

# Should We Be Worried About Income Inequality in Ireland?

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*\*Richard Layte*

Despite the recession Ireland remains a country with relatively high income inequality. Ireland sits just behind the UK near the top of the inequality rankings in Europe behind the Baltic and Southern European states. Is this a problem? Should we be concerned about levels of income inequality in Irish society? Debates about this issue often centre on the moral acceptability of income inequality with protagonists adopting well worn ideological positions but is there actually any *evidence* that higher levels of income inequality are a problem? Some may have moral misgivings about excessively high incomes at the top and those at the bottom being left behind as middle incomes increase, but does inequality in itself, as opposed to being poor, actually have any consequences? Recent ESRI research suggests that the answer is yes.

First, it should be made clear that having less income is bad for your health. There is ample evidence for Ireland that those with less income, education or from a lower social class have a lower life expectancy and poorer health while alive. This 'health gradient' is not just between those at the bottom and everyone else. Those in the top income or class grouping have better health and a higher life expectancy than those just below them and the pattern is repeated all the way to the bottom. But social scientists have also found that high income inequality at the country level also lowers life expectancy, health and well-being. Even the wealthy appear to die younger in more unequal societies. For many years it was argued by some that the association was just a statistical artefact but in the last decade a growing literature using increasingly sophisticated data and methodology has shown that income inequality has a detrimental effect not only on health and life expectancy but a range of other troubling social issues including low educational performance in schools, rates of teenage pregnancy, levels of obesity, even the 'agreeableness' of the population. What unites these phenomena and why does inequality have these effects?

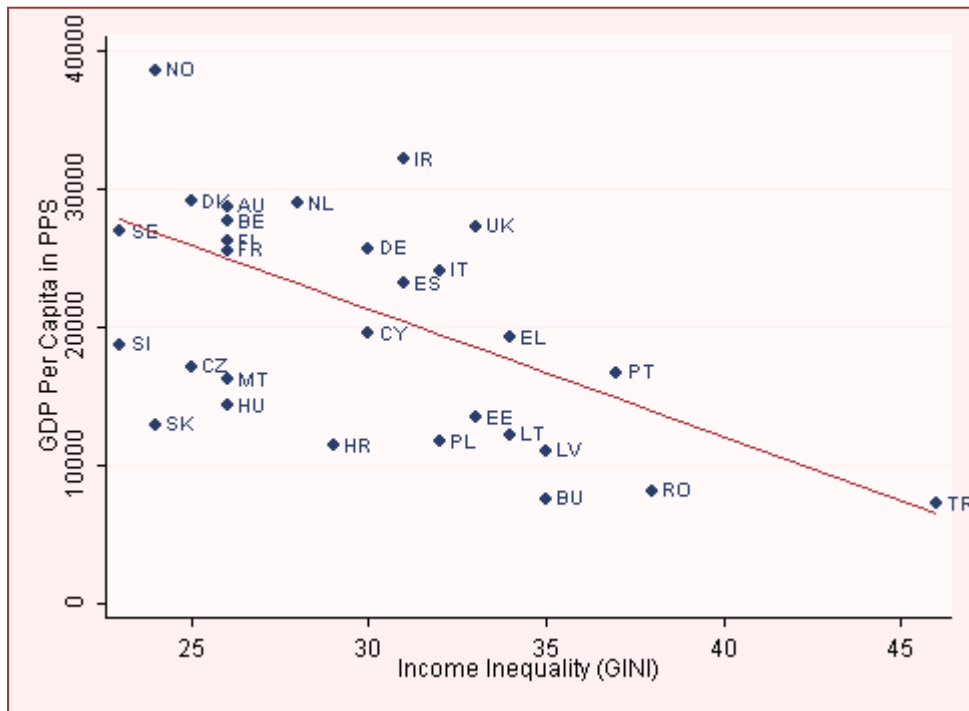
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One part of the answer was provided in a recent paper by Richard Layte<sup>†</sup> which used data on 35,000 people from 30 countries in Europe to examine the association between income inequality and mental well-being. As with physical health and life expectancy, high income inequality is associated with less mental health and well-being and the research set out to test different theories about what explained the association. Past research has suggested that higher inequality is damaging because it precipitates feelings of inferiority and shame that are damaging to health and poisonous to social relationships. People who feel inferior or disrespected are more hostile and less trusting of others intentions. This makes them less likely to help others and so less likely to work together and cooperate within a community. Feelings of shame and hostility have an individual cost in terms of mental and physical health but they are also highly toxic to social cohesion in a society because collective action and social efficacy require trust between individuals.

This research by Richard Layte shows that more unequal societies do indeed appear to precipitate more feelings of social inferiority. In more unequal societies people, even those at the top of the income pile, are more likely to feel that others look down on them. This same relationship holds for individual measures of social trust. More affluent people trust more but even affluent people are less likely to trust in more unequal societies and these relationships hold even if we control for a number of individual characteristics. Does this perceived inferiority and distrust matter? The research paper summarised here suggests it does, presenting evidence that these factors explain the lower levels of mental well-being in more unequal countries which contribute to higher levels of mental illness.

Debate about the rights and wrongs of Ireland's high level of inequality have been ongoing for a long time but perhaps it is time to move the debate forward and discuss the evidence about the effect of inequality on individuals, families and the society at large. It is often argued that inequality is necessary to provide the economic incentives for the hard work which creates economic growth and higher incomes for all. The fact that in Europe, the more equal countries are actually richer on average (see Figure 1) suggests not. Moreover, research has consistently shown that the disadvantage of poor children relative to their affluent peers in terms of mobility up the income distribution is stronger in the highly unequal US than in more equal European societies. Inequality it seems stacks the odds against poorer children succeeding. Debate on income inequality in Ireland needs to be informed by such evidence.

### Country GDP per Capita in PPS by Income Inequality (GINI)



† Layte, R. (2011). The Association Between Income Inequality and Mental Health: Testing Status Anxiety, Social Capital, and Neo-Materialist Explanations, *European Sociological Review* (<http://esr.oxfordjournals.org/content/early/2011/03/08/esr.jcr012.abstract>)