The Distribution of Wealth in Ireland

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Contents

Summary

Wealth is one of seven key factors affecting economic inequality as outlined in TASC's publication *Cherishing All Equally – Economic Inequality in Ireland* published in February 2015. Understanding the distribution of wealth is therefore central to our understanding of economic inequality.

This report contributes to our understanding of the distribution of wealth in Ireland by analysing new data from the CSO's "Household Finance and Consumption Survey". It compares the results to a number of other studies of the distribution of wealth in Ireland.

The results show that wealth is highly concentrated, with 72.7% of net wealth held by the top 20% , which is higher than the Euro Area average of 67.6%. The bottom half of the distribution has around 5% of wealth (4.9%).

When looking at the concertation at the top, the results show that the top 10% have more than half of all the net wealth in Ireland (53.8%). The Top 5% have 37.7% while the Top 1% has 14.8%.

The report also looks at the factors affecting the distribution of net wealth. The distribution of financial assets is broadly similar to the distribution of net wealth, with over half of all financial assets held by the Top 10%.

Only 10% of households own any land and thus the value of land assets is highly skewed and is highly concentrated amongst the wealthiest households. The Top 20% owns more than 90% of all land (by value), while the Top 10% owns 82%.

Wealth in the form of households main residence is more equally distributed, with the Top 10% having just over 20% net wealth from household main residence. While those in the second and third deciles have less than 1% of household main residence wealth each, the bottom 10% has 10% of all household main residence wealth. This is explained by the fact that debt is highest amongst those with the least net wealth. This is unsurprising given that debt reduces the value of net wealth.

The report also looks at the wealth of different household types and highlights in particular the lack of wealth in single parent households.

The home ownership rate for single parents is 26.3%, which is less than half the rate for couples with children and single adults, and less than 40% of the average rate for all households (70%)

The average median value of financial assets for all households is €6,300. This means that half of all households have financial assets worth less than €6,300. For single parent households that median value is €500. This is explained in large part by the differences in the value of their savings.

The median value of savings for all respondents was €4,500, but for single parents it is €300. The average debt-to-asset ratio in the respondents is 37.7%, while the debt to asset ratio for single parent households is more than double that at 78.3%. On average 18.4% of households in the survey were classified as credit constrained, but for single parent families the rate is more than double at 42.1%

Taking all of these indicators together the results show that the average household has a net worth seven times greater than the average for a single parent household.

Introduction

Concern with economic inequality features centrally in much of modern history and it underpins the political divisions within most democratic countries. At the beginning of the 21st century, there is a growing international literature in mainstream academic economics concerned with the problems caused by growing economic inequality, as well as substantial public concern and political debate about the issue.

Economic inequality has also been identified by many political and economic leaders as among the most pressing problems facing advanced economies. Not only does it represent injustice and an erosion of social cohesion, but there is growing awareness that inequality undermines economic performance.

Understanding the distribution of wealth is central to our understanding of economic inequality. Highly unequal societies are typified by high levels of wealth concentration, where wealth is held by very few people.

Wealth tends to be distributed more unequally than income and a highly unequal distribution of wealth causes problems for both the economy and society. TASC has previously outlined how wealth is one of seven key factors affecting economic inequality in our publication *Cherishing All Equally – Economic inequality in Ireland* published in February 2015[i].

This report builds on that work on order to describe the distribution of wealth in Ireland. Section 1 outlines some of the challenges to measuring wealth inequality in Ireland. It describes some of the causes of rising wealth inequality and some of the problems associated with rising wealth inequality and the concentration of wealth. It uses available data to describe the overall distribution of wealth. Section 2 focus on different household types and outlines the disparity in wealth between households headed by single parents and all other households in Ireland today.

What is wealth?

The wealth of a person or a household is measured by their assets. A person's total wealth (or net wealth) also takes account of their debts. In this way it is different from income in that it is a 'stock', whereas income is a 'flow' of resources. Wealth is the result of past earnings and income, but it is also affected by inheritance and decisions relating to investment, saving and consumption.

A household's assets are typically divided into real assets or financial assets. The Central Bank of Ireland defines 'total net worth' as the difference between a household's total assets and liabilities (debts). In this paper 'wealth' is used as a short-hand for 'net wealth' – the difference between assets and debts. Some households have negative wealth where their debts exceed their assets.

Net wealth is strongly correlated with income, for instance because high earners tend to save more and consequently accumulate more wealth.[ii] Wealth inequality and income inequality are related, even though wealth tends to be more unequally distributed than income.

The type of assets that are counted towards wealth include land, real estate, business equity, agricultural assets, vehicles, cash savings, life assurance reserves, pension fund equity, and personal property.

An asset gives value to the person who holds it. Sometimes this value will be an income such as interest, dividends, rents and royalties. However there can be other benefits to holding assets.

Housing and cars provide use value. Most assets can appreciate in value which can give financial security. Assets can lead to participation in society, status, access to power and influence, economic freedom, and psychological benefits.

In other words, wealth provides benefits to the holder of wealth above and beyond the monetary income generated from that wealth.[iii] Therefore understanding the distribution of wealth, and thus of these benefits, is extremely important to understanding economic inequality.

Sources of Wealth and Income

Wealth	Income
House	Wages and Salaries
Cars & Valuables	Social Protection payments (Pensions, Child benefit, Jobseekers)
Stocks & Shares	Self-employment income
Land	
Savings & other Investments	

Table 1: Sources of Wealth and Income

Wealth inequality across the world

In *Capital in the Twenty-First Century*, the French economist Thomas Piketty uses available data from tax returns to make a number of conclusions about wealth inequality across the world, including:

- In Europe, wealth inequality was extremely high and rising during the 19th century and up until 1914 (the Top 10% wealth share was at around 90% of total wealth in 1910). It then declined until the 1960/70s (down to about 50-60% for the Top 10% wealth share) due to progressive taxation and other factors. It has increased moderately since the 1980s.

- In the United States, wealth inequality was less extreme than in Europe until 1914, but it was less strongly affected by the 20th-century shocks, and in recent decades it rose more strongly than in Europe.

- Both in Europe and in the United States, wealth inequality is less extreme now than it was in Europe in 1914.

The ability to measure the most recent trends in wealth inequality is limited, partly due to the huge rise in cross-border financial assets and offshore wealth. According to Piketty, wealth rankings such as those conducted by *Forbes Magazine* show that the concentration of wealth at the very top has been increasing.[iv]

The Euro Systems Household Finance and Consumption Survey (HFCS) has found that across Europe the top 20% of households hold more than two-thirds (67.6%) of all wealth, while the bottom 60% only have 12% of the total.[v]

Total wealth in Ireland

The total combined wealth of Irish households is measured quarterly by the Central Bank. It shows the total financial assets, housing assets and liabilities (debts) of all households combined. Looking at Chart 1 we see that in the aftermath of the financial crash of 2008 there was a decline in total net worth. However since Q2 of 2012 there has been a gradual rise due to rising housing asset values, financial asset values and declining debt. With a total net worth of almost €600 billion[vi], the recovery in net wealth has been remarkably strong. As such it is important that we understand who is benefiting from this recovery in net wealth.
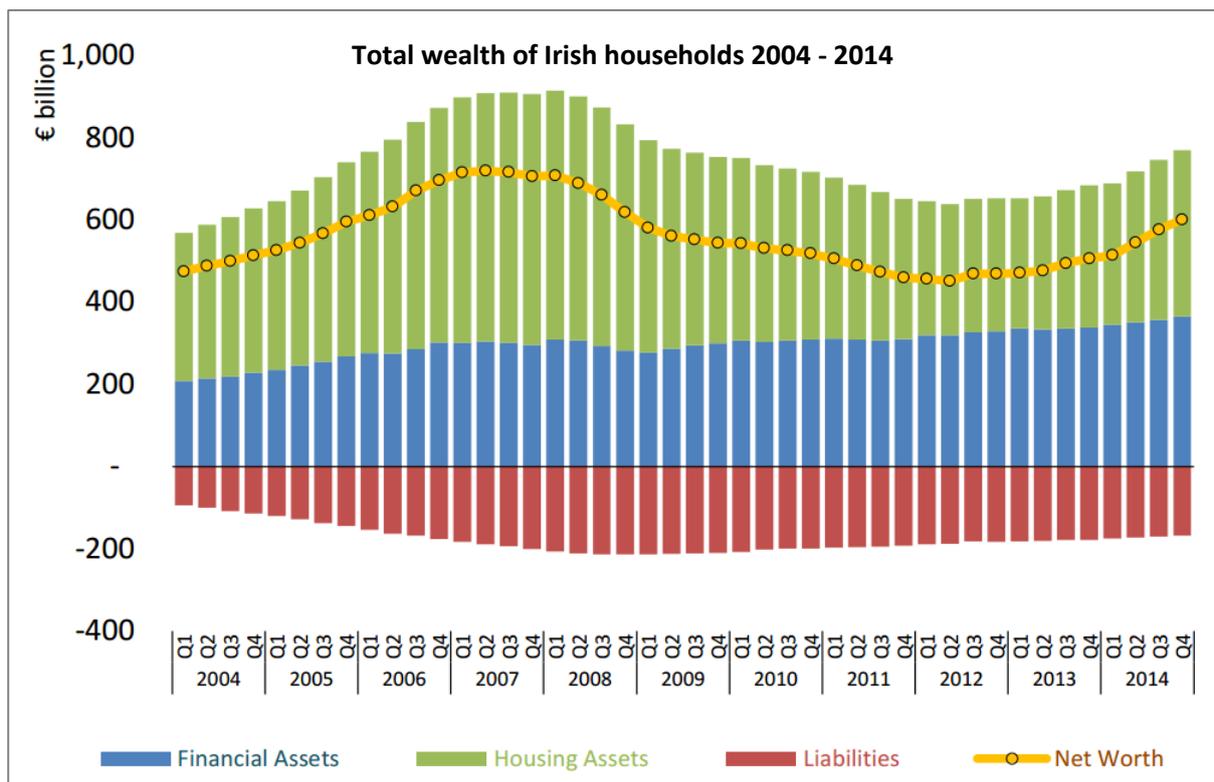

Chart 1: Total Net wealth of Irish Households 2004 - 2014 (Central Bank)

Section 1: The distribution of wealth in Ireland

Up until 2014, very little was known about the distribution of wealth in Ireland. Prior to that time, the most comprehensive study was from Brian Nolan in 1991, which relied on data from 1987.

Measuring wealth is notoriously difficult. There is a lack of administrative data on wealth holdings and surveys of wealth typically underestimate the wealth of those at the top.

Recently, two important publications have greatly aided our understanding of wealth in Ireland. The first in 2014 was a Credit Suisse "Global Wealth Report" as well as a "Global Wealth Databook". The second was the publication in early 2015 of the results of the CSO's "Household Finance and Consumption Survey", part of a Euro-area survey that has been running for a number of years.

These two data sets form the basis for the analysis in this paper. It is important to point out that they are very different methodologies. The Household Finance and Consumption Survey (HFCS) is an extensive survey of households' assets and liabilities which covered more than 5,000 households in Ireland by face-to-face interview. While this is useful for comparing the wealth status of households, it may suffer from three drawbacks that are likely to underestimate wealth inequality.

These are:

1) As a voluntary survey those with the most wealth may opt out and thus be under-represented

2) The wealth is self-reported and thus extreme wealth may be undervalued in the responses

3) The highly skewed nature of wealth means that variation within extreme groups (e.g. the top 1%) is likely to lead to different results. In essence, whether then richest person in the survey has €1 billion or €10 billion of net wealth will affect the overall distribution of wealth.

Credit Suisse recognises this problem with survey data. The "Wealth Databook" uses data on income inequality to estimate wealth inequality for countries lacking direct wealth distribution data.[vii] Their methodology states that it does 'not expect to generate accurate predictions of the number and value of holdings of high net worth individuals' because of 'well-known statistical regularities in the top wealth tail'. [viii] In their data they use statistical models to account for this variation and they augment their data with information on the wealth holdings of individuals from the rich list data reported by *Forbes Magazine* and other publications.[ix] This gives a more accurate reflection of what is happening at the extreme end of the distribution (Top 1%). However it lacks the detail of the HFCS in understanding the wealth profile of individual households.

