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This chapter examines the political economy of Northern Ireland (NI), focusing on its specific experience of key stressors implicated in the Great Financial Crisis (GFC) of 2008: income inequality, debt, and the mutual relationship between both. The GFC exposed many weaknesses at the heart of liberal capitalism in the Anglo-Saxon world. Great Britain and the Republic of Ireland featured prominently in the discussions and analyses which followed, to the exclusion of Northern Ireland. Yet Northern Ireland does not easily fit standard typologies of capitalism, and its unique political, economic, and ethnic structures make it an interesting and challenging case for sociological analysis. Our chapter thus addresses this omission of Northern Ireland from wider political economy discussions. We begin by outlining recent evidence on the economic and social structure of Northern Ireland since the GFC, including employment structure, economic activity, and several key socio-economic indicators. Having established this overview, we then discuss the nature and extent of economic inequality in the region, using evidence from empirical analyses of household and personal incomes, and debt. In doing so, we outline not only the state of debt consumption, but its potential role in sustaining economic inequality and financial stress. Locating Northern Ireland within wider literatures on financialisation and inequality, we conclude by discussing the extent to which NI can be interpreted through these standard narratives, and how it may develop in the short-medium term in light of the political fallout of Brexit.

Introduction: The Economic Context of Inequality

Northern Ireland's economy differs markedly from its southern and British counterparts in several respects. It commands neither substantial Foreign Direct Investment which has proven so lucrative to the Irish state, nor does it possess financial sectors comparable to the capitals of its neighbours. Its manufacturing base comprises a small number of increasingly vulnerable heavy industries (those centred on the former shipyards such as Bombardier or Harland and Wolff), and the remainder comprises Small-Medium Enterprises, lacking the capacity to capitalise on international supply chains. As the Republic of Ireland pursued an aggressive strategy of Foreign Direct Investment (FDI) acquisition and attraction during the 1980s and 1990s, Northern Ireland remained an economy with high levels of public employment and disparate small-medium enterprises with poor global integration. The legacy of conflict, coupled with lower levels of FDI, have left its economy in a weaker position relative both to Britain, and the Republic of Ireland. Its workforce also suffers from skill-mismatching, and a particular inertia around upskilling. As such. Northern Ireland's economy has been described as one of 'low skill equilibrium' (NERI 2017), with poor international integration, high out-migration amongst skilled workers, dominance of low productivity small-medium enterprises, and high-turnover, low-skill service employment.

Placing the current situation in comparative-historical context shows inertia in its economic structure, as there was little fundamental structural change in the Northern Irish economy in the decade subsequent to the Great Financial Crisis of 2008. Historically the presence of a large public sector in Northern Ireland was seen as key to mitigating the effects of industrial decline, and for maintaining effective demand as the economy stagnated during decades of conflict. Public employment throughout this time tended toward security forces, public health and welfare administration, advocacy, and community organisations. This is reflected in the rapid proportional growth of public services employment from 26%-37% (1974-1985), as shown in table 1. Before

the crisis of 2008, public employment accounted for approximately 30% of total employment, and 60% of regional GDP, compared with 35% in the Republic of Ireland (Smyth and Cebulla 2008: 182). Relative to other key sectors, this has shown little change.

Growth has not occurred in sectors key to what might crudely be termed development, or modernisation. Despite modest advances in high value-added sectors such as Scientific and Technical, the balance of losses from manufacturing has been offset by growth in services (G, I, K-L, N). Those sectors which promised boons in employment and investment such as Arts, Recreation, and Entertainment, sow low labour intensity, despite the public attention brought by the production in Northern Ireland of several international series including Game of Thrones. Construction employment fluctuations were modest, and despite a collapse in GFC-era property prices amongst the worst in the world, housing hasn't featured in Northern Ireland as a socio-economic stressor to the extent it has in the Republic of Ireland. Housing costs did not collapse to the same level as those in Dublin during the crisis, whilst 16% of total stock is in social housing[1]. The Great Financial Crisis thus appears to have done little to upset the sectoral balance of employment, albeit with slowing losses in manufacturing, and increases in administrative and support work. This has important implications for inequality when such work is precarious and insecure, as will be discussed below.

Table 1. Percentage Employed in Key Sectors by NACE Industry Sector Codes (1974-2018)
Source: Quarterly Employment Survey Historical Tables[2]

	1974	1985	1996	2007	2018
Manufacturing (C)	32.8	20.8	17.6	11.7	11.28
Construction (F)	8.0	5.8	4.0	6.2	4.4
Retail (G)	12.3	13.5	15.3	17.4	16.9
Accomm. and Food Service (I)	1.8	2.9	4.9	6.0	6.6
Finance, Real Estate (K-L)	2.1	2.4	2.7	3.9	3.6
Scientific (M)	1	1.5	2.3	3.2	4.4
Admin Support Services (N)	1.6	2.1	3.5	5.4	7.2
Public services (O-Q)*	26.0	37.0	37.0	34.0	32.1
Arts, Ent, Rec. (R)	.9	1.5	1.8	1.9	2.0

* Category includes Administration, Education, and Health

Whilst pockets of industrial employment remain in sectors such as aviation, these are precarious as parent companies face restructuring pressures both through international production cost and

[1] https://www.communities-ni.gov.uk/system/files/publications/communities/ni-housing-stats-17-18-full-copy.pdf
[2] https://www.nisra.gov.uk/publications/quarterly-employment-survey-historical-tables-june-2019

wage competition, and internally from shareholders seeking labour cost reductions. We were reminded of the precarity of its industrial sector by the rescue of the Harland and Wolff Shipyard, and subsequent administration of Wrightbus in 2019. The economic policy challenges of Northern Ireland are thus often portrayed as a choice between the 'high road' approach of stimulating indigenous industrial upscaling and innovation, or the 'low road' of incentivising foreign investment through corporate tax reductions. As of 2019, progress on long-term industrial planning has stalled in the absence of a functioning devolved government, and little interest from Westminster as Britain absorbed itself in several political crises related to Brexit. The prospects of future economic stability in the region are thus poor. What investment has taken place in the post-GFC years has tended toward low value-added, low wage service work, consolidating Northern Ireland's position as a low-wage economy (Coulter 2014: 766-767). 28% of Northern Irish employees currently earn below the 'Real Living Wage', which adjusts nominal wage rates for costs of living (Wilson 2019a). Although aggregate unemployment has recovered from 7.9% (Oct-Dec 2010) to 2.5% (Jul-Sept 2019), strong regional inequalities remain in the experience of 'recovery'. New data on Claimant Counts[3] shows a range of .4% (Cultra Ward, North Down) to 11.8% (East Ward, Strabane). At Parliamentary Constituency level, areas such as Foyle record a claimant count of 5.1%, and Belfast West 4.1%, above the national average of 2.6%.

Headline economic activity figures aside, there remain serious concerns about the quality of work that has accompanied this recovery. Young people face particular challenges around employment de-standardisation, with extensive use of short term and zero-hours contracts, unpaid internships, low pay, and high competition for high-quality positions (Sturgeon and Lucas 2018: 24). Sub-contracting has also eroded employment security and pay in sectors once dominated by public employment such as housing, health and social care, and the civil service, with a total spend of £200mn in health and social care agency staff alone from 2010-2015 (McVey 2018: 46). This is especially concerning in an economy with historically high proportional public employment (Smyth and Cebulla 2008). With U.K. unionisation rates low, and trade union membership growth concentrated in public sector occupations, the potential erosion of public employment – a key bulwark against destandardisation and low pay as observed in the international political economy literature – is likely to be especially damaging in Northern Ireland. This is reinforced by the finding that Northern Ireland recorded the highest rate of all U.K. regions of employees who's pay is affected by collective agreements (44.2%, U.K. rate 26%), along with the highest recorded regional union density (over 35%, U.K. rate 23.4%) (Department for Business, Energy & Industrial Strategy, 2018). Coupled with the data presented above on sectoral change, this also bodes poorly for addressing the key underlying issue of poor growth capacity into higher value-added sectors.

