



Economics and Poverty - the links

An education and training resource

Mary Murphy and Deirdre Quinlan

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First printed 2007
Combat Poverty Agency
Bridgewater Centre
Conyngham Road
Islandbridge
Dublin 8

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ISBN: 978 -1- 905485-47-5

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Preface

As part of its role as a national community development centre, the Combat Poverty Agency provides information, advice, training and resource materials for the community and voluntary sector.

Under the current Strategic Plan 2005-07 Combat Poverty initiated the *Having Your Say Programme* www.combatpoverty.ie/havingyoursay that aims to strengthen the policy voices and practices of communities experiencing poverty. One of the four Programme objectives is to:

- *Initiate and support work that enables people experiencing poverty, their representatives or organisations that support them to engage in the policy system.*

Economics and Poverty - the links was commissioned, by Combat Poverty, Irish National Organisation of the Unemployed and the National Women's Council, under this objective.

The overall aim of the title is, in an Irish context, to increase the understanding and policy analysis capacity of anti-poverty community and voluntary organizations on the relationship between poverty and economics. Its objectives are:

- to increase knowledge and understanding of the relationship between policy or social objectives and economic activity
- to increase knowledge and understanding of fundamental economic concepts
- to increase knowledge and understanding of the role of government and market systems in the allocation of resources
- to increase knowledge and understanding of economic policy instruments relevant to poverty
- to enhance skills and capacities to critique and analyse economic and fiscal policies as they apply to the allocation of income, wealth and resources
- to enhance skills and capacities to critique and analyse economic and fiscal policies as they relate to the redistribution of income, wealth and resources.

The intended audience for the title includes:

- training and education personnel/bodies working with community and voluntary organisations, anti-poverty, community development or family resource centre groups/ services
- anti-poverty, community activists or volunteers
- staff in community development, local development, family resource centres, anti-poverty and voluntary bodies
- management committee members of local community/anti-poverty, family resource centres projects.

The commissioning editors would like to acknowledge their appreciation and thanks to the authors, Mary Murphy and Deirdre Quinlan, for their expertise and capacity in writing the resource and in working with others to bring it to fruition. Thanks also to all those who took time to comment on drafts, participated in the Advisory Group or in the various pilot sessions that were undertaken by Mary and Deirdre.

August 2007

Acknowledgements

The authors wish to thank all those who supported them in the writing of this manual.

Thanks to the support committee: Orla O'Connor (National Women's Council), Bríd O'Brien and Eric Conroy, (Irish National Organisation of the Unemployed), Joan O'Flynn, Vanessa Coffey, Barbara Walsh, Jonathan Healy and Margaret O'Gorman (Combat Poverty Agency), Ursula Barry (UCD), Sr Bernadette McMahon (Vincentian Partnership for Justice) and Aontas. Thanks also to Eleanor Ashe for editing the manual, to Fintan Taite for cartoons and to Red Dog for graphics.

Thanks to Paul Rogers (Finglas Cabra Partnership), Leon Kelly (Finglas South Community Development Project), Bernie Hughes (Pass Community Development Project), Teresa Hyland (Health Service Executive), for feedback on drafts of the manual and Community Employment workers from Fingal Centre for the Unemployed for the piloting of the manual, Linda Quinlan and Pat Cooper for comments.

Thanks to our partners, Jack and Declan, and children, Clara, Niamh, Donal, Seán, Emer and Dan, for their love and support throughout the project.

Thanks to the commissioning editors, Combat Poverty Agency, National Women's Council and Irish National Organisation of the Unemployed.

Note on Sources

Both original and source material have been used and adapted for the activities in this manual. The authors wish to acknowledge the following: WIDE: *Manual for Popular Economic Literacy*, Banúlacht: *Looking at the Economy through Women's Eyes*, Lourdes Youth and Community Services: *Connecting Communities*, *The Ultimate Field Guide to the US Economy*, and *United for Fair Economy*.

About the Authors

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Glossary

Area-based programmes - a co-ordinated series of actions which are devised and delivered within a particular spatial context to address social and economic disadvantage eg RAPID, CLAR.

Area Development Management Ltd - ADM Ltd is an independent company set up by the Irish Government and the EU to support local economic and social development.

Asset - Anything of value that is owned.

Balance of payments - the difference between the value of our exports and our imports during a period of time. It includes such items as all merchandise trade, tourist expenditures, capital movements and interest charges.

Benchmarking - a point of reference. It is often used in the public sector as a term for comparing the performance in the public sector with the private sector or for comparing systems in Ireland with systems in other countries.

Budget deficit - the amount by which government expenditures exceed government tax revenues. The difference must be borrowed.

Budget surplus - the amount by which government tax revenues exceed government expenditures.

Business cycle - the pattern of medium-term economic fluctuations in which expansion is followed by recession, which is followed by expansion, and so on.

Capital - money

Capital gain - the difference between the purchase price of an asset and its resale price at some later date. It is called a 'capital loss' if the resale price is less than the purchase price.

Capital goods - machinery, equipment and structures used in the production of goods and services.

Carbon tax - a tax levied for environmental reasons on the use of non-renewable fossil fuels with the aim of curbing their consumption.

Caring labour - work, both paid and unpaid, that involves face to face personal care for other people, including children, elderly individuals and disabled or sick persons.

Community & Voluntary Pillar - a grouping of national representative community and voluntary organisations that is one of the four pillars of social partnership.

Community development - the long-term process whereby people who are marginalised or living in poverty work together to identify their needs, create change, exert more influence in the decisions which affect their lives and work to improve the quality of their lives, the communities in which they live, and the society of which they are part.

Consistent poverty - relative income poverty combined with the lack of basic items such as a warm coat, sufficient food and adequate heating. The percentage of people living in consistent poverty is the proportion of the total population, eg 6% who are living on a lower than normal income and who lack certain basic essential items thereby experiencing a lower standard of living than the rest of society.

Consumer Price Index (CPI) - a measure of the average change in prices over time in a fixed 'market basket' of goods and services purchased either by urban wage earners and clerical workers (CPI-W) or by all urban consumers (CPI-U).

Corporate income tax - a tax imposed on the annual net earning of a corporation.

Credit - a way of buying now and paying later

Deficit - loss

CSO Central Statistics Office

Depression - a prolonged period in which business activity is at a very low level.

Deregulation - the lessening of government control over the operations of various industries.

Devaluation - a reduction in the value of a country's currency relative to foreign currencies.

Devalue - cut the value of money

Direct tax - tax on money you earn

(EAPN) European Anti-Poverty Network - independent coalition of non-governmental organisations and groups involved in the fight against poverty and social exclusion in the member states of the European Union.

Displacement when a group of workers lose their jobs to alternative workers who work for less pay and/or worse conditions

Economic growth - increase in production of goods and services.

Economic, social and cultural rights - refers to the rights of all persons to live a fully human life which meets their physical, emotions, intellectual and social needs. Being deprived of these rights is often symptomatic of living in poverty.

EU-SILC - EU Survey of Income and Living Conditions which replaced the 'Living in Ireland' survey as the major source of poverty data from 2003.

EC - European Community

ECB European Central bank

Excise Tax - a tax on the sale of goods.

Export - item sold to another country

Gender pay gap - the difference in average pay between men and women

Gross pay - income before deductions.

Household Budget Survey - a random sampling of the population which the Central Statistics Office conducts from time to time to show the current pattern of expenditure in Irish households.

Import - item bought from another country.

Indexation - a method by which social welfare payments would be increased by a certain amount each year. This amount would relate to a particular factor index in the economy eg inflation, earnings, incomes.

Indirect tax - tax on money you spend

Inflation - rising cost of goods

Interest - money paid to use someone else's money

Invest - put money into something to make a profit.

Kyoto Agreement: An agreement governments signed to reduce carbon emissions.

Labour force - those persons who have jobs or are actively looking for jobs.

Labour force participation rate - the proportion of the working-age population that is part of the labour force.

Labour productivity - the amount of goods or services produced by a worker in a given time period.

Liberalization - the reduction or removal of government regulations and controls over the exchange of goods, services and assets, for both domestic and international transactions.

Macroeconomics - the study of the behaviour of the economy as a whole, focusing on variables such as employment, inflation, growth, and stability.

Market economy - economy where production is determined by supply and demand.

Microeconomics - the study of individual decision-making in response to changes in prices and incomes.

Minimum wage - the lowest wage, established by government which can be paid by an employer.

Monetary policy - the use of monetary controls such as restriction or expansion of the money supply and manipulation of interest rates in order to achieve some desired policy objective, such as the control of inflation, an improvement in the balance of payments, a certain level of employment or growth in the GNP.

Monopoly - complete control of a kind of goods or service.

Multinational corporation - a company that has operation centres in many countries, as opposed to an international company, which imports or exports goods but has its operation centred in one country.

National Anti-Poverty Strategy (NAPS) - the 10 year plan of the Irish Government aimed at tackling poverty which involves consultation, target setting and poverty proofing. NAPS aims to achieve better understanding of the structural causes of poverty such as unemployment, low income and educational disadvantage.

National Development Plan (NDP) - The Irish Government's strategy for allocating EU Structural Funds and other public monies aimed at stimulating long term growth and a fairer distribution of resources across the whole economy.

Net pay - income after deductions.

(OECD) Organisation for Economic cooperation and Development - a 24 member international, intergovernmental agency founded in 1961 to promote policies leading to optimum economic growth, employment and living standard in member countries while maintaining financial stability.

(OECD) Organisation for Economic cooperation and Development - a 24 member international, intergovernmental agency founded in 1961 to promote policies leading to optimum economic growth, employment and living standard in member countries while maintaining financial stability.

Planned economy - economy where production is decided by the government.

Poverty - People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in Irish society. Because of their poverty they may experience multiple disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to education. They are often excluded and marginalised from participating in activities that are the norm for other people.

Poverty impact assessment - the process by which Government departments, local authorities and State agencies assess policies and programmes at design and review stages in relation to the likely impact that they will have, or have had, on poverty and on inequalities that are likely to lead to poverty, with a view to poverty reduction.

Poverty risk - the proportion of people living in households where their disposable income is below the threshold of 60% of the national average disposable income. The EU measure of poverty risk is set at 60% of national average income.

Private sector - businesses owned by private individuals carried on principally for profit but also including non-profit organisations directed at satisfying private needs, such as private hospitals and private schools.

Privatised - sold to general public.

Progressive tax - a tax in which the tax rate rises with income.

Protectionism - the policy of imposing import restrictions such as tariffs (taxes) or quotas (quantity limits) on imported goods in order to protect domestic industries.

Public Sector - that part of the economy which is publicly rather than privately owned.

Recession - that part or phase of the business cycle in which total output falls; during recession, investment usually declines, and the demand for labour is reduced, so unemployment rises.

Redistribution - Individuals and groups on higher incomes or wealth distributing to those on lower incomes or wealth. Redistribution by government is usually through transfers, regulation or provision of public services. Transfers involve the collection of money from people through the tax system and the payment of income to people through payments such as unemployment assistance or subsidies such as mortgage interest relief. The minimum wage or rent controls are examples of regulation. Public transport and local authority housing are examples of state provision of services.

Regressive tax - a tax that takes a larger proportion of low incomes than of high incomes. Many taxes on basic goods such as petrol are regressive because poor people spend a larger percentage of their income on these goods.

Relative income poverty - relative income poverty is having an income that is less than what is regarded as the norm in society, giving a lower than normal standard of living. It is 'relative' because it is measured by how much less it is relative to the income of the majority of the people.

Renewable sources of energy - energy sources that are not depleted by use, such as solar power.

Social capital - networks, understanding and values that shape the way we relate to each other and participate in social activities.

Social cohesion - bringing together, in an integrated way, economic, social, health and educational policies to facilitate the participation of citizens in societal life.

Social exclusion - the process whereby certain groups are pushed to the margins of society and prevented from participating fully by virtue of their poverty, low education or inadequate life skills. This distances them from job, income and education opportunities as well as social and community networks. They have little access to power and decision-making bodies and little chance of influencing decisions or policies that affect them, and little chance of bettering their standard of living.

Social inclusion - ensuring the marginalised and those living in poverty have greater participation in decision making which affects their lives, allowing them to improve their living standards and their overall well-being.

Social partnership - the process where government, employers, trade unions, farmers and the community and voluntary sector devise economic and social agreements for an agreed timeframe. At national level, the draft social partnership agreement Sustaining Progress is under consideration for ratification by each partner to the agreement. At local level social partners are included in many decision-making and service delivery structures such as county development boards and area based partnerships.

Structural poverty - deprivation, which is reinforced by administrative, economic and social barriers preventing access to new life skills, employment opportunities, improved health care and better housing.

Sustainable economic and social development - the type of broad-based, long-term human growth which encourages the continual development of skills, capacities and talents to the fullest possible extent as a means of challenging poverty and social exclusion.

Supply - the amount of something made available

Surplus - amount left over.

Tax loophole - a legal provision that can be used to reduce one's tax liability.

Trade deficit - the amount by which a nation's imports exceed its exports of merchandise over a given period.

Underemployment - a situation in which an individual, who would like a secure full-time job, is employed only part time or temporarily.

World Bank - an institution affiliated with the United Nations, whose chief purpose is to assist in the reconstruction and development of its poor members by facilitating capital investment, making loans, and promoting foreign investment.

(WTO) World Trade Organisation - an international institution established in 1995 to govern trade agreements, regulatory standards, tariff levels, and intellectual property rights.



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Chapter 1

Introduction

Economics dominate all our lives but people often feel powerless or inadequate when they hear the buzzwords and jargon associated with discussions on the economy. However economic decisions and poverty are two sides of the same coin and it is not possible to debate poverty without talking about economics and resources. The objective of economic policy should be to generate the resources to make other policies, including social inclusion policies, possible. This relationship is complex. While economic policy can generate resources for social inclusion there are also tensions in the relationship between economic and social policy – they can sometimes pull in different directions.

This manual is designed to enable community workers and other persons working in local communities to facilitate people in:

- recognising their own knowledge of the economy
- understanding economics and how economic policy relates to poverty
- understanding how economic policy impacts on their lives
- becoming more confident when discussing or debating economic issues.

More specifically, the goals of this manual are to enable individuals and groups to:

- develop an understanding of the economy and the creation and distribution of income, wealth and resources (Part One)
- increase their knowledge and understanding of fundamental economic concepts as they relate to and impact on their lives (Part Two)
- understand and clarify the role of government and market systems in the allocation of resources and relate social policy objectives to economics (Part Three).

Methodology

The manual is divided into three parts. Whilst it is recommended that the facilitator follow these in order, it is not essential to do so as these are also designed to be used as stand-alone modules.

Part one:

Chapters 2 and 3: What is economics?

Part two:

Chapters 4 and 5: Who gets what?

Part three:

Chapters 6 and 7: The role of government

Each chapter includes activities that:

- reinforce the learning
- encourage active participation/experimentation
- assist with reflection
- promote independence in problem-solving and actions.

The material in each chapter is presented under three headings:

- 1 Guidelines for facilitators
- 2 Information sheet
- 3 Activities

1 Guidelines for facilitators

These notes point the facilitator towards learning objectives and learning outcomes. They are a useful reference point at both the beginning and ending of a chapter.

2 Information sheet

The information sheet includes material to outline the basic economic concepts referred to in the activities. It can be used both by individuals wanting to learn more about economics and by the group facilitator to prepare and facilitate the session. It can also be given to participants to take home at the end of a session.

Facilitators should read the relevant information sheet thoroughly before the workshop. The language may be somewhat unfamiliar, so it may help to read it a couple of times. For more in-depth reading, access the references and other materials indicated in Appendix 2.

The information sheet indicates where certain activities can be used to reinforce learning. These activities can be found on the Activity Sheet. It also indicates where cartoons and diagrams can be used as core learning tools.

3 Activities

The activities use a wide range of creative methodologies such as games, exercises, art and drama. They are based on participatory development techniques which favour active participation and creativity, and which stimulate learning in a safe yet challenging environment. They will enable participants to have a positive engagement and involvement with economic issues.

Approximate time-guidelines are given to each activity. These timings should suit a group of eight participants with adequate literacy but below leaving certificate standard education. If a facilitator chooses, the time for each activity can be adjusted to meet the needs of the group or style of facilitation.

A number of additional resources for each unit can be accessed at www.combatpoverty.ie, www.inou.ie, and www.nwci.ie. These offer extra choice when preparing sessions.

Part one

What is economics?

Chapter 2

Defining economics and the economy

Guidelines for facilitators

Learning objectives:

- To define economics
- To examine the concept of economy
- To explore how economics and poverty are linked
- To identify different types of economies
- To help participants to explore where they fit into the economy
- To become aware of how economic communities are founded on class, ethnicity and gender

Learning outcomes:

That participants:

- understand and are comfortable with a definition of economics
- have discussed its relevance to poverty
- have explored the market, public, social and care economies
- have identified where they themselves fit into different economies



INFORMATION SHEET

Defining economics and the economy

Economics

Economics is the study of how people are involved in the production, distribution and consumption of goods, services and wealth, from limited resources.

These resources include land, labour, raw materials and money. Individuals, families and governments all choose how to use their limited resources. In most cases the choice will be between a number of competing options.

The economy

The word 'economy' can be traced to a combination of two Greek words: '**oikos**', meaning house or household and '**nomos**', meaning rule, law or customs. Taken together, these two words refer to the management of a household.

The nation consists of hundreds of thousands of households of different sizes and types. So, in a practical sense the economy refers to the overall management (production, distribution and consumption of goods and services) of the multitudes of households within its domain.

The economy also refers to the operation of business, industry and public spending. It is comprised of the wealth and resources of a community. Whatever our role in society, we all play a part in the economy.

- **Macroeconomics is the study of the nation's economy as a whole.**
- **Microeconomics is the study of basic economic units in society, for example an industry, a company or a household.**



Activity One, A and B

Economics and poverty

Every economy, no matter what economic system it follows, is faced with three key economic questions:

- What goods and services should be produced?
- How should they be produced and who should produce them?
- Who should receive the resources that the economy has produced?