The following section uses data from these two sources to describe the overall distribution of wealth in Ireland. The section will look at how assets and debts are shared between different wealth groups

Wealth Gini

The Gini coefficient describes the overall distribution of wealth (or income) in a single number from 0 to 1. A figure of zero denotes "perfect equality" where all wealth is distributed equally amongst all citizens. A Gini Coefficient of 1 denotes 'perfect inequality' where all the wealth is held by just one person. As such, higher numbers closer to 1 denote greater inequality, while lower values closer to zero denote greater equality.

The Credit Suisse report finds a Wealth Gini for Ireland of 0.71. This compares to an income inequality Gini of 0.3. This demonstrates the highly concentrated nature of wealth compared to income. In comparison with other advanced countries 0.71 is roughly an average figure for wealth inequality (see Chart 2).
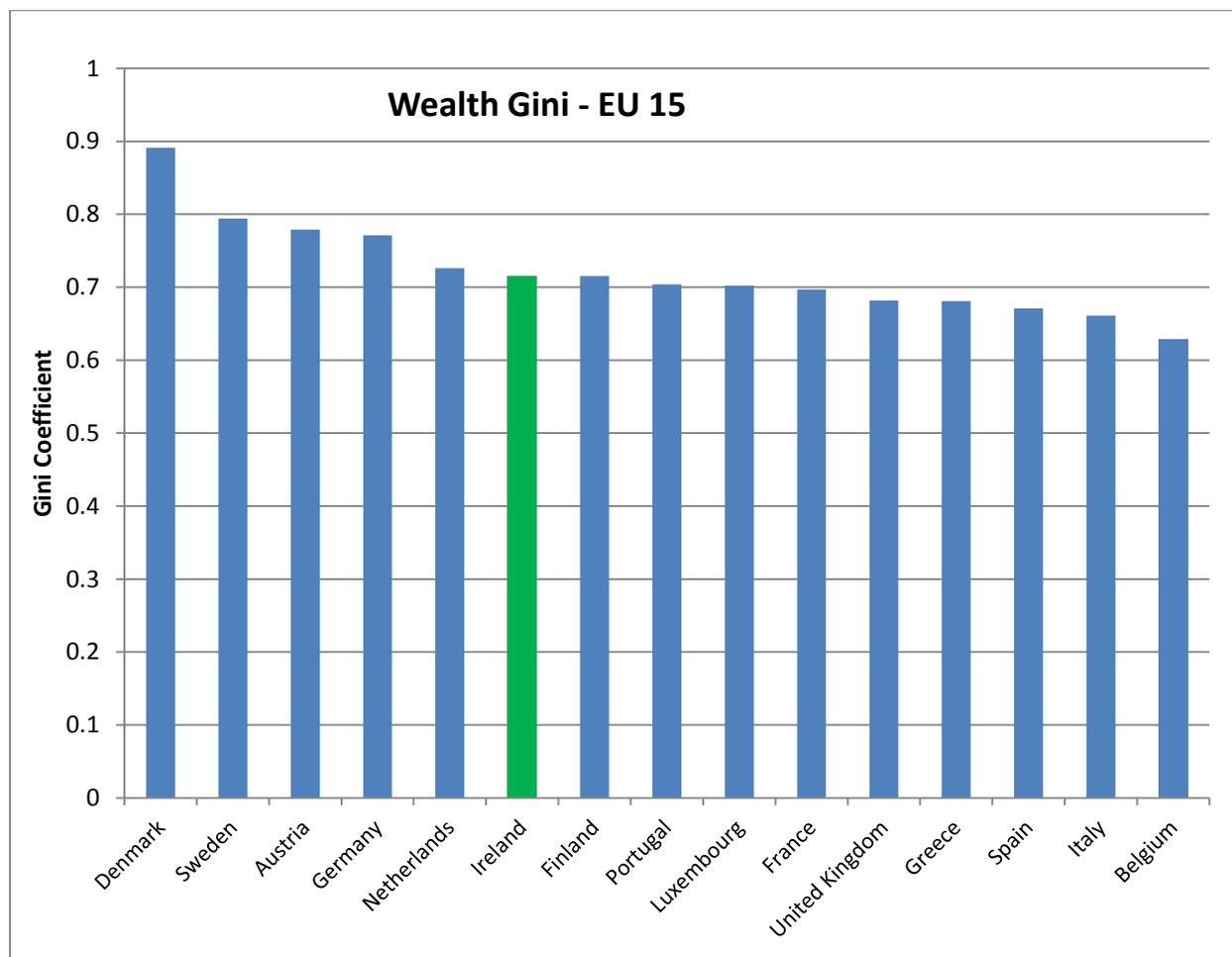

Chart 2: Wealth Gini in EU15 Countries (Source: Credit Suisse)

Wealth deciles

Another way of looking at the distribution of wealth is to look at the amount of wealth held by each 10% of the population (deciles). Charts 3 and 4 show the decile distribution of net wealth, with deciles ranked from lowest to highest. The top decile (the Top 10%) is further subdivided into 'percentiles' (1% of the population) in order to show the share held by the Top 5% and Top 1%. The groups are 90-94%, 95-99% and Top 1%.
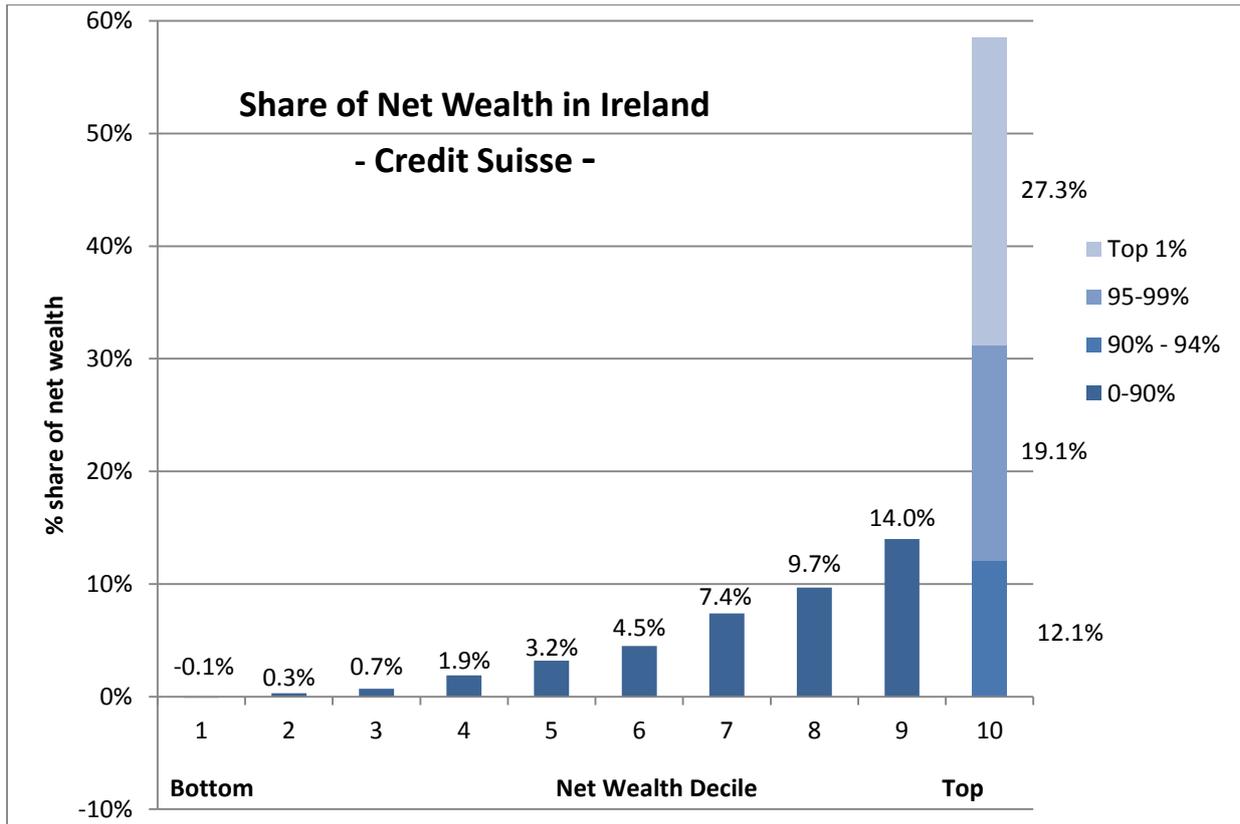
Chart 3: Share of net wealth by net wealth decile in Ireland (Credit Suisse).
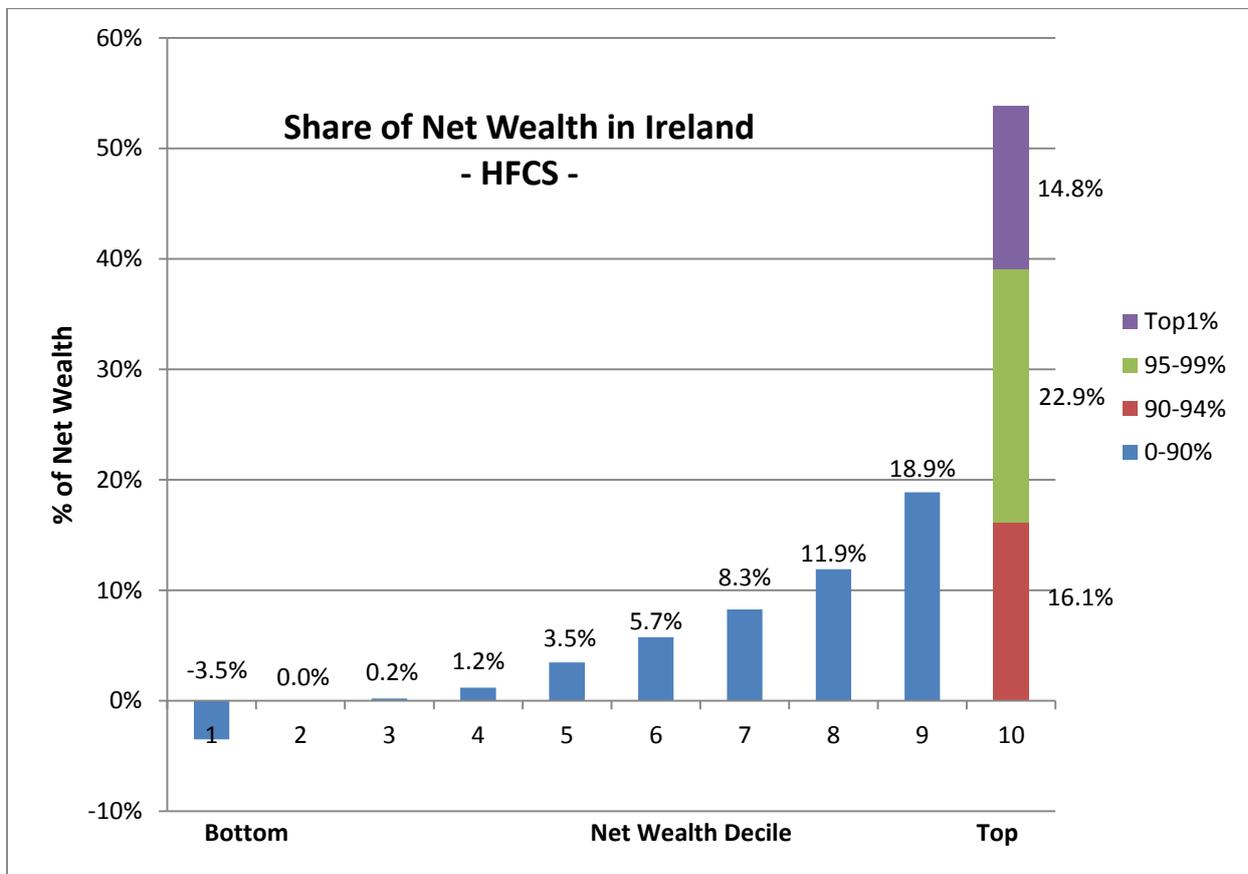

Chart 4: Net wealth by decile - CSO/HFCS data 2015

While the data from the two sources differ slightly, the clear trend is one of extreme concentration of wealth, particularly in the top 20%.