Socioeconomic change does not occur in a vacuum. State, industry, and labour play their respective roles in policy-setting and enacting structural change. This is key to understanding how socioeconomic context translates into real impacts on the distribution of income and economic security via industrial and labour policy, financial (de)regulation, and public spending pathways. The international literature has long established that growth alone is insufficient to generate positive outcomes, both in terms of the production and distribution of national product (Atkinson 2009, 2015). Whilst economic growth may raise national wealth and nominal incomes, in the absence of redistributive effort from the state and social actors such as labour movements, it will enhance rather than mitigate income inequality (Flaherty 2015). This is shown to be especially so in the most recent phase of finance-driven growth, where increases in productivity were not evenly distributed to labour (Stockhammer 2017, Guschanski and Onaran 2017). The ability of stressors

[3] The Claimant Count includes data counting those on Jobseeker's Allowance (JSA) and out-of-work Universal Credit Claimants. With the recent rollout of Universal Credit, refinement of these mixed counts if ongoing. Full data are available at the following link:
https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/claimant-count

such as globalisation and finance to negatively impact the income distribution is dependent on national contexts. Where state policy and strong labour movements play a role in policy-setting and regulation, the effects of such stressors are mitigated.

Such mitigating factors have been consistently absent from Northern Irish political economy, and its neoliberal leaning is shown clearest in its approach to welfare reform. To British and Irish conservatives, the crisis provided an ideal opportunity to enact far-reaching cuts to public expenditure. This was enacted upon the Northern Irish welfare system most profoundly by a 'neoliberal consensus' of unionist and nationalist governing parties (Coulter 2014, 2019). As part of the 'Fresh Start' agreement in 2015, a condition of continued operation of the devolved parliament was the implementation of wide-ranging changes to the core benefits system. Whilst consolidating several entitlements such as jobseekers allowance, housing benefit, and child tax credits into a single credit system, these reforms also imposed additional conditions and reductions in core replacement rates for vulnerable groups – particularly those close to pension age, and those in receipt of disability allowance (Browne and Roantree 2013).

Despite additional investment to mitigate the specific impacts of welfare reform in Northern Ireland, evidence mounts on the considerable hardships it has wrought. In April 2011, caps on housing benefit proportional to house size were introduced for low-income private tenants, followed in 2017 by the controversial 'bedroom tax', where social housing tenants in properties deemed larger than required were penalised (Donnelley 2019). Benefit caps were introduced in 2016, along with new conditions, such as benefit sanctions for categories of unemployed claimants who failed to participate in work trials. The replacement of Disability Living Allowance (DLA) with Personal Independence Payment (PIP) from 2015-2016 eliminated automatic entitlement, introducing the controversial 'fit for work' assessment process, with several media outlets suggesting widespread disqualifications of previously qualified disabled applicants (Hodgson 2017). Disability-related income supports are especially essential in a society where PTSD and associated mental illness rates are high (Bunting et al 2013), and where the intergenerational communication of troubles-related trauma within families had led to elevated suicide risks (McLafferty et al 2016).

In sum, although Northern Ireland's socioeconomic context shows several possible stressors of inequality and economic security, its unique structural and institutional composition means these are likely to work differently than suggested by current international evidence. It possesses a precarious economic base where core sectors are under increasing strain from international competition, coupled with poor investment capture, skilled out-migration, and growth in low-skill low-tech sectors. The scope for addressing this by state intervention in industrial and fiscal policy is low considering the absence of its consociational parliament, and ambivalence from Westminster. Underlying all of this, is a comparative absence of research on the key dimensions, causes, and consequences of inequality in Northern Irish society. Whilst key outcomes such as poverty, deprivation, and employment have received considerable attention, less has been written on the nature of income inequality in the region, and how the causal pathways to widening inequality may differ from those of other comparable nations, or in the wider international literatures. In the remainder of this chapter, we consider two key, and under-studied measures of economic wellbeing in the region: inequality in the factor and personal income distributions, and rising personal debt.

Class and Inequality in Northern Ireland

Factor inequality: labour's share of national income

In assessing the state of inequality in Northern Ireland, it is important to establish several definitions, which differ in their respective bodies of theory, and in their application. Contemporary inequality research often emphasises differences between relative income groups (such as the top 1%, bottom 10%, etc.), or national-level summaries of personal income inequality (such as the Gini coefficient, wage shares, or top income shares). Regarding income inequality, researchers also distinguish between 'wealth' or 'capital' as stock items, and income as flow item. Capital includes the sum total of non-human assets that can be traded on markets, such as land, property, bonds, or stocks, whilst income comprises wages, salaries, and self-employment income with a greater degree of regularity than the former. Many households possess little capital beyond who own their properties, and as such, wealth inequality tends to be higher than that of income (Kus 2016). Whilst Piketty treats wealth and capital as perfectly interchangeable (Piketty 2014: 39), the term capital is used in a broader theoretical context than in economics. 'Capital' also refers to the group to whom national product (GDP, GNP, or GNI) accrues after than distributed to labour as compensation. In political economy, the division of national product between capital and labour is thus seen as a crucial intermediary stage between the formation of total society-wide value-added, and its distribution as labour compensation and rent (Atkinson 2009, Flaherty and Ó Riain 2019). To understand inequality in the personal income distribution (the measure which has received most attention in the wider literature), we must therefore understand income is formed distributed at this higher level of aggregation.

One of the more common measure of the split in national product between labour and capital is the 'labour share', or 'wage share', often calculated as the sum of compensation of employees and imputed self-employment income, expressed as a percentage of Gross Domestic Product[4]. Figure 4 below shows comparative wage share data for Northern Ireland, U.K., Ireland, and the EU-15 (please see cautionary footnote on calculation and interpretation). Whilst it seems clear that Northern Irish labour benefitted from a resurgent global economy in the pre-crisis years (1998-2007), it also experienced similar declines in the post-crisis years to those of wider Europe and the U.K. This may reflect a mix of factors such as falling income protection, declining social investment, reflected in a rising capture of output for capital. Its stability in the post-crisis years relative to Ireland calls for consideration, as the rate of decline in the Republic of Ireland's labour share was amongst the worst in Europe, and resumed its sharp downward trend after 2009. This presents a strange contradiction. As labour's share is often used as a reflection of worker's organisational capacity and power, it suggests that its institutional structure may work to offset the considerable losses experienced in the Republic. This is doubtless in part a function of its high public employment with traditionally high unionisation, but also potentially stronger welfare intensity (i.e. in the areas of housing). Whilst this does not bode well for its future under possible North-South reunification scenarios – assuming institutional capture by the south would erode some of these, such as public housing, universal healthcare – is also suggests that Northern Irish inequality must be examined on its own terms, when considering more conventional measures.

[4] In practice, Gross National Income is preferred. In countries such as the Republic of Ireland, it adjusts for the transfer pricing activities of multinationals, which skew real output by up to 25% as happened in 2015, due in large part to the accounting activities of one aircraft leasing firm.