Economic choices made by government impact directly on people's lives. These choices determine the quality and quantity of public services and how much will be spent on education, health, housing, transport and social welfare.

How the government chooses to manage the economy will be influenced by the amount of resources available to it. If the government chooses to work for significant reductions in poverty it will require consistent economic growth to carry out this task. The capacity of the political system to implement rights and anti-poverty programmes is dependent on economic resources.

A certain level of equality and social cohesion is necessary for economic growth. If people are trapped by poverty and unable to participate in the economy this is a loss for them personally and for society and the economy as a whole. Social expenditure can therefore be considered as an investment in the economy.

From a poverty or equality perspective, certain economic decisions can have a positive or negative impact on poverty. The following are four examples of economic decisions that have a negative impact:

- **Unequal distribution of resources:** Individual budget decisions such as reducing the top rate of tax, or introducing a special savings incentive account like the SSIA, mean that resources that could have been spent on social welfare or public services are diverted elsewhere. These decisions divert the resources unequally towards richer households, and the gap between the rich and poor widens.
- **Low public spending:** Because Ireland has low taxation there is not sufficient revenue to fund high levels of public spending. Ireland's public spending has been historically low. Recent increases in public spending are from a low base, so Ireland still has some of the lowest social expenditure in the OECD. There is a clear link between low social expenditure and the fact that Ireland has one of the highest rates of income inequality and relative poverty in the EU.
- **Unequal use of public resources:** People assume that poorer families use more state services than middle- and high-income families. This is not always the case. For example, a report from the Economic and Social Research Institute (ESRI) on the use of state-funded sports facilities showed that middle- to high-income families used far more state-funded sport facilities than poorer families¹. The same is true of culture and arts and education.
- **Privatisation:** Governments over time are turning more and more to the private market economy to provide many social goods and services – including pensions, housing, education and health.

1. Pete Lunn (2007) *Fair Play: Sport and Disadvantage in Ireland*, E.S.R.I. Monograph No 190 Dublin, ESRI

Activity

Activity Two

Needs and wants

The most basic human needs are: food and shelter. In addition there are other needs that must be satisfied if people are to have a sense of well-being:

- feeling secure
- being part of a community
- feeling competent
- being autonomous.

It is important to recognise the difference between 'wants' and 'needs'. Economists assume that people make rational choices to maximise their monetary well-being in order to satisfy their self-interest and consume more of what they want. However, what people want to consume is often influenced by expensive advertising and it is hard for people to separate what they 'want' from what they really 'need' for fundamental well-being.

The simple economic assumption that people are driven to maximise monetary gain does not take account of the complexity of the human being. We know, for example, that many people take creative jobs that will give them little economic reward, and that women with their strong ethic of care often prioritise care over money. It takes more than money to 'make the world go 'round'.

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Four types of economy

Every economic system is made up of at least four subsets of economy, and these are determined by different economic principles:



- The economic principle that drives the *market economy* is the exchange of goods and services for commercial gain or profit.
- The economic principle that defines the *public economy* is the provision of public goods and the creation and redistribution of wealth by the state.
- The economic principle that defines the *social economy* is the promotion of mutual collective benefit such as human bonding or solidarity or the achievement of social justice.
- The economic principle informing the *care economy* is based on affective interdependence within human relationships and families.

Market economy: In this economy money is generated from the production of goods and services that are freely bought and sold. Most economies today revolve around the exchange or sale of goods and services. There is an ever-increasing list of goods and services that can be bought or sold in the market. Historically, the list would have included land, labour, food, household goods, etc., but it now includes such items as leisure and television viewing; even football clubs are on the market. There are different markets within the market economy:

- **The labour market**
Income from wages from employment or self-employed work
- **The property market**
Income from rent on assets and sale of assets
- **The financial/stock market**
Income from buying and selling money (loans or mortgages) and returns on investments (stocks, bonds and savings)

Public economy: This economy is based on state redistribution and provision of public services. Through taxation the state provides income transfers, goods and services which can be accessed for free, by some or all of its citizens or residents, or for a 'charge' fixed to the good or service. There are different ways of redistributing the resources of the state:

- **State tax**
Tax relief such as mortgage interest relief.
- **State grants**
Grants to help maintain farmers; students' maintenance grants
- **Social welfare**
Social insurance, social assistance and universal payments

Social economy: This is an economy where activities can be funded by the state or by private business, but are provided by non-government, not-for-profit organisations. The social economy (or third sector) can include:

- **Community employment schemes**
State-funded labour market programmes delivered by not-for-profit organisations providing social goods
- **Charities**
Non-government organisations distributing goods and services
- **Exchange and barter systems**
Non-cash based exchange of goods and services

Care economy: This is an unpaid economy, based mostly on women's work and driven by affective care within families and communities. Without this economy the economic and social system could not survive. Unpaid care produces, reproduces, nurtures and socialises human beings. The care economy works through, for example:

- **Kin/community**
Social exchange among neighbours and friends
- **Family**
Intergenerational family sharing
Internal distribution of resources in household
Unpaid economic activities, e.g. spouse working on family farm

Activity

Activity Three

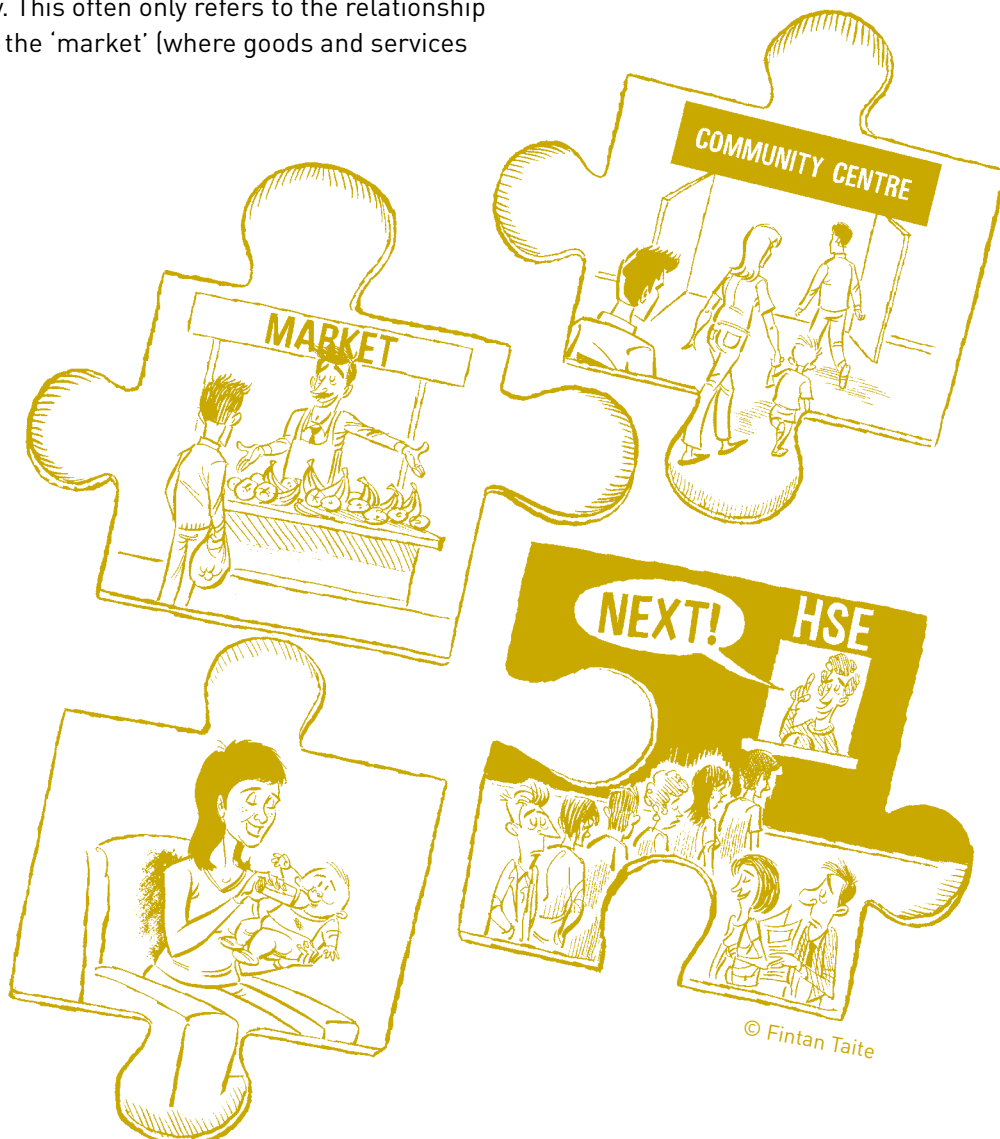
Gender, class and ethnicity

Access to resources, work, income and power is based on gender assumptions, and the male economic experience frames the mainstream understanding of the modern economy.

The study of economics, or of how economic decisions are made, is sometimes called political economy. This often only refers to the relationship between the 'market' (where goods and services

are bought and sold) and the 'state' (which creates the conditions and rules that help markets function). However, being sensitive to gender, class or ethnicity means being aware that women and men, different classes and ethnic groups will experience the economy very differently to mainstream society.

Economic relationships are often exploitative, with some groups profiting or benefiting from the paid or unpaid work of others. Working-class people and migrants, for example, carry the burden of manual labour, often with minimal reward. A core feature of many economies is a sexual division of labour, with most care economic activity (paid and unpaid) being carried out by women. State policy also determines how some resources are distributed and how the economy impacts on women, on different classes and on ethnic groups.



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ACTIVITIES

Defining economics and the economy

Activity One

Activity One A – 25 minutes

Economics; the economy

Ask participants the following question and write the responses on a flip chart: When you hear the phrase 'the economy' on the news or read it in the newspaper, what is your initial response?

Ask participants how they 'see' the economy. Ask each person to draw a picture of the economy or write down what he/she thinks it means.

Ask participants to show what they have drawn and to explain what it means. Write explanations on a flip chart.

Discuss the fact that as well as contributing to the economy by producing things, providing services, buying items and paying taxes, people also contribute in a more hidden way through unpaid work.

Activity One B – 20 minutes

Write each phrase below on a separate poster. Ask small groups to visit each poster and brainstorm what each phrase means to them and to write this on the relevant poster. The words in brackets are prompts for you, the facilitator. When all the groups have filled in each poster, review and discuss what has been written.

Economics ...

'is a social science ...' (it's about people)

'concerned with the way society chooses ...' (how does it choose?)

'to employ its limited resources ...' (how are they limited?)

'which have alternative uses ...' (what kind of alternatives?)

'to produce goods and services ...' (what kinds?)

'for present and future ...' (what about future resources?)

'consumption' (do we consume what we need or what we want – how do we know the difference?)

Activity Two – 20 mins

Linking economics and poverty

Divide into pairs. Ask participants to think about the links between economics and poverty. They can base their discussion on the following questions:

- Can you think of any economic decisions (any decision about allocating resources) made in your local area that will have an impact on poverty?
- Can you name an economic decision you would like to see made that you think could help to reduce poverty in your local area?

Feed back the examples you have discussed to the larger group.

Activity Three – 30 mins

Economic stories

Prepare a handout with the questions below. Ask each participant, in turn, to share his/her economic history. You may go first. Ask people to share only what they feel comfortable with.

- What did your grandparents and parents do for a living? You may go as far back in your family chain as you wish.
- Who was the primary wage earner in your childhood home? Did this change over time?
- Who made the major decisions in your home (e.g. where to live, education, holidays)?
- How was your family affected by major economic recessions?
- Has your family been affected by emigration?
- Can you see gender, class or ethnic patterns in this story?

Can you identify which economy different family members were in? Can you identify the different economies you work in?

Activity Four – 30 mins

Economic timeline

birth

now

Brainstorm the following question with participants: What type of work did people have in your area or family in the past? Think about the jobs/work that your parents, grandparents and great-grandparents did.

Now ask the participants in small groups to draw up a timeline of work in their area/family, using words, pictures and symbols.

If the group members are doing a timeline of their area, ask them to include a mixture of genders, ethnicity and classes in their timeline. If they are doing a timeline of one of their family members, ask them to do a mixture of genders and ages.

Ask the participants to then highlight when significant economic changes occurred in the timeline, e.g. when there was a recession and jobs were lost.

Now ask them to think especially about changes in the past ten years. How has the employment situation changed? How has this impacted on their lives and the life of their community?

Ask each group to feed back ideas.

Chapter 3

Economic systems

Guidelines for facilitators

Learning objectives:

- To understand how economic systems differ
- To be familiar with concepts of key economic ideas or theories
- To understand the concept of economic growth and sustainability
- To review the difference between GNP and GDP and critique how national growth is measured
- To look at the alternative ways of measuring well-being

Learning outcomes:

That participants

- are comfortable hearing key theories discussed
- have explored sustainability
- have reviewed recent trends in Irish and EU economic growth
- have debated issues about measuring national well-being
- have devised alternative ways to measure national well-being



INFORMATION SHEET

Economic systems

Economic theories

Economic systems are not inevitable. They are socially or politically constructed as a result of policy choices made by politicians. Politicians get ideas about how to organise the economy from many sources – from academics and writers, for example, but increasingly from big global institutions that promote particular economic ideologies. The two great economic theories of the twentieth century were communism/socialism/Marxism and capitalism.

Communism/Socialism/Marxism: Karl Marx believed that a small group of individuals should not have exclusive ownership of resources and capital or benefit from the labour of the many. He held that workers should own, and be able to take the greatest benefit from, the land they labour on or the factories they work in, and that all people should be able to acquire enough to fulfil their needs.

Marx's ideas inspired many economies in the twentieth century to experiment with forms of communism or socialism. These were known as planned economies. In planned economies the state was the focal point of economic activity – planning, producing and distributing resources. This type of state could, in theory, eliminate the types of excessive inequality associated with capitalism. However, it was challenged when it came to promoting initiative, incentive and creativity. In reality, many of the twentieth-century state-planned economies proved inflexible, and excessive bureaucracy limited incentive. Over time many transformed themselves into mixed capitalist economies.

Capitalism: Capitalism is based on the freedom of individuals to own, produce and distribute any product or service for whatever price people are prepared to pay for it. In theory there are no limits on what can be produced, how it is produced or what can be owned or by whom.

The price mechanism (where demand meets supply) determines most prices. Disadvantages of capitalism include greater inequality, over-production of unnecessary goods and less investment in social goods such as education or health.

Mixed capitalist economies: Mixed capitalist economies are the most dominant form of economy. In reality, no society or economy could function without some controls over, and state support to, the market economy. There is no perfect example of a totally state-controlled, 'planned' economy. Likewise there is no example of a totally market-led, 'capitalist' economy.

In mixed economies the market economy, the state economy, the social economy and the care economy produce and allocate resources. Governments let the market determine prices but intervene either to help it along or to regulate it and protect citizens, other businesses and the environment from the excessive greed of the market.

Governments also determine to some degree how much economic activity takes place in the care economy. For example, by providing paid parental leave, governments enable parents to provide non-market care (this is an example of where the care economy and the state economy interact).

Activity

Activity One

Varieties of capitalism

There is significant variety in the way different states interact with capitalist markets. Different countries will choose different mixes of social and economic policies. These are reflected in their laws, their tax and social welfare systems and in how they

provide services. The particular mix of capitalism any one country chooses will depend on its history, politics and culture.

Over time various economic theories have influenced how states interact with the capitalist market.

There are clear links between the variety of capitalism a country chooses and the extent of poverty and inequality it experiences. There is a proven link between high social spending and achieving equality.

| Time period | 1800s | 1930s | 1970s | 1990s |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Name of economic theory or ideology</i> | Classic liberalism, laissez faire | Keynesianism | Monetarism | Neo-liberalism |
| <i>Key theorists</i> | Adam Smith, David Ricardo | John Maynard Keynes | John Milton Friedman | World Trade Organisation, World Bank |
| <i>Key principles</i> | <p>They advocated a strong role for the market and little state intervention.</p> <p>They believed that markets naturally determine supply and demand.</p> <p>They believed that the market price is the natural and fair price.</p> <p>History shows economies need state intervention to enable the infrastructure necessary for an economy and industries to grow and thrive.</p> | <p>Keynes was an economist who influenced post-World War II thinking.</p> <p>He argued that governments should manage the economy to achieve higher employment by spending more.</p> <p>He saw government as pivotal in managing the economy to achieve major social and economic targets.</p> | <p>Monetarists promote the role of the market.</p> <p>They argue that the government's role in the economy should be restricted to controlling inflation, to create the right economic climate for business.</p> <p>They resist government spending and promote privatisation and deregulation.</p> | <p>This strong variation of monetarism promotes the global free market as the best system to efficiently distribute resources.</p> <p>Neo-liberals minimise the role of the state and argue that the market should be the main tool for redistribution.</p> <p>Competition is promoted and inequality accepted as 'natural'.</p> <p>Resources eventually trickle down to the bottom.</p> <p>Privatisation, deregulation and user charges for state services are encouraged.</p> |



Activity Three

Economic growth and well-being

Economic growth is an annual growth in national income or an increase in the monetary value of all the goods and services produced during the previous year.

There are three standard ways of measuring economic growth:

- **GDP:** Gross Domestic Product is the total value of all goods and services produced in an economy in a given time period, regardless of whether this income stays inside or outside the country.
- **GNP:** Gross National Product is the total value of all goods and services produced in an economy in a given time period and which stays inside the country.
- **Per capita growth:** This divides the total product by the total population.

GDP is an accurate measurement of the value of traded goods and services. However, it is limited and misleading as a measurement of well-being:

- It says nothing about whether growth is sustainable, i.e. if it can look after the needs of today without jeopardising the needs of future generations.
- It says nothing about how national income is distributed between regions, social classes, men and women, age groups or ethnic groups.
- It does not include any assessment of the value of unpaid work, including care work done by women.
- It places positive value on activities that actually harm the environment (e.g. driving motor cars) and places less value on constructive activities that sustain the environment (e.g. cycling).

