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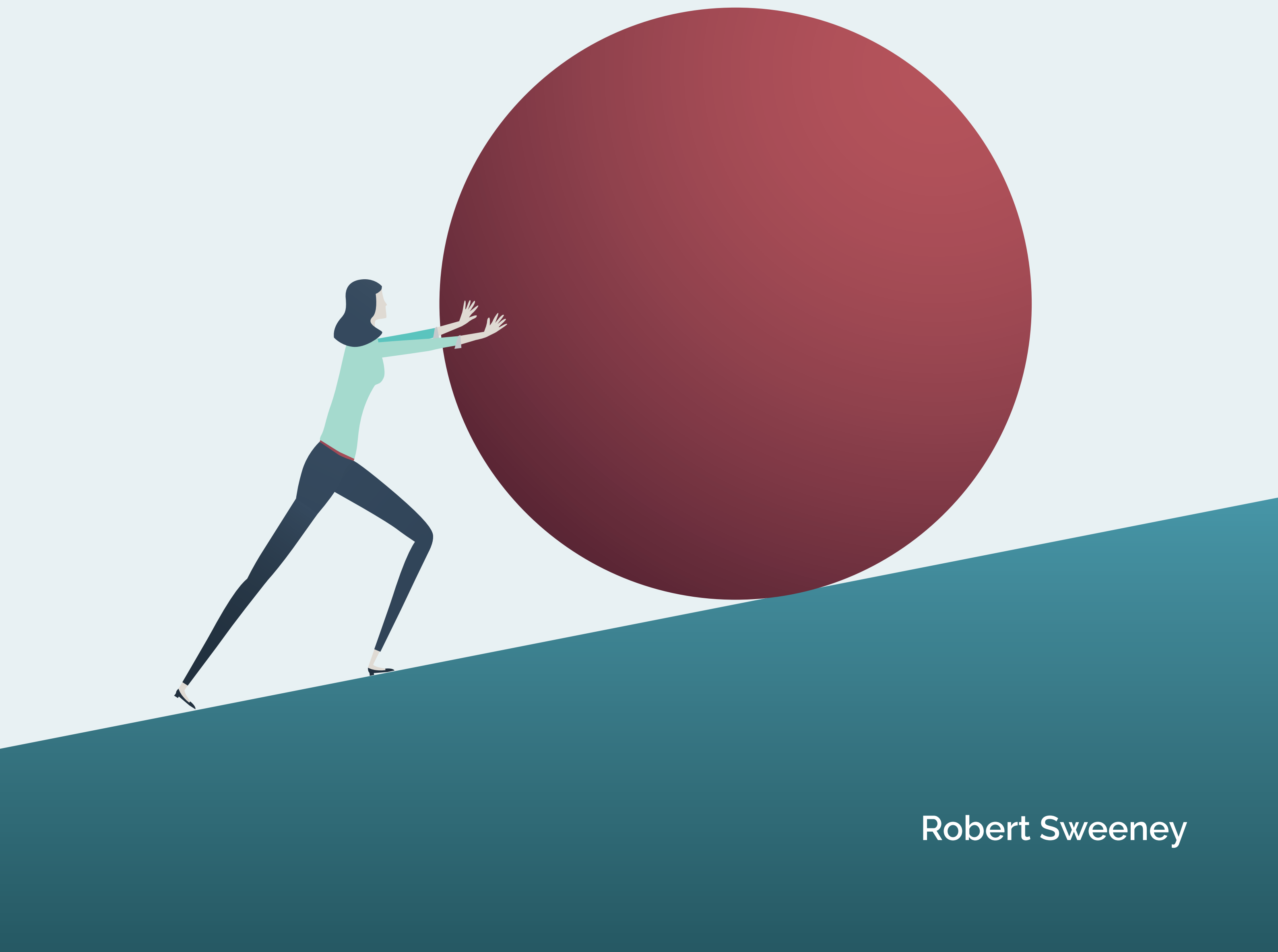
The state we are in: inequality in Ireland today



Robert Sweeney

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Table of Contents

1. Introduction

1 Introduction

Inequality relates to the unequal distribution of material resources, capabilities, and outcomes within or across societies and populations. Inequality is often measured in terms of the unequal distribution of economic resources such as income and wealth. It can also be measured through other indicators of wellbeing such as health, education, work satisfaction, life satisfaction, decision-making power, access to social networks, among others. Naturally, within any one category of well-being a variety of metrics can be brought to bear to gauge the level of inequality.

Countries with high levels of economic inequality tend to do poorly across a range of social indicators. As documented by the now well-known work of Wilkinson and Pickett (2010), countries with high levels of income inequality tend to have high rates of crime, poor physical and mental health, and so on. To the extent that high levels of inequality imply a lack of economic resources for significant portions of the population, poor education, health, and social outcomes are soon to follow. Segments of the population may be excluded from societal institutions, especially market-based ones. But over and above inequalities of access, socioeconomic inequalities put pressures and stresses on individuals through status competition and social hierarchies. High levels of inequality are associated with less socially cohesive societies, which may also affect social outcomes (see Layte, 2012).

As we approach the 100-year anniversary of the Dáil, this update looks at inequality in Ireland, building on previous editions of the more comprehensive Cherishing All Equally reports. In the 2017 edition, TASC, in partnership with FEPS (the Foundation for European Progressive Studies), found that Ireland continued to rank in the middle among European countries in income inequality. However, in market inequality terms, Ireland was the most unequal country in Europe. Previous reports also pointed to deficits in public provision in key areas, including housing, health and social spending.

This report examines income inequality in Ireland, and Ireland's place among European countries. Before analysing facts and figures on inequality, it first looks at socioeconomic factors related to inequality, especially characteristics of the Irish labour market. Ireland has a comparatively employer-friendly labour market, and workers have comparatively little bargaining power. As well as predisposing Ireland to have high market inequality, coupled with low employment rates, this leads to higher levels of low pay, deprivation, and risk of poverty.

The report also details how Ireland continues to rank in the middle when final or disposable income inequality is considered. This is achieved only after transfers by the state and a progressive taxation system. The report focuses on which groups drive inequality, emphasising how the top ten percent and bottom 40 percent of income earners struggle for greater shares of national income. Finally, we also look at inequality in different sectors of the economy. Though Ireland generally has more people employed in both high and low-pay sectors than comparable countries, most of the inequality in Ireland is driven by inequality generated within, rather than between, sectors of the economy. In other words, inequality is not driven by large differences in income between different industries.

This report is organised as follows: Section 1 looks at aspects of the Irish labour market which relate to inequality, and also presents information on low pay, poverty, and deprivation. Section 2 looks at inequality in Ireland, and how Ireland's inequality differs from comparable countries. Section 3 examines sectoral components of inequality in Ireland and the scope for redistribution. Section 4 documents year-on-year changes in social indicators. The final section summarises the findings and concludes.

2. The Irish labour market, low pay, weak employment and poverty

2 The Irish labour market: low pay, weak employment and poverty

As the key site of distributional struggle, this section examines the Irish labour market. Ireland's labour market structure predisposes it to high levels of inequality. Ireland has what might be termed a flexible labour market: workers offer great flexibility to employers. Union membership and coverage are comparatively low and labour protection comparatively weak. One consequence is an unusually high incidence of low pay. Moreover, though employment has increased in recent years, participation rates remain low, which intensifies distributional pressures. Ireland also has high rates of poverty and deprivation.

2.1 Institutional aspects of the labour market

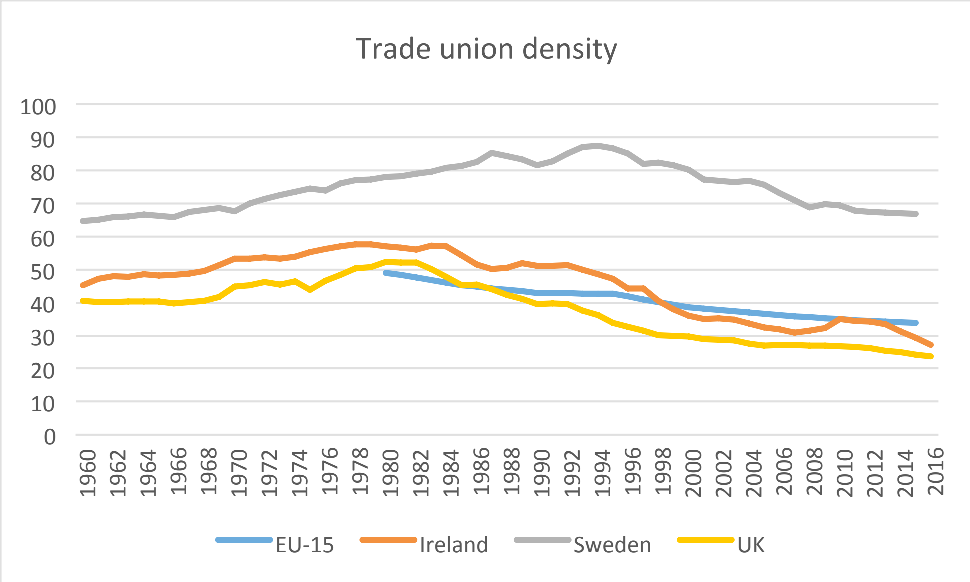
Not only in Ireland but across Europe, labour markets have undergone a major transformation in the last three decades or so. There has been increased polarisation in remuneration from work, an unprecedented growth in the number of women in paid employment and a shift from manufacturing and agriculture towards services. These processes are related in that women disproportionately occupy service positions, often in the public sector. A further change peculiar to Ireland is the comparatively high dependence of employment on foreign direct investment (FDI), though the domestic-oriented[1] sector still accounts for some 90% of employment (Jacobson, 2018).

In addition to structural transformation, another key source of change in the labour market has been increased 'flexibility', as elsewhere in Europe. According to textbook neoclassical economics, a variety of 'rigidities' are said to impede the smooth operation of labour markets and these can, it is argued, lead to higher unemployment. As such, governments across the continent have sought to limit or scale back a variety of labour-protective measures, from restrictions on hiring and firing to the role and salience of trade unions.[2] Both structural change, including in Ireland the penetration of FDI, and the move towards more flexible workplaces have weakened organised labour.

These trends are evident in Figure 1, which shows trade-union density – the share of employees who are members of a union – in Ireland and comparator countries since 1960. A pattern of increase from the 1960s followed by sustained decline from around the early 1980s is observable. Trade-union density in Ireland is currently close to the EU-15 average,[3] and much below social-democratic Sweden, albeit somewhat above the UK. Unsurprisingly, this has been a period of steadily increasing inequality.

