

Income Inequality in Ireland

The World Top Incomes Database provides data on income inequality in Ireland. Trends over recent decades show increasing inequality, with the top 10% now taking over a third of all income (35%), and the top 1% taking 10%.

Inequality in Ireland

Thomas Piketty's economic analysis in *Capital in the Twenty-First Century* has returned the focus of economics to central questions around the distribution of income and wealth. This analysis is rooted in an enormous volume of data, which has helpfully been made available through the World Top Incomes Database.

The analysis includes data from Ireland (courtesy of Professor Brian Nolan, UCD) and this gives an insight into the changing nature of inequality over time. It can also be used to compare Ireland with other countries.

This brief uses the data to make observations about inequality in Ireland.

The IMF, World Economic Forum, the Obama Administration among many others are paying more and more serious attention to the risks posed by the growth of economic inequality.

1. Piketty's findings about growing inequality, and its implications, are as applicable to Ireland as anywhere else.

We are witnessing the same phenomenon in Ireland of a steady rise of inequality, after a decline in the middle of the last century. See Chart 1 for a comparison with the United States. While inequality in the USA is back to 1920s levels, the trend in Ireland is in the same direction and there is little reason to believe that current economic and fiscal policy will halt that trend.

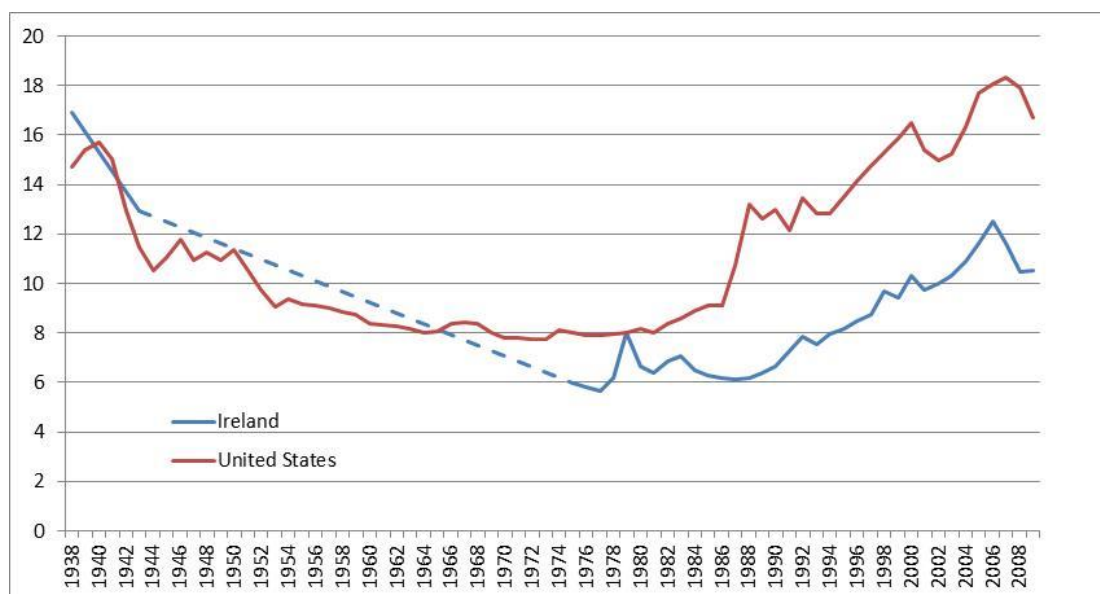


Chart 1: Growth of top 1% income share in Ireland and US (dotted line represents missing data)