The Credit Suisse Data shows 72.5% of wealth in the top 20% while the CSO data shows 72.7% in the Top 20%. This is higher than the Euro Area average of 67.6%[x].

The other indicator of extreme concentration is that in both datasets the bottom half of the distribution (the Bottom 50%) has around 5% of wealth (Credit Suisse 6%, CSO 4.9%).

The share of wealth held by Top 10%, Top 5% and Top 1% in Ireland

Study	Top 10%	Top 5%	Top 1%
HFCS	53.8%	37.7%	14.8%
Credit Suisse[xi]	58.5%	46.4%	27.3%

Table 2: Studies of Wealth Distribution in Ireland (Sources: CSO and Credit Suisse).

The Top 10%

For the Top 10%, the Credit Suisse data shows that they have 58.5% of household net wealth, while the survey data from the CSO is similar if slightly lower at 53.8%. Both studies are clear that the top 10% have more than half of all the net wealth in Ireland.

It is the concentration *within* the Top 10% where the two studies really differ.

- Credit Suisse data shows the Top 5% has 46.4% of total net wealth and the Top 1% has 27.3%.

- The CSO survey data shows that the Top 5% have 37.7% while the Top 1% has 14.8%.

The Credit Suisse data therefore shows a deeper concentration in the Top 1%, while the CSO data shows a more even distribution within the Top 10%.

Interestingly, of all the wealth within the Top 10%, the Credit Suisse data shows that 33% of it is between the 95% and 99%, whereas the CSO data shows that 43% of the wealth in the top 10% is between those two points. So while Credit Suisse data points to greatest concentration in the top 1%, the CSO data points to greatest concentration in the top 5%.

Wealth Distribution Comparisons

Ireland's overall Wealth Gini Coefficient of 0.71 is roughly average for other European countries. When looking at the concentration in the Top 1%, Ireland's HFCS figure of 14.8% is on the lower end for the Euro Area countries that have also completed HFCS surveys.
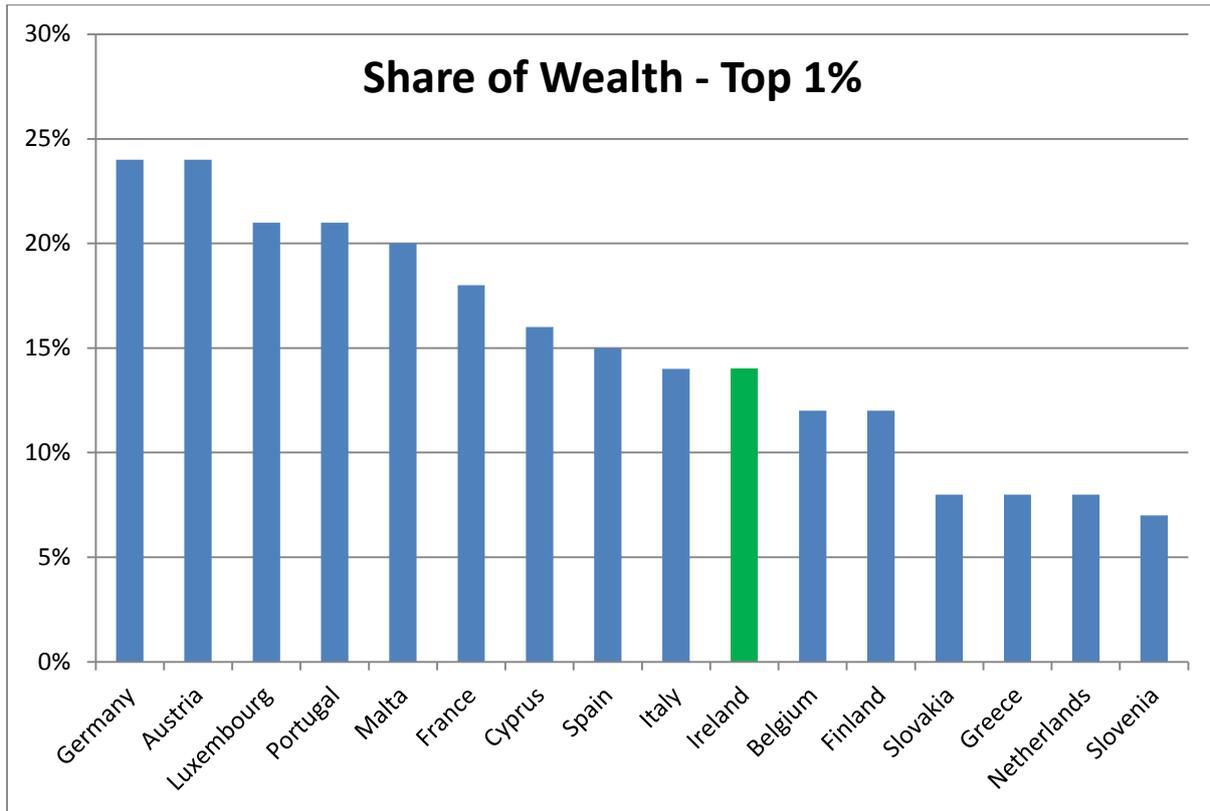
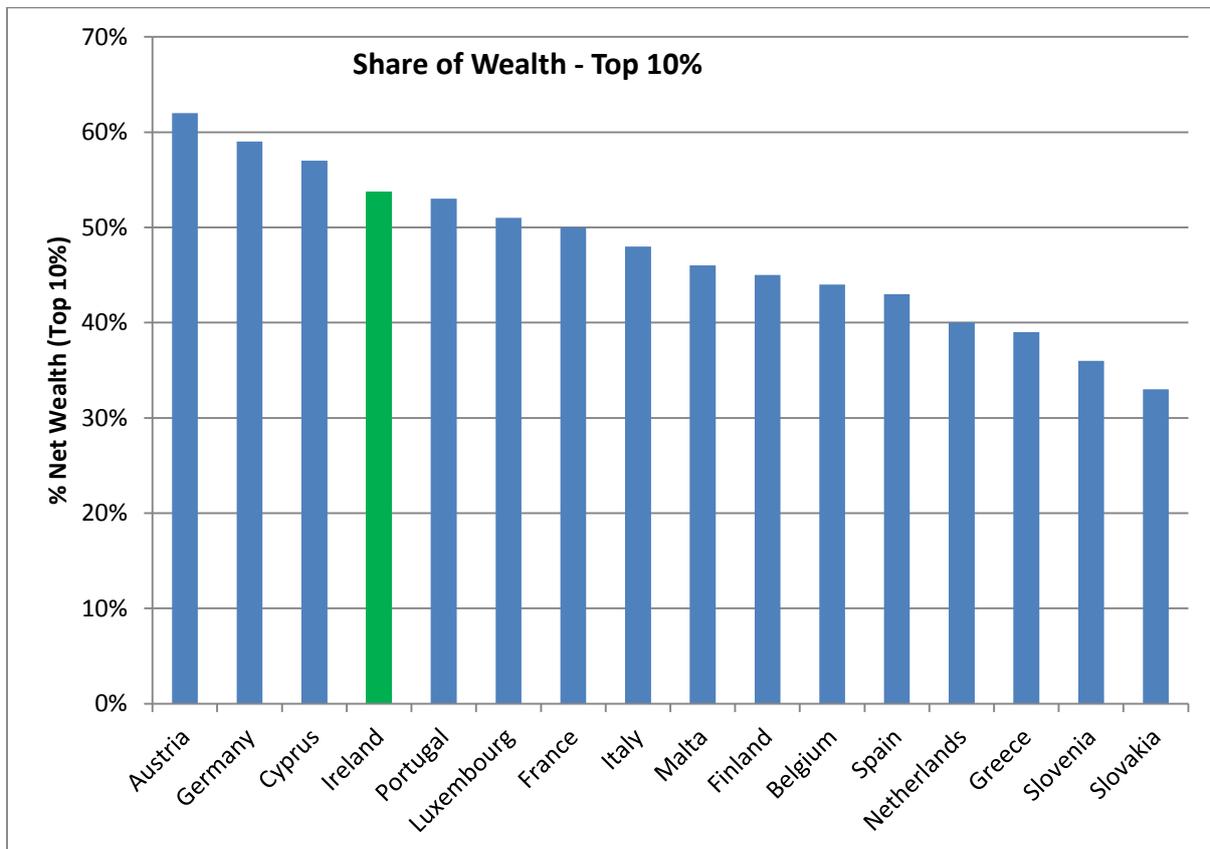**Chart 5: Share of Wealth - Top 1% (HFCS)**

Chart 6: Share of Wealth - Top 10% (HFCS Data)

Factors affecting the distribution of wealth

Many factors affect the distribution wealth inequality, but their precise impact and relative importance are not well understood. The distribution of wealth in a country will depend on the growth rate of the economy, demographic trends, savings behaviour, inheritance arrangements, land and property ownership, general macroeconomic trends (such as globalisation) and government policies affecting, for example, taxation and pension provision.

Home ownership

For middle wealth groups, equity in the form of a 'family home' makes up the largest component of their assets. When house prices rise, property owners benefit disproportionately over those who do not own property, and because second homes and investment properties form a significant part of the portfolios of wealthier individuals, these portfolios will also rise in value, increasing wealth inequality.

Prior to the financial crash, home ownership in Ireland stood at 76% (2006), down from a high of 81% in 1991, according to Census data. The high level of home ownership in Ireland in the early 1990s was a consequence of a longstanding policy to sell local authority housing to tenants as well as various tax reliefs that supported home ownership. More recently, home ownership rates have fallen to 69%, according to Census 2011. The latest HFCS data suggest the rate is 70.5%, with only 33.9% having an outstanding mortgage on the main household residence.

The HFCS data shows the distribution of the main household residence. Clearly because each household survey can only list one main household residence, the distribution is going to be more equal. However, there is variation and concentration, which is explained by the differing values of the properties. The median value of Household Main Residence was €150,000. Those in the 7th, 8th, 9th and 10th deciles have assets in excess of 10% of the total share value. The Top 5% of households have 11.4% of all assets from main residences.

It is interesting to note the unusual nature of the bottom decile. As will be shown when looking at debt, the bottom decile contains 10% of all net housing assets. While this may seem inconsistent given that this is the "poorest" decile, it highlights both the unusual nature of wealth distribution and the effect of debt on the distribution of wealth. It is possibly a legacy of the Celtic Tiger era that some of those at the bottom of the wealth distribution have significant assets, but are at the bottom due to the fact that they have even more significant debts.

