Journal of the Statistical and Social Inquiry Society of Ireland
Vol. XLIX

SSISI Public Policy Brief: *Understanding the Covid19 Pandemic and its Consequences*

Covid19 and Inequality in Ireland: Initial Insights

Shana Cohen
TASC

(read before the Society, 21st May 2020)

Keywords: low pay, unemployment, pandemic
JELs: D63, I14, J3

The issue of low pay was important before the pandemic but has become even more visible because of unemployment rates and the necessity of government intervention. The data available before the pandemic indicate the consequences of reliance on low pay in certain sectors, from the necessity of cash transfers to reduce high market inequality rates to consistent debt amongst low income households in order to pay bills. My talk focuses on these data and related policy issues, including the predominance of low pay, reliance on cash transfers, low productivity among SMEs, and a skills gap.

If you look at data pre-pandemic, there were structural issues in Ireland that the pandemic has and will continue to exacerbate. The data I am covering today relate to the pre-pandemic period, rather than snapshots of data from early in the pandemic. These data complement the arguments that have been put forth today, particularly in the sectors that have been the hardest hit by the recession and the lockdown.

To assess what might happen to inequality in Ireland after we come out of the pandemic, and face the consequences of the recession, we will have to look at the economic impact on workers in specific sectors and the prevalence of low pay in general in the Irish economy. In turn, Ireland's economy has relied a lot on cash transfers to alleviate market inequality rates. Ireland has depended largely on a cash transfer model, rather than public services and improvements in working conditions.

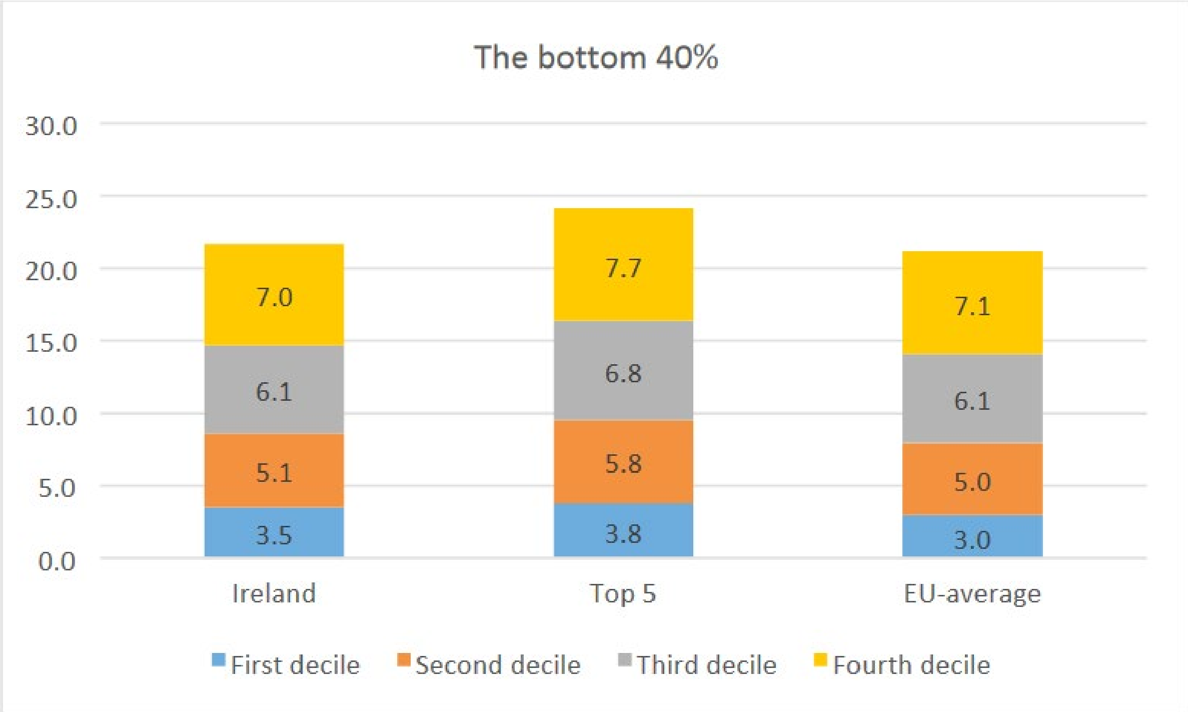
I will start by giving a bit of background based primarily on TASC reports on economic inequality. Inequality is a long-term structural problem. Ireland has a high rate of long term unemployment, or 40% of all unemployed. The bottom 40% earns about as much in total as the top 10% does (22% compared to 25% of all income), but this is due the high rate of cash transfers. The bottom 40% in Ireland, and especially the lowest paid within this population, receive an income that is substantially less than that in the five most equal countries in the EU (the middle column of Figure 1).