1 This includes foreign-owned firms catering to the domestic economy such as supermarkets.
2 The evidence that more employer-friendly labour market structures lead to higher employment is decidedly mixed (Howell et al., 2007).
3 the 15-member EU before the enlargements to the east in the 21st century

Figure 1: Trade-union density

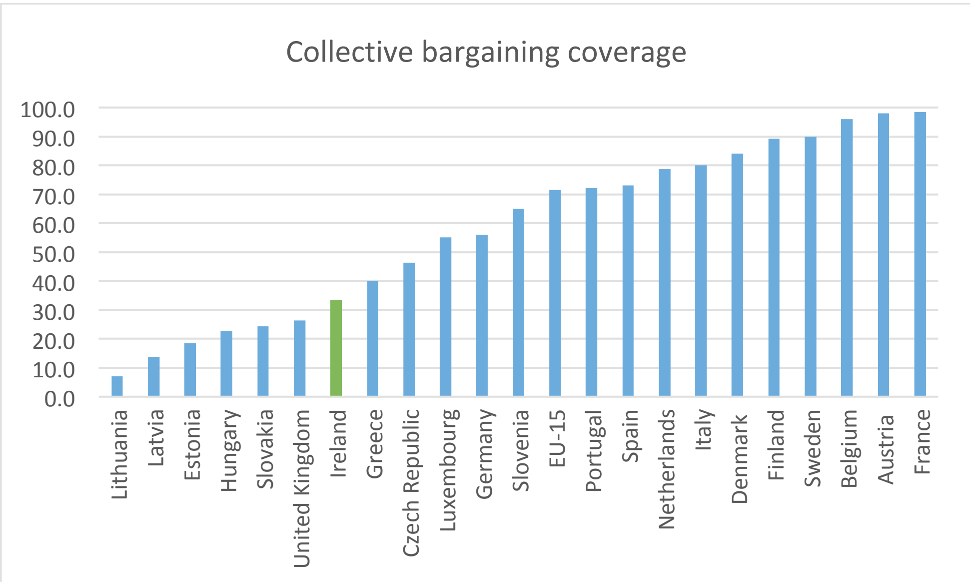


Source: OECD labour statistics.

Note: Historical data was not available for Eastern European countries. Due to missing data the EU-15 average could not be measured exactly; it was measured every five years using nearest-year data and linearly interpolated.

Trade-union density can however give a misleading picture of the role and strength of unions in an economy. In several countries, the share of the workforce who are a member of a union is not high but most workers are still covered by collective-bargaining agreements. As shown in Figure 2, at just a third of the workforce, collective-bargaining coverage is unusually low in Ireland by EU-15 country standards. Only the UK and some highly unequal Eastern European states have lower coverage. Surveys of global opinion and also in the UK, which is similar to Ireland, suggest growing support for collective bargaining and greater prominence for trade unions (ITUC, 2018; Ipsos, 2017).

Figure 2: Collective-bargaining coverage

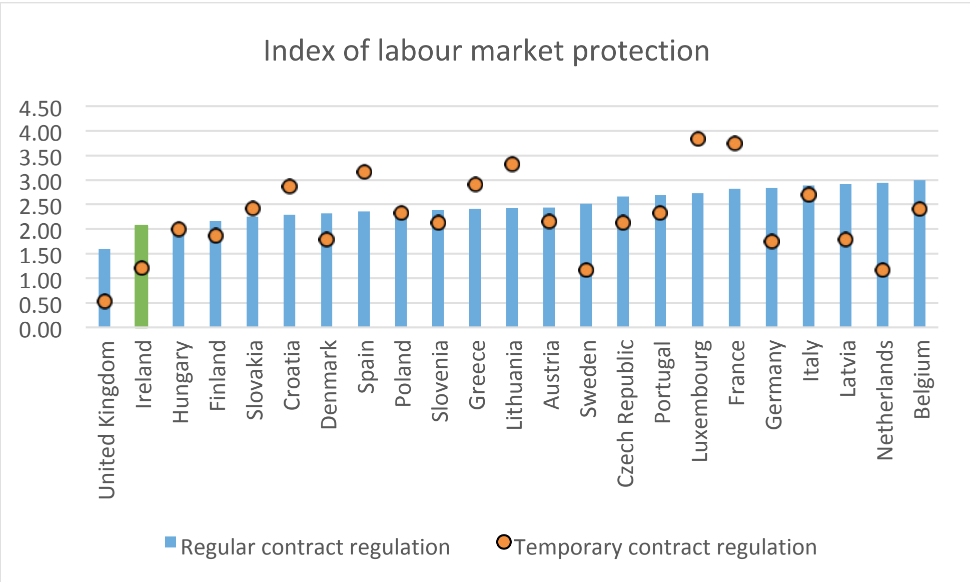


Source: OECD.

Note: figures are based on most recent data, which is generally 2015 and 2016 but occasionally 2014.

Unsurprisingly then, Irish labour law offers workers low protection. As shown in Figure 3 below, Ireland ranks 22nd out of the 23 EU countries in terms of labour market protection, and 20th for temporary-contract regulation. Though severance pay is reasonable, crucially Ireland performs poorly given the ease with which employers can lay off employees – for instance, comparatively little notice has to be given (Murphy, 2016). Interestingly, most Nordic countries also offer relatively weak labour-market protection. They have achieved high prosperity and historically high degrees of equality through a bargaining process which integrates a relatively flexible and productive labour force into international markets, backed by a social welfare system with high replacement rates and active labour-market programmes.

Figure 3: Index of labour-market protection

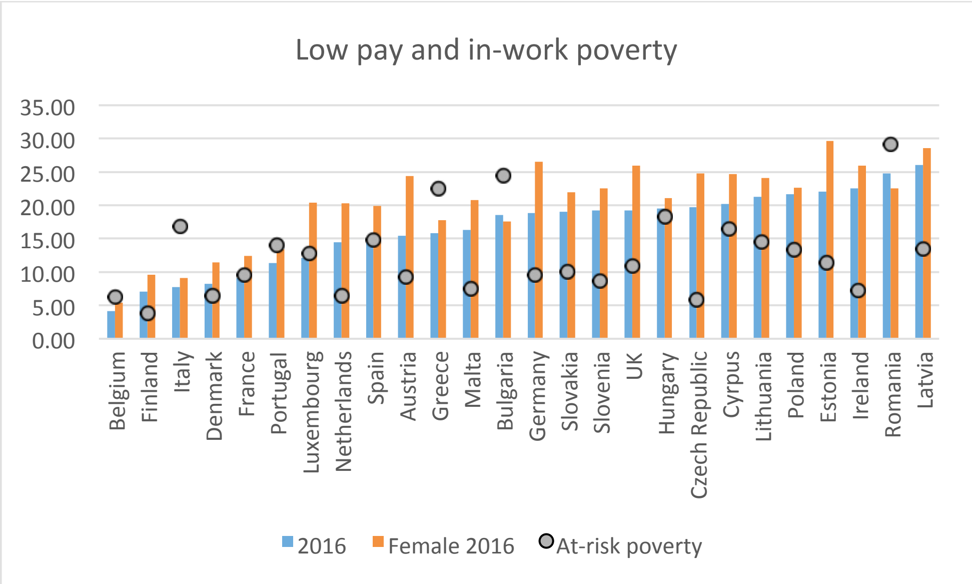


Source: OECD employment-protection statistics.

Notes: Most recent data mostly refers to 2013 but sometimes 2014 and 2015.

Low bargaining power for workers is likely to lead to high pay inequality. One indicator of the distributional consequences of weak labour-market institutions is low pay, as shown in Figure 4 below. It shows the incidence of low pay among EU countries, arranged according to total and specifically female pay for 2016, the latest year of available data. Someone is low-paid if, as a full-time worker, they earn less than two-thirds of gross (that is, pre-tax) median earnings. The low incidence of low pay in countries such as Italy is likely a result, at least in part, of fewer women in the workforce, and hence fewer low-paid service occupations. The Nordic countries' ability to combine a low incidence of low pay and high female participation is likely a result of collective bargaining in which comparatively high wage floors are set sector-by-sector (see Eldring and Alsos, 2012).

Figure 4: Incidence of low pay and in-work poverty



Sources: Low-pay based on OECD labour statistics; in-work poverty rate based on Eurostat.

Notes: in-work poverty data are for 2016 and refer to equivalised disposable income of less than 60% of median; Swedish and several Eastern European figures for low pay are not available.

At 23% of the workforce, Ireland has among the highest incidence of low pay in the EU with only Romania and Latvia higher.[4] In 2006, things were somewhat better, in that 'only' a fifth of the workforce were low-paid (OECD, 2018). Ireland also has a high rate of low pay among women, where more than a quarter are in low-paying jobs. Again, things have deteriorated for Irish women over the course of a decade, as somewhat fewer women were in low-paid jobs in 2006 (ibid.). The existence of low pay coincides, incidentally, with below-average labour costs (wages plus employers' pay-related social insurance) throughout the economy (Unite, 2016; TASC, 2018). This is despite Ireland being a high-cost economy relative to EU norms (NCC, 2018; ibid.).

That said, the in-work poverty rate in Ireland is low by European standards. At 4.8%, only Belgium and Finland had lower in-work poverty in 2016. The reason for the discrepancy between pay and poverty is that low pay refers to pay, whereas the poverty figure incorporates income received from other sources. In particular, the Irish state supplements the income of the low-paid through a variety of transfers such as family income and child supports, and jobseekers' allowance for part-time workers (Collins and Murphy, 2016). The state, in effect, subsidises a low-pay economy and enables employers to pay low wages.