There are other, alternative, forms of measurement:

- The UN Gender-Related Development Index measures life expectancy, literacy, income above the poverty level and gender inequality.
- The GPI Genuine Progress Indicator (GPI) uses 22 social, economic and environmental indicators to measure progress; can be accessed at www@unpac.ca.
- The Irish Central Statistics Office, in *Measuring Ireland's Progress*, reports annually on a wide range of social and economic indicators www.cso.ie.

From a poverty perspective, economic growth is most useful if it provides resources that are used to promote well-being. Some economic growth can bring employment, improved standards of living, better infrastructure and public services. Resources generated by growth are not always used for maximising public welfare. They could, for example, be given to the rich in tax breaks.

The benefits of growth have to outweigh the costs incurred in pursuing economic growth. The costs can include: environmental damage from construction, chemicals and motorways; wastage of very finite resources; greater inequality; problems associated with urban expansion, crime and vandalism.

Growth can impact more harshly on some sectors of the population than others. Women, for example, are increasingly carrying the double burden of care and work in the fast-growing Irish economy.

Governments try to avoid some types of economic growth because of their negative effects:

- **Jobless growth** – no employment
- **Ruthless growth** – fruits of growth going only to the rich
- **Voiceless growth** – little democratic growth or individual empowerment
- **Rootless growth** – community/cultural identity diminishes
- **Futureless growth** – resources of future generations are used up



Activity Four

Investors, governments and people prefer stable economies. Economic growth goes through short-term and long-term cycles of **booms** and **recessions**. If there is a dramatically significant reduction in economic growth there is a **depression**.

Cyclical growth refers to short-term trends where the economy temporarily expands and contracts (every four years or so). Most economies can ride out cyclical change.

Structural change refers to deeper expansion or contraction that occurs every few decades. It is often associated with significant technological change or a change in systems of production. Globalisation has brought significant structural change to many economies.

Globalisation and sustainable economics

Globalisation can be best understood as a process of rapid economic integration driven by liberalisation of trade, investment and capital markets. It also brings rapid technological and cultural change. Countries now have to compete against each other for foreign investment. Having to be internationally competitive can mean less room to focus on national policies.

However, most governments still have significant national policy choices and control over the capitalist process. Some countries use globalisation as an opportunity and have deeply immersed their economies in the competitive global economy without causing significant domestic inequality. Finland, for example, manages to be competitive and equitable by having higher levels of regulation, social protection, taxation and state intervention.

There is no doubt, however, that globalisation has increased and entrenched global inequalities. International institutions such as the International Monetary Fund and the World Bank declare that

Economic growth graph - Info to be supplied for diagram

there is no alternative and that developing countries will benefit from the trickle-down effect of global growth.

Many development organisations promote sustainable alternatives to neo-liberal capitalism. They argue that the present form of globalisation has caused significant structural change and a more precarious existence for many people. They point to the degree in which this model of globalisation causes high levels of global wealth and income inequality. The richest 10 per cent of the world holds 70 per cent of the world's assets.

Development organisations argue that 'turbo-capitalism' or 'selfish capitalism' is based on creating and satisfying artificial 'wants'. Profit requires an intensive unsustainable growth that perpetuates class-, gender- and ethnic-based inequality and poverty. They imagine new types of sustainable economic systems; ones that, for example, value and measure care or see progress as a reduction in global inequality or world hunger. They argue that new ideas are needed in economic thinking in order to move from neo-liberalism to a new ideology based on principles of sustainability, care, equality and global solidarity.

ACTIVITIES

Economic systems

Activity One – 30 mins

Economic theories

Draw a line on a flip chart and explain that there are two main types of economy – the planned economy and the capitalist economy. Ask participants what they think a planned economy is and what they think a capitalist economy is. Ask them if they know of any countries in the past or present that have these economies.

Planned

Mixed

Capitalist

Now discuss what a mixed economy is and note that nearly all economies are mixed economies. Discuss what living in a mixed economy means for poverty. Ask the following questions:

- Does a mixed economy make poverty more or less likely?
- What impact does living in a mixed economy have on Irish health and education services?
- Can you think of times when the Irish government intervened in the market?
- Why do you think it did this?

Activity Two – 30 mins

Varieties of capitalism

While nearly all economies are mixed capitalist economies, there are great differences between them. Some varieties of capitalism create less poverty and inequality than others. Sapir (2005)² differentiated countries to the degree that they were efficient and equitable, or competitive and fair.

Box 2 below illustrates that if you live in certain places you are least likely to be poor and most likely to enjoy equality. Draw this grid on a flip chart without the countries' names. Call out the names of European countries and ask participants to guess the box in which each country should be placed, and why.

| | Uncompetitive | Very competitive |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equality | <p><i>Box 1: countries that are not very competitive but have equality</i></p> <p>Continental countries: Belgium, Germany, France, Luxembourg</p> | <p><i>Box 2: countries that are very competitive and have equality</i></p> <p>Nordic countries: Denmark, Sweden, Finland</p> <p>The Netherlands, Austria</p> |
| Inequality | <p><i>Box 3: countries that are not very competitive and have high inequality</i></p> <p>Mediterranean countries: Spain, Greece, Italy</p> | <p><i>Box 4: countries that are very competitive but have inequality</i></p> <p>Anglo-Saxon countries: UK, Ireland</p> <p>Portugal</p> |

Ask which box participants would like to live in. One of the reasons the Nordic countries are more equal is that their governments have social services that everyone receives. These are called universal services. Because everyone uses them citizens are more willing to pay the high taxes required to fund the services. Ask the participants if they would be willing to pay more taxes to fund higher and better social services like health and education.

2. Andre Sapir (2005) *Globalisation and the Reform of European Social Models*, European Centre for Advanced Research in Economics and Statistics, Brussels

Activity Three – 20 mins

What is neo-liberalism?

Write the phrases below on a flip chart. Ask the group to brainstorm what each phrase might mean. The phrases in brackets are prompts for you, the facilitator.

- 'free trade and the global free market' (keep rules about pollution and labour law to a minimum)
- 'keep role of the state in the economy to a minimum' (reduce welfare and privatise public services)
- 'as much competition as possible' (ensure that public/private companies do not create monopolies)
- 'a certain amount of inequality is inevitable' (keep social welfare payments low to reward hard work or risks)

Ask participants:

- Do any of these phrases sound like the type of economic system we have in Ireland?
- Do any political parties argue that the state should have more control over the markets?

Activity Four – 20 mins

Economic growth and well-being

On a flip chart outline the definition of GDP (from the information sheet). Define the meaning of the words used, e.g. what are 'goods and services'? (Possible answers – manufacturing of goods, agriculture, provision of services, i.e. pubs, restaurants, supermarkets; public services: health, education, infrastructure, national security, prison, civil service).

Ask participants to list what is not included (Possible answers: the care economy, i.e. people looking after children, old people, the disabled; doing voluntary work). Ask what should be included.

Ask participants to break into pairs and discuss and write about how the local economy has changed in the past decade. Ask them to identify how this has affected the local community and their personal lives. Has it, for example, reduced local poverty or improved the standard of living of poorer communities? Each pair feed back to the larger group and you write the responses on a flip chart. The pros and cons of this economic growth can then be explored by the whole group.

Activity Five – 20 mins

Globalisation

- Write the word 'Globalisation' on a flip chart and ask the group to say what it means to them.
- Ask participants to suggest both positive and negative aspects of globalisation in Ireland. Write the responses on two separate charts. Discuss responses with the group.

Part two

Who gets what?

Chapter 4

Income, poverty and wealth

Guidelines for facilitators

Learning objectives:

- To explore how people get their personal incomes
- To examine definitions of poverty
- To understand the difference between poverty and income inequality
- To explore who is at risk of poverty, e.g. women, children, older people
- To examine patterns of distribution of money within the family
- To explore wealth and who has it

Learning outcomes:

That participants

- have examined their own personal sources of income
- understand how to define poverty
- have debated whether consistent or relative poverty is the most appropriate measure of poverty
- have examined and identified patterns of distribution of money within the family
- have examined wealth distribution and issues related to credit and debt



INFORMATION SHEET

Income, poverty and wealth

Income

We all need income to pay for our daily and long-term needs. This income comes from a number of sources:

- Some people's income comes from ownership of stocks (i.e. shares in the ownership of a business). Owning stocks gives them a claim to part of the profit of the business, and this is usually paid as a yearly or quarterly dividend.
- Some people live off interest earned from capital that they save in banks or other financial institutions.
- Most people's income comes as payment for their labour.
- In Ireland, the social welfare system pays financial support to people who may have insufficient monies of their own and experience specific circumstances such as unemployment, parenting alone, disability, retirement, caring for others, sickness and so on. Support is also available to contribute to the costs of certain circumstances such as having children, travel and fuel for older people and so on. In order to qualify for social welfare provision, people are required to apply to the Department of Social and Family Affairs and meet criteria specific to the various social welfare schemes.

Social welfare rates

In 2005 over 976,613 Irish people were recipients of weekly social welfare payments. Over 1,469,106 people depended on these payments. There is no formula to determine the social welfare payment that is required to provide for people's needs but Irish social welfare rates are not enough to lift people out of poverty. In 2005 the poverty threshold (60 per cent of median income) was €192.00, but the lowest adult payment was only €134.80 and the highest was €167.30 per week. Government also makes available, through the Supplementary

Welfare Allowance system, additional means-tested payments for those who have extra needs or expenses.

Almost one-and-a-half million Irish people depend on a weekly social welfare payment.

No social welfare payment is set at a high enough level to take people out of poverty.

Ireland has always set social welfare payments relatively low in order to preserve the incentive to work. Government budgets usually ensure that social welfare payments are increased to at least keep pace with inflation. After that the increase will depend on the political decision of the government. In Ireland, payments increased substantially in the early 2000s to about 30 per cent of gross average earnings. Governments do not always ensure that child or working-aged adult social welfare rates increase in line with net earnings (or average income growth).

In Ireland, it is government policy that the old-age pension should be 34 per cent of gross average industrial earnings. This is still not high enough to ensure that pensioners do not live in poverty. Instead, to ensure an adequate standard of living, pensioners depend on other forms of pensions, and government policy encourages people to save for a pension in the private market. Businesses, also worried about the cost of occupational pensions, are currently restructuring pensions.



Activity One

Poverty

Definition of poverty

The National Action Plan for Social Inclusion 2007 - 2016 is the key government document that details policy relating to poverty and contains the official definition of poverty www.socialinclusion.ie:

“People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in Irish society. Because of their poverty they may experience multiple

2005 EU Survey on Income and Living Conditions (EU-SILC 2005)

| Key poverty statistics, Ireland | 2005 |
|---------------------------------------|---------------|
| Individual poverty threshold | €192 per week |
| Individual risk of relative poverty | 19.4% |
| Individual risk of consistent poverty | 6.8% |

disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to education. They are often excluded and marginalised from participating in activities that are the norm for other people”.



Activity Two

Measuring poverty

There are three ways of measuring poverty:

Consistent poverty: People live in consistent poverty when they receive an income below a certain amount and lack two out of 11 basic items, e.g. a warm coat, sufficient food or adequate heating, not being able to go on holiday or buy birthday gifts. The indicators capture the experience of both a lower standard of living than the rest of society and being socially excluded from participating in society. In 2005, nearly 7 per cent of the population suffered consistent poverty. It is now government policy that the proportion of the population living in consistent poverty be reduced to between 2 and 4 per cent and that consistent poverty be entirely eliminated by 2016.

Relative income poverty: People live in relative income poverty if they have an income that is less than what is regarded as the norm in society. It is measured by how much less it is, relative to the income of the majority of people. The 60 per cent relative income poverty line is 60 per cent of the disposable income of the average household. In 2005, almost one-fifth (19.4 per cent) of the population was at risk of relative poverty. There is no government policy or target to reduce this figure.

Persistent income poverty: People are in persistent income poverty when they spend three or more years without adequate income. The duration of poverty is a crucial factor determining a person's standard of living and life chances.



supports women as care providers. Such women are more likely to experience material-deprivation based poverty and also grapple with emotional and relationship aspects of caring. Women who are qualified adults do not have direct access to financial resources.

Activity Three

Who is at risk of poverty?

There are different experiences of poverty:

- **Food poverty** - refers to a situation where people are unable to afford enough nutritious food to maintain healthy minds and bodies.
- **Fuel poverty** - refers to being unable to heat one's home to adequate standards.
- **Poverty of spirit** - refers to the impact of poverty on personal psychological well-being.
- **Environmental or urban poverty** - refers to the impact of people living in run-down areas.
- **Rural poverty** - refers to lack of access to basic public services.
- **Regional poverty** - refers to the uneven regional distribution of poverty.

Some groups experience higher risks of poverty than others. In Ireland, members of lone-parent households (31 per cent) had the highest consistent poverty rate in 2005. The ill or disabled (17.4 per cent) and the unemployed (21.6 per cent) are also at risk, as are those in the rental housing sector. High numbers of Irish children live in families dependent on social welfare, and Ireland has one of the highest child poverty rates in the developed world. Older people solely dependent on a social welfare income also have a very high risk of poverty. Poverty is not equally distributed across the country. The border area, the south-east and the midlands fare worse than other areas.

Women face a higher risk of poverty but also struggle with managing households on low budgets. They are more vulnerable to mental ill health as a symptom of poverty. The relationship between care and poverty is complex. Ireland's social security model formally but inadequately

Activity

Activity Four

Income inequality

Ireland has one of the highest levels of inequality in the OECD. The following four measurements tell the same story.

- Income distribution figures:** The poorest 50 per cent of the population have 22.92 per cent of national income while the richest 50 per cent have 77.08 per cent of the national income. The EU-SILC 2005 income distribution figures are shown in Activity Five.
- Relative income poverty:** This measures how equally income is shared across the country. In Ireland relative income poverty shows approximately 20 per cent of the population to be at risk of poverty.
- The income quintile share ratio:** This is also known as the **S80/S20**. It measures the income of the poorest 20 per cent against the richest 20 per cent. In Ireland this ratio has been 5:1 for the past three years. This means that the richest 20 per cent of the population had five times more income than the poorest 20 per cent.
- The gini-coefficient:** The gini-coefficient measures the spread of income across different income groups. Ireland's 2005 gini co-efficient of 32.4 was higher than the previous two years and one of the highest in Europe.





Activity Five

Distribution of money within the family

Women's risk of poverty is higher than that of men. The measurement of poverty is based on household income. There is an assumption of a 'male breadwinner', i.e. that the male earns the family income and that the family makes joint shared use of this household income. The male is usually recorded as the head of household. This makes women's poverty less visible.

Most women in families 'package' their income from various sources - their own income, income from their working partner, and from work or social welfare including Child Benefit. Families manage household resources in different ways. Resources channelled through the tax and social welfare system may not reach women or children.

- In the **Female whole wage system** the husband keeps his spending money and hands over the rest to his wife who pays everything but keeps no separate fund for herself.
- In the **Male whole wage system** the husband manages all money and spending decisions, leaving his wife no direct access to money.
- In the **Household allowance system** the husband gives his wife a fixed amount for housekeeping and retains control over the remainder.
- In the **Independent management system** both have independent incomes, neither has access to all household income and each has specific bills to cover.
- In the **Pooling system** there is equal pooling and management of all money.



Activity Six

The state does not provide any direct income to married or cohabiting women in their own right. However, just as government regulates the market it also regulates internal family sharing:

- Where a working spouse is not sharing, the unpaid spouse can apply for an 'attachment of earnings order' to oblige the employer to pay her some wages.
- If a social welfare claimant does not pass on income within the family the spouse can apply to have a separate payment, i.e. part of the social welfare income paid directly to her.
- Parents living apart must, by law, pay maintenance for children. A divorcee is still entitled to a widow's pension on the death of a divorced remarried spouse.

The National Women's Council of Ireland www.nwci.ie believe that women should have independent access to income. They believe that the tax and social welfare system should be 'individualised'. There are many types of reform that could move towards a social security and tax system that values the care economy. One option would be to restructure all government grants, tax relief and social welfare payments into a 'basic income'. This is a payment paid to all 'citizens' and is not means-tested.

Credit and debt

Credit is an important source of income. Credit becomes a problem when people cannot pay back loans and find themselves in debt. A recent Combat Poverty study, *Financial Exclusion in Ireland*, highlighted the link between lack of access to credit with debt and poverty. Those living in relative or consistent poverty cannot afford to save regularly.

While one in ten of the population experiences debt from meeting ordinary living expenses, this rises to almost one in two for lone parents. Many borrow for everyday expenses such as gas or ESB bills.

Borrowing is expensive and the cost of access to credit (or money) is a crucial issue for poor people. Banks, building societies, credit unions and licensed or unlicensed moneylenders all set different rates of interest for different types of customers. The rate depends on how risky the loan is, how long it will take to pay it back and what it is for.

Governments have taken steps to control banks and other lenders by setting a maximum rate that people can be charged and by ensuring that people are clearly and fully informed about the implications of taking out loans. The Financial Regulator could outlaw higher interest rates, but many fear that if high rates are outlawed people might be forced to look for illegal access to credit. It is important to open up other lines of credits for poor people. These could be provided by credit unions, socially responsible banks, or state-provided urgent loans through the Supplementary Welfare Allowance system.

Wealth

Wealth is what you own minus what you owe. Wealth comes in different forms: homes, liquid assets such as savings in the bank, other property, and corporate stocks and shares. Debt (negative wealth) also comes in different forms: mortgages, credit cards, student loans, auto loans, moneylenders' loans, and family loans.

It is possible to have high income but owe a lot of money or have 'negative wealth' or 'debts'. Likewise, it is possible to have low income but to save some personal wealth or own wealth in the form of housing or land with significant market value.

Ireland is second only to Japan in the OECD for wealth per capita, with €150,000 per head in 2005.

