

# TASC

*Think-tank for Action on Social Change*



*Independent research, challenging inequality and promoting a flourishing society*

## Income Inequality in Ireland

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*Claiming Our Future*

*3<sup>rd</sup> July 2014*

# Context: Income Inequality in the USA

## Growth of the Top 1% Income Share

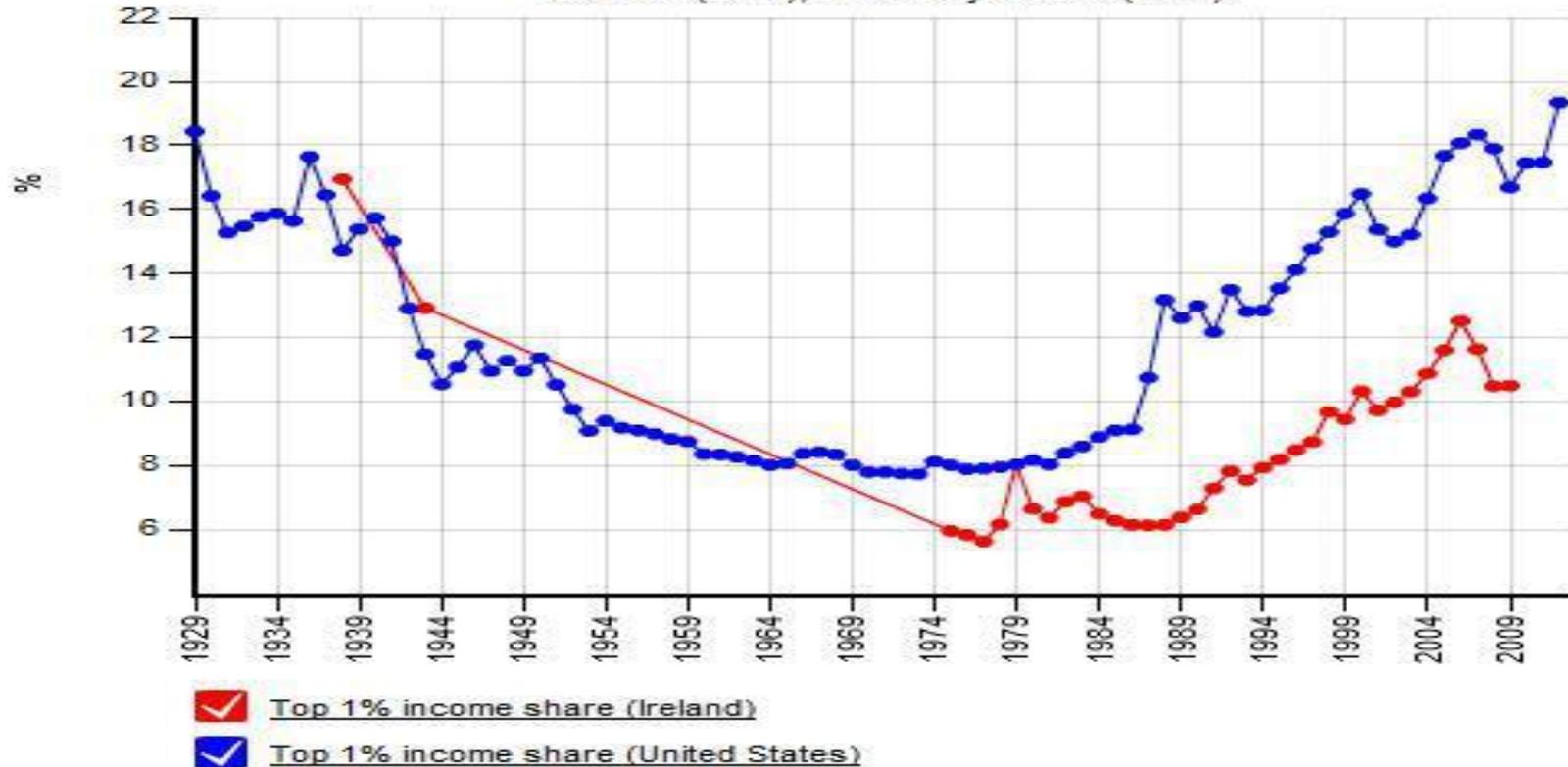


Source: [www.inequalityforall.com](http://www.inequalityforall.com)

# Ireland v USA (Top 1%)

Top income shares. 1929-2012

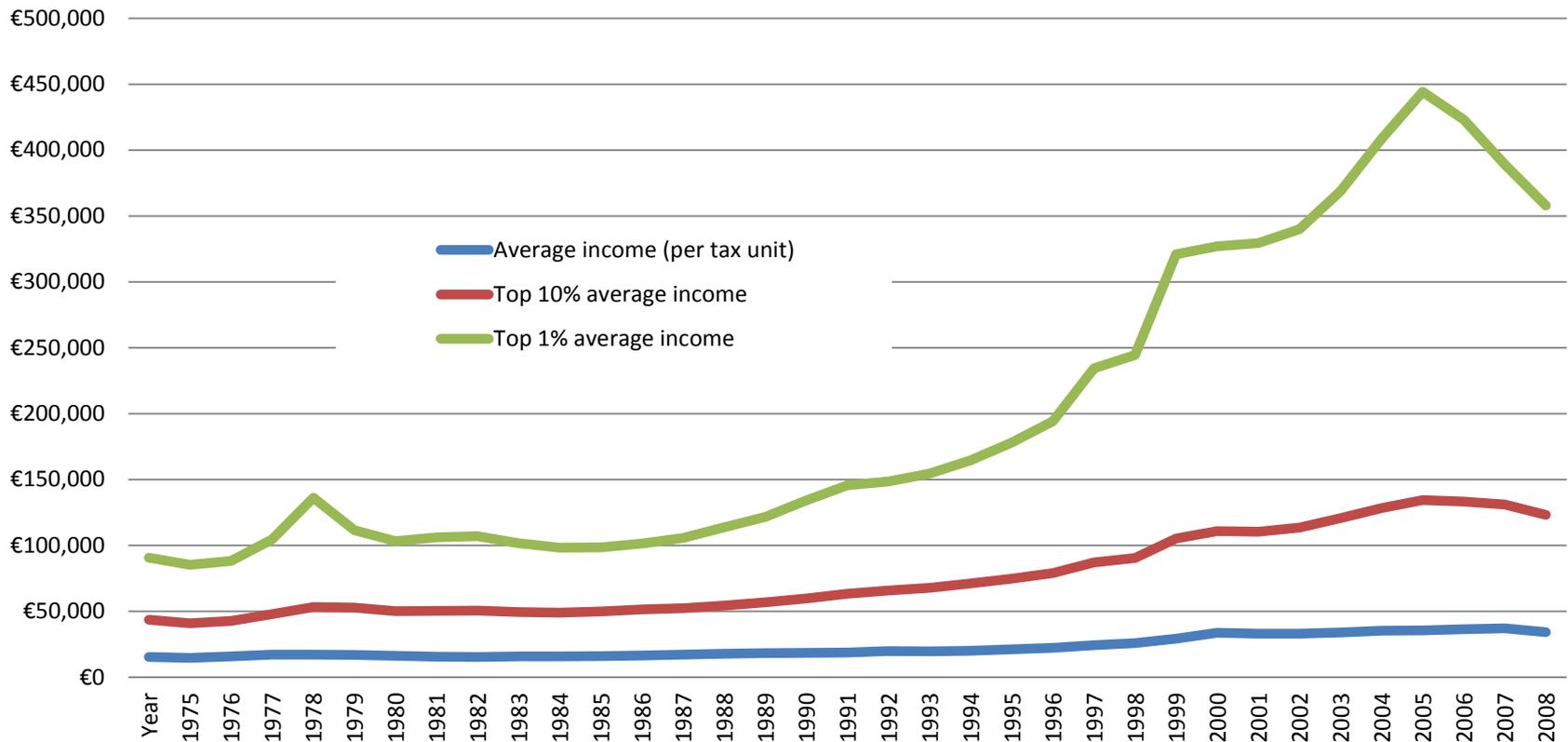
Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>  
IE: Nolan (2007); US: Piketty & Saez (2007)