Household main residence

Legend:
- Top1%
- 95-99%
- 90-94%
- 0-90%

Data labels by decile:
- 1 (Bottom): 10.0%
- 2: 0.8%
- 3: 0.8%
- 4: 4.6%
- 5: 8.1%
- 6: 9.6%
- 7: 12.4%
- 8: 14.9%
- 9: 18.2%
- 10 (Top): 9.2% (0-90%), 9.2%, 8.3% (95-99%), 3.1% (Top1%)
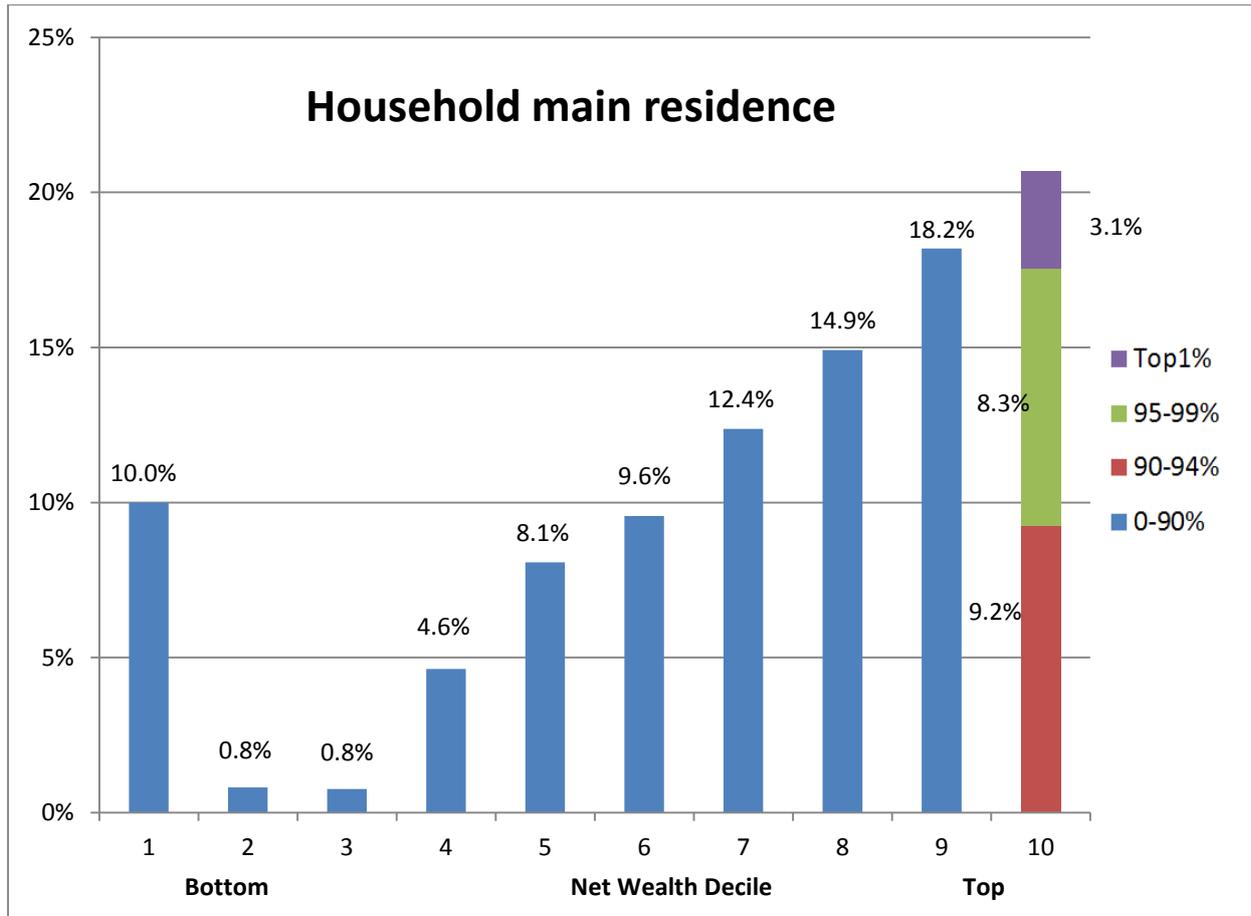
X-axis: Net Wealth Decile (1 Bottom ... 10 Top)

Chart 7: Distribution of Household Main Residence Assets by Decile (HFCS)

Financial assets

For those at the higher end of the wealth distribution scale, a larger proportion of their wealth is made up from equity in private businesses and listed companies. Because of this, rising stock market values tend to favour wealthier individuals and to cause the overall wealth shares of the top wealth groups to increase. Wealth inequality will tend to rise when the overall share of financial assets relative to real assets is increasing, as happened after the financial crisis.

According to the HFCS the most common form of financial asset is a savings account (deposits or savings accounts as well as positive balance on current accounts), owned by 88.6% of households. 13.1% of households have shares and 7.5% hold bonds or mutual funds. The median value of savings accounts is €4,500 while it is €4,000 for shares. While only 10% of households have a voluntary pension, the median value for these is €44,700 per household[1]. The median value of all financial assets is €6,300 per household[xii].

Savings represent 54.9% of the total value of all financial assets with voluntary pensions next highest at 21.6%. Other financial assets such as shares and bonds and mutual funds were lower at 10.4% and 8.7% respectively of all financial assets.
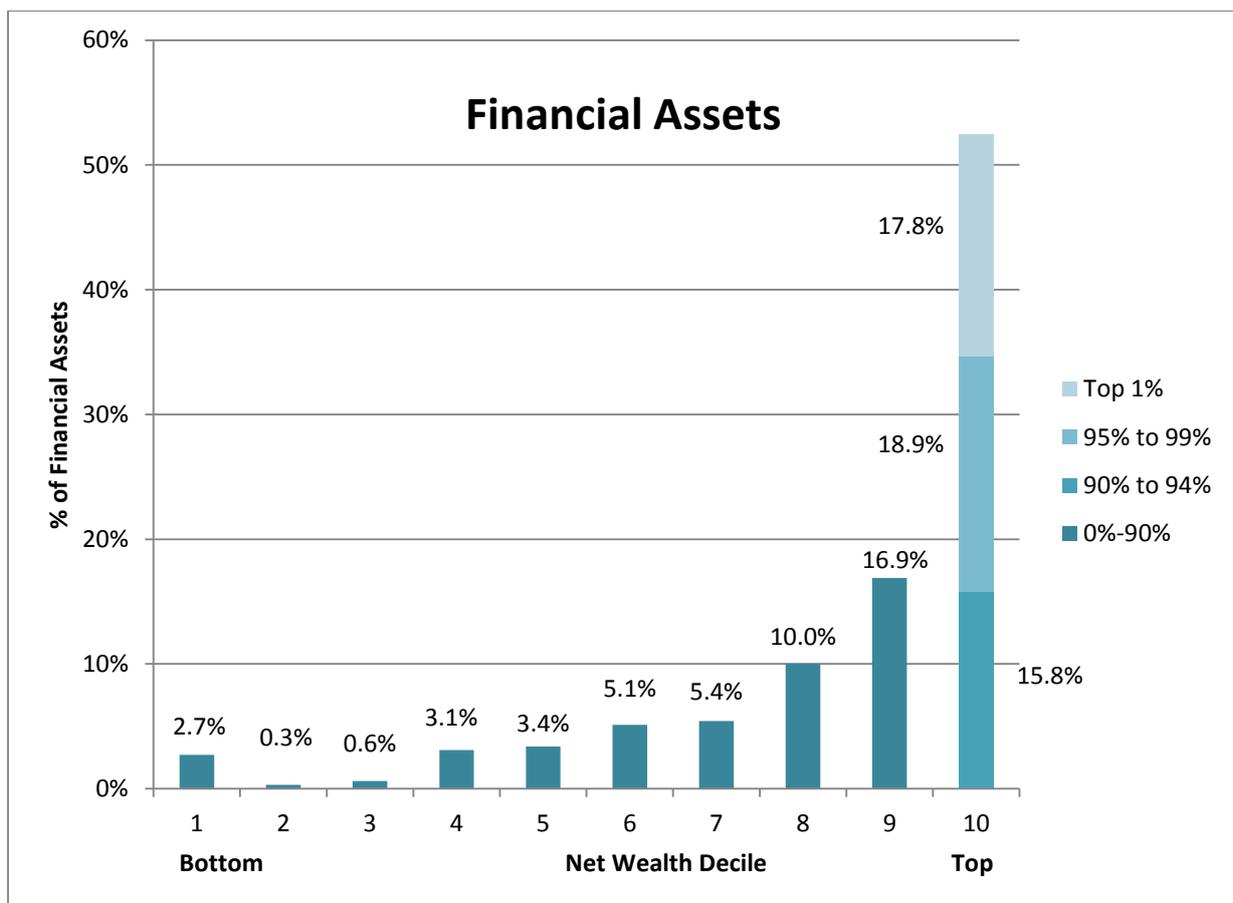

Chart 8: The Distribution of Financial Assets by Decile (HFCS)

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[1] The HFCS survey did not include contributory pensions. This is a significant source of wealth (financial asset) that is missing from this dataset.

The HFCS data shows that the distribution of financial assets is broadly similar to the distribution of net wealth (see table). Over half of all financial assets are held by the Top 10% which as an indicator of concentration of financial assets amongst a few households.

	Top 10%	Top 5%	Top 1%
Net Wealth	53.8%	37.7%	14.8%
Financial Assets	52.5%	36.7%	17.8%

Table 3: Financial Assets and Net Wealth in the Top 10% (HFCS)

Land

The greatest concentration of wealth in Ireland as per the HFCS data occurs in land ownership. Only 10% of households owned any land and thus the value of land assets is highly skewed. But rather than being spread across the wealth distribution, land is highly concentrated amongst the wealthiest households. The Top 20% owns more than 90% of all land (by value), while the Top 10% owns 82%. The role of farm land in this is a contributing factor.
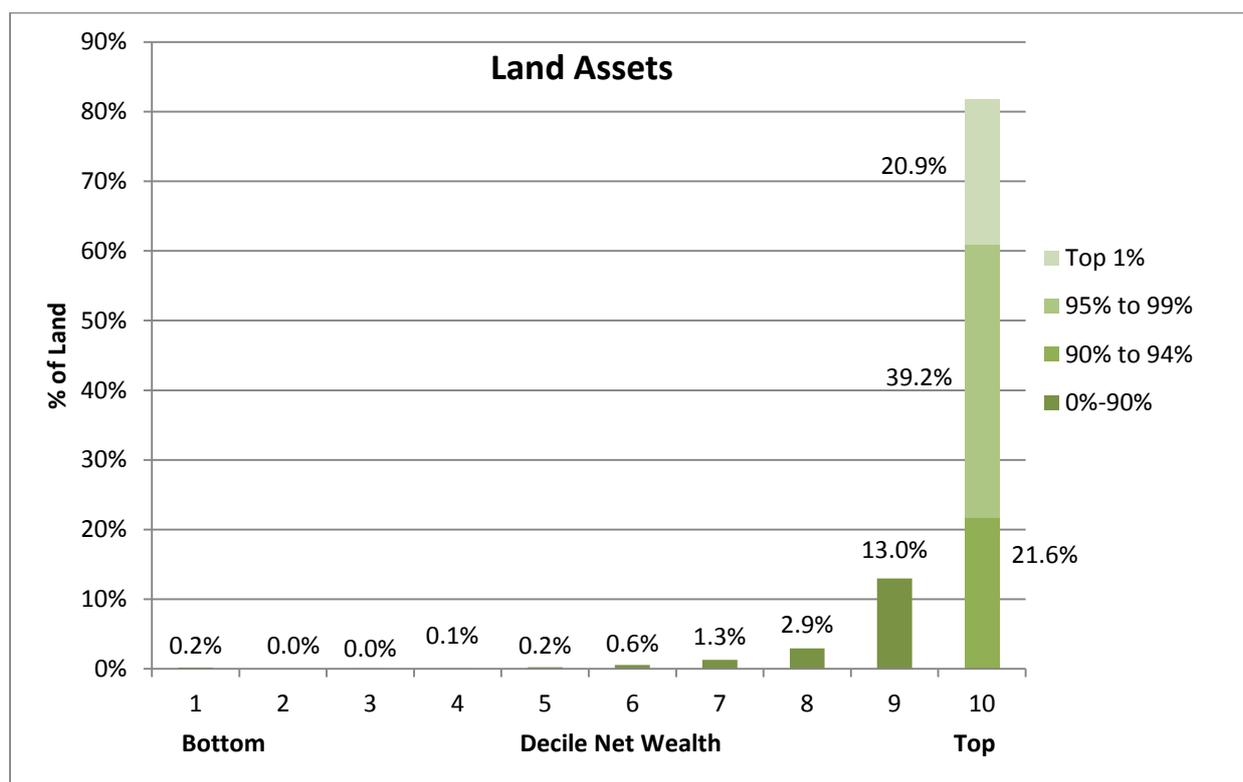

Chart 9: This distribution of land assets by net wealth decile (HFCS)

Debt

Debt is negative wealth and must be considered alongside any discussion of wealth inequality. A high degree of indebtedness reduces wealth levels.

A minority of homeowners in Ireland, who purchased in recent years, may have 'negative equity' (i.e. the value of the outstanding debt is larger than the value of the asset). Negative equity is a concern if the owner of an asset is unable to make repayments or wishes to sell. In this context the problem of wealth inequality can be exacerbated by inequalities related to income and employment.