- National wealth grew by more than 350 per cent over 10 years; the total wealth is now €681 billion.
- Personal savings in 2005 were €10 billion. These are set to double over the next ten years.
- In 2005, pensions' savings were worth €64 billion. It is estimated that the value of pensions will grow by 150 per cent between 2005 and 2015.

The following statistics in relation to Ireland are significant:

- 6 Irish individuals are billionaires
- 300 Irish individuals have net worth in excess of €30m
- 2,700 have a net worth of between €5m and €30m
- 30,000 are millionaires
- 100,000 are millionaires if we include the worth of the house they live in.

When a small number of people have large amounts of wealth and many others have few resources, society becomes less cohesive. Wealth bestows power over other people. Such power can be exercised directly through economic decisions to, for example, open up or close businesses, increase rents, move sports stadiums out of cities, disperse communities, speculate with currencies and even bankrupt whole countries. It can also be exercised indirectly by way of funding political parties through corporate donations and using this access to political power to influence government policy. Unequal access to wealth and income enables some men to exercise physical, sexual or emotional power over women.

ACTIVITIES

Income, poverty and wealth

Activity One – 30 mins

Social welfare rates

With input from the group, draw up on a flip chart a weekly budget sheet. Make one using examples available on www.mabs.ie. Ask participants to budget in order to live on the lowest weekly social welfare payment (access this from www.welfare.ie). Provide rates for single people, families, old-age pensions etc.

Ask participants:

- How did you feel when doing this exercise?
- What do you think about the amount of money people receive on social welfare?
- Do you think it is enough?
- If not, why do you think the rate is not higher?

The group could keep a spending diary for one week (also on www.mabs.ie)

Activity Two – 45 mins

Exploring the definition of poverty

Break into small groups of three people. Give each group a photocopy of the official Irish definition of poverty <http://www.socialinclusion.ie/poverty.html#whatis>. Ask each group to make a still image or statue of what they think poverty looks like. Suggest that they do not think too much but respond to what feelings and emotions the word throws up for them. A suggestion to help the group would be that one person becomes the actor and the other two add to this image. Ask them to use their whole body including facial expressions. Give them a couple of minutes to work on the still image. Each group presents their image.

Ask the other participants to observe what they are seeing. Then ask the 'actors' to tell us what they were portraying. When all the groups have presented, open the discussion to all and explore any further issues that arise.

Prompt questions:

- How did you feel when portraying the image of poverty?
- Did the word throw up issues and feelings of disempowerment?
- What were these issues?
- Could you see a way out of poverty?
- If not, why not?
- On what levels do you think poverty affects people and their lives?

Explore these levels physically, emotionally and spiritually by asking the group to reflect and talk about them.

To end the session, ask the groups to make still images of empowerment and to reflect on the feelings this image evokes.

Activity Three – 30 mins

Measuring poverty

Inform participants that there is an ongoing debate about definitions and measurements of poverty. Break into two groups, giving each group a copy of a different definition of poverty (one consistent poverty, the other relative poverty). Ask the groups to read their definition among themselves, discuss and in their own words tell the rest of group the meaning of these definitions. Ask each group to explain why they came up with their definition, and discuss.

Activity Four – 30 mins

Who is at risk of poverty?

Ask participants to brainstorm what groups they think are at risk of poverty in Ireland today. Write these up on a flip chart. In small groups ask participants to discuss why these groups are at risk of poverty and to identify what can be done to counteract this. Now write up on a flip chart the official statistics on who are at risk of poverty and what percentages they represent (from www.combatpoverty.ie or www.cso.ie). Ask the group to identify the similarities and differences between their own answers and the official statistics.

Activity Five – 40 mins

Income inequality

Arrange ten chairs in a row. Each chair represents 10 per cent of the world's wealth. Tell participants the statistic that 10 per cent of the world's rich hold 70 per cent of the world's assets. Get one participant to lie across seven of the chairs and ask the remaining nine participants to squeeze into the remaining three chairs. Now ask the participants to examine how they feel.

- How are you feeling at the top?
- How are the people in the bottom feeling?
- Who would you push off the chairs to make room? Why?
- How do you think the different people ended up in their situations?
- How does the top person use his/her wealth?
- Are there people on the floor? Who might they represent? How would they rise from their position?

Do the same exercise, using these Irish statistics. Ask participants to work out how to share the chairs.

Use Irish statistics about income distribution from the EU-SILC 2005 survey below. That year:

- the bottom 5 deciles, the poorest 50 per cent, shared 22.91 per cent of national income
- the top 5 deciles, the richest 50 per cent, shared 77.09 per cent of national income
- the top decile, the richest 10 per cent, shared 27.42 per cent of national income.

| Poorest 10th pop | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | Richest 10th pop |
|---------------------|-------|-------|-------|-------|-------|--------|--------|--------|---------------------|
| 2.21% | 3.24% | 4.46% | 5.70% | 7.31% | 9.12% | 10.97% | 13.23% | 16.35% | 27.42% |

Source: EU-SILC income distribution figures 2005

Activity Six – 35 mins

Distribution of money within the family

Break into pairs. Distribute five flash cards with the date from the information outlining five different ways in which money is distributed in a family. Ask participants to rehearse in pairs a short drama that represents the system they have on their card.

Ask them to put on the drama for everybody in the group. When all the mini-dramas are presented, have a group discussion about each type.

Chapter 5

Work and unemployment

Guidelines for facilitators

Learning objectives:

- To differentiate between different types of work
- To examine who does different types of work, paid work and unpaid work
- To examine issues associated with wages
- To examine issues relevant to measuring unemployment
- To examine different causes of unemployment
- To examine the concept of full employment as a macroeconomic aim

Learning outcomes:

That participants

- have identified different types of work
- have debated why certain work is paid and unpaid
- have examined what it means to be exploited
- have differentiated between Live Register, ILO and PES measurements of unemployment
- have debated full employment from a gender perspective
- have examined issues relating to migration policy



INFORMATION SHEET

Work and unemployment

Defining work

We tend to think of work in a capitalist society as human labour that is given a market value and is paid for. An alternative, gender-sensitive or rights-based approach to defining work is to view work as all human labour that adds value to human life, regardless of whether it has a market value and is paid for or is unpaid.

If we can identify work that is valued, then the challenge is to recognise and measure the value of that work and to accommodate that work in the economic and social structure. This would result in care work being valued and rewarded. It would also result in those engaging in care work being more flexibly included in the world of paid work through, for example, family-friendly policies.

Activity

Activity One

Formal paid work

The most striking feature of the Irish economy over the past ten years has been the huge increase in numbers employed in the formal economy. Formal paid work is spread across: the primary sector dealing with agriculture and the extraction of raw materials; the secondary sector dealing with manufacturing; the tertiary sector dealing with all kinds of services from hairdressing to banking. Ireland's economy has moved rapidly from a 'primary economy' to a 'tertiary economy' where most employment is in service-based jobs. This is not necessarily a bad thing. The key question, however, is whether we can retain and attract high-value, well-paid manufacturing and services jobs.

In 2006 job losses in Motorola, Vodafone, Thompson Scientific and Pfizer highlighted the fact that Ireland is vulnerable to losing even high-skilled jobs to global competition. Of 10 Irish factory closures in 2006, four went to China, two to Central America, two to North Africa and two to Eastern Europe. Manufacturing jobs in Ireland will continue to drop from a 2006 low of 288,000 manufacturing jobs. Some of the new jobs are lower-paid and lower-value service jobs.

Services now account for two out of every three jobs (1,351,000 jobs). It is economic policy to move

towards a high-knowledge economy. The National Development Plan aims to invest €28 billion (out of a total €182bn) in human capital and signals the intention to move to more skills-based work. There is concern as to whether this is happening or whether everyone can be upskilled.

Informal work

Work in the informal economy is neither taxed nor subject to the regulations of government. Workers in this economy are vulnerable and are more likely to be involved in '3D' work (dangerous, dirty and dusty), or in dealing with contraband or illegal white-collar activity in the financial markets. Such work is more likely to occur in construction, agricultural and security work, part-time work and seasonal work in hotels, bars and restaurant and domestic or care work including most child care.

Many of these workers are women and/or migrant workers. Not only are they not covered by social protection, but their employers have unfair competitive advantage over businesses in the formal economy. The key to tackling the unfair informal economy is adequate enforcement and maintenance of labour standards.

Unpaid care work

Worldwide, almost all women and an increasing number of men continue to work in the unpaid care economy. While no formal Irish figure is available the figure of 14 billion euro has been estimated as the cost of paying for the unpaid Irish care work. A Canadian census time-use survey calculated that the monetary value of unpaid work is between 30-40 per cent of Canadian GDP. We saw earlier



how the work of Irish women who work exclusively in the home is not recorded in GDP. Nor is house and care work of the women and men who have the double burden of both formal paid work and informal unpaid work.

The UN estimates that women's unpaid work amounts to half the total world output.



Activity Two

Wages and exploitation

There are over 2,000,000 workers in Ireland, most of whom receive wages. Workers are rarely paid the full value of what they produce. Wages reflect the different abilities and skills of individual workers and the power they have to negotiate their wages. Workers with less economic power sometimes have no choice but to accept the wage they are offered. There are gender, age and class differences in wages.

One of the most obvious symptoms of gender inequality is the gender pay gap - the gap between men and women's average earnings. In Ireland this gap, although decreasing gradually, is still somewhere between 11 and 14 per cent. Women's average earnings are lower because some women have a broken employment record, interrupted by the time taken out of paid employment to care for children or older relatives. Care is not the only reason for the gender pay gap. The 2007 National Women's Strategy noted that after three years of leaving college the gender pay gap had already emerged. Women are 'occupationally segregated' into five low-paid sectors and are more likely to work part-time. Women are likely to be under the 'glass ceiling', in lower management or menial grades.

Different countries have different rules about how wages are determined/bargained. New Zealand, for example, has no rules. People negotiate their wages individually. Many countries (for example, Austria, Finland, Denmark, Netherlands, Spain, and Sweden) negotiate national wage agreements or central bargains between governments, trade unions and businesses. These help guarantee industrial peace and maintain low inflation. This type of stability is needed to create an attractive foreign investment climate for global investors in

search of the best country to invest their capital in a global economy.

In Ireland, since 1987, government, trade unions and employers negotiate national wage agreements covering the public and private sectors. The most recent is *Towards 2016*, published by the Department of An Taoiseach www.irlgov.ie.

Ireland has an agreed poverty line, i.e. we agree what it is to be poor. However, we have no agreed minimum income standard. In other words, we have no agreement about what income people need to earn in order to have an adequate standard of living, nor do we agree on what an 'adequate standard' of living is.

Ireland has a minimum wage since 2001. In July 2007 it was worth €8.54 per hour. The minimum wage is not linked to any particular formula to ensure it is enough to live on.

The fact that the government has chosen not to tax the minimum wage is recognition that such workers need to keep all their earned income if they are to stay out of poverty. In spite of the minimum wage being clear of the tax net, 9.8 per cent of people at work in Ireland were at risk of poverty in 2005. Most of these were either casual or part-time workers or families with children. Ireland has a Family Income Supplement targeted at such families with children. However, many families do not claim this supplement even though they need it.



Activity Three

Full employment, underemployment and unemployment

An economic and social objective of many governments is to achieve full employment, i.e. a situation where work is available for all willing and able to work at the going wage rate and where there is no significant long-term unemployment.

Unemployment is a key macroeconomic concern of all national governments. Not only is unemployment costly, it is politically unpopular. The choice of how to define unemployment is highly political. Low unemployment is seen as a positive economic indicator by both the local electorate and foreign companies who might be considering investing in the country. Just as including women working in the home would increase the rate of unemployment, so too would including others such as small farmers, undocumented migrants, those underemployed and those discouraged from looking for work.

In the US, for example, the January 2005 unemployment rate of 5.7 per cent would increase to 9.3 per cent if discouraged and underemployed workers were counted. Counting prisoners would add another 2.5 per cent to that rate.

Governments are careful therefore about how they define and measure this key economic indicator. In Ireland, three different definitions are used for measuring unemployment:

- The Live Register
- The International Labour Organisation (ILO)
- The Principal Economic Status (PES)

- **The Live Register:** The Department of Social and Family Affairs keeps a monthly total of the Live Register. This is a record of the number of people signing on the live register in order to receive an unemployment payment or to keep their social insurance record valid. The list includes part-time workers. It excludes others who may be looking for work but are on education and training schemes.
- **The ILO:** The Central Statistics Office relies on the International Labour Organisation (ILO) definition of unemployment. This measures all those who claim they are available for and actively seeking work. It does not include those who have not looked in the past four weeks (calling them marginally attached) nor does it include those who cannot accept a job because of childcare or disability barriers but who otherwise would work.
- **The PES:** The Central Statistics Office also relies on the Principal Economic Status (PES) definition of unemployment. This method uses self-description, i.e. people assess their own position. People have to tick only one box. This means, for example, that you cannot describe yourself as both 'engaged in home duties' and 'unemployed', or as suffering from 'sickness or disability' and 'working for payment and profit'.

There is no right or wrong definition of unemployment. Each of them is a valid measurement but all are limited, especially regarding their treatment of women. Women are excluded from the Live Register because the definition of work is full time and because they must prove that child-care arrangements are in place. In the PES method, because women can only tick one box they are likely to tick 'homemaker'. Women are only included in the ILO definition if they have actively sought work, but with a less formal labour market they are less able to prove a work search. The INOU website has monthly press statements commenting on these trends www.inou.ie.

There are seven main causes of unemployment.

- **Structural unemployment:** Global capital mobility and changes in the methods of production caused by new technologies causes the economy to change. As a result employment in some industries contracts.
- **Underemployment:** Occurs when individuals work below full capacity because they work less than full time or at less than full productive capacity. Migrants often work below their educational level. Many high-skilled women work part time.
- **Institutional unemployment:** Occurs when there are obstacles to the mobility of labour (housing costs, no public transport, high levels of illiteracy) or disincentives to work (loss of income or secondary benefits such as medical card).
- **Discrimination:** Occurs when, on the basis of gender, class, colour or ethnicity, certain population sub-groups are denied equal access to employment.
- **Seasonal unemployment:** Occurs because certain industries have greater demand for labour at different times of the year.
- **Frictional unemployment:** Refers to the time needed to search for work between jobs.
- **Cyclical unemployment:** Is associated with economic recessions where less consumer demand leads to the laying off of workers.

Government policy - a full employment economy?

The European Union's social, economic and employment policy was outlined in the 1997 Essen Employment Strategy. Irish policy is outlined in an annual Lisbon Reform Programme. This incorporates an annual economic report that Ireland submits to the EU regarding its National Employment Action Plan. Ireland's aim is for a 70 per cent level of participation in paid employment for men and 60 per cent for women.

The official Irish unemployment rate (4.2 per cent in February 2007) is low by international standards. However, in 2005 there were over 600,000 working-aged adults dependent on social welfare. The 2007 National Action Plan for Social

Inclusion aims to decrease by 20 per cent the number of working-aged people who are totally dependent on social welfare payments by 2016.

Increasing the number of working-aged participating in paid employment is a significant challenge and some groups will require more targeted support than others. For early school leavers unemployment is 22 per cent, Travellers suffer a 40 per cent unemployment rate and people with disabilities a 63 per cent unemployment rate. Some areas of high socio-economic disadvantage also experience unemployment rates significantly above the national average. Ballymun in Dublin and Moyross in Limerick, for example, have over 20 per cent unemployment.



Activity Four

Skills and labour supply challenges in the Irish economy

A skilled and well-trained workforce is necessary in order to remain competitive and to attract foreign direct investment. This entails dealing with the entrenched problem of educational disadvantage. There are strong links between education disadvantage, unemployment and poverty. Almost 50 per cent of lone parents and unemployed people have lower secondary school qualifications or less. This is why the key goals of the 2007 National Action Plan for Social Inclusion include: to decrease the number of primary school children with literacy difficulties from 30 to 15 per cent by 2016 and to ensure 90 per cent complete secondary school education by 2013.

Achieving these targets is crucial to securing Ireland's economic future. Adults who have experienced educational disadvantage also need education, training and reskilling. Resources are being made available in the National Development Plan to target training and supports to people outside the labour market.

Work-Life balance

A decent job does not necessarily mean a 40-hour week for 40 years! In these changing times the concept of work is also changing to include a new emphasis on life-long learning and more flexible, mobile careers. Family-friendly policies are needed to encourage mothers to remain in the labour force. The challenge is to rethink work and tax, social welfare and labour market policy so that work is more sustainable and more easily incorporated into the social and care economies.

Work needs to change in order to embrace the changing role of men and women in caring for

children and achieving a better family and work-life balance. In practice this means tackling gender inequality in the workplace and in the home. For women to achieve greater equality, men need to do more care and household work.

Migration

In 1988-1989, 70,600 economic migrants (2 per cent of the population) left Ireland in search of a better life. This seems incredible today. Since 1996, for the first time, the number of people leaving the country was less than the number of people entering the country. Since 2000 the Irish economy has faced a shortage of skilled workers. This has led to significant migration of workers to Ireland. Present rates of migration are associated with high levels of economic and jobs growth. If economic growth declines migration is also likely to decline.

By 2002 non-Irish nationals comprised 5.6 per cent, and by 2006, 10 per cent of the population. Migrants account for 11 per cent of the workforce. They account for 28 per cent of the workers in hotels and restaurants and 13 per cent in the construction industry. Not all migrants are allowed to work. The complexity of rules and lack of access to social protection can make a migrant worker vulnerable to poverty and exploitation.

The following is a summary of rules relating to work possibilities for migrants:

- Asylum seekers
not allowed to work
- Refugees
allowed to work
- EU migrants
allowed to work (except Bulgarians/Romanians who need work permits)
- Non-EU migrants
allowed to work under work permit or work visa
- Non-EU migrants' spouses
allowed to work depending on occupation of spouse
- Students
allowed to work 20 hours per week

Some argue that it is a contradiction to allow migrants to take up so many jobs when many local working-aged people cannot get jobs. The challenge

is to have effective labour market strategies that remove work barriers and obstacles for the local population, to make it worthwhile for low-skilled workers to engage in work and to enhance education and training so that low-skilled workers can increase human capital and progress to higher-skilled employment.