Source: World Top Incomes Database

<http://topincomes.g-mond.parisschoolofeconomics.eu/>

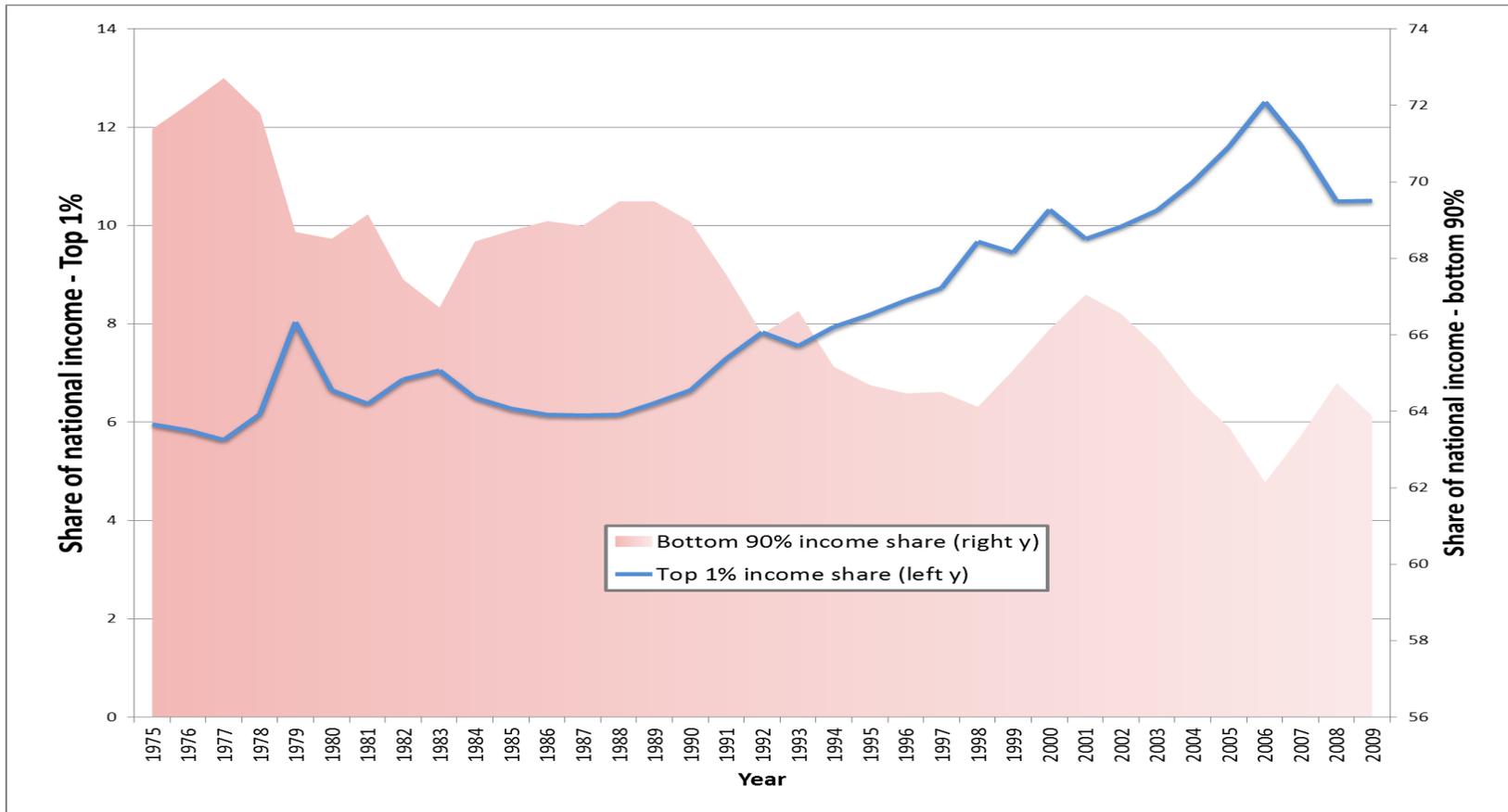
# Ireland (top 1%, 10% and average)



Source: World Top Incomes Database

<http://topincomes.g-mond.parisschoolofeconomics.eu/>

# Declining income of the 'bottom 90%'



Source: World Top Incomes Database

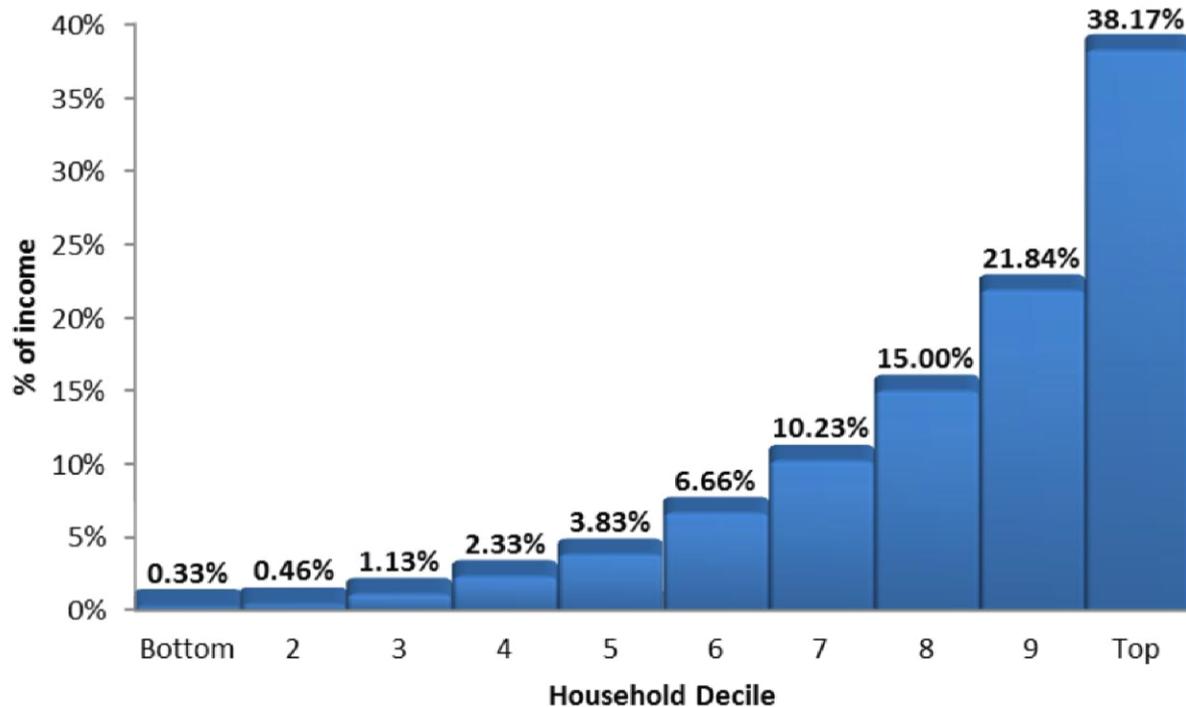
<http://topincomes.g-mond.parisschoolofeconomics.eu/>

# Some reasons for the shrinking income share of the 90%

- Financialisation of Western economies
- Deregulated finance and new financial instruments
- Technology (loss of traditional jobs, robots/ICT)
- Globalisation (cheaper labour in developing countries, migration)
- New working patterns (24/7 work, zero hours, interns)
- Less trade union density
- Unreasonable remuneration expectations of owners/managers/bankers
- Dismantling of the welfare state
- Increased income from wealth (?)