The number of mortgages in negative equity in Ireland reached a peak of over 314,000 in 2012. The recovery in house prices by the end of 2013 reduced that number by approximately 45,000[xiii]. As house prices continue to rise in Ireland at the end of 2014, the numbers in negative equity will fall.

In mid-2014, 126,005 (16.5% of the total) private-dwelling mortgage accounts were in arrears (i.e. the borrower had not made a payment in accordance with the mortgage contract). Of those, 90,343 (11.8% of the total) were in arrears over 90 days, while 4.9% of the total private dwelling mortgage accounts were in arrears for 720 days or more.[xiv]

Where household income is sufficient to make a repayment that household, even when in negative equity, is making an investment in a wealth asset that they will ultimately be able to sell or bequeath. However, those on low incomes who cannot afford their repayments may ultimately lose their homes and incur an overall loss (e.g. loss of deposit and of money invested in the property). Unemployment obviously plays a major factor in this.

According the HFCS data 56.8% of all households have some form of debt, with 33.9% of all households having a mortgage on their main residence. The median value of this mortgage is €129,000 while it is €1,000 for overdrafts and €1,400 for credit cards. Overall, the median value of debt is €63,000 for those households with any form of debt.

Mortgages on the main residence represents 71.6% of the total debt held by households with the only other significant item being the 22.6% of debt on other property

Looking at distribution of debt in the table, debt is highest amongst those with the least net wealth. This is unsurprising given that debt reduces the value of net wealth. What is more interesting is that the Top 10% have the second highest share of all debt after the bottom 10% (16.2%). This shows that despite having a high share of all debt they are still the highest ranks by net wealth. Hence the value of their assets is large enough to place them at the top of the wealth distribution, despite their high levels of debt.
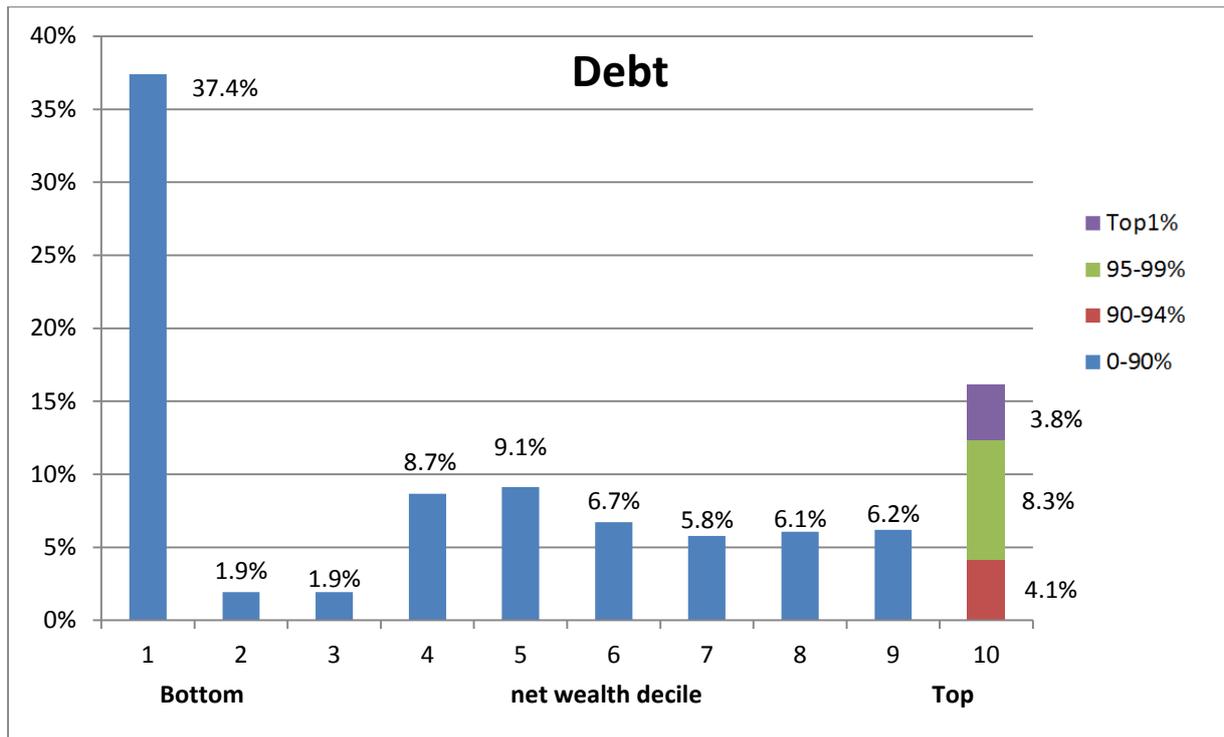
Chart 10: Percentage of debt by net wealth decile (HFCS)

As with housing assets, the bottom decile effect must also be considered. Those at the bottom of the wealth distribution are not necessarily those with the fewest assets, but those with the highest levels of debt. Their ownership of assets allows them to borrow and accumulate debts, where as those in deciles 2 and 3 have few assets and no debt.

Income

As we have seen wealth is highly concentrated in the Top 20% and in particular the Top 10% when ranking people by their wealth. This is a more uneven distribution than shown by similar studies of the distribution of income. As stated previously there is a link between a person's income and the wealth they can accumulate.

When looking at the distribution of wealth by income group, the top 20% of income earners have 39% of net wealth, while those in the bottom 20% have 11% share of net wealth.
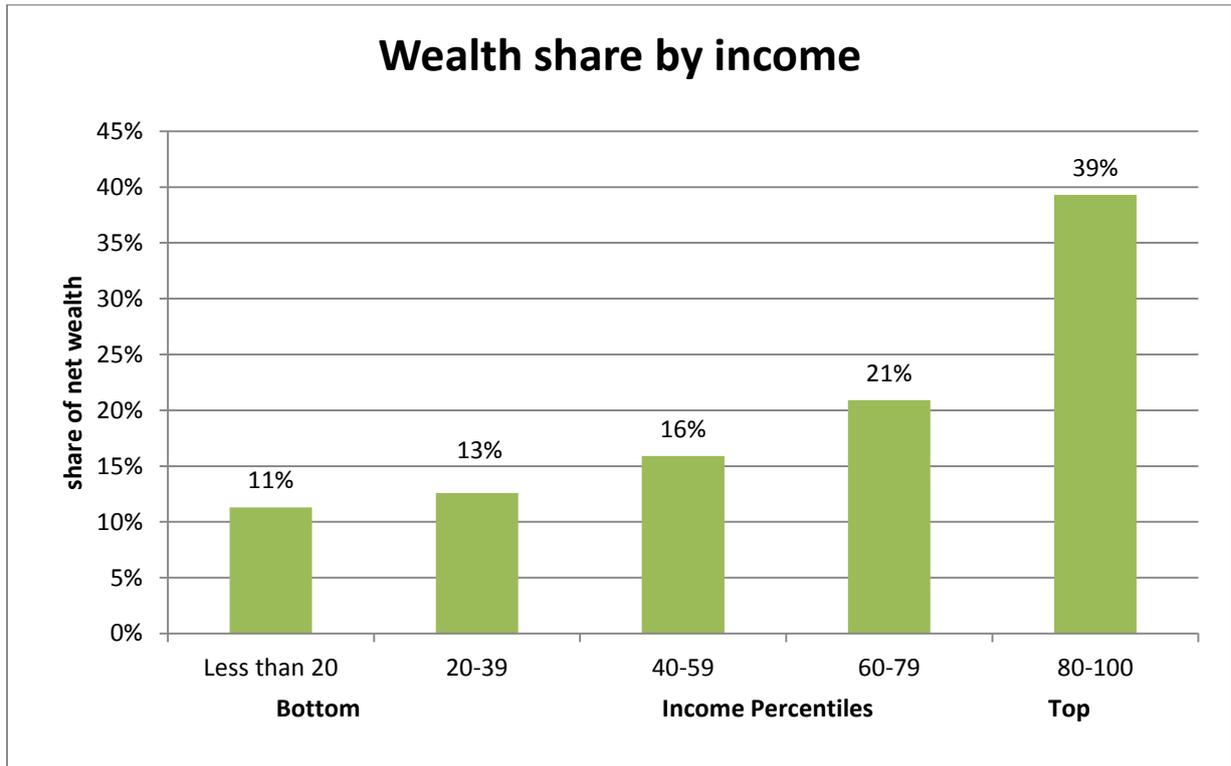
Wealth share by income

share of net wealth

Income Percentile	Share
Less than 20 (Bottom)	11%
20-39	13%
40-59	16%
60-79	21%
80-100 (Top)	39%

Chart 11: The share of net wealth by distribution of income in Ireland (HFCS)

Age

A further factor affecting the distribution of wealth is age. Those who have had longer to save will have more savings, will have built up pensions reserves. They are more likely to have accumulated assets, especially to have bought a family home and have paid off more of their mortgage.

When looking at the distribution of net wealth by age it is clear those under 44 years have much lower share of national net wealth compared to the number in the population[2]. Those under 35 years make up 20% of households, but only have 4% of share of net wealth.

Interestingly while all those above 45 have a share of wealth in greater proportion to their age, the increase is not as pronounced as might be expected, with two groups (45-54 and 55-64) each having a quarter of all net wealth, and those over 65 having about one-third.

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[2] The responses in the survey are proportional to the size of the cohort in the population

Wealth share by age

- share of net wealth
- proportion of population

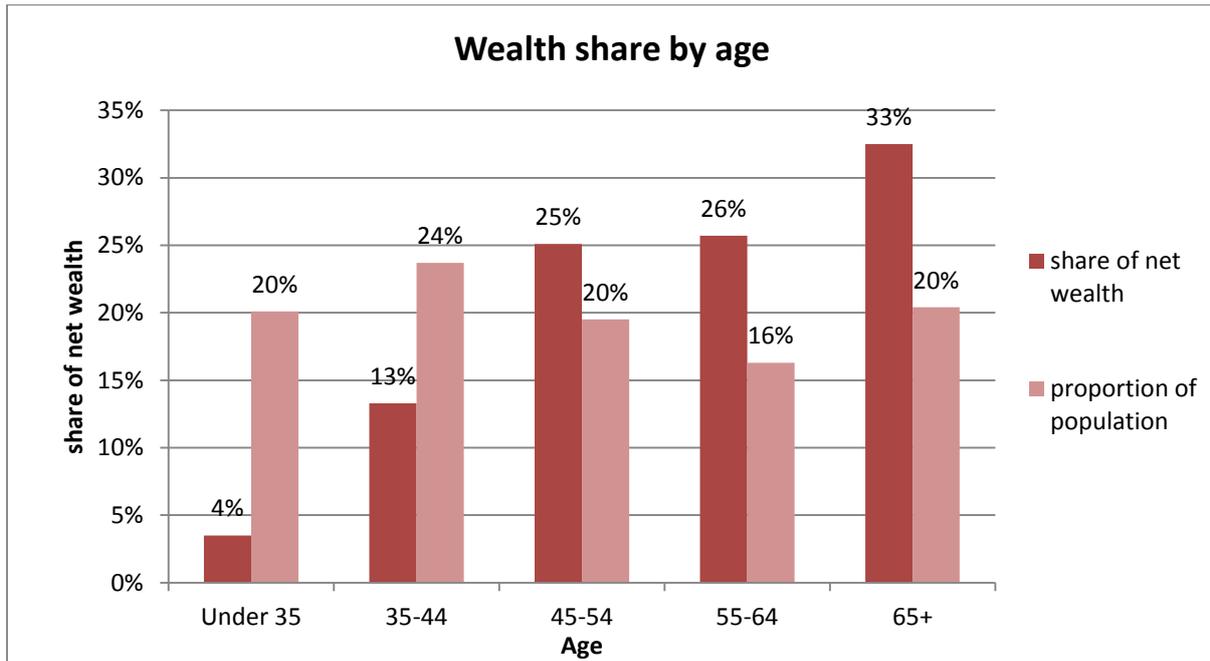| Age	share of net wealth	proportion of population
Under 35	4%	20%
35-44	13%	24%
45-54	25%	20%
55-64	26%	16%
65+	33%	20%

Chart 12: Share of net wealth in Ireland by age cohort

Section 2: The Wealth of Single Parent Households

The preceding sections looked at the distribution of wealth for all households. The Household Finance and Consumption survey data also allows comparison of the wealth of different household types.