2.2 Employment participation

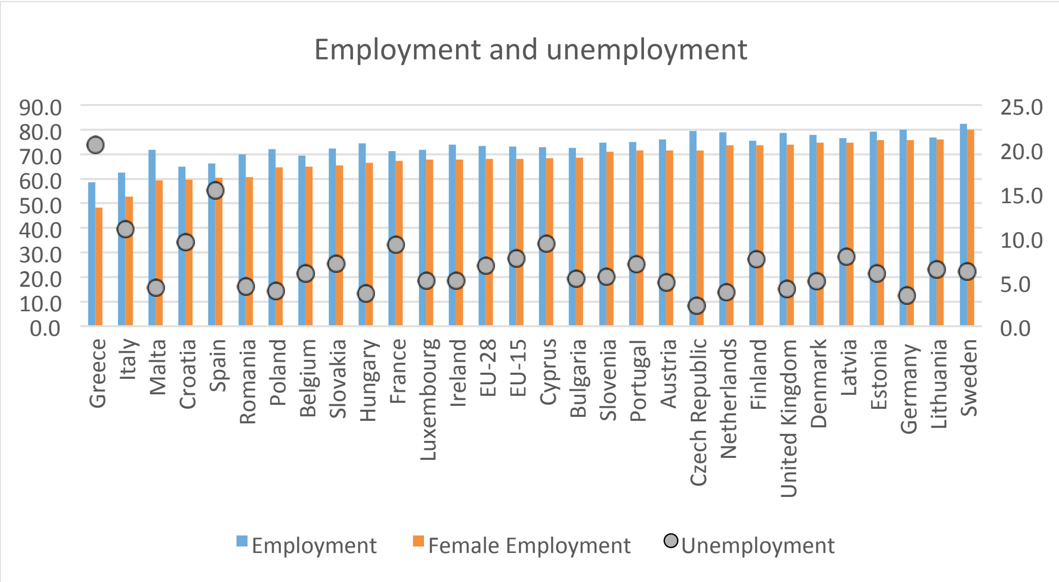
In addition to its impact on pay, the labour market affects the distribution of income in that participation in paid employment varies across different groups in society. Figure 5 shows the overall employment and unemployment rates for segments of the Irish and European labour forces. Countries are ordered according to the total employment rate. Employment figures are based on the end of the first quarter of 2018 for 20-64 year olds, whereas unemployment is based on the second quarter for the entire

4 Ireland's unusually high rate of low pay is replicated when hourly earnings are used. Among EU-15 countries, data for the same period as above show that only Germany has a higher incidence of low pay (Wickham, 2017: 43).

population. As has been well-documented, Ireland's unemployment rate is lower than European averages. As with other metrics, though, averages are skewed by extreme values among the Southern European countries.

The headline unemployment figure is not a true reflection of the share of the workforce whose employment needs are being met by the economy. The official rate is based on the International Labour Organisation definition of employment, being at least one hour of paid work per week. Factoring in part-time workers who would prefer to be working full-time, and the sizeable segment of the workforce aided by the state through government job schemes, the so-called broad jobless rate was estimated to be 15% in 2017 (Hennigan, 2017). Fewer people at work leads to disparities in market income between them and the employed.

Figure 5: Employment and unemployment rates



Source: Eurostat.

Note: the unemployment axis is on the right-hand side.

A similar point arises when one examines the employment rate, the share of the population in employment. The lower unemployment rate in Ireland compared with, say, Portugal or Finland masks the fact that the share of the workforce in employment in these countries is higher. At 74%, Ireland comes ninth in the EU-15 and 15th in the EU-28 in terms of the share of the population in employment. In terms of the share of women who are employed it comes joint tenth and 15th.[5]

That is to say, though the headline rate of unemployment continues to recover, Ireland has difficulty finding employment for its population, especially women.[6]

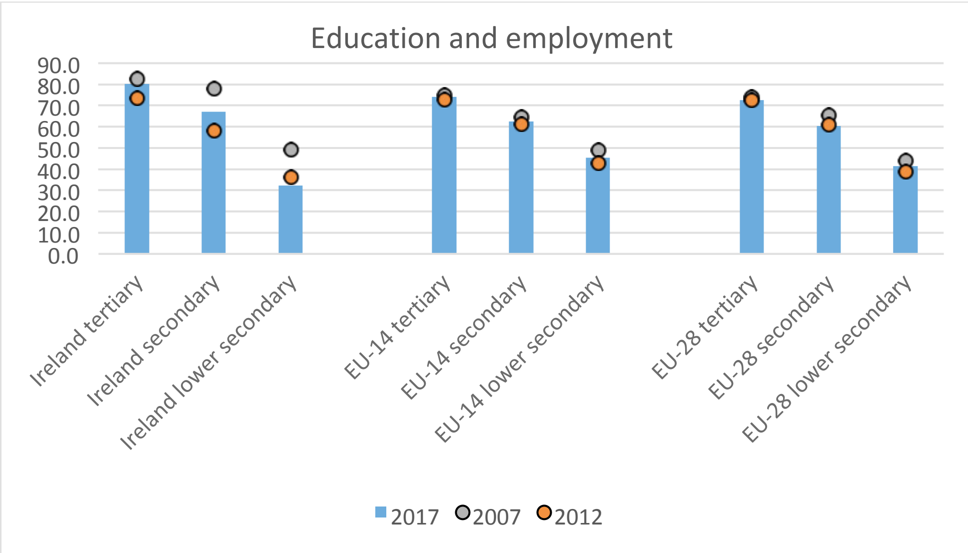
The class-based nature of employment is shown in Figure 6, which demonstrates the strong relationship with educational attainment. Across Europe, the rate of employment steps down from the tertiary-

5 Irish female-labour force participation is however above the EU-15 average (Wickham, 2016: 225).

6 Low employment does not appear to be a general feature of the Irish economy but rather is localised in segments of the labour market. The OECD (2018b: 38) notes, for instance, that the differential in participation between low- and highly-educated youths in Ireland is the highest in the EU. Female participation is also low, though it should be borne in mind that much of the work women do is unpaid.

level educated, to those with only upper-secondary education, to those with only lower-secondary and below. In Ireland, at just 32% and well below European norms, the employment rate among the least educated was particularly low in 2017. In contrast, there was a significant gain in employment for the middle group from 2012 and also a gain for the top group, whose employment rate had fallen less over the crisis. A decade or so previously there was no discernible difference in employment for low-education groups in Ireland compared with Europe as a whole. This points to an incomplete employment recovery for low-education groups or a structural problem which was papered over by the boom of the 2000s.

Figure 6: Employment and education



Sources: Eurostat.

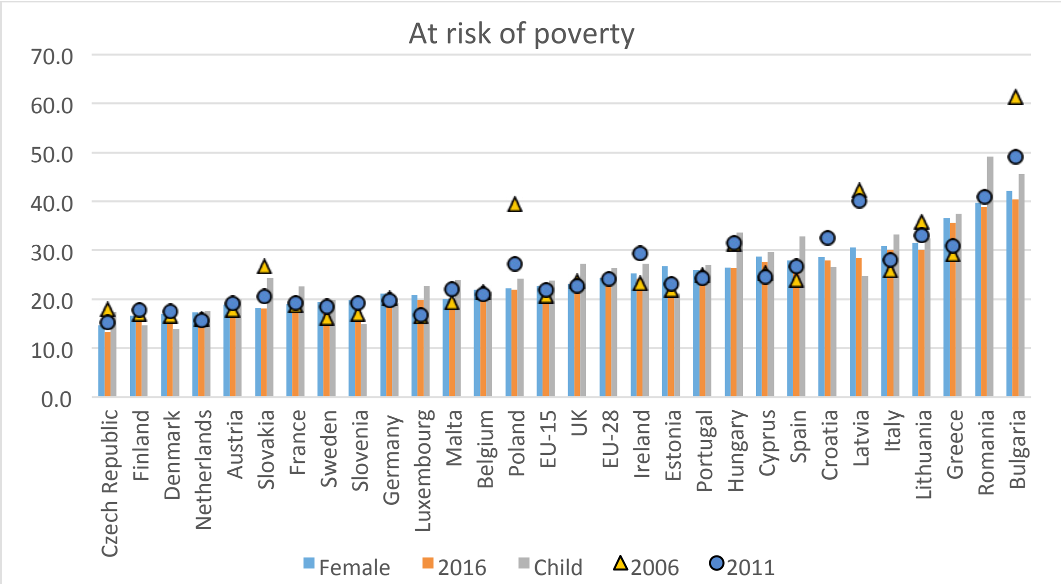
Notes: German data were not consistently available so EU 14 was used; because of a lack of consistently available data EU 28 refers to economy-wide figures, not averages.

2.3 Poverty and deprivation

Poverty is sometimes understood as an absolute lack of resources. On reflection, though, most people would find an unchanging definition of poverty to be unacceptable. For instance, a person without access to electricity and indoor plumbing may not have been considered poor in the past but today would be considered completely deprived. As such, poverty is measured in a country relative to that country's capacity to generate income and wealth. It measures the ability of persons to participate meaningfully in society.

The most common definition of poverty is the 'at-risk of poverty' rate. It measures the share of the population whose income is less than 60% of the median. Figure 7 shows the incidence of poverty by that measure among European countries, arranged according to 2016 figures. At 24% the incidence in Ireland is high – only the Southern and certain Eastern European states have higher rates of poverty risk. And though it has fallen in recent years, it is marginally (~1%) above the level of 2006. Given Ireland's low rate of in-work poverty, underemployment and low work intensity are likely to blame, with low wages having a more indirect effect.

Figure 7: At-risk of poverty rate



Source: Eurostat.

Note: data for Romania and Croatia are missing for 2006.

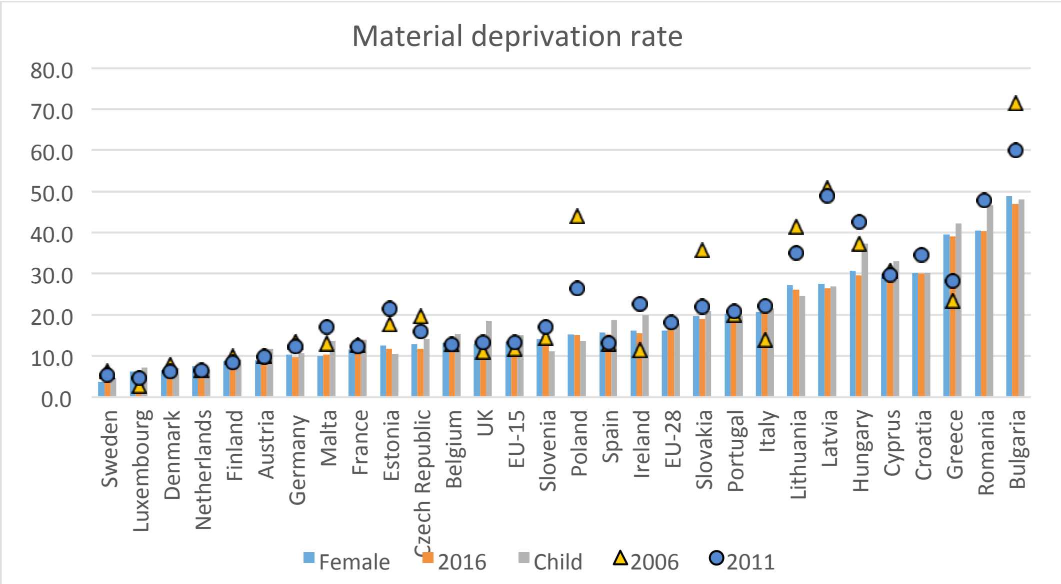
As shown, certain demographics are more at risk of poverty than others. Given low female participation and high underemployment and precariousness, the at-risk of poverty rate is higher for women.[7]

Child poverty is above the overall risk of poverty for most countries and in Ireland 27.3 of children were at risk in 2016. One of the reasons for higher rates among children is that childless households tend to have higher adjusted incomes, given the lower need to share. Nevertheless, it remains the case that those with least control over their destiny experience the largest socioeconomic disadvantage.