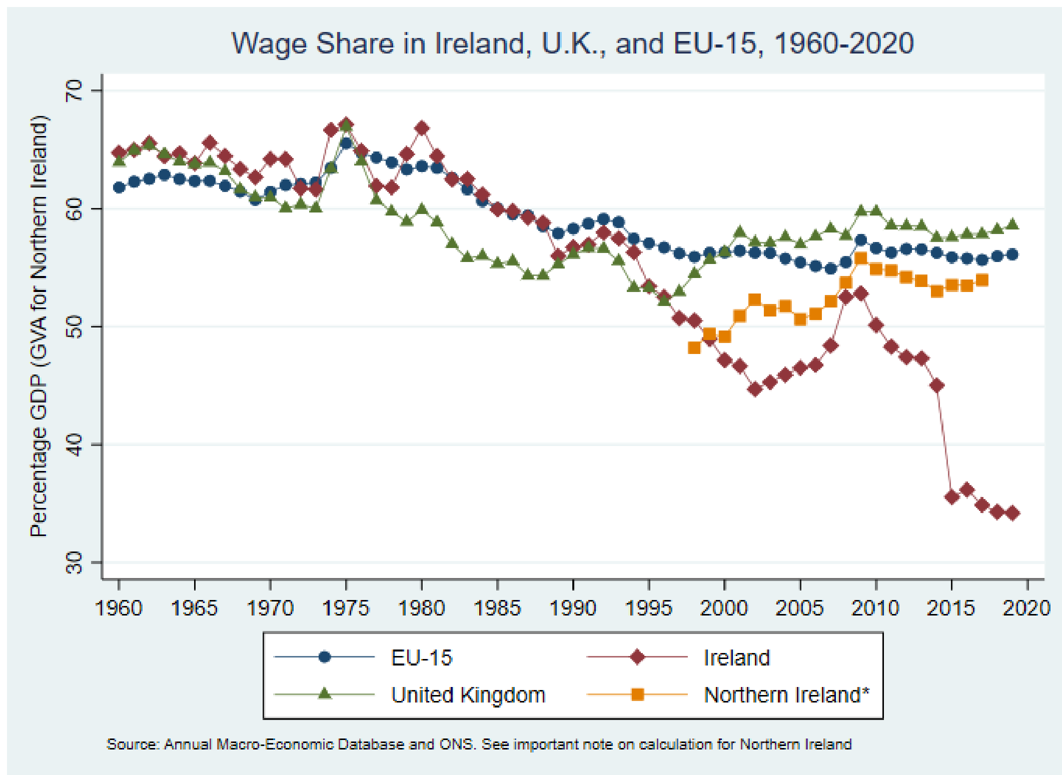


Figure 1. Comparative Wage Shares, 1960-2019
*** Northern Ireland's wage share is expressed as a percentage of Gross Value Added**[5]

New Stressors of Personal Income Inequality

For much of the twentieth century, research on inequality in Northern Ireland focused on categorical inequalities – religious/ethic difference, and social class. There was good reason for this, given the historical salience of such characteristics in the literature on Northern Ireland, and wider theory of stratification. Tilley's classic model suggests that durable inequalities arise not from the sorting of individuals to positions on continuous attributes, but from organised social processes producing stable differences that vary categorically (Tilley 1998, 2003). Ethno-religious identity and social class are two such dimensions. Their ability to explain consistent difference in stratification outcomes for Catholics and Protestants was established empirically by Aunger (1975) using nationally representative data. Using 1971 census employment tables, Aunger's analysis revealed considerable differences in the occupational class structures of Catholic and Protestants, with Protestant predominance in upper occupational classes, and Catholic predominance in lower. Industrial segregation favourer Protestants, with Catholic male representation in Engineering and Textiles at 15% and 25% respectively. Although Catholic middle-class predominance was found

[5] Data for Ireland, U.K. and EU-15 from AMECO, and is calculated as the share of compensation of employees in Gross Domestic Product. Devolved wage share data for Northern Ireland is not available from AMECO. Northern Ireland's wage share is calculated as the percentage of total-economy gross value added accruing to waged and salaried workers (compensation of employees). This underestimates the share of compensation accruing to the self-employed, and the allocation of mixed income arising from self-employment, which may be attributable either to capital or labour (Sidhu and Dunn, 2018). The Northern Irish data displayed in figure 1 should not be used to compare rates with other countries, but may be used cautiously to discern and compare trends. Comparison is not limited by the quality of Northern Irish data alone. Ireland's drastic downturn in 2014-2015 is overestimated, as a small number of on-balance sheet multinational transactions raised its GDP growth to 26%, resulting in a strong depressive effect on labour's share. Even with corrections included (Flaherty and Ó Riain, 2019), the trend decline for Ireland is largely evident, and considerably moreso than many advanced economies of the wider EU.

in certain subgroups such as small businesses and shops, this was attributed to the duplication of local services as a result of strong residential segregation. These findings challenged the view that there was merely 'a limited tendency' toward Protestant predominance in higher occupational classes (Rose 1971, Budge and O' Leary 1973 cited in Aunger 1975: 2).

More detailed studies of class structure and mobility were produced toward the end of the century by Breen and others (Breen 2000, 2001, 2003, Breen and Devine 1999). Mobility survey data from 1973 and 1996 allowed mapping of the class structures and mobility patterns of Catholic and Protestant men over a period spanning the height of the troubles to their forma conclusion. Over this period, it was expected that the weakening influence of the 'Stormont regime' which institutionalised discrimination in public housing allocation, industrial policy and employment along religious line, should have weakened the extent of those differences noted in studies such as Aunger (1975). Breen (2000) found strong evidence for convergence in the class structures of Catholics and Protestants, with weakening importance for ascriptive criteria such as ethnic group membership in determining destination class position. This was explained in part by liberalised access to education disproportionately benefitting Catholic class mobility. Although convergence in the class structure was detected, analyses of the 1996 cohort showed that education did not yield meritocratic effects in Northern Ireland, whilst ethnicity and class origin group continued to play a role in determining class position (Breen 2003).

It is likely that the explanatory power of categories such as ethno-religious identity has further weakened in the twenty years since these studies appeared. Attitudinal research shows that although religious categories of 'Catholic - Protestant' continue to explain substantial differences in political preferences and attitudes (Evans and Tonge 2013), the association of these religious groups with nationalist and unionist identities respectively has weakened (Hayward and MacManus 2019, McNicholl et al 2019). Survey data shows those identifying as 'neither' (Nationalist nor Unionist) increasing from 30% in 1999, to a peak of 48% in 2012 (Hayward and MacManus 2019: 141-142). The convergence of class structure along religious lines implies a declining explanatory role for ethno-religious identity, both in terms of attitudes and resource outcomes. Several processes in the years intervening Breen's studies also imply a different approach to assessing the structure of inequality in Northern Ireland may be needed. These processes include employment destandardisation, a process which in the international literature comprises weakened security of tenure, rising precarity, greater submission to performance monitoring, increased use of subcontracting, short-term contracts, and deunionisation (Kalleberg 2009). In the course of the GFC, Northern Irish involuntary non-standard part-time employment grew from 9.4% to 18.1%, the largest increase of all U.K. regions, and double the U.K. average (Green and Livanos 2015: 1226-1227). The decoupling of higher/professional occupations from security of tenure, income, and prestige is likely to weaken the explanatory role of occupation-derived class further also. We can explore this further in Northern Ireland by examining the impact of several categorical groupings on relative income differences.