# Household Direct Incomes

**Chart 1: Ireland's Household Direct Income Distribution, 2011 %**



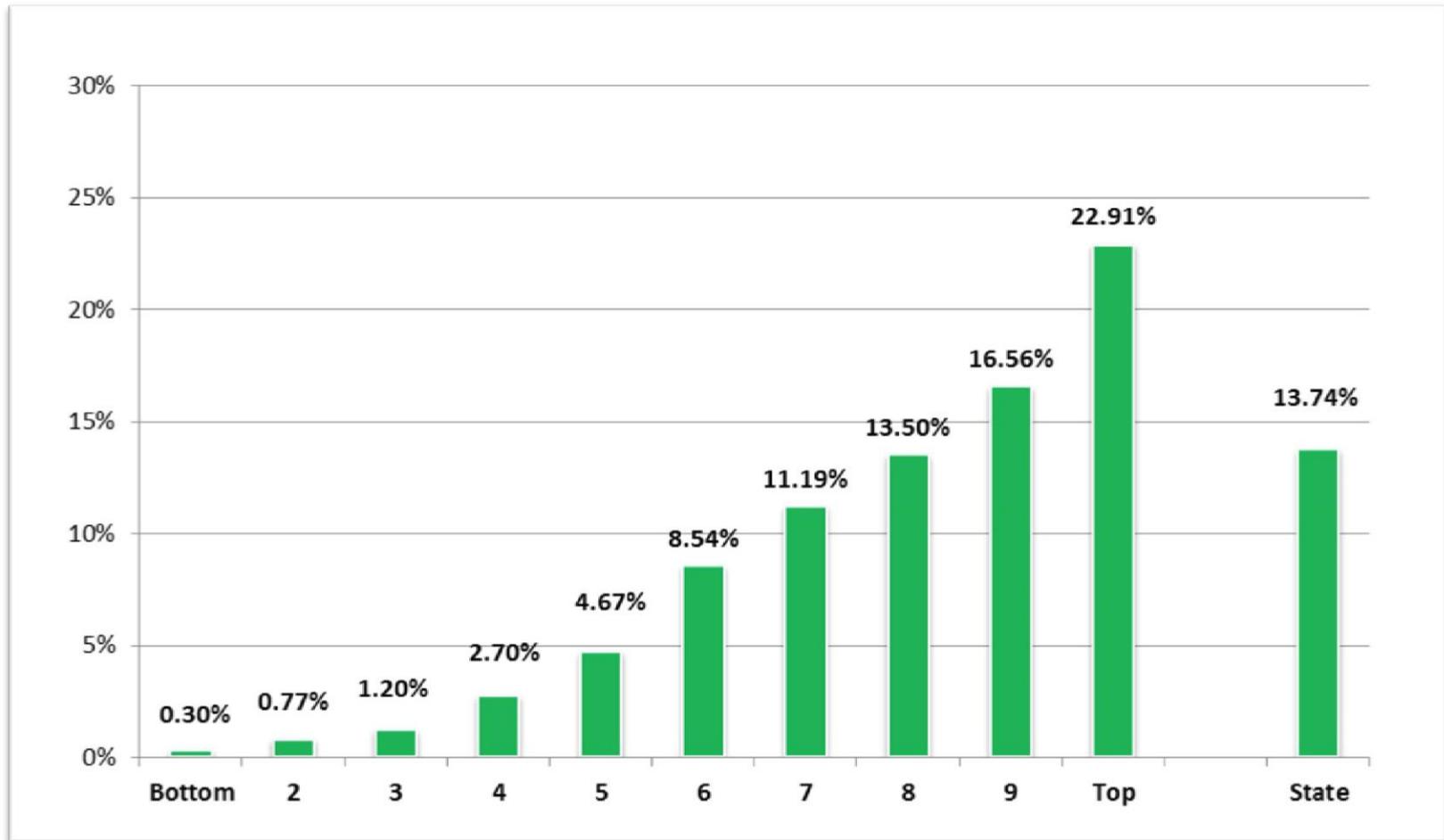
- According to research by the Nevin Economic Research Institute (NERI), the top 10% of households in Ireland receive 38% of all market income.
- The top 20% earn 60% of all market income.

Source: NERI [http://www.nerinstitute.net/download/pdf/neri\\_wp\\_household\\_tax\\_contributions\\_collins\\_and\\_turnbull\\_nov\\_2013.pdf](http://www.nerinstitute.net/download/pdf/neri_wp_household_tax_contributions_collins_and_turnbull_nov_2013.pdf)

# Inequality within Labour Force

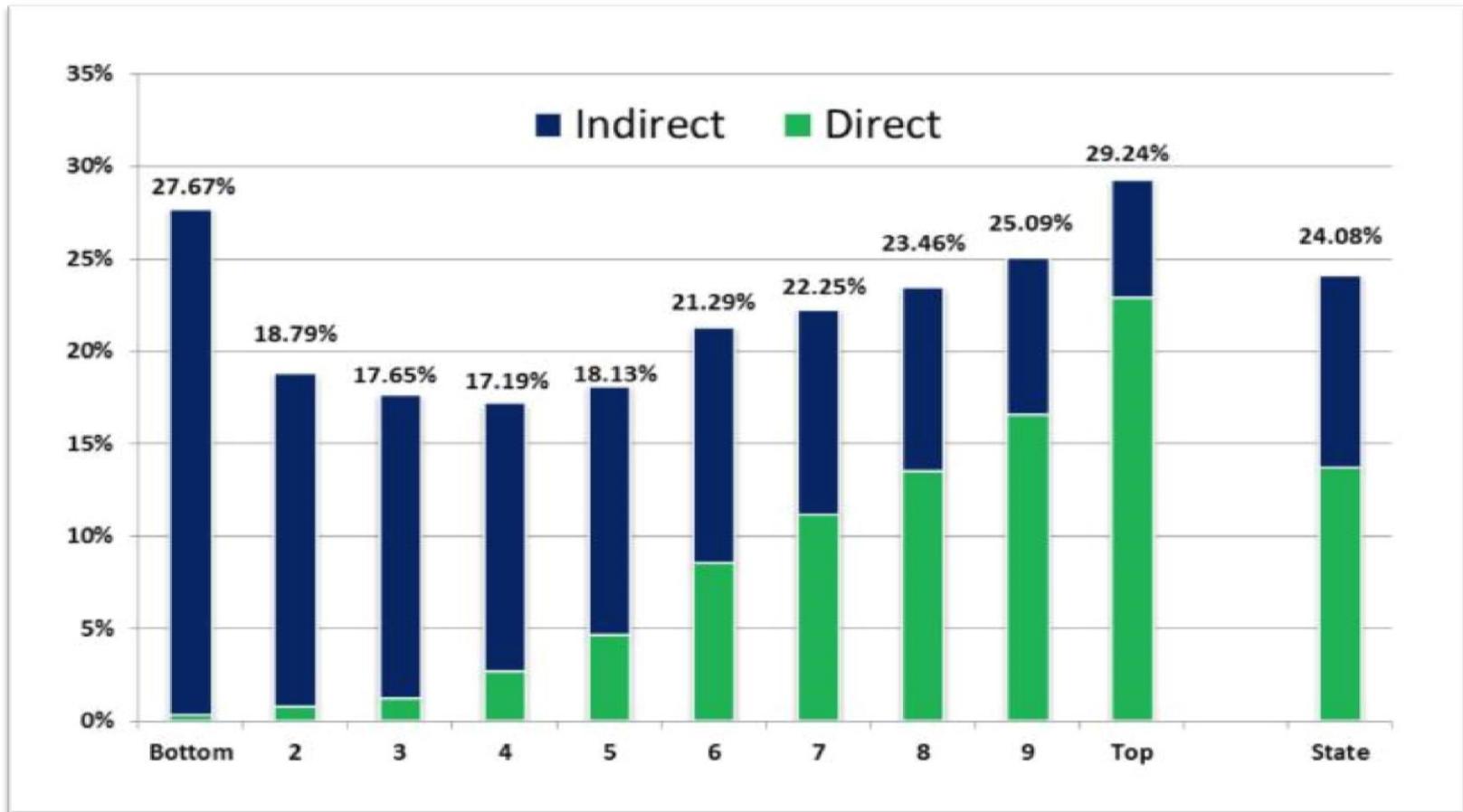
- **20.7% 'low wage' workers** (Eurozone avg. 14.8%)
- **20.2% 'jobless households'** (Eurostat 2012, EU avg. 11.1%)
- **Unemployment 300,000+** (June 2013) with 26 people jobless for every 1 job vacancy annually (2013, NERI)
- **23.8% Young people** not in education, training or employment (2012, NERI)
- **Regional disparity** – e.g. unemployment in Dublin 10.4% versus South East 15.7%
- Only **1 in 6 income earners (17%)** pay anything at the **41%** income tax rate, because their incomes are not high enough.
- Yet, Ireland still has one of the highest **GDP per capita** levels in the world (c.€33,600 per capita in 2012)