It is well established that single-parent households face a number of financial constraints in Ireland. It is therefore possible to compare the wealth of single parent households with the average for all households, but also directly with single person households and couples (both with and without children). This also gives us an indication of the gender dimension of wealth, given that 85% of single parent households are headed by women[xv].

According to Census 2011, 38% of lone parents were single, 32% were separated or divorced, 26% were widowed and 4% were married. 'Homemakers' are prevalent among lone parents, accounting for 21.9% of the total, although this was unevenly spread between men and women. Only 4.7% of lone fathers were homemakers compared with 24.6% of lone mothers, whereas 25% of lone fathers are retired compared with 9.5% of lone mothers.

When it comes to the HFCS data Charts 13 and 14 show that while single parents make up 4.5% of the household respondents, they only have 1% of the total share of net wealth. Couples with children and single person households are similar, accounting for 21% and 22.6% of the population respectively, but only 14% and 15% of the wealth. Couples (without children) and 'others' have higher relative proportions of net wealth. The 'other' category includes households with three adults or more and 'other households with children' that are not one-parent or couples.
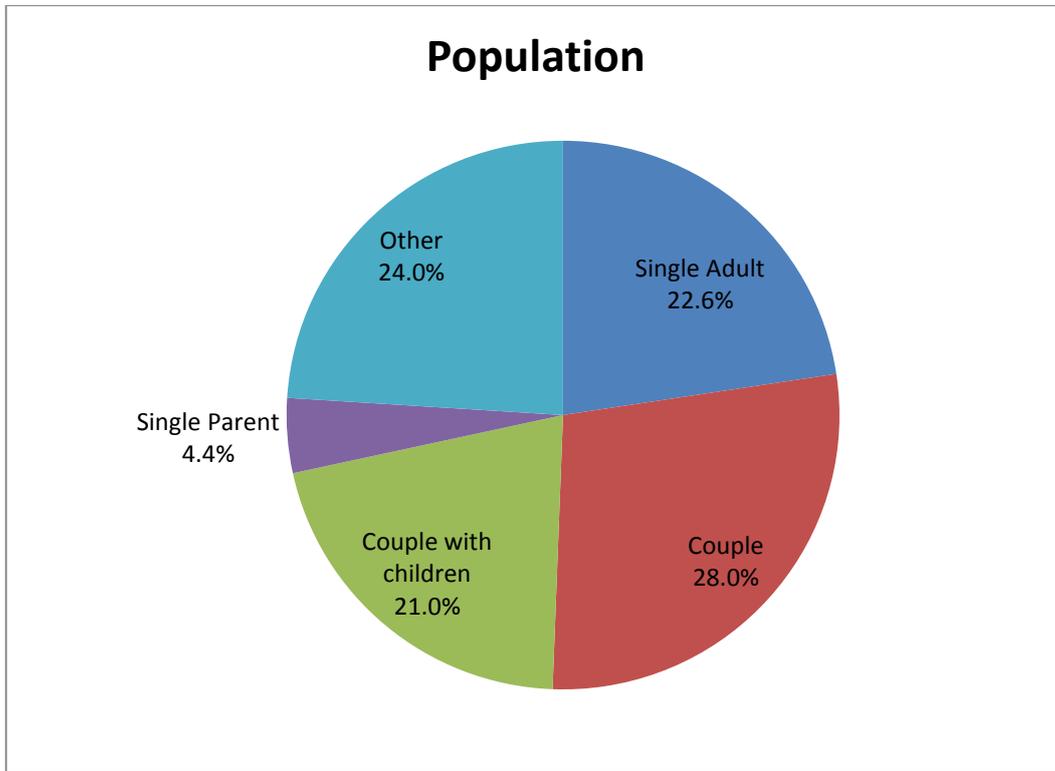
Population

Other 24.0%

Single Adult 22.6%

Single Parent 4.4%

Couple with children 21.0%

Couple 28.0%

Chart 13: The distribution of household types in HFCS data

Share of total net wealth (%)

Other 37%

Single Adult 15%

Single Parent 1%

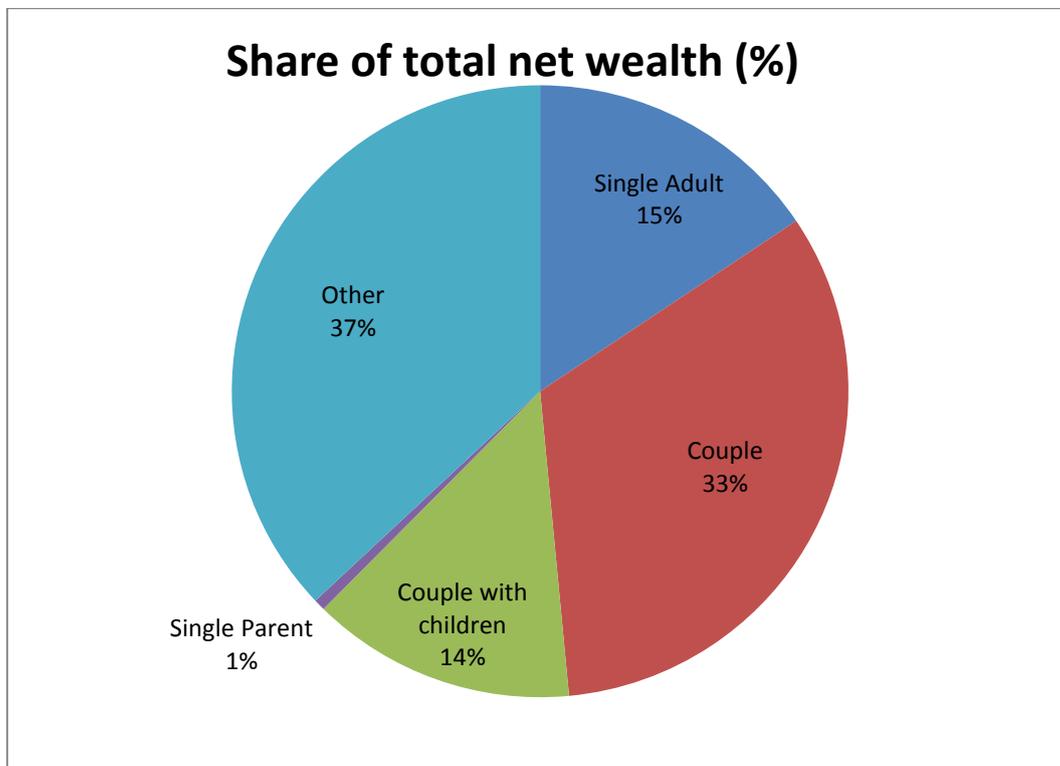Couple with children 14%

Couple 33%

Chart 14: Share of total net wealth (%) by household (HFCS)

Home ownership

As previously noted, a high level of home ownership is one way in which wealth can be more evenly distributed. Overall Ireland has quite high levels of home ownership with 70.5% of households owning their home (with or without a mortgage).

Single adults and couples with children have below average home ownership rates (60.3% of single households and 68.1% of couples with children against an average of 70.5% - see Chart 14). This is understandable as they face constraints of either having dependents or having only one income source. For single parents the ownership rate is 26.3%, less than half the rate for couples with children and single adults, and less than 40% of the average rate. Although it is not visible from the data, some of those households may have bought the property as a couple (and are now widowed or separated) or when they single without children.

Hence we can say that single parents are far less likely to own their own home, and face significant barriers to owning property.
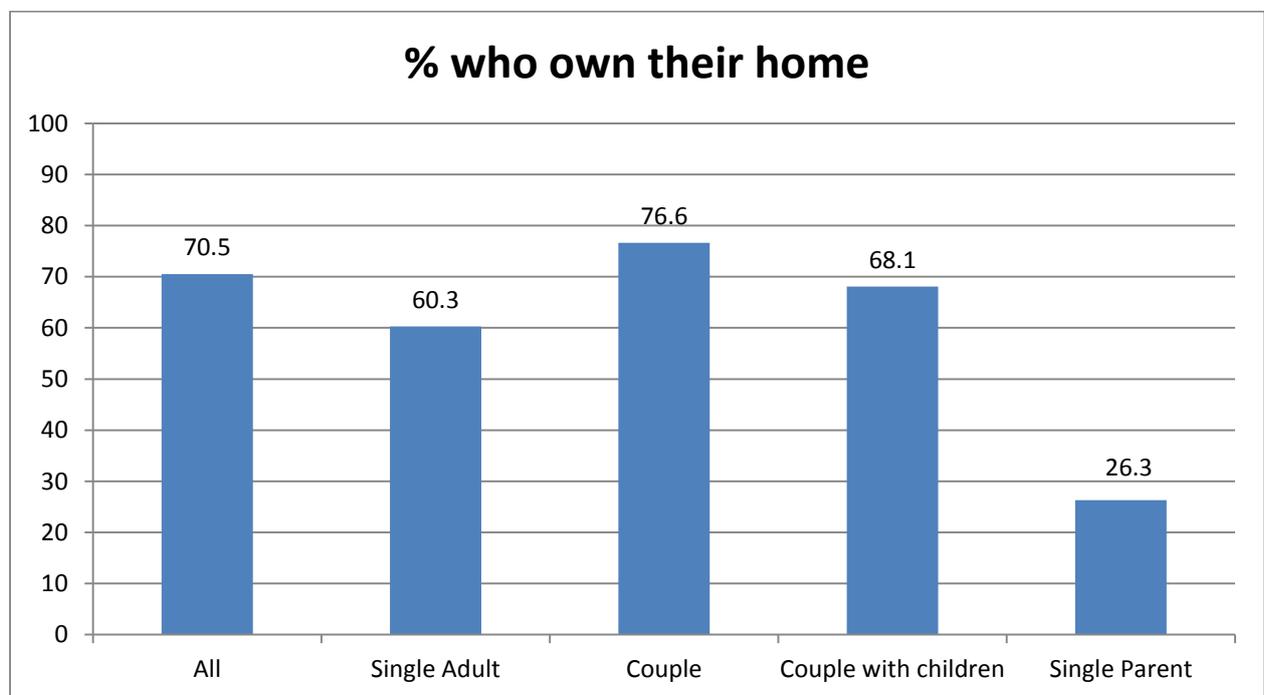
% who own their home

Chart 15: Percentage of each household type that owns their own home (HFCS)

Business assets

A similar pattern is witnessed for business assets. The average for all respondents was 20.2% ownership of business assets. Couples with children have above average ownership rates (23.4%) and couple slightly below average on 18.6%.