There is a complex relationship between migration and economic and employment policies. When Ireland began to experience significant levels of economic growth, unemployment fell quite rapidly. Inward migration of highly-skilled workers (many of them returning Irish) meant that the jobs created through economic growth could be filled. Had skilled migrants not filled those jobs, wages in those high-skilled sectors would have increased significantly, the economy would have been less productive and the gap between the low and high earners would have increased even more than it did. Immigration, by enhancing competitiveness and dampening high-end wage growth, allowed high economic growth to persist. The Economic and Social Research Institute estimates that immigration increased GNP by about 3 per cent over the period 1993-2003.

A different economic dynamic developed in the lower-skilled labour market. Increased economic activity also creates demand for low-skilled workers. This demand increased wages for low-skilled work. Around 2000, the supply of non-English speaking but well-educated migrants increased. In the short term, such immigrants were willing to take low-skilled work and this caused wages growth in such low-skilled sectors to soften. While there have been some high-profile disputes about Irish workers being displaced or losing jobs to cheaper migrant labour, there is no significant evidence of major displacement.

Nonetheless, the policies agreed in the *Towards 2016* national agreement to strengthen the enforcement of labour legislation will protect both Irish and migrant workers from Irish employers who are willing to exploit the vulnerability of migrant workers. Some migrants will stay and move, over time, into higher-skilled employment. Others will return to their home countries. Yet others, however, will find it difficult to move from low-paid, vulnerable employment, and will experience a significant risk of poverty.

ACTIVITIES

Work and unemployment

Activity One – 30 mins

Defining work

Ask participants to each think of a type of work and to mime it in turn. The rest of the group must guess what the person is miming. Explore the concept of both paid and unpaid work (examples of the latter: work in the home, care of children, sport and volunteer work). Discuss whether, when we think of work, we tend to think of paid work.

Brainstorm a list of all the unpaid roles that are undertaken everyday by people, e.g. home worker, care of children, care of the elderly, care of those with a disability and volunteer work, including sports clubs etc. Participants break into small groups. Assign one of these roles to each group. Ask the groups to write up a job advertisement that outlines the job description, the tasks you would be obliged to do, the hours you must work and the rewards/benefits you get from the role. Feed back to the large group.

Activity Two – 35 mins

Valuing unpaid work

Participants break into small groups. Ask participants to each jot down all the jobs they do in an average day. Ask them to price each job at the going hourly rate (or at least the minimum hourly rate) and add up the total. Let each small group have a discussion about the results of this exercise. Then open up the discussion to the larger group about the monetary value of their unpaid work.

Divide the full group in two. One side draws up a picture of a man and the other side a woman. Beside each picture participants write a list of paid jobs they associate with women/men. Now on a separate sheet draw up a list of unpaid jobs that each gender is associated with. Discuss the findings in the larger group.

Activity Three – 25 mins

Wages and exploitation

Write on chart a definition of economic exploitation: ‘the act of using another person’s labour without offering the person adequate compensation’. Explore this statement. Does the group think governments do enough to tackle exploitation, or is exploitation an inherent part of the economic system that we live in?

In pairs, participants sculpt themselves into images of boss and worker. Show these images to the group. Ask the group to comment. What did the images reveal? How did the participants feel in their different roles?

Activity Four – 20 mins

Defining employment levels

Ask the following questions of participants:

- Do you think there is full employment in Ireland today?
- What is the unemployment rate in your local area or county? How many people are unemployed? How many are depending on social welfare?

Participants find out this information through sharing and discussion.

Activity Five – 40 mins

Migration

Divide the group in two.

Ask one group to role-play an African family in 2006 who are considering coming to Ireland to look for undocumented (illegal) work and improve their lives.

Ask the second group to role-play an Irish family in 1986 who are considering emigrating to the US to find undocumented work and improve their lives.

Make sure the role-play considers the hopes and fears of both families. Compare and contrast these role-plays. There is much in common. Are there any differences? (Note, if either group does not feel comfortable enacting a role-play, ask them instead to write a short piece and read it back to the larger group.)

When this is completed ask the group to guess how much migrants' work has contributed to economic growth or national wealth in Ireland.

Part three

The role of government

Chapter 6

EU policies, the Budget, inflation control

Guidelines for facilitators

Learning objectives:

- To explore what is meant by macroeconomic policy
- To examine how governments make decisions about allocating resources
- To examine how EU policy impacts on the budgetary process (EMU)
- To understand interest rates and how they are set
- To learn the difference between the estimates process and the budget process
- To examine tools for fairer decisions, gender budgeting, poverty impact assessment
- To understand inflation and how inflation is measured

Learning outcomes:

Participants have:

- debated whether governments should control prices
- discussed the Economic and Monetary Union stability pact criteria
- understood who sets interest rates
- identified types of budget decisions
- debated who benefits from particular types of decisions
- examined how particular groups have tried to influence budgets
- discussed why inflation control is important



INFORMATION SHEET

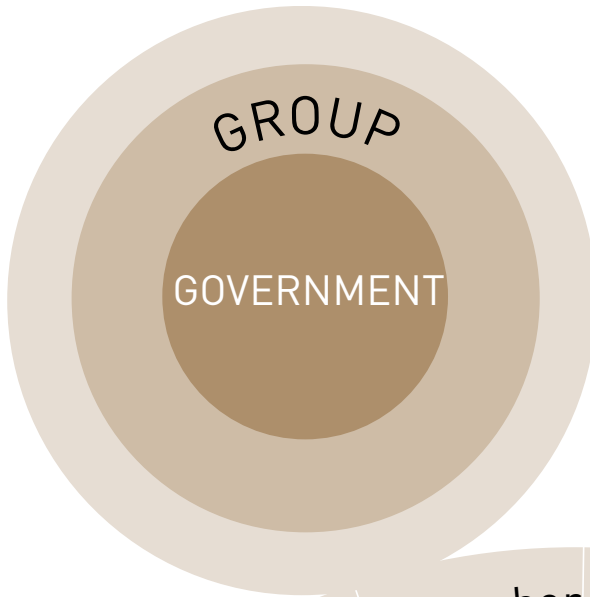
EU policies, the Budget, inflation control

Macroeconomics

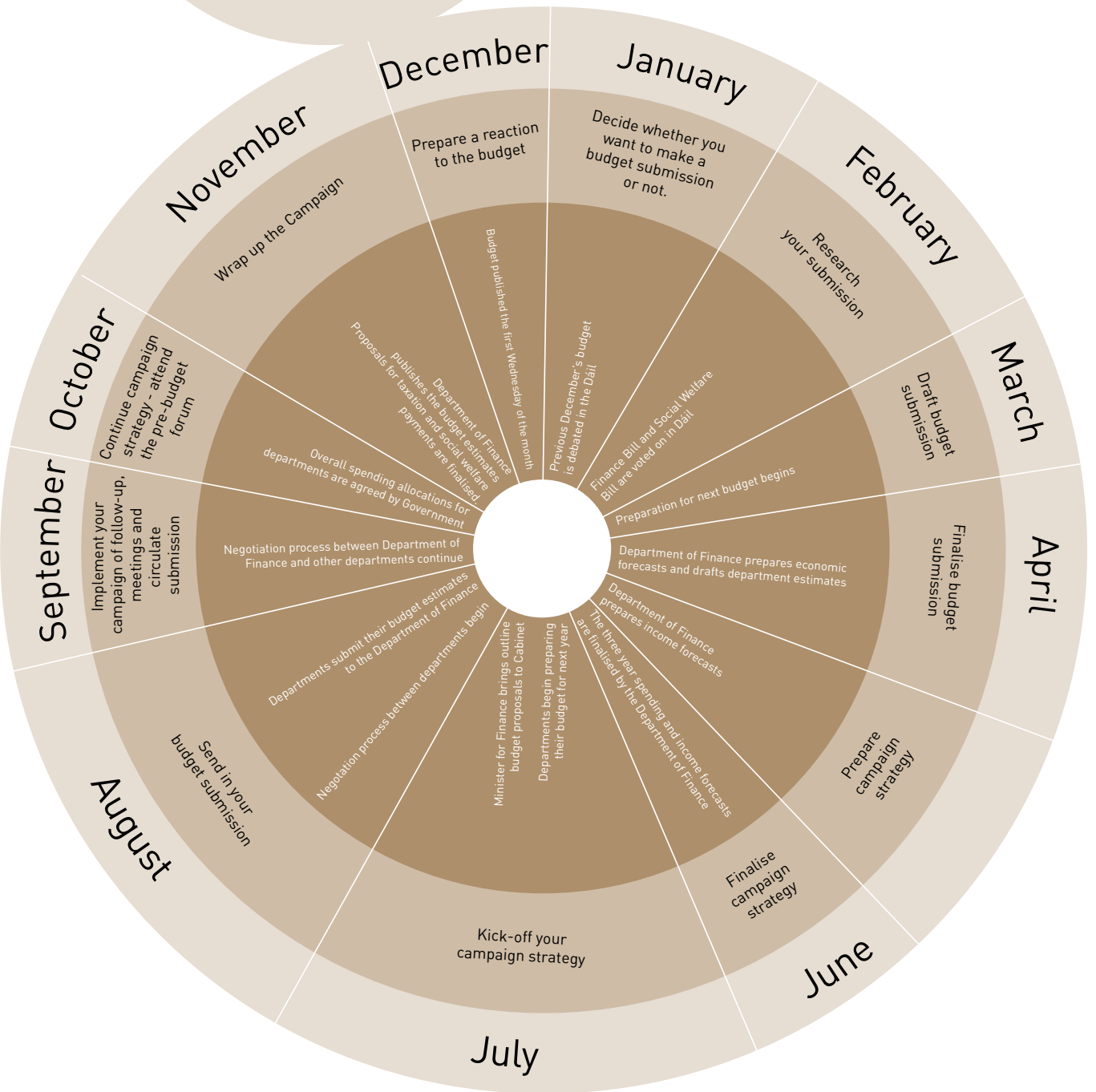
The management of the economy as a whole is referred to as macroeconomics. This is the task of government. Governments use both monetary and fiscal tools in their attempt to control economic activity.

- Government **fiscal policy** is about where to get money (borrowing and taxation) and how to spend money (expenditure programmes). See Chapter 7.
- Government **monetary policy** aims to manage the money supply and in so doing control inflation and interest rates.

Finding your way around



Key to Chart



Margaret can you let me know what the changes on this are - thanks debbie



Activity One

EU monetary policy

On 1 January 1999, Ireland joined the Economic and Monetary Union (EMU). This resulted in the Irish government no longer having responsibility for exchange rate policy (relating to the national currency) and monetary policy (relating to the money supply and interest rates). The European Central Bank (ECB) is now in charge of these matters and controls the Euro. The government, in agreeing to join the EMU, also agreed to a Growth and Stability Pact. This is a set of rules about sensible government housekeeping.

These rules include an agreement that governments would ensure that price increases are kept under control, that government would never borrow more than 3 per cent of its budget for day-to-day spending and that the amount spent servicing Irish foreign debt should be less than 60 per cent of its GDP. These rules limit what the Minister of Finance can do in the annual Budget.

Interest rates

The rate of interest is the price of capital or money. If money is deposited in a bank or building society the depositor is rewarded with a payment of interest or a reward for giving up access to his/her money. The European Central Bank controls interest rates. A number of factors cause the rate of interest to increase:

- If inflation is greater than the rate of interest
- If international rates increase
- If government spending exerts pressure on the finite supply of money.

An interest rate increase can encourage savings, discourage borrowing, reduce demands for imports and increase the flow of funds from abroad. However, it can also increase the cost of loans (including mortgages), discourage investment and increase unemployment.

Regulating the banks

Banks can sometimes lend too much money and cause an oversupply of money in the economy. The Irish Central Bank sometimes advises Irish banks to stop lending money too easily to customers. The reason for this is twofold:

- If citizens over-borrow they may have difficulty paying back the loan
- If there is too much demand for goods and services the economy may 'overheat'.

The Budget

The Budget is the statement of the macroeconomic policy of the government. It is concerned with how much money it has and how it will spend that money. In Ireland, the annual December budget presents revenue (income) and expenditure (outgoings) for the complete year ahead. The Minister for Finance outlines:

- **Capital expenditure:** This is spending on physical items that last longer than a year (building schools, telecommunications and road developments). The money to finance capital expenditure is primarily raised by borrowing.
- **Current expenditure:** This is money spent on social welfare benefits, wages and salaries of those working in the public sector and keeping services like hospitals and schools running each year. The current account presents the day-to-day income and spending activities of government. Current receipts are the money received by the government (in direct and indirect tax) during the year.

The Book of Estimates

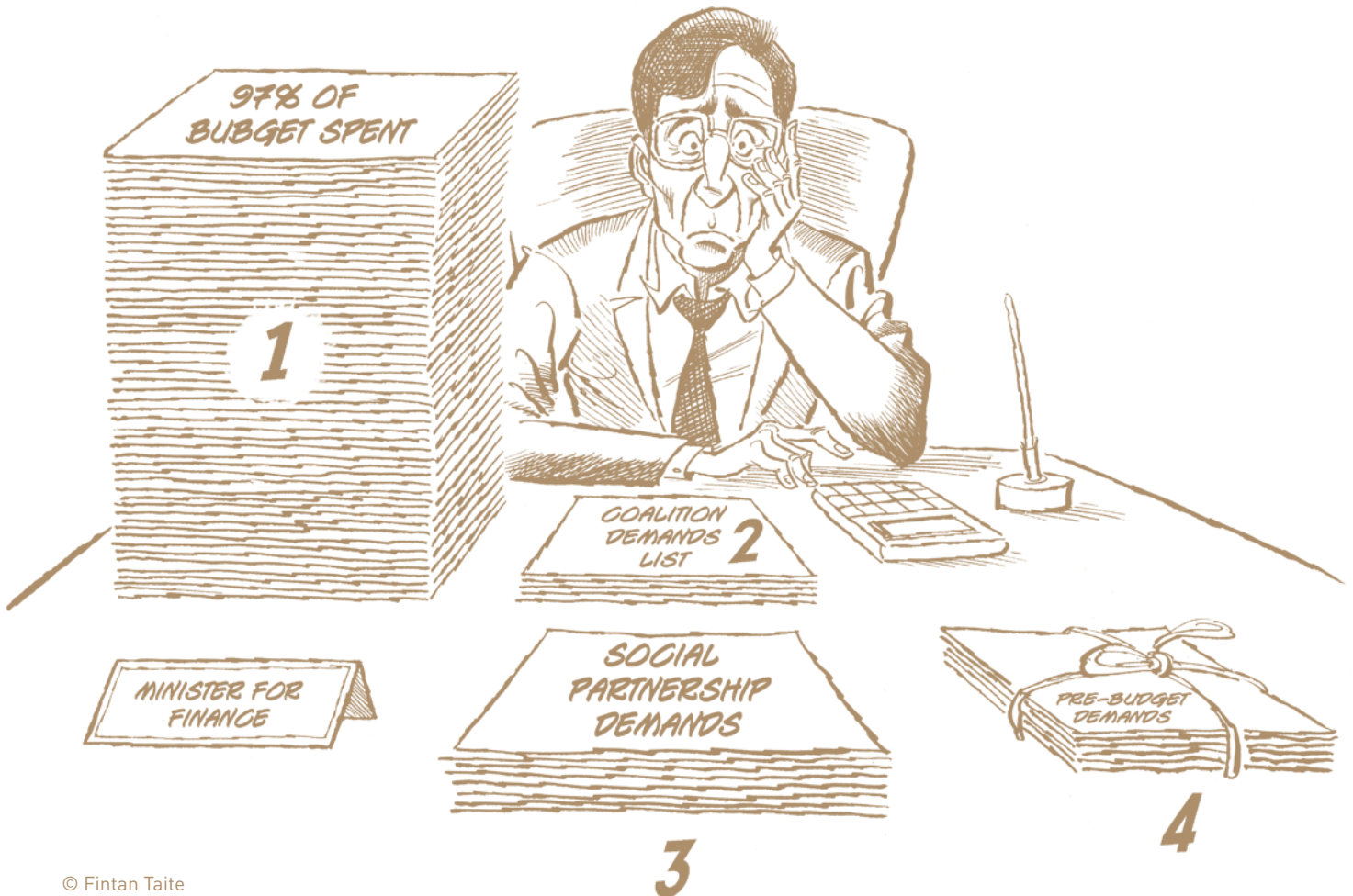
To prepare a budget the Department of Finance works with other departments in relation to the following:

- How has the economy done and how much will it need for the coming year?
- How will it get what it needs (e.g. what taxes to charge)?
- If there is a deficit, or a surplus, should it cut any current spending, or cut taxation?
- How will it divide up resources among the demands of all the competing departments?

The Department gives these answers in the Book of Estimates which it publishes each October. This is the real budget because it contains all the spending

requirements of each department and tells us whether current-spending programmes will be maintained.

On Budget Day (usually the first Wednesday in December), the Minister for Finance makes a budget statement. This gives the final budget details and remaining information about tax and social welfare changes. Budget day is very dramatic but the Irish government is relatively constrained in the type of tax and spending choices it makes. Most government spending is already committed to keep ongoing services going.





Activity Two

Every year various organisations analyse the budget to assess the impact the budget decisions have on poverty. You can access their budget analysis at:

- income distribution at www.cori.ie
- poverty at www.combatpoverty.ie.
- employment at www.inou.ie
- gender at www.nwci.ie

There are other formal tools or checklists governments can use to ensure budgets are fair and effective in reducing poverty or inequality.

Poverty impact assessment: Government departments, local authorities and state agencies assess policies and programmes at design and review stages in relation to the likely impact that they will have, or have had, on poverty and on inequalities that are likely to lead to poverty, with a view to poverty reduction. For examples of poverty impact assessments check www.socialinclusion.ie

Mainstreaming social inclusion: Mainstreaming social inclusion is the integration of poverty and social inclusion objectives, including an equality perspective, into all areas and levels of policy-making. It is promoted through the participation of public bodies, social partners, non-government organisations and other relevant bodies.