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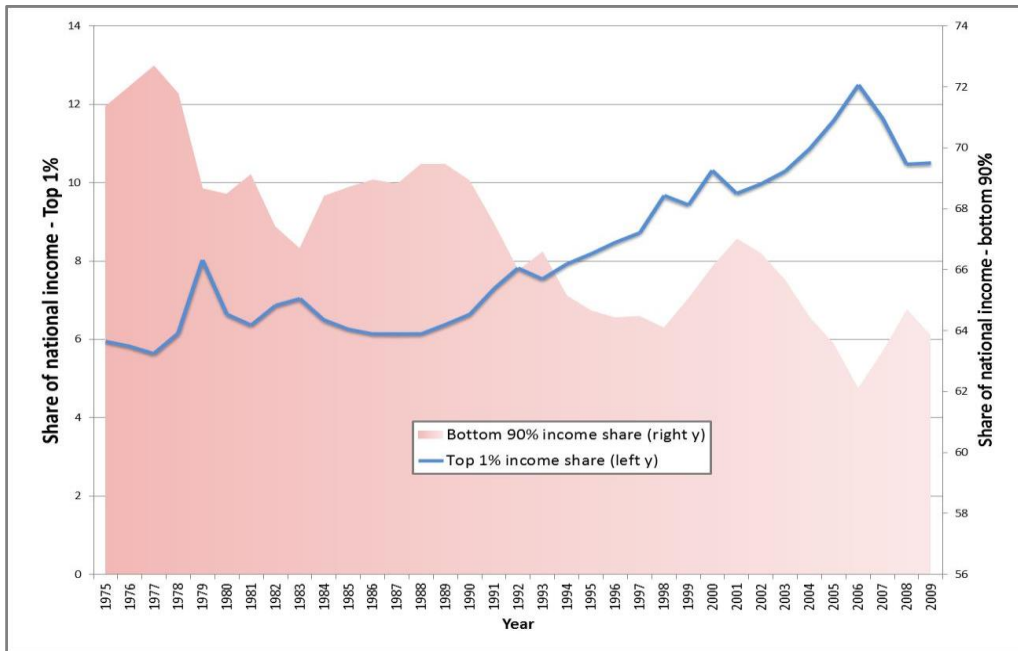


Chart 2: Top 1% and 'bottom 90%' share of income in Ireland

2. Inequality in Ireland grew as the country became more prosperous.

As the economy grew in Ireland from the early 1990s, the share of all income earned by the top 1% in Ireland rose very quickly. At the same time, the proportion of income earned by the top 10% also rose.

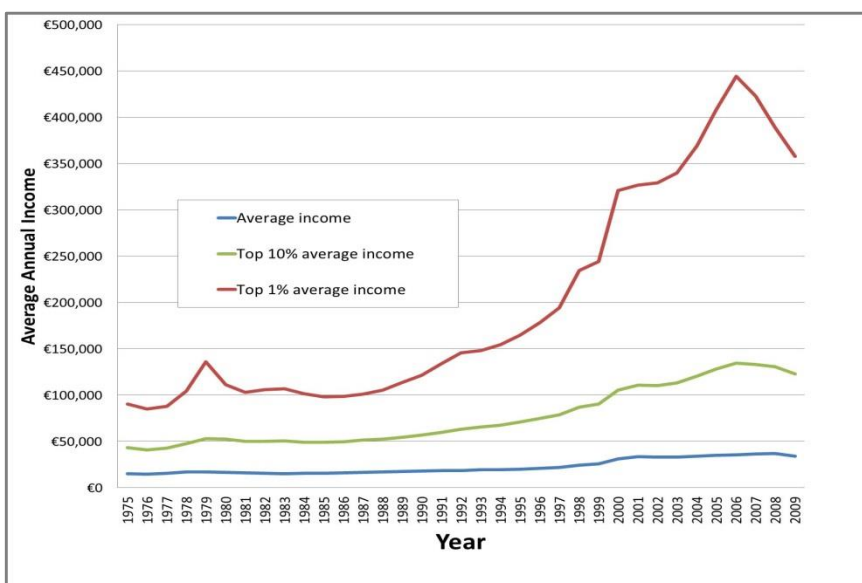
This means that the vast majority of people, the "bottom 90%" of the population, lost a tenth (10.5%) of their share of the national income, from 71.4% in 1975 to 63.9% in 2009 (see Chart 2).

3. The gap between the average income of the top 1% and average incomes of everyone else has risen significantly.

The actual income (in 2010 Euro terms) of the top 1% in Ireland has risen dramatically since the late 1980s, while average earnings have risen much more slowly (See Chart 3).

From 1975 to the height of the boom in 2006, average gross income (adjusted for inflation) more than doubled, but average for the top 10% more than tripled while top 1% had almost five times as much income.

Source: World Top Incomes Database : <http://topincomes.g-mond.parisschoolofeconomics.eu/>



Year	Average Income (€ 2010)		
	Average	Top 10%	Top 1%
1975	€15,188	€43,467	€90,518
2006	€35,490	€134,384	€444,109

Chart 3: Real average income in Ireland, compared with average for top 1%, top 10%