Table 2. U.K. Household Longitudinal Survey (2017) Key personal Income Inequality Measures[6]		
	United Kingdom	Northern Ireland
Top 10% Personal Income Share	43.89	41.31
Bottom 50% Personal Income Share	24.64	25.79
Gini (personal income)	.39	.36

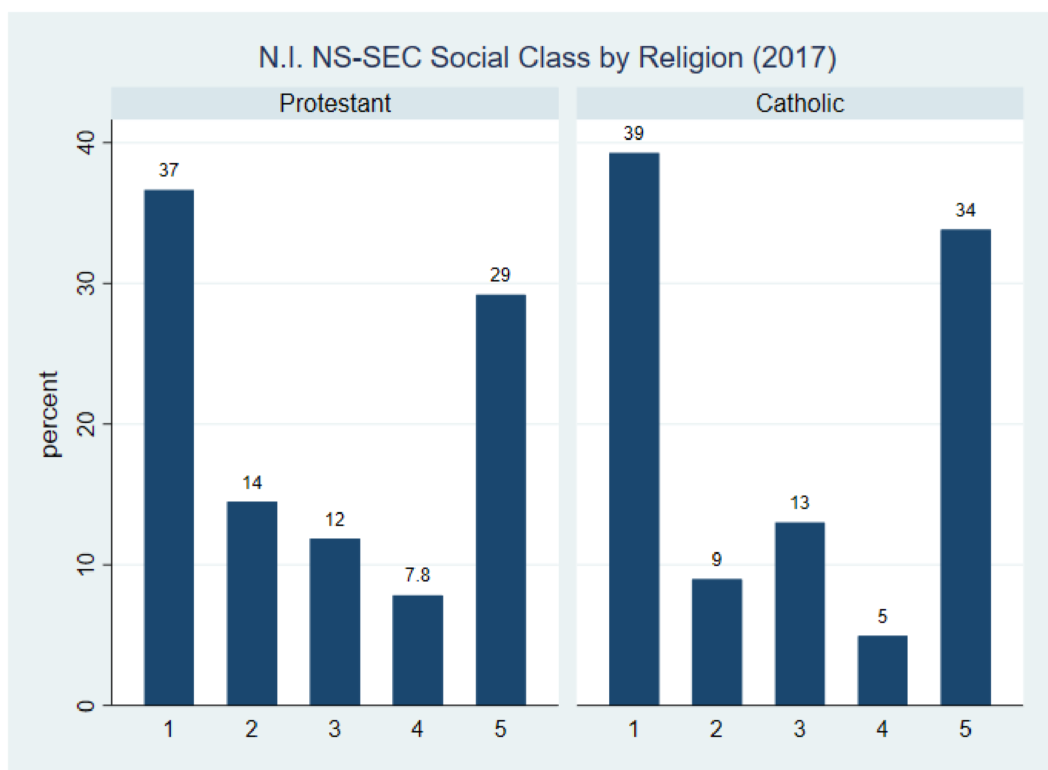


Figure 2. NS-SEC Social Class Groups, Northern Ireland (2017). Source: U.K. Household Longitudinal Survey (Understanding Society)[7]

[6] The cumulative income curves used to calculate these figures are based on self-reported household income from the U.K. Household Longitudinal Survey (UKHLS). Official statistics use the Households Below Average Income (HBAI) dataset to calculate the national Gini score. UKHLS data are used here due to the availability of several important covariates considered in figures 2-5. Therefore, these calculations should be read comparatively, and not as a full reflection of the 'true' national rate.

[7] Figures 2-3 use the five-class National Statistics Socio-economic Classification (NS-SEC) scheme. It is derived from occupation, employment status (employer, employee, self-employed), organisation size, and supervisory status. Such schemes typically focus on 'attenuation of service relationship' as a key dimension in distinguishing groups. Bearing in mind that Weberian class groupings such as this have been extensively critiqued, a more comprehensive analysis might focus on an inductive generation of new stratification groups using a wider range of variables. This framework does, however, permit comparison with those studies for which occupationally-derived class was salient. The five groups are categorised as follows:

1. Managerial and professional occupations.

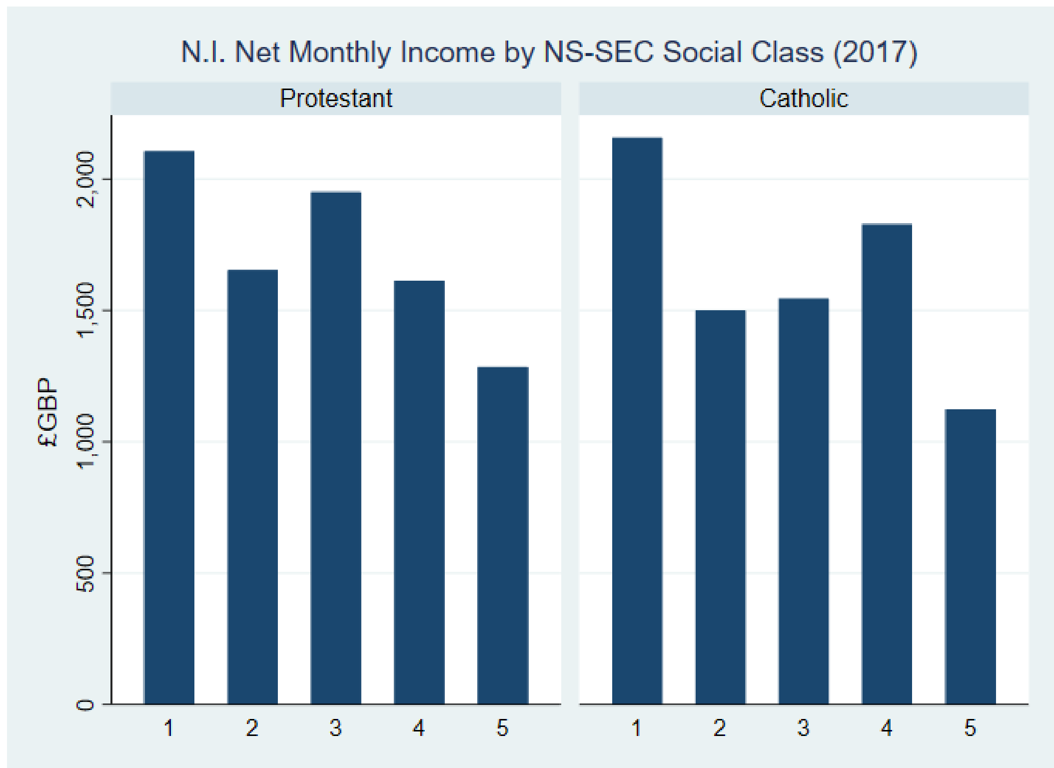
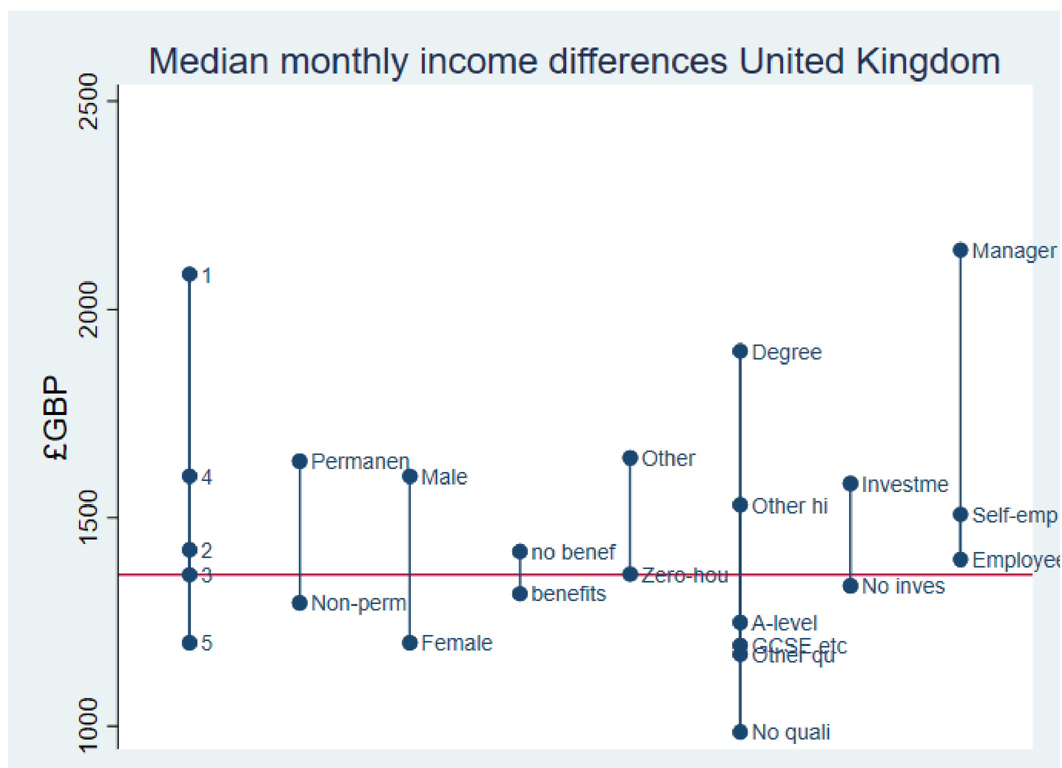


Figure 3. Median Income by NS-SEC Social Class Groups, Northern Ireland (2017). Source: U.K. Household Longitudinal Survey (Understanding Society)



2. Intermediate occupations.
3. Small employers and own account workers.
4. Lower supervisory and technical occupations.
5. Semi-routine and routine occupations.