Single adults have half the average rate of business asset ownership with 9.9%. Single parents are a third of the rate of other single people with 3.5%, which is less than one-fifth of the average rate.
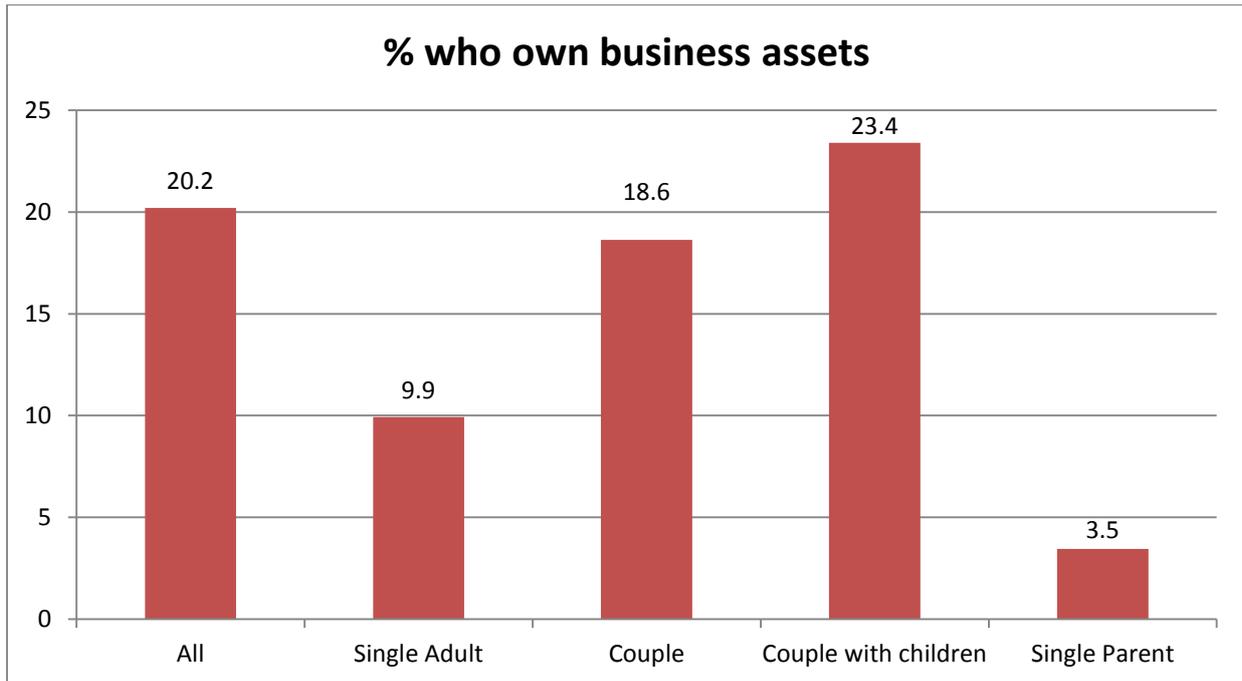
% who own business assets

Chart values:
- All: 20.2
- Single Adult: 9.9
- Couple: 18.6
- Couple with children: 23.4
- Single Parent: 3.5

Chart 16: Participation rate for business asset ownership (HFCS)

Financial assets

The participation rate in financial assets for single parents is lower than for all other groups – 75.9% against an average of 90%.
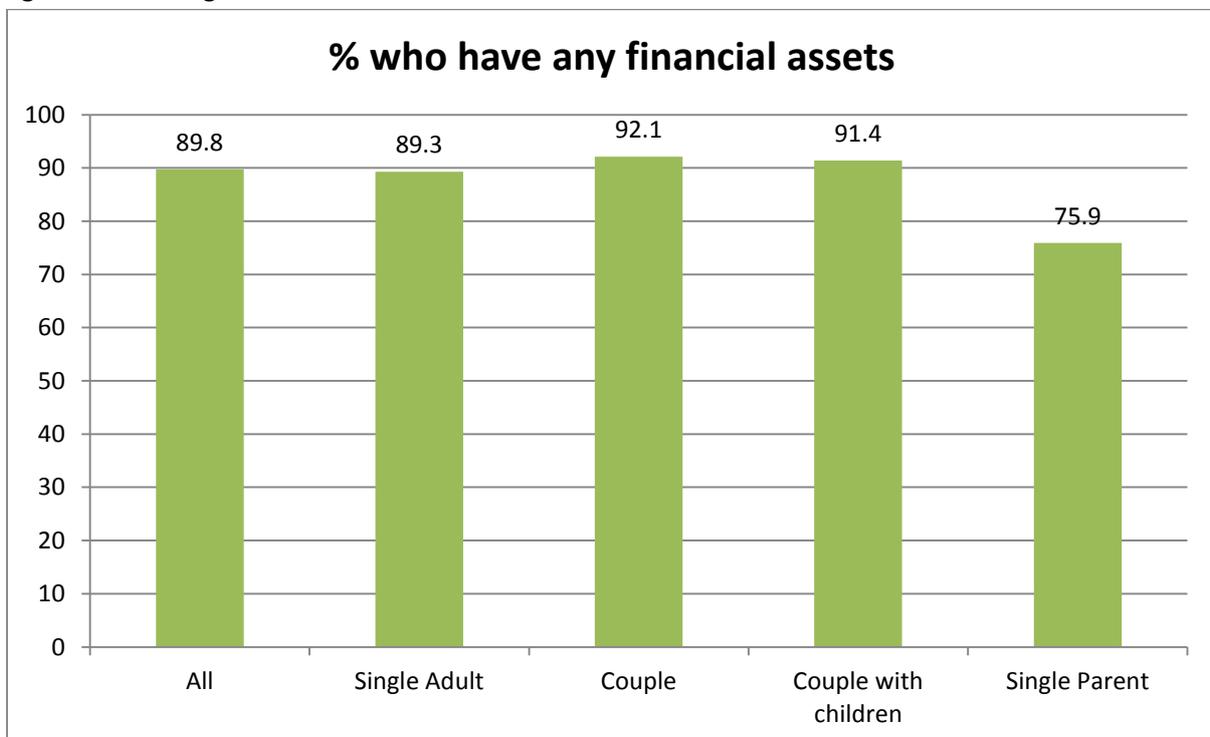
% who have any financial assets

Chart values:
- All: 89.8
- Single Adult: 89.3
- Couple: 92.1
- Couple with children: 91.4
- Single Parent: 75.9

Chart 17: Participation rate for financial assets by household group (HFCS)

The difference in the participation rate must also by looking at in the context of the difference of the value of those assets. The average median value of financial assets for all households is €6,300. This means that half of all households have financial assets worth less than €6,300. For single parent households that median value is €500. This is explained in large part by the differences in the value of their savings.

The median value of savings for all respondents was €4,500. Couples were above that on €6,500, while single adult households and couples with children were only marginally below the total median on €4,000 and €3,000. The median savings of single parent households is €300, which is less than one-tenth of that held by couples with children or single people.
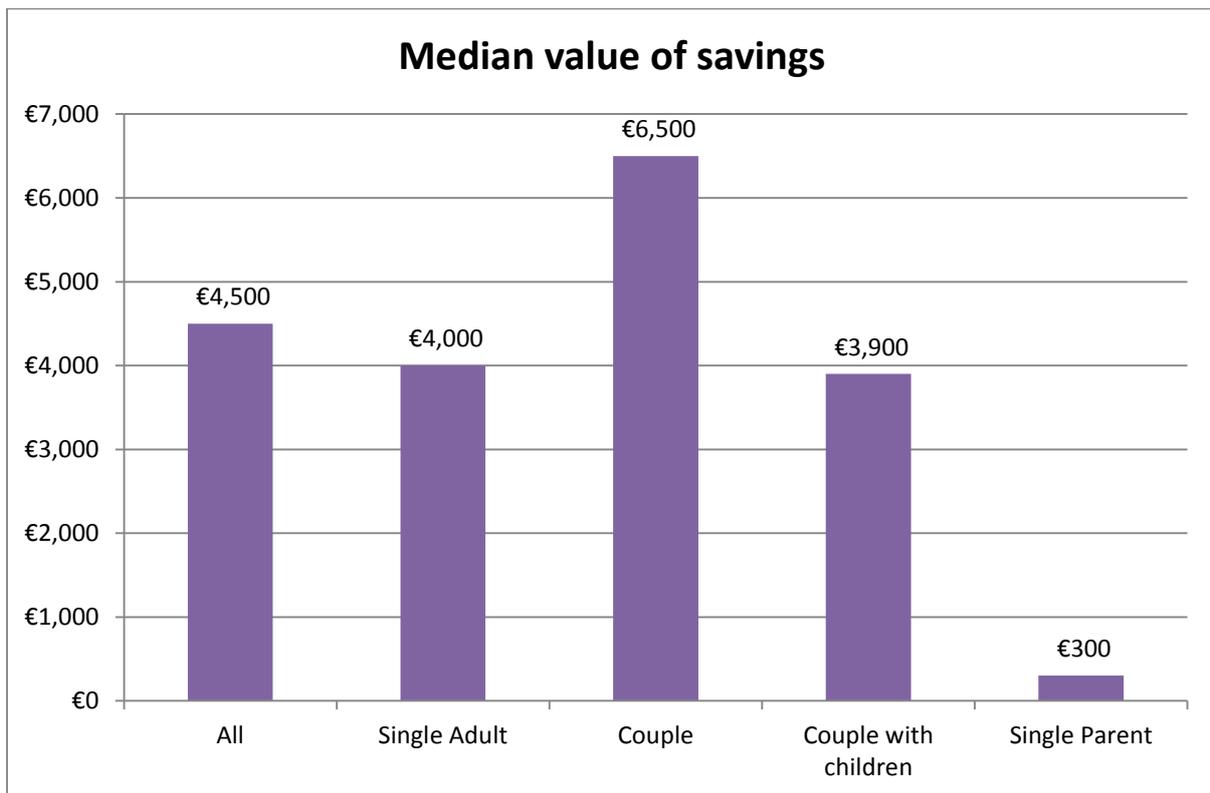

Chart 18: Median Value of Savings by household type (HFCS)

## Debt

The extent of indebtedness can be measured by the debt-to-asset ratio, which measures the value of debt as a percentage of the value of assets. Where the value is greater than 100% a household has debts that are greater than all their assets. The average debt-to-asset ratio in the respondents is 37.7%. The debt to asset ratio for single parent households is more than double that at 78.3%.

Debt to asset ratio

	37.7	24.1	28.8	65.2	78.3
	All	Single Adult	Couple	Couple with children	Single Parent
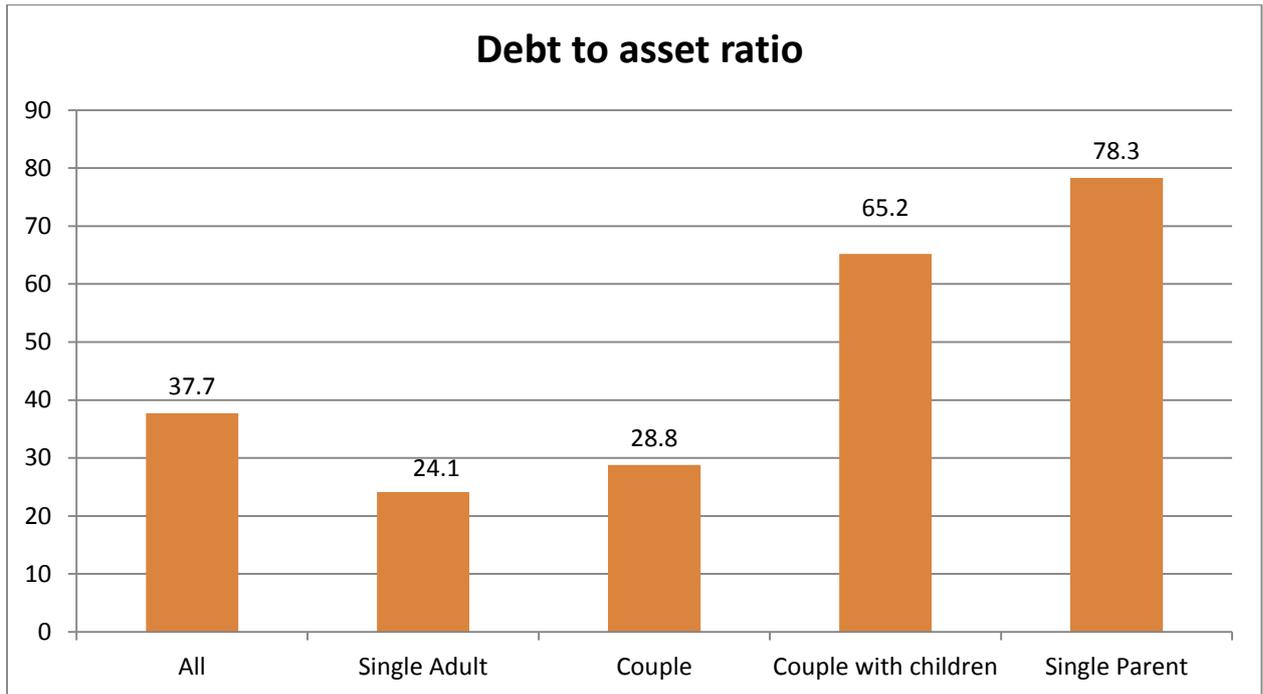
Chart 19: Debt-to-asset ratios by household type (HFCS)

Indebtedness leads to households that become "credit constrained" which are those that had credit refused, reduce or those who did not apply because they believed they would be refused. On average 18.4% of households in the survey were classified as credit constrained. For couples with children this rose to 25.6%. For single parent families the rate is more than double at 42.1%.