However, the segment of this population that earns more may not have access to a medical card and may not necessarily have job protection, namely they could be working on temporary contracts.

Ireland also has one of the highest rates of low pay in the EU, though there is a shortage of good data on this. Table 1, from our 2019 inequality report, written by Rob Sweeney, shows how much labour pays in Ireland compared to other small economies in the EU (Sweeney 2019). You can see how much the bottom 40% relies on transfers to offset lack of income from labour: 74% of its income is from transfers, compared to less than 50% in countries such as Finland, the Netherlands and Austria.

Beyond the general issue of low pay, there is also a question of intergenerational equity that will be particularly acute after the crisis. To give an indication of the history of inequity between generations, the population that suffered the greatest impact of the financial crisis in 2008 was young people. The 2009 unemployment rate was 24.2% for 15-24 year olds in Ireland versus 19.9% for the other EU-27 countries. At the time, the National Youth Council of Ireland stated, "The scale of the problem is also masked by a very significant increase in the number of young people re-entering or remaining in education and a very considerable increase in the number of young people emigrating" (O'Sullivan 2010).

Figure 1. Fraction of all income earned by the bottom four deciles, by country and country grouping



Source: TASC

Table 1. Share of income by source and transfers paid/ received, by country, for top decile and bottom 40%

	Finland	Belgium	Sweden	Netherlands	Austria	Denmark	Ireland	UK
Income 10%								
Labour	0.75	0.82	0.68	0.79	0.74	0.73	0.73	0.76
Capital	0.17	0.09	0.15	0.11	0.11	0.19	0.10	0.10
Transfers 10%								
Received	0.08	0.09	0.17	0.10	0.15	0.07	0.17	0.14
Paid	0.35	0.30	0.34	0.39	0.35	0.40	0.29	0.32
Income 40%								
Labour	0.40	0.37	0.38	0.52	0.50	0.50	0.24	0.33
Capital	0.12	0.03	0.03	0.03	0.04	0.01	0.02	0.05
Transfers 40%								
Received	0.48	0.60	0.59	0.45	0.46	0.49	0.74	0.62
Paid	0.17	0.16	0.21	0.23	0.18	0.28	0.04	0.12

Source: TASC

Moreover, in 2015, the highest proportion of low-paid workers were 30-39 (32.6%), potentially still members of the generation affected by the crisis, and in 2020, 23.1% of 15-24 year olds and 33.5% of 25-34 year olds were laid off. However, in contrast to the context described by the National Youth Council in 2010, after the pandemic migration may not be an outlet for those people who've been let go or have lost their wages.

In addition to intergenerational inequity and the dependence on transfers to reduce the market inequality rate, Ireland has a high incidence of low pay. In Ireland, 23% of workers in Ireland are on low pay, which is the third highest rate in the EU. And as you heard from the previous presentations in this symposium, sectors with a high incidence of low pay have been the hardest hit by the pandemic. Nearly one quarter (23%) of workers in retail are low paid and 39% of workers in hospitality are low paid. Furthermore, if the CSO data are correct and most people expect to go back to their jobs after the pandemic recedes, these jobs may not exist. The government will then have a policy issue.

Low pay also has implications for housing finances and quality of life. It is not just the income but the cost of living and managing debts. A 2019 TASC report on household debt showed that although household debt has been falling in Ireland, overall, there's a significant problem of rising household debt among work low income families in work. Pre-pandemic, over one in five households (22%) in debt were over-burdened by their debt repayments; over 36% of single-parent households were overburdened by debt amounts; and 32% of low-income households (households whose income levels are in the bottom 40%) were over-burdened. In addition, 21% of single-parent households faced utilities arrears and 27% faced mortgage/rental arrears; 20% of all workers were struggling with debt and half of all workers felt 'a somewhat heavy burden' from debt repayments. Finally, only 30% of single parent households can save income on a regular basis.