Figure 4. Median Income Difference, United Kingdom (2017)
Source: U.K. Household Longitudinal Survey (Understanding Society)

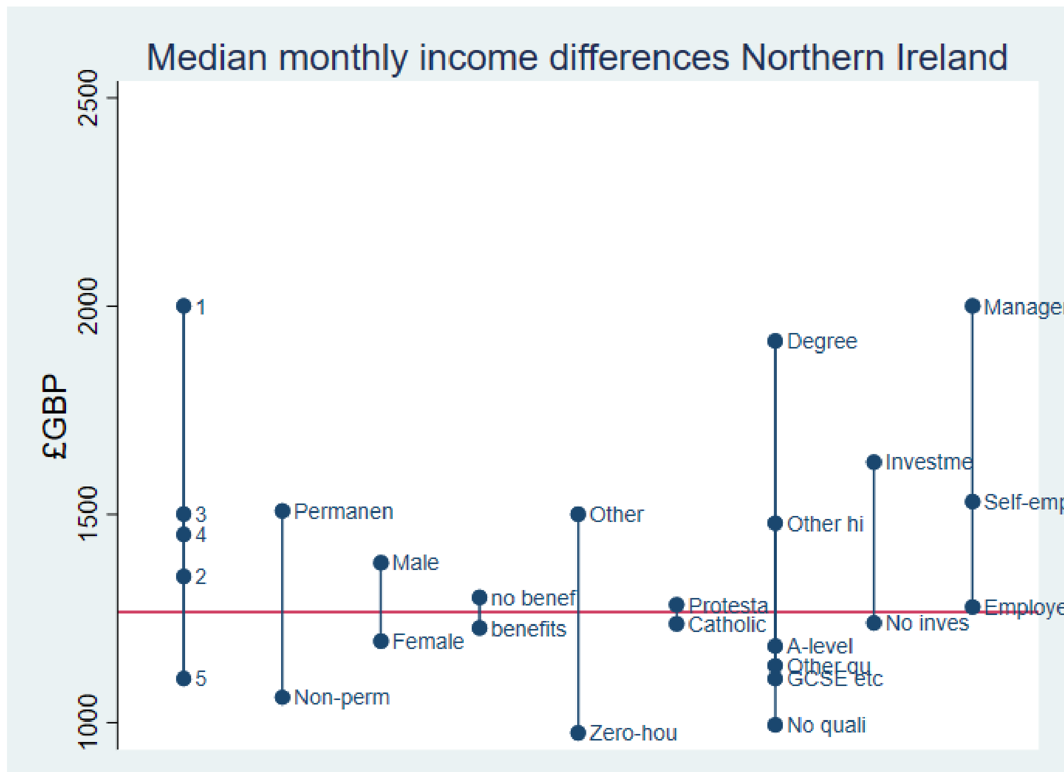


Figure 5. Median Income Difference, Northern Ireland (2017)
Source: U.K. Household Longitudinal Survey (Understanding Society)

Table 2, and Figures 2-5 use data from the 2016-2017 wave of the U.K. Household Longitudinal Study (UKHLS), which includes a sample of 1382 Northern Irish households, and 2550 individuals. The survey contains a mix of data on income sources and levels, at both household and individual level. Table 2 shows little difference in the distribution of income between fractile groups in the U.K. overall, relative to Northern Ireland. There is marginally higher top income inequality in the wider U.K., and lower overall personal income inequality in Northern Ireland. This level of aggregation misses important difference in relative income gaps however, and it is through a closer analysis of between-category inequalities that we get a clearer picture of the unique and punitive nature of inequality within Northern Ireland specifically.

Figure 1 shows little difference in the distribution of class category membership by religious groups, albeit with marginally higher representation for Catholics in groups 1 and 5. Class and religion are sociologically relevant only insofar as they can explain difference in resource distribution, and figure 3 shows little substantial variation in this regard at the extremes of categories 1 and 5. Since this class schema allocates the majority of their respective sub-samples to these groups, it appears that class, rather than religion plays the greater explanatory role in understanding relative income differences. There is some variation of note between intermediate categories – particularly the strong difference between small employers across religious groups - but not to the extent that religion could be viewed as a dominant variable. Whilst certain outcomes such as political attitudes continue to reflect ethno-national differences, their material effects are muted relative to analyses conducted immediately post-Good Friday. Indeed, the effects of class convergence were evident from the late 1990s, when it was found that risk of low income for Catholics had dropped 38%, and risen 25% for Protestants (Smyth and Cebulla 2008: 185). If the

historical convergence detected by Breen and others is indeed nearing irrelevance, the source of income gaps must lay elsewhere.

Some clues are given by the processes considered above, particularly regarding employment destandardisation, and financialisation (considered in further detail in the following section). Comparing the U.K. to Northern Ireland figures 4-5), we find differences in the income penalties experienced by different groups in both territories[8]. The raw gender and benefits pay gaps are smaller in Northern Ireland, however a full explanation requires additional controls for tenure, and working hours. Whilst both Northern Ireland and the U.K. show a non-linear distribution of income across class categories, small employers and own-account workers are second to professionals in relative income rank. This is unsurprising, given that Northern Ireland's economic base is largely comprised of loosely-networked and locally embedded SMEs, coupled with its sustained industrial decline which has relegated the income premium previously accruing to technical occupations. The destandardisation penalty is much more severe in Northern Ireland however, indicating potential real consequences of destandardisation. We observe this in the difference between those in permanent and non-permanent employment, and those on zero-hours contracts. The monthly net income penalty for those in non-permanent employment in the U.K. is £340, and for those on zero-hours contracts, £279. In Northern Ireland, the non-permanent penalty is £448, and £525 for zero-hours contract workers.

In a context of regional poverty and deprivation amongst the worst in Western Europe, coupled with extensive wage poverty (Wilson 2019a), the observed relative income gaps between those in standard and non-standard work should play a strong contributory role in rising inequality. As noted by others (McVey 2018: 46, NERI 2017, O' Hearn 2008), Northern Ireland suffers from both an equilibrium of low-skills, outmigration producing a 'brain drain', and historical lack of FDI. These structural issues are important in several respects. Research on multinational 'greenfielding' (Lamare et al 2009) has shown that in weak regulatory context, multinationals are better able to mobilise HR practices geared toward avoiding union recognition and engagement. The recent administrations of Harland and Wolff, and Wrightbus, coupled with ongoing supply chain threats against aviation component manufacturer bombardier, have highlighted both the precarity of its 'high value added' industrial base, and the lack of local strategizing around industrial upscaling, and employment creation. In the absence of growth prospects beyond low-wage service work (Coulter 2015: 766-767), and little scope for local government intervention in labour market regulation which might protect employment standards, destandardisation is likely to be a key mechanism in continued growth in inequality.

