowance reduced and training budget discontinued for participants on Jobs Initiative scheme
- Drug Payment scheme threshold increased to €132 per month
- Phased withdrawal of supports from some schools in earlier (pre-DEIS) disadvantage programmes
- Reduction in capitation grants for schools, further and adult education courses (including PLC, VTOS, Youthreach, Back to Education Initiative, Adult Literacy) (2 per cent reduction[136] in each year 2012 and 2103, and 1 per cent reduction in each year 2014 and 2015)
- 20 per cent reduction in allocation to fund for Students with Disabilities
- School transport charge for primary students increased to €100 pa
- Community childcare subvention and Childcare education and training supports higher subvention rate reduced by 25 per cent; Fás and VEC trainees to pay €25 weekly contribution for childcare
- School completion programme to be reduced by €2m (pending review of enhanced efficiency and effectiveness)
- Family Support Agency, Resource Centres, Mediation Service and Counselling Grants to be reduced by €2.3m
- Community and Rural Development provision to be reduced by €8m
- Reduction in funding of €3.5m through Dormant Accounts, PEACE and RAPID programmes
- Rural transport—€0.9m reduction (measures to improve programme efficiency) (Department of Public Expenditure and Reform, 2011a)

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[136] The cut in capitation grants to primary schools was later increased to 3.5 per cent; to meet the costs of not cutting a number of posts under the DEIS programme, which was originally proposed in Budget 2012 (*Irish Times*, 22.2.2012).

2013

Increases:

- Additional €35m to develop mental health services and provide free GP care for people with certain conditions
- €150m extra in health funding, to meet service pressures
- €13m increase in funding for activation programmes and school meal provision
- €500,000 funding to tackle bullying in schools
- €14m extra funding to increase number of childcare places to low-income workers
- €2.5m extra funding to enhance targeted early childcare and education supports in very disadvantaged areas
- An extra €15m to the Rental Accommodation Scheme
- €10m extra funding to progress release of NAMA-owned houses for social housing

Decreases:

- Reduction of €6m in expenditure on Exceptional Needs Payments
- €300 Cost of Education Allowance paid to those on Back to Education Allowance discontinued
- Increase in Drugs Payment Scheme threshold, to €144 per month
- Increased prescription charges for medical card holders (up 50c per item, to a maximum of ten items per month)
- Those over seventy, with incomes in excess of €700 (single person) or €1,400 (couple) per week, to have medical card replaced by GP-only card
- Two-point increase in pupil-teacher ratio in fee-charging schools
- Two-point increase in pupil-teacher ratio in PLC schools
- Increased higher education student contribution of €250
- 3 per cent decrease in student grant income threshold

- Reduced training allowances for Further Education and Training scheme participants (total reduction of €10m)

- Reduction of up to 10 per cent in various youth programmes (total reduction of €5.4m)

- Reduction of €2m in the RAPID programme; and of €6m in the Local/Community Development Programme (Department of Public Expenditure and Reform, 2012a; 2012c; 2012d)

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