Moreover, if we think about job creation for this workforce, small and medium sized enterprises in Ireland, which represent the majority of employers in Ireland, are confronting a productivity gap as well as the impact of the pandemic. How are jobs in SMEs going to come back and what kind of jobs are they going to be? The percentage of jobs in SMEs is above average in the EU but SMEs also have one of the lowest value added rates in the OECD and much lower than a similar EU economy like the Netherlands. There's a lower average rate of creation as well for new enterprises.

Finally, Ireland will have to confront a skills gap highlighted by the pandemic. While some figures available in this space are a bit old, recent statistics point toward a worrying trend. The PIAAC Survey showed that Ireland is in bottom third of 24 countries for literacy, numeracy and problem-solving technology (CSO 2012). The National Skills Bulletin 2019 showed that 11.8% of persons aged 15-64 have less than upper secondary education (McNaboe et al 2019). The 2019 UNESCO digital economy and society index pointed out that that there is a low level, or 10%, of take up from training with the people with less than secondary education. In contrast, 75% of the population with Third Level education participate. According to the 2018 EU Digital Economy and Society Index, 52% of Ireland's population lack basic digital skills, one of the lowest levels in the EU. Ireland also has one of the lowest shares (79%) of the population using the internet, a figure based on the rate of increase compared to other EU countries.

In terms of where to go, there are a number of policy areas that will need attention. Rather than just go back to how to pay back the debt in order to generate economic recovery, there's an opportunity, in fact, to invest in the areas where there are structural flaws in the Irish economy. All of these areas come together: predominance of low pay, reliance on cash transfers, low productivity among SMEs, and a skills gap. In addition, there aren't enough services available for populations that are suffering financially, especially in cities like Dublin. People are in low paid jobs - they're in work - but they can't pay utilities; it isn't even a question of housing. It's a question of just getting by to pay basics like energy bills.

To close, we should take what IBEC has said about having a wider social progress indicator model that looks at all these different areas. The Reboot and Reimagine campaign has recommended using a social progress indicator model. Page 17 states: "As we work towards building a better Ireland, the role of housing; infrastructure; public services; and the environment will have a greater impact on quality of life and well-being. Ireland should and can be a global leader in seeking to supplement measures of economic prosperity with a wider social progress indicator model."

The question is what would this model look like, what data needs to be collected, and how can it account for progress on the structural problems pre-pandemic? For example, we should measure not just the levels of household debt but who has the debt, what kind of debt it is, and who is lending. I would disagree with emphasising jobs and income, in part because we don't have the right data to understand what these deliver for quality of life. Take the data that's being collected on household debt. Data on credit cards concerns the number of credit cards. There are a number of people who have multiple credit cards so it's not just the number of credit cards. It's the number of individuals who have credit cards and how many credit cards that they have.

The flip side of that data is that it isn't accounting for the fact that a lot of people don't have access to credit and they don't have access to appropriate savings. So they're forced to go to informal lenders, or forced to go to families. And they're paying off high levels of debt and high interest rates. Debt is an immediate crisis and not something they can think about long term. Therefore, the indicators need to widen and potentially be different, but also the data that the government collects needs to be different. For instance, with income inequality, there is tax data but no pre-tax data and post-tax data, which does not provide an accurate picture of income inequality.

In conclusion, moving forward, the government should adopt a three-pronged approach: expand the indicators of progress to go beyond the economy, focus on measures that will reduce the dependence on low pay in particular sectors, for example, mandating collective bargaining rights, and invest in new data collection to fill gaps. The context after the pandemic will not really allow for a ‘return’ to the status quo.

References

CSO (2012). ‘Survey Results for Ireland: From the OECD’s Programme for the International Assessment of Adult Competencies (PIAAC)’. Online at https://www.cso.ie/en/csolatestnews/pressreleases/2013pressreleases/pressreleasepiaac2012surveyresultsforireland/ (accessed 7 April 2021).

McNaboe, Joan, Burke, Nina, Walls, David, Condon, Nora, Hogan, Anne Marie & Caroline Shally (2019). National Skills Bulletin 2019 – A Report by the Skills & Labour Market Research Unit in SOLAS on behalf of the National Skills Council. Dublin: National Skills Council.

O’Sullivan, Hugh (2010). ‘Youth Unemployment – The forgotten generation.’ Dublin: National Youth Council of Ireland.

Sweeney, Robert (2019). ‘Cherishing All Equally 2019: Inequality in Europe and Ireland’. Dublin: TASC.