Figure 8 shows a very similar pattern, this time using the material-deprivation rate. This is defined as the proportion of the population unable to afford at least three out of nine necessities. Unlike the at-risk of poverty rate, it is a measure of actual living standards. Ireland has the fourth highest deprivation rate among EU-15 countries and 12th highest in the EU-28. It has grown significantly over the past decade, though falling since the height of the crisis in 2011. Adults with disabilities and lone parents are particularly vulnerable (Watson *et al.*, 2018). Unsurprisingly, female and particularly child deprivation tend to be higher than overall figures. Ireland's poor performance in deprivation is attributable to high household arrears and an inability to meet unexpected expenses and/or afford a week's holiday abroad (Coffey, 2014).

7 Though not shown, older people tend to be at less risk of poverty as earnings increase with age.

Figure 8: Material deprivation rate



Source: Eurostat.

Note: EU-28 figure for 2006 is as above.

As to what is responsible for Ireland's poor outcomes, given that in-work poverty is low, the low employment rate implies that an unusually high percentage of children are born into households which do not earn market income (OECD, 2016). Ireland also has a high number of 'low work intensity' households, where working-age members work for less than a fifth of their potential working time. The National Economic and Social Council (2014) highlights a lack of affordable childcare and the sudden withdrawal of benefits upon entering employment as impediments.[8] The poor and often demeaning conditions of low-skill and low-paid work in Ireland are, no doubt, also barriers to employment. In any event, full or partial exclusion from the labour market translates into low or no market income, and so higher poverty and market-income inequality.[9]

For some, this provides a justification for greater means-testing and decreasing benefits. While raising Ireland's employment rate and intensity would put a dent in poverty, caveats are needed. There is an obvious relationship between wages and participation, so higher pay at the bottom is an alternative policy option to forcing people to take poor-quality work. Though there are relatively few who are materially better-off on social protection than in work (NESC, 2014), if wages were to increase sufficiently through greatly reducing or eliminating low pay, a point would eventually be reached where higher pay would overcome economic disincentives to work (and presumably any non-economic disincentives). As above, economic disincentives include insufficient increases in income upon transitioning to employment, poor working conditions, but also service costs such as childcare and transport. Employment levels are therefore not only influenced by pay and benefits, but the existence of, or in Ireland, the lack of universal provision in public services plays an important role as well.

8 Other factors include a lack of affordable public transport and regional imbalances in the Irish economy (NESC, 2014).

9 Ireland's large household size and high fertility rate may also spread scarce resources among more people.

Similar comments apply to tackling deprivation, except that here low pay may have a more direct impact. Ireland has among the highest rates of deprivation among employed persons in the EU-15 (Taft, 2018). It not clear what proportion of deprived workers are full-time, so it is unclear how much of in-work deprivation is due to low pay, and how much is due to part-time and precarious employment. Ireland's high living costs are another factor in its high deprivation.

In sum, in terms of trade-union prominence and labour protection, Ireland has very flexible and employer-friendly labour markets. Income dispersion in the form of Ireland's high rates of low pay then comes as little surprise. Despite what amounts to state subsidisation of low pay and an institutional environment favourable to employers, Ireland's ability to generate jobs, though improving, remains underwhelming. This translates into unusually low market incomes among those at the bottom end of the distribution, and as a result high rates of poverty and deprivation.

3. Inequality in Ireland

3 Inequality in Ireland

Having established some socioeconomic trends in the previous section, this section outlines some key facts on inequality in Ireland. Though pre-tax inequality has grown steadily for almost four decades, and is very high in Ireland, disposable income inequality has been much more stable. As inequality has risen elsewhere, Ireland now ranks in the middle among European countries. Inequality is driven by gains of the top ten percent at expense of the bottom 40.

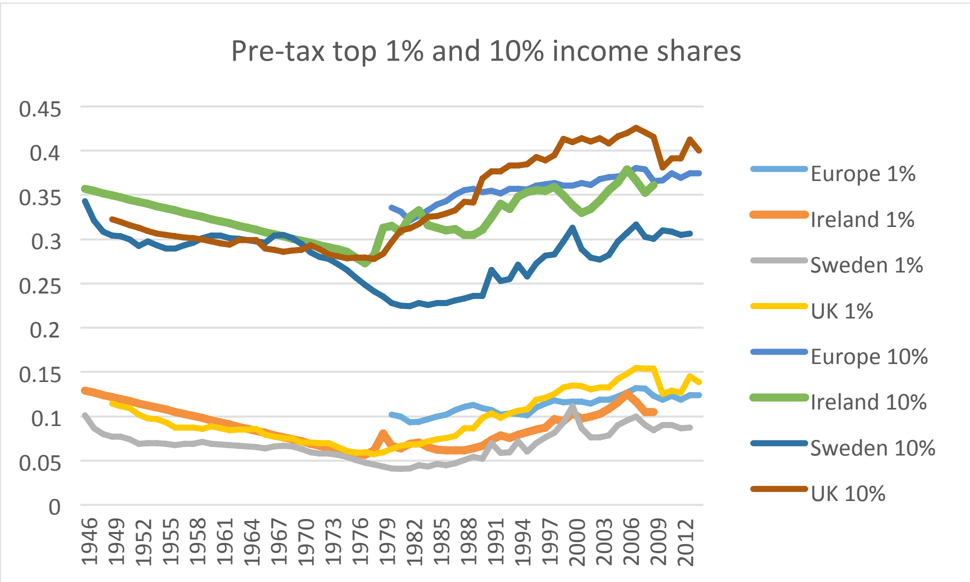
Compared to the more equal countries, it is less the poorest that account for Ireland's higher inequality, but rather the fact that the working class get a lower share of national income.

3.1 Historical trend and breakdown

Inequality can be measured at the household or the individual level. The former is typically favoured, as resources tend to be pooled among family members and other cohabitants. Ideally, inequality would be measured on the basis of total final household consumption. Final consumption, in which both private and public goods and services are accounted for, provides a more comprehensive measure of wellbeing than final income. It also facilitates better comparison of inequality across countries, given the large differences in the scale of public provision. Due to the difficulties involved in constructing such series, however, distributions of consumption are rarely available.

Ideally, a detailed, historical series would also exist, measuring inequality in a variety of ways. But such data are generally difficult to come by. A long-run series has been constructed by the French economist Thomas Picketty and co-authors. Using their World Top Incomes database, Figure 9 below examines the share of income accruing to the top one percent and top ten percent of earners. It is based on pre-tax income, essentially the sum of labour income and capital income. It refers to so-called tax cases, primarily individuals who pay taxes but sometimes couples who pay taxes jointly.

Figure 9: Pre-tax top 1% and 10% individual income share



Source: World Top Incomes database.

Notes: first data point for Ireland is 1943, not 1946. Missing data are linearly interpolated.

As can be seen, the period since the second world war was generally one of falling income inequality across advanced countries until the end of the 1970s, after which inequality began to increase. In the case of Ireland, as is evident from the straight line at the beginning of the series, much of the data is missing. Nevertheless, it is apparent that among owners of factors of production in Ireland – workers, business owners and asset owners – inequality fell markedly from the 1940s to the late 1970s. Since then the share of income accruing to both the top one percent and top ten percent has been increasing steadily in Ireland, as it has elsewhere, although in recent years there has been a stabilisation. The period since the 1980s, of course, coincides with the advent of neo-liberalism, the rightward shift in economic policy.

Interestingly, the most egalitarian year on record in Ireland was 1975, in which the top one percent earned 6% of income and the top ten percent earned 29%. Around the time of the crash in 2009, those income shares were respectively 11% and 36%. The top one percent almost doubled its share of national income between the two periods, accruing five extra percentage points, while all of the top ten percent 'only' gained seven points. Thus the increase in the share of income accruing to the top ten percent has been overwhelmingly driven by gains by the top one percent.

While this series is useful for evaluating historical trends, it is only available in pre-tax form and at the individual or 'tax case' level. Transfers by the state in the form of welfare payments are excluded. Taxation and welfare systems, though, play a large role in redistribution. Moreover, as mentioned, the household plays an important role in distributional outcomes through resource-pooling. And households are increasingly being formed on the basis of educational and cultural attainment, or 'assortative mating'. That is, highly-educated people – and hence high potential earners – are less likely to marry outside their cultural and educational group than was previously the case. Assortative mating and income pooling among household members affect distributional outcomes, though other processes play larger roles (Eika *et al*., 2014). Economic inequality measured at the individual level paints an incomplete picture of distributional dynamics.

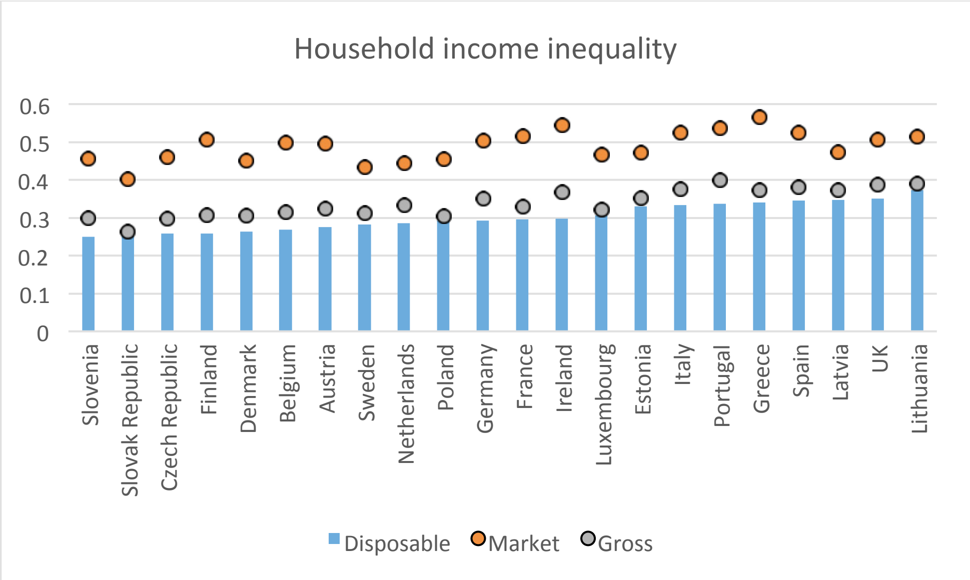
Callan *et al*. (2018) examine the trajectory of income distribution in Ireland using a variety of historical sources. Their unit of analysis is household disposable income per (equivalent)[10] person. They find that income distribution has been broadly stable since 1987. Given the trend increase in pre-tax inequality illustrated above, this suggests the Irish state has had to steadily increase its intervention to maintain distributional stability. They treat 1986 as a turning point in welfare policy as payments to lower-income groups were increased (*ibid*.: 1). It is possibly the case then that disposable-income inequality has increased since the 1970s but has been stable for the last 30 or so years.