Credit constrained household (%)

	18.4	13.1	13.4	25.6	42.1
	All	Single Adult	Couple	Couple with children	Single Parent
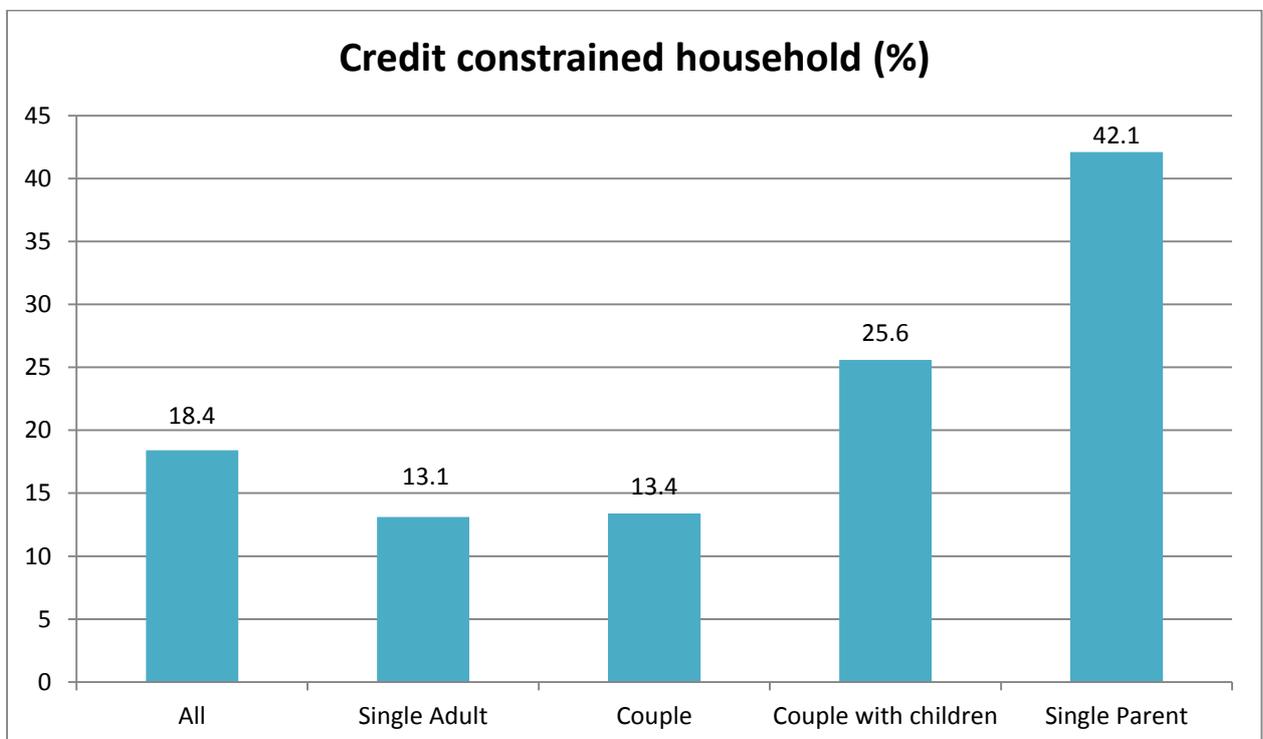
Chart 20: Percentage of each household group that is classified as 'credit constrained'

The net wealth of single parent households

Taking all of these indicators together it is possible to get an overall view of the wealth of Single parent households compared with other household types.

With a mean net wealth (arithmetic average) of €30,600, a single parent household has a net worth that is 14% of the average. Or to look at it another way, the average household has a net worth 7 times greater than the average for a single parent household.
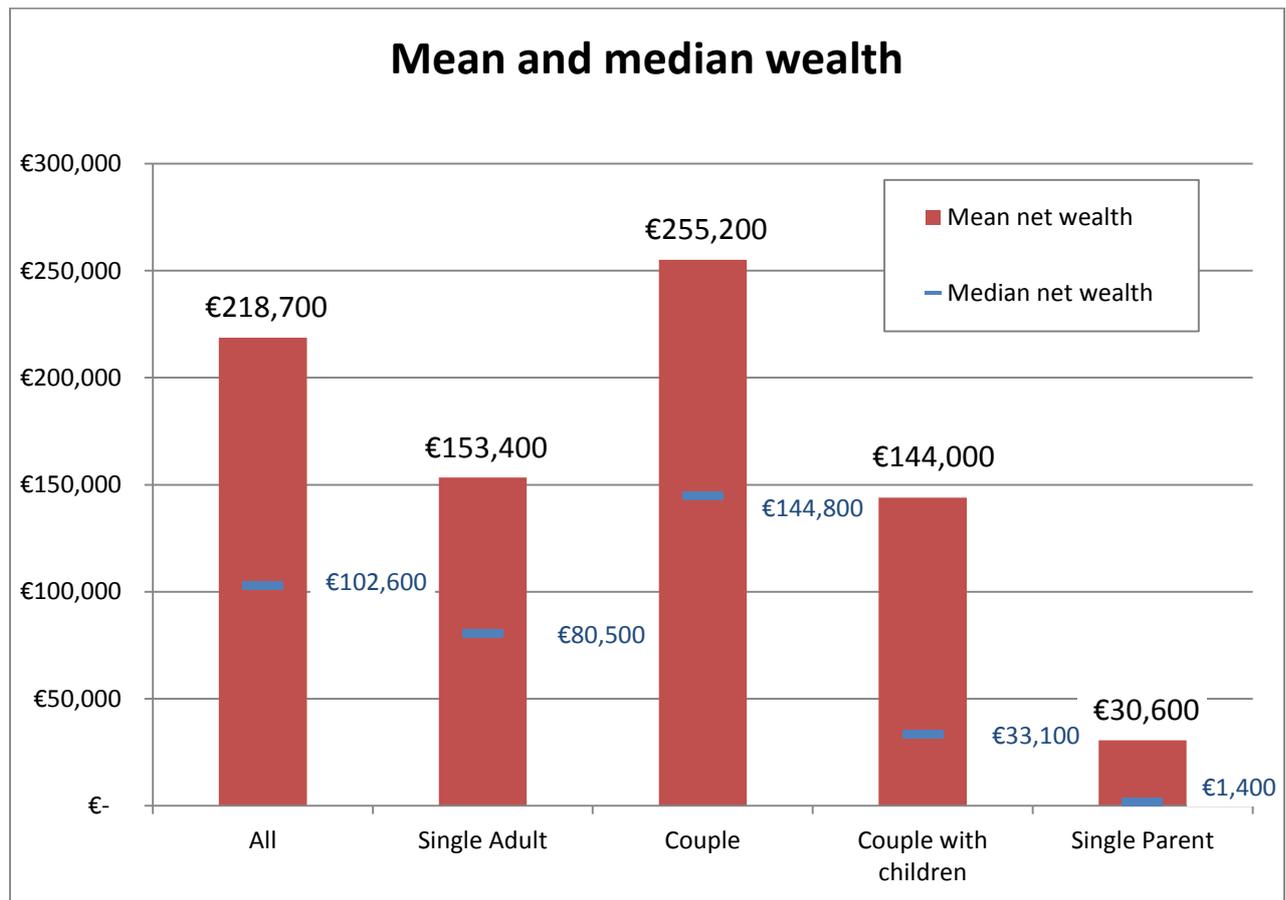
Mean and median wealth

Chart 21: Average Net wealth (Mean and Median) by household type (HFCS)

The difference in median values is even more stark. The median value of net wealth for single parent households at €1,400 is 1.4% of the average and about 1% of that for a couple with no children. This means that over half of single parents have a net wealth of less that €1,400.

Not only do these figures reinforce the large disparities between single parents and all other groups, but the difference between the median values and the mean values show the highly skewed nature of wealth inequality in Ireland.

Conclusion

Understanding the distribution of wealth is crucial to our understanding of economic inequality. This is particularly relevant given the way in which total net wealth of Irish households has been recovering in the aftermath of the crisis.

While measuring the distribution of wealth is notoriously difficult, two new data sources give us further insight into the distribution of wealth in Ireland. Both the Credit Suisse data and the CSO/Central Banks Household Finance and Consumption Survey show that wealth is extremely concentrated in the Top 20% of households, who have more than 70% of all wealth. Both datasets also show a concentration of wealth in the Top 10%, both showing that they have more than half of all wealth, with Credit Suisse data point to the top 10% in Ireland having almost 60% of net wealth.

In both datasets, half of the population share about 5% of all wealth.

The two data sources differ in their assessment of the Top 1%. The HFCS data gives Ireland a below average figure for the share held by the Top 1% (14.8%) whereas the Credit Suisse data points to the Top 1% as having more than a quarter of all wealth (27.3%). The difference is perhaps explained by the fact that the Credit Suisse data adjusts for statistical anomalies in the Top 1%, whereas the HFCS data does not.

The HFCS data gives more insight into the role of different assets in explaining wealth inequality. Housing assets from the household main residence are more equally distributed because of high home ownership rates in Ireland. Financial assets almost mirror the distribution of net wealth with more than half of all financial assets being held by the Top 10%. Land is more concentrated, with the Top 20% owning more than 90% of all land (by value), while the Top 10% owns 82% and the Top 1% has more than one-fifth of all land.

When it comes to household types, single parents have far less wealth than any other household type. They are less likely to own homes and businesses, more likely to be credit constrained and they have the highest debt-to-asset ratios.

But it is the sheer value of their assets that sets them apart. Half of all single parents have savings of less the €300, which is less than one-tenth of the average value for a single person (€4000).

As such the average net wealth for a single parent is €30,600 which compares to an average figure of €218,700 for all households. Half of all single parents have less than €1400 in net wealth.

Appendix

The Distribution of Debt and Assets in Ireland (HFCS)

Decile	Share of net wealth	Main residence (% of real assets)	Land (% of real assets)	Real assets (% of all assets)	Financial assets (% of all assets)	Debt (% of all assets)
First 10%	-3.5	74.3	0.5	94.9	5.1	139.8
10% to 20%	0.0	84.7	0.0	91.8	8.2	98.8
20% to 30%	0.2	61.7	0.5	88.2	11.8	74.4
30% to 40%	1.2	81.2	0.4	87.3	12.7	70.4
40% to 50%	3.5	84.7	1.0	91.3	8.7	46.3
50% to 60%	5.7	83.4	2.0	89.3	10.7	27.8
60% to 70%	8.3	82.7	3.5	91.1	8.9	18.7
70% to 80%	11.9	75.6	6.0	88.0	12.0	14.3
80% to 90%	18.9	62.2	17.8	86.6	13.4	9.7
90% to 95%	16.1	38.5	36.2	85.0	15.0	7.8
Top 5%	37.7	20.0	42.0	85.4	14.6	9.5

The wealth of single parents (HFCS)

	All	Single Adult	Couple	Couple with children	**Single Parent**
% who own their home	70.5	60.3	76.6	68.1	**26.3**
% who own business	20.2	9.9	18.6	23.4	**3.5**
% who have financial assets	89.8	89.3	92.1	91.4	**75.9**
Value of Savings	€4,500	€ 4,000	€6,500	€3,900	**€300**
Credit constrained (%)	18.4	13.1	13.4	25.6	**42.1**
Debt to asset ratio	37.7	24.1	28.8	65.2	**78.3**
Median net wealth	€ 102,600	€ 80,500	€ 144,800	€ 33,100	**€ 1,400**
Mean net wealth	€218,700	€153,400	€255,200	€144,000	**€30,600**
Share of total net wealth (%)	100	15.6	32.9	13.9	**0.6**
% of households	100	22.6	28.0	21.0	**4.4**

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