

THE INTERGENERATIONAL IMPACT OF THE GREAT RECESSION ON ECONOMIC STRESS IN IRELAND IN A COMPARATIVE PERSPECTIVE

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The intergenerational impact of the Great Recession on economic stress in Ireland in a comparative perspective¹

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INTRODUCTION

The impact of the Great Recession in a number of European countries and the resultant national austerity programs implemented have provoked widespread debate about how economic stress was distributed across the population. In Ireland the theme of rising inequality and the disproportionate burden imposed on the vulnerable has been prominent in policy and political discourses. However, at the same time as notions of polarization have gained prominence, the theme of ‘middle class squeeze’ has had considerable resonance for many. Significantly less attention has been paid to changes across the life course and the manner in which age and position in the income class hierarchy combine to influence outcomes. This study addressed these issues for a set of countries most severely affected by the economic crisis.

DATA AND METHODOLOGY

The study used the 2008 and 2012 waves of the European Union Statistics on Income and Living Conditions (EU-SILC) which is the main data source used to monitor income, poverty, social exclusion and living conditions across the EU. The study focused on three countries, Ireland, Iceland and Greece and we used the date year 2008 and 2012 to capture peak to trough effects.

¹This Bulletin summarises the findings from: Christopher T. Whelan, Brian Nolan and Bertrand Maitre (2016), The Great Recession and the changing intergenerational distribution of economic stress across income classes in Ireland: A comparative perspective, *Irish Journal of Sociology*. Available online: <https://doi.org/10.1177/0791603516657346>

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ECONOMIC STRESS AND INCOME CLASS

The measure of economic stress is derived from EU-SILC data. The measure collects information on whether the household experienced a structural problem with arrears (rent/mortgage, utility bills, hire purchase instalments), had difficulty in making ends meet, went into debt in relation to ordinary living expenses, felt that housing costs were a burden and, finally, were unable to meet unexpected expenses. Individuals were allocated to one of five categories of income on the basis of percentage of median household income: income poor (less than 60%), precarious income class (60% to 75%), lower middle income class (75% to 125%), upper middle income class (125% to 166%) and affluent class (above 167%).

RESULTS

Prior to the Great Recession, the level of economic stress in Ireland, Iceland and Greece was not that much different from countries with similar welfare state arrangements. The experience of economic stress was low in Iceland, medium in Ireland and highest in Greece. In 2008 there was a clear age gradient in the distribution of economic stress in Ireland with older people experiencing the lowest level of economic stress. A similar though less sharp gradient was observed in Iceland, however, no such age differentiation was observed in Greece. By 2012 across the board increases in economic stress were observed in all three countries. In Ireland and Iceland the initial advantages enjoyed by the older group were accentuated. In Greece where no such advantage had existed in 2008 by 2012 the relative situation of the elderly had improved in comparison with all other age groups.

Over time economic stress increased across all income classes in all three countries but with some important country differences. In Ireland the increase in the relative advantage of the elderly was most notable for the income poor. In contrast in Iceland their relative advantage declined. In Greece an initial position involving the absence of generational differences was transformed into one in which the elderly enjoyed a position of relative advantage across all income groups.

The increasing importance of age group differentiation in Ireland involved two components. The first was that in all income classes, the increase of economic stress varied by age group. Children and the older middle age group experienced the greatest increase in economic stress. The second involved changes in the additional effects of poverty. Over time the impact of poverty increased the gap in economic stress between the elderly and all other age groups particularly for children. However the worsening situation of children in terms of economic stress was not due to an increased exposure to income poverty as such but to changes in cross-class differences in stress levels.

CONCLUSION

This study contributes to the debate relating to the distribution of the impact of the Great Recession. The observed outcomes vary significantly across the three countries analysed in the study. It shows as well that to understand fully the variable impact of the Great Recession in Ireland across income classes we need to take account of how these effects varied across the life course and how the scale of absolute increases in economic stress experienced by the non-elderly groups varied across income classes. That the Irish pattern of change was not an inevitable outcome of the economic crisis is illustrated by the fact that in Iceland a similar starting point produced a quite different set of changes.

In relation to the polarization versus 'middle class squeeze' debate, one of the most striking aspects, beyond the changing pattern of income class differentials, is the absolute increase in levels of economic stress across all income class groups. We note also that over time the group of people who experienced economic stress became more heterogeneous in terms of income class composition. The relative situation of the elderly improved over time as a consequence of differences in absolute increases in stress levels across all income classes and the fact that stress levels varied between age groups. All these various effects combined together have contributed to the changing impact of income classes over time.

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