# Total Income Tax and Social Insurance as a Percentage of Gross Income



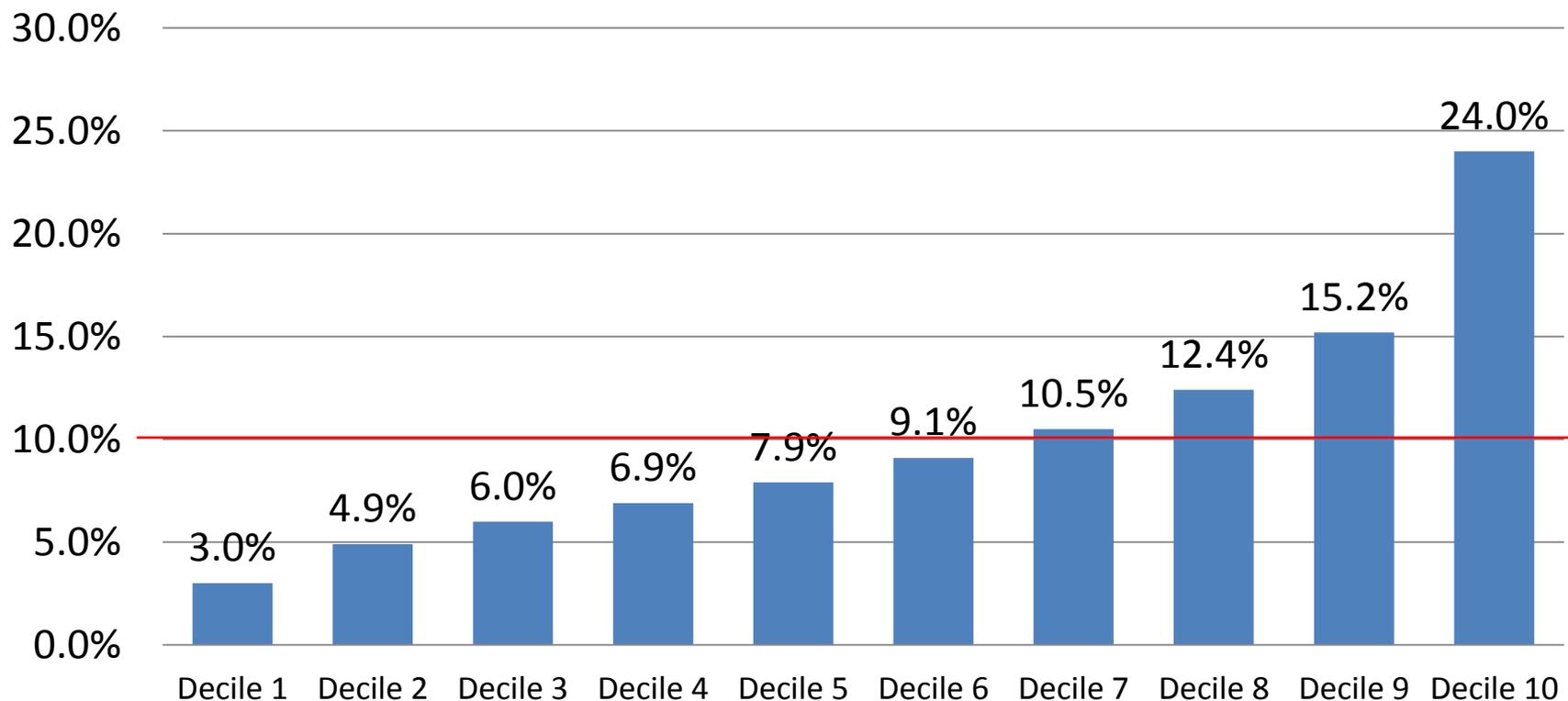
Source: NERI [http://www.nerinstitute.net/download/pdf/neri\\_wp\\_household\\_tax\\_contributions\\_collins\\_and\\_turnbull\\_nov\\_2013.pdf](http://www.nerinstitute.net/download/pdf/neri_wp_household_tax_contributions_collins_and_turnbull_nov_2013.pdf)

# Direct and Indirect Taxes as % Gross Income



Source: NERI [http://www.nerinstitute.net/download/pdf/neri\\_wp\\_household\\_tax\\_contributions\\_collins\\_and\\_turnbull\\_nov\\_2013.pdf](http://www.nerinstitute.net/download/pdf/neri_wp_household_tax_contributions_collins_and_turnbull_nov_2013.pdf)

# Equivalised Income Share (%)



Source: CSO, SILC data for 2012

[http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2012/silc\\_2012.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2012/silc_2012.pdf)

# Average Income Distribution (SILC)

	Annual household disposable income	Equivalised (x/person)
• At work	€54,053	<b>€26,907</b>
• Unemployed	€29,910	<b>€15,383</b>
• Student	€28,233	<b>€16,273</b>
• Home duties	€30,821	<b>€17,061</b>
• Retired	€35,102	<b>€22,481</b>
• Illness/disability	€22,089	<b>€15,351</b>

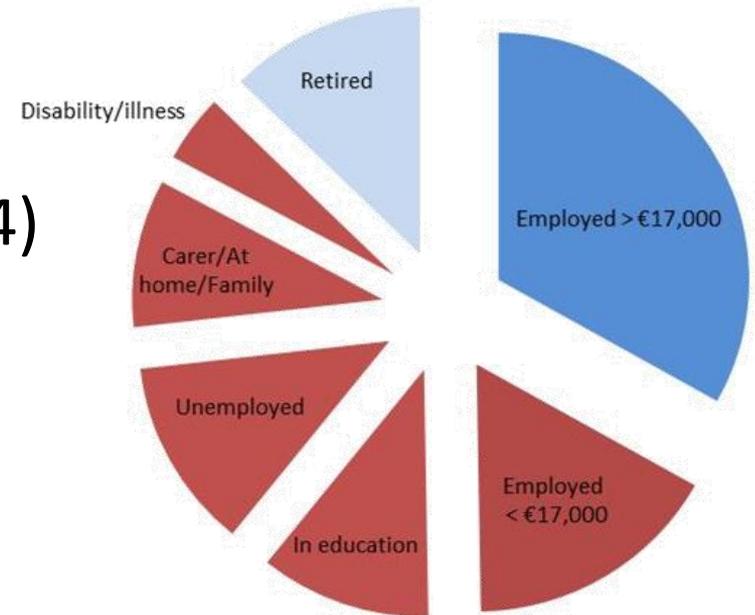
*Source: SILC 2011*

*Equivalised income splits household income among individuals*

# Population by Activity

## 4.6 million people

- 980,000 children (0-14)
- 2.5 million 'working age' (15-64)
- 535,000 older age (65+)
  
- 1.9 million 'employed'
- 300,000 'unemployed'
- 1.4 million 'not in labour force'
- 900,000+ working age 'inactive'
  
- 1 million+ adults of working age on weekly welfare



# Working Age Welfare Recipients (and adult dependents)

Type of Payment	Recipients	Qualified Adults	Rates (up to...)
Jobseeker's Allowance	303,223	71,485	€188 / €124.80
Jobseeker's Benefit	76,457	7,798	€188 / €124.80
One Parent Family Payment	87,586	0	€188
Supplementary Welfare Allowance	27,639	6,030	€186 / €124.80
Other Working Age Income Supports (e.g. Farm Assist, Maternity)	44,951	5,746	€188 / €124.80 (Farm Assist)
Recipients of Working Age on Employment Supports	57,982	12,566	€208 (CE scheme)
Invalidity Pension	51,532	7,568	€230.30 (if >65)
Disability Allowance	102,631	9,922	€188 / €124.80
Illness Benefit	61,042	6,389	€188 / €124.80
Carer's Allowance	55,530	0	€204 (caring for 1)
Other disability payments (disablement benefit, blind pension)	18,352	419	€219 (100% disablement)
Subtotal	886,925	127,923	
	<b>TOTAL</b>	<b>1,014,848</b>	