Statutory obligations: In Ireland there is now equality legislation that attempts to ensure equal access to services and employment for nine groups considered to experience significant discrimination. In Northern Ireland equality legislation contains a stronger statutory obligation on government agencies. They have to consider how they allocate budgets in the context of equality and of specific target groups named under equality legislation. It is argued that Irish impact assessment would

be stronger if it were also a statutory obligation in law. Likewise better anti-poverty outcomes might be realised if there were a statutory requirement to more comprehensively assess the impact of regulation on poverty. This is called regulatory impact assessment.

Participatory budgets: In Ireland there is a tradition of community and voluntary organisations sending government ministers 'pre-budget submissions' and attending 'pre-budget forums' and 'social partnership budget consultation meetings'. Rights-based approaches see budget decisions as concrete ways to implement or deny rights.



Activity

Activity Four

EU monetary policy

On budget day the government has three key tasks:

- To control inflation
- To set taxation policy (see Chapter 7)
- To control or manage increases in public spending (see Chapter 7)

Inflation control

Inflation is the term used to describe a continuous increase in the general level of prices throughout the economy. Rising prices is a serious source of economic and political concern as it can have a serious impact on many aspects of the economy. Low inflation is therefore a key EU and Irish economic target.

Governments measure inflation by assessing how much the cost of a particular basket of goods is increasing each month. The basket includes a whole range of goods such as fuel and light, clothes, alcohol, household goods, transport, services, tobacco, eating out and mortgages. The Retail Price Index is the indicator of monthly price increases, i.e. how much the cost of living is rising. Ideally this should stay below 2 per cent per annum. A small amount of inflation can be a positive stimulant to the economy. Therefore, slowly-rising prices are preferable to falling prices, which indicate slackness in the economy. But too much inflation leads to loss of competitiveness, loss of markets and increased unemployment.

The following are some of the terms used in relation to inflation:

Demand pull: Inflation arises where demand for goods is greater than their supply. An example is housing, where too many people want to buy a fixed stock of housing.

Cost push: This occurs when the increasing costs of wages, taxes or fuel pushes up prices. An example is the price of imported fuel, increasing domestic heating costs.

Wage-price spiral: Expectations of price increases can lead to negotiating higher wages and cause a wage-price spiral as prices increase to cover those wage increases. In 1987, Ireland was in a wage spiral, inflation reached 17 per cent and loss of competitiveness led to huge unemployment. Government now works through social partnership to control wage increases and inflation.

Inflation and poverty

Inflation is especially severe on the poorest households who primarily live on fixed incomes (pensions or social welfare payments). It is crucial, from an anti-poverty perspective, that all fixed incomes are, at the least, indexed to inflation.



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ACTIVITIES

EU policies, the Budget, inflation control

Activity One – 20 mins

The Budget

Use the information sheet to examine the different stages of the budget cycle.

Ask participants to imagine each is the Minister for Finance. In discussion, examine the following questions:

- Where would you look to find money?
- Is there any way you could save money from one part of the budget to spend somewhere else?
- How could you choose between different spending options?
- Think of how you manage your budget at home. What do you and the Minister for Finance have in common?

Activity Two – 40 mins

Influencing the Budget

Split the group into two. Ask the participants to pretend they are lobby groups and want to influence the budget. Display the annual budget process chart on page 74 to review how to develop a pre-budget submission. The submission should include one key social expenditure that the participants really want prioritised or a change that they would really like to see.

Participants think about how much it might cost and how government will pay for it. Ask the groups to either role-play lobbying the Minister for Finance or report back their discussions to the larger group. Which group had the more convincing argument?

Activity Three – 30 mins

Poverty impact assessment

You can find 'poverty impact assessment' guidelines on the website for the Office for Social Inclusion www.socialinclusion.ie. The key questions are on page 13 of the guidelines.

Select from the guidelines a national or local policy decision that is relevant for the group and ask participants to imagine policy makers undertaking a poverty impact assessment.

Activity Four – 30 mins

Budget analysis

Access the 2007 Budget analysis from Combat Poverty's website. Summarise it for the group. Ask participants to remember what they can from the media discussion around this Budget. Examine two decisions made in this Budget and how they might impact on poverty.

- Table 3 in the analysis shows how much the Budget was worth to different family types
- Diagram 10 in the analysis shows what could be achieved by implementing policies recommended by Combat Poverty.

Activity Five – 30 mins

Inflation control

Bring in three chocolate bars and some 'play money'. Hand out a random amount of play money to each participant. Take a few bids and give the chocolate bar to the highest bidder, taking away that person's money and recording the amount paid for the chocolate bar on the flip chart.

Give out even more money this time so that there is much more money in circulation. Begin bids for the chocolate bar again and exchange the bar for the money of the highest bidder. Record the amount paid.

Repeat the exercise, handing out lots of money for the last round. The bids will go much higher this time. Record the amount paid for the chocolate bar. Discuss the fact that the chocolate bar was the same product but that, because there was more money in circulation, people were willing to pay more for it. They had more money but each individual 'euro' was worth less. Relate this to the definition of inflation.

Ask the participants to select goods and services that they remember from childhood. They compare the price of those goods to today's price. This price has been adjusted for inflation.

Chapter 7

Taxation and public spending

Guidelines for facilitators

Learning objectives:

- To identify different types of taxation and explore what is a fair tax
- To identify how taxation policy can be used to change people's behaviour
- To identify what taxation policy could be used to achieve positive environmental outcomes
- To examine EU competition policy
- To examine how governments can regulate private companies

Learning outcomes:

That participants have:

- differentiated between different types of taxation
- explored how different taxes have impacted differently on different income groups
- debated why certain publicly-owned companies have been privatised
- debated the benefits of public ownership and private ownership



INFORMATION SHEET

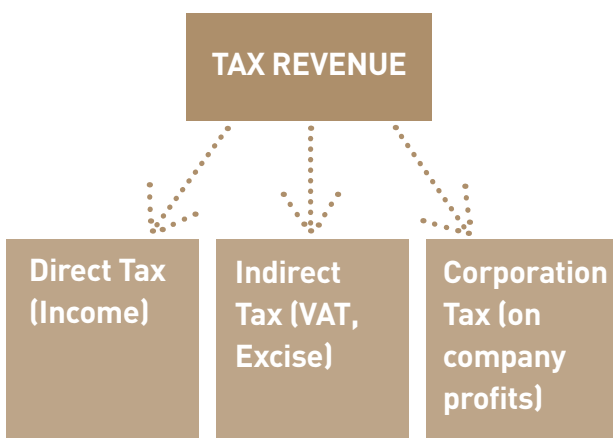
Taxation and public spending

Taxation

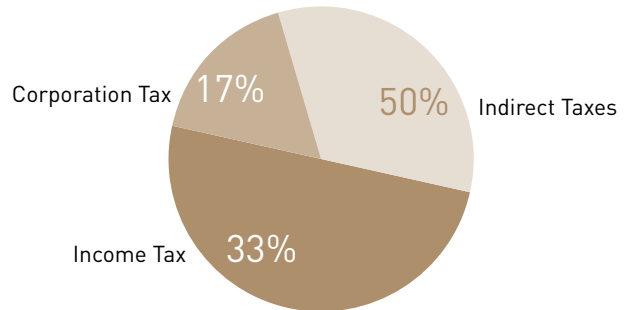
Governments need money in order to provide public services to the citizens of the country. This money is raised through taxes. Everyone (whether working in the paid, unpaid, formal or informal economy) pays taxes. These taxes are either paid directly from wages, profits or rents, or indirectly through VAT (Value-Added Tax) on the purchase of goods and services.

The Irish government has three main sources of taxation (see Figure 1). Over the past ten years, in order to reduce taxes on labour, the government has increased its reliance on indirect taxation as a source of revenue. Ireland now relies on indirect taxes more than most EU states. In 2004, the EU average for the percentage of revenue from indirect taxes was only 35 per cent compared to Ireland's 44 per cent.

Figure 1
The Three Main Elements of the Tax System in Ireland



In 2005 Irish tax revenue was accessed from the following sources:



Progressive taxation

Ideally tax should be progressive: the higher your income the more tax you pay. And taxes should result in the redistribution of resources from the rich to the poor. There are different types of taxation and some are more progressive than others:

- PAYE taxes, for example, tax higher-income earners at the top rate of 41 per cent and those earning lower incomes at the standard rate of 20 per cent. This is an example of progressive taxation.
- Some taxes such as VAT are regressive. They take proportionately more from the poor because, while everyone pays VAT at the same rate, the poor spend all their income purchasing basic goods and services and in so doing pay proportionately more VAT.
- Ireland, with no taxation on the ownership of wealth or property, has a very narrow tax base.



Activity One

Income tax

Direct taxes are taxes taken directly from people's wages or income. PAYE (Pay As You Earn) is the main form of income tax on workers' earnings. The following is an example of a worker's tax:

Nora earns €20,000 per year and has a combined personal and PAYE tax credit of €3,520 per annum. The full €20,000 is taxed at 20 per cent, so €4,000 would be due in tax if there were no tax credits.

The 2007 tax bill, however, is reduced by Nora's €3,520 tax credit. Nora will pay €480 in tax (divided by the 52 weeks of the year and deducted weekly at approximately €9 per week).

With an annual tax credit of €3,520 and a tax rate of 20 per cent, Nora can earn approximately €17,500 before she is included in the tax net. At this wage the tax credit is used up and tax will be paid at 20 per cent on the remaining earnings. If her wages were higher than €34,000 per annum she would pay tax on the additional wages at a rate of 41 per cent.

Nora will also pay a total of 4 per cent PRSI (pay-related social insurance) and 2 per cent health contribution from her wages. The PRSI contribution is not a tax; it is a targeted payment that is sent to a social insurance fund and used to fund social insurance payments such as Disability Benefit and Old-Age Contributory Pensions.

| | | |
|---------------------|-----------------------|-----------------|
| Earnings | €20,000 | |
| tax at 20% | €4,000 | |
| minus tax credits | €3,520 | |
| tax due | €480 | |
| divided by 52 | €9 | euro per week |
| | | |
| 4% social insurance | €1,200 | |
| 2% health levy | €600 | |
| | €1,800 | |
| divided by 52 | €36 | |
| | | |
| Total: | €9 + €36 = €45 | per week |

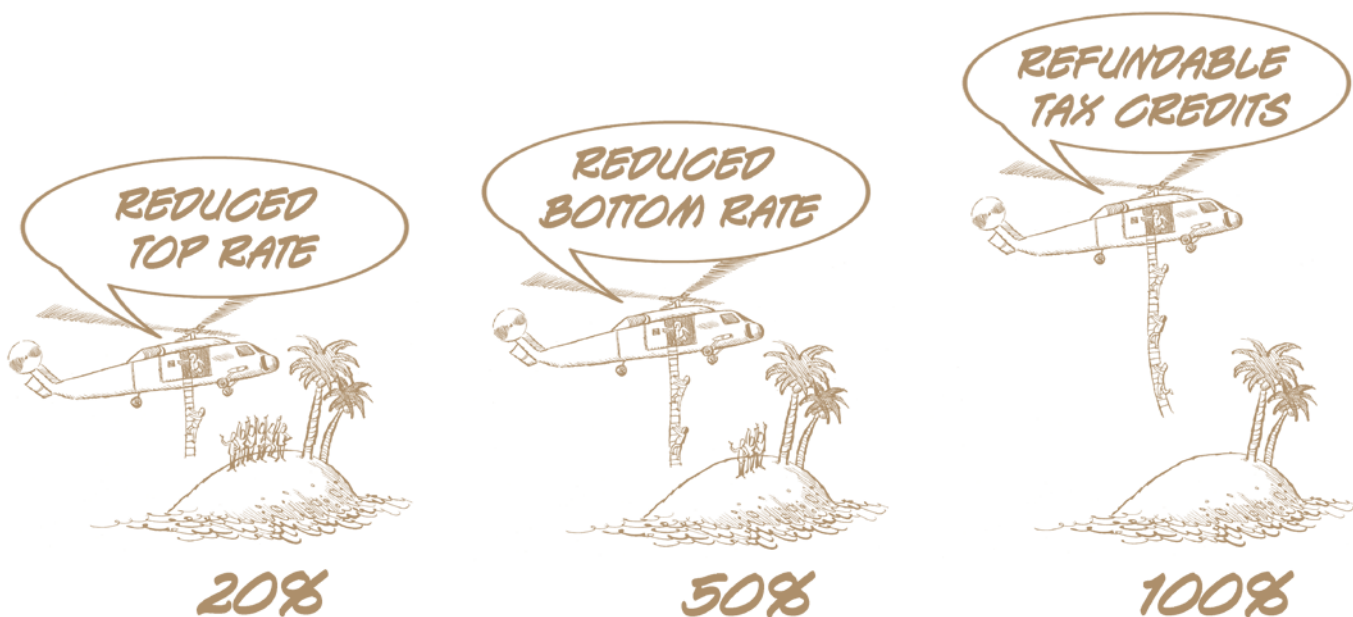
Workers are allowed to offset their tax bill by applying for relief on pensions, health and other expenses. Those paying the 20 per cent rate can only offset at 20 per cent but those paying at the higher rate can offset this at 41 per cent. As well as reducing the tax base (the amount of income available to tax) by up to €8.3bn (nearly one third of the total tax-take) such relief also gives a higher subsidy to high-income earners.

Allowing pension and health expenses to be offset at the same rate of tax for everyone would be more equitable. This is the case with mortgage relief, available at 20 per cent for all income levels. With more disposable income higher-income earners are better positioned to use tax relief. Over 70 per cent of the richest 10 per cent use tax relief but only 3 per cent of the poorest 10 per cent could use it. Government could top up the rate of relief and/or set limits as to how much tax could be offset against such relief.

Income tax reform options

When governments want to reduce taxes for workers they have a number of options. Some options have better anti-poverty or distributional outcomes than others.

- **Reduce the top rate of tax:** In 2007, this will only benefit workers earning over €34,000 pa.
- **Raise the standard rate tax band:** Raising the wage level at which workers pay the higher tax rate will help keep some workers out of the higher tax rate. This will not help the majority of workers earning less than the average industrial wage.
- **Reduce the standard rate of tax:** This will help low-income earners, but will have no impact on people who are earning so little that they are outside the tax net.
- **Limit the use of tax relief:** Making tax relief available at the standard tax rate only, or setting limits as to how much income can be offset against tax relief, will lead to a fairer distribution of resources.
- **Increase tax credits:** This is the only tax reform measure that is equally beneficial to all workers still in the tax net. Increasing tax credits can take some workers out of the tax net.
- **Make tax credits refundable:** This would allow workers outside the tax net (often those workers at risk of poverty) to benefit from tax reform. It would mean returning in cash the amount of tax credit a low-paid worker was unable to use. This is also known as negative income tax.



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 A yellow arrow-shaped sign with a black border and a black post, pointing to the right. The word 'Activity' is written in bold black text on the sign.

Activity

Activity Two

Other taxes

Corporation tax

While there are strong job-creation arguments in favour of low corporation tax, from an equity perspective there is a clear and inequitable difference between the 12.5 per cent Irish corporation tax on company profits and the tax rates (20 and 41 per cent) for workers. Irish income tax on companies' profits is low compared to the US at 40 per cent, the UK at 30 per cent and Switzerland at 21.3 per cent. The average EU rate is 25 per cent.

Inheritance or capital gains tax

At present Ireland has no wealth tax, that is, there is no attempt to tax the 'implied' advantage people enjoy from their access to wealth in the form of assets or property. A capital gains tax is charged when people try to cash-in wealth by selling assets or property. This tax was reduced from 40 per cent to 20 per cent in 1997. The rules allow people keep a certain amount of money they make from the sale of assets tax-free. The rules are especially generous in relation to people inheriting wealth or property. In 2005, for example, children were allowed to inherit up to €466,725 from parents before their new wealth was taxed.

Indirect tax or Value Added Tax

These taxes are less visible to the taxpayer and are usually levied on the purchase of goods and services (basic food, clothes and entertainment). A number of basic foods, for example, bread, do not have VAT.

In addition to VAT, extra excise tax is often applied to 'luxury', 'addictive' or 'essential' goods. Some of these taxes are justified because of the extra costs to society of car ownership, smoking and

drinking. As well as the normal extra tax on cigarettes, alcohol and petrol, governments also tax motor vehicles and place stamp duties on legal documents, levies on credit cards and duties on customs. The problem with such taxes is that they are regressive; the poor will pay more in proportionate terms from their income.

Combat Poverty research shows that in 2004 the poorest 10 per cent of households paid more than 20 per cent of their income in indirect taxes, while the richest 10 per cent paid less than 10 per cent of their income in indirect taxes.

Local taxes

Unlike other countries that have local sales taxes or property taxes, Ireland has no personal local taxation system to fund local government. Local rates were abolished in 1997. However, rates are levied on local businesses.

Behavioural impacts of taxes

Some taxes are designed, not only to gather revenue or money for the government, but to control or influence citizens' behaviour. Taxes on alcohol and cigarettes aim to limit drinking and smoking. Taxes on plastic bags were introduced to change people's environmental behaviour.

Environmental taxes

Taxes are a powerful tool for changing people's environmental behaviour. The sustainability of the world's eco-system requires using taxation policy to influence citizens' and businesses' attitudes towards the environment. The Irish government has an international obligation under the Kyoto agreement to reduce the use of carbon fuel. Taxing carbon fuel might change people's attitudes towards using such fuel. However, poorer households pay proportionately more for fuel and have less choice or ability to switch to more environmentally-friendly fuel systems.

In recent years there has been the direct charging of citizens for services that were previously provided free of charge by government, e.g. charges for waste management. Because such charges

are levied at one price to all households, poorer households end up paying proportionately more from their smaller household incomes for the same service as rich households. In this sense such charges are regressive. In 2005 Combat Poverty Agency produced guidelines for local authorities implementing waiver schemes www.combatpoverty.ie.