Figure 10 displays inequality within countries, in terms of household income per person, for disposable, market and gross income. Inequality is measured using the Gini coefficient, using latest available data (mostly 2015 and 2016). The Gini coefficient is the standard measure of inequality with a value of 0 indicating perfect equality, and 1 indicating complete inequality. Disposable income refers to net income, after taxes paid and transfers received. Market income refers to income earned through the market, mostly income from work but also capital income. It is before taxes are paid and transfers received. Gross income is pre-tax income. It is essentially the sum of market income and income from state transfers. Household income per person is 'equivalised', meaning the composition of the household is controlled for. EU countries were selected for which data were available and arranged from left to right according to increasing disposable-income inequality; thus, Slovenia has the lowest disposable-income inequality and Lithuania the highest.

10 Equivalence controls for household composition. For instance, a household with a given income shared between two adults will have a lower standard of living than a household sharing the same income between an adult and a child. As resources and bills are shared, that same two-adult household has a higher standard of living than if the two adults lived separately.

Focusing on disposable income, the most relevant metric, there is considerable diversity across countries in the distribution. Perhaps surprisingly, the most egalitarian countries lie on the western periphery of Eastern Europe. Then come the Nordic countries, then central Europe, with the Mediterranean and Baltic countries respectively the most unequal. Ireland is somewhat more unequal than most European countries, with a Gini coefficient of almost 0.3. The following section shows that when the remaining European countries are included, Ireland ranks in the middle.

Figure 10: Gini coefficient of equivalised household inequality per person



Source: OECD Income Distribution Database.

Note:

What is striking about Ireland is that it has after Greece the highest-market income inequality of the countries – even above Portugal, the next highest. Only for Greece's extreme unemployment, Ireland would be more market income unequal. Ireland also has high gross or post-transfer/pre-tax inequality but several countries are more unequal on this measure. Indeed, the three measures of inequality in the figure are particularly dispersed in Ireland: its welfare state plays an unusually large role in redistributing income. Most of this is achieved through transfers to lower-income groups by the state (as evidenced by the distance between market and gross inequality). The taxation system also plays a large role (as evidenced by the distance between gross and disposable inequality) but not quite as large as transfers.

In sum, income inequality has been steadily increasing among advanced countries since around the beginning of the 1980s, though the trend seems to have stabilised in recent years. The income share of those at the very top has driven most of the increase, in Ireland and elsewhere. In Ireland, however, disposable-income inequality has changed little over the past 30 years or so. This indicates the state has had to play a large role to maintain distributional stability. This is achieved primarily through a system of transfers to lower-income groups and also by the tax system.

3.2 Inequality: top, middle, or bottom?

The measures presented in the previous section have two drawbacks. The historical series refers to pre-tax income so that it does not capture the actual resources that people have to spend. The Gini coefficient is also not particularly intuitive. It does not tell us where income is concentrated, and what groups in society are driving inequality. This section explores that question: who drives distributional change?

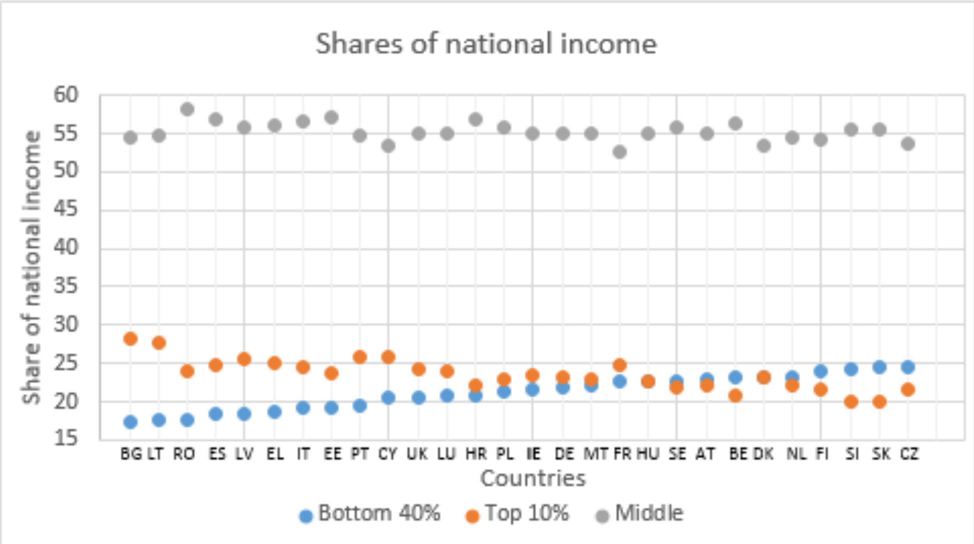
Palma (2011) shows that gains and losses in national income are driven by gains and losses of the top 10% at the expense of the bottom 40%. The share of income that accrues to the middle - the group of earners below the top 10% and above the bottom 40% - is remarkably stable across heterogeneous groups of countries. In order to understand changes in inequality then, it is best to focus on these two groups, and less on the middle group.

This can be seen in Figure 11 below. The figure shows for EU-28 countries the share of equivalised national income accruing to the top ten percent, the bottom 40 percent and the group between. Countries are arranged according to the share of income gained by the bottom. In the leftmost country, Bulgaria, the bottom 40 percent receive about 17% of national income, the top ten percent receive about 28% and the group below the top ten percent and above the bottom 40 percent receive about 55%. Strikingly, there is remarkably little variation in the share of income going to the middle-income group.[11] In the rightmost country, the Czech Republic, it secures 54% of national income, almost the same as in Bulgaria.

With the inclusion of poorer and highly unequal Eastern European countries as compared to the previous figure, Ireland now ranks right in the middle. The bottom 40 percent receives about 22% of national income, while the top ten percent receives almost a quarter. As elsewhere the middle groups receives about 55% of national income. Therefore to understand the dynamics of income inequality in Ireland, it is best to focus on the tails of the distribution.

11 The coefficients of variation, a measure of the degree of variation, for the top, middle, and bottom groups are 0.086, 0.022, and 0.105 respectively.

Figure 11: Distribution of income in Europe

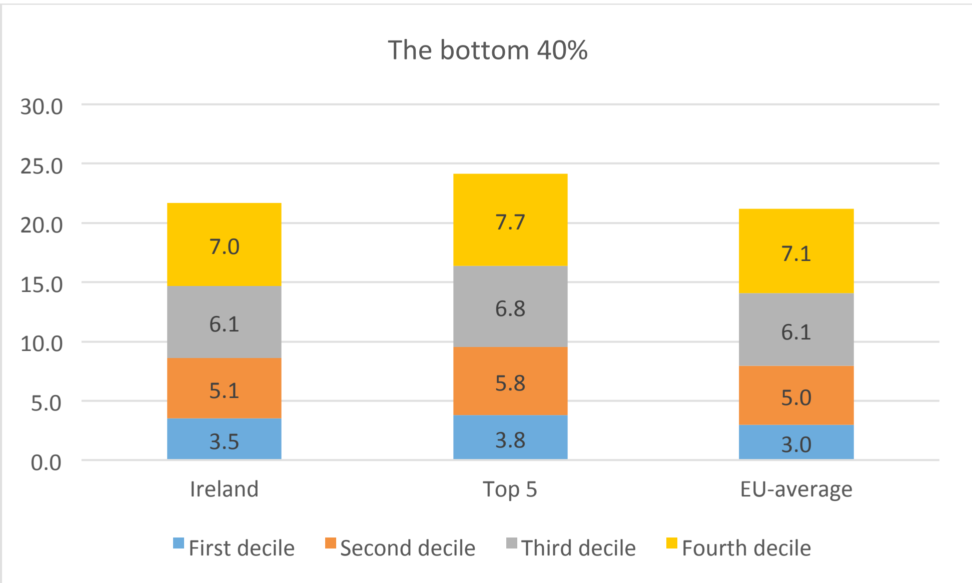


Source: Eurostat.

Notes: based on EU-SILC for the year 2016. Country codes are as per Eurostat: BG-Bulgaria, LT-Lithuania, RO-Romania, ES-Spain, LV-Latvia, EL-Greece, IT-Italy, EE-Estonia, PT-Portugal, CY-Cyprus, UK-United Kingdom, LU-Luxembourg, HR-Croatia, PL-Poland, IE-Ireland, DE-Germany, MT-Malta, FR-France, HU-Hungary, SE-Sweden, AT-Austria, BE-Belgium, DK-Denmark, NL-Netherlands, FI-Finland, SI-Slovenia, SK-Slovakia, CZ-Czech Republic.

Figure 12 shows the income shares of the four deciles that comprise the bottom 40% of earners. The first decile denotes the bottom tenth of income earners. The fourth decile comprises the fourth poorest tenth, and so on. The Top 5 denotes the average of the five most equal countries in the EU according to the share of income that the bottom 40 collectively receive. As per the previous figure, this group includes the Czech Republic, Slovakia, Slovenia, Finland, and the Netherlands.

Figure 12: The bottom 40%



Source: Eurostat.