# Typical Net Incomes (not equivalised)

Source	Household Type	/week	/year
Weekly welfare (e.g. JA)	Single person	€188	€9,776
Weekly welfare	Couple with two children	€372	€19,365
Full contributory pension	Single person	€230	€11,976
Full contributory pension	Couple	€384	€19,958
Minimum wage net income (39 hours)	Single person	€323	€16,787
Average earnings (€36K gross)	Single person	€541	€28,149
Threshold to join top 10% (could be as low as c.€75K gross, Revenue data)	Tax cases	€901 (s)	€46,869 (s)
	<i>(s) = single (m) = married couple</i>	€1,110 (m)	€57,738 (m)
Threshold to join top 1% (est. c.€200K gross)	Tax cases	€2,055 (s)	€106,869 (s)
		€2,264 (m)	€117,738 (m)

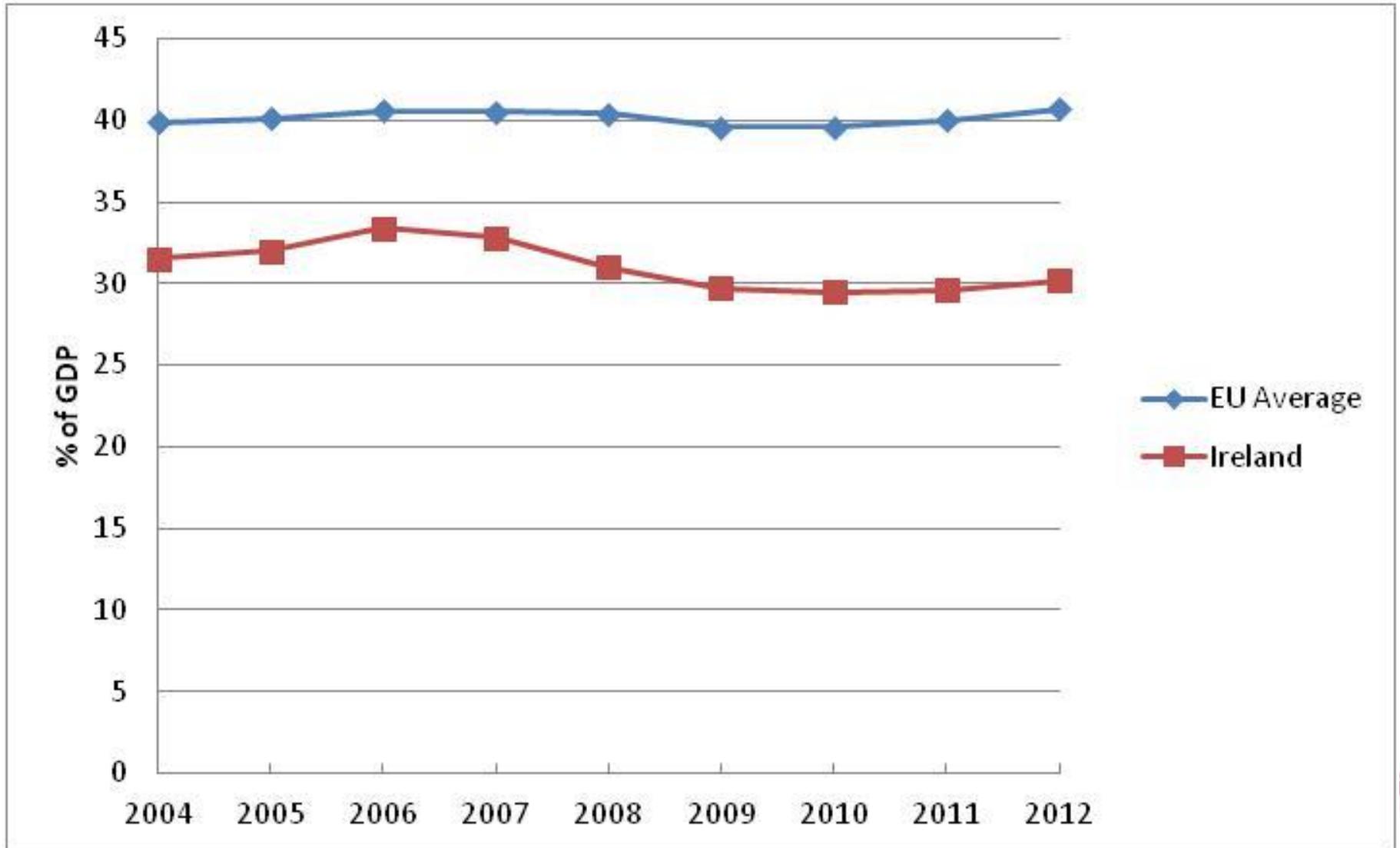
**NB** Need to factor in cost of living and value of public services and secondary benefits (housing, medical card)

Sector	All employees	Managers, professionals and associated professionals	Clerical, sales and service employees	Production, transport, craft and other manual workers
All NACE economic sectors	€686.02	€1,080.86	€469.20	€516.47
Mining and quarrying (B)	€828.56	€1,202.61	€680.21	€769.74
Manufacturing (C)	€771.93	€1,248.36	€685.99	€594.99
Construction (F)	€722.17	€1,036.40	€528.81	€657.35
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	€482.62	€981.22	€362.11	€442.15
Transportation and storage (H)	€683.27	€1,240.83	€604.25	€610.29
Accommodation and food service activities (I)	€316.07	€656.35	€268.56	€271.29
Information and communication (J)	€915.94	€1,172.50	€638.53	€667.17
Professional, scientific and technical activities (M)	€856.90	€1,195.06	€492.59	€502.24
Administrative and support service activities (N)	€488.24	€1,156.73	€420.73	€356.71
Public administration and defence; compulsory social security (O)	€923.22	€1,088.86	€820.39	€640.08
Education (P)	€845.59	€981.31	€464.10	€400.29
Human health and social work activities (Q)	€706.36	€963.84	€469.00	€431.20
Electricity, water supply and waste management (D,E)	€1,112.25	€1,807.07	€959.85	€854.93
Financial, insurance and real estate activities (K,L)	€1,013.75	€1,449.24	€617.00	€443.36
Arts, entertainment, recreation and other service activities (R,S)	€454.62	€881.29	€374.41	€332.74

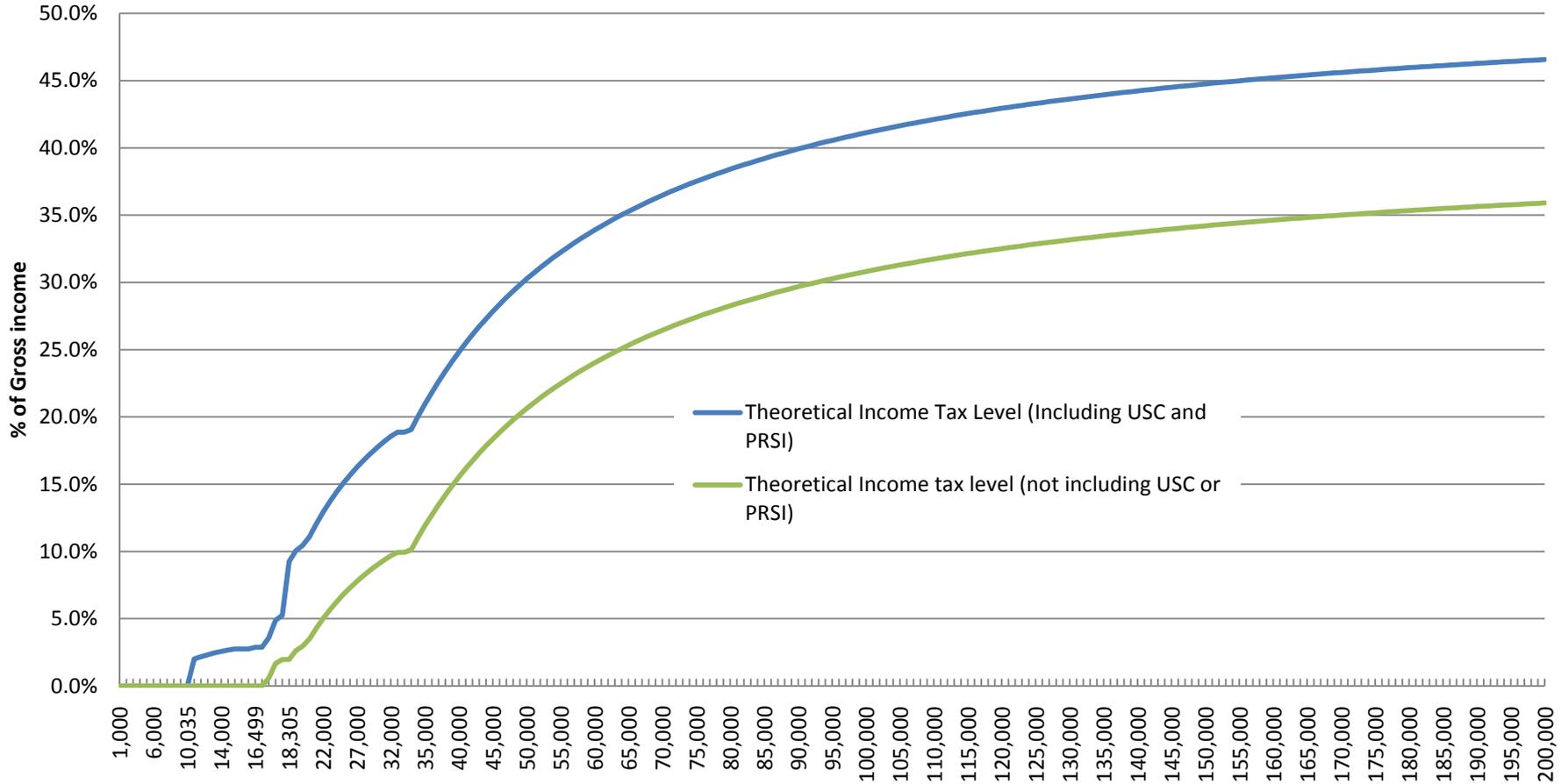
**Weekly Pay by Broad Occupation and Sector** *Source: NERI*