Household Debt and Inequality

Northern Ireland was not immune to one of the key socio-economic stressors that shaped the context, causes, and consequences of the financial crisis - one with far-reaching implications for understanding inequality. 'Financialisation' describes several related processes, which together form a consistent pattern of change observed in multiple countries over the last thirty tears. Key features of the process of financialisation include: greater shares of financial sector output in total national economic output, rising and diversified compensation for top earners and executives, orientation of firm management toward shareholders rather than employees, and a supplanting of real wage increases with household and individual debt dependency (Flaherty 2015, Krippner 2005, 2011, Kus 2013, 2015, Ó Riain 2012, 2014 van der Zwan 2014). Research from a regulation theory perspective has shown that growth in capitalist economies is shaped over particular time periods by characteristically different institutional and regulatory structures, which constitute specific

[8] Figure 4 and 5 do not report partial effects. These graphs display difference in medians within and between categories and territories, as indicated by category labels.

'social structures of accumulation'. These describe the various mixes of fiscal and regulatory policies that underpin economic growth during specific historical periods.

At the turn of this century, time series analyses suggested the emergence and consolidation of a 'liberal institutional structure' since the late 1970s, replacing that of the post-war 'regulated institutional structures' in territories such as the U.S. and U.K (Kotz 2003, Stockhhammer 2008). This brought several consequences for workers and wider society. As the share of income accruing to labour continued to fall across much of Europe, real wages stagnated in the face of rising costs of living (Flaherty and Ó Riain 2019, ILO 2017, 2019). Later research would connect the shifting dependence of the economic base of these countries toward finance to rising inequality (Flaherty 2014, Kus 2012, Stockhamer 2017), and slack economic growth (Tomaskovic-Devey, Lin, and Meyers 2015).

Together, these processes set a context whereby rising inequality and rising debt went hand-in-hand. As innovation in consumer financial instruments within the financial sector continued – the extremes of which would form the causes of the financial crisis – rising costs of living in the face of stagnant wages were met with increases in household indebtedness, where debt became an important stopgap in meeting everyday expenses (Georgarakos et al 2014, Kus 2013, Stockhammer 2008). In liberal countries with residual welfare states and low redistributive effort (i.e. U.S. and U.K.), borrowing has stepped in to subsidise health, education, and household consumption since the 1980s (Kus 2015: 215). The retreat of the state from other provisions such as pensions and housing may also have induced more households to place more of their income into private investment-based vehicles. Since U.K. household consumption remained stable over the years preceding the financial crisis, it is likely that increased debt was used to sustain household consumption (Stockhammer 2008: 189-190). Rising employment precarity may also have induced households to act *defensively* – acquiring more debt to preserve their lifestyles – thus implicating households at all bands of the income distribution (Fligstein and Goldstein 2015).

Northern Ireland was not immune to the structural processes that characterise financialisation, and whilst property did not set as disastrous a context for the crisis as it did in the Republic of Ireland, levels of personal unsecured debt have become problematic. Coupled with the preceding discussion of structural deficits in Northern Ireland's economy and growth capacity, wage poverty, and destandardisation, debt is a key issue in understanding the specific nature of inequality in Northern Ireland. With high levels of income and employment precarity and extensive welfare retrenchment as part of a British programme of fiscal austerity, it is a prime context for unsecured borrowing to proliferate, particularly as regulation of credit markets remains weak. OECD figures shown in Table 3 below shows a comparison of debt-to-income ratios (DTIs) across OECD countries. In 2015, the UK had a total household debt to disposable income ratio of 142.7% (Harari 2016), but UK information is dependent on the Wealth and Assets Survey, which does not include information on Northern Irish households. As can be seen from our own calculations (included in table 3), NI households had a higher debt to disposable income ratio than the rest of the UK, and closer to the figure of the Republic of Ireland. This figure likely reflects the effects of the NI housing boom and bust (DSDNI 2014) and the effects of post-conflict optimism on total debt to income levels, as well as reflecting the fact that NI has a lower disposable income level than other regions of the UK (NISRA Well-Being Report 2016).

Table 3. Debt to Income Ratio by Country*	
Country	**Debt to Income Ratio (DTI, %)**
Denmark	294.9
Rep. of Ireland	168.3
Canada	166.2
Northern Ireland	158.2**
United Kingdom	142.7
Japan	126.6
United States	105.6
France	100.6
Greece	99.8
Germany	85.4

* 'Debt' is household total debt including mortgages, as percentage of annual net household income.
** Author's own calculations using British Banker's Association data for total household debt, NINIS total number of NI households and NISRA average disposable household income.

Even without accounting for differences in base income levels across Northern Ireland and wider Britain, rates of debt remain higher for Northern Irish individuals within class groups. Northern Irish people in the lowest groups 3-5 of the NS-SEC are more indebted than their British counterparts (figure 6), and this is especially concerning since individuals in these socioeconomic groups are most likely to suffer the effects of destandardisation. The composition of debt also matters. There is substantial international variation in the ability of indebted individuals to access debt discharge through the courts, and in this respect, the U.K. is surprisingly liberal, with low insolvency admission thresholds, and protection offered by the European Insolvency Regulation (Angel and Heitzmann 2015). Whilst this offers some protection to debtors in the U.K., consumer credit markets are weakly regulated, and financial literacy is low amongst low-income groups. High-interest payday loan companies often market stopgap credit to vulnerable and low-income groups unable to meet high repayments due to compound interest rates (Ali et al 2015), whilst the decision to access such products is often driven by emotive and existential considerations, rather than economic rationality (Brown and Woodruffe-Burton 2015). Of the almost 600,000 low-income households in NI, over 400,000 were found to use credit of some variety, with 50,000 of these using high-cost payday loans (Ellison, Jones, and Dignan: 29).

Is is also difficult to conclude, in the absence of reliable data, if household credit decisions were shaped by aggressive marketing policies by banks, or by improved access to credit due to rising house prices prior to 2008 (Stockhammer 2008: 188). In Northern Ireland, both have likely played a role. In the two-year period prior to the GFC, the ratio of median property prices to median annual income rose from 5.2 to 9.2[9], suggesting that households may have had access to additional credit via equity. Figure 7 shows a comparison of financial activities in Northern Ireland and Britain. Whilst equal extents of households report a subjectively comfortable financial situation,

[9] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/NI%20House%20Price%20Index%20statistics%20report%20Quarter%203%202019.pdf

the self-reported savings rate is low, with only 36% of respondents reporting ownership of a savings account. When decomposed by social class, 43% of professionals in Northern Ireland report having a savings account, but only 27% of routine workers. Northern Ireland thus exhibits both higher debt burdens within social class groups, and a pattern of financial behaviour likely to expose low-income households in particular to increased risk of economic stress.