Public expenditure

Governments use the money they raise through taxation to fund public spending. Ireland adopts a policy of low taxation. This can result in insufficient revenue to fund high levels of social expenditure. 2001 Eurostat figures show that Irish social expenditure per capita is only 60.5 per cent of the EU average. Irish levels of social expenditure are comparable to much poorer countries like Greece, Spain and Portugal. Research by the Economic and Social Research Institute highlights the significant link between such low levels of social expenditure with poverty and inequality.

Government channels public spending through the social welfare system and through public services delivered by government departments, agencies and state-owned companies like Irish Rail or An Post or the Health Service Executive. Other public goods are delivered through state-owned public utility companies that provide for basic public needs such as water, gas and electricity.

If goods cannot be made and distributed at a profit, or if the product is simply too important to be left to private firms competing to make profits, governments may decide, in the interests of the common good, or national security, or simply because the need cannot be met by individual firms, to directly produce and distribute goods and services.



Activity Four

EU competition policy

European Union membership obliges governments to accept a strong EU competition policy. The Irish government is now obliged to promote competition and to expose publicly-owned services to competition. EU regulations are framed to create a level playing field between public and private companies. The government can no longer subsidise publicly-owned firms, which would give these firms competitive advantage over private firms selling on the Irish market.

The EU Service Directive, is an example of how the EU is introducing more competition into the delivery of services. The EU first proposed that services could be sold in any EU country at the cost of production of the country of origin (where the company selling the services is based). This raised fears that it would lead to a reduction in wages in all but the lowest paid EU countries. After much debate the rule was changed so that countries selling services in other EU countries must pay the wages of the country in which they are selling.

Privatisation

The process of selling state-owned industries and companies is called privatisation or liberalisation. There are arguments for and against privatisation. There is no reason, however, why publicly-owned companies (like the ESB) cannot compete successfully with private companies. Decisions to privatise firms are usually political decisions by governments who believe the free market is the best distributor of resources.

Because Ireland has always had relatively low social expenditure it has always relied on a mixed

welfare economy where not-for-profit voluntary organisations or for-profit private businesses deliver welfare-related services. The state, for example, promotes private pension provision by providing tax relief for those investing in private pension cover through the financial markets.

Over the past decade there have been some new initiatives to deliver social policy through the market. Since 1999 the Irish government has introduced a new form of service delivery in public service areas. Hundreds of public-private partnerships are delivering the building of public, primary and secondary schools, hospitals, social housing and the national radiotherapy network, and delivering public services in health, education, roads and housing. In 2004, the Comptroller and Auditor General found that these partnerships are 8 to 13 per cent more expensive than traditional publicly-controlled delivery.



Activity Five

Government regulation of the private sector

Government plays an important role in regulating private industry. Capitalism assumes competition. The 'product lifecycle theory' assumes that new industries will often make large profits. But these profit-making industries will attract new investors and competition from these investors will force prices down to the optimum level. Economic theory (microeconomics) expects many small firms to produce goods to sell on the open market at the highest price the customer is willing to pay. The theory is that this competition between firms would keep driving down the price so that customers pay a *fair* market price.

Sometimes competition goes out of control. In order to get a competitive edge, some firms make bad decisions; perhaps to pollute, or to pay lower wages, or to falsely advertise to win over customers, or to buy up competing firms so that there is no price competition. Governments can and do regulate public and private companies to prevent them exploiting their customers:

- **Regulation of competition:** Governments can make rules to stop companies illegally setting prices. A recent example in Ireland was the abolition of the Grocery Order that had prohibited below-cost selling. The Competition Authority is the agency that advises government on how to promote competition in Ireland.
- **Regulation of advertising:** Firms also try to artificially create demand by influencing the attitude of the customer towards their produce. They do this by advertising and branding. In this case the firm sets an inflated, unfair price that customers (believing they really

need the product) have to pay. This can cause particular problems for poor families with children. Governments can make laws and rules about how companies advertise. They can, for example, ban advertisements on TV or ban advertisements on school and educational products.

- **Subsidies:** If the market price is unrealistic for some or all consumers, the government can consider directly subsidising consumers to help them purchase (as it does with free transport service charges or medical cards), or by indirect provision (as with tax relief for private health care or third-level education).

ACTIVITIES

Taxation and public spending

Activity One – 25 mins

Progressive and regressive taxation

With the group brainstorm the different types of taxes we pay. Then write this up on a flip chart. Participants try to identify which taxes are most progressive and most regressive.

It is helpful to write the meaning of these terms up on a flip chart.

Activity Two – 25 mins

Progressive taxes

Write on a flip chart the following income-tax policy choices (note that as they are presented here they move from the most regressive to the most progressive form).

- Reduce top rate of tax
- Raise standard tax rate band
- Reduce standard rate of tax
- Make all tax relief available at standard rate
- Abolish all tax relief
- Increase tax credits
- Make tax credits refundable.

Ask participants in small groups to list, in order, which changes they think would be best, from the perspective of people living in poverty. Feed back the results to the larger group.

Activity Three – 20 mins

Tax debates

In 2002 the Irish government introduced a plastic bag tax to reduce litter and pollution. Ask the group:

- Do you think this tax is fair, does it work, and is it fair on poor people?
- Did it change your behaviour?
- Should the price be increased every year to ensure that the behavioural change stays steady? Would this be fair on people on low incomes?

Activity Four – 40 mins

Social expenditure

Ask the participants to list the services on which the government spends money. Write them on a flip chart. Put the most expensive at the top. In small groups:

- Work out what would happen if the government did not provide each of these services.
- For each of these services, decide who would suffer most if it did not exist.
- What services are currently provided to us by the government?
- How would it affect us if we did not get these services?
- Where does the money come from to pay for these services?
- Which of the following would you be willing to pay more tax for: (a) higher pensions, (b) a better health service, (c) better roads, (d) extra Gardai, (e) a cleaner environment, (f) overseas aid?
- Do you think the government is spending enough on these services? Give reasons for your answer.

Each group reports back to the larger group on its findings. Participants debate the results.

Activity Five – 25 mins

EU competition policy

EU rules means that services that were previously delivered by the state now have to be put out to tender with private companies. For example, in 2006 Dublin City Council had to tender out the management of Dublin City Council swimming pools. The Department of Communications may be obliged to tender out the post office service. Ask participants whether this has ever happened in their local area.

Ask the group to examine the consequences of these public services being delivered by private companies. Would the price be accessible to everyone? Would there be comprehensive coverage in rural areas? Would there be bus services after 8pm? Would there be a product for all age groups? Could the poor afford the service?

Activity Six – 30 mins

Government regulation of advertising

One way governments regulate companies is by controlling how they can advertise. Ask the group:

- Do you think government should regulate private and public companies' advertising?
- Do you think this advertising exploits customers, particularly vulnerable groups such as children and young people?

Split the group in two. Assign the advertising of children's toys to one group and the advertising of alcohol to the other group. Ask participants to come up with arguments for and against advertising in these sectors. Report back from both groups and hold a large-group discussion on the issue.

References, resources and further reading

The following resources may be useful to you

Facilitation resources:

Patricia Prendiville, 1995. *Developing Facilitation Skills, a handbook for Group Facilitators*. Dublin:Combat Poverty Agency

Anne Hope and Sally Timmel. 1995. *Training for Transformation*, rev.ed. Gweru:Mambo Press
Wider Worlds: An Adult Learning Resource for Development Education, 2003. NALA, Trocaire and clare Reading and Writing Scheme.

Web Sites for icebreakers/teamworking/name games
<http://www.see.ed.ac.uk/~gerard/MENG/MECD/topics.html>
www.deca.org/pdf/teambuildinggames.pdf
<http://wilderdom.com/games/NameGames.html>

Economic Literacy resources:

Maeve Taylor, 2004. *Looking at the Economy through Women's Eyes, a facilitator's guide to economic literacy*. Dublin:Banulacht

Mariama Williams. 2000. *Women in the Market: A Manual for Popular Economic Literacy*. Brussels:Wide
 2005. *Reclaiming Economics, a Cooperative Inquiry*. Dublin:Community Action Network(CAN) & PARTNERS: Training for Transformation

James Heintz, Nancy Folbre & The Center for Popular Economics 2000. *The Ultimate Field Guide to the U.S. Economy*. New York:The New Press

David Jacobson, Terrence McDonough & Keith Warnock, 2001. *Mind Your Own Business, Economics at Work*. Dublin:Oak Tree Press in association with SIPTU

Dan Rennie, *Economics Basics: Essential Definitions, Concepts and skills*. NZ:New House publishers Ltd.

Tim Harford, 2006. *The Undercover Economist*. London:Little, Brown

Steven D. Levitt, 2005. *Freakonomics*. USA:William Morrow

David Cooke, 1985. *Teaching Development Issues*. Manchester:Development Education Project. Teaching Development Issues

Economics Association; Ryba, Raymond (ed); Hodkinson, Steve (ed); Chapman, Peter (ed) and Atkinson, Brian (ed). 1986. *Young Person as Citizen: Economics Education 14-16 Project*. Harlow: Longman,

Birmingham Development Education Centre. *Beyond the Backyard: Photographs, resources and ideas for a wider understanding of economic realities at key stage 3 and 4*. Birmingham:1993

Aylett, J. F: *The World of Economic Awareness* Sevenoaks: Hodder and Stoughton, 1991

Resources for promoting change:

Helena McNeill, *Connecting Communities: A Practical Guide to Using Development Education in Community Settings*. Dublin:Lourdes Youth and Community Service.

A Guide to Effective Lobbying for Women's Groups in Ireland. 2006. National Women's Council of Ireland

Towards Effective Representative Participation. 1999. Irish National Organisation for the Unemployed

Combat Poverty Publications:

Sean O' Riordain, *Poverty and social inclusion linking local and national structures*. 2006. Dublin:Combat Poverty Agency

Finding your way around poverty welfare and family policy. 2007. Dublin:Combat Poverty Agency

Finding you way around local government. 2006. Dublin:Combat Poverty Agency

Finding your way around the budget. 2006. Dublin:Combat Poverty Agency

Integrating policy into work planning (Managing Better Series no 10)

How to ... build relations with policy makers www.combatpoverty.ie

How to ... do policy analysis www.combatpoverty.ie

How to ... identify your policy audience www.combatpoverty.ie

How to ... write a policy submission www.combatpoverty.ie

How to ... work with Joint Oireachtas Committees www.combatpoverty.ie

2006. Dublin:Combat Poverty Agency

Influencing policy - training pack. 2004. Dublin:Combat Poverty Agency

Brian Harvey. *Working for change: a guide to influencing policy in Ireland*. 2002. Dublin:Combat Poverty Agency

OPEN Do The Poor Pay More?, 2005

OPEN Out of the Traps, 2005

Food Poverty. 2005. Dublin:Combat Poverty Agency

Financial Exclusion in Ireland: an exploratory study & policy review. 2006. Dublin:Combat Poverty Agency

Brian Harvey. *Working For Change A Guide to Influencing Policy in Ireland*. 2002. Dublin:Combat Poverty Agency.

Barrett & Walls. *The distributional impact of Irelands indirect tax system*. 2006. IPA Dublin:Combat Poverty Agency/

Promoting equity in Ireland's tax system, Policy Statement. 2006. Dublin:Combat Poverty Agency

Left Outside? An educational resource on poverty in Ireland. 2006. Dublin:Combat Poverty Agency

Data and resources Web Sites

Central Statistics Office Website - www.cso.ie

Combat Poverty - www.combatpoverty.ie

Department of Finance (budget) - www.finance.gov.ie

Poverty Proofing. - www.socialinclusion.ie

International web resources

Gender budgets - www.genderbudgets.com

America's Union Movement - www.aflicio.org - AFLCIO

Economic Policy Institute - <http://www.epi.org/>

Women in Development Europe (WIDE) - www.eurosur.org/wide

The global solidarity website of the Irish congress of Trade Unions - www.ictuglobalsolidarity.org

International Labour Organisation - www.ilo.org

Government Departments

Department of the Taoiseach

www.taoiseach.ie

Responsibilities: social partnership, economic and social policy, information society

Department of Community, Rural and Gaeltacht Affairs

www.pobail.ie

Minister: Eamon Ó Cuiv TD

Responsibilities: community development, rural development, National Drugs Strategy

Department of Education and Science

www.education.ie

Minister: Mary Hanafin TD

Responsibilities: education, educational disadvantage, lifelong learning

Department of Enterprise, Trade and Employment

www.entemp.ie

Minister: Micheál Martin TD

Responsibilities: employment, labour force, industrial relations

Department of the Environment, Heritage and Local Government

www.environ.ie

Minister: John Gormley TD

Responsibilities: housing policy, local government, environment

Department of Finance

www.finance.gov.ie

Minister: Brian Cowen TD

Responsibilities: annual Budget, Government spending

Department of Health and Children

www.dohc.ie

Minister: Mary Harney TD

Responsibilities: annual Budget, Government spending

Department of Justice, Equality and Law Reform

www.justice.ie

Minister: Brian Lenihan TD

Responsibilities: equality, refugee policy, legal system

Department of Social and Family Affairs

www.welfare.ie

Minister: Martin Cullen TD

Responsibilities: social welfare system, anti-poverty policy

The Office for Social Inclusion (OSI) in the Department of Social and Family Affairs is responsible for the co-ordination of the National Action Plan Against Poverty and Social Exclusion (NAPinCl), which incorporates the National Anti-Poverty Strategy.

www.socialinclusion.ie

Social Inclusion Agencies

Pobal

www.pobal.ie

Pobal, formerly Area Development Management, is an independent company designated by the Government and the European Commission to support local economic and social development. Pobal manages a number of programmes targeted at countering disadvantage and exclusion and promoting reconciliation and equality.

Comhairle

www.comhairle.ie

Comhairle is the national support agency responsible for supporting the provision of information, advice and advocacy on social services. Comhairle provides citizens information, support for information providers and social policy and research information.

Equality Authority

www.equality.ie

The Equality Authority is the statutory agency working towards the elimination of discrimination on the grounds of gender, age, disability, race, religion, marital status, family status, sexual orientation and membership of the Traveller community.

Family Support Agency

The Family Support Agency was established in 2003 and is a statutory body providing and supporting family mediation and family support services.

National Disability Authority

www.nda.ie

The NDA is the statutory agency which advises the Government on disability policy. It also undertakes research on disability in Ireland and monitors the implementation of codes and standards aimed at promoting equality for people with disabilities.

Social Partners

Social partnership is a means of reaching agreement between the Government and the Social partners on economic and social policy. It comprises 4 'pillars': employers, unions, farmers and the community and voluntary sector. Its members are:

Irish Congress of Trade Unions www.ictu.ie

Irish Business and Employers Confederation www.ibec.ie

Irish Farmers Association www.ifa.ie

The Community and Voluntary Pillar is made up of a number of organisations:

- 1 Community Platform
- 2 Conference of Religious in Ireland (CORI) www.cori.ie
- 3 ICTU Centres for the Unemployed www.ictu.ie
- 4 Irish National Organisation of the Unemployed www.inou.ie
- 5 National Women's Council of Ireland www.nwci.ie
- 6 National Youth Council of Ireland www.youth.ie
- 7 Protestant Aid
- 8 Society of St Vincent de Paul www.svp.ie

Community Platform

The Community Platform is a group of national community and voluntary sector networks and organisations engaged in combating poverty and social exclusion and promoting equality and social justice. Its current member organisations are:

- 1 Age Action Ireland www.ageaction.ie
- 2 Community Action Network www.canaction.ie
- 3 Community Workers Co-operative www.cwc.ie
- 4 European Anti-Poverty Network www.eapn.ie
- 5 Forum of People with Disabilities www.inforum.ie

- 6 Gay and Lesbian Equality Network www.glen.ie
- 7 Irish Association of Older People
- 8 Irish National Organisation of the Unemployed www.inou.ie
- 9 Irish Penal Reform Trust www.iprt.ie
- 10 Irish Commission for Prisoners Overseas
- 11 Irish Refugee Council www.irishrefugeecouncil.ie
- 12 Irish Rural Link www.irishrurallink.ie
- 13 Irish Traveller Movement www.imtrav.com
- 14 National Adult Literacy Agency www.nala.ie
- 15 National Network of Women's Refuges and Support Services
- 16 National Traveller Women's Forum
- 17 National Women's Council of Ireland www.nwci.ie
- 18 One Parent Exchange Network www.oneparent.ie
- 19 Pavee Point www.paveepoint.ie
- 20 Rape Crisis Network Ireland
- 21 Simon www.simoncommunity.com
- 22 Society of St Vincent de Paul www.svp.ie
- 23 Threshold www.threshold.ie
- 24 Vincentian Partnership for Justice www.vincentians.ie/VPJ
- 25 Voluntary Drug Treatment Network
- 26 Women's Aid www.womensaid.ie

Advisory Bodies on Economic and Social Policy

National Economic and Social Council

www.nesc.ie

NESC advises the Government on economic and social development. The Council is made up of nominees from the social partners as well as representatives from Government departments.

National Economic and Social Forum

www.nesf.ie

NESF monitors and evaluates the implementation of policies and programmes aimed at achieving equality social inclusion.

Economic and Social Research Institute

www.esri.ie

ESRI is a national independent research body on economic and social policy. It undertakes and publishes a wide range of research studies on all aspects of social and economic development.

Appendix 1

Additional activities for Part Two: A

Defining Economics/Exploring different economies

Activity 1 - 20 mins

What is economics?

- 1 Write down five questions or statements that you think have something to do with economics.
- 2 Now share your ideas with the rest of the group. Given the range of comments and issues collected by the group could you now write down a definition of what economics is?

Economics is essentially a subject that looks at choices - how individuals, governments and businesses make them and what the consequences of making those decisions are.

Activity 2 - 15 mins

Your Community

Each participant should draw a picture of the basic kinds of people who live in their community and with whom they work or interacts on a day-to-day basis. The picture should show the mix of people, their gender, colour etc.