[http://www.nerinstitute.net/download/pdf/an\\_overview\\_of\\_the\\_irish\\_labour\\_market\\_neri\\_wp201415.pdf](http://www.nerinstitute.net/download/pdf/an_overview_of_the_irish_labour_market_neri_wp201415.pdf)

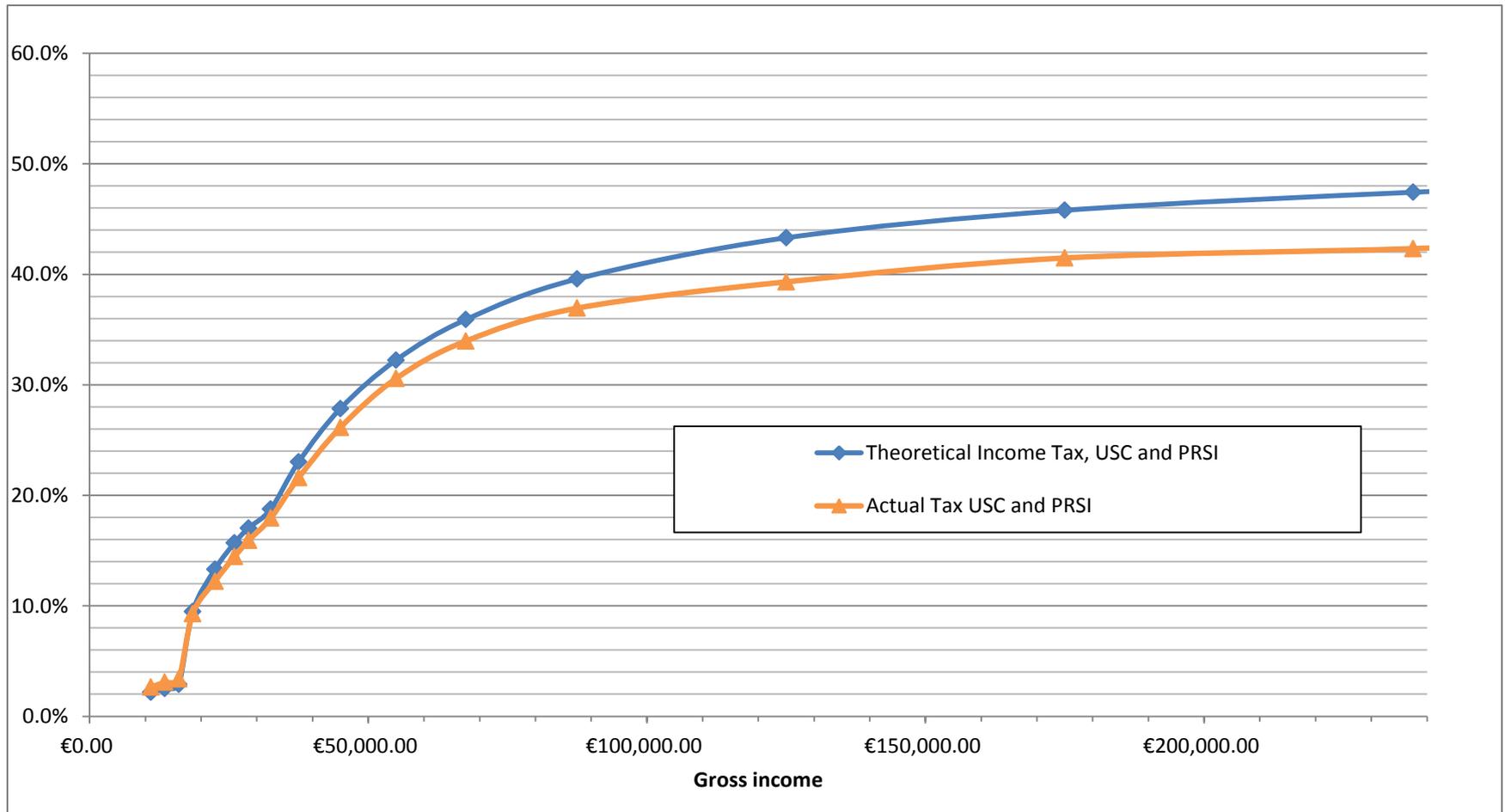
# Ireland's tax and social insurance take is low: $\frac{3}{4}$ of EU average



# Maximum Income Tax, USC and PRSI



# Maximum Direct Tax versus Actual



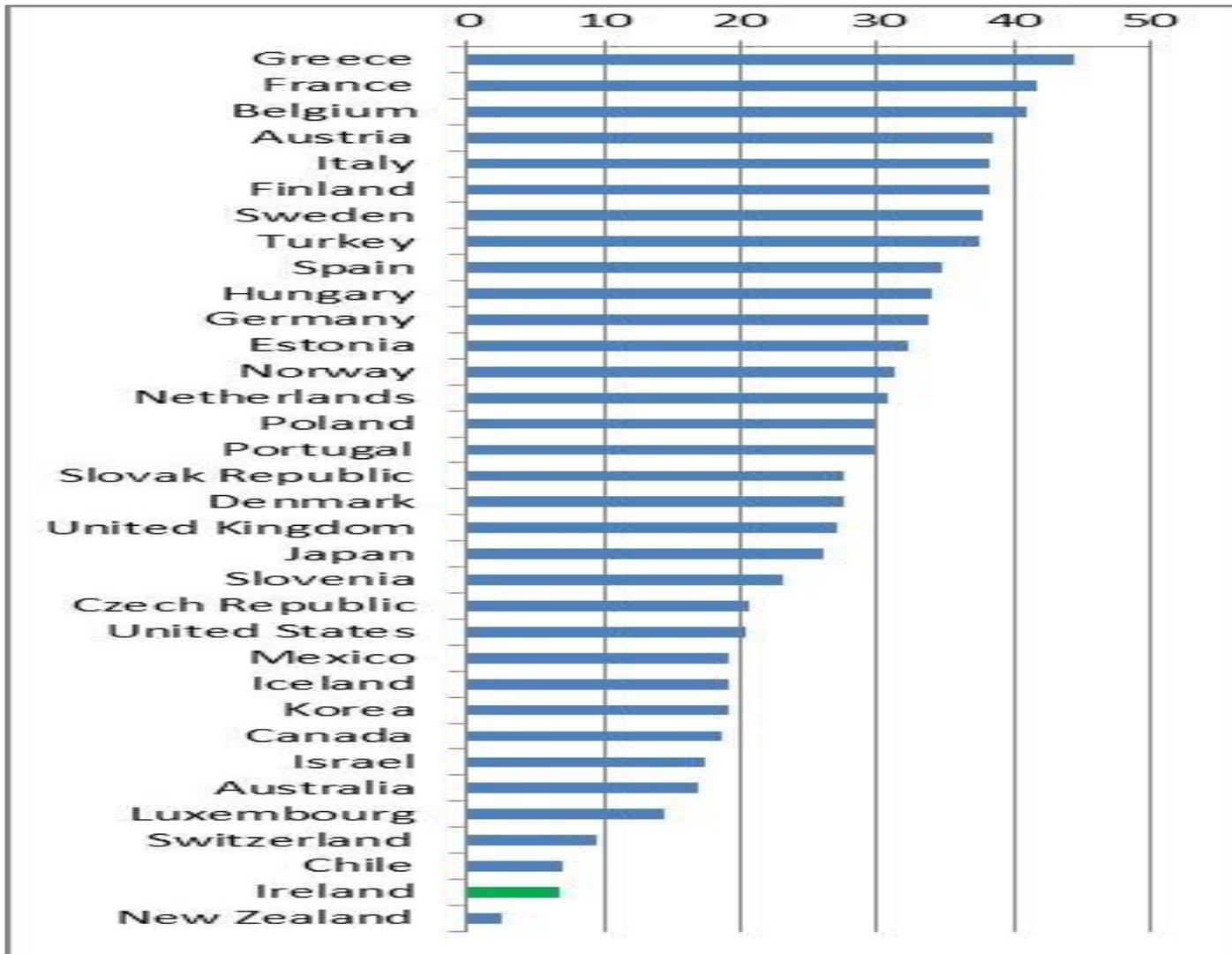
# The 41% (52%) ‘Marginal Tax’ Red Herring