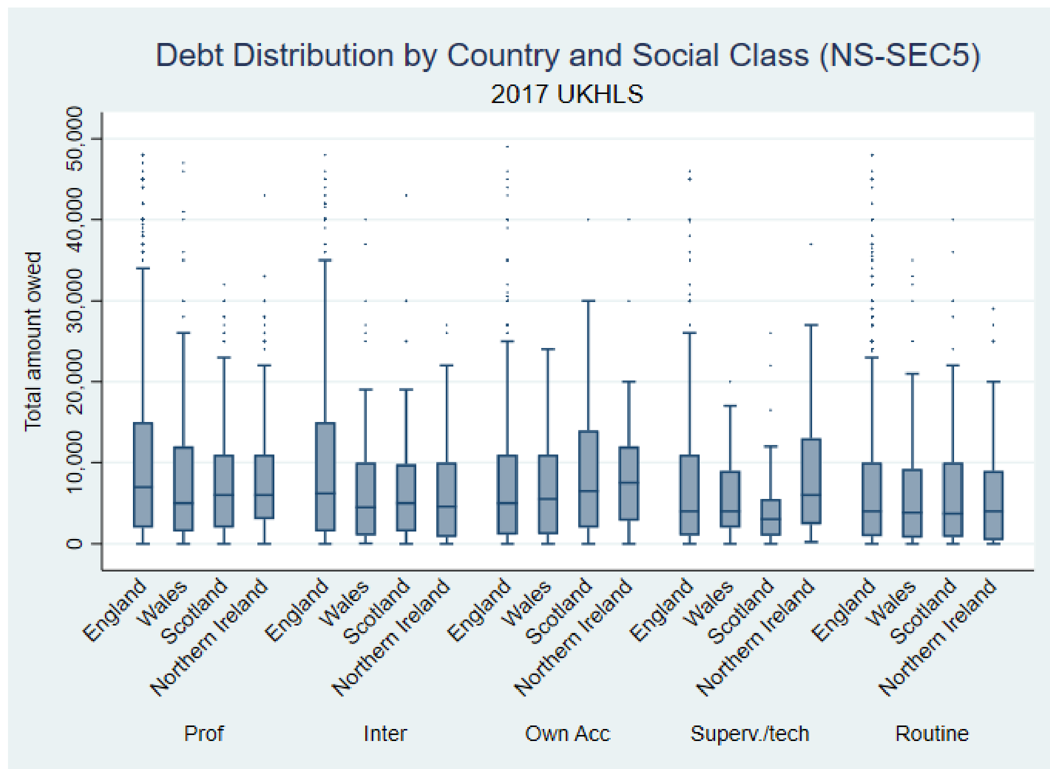


Figure 6. Debt Distribution by Social Class (2017)[10]
Source: U.K. Household Longitudinal Survey (Understanding Society)

[10] Figure 6 uses the same 5-class NS-SEC as in figure 2-5. The debt variable in the UKHLS is the total sum of money owed, including both secured and unsecured. Whilst this is useful for comparing overall levels of debt between countries, it does not allow us to calculate debt servicing ratios on a flow basis, as with the CHS.

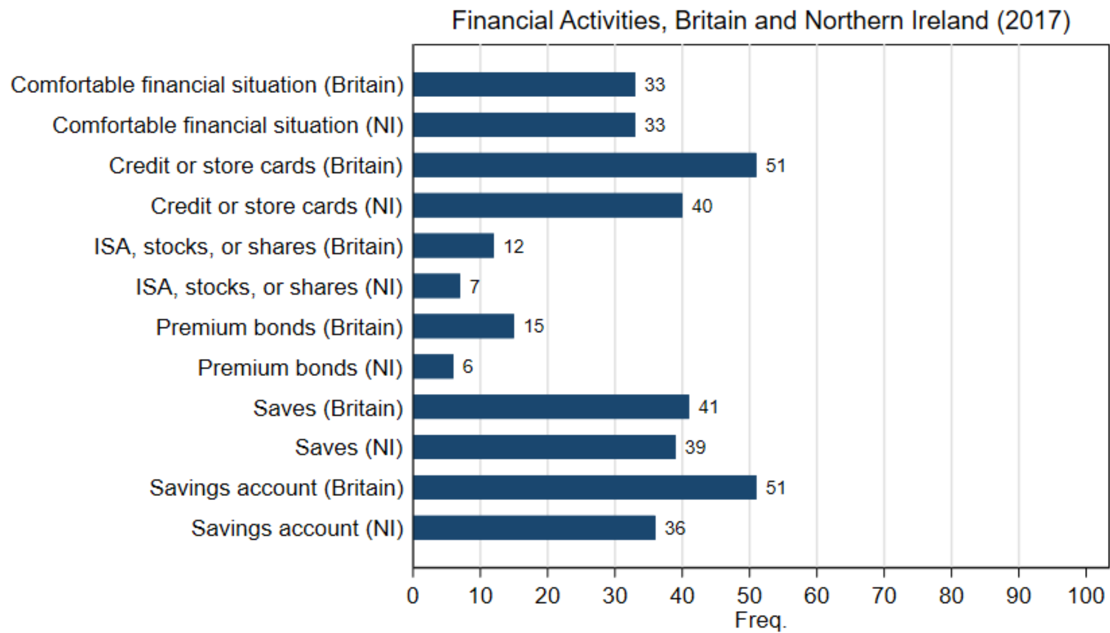


Figure 7. Comparison of Financial Activities – Britain and Northern Ireland (2017)
Source: U.K. Household Longitudinal Survey (Understanding Society)

Debt levels alone are insufficient to assess the contribution of debt to reproducing inequality. In assessing the extent of *problematic* indebtedness, it is important to consider the experience of debt from the perspective of households. Household debt studies have typically worked with fixed-income thresholds to define problematic debt (i.e. Kempson 2002). This approach does not account for the effect of household size and tax liabilities, before calculating the amount of income remaining which can be used to service debt (Harari, 2016). Using data from the Continuous Household Survey (CHS)[11], table 3 reports some headline income and debt figures, adjusted by income quintle. This allows us to address the effects of relatively low levels of debt as a proportion of income on lower income households, and the ability of higher income households to manage a much higher ratio of debt to income. Calculating indebtedness in this way results in fewer high-income households being classified as over-indebted, whilst better capturing the extent of problem debt amongst low-income households. Based on the calculations contained in table 3, we find that 10.5% of Northern Irish households were over-indebted on the eve of the financial crisis – bearing in mind that this calculation is specific to unsecured debt, which is most commonly used to finance ongoing household expenses.

[11] The Continuous Household Survey (CHS) contained a debt module in its 2007 edition, and is the only source of information on unsecured debt levels in Northern Ireland. The CHS is one of the largest continuous surveys carried out in Northern Ireland each year by the Northern Ireland Statistics and Research Agency and has been running since 1983. The survey is a repeated annual cross-sectional study, and uses a multi-stage, stratified random sample with face-to-face interviews. Each year approximately 4,500 addresses are selected randomly from the Valuation and Lands Agency list of addresses to be contacted, and all members of the household aged 16 years and over were interviewed but only those aged 18 and over were included in the analysis

Table 3. Over-indebtedness Thresholds by Income Quintile using CHS Data (2007).			
Income Band	**Over-Indebted DSI (%) Levels**	**Median Monthly Income (GBP)**	**Monthly Repayments, CHS Variable DSI (GBP)**
Quintile 1	20	937	177
Quintile 2	25	1583	407
Quintile 3	30	2144	604
Quintile 4	35	2919	934
Quintile 5	40	5433	1686

We must also consider how debt repayments impact household income, rather than looking at overall debt levels alone. Such a measure will include the effects of lower interest rates on the ability to repay debt[12], thereby giving a more pragmatic appraisal of the impact which unsecured debt has on households. For example, CAB NI (2009) data showed that 33% of their clients owed less than £5,000, but that this amount was enough for those households to find their debt repayments problematic, as the cost of servicing that debt was high compared to their earnings. This is important for households where payments on smaller debt amounts carry larger interest rates requiring a greater proportion of their disposable income, potentially making those payments more of a burden. Previous research also suggests that lower income households in particular pay more for their credit (Nocera, 1994; Manktelow, 2011).

Comparing bottom and top income quintiles we find considerable differences in the impact of unsecured debt repayments on household finances depending on household income as shown in table 3. Column 4 shows the average of actual debt repayments reported by respondents in the CHS for 2007/08. If we look at a household in the lowest income quintile, earning an average of £937 per month, the threshold for over-indebtedness for this income groups shows that a spend of only £187 per month on unsecured debt repayments is needed, in order to be considered over-indebted. It is important to remember that households in the middle and upper income quintiles could reasonably be expected to have more outgoings and obligations or expectations (perhaps a bigger mortgage, car payments etc), and so their experience of debt repayments at this level could be as much of a burden as those of lower income households. A variable rate measure therefore has greater potential to capture the impact that even relatively low debt repayments have in lower income households.