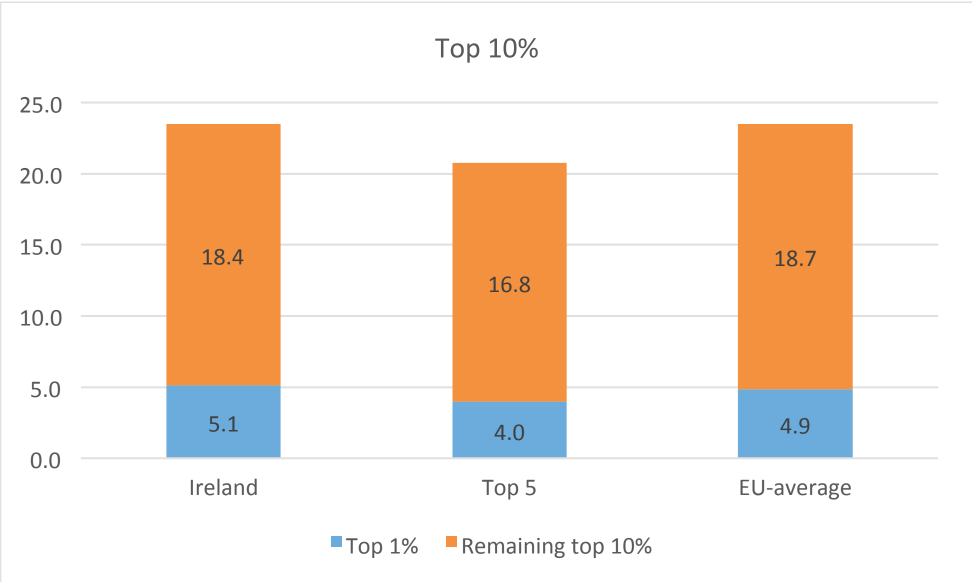
In Ireland, the first decile or bottom ten percent receives 3.5% of national income, the next deciles receive 5.1%, the 6.1%, and then 7.0% respectively. Though Ireland is in the middle among the EU, the bottom 40 percent receives above the EU-average because the most unequal countries (such as Bulgaria) are particularly unequal. What sets Ireland apart from the EU-average is that the bottom ten percent does relatively well. Comparing Ireland to the most equal countries, again we see that the poorest do only slightly worse.

Where Ireland fares less well is in how much income the groups above the first decile receive. We see that the second, third, and fourth deciles receive significantly less in Ireland than in the most equal countries.

As such, it is less the poorest segments of society that are the exception – for they do poorly everywhere – but rather it is the working-to-lower-middle classes that struggle relatively more in Ireland. Given that those in the fourth decile are likely to be employed, or dependent on an employed person, this suggests the problem is one of insufficient pay. That the bottom tenth do comparatively ok is testament to the important role the welfare states plays in reducing income poverty and inequality. Of course, the more marketised nature of Irish provision can prevent the less well-off from accessing services (such as healthcare) funded publically elsewhere. As before, Ireland's position in the middle in income inequality likely falls when measured using the more relevant but difficult-to-measure consumption inequality.

Turning to the top ten percent, Figure 13 shows the shares of income accruing to the top one percent and the remaining nine that comprise the richest decile of earners. The Top 5 now denotes the most equal countries measured by the share of income going to the top ten percent. The country group is the same in the previous figure except Belgium is now included and the Netherlands is excluded. Ireland is similar to EU averages except that the top one percent receives somewhat more and the remainder of the top ten percent receives somewhat less. Both the top one percent and the remainder receive significantly more in Ireland than in the five most equal EU countries, though the top one percent receives more in relative terms.[12]

Figure 13: The Top 10%



Source: Eurostat.

12 Because there are fewer people in the top one percent and therefore their shares of income are lower, we might expect the difference between Ireland and the five most equal countries to be lower. For instance, the difference between Ireland and the Top 5 countries, 1.1 (5.1-4.0), represents a jump of over a quarter compared to 4.0. This compares to an increase of less than 10% in how much extra income the remainder of top decile receives (18.4-16.8) in Ireland.

It is worth comparing these figures to those collected by other agencies. Because of their voluntary nature surveys such as EU-SILC understate the incomes of those at the top in particular. Mandatory tax authority figures, though still not perfect, provide a better gauge of income inequality. According to the Irish Revenue, the top one percent of earners[13] account for 11.3% of income in Ireland (Kennedy *et al*., 2018). Using comparable[14] EU-SILC data, the top one percent account for 6.2% of individual income. Therefore, the share of income accruing to top earners may be almost double what EU-SILC suggests. Inclusion of incomes transferred offshore or otherwise shielded from the tax authorities would produce higher inequality still.

The picture emerging from this section reinforces the point made in the previous one that Ireland now ranks in the middle among EU countries in inequality. The poorest elements of Irish society are less poorly off than in many other EU countries.

Where Ireland lags behind compared to the more equal countries is in the share of income that accrues to the bottom 40 percent excluding the poorest ten. Correspondingly, the top ten percent does well here, with the top one percent doing particularly well.

13 This refers mostly to individuals but, because married couples can jointly pay tax, it incorporates some couples as well. Those at the very top of the income distribution, the top one per cent, are more likely to be single tax units than, for instance, the upper-middle classes, where dual-earning households are more common.

14 This was calculated using EU-SILC microdata. Persons exempt from income tax were excluded to make it comparable to revenue figures. For details see https://www.revenue.ie/en/personal-tax-credits-reliefs-and-exemptions/marital-and-civil-status/exemption-and-marginal-relief/exemption-limits.aspx.

4. Sectoral components of inequality

4 Sectoral components of inequality

This section examines the sectoral components of inequality in Ireland. For reasons of comparability and, indeed, tractability small, open economies and the UK are considered as comparators. Though differences in income between different sectors account for more inequality here than elsewhere, the bulk of inequality is generated internally in different industries. Compared to other small open economies and the UK, the higher level of pay inequality in every sector on the one hand, and the fact that workers get a lower share of value-added on the other, suggests significant scope for redistribution in an Irish context.

4.1 Inter-sectoral inequality

The sectoral composition of an economy and the division of labour in society which follows play an important role in distributional outcomes. Sectoral composition is important as certain sectors are more likely to be high-income and high value-added – technologically sophisticated sectors, such as software and pharmaceuticals, are cases in point. Other sectors, such as retail and hospitality, are likely to be relatively low-income. Sectoral imbalances can thus play a significant role in inequality. For instance, an economy with a relatively high share of high- and low-income sectors is likely to be more unequal than one with a more even distribution (see, for instance, Galbraith, 2011). Highly FDI-dependent economies are more likely to display this feature. -

Table 1 below shows the structural composition of Ireland and comparator economies in terms of the share of employment accounted for by each sector. The small open economies are Belgium, Sweden, Denmark, Finland, Netherlands, and Austria, which, along with the UK, are compared to Ireland. The sectors are ordered on the basis of the average wage across countries. So, finance and real estate (FIRE) is the highest-paid on average across the eight countries, and retail and hospitality the least well-paid. Wage data were not available for the primary sector, namely agriculture.

Focusing for the moment on the extremes, Ireland has the largest retail and hospitality sector, the one with the highest levels of low pay (Collins, 2015). For historical reasons, Ireland also has a large agricultural sector, where employees are also generally poorly paid (*ibid.*), but highly subsidised under EU supports. Ireland has, however, large financial and tech sectors, no doubt reflecting the strong presence of multinationals in the economy. The high incidence of well-paying jobs is welcome. What is not welcome is the simultaneous prevalence of high-paying jobs and low-paying jobs. Their co-existence suggests that the Irish FDI-led model is a contributor to inequality.

Table 1: Structure and employment

	Belgium	Sweden	Denmark	Finland	Netherlands	Austria	Ireland	UK
FIRE	4.30	3.53	4.20	3.08	3.79	4.21	4.91	5.08
IT, professional & scientific	8.77	13.56	9.30	11.49	10.16	8.85	11.41	11.34
Industry	13.49	11.06	12.35	14.08	9.72	16.59	12.18	9.83
Construction	6.51	7.11	5.99	7.59	4.77	8.10	5.85	7.26
Public & social services	32.92	33.34	31.61	28.67	27.63	24.59	25.35	29.61
Retail& hospitality	16.16	14.46	20.15	14.25	18.07	19.96	20.83	18.33
Primary	1.21	1.98	2.24	3.92	2.16	4.08	5.12	1.61
Other	16.65	14.97	14.17	16.92	23.71	13.62	14.36	16.95

Source: Eurostat labour force survey 2017.

Notes: sectors were classified on the basis of NACE 2 at the single-digit level. As before, FIRE is the sum of finance and real estate; IT, professional & scientific the sum of information and communication, and professional, scientific and technical activities; industry the sum of manufacturing and electricity, gas, steam and air-conditioning supply; construction is as given; public sector the sum of public administration and defence, education, and human health and social work; retail and hospitality the sum of accommodation and food, and wholesale and retail; primary the sum of agriculture and mining and quarrying; and other the remaining sectors. Given multiple sectors in most groups, weighted averages were used to calculate wages. Wage data from 2016 were used for the Netherlands.

Ireland is thin in the middle tier of sectors, and hence jobs. Despite large shortages in the stock of housing, construction employment is currently quite low. Though below average, employment in industry in Ireland is respectable. While the size of the public sector is driven by a complex array of demographic and other factors, employment in public sector-related activities seems small. Though not shown, it is employment in human health and social-work activities which drives Ireland's relatively low public-sector employment. This underscores the relative deficit in Ireland's caring infrastructure.

As well as through having more workers employed in high- and low-income sectors than comparators, inequality may also be exacerbated if high-income sectors are unusually well-paid and low-income sectors unusually poorly paid. It is thus useful to examine how pay in the best- and worst-paid industries compares with the average, and whether there are any differences between Ireland and its comparators in this regard.

Figure 14: Relative wages in the best and worst paid sectors

Eurostat: Labour cost survey.