“Headline” income tax rate	<b>41%</b>
Maximum theoretical level of income tax payable	<b>13.8%</b>
Average level of Income tax paid (single person)	<b>12.4%</b>
Average level of income tax actually paid (all)	<b>8.7%</b>

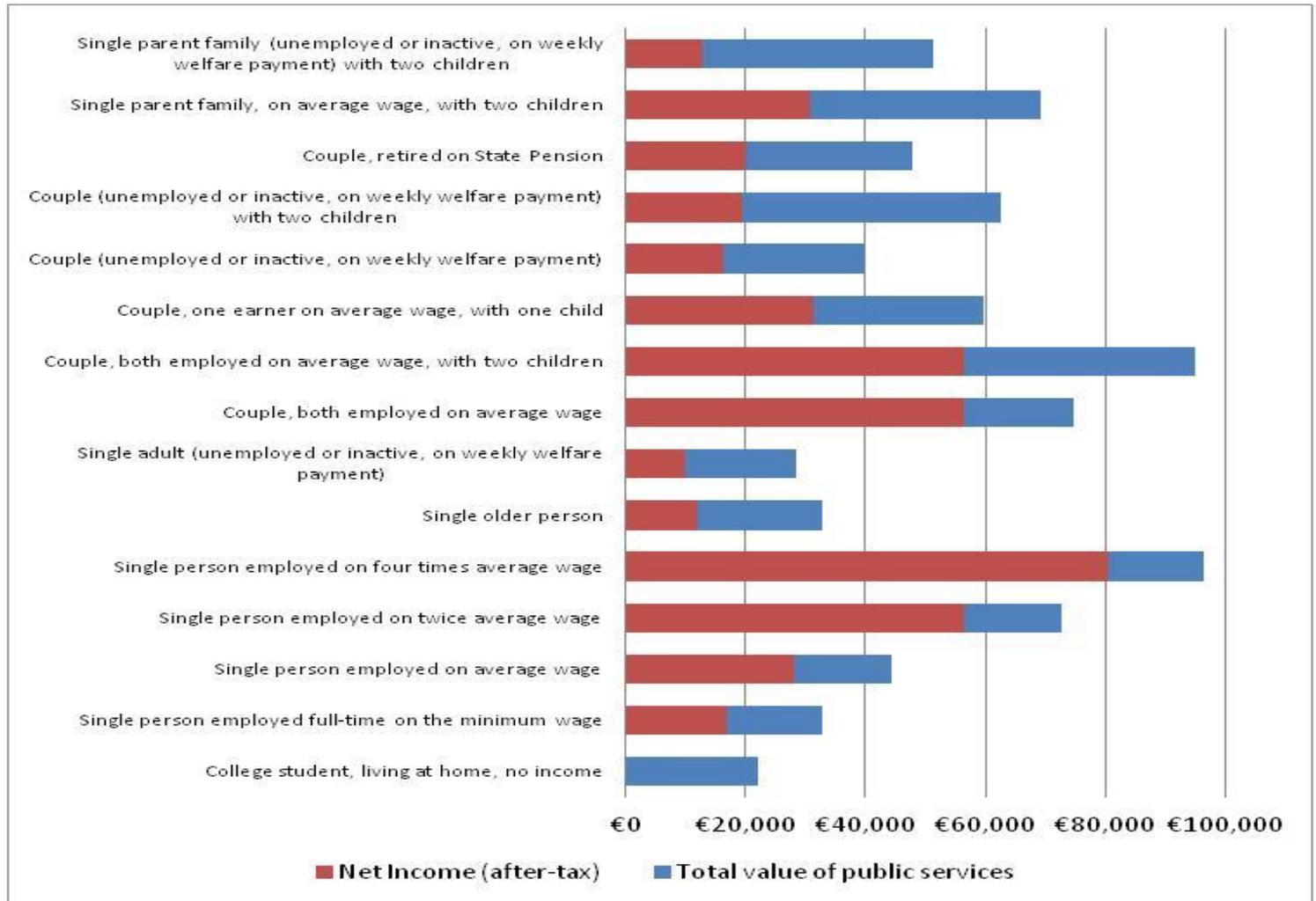
“Marginal” rate of personal tax (income tax, USC and PRSI)	<b>52%</b>
Maximum theoretical level of personal tax (income tax, USC and PRSI)	<b>23.0%</b>
Average level of personal tax actually paid – Single person (income tax, USC and PRSI)	<b>21.6%</b>
Average level of personal tax actually paid – All (income tax, USC and PRSI)	<b>17.9%</b>