Feedback: Discuss what these pictures show.

Activity 3 - 25 mins

People in your community

Now draw a picture illustrating the broad categories of work each of the different types of people in your community perform. Women, men, the elderly, the young, white, ethnic minorities, immigrants.

Feedback: Discuss what these pictures show.

Activity 4 - 35 mins

The Economy and society

The economic system is made up of three interdependent functions.

Market economy is money from work or participating in the markets.

Social economy is the state redistribution of taxes.

Care economy is reciprocal exchange within family and community.

Come together as a large group and with 3 flip chart pages write down these headings and ask each group to discuss a heading.

When all the groups have fed back, now facilitate a debate using questions below:

1. What is your view of a good life.... A good society?
2. In thinking about the roles of the market, the state, the household, your community how do you think society really functions? How do you think it should function?
3. Do you think our system is good for all its people?
4. What do you think the economy is for? Is it achieving this? Why and why not? If not, what remedies would you propose to move it towards your desired ends?
5. Can you think of other ways to organize society to ensure our basic needs without resort to the market?

These are all questions that can spark a lively debate. Take your time on each question. Perhaps when each question is asked divide the group into two groups and ask one person to facilitate the discussion feeding back the main points to the large group. As a facilitator write down the main points fed back and compare the two groups.

Activity 5 - 40 mins

Comparing household economy to national economy

Brainstorming on types of economy:

Break into 2 groups: a 'household' group and a 'country' group. Each group considers the following questions (outlined on a flip chart) from the point of view of whether they are 'country' or 'household' Each group highlights their answers on a flip chart.

Household:

Please reflect on your household for a minute. What are the essential elements that are required for it to exist? How is the management of your household similar to the running of the national economy?

- What resources does it require?
- How are these resources obtained?
- What factors affect their availability?
- What are some of the constraints or limitations the household faces?
- What options are available?

Country:

- Please reflect on the management of your economy. How is it different from or similar to that of the household?
- What resources does it require?
- How are these resources obtained?
- What factors affect their availability?
- What are some of the constraints or limitations the economy faces?
- What are the available options - given size of the population/size of the labour force

When the two groups come together, place the flip charts side by side. Now spend time comparing the answers from both groups. Highlight the major differences and similarities between the economy of a household and the economy of a country. Would this have operated differently 10 years earlier versus today? How have its options expanded or contracted? Has its living standard improved or worsened over time? Have there been any changes in government policies that have negatively or positively affected the members of the household?

Appendix 2

Additional Activities for Part Two: B

Economic systems, Capitalism and Neoliberalism

Activity 1 - 40 mins**Looking at World Economies**

Divide the group into 3 groups and give each group a definition of an economic structure.

1. Capitalist economies
2. Planned economies
3. Mixed economies

Ask each group to list the advantages and disadvantages of each system. Ask them to name countries where each system operates now or in the past. Have these economies been successful? Where do you fit into the economy of your country? What changes would you like to see in your country's economic system?

Having discussed the different economic structures and agreed on definitions of different economic systems ask the group to discuss in their groups these questions:

1. How do ordinary people benefit from a planned economy?
2. How do ordinary people benefit from a free market economy?
3. What would you miss if
 - (i) you lived in a totally free market economy and
 - (ii) a totally planned economy.

Activity 2 - 25 mins**Drama on economic systems**

Ask each group to do a short drama highlighting the one positive and one negative from each economic system. Facilitate a group discussion after each 'performance'.

Activity 3 - 30 mins

Ask the group to describe the type of government we have in Ireland. Ask them to describe the type of economic system we have in Ireland.

Now split the group in two and ask one group to define what an economic system is and the second group to define what a political system is. When that is done have a large group discussion about the differences between an economic system and a political system. (see information sheet for definitions)

Ask the group to talk about what is needed to make our society more equalitarian. Ask them can this be done through change in our political or economic system. Ask each individual to come up with one change they would like to see in both our political and economic system.

Ask them to think about how these changes could happen.

Activity 4 - 40 mins
Deciding How much Profit!

Who decides how much is profit and how much is wages?

Break into small groups, Each group decides on an item. Any item will do, big or small - for instance a loaf of bread.

On a sheet they decide the cost of producing this loaf of bread.

In this should be included wages, cost of production – heat, light etc, marketing, taxes etc.

Let the group decide what percentages they give to raw materials, wages etc.

Groups present back to the large group.

Questions that facilitator can ask

Are these fair percentages?

how much profit was made by the manufacturer?

How are wages negotiated in this country and around the world?

Activity 4 - 30 mins**Promoting Equality in our Economic System**

Brainstorm with the group about what the Government is doing at the moment to promote equality in our economic system. Give each participant a piece of paper. Now ask them to write what tools the government could make available to create a more equitable economic system AND what they can do to influence political policy.

Appendix 3

Additional Activities for Part Three: A

Who gets what - Income Poverty and Wealth

Activity 1 - 20 mins

Structure of Your Community

Break into small groups (try to group people who live or work together in the same group). Ask each small group to take a few minutes to reflect on the structure of its community. What is the class structure of your community? How did this come about? Has this changed overtime? In what direction? What were the factors behind the changes?

Feedback: Ask the group to pick a representative who will feedback the information.

Activity 2 - 40 mins

Is there Inequality in our Community?

Take a look at the two lists below and fill in the blank spaces as you think is appropriate.

In my country or locality, it common for a _____ to be working in a _____ job/or work category.

(Please fill in the blanks from the list A and list B respectively.)

List A:

social category selections

Male

Female

Migrant worker

Asian immigrant

African immigrant

Older person

Younger person

Other: _____

List B:

job or work category selection

Service sector

Semi-skilled

Unskilled

Low income

White-collar worker

Professional/managerial

High income

Other: _____

Feedback: Why do you think the situation is the way you have depicted in your choices? What economic and social factors contribute to this situation? How might it be changed?

Activity 3 - 50 mins

Bead Game - Distribution of Wealth

Income inequality. Using beads or plastic money etc. divide the class into 5 groups. Give 3 of the groups equal amounts of 'money', give one of the groups less 'money' and give the last group 5 times more 'money' than the group with less 'money'. Ask the groups how they feel about the amount of 'money' they have, how would they think it would affect them and their lives. How would the lives of the richer 20% be different from the poorer 20%? Explain that in Ireland today the richest 20% of the population has 5 times more income than the poorest 20%.

Activity 3 - 40 mins

Sculpture of equality/inequality

Break into small groups. Each group does a live sculpture representing equality in our lives. When they have finished their live sculpture they tell the rest of the group what it means.

Now ask the groups to do a live sculpture of inequality in our society. Feedback.

Activity 4 - 30 mins

Class structure

In each group draw a picture of the racial and class structure of your community.

Feedback: Which groups or group control the major economic resources? Where do they live? How did this pattern of ownership and control come about? How is it maintained today?

Appendix 4

Additional Activities for Part Three: B

Work and Unemployment

Activity 1 - 25 mins

Our Dreams

Invite the participants to talk about their dreams. Ask them to take out a sheet of paper and write down the type of job they would ideally like to have or what they dreamed of having as children. Tell them not to worry about being realistic, but to dream and then write about their dream career

Ask for volunteers to share what they wrote.

Some people say that if we are smart and work hard enough we will realize our dreams. What do the group think? Is it true that everyone has an equal chance to get ahead with hard work and academic achievement? Do we have equal opportunity in Ireland? Is hard work always rewarded with monetary gain? Is everyone who works hard rewarded? How do we define 'hard work'?

Activity 2 - 30 mins

Who Decides Rates of Pay?

Stay in your small groups. Who decides who gets paid what?

Each person decides on a job. Try to have a broad range of jobs, for example, nurse, teacher, waitress, plumber, shop assistant etc. They take on the role of the job. They decide how much they are paid, they decide if it is a fair wage, if they have a family to support on this wage, who are they employed by, who negotiated their wage.

Back in the large group, each person presents their character and the other participants get the opportunity to ask the character about their situation, if it can be improved on and how.

Activity 3 - 40 mins

Drama exploring exploitation

Make a list of all the groups in society that you think are being exploited. When a list has been written up on a flip chart, get into pairs. Each pair is given a grouping for example women, immigrants etc. The pair must come up with a short scene where exploitation takes place. The audience watches the scene till the end. Then the pair do the scene again and someone from the audience stops the action at a place where they feel they can tackle the exploitation. They step into the role and tackle the exploitative practice. The whole group then argue if they think the situation has been resolved.

Activity 4 - 30 mins

Exploring roots of unemployment

On a large sheet write out the word unemployment. Ask what causes the problem. Write the response on a 'post it' and place it below the problem word. Explore the cause of this second point and consecutively add 'post-its' to get at new levels of causes. Branch out to reveal multiple levels of causality. Allow for dialogue around each point.

Activity 5 - 30 mins

Taking Action

In small groups participants identify the main work related issues they feel need to be addressed in both Ireland and their local community. Feed these back to main group and list them on a flip chart. Now ask the questions:
 What can workers do in the face of bad pay and conditions?
 How has the community responded to some of the other issues?
 How has the government responded to the issues?
 What do you feel you can do about these issues?

Activity 6 - 40 mins

Life Chances

Life chances - Set up a time line of 4 different people, all from different walks of life, including an unemployed person. Break into 4 groups. Each group is given sheets to stick together on a wall if possible. Draw a line across the width of the paper. Each group decides on a character's name and discusses their circumstances. Mark decades or five year periods in their lives. Group members describe and note important economic events in the character's life that would influence their economic situation. Also note political events that could influence their lives. The group discusses the relationship between events and also how upbringing and background can influence a person's life.

Activity 7 - 40 mins

Work Categories

To explore who does what in the labour force and how they are categorised: The three work categories are written up on a flip chart.

1. Formal paid work: - three sectors, primary, secondary, tertiary
2. Informal work:- Workers paid below minimum wage, off the books, part-time or seasonal work, domestic and care workers.
3. Unpaid work:- Women and men who work in the home, care for elderly or disabled relations, voluntary work.

Below is a list of 10 individuals. Break into small groups and work out where each of these individuals fit.

1. Marie is 35 years of age, she has 3 children, age 4, 7 and 9. She cleans houses 3 mornings a week when her children are in school. She gets paid into the hand 7 euro an hour.
2. Marcus is from Spain, he is 25 years of age. He works in the construction industry and sometimes works 16 hour days. He is paid 5 euro an hour. When he injured his shoulder recently while carrying a heavy load, he was not paid whilst out sick.
3. Pat and Mary have a small dairy farm in Co. Leitrim. Their weekly income is 320 euro. Like

60% of other farmers they need to increase their income from off-farm sources.

4. Rob works in a factory manufacturing tyres. He gets the average industrial wage of 650.00 euro and he also does 8 hours overtime a week.
5. Niamh works for Dublin Bus. She is married with no children. Her average workweek is 35 hours and her wage is 502 euro. She cleans the house top to bottom every Saturday and cooks the dinner the days she is home early.
6. Geraldine holds the post of assistant manager in Bank of Ireland. After 20 years of service her wage is 50,000 per annum. Her husband Pete was made unemployed 5 years ago and minds their 4 children while Geraldine works.
7. Mensu came over from the Philippines 3 years ago to work as a nanny. Her wage is 300 euro a week, she pays no tax or prsi and works from the time she gets up in the morning till the children are in bed. She also helps with the house cleaning.
8. When Peter's wife Cepta became ill 2 years ago with a serious illness, he took early retirement and now cares for her full time. He receives the carer's allowance of 200 euro a week from the state.
9. Suma came over from Kenya to work as a junior doctor in the Mater. He wants to gain experience in a Western hospital before going back to Kenya and working in his own country's health service, which badly needs trained doctors.
10. John works at putting in kitchens. When the firm has no work for him, he does 'nixers' to supplement his income.

When the groups have put the case studies into their categories ask each group to name where they put theirs. Use the opportunity to talk about the pros and cons of each category, who has the double burden of both formal paid work and informal unpaid work. Ask the groups where they see themselves, also what could be done to tackle exploitation, safety issues, low income.

Activity 8 - 50 mins

To explore 4 main causes of unemployment in Ireland today.

Tell the group that you are going to explore the 4 main causes of unemployment today. Can you come up with (brainstorm) what you think they might be? Here are the 4 main headings: 'structural unemployment', 'underemployment', 'institutional unemployment' and 'discrimination'. When the group have come up with causes of unemployment, they can list them under the different headings. Now divide the group into 4 groups under each heading. (The group can use these characters or create some of their own)

1. Under *structural unemployment* create 2 roles - one Paul a factory owner who has to reduce his workforce as he has bought a new machine that replaces the work done by 5 workers. The other role will be James a 50 year old man who was let go by this factory.
2. Under *underemployment*, Isabella a college graduate from Poland is working in a factory in Tallaght for the minimum wage. Mairead is a single parent with a 7 year old boy who finished law school when pregnant. She works part-time.
3. *Institutional unemployment*, Donal was bullied whilst in school. He ended up mitching a lot and now has low levels of literacy. Mary and Peter are claiming the dole. They have 5 children. One of them suffers from an illness that requires a lot of visits to the doctor and medication.
4. *Discrimination*, Brigit is a traveller. She left school early but recently did a FAS course in beauty therapy. John is from Nigeria. He was recently granted 'leave to remain' which entitles him to look for paid employment.

In your groups can you flesh out your characters, where they are from, their history, their hopes and dreams?

Return to a large circle and each group presents their characters/roles by being in role. Let the whole group respond to how they might alter their situation. The facilitator writes these up in a flip chart. The person in role can respond and give

their reaction to these suggestions. They should also be noted down on the flip chart. The whole group discusses how any of these changes could be implemented.

Appendix 5

Additional Activities for Part Four A

Macroeconomics, government, budgets & interest rates

Activity 1 - 45 mins

What is a Budget?

Facilitator hands out a sheet with the following survey on it. Ask the group to carry out this survey on two or three people in the room (they can make up people or situations). Explain that the budget questions relate to their own household budget or a business budget, or as part of their work or volunteer activities.

- Q. 1: What is the role of the your budget?
- Q. 2: What importance has it to the functioning of your household or organization?
- Q. 3: Who make the decisions about the budget?
- Q. 4: How did this come about?
- Q. 5: What are the essential parts of the budget?
- Q. 6: What are the factors that determine if the budget is in deficit, surplus or in balance?
- Q. 7: What are the consequences for your household or organization for each of these budgetary states?

Take feedback from each individual about this exercise, and point out that these same factors work for government budgets.

Activity 2 - 40 mins

Your chance to decide the Budget

Divide the group into small groups. Each group is given a character/situation:-

- 1 A young couple with 2 small children. Both are working full time and the children are in day care. You have just bought a house in Co. Dublin and have a mortgage with repayments of approx 1,000 Euro a month.

- 2 A retired couple living on a state pension of 330 euro a week. Both have medical conditions that require frequent doctor visits and regular medication.
- 3 A managing director of an American multinational company that hires over 2,000 workers in a small town just outside Dublin. There are rumors that this company may relocate to India because of cheaper labour costs.
- 4 A single parent with 2 school going children who is currently on a Community Employment Scheme that is due to finish in 1 month's time.
- 5 A nurse who is 2 years out of college and working in a large urban hospital, currently renting a flat and paying 600 euro a month rent. The nurse would like to buy her own house or apartment eventually.

Each group is to think about the different things that a government might spend their money on. Each group has to come up with ideas about what they want included in the budget that would affect their day to day lives. What expenditures do they think should be eliminated or reduced and why? What do they think should be included in the budget? A representative from each group then stands and presents their case about why their recommendations should be taken on board and the consequences for their lives if they are not.

Activity 3 - 40 mins

The value of money

In economics the word 'real' means money that has been adjusted for inflation.

Participants pick goods and services that they remember from childhood. They compare the price of those goods to today's price. This price has been adjusted for inflation. (remember also the rise in wages.) Do people feel their money is worth as much today as it was in yesteryear?

The current purchasing power of money represents what your money is worth today. Ask participants what they think their purchasing power can buy for them. For example some goods and services have reduced in price (such as clothes) and others have increased (such as housing).

Track the Irish Times Monday edition series of **price watch** across European cities. Try to account for difference in prices across cities (different taxes, transport costs, wage differences, profiteering).

Those on fixed incomes suffer the most with inflation and higher prices for goods and services. This is because they spend almost all their money on basic goods and services.

Should government automatically protect their social welfare incomes against inflation? How many times a year might this be necessary.

Activity 4 - 30 mins **Key economic terms**

Using definitions from the information sheet discuss the different aspects of macroeconomics and what they mean for the Irish government.

Macro economic policy

- Where to find money
- Where to spend money
- How to control cost and value of money

Activity 5 - 40 mins **The Concept of Money**

Brainstorm with participants on the following:
What is money? What does it do? What are the previous types of money that people have used?
Why is there money?

Take out a unit of money, either paper or coin.
Examine it, what does it say, who issues it? Have a discussion about how this money came to being.
How did it get to you?

Why do you accept this bill and carry it around with you as opposed to another piece of coloured paper?
Who backs the money? Can you think of alternative ways to exchange goods and services that you use in your life?

Activity 6 - 30 mins **Exploring the euro**

In small groups discuss the following questions.
What is the euro? Who sets the interest rate for the cost of the euro? What consequence does this have for members of the euro zone? What are the positives and negatives of belonging to the euro zone? Who else creates 'money' and how is it created? Think about ways people pay for items other than cash and if they don't have the cash how do they finance the transaction.
What are the consequences of too much credit in our economy?

Activity 7- 40 mins **Balance of payments.**

Have lots of magazines and scissors and glue.
Everybody cuts out and pastes on sheets of paper goods and services that we import.
Now ask everyone to cut and paste goods and services that we export.

What would be the consequences if we were unable to import these goods? What would be the consequences if we were unable to export these goods? Governments try to make sure they export as much as they import. The difference between the value of imports and exports is called the balance of payments.