Figure 14 does just that for the four best- and four worst-paid sectors out of the total of 16 based on 2017 data. The best-paid sectors in Ireland are energy (electricity, etc.), education, information and communication, and finance. The worst-paid are hospitality, 'other services', administration and support, with water and sewerage the 'least worst'. The comparator countries are similar.[15]

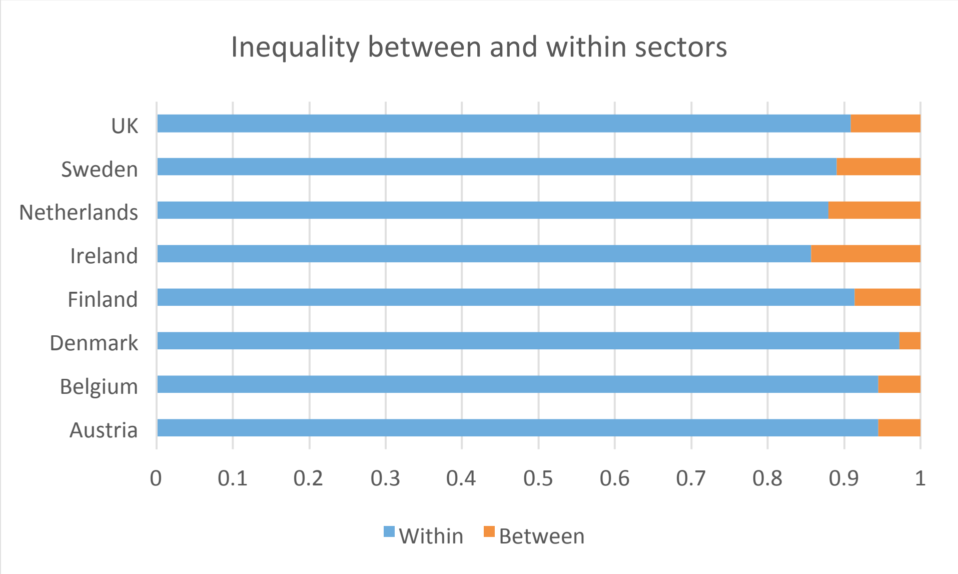
At 1.7 times the nationwide average, the leftmost green bar shows that pay in the top Irish sector (energy) is very well-remunerated. Pay in the top sector for comparator countries is just over 1.5 times nationwide levels on average. As the first four green bars are higher than the corresponding blue bars, it is apparent that the top sectors in Ireland are particularly well-paid. Lowest-paid sectors in Ireland are unusually poorly paid. The worst-paid sector in both cases is hospitality. But in Ireland wages in hospitality amount to just 54% of the national average, whereas in comparator countries this is 64%.

Some of this may be attributable to Ireland's model of attracting FDI. To attract top-class talent, it would be unsurprising for pay in information and communication, a key export sector, to be relatively high. Differences in pay between sectors may also reflect the fact that unionisation and collective-bargaining coverage is more circumscribed in Ireland as discussed previously. The comparative strength of organised labour in comparator countries means that private-sector workers in lower-pay sectors get a larger share of the economic pie.

Certain sectors of the economy are also more shielded. Ireland is a high-cost economy, though labour costs are below EU-15 averages (Sweeney, 2018), which suggests that certain sectors are effective at extracting 'rents'. Governments provide effective protection from competition for some sectors. This may be in the form of undue entry barriers into a profession or a regulatory structure which permits excessive fees. For instance, households in Ireland face unusually high borrowing costs, which is difficult to attribute merely to compensation for greater riskiness of lending. Professional services such as legal and insurance costs are also high.

15 The four best-paid sectors on average in comparator countries are respectively finance, information and communication, energy, and scientific and professional. The four worst-paid are hospitality, administration and support,

Figure 15: Inequality between and within sectors



Source: EU-SILC (2016).

Figure 15 decomposes labour-income inequality according to inequalities within and between sectors. Labour income is the sum of employee and self-employment income where persons with no labour income are excluded. The measure of inequality used here is the Theil coefficient. This is favoured because such a decomposition cannot be reliably performed (or performed at all) using more standard measures of inequality, such as the Gini coefficient, the Palma ratio, or the top one percent or ten percent shares. Despite large differences in average income between sectors, and greater weighting towards both high- and low-income sectors, the share of inequality accounted for by differences in income between sectors is still relatively small in Ireland. Using more disaggregated data, Eurofound (2015: 23) calculates the share of inequality accounted for by differences in income between sectors to be 21% cent.[16] Intersectoral differences in income are therefore significant but most income inequality in Ireland arises within sectors.

4.2 Within-sector inequalities and the scope for redistribution

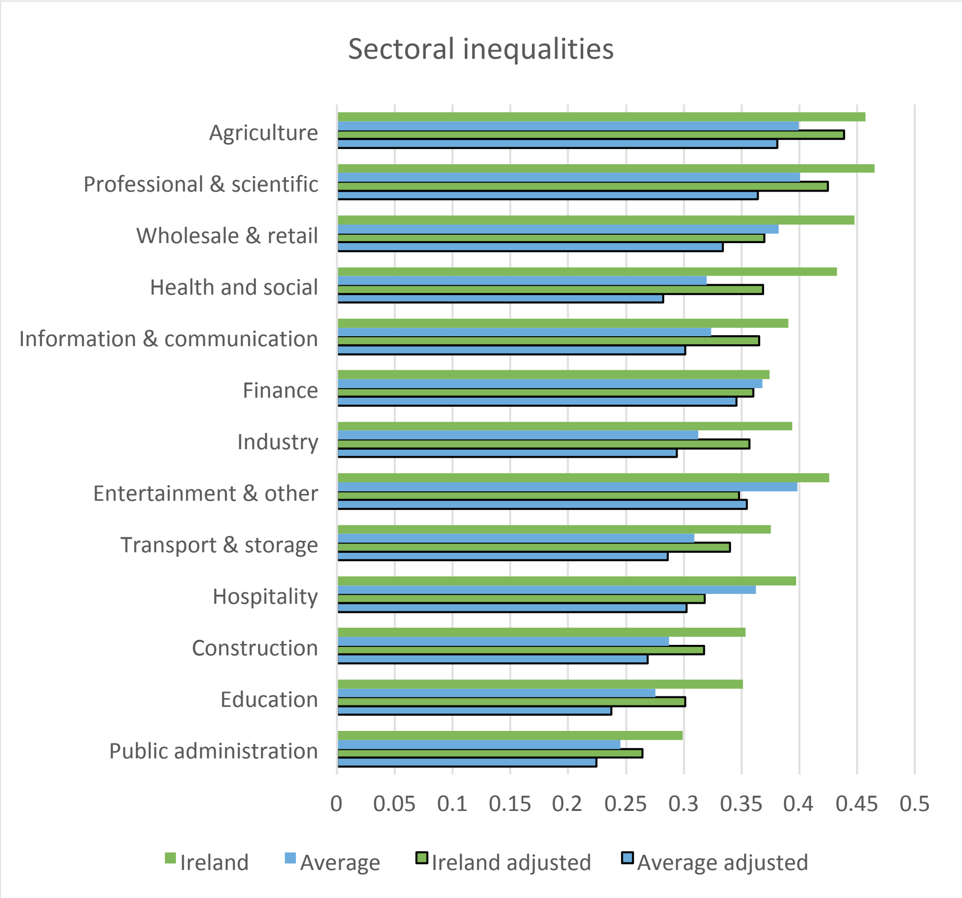
Independent of differences in the strength of organised labour across an economy, certain sectors may be more likely to generate inequalities internally. Occupations can differ greatly in terms of the level and scarcity of skills, creative input and knowledge required of the worker. Unlike rote and repetitive tasks, highly knowledgeable, creative and skilful occupations may be more difficult to automate. This enables them to acquire a greater share of the economic pie than less empowered occupational groups. Sectors which are skewed in terms of requiring a relatively high share of both high- and low-skilled occupations are likely to be more unequal (Goos and Manning, 2007; Wright and Dwyer, 2003; Breathnach, 2007). The financial sector, for instance, requires so-called front-office, technically challenging occupations such as fund management and trading, which are particularly well-remunerated. Finance also has back-office administrative support, whose pay is more in line with comparably-skilled workers in other sectors.

entertainment and other, and water supply and sewerage the least worst.

16 If the analysis is refined and the number of sectors increased, the share accounted for by differences between sectors would also increase. For instance, if every worker were assigned to a different sector in the economy, differences between sectors would account for all of the inequality.

Figure 16 displays labour-income inequality within sectors in Ireland and for comparator countries, using the Gini coefficient. Labour income is measured as before, but now we also adjust for working time using the methodology of Brandolini *et al*. (2010), and also employed by Eurofound (2017b). This removes the effects of part-time and seasonal work on inequality. Green bars denote Ireland and blue bars denote comparator averages. Bars with black outlines denote time-adjusted labour-income inequality. Sectors are ordered according to time-adjusted inequality in Ireland.

Figure 16: Distribution of income by sector



Source: EU-SILC (2016).

Looking at the unadjusted data, inequality in Ireland is higher in every sector of the economy than the comparator average. The most unequal are professional and scientific, agriculture, and wholesale and retail. These sectors are also among the most unequal in the comparator countries. With Gini coefficients greater than 0.4, health and social, and entertainment and others are also among the more unequal sectors in Ireland. Health and social, however, is not particularly unequal among comparators.

When working time is controlled for, agriculture becomes slightly more unequal than professional and scientific, but the two are still the most unequal. There is a large fall in inequality in wholesale and retail, and health and social but they still rank as the third and fourth most unequal respectively. This indicates that low working time, namely more part-time and seasonal work, is responsible for some of the inequality in these sectors. Entertainment is no longer among the more unequal. Controlling for working time also narrows the gap between Ireland and comparators considerably in wholesale and retail. Again, this suggests a greater number of part-time and precarious workers than in comparators. Though not among the most unequal sectors, hospitality also experiences a large fall in inequality when working time is controlled for.

The status of professional and scientific as the most unequal sector in Ireland may reflect the heterogeneous nature of the grouping rather than structural features of its earnings hierarchy. The skewed distribution of agricultural income may be due to the sector having many unskilled workers employed by farm owners. Wholesale and retail contains the highest number of minimum-wage jobs, which tend to be low-skilled as well. The status of health and social as among the most unequal is surprising. It clearly reflects features peculiar to Ireland, given the sector is so much more unequal than the comparator average. This may be a result of the choice to pursue a more market-oriented approach to medicine and care in Ireland. High-earning medical professionals coexist with an often precarious, feminised social sector.

The two highest-income sectors are finance and information and communication. They are also much more export-oriented than other sectors. They are in the middle-to-high group in terms of how unequal they are internally. Inequality in the financial sector in Ireland is similar to comparators with relatively little change in inequality when working time is controlled for. Information and communication is considerably more unequal in Ireland than the comparator average. The fact that the export-oriented sectors are not among the more unequal suggests that Ireland's FDI-based model is not the main impediment to greater equality. Of course, FDI dependence poses indirect barriers such as the potential for wage increases to feed into trading-sector costs, and trepidation on the part of the political class to allow wage increases, independent of material constraints.

Industry, which includes manufacturing and the energy sector, shows middling inequality in Ireland. So do the small transport and storage, and entertainment and other sectors, the latter becoming much less unequal when working time is controlled for. Construction, education and public administration are among the more equal sectors in Ireland and in comparator countries. High public-sector employment and the salience of organised labour explain the even distribution of labour income in the latter two, while there are relatively few unskilled occupations in construction compared with, say, retail.

Though the above figure is revealing, especially considering how inequality is consistently higher across sectors in Ireland, it says less about the scope for redistribution. For instance, though the financial sector is unequal, remuneration is high on average. Given that income inequality tends to be driven by gains of the top ten percent at the expense of the bottom 40 percent, it is useful to examine the sectoral employment patterns of the bottom two quintiles (excluding those not in paid work) and the potential for redistribution in those sectors. This is done in Table 2.