**NB** Only 17% of income earners pay any income tax at 41%  
(2013) – *letter from Minister Noonan, Revenue figures*

# 'Tax Wedge' on single earner married couple with two children, average earnings (OECD)



# Don't cut tax: Maintain public services, social transfers and public investment to benefit all

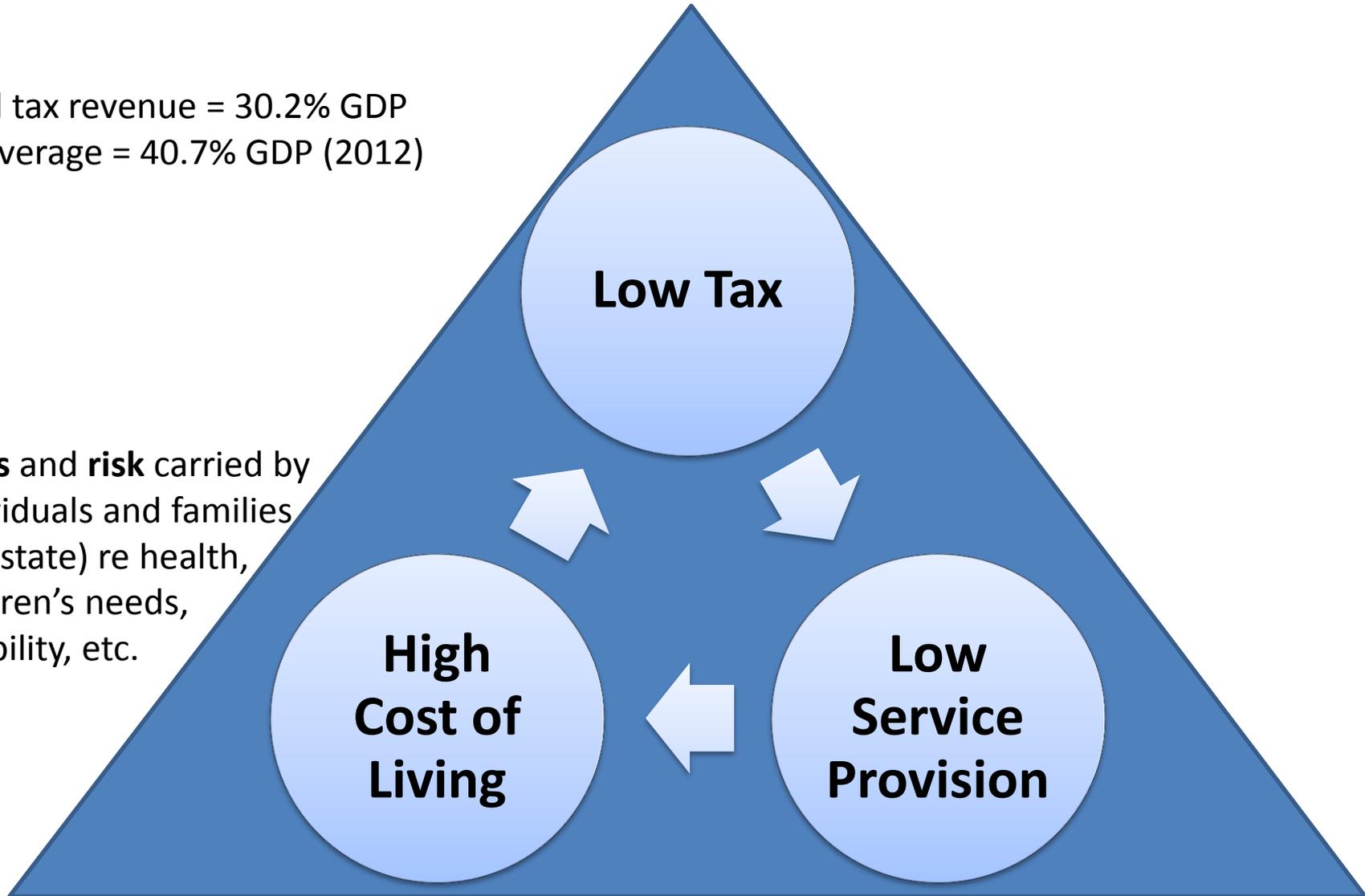


See <http://www.tasc.ie/publications/tasc-a-defence-of-taxation/>

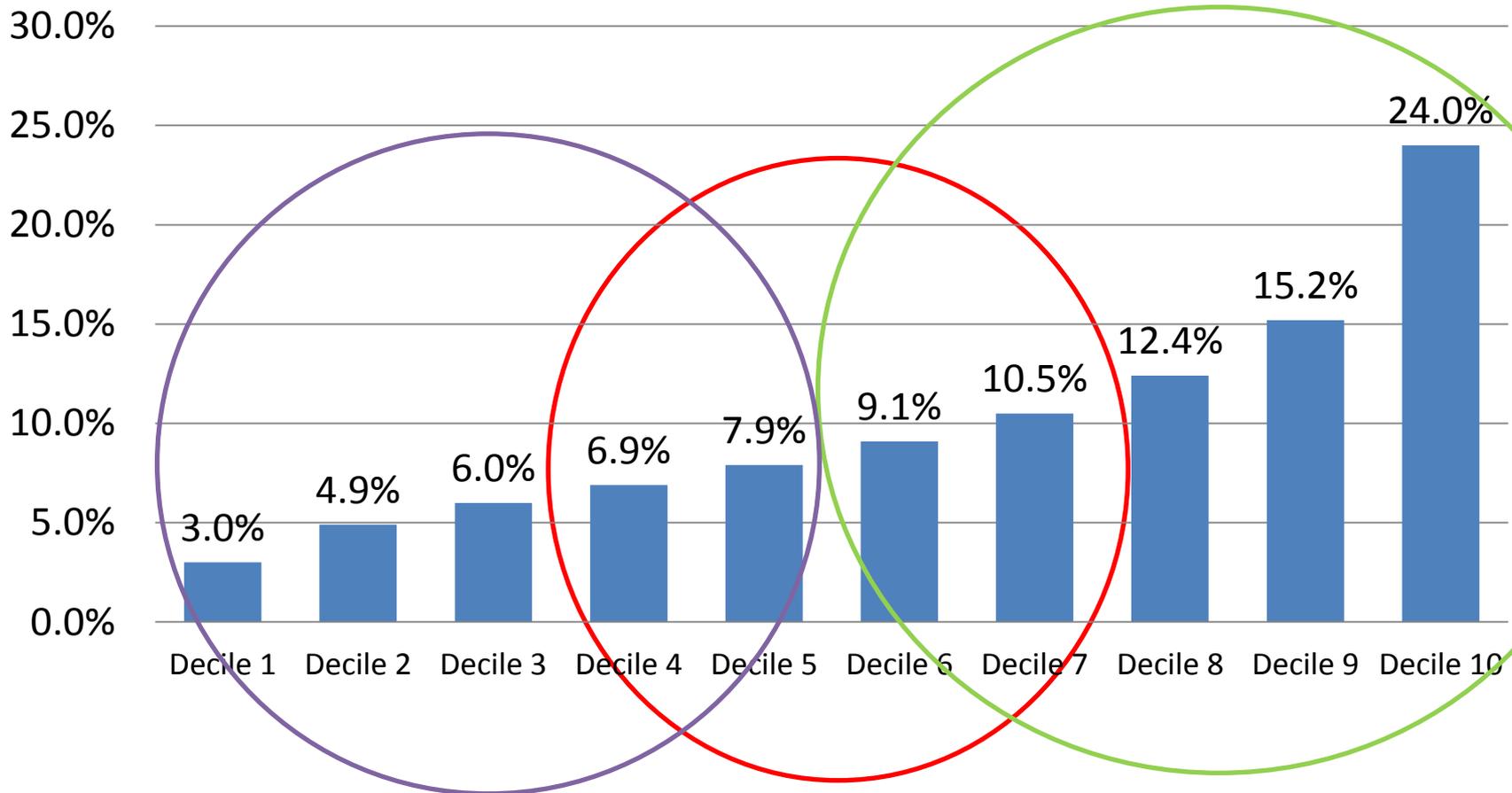
# Ireland's 'Low Tax Triangle'

Total tax revenue = 30.2% GDP  
EU average = 40.7% GDP (2012)

**Costs** and **risk** carried by individuals and families (not state) re health, children's needs, disability, etc.



# Welfare v Work Income Hypothesis



**Lowest deciles** probably mostly people on weekly welfare and pensioners on State pension

**Highest deciles** mostly represents 'good jobs'

**Middle deciles** is a mixture of low paid, part-time and irregular work, combined with some welfare income families and pensioners with both private and public pension

# Two Policy Challenges

1. Distribution within the 99%
  - Living Wage (or better) for full-time employment
  - Living Income for everyone on welfare/pensions
2. Distribution from the top 1% to everyone else
  - Lower the gap between top 1% (0.1%, 0.01%) and the rest of society in terms of lifestyle
  - Prevent undue political influence of the top 1%

# Possible Solutions (1/2)

1. Distribution within the 99%
  - Create more 'good' jobs (investment needed, esp. in people)
  - Replace minimum wage with Living Wage ([www.livingwage.ie](http://www.livingwage.ie))
  - Distribute work more widely (e.g. four-day week)
  - Strengthen trade unions and workers' rights
  - Income supports for part-time workers
  - Raise welfare rates to Living Income standards
  - Create more non-profit work/meaningful activity
  - Basic income ([www.basicincomeireland.com](http://www.basicincomeireland.com))
  - Address cost of living (regulation, competition) – e.g. housing
  - Economies of scale from public goods and services
  - Tax reforms (e.g. VAT, tax reliefs) and social insurance reforms
  - Mixed tenure urban planning

# Possible Solutions (2/2)

2. Distribution from the top 1% to everyone else
  - Pay caps or company pay ratios
  - Higher rates of income tax for high incomes
  - Wealth taxes, including gift and inheritance tax
  - Strong re-regulation of banking and finance
  - Financial transaction tax (FTT)
  - Legislate for transparency in companies and trusts
  - Strengthen white collar crime law and enforcement
  - Reform tax breaks and corporate taxation
  - Non-financial rewards for investment, innovation, job creation and philanthropy

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