Table 4. Effect of individual and household characteristics on odds of over-indebtedness*			
Variable	**Odds Ratio**	**Variable**	**Odds Ratio**
Household		*Educational Qualifications*	
Single person, no kids (Ref)	-	Degree Level qualification (Ref)	-
Single parent	2.093*	Below Degree Level	1.179
Couple, no kids	.971	No Qualifications	.841

[12] Meaning a higher debt load can be better managed, as lower interest rates mean lower repayments.

Table 4. Effect of individual and household characteristics on odds of over-indebtedness*			
Variable	**Odds Ratio**	**Variable**	**Odds Ratio**
Couple with kids	2.404**	*Housing Tenure*	
Age Group		Mortgage (Ref)	-
18-39	.879	Own Outright / live rent free	1.015
40-59	.882	Rent	.724
60+ (Ref)	-	*Household Credit related variables*	
Relative Income Quintile		Not moved in last 10 years (Ref)	-
Bottom Quintile Q1 (Ref)	-	Moved in last 10 years and have Mortgage	.606*
Second Quintile Q2	.664	No credit facilities (Ref)	-
Third Quintile Q3	.287***	Two or more credit facility	2.165***
Fourth Quintile Q4	.222***	Not taken loans in past 12 months (Ref)	-
Top Quintile Q5	.259***	One or more loans in past 12 months	3.755***
Working Hours			
Not working part-time (Ref)	-		
HRP or Spouse work part-time	1.572**		

* Results in this table are from logistic regression models of household over-indebtedness, using debt module data from the 2007/2008 CHS. See McAuley and Flaherty (2020) for full details on specification.

The results reported in table 4 suggest that credit and access to credit is more relevant in predicting potential repayment problems, than demographic characteristics such as household composition. Odds of over-indebtedness are substantially higher for those households with multiple credit facilities and loans, with a little evidence that mortgages are important. Knowing that the consumption of 'problem' credit instruments such as high-interest bridging loans is likely more prevalent amongst low income-households, coupled with Northern Ireland's lower savings and 'safe' investment rates (figure 7), this further affirms that already-vulnerable households are more likely to bear the negative consequences of debt. We find that several factors implicated in explaining poverty and deprivation are also associated with problem indebtedness. Lone-parent, families with dependents, sub-degree educated, and low-income households are most at risk, as are those where at least one member is working part-time. Placing this in context of the preceding discussion of general inequality, it is clear that Northern Ireland is uniquely vulnerable relative to Britain. The above models focus specifically on *unsecured* debt, a category that is marketed principally to low-income households. Such instruments work only insofar as their consumers can rely on a regular flow of income to meet repayments. Evidence instead shows a cyclicality to credit consumption amongst low-income households and social tenants, who may use overdrafts to resolve credit card debt, which ultimately cannot be paid down (Ellison, Jones, and Dignan 2016: 38). With generally high levels of income precarity, overall economic vulnerability, slack wage growth – coupled with a retreat of the state from social protection investment (Coulter 2014) – this is a prime context for problem debt to thrive.

The characteristics of debt instruments themselves are as important as the context in which they are consumed. Compound interest means that the rate of increase in total repayment liabilities is non-linear, and households that opt for small bridging loans can quickly find themselves in

problem debt – bearing in mind that the thresholds for problem debt for low-income households are themselves markedly low. This is not limited to products sold beyond the core commercial banking system – indeed, the majority of credit instruments are sold within this sector. However, compounded debt is not helped by lack of transparency, and economic literacy, around feed and interest accruable on convention instruments such as credit cards and overdrafts (Angel and Heitzmann 2015).

Conclusion: The Specific Reproduction of Inequality in Northern Ireland

The key questions considered in this chapter are the extent to which 'standard' explanations of inequality are still applicable to Northern Ireland, in the context of wider changes in domestic and international political economy, the declining importance of 'binary' inequalities such as religion in explaining differences in economic reward and vulnerability, and the role played by finance (particularly debt) in reproducing inequality. We argue that in order to understand the extent, and perpetuation of, inequality in Northern Ireland today, we must account for how related processes of destandardisation, financialisation via increasing household debt, deregulation, and state retrenchment from social protection, are key drivers. Whilst categories of class, religion, and ethnonational identity continue to play a role, they have decline substantially in terms of their ability to explain relative income difference, and these are processes that cut across sectarian divisions, affecting vulnerable groups similarly regardless of nationality. Our discussion of inequality must be read in context of the lack of attention given to overall income inequality in Northern Ireland over the past twenty years. Part of this stemmed from a renewed focus, often by third-sector groups, on issues of poverty and deprivation in the post-GFA years, and with good reason. These concepts are amenable to measurement, more readily lend themselves to policy strategizing, and are more intuitive in terms of their impacts and causal pathways (see Kelly et al 2012, Tomlinson et al 2014). In the years since the last detailed studies of class structure (Breen 2000, 2001, 2003), the role of general inequality in driving negative social outcomes returned to the international research agenda (Alderson and Nielsen 2002, Piketty 2014, Pickett and Wilkinson 2015, Savage et al 2013).

How does Northern Ireland differ in its experience of inequality, and why does it matter? Past consensus would suggest that overall levels of income inequality were driven primarily by technological, or other macro-economic factors with almost functional impacts on the distribution of income. Models such as the 'skill-biased technological change' hypothesis, which linked disproportionate demand for technically skilled workers to rising inequality, have since given way to political-economic models (Kristal 2013). Financialisation/finance-driven growth, retrenchment, and destandardisation, are not external process which impact from without, they are the product of specific policy sets enacted by government at various levels. They serve to undermine collective bargaining capacity, raise the mobility of capital relative to labour, and hastening employment de-standardisation (Flaherty and Ó Riain 2019, Guschanski and Onaran 2017, Kristal 2010, Stockhammer 2017). These, as discussed above, are key to understanding inequality and economic precarity in Northern Ireland, with a vulnerable manufacturing sector, weak labour market protection, and ongoing retrenchment. Given the noted equilibrium between low skills and domestic output (MacFlynn 2017), coupled with its history of stunted high value-added investment, it seems likely that sectoral and employment-related processes will play the greater role in determining the shape of inequality into the future, with employment precarity and poor regulation driving greater credit consumption.

How might these processes unfold in the context of Brexit? At writing, Northern Ireland's largest unionist political party, the Democratic Unionist Party, had lost its deciding vote as minority partners in the Tory government, a position it held from the 2017 general election to 2019. Demographic change has also seen increased nationalist and neutral representation at all levels of government, and pushed the question of North-South reunification back to the medium-term political agenda. It is not clear that unification would yield any immediate economic windfalls however. Northern Ireland is dependent on heavy subventions from Westminster, which still retains legislative control over key fiscal issues such as core taxation rates. The Republic of Ireland is similar in many respects – its welfare state is residual with a low replacement rate, low investment in social and affordable housing, and an extensive system of private healthcare parallel to a strained public. Simulations of the economic windfalls of unification emphasise the potential payoffs of corporate tax harmonisation between North and South (KLC Consulting, 2015). This is not a credible prospect for a state such as the Republic of Ireland, which does a poor job in policing corporate tax compliance. The Irish State appealed a European ruling, which characterised its taxation of tech company Apple – and its underpayment of €14.3bn in corporate tax - as illegal state aid. Its reluctance to enforce regulation on key financial and corporate sectors, coupled with its ongoing erosion of public health provision and social housing, would be unlikely to address any of the structural and institutional deficits currently driving inequality in Northern Ireland. In this chapter, we have attempted to place Northern Ireland in the wider context of international political economy – in terms of both research, theory, and historical experience. We suggest that strategizing on the question of future economic security and equality for Northern Ireland must consider the region in terms of its place in the wider international capitalist system, and its unique political, economic, and social structure.

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