By redistribution we do not imply that incomes at the top should be transferred to those at the bottom. Redistribution could be phased-in through disproportionate gains or losses for different groups as the economy expands or contracts. One measure of potential redistribution is the Ireland-to-comparator ratio of time-adjusted Gini coefficients, showing the extent to which labour income is more (or less) skewed in Ireland – a ratio greater than one indicates that the sector is more unequal in Ireland. For instance, as the health and social sector has a Gini ratio of 1.3, we see that in Ireland this sector is 1.3 times more unequal than the average of small, open economies and the UK.

Table 2: Employment and redistribution in the bottom 40 percent

	Employment share	Gini ratio	Difference in VA share
Wholesale & retail	17.0	1.1	10
Health & social	12.4	1.3	-
Industry	11.8	1.2	-
Hospitality	8.6	1.1	-15
Professional & scientific	8.0	1.2	-
Construction	6.8	1.2	-7
Education	6.7	1.3	-
Entertainment & other	6.7	1.0	11
Agriculture	5.4	1.2	7
Public administration	5.3	1.2	-
Transport & storage	5.1	1.2	14
Information& communication	3.6	1.2	-
Finance	2.8	1.0	-

Sources: employment share figures are calculated using EU-SILC microdata; Gini ratio statistics are as per Figure 5; labour share of value-added figures are based on Eurostat national accounts data.

Notes: differences in VA (value-added) are based on latest figures, in this case 2016, whereas other columns refer to 2015; as before, the bottom 40 percent of income recipients refers to equivalised disposable income.

The third column examines the percentage-point difference in the labour share of gross value added in Ireland compared with comparator averages. Value added is essentially sales minus intermediate costs and so measures how much surplus is distributable to workers and owners. A higher labour share of value added indicates that workers receive a greater share of the pie. A positive number in the column implies a higher labour share in comparator countries, and a negative number indicates workers in Ireland obtain relatively more. Sectors with many public-sector employees are excluded as value added is less meaningful. Sectors with high penetration of multinationals are also excluded, due to the unreliability of the data.

Most sectors have scope for redistribution among stakeholders. Employing 17% of those in work, wholesale and retail is the most important source of employment for the bottom two quintiles. Irish workers in the sector receive 10% less of value-added than in comparator countries, and labour income is somewhat more skewed as well. Health and social, and industry share around a quarter of employment for this bottom group; as noted, income is distributed very unevenly in Ireland in those sectors. The next four sectors employ about 30% of the category; in all sectors income is relatively unevenly distributed. Redistribution is more challenging in hospitality: though workers receive a large share of the pie, and some workers get more than others, that pie is not very large (Sweeney, 2018). This may be a result of high intermediate costs and the extraction of rents elsewhere in the economy.

There is also scope for redistribution in sectors in the lower half of the table, from entertainment and other down. Redistribution can come from a combination of wage compression and more value added going to labour. This is especially the case for agriculture, and transport and storage. Given a relatively small number of workers are on lower pay in the more export-oriented information and communication, and finance, fewer resources would need to be devoted to raise living standards there.

In sum, Ireland has somewhat of a glut of both high and low-income sectors as measured by employment shares. Average incomes in these sectors also tend to be unusually high and unusually low by comparator standards. As a result, the share of inequality driven by inequalities between sectors is comparatively high. But inequalities internal to sectors of the economy drive labour-income inequality in Ireland. Inequality is higher in every sector in relation to comparator averages, and all but one when working time is adjusted for. There is significant scope for redistribution among stakeholders.

5. Annual update on inequality 2018

5 Annual update on inequality 2018

The last two editions of *Cherishing All Equally* created a summary table of indicators. It provided the year-on-year change in a number of variables related to distribution. Here we do the same, which allows the reader to view change over a period of three years.

Regarding top shares of income, recent tax-authority data were not available. The gross (pre-tax) and net (after taxes and transfers) income Gini coefficients have been declining. Based on all measures of employment, participation rates have been increasing and are above the aggregate EU-15 and EU-28 levels. Similarly, education levels have been increasing and the share of jobless working-age households has been falling, but remains above the EU norms.

Table 3: Summary of year-on-year changes

	CAE 16	CAE 17	Update 18	EU-15	EU-28
Top 10% income share	38.75% ('16)	37.62% ('17)	37.62% ('17)	-	-
Top 1% income share	10.95% ('16)	12.05% ('17)	12.05% ('17)	-	-
Bottom 90% income share	61.25% ('16)	62.38% ('17)	62.38% ('17)	-	-
Gross Gini coefficient	45.4% ('14)	42.8% ('15)	41.9% ('16)	-	-
Net Gini coefficient	31.1 ('14)	29.8 ('15)	29.5 ('16)	-	-
Top 10% wealth share	53.8% (2013)	53.8% (2013)	53.8% (2013)	-	-
Bottom 50% wealth share	4.9% (2013)	4.9% (2013)	4.9% (2013)	-	-
Share of 20-64 year olds in employment	68.1% ('14)	69.9% ('15)	73.0% ('17)	72.4%	72.2%
Share of 20-64 year old males in employment	74% ('14)	76.1% ('15)	79.1% ('17)	77.9%	78.0%
Share of 20-64 year old females in employment	62.3% ('14)	63.8% ('15)	67.0% ('17)	66.9%	66.5%
Share of 15-29 y/o not in employment, education, or training	16.8% ('15)	16.8% ('15)	12.9% ('17)	12%	12.7%
Share of 30-34 year olds with a third-level qualification	52.3% ('15)	52.9% ('16)	53.5% ('17)	40.3%	39.9%
Share of children living in jobless households	16% ('14)	14.5% ('15)	11.8% ('17)	8.8%	8.4%
Typical payment p.a. for jobseeker/person with disability	€9,776 ('16)	€10,036 ('17)	€10,296 ('18)	-	-
Typical payment p.a. for single carer	€10,608 ('16)	€10,868 ('17)	€11,128 ('18)	-	-
Typical payment p.a. for single pensioner	€12,132 ('16)	€12,391 ('17)	€12,652 ('18)	-	-
Statutory Minimum Wage as share of Living Wage	79.5% ('16)	80.4% ('17)	82.4% ('18)	-	-
General government expenditure % national income	47.5% ('14)	43.8% ('15)	39.1% ('16)	46.9%	43.7%
Tax-to-national income ratio	37.5% ('14)	36.2% ('15)	34.3% ('16)	40.3%	37.0%
Net social security contributions, % national income	8.1% ('14)	6.5% ('15)	5.6% ('16)	11.6%	11.5%
Cost of living in Ireland relative to EU-15 average	116.3% ('14)	113.8% ('15)	118.9% ('16)	100%	-
Typical childcare fees, % of family net income	27.4% (2012)	27.4% (2012)	26.1% ('15)	12.2%	*10.7%
Share of population with two or more forms of deprivation	29% ('14)	25.5% ('15)	21% ('16)	-	-
Share of 0-16 year olds at risk of poverty or social exclusion	29.1% ('14)	27.8% ('15)	26.9% ('16)	23.4%	25.5%

Sources: Eurostat, CSO, OECD.

Note: Bold indicates the figure is taken at the EU-15 or EU-28 level, rather than the average among countries; * no data for Cyprus and Romania; because of distortions caused by multinationals, national income refers to the CSO GNI* for Ireland and GDP everywhere else.

Jobseekers', carer and pension welfare measures have increased, though only marginally. No updated data were available for wealth inequality. The statutory minimum wage has been increasing, absolutely and as a share of the living wage. Government spending as a share of GNI* fell and is well below the EU-15 and EU-28 averages (as a share of GDP). Public spending is set to fall as a share of national income in the coming years, with savings expected to come from falls in welfare and pension spending, but also health. Tax-to-GNI* continued to fall and as a share of national income is well below European norms (though an improvement on GDP, GNI* remains problematic: national income grew at an implausible rate of 9% in 2016). Net social-security contributions are also low and have continued to fall.

The cost of living in Ireland continues to rise against European norms. Childcare fees as a share of family income fell somewhat, but are more than twice as expensive as the European averages – only the UK does worse. Poverty and being at-risk of social exclusion also fell among the young but remains above the EU-15 and EU-28 averages.

By and large then, though Ireland lags behind Europe across several indicators related to distribution, the upturn in the economy is coinciding with an improvement in social conditions. It scores better than average on employment-related indicators, where poor performance in Mediterranean countries continues to be a drain for the EU.

6. Conclusion

6 Conclusion

Ireland has historically been a high-inequality country. It has a set of institutions which predispose income to being more unequally distributed than in comparable countries. Trade union membership and collective bargaining coverage are comparatively low. Labour market institutions are more generally employer-friendly, and levels of employment are comparatively low. It is unsurprising then that Ireland has high levels of low pay, poverty and deprivation.

Most of the world, including Europe, has been growing more unequal for the past three or so decades. The top one percent has been getting more and more, but in Ireland gains at the top have been buttressed by transfers and progressive taxation. This has prevented greater concentration of market incomes, which are unusually pronounced in Ireland, from translating into greater disposable income inequality, since the late 1980s at least. Given this has not been the case elsewhere, Ireland currently ranks in the middle in inequality.

Inequality tends to be driven by the gains of the upper classes and the rich at the expense of the working class and the poor, and the share of the middle tends to be stable across locales. This is also the case in Ireland. Compared to the more equal countries in Europe, it is not so much the poorest that fare badly, but Ireland is unusual in the low share of national income that goes to the working-to-lower-middle classes. The top decile does nicely, and the top one percent in particular. This suggests the problem is one of insufficient pay.

Most of the inequality in Irish society is generated within industries. Though Ireland has a comparative glut of high and low-pay sectors, and consequently differences in income between sectors make a higher contribution to inequality here, that contribution is still modest. In relation to average levels in small open economies and the UK, every sector but one is more unequal in Ireland. This suggests Ireland has a structural problem with pay inequality. Indeed, there appears to be significant scope for redistribution between high and low-pay workers and between labour and capital.

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As we approach the 100-year anniversary of the Dáil, the question of how society distributes its resources is as relevant today as it has ever been. This update is an abridged version of the Irish chapters of the forthcoming Cherishing All Equally report. It finds that Ireland still has worryingly high levels of inequality, as the working and lower-middle classes continue to struggle.

If not for redistribution by the state, Ireland would be one of the most unequal places in Europe and, indeed, the developed world. The report also asks what interventions can be made and whether or not an unequal Ireland is inevitable.

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